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**Minutes of a meeting of the Audit, Risk and Finance Subcommittee**

**Held in Ruma Mārama, Level 2A, Civic House, 110 Trafalgar Street, Nelson**

**On Thursday 10 September 2015, commencing at 1.03pm**

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Present: Mr J Murray (Chairperson), Her Worship the Mayor R Reese, Councillors I Barker, and B McGurk

In Attendance: Councillors P Matheson, G Noonan and T Skinner, Chief Executive (C Hadley), Group Manager Infrastructure (A Louverdis), Group Manager Corporate Services (N Harrison), Senior Accountant (T Hughes), Senior Strategic Adviser (N McDonald), Administration Adviser (G Brown), and Audit New Zealand (B Kearney)

Apology: Mr J Peters

**1. Apologies**

Resolved AUD/2015/033

***THAT an apology be received and accepted from Mr Peters.***

Barker/Her Worship the Mayor

Carried

**2. Confirmation of Order of Business**

The Chairperson advised that item 8, Draft Annual Report 30 June 2015, would be considered first on the agenda.

**3. Interests**

There were no updates to the Interests Register, and no interests with items on the agenda were declared.

**4. Draft Annual Report 30 June 2015**

Document number R4210, agenda pages 15 - 83 refer.

Group Manager Corporate Services, Nikki Harrison, presented the report.

In response to a question, the Chief Executive, Clare Hadley clarified that the draft Annual Report was in two sections, written text and financials as different officers compiled these sections.

It was discussed that comments needed to be requested from Councillors in relation to the draft Annual Report. Mrs Hadley advised that she would advise all Councillors of today's discussion and ask for feedback while clarifying the document split.

It was highlighted that there were some good stories to be told in relation to the draft Annual Report rates and debt levels.

In response to a question, Ms Harrison clarified that water was measured by consumption and not classified as rates. Audit New Zealand, Auditor, Bede Kearney added that clearer classification for water consumption would be published next year from a change in local government regulations.

It was discussed that the status of receivables for 2014 illustrated in attachment 1 included the Everyman and Marina bad debts.

In response to a question, Ms Hughes said that Port Nelson and Tasman Bays Heritage Trust Land were all showing as zero on page 48 of the agenda as this illustrated only Council results and not group results.

It was discussed that the wording on page 50 in the Port Nelson section in relation to the 'title to this area of seabed' should be reworded if possible.

There was a discussion regarding Related party transactions on page 52 of the agenda in that it should include external appointees, however it was advised that external appointees would be included under key management personnel.

With regards to Working with Maori in attachment 2, it was highlighted that there was no reference to engagement with councillors.

In response to a question, Mrs Hadley advised that documentation was still being prepared in relation to an agreed process with iwi to tender for cultural impact assessments work for infrastructure resource consents.

It was highlighted that there was no commentary around inner city parking and it was questioned whether this topic formed part of the Residents Survey.

In addition it was noted that motor camps, the Trafalgar Centre, and Waahi Taakaro Golf Club needed commentary under Recreation and Leisure.

It was noted that the New Zealand Transport Agency R Funding in relation to Rocks Road would be worthwhile mentioning also in the commentary.

It was suggested that it should be highlighted that the shift in focus to improve footpaths was not only for mobility scooters but for the elderly and sight impaired.

In response to a question, Ms Hughes said that infrastructure revaluations were on a two yearly cycle. She said last year was a full revaluation and this year was an off year. She added the actual revaluation amounts for 2014 and 2015 in the Statement of Comprehensive Revenue and Expense represented the increase in each respective year.

Mr Kearney advised the Committee that the audit was progressing well. He highlighted that there would be changes to auditing standards next year but brought emphasis into these focus areas this year.

In response to a question, Mr Kearney said that it was good practice to adopt a business case approach.

Resolved AUD/2015/034

***THAT the report Draft Annual Report 30 June 2015 (R4210) and its attachments (A1417003 and A1396738) be received.***

Barker/McGurk

Carried

## **5. Public Forum**

There was no public forum.

## **6. Confirmation of Minutes**

6.1 30 July 2015

Document number M1385, agenda pages 5 - 12 refer.

Resolved AUD/2015/035

***THAT the minutes of the meeting of the Audit, Risk and Finance Subcommittee, held on 30 July 2015, be confirmed as a true and correct record.***

Barker/McGurk

Carried

## **7. Status Report - Audit, Risk and Finance Subcommittee - 10 September 2015**

Document number R4799, agenda pages 13 - 14 refer.

Group Manager Corporate Services, Nikki Harrison, presented the report.

Resolved AUD/2015/036

***THAT the Status Report Audit, Risk and Finance Subcommittee 10 September 2015 (R4799) and***

***its attachment (A1324298) be received.***

Her Worship the Mayor/McGurk

Carried

**8. Chairperson's Report**

There was no Chairperson's Report.

**9. Carry Forwards from 2014/15**

Document number R4211, agenda pages 84 - 88 refer.

Group Manager Corporate Services, Nikki Harrison, presented the report.

In response to a question, Group Manager Infrastructure, Alec Louverdis, advised that subject to no major changes to the work programme he believed Nelson City Council was adequately resourced for the capital programme of \$55.3 million. It was noted that the programme included large projects such as the Trafalgar Centre strengthening, Rutherford Park, the Suter and Nelson School of Music developments.

Mrs Hadley highlighted that part of the organisational restructure was to provide more support in the capital projects area however, at times resource consents, New Zealand Transport Agency approval, engagement with landowners and easements could hold projects up.

Resolved AUD/2015/037

***THAT the report Carry Forwards from 2014/15 (R4211) be received.***

Barker/McGurk

Carried

Recommendation to Governance Committee and Council AUD/2015/038

***THAT \$4,233,000 of unspent capital budget from 2014/15 be carried forward for use in 2015/16;***

***AND THAT \$403,000 of capital spent in 2014/15 be offset against 2015/16 budgets;***

***AND THAT an amount of \$107,000 operating budget be carried forward for use in 2015/16.***

McGurk/Barker

Carried

**10. Draft Internal Audit Charter**

Document number R4777, agenda pages 89 - 95 refer.

Group Manager Corporate Services, Nikki Harrison, presented the report.

There was a discussion regarding the work programme. Ms Harrison advised that a Standard Operating Procedures Manual would be compiled and that the Audit, Risk and Finance Subcommittee would review this document.

It was requested that the following changes be made to the draft Internal Audit Charter:

- Add the word 'directly' to section 5.1 in relation to interaction with the Chair
- Change the wording 'if required' to 'as required' in section 5.3
- Add the words to the fifth bullet point in section 7.1 at the end 'and integrated, and their contribution to council outcomes'
- Add the words 'and testing' to the second and subsequent bullet points in section 7.1 so it reads 'Evaluating and testing the reliability...'
- Section 8.2, recommended changes to be reviewed by Group Manager Corporate Services and Manager Organisational Assurance
- Remove additional wording in section 10.2

There was a discussion regarding a whistle blower mechanism. The Chief Executive, Clare Hadley advised the Committee that Nelson City Council had a 'Report it Now' system to report any unethical behaviour. She added that this function was the responsibility of Human Resources.

It was suggested that contractors should also be made aware of the 'Report it Now' system.

It was noted that the Fraud Policy was included in the work programme for the Audit, Risk and Finance Subcommittee.

There was a discussion regarding expectations in relation to internal audit reporting and it was agreed that progress against the work programme would be adequate showing high level findings such as areas being worked on, findings and work going forward at each meeting, as well as more structured reporting on a six monthly basis.

Resolved AUD/2015/039

***THAT the report Draft Internal Audit Charter (R4777) and its attachment (A1395134) be received.***

Barker/McGurk

Carried

Recommendation to Governance Committee and Council AUD/2015/040

***THAT the Draft Internal Audit Charter***

**(A1395134) as amended as per the Audit, Risk and Finance Subcommittee minutes 10 September 2015 be approved.**

Her Worship the Mayor/McGurk

Carried

There being no further business the meeting ended at 2.44pm.

Confirmed as a correct record of proceedings:

\_\_\_\_\_ Chairperson \_\_\_\_\_ Date