

AUDIT COMMITTEE

MINUTES: of a meeting of the Audit Committee which commenced at 11.32 a.m. in the Committee Room, Centreway Road, Orewa on Tuesday, 9 February 2010.

PRESENT: Stuart Bauld (Chairperson)
Alan Curtis
Cr John Kirikiri (Deputy Mayor)
Roy Tiffin

IN ATTENDANCE: Director: Corporate Services (Kevin Ramsay)
Manager: Finance (Morna Macfarlane)
Chief Legal Officer (Rob Goldsbury 1.26 pm – 1.44 pm)
Democracy Services Officer (Raewyn Morrison)

Note: Karen Mackenzie, Audit Director from Audit New Zealand was also present at the meeting.

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026/02/10 **APOLOGIES**
AGENDA ITEM NO. **1**

Apologies were received from Catherine Trussler, Audit Manager: Audit New Zealand, and Rodney District Council's Group Manager: Financial Services, Warren Stevens.

Kirikiri/Curtis

That the apologies from Catherine Trussler and Warren Stevens be received and sustained.

Carried

027/02/10 **CONFLICTS OF INTEREST**
AGENDA ITEM NO. **2**

Mr Tiffin reminded members of the Audit Committee that he was the General Manager of the Accounting Standards Review Board and that he was also a member of the Auckland City Council Risk and Audit Committee; however he did not think either of these positions posed a conflict of interest.

**028/02/10 ACKNOWLEDGEMENT AND CONFIRMATION OF THE AUDIT
COMMITTEE MINUTES DATED 20 OCTOBER 2009**

FILE REF: CF/1/1

There were no matters arising from the minutes of the meeting of 20 October 2009. The Audit Committee requested that the previous meeting's minutes be included as a standard item on future agendas. It was also agreed that in future the draft minutes would be circulated to the Audit Committee for comment and that the Director: Corporate Services (Kevin Ramsay) would co-ordinate feedback on these.

Bauld/Kirikiri

That the minutes of the meeting dated 20 October 2009 be acknowledged and received.

Carried

029/02/10 EXTERNAL AUDIT ARRANGEMENTS

FILE REF CF/1/1

AGENDA ITEM NO. 3

Karen Mackenzie, Audit Director from Audit New Zealand, gave an overview of the areas of focus for the 2010 Rodney District Council audit which would cover the 16 months to 31 October 2010. After this date, with the new Auckland Council, the Rodney District Council Audit Committee will cease to exist.

She said that ideally Audit New Zealand would have liked to have presented a draft arrangements letter to the meeting, but this was still in development. Essentially the document considered whether the performance framework was appropriate and whether it fairly reflected the sort of activities the Council had been involved in and what it had achieved.

With regard to weather tightness, Director: Corporate Services (Kevin Ramsay) informed the Audit Committee that the Council was one of the parties in a statement of claim which had been lodged with the Auckland High Court by the Nautilus body corporate and owners of 147 of the building's 152 apartments. The Council was currently preparing a statement of defence. The claim against the Council was for approving the design, inspecting the construction and issuing a code of compliance certificate for the completed building. Five other parties had been named in the claim – the builder Brookfield Multiplex Construction, Walker Architects and three contractors. He noted that the total claim was for \$30 million.

The Committee requested that it be noted that from a risk management point of view the Council needed to obtain good legal advice regarding severance payments which had the potential to be a major audit and risk management issue.

The Committee also requested that the section on elections be removed from the areas of focus document as it was irrelevant. It was also noted that the adoption of the next Annual Report would be done by the new Auckland Council and that needed to be written into the audit process; there needed to be clarification in regard to the name of the council and dates needed to be noted.

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Mr Ramsay informed the Audit Committee that the general intention was not to trigger any need for consultation in regard to the Long Term Council Community Plan (LTCCP) with specific issues raised being addressed on a case by case basis. With regard to Penlink, Mr Ramsay said the Council was waiting to hear the outcome of a meeting between Government officials and Council representatives which was held prior to Christmas.

The Audit Committee agreed to deal with the final form of the document at the next meeting.

Curtis/Tiffin

That the information is received.

Carried

**030/02/10 AUDIT NEW ZEALAND MANAGEMENT REPORT FOR THE YEAR
ENDING 30 JUNE 2009**

FILE REF CF/1/1

AGENDA ITEM NO. 4

It was acknowledged that the Audit Committee had made a positive impact on the Council's management control environment of its procedures and processes.

