



# Minutes

of the

## Audit Committee

### Ordinary Meeting

Date 18 February 2014  
Venue Council Chamber  
515 Mackay Street  
Thames

#### Present

LA Fox (Chairperson) MK McLean JP  
HD Bartley  
P Jones  
B Halford

#### In Attendance

Name	Item(s)
Ben Halford (Audit NZ)	All items
David Hammond (Chief Executive)	All items
Steve Baker (Chief Financial Officer)	All items
Graham McDermott (Senior Policy Analyst)	2.5
Carole McKinley (Business Improvement Project Manager)	6.2
Greg Hampton (Thames Area Manager)	6.2
Garry Towler (Whangamata Area Manager)	6.2

#### Apologies

Councillor Brljevich

**Meeting Commenced** 09:04

#### Adjournments and Absences

Adjournment	Start	Finish	Reason
Chairperson	10:17	10:30	Morning Tea
Chairperson	12:53	13:33	Lunch

<b>Absences</b>	<b>Start</b>	<b>Finish</b>	<b>Item</b>
MK McLean JP	12:11	12:14	6.2
Ben Halford	15:23	DNR	6.4

---

## **Table of Contents**

---

<b>Item Business</b>	<b>Page No.</b>
<b>1 Meeting Conduct</b>	<b>4</b>
1.1 Apologies	4
1.2 Public Forum	4
1.3 Items not on the Agenda	4
1.4 Conflict of Interest	4
1.5 16 December 2013 - Audit Committee Minutes for Confirmation	4
<b>2 Audits and Reviews</b>	<b>4</b>
2.1 Proposed Process for Appointment of Internal Auditor	4
2.2 31 December 2013 - Financial results for the period ended	5
2.3 Review of Prioritisation of Capital Works Policy	6
2.4 Review of policy on collection of overdue debts (excluding rates and water)	7
2.5 Mid-Year Non - Financial Organisational Performance Report	7
2.6 Interest on Financial Reserves	8
<b>3 Risk Management</b>	<b>8</b>
3.1 February 2014 - External Audit Work Programme and Action Schedule	8
3.2 Extend Meeting past the six hour duration	9
<b>4 Audit Committee Work Programme</b>	<b>9</b>
4.1 Updated after 16 December 2013 Meeting - Audit Committee Action Schedule	9
<b>5 Reports</b>	<b>10</b>
5.1 Members' Reports	10
<b>6 Public Excluded</b>	<b>11</b>

## 1 Meeting Conduct

---

### 1.1 Apologies

#### Resolved

That the Audit Committee:

1. Receives the apology for PA Brljevich.

**Moved/Seconded By:** Fox/Bartley

### 1.2 Public Forum

There were no speakers at the Public Forum.

### 1.3 Items not on the Agenda

There were no items not on the agenda.

### 1.4 Conflict of Interest

There were no conflicts of interest.

### 1.5 16 December 2013 - Audit Committee Minutes for Confirmation

To present to the Audit Committee the minutes 16 December 2013 for confirmation

#### Resolved

That the Audit Committee:

- 1 Confirms the following Minutes with the amendment that Ben Halford was in attendance and not as a member of the Audit Committee.
2. Receives the following Workshop notes.

**Moved/Seconded By:** Fox/Bartley

## 2 Audits and Reviews

---

### 2.1 Proposed Process for Appointment of Internal Auditor

Approval was sought from the Audit Committee regarding the process to appoint Council's internal auditor.

#### Key Discussion Points

---

- Work form Deloitte well received but not all advice implemented.
- Shared service has economies of scale and a lower average cost.
- No other Councils have been approached.
- Greater expertise available external to this organisation.
- This Committee will set the work for an internal auditor.
- Can assist with Audit NZ areas of concerns.
- Councillors commented that they like idea of shared services. Audit NZ have seen workable examples of shared services used as and when required.
- Fraud issues better conducted by external.
- Benefit using shared services other than employing Deloitte.
- Disadvantage, slower service. May not get who we want - Will take a long lead in time to get shared service.
- Closed tender.
- Evaluation should cover what value can they deliver for the budget. And hourly rate for special projects.

### **Resolved**

That the Audit Committee:

- 1 Receives the report.
- 2 Resolves to conduct a closed tender for internal audit services to develop and deliver a three year internal audit programme based on a one year fraud assessment programme and a two year internal audit programme.
- 3 Requests staff to investigate a shared service arrangement for 3 years' time (Following the completion of the proposed closed tender).
4. Accepts that the Audit Committee will assess tenders.

**Moved/Seconded By:** Fox/McLean

## **2.2 31 December 2013 - Financial results for the period ended**

The Committee was provided with cumulative financial information for the year-to-date to enable it to monitor the financial performance of the organisation

### **Key Discussion Points**

- Waikato Property Councils update revealed average rate payer debt for Hamilton City of over \$8000. TCDC rate payer debt \$1837.
- 8th out of 11. fourth lowest debt per rate payer in region.
- Activity Revenue down due to solid waste collection.
- Expenditure - Remuneration over YTD budget.
- Overall YTD variance finance cost under budget - Direct Operating expenses \$2.3m under budget. In line with previous years. Good result. \$1m under original budget.
- Draft Annual Plan 2014/15 Average rate 2.6% rate increase. Looking for more efficiency for inclusion in the final Annual Plan.
- Income projected for Mercury Bay Sports is under budget at \$3,500. Staff to take serious effort to get Sports Grounds used.
- Investigate changing Development Contributions regarding subdivisions - timeframe to 3 years from date of granting. Title provided on payment. Wastewater connections can be delayed. Payment plans can be developed to help.
- Landfill costs being lowered, revenue under budget.

- Staff were instructed to get Communications to write a Good News story on solid waste cost savings through recycling - TCDC paying less.
- CAPEX -Original \$29m.revised forecast. After managers review down to \$19.5m December 2013 YTD spends \$5.7m.
- Committee want to know about the risk impact level of service. Reservations of spend \$19m. Ongoing process. \$22.4m. Retained earnings concerns also discussed.
- Staff were requested to create a report with traffic lights to show the impact on funding and are we paying too much for debt.
- All loans targeted to instalment dates.

### **Resolved**

That the Audit Committee:

1. Receives the report.

**Moved/Seconded By:** Fox/Bartley

## **2.3 Review of Prioritisation of Capital Works Policy**

The Audit Committee was informed of a review of the Council's Prioritisation of Capital Works Policy and sought feedback on options for policy guidelines prior to the policy being presented to the Council for adoption.

### **Key Discussion Points**

- The CFO advised he wanted to revoke 2000 policy that was applied to 2009 TYP. 2011 modified assessment.
- 2011 policy moving forward. Policy is mechanism to rank projects.to avoid breaching proposed debt limits.
- Councillors recommended that any new project will support the cost benefit analysis will highlight and set priorities.
- Staff are moving towards capital works project as identified in AP and TYP will have business case attached, Still in transition period.
- Committee questioned was there an assessment of affordability on the community missing from policy. And the collective impact of suite of projects on affordability.
- Informal information from community \$50 per year per rateable to add Medical Centre. But not Business Centre upgrade. Affordability broad definition.
- CE suggests incorporating a policy input to the Business Improvement Project with Capital Works Policy.

### **Resolved**

That the Audit Committee:

1. Receives the report.
2. Recommends the Prioritisation of Capital Works Policy be updated to incorporate the Community Benefit Assessment Tool and to align with the Council's Revenue and Financing Policy and the Policy for Prioritisation of Capital Works retain the existing scale.
3. Recommends staff to include affordability in the model.

**Moved/Seconded By:** Fox/McLean

## 2.4 Review of policy on collection of overdue debts (excluding rates and water)

The Audit Committee was informed of a review of the above policy and feedback was sought on the policy contents.

