



# Rangitikei District Council

## Audit and Risk Committee Meeting

Minutes – Monday 18 September 2017 – 10:00 am

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### Contents

1	Welcome .....	3
2	Council prayer .....	3
3	Apologies.....	3
4	Members’ conflict of interest.....	3
5	Confirmation of order of business .....	3
6	Confirmation of minutes .....	3
7	Chair’s report .....	3
8	Local Government Excellence Programme outcome.....	4
9	Proposed Council participation in the Local Government Funding Agency as a borrower.....	4
10	Committee review process .....	7
11	Annual Report for year ending 30 June 2017.....	4
12	Internal Audit programme .....	4
13	Late items.....	7
14	Future items for the agenda .....	7
15	Next meeting.....	7
16	Meeting closed.....	7

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

**In attendance:** Mr Ross McNeil, Chief Executive  
Ms Luele Driescher, Internal Auditor  
Mr Michael Hodder, Community & Regulatory Services Group Manager  
Ms Christin Ritchie, Governance Administrator  
Mr Ashley Dahl, Financial Services Team Leader  
Mr Fiona Elkington, Audit Manager (by teleconference)

**Tabled documents:** Item 12: Draft Internal Audit Plan 2017/18

## 1 Welcome

The Chair welcomed everyone to the meeting

## 2 Council prayer

The Chair read the council prayer

## 3 Apologies

That the apologies for the absence of Cr Dean McManaway and Ms Debbie Perera, Audit Director be received.

His Worship the Mayor / Cr Belsham. 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.

## 5 Confirmation of order of business

The Chair noted that Ms Fiona Elkington, Audit Manager, has committed to be phoned into the meeting from 10.15 am so items 11 and 12 would be brought forward to accommodate that.

The Chair accepted one late item from His Worship the Mayor on the basis that it had not been known at the time the meeting agenda was prepared and it needed discussion at this meeting.

- Council contract on LED streetlighting installation

## 6 Confirmation of minutes

**Resolved minute number**                      **17/ARK/022**                      **File Ref:**                      **3-CT-17-2**

That the Minutes of the Audit/Risk Committee meeting held on 14 August 2017 be taken as read and verified as an accurate and correct record of the meeting.

Cr Belsham / Mr O'Connell. Carried

## 7 Chair's report

No report was provided.

Cr Gordon arrived 10.08 am.

## **8 Local Government Excellence Programme outcome**

The Chief Executive updated the Committee in regards to the Local Government Excellence Programme (LGEP). This is an independent look at all councils across the country, where areas of improvement are identified using 96 indicators. The possible ratings range from C to AAA. Definitions for each rating are provided.

The process and deliverables have taken much longer than anticipated. Local Government New Zealand initially thought this would be a few weeks, but it has taken close to 6/7 months. The assessment report for Rangitikei is now due to be released early October.

The process is essentially made up of two review steps. The first step consisted of the assessors' draft report, which was then critiqued and Council given an opportunity to review the content for accuracy. The second step is the review by the Independent Assessment Board, which is yet to be finalised.

## **11 Annual Report for year ending 30 June 2017**

*(Fiona Elkington, Audit Manager was teleconferenced into the meeting at 10.28am)*

A progress assessment was provided by Fiona Elkington. The onsite work is mostly complete, and she and Debbie Perera, Audit Director will be completing their review in the next two or three days. The three-yearly revaluation review of the roading network was not yet settled; it will be based on the whole roading network (apart from land under road)

Although there are some other details to be finalised, no real issues have been identified and, at this stage, there seemed no impediment to Council's adoption of the Annual Report on 28 September 2017 with an unmodified audit opinion.

## **12 Internal Audit programme**

The Internal Audit, Luele Driescher, commented on the internal audit programme for 2017/18 accepted at the Committee's last meeting. She highlighted that the current year focus has been on Value protection to provide assurance on the adequacy and effectiveness of management control over key business processes. The four main areas of focus are NZTA claims, Cash handling, Procurement and contract management, and Audit/Risk Committee attendance and reporting. 160 hours has been allowed to complete this; she has to strictly adhere to this, because the allocation of her time is shared with other MW LASS member councils. Ms Driescher anticipated that the procurement review would focus on one or two contracts; her experience was that typically the learnings from such sampling would readily apply to other contracts.

The Chair was comfortable with the programme but acknowledged that the outcome of the LGEP assessment might mean some amendment.

The process between MW LASS councils has been different depending on the previous audit experiences, with new councils tending to have heat maps covering their main areas and longer running councils having specified areas drilled into.

The Chief Executive explained that, while the Internal Auditor reports to him, she had a direct line to the Committee, initially to the Chair.

*(Fiona Elkington left the call at 10.52am)*

## **9 Proposed Council participation in the Local Government Funding Agency as a borrower**

At its meeting on 31 August 2017, the Finance/Performance Committee considered the documentation required for the Council to formally join the Local Government Funding Agency. The Committee resolved to recommend to Council that the Council's proposed participation in the Local Government Funding Agency (LGFA) as a borrower be referred to the Audit/Risk Committee for consideration and subsequent recommendation to Council. This recommendation was accepted by Council (as a late item) on 31 August 2017.

The Chair suggested that the Committee's concern was to consider whether the documents had been appropriately prepared and scrutinised. He suggested that it was reasonable to rely on the expertise of Simpson Grierson and Russell McVeigh who had done this work. The documents were not unusual or unique, and Council had previously decided, in principle, to become a member of the LGFA.

The Chair noted that borrowing beyond \$20 million would commit the Council to taking a pro rata share of the liability for all LGFA's debt. The Committee acknowledged this, considering that the risk was exceedingly low and it would be some time before Council's borrowing reached that threshold. The Committee could see no possibility of funds not being available when required but considered that Council's current borrowing and related police should be reviewed so that there was clear alignment with what was intended with LGFA.

The report 'Local Government Funding Agency update' and its 11 appendices as provided to the Finance/Performance Committee are attached.

<b>Resolved minute number</b>	<b>17/ARK/023</b>	<b>File Ref</b>	<b>5-FM-8-3</b>
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1	That the report 'Local Government Funding Agency update' as provide to the Finance/Performance Committee's meeting on 31 August 2017 be received.		
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2	That the Audit/Risk Committee recommends to Council that Council:		
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agrees to participate in the LGFA Scheme as a Borrower, which will include the following:

a. entry into the following documents:

- i. Debenture Trust Deed between the Council and Trustees Executors Limited;
- ii. Registry Customer Agreement between the Council and Link Market Services Limited;
- iii. Security Transition Deed between the Council, Westpac New Zealand Limited, Westpac Banking Corporation and Covenant Trustee Services Limited;
- iv. Accession Deed to Notes Subscription Agreement between the Council

- and the LGFA;
  - v. Accession Deed to Multi-Issuer Deed between the Council and LGFA;
  - vi. Security Stock Certificate in favour of LGFA;
  - vii. Security Stock Certificate in favour of Westpac New Zealand Limited and Westpac Banking Corporation;
- b. subscribing for Borrower notes with LGFA;
- c. issuing stock to lenders in accordance with the Debenture Trust Deed;
- d. any other things which are contemplated in the attachments to this report that a Borrower will do; and
- e. anything which is not specifically described in paragraphs (a) to (d) above, but which is ancillary to or not materially different from those.
- 3 That the Audit/Risk Committee recommends to Council that Council:
- delegates authority to the Chief Executive to:
- a. Agree the terms on which Rangitikei District Council participates in the LGFA Scheme as a Borrower, including which of the arrangements described above are entered into and the terms of those arrangements;
  - b. Determine how Rangitikei District Council exercises its rights under the arrangements entered into in connection with the LGFA Scheme.
- 4 That the Audit/Risk Committee recommends to Council that Council:
- delegates authority to the Chief Executive to execute such documents and take such other steps on behalf of the Council as the Chief Executive considers it is necessary or desirable to execute or take in connection with Rangitikei District Council's participation in the LGFA Scheme as a Borrower.
- 5 That the Audit/Risk Committee recommends to Council that Council:
- authority be delegated to His Worship the Mayor, and the Chair of the Finance/Performance Committee to execute the Debenture Trust Deed and such other deeds on behalf of the Council as the Chief Executive considers it is necessary or desirable for them to execute in connection with Rangitikei District Council's participation in the LGFA Scheme as a Borrower.
- 6 That the Audit/Risk Committee recommends to Council that Council:
- reviews and aligns it's borrowing and related policies in light of Council's membership of the Local Government Funding Agency and its intention to borrow from the

agency.

Mr O'Connell / Cr Gordon. Carried

## **10 Committee review process**

The results would be discussed at the next meeting.

## **13 Late items**

Council contract regarding LED street lighting installation

The Committee discussed the recent contract awarded for the LED street lighting installation, and the process/system used to award this. The Chief Executive noted that he had discussed this issue with the Internal Auditor and they had agreed that this would be the first item on the Internal Audit programme for 2017/18. Three aspects would be considered:

- reviewing the process to award the contract against Council's procurement policy,
- examining the status of the entity which was awarded the contract, and
- identifying any residual risks and defining these.

## **14 Future items for the agenda**

### **December 2017**

Understanding Council's risk appetite – possible framework for exercising discretion (This will progress the discussion from the Committee's June 2017 meeting.)

Revised risk management framework (This will include the points raised at the Committee's August 2017 meeting.)

Audit Arrangements letter and engagement plan for the 2018-28 Long Term Plan (as foreshadowed at the Committee's August 2017 meeting),

## **15 Next meeting**

Monday 11 December 2017, 2.00 pm

## **16 Meeting closed**

11.30 am.

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

Date: