



Rangitikei District Council

Audit and Risk Committee Meeting

Minutes – Thursday 30 August 2018 – 9:00 am

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The quorum for the Audit and Risk Committee is 3.

Council's Standing Orders (adopted 3 November 2016) 10.2 provide: The quorum for Council committees and sub-committees is as for Council, i.e. half the number of members if the number of members (including vacancies) is even or a majority if the number of members is odd.

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

Also Present: Cr David Wilson

In attendance: Mr Ross McNeil, Chief Executive
Mr Michael Hodder, Community & Regulatory Services Group Manager
Ms Debbie Perera, Audit Director
Ms Nardia Gower, Governance Administrator
Ms Selena Anderson, Governance Administrator
Mr David Kelly, Cotton Kelly
Mr Michael Smit, Cotton Kelly

Tabled Documents Nil

1 Welcome

The meeting started at 9.04am. The Chair welcomed everyone to the meeting including Debbie Perera, Michael Smit and David Kelly.

2 Council prayer

The Chair read the Council prayer.

3 Apologies

That the apology for the late arrival of Cr McManaway was received.

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.

There were no declared conflicts of interest.

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,

37 Kensington Rd, Marton

be dealt with as a late item at this meeting.

There was no scheduled change to the order of business.

6 Confirmation of minutes

Resolved minute number	18/ARK/013	File Ref	3-CT-17-2
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That the Minutes of the Audit/Risk Committee meeting held on 11 June 2018 be taken as read and verified as an accurate and correct record of the meeting.

Cr Belsham / His Worship the Mayor. Carried

7 Chair's report

The Chair did not provide a report.

8 Questions put at previous meeting for advice or action

Addressed in items 9, 11 and 12.

9 Review of terms of reference and objectives for the Committee

The Chair led the Committee's discussion.

Cr McManaway arrived at 9.13am. The Chair checked that Cr McManaway had no conflicts of interest to declare

The following points were raised:

- The Committee's role is to ensure the process and monitoring of the framework that supports and service/project delivery is sound and mitigates risk. This includes information received by Council for projects, and what learnings are gained during and post service and project delivery.
- The Committee's role is to ensure the process and system of deciding to outsource or insource work is sound and the decision appropriate.
- Other Council committees should consider the Audit/Risk Committee as an avenue to provide a level of scrutiny should Council have concerns over a project or service.
- Council management should consider the Audit Risk Committee as an avenue to act as a sounding board on technical issues or as a support for potential disagreements between external audit and council that have escalated to a governing body level either prior or post an Audit Report.

The following amendments to draft were noted:

- | | |
|--------|--|
| Item 2 | Appetite for Risk (words from page 28 – LGNZ, <i>Audit and risk management</i> , page 2: 'Areas of focus...') |
| Item 5 | Oversight of Shared Services – revised wording to be drafted by the Chief Executive from a risk perspective, likewise business cases |
| Item 6 | The Committee to act as a sounding board for relevant issues that arise between management and External Audit. |

Resolved minute number	18/ARK/014	File Ref	3-OR-3-4
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That the memorandum 'Review of the terms of reference for the Audit/Risk Committee' be received.

and

That the Audit/Risk Committee recommends to Council that it adopts the 'Audit Risk Committee terms of reference', as amended.

Cr Belsham / Cr McManaway. Carried

10 Draft Annual Report for 2017/18

The Committee noted the commentary in the agenda.

11 Update on the Government's review of the 3 waters infrastructure

Mr McNeil gave a verbal update with the following key points:

Central Government has been clear about their desire to review the Three Waters. This has been driven in part by the Havelock North drinking water incident. Central government are considering whether the country will be divided on to a five entity framework or by regional council boundaries. The first report is due before Cabinet in October 2018, following which will be the establishment of a regulatory agency and detail on the new frame work.

Resolved minute number	18/ARK/015	File Ref	3-OR-3
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That the verbal update on the Government's review of the 3 waters infrastructure is received.

Cr Gordon / Chair. Carried

12 Informing members about material matters between meetings

The Chair noted that he will ensure raised issues and conversation occurring between meetings will be shared with committee members.

13 Management report from Audit New Zealand on the 2018-28 Long Term Plan

Ms Perera spoke to the report noting that the Audit NZ issued an unmodified audit opinion. This meant the LTP meets the statutory purpose and provides a reasonable basis for long-term integrated decision-making and co-ordination of the Council's resources and accountability of the Council to the community.

The misstatements were not derived from a system or process point of view and were explained by Ms Perera not material to adjust but are obliged to be reported.

Resolved minute number	18/ARK/016	File Ref	1-LTP-4-1
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That the Management report from Audit New Zealand on the 2018-28 Long Term Plan be received.

HWTM / MM. Carried

14 Work Programme Matrix – Progress update

Mr Hodder took the matrix as read. It was noted that Central Government has currently halted the Risk Agency, who would have been helpful in guiding the committee.

The committee discussed the risks associated with natural disasters and council continue to work alongside the regional council on gaining information on liquefaction prone areas of the district. It was noted that the insurance underwriter at Lloyd's states information in New Zealand is second to none.

Resolved minute number **18/ARK/017** **File Ref** **3-CT-17-5**

That the Audit/Risk Committee's work programme matrix (outlining progress to 20 August 2018) report be received.

MM / NB. Carried

15 Internal Audit programme – status report

David Kelly and Michael Smit (from Cotton Kelly) were in attendance and explained their current process of identifying key projects and getting synergy between councils, preparing a matrix for three member councils. They listed the top 6 elements as:

- 1 Procurement procedure
- 2 Cyber Security
- 3 Cash handling
- 4 Payroll process control
- 5 Conflicts of interest
- 6 Fraud

16 Late items

The Committee discussed the matter of 37 Kensington Road, Marton in the upcoming Council meeting later that day.

17 Future items for the agenda

Update from Cotton Kelly on internal audit matrix.

Revised Terms of reference

18 Next meeting

To be determined.

19 Meeting closed

10.32am

Confirmed/Chair: _____

Date: