



RANGITIKEI

DISTRICT COUNCIL

Making this place home.

Audit/Risk Committee Meeting

Order Paper

**Thursday, 30 August 2018
9.00am**

**Council Chamber, Rangitikei District Council
46 High Street, Marton**

Website: www.rangitikei.govt.nz
Telephone: 06 327-0099

Email: info@rangitikei.govt.nz
Facsimile: 06 327-6970

Chair

Mr Craig O'Connell

Membership

Councillors Nigel Belsham, Angus Gordon and Dean McManaway
His Worship the Mayor, Andy Watson (ex-officio)

Please Note: Items in this agenda may be subject to amendments or withdrawal at the meeting. It is recommended therefore that items not be reported upon until after adoption by the Council. Reporters who do not attend the meeting are requested to seek confirmation of the agenda material or proceedings of the meeting from the Chief Executive prior to any media reports being filed.



Rangitikei District Council

Audit and Risk Committee Meeting

Agenda – Thursday 30 August 2018 – 9:00 am

Contents

1	Welcome	2	
2	Council prayer	2	
3	Apologies.....	2	
4	Members' conflict of interest	2	<i>Agenda note</i>
5	Confirmation of order of business	2	<i>Agenda note</i>
6	Confirmation of minutes	2	Attachment 1, pages 6-13
7	Chair's report	2	<i>Verbal update</i>
8	Questions put at previous meeting for advice or action.....	2	<i>Agenda note</i>
9	Review of terms of reference and objectives for the committee.....	2	Attachment 2, pages 14-35
10	Draft Annual Report for 2017/18.....	3	<i>Agenda note</i>
11	Update on the Government's review of the 3 waters infrastructure	3	<i>Verbal update</i>
12	Informing members about material matters between meetings	3	<i>Discussion</i>
13	Management report from Audit New Zealand on the 2018-28 Long Term Plan	3	Attachment 3, pages 36-43
14	Work Programme Matrix – Progress update	3	Attachment 4, pages 44-48
15	Internal Audit programme – status report	4	<i>Verbal update</i>
16	Late items.....	4	
17	Future items for the agenda	4	
18	Next meeting.....	4	
19	Meeting closed.....	4	

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.

1 Welcome

2 Council prayer

3 Apologies

4 Members' conflict of interest

Members are 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

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, be dealt with as a late item at this meeting.

6 Confirmation of minutes

The Minutes of the Audit/Risk Committee meeting held on 11 June 2018 are attached.

File ref: 3-CT-17-2

Recommendation:

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.

7 Chair's report

A report will be provided at the meeting.

Recommendation:

That the Chair's report to the Audit/Risk Committee meeting held on 30 August 2018 be received.

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

A memorandum is attached.

File ref: 3-OR-3-4

Recommendations:

1. That the memorandum 'Review of the terms of reference for the Audit/Risk Committee' be received.
2. That the Audit/Risk Committee recommends to Council that it adopts the terms of reference [without amendment/as amended] as reviewed by the Committee at its meeting on 30 August 2018

10 Draft Annual Report for 2017/18

A preliminary draft of the financial reports and statement of service performance is being considered at the Finance/Performance Committee on 30 August 2018. The final audit commences on 10 September 2018. Adoption is planned for 11 October 2018.

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

A verbal update will be provided to the meeting.

File ref: 3-OR-3

Recommendation:

That the verbal update on the Government's review of the 3 waters infrastructure is received.

12 Informing members about material matters between meetings

At its last meeting, the Committee agreed to have a discussion on this at a subsequent meeting.

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

The report from Audit New Zealand is attached.

File ref: 1-LTP-4-1

Recommendation:

That the Management report from Audit New Zealand on the 2018-28 Long Term Plan be received.

14 Work Programme Matrix – Progress update

The work programme matrix (outlining progress to 20 August 2018) is attached.

File ref: 3-CT-17-5

Recommendation:

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

15 Internal Audit programme – status report

David Kelly and Michael Smit (from Cotton Kelly) will be in attendance to share their preliminary views on their work for the Internal Audit function.

16 Late items

17 Future items for the agenda

18 Next meeting

To be determined.

19 Meeting closed

Attachment 1

Rangitikei District Council

Audit and Risk Committee Meeting

Minutes – Monday 11 June 2018 – 2:00 pm



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	Questions put at previous meeting for advice or action.....	4
9	Review of the three water infrastructure – Cabinet decisions, 9 April 2018.....	4
10	Work Programme Matrix – Progress update	4
11	Internal Audit programme – status report.....	5
12	Committee review process	5
13	Draft management report from Audit New Zealand on the Consultation Document for the 2028-28 Long Term Plan	6
14	Progress with actions to reduce risks not accepted.....	6
15	Late items.....	7
16	Future items for the agenda	7
17	Next meeting.....	7
18	Meeting closed.....	7

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

Unconfirmed

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:

Attachment 2



Memorandum

To: Audit/Risk Committee

From: Michael Hodder

Date: 27 August 2018

Subject: **Review of the terms of reference for the Audit/Risk Committee**

File: 3-OR-3-4

At its meeting on 11 June 2018, the Committee decided it would review its terms of reference, including objectives, at its next meeting. The Committee considered that some responsibilities assigned to the Committee were being addressed by other Council committees.

The current terms of reference for the Audit/Risk Committee are attached as Appendix 1. The current terms of reference for Council's other standing committees – Assets/Infrastructure, Finance/Performance and Policy/Planning – are attached as Appendix 2. The guide prepared by Philip Jones for Local Government New Zealand, 'Local Government Audit & Risk Management' is attached as Appendix 3. Particularly relevant to the Committee's review are 'Areas of focus for an audit and risk committee' (page 2) and 'Roles and responsibilities' on page 4.

The first area of focus of the LGNZ guide is financial reporting. This is the most obvious area of potential duplication. The delivery of a sound financial information and outcome are a key focus of the Finance/Performance Committee, which typically considers the financial results (including variances) on a monthly basis. Because of the entwinement with non-financial performance, the Statement of Service Performance has been provided to the Finance/Performance Committee too. The Audit/Risk Committee currently is expected to review both financial and non-financial performance on a quarterly basis. The LGNZ guide suggests that the Audit/Risk Committee should consider internal financial reports as well as the appropriateness of accounting policies and long-term planning (including the financial strategy). In effect, the Audit/Risk Committee is monitoring the integrity of the management of financial and non-financial statements. (The Finance/Performance Committee also determines major contracts (i.e. those exceeding the delegation to the Chief Executive, investments and loans and statutory financial policies.)

