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

**Held in the Council Chamber, Civic House, 110 Trafalgar Street,  
Nelson**

**On Thursday 23 June 2016, commencing at 1.04pm**

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**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, P Matheson, G Noonan and P Rainey, and  
Chief Executive (C Hadley), Group Manager Infrastructure (A  
Louverdis), Group Manager Strategy and Environment (C  
Barton), Group Manager Community Services (C Ward), Group  
Manager Corporate Services (N Harrison), Senior Accountant  
(T Hughes), Internal Audit Analyst (L Anderson), Risk and  
Procurement Analyst (S Vaughan), Manager Capital Projects (S  
Davies) and Administration Adviser (L Halsall)

**1. Apologies**

The Chairperson said that Her Worship the Mayor had entered an apology, but was now able to attend the meeting.

There were no further apologies.

**2. Confirmation of Order of Business**

There were no changes to the order of business.

**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 10 May 2016

Document number M1874, agenda pages 7 - 12 refer.

Resolved AUD/2016/041

***THAT the minutes of the meeting of the Audit, Risk and Finance Subcommittee, held on 10 May 2016, be confirmed as a true and correct record.***

McGurk/Barker

Carried

## 6. Chairperson's Report

Mr Peters noted that there was a requirement under the Charter that an annual review of the Subcommittee be undertaken and that it would be necessary to hold a discussion with council officers regarding the process to ensure this happened at the Subcommittee's next meeting in August because this was the final meeting of the term.

Resolved AUD/2016/042

***THAT the Chairperson's Report be received.***

Peters/McGurk

Carried

## 7. Internal Audit Plan - 2016/17

Document number R4216, agenda pages 13 - 17 refer.

Internal Audit Analyst, Lynn Anderson presented the report. Ms Anderson said that there were 31 audits planned, and that she would undertake 16 audits, with the remainder split between consultants and expert staff. She reported that there had been a change to the internal audit procedure: extending the response time for corrective action for high risks found in audits to 10 working days.

In response to questions, Ms Anderson said that she believed she would be able to keep progress on track by having a very accurate scope and concentrating on primary risks, although by default some audits may get pushed out. She said suitable separation between officers and internal audit function was achieved by ensuring audits were undertaken by staff not involved in the work being audited and that she would review results.

Resolved AUD/2016/043

**THAT the report Internal Audit Plan - 2016/17 (R4216) and its attachment (A1562649) be received;**

**AND THAT the Subcommittee note the changes in timeframes to the Internal Audit Procedure.**

McGurk/Barker

Carried

Recommendation to Governance Committee and Council AUD/2016/044

**THAT the Internal Audit Plan 2016/17 (A1562649) be approved;**

**AND THAT it be noted there will be unbudgeted expenditure required, which will be reported for approval to the Audit, Risk and Finance Subcommittee through the Corporate Report once estimates have been confirmed.**

Murray/Barker

Carried

## **8. Accounting Policies**

Document number R5504, agenda pages 18 - 34 refer.

Senior Accountant, Tracey Hughes, presented the report.

In response to questions, Group Manager Corporate Services, Nikki Harrison, explained that Council effectively had the delegation of approving accounting policies via the Annual Plan process.

Ms Harrison highlighted that Council did not revalue buildings for accounting purposes at present.

Resolved AUD/2016/045

**THAT the report Accounting Policies (R5504) and its attachment (A1554702) be received;**

**AND THAT the Subcommittee notes the attached accounting policies will be included in the Annual Report 2015/16.**

Murray/Barker

Carried

## 9. Procurement Policy

Document number R5507, agenda pages 35 - 52 refer.

Risk and Procurement Analyst, Steve Vaughan, presented the report.

Mr Vaughan tabled a document summarising the key changes between the 2015 policy and the new 2016 one (A1571292).

In response to questions, Mr Vaughan said that "preferred supplier" arrangements involved having a contract, certain conditions and expected service performance, and that arrangements had been reviewed and approved by legal advisers.

In further response to questions, Mr Vaughan explained that the bandings relating to quotations had changed in the new policy; of particular note was the fact that there was now a lower figure below which Council was not required to obtain quotes.

Resolved AUD/2016/046

***THAT the report Procurement Policy (R5507) and its attachment (A1540508 and A345448) be received.***

McGurk/Murray

Carried

### Attachments

- 1 (A1571292) Tabled document, Procurement policy update: Key changes from old (2015) policy

Recommendation to Governance Committee and Council AUD/2016/047

***THAT the revised Procurement Policy (A1540508) be adopted.***

McGurk/Murray

Carried

## 10. Employee Conflicts of Interest Policy

Document number R5918, agenda pages 53 - 58 refer.

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

Ms Harrison explained that historically employee conflicts of interest had been managed in an ad hoc way with records being kept by the Senior Leadership Team, Building Unit and Resource Consent Unit. She said the InControl system would be used to ensure all conflicts were recorded and reviewed, and that adequate controls were in place.

In response to questions, Ms Harrison said that the policy included both pecuniary and non-pecuniary interests, and there would be the ability to record ongoing and potential short term conflicts. She added that staff

were asked relevant questions during the interview process and introduced to policies as part of the induction process.

Resolved AUD/2016/048

***THAT the report Employee Conflicts of Interest Policy (R5918) and its attachment (A1288320) be received.***

Barker/Her Worship the Mayor

Carried

## **11. Theatre Royal Loan**

Document number R6040, agenda pages 59 - 95 refer.

Resolved

***THAT the report Theatre Royal Loan (R6040) and its attachments (A1135204, A912504, and A1145163) be received.***

Her Worship the Mayor/Murray

In response to a question, Group Manager Corporate Services, Nikki Harrison, confirmed that the Theatre Royal Trust had provided audited accounts to Council's Chief Financial Officer within three months of the Trust's balance date.

In response to a question Chief Executive, Clare Hadley, said that the High Court Review found transfer of the asset not to be a barrier to proceeding, but that the proposition was put to one side because of issues relating to earthquake prone buildings at the School of Music.

Concerns were raised about the status of the loan and the fact that there had been no repayments received to date. There was a suggestion that it should be made clear whether it was a loan or a grant and what the Theatre's financial sustainability was moving forward.

Attendance: The meeting adjourned from 2.32pm to 2.37pm.

Resolved AUD/2016/049

***THAT a report of available options in relation to the Theatre Royal Loan is prepared for the Audit, Risk and Finance Subcommittee or its successor.***

McGurk/Murray

Carried

## **12. Interim audit letter for year ending 30 June 2016**

Document number R6064, agenda pages 96 - 103 refer.

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

Ms Harrison reported that the interim audit for the year end was completed in mid-April and a number of recommendations were made in relation to contract and project management.

Mr Kearney explained that the recommendations in relation to contract and project management were around moving towards having a more consistent approach across the organisation and that there were no major concerns. In relation to the audit of the more traditional financial and non-financial systems, he reported that overall they were designed appropriately and were operating well.

In response to a question, Ms Harrison said that Council was looking at a purchasing a centralised system for recording and monitoring contracts.

Resolved AUD/2016/050

**THAT the report Interim audit letter for year ending 30 June 2016 (R6064) and its attachment (A1565622) be received;**

**AND THAT the suggested responses to the recommendations are noted.**

Murray/Barker

Carried

### 13. Capital Projects Carry Forwards 2015/16

Document number R5992, agenda pages 104 - 110 refer.

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

In response to a question, Group Manager Infrastructure, Alec Louverdis, explained he was seeking a global resource consent for gravel extraction. Separately, he said a Code of Practice was being developed relating to working in streams, which would include consultation with iwi and possible inclusion in the Nelson Plan.

Attendance: Councillor Barker left the meeting at 2.54pm.

In response to the Subcommittee's concern at the ongoing delay and the potential risk of flooding, Mr Davies said he would liaise with the operations team with a view to having the issue added to the capital team's "traffic light" report so that progress would be clearly visible.

Resolved AUD/2016/051

***THAT the report Capital Projects Carry Forwards 2015/16 (R5992) and its attachments (A1562956 and A1557401) be received.***

Murray/McGurk

Carried

Recommendation to Governance Committee and Council AUD/2016/052

***THAT Council approves continuing work on 2015/16 capital projects within the 2015/16 approved budgets, noting a final report on carry forwards will come to the Governance Committee's meeting on 25 August 2016.***

Murray/McGurk

Carried

#### **14. Operating Expenditure Carry Forwards 2015/16**

Document number R6071, agenda pages 111 - 116 refer.

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

Resolved AUD/2016/053

***THAT the report Operating Expenditure Carry Forwards 2015/16 (R6071) and its attachment (A1557519) be received.***

Murray/McGurk

Carried

Recommendation to Governance Committee and Council AUD/2016/054

***THAT Council approves continuing work on 2015/16 operating projects within the 2015/16 approved budgets, noting a final report on carry forwards will come to the Governance Committee's meeting on 25 August 2016.***

Murray/McGurk

Carried

#### **15. Corporate Report to 30 April 2016**

Document number R5998, agenda pages 117 - 130 refer.

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

Attendance: Councillor Barker returned to the meeting at 3.00pm.

Ms Hughes said the Subcommittee should note that because of the timing of its final meeting the delegations in respect of the draft Annual Report and final carry forwards report would need to be transferred to the Governance Committee.

In response to a question, Ms Hughes said that the \$104,000 in relation to the book fair was not a sum owing to Council. She confirmed that Founders ran the event, and the money raised went to Founders.

In response to a question, Mr Davies said he believed Council would meet the KPI on capital expenditure.

Resolved AUD/2016/055

***THAT the report Corporate Report to 30 April 2016 (R5998) and its attachments (A1557787 and A1563107) be received;***

***AND THAT the Audit, Risk and Finance Subcommittee refer to the Governance Committee its delegation for the review of the draft Annual Report and the 2015/16 Carry Forwards Report.***

McGurk/Barker

Carried

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

Confirmed as a correct record of proceedings:

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