



# Rangitikei District Council

## Audit/Risk Committee Meeting

Minutes – Monday 5 December 2016 – 2:00 p.m.

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### Present

Mr Craig O'Connell (Chair)  
Cr Dean McManaway  
Cr Nigel Belsham  
Cr Angus Gordon

### In Attendance:

Mr Ross McNeil, Chief Executive  
Ms Debbie Perera, Audit Director, Audit New Zealand  
Mr Ernest Bernard, Internal Auditor  
Mr Michael Hodder, Community & Regulatory Services Group Manager  
Mr George McIrvine, Finance & Business Support Group Manager  
Mr Hamish Waugh, General Manager – Infrastructure, Manawatu District Council  
Ms Linda Holman, Governance Administrator

### Tabled documents:

Item 1: Letter from LAPP  
Item 2: Internal Audit table

## 1 Welcome

The Chair welcomed the Committee members to the meeting.

## 2 Council prayer

The Chair read the Council prayer.

## 3 Apologies

His Worship the Mayor, Andy Watson. Cr Nigel Belsham – late (attending a function on behalf of the Mayor).

## 4 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. No conflicts of interest were noted by the Committee.

## 5 Confirmation of order of business

The Chair noted that there were two late items to be included.

- 1 Insurance
- 2 Risk appetite

## 6 Confirmation of minutes

<b>Resolved minute number</b>	<b>16/ARK/029</b>	<b>File Ref</b>	<b>3-CT-17-2</b>
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That the Minutes of the Audit/Risk committee meeting held on 25 August 2016 be taken as read and verified as an accurate and correct record of the meeting.

Cr McManaway / Mr O'Connell. Carried

## 7 Audit management report 2015/16

Ms Perera noted that the Council had received an unmodified audit opinion, noting the scrutiny over the mandatory performance measures, the split between operating and capital expenditure for repairs to the roading network following the June 2015 storm event, and whether the 10% threshold for revaluation had been breached for property, plant and equipment – it had not. The management report identified areas for improvement –

summarised on pages 16-17. Ms Perera clarified that the top priorities were Creditor Systems, Master File, and Capital Work in Progress in particular are of the most concern.

Cr Belsham arrived 2.12 pm

Mr McIrvine noted the risks from a high capital works in progress were the potential deficiency in insurance and insufficient provision for depreciation. Implementing a job costing system would help manage this better.

<b>Resolved minute number</b>	<b>16/ARK/030</b>	<b>File Ref</b>	<b>5-EX-2-4</b>
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That the final Management Report for the full year Audit 2015/16 be received.

Cr Belsham / Cr McManaway. Carried

## 8 Outcome of NZTA audit

Mr Waugh spoke to the audit report and noted that the New Zealand Transport Agency's goal was to ensure that the Council's reporting aligns with NZTA reporting, that the Rangitikei District Council keeps the NZTA funds separate from other parts of Council, and that any risk arising from the shared services model is being adequately managed.

Mr McNeill noted that the Chief Executives of the Rangitikei District Council and Manawatu District Council are expecting a report before Christmas 2016 on the intended arrangements for infrastructure shared services, which is expected to be signed off before 1 July 2017. Additionally, the strategy for procurement was finalised at the Council meeting on 1 December 2016, which satisfies one element of the NZTA recommendations.

<b>Resolved minute number</b>	<b>16/ARK</b>	<b>File Ref</b>	<b>5-EX-2-4</b>
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That the final report of the NZTA audit conducted October 2016 be received.

Cr Gordon / Cr Belsham. Carried

## 9 Internal audit programme

Mr McIrvine tabled the document "Possible 2016-17 internal audit reviews" and made a PowerPoint presentation, highlighting the key priorities to be passed on to the Audit/Risk Committee. These were asset revaluation (in progress now), the year-end claim from NZTA, procurement and contract management, works orders/work management, and cash receipting.

The Chair recommended the Committee collate a list of tasks and projects for the coming triennium to be presented to Council for prioritisation. An initial list was discussed at the meeting, and the Chair undertook to circulate this list amongst Committee members for further development, and this will be considered at the next meeting.

Some initial suggestions were:

- Annual Audit review, and periodically other reviews requiring attention
- Natural disaster events: insurance, business continuity, disaster recovery, and understanding areas of unstable ground
- Community facilities being built, in addition to existing capital works
- Risk Management framework, most likely working at a national level through a Local Government Risk Agency
- Ongoing analysis of capital expenditure
- Water billing and future water-related risks
- Risk management framework and register
- Investigation of Fire Emergency NZ funding risk
- Alignment with Council strategic framework and key priorities
- Information management
- Carry-overs and risks around the consenting process

## 10 Committee review

The Chair noted that, given the small size of the Committee, this would best be done after the next meeting in order to give new member Cr Gordon time to research before providing his input.

Additionally, the Chair noted the upcoming LGNZ Regional Audit/Risk Forum session at the Horowhenua District Council on Wednesday 7 December 2016 which may provide ideas to help shape purpose of this Committee.

Committee members indicated that they are happy to delay the process.

## 11 Late items

- 1 Insurance – Mr McIrvine tabled a letter from the Local Authority Protection Programme (LAPP) relating to the recent earthquake events in Kaikoura and Hurunui. There were varying estimates of the draw on LAPP from these earthquakes – both councils are members.
- 2 Risk presentation – Mr McIrvine noted that following the Christchurch earthquakes the volume and quality of information is world leading, and that this translates into greater value for the Rangitikei District Council.

## 12 Future items for the agenda

Understanding Council's risk appetite

Mr McNeil led the discussion, using as an example, where the Council sits on the spectrum of risk around building consents. Council's priorities are around economic development and growth, so the Committee needs to understand how that impacts on local businesses who cannot afford to bring their buildings up to the required earthquake strengthening standards.

Actions from the Risk Management Framework to address risk (July-December 2016)

**13 Next meeting**

Will be held on Monday 13 February 2017, 2.00 pm

**14 Meeting closed**

3.32 pm

Confirmed/Chair: \_\_\_\_\_

Date:

CONFIRMED