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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 30 March 2016 at 4.00 pm.

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### PRESENT

**Chairperson** Cr W E R Bishop  
**Members** 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)
Mrs N Brady	(Senior Manager – Business Services)
Mrs K J Corkill	(Meeting Secretary)

### ALSO IN ATTENDANCE

Mr G Saidy	(Group Manager – Infrastructure Services)
Mr G O'Neill	(Projects Manager)

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#### 4 Confirmation of Minutes – 24 February 2016

MOVED by Cr Rush, seconded Mayor Duffy:

*THAT the minutes of the meeting of the Finance, Audit & Risk Subcommittee held on Wednesday, 24 February 2016, be confirmed as a true and correct record.*

**CARRIED**

#### 5 Matters Arising

In relation to the Audit Report and Internal Controls with the Auditors noting (page 35) that “the responsibility for the effective design, implementation and maintenance of internal controls rests with the governing body”, Cr Mitchell again brought up that Subcommittee members should be brought up to speed on what those internal controls were.

#### 6 Announcements

There were no announcements.

#### 7 Reports

##### 7.1 Financial Report for the eight months to 29 February 2016

###### **Purpose**

To present to the Finance, Audit & Risk Subcommittee the financial report for the eight months to 29 February 2016.

MOVED by Cr Tukapua, seconded Cr Rush:

*THAT Report 16/98 Financial Report for the eight months to 29 February 2016 be received.*

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

**CARRIED**

Prior to responding to Members’ questions, Mr Law brought three things to Members’ attention:

1. Whether Council achieved its estimated result at the end of the year (either surplus or deficit) very much depended on Council receiving capital subsidies. Some of the subsidies may not be received in cash and if they were not received in cash they would not be able to be shown in Council’s Income & Expenditure. An explanatory note may need to be included. It was noted that it was not possible to raise an invoice for those because some of the funding was to come from Lotteries and that would only be received when projects reached a certain threshold and Council provided information that substantiated that the work had been done.
2. Depreciation could change because Council was currently going through a revaluation process of the 3 Waters and Roothing. The 3 Waters process was completed and there was not a huge change but Roothing had yet to be finished and there may be some changes there.
3. With the drop in interest rates over the last few months Council could, at the end of the year, make a loss on its swap valuation. Getting a revaluation done at the end of the month was being considered to see how significant that could

be.

Mr Law noted one other issue was a 10% arrears in relation to the third rates instalment (of \$9m). In comparison the arrears in December 2015 were 7.7% and in September 8.9%. That was not an encouraging trend. Penalties and instalments totalled \$62,000, with 1,300 letters being sent out to ratepayers who had not paid the third instalment.

After discussion on the current situation with regard to rates arrears and collection methods, to put the figures in context a further column to be added to the Rates Debtors statement showing the number of assessments with arrears for the previous rating year.

Mr Law outlined possible borrowing over the next three months which lead into a discussion on what the end of the year result could potentially look like.

Mr Saidy spoke on the difficulties in projecting the spend on budgeted projects as there were many factors over which Infrastructure Services had no control. He queried if it would be possible to carry forward all the money now for those items and if it was needed before June, would it still be able to be spent despite it having been carried forward.

## 9.2 Monitoring Reports to 30 March 2016

### Purpose

To present to the Finance, Audit & Risk Subcommittee Monitoring Reports covering:

- Requested actions from previous meetings of the Subcommittee;
- Issues identified during the 30 June 2015 Audit.

MOVED by Cr Rush, seconded Cr Mitchell:

*THAT Report 16/128 on Monitoring Reports to 30 March 2016 be received.*

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

**CARRIED**

Cr Rush queried why, in the second Monitoring Report, there was still one 'red' item "PPE additions – missing contract documentations".

Mr Law responded that was an item Finance could not comment on; it covered Infrastructure assets.

Mr Clapperton said that the difficulty with that item was understanding the context and some discussion was needed with Audit NZ to find out what issues they were referring to. Also contracts went across the organisation; it was a generic process. Mrs Brady had been requested to do some investigation and put in place a system that would allow reporting to suit Audit NZ's requirements and how that would be managed going forward.

In terms of the internal controls that Cr Mitchell had already raised, Mr Law said there were a considerable number of controls and he wondered if it would be of assistance to have a workshop covering the controls that were in place. Those internal controls, if they worked well, did reduce the cost of the audit. They were a fundamental part of the risk profile of Council, but were somewhat complicated.

In response to a query from Mr Jackson about how far along the Finance team was on the path from 'Good to Great', Mr Law outlined the number of improvements that had been put in place in terms of financial reporting, the implementation of an Accounts Payable process that had simplified the workflow and enforced staff to use purchase orders which made the system far more robust and put a lot of responsibility back on the person doing the purchasing. A Debt Management Module would be the focus for the next few months.

It was agreed that a workshop would be held in conjunction with the next FARS meeting showing, at a reasonably high level, the internal controls that were in place (delegation authorities and examples of the processes) to give Subcommittee Members' confidence in Council's systems.

5.00 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:**.....