



# Rangitikei District Council

## Audit and Risk Committee Meeting

Minutes – Monday 14 August 2017 – 2:00 PM

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- Present:** Mr Craig O'Connell (Chair)  
His Worship the Mayor, Andy Watson  
Cr Nigel Belsham  
Cr Angus Gordon  
Cr Dean McManaway
- In attendance:** Mr Ross McNeil, Chief Executive  
Ms Debbie Perera, Audit Director  
Mr George McIrvine, Finance & Business Support Group Manager  
Mr Hamish Waugh, Infrastructure Group Manager  
Mr Michael Hodder, Community & Regulatory Services Group Manager
- Tabled documents:** Item 11 Interim Audit Management report for 2016/17  
Item 15 Letter dated 9 August 2017 from the Deputy Controller and Auditor General on 2018-28 Long Term Plan audit fees

## 1 Welcome

The Chair welcomed everyone.

## 2 Council prayer

The Chair read the Council prayer.

## 3 Apologies

There were no apologies for absence; Cr McManaway noted he needed to leave at 3.30 pm.

## 4 Members' conflict of interest

The Chair reminded members of their obligation to declare any conflicts of interest they might have in respect of items on this agenda.

## 5 Confirmation of order of business

The Chair accepted three late items on the basis that they had not been known at the time the meeting agenda was prepared and they needed discussion at this meeting.

- Standardising presentation of tender recommendations to Council.
- Update on Edale – subsequently taken at item 13.
- Letter from the Deputy Controller and Auditor General on 2018-28 Long Term Plan audit fees

## 6 Confirmation of minutes

**Resolved minute number**                      **17/ARK/015**                      **File Ref**

That the Minutes of the Audit/Risk Committee meeting held on 12 June 2017 be taken as read and verified as an accurate and correct record of the meeting.

His Worship the Mayor / Cr McManaway. Carried

## 7 Chair's report

No report was provided.

## 8 Committee Review

Two responses were still to be received. The results would be discussed at the next meeting.

## 9 Work Programme Matrix – Further consideration

The Committee discussed the revised matrix:

- Important to include issues raised in Audit management report
- Updates from Chief Executive/Group Managers would provide assurance that this high-level framework did filter down to operational issues – so natural hazards would pick up work on business continuity.
- Useful to include separate columns on ‘frequency’ and ‘comment’ (to make progress/completion explicit).
- The suggested priorities reflected relative importance to Council not the risk; the Committee considered shared services was ‘high’ rather than ‘medium’ but was comfortable with the other suggested priorities in the matrix.

**Resolved minute number**                      **17/ARK/016**                      **File Ref**                      **3-CT-17-5**

That the Audit/Risk Committee’s proposed work programme as amended for the 2016-19 triennium be accepted, subject to alignment with the agreed Internal Audit programme and the outstanding issues raised in the final Audit management report for 2016/17.

Cr Gordon / Cr Belsham. Carried

## 10 Internal Audit Programme

The Committee noted that the final Audit management report could resolve some of the issues in the Internal Audit programme proposed for 2016/17, but otherwise thought it a useful starting point. The new internal auditor would attend Committee meetings when updates were needed or requested.

**Resolved minute number**                      **17/ARK/017**                      **File Ref**                      **5-EX-2-4**

That the proposed internal audit programme for 2017/18 (on the basis of that proposed for 2016/17) be accepted.

His Worship the Mayor / Cr McManaway. Carried

## 11 Interim Audit Management report for 2016/2017

The final interim Audit Management report was tabled. Mr McIrvine elaborated on the proposed management responses and the Committee discussed these:

4.1 Expenditure coding processes. Councils using MagiQ had experienced different problems with the upgrade – a reflection that the system was part SQL and part COBOL. He had provided an early alert of the problem to the Council’s Audit Manager.

4.2 Payroll reviews. There was evidence of checks being done; the issue was evidence that they had been done by the right people and at the right time. A checklist will be added to provide this assurance.

4.3 Manual expenditure approval processes. In the past two years there had been a transformation in payments, so that the vast majority were done through the purchase order system. PAYE and GST were manual, but had compensating controls at IRD. The main exceptions were Council grants, authorised by a Council resolution. In future a second authorising signature would be included. The Committee did not see this as a matter warranting review by the internal auditor.

4.4 Sensitive expenditure approvals. This was a necessary discipline.

5.1 Lack of controls around MagiQ staff access to Council's system. Council's preference would be to have individual logins for each MagiQ staff or (at least) have specified time limits for super user access. Council needs to ensure that appropriate access is always in place so upgrades/problem solving are not impeded.

5.2 Review of MagiQ users access levels. It is expected that a report would be provided through MagiQ to provide this assurance

5.3 Documentation of change management procedures. This had been a gap with MagiQ upgrades, although there was a clear testing process for upgrades.

