



AGENDA

Ordinary meeting of the

Audit, Risk and Finance Subcommittee

Tuesday 10 May 2016

**Commencing at the conclusion of Works and Infrastructure
Committee**

Council Chamber

Civic House

110 Trafalgar Street, Nelson

Membership: Mr John Peters (Chairperson), Her Worship the Mayor Rachel Reese, Councillors Ian Barker and Brian McGurk and Mr John Murray

Guidelines for councillors attending the meeting, who are not members of the Committee, as set out in Standing Orders:

- All councillors, whether or not they are members of the Committee, may attend Committee meetings (SO 2.12.2)
- At the discretion of the Chair, councillors who are not Committee members may speak, or ask questions about a matter.
- Only Committee members may vote on any matter before the Committee (SO 3.14.1)

It is good practice for both Committee members and non-Committee members to declare any interests in items on the agenda. They should withdraw from the room for discussion and voting on any of these items.

1. Apologies

- 1.1 An apology has been received from Mr John Peters

2. Confirmation of Order of Business**3. Interests**

- 3.1 Updates to the Interests Register
- 3.2 Identify any conflicts of interest in the agenda

4. Public Forum**5. Confirmation of Minutes**

- 5.1 31 March 2016 **6 - 12**
Document number M1801
Recommendation

THAT the minutes of the meeting of the Audit, Risk and Finance Subcommittee, held on 31 March 2016, be confirmed as a true and correct record.

Please note that as the only business transacted in public excluded was to confirm the minutes, this business has been recorded in the public minutes. In accordance with the Local Government Official Information and Meetings Act, no reason for withholding this information from the public exists.

**6. Status Report - Audit, Risk and Finance Committee -
10 May 2016 **13 - 14****

Document number R5861
Recommendation

THAT the Status Report Audit, Risk and Finance Subcommittee 10 May 2016 (R5861) and its attachment (A1324298) be received.

- 7. Chairperson's Report**
- 8. Council's Key Organisational Risks - Progress Report 2** **15 - 31**

Document number R5490

Recommendation

THAT the report Council's Key Organisational Risks - Progress Report 2 (R5490) and its attachment (A1519755) be received.

- 9. Balance Sheet reconciliation review** **32 - 38**

Document number R5505

Recommendation

THAT the report Balance Sheet reconciliation review (R5505) and its attachment (A1540192) be received.

- 10. Audit, Risk and Finance subcommittee work plan** **39 - 41**

Document number R5654

Recommendation

THAT the report Audit, Risk and Finance subcommittee work plan (R5654) and its attachment (A1389278) be received;

AND THAT the Subcommittee provide feedback on the Subcommittee work plan.

- 11. Internal Audit Report to 31 March 2016** **42 - 48**

Document number R5793

Recommendation

THAT the Internal Audit Report to 31 March 2016 (R5793) and its attachments (A1533053 and A1532989) be received.

Recommendation to Governance Committee and Council

THAT Council note the internal audit findings, recommendations and status of action plans up to 31 March 2016 (R5793).

12. Corporate Report to 31 March 2016

49 - 61

Document number R5872

Recommendation

THAT the report Corporate Report to 31 March 2016 (R5872) and its attachments (A1544370 and A1544028) be received;

Recommendation to Governance Committee and Council

THAT the transfer of legal budget from the Corporate activity to the Planning activity in 2015/16 in order to obtain economic and traffic evidence for the submission to Tasman District Council on the proposed Progressive Enterprises Ltd Private Plan Change be noted.

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

Held in the Council Chamber, Floor 2A, Civic House, 110 Trafalgar Street, Nelson (previously advertised to take place in Ruma Marama, Floor 2A, Civic House)

On Thursday 31 March 2016, commencing 12.21pm

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

In Attendance: Councillors E Davy, M Lawrey, P Matheson, and G Noonan, Chief Executive (C Hadley), Group Manager Infrastructure (A Louverdis), Group Manager Community Services (C Ward), Group Manager Corporate Services (N Harrison), Manager Communications (P Shattock), Manager Capital Projects (S Davies), Administration Adviser (S Burgess), and Audit New Zealand Auditor (B Kearney)

1. Apologies

There were no apologies.

Attendance: The meeting adjourned for lunch from 12.22pm to 12.43pm.

2. Confirmation of Order of Business

The Chairperson advised that item 10, Extension of loan facility to the Melrose Society, would be brought forward and considered after item 7, Chairperson's Report.

3. Interests

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

4. Public Forum

There was no public forum.

5. Confirmation of Minutes

5.1 18 February 2016

Document number M1712, agenda pages 8 - 17 refer.

It was noted there was a spelling error on page two of the minutes. It was asked that the final paragraph of the minutes be amended to reflect the issue was raised in response to a question.

Resolved AUD/2016/018

THAT the amended minutes of the meeting of the Audit, Risk and Finance Subcommittee, held on 18 February 2016, be confirmed as a true and correct record.

Murray/McGurk

Carried

6. Status Report - Audit, Risk and Finance Subcommittee - 31 March 2016

Document number R5657, agenda pages 17 - 18 refer.

Resolved AUD/2016/019

THAT the Status Report Audit, Risk and Finance Subcommittee 31 March 2016 (R5657) and its attachment (A1324298) be received.

Barker/Murray

Carried

7. Chairperson's Report

The Chairperson thanked officers for the new format for the Corporate Report. He asked the Subcommittee to provide feedback to ensure the reporting fulfilled the needs of the Subcommittee.

8. Extension of loan facility to the Melrose Society

Document number R5575, agenda pages 56 - 74 refer.

Group Manager Community Services, Chris Ward, presented the report.

A suggestion was made that the full remaining cost of the toilet refurbishment, being up to \$57,000, be granted to Melrose House, and that no funding be provided for the chiller installation. The Subcommittee supported this suggestion, highlighting that the building was deserving of good bathroom facilities.

Mr Ward highlighted that Council, through the current lease to the Melrose Society, had originally not supported a grant towards the

bathroom renovations. He added that the Heritage Asset Management Plan was the mechanism for allocating funding in the area of heritage facilities, and if additional funding was available this should be prioritised from an asset management perspective.

Attendance: The meeting adjourned from 1.00pm to 1.04pm.

Resolved AUD/2016/020

THAT the report *Extension of loan facility to the Melrose Society (R5575) and its attachments (A1509577 and A1416892)* be received.

Her Worship the Mayor/Murray

Carried

Recommendation to Governance Committee and Council AUD/2016/021

THAT the *\$15,000 funding allocated towards asbestos remediation in Melrose House in 2016/17 be brought forward to 2015/16 and be used to grant fund the Melrose Society for the purpose of toilet refurbishment;*

AND THAT an additional unbudgeted grant of up to \$42,000 is provided to the Melrose Society for the purpose of toilet renovations in the 2015/16 financial year;

AND THAT the Melrose Society be informed that no further grants will be made by Council to the Melrose Society for the toilet refurbishment and chiller installation project.

Her Worship the Mayor/Murray

Carried

9. Corporate Report to 31 January 2016

Document number R5334, agenda pages 19 - 33 refer.

Senior Accountant, Tracey Hughes, and Manager Capital Projects, Shane Davies, presented the report

Mr Davies and Ms Hughes explained the new format of the Corporate Report and Subcommittee members provided feedback.

In response to questions, Ms Hughes gave further detail on underspends and operating expenditure. Group Manager Corporate Services, Nikki Harrison, further explained the variances in staff costs.

Attendance: The meeting adjourned from 1.23pm to 1.25pm.

In response to questions, further information was provided regarding staff vacancies, holiday pay, smart metering, long term plan budgets, debtors and capital projects. In response to a question, Mr Davies

confirmed the \$20,000 allocated to the Queens Garden Toilet was for design work.

There was discussion about funding being transferred from 2016/17 to 2015/16 for capital projects and the delegated authority for these decisions. Group Manager Infrastructure, Alec Louverdis, undertook to look into this matter to ensure the correct process was being followed.

Resolved AUD/2016/022

THAT the report Corporate Report to 31 January 2016 (R5334) and its attachments (A1513082, A1311288, and A1514038) be received and the variations noted.

Barker/Murray

Carried

Recommendation to Governance Committee and Council AUD/2016/023

THAT the unspent 2015/16 Community Investment Fund operational budget of \$21,300 be carried forward to the 2016/17 financial year, bringing the total budget for 2016/17 for the Community Investment Fund to \$327,000.

Barker/Murray

Carried

10. Audit Arrangement letter 2015/16

Document number R5508, agenda pages 34 - 55 refer.

Group Manager Corporate Services, Nikki Harrison, and Mr Bede Kearney of Audit New Zealand, presented the report.

In response to questions, Mr Kearney provided detail on performance measures, audit fee negotiation, sensitive expenditure, and Audit New Zealand's use of baseline information.

Resolved AUD/2016/024

THAT the report Audit Arrangement letter 2015/16 (R5508) and its attachment (A1511332) be received;

AND THAT the Subcommittee provide feedback on the Audit Arrangement letter to Audit NZ if required, noting the Mayor will sign the letter once the Subcommittee's feedback has been incorporated.

McGurk/Murray

Carried

11. Letter to Council on the audit for the year ended 30 June 2015 - further information

Document number R5640, agenda pages 75 - 84 refer.

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

Resolved AUD/2016/025

THAT the report Letter to Council on the audit for the year ended 30 June 2015 - further information (R5640) and its attachment (A1493673) be received.

Barker/McGurk

Carried

12. Insurance renewal 2016/17 - infrastructure assets

Document number R5649, agenda pages 85 - 88 refer.

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

In response to questions, Ms Harrison provided further detail regarding the timing of the Treasury consultation on insurance cost sharing arrangements. She clarified that, although Council's loss limit needed to be increased, the value of Council's asset pool was appropriately insured.

The Subcommittee agreed that further information would be available in the coming months, therefore it would be appropriate to refer the matter to the Governance Committee, for its consideration and recommendation to Council.

Attendance: The meeting adjourned from 2.57pm to 3.00pm.

Resolved AUD/2016/026

THAT the report Insurance renewal 2016/17 - infrastructure assets (R5649) be received;

AND THAT the Subcommittee refers the matter of insurance renewal for Council's infrastructure insurance to the Governance Committee for its consideration and recommendation to Council.

Barker/McGurk

Carried

13. Exclusion of the Public

Resolved AUD/2016/027

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

The general subject 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(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

Her Worship the Mayor/Murray

Carried

Item	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Particular interests protected (where applicable)
1	Audit, Risk and Finance Subcommittee Meeting - Public Excluded Minutes - 18 February 2016	Section 48(1)(a) The public conduct of this matter would be likely to result in disclosure of information for which good reason exists under section 7.	The withholding of the information is necessary: <ul style="list-style-type: none"> • Section 7(2)(b)(ii) To protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information. • Section 7(2)(h) To enable the local authority to carry out, without prejudice or disadvantage, commercial activities.

The meeting went into public excluded session at 3.04pm and resumed in public session at 3.05pm.

14. Confirmation of Minutes – Public Excluded

Please note that as the only business transacted in public excluded was to confirm the minutes, this business has been recorded in the public minutes. In accordance with the Local Government Official Information Meetings Act, no reason for withholding this information from the public exists.

Document number M1713, public excluded agenda pages 3 - 5 refer.

A correction was requested to the attendance section of the minutes.

Resolved AUD/2016/028

THAT the amended minutes of part of the meeting of the Audit, Risk and Finance Subcommittee, held with the public excluded on 18 February 2016, be confirmed as a true and correct record.

Barker/McGurk

Carried

15. Re-admittance of the Public

Resolved AUD/2016/029

THAT the public be re-admitted to the meeting.

Reese/Barker

Carried

There being no further business the meeting ended at 3.05pm.

Confirmed as a correct record of proceedings:

_____ Chairperson _____ Date

10 May 2016**REPORT R5861**

**Status Report - Audit, Risk and Finance Committee - 10
May 2016**

1. Purpose of Report

- 1.1 To provide an update on the status of actions requested and pending.

2. Recommendation

***THAT the Status Report Audit, Risk and Finance
Subcommittee 10 May 2016 (R5861) and its
attachment (A1324298) be received.***

Lucy Halsall
Administration Adviser

Attachments

Attachment 1: A1324298 - Status Report - Audit, Risk and Finance
Subcommittee

6. Status Report - Audit, Risk and Finance Committee - 10 May 2016

Status Report - Audit, Risk and Finance Subcommittee – 10 May 2016

MEETING DATE	SUBJECT	MOTION	RESPONSIBLE OFFICER	COMMENTS
30 July 2015	Chairperson's Report	<p>Resolved AUD/2015/022</p> <p><u>THAT</u> the verbal Chairperson's Report be received;</p> <p><u>AND THAT</u> information on the risk management framework, Subcommittee work plan, internal audit work plan, and internal audit charter be provided at the next Subcommittee meeting.</p>	Nikki Harrison	<p>Risk management framework - actioned 14 October Subcommittee meeting</p> <p>Complete</p> <p>Subcommittee work plan - this is on this agenda</p> <p>Complete</p> <p>Internal audit work plan - recommendation went to Council 24 March</p> <p>Complete</p> <p>Internal audit charter - actioned 10 September Subcommittee meeting</p> <p>Complete</p>

Council's Key Organisational Risks - Progress Report 2

1. Purpose of Report

- 1.1 To update the Subcommittee on progress with identifying and managing key organisational risks.

2. Delegations

- 2.1 The Audit Risk and Finance Subcommittee has oversight of the Council's management of risk.

3. Recommendation

THAT the report Council's Key Organisational Risks - Progress Report 2 (R5490) and its attachment (A1519755) be received.

4. Background

- 4.1 At its meeting on 18 February 2016 the subcommittee considered and received the first progress report on the Council's key organisational risks. This report was based on a series of broad brush business unit risk assessments conducted during the last quarter of calendar 2015. These risk assessments were based on very broad statements of each business unit's objectives so the resulting aggregation of risks was also necessarily broad.
- 4.2 Since then, the Council's Risk and Procurement Analyst has commenced work and begun working with each business unit to frame risk assessments on the basis of objectives which are specific, measurable and achievable within specified timeframes. Given the work already underway on the Council's health and safety management system, the focus for the Risk and Procurement Analyst has been on risks other than health and safety related ones. This work is on-going.
- 4.3 In parallel with this, and as promised to the subcommittee at its February meeting, the previous report has been updated so that the key organisational risks are stated in terms of the relevant Council objectives. In this context, key risks are those which may have the

largest effect on the Council meeting its objectives, considering both magnitude of the effect and likelihood of it occurring.

- 4.4 The report is also framed in standard risk management language –i.e. following **AS/NZS ISO 31000 2009 Risk Management - Principles and Guidelines**. An annex has been added to explain these.
- 4.5 Given the short time since the last report, the largely well established controls in place to manage risks, and the broad brush nature of the earlier work, there has been no change in the key risks.

5. Discussion

- 5.1 At the February meeting of the subcommittee, members made a number of salient points which have helped shape the development of both the attached document and our thinking in relation to the risks the Council faces. These points included:
 - 5.1.1 **Extension of customer aggression threats to include elected representatives acting on Council business.** This is acknowledged and the risk and its management (as described in the attachment) have been modified accordingly.
 - 5.1.2 **The critical importance of retaining key skills in ensuring that Council can deliver on its programme.** The fact that this is a key risk, especially given the relatively small number of staff the Council has and its broad range of functions, underlines its importance. Preliminary evidence suggests that controls are working in this area and (for example) the staff turnover rate is trending downward.
 - 5.1.3 **High proportion of risks owned by the Chief Executive.** Many of the key risks extend across large parts of the organisation, so stated ownership by the CEO in fact means that several senior managers carry some part of the ownership.
 - 5.1.4 **The importance of risks in relation to core lifeline services (water supply, wastewater etc.)** The events triggering failures in this area are often natural hazard related and risk #1 in the attached document has been modified both to reflect Council's role and respond to the point. It should also be noted that reducing threats in this area requires long term and consistent decision making on maintaining assets which are often less visible.
 - 5.1.5 **The importance of risks around the many laws which Council acts under.** Nearly half of the current key risks relate directly to statutory obligations on the Council. This will also be considered further in relation to risk criteria as the Council's risk profile is developed.

6. Options

- 6.1 Accept the recommendation – receive the Council's second Key organisational Risks Progress Report.
- 6.2 Reject the recommendation – not receive the Council's second Key organisational Risks Progress Report

7. Alignment with relevant Council policy

- 7.1 This report is in alignment with the Council's Risk Management Framework approved in 2015.

8. Assessment of Significance against the Council's Significance and Engagement Policy

- 8.1 This is not a significant decision under the Council's Significance and Engagement Policy.

9. Consultation

- 9.1 No consultation has been undertaken in preparation of this report.

10. Inclusion of Māori in the decision making process

- 10.1 There has been no consultation with Maori in the preparation of this report.

Steve Vaughan
Risk & Procurement Analyst

Attachments

Attachment 1: A1519755 Key organisational risks Report April 2016



Progress Report

Council's Key Organisational Risks

Revised March 2016

A1519775

Page 1 of 14

Overview

The purpose of this document

This progress report provides an update of the key risks which the Council faces. This update focuses on framing risks in relation to specific Council objectives, as we do not yet have sufficient information to meaningfully update risk levels. Accordingly this report remains a work in progress.

In particular:

- The “risks that matter” remain unchanged from the last report
- Defining risks in terms of organisational and group objectives is being developed to drive accountability and ownership
- Controls are in place to manage risks that are “mission critical” to our organisation, and work on refining these continues
- The focus on objectives is helping managers get value from identifying, assessing and responding to risks

Developing the Risk Profile

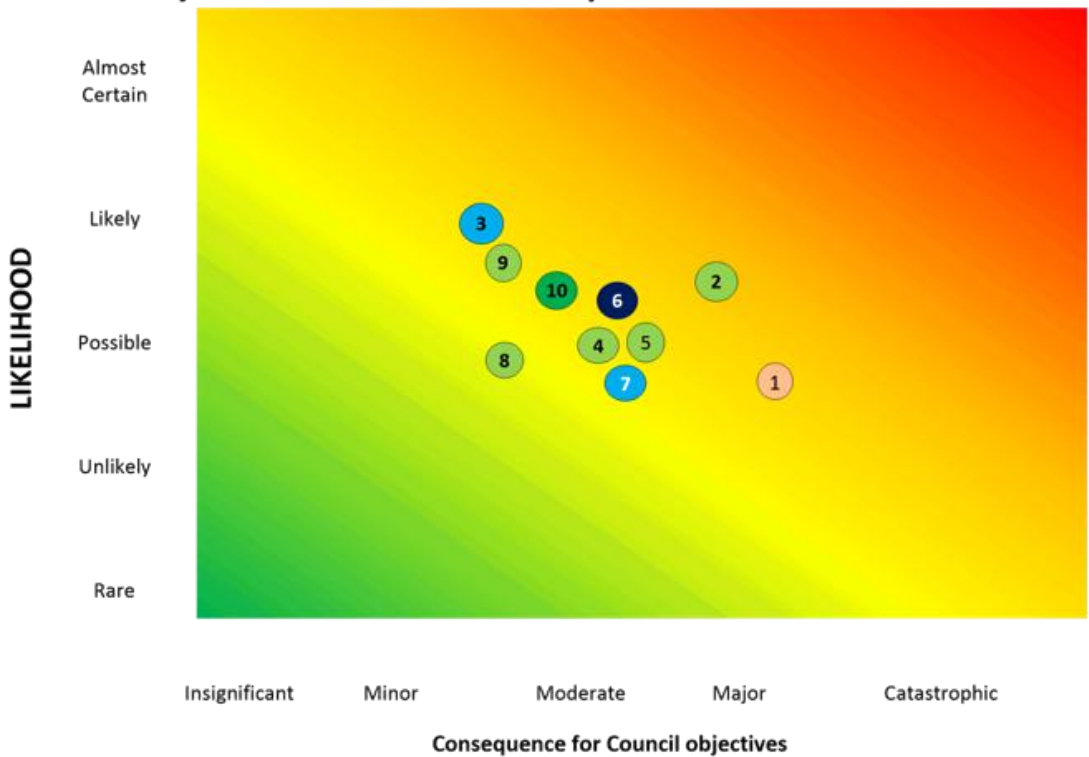
This report will be developed into a risk profile for the whole organisation providing detail on:

- What are our key organisational risks
- Any change in these risks
- What we are doing to manage these risks
- Where we could or need to be doing more
- What risks are emerging

Next steps, next review, and reporting

- Council’s key organisational risks have been reviewed by the SLT once since the last report.
- Risk Owners are working to more clearly specify risks on the basis of Council objectives, enabling them to focus on the component of the key risks which they control.
- A hard copy of the updated report is initialled and dated by the Chief Executive Officer to demonstrate it is the accepted view of the SLT.

Council Key Residual Risk ‘Heat Map’



Risk Owner (Person with the authority and accountability to manage the risk so if the risk cuts across many areas, the CEO is noted as the risk owner, supported by relevant SLT members)					
	Corporate Services		Strategy & Environment		Chief Executive
	Community Services		Infrastructure		

1. Difficulty maintaining lifeline services in the face of natural hazard and similar events

Why do we see this as a risk?

The Council is responsible for maintaining many lifeline services such as water, wastewater, and the roading network. The operation of these services is subject to disruption by natural hazard and related events such as severe weather events, seismic events, rural fire; or tsunami. Maintaining services and restoring them after these events requires planning and diversion of resources from ‘business as usual’ infrastructure maintenance and development.

Managing the risk

Ongoing focus on infrastructure, asset management planning and civil defence emergency management (CDEM) across the 4Rs of risk reduction, readiness, response and recovery.
Review and improve information management processes during an event to better inform response, recovery and business as usual

Controls - What we have in place

- Civil defence planning, management and resources; Data Management in Emergency Event, Rural Fire Management via Waimea Rural Fire Committee, Business Continuity Plans
- Disaster recovery funding; Natural Hazards project work, Nelson Plan;
- Insurance/Risk sharing;
- Infrastructure planning; LIMS;
- Earthquake strengthening of buildings and structures (e.g. bridges)
- Asset Management plans for each network
- Structural Engineer in Building Unit
- 30 Year infrastructure strategy
- Regional lifeline work

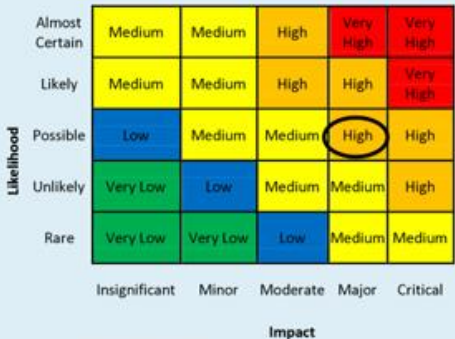
Treatments - What we are planning

- Review, update and test business continuity plan, Review infrastructure insurance arrangements (LAPP v external insurer)
- Hazards – review of impact from significant earthquake or flood on infrastructure, including Civic House Earthquake procedure,
- Explore use of Riskscape - NZ designed natural hazard prediction software package
- Changes in Earthquake Prone Building Legislation for earthquake strengthening

Risk Owner

Group Manager Infrastructure
[support from Group Manager Strategy & Environment]
Residual Risk Rating
High

Risk Map



Risk Movement

None

Last Update: March 2016

2. Customer Aggression Threatening Health & Safety of those who work for and with Council

Why do we see this as a risk?

The Council's objective is to have all those who work for us safe at work. Council staff, elected representatives, contractors and volunteers can be threatened and abused while carrying out duties at Council facilities or in the field, leading to work stress and fatigue. Elected representatives and the staff who have a public interface (e.g. Customer Service centre, contracted staff, public events, libraries) experience aggression on a regular basis. The potential for serious assault to occur is always present.

Managing the risk

Council is working on reviewing and managing the risk through best practice H&S management systems and continuous improvement.

Controls - What we have in place

- Recruiting assessment for individual resilience
- Workplace design and operation – Civic House security (including meetings), locked door to staff areas
- Various policies and procedures to address response
- Alarms and emergency procedures;
- Cell phones/radio.
- Training for high exposure positions
- Employee Assistance Programme
- Video camera surveillance of CSC
- Minimum cash holdings
- Work in pairs in the field where appropriate
- Incident reporting
- Incident Management Team

Treatments - What we are planning

- Recommendations from security review
- More risk assessments for events involving those exposed to the public
- Improvements to H&S systems and reporting
- Lone Worker policy
- Pilot testing and implementing tracking technology (vehicles and workers)

Risk Owner

Chief Executive

[support by all Senior Leadership Team]

Residual Risk Rating

High

Risk Map

Likelihood	Almost Certain	Medium	Medium	High	Very High	Very High
	Likely	Medium	Medium	High	High	Very High
	Possible	Low	Medium	Medium	High	High
	Unlikely	Very Low	Low	Medium	Medium	High
	Rare	Very Low	Very Low	Low	Medium	Medium
		Insignificant	Minor	Moderate	Major	Critical

Impact

Risk Movement

None

Last Update: March 2016

3. Reputational Damage from Negative Media Exposure

Why do we see this as a risk?

The ongoing public and media scrutiny of Council activities combined with conflicting interests and perceptions of individuals and community sectors can result in negative and incorrect media exposure. This in turn can lead to reputational damage, reduced staff morale, and loss of public confidence and trust.

Managing the risk

Proactive and early communications of fact about Council operations.

Controls - What we have in place

- Communications Manager role
- Communications plans for all projects and weekly meetings with Project Managers
- Customer surveys
- Use of different communications media
- LGNZ know how training and internal induction training
- Councillor code of conduct
- Standing orders
- Councillor interests register
- Senior staff conflict of interest register
- Media Policy
- Report it now
- Privacy officer appointed
- Internal communications resource to enable staff to provide correct information about Council work

Treatments - What we are planning

- Conflicts of interest policy – developed and to be promulgated
- Staff conflicts of interest register being developed

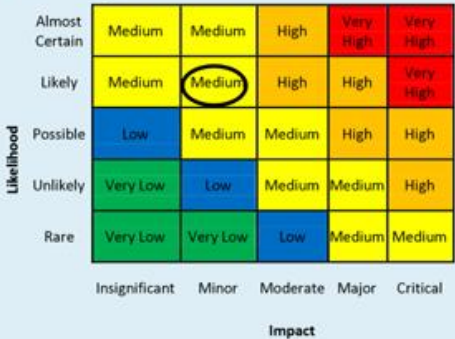
Risk Owner

GM Community Services

Residual Risk Rating

MEDIUM

Risk Map



Risk Movement

None

Last Update: March 2016

A1519755

4. The nature of field work or working alone exposes workers and/or members of the public to higher likelihood of injury or stress



Why do we see this as a risk?

The nature of many field operations exposes workers (including contractors, council staff and volunteers) to the increased likelihood of accidents impacting on the objective to keep our people safe. Lone workers (e.g. Brook Camp, building inspectors), and workers undertaking hazardous tasks, (river work, forestry activities, working at heights, confined spaces, or with asbestos or hazardous substances) are particularly exposed.

The public may also be at risk to potential harm whilst entering areas of active Council controlled works or using Council owned facilities, parks and reserves or while attending public events where hazards are not identified or managed fully.

Managing the risk

Review of H&S practices and management of contractor H&S across Council and working to ensure Council has best practice H&S management systems, leadership and planning in line with legislation changes and robust risk assessments integrated across whole of Council.

Controls - What we have in place

- Health and Safety Management System (Charter, Standards, Strategic Plan)
- H&S policy, management plans and procedures
- Training (incident investigation, risk management, safe work observations, induction) for CMT/SLT and Team Leaders
- Event reporting analysis, corrective and preventative actions
- H&S performance reporting and trend analysis
- Visible Felt Leadership (Safe work observations of operational activities by Council leaders)
- Electronic incident and risk management system (InControl) in place
- Incident Management Team including procedure and training

Treatments - What we are planning

- Review of contracts and contractor processes relating to H&S
- Targeting auditing/oversight of on high risk activities
- Implementing routine risk assessment practices
- Specialised leadership training for CMT/SLT and Team Leaders

Risk Owner

Chief Executive

[support by all Senior Leadership Team]

Residual Risk Rating

MEDIUM

Risk Map

Likelihood	Almost Certain	Medium	Medium	High	Very High	Very High
	Likely	Medium	Medium	High	High	Very High
	Possible	Low	Medium	Medium	High	High
	Unlikely	Very Low	Low	Medium	Medium	High
	Rare	Very Low	Very Low	Low	Medium	Medium
		Impact				
		Insignificant	Minor	Moderate	Major	Critical

Risk Movement

None

Last Update: March 2016

5. Ineffective Contracts and Management of Contractors compromises Council service performance

Why do we see this as a risk?

Inconsistent quality of contracts and oversight of the activities of contractors can impact on our objectives to keep people safe, operate within budget, deliver quality services and maintain a high reputation. The larger contracts include EIL, Nelmac and Olsens (forestry), which if not well controlled create risks to the Council in terms of safety, financial, reputational and asset management and protection. The quality of contracts and Council supervision may be reduced due to workload pressures or the visibility of contractor activity. The potential to overlook contractor Health and Safety management exposes Council to liability under the Health and Safety at Work Act 2015.

Managing the risk

The Organisational Assurance business unit has a review of Council management of Contractor H&S well underway.

Controls - What we have in place

- Contractor selection process and pre-qualification forms
- Contracts and specifications
- Contract performance management processes including reviews
- Where relevant, contractors follow NCC procedures
- Contractor audits/oversight
- Using contractors reputation as an attribute

Treatments - What we are planning

- Review of contract templates, contractor policies and procedures and oversight (contractor work cycle)
- Review of procurement policies/process (commenced)
- Review of contractor performance management
- Coaching of contract managers to support and align to Council expectations

Risk Owner

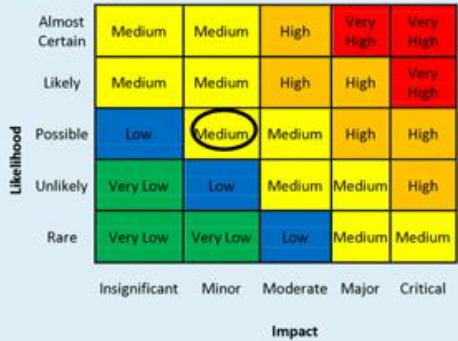
Chief Executive

[support by all Senior Leadership Team]

Residual Risk Rating

MEDIUM

Risk Map



Risk Movement

None

Last Update: March 2016

6. Technology (IT) failures Impacts on Service Delivery

Why do we see this as a risk?

Council is heavily reliant on technology for its day to day business operations. Failure of software/ hardware or phone systems would impact on the ability to provide promised levels of service. Such failures can also result in financial loss and the potential for loss of key information. Causes may include cyber-attack, electricity interruptions, unsupported and out of date hardware/software, or other failures due to natural or infrastructure events.

Managing the risk

IT is in the process of moving to an outsourced model for externally hosted/supported systems.

Controls - What we have in place

- IT replacement and upgrade planning
- IT backup and disaster recovery procedures
- IT and phone system redundancy
- IT security and regular IT security review
- Emergency plans – "Plan B" provider out of region
- Annual recovery tests
- Simplification policy - fewer vendors, models.
- ITIL and Cobit frameworks (recognised best practice frameworks for delivery and planning of IT services)
- Use of multiple phone providers for emergency
- UPS, Generator & fuel supply
- Change management processes
- IT steering group

Treatments - What we are planning

- Implementation of externally hosted and supported IT infrastructure
- Cyber-attack insurance being considered
- Business continuity plan update commenced
- Removing dependency on bespoke systems (approx. 15% remaining)
- IT strategic plan

Risk Owner

GM Corporate Services

Residual Risk Rating

MEDIUM

Risk Map

Likelihood	Almost Certain	Medium	Medium	High	Very High	Very High
	Likely	Medium	Medium	High	High	Very High
	Possible	Low	Medium	Medium	High	High
	Unlikely	Very Low	Low	Medium	Medium	High
	Rare	Very Low	Very Low	Low	Medium	Medium
		Insignificant	Minor	Moderate	Major	Critical
		Impact				

Risk Movement

None

Risk Update: March 2016

7. Incomplete and difficult to acces records compromise decision making and public services

Why do we see this as a risk?

Council is required to comply with the Public Records Act. Council relies on a number of different systems to provide information for the public and on which to base decisions. Where the information is incomplete or difficult to access this can lead to poor advice or decision making with the potential for litigation and adverse media reporting. For example, poor information on GIS used for planning can result in costly construction delays and rework. Failure to follow records management processes may result in documents/information being overlooked which in turn creates a risk of legal non-compliance and reputational damage. Our inherited mix of paper and electronic records may lead to incomplete information provision to the public.

Managing the risk

The Strategic Records Steering Group are carrying out specific risk assessment and assigning resources.

Controls - What we have in place

- Quality assurance and sign off processes
- Review of outputs
- Promapp
- Peer review
- Document management policy and process
- Records management audits
- Archivist position
- 5-year Records Strategy

Treatments - What we are planning

- Implementation of Records Strategy across the organisation
- Review of organisations use of the EDRMS system and knowledge of Legislation
- Property Information management review
- Rationalisation of off-site storage of records
- Approve and implement Spatial Information Strategy

Risk Owner

GM Community Services

Residual Risk Rating

MEDIUM

Risk Map

Likelihood	Almost Certain	Medium	Medium	High	Very High	Very High
	Likely	Medium	Medium	High	High	Very High
	Possible	Low	Medium	Medium	High	High
	Unlikely	Very Low	Low	Medium	Medium	High
	Rare	Very Low	Very Low	Low	Medium	Medium
		Impact				
		Insignificant	Minor	Moderate	Major	Critical

Risk Movement

None

Last Update: March 2016

8. Loss of specialist expertise compromises capability to deliver council work programme

Why do we see this as a risk?

Council's delivery of all of its objectives can be affected by the loss of staff in specialised roles or with extensive organisational knowledge. Loss of staff, particularly in key project or planning phases has the potential to disrupt timing, impact on outcomes and place pressure on remaining staff. The potential exists particularly within areas that are demand or timeline driven such as Planning and Communications, but also where there are areas of specialised expertise such as GIS, Environmental Programmes.

Managing the risk

Controls - What we have in place

- Procedure and Promapp project documentation
- File management system
- HR notice periods and handovers
- More than one staff member with knowledge of key roles/projects
- Succession, business units and long term planning
- Use of Contractors to cover gaps
- Workplace Support Service and Reporting
- Report it Now
- Promapp (procedures)
- Staff survey for morale and culture
- CEE committee/relationship with CE
- Preferred suppliers, short term contracts, working with other BCA's
- Business Planning
- Networking within sector e.g. SOLGM, Ingenium.

Treatments - What we are planning

- Implementation of standardised project tracking/recording protocols (in progress)

Risk Owner

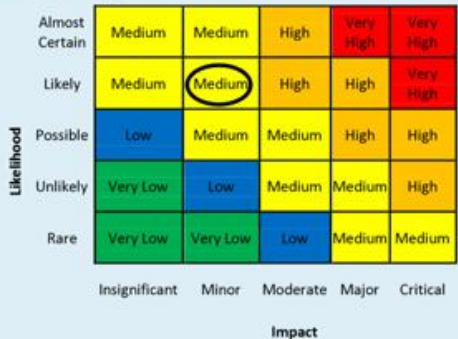
Chief Executive

[support by all Senior Leadership Team]

Residual Risk Rating

MEDIUM

Risk Map



Risk Movement

None

Last Update: March 2016

9. Fraud, corruption or theft reduces the Council's capacity to deliver its work programme

Why do we see this as a risk?

Economic crime is a potentially fundamental exposure for any organisations. NCC has fraud exposures both internally and via the reliance on use of contractors and volunteers for activities such as festivals and through provision of grants. Fraudulent activities reduce the council's ability to deliver on most of its objectives which involves the expenditure funds or generation of revenue. Such activities also divert time and resources to track and rectify them.

Managing the risk

Council has a system of internal controls over all aspects of its business. Indications suggest these controls may be weak in some areas. The recently initiated Internal Audit function has a risk based audit plan. All audits will include an assessment of internal controls and fraud risk. A physical security review has been completed.

Controls - What we have in place

- Internal controls
- Internal and External audit
- Code of conduct
- Organisational values
- Building security systems
- Report It Now
- Review of community assistance grants process
- Delegated authorities
- Segregation of duties

What is planned?

- Fraud risk assessment
- Completion of targeted internal audit to provide assurance on internal control to reduce fraud risk
- Fraud prevention training
- Findings from the Physical Security Review (Theft prevention)

Risk Owner

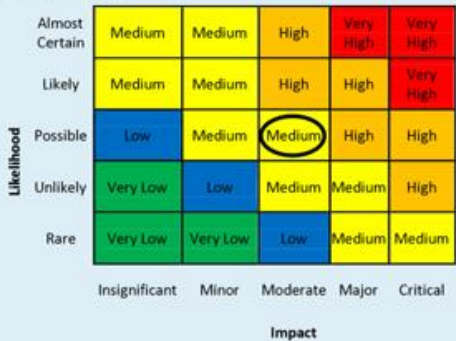
Chief Executive

[support by all Senior Leadership Team]

Residual Risk Rating

MEDIUM

Risk Map



Risk Movement

Risk Update:

10. Breach of Privacy of Personal Information affects council's reputation

Why do we see this as a risk?

Information held by Council is publicly available but may include personal information that should not be disclosed. Staff may inadvertently or wilfully disclose personal information, either electronically or by supplying documents or leaving documents unattended, damaging the Council's reputation and possibly leading to legal action.

Managing the risk

Controls - What we have in place

- IT security systems
- IT flags on withheld information (pop ups) database and GIS
- Housekeeping (tracking, suitable storage of records)
- Locked Tardis files
- Code of conduct
- Confidentiality clause in employment agreements
- Access to ratepayer and owner names is controlled in GIS systems (NMap, Top of the South Maps and contractor access to GIS databases)
- LGOIMA

Treatments - What we are planning

- Induction training on Privacy
- Appointment of Privacy Officer
- Internal audit of Privacy Act compliance within high risk areas

Risk Owner

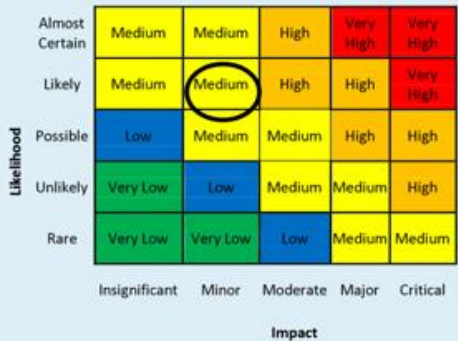
Chief Executive

[support by all Senior Leadership Team]

Residual Risk Rating

MEDIUM

Risk Map



Risk Movement

Risk Update:

Annex: Key Risk Management Concepts

Risk: The effect of uncertainty on objectives.

Risk is usually described as a combination of consequence for a given objective or objectives and the likelihood of that consequence eventuating. The levels of risk set out in this report are derived from a consistent set of judgements about the acceptability of given levels of consequence and likelihood.

Consequence: The effect that a particular (uncertain) event would have on a given objective (or objectives). At present consequences are scaled using the following consequence scales:

- **Safety of staff or public:** from minor injury to multiple fatalities
- **Health of staff or public:** from few people affected temporarily to large numbers with serious effects
- **Asset performance:** from few people affected by failure to several thousand affected
- **Environmental:** from short term temporary impact to major/ permanent environmental damage
- **Historical/ cultural:** from minor/temporary loss of historical record to major damage / destruction of nationally important objects/ buildings etc.
- **Financial:** from losses of less than \$100,000 to more than \$5million
- **Reputation:** from minor reaction by a small number to complete loss of confidence in the council
- **Relationship with Iwi:** from minor issues to complete breakdown of relationships

Likelihood: scale extends from rare (e.g. less common than 1 in 100 year event) to almost certain.

Residual Risk: The level of risk remaining after controls have been put in place. The risk levels given in this report are all residual risks.

Controls: Actions which are in place which modify (generally reduce) risks.

Treatments: Actions which may be taken but are yet to be taken to modify (generally reduce) risks.

A1519775

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Balance Sheet reconciliation review

1. Purpose of Report

- 1.1 To inform the subcommittee on the detail of the balance sheet, the status of reconciliations, and any areas of risk identified.

2. Delegations

- 2.1 The Audit, Risk and Finance Subcommittee has oversight of the Council's management of risk.

3. Recommendation

THAT the report Balance Sheet reconciliation review (R5505) and its attachment (A1540192) be received.

4. Background

- 4.1 As part of the Corporate Report, the subcommittee is presented at every meeting with a summarised balance sheet. The purpose of presenting the summarised balance sheet is to identify and explain any significant movements month on month.
- 4.2 The balance sheet is otherwise known as a statement of financial position. Balance sheet reconciliations are conducted to ensure the legitimacy of the organisation's reported financial position.
- 4.3 Attachment 1 allows the subcommittee to see the detail that lies beneath the summary balance sheet. For each account, the spreadsheet indicates the balance at February (the latest month for complete data), the frequency that reconciliations are required, whether the reconciliation has been completed in February and any risk associated with balance.

5. Discussion

- 5.1 Accounts with a large number of transactions (debtors, creditors, fixed assets) are reconciled monthly or more frequently.

- 5.2 Some accounts (largely equity and loans receivable) are reconciled quarterly or annually as part of the annual report and audit process. These accounts may have only one movement during the year.
- 5.3 Reconciliations are completed by a named member of the finance team and are checked by a senior member, or in some cases, Audit.
- 5.4 As part of their audit process, Audit NZ check some (but not all) reconciliations either during their interim visit (which tends to focus on control and process) or their final visit (the reconciliations being in support of the final results).

6. Options

- 6.1 Accept the recommendation – receive the Balance Sheet Reconciliation Review report.
- 6.2 Reject the recommendation – not receive the Balance Sheet Reconciliation Review report.

7. Alignment with relevant Council policy

- 7.1 This section is not applicable.

8. Assessment of Significance against the Council's Significance and Engagement Policy

- 8.1 This is not a significant decision under the Council's Significance and Engagement Policy.

9. Consultation

- 9.1 No consultation has been undertaken in preparation of this report.

10. Inclusion of Māori in the decision making process

- 10.1 There has been no consultation with Maori in the preparation of this report.

Tracey Hughes
Senior Accountant

Attachments

Attachment 1: Balance Sheet reconciliations summary February 2016
(A1540192)

9. Balance Sheet reconciliation review - Attachment 1 - Balance Sheet reconciliations summary February 2016 (A1540192)

GL Account Number	GL Description	Reconciliation Y/N/NR (not required)	Reconciliation Timing	FEBRUARY Checked	FEBRUARY \$	Risk Amount Feb 16	Risk Commentary	Other Information
Current Assets - Cash		Y						
25309001	Imprest Accounts	Y	Start Month	Y	34,383	34,383	Reconciled to Bank	
25309002	Cashier Clearing Account	Y	Start Month	Y	(1,764)	Nil		These three are combined
25309003	Unpresented Cheques	Y	Start Month	Y	(6,520)	Nil		These three are combined
25309004	Westpac Bank Account (No Inls)	Y	Start Month	Y	31,783	23,499	Reconciled to Bank	These three are combined
Current Assets - Receivables								
2530901901	Commercial + Trade Waste Debts	Y	Start Month	Y	0	-	Credit Balance transferred to Current Liabilities	Sub ledger balance
25309020	Rates Debtors	Y	Start Month	Y	0	-	Credit Balance transferred to Current Liabilities	Sub ledger balance
25309020001	Rates Postponement 1983030850	Y	Start Month	Y	6,138	-		
25309020002	Rates Postponement 1947032500	Y	Start Month	Y	20,720	-		
25309020004	Rates Postponement 1966042300A	Y	Start Month	Y	7,406	-		
25309020005	Rates Postponement 1983062900	Y	Start Month	Y	11,794	-		
25309020007	Rates postponement 1965035300	Y	Start Month	Y	4,633	-		
25309021	General Debtors	Y	Start Month	Y	2,719,652	2,719,652	Reconciled to Debtors Sub ledger	Sub ledger balance
2530902102	Provision for Doubtful Debts	Y	Year End	N	0	-		Year end adjustment
25309022	Debtors Accrued	Y	End Of Month	Y	454,532	454,532	Accounting risk only	Largely NZTA
25309023	Rates Rebates	Y	Start Month / Year End	Y	0	Nil	Reconciled to Rates Rebates Sub Ledger	Zero balance once reimbursement from DIA is received
25309024	Accrued Revenue	Y	End Of Month	Y	2,715,299	2,715,299	Accounting risk only	Update and check after funding done. Largely Water accrual
2530902401	Accrued Pensioner Housing Revenue	Y	Monthly	Y	46,959	46,959	Accounting risk only	
2530902402	Accrued Dividend Revenue	Y	Monthly	Y	1,906,293	1,906,293	Accounting risk only	
25309027	Marina Debtors (Nelmac)	Y	Monthly	Y	63,838	63,838	Reconciled to Marina Debtors Ledger and Bank Account	Sub Ledger and Bank Balance
25309062	Current Account: NRSBU	Y	Annually	N	0	Nil	Accounting risk only	
2530906203	NRSBU Advance Working Capital	Y	Monthly	Y	0	Nil	Accounting risk only	
2530906301	Intercompany - In Airport Ltd	Y	Monthly	Y	0	Nil	Accounting risk only	Cleared Regularly depending on Value
25309066	Inwards Remittance Recd Susp	Y	Start Month	Y	0	Nil	Accounting risk only	
25309070	Rates Refund Suspense	NR	End Of Month	Y	0	Nil		Zero balance at month end
25309072	Resource Consents Suspense	Y	Start Month	Y	0	Nil	Accounting risk only	
2530907201	Building Consent Deposit	Y	End Of Month	N	0	Nil	Accounting risk only	
25309073	Southern Cross Pymts Suspense	Y	Annually	N	0	Nil	Accounting risk only	
2530907301	Property Legal Suspense Clearing	Y	Monthly	Y	0	Nil	Accounting risk only	Should be Zero
25309074	Rates Remission Suspense	NR	Year End	N	0	Nil		Zero balance at year end
25309076	Sundry Fines Suspense	Y	Monthly	Y	0	Nil	Accounting risk only	Cleared monthly should be nil at end each month
25309078	PIN Suspense	Y	Daily	Y	0	Nil		Cleared daily should be nil at end of Month
25309079	Cash Out Suspense	Y	Daily	Y	0	Nil		Should be nil each day
2530908004	Molesworth Team Contributions	Y	Monthly	Y	0	Nil		Minor balance used annually - Transferred to current liabilities
2530908006	Mayors Christmas Dinner Income Suspense	Y	Event	Y	0	Nil		Only used at Xmas - Cleared at month end
25309081	NCC Visa Card Suspense	Y	Monthly	Y	2,270	2,270	Accounting risk only	
25309082	Parking Infringement Part Payment Suspense	Y	Monthly	Y	0	Nil		Updated by EIT as well as finance - check balance
25309083	Solar City Repayment Suspense	Y	Annually	N	0	Nil		Should be nil except at rates levy month
2530908703	Mayoral Relief Fund	Y	Annually	N	0	Nil		Only used for Consolidation
25309217	Nelmac (Marina Debtors) Suspense	Y	Weekly	Y	49,658	49,658	Accounting risk only	Checked weekly, Contra account for Cash receipts / transfers
25309218	Intermediary Loan Debtors	Y	Monthly	Y	0	Nil		Year End Adjustment
25309222	Income Tax Provision	Y	Year End	N	0	Nil		
25309235	GST Receivable (Month End Balance)	Y	Year End	N	92,935	Nil	Accounting risk only	Monthly combined Account for Presentation.
Current Assets - Other Current Assets								
25309010	Westpac call investment	Y	Start Month	Y	0	Nil		Usually Nil - Check with Loans
25309025	Sundry Prepayments	Y	End Of Month	Y	1,018,091	1,018,091	Accounting risk only	Sundry expenses timing
25309026	Insurance Prepaid	Y	End Of Month	Y	264,926	264,926	Accounting risk only	Sundry expenses timing
25309045	Swaps Revaluation	Y	Year End	N	95,118	95,118	Accounting risk only	Year end adjustment
25309091	Loan: Melrose House (Percy Adams Trust)	Y	Year End	N	0	Nil		
25309092	Loans: Rainbow	Y	Year End	N	12,857	Nil	Payable by Council	
25309093	Loans: Theatre Royal	Y	Year End	N	60,000	60,000		
25309095	Loans: Clean Heat Warm Homes	Y	Annually	N	418,191	418,191	Defaults unlikely	
2530909520	Solar Saver Loans	Y	Annually	N	81,039	81,039	Defaults unlikely	
25309096	Intermediary Advances	Y	Monthly	N	90,750	90,750		Adjusted at year end
25309098	Loan: Tasman Bays Heritage Trt	Y	Year End	N	100,000	100,000		
25309290	Civic Trust: 1st NZ Securities Current	NR	Year End	N	0	Nil		
Current Liabilities - Payables								
25309084	GST Net Current Asset	Y	Year End	N	(92,935)	Nil		Monthly combined Account for Presentation.
25309203	Accrued Expenses	Y	Monthly	Y	(50,000)	Nil		

Balance Sheet Reconciliation review for ARF - Feb 2016 balances - 19Apr2016 (A1540192).xlsxRECON

GL Account Number	GL Description	Reconciliation Y/N/NR (not required)	Reconciliation Timing	FEBRUARY Checked	FEBRUARY \$	Risk Amount Feb 16	Risk Commentary	Other Information
2530920301	Accrued Interest	Y	Monthly	Y	(315,143)	Nil		
2530920302	Accrued Audit Fees	Y	Monthly	Y	(101,065)	Nil		
25309204	Sundry Creditors	Y	Monthly	Y	(446,568)	Nil		Used for reclassification
25309209	Trade Creditors	Y	20th Month	Y	(7,683,804)	Minor	Invoices not processed	
25309210	Income Received in Advance	Y	Monthly	Y	(686,974)	Nil		
2530921001	Suspensory Loan: Current	Y	Annually	N	(58,500)	Nil		
25309211	Contingencies: GST	Y	Monthly	Y	330,266	Nil		Timing of GST liability on Income
2530921101	GST Change and Discount Suspense	NR	Monthly	N	0			Should be Nil unless Govt changes GST rate. Needed for Rates system
25309212	Building & Housing Levy	Y	Start Month	Y	0	Nil		Zero balance at month end
25309213	Building Research Levy	Y	Start Month	Y	0	Nil		Zero balance at month end
25309214	Nelson Enterprises Loans Trust	Y	Year End	N	(43)	Nil		Historical Balance
25309215	Trust Account	Y	Monthly	Y	(458,767)	Nil		
2530921501	GoShift Central Initiative	Y	Monthly	Y	(53,046)	Nil		Funds held on behalf
25309216	Unclaimed Monies Reserve	Y	Monthly	Y	(11,671)	Nil		
25309219	Top Of The South Marine Biosecurity Partnership	Y	Year End	N	(62,457)	Nil		Clearing Account 8043 Annual Balance
25309220	FBT Accrued	Y	Annually	N	0	Nil		
25309224	Withholding Tax	Y	Monthly	Y	(1,715)	Nil		
25309230	GST Balance Brought Forward	Y	Monthly	Y	584,201	Nil		These codes combine together
25309231	GST Input Tax: Expenses	Y	Monthly	Y	8,899,268	Unknown	Possible claimed with no valid invoice	These codes combine together
25309232	GST Output Tax: Income	Y	Monthly	Y	(10,329,141)	Unknown	Possible miscoding of non invoiced income	These codes combine together
25309233	GST Paid to IRD	Y	Monthly	Y	3,147,939	Nil		These codes combine together
25309234	GST Received from IRD	Y	Monthly	Y	(2,539,598)	Nil		These codes combine together
25309238	Founders Park Deposits	Y	Monthly	Y	(1,543)	Nil		
25309239	Marina Key Deposits	Y	Annually	N	(3,145)	Nil		Historical Balance on transfer to Nelmac June 12.
25309242	Rental & Accom Bonds	Y	Monthly	Y	(22,550)	Nil		
25309243	Stoke Hall Deposits	Y	Monthly	Y	(235)	Nil		
25309244	Trafalgar Centre Deposits	Y	Monthly	Y	0	Nil		
25309245	Contract Deposits	Y	Monthly	Y	(1,500)	Nil		
25309246	Saxton Stadium Deposits	Y	Monthly	Y	(0)	Nil		
25309247	Election Deposits	Y	Monthly	Y	(1,600)	Nil		DHB
25309248	Performance Deposits	Y	Monthly	Y	(330,884)	Nil		
25309615	Civil Defence - Joint Venture	Y	Year End	N	(541,469)	Nil		
25309620	Fisheries Outfall	Y	Year End	N	(88,697)	Nil		Clearing Account 8035 Annual Balance
Current Liabilities - Borrowings								
2530909803	NRSBU Advance Current	Y	Annually	N	0	Nil		
25309201	Loans: Current Portions	Y	Year End	N	0	Nil		
2530920101	Floating Rate Notes: Current Portion	Y	Annually	N	0	Nil		
25309202	Commercial Paper	Y	Monthly	Y	0	Nil		Not currently used
2530960122	WPC - Gymnastics	Y	Monthly	Y	(6,500)	Nil		Hedgebook
2530960123	WPC - Celtic Rugby	Y	Monthly	Y	(500)	Nil		Hedgebook
2530960124	WPC - United Bowling	Y	Monthly	Y	(2,250)	Nil		Hedgebook
2530960125	WPC - Tahuna Camp	Y	Monthly	Y	(1,225,900)	Nil		Hedgebook
2530960273	WPC - Call Loan	Y	Monthly	Y	(150,000)	Nil		
2530960278	WPC - Term Loans	Y	Monthly	Y	(164,850)	Nil		Hedgebook
2530960286	WPC - Visitor Info	Y	Monthly	Y	(3,110,000)	Nil		Hedgebook
2530960287	WPC - Nin Airport Ltd	Y	Monthly	Y	(1,200,000)	Nil		Hedgebook
Current Liabilities - Other								
25309067	Salary/Wages Suspense Account	Y	Fortnightly	Y	(853,610)	Nil		
25309067 & Others	Payroll Sundry Journals	NR	Monthly			Nil		Monthly check of journals
25309250	Sick Leave accrual	Y	Year End	N	(51,410)	Nil		Year End Adjustment
25309251	Holiday Pay accrual	Y	Monthly	Y	(679,258)	Nil		
25309252	Retirement Gratuities: Current	Y	Year End	N	(98,682)	Nil		Year End Adjustment
25309253	Long Service Leave: Current	Y	Year End	N	(74,669)	Nil		Year End Adjustment
25309490	Derivatives Reval: Current portion of liability	NR	Year End	N	(38,893)			
Non Current Assets - Fixed Assets								
25309420	Land: Operational	Y	Monthly	Y	69,570,325	Nil		
25309422	Buildings: Operational	Y	Monthly	Y	35,933,585	Nil		
2530942201	Accumulated Depreciation	Y	Monthly	Y	(11,406,357)	Nil		
25309424	Other Improvements: Operational	Y	Monthly	Y	4,185,448	Nil		
2530942401	Accumulated Depreciation	Y	Monthly	Y	(792,766)	Nil		

Balance Sheet Reconciliation review for AIR - Feb 2016 balances - 19Apr2016 (A1540192).xlsxRECON

9. Balance Sheet reconciliation review - Attachment 1 - Balance Sheet reconciliations summary February 2016 (A1540192)

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GL Account Number	GL Description	Reconciliation Y/N/NR (not required)	Reconciliation Timing	FEBRUARY Checked	FEBRUARY \$	Risk Amount Feb 16	Risk Commentary	Other Information
25309426	Motor Vehicles: Operational	Y	Monthly	Y	1,063,799	Nil		
2530942601	Accumulated Depreciation	Y	Monthly	Y	[538,306]	Nil		
2530942802	Equipment: Operational	Y	Monthly	Y	7,668,015	Nil		
2530942803	Accumulated Depreciation	Y	Monthly	Y	[6,167,329]	Nil		
2530942804	Computers: Operational	Y	Monthly	Y	7,841,357	Nil		
2530942805	Accumulated Depreciation	Y	Monthly	Y	[7,259,537]	Nil		
25309430	Furniture: Operational	Y	Monthly	Y	3,546,744	Nil		
2530943001	Accumulated Depreciation	Y	Monthly	Y	[1,852,542]	Nil		
25309432	Library Rentals: Operational	Y	Monthly	Y	6,635,942	Nil		
2530943201	Accumulated Depreciation	Y	Monthly	Y	[4,721,890]	Nil		
25309436	Marina: Operational	Y	Monthly	Y	2,903,093	Nil		
25309438	Land: Restricted	Y	Monthly	Y	93,776,599	Nil		
25309440	Buildings: Restricted	Y	Monthly	Y	56,451,033	Nil		
2530944001	Accumulated Depreciation	Y	Monthly	Y	[9,184,967]	Nil		
25309442	Other Improvements: Restricted	Y	Monthly	Y	10,128,675	Nil		
2530944201	Accumulated Depreciation	Y	Monthly	Y	[789,954]	Nil		
25309444	Roading Infrastructure	Y	Monthly	Y	326,872,122	Nil		
2530944401	Accumulated Depreciation	Y	Monthly	Y	[3,544,875]	Nil		
2530944403	Land under Roads	Y	Monthly	Y	257,082,684	Nil		
2530944404	Carpark Infrastructure	Y	Monthly	Y	957,135	Nil		
2530944405	Carpark Accumulated Depreciation	Y	Monthly	Y	0	Nil		
2530944412	Land: Infrastructural	Y	Monthly	Y	23,485,608	Nil		
25309446	Stormwater Infrastructure	Y	Monthly	Y	121,183,864	Nil		
2530944601	Accumulated Depreciation	Y	Monthly	Y	[1,354,510]	Nil		
25309447	Flood Protection Infrastructure	Y	Monthly	Y	12,031,332	Nil		
2530944701	Accumulated Depreciation	Y	Monthly	Y	[87,077]	Nil		
25309448	Sewage Infrastructure	Y	Monthly	Y	118,667,664	Nil		
2530944801	Accumulated Depreciation	Y	Monthly	Y	[2,205,487]	Nil		
2530944802	Sewage Treatment Plant & Fac	Y	Monthly	Y	13,721,941	Nil		
2530944803	Sewage TP&F Accumulated Depn	Y	Monthly	Y	0	Nil		
25309450	Water Infrastructure	Y	Monthly	Y	138,425,390	Nil		
2530945001	Accumulated Depreciation	Y	Monthly	Y	[2,691,246]	Nil		
2530945002	Water Treatment Plant & Fac	Y	Monthly	Y	15,444,429	Nil		
2530945003	WTP&F Accumulated Depn	Y	Monthly	Y	0	Nil		
25309452	Solid Waste Infrastructure	Y	Monthly	Y	6,845,592	Nil		
2530945201	Accumulated Depreciation	Y	Monthly	Y	[266,200]	Nil		
25309453	YV Landfill Future Benefit	Y	Annually	N	853,039	Nil		
2530945301	Accumulated Depreciation	Y	Monthly	Y	[461,501]	Nil		
25309461	Marina Improvements Hansen	Y	Monthly	Y	7,440,718	Nil		
2530946101	Accumulated Depreciation	Y	Monthly	Y	[1,479,721]	Nil		
25309463	Improvements Restricted	Y	Monthly	Y	54,384,906	Nil		
2530946301	Accumulated Depreciation	Y	Monthly	Y	[13,874,547]	Nil		
25309480	Intangibles - Software	Y	Monthly	Y	4,992,242	Nil		
2530948001	Intangibles - Software Accum D	Y	Monthly	Y	[3,294,006]	Nil		
Non Current Assets - Investments								
25309401	Investment: MCIC	NR		N	140,448	140,448	Investment Risk	This is just to stay there - shares in NZ Local Government Insurance Corp
253094030683	Borrower Notes LGFA - 15/03/19	Y	Annually	N	240,000	240,000	Default unlikely	Hedgebook
253094030799	Borrower Note LGFA 15/04/23	Y	Annually	N	160,000	160,000	Default unlikely	Hedgebook
253094030800	Borrower Note LGFA 15/04/27		Annually	N	80,000	80,000	Default unlikely	
253094030802	Borrower Note LGFA 15/04/23		Annually	N	80,000	80,000	Default unlikely	
2530940402	Investment: Nelmac	Y	Annually	N	2,353,272	2,353,272	Investment Risk	
2530940403	Investment: NN Airport Ltd	Y	Annually	N	1,200,000	1,200,000	Investment Risk	
2530940404	Investment: NN Port Co Ltd	Y	Annually	N	12,707,684	12,707,684	Investment Risk	
2530940405	Investment: Tasman Bays Her Tr	Y	Annually	N	4,922,000	4,922,000	Investment Risk	
2530940406	Investment - Suter	Y	Annually	N	0		Investment Risk	Suter Annual Adjustment to come on transfer of building
25309408	Investment Properties	Y	Year End	N	980,000	980,000	Investment Risk	Crop & Food building
25309434	Forestry: Operational	Y	Monthly	Y	5,238,000	Nil		
25309495	Civic Trust: 1st NZ Securities Non Current	NR	Year End	N	0	Nil		Account for Consolidation entry only
Non Current Assets - Other								
2530909201	Loans: Rainbow NPV Val Adjust	Y	Annually	N	[756]	Nil		
2530909301	Loans: TR NPV Val Adj	Y	Annually	N	[631,847]	Nil		

Balance Sheet Reconciliation review for ARI - Feb 2016 balances - 19Apr2016 (A1540192).xlsxRECON

M1864

GL Account Number	GL Description	Reconciliation Y/N/NR (not required)	Reconciliation Timing	FEBRUARY Checked	FEBRUARY \$	Risk Amount Feb 16	Risk Commentary	Other Information
2530909501	Loans: CHWH NPV valuation Adjustment Acc	Y	Annually	N	(243,722)	Nil		
2530909801	Loan TBHT NPV Adj	Y	Annually	N	(435,644)	Nil		
25309260	Swaps revaluations	Y	Year End	N	0	Nil		
25309402	Intermediary Loans Advance	Y	Year End	N	1,144,400	1,144,400		Year End Adjustment
2530940203	NRSBU Advance Term	Y	Monthly	Y	7,500,000	Nil		
2530940290	Loans: NN Enterprise Loan Trust Non Current	Y	Annually	N	50,000	50,000		
2530940292	Loans: Rainbow Non Current	Y	Annually	N	12,858	Nil		
2530940293	Loans: Theatre Royal Non Current	Y	Annually	N	1,440,000	1,440,000		
2530940295	Loans: CHWH Non Current	Y	Annually	N	1,847,094	1,847,094	Defaults unlikely	
2530940296	Loans: Solar Saver Non Current	Y	Annually	N	527,343	527,343	Defaults unlikely	
2530940298	Loan: TBHT Non Current	Y	Annually	N	1,025,000	1,025,000		
25309403	ETS Credits - 41,848 ERU	Y	Year End	N	273,375	273,375		Held for Landfill
25309410	Deferred Income Tax	NR	Year End	N	0	Nil		Annual Consolidation entry
Non Current Liabilities - Payables								
Non Current Liabilities - Provisions								
25309605	Landfill Redemption Provision	Y	Year End	N	(1,268,574)	Nil		
Non Current Liabilities - Borrowings								
2530960299	Current Portion Transferred	Y	Year end	N	0	Nil		Year end adjustment
253096040683	Floating Rate Note LGFA - 15/03/19	Y	Monthly	Y	(15,000,000)	Nil		Hedgebook
253096040684	Floating Rate Secured Note (Nov 2016)	Y	Monthly	Y	(10,000,000)	Nil		Hedgebook
253096040685	Floating Rate (July 2020)	Y	Monthly	Y	(5,000,000)	Nil		Hedgebook
253096040797	Floating rate Note LGFA ANZ_PP2	Y	Monthly	Y	(10,000,000)	Nil		Hedgebook
253096040799	Floating Rate Note LGFA 15/04/23	Y	Monthly	Y	(10,000,000)	Nil		Hedgebook
253096040800	Float Rate Note 03/12/2020	Y	Monthly	Y	(5,000,000)	Nil		Hedgebook
253096040801	Floating Note 15 April 2027		Monthly	Y	(5,000,000)	Nil		Hedgebook
253096040802	Floating Note 15 April 2023		Monthly	Y	(5,000,000)	Nil		Hedgebook
Non Current Liabilities - Other								
2530960701	Suspensory Loan: Non Current		Year End	N	(877,500)	Nil		
25309611	Provn for Gratuity/Long Service	Y	Year End	N	(149,337)	Nil		
25309612	Provision for Gratuities	Y	Year End	N	(65,690)	Nil		
25309690	Derivatives Reval: Term portion of liability	Y	Year End	N	(3,900,967)	Nil		
Equity								
25309014	Separate General Rate	NR	Annually	N	(3,776,427)	Nil		Cleared annually by appropriation to Equity
2530901401	Seperate General Allocation	NR	Annually	N	3,345,336	Nil		Cleared annually by appropriation to Equity
25309015	General Rates	NR	Annually	N	(25,314,660)	Nil		Cleared annually by appropriation to Equity
2530901501	General Rates Allocation	NR	Annually	N	28,630,344	Nil		Cleared annually by appropriation to Equity
25309016	Waste Water Charge	NR	Annually	N	(5,347,851)	Nil		Cleared annually by appropriation to Equity
2530901601	Waste Water Charge Allocation	NR	Annually	N	4,728,893	Nil		Cleared annually by appropriation to Equity
25309017	Drainage Rates	NR	Annually	N	(297,500)	Nil		Cleared annually by appropriation to Equity
2530901703	Drainage Rates Trade Waste Adj	Y	Annually	N	191,470	Nil		Cleared to income at year end
25309018	Uniform Annual Charge	NR	Annually	N	(6,057,794)	Nil		Cleared annually by appropriation to Equity
25309801	Proprietors Equity	Y	Year End	N	(353,337,868)	Nil		
25309803	Nelmac Shareholding	Y	Year End	N	(2,853,272)	Nil		
2530980301	TBHT Shareholding	Y	Annually	N	(4,922,000)	Nil		
25309804	TBHT Loan Valn Adjustment Acc	Y	Year End	N	514,278	Nil		
25309805	Loans External Repaid	Y	Year End	N	(68,698,825)	Nil		Appropriation Account
25309806	Loans Internal Repaid	Y	Year End	N	0	Nil		Appropriation Account
25309810	Loans External Raised	Y	Year End	N	56,732,635	Nil		Appropriation Account
25309811	Loans Internal Raised	Y	Year End	N	0	Nil		Appropriation Account
25309898	Asset Movements	Y	Annually	N	(800,246)	Nil		Appropriation Account
25309899	Asset Suspense	Y	Annually	N	21,020	Nil		Appropriation Account
25309901	Asset Revaluation Reserve	NR	Annually	N	(146,267,965)	Nil		Reserve movement spreadsheet prepared at year end
2530990101	Asset Revaln Reserve: Water	NR	Year End	N	(125,157,423)	Nil		Reserve movement spreadsheet prepared at year end
2530990102	Asset Revaln Reserve: Sewerage	NR	Year End	N	(111,898,618)	Nil		Reserve movement spreadsheet prepared at year end
2530990103	Asset Revaln Reserve: Stormwater	NR	Year End	N	(97,094,116)	Nil		Reserve movement spreadsheet prepared at year end
2530990104	Asset Revaln Reserve: Forestry	NR	Year End	N	(1,600,423)	Nil		Reserve movement spreadsheet prepared at year end
2530990105	Asset Revaln Reserve: Waste	NR	Year End	N	(6,105,102)	Nil		Reserve movement spreadsheet prepared at year end
2530990106	Asset Revaln Reserve: Roading	NR	Year End	N	(451,450,648)	Nil		Reserve movement spreadsheet prepared at year end
2530990107	Asset Revaln Reserve: Flood Protection	NR	Year End	N	201,472	Nil		Reserve movement spreadsheet prepared at year end
25309902	Unused Depreciation Reserve	NR	Annually	N	(3,770,248)	Nil		Reserve movement spreadsheet prepared at year end
25309904	Swap revaluation reserve	NR	Annually	N	0	Nil		Reserve movement spreadsheet prepared at year end

Balance Sheet Reconciliation review for ARF - Feb 2016 balances - 19Apr2016 (A1540192).xlsxRECON

9. Balance Sheet reconciliation review - Attachment 1 - Balance Sheet reconciliations summary February 2016 (A1540192)

GL Account Number	GL Description	Reconciliation Y/N/NR (not required)	Reconciliation Timing	FEBRUARY Checked	FEBRUARY \$	Risk Amount Feb 16	Risk Commentary	Other Information
25309905	Loan Repayment Reserve	NR	Annually	N	10,602,085	Nil		Reserve movement spreadsheet prepared at year end
25309906	Emergency Reserve	NR	Annually	N	0	Nil		Reserve movement spreadsheet prepared at year end
25309907	Rates Postponement Reserve Fnd	NR	Annually	N	0	Nil		Reserve movement spreadsheet prepared at year end
25309908	Insurance Reserve	NR	Annually	N	(404,797)	Nil		Reserve movement spreadsheet prepared at year end
25309909	Insurance Reserve: Building	NR	Annually	N	(241,735)	Nil		Reserve movement spreadsheet prepared at year end
2530990901	Insurance Reserve: Resource Co	NR	Annually	N	(218,313)	Nil		Reserve movement spreadsheet prepared at year end
25309910	Health & Safety Funding A/c	NR	Annually	N	(26,591)	Nil		Reserve movement spreadsheet prepared at year end
25309916	Parking Reserve	NR	Annually	N	0	Nil		Reserve movement spreadsheet prepared at year end
2530991604	Transfers	NR	Annually	N	0	Nil		Reserve movement spreadsheet prepared at year end
25309920	New Book Reserve	NR	Annually	N	0	Nil		Reserve movement spreadsheet prepared at year end
25309921	Pensioner Housing Reserve	NR	Annually	N	(271,949)	Nil		Reserve movement spreadsheet prepared at year end
25309940	Forestry Reserve	NR	Annually	N	0	Nil		Reserve movement spreadsheet prepared at year end
2530995702	Saxton/Suffolk Stormwater	NR	Annually	N	(108,271)	Nil		Reserve movement spreadsheet prepared at year end
2530995703	Wastney Ice Stormwater Res	NR	Annually	N	(61,602)	Nil		Reserve movement spreadsheet prepared at year end
25309965	Roading Contributions	Y	Monthly/Qtly	Y	(102,691)	Nil		Reserve movement spreadsheet prepared at year end

Audit, Risk and Finance subcommittee work plan

1. Purpose of Report

- 1.1 To present and seek feedback on the Subcommittee work plan.

2. Delegations

- 2.1 The subcommittee work plan is within the Subcommittees delegations to consider.

3. Recommendation

THAT the report Audit, Risk and Finance subcommittee work plan (R5654) and its attachment (A1389278) be received;

AND THAT the Subcommittee provide feedback on the Subcommittee work plan.

4. Background

- 4.1 The Chair of the Subcommittee has requested that the work plan be presented to the Subcommittee.

5. Discussion

- 5.1 Officers have collated a work plan for the Audit, Risk and Finance Subcommittee which covers the areas of:

5.1.1 Financial policies and reviews;

5.1.2 Procurement;

5.1.3 Risk management;

5.1.4 Audit (external);

5.1.5 Audit (internal);

5.1.6 Sensitive expenditure;

5.1.7 Fraud; and

5.1.8 Finance

5.2 Officers seek feedback from the Subcommittee on the specific items being brought to the Subcommittee over a three year program (Attachment 1).