### Key Discussion Points

- CFO presented the report in the absence of Vanessa Cooling (Financial Policy Analyst).
- Apologies for time taken to review policy.
- No changes proposed.
- Policy required report to Audit. Not happened.
- Report goes onto action schedule.
- Staff to review 2 years prior to start reporting and trend information since 2010/11.
- Different debt treated in different ways. Show empathy but still efficient. Non-rates: wharfage.
- Sundry debtors, licences, building resource, managed by people with delegated levels of authority. Use Bay Corp for debt collection then write off.
- Staff were requested to review cost of debt collection and look at procedures to minimise debt and add to policy (under \$500 cash up front).
- Add to Policy reporting to committee. Add reporting to committee.

### Resolved

That the Audit Committee:

1. Receives the report.

**Moved/Seconded By:** Fox/Bartley

## 2.5 Mid-Year Non - Financial Organisational Performance Report

The Audit Committee were informed of the mid-year of the progress made towards achieving the Council's levels of service, using the non-financial organisational performance measures and targets defined in the 2013-2014 Annual Plan.

### Key Discussion Points

- Some measures have no comparison from previous years.
- Ten performance measures were under target for this year, unmeasurable or base level not clearly mistaken.
- Performances is improving overall but cannot be quantified with no NRB survey
- 81% would have been achieved without NRB results.
- Committee commented on a number of measures that were not achieved and staff were asked to review those and report back to their respective committees.
- Discussion to be held with Audit NZ
- Committee advised staff to measure what was needed to make a difference opportunity with Ten Year Plan to upgrade and improve measures and add opportunity to make improvements and measure again.

- Committee questioned use of an overarching committee to review and were advised that Council monitors through the Mayors+ group.
- Committee instructed staff to review levels of service for measures to be included in Ten Year Plan to reflect more accurate picture.

### **Resolved**

That the Audit Committee:

1. Receives the report.
2. Requires Mayors plus group to report back to the Audit Committee who will report findings to Council.

**Moved/Seconded By:** Fox/Bartley

## **2.6 Interest on Financial Reserves**

Guidance was sought from the Audit Committee as to which Financial Reserves should receive interest.

### **Key Discussion Points**

- CFO provided a list of financial reserves with balances in excess of \$1million.
- Committee discussed if it was appropriate to rate the ratepayer today to build a fund for tomorrows ratepayer and are tomorrows rate payer more important that todays?
- Committee discussed whether Council should look to grow its Disaster reserve similar to Western Bay of Plenty.
- Interest off Power NZ shares to go back to ratepayer.
- Staff were instructed to take issue to Strategy Team to create philosophy regarding Growing the disaster reserve and allocating LGCI to the balance of the Power NZ shares.

### **Resolved**

That the Audit Committee:

1. Receives the report.
2. Recommends the value of Power NZ Special Reserve be maintained at the rate of the average LGCI for that year as published.

**Moved/Seconded By:** Fox/Bartley

## **3 Risk Management**

---

### **3.1 February 2014 - External Audit Work Programme and Action Schedule**

The Audit Committee were asked to review actions and progress against recommendations contained with audit and process review reports previously submitted to the Committee.

### Key Discussion Points

- Discussion was held on Paying out leave accruals. High leave accruals means resourcing issues.
- Demonstrates lack of planning. Committee want to take a health check but mindful of those that are banking excess leave to have good reasons.

### Resolved

That the Audit Committee:

1. Receives the report.
2. Notes the progress made to date; and
3. Confirms that the items indicated as complete be removed from the action schedule.
4. Requests breakdown by department of total outstanding leave (in excess of 5 weeks).

**Moved/Seconded By:** Fox/Bartley

## 3.2 Extend Meeting past the six hour duration

Under Standing Order 3.3.7 Council agreed to extend the meeting past the six hour duration.

