

CHRISTCHURCH CITY COUNCIL

**MINUTES OF A MEETING OF THE
AUDIT AND RISK MANAGEMENT SUBCOMMITTEE**

**Held in the Mayor's Lounge, Civic Offices
on Wednesday 28 June 2006 at 10am**

PRESENT: Councillor Bob Shearing (Chairperson),
The Mayor,
Councillors David Cox, Graham Condon and Gail Sheriff.
Mr Mike Rendell

APOLOGY: An apology for absence was received and accepted from
Mr John Hooper

IN ATTENDANCE: Lesley McTurk, Roy Baker, Paul Baldwin,
Diane Brandish, Bob Lineham, Graeme Nicholas and
Tony McKendry (Christchurch City Council),
Bede Kearney and Devan Menon (Audit New Zealand)
and Gordon MacLeod (PricewaterhouseCoopers)

	ACTION
<p>1. CONFIRMATION OF MINUTES</p> <p>It was resolved to confirm the minutes of the previous meeting of the Subcommittee held on Wednesday 7 June 2006, as a true and correct record of that meeting.</p>	
<p>2. AUDIT ISSUES FROM PREVIOUS MEETINGS</p> <p>Roy Baker (General Manager Corporate Services) and Graeme Nicholas (Senior Auditor) spoke to the above report which covered:</p> <ul style="list-style-type: none">- Airpoints from business travel- Business class travel- Private use of cell phones <p>It was resolved that the report be received.</p>	<p>Roy Baker/ Graeme Nicholas</p>
<p>3. INTRODUCTION TO THE INTERNAL AUDIT PARTNER</p> <p>Gordon MacLeod (PricewaterhouseCoopers) outlined the process associated with the development of the Internal Audit Strategic Plan for the next three years 2006/2007 to 2008/2009 incorporating the Internal Audit Annual Plan for 2006. He responded to questions from the Subcommittee and also signalled that Graeme Nicholas would be part of the team involved with the process.</p>	

	ACTION
<p>4. DRAFT INTERNAL AUDIT PROGRAMME FOR THE 2006/2007 YEAR</p> <p>This report accompanied the proposed Internal Audit Operational Plan for 2006/2007 and the Strategic Plan for the three years to 2008/2009. It pointed out that the plan, prepared by PricewaterhouseCoopers was based on consultation with Council management and a review of key documents. The plan has been approved by the Chief Executive.</p> <p>It was resolved that the report be received.</p>	Roy Baker
<p>5. REPORT ON INTERNAL AUDIT ACTIVITY: FOUR MONTHS TO APRIL 2006</p> <p>It was resolved:</p> <ol style="list-style-type: none">1. That the report be received.2. That the following recommendation be placed before the Council:<ul style="list-style-type: none">- That as this Subcommittee considers there are untapped opportunities for support towards Council projects and events, by way of sponsorship from many sectors, staff be requested to draft an appropriate business case relating to the appointment of a sponsorship co-ordinator.	Graeme Nicholas Roy Baker
<p>6. TREASURY MANAGEMENT REPORT 2005 – 2006 YEAR TO QUARTER END 31 MARCH 2006</p> <p>Paul Baldwin (Funds Accountant) spoke to his report on the management of Council borrowing and investments for the quarter ended 31 March 2006.</p> <p>It was resolved that the report be received.</p>	Paul Baldwin
<p>7. CHANGES TO NZ GAAP (Generally Accepted Accounting Principles) – COMPLIANT ACCOUNT POLICIES</p> <p>Diane Brandish (Corporate Finance Manager) spoke to the suggested changes.</p> <p>It was resolved that the following changes be made to the current NZ GAAP – Compliant Accounting Policies for the Council’s financial accounts quarter ended 30 June 2006:</p>	Diane Brandish

ACTION

- (a) A new note be added:
“Shares in subsidiaries and associates”
Shares in Christchurch City Holdings Limited, Christchurch City Facilities Limited and Jade Stadium Limited are revalued with sufficient regularity to ensure that no investments are included at a valuation that is materially different from fair value.
- (b) The note “Changes in accounting policies” be amended to reflect this new policy and the \$ impact to the investments and revaluation reserve.
- (c) Note G “Depreciation” be amended as follows:
Delete “Restricted Assets are not depreciated except for Historic Buildings, Artworks and Heritage Assets that are depreciated on a straight line basis at 1%, 0.1% and 0.1% respectively.”
Add:
“Restricted Assets
- | | |
|-------------------------|---------------|
| Planted areas | 5 to 110 yrs |
| Reserves – sealed areas | 10 to 40 yrs |
| Reserves – structures | 25 to 150 yrs |
| Historic buildings | 100 yrs |
| Art works | 1000 yrs |
| Heritage assets | 1000yrs” |
- (d) Note I “revenue recognition” be amended by adding: “development contributions are recognised in the income statement in the year in which they are received”.

8. CHANGES TO NZ IFRS (International Financial Reporting Standards)

Diane Brandish (Corporate Finance Manager) outlined the suggested changes.

It was **resolved** that the following changes be made to the Council’s Profit and Loss Account and Balance Sheet to comply with the accounting standard NZ IAS 39.

- (a) The Investment note (i) be changed as follows:
Delete:
“(i) Council investment in subsidiaries”
Add:
(i) “Investment in subsidiaries and associates
For the purposes of the parent company financial statements, the Council’s equity investments in its subsidiary companies are designated as available-for-sale financial assets. They are measured at fair value, with valuations performed by an independent, external valuer with sufficient regularity to ensure no investments are included at a valuation that is materially

Diane Brandish

ACTION

different from fair value. The valuation changes are held in a revaluation reserve until the subsidiary is sold.”

- (b) The Investment note “(ii) Investments in debt and equity securities” be changed by deleting the sentence:
“Other financial instruments held by the Council are classified as being fair value through profit or loss and are stated at fair value, with any resultant gain or loss flowing through the income statement”, and replacing with:
“Other financial instruments held by the Council are classified as being available for sale and are stated at fair value. The valuation changes are held in a revaluation reserve until the instrument is sold.
- (c) The note on “Property, plant and equipment” be amended as follows:
Delete “Restricted assets are not depreciated except for historic buildings, artworks and heritage assets that are depreciated on a straight line basis at 1%, 0.1% and 0.1% respectively.”
Add:
“Restricted Assets
- | | |
|-------------------------|---------------|
| Planted areas | 5 to 110 yrs |
| Reserves – sealed areas | 10 to 40 yrs |
| Reserves – structures | 25 to 150 yrs |
| Historic buildings | 100 yrs |
| Art Works | 1000 yrs |
| Heritage assets | 1000 yrs” |
- (d) Note 22 “Revenue Recognition” be amended by adding :
“(vii) Development contributions are recognised in the income statement in the year in which they are received.”

9. NEXT MEETING

Wednesday 30 August 2006 at 11am in the Mayor’s Lounge.

Tony McKendry

The meeting concluded at 11.25am.