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**MINUTES**  
of the  
**AUDIT AND RISK COMMITTEE MEETING**  
held  
**1.30 pm, Friday, 14 June 2019**  
at  
**Tasman Council Chamber, 189 Queen Street, Richmond**

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Present: Councillor D Ogilvie (Chair), Councillors P Sangster, S Brown, T King, M Greening and Mr Graham Naylor

In Attendance: Corporate Services Manager (M Drummond), Finance Manager (M McGlinchey), Executive Assistant (P Francis)

Part Attendance: Financial Accountant (C Thomas), Engineering Services Manager (R Kirby), Audit NZ (J Mackey)

**1 OPENING, WELCOME**

**2 APOLOGIES AND LEAVE OF ABSENCE**

**Moved Cr Greening/Cr King**  
**FNAU19-06-1**

**That apologies for absence from Mayor Kempthorne be accepted.**

**CARRIED**

**3 DECLARATIONS OF INTEREST**

Nil

**4 CONFIRMATION OF MINUTES**

**Moved Cr Greening/Cr King**  
**FNAU19-06-2**

**That the minutes of the Audit and Risk Committee meeting held on Thursday, 14 March 2019, be confirmed as a true and correct record of the meeting.**

**CARRIED**

**5 REPORTS OF COMMITTEE**

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Nil

## 6 PRESENTATIONS

### Audit NZ Update

The Audit Director, Mr John Mackey, gave a verbal update on audit matters. He confirmed that the Audit Plan which sets out the audit arrangements has been drafted, however due to the ongoing engagement over a draft Audit Report to the September Audit and Risk Committee, and the timing of the Committee meeting today, he was unable to provide the final Audit Plan. However this will be finalised in the next week.

Also, due to discussions on the practicality of meeting the request for a draft Audit Report to the 24 September Audit and Risk Committee, Mr Mackey undertook to provide an audit update memorandum to the September Committee meeting. This will outline the status of key audit issues and provide members with a reasonable basis on which to make a recommendation to the Council on adoption of the 2018/19 Annual Report.

Mr Mackey also explained with regard to the Nelson Regional Sewerage Business Unit and Nelson Tasman Landfill Business Unit (both joint committees of Nelson City and Tasman District Council), that both councils have resolved that a separate annual audit of these is not necessary and will cease, beginning with the 2018/19 financial year. This is likely to be recommended for Civil Defence and Emergency Management as well and a resolution to this effect is before both councils.

A preliminary audit of the newly formed Council Controlled Organisation (CCO), Waimea Water Limited (WWL) will be undertaken in the first week of July 2019. As this is the first audit of this entity, Audit NZ will work with the Council and WWL to resolve any technical accounting issues that arise.

The interim audit of the Council is currently underway and scheduled to finish at the end of next week.

In response to a question, Mr Mackey confirmed that the Office of the Auditor General (OAG) will want to see that councils are considering the risks of climate change, however the office has not requested that auditors undertake a separate audit for this.

The Committee thanked Mr Mackey for the update.

### Procurement

Engineering Services Manager, Mr Richard Kirby came to the table to provide a verbal update on work to develop a Council-wide procurement strategy.

He apologised for the delay in progressing this and explained that the major fire and drought emergency events earlier this year, and the subsequent recovery, had been time consuming. This had impacted on his ability to complete this work.

He also explained that a draft has been prepared, however more work is needed and it is hoped to complete this in the next 3-4 weeks. The policy is based on OAG guidance and is strategic rather than operational. The current Engineering department procurement policy, which is primarily for large contracts and procedural in nature, will become an addendum to the overarching strategic policy. The focus will be on value for money and smart buying, including options for packaging a range of capital projects over a period of time to provide both the contracting market with certainty of work, and the Council certainty over value for money and market fluctuations.

The Committee thanked Mr Kirby for the update.

*Mr Kirby and Mr Mackey both left the meeting at 1.45pm and did not return.*

## **7 REPORTS**

### **7.1 Internal Audit Update Report**

Finance Manager, Mr Matt McGlinchey came to the table to present the report prepared by Financial Accountant, Charlotte Thomas.

He explained the timeline for the Annual Report which will be brought to the Full Council for adoption on 8 October 2019.

With regard to the fair value assessments and impairment of assets for the 2019 Annual Report, Mr McGlinchey explained that a desk valuation has been done and the decision has been made not to do a full revaluation of assets this year. This has been agreed with Audit NZ.

Following on from a report to this Committee in March 2019 on the risks and issues of the FMIS (MagiQ) system, Mr McGlinchey explained that the finance team have rolled forward to a new version of the general ledger system (version 24). The performance of MagiQ and continual issues with the system have had an impact on the finance team's workload.

There has been good progress with the recommendations from previous sensitive expenditure reviews. The Chief Executive recently sent a communication to all staff emphasising the importance of sensitive expenditure and this, along with process improvements, has resulted in significant improvement to the quality of explanations and evidence submitted with expenditure claims.

In response to a question on what the 'technical accounting matters' to do with the Waimea Community Dam were, Ms Thomas explained that these relate to determining what the CCO entity Waimea Water Ltd is in terms of structure and which accounting framework applies to the entity. Independent advice has been sought as this has potential timing implications that could impact on the completion of the Council's Annual Report.

Mr McGlinchey confirmed that although the finance team has been through a challenging period due to staff changes, the current team is working well and will only get better as new staff embed and add more value.

In response to a question, Mike Drummond, Corporate Services Manager confirmed that the recent legislation regarding domestic violence leave is being worked through by the Council's HR Manager. He undertook to ask the HR Manager to report back to the committee on this at a future date.

The Committee requested that their agreement to the following was noted in the minutes:

1. The Committee agrees with the decision made that desktop valuations will not need full valuations (refer to Section 4 of the report 1.3); and
2. A fraud risk assessment to assess the Council's exposure to be incorporated in the work programme for 2019/20 (refer to Section 4 of the report 1.7).

With regard to the Mayoral Relief Fund, Ms Thomas explained that the processes to consider applications, and approve and administer the fund have been reviewed. The Auditors have done a walk through test on the process so far and disbursement of funds will be subject to appropriate audit scrutiny as part of the normal audit process.

In response to a query, Ms Thomas confirmed that the finance team have been proactively reviewing the tax implications relating to the use of Council vehicles. The IRD have provided updated guidance.

**Moved Cr King/Cr Sangster**  
**FNAU19-06-3**

**That the Audit and Risk Committee receives the Internal Audit Update Report RFNAU19-06-1.**

**CARRIED**

**8 CONFIDENTIAL SESSION**

**8.1 Procedural motion to exclude the public**

**Moved Cr Sangster/Cr King**  
**FNAU19-06-4**

**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:**

**8.2 Insurance Update**

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
<p>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.</p>	<p>s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.</p> <p>s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</p>	<p>s48(1)(a)</p> <p>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.</p>

**CARRIED**

The meeting concluded at 2.24pm.

Date Confirmed:

Chair: