

Notice is given that an ordinary meeting of the Audit Subcommittee will be held on:

Date: Thursday 8 November 2012
Time: 1.30 pm
Meeting Room: Tasman Council Chamber
Venue: 189 Queen Street
Richmond

Audit Subcommittee

AGENDA

MEMBERSHIP

Chairperson	Cr G A Glover
Members	Cr J L Inglis
	Cr C M Maling
	Cr P F Sangster
	Cr T E Norriss
	Cr T B King

(Quorum 2 members)

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AGENDA

1 OPENING, WELCOME

2 APOLOGIES AND LEAVE OF ABSENCE

Recommendation

That apologies be accepted.

3 DECLARATIONS OF INTEREST

4 CONFIRMATION OF MINUTES

That the minutes of the Audit Subcommittee meeting held on Thursday, 27 September 2012, be confirmed as a true and correct record of the meeting.

5 REPORTS OF COMMITTEE

Nil

6 PRESENTATIONS

Nil

7 REPORTS

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7 REPORTS

7.1 AUDIT SUBCOMMITTEE CHAIR'S REPORT

Information Only - No Decision Required

Report To: Audit Subcommittee
Meeting Date: 8 November 2012
Report Author: Glenys Glover, Councillor
Report Number: RFN12-11-16
File Reference:

1 Summary

1.1 Report from Cr Glenys Glover, Chair of Audit Subcommittee.

2 Draft Resolution

That the Audit Subcommittee receives the Audit Subcommittee Chair's Report RFN12-11-16.

3 Audit Subcommittee's Delegated Authorities

- 3.1 The Audit Subcommittee operates under delegated authorities. They are:
- 3.1.1 "To oversee the audit of the Council's Annual Report and Long Term Plan"; and
 - 3.1.2 "To consider and report as necessary on the findings of any Audit Management Report".
- 3.2 Tasman District Council's asset base is valued at approximately a billion dollars. That makes Tasman District Council (TDC) a very large reporting entity by New Zealand standards.
- 3.3 The Office of the Auditor General (OAG) sets out the key responsibilities of the audit committee in the public sector, stating that it should include, at the very least;
- The risk management framework;
 - The internal control environment;
 - Legislative and regulatory environment;
 - Legislative and regulatory compliance;
 - Internal audit assurance;
 - External audit; and
 - Financial reporting
- 3.4 I am told that all these functions are undertaken by TDC Corporate Services and overseen by the Chair of Corporate Services. As the Audit Committee it is not our remit to consider the majority of the responsibilities as set out by the OAG. That means there is no independent committee oversight of the risk management and compliance functions within TDC.
- 3.5 This is unusual and from an accounting perspective it is not best practice. Our approach places a very heavy burden of responsibility on the Chair of Corporate Services.
- 3.6 Management might argue that they do not have the resources to meet a separate reporting function to the Audit Committee. Such an argument is neither helpful nor relevant. It might be time to reconsider our approach to the delegated responsibilities of the audit committee.

4 Audit Director

- 4.1 Today we have the opportunity to discuss any concerns or questions that we may have on the 2012 Annual Report and the Audit Management letter prepared by the OAG appointed external auditors.

5 Appendices

Nil

7.2 CORPORATE SERVICES MANAGER'S REPORT: STATUS OF AUDIT RECOMMENDATIONS

Information Only - No Decision Required

Report To: Audit Subcommittee
Meeting Date: 8 November 2012
Report Author: Murray Staite, Corporate Services Manager
Report Number: RFN12-11-17
File Reference:

1 Summary

- 1.1 This report updates the Committee on the status of audit recommendations contained within the 2012 audit management letter. While this report was previously presented to the committee meeting of September 2012 it is important that this report be a permanent item on the agenda.

2 Draft Resolution

That the Audit Subcommittee receives the Corporate Services Manager's Report: Status of Audit Recommendations RFN12-11-17.

3 Status of Audit Recommendations

- 3.1 To enable effective monitoring by this subcommittee staff have been asked to ensure that any outstanding audit matters from the previous year's audit management letter are placed on the agenda.
- 3.2 Noted below is an extract from the 2011 audit management letter previously received by this committee in June 2012 and September 2012, along with a staff update.
- 3.3 The 2012 audit management letter will be received in the near future and once this report has been discussed by the committee matters and recommendations will be updated

Outstanding/in progress matters

Matter	Recommendation	Outcome and status
Maintenance of interest register		
Councillors' interests are declared at council or committee meeting. These declarations are recorded in council minutes. However, these declarations are not always updated in Council's formal interest register.	We recommended Council update and maintain its interest register. This will assist with identifying previously declared interests and also for identifying and disclosing related party Transactions within Council's financial statements as required by relevant accounting standards.	Outstanding Council's formal interest register has not been updated. When it is updated it should also include the mitigating actions in relation to interests declared. Staff Update This register has now been updated.
Cost allocation		
Council has historically allocated a portion of overhead costs to capital projects. This is based on a methodology adopted several years ago. There were some large balances being capitalised to the roading activity. It was unclear what the capital overhead costs were based on and therefore it was unclear whether they were directly attributable to the assets or not.	We recommended that council review their overhead allocation methodology in 2009/10 and consider using the job costing system to enable more accurate assessment for project management time.	In progress The same approach has been used during the year. Council staff explained that changing the overhead allocation method may have an impact on Council's rates. We were informed that council has revised its allocation for the 12/22 LTP. We will review this as part of our LTP audit work. Staff Update This work was completed as part of the 2012-2022 Long Term Plan.
Purchase order authorisation		
There were limited controls over issuing purchase orders. The invoices are authorised by staff with delegated authority before payments are made, but purchase orders are not issued/authorised by staff with delegated authority.	We recommended that purchase orders be issued/ authorised by staff members within delegated authority before they are sent to suppliers.	In progress Council has developed an electronic purchase order system, which enables purchase orders to be authorised before they are sent out. This system is currently being rolled out in different departments. We will review effectiveness of

Matter	Recommendation	Outcome and status
		<p>the new system in the next financial year when it is fully in use.</p> <p>Staff Update Work has commenced this financial year to roll out purchase orders across council. This project is expected to be completed by December 2013.</p>
Funding of depreciation		
<p>We comment on council's policy of not funding depreciation at an activity level, instead it is funded at an income statement level. Long term this results in council having to fund major capital works by way of Public Debt.</p>	<p>No specific recommendation other than raising the issue of increasing levels of council debt and that we would maintain a watching brief over this.</p>	<p>In progress There has been no change to council's policy of not funding depreciation. We understand that council is reviewing this approach in the 2012-22 LTP process.</p> <p>Staff Update Staff are currently preparing a scoping paper to commence this work.</p>

4 Appendices

Nil

7.3 ACTION SHEET FROM 27 SEPTEMBER 2012 MEETING

Information Only - No Decision Required

Report To: Audit Subcommittee
Meeting Date: 8 November 2012
Report Author: Murray Staite, Corporate Services Manager
Report Number: RFN12-11-15
File Reference:

Item 7.3

1 Summary

1.1 The Action Items are attached from the 27 September 2012 Audit Subcommittee.

2 Draft Resolution

That the Audit Subcommittee receives the Action Sheet from 27 September 2012 Meeting RFN12-11-15.

3 Appendices

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Action Items - Audit Subcommittee

Resolution Number	Item	Minute / Action	Accountable Officer	Status
Meeting Date: 27 September 2012				
Nil				

8 CONFIDENTIAL SESSION

8.1 Procedural motion to exclude the public

The following motion is submitted for consideration:

THAT the public be excluded from the following part(s) of the proceedings of this meeting. The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

8.1 Presentation from Audit Director, Scott Tobin

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person.	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.