6. Options

6.1 Accept the work plan or provide feedback to be incorporated into the work plan.

7. Alignment with relevant Council policy

7.1 This recommendation is not inconsistent with any previous Council decision.

8. Assessment of Significance against the Council's Significance and Engagement Policy

8.1 This is not a significant decision.

9. Consultation

9.1 No consultation has been undertaken in preparing this report.

10. Inclusion of Māori in the decision making process

10.1 No consultation with Maori has been undertaken in preparing this report.

Nikki Harrison

Group Manager Corporate Services

Attachments

Attachment 1: A1389278 - Audit, Risk and Finance Subcommittee workplan

**AUDIT, RISK AND FINANCE
SUBCOMMITTEE WORK PLAN 2015/16/17**

Subcommittee meeting dates												
	Officer	Document Number	Previous Review Date	Next Review Date	Sept 2015	Oct 2015	Nov 2015	Feb 2016	March 2016	May 2016	Jun 2016	Aug 2016
Financial Policies & Reviews												
Statutory and Internal Compliance Policy	Nikki Harrison	A218718	Jul-15	Jul-18								
Liability Management Policy	Nikki Harrison	A1261456	Apr-15	Apr-16			✓					
Investment Policy	Nikki Harrison	A1261457	Apr-15	Apr-18								
Debt Management Policy	Victoria Harper	A1353429	Jul-15	Jul-18								
Accounting policies	Tracey Hughes		May	Annual							✓	
Balance Sheet Reconciliation Review	Tracey Hughes		May	Annual					✓			
Procurement (Purchasing, Contracting & Tendering)												
Procurement Policy	Steve Vaughan	A345448	Apr-15	Apr-16						✓		
Asset Disposal Policy	Tracey Hughes	A1412442	Oct-15	Oct-18		✓						
Credit Card Use	Victoria Harper	A18269	Feb-15	Feb-18								
Risk Management												
Computer and Communication System Policy	Jane McLeod	A17975	Jan-15	Jan-17								
Key Organisational risk progress report	Steve Vaughan			Quarterly				✓		✓		✓
Risk Management Framework	Steve Vaughan	A1431591	Oct-15	Oct-18		✓						
Insurance Renewals	Nikki Harrison		July	Annual								✓
Conflicts of Interest policy	Stephen Gully											
Tax governance framework	Tracey Hughes	to be developed										
Tax Review	Tracey Hughes	to be developed										
Audit (External)												
Draft Annual Report	Tracey Hughes		Sept	Annual	✓							✓
Annual Report Audit Arrangement Letters	Nikki Harrison		April	Annual					✓			
Audit Arrangements letters for Long Term Plan - Audit NZ to attend	Nikki Harrison			3 yearly								
Interim Audit Management Letter	Nikki Harrison		June	Annual							✓	
Final Audit Management letter	Nikki Harrison		Feb	Annual				✓				
Review of Outstanding matters (ex-External Audit)												
Audit (Internal)												
Internal Audit Charter	Lynn Anderson	A1395134	Sep-15	Sep-18	✓							
Internal Audit Standard operating procedures	Lynn Anderson	A1428836					✓					
Approve Annual Internal Audit Work Plan	Lynn Anderson	A1452073	July	Annual			✓				✓	
High level overview of IA work	Lynn Anderson			quarterly				✓		✓		✓
Review of Outstanding Matters (ex IA work)	Lynn Anderson			quarterly				✓		✓		✓
Sensitive Expenditure												
Sensitive Expenditure Policy	Stephen Gully	A210159	Oct-14	Oct-17								
Gift and Supplier Invitations Policy	Stephen Gully	A210088	Oct-14	Oct-17								
Fraud												
Fraud Prevention Policy	Steve Vaughan	A1255625	Oct-14	Oct-16								
Fraud Reporting (Investigation Register)												
Fraud Risk Assessment & Gap Analysis												
Financial Control Policy												
Protected Disclosure Policy	Stephen Gully	A1338935	Dec-14	Dec-16								
Review of Outstanding Matters (ex fraud risk work)												
Finance												
Corporate Report	Tracey Hughes		excl Sept	all meetings		✓	✓	✓	✓	✓	✓	
Bad debt write off	Victoria Harper		July	Annual								✓
Rates remissions granted	Theo Aitken		July	Annual								✓
Carry forward approvals	Tracey Hughes		Sept	Annual								✓
Community loans (annual)	Tracey Hughes		Sept	Annual								✓
Guarantees (annual)	Tracey Hughes		Sept	Annual								✓

A1389278

Internal Audit Report to 31 March 2016

1. Purpose of Report

- 1.1 To update the Subcommittee on the Internal Audit activity relative to the Internal Audit Plan to 30 June 2016, and to provide information on significant or high risks identified from audits completed to 31 March 2016.

2. Delegations

- 2.1 The Audit, Risk and Finance Subcommittee have oversight of the internal audit activity.

3. Recommendation

THAT the Internal Audit Report to 31 March 2016 (R5793) and its attachments (A1533053 and A1532989) be received.

Recommendation to Governance Committee and Council

THAT Council note the internal audit findings, recommendations and status of action plans up to 31 March 2016 (R5793).

4. Background

- 4.1 The Audit, Risk and Finance Subcommittee require a periodic update on the progress of internal audit activities relative to the Internal Audit Plan to 30 June 2016 and to be informed of any significant risk exposures and control issues identified from internal audits completed.
- 4.2 The Internal Audit Charter was approved by the Audit, Risk & Finance Subcommittee on 12 November 2015.
- 4.3 Under section 9.4, the Charter requires that the Internal Audit & Procurement Analyst report periodically to the Senior Leadership Team and Audit, Risk and Finance Subcommittee on performance relative to the Internal Audit Plan. A table summarising activity against the workplace, which shows progress slower than planned, is attached.

Under section 9.1 of the Charter, the Audit, Risk & Finance and the Governance Committees are to be informed of internal audit results where appropriate.

- 4.4 To strike the right balance between significant findings and minor recommendations, significant and high findings only are reported to the Subcommittee.

5. Discussion

- 5.1 In March, the Senior Leadership Team requested that the audit on compliance with the Privacy Act be brought forward following concern that there may be issues of non-compliance. This has now been planned for April/May 2016, in place of the review of the Rates Modelling Processes which has been extended to the next financial year.
- 5.2 Some of the turnaround timeframes in the Audit Charter are proving challenging for officers. This will be monitored during the next quarter, and any recommended changes to the timeframes will be referred back to the Subcommittee later in the year.

6. Options

- 6.1 The recommendation is to receive the report and note the internal audit findings, recommendations and status of action plans.

7. Alignment with relevant Council policy

- 7.1 This report is in alignment with the Council's Internal Audit Charter approved in 2015.

8. Assessment of Significance against the Council's Significance and Engagement Policy

- 8.1 This is not a significant decision under the Council's Significance and Engagement Policy.

9. Consultation

- 9.1 No consultation has been undertaken in preparation of this report.

10. Inclusion of Māori in the decision making process

- 10.1 There has been no consultation with Maori in the preparation of this report.

Lynn Anderson
Internal Audit Analyst

Attachments

Attachment 1: A1533053 - Internal Audit Plan Progress Report to 31 March 2016

Attachment 2: A1532989 - Summary of New or Overdue High or Significant Risk Exposures and Control Issues at 31 March 2016

Audit Plan – All Audits on 30 June 2016 plan to Third Quarter 31 March 2016	Audits Not Included in Audit Plan	Recommendations Agreed with Manager	Progress		Findings Risk Ratings from Finalised, Approved Audits		Date Reviewed by SLT	Audit Conclusion	Audits Proposed April/May 2016
Payroll		Yes and agreed actions entered in InControl	InControl actions Open Overdue	22 9	Significant High Moderate Minor	0 0 21 18		With few minor exceptions, payroll has strong controls which give reasonable assurance that payroll is being accurately processed	
Electronic Purchase Orders – controls		With Managers							
IT Systems controls			Report being finalised						
Segregation of Duties			Report being finalised						
Cash Handling – Civic House		Yes and agreed recommendations entered in InControl	Report waiting for final approval by Managers		Significant High Moderate Minor	0 2 26 7	2/5/16		
Accounts Payable – new suppliers			Report being finalised						
Cash Handling –									Cash Handling – Founders

Founders							
Banking controls							Time permitting*
Privacy Act (request by GMCS to complete earlier than on plan)							Privacy Act (request by GMCS to complete earlier than on plan)
Accounts Receivable – credit notes							Time permitting*
Insurance Renewals							Time permitting*
Community Grants							Community Grants
Reconciliations							Time permitting*
Cash Processing – General Ledger							Time permitting*
Festivals controls & contracts							Time permitting*
Parking Meter collections							Time permitting*

Internal Audit Plan to 30 June 2016 approved by Audit, Risk & Finance 12 November 2015

*Time permitting –

These audits are on the Internal Audit Plan for the quarter to 31 March 2016 but have not yet been started.

The approved Internal Audit Plan to 30 June 2016 has proven to be unrealistic for a number of reasons which include the initial ‘embedding’ period; unrealistic timeframes for Officers to turnaround their responses to audit; and some aspects of the reporting of audit findings and recommendations, which are not turning out as well as expected. We are looking to improve these in the near future.

The intention is to have as many of these “Time Permitting” audits completed by the 30 June 2016 or soon thereafter.

Summary of New or Outstanding High & Significant Risk Exposures and Control Issues Identified from Internal Audits at 31 March 2016

Audit	New/ Overdue	Findings	Rating	Recommendations	Progress
York Valley Weighbridge	Overdue	The Solid Waste Procedures Manual is a very comprehensive practical document, and is the primary document used by operations staff, but is not up to date in places; there has been no attempt to create processes to match the new weighbridge operation	High	As the main source of truth, and to ensure compliance with best practice procedure, the Solid Waste Procedures Manual, which identifies the 'what' should be done and 'who' is responsible for this, should be updated; It should be available for use when the new weighbridge system is functional and matches agreed operating practices – this may require input from a business analyst; Align Promapp to agreed improvements from this review.	Now completed. The high risk, high level documentation has been completed and in Promapp.
			Low	Internal Audit considers the high risk relating to this finding has been resolved but the action remains open (with a lower risk rating) as the functional 'how to' aspects (Work Instructions) development is still ongoing.	In Progress. Contracts Supervisor working with Business Analyst on a comprehensive review of the Work Instructions.

Corporate Report to 31 March 2016

1. Purpose of Report

- 1.1 To inform the members of the Audit, Risk and Finance Subcommittee of the financial results of activities for the 9 months ending 31 March 2016 compared to the approved operating budget, and to highlight and explain any permanent and material variations.

2. Delegations

- 2.1 The Audit, Risk and Finance Subcommittee has oversight of the management of financial risks.

3. Recommendation

THAT the report Corporate Report to 31 March 2016 (R5872) and its attachments (A1544370 and A1544028) be received;

Recommendation to Governance Committee and Council

THAT the transfer of legal budget from the Corporate activity to the Planning activity in 2015/16 in order to obtain economic and traffic evidence for the submission to Tasman District Council on the proposed Progressive Enterprises Ltd Private Plan Change be noted.

4. Background

- 4.1 The financial reporting focuses on the 9 month performance compared with the year to date approved operating budget.
- 4.2 The intention of this redesigned report is to provide information that is more visual and more focussed, and high-level commentary that is better aligned with variance information as provided in the annual report. Feedback from the last meeting of the sub-committee has been incorporated into this report.

- 4.3 Unless otherwise indicated, all measures are against approved operating budget, which is LTP budget plus any carry forwards, plus or minus any other additions or changes as approved by Council throughout the year.
- 4.4 Budgets for operating income and expenditure are phased evenly through the year, whereas capital expenditure budgets are phased to occur mainly in the second half of the year.

5. Discussion

5.1 For the 9 months ending 31 March 2016, the activity surplus/deficits are \$4.1 million favourable to budget.

5.2 Financial information provided in attachment 1 to this report are:

- A financial measures dashboard with information on rates revenue, operating revenue and expenditure, and capital revenue and expenditure. A new icon has been added to each applicable measure, indicating whether the variance is increasing or decreasing (arrows) and whether that trend is favourable or unfavourable (green or red).
- A grouping of more detailed graphs and commentary for operating income and expenditure. The first set of charts and the commentary is by category (as in the annual report) and highlights significant permanent differences and items of interest. Variances due to timing will not be itemised unless they become permanent. The second set of charts are by activity.
- A treasury measures dashboard with a compliance table (green = compliant), a forecast of the debt/revenue ratio for the year, and a graph showing debt levels over a rolling 12 month period.
- High level balance sheet (no change to that provided previously).
- A debtor analysis graph over 12 months, clearly showing outstanding debt levels and patterns for major debt types along with a summary of general debtors > 3 months and over \$10,000 and other debtors at risk.
- Two capital expenditure graphs – actual expenditure against operating budget for the financial year (no change), and year to date expenditure against operating budget by activity.

5.3 Although operating income and expenditure variances have increased from the last report to this sub-committee (January figures) they have both decreased slightly from the February figures. Information from staff indicates that these variances (particularly in expenditure) will continue to decrease, and at a faster rate for the remainder of the year.

5.4 Capital revenue was on budget in January, and is now \$2.3 million under budget. This is because the budget has been adjusted to reflect the fact that Council is now invoicing the Suter Gallery for their share of the

redevelopment costs and the invoicing has not caught up to the phasing of the budget.

6. Progressive Enterprises Ltd Private Plan Change

- 6.1 The Planning and Regulatory Committee agreed on 21 April 2016 to approve the lodging of a submission to Tasman District Council on the proposed Progressive Enterprises Ltd Private Plan Change. As advised at the Committee meeting, economic and traffic evidence would be required. There was no advice provided regarding budget requirements to obtain the traffic and economic evidence. There is no contingency budget for these matters. \$30,000 has been reallocated from the Corporate legal budget to the planning team budget to allow this evidence to be obtained.

7. Alignment with relevant Council policy

- 7.1 The financial reporting is prepared comparing current year performance against the year to date approved budget for 2015/16.

8. Assessment of Significance against the Council's Significance and Engagement Policy

- 8.1 There are no significant decisions.

9. Consultation

- 9.1 No consultation is required.

10. Inclusion of Māori in the decision making process

- 10.1 No consultation is required.

Tracey Hughes
Senior Accountant

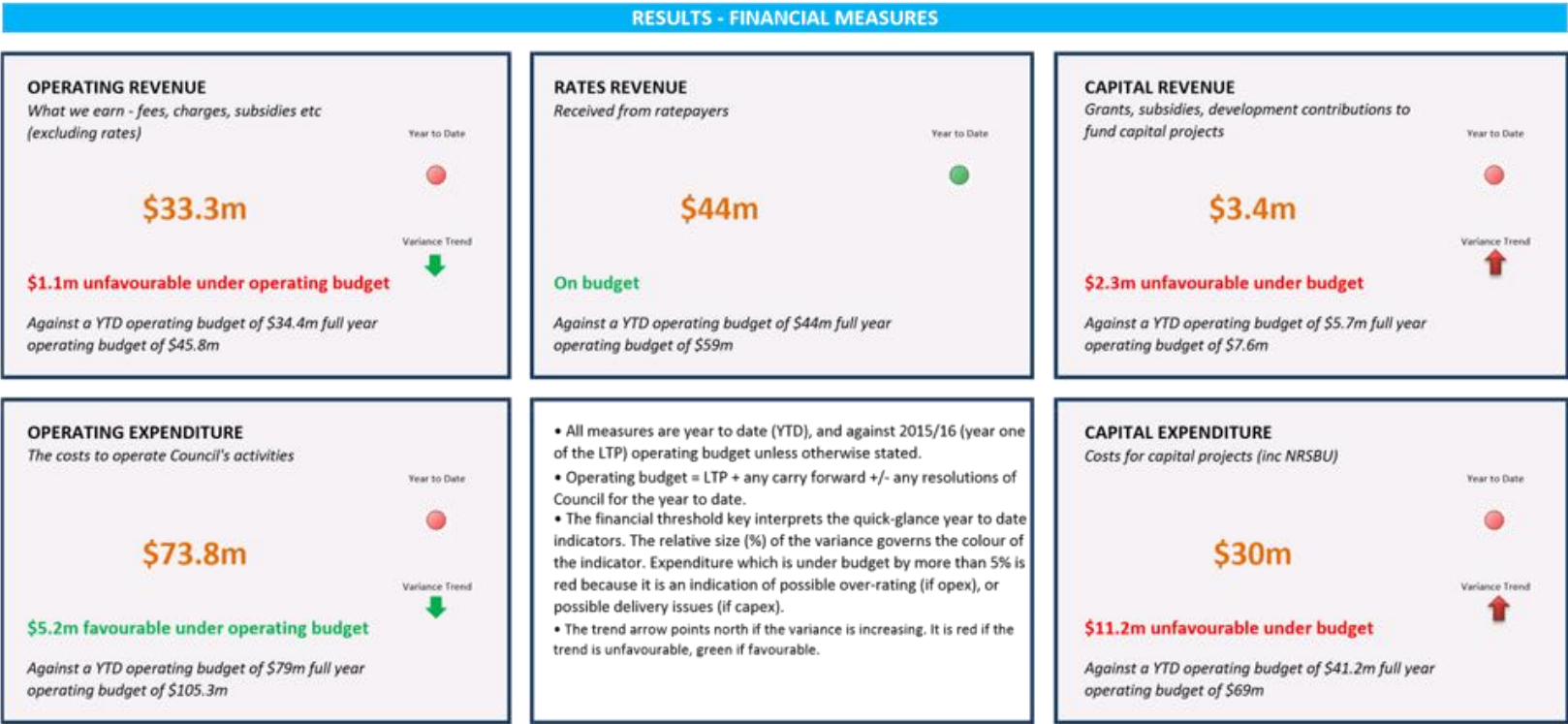
Attachments

- Attachment 1: A1544370 - Consolidated information for corporate report
Attachment 2: A1544028 - Major Projects Status Report



Financial threshold key	
●	± 2%
●	> 2% and ≤ 5%
●	> 5%

KEY INDICATORS
March 2016
Whole of organisation



OPERATING INCOME AND EXPENDITURE BY CATEGORY

Commentary

Other operating revenue \$1.1m less than operating budget.

- Grants, donations and subsidies are \$390,000 less than operating budget - \$300,000 received from TDC for economic development which was unbudgeted is a permanent difference. The remainder are largely expected to be timing differences with \$290,000 related to NZTA claims (reflecting the timing of expenditure) and \$416,000 relating to the claim lodged with the Ministry of Civil Defence and Emergency Management for the 2011 emergency.

- Fees and charges \$1 million less than operating budget - landfill fees are \$147,000 less than budget due to volumes; this is likely to be a permanent difference. \$888,000 relates to forestry with the Brook harvest revenue yet to be finalised. The forestry review has delayed other planned harvests (total budgeted income \$780,000 this year), and it is now unlikely to happen until 2016/17. Associated harvest costs will likewise not occur. Forestry is a closed account. There are many timing differences in both directions which are anticipated to smooth out by the end of the year.

- Regulatory income \$341,000 more than operating budget - \$80,000 relating to parking regulation may be a permanent difference as the reduction of income under the new parking policy is less than had been anticipated. Resource consents income is currently \$233,000 better than budget and \$98,000 better than 14/15 full year after a busy Summer. Income for other licensing activities is weighted towards the end of the year.

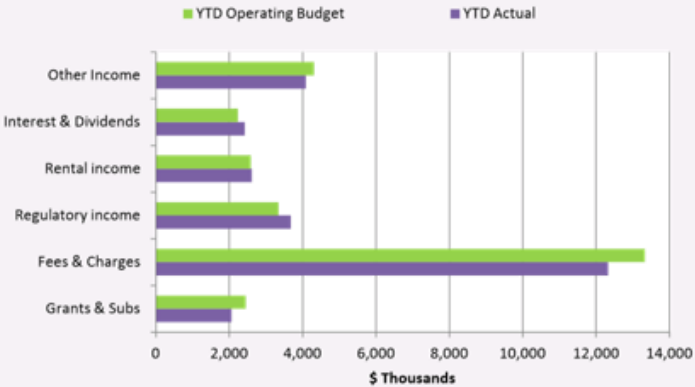
- Other income is \$217,000 less than operating budget - Internal income is \$190,000 less than budget in the Solid Waste group of accounts, reflecting less than expected expenditure particularly

Operating Expenditure \$5.2m less than operating budget

- Staff costs including overhead \$761,000 less than budget - staff costs assigned to capital expenditure are \$475,000 less than budget as well. The collective has been settled and back-pay from July 2015 was paid in March and is reflected in these numbers. Individual employment agreements are due to be settled in May.

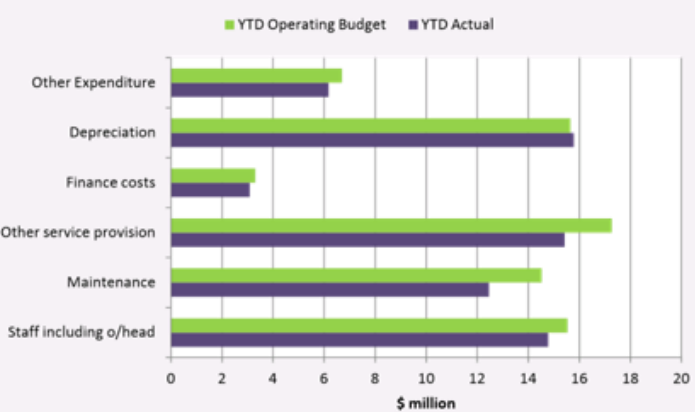
- Maintenance costs are \$2.1 million less than budget - \$640,000 of this is reactive or unprogrammed maintenance. Of that, \$59,000 year to date is a provision for emergency work as required by NZTA which will be used to cover costs for the February heavy rain event. Otherwise, the nature of reactive budgets is that the expenditure is unable to be forecast with any accuracy and it is likely that there will be a permanent difference at year end. Programmed maintenance is \$697,000 less than budget, \$246,000 of which relates to the marina dredging. The remainder appear to be timing differences with programmed activities to be completed by year end. Base maintenance is less than budget by \$733,000 with the Transport activity accounting for \$478,000. Indications are that this is largely a timing issue as a result of seasonality and contract management requirements. Utilities budgets account for \$221,000 which is expected to be a timing difference apart from \$90,000 year to date (\$120,000 full year) which will not be

Other Operating Revenue by Category



Excludes internal interest

Operating Expenditure by Category

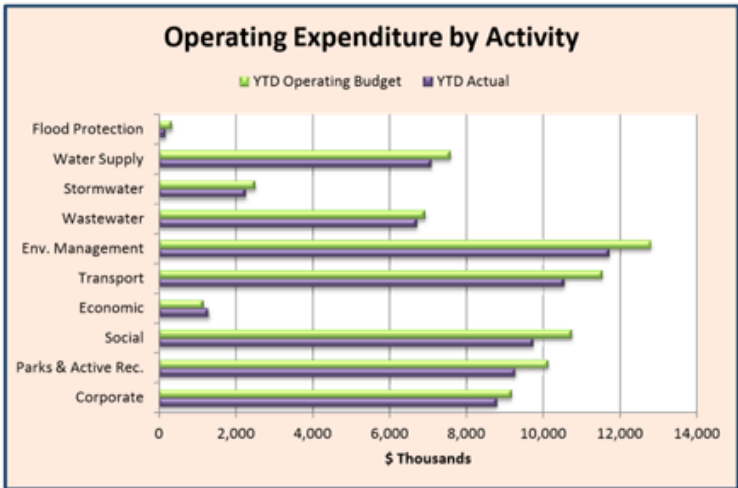
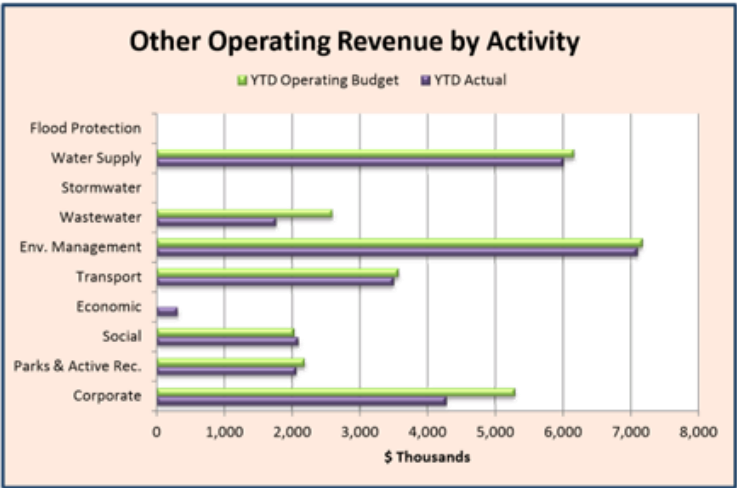


Excludes internal interest

spent on building act compliance in the stormwater activity due to lack of standards and guidance available from central government.

- Other service provision \$1.8m less than budget. \$192,000 identified permanent differences including savings in Total Mobility operations and the water metering contract. \$120,000 anticipated savings related to natural hazards risk assessments in the three waters may now need to be carried forward as the work undertaken by central government may not fully meet our needs. The grant for the School of Music earthquake strengthening and refurbishment is running \$749,000 behind budget year to date and a carry forward in the region of \$500,000 is anticipated. Variances totalling \$365,000 in the solid waste group are partly permanent (volume related internal expenditure offsetting internal income) and partly timing (ETS provision and toe embankment maintenance). Environmental monitoring/programmes such as Project Maitai/Mahitahi and Nelson Nature are behind budget \$355,000 year to date as some projects had a late start and the timing of planting and river works is seasonal. This variance is expected to be largely spent by June. \$260,000 of grants to TDC for work at Saxton field have yet to be paid over.
- Other expenditure \$523,000 less than budget, \$386,000 in consultancy and \$137,000 in base operating expenditure. Strategy and policy budgets within consultancy are under budget by \$296,000. This is expected to be a timing delay with the exception of the Tahuna Erosion Study (\$150,000 YTD) which had a delayed start and will continue into 2016/17. Legal consultancy is \$113,000 less than budget, some of this may be a permanent saving as the requirement for legal services in the regulatory activities has been modest so far this year. In base expenditure there is \$222,000 of savings year to date in electricity and insurance costs. These savings are likely to be permanent (notwithstanding seasonal demand for electricity), and have come about as actual pricing for these contracts was not available early enough for the LTP and estimates were conservative. Water by meter is \$139,000 overspent due to the purchase of water from TDC for Champion Rd which was unbudgeted (offset in income).

OPERATING INCOME AND EXPENDITURE BY ACTIVITY



RESULTS - TREASURY MEASURES

- All treasury parameters measured remain compliant.
- Full year debt expectation (outlook) based on the draft Annual Plan is \$118.1m.



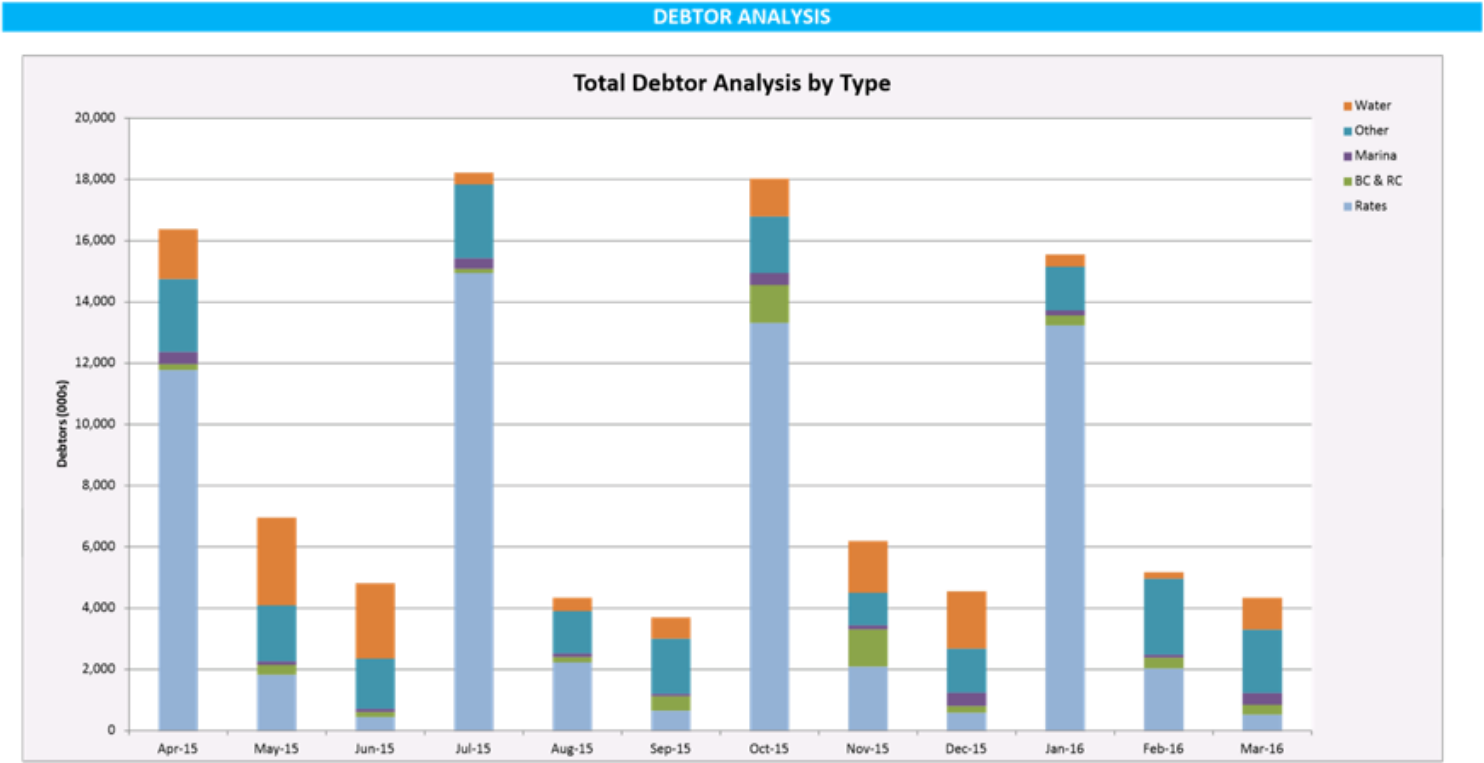
Borrowing Compliance					
	Compliance	Actual	LTP	Minimum	Maximum
Fixed:floating mix	◆	80.0%	n/a	55%	90%
Net interest:total revenue	◆	4.8%	5.4%	0%	15%
Net interest:rates revenue	◆	7.5%	7.7%	0%	20%
External debt:revenue	◆	82.7%	127.8%	0%	150%
External debt:equity	◆	5.8%	8.9%	0%	20%



March 2016

ABBREVIATED BALANCE SHEET				
	March 2016 YTD	February 2016 YTD	June 2015 YTD	
Includes call deposits				
Current Assets				
Cash	56,555	57,882	194,315	
Receivables	8,884,733	8,102,127	10,092,405	
Other Current Assets	1,794,592	2,140,972	1,137,499	
Total Current Assets	10,735,879	10,300,981	11,424,219	
Includes prepayments and current portions of loans to community organisations and related parties				
Non Current Assets				
Fixed Assets	1,350,594,037	1,347,817,783	1,336,528,479	
Investments	28,101,404	28,101,404	27,941,404	
Other Non Current Assets	12,050,701	12,508,101	12,666,826	
Total Non Current Assets	1,390,746,143	1,388,427,289	1,377,136,709	
Shares in subsidiaries and associates				
Non-current portions of loans to community organisations and related parties (includes NRSBU)				
Current Liabilities				
Payables	(13,096,332)	(10,921,376)	(11,563,669)	
Borrowings: Current	(11,310,000)	(5,860,000)	(9,916,191)	
Other Current Liabilities	(1,500,260)	(1,796,522)	(1,715,483)	
Total Current Liabilities	(25,906,592)	(18,577,898)	(23,195,342)	
Term loans due within 12 months				
Current portion of employee benefit liabilities				
Non Current Liabilities				
Payables: Non Current	(877,500)	(877,500)	(877,500)	
Provisions	(1,279,502)	(1,268,574)	(1,184,780)	
Borrowings: Non Current	(65,000,000)	(65,000,000)	(62,860,000)	
Other Non Current Liabilities	(4,115,994)	(4,115,994)	(4,115,994)	
Total Non Current Liabilities	(71,272,997)	(71,262,068)	(69,038,274)	
Housing NZ suspensory loan				
Borrowings due after 12 months				
Non-current portion of employee benefits liability + derivatives revaluation as at 30 June 2015				
Net Assets	1,304,302,433	1,308,888,302	1,296,327,311	
Equity				
Accumulated Funds	(369,434,513)	(373,909,163)	(360,729,808)	
Reserves	(934,867,920)	(934,979,140)	(935,597,503)	
Total Equity	(1,304,302,433)	(1,308,888,302)	(1,296,327,311)	
<ul style="list-style-type: none"> The balance sheet remains strong, with the usual funding movement in equity. Net debt has increased \$5.5m as expenditure on fixed assets begins to outpace cash collected. 				

March 2016

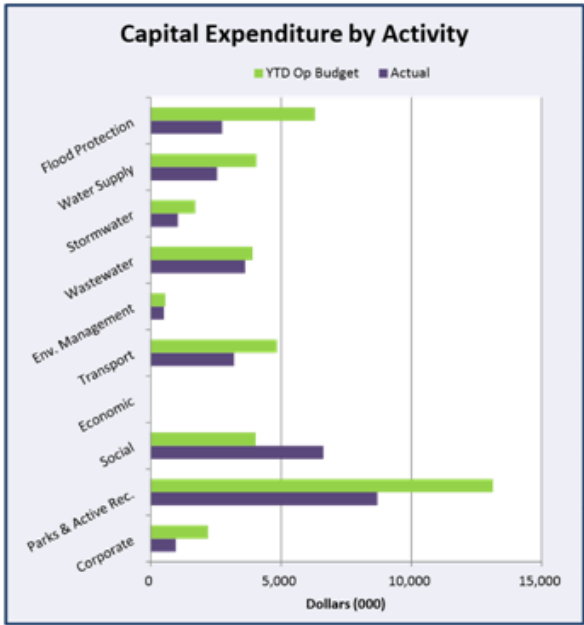
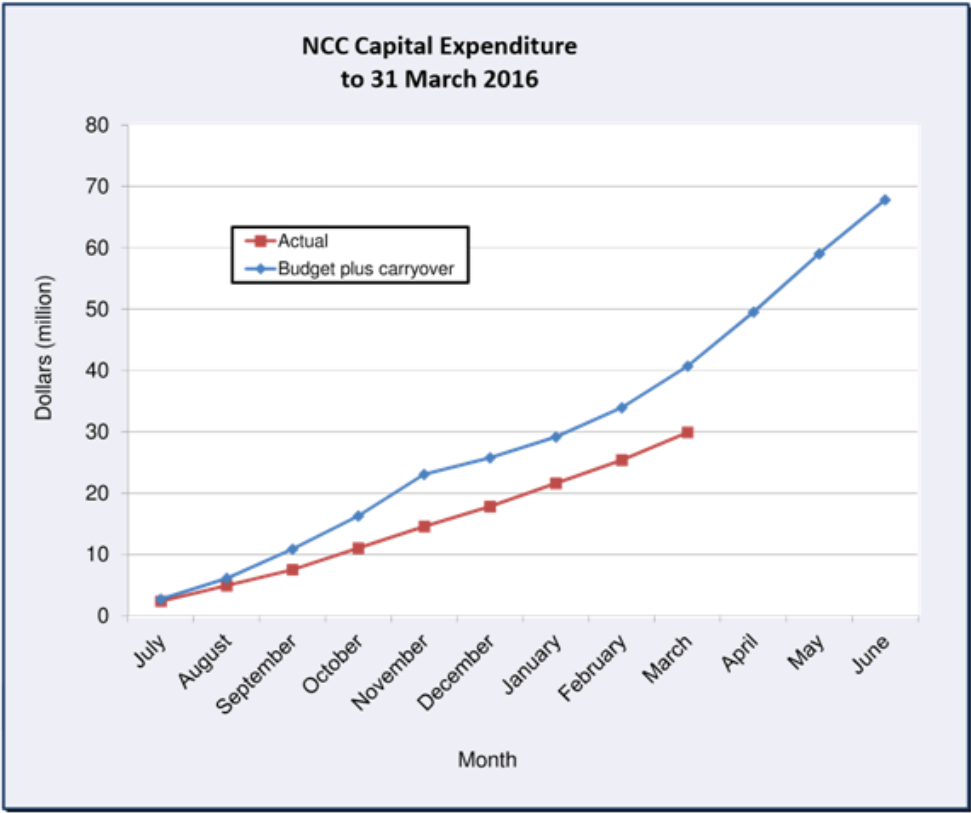


General debtors 3 month plus over \$10,000 or at risk

Account No	3 Mths Overdue	Notes
1205939	\$ 53,354	Resolved through negotiation. Credit of \$3715 issued, payment of balance due 20 May 2016.
1209118	\$ 24,150	Funder has requested invoice to be credited and reissued once project complete and signed off. This should occur in June 2016
1215179	\$ 19,830	Payment plan in place \$3,000 p/m. Balance remaining 26/04 \$16,830
1215180	\$ 15,244	Payment plan in place \$3048.72 p/m commences 1 May 2016

March 2016

RESULTS - CAPITAL EXPENDITURE



Major variances (projects)
More detail on major capital projects can be found in the major projects status report.

Hampden St East/Little Go, Saxton Creek, York Stream

Maitai Pipeline, Hampden East/Little Go

Pvt/public drains, Fifeshire, Montcalm/Arrow etc

Corder Park, Ngawatu Valley TM, Neal Park PS

Rocks Rd, CBD enhancement projects, Todd Bush Rd, Sub roading renewals and LOS

Stoke Community Centre, art works programme, cremator relining

Land purchases, modeller's pond, Rutherford Park, Trafalgar Centre, Marina Hardstand

Strategic land purchases, IT, EQPB remediation

Major Projects Summary

Green = on track against baseline, no major issues or risks. >90% confident in delivery against plan.
 Yellow = moderate issues &/or risks exist but are manageable. 50 to 90% confident in delivery against plan.
 Red = high or extreme issues &/or risks requiring corrective action(s). Less than 50% confident in delivery against plan.

Status vs current year plan								
Project/ Programme Name	Project Definition	Next Milestone	Milestone expected completion	budget	Time	Budget	Scope/ Benefits	Issues & Risks Reasons
Flood Protection Activity								
Hampden St East Little Go Stream: Stage 2	Installation of a large stormwater pipe from Franklyn Street, through Boys College, Waimea Road through to Rutherford Street.	Complete Construction in Waimea Road	Nov-16	2,542,658	Y	G	G	Work underway. Multiyear project and expected carryover as Contractor has changed the sequence of work.
Saxton Creek Upgrade	Upgrade stream channel and undertake associated landscaping.	Complete Construction of stage 1.	Jun-16	1,900,000	G	G	G	Stage 1 physical works underway - on track.
Orphanage Stream Upgrade	Investigate options for increasing capacity of bridges and culverts plus channel break out points from Ngawhatu Valley to Whakatu Drive	Construction finished on-site	Jun-16	591,544	G	G	G	Work has commenced on site - on track.
Flood Mitigation - Gravel Traps & Intake Structures	Construction of gravel traps and upgrading intake structures in Poormans Stream (near 150 Marsden Road) and Orphanage Stream (near Suffolk Road culvert).	Complete Construction of Gravel Traps	May-16	867,496	Y	G	G	Multi-year project. Tender awarded and work commenced. Approx \$280k to be transferred into 16/17.
Water Supply Activity								
Maitai Pipeline Upgrade (WTP - Westbrook Tce)	Construction of a trunk main from WTP to Brook Street.	Begin Construction	May-16	2,118,000	G	G	G	Pipes have been ordered - on track.
WTP membranes - New train	Provision and Installation of new membranes for Train 5	Finalise O&M manuals	May-16	1,119,244	G	G	G	Project completed.
Stormwater Activity								
Wastney Terrace STW Upgrade	Upgrade of the public stormwater system to serve the future development potential - Harris sub-division on Sunnybank Rise	Completion of detail design	Jun-16	118,426	G	G	G	On track.
York Stream Channel upgrade	Install large stormwater pipe from Caltex at Bishopdale to Tipahi St via Waimea Road and Boundary Road.	Complete Construction	May-16	745,214	G	G	G	Construction commenced and on track.
Stanley/Beachville stormwater	Upgrade stormwater discharge to Nelson end of Stanley Cresc.	End of Defects Liability Period	Nov-16	275,436	G	G	G	Project completed.
Wastewater Activity								
Neale Park sewer pump station upgrade	Redevelopment and upgrade of Neale Park Sewer pump station to reduce odour and provide peak flow pumping requirements.	Detail Design Approval	Jun-16	373,199	G	G	G	Design this year - on track.
Corder Park Sewer Pump Station Upgrade	Construction of new pump station at Corder Park including a section of Atawhai rising main replacement. Replaces existing pump station and pushes out need to replace sections of Atawhai rising main.	Construction finished on-site	May-16	4,145,007	G	G	G	On track for May 2016 completion.

12. Corporate Report to 31 March 2016 - Attachment 2 - A1544028 - Major Projects Status Report

Major Projects Summary

Project/ Programme Name	Project Definition	Next Milestone	Milestone expected completion	budget	Time	Budget	Scope/ Benefits	Issues & Risks Reasons
Transport Activity								
Maitai Shared Path (Collingwood St to Nile St)	Widening of existing path to allow shared use. Includes associated landscaping and planting.	Project Start Up	2017/18	5,000	G	G	G	W&I Committee approved to defer project to start in 2017/18.
The Brook Area Cycling and Walking Improvements	Upgrade of cycle connections between the Maitai Walkway and Brook Street.	Construction starts on site	Aug-16	65,457	R	G	G	Portion of project on hold to align with construction requirements of Maitai Pipeline traffic management on Westbrook Terrace. Expected completion of this portion of contract now out to August/September 2016. Approx \$25k to be transferred into 16/17.
Bridge St Enhancement	Enhance urban environment through lighting, seating and landscape aesthetics. Work includes under veranda lighting along Bridge St and lighting along Alma and Fiddler Lane.	Begin Construction	Aug-16	149,461	Y	G	G	Construction will commence once the Owner of the western building has completed maintenance on the wall. This is estimated to be in May/June 2016 - Expected underspend in 15/16 to be transferred into 16/17.
Railway Reserve to CBD Cycleway via St Vincent (Stage II)	Two way separated cycle lanes along the eastern side of St Vincent Street, from Gloucester St to Haven Rd.	Award Tender	May-16	213,322	Y	G	G	Works out for tender. Likely works will not be completed by end of June and possibility of small carryover into 16/17.
St Vincent to CBD cycle connection	Shared path beside ANZAC Park	Project Start Up	May-16	15,000	G	G	G	W&I Committee approved to defer completion of the project into 2016/17.
Days Track Recovery	Reinstate/Remediate Days Track following landslip in Dec 2011 rainfall event.	Completion of detail design	Sep-16	53,000	G	G	G	Council approved on 24 March additional funding required in 16/17. Design underway.
Bishopdale to the Ridgeway shared path	Construct shared path to tie in with sewer upgrade works in Beatson Road.	Completion of Defect Period	Nov-16	384,938	G	G	G	Project completed.
Whakatu Drive / Beatson Road	Widen existing path at roundabout to remove pinch point. Works to tie in with sewer upgrade in Beatson Road.	Completion of Defect Period	Nov-16	21,866	G	G	G	Project completed.
Parks and Active Recreation Activity								
Rutherford/Trafalgar Park Development	Development of Rutherford park in line with Development Plan.	Complete Construction	Jun-16	2,449,785	G	G	G	Work underway and on programme.
Trafalgar Centre Reopening	Complete upgrade to allow reopening & safe public use of the Centre.	Complete construction of the northern extension	Oct-16	12,289,000	Y	G	G	Scope adjusted following Council report on 14 April 2016. Expected underspend in 15/16 budget to be transferred into 16/17.
Modellers Pond Solution	Improve Water quality and amenity of the pond.	Council Approval	Sep-16	650,110	Y	R	G	Report to Council 22 September 2016 confirming the amount of money raised by community fundraising. Expected underspend in 15/16 budget to be transferred into 16/17.
Stoke sports & community facility	New sports and community facility in Stoke.	Report to Community Services	Jul-16	1,740,000	Y	Y	G	Report to Community Services Committee on 7 July 2016 confirming fees and charges. Multi year project. Expected underspend in 15/16 budget to be transferred into 16/17.
General Reserves land purchase programme	Purchase of land for Parks and Reserves	Marsden Park - Dependent on agreement	May-16	1,044,818	Y	Y	Y	Funded from reserve contributions. Land purchase is generally dependent on subdivision progress. This account is funded from reserves contributions and rolls over from year to year.
Saxton Cycle Track (Regional Velodrome)	Design and build a 330m outdoor cycling velodrome. This is a TDC lead project.	Stage 1 Construction to be completed.	May-16	827,020	G	G	G	NCC are a key stakeholder and contributing funds. Project being managed by TDC. Multi year project, approx \$400k to be transferred into 16/17.
Marina Maintenance Dredging	Dredging of Marina in accordance with port dredging Resource Consent.	Formalise agreements with Port Nelson	Jun-16	387,936	Y	G	Y	Port Nelson have indicated that they can dredge the marina - Expected carryover to be transferred into 16/17.

Major Projects Summary

Project/ Programme Name	Project Definition	Next Milestone	Milestone expected completion	budget	Time	Budget	Scope/ Benefits	Issues & Risks Reasons
Environmental Management Activity								
York Valley Landfill Weighbridge	Procurement and construction of new weighbridge at York Valley Landfill.	Decommission old Weighbridge	May-16	492,643	G	G	G	New Weighbridge in operation and trial period completed. Old weighbridge now being de-commissioned.
Social Activity								
Suter upgrade	Full upgrade of the Suter gallery	Opening	Oct-16	3,532,286	G	G	G	On track.
NSOM upgrade	Strengthen auditorium, finalise and implement refurbishment brief	Shortlisted tenders to submit prices	May-16	1,500,000	G	G	G	On track.
Transportation and Stormwater Combined Activity								
Tasman St upgrade(Nile to Bronte)	Road upgrade and Stormwater Upgrade undertaken in conjunction with Manuka Street Intersection Upgrade and Brook walk/cycle connections.	End of Defects Liability Period	Oct-16	500,000	G	G	G	Project completed.