



# Rangitikei District Council

## Audit and Risk Committee Meeting

Agenda – Thursday 28 February 2019 – 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 29 November 2018 are attached.

File ref: 3-CT-17-2

### **Recommendation:**

That the Minutes of the Audit/Risk Committee meeting held on 29 November 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 28 February 2019 be received.

## **8 Council decisions on recommendations from the Committee**

There were no recommendations.

## **9 Questions put at previous meeting for advice or action**

There were no questions raised at the meeting to be addressed.

## 10 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 28 February 2019 be received.

## 11 Internal Audit programme – progress

Consideration of Cotton Kelly's 'Internal Audit programme – audit focus risk analysis' against the Audit Management report for the year ending 30 June 2018 and the previous Internal Audit plan.

A report will be tabled at the meeting.

File: 5-EX-2-6

### **Recommendation**

That the report 'Internal Audit programme – progress' to the Audit/Risk Committee's meeting of 28 February 2019 be received.

## 12 Strategic Risks – Further consideration

At its meeting on 29 November 2018, the Committee agreed to revisit the strategic risks for Council at its February 2019 meeting,

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'<sup>1</sup> 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:

- Reputation – driven by the speed and reach of social media;
- Human capital – organisation depth and values
- Financial stability

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<sup>1</sup> Deloitte, 'Exploring strategic risk', 2013, page 4.

- Cyber-security
- Legal and political environment
- Climate change
- Sustainability of the District

Following discussion of these suggestions, a more formal statement would be developed for the Committee's June 2019 meeting on Council's strategic risks. Once agreed to, this would be provided to Council.

### **13 Update on the Government's review of the 3 waters infrastructure**

Since the release on 28 November 2018 of two Cabinet papers by the Minister of Internal Affairs, the Department of Internal Affairs has commissioned GHD Limited (GHD) and Boffa Miskell Limited (BML) to undertake work in the first half of 2019, culminating with reports on three topics:

#### ***National stocktake of current regulation of wastewater treatment plants***

This report will provide a national-level stocktake and assessment of the relevant plan rules, and resource consents that are in place for domestic wastewater treatment plants. The stocktake report will cover all types of consent conditions and plan rules in place across wastewater plants, including conditions and rules relating to discharges to water, air emissions, land application, maintenance requirements, and monitoring and reporting requirements. The regulation of trade waste, network overflows, and on-site wastewater treatment systems (such as septic tanks) are outside of the scope of this report.

#### ***Cost estimate of national minimum standards for discharges from coastal wastewater treatment plants.***

This report will provide a cost estimate for upgrading domestic wastewater treatment plants that discharge to the coast *if* national minimum standards for the concentration of contaminants present in discharges were imposed. Trade waste, wastewater plants that discharge to freshwater, and land-based discharge schemes fall outside of the scope of the report. To provide a nationally consistent basis to evaluate the costs of any upgrade requirements, the GHD/Boffa team has been asked to use the minimum discharge standards that apply in Canada as a basis to develop minimum discharge standards that could be appropriate in the New Zealand context. The purpose of the report is not to consider whether there should or should not be a minimum standard – rather it is to understand the potential costs *if* there was a minimum standard regime. These standards are specified in the Canadian Wastewater Systems Effluent Regulations SOR 2012/139 - <https://lawslois.justice.gc.ca/eng/regulations/SOR-2012-139/FullText.html>.

#### ***Cost estimate to reduce wastewater overflows***

This report will undertake a stocktake of the regulation of wastewater overflows (both wet weather and dry) by regional councils to build a national picture of how wastewater overflows are regulated. The GHD/Boffa Team has been asked to provide a cost estimate for upgrading wastewater treatment networks to reduce wet weather overflows against a national standard. For the purpose of the report Internal Affairs has asked the team to use 2 per year 9the target that Auckland Council has identified it is working towards by 2040 in the Auckland Plan). This target has been chosen to provide

a consistent basis to evaluate potential costs. The report is not considering whether there should be a national target.

The GHD/BML team will, where possible, use information that is publicly available. However, a key learning from earlier reports is the importance of ensuring that the information is accurate and takes into account the operating context. In some cases, this will require that the team follow up on the initial information request to seek further information or clarification.

To ensure that they have sufficient oversight and are capturing all the issues, Internal Affairs staff are also working with Local Government New Zealand to establish two reference groups to provide input from both a regional council and territorial authority perspectives on how we collect and collate the information, and how we present that information in the final report.

Internal Affairs expects that most of the information for the reports will be collected during February, with collation and initial analysis during March and April. The GHD/BML team will make contact with councils directly during this period, and well as working with the two LGNZ reference groups.

The appeal against the findings in the 2017/18 draft compliance report for drinking water (foreshadowed at the Committee's last meeting) was submitted on 18 January 2019.

## **14 Late items**

## **15 Future items for the agenda**

## **16 Next meeting**

27 June 2019, 9.00 am

## **17 Meeting closed**