

CHRISTCHURCH CITY COUNCIL

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

**Held in the No 3 Committee Room, Civic Offices
on Wednesday 7 March 2007 at 10am**

PRESENT: Councillor David Cox (Acting Chairperson)
Councillor Gail Sheriff, John Hooper

APOLOGIES: Apologies for absence were received and accepted from
Councillors Bob Shearing and Graham Condon,
Mayor Garry Moore and Michael Rondel

IN ATTENDANCE: Roy Baker, Diane Brandish, Graeme Nicholas,
Paul Baldwin, Kevin Roche (Christchurch City Council),
Murray Harrington (Price Waterhouse Coopers)
Scott Tobin And Ken Body (Audit New Zealand)

In the absence of the Chairman, Councillor David Cox was
elected as acting chairperson.

	ACTION
<p>1. CONFIRMATION OF MEETINGS</p>	
<p>It was resolved that the minutes of the previous meeting of the Subcommittee held on 6 December 2006 be adopted as a true and correct record.</p>	
<p>2. MATTERS ARISING</p>	
<p>2.1 Insurance Cover</p>	
<p>The Committee considered a report from Diane Brandish (Corporate Finance Manager) on insurance cover as requested at the previous meeting.</p>	
<p>Diane advised that the Council had changed its Insurance Broker having been with the previous broker for 16 years and had gone out to the market. As a consequence AON New Zealand Limited had been appointed as the Council's brokers from 1 March 2007, to replace Jardines.</p>	
<p>The Council's insurance writers would remain the same as current until June 2007 when in association with AON NZ they would be reviewed to see if savings could be achieved.</p>	
<p>In response to a question from Councillor Sheriff concerning the insurance on community vans, it agreed that information relating to the use and access to the community vans would be supplied direct to members.</p>	<p>Kevin Roche/ James Ryan</p>

3. **REPORT ON INTERNAL AUDIT ACTIVITY – THREE MONTHS ENDING 31 DECEMBER 2006**

The Committee considered a report from Graeme Nicholas, Senior Auditor, Christchurch City Council and Murray Harrington, Price Waterhouse Coopers, providing an update on the status of internal audit activities. Murray Harrington spoke regarding their relationship with the Management Team. Work would begin next month on preparing a draft plan for the second years activities, and this would involve both management and the Audit Committee.

The opportunity was then taken to review the report as follows:

3.1 **LIMS**

Graeme advised that there had been some 29 issues addressed. While there are still some outstanding, a number of these had longer time frames. Overall there had been good progress in closing off activities. The opportunity was taken to discuss the process involved in follow-up on outstanding issues and Roy Baker spoke regarding the involvement of General Managers in this process, and the manner in which they kept such items under review.

3.2 **Enforcement - Environmental Enforcement**

Councillor Sheriff asked a question regarding the overall integration with respect to litter enforcement and the relationship between coastal rangers and dog rangers, Mr Nicholas indicated that they were able to make recommendations concerning such operational issues and that he would take Councillor Sheriff's comments into account.

3.3 **Alignment Of Council Policies - Strategic Planning Documentation**

In response to a question regarding the alignment of reviews with Council policies and strategic planning documentation. Mr Nicholas advised that they did check that Council policies, relevant legislation, and standards were being complied with but issues arose sometimes that did not quite fit and some Council policy was quite old. Councillor Sheriff requested that if this was the case then a recommendation be made in the Audit report that the policies in question be reviewed.

3.4 **LIMS – Credit card payments**

In response to a question regarding the issue identified in Appendix A regarding the LIM payment processes and the use of credit cards, Mr Baker spoke on the current policies regarding payment by credit card and the advantages from being able to use this facility, rather than operating small charge accounts, for Solicitors etc. He indicated implementations would probably have a timeframe of 12 – 18 months as a consequence of the need to firstly ensure internal processes were working well and the need for further IT investment.

ACTION

Graeme Nicholas

Graeme Nicholas

ACTION

Graeme Nicholas also spoke regarding the process of LIM preparation and the current system of having separate files relating to different projects and drainage etc, and the need for a Council wide strategy.

