



## Christchurch City Council

# AUDIT AND RISK MANAGEMENT SUBCOMMITTEE AGENDA

THURSDAY 6 NOVEMBER 2008

AT 2PM

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. APOLOGIES**

Councillor Chrissie Williams.

**2. CONFIRMATION OF MINUTES OF MEETING – 22 SEPTEMBER 2008**

The minutes of the open section of the meeting of 22 September are **attached**. The public excluded portion of the minutes have been separately circulated to members.

It is recommended that the Subcommittee confirm the minutes of the meeting of 22 September 2008 (both open and public excluded sections).

**3. MATTERS ARISING**

#### 4. INTERNAL AUDIT ACTIVITY REPORT – AUGUST/OCTOBER 2008 QUARTER ONE

<b>General Manager responsible:</b>	General Manager Corporate Services DDI 941-8528
<b>Officer responsible:</b>	G Nicholas, Senior Auditor
<b>Author:</b>	G Nicholas, Senior Auditor / Murray Harrington , PWC Partner

##### PURPOSE OF REPORT

- The purpose of this report is to provide a brief periodic update on the status of internal audit activities completed by PricewaterhouseCoopers (PwC) 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 October 2008
  - issues outstanding from previous quarters.

##### EXECUTIVE SUMMARY

###### Programme Status

- The programme for 2008/09 was approved by the Executive Team and the Audit and Risk Management Committee in June 2008 and is being progressed.

###### Value to the Council

- The reviews in the 2008/09 Internal Audit Planning process have a focus on:
  - governance, regulatory and communication processes
  - fraud prevention and detection, and human resources
  - reviews in respect of both major capital and operational spend
  - improving business process within Council.

The diverse nature of the scopes covered continues to provide a wide range of assurance across the Christchurch City Council (CCC).

- In the current economic environment, we are observing increasing pressures on both organisations and individuals. We continue to be mindful that within each of our reviews a heightened level of awareness from ourselves and management may be required. Increasingly we are also looking for efficiency gains and revenue leakage possibilities.

##### THE 2008/09 PROGRAMME

###### Internal Audit Review Status

- Summarised below is the status of each of the internal audit reviews for the 2007/08 year reported this quarter and for the 2008/09 year which have been completed:

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

## 4 Cont'd

Review and ref #	Comments	Key Resource	Status	Reporting to Committee status
<b>2007/08 Programme</b>				
Animal Control (08-05)	Issued report	CCC	Completed	Reported Nov 08
Customer service / complaints (08-02)	Issued report	PWC/CCC	Completed	Reported Nov 08
LTNZ / Claims (08-23)	Issued report	CCC	Completed	Reported Nov 08
Treasury (08-29)	Issued report	PWC	Completed	Reported Nov 08
<b>2008/09 Programme</b>				
Mayors Welfare (09-01)	Issued report	CCC	Complete	Reported Nov 08
Cash Handling sites (09-02)	Issued report	CCC	Complete	Reported Nov 08
Revenue (09-15)	Issued report	CCC	Complete	Reported Nov 08
Community Grants (09-08)	Awaiting review with GM (PA)	CCC	Draft Report	N/A
Consents & Compliance (09-19)	Report being drafted	CCC	Draft Report	N/A
HR Practices and processes (09-07)	Field work in progress	PWC	In progress	N/A
Environmental Enforcement (09-14)	Field work in progress	CCC	In progress	N/A
Remuneration Practices (09-05)	Field work in progress	PWC	In progress	N/A
EPA financial practices (09-10)	Planning	CCC	Planned	N/A
Capital Endowment Fund	Planning	PWC / CCC	Planned	N/A

**Risk Categories of Issues Reported This Quarter**

6. In each review under the co-sourced arrangement, findings are classified according to the ratings outlined below.
7. 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.

## 4 Cont'd

8. 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. Internal Audit has emphasised to management that there are currently a high level of open items and that this does require attention.

Review	Number of recommendations by risk category			Total Number
	High *	Moderate	Low	
Totals carried forward from last report	23	137	103	263
Animal Control	0	3	0	3
Customer Service & Complaints	1	6	2	9
LTNZ Claims	1	3	2	6
Treasury	0	4	2	6
Mayors Welfare	0	0	0	0
Cash handling	0	1	6	7
Revenue & Receivables	1	1	2	4
<b>Total issues to date</b>	<b>26</b>	<b>155</b>	<b>117</b>	<b>298</b>
Issues resolved to date	9	71	65	145
<b>Issues Outstanding to date</b>	<b>17</b>	<b>84</b>	<b>52</b>	<b>153</b>

\* See Appendix B (**attached**) for a description of items rated with a "high" priority

9. The findings relating to our reviews are broadly classified as being High, Moderate or Low priority.
10. 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

11. **Attached** as Appendix A are the executive summaries of the reports prepared this quarter.
12. 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