The second area of focus of the LGNZ guide is risk management and the system of internal controls. The current terms of reference for the Audit/Risk Committee include this, but also specify a number of specific risks to be monitored or to have oversight (e.g. hazard management, insurance, and shared services). It may be that the Audit/Risk Committee would prefer to receive regular assurance reports from management on such matters – taking a broader view on regulatory compliance, business resilience and other contentious matters (so would include the review of audits conducted by the New Zealand Transport Agency and assessment reports on the Council's role as a Building Consent Authority, both of which are separately specified in the current terms of reference). This could complement the six-monthly update on actions taken by management to address those aspects of the risk management framework where the Committee has not accepted the risk

The third area of focus for the LGNZ guide is external audit, which is reflected in the terms of reference for the Audit/Risk Committee. However, the LGNZ guide suggests that the Committee monitors progress with the recommendations, which is not specifically noted in the current terms of reference.

The fourth (and final) area of focus for the LGNZ guide is internal audit, suggesting that it has a role in appointing the internal auditor, determining the scope of work and reviewing the Council's responses to internal audit recommendations. While covered in the current terms of reference for the Audit/Risk Committee, some expansion of this area would seem appropriate together with providing the Committee with specific authority to undertake more intensive review of significant risks where, in the Committee's view, further scrutiny is required.

The suggested changes to the Committee's terms of reference are attached (as a marked-up draft) as Appendix 4.

Recommendations

1. That the memorandum 'Review of the terms of reference for the Audit/Risk Committee be received.
2. That the Audit/Risk Committee recommends to Council that it adopts the terms of reference [without amendment/as amended] as reviewed by the Committee at its meeting on 30 August 2018.

Michael Hodder
Community & Regulatory Services Group Manager

Appendix 1

	Audit/Risk Committee
Chair	Craig O'Connell (Independent Member)
Purpose	To ensure probity in the management of Council's operations and its assets and a close regard for minimising risk
Outcomes <i>The Council and the community are confident that....</i>	<ul style="list-style-type: none"> the Council's financial operations and the delivery of Council services – <ul style="list-style-type: none"> (i) comply with all relevant legislation, regulations and standards; and (ii) comply with Council's own policy. the relationship with Council's auditors and other external agencies undertaking monitoring of Council's performance is meaningful and open the risks to Council's effective management and its reputation are well understood and addressed.
Terms of reference	<ol style="list-style-type: none"> Review of the draft Annual Report prior to adoption Review of management reports provided by Council's auditors Review of audits conducted by New Zealand Transport Agency Review of assessment reports on Council's role as a Building Consent Authority Review of reporting to external agencies required by statutory instrument¹ Review of variations from Council's policies on investment, liability management and procurement Review of project management reporting Review of joint venture proposals Quarterly monitoring of financial performance Quarterly monitoring of service performance Monitoring of hazard management Monitoring of any undertakings made in response to the exercise of any Ministerial assistance or intervention² Oversight of the Council's treasury function Oversight of the periodic valuation of Council's assets Oversight of Council's insurance arrangements Oversight of internal audit projects (through MW LASS) Oversight of shared services with other councils Oversight of corporate policies which identify unethical, questionable or illegal activities Oversight of risk management framework and actions to reduce risk Annual review of the terms of reference³

Adopted by Council resolution, 31 July 2014; amended by Council resolution, 1 October 2015; confirmed for 2016-19 triennium by Council resolution, 3 November 2016.

¹ For example, reporting to the Ministry for the Environment under the National Monitoring System or to Archives New Zealand under the Public Records Act.

² Part 10, Local Government Act 2002.

³ Added – Committee recommendation, 1 September 2015; adopted by Council, 1 October 2015.

Appendix 2

Council's three standing committees for the 2016-19 triennium

	Finance/Performance	Assets/Infrastructure	Policy/Planning
Chair	Cr Belsham	Cr McManaway	Cr Gordon
Purpose	To ensure robust and transparent management of the Council's finances and maximising performance	To ensure sustainable management of Council-owned assets/infrastructure which achieves compliance with government requirements and high community satisfaction	To ensure the Council has a comprehensive planning, policy and regulatory framework which reflects legislative requirements and builds resilient communities
Outcomes <i>The Council and the community are confident that.....</i>	<ul style="list-style-type: none"> the Council's financial position and the delivery of Council services – <ol style="list-style-type: none"> are robust, are readily accessible, are monitored and reported regularly and accurately, reflects good practice, and compare favourably with councils of similar size and characteristics. the rates struck each year – <ol style="list-style-type: none"> are a fair representation of the cost and availability of services and facilities within the District, align favourably with the local government sector price index 	<ul style="list-style-type: none"> the Council's continuing investment in its infrastructure is clearly supported by – <ol style="list-style-type: none"> accurate condition information and assessment, intelligent procurement, sound asset management practice, scheduled reviews of timeframes and priorities, and informed understanding of present and future demand, in terms of legal requirements, economic activity and demographic projections. opportunities for community management or ownership of 	<ul style="list-style-type: none"> the Council's plans are developed openly with the District's communities, reflect agreed priorities and are effectively implemented. the Council's policies and bylaws recognise and support the priorities of the District. the Council's engagement with communities – <ol style="list-style-type: none"> is robust, occurs collaboratively, secures support from external agencies including central government, and builds resilience.

	<p>changes,</p> <p>(iii) avoid large differences between years, both for individual ratepayers and the District as a whole,¹</p> <p>(iv) do not result in material variations of payment by ratepayers in different area units.²</p> <ul style="list-style-type: none"> the District draws benefit from collaboration with other councils and agencies through demonstrable – <ul style="list-style-type: none"> (i) lower costs, (ii) improved services, and (iii) stimulus to the local economy 	<p>Council facilities and local service contracts are thoroughly canvassed and implemented when demonstrably financially viable</p>	<ul style="list-style-type: none"> Council is well informed of all relevant government legislation and policies, and endeavours to influence proposed changes to these where the interests of the District are significantly affected.
Terms of reference	<ol style="list-style-type: none"> Financial strategy *Statutory financial policies³ Oversight of Council budgeting and financial management Investments and loans Major contracts⁴ – approval and subsequent monitoring Regional collaboration/shared services with other councils 	<ol style="list-style-type: none"> Infrastructure strategy Asset management planning Council owned infrastructure <ul style="list-style-type: none"> Water (including rural water supplies) Sewage and the treatment and disposal of sewerage Stormwater drainage Consents management 	<ol style="list-style-type: none"> *Annual Plan/Long Term Plan Legislation and governance issues *Statutory non-financial policies and statements Consultation processes⁷ Governance-level policies (non-statutory) Path to Well-being Initiative and other community development

¹ This will be achieved by rates modelling for all properties (and the consequent availability of 'dummy' rates assessments).

² These are the Statistics New Zealand group of mesh blocks.

³ As prescribed by the Local Government Act 2002 section 101.

⁴ Those exceeding the delegation to the Chief Executive to approve or where that delegation is not exercised.

	<p>7. Economic development initiatives⁵</p> <p>8. Property sales, leases and licences to occupy</p> <p>9. Forestry</p> <p>10. Council-funded grant schemes⁶</p> <p>*Up to adoption</p>	<p>4. Council roading and footpath network</p> <ul style="list-style-type: none"> • Programme monitoring • Emergency works • New Zealand Transport Agency funding and requirements <p>5. Council owned facilities –</p> <ul style="list-style-type: none"> • halls, toilets • parks, reserves, • swimming pools, community housing, • libraries, information centres • cemeteries <p>6. Solid waste management</p>	<p>programmes</p> <p>7. District Plan monitoring</p> <p>8. *Bylaw development and review</p> <p>9. Emergency management planning</p> <p>*Up to adoption</p>
Delegations	Each Committee has the power to delegate to a sub-committee any authority or power to determine matters within its field of activity or responsibility, as covered by Section 32(3) of Schedule 7 of the Local Government Act 2002		
Exclusions	<p>Matters prohibited under clause 32(1) Schedule 7 of the Local Government Act 2002 from being delegated:</p> <ul style="list-style-type: none"> • the power to make a rate, • the power to make a bylaw, • the power to borrow money, or purchase or dispose of assets, other than in accordance with the long-term plan, • the power to adopt a long-term plan, annual plan or annual report, • the power to appoint a chief executive, • the power to adopt policies required to be adopted and consulted on under this Act in association with the long-term plan or developed for the purpose of the local governance statement, or • the power to adopt a remuneration and employment policy. <p>Other matters to be dealt with directly by Council</p> <ul style="list-style-type: none"> • Council's governance structure, standing orders etc., 		

⁷ Clause 76AA of the Local Government Act 2002 Amendment Bill 2013 provides for a Significance and engagement policy.

⁵ For example, oversight of the Irrigation Acceleration Fund project (co-funded with the Ministry for Primary Industries) and consideration of the future of the Kensington Road (Marton) site.

⁶ Currently the Community Initiatives Fund and the small projects grants made available to Community Boards and Community Committees.

	<ul style="list-style-type: none"> • Council representation on external bodies, • Remuneration to Elected Members (including allowances and reimbursement of expenses), • Delegations to the Chief Executive and other staff, • Submissions (and deliberation on submissions), • Petitions and Public Forum, • Recommendations from the Community Boards or any Council committee (including Te Roopu Ahi Kaa, the community committees and the rural water supply management sub-committees), • Reports from the Chief Executive on staffing, internal capability, process and system improvements, and other operational matters, • Responses made to any exercise of Ministerial powers of assistance and intervention⁸ and • Any matter deemed necessary to be considered in a 'public excluded' meeting. <p>Any resolution at any Committee which three or more Elected Members vote against and ask for their votes to be recorded <i>or</i> which the Chair rules (on the basis of advice from the Chief Executive) as being substantially different from any option presented in the officer's report – such resolutions to be recast as recommendations to the Council.</p>
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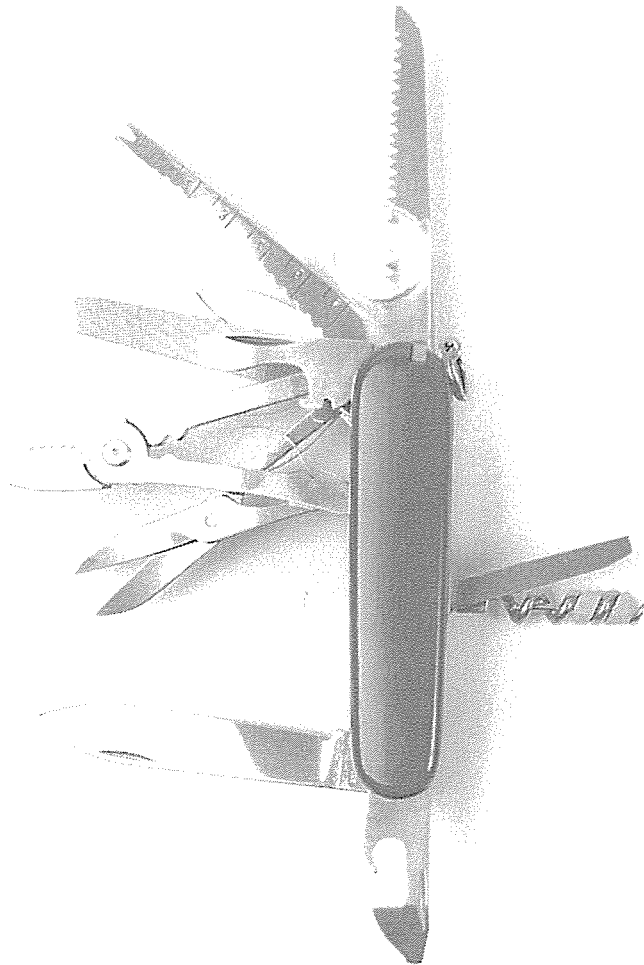
Adopted By Council, 3 November 2016: 16/RDC/285

⁸ Local Government Act 2002, Part 10.

Appendix 3

Local Government Audit & Risk Management

Prepared for Local Government New Zealand
Philip Jones, PJ & Associates





Biography

Philip Jones Principal

Philip Jones has over 20 years of financial experience in the local government sector and brings a wealth of practical experience and knowledge. He is the Principal of PJ & Associates Financial and Asset Management Solutions and has been consulting to a variety of local government related organisations since June 2007 including advising management and governance. Between 1993–2007 Philip was the Chief Financial Officer and Group Manager Revenue and Finance for Western Bay of Plenty District Council (WBOPDC), Tauranga. Prior to joining WBOPDC he was a Business Services & Audit Manager with Coopers & Lybrand (now PricewaterhouseCoopers) in London, Tauranga and Hamilton. He is a respected trainer of elected members through Local Government New Zealand KnowHow courses.

Equip, LGNZ's Centre of Excellence, has developed this guide specifically for the local government sector. The Office of the Auditor General supports this initiative and has been consulted in the preparation of the guide.

< A local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region. >

Local Government Act 2002

This guide provides a brief overview of the purpose, form and function of an audit and risk committee. A template Audit & Risk Report is available by contacting Equip. Taken together this information is designed to offer guidance and support on the establishment, recruitment and initial operation of an audit and risk committee.

Further services are available from Equip to support the on-going operation of an audit and risk committee, also covering wider aspects of financial excellence. For more information please contact the Equip team.

P: 04 924 1200 E: equip@lgnz.co.nz
www.lgnz.co.nz/equip

Audit and risk management are essential functions of any governance body

An effective audit and risk committee will be based on the following attributes:

- it will have a degree of independence from Council and management which will enable the robust consideration of Council's financial and non-financial risks; and
- the audit and risk committee will consist of both elected and non-elected (external appointee) members who have an enquiring mind and are not afraid to ask the tough questions. The committee will encourage open and effective relationships with external and internal auditors and with management.

The importance of audit and risk from a governance perspective

The role of elected members is to set direction and context within which the administration can operate, to exercise stewardship of the community's assets for today and the future, and to manage risk, promote transparency and strengthen accountability.

It is the role of governance to ensure the integrity and reliability of financial reporting which are cornerstones of transparency and accountability. Auditing does assist in that process.

In all actions there are risks, financial and non-financial. These risks must be identified, mitigated and then managed. This is the role of management. The role for governance is to gain an assurance that there is a robust process to manage risks appropriately.

< One of the roles of an audit and risk committee is to ensure that debt and investments are correctly managed within appropriate policy limits. >

Why audit and risk committees are necessary

The Local Government Act 2002 (LGA) requires¹ a local authority to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community.

The LGA also states that a local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region.

Whenever local government undertakes action to support their intended outcomes, there will always be risk. These risks cannot be avoided but must be identified and managed. The role of an audit and risk committee is to use good governance skills to gain an assurance that the risks have been identified and where possible have been mitigated. An audit and risk committee is the ideal structure to achieve this.

Monitoring of risk management can be an onerous task for some individual Councillors, and while some of these activities can be delegated to the Chief Executive, particularly where these relate to the actions supporting the Council's direction, it is the Council's role to ensure that there are effective controls in place to ensure that the Council meets both legislative requirements and community expectations.



¹ Section 101 (1) Local Government Act 2002.

Audit and risk committees have a valuable contribution to make in improving the governance, performance and accountability of all local authorities. They can play an important role in examining the Council's policies, processes, systems, and controls to improve its financial management.

Large projects or projects that are not part of 'business as usual' can increase the risk to Council. Local authorities have a number of complex and sometimes technically challenging areas to consider. Audit and risk committees² provide a process in which those challenging areas can be given due attention by competent people.

It is important the audit and risk committee is not just focused on one area of risk, but considers all Councils risks both financial and non-financial.

As an example of financial risk, a significant number of Councils have debt and investments which can expose them to additional risk if not correctly managed. One of the roles of an audit and risk committee is to ensure that debt and investments are correctly managed within appropriate policy limits.

An audit and risk committee can provide expertise in meeting these requirements by bringing a clarity of purpose by focusing a selected group including existing Councillors on the relevant risks.

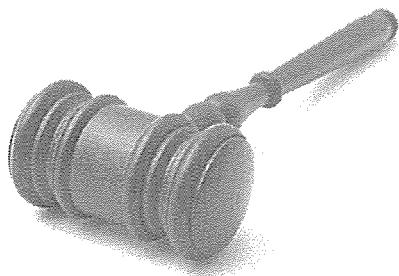
Areas of focus for an audit and risk committee

An audit and risk committee in a local government setting has four key areas of focus:

1. Financial reporting including the following
 - I. long term planning including the financial strategy;
 - II. appropriateness of accounting policies;
 - III. annual report; and
 - IV. internal report (monthly and/or quarterly).
2. Risk management and the system of internal controls
 - I. setting the Council's appetite for risk;
 - II. understanding the key risk areas including likelihood and consequences;
 - III. effectiveness of internal controls; and
 - IV. fraud risk and procurement risk.
3. External audit³
 - I. relationship with auditor;
 - II. understanding scope and engagement;
 - III. review significant audit findings/recommendations; and
 - IV. monitor progress on recommendations.
4. Internal audit⁴
 - I. appointment and relationship with internal auditor;
 - II. scope of work; and
 - III. responses to internal audit recommendations.

An audit and risk committee will also be responsible for maintaining and considering its own effectiveness. It must ensure that there are robust processes in place to ensure effective communication with both the full Council and management.

An effective audit and risk committee will ensure that there are adequate internal policies in place that are implemented for compliance with all legislative requirements local authorities face.



² As authorised by Schedule 7 Local Government Act 2002.

³ The external auditor is appointed by the Office of the Auditor General, therefore the appointment of the external auditor is not a function of the audit and risk committee.

⁴ Internal audit is concerned with evaluating and improving the effectiveness of risk management, control and governance processes in an organisation.

Setting up the audit and risk committee

When deciding to form an audit and risk committee there are a number of considerations that need to be considered by Council. The committee or subcommittee can only be established by the Council.