Director: Corporate Services (Kevin Ramsay) informed the Audit Committee that the Inland Revenue Department would be doing a tax control audit of all the dissolving councils.

Karen Mackenzie, Audit Director from Audit New Zealand, advised that discussion was continuing between Rodney District Council and Audit New Zealand in regard to the New Zealand Equivalent to International Accounting Standard 38, Intangible Assets (NZ IAS 38).

Manager: Finance (Morna Macfarlane) said that work was progressing on a common accounting policy under the Auckland Transition Agency. The Rodney District Council was working on determining the correct stance and if required seeking independent advice as it could not use Audit NZ as technical advisors. Mr Ramsay advised that the Council was waiting for clear instructions in regard to the future of Rodney Properties Limited, and that work had been put on hold in filling the position of Procurement Manager for the Council.

Ms Mackenzie advised that the dates noted in Appendix 2 of the Management Report had subsequently been updated and that the issue in regard to Araparera Joint Venture would be resolved when the new Auckland Council determined its status.

With regard to preferred suppliers and the review of those suppliers, Mr Ramsay said there were specific policies in place for professional and physical works projects. Mr Ramsay outlined the contract term, being a fixed 3 year term (deemed to be the optimum level) and said that reassessment was done after that period. For the benefit of the Audit Committee, Mr Ramsay explained the process of determining primary contractors.

Tiffin/Kirikiri

That Audit New Zealand's Management report on the Audit for the 2008/09 financial year be received.

Carried

031/02/10 **RODNEY PROPERTIES LIMITED ANNUAL REPORT AND AUDIT NEW ZEALAND MANAGEMENT REPORT FOR THE YEAR ENDING 30 JUNE 2009****FILE REF** CF/1/1**AGENDA ITEM NO.** 5**Tiffin/Curtis**

That the financial statements and Audit New Zealand's Management report on the audit of Rodney Properties Limited for the 2008/09 financial year be received.

Carried

12.52 p.m. – 1.26 p.m. Luncheon adjournment

032/02/10 **LEGAL COMPLIANCE FRAMEWORK****FILE REF** CF/1/1**AGENDA ITEM NO.** 6

Chief Legal Officer (Rob Goldsbury) was in attendance for this item.

Chief Legal Officer (Rob Goldsbury) addressed the Audit Committee on the Legal Compliance Framework. His recommendation was that, given the short timeframe, it was not worth spending money and time on systems which would be dismantled on 1 November 2010 when Rodney District Council ceased to exist. Mr Goldsbury advised that this issue was on the list of the Auckland Transition Agency Risk and Insurance Workstream and ultimately this would be developed and implemented by the new Auckland Council.

Director: Corporate Services (Kevin Ramsay) advised that there was no structured formal process for contract sign off at present. He said that Mr Goldsbury kept a watching brief on the legal risk issues in regard to contracts and that this sat within the risk management profile which had to be reported on from time to time. The Infrastructure Directorate had the biggest portion of contracts and it had protocols in place. External legal providers reviewed contracts which weren't standard (template) contracts.

The Audit Committee requested that contracts which were not standard (routine) that weren't going to the Auckland Transition Agency for approval be referred to the Council's Legal Team to determine whether there needed to be an internal or external review for compliance. The Audit Committee requested that the Director: Corporate Services (Kevin Ramsay) and Chief Legal Officer (Rob Goldsbury) explore developing a policy in this regard.

Curtis/Kirikiri

That the report be received.

Carried

1.44 p.m. Mr Goldsbury retired from the meeting.

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033/02/10 **UPDATE ON AUCKLAND REGIONAL GOVERNANCE**
FILE REF CF/1/1
AGENDA ITEM NO. 7

Director: Corporate Services (Kevin Ramsay) updated the Audit Committee on Auckland Regional Governance. He advised that the Council's submission on the Local Government (Auckland Law Reform) Bill would be lodged by the end of the week and would include comment on the spatial plan concept and strategic vision.

Tiffin/Kirikiri

That the update on Auckland Regional Governance be received.

Carried

The meeting closed at 2.12 p.m.

CONFIRMED AS A TRUE AND CORRECT RECORD THIS 4TH DAY OF MARCH 2010

MAYOR

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DATE