5.4 Information system policies. Maintaining a high level of cybersecurity issues was important and would continue.

Outstanding matters from previous audits:

- Rates remission – this would be reviewed (and potentially cleared) at the final audit.
- Delegated financial authority – Audit accepted half-yearly checks could be sufficient but needed assurance that they were done by a staff member who could not change the online delegations register.
- Monitoring of contractor performance – the suggested \$50k threshold might be set too low.
- Request for service – reasonable progress
- Journal approval – issue confined to non-standard journals
- Project management – proposed actions by staff training in project management was a useful step.
- Marton Pool – proposed restructuring of contract was a viable solution.
- Creditors Masterfile maintenance review – monthly signoff would address the issue.
- Performance reporting – this would be reviewed (and potentially cleared) at the final audit.

- Payroll maintenance – checklist proposed at 4.2.
- Process for removing Manawatu District Council staff from Rangitikei District Council IT systems when they leave – Council aims to ensure that the process for MDC staff mirrors that for RDC staff.
- Inconsistent procedures for adding and removing users from [IT] systems – essentially the same issue now as for the previous issue, given the standardised procedures for RDC staff. The Committee sought assurance on how the procedures were applied to elected members who had completed their term.
- Virus and patch management – this would be reviewed (and potentially cleared) at the final audit.
- No regular testing of business continuity and IT disaster recovery plans – this work will leverage off work done by other councils.

Ms Perera noted that the new issues raised in the 2016/17 report were really housekeeping. There were no urgent issues or structural breakdowns in processes.

She was satisfied with progress being made with issues raised in previous audits. She suggested that Council was entitled to consider (and accept) the degree of risk in not complying with any recommendation in the Audit management report and, on that basis, if seen as reasonable, the matter would be considered cleared.

She explained that there was a statutory requirement to undertake an annual audit, to comply with audit standards, and reach a 95% assurance. Audit fees were set on the basis that adequate controls are in place: if that were found not the case there would be discussions with that council about the need for more testing and the fee associated with that. In essence, it was the duty of the Council's auditor to be vigilant every year.

**Resolved minute number**                      **17/ARK/018**                      **File Ref**                      **5-EX-2-4**

That the Interim Audit Management report for 2016/17 (and proposed management responses) be received.

His Worship the Mayor / Cr McManaway. Carried

## **12 Risk management framework – considering vulnerability and extrinsic risks**

Mr Hodder spoke to his memorandum. In discussion, the Committee made the following points:

- Including vulnerability was a subtlety for understanding raw risk but needed a national framework to avoid being seen as arbitrary. As presented, it would be difficult for an interested reader of the framework to understand. It was preferable to park this refinement for the time being – but not indefinitely.

- Including extrinsic factors was useful and warranted being addressed in greater detail when presenting a revised framework.
- The revised framework (i.e. with reassessment of raw risk, present risk, effectiveness , the present systems and processes and recommendations about accepting or not accepting each risk should come to the Committee's October 2017 meeting.

**Resolved minute number**                      **17/ARK/019**                      **File Ref**                      **5-PO-1-3**

That the memorandum 'Risk management framework – considering vulnerability and extrinsic risks' be received.

Cr Belsham / Cr McManaway. Carried

### **13 Request from Edale Trust Board for Interest-free loan**

His Worship the Mayor outlined recent developments. Press release were expected soon.

### **14 Aftermath of Havelock North drinking water contamination**

The Committee accepted that the anticipated completion (by the end of December 2017) of stage 2 of the enquiry into the outbreak of gastroenteritis in Havelock North would provide an indication of the likely next steps to be taken by the Government. The broader review approved by Cabinet would undoubtedly take the findings of that enquiry into account and address the critical funding issues.

### **15 Late items**

#### Standardising presentation of tender recommendations to Council

The Committee discussed recent recommendations made to Council and the appropriate balance about disclosing pricing of all contractors, having regard for conventions of commercial-in-confidence and public interest in transparent decision-making.

**Resolved minute number**                      **17/ARK/020**                      **File Ref**

That the Audit/Risk Committee recommends to Council that tenders presented for Council approval include (i) a description of the work/services (from the tender document), (ii) an outline of the evaluation process followed; and (iii) detail on the assessment of price and non-price attributes for each tenderer; and that this consideration by Council be taken in public excluded session, with the outcome – name of successful tenderer and price –being confirmed by resolution in open meeting of Council.

His Worship the Mayor / Cr Belsham. Carried

#### Setting of fees of the 2018-28 Long Term Plan

Ms Perera explained that the next stage (once the adoption of the 2016/17 Annual Report was complete) was for her to prepare the arrangements letter and the engagement plan. She anticipated there would be a self-assessment as part of this process.

**Resolved minute number**                      **17/ARK/021**                      **File Ref**                      **5-PO-1-3**

That the letter from the Deputy Controller and Auditor General on 2018-28 Long Term Plan audit fees be received.

Cr Gordon / His Worship the Mayor. Carried

## **16 Future items for the agenda**

### **October 2017**

Committee review

Understanding Council's risk appetite – possible framework for exercising discretion  
(This will progress the discussion from the Committee's June meeting.)

Revised risk management framework

## **17 Next meeting**

Monday 9 October 2017, 2.00 pm (although this may change depending on the timing for release of the outcome of the Local Government Excellence Programme's assessment for the Council.

## **18 Meeting closed**

4.05 pm

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

Date: