



AUDIT AND RISK COMMITTEE MEETING

Date: Thursday, 9 September 2021

Time: 9.30 am

- Venue: Council Chamber Rangitīkei District Council 46 High Street Marton
- Present Mr Craig O'Connell Cr Nigel Belsham Cr Angus Gordon (*via Zoom*) Cr Dave Wilson HWTM Andy Watson
- In attendance Mr Peter Beggs, Chief Executive (*via Zoom*) Mr Arno Benadie, Chief Operating Officer Mr Dave Tombs, Group Manager – Corporate Services Mrs Carol Gordon, Group Manager – Democracy and Planning Mrs Sharon Grant, Group Manager – People and Culture Ms Gaylene Prince, Group Manager – Community Services (*via Zoom*) Mr Ash Garstang, Governance Advisor Cr Waru Panapa (*via Zoom*)

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1 Welcome / Prayer

Mr O'Connell opened the meeting at 9.33 am and read the Council prayer.

2 Apologies

There were no apologies.

3 Public Forum

There was no public forum.

4 Conflict of Interest Declarations

There were no conflicts declared.

5 Confirmation of Order of Business

No changes were made to the order of business.

6 Confirmation of Minutes

Resolved minute number 21/ARK/042

That the minutes of the Audit and Risk Committee meeting held on 27 May 2021, without amendment, be taken as read and verified as an accurate and correct record of the meeting, and that the electronic signature of the Chair of this committee be added to the official minutes document as a formal record.

Cr D Wilson/Cr N Belsham. Carried

7 Follow-up Action Items from Previous Meetings

7.1 Follow-up Action Items from Audit and Risk Meetings

Taken as read.

Resolved minute number

21/ARK/043

That the report 'Follow-up Action Items from Audit and Risk Meetings' be received.

Cr D Wilson/Mr C O'Connell. Carried

8 Chair's Report

8.1 Chair's Report - September 2021

The Chair advised that AON NZ are going to facilitate a session with all the Chair's of local Councils (that are interested in attending) in order to discuss critical issues that are facing local government in this area, such as cybercrime.

The Mayor noted that Three Waters are likely to be another area of interest for AON NZ, if the reforms proceed.

9 Reports for Decision

9.1 Audit and Risk Committee Work Programme

The Committee asked if staff had processes around updating policies on the Council website when changes have been made by central government. Mr Tombs advised that this was done as required, but that staff will look into this further to ensure that the appropriate processes are in place to capture updates in a timely manner.

Resolved minute number

21/ARK/044

That the report, Audit and Risk Committee Workplan, be received.

.Cr D Wilson/HWTM A Watson. Carried

9.2 Treasury Reporting

The Committee noted that there was a future risk to Council's debt limit if the Three Waters reforms result in local councils losing their water assets. It was noted that while this is not as much of an immediate issue for our Council compared to other (especially larger) councils across the country, it was something that will have to remain on Councils radar.

Following on from this, the Committee also discussed the viability of Councils sources of external funding (e.g. bank sources). Mr O'Connell advised that Council's capacity to borrow is not always certain. Staff agreed with this, but advised that there was a lot of uncertainty around the Three Waters reforms and whether this would proceed on a voluntary basis or become mandated. There is also uncertainty about how water assets would be transferred to the new water entity (Entity B) if the reforms proceeded and Council was involved.

The Committee agreed that while it was too early to test Councils external sources of funding, due to uncertainty around the Three Waters reforms, it was something that would need to be thoroughly considered prior to the next Long Term Plan process in 2024 – especially if the Three Waters reforms proceed.

Resolved minute number 21/ARK/045

That the report on Treasury Reporting be received.

Cr N Belsham/Cr D Wilson. Carried

9.3 Sensitive Expenditure Policy Annual Review

In response to a query, Mr Tombs confirmed that this policy had been reviewed by the Executive Management team prior to it being presented to the Committee.

Cr Wilson sought confirmation that staff were made aware of this (and other Council policies). Staff confirmed that staff are advised of new policies when they are released via the internal email system and Chief Executive updates. Additionally, all policies relating to staff are stored in a central location, communicated through the Senior Leadership Team, and introduced to new staff during their onboarding process.

The Mayor noted that the policy routinely refers to staff and employees, but not explicitly to elected members. Staff advised that elected members are covered by the policy as they are technically considered to be contractors (which are included), but notwithstanding that, Mr Tombs undertook to make it explicit within the policy that elected members are covered.

The Committee raised the issue of cost caps for meals. Staff advised that the cost cap was a general guideline and that the purpose behind it was to provide staff with more certainty around their expenditure. Staff acknowledged that there would be instances where it was reasonable for the cost of meals to be higher.

Resolved minute number 21/ARK/046

That the report 'Sensitive Expenditure Policy Annual Review' be received.

Cr D Wilson/Cr N Belsham. Carried

9.4 Gifts and Hospitality Policy - Annual Review

The Mayor noted that the appropriateness of accepting or rejecting gifts from outside parties was very contextual, and that sometimes refusal would cause offence. His personal litmus test on the appropriateness of accepting a gift was to consider whether it would stand up to public scrutiny in the event that it was reported.

The Committee agreed that Elected Members should be expected to abide by staff policies, while acknowledging that this was not necessarily required by law. Staff agreed and undertook to update the Elected Member code of conduct to reflect this expectation.

Resolved minute number

21/ARK/047

That the Gifts and Hospitality Policy - Annual Review, be received.

HWTM A Watson/Cr D Wilson. Carried

9.5 Health, Safety and Wellbeing Update

<u>Dashboards</u>

Mrs Grant noted that the only notifiable injury in May was the fatality at the train crossing. Although she could not provide details on the incident as it is with the NZ Police, she advised the Committee that staff have engaged with the relevant sub-contractor and that they have made internal changes.

In response to a query about the abusive behaviour category, Mr Beggs advised that there are not any noticeable trends with this (e.g. not occurring in one staff area more than others), although he did note that he was expecting an increase in these incidents post the COVID-19 lockdown, as this occurred after the last lockdown.

Safe Plus Assessment Summary

In response to a query, Mrs Grant advised that our Council is in the top three councils across MWLASS (Manawatu-Whanganui Local Authority Shared Services).

Mrs Grant clarified that the comment "ensure controls are effective" on page 53 refers to what controls staff have in place to ensure that our processes are effective.

Due Diligence Plan

The Committee agreed that the nomination of a 'Governance Health, Safety and Wellbeing Champion' should go to full Council for a decision.

Resolved minute number

21/ARK/048

That the Health, Safety and Wellbeing Update report, together with attachments, be received.

Cr N Belsham/Cr D Wilson. Carried

10 Reports for Information

10.1 Protected Disclosures Update

Mrs Grant advised that there were no protected disclosures to report.

Resolved minute number 21/ARK/049

That the report Protected Disclosures Update, be received.

HWTM A Watson/Mr C O'Connell. Carried

10.2 Employee Code of Conduct Review

Mrs Grant advised that this policy had been updated and was now more aspirational and positive in scope, and aligned with our organisational values. The policy covers behaviour which could bring the organisation into disrepute, both during and outside of work hours.

The Committee received the policy positively, noting that it was good to see a delineation between 'misconduct' and 'serious misconduct'.

Resolved minute number 21/ARK/050

That the report on the Employee Code of Conduct Review be received.

Cr N Belsham/Cr D Wilson. Carried

10.3 Sensitive Expenditure 2020/21 Summary

In response to a query about several budget lines reading as \$0, Mr Tombs advised that certain budgets are set across multiple cost centres and were managed as a group rather than as individual lines.

Resolved minute number 21/ARK/051

That the Sensitive Expenditure 2020/21 Summary report be received.

Cr D Wilson/Cr N Belsham. Carried

The meeting was adjourned at 11.02 am and re-convened at 11.09 am.

10.4 Internal Audit Programme

In response to a query, Mr Tombs advised that staff do not expect to use the same external reviewer for all items, and that external reviewers will be contracted as required.

In response to a query about the \$100,000 budget set aside for external reviewing, Mr Tombs advised that he believed this amount would be sufficient. Mr O'Connell agreed, noting that there would also be opportunities for staff to work with other councils.

21/ARK/052

Resolved minute number

That the Internal Audit Programme report be received.

Cr D Wilson/Cr N Belsham. Carried

10.5 June (draft) Financial Report

The Committee discussed whether certain reports should come to the Audit & Risk Committee for review. Mr Beggs' preference was for reports to go to one Committee only, and then be escalated by that specific Committee if they felt it was necessary. Mr O'Connell agreed that it was important

not to double up on reporting, but noted that there could be value in assessing what activities might be better suited coming to Audit & Risk, based on whether they have a potential to impact on strategic risks.

The Committee and staff agreed that the Mayor and Mr O'Connell should define the items of interest and scope for the Audit & Risk Committee's oversight of activities that are potentially impacting strategic risks.

Resolved minute number 21/ARK/053

That the June (draft) Financial Report, be received.

Cr D Wilson/Cr N Belsham. Carried

10.6 Fraud Reporting

Taken as read.

Resolved minute number 21/ARK/054

That the report 'Fraud Reporting' be received.

Cr N Belsham/Cr D Wilson. Carried

10.7 Audit NZ Management Letter Points

The Committee requested an update on 'unsealed road usage' and whether this was under control. Mr Tombs advised that it will be re-evaluated in the next financial year.

The Mayor noted that Waka Kotahi have indicated that they will provide Council with more funding, but that this is funding that falls under a 'shared-costs' arrangement for roading projects, which will require Council to find funding as unbudgeted expenditure. He believed that staff needed to advise Council whether there would be issues with this. Mr Beggs confirmed that this work was underway. Mr Tombs advised that this was being looked through with the Manawatu District Council under our shared services agreement. The Mayor requested that Council be updated on this issue once staff have completed this work.

Resolved minute number

21/ARK/055

That the AuditNZ Management Letter Points report be received.

Cr N Belsham/Cr D Wilson. Carried

10.8 Risk Management Policy

The Committee agreed that this was an important issue and that due to time constraints, it should be deferred to the next Audit & Risk Committee meeting.

Resolved minute number

21/ARK/056

That the report Risk Management Policy be deferred to the next Audit and Risk Committee meeting.

HWTM A Watson/Mr C O'Connell. Carried

10.9 Insurance Update

The Committee agreed that this report should continue coming to the Audit & Risk Committee in future.

Mr Tombs provided an update on section 3.2, noting there have been a couple of vehicle claims for minor damage.

The Mayor asked if there were any timing issues with Councils contract with AON. Mr Tombs confirmed that it was under control, and that some of the delays were at AON's end.

Resolved minute number 21/ARK/057

That the Insurance Update report be received.

Mr C O'Connell/Cr D Wilson. Carried

11 Public Excluded

The meeting went into a public excluded session at 11.41 am.

Resolution to Exclude the Public

Resolved minute number 21/ARK/058

That the public be excluded from the following parts of the proceedings of this meeting.

- 1. Audit and Risk Committee Minutes (Public Excluded) 27 May 2021
- 2. Council's Cybersecurity Risk Management Framework
- 3. Follow-up Action Items from Audit and Risk Meetings (Public Excluded)

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the *Local Government Official Information and Meetings Act 1987* for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
1.1 – Audit and Risk Committee Minutes (Public Excluded) – 27 May 2021	s7(2)(b)(i) - Trade secret s7(2)(f)(i) – Free and frank expression of opinions	S48(1)(a)

1.2 - Council's Cybersecurity Risk Management Framework	s7(2)(j) – Improper gain or improper advantage	s48(1)(a)(i)
1.3 - Follow-up Action Items from Audit and Risk Meetings (Public Excluded)	s7(2)(b)(i) - Trade secret	s48(1)(a)(i)

This resolution is made in reliance on Section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interests protected by Section 6 or Section 7 of the Act which would be prejudiced by the holding or the whole or the relevant part of the proceedings of the meeting in public as specified above.

HWTM A Watson/Cr N Belsham. Carried

The meeting closed at 11.48 am.

The minutes of this meeting were confirmed at the Audit and Risk Committee held on 16 December 2021.

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Chairperson