



Rangitikei District Council

Audit and Risk Committee Meeting

Agenda – Thursday 29 November 2018 – 9:00 a.m.

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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.

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 30 August 2018 are attached.

File ref: 3-CT-17-2

Recommendation:

That the Minutes of the Audit/Risk Committee meeting held on 30 August 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 29 November 2018 be received.

8 Work Programme matrix – progress update

An update is attached.

File ref: 3-CT-17-5

Recommendation:

That the Work programme matrix – progress update as at 20 November 2018 be received.

9 Riskpool – call on members, July 2019

A memorandum is attached.

File ref: 5-FM-6-1

Recommendation:

That the memorandum 'Riskpool – call on members, July 2019' be received.

10 Internal Audit programme – audit focus risk analysis

A letter and report from Cotton Kelly is attached.

File ref: 5-EX-2-6

Recommendation:

That the report 'Internal Audit programme – audit focus risk analysis' be received.

11 Actions to reduce risk – half year update, November 2018

An updated schedule is attached (together with the risk matrix).

File ref: 5-PY1-3

Recommendation:

That the updated schedule of 'Actions to reduce risk, November 2018', be received.

12 Final Audit management report 2017/18

A verbal update will be provided to the meeting.

13 Strategic risks for the Council

One of the areas of improvement for the Council identified in last year's report from the Independent Assessment Board was for councillors to be actively engaged in, and have a detailed understanding of, strategic risk issues. These are 'risks that affect or are created by an organisation's business strategy and strategic objectives'¹ Strategic risks are different from operational risk, financial risks, technology risks or compliance risks; they result from adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. This amounts to a refinement of the present risk management framework.

Suggested strategic risks for consideration by the Committee are:

¹ Deloitte, 'Exploring strategic risk', 2013, page 4.

- Reputation – driven by the speed and reach of social media;
- Human capital – organisation depth and values
- Financial stability
- Cyber-security
- Legal and political environment
- Climate change

Assuming there is time in the meeting to discuss these suggestions, it is intended to develop a more formal statement for the Committee's February 2019 meeting on Council's strategic risks. Once agreed to, this would be provided to Council.

Attached is the current strategic risk register for the Yorke Peninsula Council, a rural local authority in South Australia comprising 11,000 people and nearly 6,000km² in extent.

Also attached is the Government Communications Security Bureau's benchmark assessment of cyber security resilience across New Zealand's nationally significant organisations (released 31 October 2018).

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

In September 2018, the Minister of Internal Affairs reiterated her intention to have options for changes to three waters before Cabinet later in the year with decisions on a regulator taken in 2019 as the first priority. She has been specific that the Government cannot separate out solutions by territorial authority: "we need to lift up, lead out and envision solution that will deliver gains across the country".

On 13 November 2018, Local Government New Zealand released its position statement, based on four principles:

- Fix drinking water first
- Let existing regulations run their course
- Take mandatory aggregation off the table
- Incentives matters.

On 20 November 2018, the Minister released two Cabinet papers. The first, from 29 October 2018, formally starts the process of rethinking the role of local government in achieving intergenerational wellbeing, with a report to the relevant Cabinet Committee in April 2019 (and an increased funding to Internal Affairs to meet the costs of the work programme, estimated at \$2.7 million. The second, from 5 November 2018, sets out a roadmap for future decisions on three waters reform. The initial focus (for report to the Cabinet Economic Development Committee in June) is developing detailed policy proposals for (i) drinking water and (ii) environmental regulation of the three waters sufficient to enable legislation to be drafted. The next stage is developing detailed policy proposals (for report to the Cabinet

Economic Development Committee late 2019) on service delivery arrangements following analysis of three high-level options – regulatory reforms only, a three waters fund to support voluntary sector-led improvements, and an aggregated system of dedicated, publicly-owned drinking water and wastewater providers. That work is to include ongoing engagement with stakeholders, iwi and Māori.

15 Late items

16 Future items for the agenda

17 Next meeting

28 February 2019, 9.00 am.

18 Meeting closed