### Resolved

That the Thames-Coromandel District Council:

1. Extends the meeting time past the six hour duration, until the conclusion of its business.

**Moved/Seconded By:** Fox/McLean

## 4 Audit Committee Work Programme

---

### 4.1 Updated after 16 December 2013 Meeting - Audit Committee Action Schedule

The Audit Committee were provided with an update to the Audit Committee Action Schedule following the 16 December 2013 meeting.

### Key Discussion Points

- Long term goal to create linkages.
- Staff were instructed to review guidelines with objective to coordinate those items to rotate through meetings.

### Resolved

That the Audit Committee:

1. Receives the report.

**Moved/Seconded By:** Fox/McLean

## **5 Reports**

---

### **5.1 Members' Reports**

The Chairperson invites members to provide a brief verbal report on activities undertaken and meetings attended in the period since the last meeting.

Written reports and Minutes of meetings attended are presented below.

- Councillor Bartley - medical facilities in Whangamata. Empty residences comparing Hamilton with Whitianga & Whangamata. Only 37% occupied.in Whitianga. Average occupancy 2.2, Whangamata 2.06 . Average 2.7 . Affect services.
- Requires staff to provide a report to Council regarding the Medical Centre for Whangamata.
- Councillor McLean: composting plant in Whitianga? Request a report from Infrastructure from Audit perspective.
- Councillor Fox: Service Levels: when providers are in default do we implement penalties. Performance levels in contracts role of staff to make assessment and apply if applicable.

#### **Resolved**

That the Audit Committee:

1. Receives the Members' Reports.

## 6 Public Excluded

### Resolution to Exclude the Public

Section 48, Local Government Official Information and Meetings Act 1987.

#### Resolved

That the public:

1. Be excluded from the following parts of the proceedings of this meeting namely:

Item	Business
6.1	Public Excluded Minutes
6.2	Audit Committee Action Schedule
6.3	External Audit for the Year Ending 30 June 2013 - Report to Council
6.4	Council Risk Register - Update 2014 February

2. Also resolved that:

The following person(s) be permitted to remain at this meeting after the public has been excluded because of their knowledge in relation to the following. This knowledge, which will be of assistance and is relevant to the matter(s) discussed:

<b>Name</b>	Ben Halford
<b>Company</b>	Audit New Zealand
<b>Item</b>	6.1, 6.2, 6.3 and 6.4
<b>Business</b>	16 December 2013 Public Excluded Minutes for Confirmation, , Council Risk Register December 2013 Update and Public Excluded Audit Committee Action Schedule
<b>Reason</b>	Business Knowledge

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 are as follows:

<i>General Subject of each matter to be considered</i>	<i>Reason for passing this Resolution in Relation to Each Matter</i>	<i>Ground(s) Under Section 48(1) for the Passing of the Resolution</i>
Audit Committee Public Excluded 16 December 2014	(7)(2)(i) – Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	(48)(1)(a) – That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.
Public Excluded - Updated after 11 June 2013 - Audit Committee Action	(7)(2)(c)(i) – Protect information which is subject to an obligation of confidence or which	(48)(1) – Subject to subsection (3) of this section, a local authority may by resolution exclude the public from the whole or any part

<p>Schedule</p>	<p>any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.</p>	<p>of the proceedings of any meeting only on one or more of the following grounds:  (48)(1)(a) – That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.</p>
<p>Audit New Zealand - Report to Council on the External Audit for the Year Ending 30 June 2012</p>	<p>(7)(2)(c)(i) – Protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied.</p>	<p>(48)(1)(a) – That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.</p>
<p>Council Risk Register - Update February 2014</p>	<p>(7)(2)(g) – Maintain legal professional privilege.  (7)(2)(c)(i) – Protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that</p>	<p>(48)(1)(a) – That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.</p>

	such information should continue to be supplied.	
--	--	--

**Meeting Closed at 16.00**

The foregoing Minutes were certified as being a true and correct record of the meeting of the Audit Committee held on 18 February 2014.

**Chairperson** \_\_\_\_\_ **Date** \_\_\_\_\_