



Christchurch City Council

AUDIT AND RISK MANAGEMENT SUBCOMMITTEE AGENDA

FRIDAY 8 FEBRUARY 2008

AT 2PM

IN THE NO 3 COMMITTEE ROOM, CIVIC OFFICES

Subcommittee: The Mayor, Mr Bob Parker
Councillors David Cox, Bob Shearing, Gail Sheriff and Chrissie Williams, and
Messrs John Hooper and Michael Rondel.

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1. ELECTION OF CHAIRPERSON

2. APOLOGIES

3. MINUTES OF THE PREVIOUS MEETINGS OF 29 AUGUST 2007 AND 4 OCTOBER 2007

Attached.

4. MATTERS ARISING

5. CORRESPONDENCE

6. INTERNAL AUDIT ACTIVITY REPORT – SEPTEMBER 2007 QUARTER

General Manager responsible:	General Manager Corporate Services, DDI 941 8528
Officer responsible:	Senior Auditor Regulation and Democracy Services
Author:	G Nicholas, Senior Auditor Regulation and Democracy Services

PURPOSE OF REPORT

1. The purpose of this report is to provide a brief periodic update on the status of internal audit activities completed by PricewaterhouseCoopers and Graeme Nicholas within the Council and includes:
 - the status of audit projects in the current year's programme
 - executive summaries for reports completed during the quarter ending 31 September 2007
 - issues outstanding from previous quarters.

EXECUTIVE SUMMARY**Programme Status**

2. We are on track with the internal audit plan as proposed for the year with the exception of one review. This relates to the Annual Residents Survey where the survey process is changing significantly. The co-sourcing model continues to produce a good blend of Christchurch City Council in-house input and experience through Graeme Nicholas, and wider expertise and presence through the involvement of PWC.
3. Currently, there are a number of reviews relating to the 2007/8 year in an 'in progress' state. This report includes reports that have been issued up to September 2007. During the most recent Quarter to December 2007 a further five reports have been completed and four are in draft report stage. Reporting on these reviews will occur at the next Audit Committee Meeting. Finalisation of a number of these reviews has been delayed due to a number of senior management changes and the need for appropriate sign-off of these reviews.

Value to the Council

4. With the assistance of management and an ability to bring a broader focus we are delivering reviews which have an increased focus on:
 - alignment with Christchurch City Council policies and strategic planning documentation
 - alignment with the cultural and ethical aspirations of Christchurch City Council
 - review of some of the key operational and financial areas of Christchurch City Council
 - raising the awareness of the importance of control
 - linkage to the Risk Management framework
5. During the course of the reviews completed to date and specifically within the most recent Quarters activities, we have again observed and raised a number of recommendations related to formalising and monitoring compliance with processes which will improve elements of the Council's financial performance. A number of issues have been resolved during the Quarter, which is pleasing to see.

6 Cont'd

THE 2007/8 PROGRAMME

Internal Audit Review Status

6. Summarised below is the status of each of the internal audit reviews for the 2007/8 year:

Completed	Review complete, management comments received and final report issued
Draft Report	The field work has been completed and the draft audit report is awaiting review
In progress	Review underway
Planned	Review planned, high level terms of reference drafted

Review and ref #	Comments	Status
Heritage grants (08-28)	Final report has been issued	Completed
Engagement of Consultants (08-15)	Final report has been issued	Completed
Mayors Welfare Fund (08-32)	Final report has been issued	Completed
Management of Council leased stadium (08-31)	Awaiting review with GM	Draft Report
Sensitive expenditure (08-12)	Final report has been issued	Completed
Recruitment & Exit processes (08-26)	Final report has been issued	Completed
Building inspections (8-04)	Awaiting review with GM	Draft Report
Electronic Funds Transfer (08-17)	Final report has been issued	Completed
Project office Methodology (08-18)	Drafting report	Draft Report
Insurance (08-35)	Final report has been issued	Completed
Budgeting / Forecasting (08-08)	Progressing	In Progress
Revenue (various) (08-10)	Progressing	In Progress
General IT Controls (07-)	Expansion of previous review to include library IT Awaiting review with GM	Draft Report
Software development (08-19)	Drafting report	Draft Report
Internet usage / policy	Progressing	In Progress
Capital Program tendering (08-33)	Commencing December 2007	Planned
Cash handling – various sites (08-25)	Terms of reference to be signed	Planned
Annual Residents Survey (08-30)	A major change of process has just been implemented.	Postponed

6 Cont'd

Risk Categories of Issues Reported This Quarter

7. In each review under the co-sourced arrangement, findings are classified according to the ratings outlined below.
8. Given the size of the Council and its relative complexity from an operational perspective, it is expected that a number of issues will be identified during the course of the year where further improvements can be made (both from an internal control and efficiency/effectiveness perspective). The ratings in the table below will be a combination of potential opportunities for improvement identified and control related issues.
9. In PwC's experience, it is normal practice to report summarised outcomes from the reviews in this fashion; with the focus of many Audit Committees turning to the status of key findings where agreed management actions may not have been taken within agreed timeframes. The Subcommittee should note that delays may occur due to shifting management priorities and/or resourcing issues.

