



Rangitikei District Council

Audit and Risk Committee Meeting

Minutes – Monday 13 February 2017 – 2:00 p.m.

Contents

1	Welcome	2
2	Council prayer	2
3	Apologies.....	2
4	Members' conflict of interest.....	2
5	Confirmation of order of business	2
6	Confirmation of minutes	2
7	Work Priorities for the Current Triennium.....	2
8	Actions from the Risk Management Framework to Address Risk.....	3
9	Understanding Council's Risk Appetite – Building Consents as a Test Case	4
10	Local Government Excellence Programme	4
11	Committee review.....	5
12	Late items.....	5
13	Future items for the agenda	5
14	Next meeting.....	5
15	Meeting closed.....	5

Present Mr Craig O'Connell (Chair)
His Worship the Mayor, Andy Watson
Cr Angus Gordon

In Attendance: Mr Ross McNeil, Chief Executive
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 11: Rangitikei Audit and Risk Committee Evaluation 2017

1 Welcome

The Chair welcomed everyone to the meeting.

2 Council prayer

The Chair read the Council prayer.

3 Apologies

Apologies from Cr Belsham and Cr McManaway were received.

Cr Gordon / His Worship the Mayor. Carried

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

That, taking into account the explanation provided why the item is not on the meeting agenda and why the discussion of the item cannot be delayed until a subsequent meeting, the Chair accepted the request from the Mayor for guidance on whether changes to the infrastructure shared services arrangement was a matter to be dealt with in the long-term plan process.

6 Confirmation of minutes

Resolved minute number	17/ARK/001	File Ref	3-CT-17-2
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That the Minutes of the Audit/Risk committee meeting held on 5 December 2016 be taken as read and verified as an accurate and correct record of the meeting.

Mr O'Connell / Cr Gordon. Carried.

7 Work Priorities for the Current Triennium

At its meeting on 5 December 2016 the Committee compiled the following list of suggested tasks and projects for the 2016-19 triennium:

- 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

This list was also distributed at all Committee members on 22 December 2016.

Two additions to the list were suggested:

- 'Future structure of Local Government' (the Chief Executive)
- 'Appetite for Risk around Consents' (His Worship the Mayor)
- Infrastructure inspection regimes (Cr Gordon)

The Mayor noted that anticipated changes to the regulatory environment and central government funding could have a negative impact on planned projects, which may mean it is wise to move them forward. Mr O'Connell suggested that scrutinising upcoming changes in legislation and the political situation is a useful role for the Committee to play.

Discussion was held around the problem of assets not performing at a high level. Cr Gordon gave the example of the Mangaweka Bridge and the Mayor gave the example of minor roads being used in the future for forestry and substantially damaged. It was decided that issues around risks of assets could be raised by the Committee to Council in terms of the risks involved, but the ultimate responsibility for asset management is held by the Assets/Infrastructure Committee.

Mr O'Connell asked how best to get a work programme together. Mr McNeil said the Committee needs to define the systems and processes that Council needs to have to articulate, quantify, and manage risk. Mr O'Connell suggested a good start might be to look at some current plans. The Committee agreed that a long-term view was important.

Mr McNeil suggested that a matrix rather than a list be developed, with sections for actions / projects / initiatives. A descriptor is also needed, in order to explain why the item is of concern. It was decided that Mr McNeil and Mr Hodder will draft this and will then share it with Mr O'Connell. Then it will go to Council and come back to the Committee.

8 Actions from the Risk Management Framework to Address Risk

Mr Hodder spoke to the report, noting that for item 2.6 (Inability to recover/continue business following disaster) there is currently no specific plan written down but strong elements are in place, which just need to be drawn into a coherent plan.

Mr McNeil noted that there are fundamental changes coming for local government, and discussion was held on the future of consenting and the future role of Audit NZ in that process. He noted that the code is the minimum standard not the gold standard.

Resolved minute number **17/ARK/002** **File Ref** **5-PO-1-3**

That the report 'Actions from the Risk Management Framework to Address Risk' for July to December 2016 be received.

His Worship the Mayor / Cr Gordon. Carried

9 Understanding Council's Risk Appetite – Building Consents as a Test Case

Mr McNeil led the discussion, aided by a whiteboard diagram which is attached to these Minutes as *Appendix 1*. Mr McNeil suggested that there has to be a building consent philosophy. With regards to the building code, this is the minimum compliance level, and staff currently exercise a (variable) degree of discretion – meeting the intent not the letter of the code.

At the other end of spectrum is zero compliance. In theory the Council has full discretion but this is not the assumed intent of the Building Act. The further from the standard we go, the higher the risk. There is an area where staff could exercise discretion – how do we make sure that level of discretion / flexibility is clear? This needs to be documented.

A rational, documented process will provide confidence to the Council. In the past, the District seemed to have accepted a culture of “do it and hope you don't get caught” but equally people came to Council to say they can't quite make code – this was approved but not documented, which causes issues in the future.

Not all areas of non-compliance deliver the same level of risk, for example the road speed limit has a great risk when not complied with than other non-compliant activities (such as over-long parking). So where are the areas of greatest risk? Life safety – fire, structure; also access for people with disabilities. This is the bottom line; everything else is up for discussion.

Discussion was held around the difference between systemic failure and a local risk, and the risk of design being carried out by underqualified persons. Mr McNeil noted that new builds are considered to be at 100%, but this would be at the Council's discretion.

The Chair noted that the next step is writing the “consenting philosophy”, bringing it back to the Committee, then sending to Council. This will come back to the next meeting.

10 Local Government Excellence Programme

Mr McNeil said that there are two steps to this programme: self-assessment and compilation of reference material. There are 90 indicators that Council will be measured against. One of the main focus areas is audit and risk, with questions such as: *do we have a committee? Are we managing risk appropriately? How do we demonstrate we are effective?* Assessors will spend part of their time on this, and the final assessments and reports will be out in May this year.

The Chair asked whether, due to the short time frame, there was any point in changing risk frameworks, and whether the small size of the Council would be taken into consideration during assessment. Mr McNeil said that the rating may be lower for smaller councils to reflect the reality of what can be achieved. Whatever the final assessment for the Council, it does give a benchmark for continuous improvement.

11 Committee review

The Chair tabled the document “Rangitikei A&R Committee Evaluation 2017” and noted that the content was reduced from the first version. The Committee was happy for the Chair to circulate this electronically to the Committee members.

12 Late items

The Mayor asked for clarification on when something becomes a long term plan item, and what the parameters are. Mr McNeil noted that, for shared services, the method of delivery potentially triggers a Long Term Plan item for a CCO (Council Controlled Organisation).

The Chair noted that various options are available for defining when a LTP item is triggered, and usually only when the issue becomes significant – and that will depend on various factors. For example, high cost may be a trigger for some projects but not where that cost is predictably high, for roading contracts and other predictably expensive projects.

13 Future items for the agenda

Update on the list of work priorities for the current triennium.

14 Next meeting

Monday 12 June 2017, 2.00 pm

15 Meeting closed at 4:31pm

Confirmed/Chair: _____

Date:

Appendix 1

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