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# Finance, Audit & Risk Subcommittee

## OPEN MINUTES

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Minutes of a meeting of the Finance, Audit & Risk Subcommittee held in the Council Chambers, Horowhenua District Council, Levin on Wednesday 24 February 2016 at 4.00 pm.

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### PRESENT

**Chairperson** Cr W E R Bishop  
**Members** Mayor B J Duffy  
Mr B J Jackson  
Cr C B Mitchell  
Cr A D Rush  
Cr P Tukapua

### IN ATTENDANCE

Mr D Law	(Group Manager – Finance)
Mr D M Clapperton	(Chief Executive)
Mr J Paulin	(Finance Manager)
Mrs T Whitehouse	(Management Accountant)
Mr A Mohammed	(Financial Systems Manager)
Mrs K J Corkill	(Meeting Secretary)

### ALSO IN ATTENDANCE

Mrs N Brady	(Senior Manager - Business Services)
Mr A Chamberlain	(Financial Accountant)
Mr D McCorkindale	(Senior Manager – Strategic Planning)

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**1 Apologies**

There were no apologies.

**2 Public Speaking Rights**

There were no requests for speaking rights.

**3 Declarations of Interest**

There were no declarations of interest.

**4 Confirmation of Minutes – 27 January 2016**

MOVED by Mr Jackson, seconded Mayor Duffy:

*THAT the minutes of the meeting of the Finance, Audit & Risk Subcommittee held on Wednesday, 27 January 2016, be confirmed as a true and correct record.*

**CARRIED**

**5 Matters Arising**

With the minutes having recorded that Mr Saidy and Mr O'Neill would be invited to today's meeting to respond to queries with regard to spending on budgeted projects, Cr Mitchell queried if they would be in attendance. This was flagged for the next meeting.

**6 Announcements**

There would be a Risk Management Briefing from Nicki Brady, Senior Manager – Business Services, at the conclusion of the meeting.

**7 Reports**

**7.1 Financial Report for the seven months to 31 January 2016**

**Purpose**

To present to the Finance, Audit & Risk Subcommittee the financial report for the six months to 31 January 2016.

MOVED by Cr Rush, seconded Cr Tukapua:

*THAT Report 16/63 on Financial Report for the seven months to 31 January 2016 be received.*

*THAT this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.*

**CARRIED**

A Cashflow Forecast for the year was tabled for Members' information.

Mr Law noted an error on page 13, with the total of the third column (Variance) being \$(524,726), not (332,524).

Mr Law commented that there were not a lot of changes as the trends for the current year had been set for a while. Community facilities had made some savings which meant that activity was under budget. In terms of income, there was still some question as to the capital subsidies granted but those predictions would firm up

coming through. With regard to roading, there had been a shift in cost from capital into operations with more money being spent on the operations side rather than renewals. Rates remissions had been open for a longer period with a lot of work done to promote those which had meant the budget was a little different to what had been anticipated. In terms of capital expenditure, there had been problems with consents being delayed. There were delays in variations projections, especially for Foxton Wastewater, and the budget was unlikely to be fully spent this year because of such issues.

Overall things were looking reasonably good. There had been no movement in interest rates, which had since dropped and were now down to 4.89%. It was expected these would keep going down by small margins as the year progressed and as existing loans were refinanced.

Members' questions were responded to, which included:

- In terms of how current the Incomes projections column was (page 11), Mr Law said he would check with managers to find out why income was being exceeded, with Mr Clapperton commenting that there was not a huge focus on income, with the focus being on projections around expenditure.
- The big jump in rates penalties was because there were two levels of penalties, with Mr Law explaining how these were applied.
- With regard to interpreting the LGFA covenants graph (page 9), Council was meeting its benchmark if it was showing 110% or more in terms of available financial accommodation to external indebtedness; if it went below 110% it would not be.
- The Community Housing Review would have marginal rather than a significant change with regard to Council's debt levels with Audit having agreed that the \$5m suspensory loan could remain as a contingent liability.
- An explanation would be provided as to what 'Other' related to on page 15 under Non-current liabilities;
- Rural Aerial up-dates (page 19) was in relation to the five yearly renewal of our aerial photography.
- Flag tracks (page 18) – Council used tracks for putting up flags rather than using hoists.
- Clarification would be sought as to the comment on page 19 about spending on the reservoir project, which had not gone to the February Council meeting.
- The graph on page 19 was included in error and would be removed;
- On page 23, for clarity 'Recreation and Leisure' should be in bold as it was a heading.
- The corrections/amendments noted would be done prior to the report being included in the Council Agenda.

## 7.2 Audit New Zealand - Final Management Report for the year ended 30 June 2015

### Purpose

To present to the Finance Subcommittee the Audit New Zealand - Draft Management Report for the year ended 30 June 2015.

MOVED by Cr Rush, seconded Cr Mitchell:

*THAT Report 16/23 on Audit New Zealand - Final Management Report for the year ended 30 June 2015 be received.*

*THAT this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.*

**CARRIED**

Mr Law advised that whilst the Audit Director and Audit Manager would normally be present for this item, they had been unable to attend today's meeting. They would, however, be available for the March 2016 meeting and Members would have the opportunity to speak to them without staff present.

Mr Law gave an overview of the report. He noted particularly that there was a big move with regard to risk management coming through to local government with there being a big change in Central Government's financial response to disasters. This would have a significant impact on all Councils going forward. It would also be significant for this Committee in terms of identifying and mitigating risk.

Mr Clapperton said he thought the report was very helpful and constructive. Whilst there were some items that had been flagged, having them raised was beneficial for the organisation as they highlighted areas for improvement.

His comments were endorsed by Mayor Duffy and other members, with Mr Jackson, for the record, saying this was an exceptionally good audit report..

With the recommendations included in issues identified in the audit creating additional focus and responsibility for this committee, Cr Rush suggested that it would assist to have a monitoring report to ensure that nothing was overlooked and there were regular updates on progress.

MOVED by Cr Rush, seconded Cr Tukapua:

*THAT a Monitoring Report model be prepared and be presented to the next Finance, Audit & Risk Subcommittee meeting that will be used to measure progress to achieve the recommendations of Audit New Zealand.*

**CARRIED**

To place on record the Committee's appreciation to the Finance team for the good work in achieving an unmodified audit report it was:

MOVED by Cr Bishop, seconded Mr Jackson:

*THAT the Finance, Audit & Risk Subcommittee congratulates the Finance team on the improvement in the last 12 months to achieve an unmodified audit report.*

**CARRIED**

During discussion on the report, the recommendation (6.5) that significant procurement should follow a tender process was raised. It was noted that Council did have a comprehensive Procurement Strategy and this recommendation needed to be considered in light of that Strategy which did in some instances endorse the use of preferred suppliers. A lot of time and money could be spent undergoing a tender

process that did not need to be done.

4.47 pm

There being no further business, the Chairperson declared the meeting closed.

CONFIRMED AS A TRUE AND CORRECT RECORD  
AT A MEETING OF THE FINANCE, AUDIT & RISK  
SUBCOMMITTEE HELD ON

**DATE:**.....

**CHAIRPERSON:**.....