Mr Baker commented that EDMS (electronic document management strategy) was under investigation and is likely to be reported to Council later in the year. This would be a requirement before moving to any new building.

In response to a question from Councillor Cox it was agreed that General Manager comments would be noted on the reports to relate comments back to staff.

Graeme Nicholas

3.5 Cash handling various sites

Councillor Gail Sheriff commented on the need to also look at golf courses and Mr Nicholas replied that this was a planned activity, and the initial focus had been on swimming pools while they were open for the summer.

In respect to security at the Linwood Service Centre, Graeme advised that changes had now been made to access to improve security and the issue of different opening hours between cashiers and the building consent section was also being examined.

3.6 Rates

In response to a question from Mr Hooper regarding the potential time lapse from the development of bare land/sections into homes and obtaining an amended valuation for rates purposes, Graeme advised that copies of building consents were sent to the Council's valuers with a request to revalue, and the process ensured that valuations kept as much up to date as possible. It was noted by Mr Baker that the change date was the subsequent 1 July date. Diane mentioned that the Council's valuers were reminded in May each year to ensure that valuations were done prior to this date.

The topic of Maori Land rate remissions and arrears, especially within the former Banks Peninsula District Council, (estimated at some \$550,000) was discussed in some detail, Mr Baker indicated that it was an inherited issue from Banks Peninsula which had some challenges. Whilst Banks Peninsula District Council had a rates remission policy in respect to Maori Land, which the Council had adopted, the issue was in the application of the policy which was being looked at. Rated at a moderate risk. Diane explained further that it was necessary to actually rate the land in case the land use changed and rates became due and that remissions were done later on through the process. It was agreed that this issue would be reported back at the next meeting.

Diane Brandish/
Max Robertson

ACTION

3.7 Building Consent / Building Warrants of Fitness

Graeme spoke regarding the levels of debt involved since the Council was now charging for Building Warrants of Fitness. It was noted the charges were \$99 per annum.

3.8 Fraud Prevention

Mr Ken Body, Audit New Zealand spoke regarding this topic and advised that Mr Alex Tan, previously of the Serious Fraud Office, had undertaken this review and that the results indicated in the report were not unusual for the first time and that the issue was one of overall awareness of fraud prevention.

4. TREASURY MANAGER'S REPORT FOR 2006-07 YEAR FOR THREE MONTHS ENDING 31 JANUARY 2007

A copy of the Treasury Manager's report had been separately circulated to members and discussed at the meeting.

Mr Baldwin advised the Council was now borrowing in its own name, rather than using CCHL, and a request that it do this had been received from CCHL. Mr Baldwin expected that the Council's credit rating should remain the same and that there would be a small percentage saving from doing so. In response to questions from Mr Hooper, Mr Baldwin explained that the City Council did have a debt management policy.

5. AUDIT ARRANGEMENTS LETTER

The letter from Audit New Zealand relating to audit arrangements for the year ending 30 June 2007 was discussed by the Committee and Scott Tobin of Audit New Zealand spoke further of this.

Matters discussed were:

5.1 Tax Audit Approach

The tax audit approach contained in paragraph 2.7 of the correspondence was discussed and Diane Brandish spoke further regarding the recent ruling from the IRD that donations to the Council were not entitled to be treated as being tax deductible. This was a reverse of the IRD's previous decision and it is intended to take the matter to Taxation Review Authority. The issue will be reported back in due course, and could be taken up with Local Government New Zealand.

Diane Brandish

5.2 Internal Audit

John Hooper spoke regarding liaison between Audit New Zealand and the team and in addition confirmed that a copy of the engagement letter could be made available to the Committee.

Diane Brandish

	ACTION
<p>6. GENERAL MATTERS</p> <p>It was agreed that a list of debtors by category and the amount owed would be brought to the Committee as information for the next meeting.</p>	Diane Brandish
<p>7. DATE OF NEXT MEETING</p> <p>It was noted that the date for the next meeting was scheduled for 10am on 16 May 2007, and Roy Baker agreed to provide a paper to this meeting regarding the timetable and process for signing off of the Annual Report, which is normally done in two stages.</p>	Roy Baker

The meeting concluded at 11.30am.