13. A database of audit issues is maintained. These are reported to General Managers for regular follow up.

## 5. CORPORATE FINANCE REPORT FOR QUARTER ENDED SEPTEMBER 2008

<b>General Manager responsible:</b>	General Manager Corporate Services, DDI 941-8528
<b>Officer responsible:</b>	Corporate Finance Manager
<b>Author:</b>	Diane Brandish

## PURPOSE OF REPORT

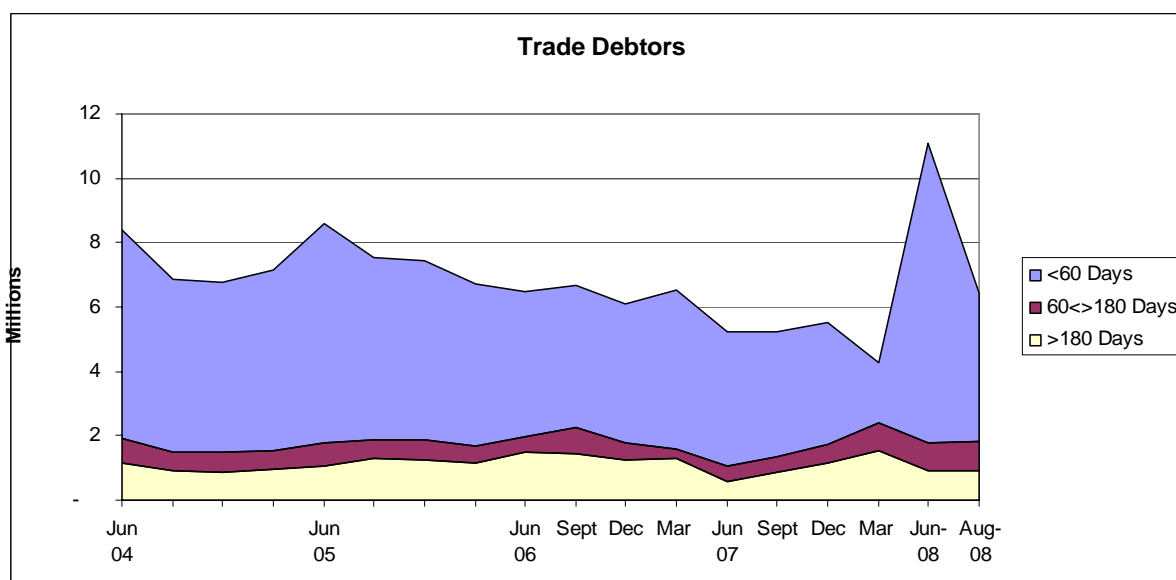
1. The purpose of this report is to provide the Audit and Risk Management Subcommittee with an update on key financial and treasury matters for the quarter ending September 2008.

## TREASURY

2. Treasury; the table **attached** as Appendix 1 shows that the Council remained well within its financial ratio policy limits. Council funding requirements remain below the levels predicted in the 2008/09 Annual Plan due to delays in delivering the capital programme. Liquidity, credit and interest rate risk also remain within target limits. Appendix 2 is a list of our current investments, subtotalled by entity. All investments are in accordance with our investment policy.
3. The confusion within the debt market has eased a little over the last week with keen interest being expressed in \$20m of commercial paper which was maturing. The underlying risk for the Council is not the availability of funding but the rate. While the underlying interest rate is well within the planned borrowing rate, bank margins have increased significantly. Several banks have had to source funds from overseas at margins in excess of 100bp. Should we need to resort to bank funding we can expect this margin to be passed on.
4. Commercial Paper is only one of the options available to provide funding for the capital programme. Other (cheaper) options are the \$40m balance in the BNZ facility priced at 12bp, and at least \$60m of investments on the balance sheet that are available to be used as internal borrowing. These are sufficient to meet our needs over the next six months. The Treasury Review Committee meets on 6 November just prior to the Audit and Risk Subcommittee to consider medium to long term options and a verbal update will be provided.

## DEBTORS

5. Debtors; the balance of overdue accounts (60 days and over) remains unchanged from the position at June. The main reason for this is within the building consents area where 45%, (\$310,000) of the consents invoiced in June are yet to be collected. This is a change from previous months where the bulk of consents are collected within 60 days and may be a reflection of the current conditions. Staff will provide an oral update at the meeting.



**5 Cont'd**

**AUDIT AND RISK ISSUES**

6. The annual report and summary annual report have both been signed off and are with the printer. The first draft of Audit New Zealand's Management Report is due early next week and once finalised will be circulated to the Subcommittee rather than held over until March.
7. Following discussion both with the Chair and at the last Audit and Risk Management Subcommittee meeting, officers have agreed to review the Council's approach to risk reporting. The goal of this review is to ensure our risk reporting provides an appropriate level of assurance to the Subcommittee and dovetails well with our proactive risk management strategies (including internal monthly reporting, quarterly Council reporting, internal audit programme and external audit). The timing for this review will be after the preparation of the draft LTCCP in March 2009.

**FINANCIAL AND LEGAL CONSIDERATIONS**

8. There are no financial or legal implications.

**STAFF RECOMMENDATION**

It is recommended that the report be received.