The first step is to establish the role and responsibility of the audit and risk committee.

Once the roles and responsibilities of the audit and risk committee have been established then the form and function of the committee must be agreed by the full Council. For example, is it a committee reporting directly to Council or is it a subcommittee of the finance committee?

The next step is to select the membership of the committee. Considerations will include the number of elected members and external appointees. Having an external appointee not only brings additional skill to the committee that would not normally be available but also brings a degree of independence. The skills required are set out later in this paper. The appointment of external people needs to be made by full Council.

If it is decided that an external appointee(s) will be made then consideration must be given to how Council will select its external appointees. While a local chartered accountant may be well known in the community does that person have the appropriate skills in local governance matters?

What delegations will be given to the committee? Will they be able to appoint internal⁵ auditors without reference to full Council? A sample of delegations are set out later in this paper.

Managing risk

The management of risk is the process of identifying, mitigating where possible and monitoring all risks whether financial or non-financial. Good risk management also means effective communication with those who are managing and monitoring risks.

Risk management is important in helping managers to achieve objectives by addressing any threats to the achievement of these objectives. It assists in decision-making and in identifying opportunities for continuous improvement. Risk management is integral to public sector management and sound corporate governance and improves accountability for decision-making. Although it is only one of an audit and risk committee's wider functions, effective risk management is a vital responsibility that audit committees should always consider.

Risk management processes need to be ongoing and embedded in the culture. There should be the potential to re-adjust the organisation around performance improvement.

The governance responsibilities with respect to risk management and internal control can be summarised as follows:

- establish a 'tone at the top' that promotes a risk-aware culture;
- set the Council's risk approach;
- be informed as to the measures that management is taking in relation to significant risks;
- ensure that the Council has appropriate processes for identifying, assessing and responding to risks in accordance with the Council's risk approach, and that those processes are operating effectively; and
- ensure that the Council's activities are effectively controlled so that management's risk responses and policies are carried out as planned towards the achievement of the Council's objectives.

While establishing an appropriate 'tone at the top', setting the Council's approach to risk and monitoring the strategic risks facing the Council are responsibilities that is with Council, many of the other responsibilities with respect to risk management and internal control can be delegated to the audit and risk committee.

⁵ Internal Auditors.

Roles and responsibilities

Set out below are some of the items that could be considered as part of a charter for an audit and risk committee:

- satisfying itself about the existence and quality of cost-effective internal control and risk management systems, and the proper application of processes;
- monitoring existing corporate policies and recommending new corporate policies to prohibit unethical, questionable or illegal activities. This also includes a reviewing/monitoring role of the documentation of all policies and procedures;
- monitoring the Council's external and internal audit process;
- engaging with Council's external auditors regarding the external audit work programme and agreeing the terms and arrangements of the external audit;
- reviewing the effectiveness of the annual audit and 10-year plan audit;
- monitoring management responses to audit reports and the extent to which external audit recommendations concerning internal accounting controls and other matters are implemented;
- reviewing the effectiveness of the risk assessment/management policies and processes;
- ensuring the independence of Council's internal audit processes;
- monitoring the delivery of the internal audit work programme; and
- engaging with internal and external auditors on any specific one-off audit assignments.

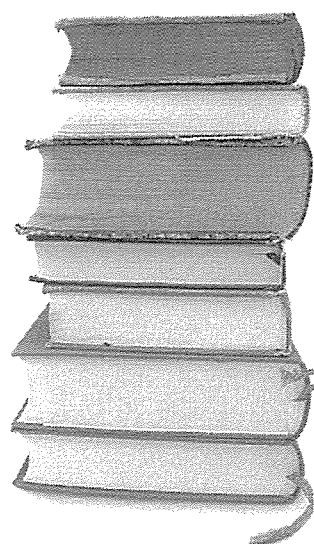
Councils can ensure the operation of an effective internal audit function by:

1. identifying areas of risk for an internal audit focus;
2. approving and reviewing internal audit work programmes;
3. ensuring that the internal auditor has adequate resources and skills to undertake the work and is not subject to undue management influence; and
4. approving the appointment of the internal auditor⁶ and internal audit engagement letter and letter of undertaking.

While often the external auditor will have a relationship with management, it is important that the elected members also have a relationship with the external auditor to build confidence that the auditor can raise issues directly with the elected members, ensuring good accountability.

< It's the little details that are vital. Little things make big things happen. >

**Top US basketball coach
John Wooden**



⁶ Only if this is an external appointee, if the internal auditor is an internal employee then there needs to be a protocol allowing the internal auditor to report directly to the audit and risk committee.

Example of skills required for audit and risk committee

For an 'advisory-oriented' audit and risk committee, particular emphasis should be placed on strategy, performance management and associated risk management disciplines.

In determining the composition of the audit and risk committee, the combined experience, skills, and personal qualities of audit and risk committee members is critical. Members should bring:

- the ability to act independently and objectively;
- the ability to ask relevant and pertinent questions, and evaluate the answers;
- the ability to work constructively with management to achieve improvements;
- an appreciation of the public entity's culture and values, and a determination to uphold these;
- a proactive approach to advising the governing body and Chief Executive of matters that require further attention;
- business acumen; and
- appropriate diligence, time, effort and commitment.

It is recommended that an external appointee have the following experience:

- financial reporting (which should be emphasised in public entities with more complex financial reporting requirements);
- broad governance experience;
- familiarity with risk management disciplines (identification, evaluation and management);
- understanding of internal control and assurance frameworks;
- a good understanding of the roles of internal and external audit;
- industry or sector expertise; and
- the ability to explain technical matters in their field to other members of the audit committee.

Examples of delegations

The audit and risk committee shall have the following delegated powers and be accountable to Council for the exercising of these powers.

In exercising the delegated powers, the audit and risk committee will operate within policies, plans, standards or guidelines that have been established and approved by Council, the overall priorities of Council, the needs of the local communities and the approved budgets for the activity.

The audit and risk committee shall have delegated authority to approve the appointment of the internal auditor of risk management and internal audit programmes, audit engagement letters and letters of undertaking for audit functions and additional services provided by the external auditor.

The audit and risk committee can conduct and monitor special investigations in accordance with Council policy, including engaging expert assistance, legal advisors or external auditors, and, where appropriate, recommend action(s) to Council.

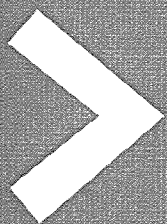
The audit and risk committee can recommend to Council:

- adoption, or non-adoption of completed financial and non-financial performance statements;
- governance policies associated with Council's financial, accounting, risk management, compliance and ethics programmes, and internal control functions;
- accounting treatments, changes in generally accepted accounting practice; and
- new accounting and reporting requirements.

The chairperson of the audit and risk committee shall have delegated authority to approve the letter of engagement for the external appointee to the audit and risk committee.

Power to delegate

The audit and risk committee may not delegate any of its responsibilities, duties or powers.



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Wellington 6140
New Zealand

P. 64 4 924 1200
E. equip@lgnz.co.nz
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Appendix 4

	Audit/Risk Committee
Chair	Craig O'Connell (Independent Member)
Purpose	To ensure probity in the management of Council's operations and its assets and a close regard for minimising risk
Outcomes <i>The Council and the community are confident that.....</i>	<ul style="list-style-type: none"> the Council's financial operations and the delivery of Council services – <ul style="list-style-type: none"> (i) comply with all relevant legislation, regulations and standards; and (ii) comply with Council's own policy. the relationship with Council's auditors and other external agencies undertaking monitoring of Council's performance is meaningful and open the risks to Council's effective management and its reputation are well understood and addressed.
Terms of reference	<p><u>1. Review of financial and non-financial reporting, including</u></p> <ul style="list-style-type: none"> <u>quarterly internal reports;</u> <u>appropriateness of accounting policies ;</u> <u>financial and infrastructure strategies ;</u> <u>oversight of periodic valuation of Council's assets; and</u> <u>oversight of treasury function.</u> <p><u>2. Risk management and system of internal controls, including</u></p> <ul style="list-style-type: none"> <u>oversight (and biennial review) of Council's risk management framework and actions to reduce risk;</u> <u>review of assurance reports from management on regulatory compliance, business resilience and other contentious matters including (for example);</u> <u>periodic audits conducted by the New Zealand Transport Agency;</u> <u>assessment reports on Council's role as a Building Consent Authority;</u> <u>reporting to external agencies required by statutory instruments¹;</u> <u>undertakings made in response to the exercise of any Ministerial assistance or intervention²;</u> <u>project management;</u> <u>joint venture proposals;</u> <u>hazard management; and</u> <u>corporate policies addressing unethical, questionable or illegal activities.</u> <p><u>3. External audit, including</u></p> <ul style="list-style-type: none"> <u>understanding the scope of agreements made with Council;</u>

¹ For example, reporting to the Ministry for the Environment under the National Monitoring System or to Archives New Zealand under the Public Records Act.

² Part 10, Local Government Act 2002.

	<ul style="list-style-type: none"> • <u>reviewing of management reports provided by Council's auditors; and</u> • <u>reviewing progress with Audit recommendations.</u> <p>4. <u>Internal audit, including</u></p> <ul style="list-style-type: none"> • <u>contributing to appointment of internal auditor(s);</u> • <u>determining and monitoring the internal audit programme;</u> • <u>undertaking more intensive reviews of significant risks where the Committee considers further scrutiny is required</u> <p>5. <u>Annual review of the terms of reference.</u></p> <ol style="list-style-type: none"> 1. <u>Review of the draft Annual Report prior to adoption</u> 2. <u>Review of management reports provided by Council's auditors</u> 3. <u>Review of audits conducted by New Zealand Transport Agency</u> 4. <u>Review of assessment reports on Council's role as a Building Consent Authority</u> 5. <u>Review of reporting to external agencies required by statutory instrument³</u> 6. <u>Review of variations from Council's policies on investment, liability management and procurement</u> 7. <u>Review of project management reporting</u> 8. <u>Review of joint venture proposals</u> 9. <u>Quarterly monitoring of financial performance</u> 10. <u>Quarterly monitoring of service performance</u> 11. <u>Monitoring of hazard management</u> 12. <u>Monitoring of any undertakings made in response to the exercise of any Ministerial assistance or intervention⁴</u> 13. <u>Oversight of the Council's treasury function</u> 14. <u>Oversight of the periodic valuation of Council's assets</u> 15. <u>Oversight of Council's insurance arrangements</u> 16. <u>Oversight of internal audit projects (through MW LASS)</u> 17. <u>Oversight of shared services with other councils</u> 18. <u>Oversight of corporate policies which identify unethical, questionable or illegal activities</u> 19. <u>Oversight of risk management framework and actions to reduce risk</u> 20. <u>Annual review of the terms of reference⁵</u>
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³For example, reporting to the Ministry for the Environment under the National Monitoring System or to Archives New Zealand under the Public Records Act.

⁴Part 10, Local Government Act 2002.

⁵Added — Committee recommendation, 1 September 2015; adopted by Council, 1 October 2015.

Attachment 3

Report to the Council on the audit of the

Rangitikei District Council

Long Term Plan for the period

1 July 2018 to 30 June 2028

Report to the Council

We have completed the audit of the Rangitikei District Council (the Council) Long Term Plan for the period 1 July 2018 to 30 June 2028. This report sets out our findings from the audit and draws attention to our detailed findings, and where appropriate makes recommendations for improvement.

Contents	
1	Our audit opinion3
2	Audit scope and objective.....3
3	Report from the LTP consultation document3
4	Findings from the LTP audit4
	Appendix 1: Unadjusted audit differences.....5
	Appendix 2: Mandatory disclosures.....6

Key messages

We have completed the audit of the Rangitikei District Council's Long Term Plan (LTP) for the period 2018-28 and issued an unmodified opinion on 28 June 2018.

Issues identified during the audit

There were no significant issues identified during the final LTP stage of the audit.

Thank you

We would like to thank Council management for their assistance and acknowledge the contribution of Michael Hodder and the late George McIrvine during the process. We were appreciative of the help and responsiveness throughout the LTP audit that we received.



