

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, 20 October 2009.

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

IN ATTENDANCE: Director: Corporate Services (Kevin Ramsay)
Manager: Finance (Morna Macfarlane)
Group Manager: Financial Services (Warren Stevens 11.32 a.m. - 11.50 p.m.)
General Manager: Strategy (Rory Palmer 11.32 a.m. - 12.20 p.m.)
Democracy Services Officer (Raewyn Morrison)

Note: Karen Mackenzie (Audit Director 11.32 a.m. - 2.41 p.m.) and Catherine Trussler (Audit Manager) from Audit New Zealand were also present at the meeting.

696/10/09 APOLOGIES

AGENDA ITEM NO. 1

There were no apologies.

Carried

**MATTERS ARISING FROM AUDIT COMMITTEE MINUTES DATED
19 AUGUST 2009**

FILE REF CF/1/1

It was noted that on page 2 of the minutes of the meeting held on 19 August 2009, Agenda Item 3, paragraph 4, should have read:

“The Audit Committee requested that in future the Risk Ranking Report include columns showing treatment and accountabilities. Director: Corporate Services (Kevin Ramsay) said that the Risk Ranking Report went to the Executive Team on an at least quarterly basis and that treatments were happening in some areas although not necessarily recorded in this framework.” (addition underlined).

20 October 2009

Note:

- *The Chairperson of the Audit Committee was to be part of the Audit Finalisation Process (page 3).*
- *At the last meeting the Audit Committee requested that in future every agenda include an item on conflict of interest. It was also requested that each committee member complete a disclosure statement. However, an item on conflict of interest did not appear on the agenda for this meeting. After a brief discussion it was agreed that if there was a conflict of interest regarding any item on the agenda, this should be stated at the beginning of a meeting.*

Bauld/Curtis

That with the amendments noted above, the minutes of the previous meeting of the Audit Committee be accepted.

Carried

With regard to a possible conflict of interest in regard to the Defined Benefit Fund, Mr Tiffin said that he was a board member of the National Provident Fund.

697/10/09	FRAUD POLICY
FILE REF	SC/21/1
AGENDA ITEM NO.	2

Group Manager: Financial Services (Warren Stevens) advised that matters in regard to fraud had previously been incorporated in the Human Resources Manual rather than as a stand-alone policy. The Council now had a specific Fraud Policy document.

With regard to notification in the event of a fraud investigation the Audit Committee determined that this should be conveyed to the Chair of the Audit Committee by the Director: Corporate Services. It was agreed that the Fraud Policy needed to contain reference to the Chief Executive in the event of any allegation of fraud and that this be dealt with externally for the protection of the Council and Council staff. It was also agreed that any systemic issues should be conveyed to the Audit Committee and Audit New Zealand.

Curtis/Tiffin

That the Fraud Policy attached as Appendix 1 to the agenda report be received and the following amendments be recommended to the Chief Executive:

- **Any allegation of fraud by the Chief Executive is to be investigated by an external party in consultation with the Chairperson of the Audit Committee.**
- **That the Chair of the Audit Committee be notified by the Director: Corporate Services in the event of an investigation.**
- **That Audit New Zealand be notified in the event of an investigation.**

Carried

20 October 2009

698/10/09 UPDATED CREDIT CARD POLICY**FILE REF CF/1/1****AGENDA ITEM NO. 3**

Manager: Finance (Morna Macfarlane) advised that the Credit Card Policy had been amended to incorporate changes on the advice of Audit New Zealand.

It was noted that the HR credit card was used for costs associated with training, conferences and travel and accommodation administered through that function. The credit card was used to take advantage of discounts and provided the ability to pay in advance. In this capacity the credit card was more like a purchase card for learning and development; its use was approved by a Director and there was a pre-authorisation process in place.

Curtis/Tiffin

That with the amendments discussed at the meeting the Audit Committee receive the Updated Credit Card Policy report.

Carried**699/10/09 CORPORATE RISK UPDATE****FILE REF CF/1/1****AGENDA ITEM NO. 4**

Director: Corporate Services (Kevin Ramsay) said that there had not been many changes to the Corporate Risk Update since the previous version. However as requested two additional columns had been added to the report regarding risk ownership and treatments. He advised that an update in relation to leaky homes and weather tightness would be brought to a future meeting.

Curtis/Tiffin

That the Corporate Risk Update report be received.

Carried**700/10/09 AUDITOR'S MANAGEMENT REPORT ON 2009-19 LONG TERM
COUNCIL COMMUNITY PLAN (LTCCP)****FILE REF DG/11/3****AGENDA ITEM NO. 5**

General Manager: Strategy (Rory Palmer) tabled copies of a letter to the Mayor in regard to the final report on the audit of the 2009-2019 LTCCP dated 8 October 2009. He highlighted relevant matters in the report, advising that the Council accepted Audit New Zealand's recommendations in regard to the quality assurance process. With regard to Penlink, Mr Palmer advised that the intention was that this would progress, but that there was some uncertainty at this stage.

It was noted that a 'cold proof read' at critical points in the process would be beneficial.

The Audit Committee thanked Audit New Zealand for the excellent quality of the Management Report.

Bauld/Tiffin

That Audit New Zealand's Management Report on the Audit of the 2009-19 Long Term Council Community Plan be received.

Carried

20 October 2009

12.29 p.m. - 1.13 p.m. Luncheon adjournment.

701/10/09 **ANNUAL REPORT FOR YEAR ENDED 30 JUNE 2009**
FILE REF CF/1/1
AGENDA ITEM NO. 6

Manager: Finance (Morna Macfarlane) highlighted relevant points in the memo she had circulated to the Audit Committee. She advised that the accounts had been prepared on a group basis on the recommendation of the Audit Committee. The Council had made a provision of \$3.5 million for landfill post closure obligations and an adjustment in this year's financial statements to expense \$747,000 of the Penlink capital work in progress (WIP) balance.

Karen Mackenzie, Audit Director from Audit New Zealand, advised that the Unresolved Audit Issue was not fully resolved but this was only because there was not sufficient certainty regarding costs being written off. She said that a conservative approach had been taken and that in due course there should not be an intangible asset. In essence, there was no real disagreement with the approach unless Audit New Zealand's technical team came up with something. Ms Mackenzie advised that the final figures should be ready in a day or two.

Ms Mackenzie highlighted matters in regard to the Audit Report. She advised that in terms of the Letter of Representation (paragraphs 25, 45 and 46), Audit New Zealand had gone through a centralised clearance process and was satisfied. She noted that previously the fraud policy had been generic rather than specific and that Audit New Zealand would like to see more work done on the specifics around risk. She confirmed that she was satisfied in regard to the Letter of Representation and that the recommendations in the Final Interim Management Report remained unchanged. She advised that no matter of cause for concern had come before Audit New Zealand. With regard to Rodney Properties Limited (RPL) the Council was working on up-to-date valuations; letters and responses would be properly documented.

Director: Corporate Services (Kevin Ramsay) confirmed that there was no breach of policy that the Executive Team was aware of. In regard to the Rodney District Council's performance he said that a key concern was the lack of achievement of cash contribution levels, and that monitoring was done on a quarterly basis.

Audit Committee members addressed amendments they wished to see incorporated in the Annual Report. These amendments related to minor grammatical corrections and 'typos', consistency of fonts and typefaces, capitalisation throughout the document and small issues in regard to numbering. They noted that the Audit Committee needed to be included in the list of committees.

Mr Ramsay said that the final Annual Report would be adopted by the Council at an Extraordinary meeting on Tuesday, 27 October 2009. This would be the last Annual Report adopted by Rodney District Council. The Chairperson and members of the Audit Committee were invited to be in attendance at the meeting.

Bauld/Curtis

That it be recommended to the Council:

That subject to the amendments identified at the Audit Committee meeting the Annual Report for the year ended 30 June 2009 be adopted.

Carried

702/10/09 **UPDATE ON AUCKLAND REGIONAL GOVERNANCE**
FILE REF CF/1/1
AGENDA ITEM NO. 7

Director: Corporate Services (Kevin Ramsay) gave an update on Auckland Regional Governance. He advised that Rodney District Council would cease to exist on 31 October 2010. The Council was required to complete an Annual Plan for the period July - October 2010. The Council must identify revenue streams for the whole year so that the ATA could then prepare an 8 month Annual Plan. Mr Ramsay said that no consultation would be required in regard to the July - October 2010 Annual Plan unless there were particular differences relating to Year 2 of the LTCCP. However, the Council had to consult with ATA in regard to the 4 month Annual Plan. He advised that many Council staff members were involved in ATA workstreams and that a discussion document on the organisational design of ATA was to be released on 2 November 2009. The matters of most relevance to the Audit Committee were in regard to the 4 month Annual Plan and the Annual Report.

Curtis/Tiffin

That the update on Auckland Regional Governance be received.

Carried

703/10/09 **FUTURE MEETINGS OF THE AUDIT COMMITTEE**
FILE REF CF/1/1
AGENDA ITEM NO. 8

Audit Committee members agreed that they should meet every 3 months and that no resolution on future meetings dates was required as Corporate Services would confirm meeting dates at a later stage. Director: Corporate Services (Kevin Ramsay) was asked to identify and email two possible dates for each meeting to Audit Committee members.

The meeting closed at 3.01 p.m.

CONFIRMED AS A TRUE AND CORRECT RECORD THIS 5TH DAY OF NOVEMBER 2009

MAYOR

* * * * *

