

**Minutes of a meeting of the Audit Subcommittee held in the Council Chambers, 189 Queen Street, Richmond, on Thursday 8 February 2007, commencing at 2.45 pm.**

**Present:** Cr M J Higgins (Chair), Mayor J C Hurley, Crs R G Currie, E M O'Regan

**In attendance:** Crs T B King, S J Borlase, Corporate Services Manager (D G Ward), Accounting Manager (M W Staite), Minute Secretary (V M Gribble)

**1 Confirmation of Minutes**

**1.1 Audit Subcommittee – 19 October 2006**

**Moved Crs O'Regan/Currie  
FN07/02/01**

**THAT the minutes of the meeting of the Audit Subcommittee held on 19 October 2006, containing resolutions numbered FN06/10/08 to FN06/10/10 be received.**

**CARRIED**

**2 International Financial Reporting Standards**

Mr Staite gave a powerpoint presentation to introduce Council to the concepts of International Reporting Standards (NZ IFRS) which are mandatory for all public benefit entities as at 1 July 2006.

Mr Staite referred the Subcommittee to the agenda attachments.

Attachment 1 gave a comprehensive review of the impact of each new reporting standard on Council's current operations.

Attachment 2 was revised Accounting Policies with changes noted in red. The changes come about as a result of the transition to International Financial Reporting Standards.

A short discussion amongst the Councillors ensued around these documents.

Mr Staite referred Councillors to the Executive Summary of the report which highlighted the key changes that Council was likely to face as a result of the transition. To assist Councillors, Mr Staite then presented a powerpoint presentation that highlighted the key changes for Council. The powerpoint presentation gave an understanding of our accounting standards, what was changing, the reason for the change, key financial changes, policy changes, new disclosure requirements and the audit process. It was also pointed out that as a result of transitioning to IFRS there will be no affect on rates. The powerpoint presentation highlighted assets held for sale and noted that under the new standards there is almost "certainty of sale" required before assets

can be recognised for sale. Employee benefits were discussed and the accrual that was required to recognise this new liability. Discussion on forestry assets centred around the volatility that would prevail in Council's financial statements.

Cr Higgins asked that discussions be held with Audit as to whether a three year rolling average valuation could be used in place of an annual valuation. The new requirement on the Interests Register to disclose in annual report was discussed. An Interests Register is already held by Council.

New revenue standards were also discussed in detail and it was acknowledged that the only change to that related to the Coastal Tasman water where revenue is currently taken in advance of infrastructure being in place.

Discussion also centred on the concept of fair value. Mr Staite pointed out that currently the accounting profession is looking at consolidating all views on fair value into one central document. The result of this would be relayed to a future meeting of the Subcommittee. Discussions were also held around the disclosure items. It was pointed out that the annual report will disclose much more information than previously. Notes to the annual report will also be more comprehensive than the current process. The transitional process will be subject to audit and is expected to commence on 12 February 2007 as per the Audit Arrangements Letter.

Cr Currie congratulated the accounting staff on the introduction of the reporting standards.

**Moved Crs Currie/O'Regan  
FN07/02/02**

**THAT:**

- a) Council receive the International Financial Reporting Standards impact study;**
- b) The proposed accounting policies for inclusion in Council's 2007 Annual Report be adopted.**

**CARRIED**

C r King left the meeting at 3.25 pm.

### **3 Transitional Audit Arrangements Letter**

The agenda contained an audit arrangements letter from Audit New Zealand.

**Moved Cr O'Regan/Mayor Hurley  
FN07/02/03**

**THAT the Audit arrangements letter for the year ended 30 June 2006 be  
received.  
CARRIED**

The meeting concluded at 3.35 pm.

Confirmed:

Date: