

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 29 August 2007 at 9am**

- PRESENT:** Councillor Bob Shearing (Chairman),
Mayor Garry Moore, Councillors Graham Condon,
David Cox, Gail Sheriff, John Hooper and
Michael Rondel.
- APOLOGIES:** Apologies for lateness were received from Mayor Garry
Moore and Councillor Graham Condon (who arrived at
9.15am).
- IN ATTENDANCE:** Roy Baker, Diane Brandish, Graeme Nicholas,
Paula Friend, Greg Bell, Scott Tobin (Audit New
Zealand), Murray Harrington (PriceWaterhouseCoopers)
and Kevin Roche.

	ACTION
<p>1. CONFIRMATION OF MINUTES</p> <p>It was resolved that the minutes of the previous meeting held on 16 May 2007 have been adopted as true and correct record.</p>	
<p>2. MATTERS ARISING</p> <p>2.1 Appointment of Outside Representatives</p> <p>It was agreed a separate memo be circulated on this matter.</p> <p>2.2 Request for Official Information</p> <p>This was noted for follow up and supply of information as requested.</p>	Max Robertson/ Kevin Roche
<p>3. CORRESPONDENCE</p> <p>Nil.</p>	
<p>4. REPORT ON INTERNAL AUDIT ACTIVITIES: THREE MONTHS ENDED 30 JUNE 2007</p> <p>The Subcommittee considered a report from Graeme Nicholas, Senior Auditor, providing a brief update on the status of internal audit activities conducted by PriceWaterhouseCoopers and Council staff for the period to 30 June 2007. The opportunity was taken for questions and discussion and main issues raised by members were as follows:</p>	

ACTION

- Page 27- the Chairperson queried the listing in respect to high priority items outstanding and it was noted that six of these related to procurement. The issue with Meta NZ had only just arisen and the main issue was procurement. Staff advised that they did not have concerns with this at the moment and that deadline dates were set for September and December 2007.
- Page 8, clause 3 - Councillor Cox queried regarding the efficiency of the procurement processes and it was advised the audit programme concentrated on risk issues, however, it could be extended.
- Page 14, General Computer Controls and IT Governance – concern was expressed at the proposed timetable for dealing with these items and that some were not intended to be addressed until next year. Members commented that some seemed simple in nature and could be dealt with immediately. Staff advised that the items were considered to be of a moderate, rather than high risk and members, requested that their priority be re-examined.
- Page 24, Policy Framework Legislative Compliance – it was noted that Strategy and Planning were involved in a considerable amount of work in this area and a timescale of July/August 2008 was appropriate. Compliance completion in July next year which is a considerable and appropriate timeframe and requires lots of strategic planning to take all the key work in this area.
- Page 25, Annual Residents Survey - the Chairperson asked if the terms of reference should be brought to the Subcommittee and Mr Harrington advised that they were looking more at the integrity of the process rather than the content of the questions.
- Councillor Cox queried the comments on page 10 regarding changing priorities and it was requested that the Subcommittee be kept aware of these. In respect to Page 25 – Capital Programme it was requested that some brief comments on why the scope had been amended would have been useful.

The subcommittee resolved to **receive** the information.

5. 2007 ANNUAL REPORT

The Subcommittee considered a report from Diane Brandish, Corporate Finance Manager providing for review the draft financial statements forming part of the annual report of the Christchurch Council for the year ended 30 June 2007.

A full copy of the draft report had been provided to the Subcommittee for its information.

The report noted that sign off had not yet been provided by Audit New Zealand as final revaluation data was not yet finalised and the Council had still not received the last of the related party information. Mr Baker advised that at this stage approval in principle was being sought from the Subcommittee and a conference call would be arranged with members once the group accounts had been finalised.

He advised that they would normally have been signed off by now. The main concern was that the Airport Company had failed to meet deadlines and now expected to provide its accounts by Saturday 1 September. This should allow the accounts to be submitted to the Council meeting of 20 September 2007 which would comply with the statutory requirement of adoption by 20 October 2007.

The Subcommittee requested that a letter be written to Mr Bob Lineham, CEO, CCHL expressing its concern and disappointment at the delay in provision of the accounts from the Council's subsidiaries.

The opportunity was then taken to discuss the annual report and Diane Brandish, Corporate Finance Manager, spoke to this. Comments from the Subcommittee in respect to this were as follows:

- The operating surplus should be better explained as most people would not understand this. Mr Baker reported that their would be a report coming to the Council on the operating surplus once the accounts had been adopted. The summary of the financial report would use plainer English.
- Page 2 - it was suggested this would be an appropriate place to show how the surplus would allocated in the future and how it had been accumulated.
- Page 54; the line item showing CCHL dividends and income from subvention receipts should be amalgamated as this could be misleading. Paula Friend suggested that an appropriate comment be placed on the bottom line. (Mr Tobin indicated he would be happy see these combined or a column could be provided to the left showing the total net figure).
- The word "unplanned" in the last sentence on bottom of page 54 in respect to revaluation should be deleted.
- To the wording on page 34 re short term employee benefits related to the CEO and management team.
- John Hooper queried if it was appropriate to show the income tax which had been challenged as a contingent liability or to estimate this and include it in the balance sheet. Diane Brandish advised they had received professional advise that the Council had a strong case in respect to this and hence it was more appropriate to show it as a contingency item.

ACTION

Diane Brandish

ACTION

- Regarding the issues of revaluation of roading assets Mr Baker advised that was likely to give a change in value of some \$50 million dollars in addition to a previous increase of \$40 million.
- Mr Baker spoke regarding the issue of carbon credits and noted that the income was spread over five years and it might be necessary to (NPV) this item.
- Mr Tobin advised he thought the Council was about 90% of the way to completing its accounts and he congratulated staff on the effort that had been made in respect to these. Outstanding issues related to:
 - Valuations
 - Notes
 - Donations
 - Treatment of carbon credit sales

It was noted that provision had been made for future obligations in respect to leaky homes.

The Subcommittee then **resolved**:

- (a) That the General Manger Corporate Services be authorised to make changes as required by Audit NZ to complete the accounts once the revaluation and related party data is finalised, or to correct errors in preparation for presentation of the report to the Council, on 20 September 2007.
- (b) That the Christchurch City Council 2007 Annual Report be forwarded to the Council for adoption.

6. TREASURY MANAGEMENT REPORT–TO 30 JUNE 2007

It was **resolved** to receive the Treasury Management Report.

7. UPDATE ON TAX AUDIT POSITION

The Subcommittee considered this report providing an update on the IRD's audit of the Council's tax position. The report advised that two outstanding issues related to the eligibility of donation deductions and hurt and humiliation payments. The Council had engaged Kensington Swan to assist it and Diane Brandish advised that the IRD adjudication unit could take about six months to make its decision.

The Subcommittee **received** the report.

	ACTION
<p>8. DEBTOR MANAGEMENT REPORT</p> <p>The Subcommittee considered this report providing it with an update on the Council's outstanding debtors. Councillor Sheriff queried how amounts could be outstanding for building consents and Diane Brandish advised she would investigate this and report back.</p> <p>The Subcommittee received the report.</p>	
<p>9. ISSUES FOR FURTHER MEETINGS</p> <p>Items noted for consideration at the next meeting were:</p> <ul style="list-style-type: none">● Carried forward items in respect to the reappointment of external members and requests for official information.● Audit NZ management letter. <p>The Chairman then took the opportunity to thank the Mayor and other committee members for their contribution to the work of the Subcommittee over the past three years.</p>	Diane Brandish

The meeting concluded at 10.10am