Debbie Perera
Audit Director
3 August 2018

1 Our audit opinion

1.1 We issued an unmodified audit opinion

We issued an unmodified audit opinion on the Council's LTP on 28 June 2018.

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.

We found the underlying information and assumptions used to prepare the LTP provided a reasonable and supportable basis for the preparation of the LTP.

1.2 Unadjusted misstatements

The LTP is free from material misstatements, including omissions. However, in the course of the audit, we found certain misstatements that are individually and collectively not material to the LTP.

We have discussed any misstatements that we found with management. The significant misstatements that have not been corrected are listed in Appendix 1 along with management's reason for not adjusting these misstatements. We are satisfied that these misstatements are individually and collectively not material.

2 Audit scope and objective

The scope of our audit engagement and our respective responsibilities are contained in our LTP audit engagement letter dated 11 December 2017.

3 Report from the LTP consultation document

We issued our report to Council on the LTP consultation document (CD) on 11 June 2018. Within that report we commented on the following matters:

- Overall process.
- Control environment.
- Our areas of audit emphasis (including affordability and maintaining levels of service, town rejuvenation projects; and infrastructure projects).

This report follows on from the LTP CD management report. Where items have been reported on in the LTP CD management report we have not reported on them again in this report.

4 Findings from the LTP audit

There were no significant issues arising from the final LTP audit. We focused our review on changes arising from consultation, which is discussed below.

4.2 Consultation changes and other changes to underlying information

The Council received 172 submissions. Elected members reviewed the feedback received on each proposal during consultation and agreed on any changes to be made to the LTP. The deliberations covered all the topics in the Consultation Document.

The analysis and summary of feedback on the consultation items and resulting Council decisions are clearly documented in the "Part 3 Response to Submitters" section of the LTP.

The most significant change arising from consultation was in relation to rubbish and recycling with Council including the cost of kerbside recycling and rubbish collection in its budgets from 2019/20. This was on the proviso that further consultation with the community around the introduction of the service would occur in 2018/19.

We have confirmed that the approved changes following deliberations have been correctly included in the financial model and reflected in the LTP.

We also noted additional changes to the underlying financial information in relation the timing and costs for some capital projects which had a flow on impact to timing of borrowings. We gained an understanding of these changes and were satisfied that they were appropriate and accurately reflected in the final LTP.

Appendix 1: Unadjusted audit differences

Unadjusted audit differences

	2019	2020	2021	2022	2023]	2024	2025	2026	2027	2028
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue										
Expenditure (a)		(7)	((15)	(23)	(31)	(39)	(48)	(57)	(66)	(75)
Expenditure (b)	(155)	(50)	(140)	(50)	(50)	(10)	(10)	(70)	(10)	(10)
Operating surplus										
Current assets										
Current liabilities (a)		(7)	(15)	(23)	(31)	(39)	(48)	(57)	(66)	(75)
Non-current assets	155 270	50	140	50	50	10	10	70	10	10
Noncurrent liabilities (c)	270									
Equity										

- (a) Relates to understatement of employee entitlements – no adjustment has been made as the amount is not material.
- (b) Relates to operational maintenance that has been included as capital expenditure, no adjustment has been made as the amount is not material.
- (c) Overstatement of roading capital expenditure and debt – no adjustment has been made as the amount is not material.

Appendix 2: Mandatory disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the 2018-28 LTP and reporting that opinion to you. This responsibility arises from section 93C (4) of the Local Government Act 2002.</p> <p>The audit of the LTP does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter dated 11 December 2017 contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (revised): <i>Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</i>, the International Standard on Assurance Engagements 3400: <i>The Examination of Prospective Financial Information</i>, and the Auditor-General's Auditing Standards.</p>
Auditor independence	<p>We confirm that, for the audit of the Council's LTP for the period 1 July 2018 to 30 June 2028, we have maintained our independence in accordance with the requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.</p> <p>Other than our work in carrying out all legally required external audits, we have no relationship with or interests in the Council.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Council during or since the end of the financial year.</p>
Unresolved disagreements	<p>We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the LTP. Management has not sought to influence our views on matters relevant to our audit opinion.</p>

Attachment 4

AUDIT/RISK COMMITTEE - WORK PROGRAMME FOR THE 2016-19 TRIENNIUM

Topic	What	Why	Who/How	Priority	Committee decision/action	Progress to 20 August 2018
Annual Audit review	Interim management report (2017/18)	Ensure Council operating procedures and policies are appropriate and managed	Council management and Audit Director	Very high	Review Audit comment and Council response; recommendation to Council	The planned interim audit (second part) for 2017/18 in the first week of July was deferred (and shortened) because of the death of George McIrvine. No interim management report will be provided. Main audit will commence on 10 September. Adoption is planned for 11 October.
	Final management report (2017/18)	Ensure Council operating procedures and policies are appropriate and managed	Council management and Audit Director	High	Review Audit comment and Council response; recommendation to Council	Not yet applicable
Other reviews of Council operations		Ensure recommendations are well-founded and there is a robust plan of action	Chief Executive	Medium	As required. Consideration of interest-free loan to Edale was flagged once relevant information is received, but was not needed because of its purchase by the Masonic Villages Trust.	The Audit management report on the Consultation Document for the 2018-28 Long Term Plan was considered at the Committee's June meeting; the Audit management report on the final adopted Long term Plan are included in the August meeting agenda.
Natural disaster events	Annual insurance reviews	Ensure accurate, appropriate and cost-effective cover for all built assets	GM Finance & Business Support	Medium	Review periodic updates from GM (Finance and Business Support) Committee has already reviewed whether to continue membership of LAPP.	Considered as part of additional cover being secured through MW LASS.
	Business continuity	Ensure Council can maintain business operations	GM Finance & Business Support	High	Review periodic updates from GM (Finance and Business Support)	Not yet considered. However, off-site storage of all servers has now been made secure.
	Disaster recovery	Ensure robust processes aligned with MCDEM requirements	Chief Executive	Very high	Review six-monthly updates on development of internal capability and external liaison, periodic MCDEM reviews, and recommend any changes or enhancements	Quarterly update on CDEM Improvement plans provided to Council's meetings in January, April and July 2018.
	Areas of unstable ground	Ensure awareness where land and buildings may be at risk		Low	to be determined	
Community facilities	Bulls community centre	Ensure robust project management for construction and fit-out	Chief Executive	High	Review and comment on project plan and exception reporting to each meeting	High-level project plan reviewed at Council workshop, 31 May 2018. Formal consideration of tenders at Council will be on 30 August 2018.
	Marton civic centre	a) Ensure cost-effective option for new Civic Centre design	Chief Executive	High	Review and comment on project plan and exception reporting to each meeting	High-level project plan reviewed at Council workshop, 31 May 2018. Business case being prepared.
		b) Ensure robust project management for construction and fit-out	Chief Executive	High	Review project plan and exception reporting to each meeting	Not yet started.