Review	Number of recommendations by risk category			Total Number
	High *	Moderate	Low	
Totals carried forward from last Quarter	11	70	60	141
Building Inspections	0	1	0	1
Engagement of Consultants	2	4	0	6
Electronic money Transfers	2	1	0	3
Heritage grants	0	4	2	6
Insurance	0	0	1	1
Probity & Sensitive expenditure	0	2	0	2
Recruitment	0	4	2	6
Total issues to date	15	86	65	166
Issues resolved to date	5	39	27	71
Issues Outstanding to date	10	47	38	95

* See Appendix C for a description of items rated with a "high" priority

10. The findings relating to our reviews are broadly classified as being High, Moderate or Low priority.
11. These ratings are defined as follows:
 - **High:** Significant potential exposure or area of critical importance. Management action required.
 - **Moderate:** Exposure exists but with some mitigating factors. Management action required within the next six months.
 - **Low:** Low level of potential exposure to the organisation. Action required is only of a low priority or housekeeping nature.

New Issues Reported

13. Attached as Appendix A are the executive summaries of the reports prepared this quarter.

6 Cont'd

14. A detailed report for each review completed has been provided to management which sets out agreed management action plans as approved by the review sponsor.

Outstanding Issues Reported

15. A database of audit issues is maintained. These are reported to General Managers for regular follow up. A status report is included as Appendix B to this report.

7. TREASURY MANAGEMENT REPORT FOR THE PERIOD ENDED 31 DECEMBER 2007

General Manager responsible:	Paul Anderson, GM Corporate Services, DDI 941-8540
Officer responsible:	Diane Brandish, Corporate Finance Manager

PURPOSE OF REPORT

1. The purpose of this paper is to report on the management of the Council's borrowings and investments during the period ended 31 December 2007.

EXECUTIVE SUMMARY

2. The Local Government Act 2002 requires publication of a Liability Management Policy and an Investment Policy (Policies). These are included as part of the Long Term Council Community Plan (LTCCP) adopted by Council.
3. The Council's policies require periodic reporting to the Council. The Council has delegated reporting requirements to the Council through the Audit and Risk Sub-committee.
4. To provide a regular and ongoing review, a Treasury Review Team appointed by the Chief Executive Officer in terms of the Policies overviews this function. Bancorp Treasury Services Ltd provides independent treasury advice.
5. The attached schedules summarise the results of management of Council's borrowings and investments for the period ending 31 December 2007. There are no budget comparatives as balance sheet budgets are not currently produced. External borrowings are \$3.1m higher than in June 2007. \$2.6m of this is the initial drawdown of the \$43.7m facility put in place for Vbase. They are forecasting a further \$11.0m in April, \$16.2m in October and the balance of \$13.8m in April 2009. All borrowings are matched with loans to Vbase. Investments total \$319m, \$52m lower than in June 2007. This reduction is due to monies being used for the capital programme and, in addition, working capital at (financial) year end was very high and has now dropped to a more realistic figure. All of the policy limits and KPI's were met.

STAFF RECOMMENDATIONS

It is recommended that the Subcommittee receive the Treasury Management Report.

8. DEBTOR MANAGEMENT REPORT

General Manager responsible:	General Manager Corporate Services, DDI 941-8540
Officer responsible:	Corporate Finance Manager
Author:	Diane Brandish

PURPOSE OF REPORT

1. The purpose of this report is to provide the Audit and Risk Committee with an update of the Council's outstanding debtors.

EXECUTIVE SUMMARY

2. The Audit and Risk Committee has requested a quarterly report on the Council's debtors. This report is attached as Appendix 1. The last report tabled was for June 2007. No report was prepared for September as this Committee did not meet in October.
3. The total of trade debtors has increased by 5% since June but there have been significant increases in the 183+ day balances for two of the eight categories. Resource Management Consents have increased from \$294k to \$436k due to appeals pending and SAP Debtors from \$226k to \$612k. For both categories a staff shortage within the Planning Department has delayed processing of the appeals.
4. Total rates debtors have increased from \$4.4m to \$145.7m. Of this \$134.8 is not yet due. The current year total of \$8.7m includes November and December invoicing some of which is also not yet due. Full prior year comparatives are not available in this format as the first reports were prepared in April 2007, however, the comparative previous year's total at December 2006 was \$2.2m as against \$1.9m in 2007.
5. The building consent debt at 183 days and not yet payable relates to fees levied for consents not yet issued. A customer has up to 12 months to uplift a building consent and certain fees such as Reserve Fund Contributions are payable only if the consent is issued.

FINANCIAL AND LEGAL CONSIDERATIONS

6. There are no legal implications.

STAFF RECOMMENDATIONS

It is recommended that the report be received.

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9. SCHEDULE OF MEETINGS 2008

To be tabled.

10. ISSUES FOR FUTURE MEETINGS