



Rangitikei District Council

Audit and Risk Committee Meeting

Minutes – Monday 11 December 2017 – 2.00 pm

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The quorum for the Audit and Risk Committee is 3.

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

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

In attendance: Mr Ross McNeil, Chief Executive
Ms Debbie Perera, Audit Director
Ms Luele Driescher, Internal Auditor
Mr Michael Hodder, Community & Regulatory Services Group Manager
Mr George McIrvine, Finance & Business Support Group Manager
Mr Hamish Waugh, Infrastructure Group Manager
Ms Christin Ritchie, Governance Administrator

Tabled Documents: Item 13: Audit arrangements letter and engagement plan for the 2018-28
Long Term Plan (including self-assessment process)

1 Welcome

The meeting opened at 2.04pm. The Chair welcomed everyone to the meeting.

2 Council prayer

The Chair read the Council prayer.

3 Apologies

There were no apologies.

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

There was no change to the Order of Business and no late items had been requested. The tabled information related to agenda items.

6 Confirmation of minutes

Resolved minute number **17/ARK/024** **File Ref** **3-CT-17-2**

That the Minutes of the Audit/Risk Committee meeting held on 18 September 2017 be taken as read and verified as an accurate and correct record of the meeting.

His Worship the Mayor / Cr Belsham. Carried

7 Chair's report

No report was provided.

8 Local Government Excellence Programme outcome

**Ms Perera arrived at 2.13 pm*

The Chief Executive provided a verbal update to the meeting, a few key points mentioned were:

- The Council received an overall rating of BB, 'performing well' in one category and 'competent' in the other three categories.
- There were 16 areas of improvement identified. Six can be implemented easily; nine are likely to require some external assistance.
- The one area in which we currently do not have enough resource is online and digital forms of communication and engagement.
- It was noted that elected members need to be more engaged in strategic risk issues overall, and not rely solely on the Audit/Risk Committee.
- A workshop will be held with Council to create a formal action plan, to be implemented early in the New Year.

9 Committee review process

The Chair advised he will resend out evaluation forms on 1 February 2018 to Committee members, in order for them to complete with more up to date comments.

10 Internal Audit programme – progress update (includes charter)

Ms Driescher spoke briefly about the Internal Audit Charter. The Committee commended this document.

Resolved minute number	17/ARK/025	File Ref	3-CT-17-1
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That the report 'Final Internal Audit Charter Rangitikei 2017' be received.

Cr D McManaway / Cr N Belsham. Carried

11 LED Procurement

Ms Dreischer spoke to her report:

An investigation had been requested by the Chief Executive on the procurement process for LED Streetlight supply and installation contract. It was not part of the Internal Audit programme.

As well as reporting the findings from a detailed analysis of the processes use, this investigation resulted in a number of recommendations for the Council –

- considering whether the threshold set remains appropriate, and to include risk as part of the threshold decision process;
- basing procurement estimates on the maximum total estimated value of procurement;
- including all relevant details in the request for quotation, to ensure accuracy of quoting and avoid suppliers claiming variations post contract;
- revising amount of detail provided to Council to ensure informed decision-making;
- follow-up on health and safety compliance issues; and
- ensuring terms and conditions are attached to all purchase orders,

The Committee members were in support of the recommendations. No further investigation was needed.

Resolved minute number **17/ARK/026** **File Ref** 3-CT-17-1

That the report 'Final LED Procurement Report 22 Nov 17' be received.

Cr McManaway / Cr Belsham. Carried

12 Proposed revision to risk management framework – further consideration

Mr Hodder spoke to his report, highlighting the suggested altered assessments for 1.10 (aligning with the Independent Assessment Board's view) and 2.3 (noted in the Audit management report).

The purpose is to address risks which were not accepted (particularly those considered to be increasing). However, the framework is very detailed, and it was suggested that a dashboard showing assessments and trends, with concrete actions, could be more appropriate to give to Council. The Committee agreed that it was important that risk was clearly understood in major contracts.

Ms Dreischer offered to assist with the high-level presentation of the risk management framework.

Resolved minute number **17/ARK/027** **File Ref** 5-PO-1

1. That the memorandum 'Revised risk framework' be received.

Cr Belsham / Cr McManaway. Carried

2. That the Chief Executive prepares a draft action plan to address items in the revised risk framework where the risk is not accepted, for consideration at the Committee's next meeting, in February 2018

Cr Belsham / Cr McManaway. Carried

13 Audit arrangements letter and engagement plan for the 2018-28 Long Term Plan

Ms Perera spoke to the letter (and self-assessment process), outlining:

- Two opinions will be provided:
 - for the Consultation Document ('the CD') – both its effectiveness for the consultation purpose and the rigour of the underlying information (which must be adopted first); and

- for the Long Term Plan – both its accountability back to the community and the rigour of the underlying information.
- A detailed list of requirements is included, together with information about the fee.
- The self-assessment process will assist the auditors in their assessment of risk. As last time, it could be completed at a workshop with Ms Perera rather than simply compiling a written response.

** Mr Waugh and Mr McNeil left the meeting at 3.08 pm*

Resolved minute number **17/ARK/028** **File Ref**

That the Audit arrangements letter and engagement plan for the 2018-28 Long Term Plan be received.

His Worship the Mayor / Cr Belsham. Carried

** Mr McNeil returned at 3.11 pm*

**Mr Waugh returned at 3.26 pm*

14 Final Audit management report on the 2016/17 audit

The responses were in draft form for the Committee's consideration. Audit New Zealand would now consider them and review, if necessary, with management before finalising the report.

The report showed there were no areas which needed to be addressed urgently: the financial statements and statement of service performance fairly reflected the Council's activity for the year and its financial position at year end.

Resolved minute number **17/ARK/029** **File Ref** 5-EX-2-4

That the Final Audit management report on the 2016/17 audit (and proposed management responses) be received.

Cr McManaway / Cr Belsham. Carried

15 Outcome of the New Zealand Transport Agency's investment audit, October 2017

Mr Waugh noted that the New Zealand Transport Agency considered the network was in good condition and well managed. The increased focus on drainage was timely, and helped prevent more expensive pavement repairs. Crash rates in the district are comparable with other networks. Asset data bases are largely complete, timely and accurate. Council staff are knowledgeable and have fostered good working relationships with contractors.

A few areas for improvements had been noted – increasing network surface life and delivering additional safety benefits in regard to crash rates.

Resolved minute number **17/ARK/030** **File Ref** **6-RT-2-1**

That the New Zealand Transport Agency Investment Audit Report October 2017 be received.

His Worship the Mayor / Cr Belsham. Carried

16 Report of the Havelock North Drinking Water Inquiry: Stage 2

Mr McNeill spoke to his presentation, highlighting the 'urgent/early recommendations' from the Inquiry and 'further recommendations'. The report is explicit in its view that there should be no untreated drinking water supply.

The Rangitikei District is in good shape generally. There may be a few processes we need to catch up on, but we will not have to start from scratch. We will look to implement a large scale single treatment plan for potable water.

17 Late items

Nil.

18 Future items for the agenda

Committee review process (updated)

Work programme matrix - progress

Understanding Council's risk appetite

19 Next meeting

12 February 2018, 2.00 pm

20 Meeting closed

Meeting closed at 3.52pm.

Confirmed/Chair: _____

Date: