
MINUTES
of the
AUDIT SUBCOMMITTEE MEETING
held
1.30pm Thursday, 23 June 2016
at
Tasman Council Chamber, 189 Queen Street, Richmond

Present: Councillors M J Higgins (Chair), M J Greening, T B King, P F Sangster, Mr G Naylor

In Attendance: Councillor Z Mirfin, Corporate Services Manager (M J Drummond), Finance Manager (R Holden), Financial Accountant (B Grammer), Revenue Accountant (K Kivimaa-Schouten, Executive Assistant (P White)

1 OPENING, WELCOME

2 APOLOGIES AND LEAVE OF ABSENCE

Moved Cr Greening/Cr Sangster
FNAU16-06-2

That apologies for Councillor Inglis be accepted.
CARRIED

3 DECLARATIONS OF INTEREST

Nil

4 CONFIRMATION OF MINUTES

Moved Cr Greening/Cr King
FNAU16-06-3

That the open and confidential minutes of the Audit Subcommittee meeting held on Thursday, 24 March 2016, be confirmed as a true and correct record of the meeting.

CARRIED

5 LATE ITEMS

Moved Cr King/Cr Higgins FNAU16-06-4

That the Audit Subcommittee receives the late item Interim Audit Management Report for the Annual Report 2015/2016. The item was late being received from Audit New Zealand and needs to be considered at this meeting to ensure the information is received in a timely manner.

CARRIED

6 PRESENTATIONS

Nil

7 REPORTS

Members noted that Appendix One to Item One – Fraud Policy – was the incorrect document. The correct 2007 Fraud Policy was tabled for members.

For clarity, members attention was drawn to Attachment Two to this report – which was the proposed 2016 Fraud Policy.

7.1 Fraud Policy Review

Mike Drummond spoke to the report. He noted that the policy now included elected members. He talked about the difference between the Fraud Policy and managing staff misconduct, and said that that matters involving staff performance would be dealt with between managers and staff under the personnel policies, other matters (for example theft) would be dealt with under the Fraud Policy. He acknowledged that that there was a 'grey area' between the two policies that would deal with under management discretion.

A Councillor asked how often the incidents of fraud were, and the need for a policy. Members discussed that a Fraud Policy was required as good practice, and as advocated by the Auditor General. It was observed that there were occasional instances of fraud in local government but the number of incidents were not well documented.

A number of editorial changes to the document were requested.

Clear guidance was asked for Affiliates on what the form of commitment an 'express obligation to oblige with the policy' would look like i.e. template wording to be included in the Policy.

Members asked if a form of 'fraud hotline' or email address could be made available.

After further discussion, members recommended that elected members be excluded altogether from the policy because they were not covered under a number of clauses in the policy, however there should be a section up front in the policy that noted that elected members were covered by the Local Authorities (Members' Interests) Act 1968, their Code of Conduct and the Local Government Act 2002.

Moved Cr King/Cr Sangster

FNAU16-06-5

That the Audit Subcommittee

- 1. receives the Fraud Policy Review report (RFNAU16-06-01); and**
- 2. recommends to Full Council that it adopts the revised 2016 Fraud Policy, subject to any editing changes as discussed at the meeting, and noting that elected members would be excluded from the policy, as they were covered by Local Authorities (Members' Interests) Act 1968, their Code of Conduct and the Local Government Act 2002.**

CARRIED

7.2 Progress on the Matters Raised in 2014/15 Audit Management Report

Members discussed this item in relation to the late item on the agenda. They noted that although the Interim Audit Management Report for the Annual Report 2015/16 restated the matters raised in the 2014/15 Audit Management Report, they would still like to examine the 2014/15 matters in detail as they were concerned about outstanding items.

In response to a question, Mr Drummond said Port Tarakohe and its assets were valued for accounting purposes not market valuation. This was to meet the financial reporting requirements. Members asked that the Optimised Depreciated Replacement Cost(ODRC) valuation should take into account excess capacity or redundant assets.

Mr Naylor said that the adequacy of depreciation rates needed to be reviewed by the subcommittee annually and asked that this be done. This would be included in an accounting issues paper for subsequent annual reports. Mr Naylor also noted that impairment of assets was done internally by management, but asked that this also be circulated to members for 2016 and formally go to the subcommittee in future years.

Mr Drummond spoke about the plan to implement ERoad for Council vehicles and the positives for Council in terms of better fleet management.

Mr Naylor asked that in future the report noted the date each item had been raised by Audit New Zealand, and the 'traffic-light' priority.

Moved Cr King/Mr Naylor

FNAU16-06-6

That the Audit Subcommittee receives the report on the Progress on the Matters Raised in 2014/15 Audit Management Report.

CARRIED

Councillor Mirfin left the meeting at 2.41pm.

A.1 Interim Audit Management Report for the Annual Report 2015/16

Mr Holden noted that the item was late because staff were waiting for the report to be issued by

Audit New Zealand following management feedback.

There were no issues with the rate setting process, and other items were minor in nature. Mr Holden said in general he was pleased that no substantive items had been found as a result of the interim audit.

**Moved Mr Naylor/Cr Higgins
FNAU16-06-7**

That the Audit Subcommittee receives the Interim Audit Management Report for the Annual Report 2015/16 report.

CARRIED

7.3 Internal Audit Update

Bryce Grammer, Financial Accountant, noted a recent 'whaling' attack (an email sent illegitimately feigning the CEO asking a staff member to transfer funds). Mr Drummond said that he had confidence in the IS department of Council and its security measures that normally kept Council safe from cyber-attacks. Members noted that cybersecurity was a growing issue for organisations and should be taken into account in risk management. Mr Drummond said the cybersecurity review would be taking place later in the year.

In regard to the debtor impairment process, Mr Drummond talked about the costs of sending infringement debts to a credit recovery agency vs. sending them to the district court for collection.

**Moved Cr Sangster/Cr Higgins
FNAU16-06-8**

That the Audit Subcommittee receives the Internal Audit Update report (RFNAU16-03-04).

CARRIED

Cr King left the meeting at 3.10pm, returning 3.14pm.

7.4 Council Debtor's Update Report

Kelly Kivimaa-Schouten, Revenue Accountant, spoke about the Accounts Receivable Review project at Council, and the current accounts receivable position.

**Moved Cr Sangster/Cr Greening
FNAU16-06-9**

That the Audit Subcommittee receives the Council Debtor's Update Report

CARRIED

7.5 Review of Sensitive Expenditure

Bryce Grammer spoke the report. He said that as the Council spent 'public money' it was

strongly open to scrutiny and therefore had to be transparent in its spending.

Staff did not believe that the Subcommittee would need to receive the final Sensitive Expenditure Review report as there would not be significant changes. The report would go to senior managers.

Mr Drummond said that one of the matters raised was that staff need to have a greater awareness of the Sensitive Expenditure Policy and its implications for them.

The meeting discussed credit card expenditure, which was particularly subject to scrutiny, especially in an election year, and the need to ensure that the reasons for the expenditure recorded against credit cards were clearly documented item by item.

Moved Cr King/Mr Naylor
FNAU16-06-10

That the Audit Subcommittee receives the Review of Sensitive Expenditure report
RFNAU16-06-06.

CARRIED

The meeting concluded at 3.30pm

Date Confirmed:

Chair: