

AUDIT AND RISK MANAGEMENT SUBCOMMITTEE



WEDNESDAY 11 JUNE 2014

**9.15AM – 10.28AM, 10.45AM – 11.54AM
(PUBLIC EXCLUDED) 10.59AM – 11.54AM**

**Committee Room One
Ground Floor, Council Offices
101 Wakefield Street
Wellington**

PRESENT:

Mayor Wade-Brown	(9.16am – 10.28am, 10.45am – 11.54am.)
Councillor Marsh	(9.15am – 10.28am, 10.45am – 11.29am.)
Councillor Peck (Chair)	(9.15am – 10.28am, 10.45am – 11.54am.)
Councillor Woolf	(9.15am – 10.28am, 10.45am – 11.54am.)
Peter Harris (External)	(9.15am – 10.28am, 10.45am – 11.54am.)
Kevin Simpkins (External)	(9.15am – 10.28am, 10.45am – 11.54am.)

OFFICERS IN ATTENDANCE:

Kevin Lavery – Chief Executive
Sally Dossor – Director CEO's Office
Andy Matthews – Chief Financial Officer
Geoff McRobie – Manager, Risk Assurance
Richard Marshall – Manager, Financial Accounting
Nicola Brown – Director Human Resources
Deborah Hammond - Manager, Health Safety and Wellness

EXTERNAL AUDITORS:

Bede Kearney – Audit New Zealand
David Kidman – Audit New Zealand

DEMOCRATIC SERVICES OFFICERS IN ATTENDANCE:

Antoinette Bliss – Governance Advisor

APOLOGIES

NOTED:

There were no apologies.

MINUTES FOR CONFIRMATION

Moved Councillor Marsh, seconded Kevin Simpkins, the motion that the Audit and Risk Subcommittee approve the minutes of the meeting held on Friday 11 April 2014, having been circulated, that they be taken as read and confirmed as an accurate record of that meeting.

The motion was put and declared CARRIED.

RESOLVED:

THAT the Audit and Risk Subcommittee:

- 1. Approve the minutes of the meeting held on Friday 11 April 2014, having been circulated, that they be taken as read and confirmed as an accurate record of that meeting.*

(Mayor Wade-Brown arrived at the meeting at 9.16am.)

CONFLICT OF INTEREST DECLARATIONS

NOTED:

There were no conflict of interest declarations.

PUBLIC PARTICIPATION

NOTED:

There was no public participation.

PROGRESS AGAINST AUDIT NEW ZEALAND RECOMMENDATIONS

Report of Andy Matthews, Chief Financial Officer.

(REPORT 1)

Moved Councillor Peck, seconded Councillor Woolf the substantive motion.

The motion was put and declared CARRIED.

RESOLVED

THAT the Audit and Risk Subcommittee:

1. *Receive the information*
2. *Note the progress made in implementing the Audit New Zealand recommendations.*

IMPLICATIONS FOR COUNCIL OF PROPOSED FINANCIAL REPORTING STANDARDS

Report of Andy Matthews, Chief Financial Officer. (REPORT 2)

Moved Councillor Peck, seconded Kevin Simpkins the substantive motion.

The motion was put and declared CARRIED.

RESOLVED

THAT the Audit and Risk Subcommittee:

1. *Receive the information.*
2. *Note the developments in New Zealand generally accepted accounting practice (GAAP) since the last regular Subcommittee meeting on 11 April 2014.*

DRAFT 2013/14 FINANCIAL STATEMENTS DRAFT FINANCIAL OVERVIEW AND PROPOSED SIGN OFF PROCESS

Report of Andy Matthews, Chief Financial Officer. (REPORT 3)

Moved Councillor Peck, seconded Peter Harris the substantive motion.

The motion was put and declared CARRIED.

RESOLVED

THAT the Audit and Risk Subcommittee:

1. *Receive the information.*
2. *Note that the 2013/14 financial statements template has recently been reviewed by Audit New Zealand and that their comments/recommendations have been reflected in the template.*

3. *Note that there are no new standards, amendments and interpretations which are applicable for the 2013/14 financial statements that have been considered by officers and notes that we are not planning to early adopt any new standards, amendments and interpretations.*
4. *Approve the proposed format and disclosures for the 2013/14 financial statements subject to:*
 - (a) *consideration of the implications of any changes in NZ GAAP arising up to 30 June 2014 which may be required to be applied retrospectively;*
 - (b) *the determination and disclosure of the final results of operations, cashflows and financial position for the year ending 30 June 2014 (and any subsequent impact on the notes to the financial statements); and*
 - (c) *receiving final clearance from Audit New Zealand.*
5. *Approve the sign-off process and timetable for the 2013/14 financial statements.*
6. *Approve the proposed format of the financial overview template for the 2013/14 financial year.*

TABLED INFORMATION: Peter Harris requested 'Draft plain English presentation of financial summary' to be tabled. Reference (A).

(The meeting adjourned for morning tea at 10.28am and reconvened at 10.45am.)

(Mayor Wade-Brown, Councillors Marsh, Peck and Woolf, Externals Peter Harris and Kevin Simpkins were present when the meeting reconvened.)

FORWARD PROGRAMME

Report of Sally Dossor, Director CEO's Office.

(REPORT 4)

Moved Councillor Peck, seconded Peter Harris the substantive motion.

The motion was put and declared CARRIED.

RESOLVED

THAT the Audit and Risk Subcommittee:

1. *Agree the proposed forward programme for the Audit and Risk Subcommittee.*

RESOLUTION TO EXCLUDE THE PUBLIC

Moved Councillor Peck, seconded Kevin Simpkins the motion to exclude the public.

The motion was put and declared CARRIED.

RESOLVED:

THAT the Audit and Risk Subcommittee:

1. *Pursuant to the provisions of the Local Government Official Information and Meetings Act 1987, exclude the public from the following part of the proceedings of this meeting namely:*

Report 5 – Internal Audit Update

Grounds: Section 48(1)(a)

That public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under section 7.

Reasons: Section 7(2)(c)

To protect information supplied in confidence or by legislative requirement when the release of that information could damage public interest.

Report 6 – 2014-15 Internal Audit Plan

Grounds: Section 48(1)(a)

That public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under section 7.

Reasons: Section 7(2)(c)

To protect information supplied in confidence or by legislative requirement when the release of that information could damage public interest.

Report 7 – Summary of Incidents

Grounds: Section 48(1)(a)

Local Government Official Information and Meetings Act – that public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.

Reasons: Section 7(2)(a)

Of the Local Government Official Information and Meetings Act 1987 this information is withheld to protect the privacy of natural persons, including that of deceased natural persons

Section 7(2)(b) Protect information where the making available of the information would be likely to unreasonably prejudice the commercial position of Council.

Report 8 – Council Debtors’ Report

Grounds: Section 48(1) (a) Local Government Official Information and Meetings Act – that public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7
Reason: Section 7(2) (a) protect the privacy of natural persons, including that of deceased natural persons.
Section 7(2) (i) to enable the Council to carry out negotiations without prejudice or disadvantage.

- 2. *Permit Audit New Zealand to remain at this meeting after the public has been excluded, because of their specialist knowledge of the matters under discussion.*

The meeting went into public excluded session at 10.59am.

The meeting concluded at 11.54am.

Confirmed: _____
Chair
/ /

Tabled information: Reference (A)

Draft "Plain English" presentation of financial summary

INCOME

Revenue from rates

Revenue from rates (excluding metered water)

Revenue from water rates by meter

Operating activities

Revenue from development contributions

NZTA reimbursements for roading costs \$xxx about \$15 million

Revenue from other operating activities

Revenue from investments

Total revenue

Fair value movement on investment property revaluation

Other income

Finance income

TOTAL INCOME

EXPENSE

Finance expense

Etc etc

TOTAL EXPENSE

TOTAL OPERATING SURPLUS Around \$7.6 million

CENTRAL GOVERNMENT GRANTS

Contribution to social housing improvements Around \$28 million

SURPLUS INCLUDING CENTRAL GOVERNMENT GRANTS Around \$35.6 million

REVALUATIONS AND ACCOUNTING ADJUSTMENTS

Revaluations

Fair value movement – property, plant and equipment Around \$176 million

Etc etc

TOTAL REVALUATION AND ACCOUNTING CHANGES

COMPREHENSIVE ACCOUNTING SURPLUS