



Rangitikei District Council

Audit/Risk Committee Meeting

Minutes – Thursday 25 August 2016 – 3:20 p.m.

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Present: Mr Craig O'Connell (Chair)
Cr Dean McManaway
Cr Nigel Belsham
Cr Lynne Sheridan
His Worship the Mayor, Andy Watson

Also present: Cr Cath Ash
Cr Richard Aslett (until 4.50 pm)
Cr Angus Gordon (until 4.25 pm)

In Attendance: Mr Ross McNeil, Chief Executive
Ms Debbie Perera, Audit Director, Audit New Zealand
Mr Michael Hodder, Community & Regulatory Services Group Manager
Mr George McIrvine, Finance & Business Support Group Manager
Ms Samantha Kett, Governance Administrator

1 Welcome

The Chair opened the meeting at 3.20 pm and then adjourned it until Council had concluded its business.

The Chair reconvened the meeting at 3.56 pm and welcomed everyone present.

2 Apologies/Leave of Absence

Nil

3 Members' conflict of interest

Members were reminded of their obligation to declare any conflicts of interest they might have in respect of items on this agenda.

4 Confirmation of order of business

The Chair suggested that item 11 (Board evaluation) be held over until the Committee's next meeting.

5 Confirmation of minutes

Resolved minute number 16/ARK/025 File Ref

That the Minutes of the Audit/Risk committee meeting held on 3 June 2016 be taken as read and verified as an accurate and correct record of the meeting.

Cr Belsham / Cr McManaway. Carried

6 Actions to Address Unacceptable Risk

Mr Hodder highlighted the reduced risk in 5.1 (Breach of health and safety requirements). Despite the new legislation coming into effect from 4 April 2016, the substantial work on work processes and documentation (led by the Health & Safety Adviser contracted by MW LASS), Council was sufficiently secure in its processes to invite ACC to conduct an accreditation audit during September.

Main points raised in discussion were:

- 2.1 (Customer service eroded). The weekly reports provided to Elected Members on requests for service and actions taken were hard to understand. The Chief Executive undertook to have an interpretation guide compiled and included with the reports.
- 2.6 (Inability to recover/continue business following disaster). The loss of staff to help with recovery operations was a risk; after the June 2015 storm, restoration of

the damaged parts of the roading network had been the main focus of work for Council's roading team.

- 2.9 (Business objectives not met). The comment 'Repairs to roads damaged in the June 2015 achieved...' to be changed to 'Repairs....being achieved' so as not to imply that the work had been completed (as it had not).
- 2.11 (Shared Services falters...). The additional comment against 'Review of Infrastructure Shared Service's and feasibility study for forming a CCO' to be deleted. The councils had not taken a decision to 'end' the investigation; rather it was in a new phase.
- 2.12 (Exposure to Council following non-compliance in consent processes). While Council's potable supplies were all chlorinated, it was known that many of those properties on the rural stock water schemes were using that water for drinking and other household purposes. The Committee accepted that chlorinating these schemes would be a prohibitive cost and endorsed the Chief Executive's suggestion to include a reminder about the purpose (and limitations) of the supply in the quarterly invoicing to those on any of these schemes.
- 8.2 (Inaccurate responses to the District's natural hazards). The final comment to read 'However, he [i.e. the Commissioner] sees a need for Horizons to improve the quality of the data' so that it is clear this is not a matter which Council can resolve for itself.

His Worship the Mayor suggested that the Council's signing up to (and using) the Local Government Excellence Programme warranted inclusion. Given the comprehensive coverage of that programme, the Committee agreed to discuss this idea further in a subsequent meeting which was considering the Council's risk framework.

Resolved minute number **16/ARK/026** **File Ref**

That the report 'Actions to address unacceptable risk' to the 25 August 2016 meeting of the Audit/Risk Committee be received.

Cr Belsham / Cr McManaway. Carried

7 Considerations for Joint-Venture Engagement

The Chief Executive noted that the Office of the Auditor General has published two reports on its investigations in to this topic, one of which focussed on Council's involvement with third parties to promote economic development¹.

The Committee agreed to his suggestion that he work with Ms Perera for a report to a subsequent meeting. The scale of Council's joint ventures was comparatively small, but good practice principles applied whatever the scale of the enterprise.

¹ Inquiry into property investments by Delta Utility Services Limited at Luggate and Jacks Point (2014); Local authority involvement in economic development initiatives, 2002.

8 Management Report for Interim Audit Conducted June 2016

The Committee considered the points raised in the draft management report on the interim audit and Mr McIrvine elaborated on the proposed responses.

Main points raised in discussion were:

- Councillors did not have access to Council's internal information systems, but the Mayor did. So it was important for him to be informed of the policies developed to safeguard the network.
- Succession planning was important for the rates administration function, for which Council currently had one experienced staff member. The Committee agreed with the proposed management response but suggested that it include reference to the MW LASS project which included seconding staff to different councils.
- The Committee suggested documenting more clearly how and by whom rates payments plans were authorised and monitored.

Resolved minute number

16/ARK/027

File Ref

That the draft Management Report for Interim Audit Conducted June 2016 be received.

Cr McManaway / Cr Sheridan. Carried

9 Results of the 2014/15 audits – performance of Rangitikei District Council in the five highlighted concerns for the local government sector

Mr Hodder outlined his memorandum.

Main points raised in discussion were:

- In Rangitikei, there were instance of deliberate delay and compression of projects closer to the time when conditions required by a new consent had to be met and the asset was delivering satisfactorily. This strategy would inevitably affect a comparison of actual capital expenditure against budget. In recent years there had been a practice of getting carry-forward projections included in the adopted annual plan (and its budgets). Carry-forwards approved after adoption (but before 30 June) would not show in the budgets considered in the OAG analysis.
- Divergence between budget and actual capital expenditure in Rangitikei was very largely over water/wastewater/stormwater infrastructure. Roading consistently had high alignment.
- It was normal for councils to take a conservative view over depreciation – i.e. that it would typically be higher than actual expenditure.

- The OAG analysis had been unable to take asset performance into account – and the new mandatory measures would not make that possible. Fundamentally, the issue was the extent to which councils were assuring business continuity.

Resolved minute number **16/ARK/028** **File Ref**

That the memorandum 'Results of the 2014/15 audits – performance of Rangitikei District Council in the five highlighted concerns for the local government sector' be received

His Worship the Mayor / Cr Belsham. Carried

10 Understanding the Council's Risk Appetite

The Committee agreed that it was implicitly making a judgement on its risk appetite when deciding which risks to accept and which not to accept in the risk framework. The next review of the framework could benefit from having that judgement made more explicit. The checklists in the paper from Carnegie Mellon University's Office of Risk Initiatives (Exhibits 6 and 7) could help with that.

The Committee endorsed the Chief Executive's suggestion to take building consents as a test case and develop a risk appetite scenario around that for consideration at the next meeting.

11 Board Self-Evaluation

The Committee agreed with the Chair's suggestion to postpone this item until the next meeting. That would allow time for all members to complete the form sent out by the Chair and for him to analyse them.

12 Late items

None

13 Future items for the agenda

None

14 Next meeting

This is the Committee's last meeting for the triennium. The Chair thanked members and staff for their contributions.

15 Meeting closed

5.36 pm

Confirmed/Chair: _____

Confirmed/Chief Executive: _____

Date: _____

Confirmed