	Taihape community facilities (on Memorial Park) and community centre (town hall site)	a) Ensure Memorial Park facility has external funding and community support		High	Review and comment on project plan and exception reporting to each meeting	High-level project plan reviewed at Council workshop, 31 May 2018. Discussions with Park users and key stakeholders led to a further report being required by Council for Assets/Infrastructure Committee's July 2018 meeting and a public meeting being held in Taihape on 3 August. This led the Committee to agree to investigate costs for the grandstand to be fully functional (as well as strengthened) and to seek clarification from Clubs Taihape on its intentions.
		b) Ensure cost-effective and community support for new Civic Centre design		High	Review project plan and exception reporting to each meeting	Not yet started.
Risk management framework	Alignment with national/sector approach	Ensure framework reflects sector good practice	GM Community & Regulatory Services		Understand and give effect to Local Government Risk Agency expectations in the framework and follow-up actions	LGRA yet to be established.
	Biennial reviews	Ensure framework reflects changing risk environment	GM Community & Regulatory Services	Very high	Review proposed changes to framework and recommend to Council	
	Half-year management actions to reduce risk	Ensure identified risks are being reduced	GM Community & Regulatory Services	High	Review adequacy of management action and recommend any changes to actions at August and February meetings	Proposed actions to address risk from December revision of the framework provided to Committee's February 2018 meeting. Report on actions taken provided to Committee's June 2018 meeting.

Topic	What	Why	Who/How		Committee decision/action	
Ongoing analysis of capital expenditure	Capacity	Ensure that the projected capital work programme is realistic (i.e. affordable and achievable)	GM Finance & Business Support	Very high	Review proposed capital programme at October or December meetings. Recommend changes to Council if warranted.	Not yet considered. At its September 2017 the Committee considered a report on Council's involvement with the Local Government Funding Agency and recommended to Council that it participate in the Agency's scheme as a borrower. Council approved this recommendation.
	Consenting requirements and timelines	Ensure that consenting requirements are reflected in capital programme		High	Examine briefing on consenting requirements at October meetings	Works programmes included in the draft Long Term Plan have been timed as to consenting requirements including seeking interim consents for Marton and Ratana wastewater upgrades and allowing for full consideration of options and (at Ratana) fulfilment of funding commitments. Horizons has made explicit its expectations about the timing of applications to renew consents.
	Carry-overs	Ensure that carry-overs are minimised and validated against external factors.	GM Finance & Business Support and GM Infrastructure	Medium		Council approved carryforwards from 2017/18 to 2018/19 (incorporated in the final Long Term Plan) totalling \$19,229,729. In addition, \$177,780 was approved additional to the Long Term Plan budgets.
Water supply	Drinking-water standards compliance	Ensure Council's potable water supplies address changes from Havelock North enquiry and government's timetable for implementing them	GM Infrastructure	Very high	Understand government policy setting; review project plan for giving effect to this and exception reporting to each meeting, and recommend Committee's view to Council.	Government's decisions on the Havelock North enquiry's recommendations not yet announced. Structural reform proposals from central government yet to be finalised. LGNZ has conducted a survey of territorial authority views but has yet to release the results.
	Accurate billing for usage	Ensure that all water usage is paid for and that historical rights are correctly applied	GM Finance & Business Support	Medium	Review project plan and exception reporting to each meeting	Not yet considered.
Alignment with Council strategic framework and key priorities	Progress with key priorities (reported monthly to relevant Council committees)	Ensure that the identified key priorities are implemented or modified to give effect to the strategic direction	Chief Executive	High	Review draft consultation document for 2018-28 LTP at December 2017 meeting and determine whether risks and uncertainties have been adequately addressed.	Discussion at Committee's February 2018 meeting
Information management	Progress in implementing robust, integrated and accessible electronic corporate records systems	Ensure Council meets Public Records Act and LGOIMA requirements	GM Finance & Business Support	Medium	Review periodic updates on work programme and compliance with LGOIMA. There is currently no compliance reporting undertaken by Archives New Zealand	Not yet considered.

Infrastructure Shared Services (with Manawatu District Council)	Performance under revised agreement	Ensure Rangitikei is getting value for money and minimises risk of non-compliance in levels of service or funding of infrastructure	Chief Executive	Medium	Consider half-yearly assessments from Chief Executive and determine whether a recommendation to Council is warranted in terms of perceived risks	Not yet considered. First quarterly update to Council's meeting on 29 March 2018. Principal Adviser Infrastructure will start on 3 September 2018.
Appetite for risk around consents	Policy and procedure for exercise of discretion and enforcement of Code requirements	Ensure Council and local building sector are clear on balance between compliance and discretion	Chief Executive	Medium	Consider periodic updates from Chief Executive and determine whether a recommendation to Council is warranted in terms of perceived risks	Further consideration of issue on Committee's February 2018 meeting agenda. Approach considered and endorsed at Council's 1 March 2018 meeting. Subsequent notification of approach to local builders/building service providers. Enforcement strategy (and prosecution policy) adopted by Council on 26 April 2018; a report back on its effect due with Council's November 2018 meeting.
Infrastructure inspection regimes	Condition reporting reflects age, maintenance and incidents	Ensure that asset condition reporting is comprehensive, is reviewed against inspections, and is reflected in capital/renewal programmes	GM Infrastructure	High	Review draft infrastructure strategy at October 2017 meeting and make recommendation to Council on adequacy of risk assessment	Draft strategy (combined infrastructure and financial) as provided to Audit included in Committee's February 2018 meeting agenda.