

Rangitikei District Council

Audit and Risk Committee Meeting

Minutes – Monday 11 June 2018 – 2:00 pm



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

In attendance: Mr Ross McNeil, Chief Executive
Ms Debbie Perera, Audit Director
Mr Michael Hodder, Community & Regulatory Services Group Manager
Mr George McIrvine, Finance & Business Support Group Manager
Mr Hamish Waugh, Infrastructure Group Manager
Ms Katrina Gray, Senior Policy Analyst/Planner

Tabled Documents: Item 12: Audit/Risk Committee Evaluation 2018 - Combined

Item 13: Report on the Audit of the Long Term Plan Consultation Document
Audit Plan for 2017/18 Annual Report

1 **Welcome**

The Chair welcomed everyone to the meeting.

2 **Council prayer**

The Chair read the Council prayer.

3 **Apologies**

The apologies of Cr McManaway and Cr Gordon were noted.

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 accepted updating the progress of the transfer of ownership of Edale as 'within the scope of Matters Arising'.

6 **Confirmation of minutes**

Resolved minute number	18/ARK/009	File Ref	3-CT-17-2
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That the Minutes of the Audit/Risk Committee meeting held on 12 February 2018 be taken as read and verified as an accurate and correct record of the meeting.

His Worship the Mayor / Mr O'Connell. Carried

7 **Matters Arising**

Edale

His Worship the Mayor reported that merger agreements between Edale and the Masonic Village Trust have been completed, making the Masonic Village Trust the new owners of Edale. There are future plans for the redevelopment of the site. This means that the risk to Council has been removed as there will be no further Council involvement required. His Worship the Mayor noted he will thank Council for the work they undertook in ensuring the ongoing viability of Edale.

8 **Chair's report**

The Chair did not provide a report.

9 Questions put at previous meeting for advice or action

The Committee noted Council's confirmation of the recommendations made by the Audit/Risk Committee (at its 12 February 2018 meeting) regarding Council's risk appetite for building consenting and the raising of debt per resident levels. Joint and several liability remained an unresolved issue.

The Chair noted support for Council's position, which is consistent with the Ministry of Business Innovation and Employment's considerations of rebalancing risk in the construction sector.

10 Review of the three water infrastructure – Cabinet decisions, 9 April 2018

The update in the agenda was noted. The Committee discussed the potential implications of the Government's review of the three waters infrastructure. Changes will be imposed by Government which will be some form of aggregation, possibly at a regional level but possibly at a greater level. There is a commitment that the assets will remain in public ownership. One key issue to address is the different levels of investment (and debt) among councils over these assets. There is an opportunity to work regionally to pre-empt a potential solution.

Undertaking	Subject	Timing of Government's review of the three waters infrastructure
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The timeframes for the review to be circulated to Committee members.

Undertaking	Subject	Government review of the three waters infrastructure review
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The Government review of the three waters infrastructure review to become a standing item for the Audit/Risk Committee. .

11 Work Programme Matrix – Progress update

The work programme matrix (outlining progress to 31 May 2018) was taken as read. The Committee agreed that there were no items missing from the work programme.

Resolved minute number	18/ARK/010	File Ref	3-CT-17-5
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That the Audit/Risk Committee's work programme matrix (outlining progress to 31 May 2018) report be received.

Cr Belsham / His Worship the Mayor. Carried

12 Internal Audit programme – status report

The Committee noted the resignation of Luele Driescher from the Internal Audit role. MW LASS is currently considering options for replacing this role. In the short-term it will be outsourced.

Mr McIrvine reported that his team are currently working on the year-end review of the New Zealand Transport Agency claims, and there are still some outstanding actions regarding cash handling. The Committee agreed that it is important that the review of cash handling is finalised once the Internal Audit role is replaced.

The Committee discussed potential risks around the accountability of roading contractors. The risk is most significant for emergency works where there is less oversight by staff, but there are processes in place to review claims to reduce this risk.

13 Committee review process

The Chair spoke to the tabled document and the Committee focused on the following points:

- Timing of the meetings – could be reviewed to align with other Council meetings.
- Value – the Committee discussed whether it was time to review the terms of reference, currently there are some responsibilities which are being addressed by other Council committees.
- Being informed between meetings – there were responses which suggested low satisfaction of being informed between meetings. The issue needs to be known before it can be addressed.
- Strategic foresight – concerns about the process for the Bulls Community Centre were raised. For future projects there needs to be an increased understanding of implications of decisions made. This will be addressed by the completion of a business case process.

Undertaking	Subject	Review of Audit/Risk Terms of Reference
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A review of the terms of reference, including objectives for the Audit/Risk Committee to be considered at the next meeting.

Undertaking	Subject	Discussion of item 11 – informing of Committee members
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Committee members to have a discussion on concerns about not being fully informed of all material matters between meetings and report back at a subsequent meeting.

14 **Draft management report from Audit New Zealand on the Consultation Document for the 2028-28 Long Term Plan**

Ms Perera spoke to two tabled documents.

Draft management report from Audit New Zealand on the Consultation Document for the 2028-28 Long Term Plan

Ms Perera noted the following:

- Council received an unmodified opinion which shows they were satisfied with the Consultation Document.
- Planning and budgeting processes – there were initial areas of non-compliance which were addressed.
- Asset management – the asset management plans were sufficiently robust.
- Areas of audit emphasis – were no concerns.

The level of detail the auditors are involved with was discussed and raised as a concern. Ms Perera noted the aim of audit is to ensure the document is as clear as possible.

With regard to the recent announcement of the Government's intended restructuring of the management of the three waters, Ms Perera suggested that a disclosure note was the preferable way to signal this in the final Long Term Plan (rather than add a new significant assumption). This might be prepared jointly by the Office of the Auditor General and the Society of Local Government Managers.

Audit Plan for the year ending 10 June 2018

Ms Perera noted the Audit Plan for the Annual Report was an initial plan and was open to amendment. Ms Perera highlighted the key topics in the document.

There was discussion on the reinstatement of capital values for roads that were damaged in the storm event of 2015 and the fair value versus capital value disclosures. The replacement value of buildings (as well as for below-ground infrastructure) needed to be shown.

Resolved minute number **18/ARK/011** **File Ref**

That the Draft management report from Audit New Zealand on the Consultation Document for the 2028-28 Long Term Plan and the Audit Plan from Audit New Zealand be received.

Cr Belsham / His Worship the Mayor. Carried

15 **Progress with actions to reduce risks not accepted**

The report was taken as read. Mr Hodder highlighted the following

- Section 2.7 - relationship with Maori has been progressed, as Council has recently employed a Strategic Advisor – Iwi/Hapu. The development of the job description

and recruitment process for this role was undertaken jointly with the Te Roopu Ahi Kaa Komiti.

- Section 5.6 - Council has an ongoing project for documenting processes into the Promapp system to reduce the impact of loss of corporate knowledge.

Resolved minute number **18/ARK/012** **File Ref** 5-PO-1-3

That the report 'Actions from the Risk Management Framework to Address Risk' for January to May 2018 be received.

Mr O'Connell / Cr Belsham. Carried.

16 **Late items**

There were no late items.

17 **Future items for the agenda**

Draft Annual Report for 2017/18

Review of Terms of Reference and objectives for the Audit/Risk Committee

Government review of the three waters infrastructure – standing item

18 **Next meeting**

To be confirmed. Reconsideration will be given to aligning the next meeting with the 2017/18 Annual Report audit process and existing Council meetings.

19 **Meeting closed**

3.58 pm

Confirmed/Chair: _____

Date: