AUDIT AND RISK COMMITTEE

AGENDA

Meeting to be held

FRIDAY 10 FEBRUARY 2017

8.30am

In the Manawatu District Council Chambers,
135 Manchester Street, Feilding

Dr Richard Templer
Chief Executive

MEMBERSHIP

Chairperson

Councillor Stuart Campbell

Deputy Chairperson

tba

Members

Her Worship the Mayor, Helen Worboys
Councillor Barbara Cameron
Councillor Stuart Campbell
Councillor Hilary Humphrey
Councillor Phil Marsh
Councillor Howard Voss

External Member – John Fowke

ORDER OF BUSINESS

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1.	**MEETING OPENING**	
2.	**APOLOGIES**	
4.	**DECLARATIONS OF INTEREST**	

Notification from elected members of:

4.1 Any interests that may create a conflict with their role as an elected member relating to the items of business for this meeting; and

4.2 Any interests in items in which they have a direct or indirect pecuniary interest as provided for in the Local Authorities (Members' Interests) Act 1968

5.	**NOTIFICATION OF LATE ITEMS**	

Where an item is not on the agenda for a meeting, that item may be dealt with at that meeting if:

5.1 The Council by resolution so decides; and

5.2 The Chairperson explains at the meeting at a time when it is open to the public the reason why the item is not on the agenda, and the reason why the discussion of the item cannot be delayed until a subsequent meeting.

6.	**OFFICER REPORTS**	
6.1	**AUDIT REPORT FOR YEAR ENDED 30 JUNE 2016**	5

Report of the General Manager – Corporate and Regulatory dated 26 January 2017. Members of Audit New Zealand will be in attendance to speak to their report.

6.2	**SECOND QUARTER REPORT TO 31 DECEMBER 2016**	37

Report of the General Manager – Corporate and Regulatory dated 1 February 2017.

6.3	**REVIEW OF INTERNAL AUDIT PROGRAMME AND TERMS OF REFERENCE**	58

Report of the General Manager – Corporate and Regulatory dated 3 February 2017.

6.4	**APPOINTMENT OF DEPUTY CHAIRPERSON**	67

Report of the General Manager – Corporate and Regulatory dated 1 February 2017.

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7. CONSIDERATION OF LATE ITEMS

8. NOTIFICATION OF ITEMS FOR NEXT MEETING

9. MEETING CLOSURE

Audit and Risk Committee

Meeting of 10 February 2017

Business Unit: Corporate and Regulatory
Date Created: 26 January 2017

Audit of Manawatu District Council - Year Ended 30 June 2016

Purpose

To present Audit New Zealand's report to Council on the audit of the Manawatu District Council for the year ended 30 June 2016.

Significance of Decision

The Council's Significance and Engagement policy is not triggered by matters discussed in this report.

Recommendations

That the Audit and Risk Committee receive the Audit New Zealand report on the Manawatu District Council audit for the year ended 30 June 2016.

Report prepared by:
Allie Dunn
Governance Team Leader

Approved for submission by:
Shayne Harris
General Manager - Corporate and Regulatory

1 Contribution to the Council Vision and Council Outcomes

1.1 Relationship to the Council Outcomes that underpin the Council's Vision:

Connected, vibrant and thriving Manawatu – the best rural lifestyle in New Zealand

Manawatu District will improve the natural environment, stewarding the district in a practice aligned to the concept of kaitiakitanga.	The Manawatu will attract and retain residents.	Manawatu district develops a broad economic base from its solid foundation in the primary sector.	Manawatu and its people are connected via quality infrastructure and technology.	Manawatu's built environment is safe, reliable and attractive.	Manawatu District Council is an agile and efficient organisation.
					✓

2 Background

2.1 Following completion of their annual audit, the Council's auditors Audit New Zealand provided their report in which they set out their observations on key issues and the associated risks that had been identified in the process of conducting the audit.

2.2 Management is given the opportunity to respond to the suggestions made in the Audit report, and these are then incorporated into their final report.

2.3 The attached report from Audit New Zealand identifies a number of areas that were recommended for improvements, and the management responses to each of these matters is set out within the report.

3 Discussion and Options considered

3.1 Audit New Zealand identified ten areas where they recommended improvements be made. Six of these matters were categorised as needing urgent attention. Audit's observations related to the following areas:

- Response time related performance measures;
- Current performance framework;
- After-hours calls;
- Decimal point error for rural drainage rates;
- Payment dates for targeted rates for water supply by meter;
- Review for journals posted;
- Review of financial delegations changes;
- Councillors' remuneration not in line with determination;
- Support for unit rate calculations; and
- Valuation of rural stormwater drains.

4 Operational Implications

4.1 There have been no cost implications identified, however there are some operational changes in processes or controls required, as disclosed in the management's response, to the recommendations that the auditors have made.

5 Financial implications

5.1 There have been no matters identified in the audit that are believed to present a financial risk to Council.

6 Statutory Requirements

6.1 There are no statutory requirements associated with this matter.

7 Delegations

7.1 The Audit and Risk Committee's Terms of Reference include the responsibility for reviewing significant audit findings and recommendations, as well as monitoring progress on recommendations within the audit report.

8 Consultation

8.1 There are no community consultation requirements associated with this report.

9 Cultural Considerations

9.1 There are no cultural considerations associated with this report.

10 Conclusion

10.1 The attached report from Audit New Zealand contains recommended actions arising from Council's recent audit, along with management responses and details of actions that have been taken to date on the audit recommendations. The Audit and Risk Committee are asked to note the findings outlined in the attached audit report and the associated management responses.

11 Attachments

- Audit New Zealand report on Manawatu District Council audit for year ended 30 June 2016

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Report to the Council on the audit of

Manawatu District Council

for the year ended 30 June 2016

Prepared by: Clint Ramoo

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Email: Clint.Ramoo@auditnz.govt.nz

Key messages

We have completed the audit for the year ended 30 June 2016. This report sets out our findings from the audit and draws attention to areas where Manawatu District Council (the District Council) is doing well or where we have made recommendations for improvement.

In addition to the issues identified in the table below, we wish to bring the following items to your attention.

1. Qualified audit opinion

We issued a qualified audit opinion on the statement of service performance due to our work being limited because the system to record response times could not be relied upon.

For the most part of the year, the system used to record response times for water, roading and wastewater faults were omitted or incorrectly recorded. We considered these measures to be material in the context of the services provided by the District Council. The District Council was unable to report completely on these measures and hence our ability to perform our audit work was limited.

2. Wastewater Resource Consent

As at 30 June 2016, we noted that the District Council had incurred costs of $3.7 million in obtaining a wastewater resource consent of which $3.5 million has been capitalised. We reviewed whether some of the costs incurred were avoidable and while we concluded that the amount in question is not material to the financial statements, we consider the oversight and recording of costs, associated with the appeal, to be poor.

We accepted that the amount involved is not material but we believe some of these costs were avoidable.

Issues identified during the audit

The following table summarises our recommendations and their priority:

Item	Recommendation	Urgent	Necessary	Beneficial
3.1.1	**Response time related performance measures** The District Council should implement systems to accurately record the response time it takes to attend to and resolve service and fault requests. These systems need to be tested by the District Council to ensure that the data recorded is complete and accurate. When reporting the results of the response time related performance measures, the District Council must ensure that it complies with the guidance issued by the Department of Internal Affairs (DIA).	✓		

Item	Recommendation	Urgent	Necessary	Beneficial
3.1.2	**Current performance framework** The District Council needs to continue to improve the quality of the overall performance story it tells in the statement of service performance.	✓		
3.1.3	**After-hour calls** Record the after hour callout times into the customer request system (CRM) as the start time when the call was actually received by the after-hours provider, and that the District Council considers a process to review the accuracy of the input. This information can then be used to assess the performance of the contractor in terms of their response time.	✓		
3.2.1	**Decimal point error for rural drainage rates** The District Council seek legal advice about the validity of its rural drainage scheme rates.	✓		
3.2.2	**Payment dates for targeted rates for water supply by meter** Review rates resolution and, if appropriate, seek legal advice over whether the District Council's rates resolution meets the requirements of section 24 of the Local Government (Rating) Act 2002 in relation to payment dates for targeted water rates by meter.	✓		
3.3	**Lack of robust review for journals posted** Staff are given approval only access if they are reviewing journals, and that the preparation of journals is restricted to specific staff members. Approval of journals must involve checking the journal back to the supporting documentation.	✓		
3.4	**Review of financial delegation changes** A review of changes to financial delegations is performed at least every six months. The review should be performed by someone who does not have access to make delegation changes in the system.		✓	
3.5	**Councillors' remuneration not in line with determination** The District Council initiate a formal process to update Councillor's remuneration each time a new Local Government Elected Members Determination is released by the Remuneration Authority. This should include a formal post input review of the new information input into the payroll system.		✓	

Item	Recommendation	Urgent	Necessary	Beneficial
4.4.1	**Support for unit rate calculations** Ensure that all of the supporting information and calculations are retained so that average unit rates can be verified as accurate and reasonable.		✓	
4.4.2	**Valuation of rural stormwater drains** As part of the next valuation the District Council should assess the unit rates for the rural stormwater drains based on their actual physical attributes and construction costs.		✓	

There is an explanation of the priority rating system in Appendix 1.

Thank you

We would like to thank the Council and management for their assistance during the audit.

Clint Ramoo
Audit Director
11 January 2017

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1 Our audit opinion

1.1 We issued a non-standard audit opinion

We issued a non-standard audit report.

We issued a qualified opinion on the statement of service performance. Our work on this section of the Annual Report was limited because the system used to record response times for water, wastewater and roading service and fault requests was not reliable.

We issued an unqualified opinion over the financial statements and the balance of the statement of service performance.

In forming our audit opinion, we considered the following matters.

1.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management the misstatements that we found, other than those which were clearly trivial. There were no significant misstatements identified during the audit that have not been corrected.

1.3 System for response times was not reliable

An important part of the District Council's service provision is the response time it takes to attend to and resolve service and fault requests. This is significant because response times are indicative of the quality of services received by ratepayers.

The District Council reports on a number of response time related performance measures included in its long-term plan in accordance with the *Non-Financial Performance Measures Rules 2013* issued by the Secretary for Local Government. The system for recording the data to report on these performance measures for the roading, wastewater, and water supply groups of activities was not reliable for most of the year due to inaccurate or omitted source data. As a result, the District Council was unable to report completely on these response time performance measures for the year. Our work was limited and there were no effective audit procedures we could apply to the information on response times.

2 Assessment of your control environment

We have performed a high-level assessment of the control environment. This assessment was performed for the purpose of planning the most effective and efficient audit approach, in order to enable us to express an audit opinion on the Council's financial statements and the non-financial information. We considered the overall attitude, awareness, and actions of the Council and management in establishing and maintaining effective management procedures and internal controls.

In performing this assessment we consider both the "design effectiveness"[1] and "operational effectiveness"[2] of internal control. However, it is not the purpose of our assessment to provide you with assurance on internal control in its own right. As such we provide no assurance that our assessment will necessarily identify and detect all matters in relation to internal control.

In performing this assessment we have identified areas where we believe the control environment can be improved. These matters are later in this report.

Internal controls

We reviewed the internal controls in place for your key financial and service performance information systems, as detailed below. Internal controls are the policies and processes that are designed to provide reasonable assurance as to reliability and accuracy of financial and service performance reporting, as well as compliance with significant legislative requirements. These internal controls are designed, implemented and maintained by the Council and management. Both "design effective" and "operationally effective" internal control is important to minimising the risk of either fraud or misstatement occurring. The responsibility for the effective design, implementation and maintenance of internal control rests with the Council.

2.1 Risk of management override of controls

Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it could result in a risk of material misstatement due to fraud.

We have reduced the risk to an acceptable level through the following audit work:

- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- Reviewed accounting estimates for biasness and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud;
- Reviewed the valuation and confirmed movements tied through to the financial statements;
- Confirmed management's assessments into significant community loans; and
- Maintained an awareness of any significant transactions that were outside the normal course of business, or that otherwise appear to be unusual given our understanding of the Council and its environment, and other information obtained during the audit.

[1] Control is effective to either prevent or detect a material error in either the financial statements and/or non-financial information. The control is "fit for purpose".
[2] Control has operated effectively throughout the period tested.

Based on the work performed and controls in place the risk of material misstatement due to management override is sufficiently mitigated.

3 Matters identified during the audit

In the course of completing the audit, we have identified a number of areas where the District Council should make improvements. The following recommendations are designed to strengthen the control environment or processes within the District Council.

3.1 Performance information and associated systems and controls

3.1.1 Response time related performance measures

Recommendation

The District Council must implement systems to accurately record the response time it takes to attend to and resolve service and fault requests. These systems need to be tested by the District Council to ensure that the data recorded is complete and accurate.

When reporting the results of the response time related performance measures the District Council must ensure that it complies with the guidance issued by the Department of Internal Affairs (DIA).

Findings

Our key findings on this matter are set out in section 1.3.

Management comment

When the problem was identified internally management took immediate corrective action. This included bringing a service in house, as the former contractor could not deliver this information and updating several reporting systems. We can now record the information.

Management also notes that it assessed the criteria as not achieved.

3.1.2 Current performance framework

Recommendation

The District Council needs to continue to improve the quality of the overall performance story it tells in the statement of service performance.

Findings

The first draft of the statement of service performance, which was provided for audit, was basic and only included reporting against the performance measures from the 2015-2015 Long Term Plan. We discussed with the District Council the need to tell a more comprehensive performance story. Following this recommendation, the District Council included paragraphs for each activity giving a broader commentary on performance for the financial year.

We reconfirmed that the performance framework, from the 2015-2025 Long Term Plan, remains appropriate.

Our audit work over the statement of service performance took into account the:

- Quality of the overall story the performance reporting tells;
- Reliability/accuracy of the reporting;
- Completeness of the reporting against the performance framework as outlined in the LTP; and
- Compliance with relevant legislation (in particular the Local Government Act 2002, Schedule 10).

We confirmed that the framework and associated performance measures provide an appropriate basis for performance reporting in 2015/16.

Management comment

Noted

3.1.3 After-hour calls

Recommendation

Record the after-hour call times, in the customer request system (CRM), as the start time should be when the call was actually received by the after-hours provider, and that the District Council considers a process to review the accuracy of the input. This information can then be used to assess the performance of the contractor in terms of their response time.

Findings

As part of our review of the systems, in place for recording and reporting performance information, we reviewed how the after-hour call system information is entered into the CRM.

We found that the start time entered and used for performance reporting purposes defaults to the time the request is inputted into the District Council's own system. Although this is manually overridden to reflect the actual time of receipt of the call, this is not consistently applied.

Management comment

We are currently working to update the system.

3.2 Rates

3.2.1 Decimal point error for rural drainage rates

Recommendation

We recommend that the District Council seeks legal advice about the validity of its rural drainage scheme rates.

Findings

During our review of rates and the rates setting process we identified that the 'cents in the dollar' amounts for rural drainage scheme rates were incorrectly stated in the rates resolution. In practices, the District Council uses its Rating Information Database (RID) to plan for the next year's rates. The planned rates in the RID are then input into the draft rates resolution for adoption by Council. During this process the District Council incorrectly inserted the decimal point in the wrong place for the purpose of the rating resolution and annual plan.

The District Council is collecting the amount of rates revenue that it planned to collect but the errors in the rates resolution give rise to potential legal challenge.

Management comment

As noted, the Council is collecting rates correctly and this error will be corrected when rates are re-struck. Legal advice has been received and will be considered by the Audit and Risk Committee in the new year.

3.2.2 Payment dates for targeted rates for water supply by meter

Recommendation

Review the rates resolution and, if appropriate, seek legal advice over whether the District Council's rates resolution meets the requirements of section 24 of the Local Government (Rating) Act 2002 in relation to payment dates for targeted water rates by meter.

Findings

The High Court has recently considered the requirements of section 24 of the Local Government (Rating) Act 2002. Section 24 requires rates resolutions to specify the due dates for the payment of rates. In an interim judgment, the High Court found that a Regional Council's rates resolution did not meet the requirements of section 24 because it specified payment dates by reference to dates to be set by collecting territorial authorities. The High Court said that a rates resolution should include calendar dates for the due dates for rates. It was not sufficient to define the due date by reference to some other document.

It is appropriate for all councils to consider the High Court's view of the requirements of section 24 of the Local Government (Rating) Act 2002, and how the judgment might affect them.

Based on the information received to date, we note the District Council has not specified calendar dates in its rates resolution for the payment of targeted water rates by meter.

Although the High Court did not consider the issue of dates for targeted water rates by meter, including volumetric or metered water rates, we believe this is a potential risk for the District Council to consider.

Management comment

We will include calendar dates in our next rates resolution and annual plan. We will not seek legal advice.

3.3 Lack of robust review for journals posted

Recommendation

It is recommended that staff are given approval only access if they are reviewing journals, and that the preparation of journals be separate from those who approve them.

Approval of journals must also involve checking the journal back to the supporting documentation and evidencing these checks.

Findings

Journals are prepared and can be approved by the same person. We note that the reviewer does not evidence their review of the supporting documentation before approving a journal in all instances.

Additionally, certain staff are able to prepare and post their own journals.

Management comment

Four staff have approval access for journals. They are the Chief Financial Officer, Accounting Operations Manager, Strategic Accountant and the Senior Finance Officer. These staff can prepare and approve the same journal. It is impractical to remove the prepare/approve ability as manual journals are often needed to facilitate accurate reporting a second staff member is not always available.

For a control to be effective, those exercising the control must have knowledge on what they are approving and it should be a one-up review.

When a journal is approved, the approver has to satisfy themselves to the accuracy and reasonableness of the journal. To gain this assurance supporting documentation, if any, is reviewed. The review process is evidenced by approving the journal within Ozone. Management acknowledges the control weakness and accepts the associated risks.

3.4 Review of financial delegation changes

Recommendation

We recommend a review of changes to financial delegations is performed at least every six months. The review should be performed by someone who does not have access to make delegation changes in the system.

Findings

We understand that a review was undertaken during the current financial year however we could not obtain any evidence to support this review. There is a risk that an unapproved delegation change can be made and then reversed without any review taking place.

Management comment

This review is carried out six monthly by the Senior Finance Officer but documentation was not always retained. Evidence of the review will be retained in the future.

3.5 Councillor's remuneration not in line with determination

Recommendation

Initiate a formal process to update Councilor's remuneration each time a new Local Government Elected Members Determination is released by the Remuneration Authority. This should include a formal post input review of the new information input into the payroll system.

Findings

We identified that during the financial year the Councilors were not being paid in line with the correct Local Government Elected Members Determination. A new Determination is released by the Remuneration Authority annually, or three times in an election year. The Councilors remuneration had not been updated for the new 2015/16 determination and therefore they were underpaid.

Management comment

This was an error, which has been corrected. A formal process is in place to review remuneration after each determination.

4 Matters identified during audit planning

At the outset of our audit, we identified various matters for consideration throughout the engagement. Our findings in relation to these matters are included below.

4.1 Feilding wastewater treatment plant (WWTP)

The District Council has been upgrading the WWTP over a number of years and the 2015-2025 Long Term Plan includes a programme of upgrades in future years.

We identified this as a significant risk for our audit due to the financial significance of the overall upgrade project, and the resource consent and management issues. We reviewed the costs capitalised as part of the upgrade and the overall management of the process. We set out below our work and findings in respect of these matters.

4.1.1 Capitalisation of costs

We identified this as a risk for the District Council as the costs associated with the WWTP, including the costs of obtaining resource consents, may not meet the criteria for capitalisation and would instead need to be recognised as operating costs.

The most significant cost related to the resource consent, of which $3.5 million was capitalised.

We questioned the District Council's decision to capitalise costs associated with the consent process and in particular the appeal process which cost $1m. We were of the view that this part of the consent process did not add value to the asset as the District Council ended up with additional conditions as a result of the appeal. The District Council argued that because the original resource consent was appealed by third parties (which is part of the resource consent process) they would have had to incur costs to defend the matter anyway, so they used this as an opportunity to try and extend the term of the resource consents.

We sought technical advice on whether it is appropriate to capitalise the resource consent costs and more specifically the appeal costs. The advice received indicated that the costs incurred to defend the appellants' appeal should be capitalised as this is part of the normal resource consent process (appeals are becoming more common). The District Council was unable to reliably split the costs incurred to defend the third party appeals and the costs incurred in the District Council's attempt to increase the term of the resource consents. While we considered the amount to be immaterial, we believe the allocation of costs during the appeal process should have been reviewed by the project manager as part of the overall monitoring of the project.

Management comment

We stand by our view that the entire cost of the consent process should be capitalised.

4.1.2 Management of the WWTP

Through our engagement with the Council and staff we were made aware of the following matters and concerns relating to the project:

- The District Council's previous internal auditor identified serious issues with respect to governance arrangements and project management;
- Staff described the spending on the project as being like a "black hole" as there was no effective monitoring over costs, especially at the early stages of the project.

We engaged Audit New Zealand's Specialist Audit and Assurance Services (SAAS) team to review the governance, project management, and risk management aspects of the WWTP project. We met with the Project Sponsor and Project Manager to

discuss the background of the project, the status, and obtain an overview of the project management arrangements in place.

We understand management have sought to address a number of recommendations raised in the internal audit project implementation review report from December 2014. Most notably being:

- Improved governance structure in line with good practice;
- Fortnightly project team meetings;
- Monthly reporting to the executive team; and
- Bi-monthly reporting and a presentation to the Council.

We were provided with a copy of the Wastewater Treatment Plant Management Plan dated April 2016 which had been prepared in response to the conditions imposed from the Environment Court decision. We carried out a high level review of the plan to understand whether it met our expectations of a project plan.

We would expect a project plan to:

- Cover targets to be achieved including detail covering timescales, costs, quality and benefits;
- Cover how targets will be achieved;
- Cover when targets are to be achieved;
- Cover whom is to achieve targets; and
- Have been approved by the relevant levels of the project management team.

We found that overall, although some of the expectations above were met, the plan is largely a very technical plan developed around meeting the consent conditions imposed. While we understand the need (particularly for a project of this nature) for a level of technical detail and planning to be captured somewhere, the management of this project might be better facilitated with a simplified project plan focussed on the areas outlined above. Any project monitoring or reporting can then more easily be done against these aspects.

Some other more detailed observations we have are:

- Although some overall strategies in the plan had an options analysis component, this was not consistent and could be improved;
- The risk management section was largely from a technical perspective and would be improved by also considering broader project and outcome risks; and

- The plan document included an overall programme and budget management overview, but the link between underlying projects, in the detailed section of the plan with this overview, was not always clear. This made it difficult to understand how individual projects were tracking against the targets.

We will seek further updates on the progress of this project as part of our 2016/17 audit and will review it against our wider expectations of good project management and governance.

Management comment

We are confident in the current project management of the FWWTP. As noted above this is a very technical project and there are detailed project plans in place for all aspects of the project. Council is briefed on the project quarterly and a focus group of Councillors will also receive monthly briefings.

4.2 Actual renewals and capital expenditure below forecasts

As part of our audit planning we identified that the District Council had significantly under-spent on its renewals and new capital expenditure budget, with only 7% of its budget being spent as at 31 December 2015. At the end of the financial year this figure was 58%.

We identified this as a risk because budget carry forwards have the potential to impact on the District Council's ability to deliver the levels of service it has committed to deliver. It can also cause cost escalation issues for the District Council if projects are not completed in a timely manner.

Through discussions with the District Council it is evident that this is an area of concern and plans are being put in place to improve delivery on the capital expenditure program.

We are satisfied that the current underspend did not impact on the financial statements or levels of service delivered. We will continue to monitor the District Council's performance in this area and any potential effects on the services delivered.

4.3 Makino Aquatic Centre development

We engaged Audit New Zealand's Specialist Audit and Assurance Services (SAAS) team to review key aspects of the project including procurement, contract management, and project management. We also tested the accounting treatment of the costs related to the project.

The District Council has not yet provided all of the requested information to SAAS. Following receipt and review of this information we will issue a separate report to the District Council detailing the findings of the review.

The costs incurred on the project at the end of the period were correctly classified as capital work in progress. As part of our next audit engagement we will review the capitalisation of the project including the useful lives attributed to significant components.

4.4 Revaluation of infrastructure assets

The District Council's infrastructure assets are revalued annually on 1 July by internal staff members in accordance with the District Council's policy.

As accounting standard PBE IPSAS 17 *Property, Plant and Equipment* no longer requires internal revaluations to be subject to external peer review, the District Council has chosen to obtain an independent peer review every third year rather than annually. A peer review is scheduled to take place for the revaluation as at 1 July 2016.

To gain assurance over the valuations we completed the following audit work:

- Performed an analytical review over movements in asset classes at a component level, gaining explanations for significant movements.
- Tested a sample of the largest dollar value components from the AMS back to supporting documentation.
- Tested a sample of unit rates from the valuation report back to the AMS.
- Reviewed the useful life of significant components.
- Reviewed methodology documented in the valuation reports.

In previous audits we have identified a number of issues around the valuation process, including inconsistent methodology being used to calculate unit rates, the integrity of the formula driving the valuation model, timeliness and reliability of data, and a lack of quality assurance. We found that overall there has been improvement in the valuation process from previous years and that most of the recommendations we have made to the staff carrying out the valuations have been implemented.

During our review of the valuations we did however identify two issues. These are set out below.

4.4.1 Support for unit rate calculations

Recommendation

Ensure that all of the supporting information and calculations are retained so that average unit rates can be verified as accurate and reasonable.

Findings

During our review of the utilities revaluation report we noted that no support, such as data sets, was kept for the calculation of average contract rates. Where required these unit rates had to be recreated for us. Where this was not possible we had to perform a reasonableness test using the contract information that could be provided to us.

Management comment

We will ensure that all of the supporting information and calculations are retained so that average unit rates can be verified as accurate and reasonable.

4.4.2 Valuation of rural stormwater drains

Recommendation

As part of the next valuation the District Council must assess the unit rates for the rural stormwater drains based on their actual physical attributes and construction costs.

Findings

During our review of the utilities revaluation report we noted rural stormwater drain assets included, in the report, which were not previously valued by the District Council. Due to uncertainty around the physical attributes of the drains they were assigned an estimated unit rate per cubic metre of drain. This estimate was made without an actual review of the physical attributes of the drains or a review of actual unit rates for previous construction or maintenance of the drains. The length of the drains is the only attribute that the District Council has information on.

Management comment

Data is constantly being up-dated as information becomes available.

4.5 Community loans

4.5.1 Manfeild Park Trust

We reviewed the judgement made by the District Council that the fair value of the District Council's loans to Manfeild Park Trust was zero. We reviewed supporting evidence for the judgement and tested the assumptions that were made. We also reviewed the accounting treatment of the transactions required in the financial statements.

We are satisfied that the judgement was based on appropriate supporting evidence and that the accounting treatment was correct. The value of the loans is appropriately disclosed in the financial statements.

4.5.2 Manawatu Community Trust

We reviewed the accounting treatment of the interest free loan made by the District Council to the Manawatu Community Trust. This included reviewing assumptions made about the loan by the District Council and reperforming the calculation of the fair value of the loan.

We are satisfied that the accounting treatment was correct and the value of the loan is appropriately disclosed in the financial statements.

4.6 Impact of the floods during June 2015

The June 2015 floods caused significant damage to the District Council's roading infrastructure which has resulted in a large amount of remedial work being undertaken during the financial year. We identified this as a risk for the District Council as there is judgement required in coding costs as either operating or capital expenditure.

We followed up on the progress of the repairs made to the District Council's affected infrastructure assets and considered expenditure related to the flood, and the District Council's assessment of whether the expenditure was operating or capital in nature.

From our work we are satisfied that the flood damage repair expenditure is fairly stated in the financial statements.

5 Review of Procurement

We completed a review of the joint procurement process undertaken by Manawatu District Council, Horowhenua District Council, and Rangitikei District Council. This was for the tendering of Road Maintenance Contracts across the three Councils. We reviewed the process' compliance with both good procurement practice and the Councils' procurement procedures.

Overall we found that the processes used in this joint procurement process were consistent with accepted good procurement practice and MBIE's Government Rules of Sourcing with some improvements noted. See Appendix 2 for a copy of the report.

6 Status of previous recommendations

The status of each matter that was outstanding in last year's report to the Council is summarised in Appendix 3.

Summary of action taken against previous years' recommendations:

Number of recommendations from previous years' audits	Current status
2	Matters that have been resolved
14	Progress is being made, but not yet fully resolved
6	No progress has been made

This summary needs to be read in conjunction with the status of recommendations raised in previous years' management reports as detailed at Appendix 3.

Appendix 1: Explanation of priority rating system

Our recommendations for improvement and their priority are based on our assessment of how far short the District Council is from a standard that is appropriate for the size, nature, and complexity of its business.

We have developed the following priority ratings for our recommended improvements:

Urgent Major improvements required	**Needs to be addressed *urgently*** These recommendations relate to a significant deficiency that exposes the District Council to significant risk. Risks could include a material error in the financial statements and the non-financial information; a breach of significant legislation; or the risk of reputational harm.
Necessary Improvements are necessary	**Address at the earliest reasonable opportunity, *generally within 6 months*** These recommendations relate to deficiencies that need to be addressed to meet expected standards of good practice. These include any control weakness that could undermine the system of internal control or create operational inefficiency.
Beneficial Some improvement required	**Address, *generally within 6 to 12 months*** These recommendations relate to deficiencies that result in the District Council falling short of best practice. These include weaknesses that do not result in internal controls being undermined or create a risk to operational effectiveness. However, in our view it is beneficial for management to address these.

Appendix 2: Detailed findings regarding our review of Procurement practice

As part of our 2016 audit we completed a review of the joint procurement process undertaken by Manawatu District Council, Horowhenua District Council, and Rangitikei District Council. This was for the tendering of Road Maintenance Contracts across these three Councils. We reviewed the process' compliance with both good procurement practice and the Councils' procurement procedures. Our observations are detailed below.

Procurement in practice

Overall, we found that the processes used in this joint procurement process were consistent with accepted good procurement practice and MBIE's Government Rules of Sourcing. We observed the following areas which demonstrated this.

- Conflict of interest declarations were completed in a timely manner by those on the evaluation team. This is well before tender documents have been completed.
- The Procurement Strategy provided good detail on the method, timelines, and requirements of the tender. Information regarding the length and type of the contract was also included.
- The tender document provided good detail on the conditions of tendering, parties' expectations, and a description of the contract. We found that there was sufficient information on this document to ensure that tenderers knew what was required to be submitted and when, and how the tender process would operate.
- Evaluation plans provided good detail on the proposed evaluation approach. This included the identification of key staff, timelines for each stage of the evaluation, and the evaluation method to be used.
- Tender documentation was appropriately distributed to all prospective tenderers via Tenderlink. This ensured that potential tenderers were given equal opportunity to submit tenders.
- Communications to tenderers were distributed as Notices to Tenderers. This upheld the requirement for a single point of contact from the Council leading the process and ensured that tenderers were receiving notices and clarifications at the same time. Communications were clear and appropriate to the issue being addressed. We did note one Notice being sent to tenderers cancelling a tendering meeting that was to be held the day that the Notice was sent out. The Councils need to ensure that the timing of its notices are appropriate and timely. This adds to the fairness of the process.
- We sighted evidence that the closing and checking of tender submissions was managed appropriately. This included the checking of submissions to ensure that they adhered to tender requirements before being passed to the evaluation team. This pre-checking ensured that additional pages added to those of one tenderer's submission were excluded and ensured the fairness of the process.

- The tender evaluation report provided good detail on the process followed and was consistent with other evaluation evidence sighted. We note that the evaluation plan required a non-price evaluation report to be completed prior to the opening of the price envelopes. We were unable to sight this interim report and were informed that while one had been completed it could not be located. The Councils need to ensure that all of its records, particularly signed versions, are retained and easily accessible for future reference. This helps the Councils defend any challenge to the process as well as being able to transfer learning from one process to another.

- Letters to successful and unsuccessful tenderers provided good detail on the outcome of the evaluation. We do note that letters did not provide unsuccessful tenderers the opportunity for a tender debrief, though we later clarified that these were requested anyway and did occur. The opportunity for a debrief allows unsuccessful tenderers to learn from their tender's deficiencies in order to improve on future submissions. We would expect these to be offered to all unsuccessful tenderers.

Other than those already mentioned above, we believe that the following improvements could be applied to future procurements to ensure the robustness of the process.

- Conflict of interest declarations should be signed off by the appropriate authority at the time that they are signed off by the person completing the declaration. This dual signing ensures that any risks have been appropriately considered and accepted by both the signee and the one-up authority. All of the conflict of interest declarations that we sighted were signed off in a timely manner by the person completing the declaration, but were not signed off for approval until tender submissions had been opened. This delay in signing creates the risk of issues arising from the continued involvement of someone with identified conflicts.

- Declarations should be regularly updated, both actively and at key stages of the procurement process. This ensures that declarations remain timely at any point of the process. Each update should also be signed off by the appropriate authority. We did not sight any evidence that declarations had been updated at any time after initial declarations had been completed. As more information becomes available the greater the pool from which a conflict of interest may arise. Updates to declarations may be in the form of updated declaration forms or asked and minuted at the beginning of subsequent meetings.

- Declarations should be completed by those with the ability to influence the decision of the evaluation team, regardless of whether or not these individuals have decision making power. This requirement extends to consultants, advisors, and auditors involved in the process. We sighted declarations from those on the evaluation team but did not sight declarations from the probity auditor or any subject matter experts. Given that advice from these individuals assist the evaluation team in forming their conclusions, we could have expected declarations from them too.

- A business case should be prepared for all procurements of significant value and risk. The detail contained within these include justification for the procurement, funding approval, and cost estimates. While we sighted a procurement strategy that covered all three procurement processes, we note that the purpose of a procurement strategy or plan is distinctive from a business case which justifies starting the procurement in the first place.

- A procurement strategy or plan should specify the roles and responsibilities of those involved in the process. This includes those sitting on the evaluation team and any advisors to the process.

- Risk should be considered during the procurement planning staff. These risks relate to the procurement process rather than the contract. A good risk assessment includes identification of the risk, analysis of the consequences and likelihood, and identification of mitigation strategies. Risks should also be assigned risk owners to ensure that accountability for each risk is maintained. We did not sight evidence that risk had been assessed as part of the procurement.

- While the procurement strategy identified the broad scope of the procurement, we would expect to see more specificity around timing and quality of what was being procured.

Management comment

Your comments are noted.

Appendix 3: Status of previous recommendations

Outstanding matters

Recommendation	Current status	Priority	Management's proposed action
Risk management The District Council considers improvements to its Risk Management Register.	**In progress**	Necessary	*This work will take place in 2017.*
Procurement policy The District Council continues to develop the associated policies, procedures and templates required to support the newly adopted procurement policy.	**Outstanding**	Necessary	*The Council Procurement Policy provides a framework for council-wide procurement. Due to the diverse nature of procurement activities is it difficult to produce a 'one size fits all' template. Each procurement process is documented with the appropriate approval steps in line with the MDC Delegations Manual.*
Contract management The District Council develops an organisation-wide contract management system,. and develops appropriate policies and procedures to facilitate the oversight of contracts.	**In progress** The District Council has begun using some functionality within its finance system to associate payments with contracts. There is additional payment tracking functionality to implement.	Necessary	*A register of contracts has been prepared. We are not implementing an organisational contract management system at this stage.*
IS Policies We recommended in our 2013 and 2014 audit that the new Information Systems (IS) policies and the Information Management (IM) Strategic Plan be approved and communicated to all staff.	**In progress** IS and IM policies and plans have not been communicated to staff.	Necessary	*A compulsory staff briefing was held last financial year. Approved and draft policies were discussed. It is planned to hold similar briefings annually.*

Recommendation	Current status	Priority	Management's proposed action
Review Ozone system users and their access level The review of users and their access levels, both at the network and the Ozone system layer level be given urgent priority. Given the amount of changes in staff during the past year, a full review of users on the network should also be performed.	**In progress.** External provider is working with finance department to review Ozone users and access to Ozone.	Necessary	*Access levels and delegations have been provided to finance. These are currently being reviewed.*
Cash reconciliation – segregation of duties/unique logons A peer review be carried out by till operators when tills are cashed up, or alternatively, spot checks are implemented by internal audit to ensure that cash floats reconcile. Individual logons are used by all staff when using the front of house till. If cover is needed over a break period, the till should be set up as a shared till and the staff member performing cover be added as a till user for the period.	**Outstanding**	Necessary	*Spot checks are performed by the Team Leader. However, these are not evidenced.* *In future the Team Leader will sign/initial documentation when she performs the pre-banking review.*

Recommendation	Current status	Priority	Management's proposed action
Archive of asset systems information An archive or snapshot be made of both the water and roading asset management systems at the time of the valuation, and that these files then be reconciled to the valuation report and fixed asset register (which includes the additions and disposals during the year) to ensure there are no variances.	**In progress** ***Utilities*** – there is no evidence of a reconciliation between the valuation and the fixed asset register. ***Roading*** – a snapshot is taken from the RAMM valuation module which shows the attributes and value of each component. For future valuations we recommend that a snapshot is taken of the unit rates used. The unit rates and the total quantities of assets should be included as tables in the valuation report. We also recommend that the District Council perform a full reconciliation between Asset Finda/RAM and Ozone.	Necessary	*The asset registers are brought in line at the beginning of each year when the revaluation is processed. At the end of year a reconciliation of the movements will be completed.*
Water assets revaluation – controls over spreadsheets If Excel spreadsheets are to continue to be used to determine appropriate unit rates, controls are developed around data protection and accuracy.	**Outstanding**	Necessary	*Spreadsheets are used to support the data. However the rates are contained and protected within AssetFinda.*
Asset management plans We identified a number of areas where Council could improve its asset management planning, in particular around the accuracy of data relating to condition and performance.	**In progress** We note that work is currently under way to update the Roading asset management plan. We have not performed any specific work on reviewing asset management plans during this audit.	Necessary	*A review of the Asset Management Plans is underway and scheduled for completions on 30 June 2017 as a part of the Long-Term Plan process.*
Revaluation of asset classes Council revalue all assets within a class in compliance with PBE IPSAS 17. This is in relation to the Kiwitea Rural water supply assets.	**In progress** We understand that District Council is currently working with the Kiwitea Water Scheme Trust to ensure they have adequate asset records to facilitate a revaluation.	Necessary	*We are still working with the Trust.*

Recommendation	Current status	Priority	Management's proposed action
Water assets – condition rating The District Council reviews its policy for the condition rating and useful lives for "below ground assets", and consider using deterioration modelling. Currently assets "under the ground" are set at 99 years useful life.	**In progress**	Necessary	*We are currently not using condition rating and information is primarily age related based on material type. We do not use a standard 99 years.*
Utilities Infrastructure valuation methodology The District Council obtains an independent review of the methodology used to value utilities infrastructure to ensure validity of base data and calculations, and that the District Council documents its year-end valuation process and rationale for any changes made to unit price.	**Outstanding** We note that the next valuation is going to be independently peer reviewed. The review must include a review of valuation methodology.	Necessary	*The 1 July 2016 valuation has been peer reviewed by MWH. As a part of this process they reviewed the valuation methodology.*
Documentation of Valuation Procedures – Roading The District Council develop and document procedures for its annual roading valuations.	**In progress** The District Council is developing a process map.	Necessary	*The internal RAMM processes are documented by the supplier. The MDC valuation process has been mappedand the capitalisation / other movements processes is underway.*
IS Policies IS policies need to be adopted by management and staff need to be made aware of the new policies. Policies need to be available in an easily accessible space and new staff need to be trained in the policies.	**In progress**	Necessary	*The policies have been completed and has been presented to the Executive team in June 2016.*

Recommendation	Current status	Priority	Management's proposed action
Improve procedures for deletion of users from systems when they leave All staff leaving, including students and contractors, need to be advised to IT and logged in the servicedesk system for actioning. Other councils IT departments (e.g. Rangitikei District Council) must also be notified of changes or terminations of Manawatu District Council staff if they have access to other council networks.	**In progress**	Necessary	*Improvements to our processes are currently underway.*
Review Ozone users and their access levels Annual reviews of users and their access levels be performed.	**Outstanding**	Necessary	*We will undertake an annual review of users and their access levels.*
Perform formal restore tests from backup A schedule of formal restore tests be established and carried out to ensure the District Council could recover from a disaster.	**Outstanding**	Necessary	*Testing of backups has been happening often albeit not always regularly.*
Contract for IT support Performance based reporting and monitoring should be carried out to ensure the District Council IT infrastructure and applications and enforcement of IT security policies and procedures are being managed effectively.	**In progress**	Necessary	*Quarterly reports are provided for the purposes of performance monitoring. Details include number of IS requests taken/resolved, by type/person/priority.*
Improve Servicedesk logging and reporting Servicedesk improvements need to be prioritised to ensure effective management and reporting of problems and incidents.	**In progress**	Necessary	*With the updated IS request system will be improved reporting structures.*

Recommendation	Current status	Priority	Management's proposed action
Update and test business continuity and IT disaster recovery plans Organisational business continuity and IT disaster recovery plans be developed and regularly tested.	**In progress**	Necessary	*The Business Continuity Plan (BCP) is under review, and a project team has been put in place to carry out the review. The Database Administrator will be part of that team to ensure that all the required BCP planning for IT is included in the review. The Executive Team has asked that this review be completed by the end of August 2016.*

Matters that have been resolved

Recommendation	Outcome
Readiness for audit Processes are put in place to ensure the District Council is sufficiently prepared for audit.	The District Council provided a relatively complete first draft of the financial statements and a hard copy audit substantiation file, which was very useful for the completion of our audit. There were some changes to the hard copy file at the beginning of our audit but these changes were minor in nature and did not impact on our audit.
GST on property purchase The District Council reviews its GST treatment on a property transaction with Housing New Zealand in 2012/13, as it may be entitled to a refund of GST for approximately $21,000. Council had not sold the property at the time of the 2014/15 audit.	The District Council has sold the property in the 2015/16 financial year and the treatment was consistent with that as at the time of the purchase.

Appendix 4: Mandatory disclosures

Area	Key messages
Our responsibilities in conducting the audit	We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001. The audit of the financial statements does not relieve management or the Council of their responsibilities. Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.
Auditing standards	We carry out our audit in accordance with generally accepted audit standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.
Auditor independence	We confirm that, for the audit of the Manawatu District Council's financial statements for the year ended 30 June 2016, we have maintained our independence in accordance with the requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. Other than the audit and an independent assurance review of the District Council's Debenture Trust Deed, we have not provided any engagements for the Manawatu District Council during the year ended 30 June 2016. In addition, we have no relationships with, or interests in, the Manawatu District Council.
Other relationships	We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Manawatu District Council that is significant to the audit. We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Manawatu District Council during or since the end of the financial year.
Unresolved disagreements	We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the financial statements. Management has not sought to influence our views on matters relevant to our audit opinion.

Audit and Risk Committee

Meeting of 10 February 2017

Business Unit: Corporate and Regulatory
Date Created: 01 February 2017

Second Quarter Report to 31 December 2016

Purpose

To provide a summary to 31 December 2016 of the Council's performance against 2016/17 Annual Plan.

Significance of Decision

The Council's Significance and Engagement policy is not triggered by matters discussed in this report.

Recommendations

That the Audit and Risk Committee receive the Second Quarter Report to 31 December 2016.

Report prepared by:
Colleen Morris
Chief Finance Officer

Approved for submission by:
Shayne Harris
General Manager - Corporate and Regulatory

1 Contribution to the Council Vision and Council Outcomes

1.1 Relationship to the Council Outcomes that underpin the Council's Vision:

Connected, vibrant and thriving Manawatu – the best rural lifestyle in New Zealand

Manawatu District will improve the natural environment, stewarding the district in a practice aligned to the concept of kaitiakitanga.	The Manawatu will attract and retain residents.	Manawatu district develops a broad economic base from its solid foundation in the primary sector.	Manawatu and its people are connected via quality infrastructure and technology.	Manawatu's built environment is safe, reliable and attractive.	Manawatu District Council is an agile and efficient organisation.
					✓

2 Background

2.1 Quarterly governance reports provide interim updates towards end of year results to be published in the Annual Report 2016/17. The Annual Report accounts for how Council performed against the 2017/18 Annual Plan and the non-financial measures included in the second year of the 2015-25 Long Term Plan. The reports summaries Council's financial performance, progress on capital projects, levels of service performance and reasons for significant differences from what was planned.

3 Discussion and Options considered

3.1 This report is for information purposes. Any matters that require resolution would be reported separately to Council.

3.2 The new Health and Safety at Work Act came into force on 4 April 2016. Considerable time and effort has been put into educating staff, managers and contractors on their duties and responsibilities under the reformed legislation, as set out below:

- The following training has been undertaken this quarter: first aid training and Lifeguard Practicing Certificate training.
- Health and Safety inductions have been completed for 7 people.
- The following policies and procedures have been reviewed and updated to meet requirements of the new Health and Safety at Work Act: Accident / Incident Reporting Form and Accident / Incident Investigation Form.
- The following wellness initiatives, designed to support staff and promote wellness in the workplace, have been undertaken this quarter: hepatitis vaccinations, workstation assessments, drug and alcohol checks.
- The following communications were sent to staff this quarter relating to Health and Safety communication and education: election process for the Health and Safety Committee, and WorkSafe Newsletter regarding Health and Safety at Christmas Events.

4 Operational Implications

4.1 There are no capital or operating expenditure implications, or maintenance costs associated with this paper.

5 Financial implications

5.1 Any financial implications would be reported separately to Council.

6 Statutory Requirements

6.1 Quarterly governance reports provide an overview of results towards the Annual Report, which will be prepared and audited in accordance with the requirements of the Local Government Act 2002.

7 Delegations

7.1 The Audit and Risk Committee's Terms of Reference includes the responsibility for financial reporting, including the following:

- long term planning including the financial strategy;
- appropriateness of accounting policies;
- annual report; and
- internal report (monthly and/or quarterly).

8 Consultation

8.1 There are no consultation requirements associated with this matter.

9 Cultural Considerations

9.1 There are no cultural considerations associated with this report.

10 Conclusion

11 The quarterly reports are a mechanism of transparently reporting against progress towards achieving targets set in the Long Term Plan.

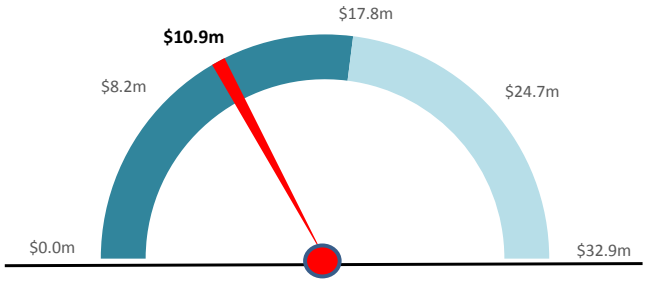
12 Attachments

- Quarter Two Report
- Capital Expenditure Report

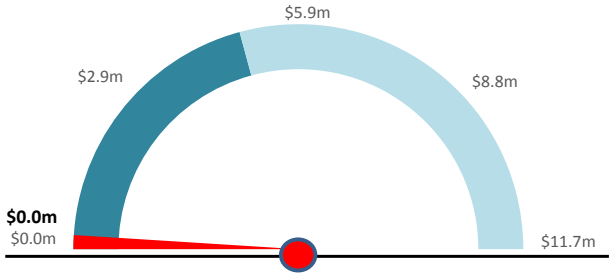
Key Indicators

For the period ended 31 December 2016

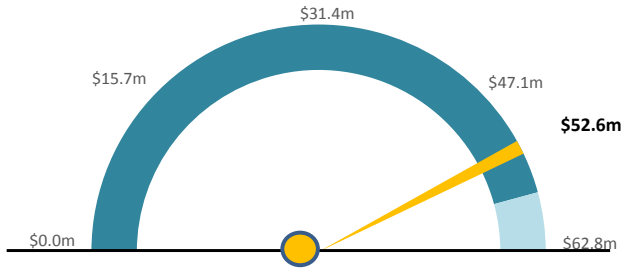
Capital Expenditure



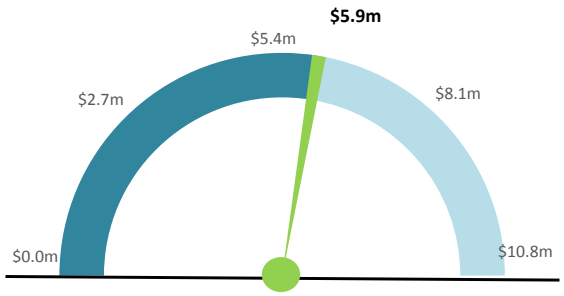
Loans Raised



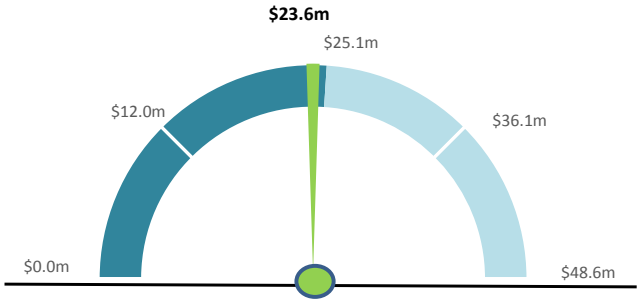
Total External Debt



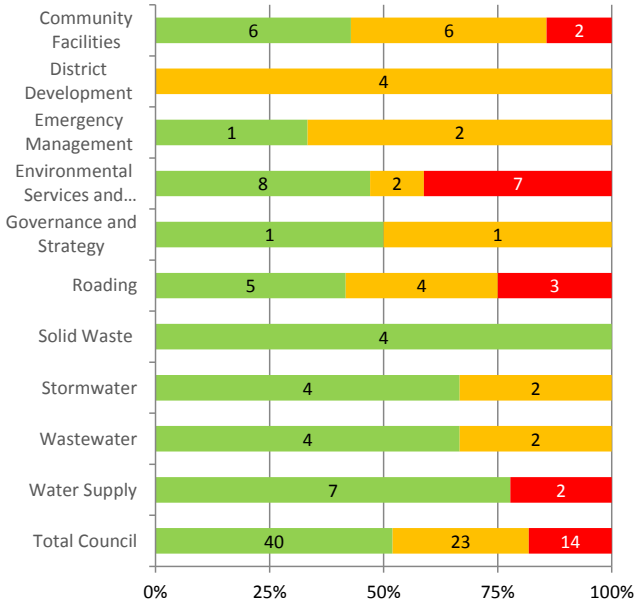
Total Operating Revenue (excluding rates)



Total Operating Expenses



Key Performance Indicators



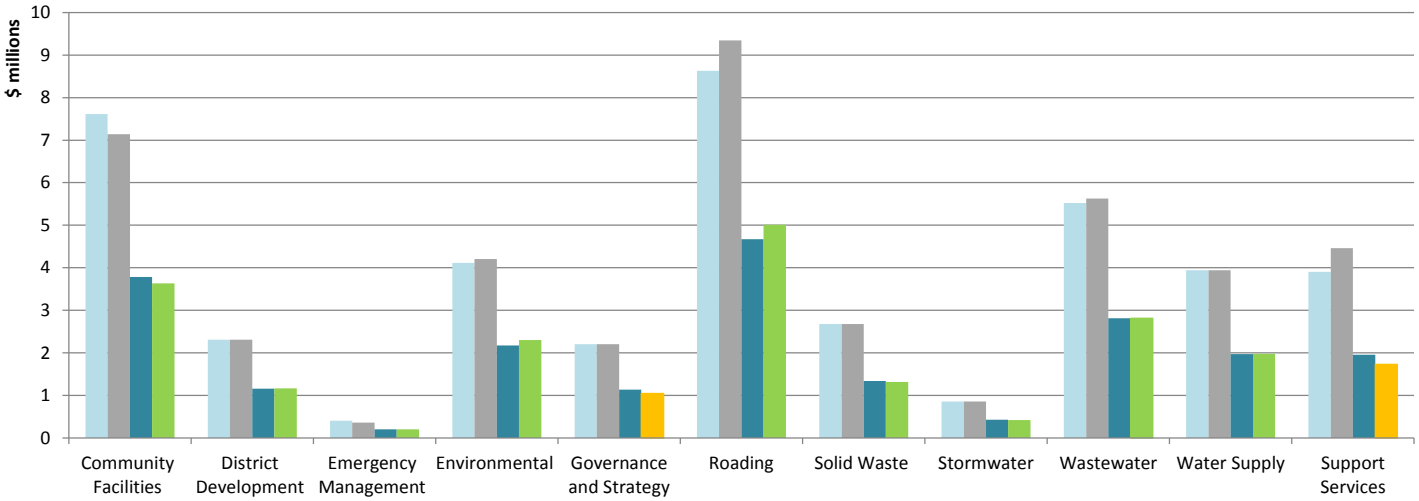
Key

Annual Plan | YTD Budget | Actual - On Track | Actual - Needs Monitoring | Actual - Not achieving

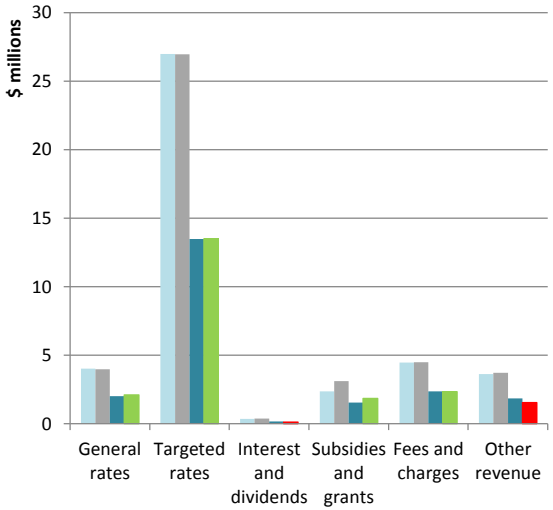
Overall Council Summaries

For the period ended 31 December 2016

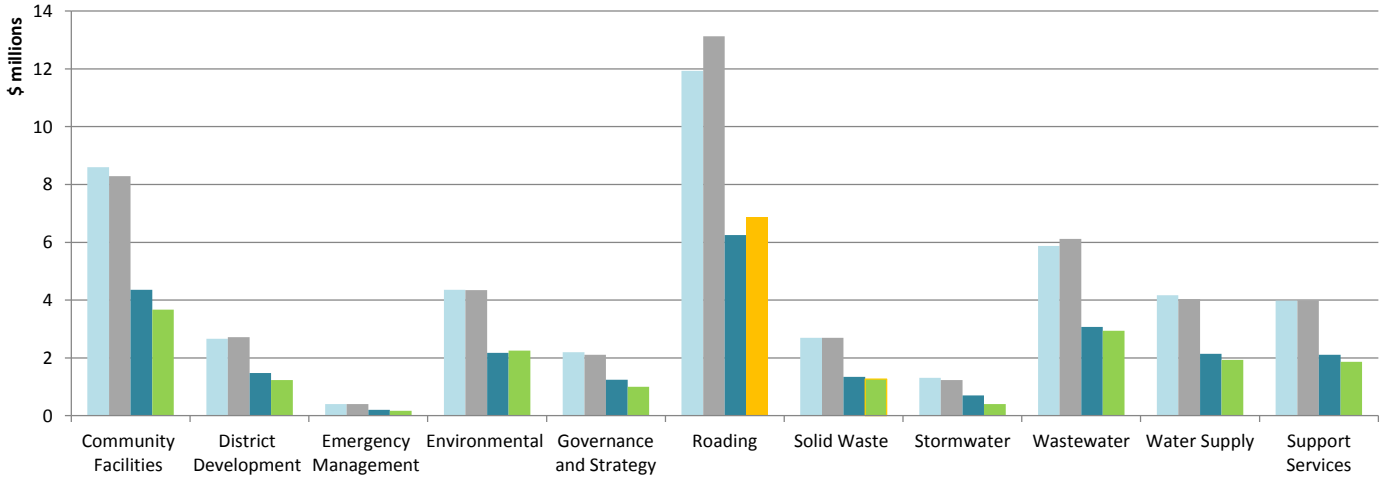
Operating Revenue - by activity



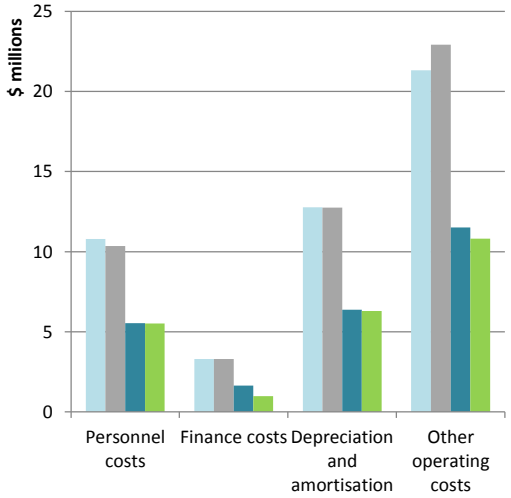
Operating Revenue - by type



Operating Expenditure - by activity



Operating Expenditure - by type



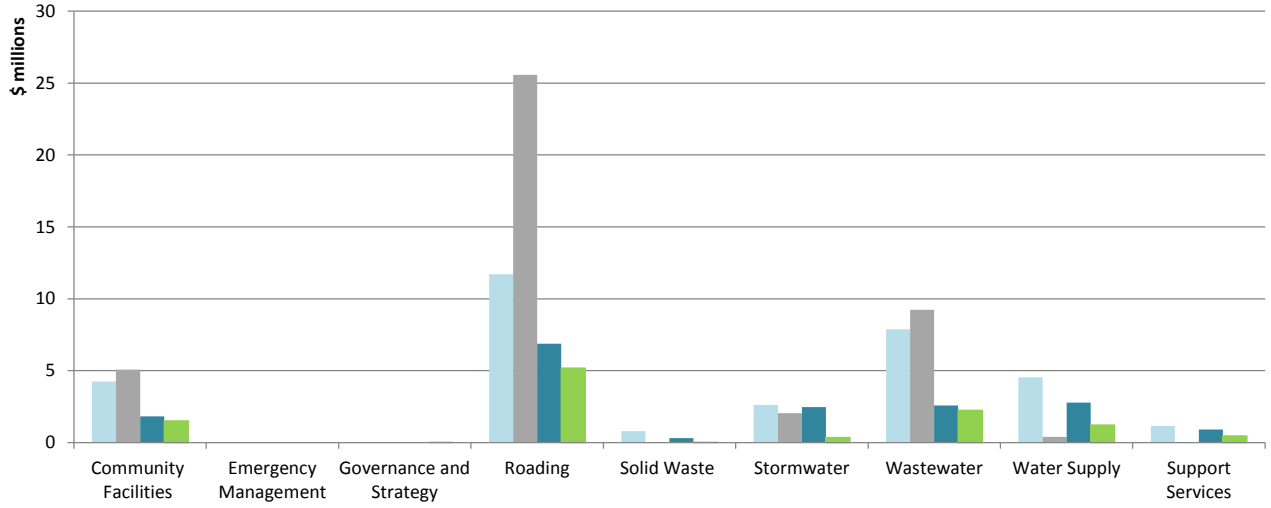
Key

- Annual Plan
- Year End Forecast
- YTD Budget
- YTD Actual - favourable **OR** unfavourable < 5% budget
- YTD Actual - unfavourable 5-15% budget
- YTD Actual - unfavourable > 15% budget

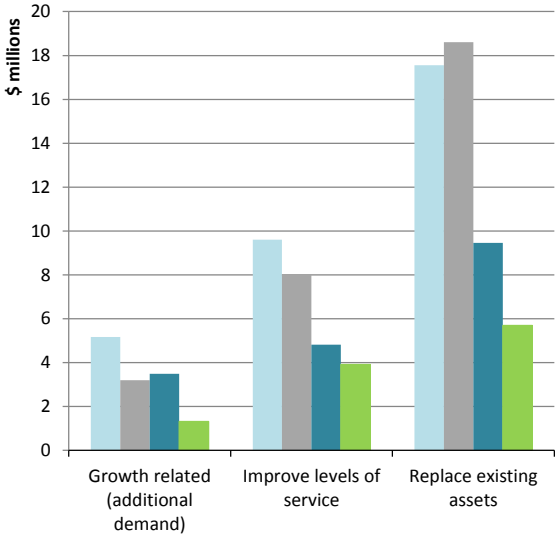
Overall Council Summaries

For the period ended 31 December 2016

Capital Expenditure - by activity

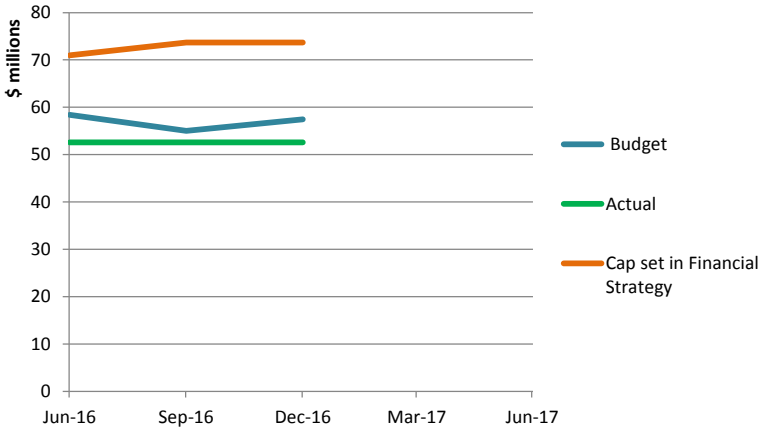


Capital Expenditure - by type

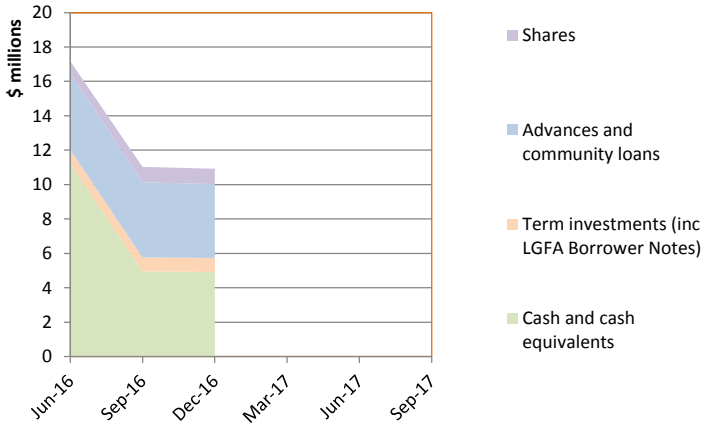


Annual Plan | Year End Forecast | YTD Budget | YTD Actual - favourable **OR** unfavourable < 5% budget | YTD Actual - unfavourable 5-15% budget | YTD Actual - unfavourable > 15% budget

External Borrowings



Investments - by type



Comments:

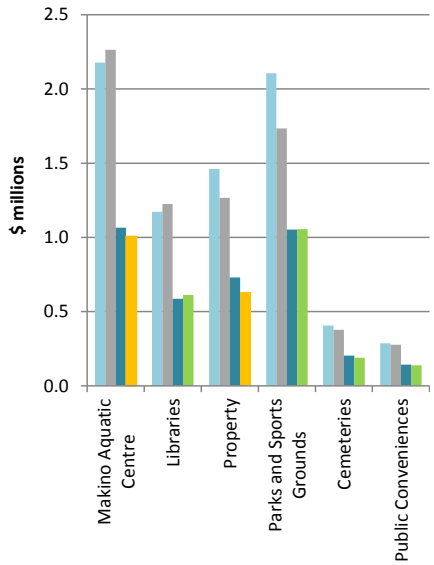
In June last year Council borrowed $10m to take advantage of favourable rates. As anticipated, these funds were used in the first six months of the year. Cash forecasts indicate loan funds will be required in March or April 2017.

The capital expenditure forecasts include the projects carried over from the 2015/16 year subsequent to the Annual Plan process.

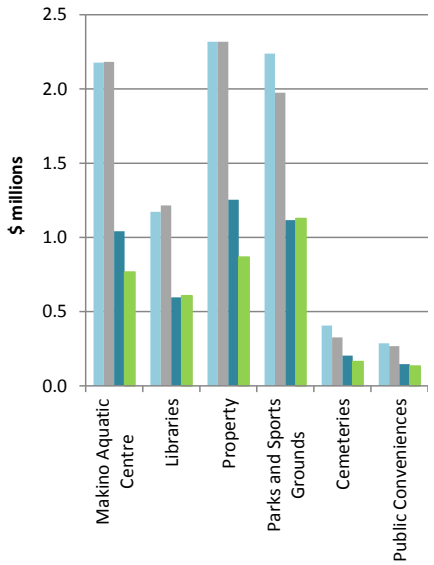
Community Facilities

For the period ended 31 December 2016

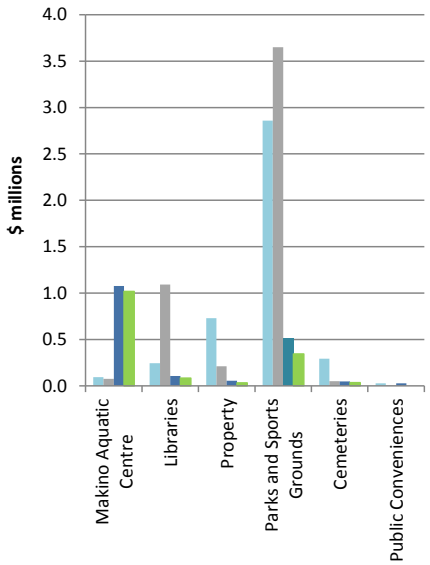
Operating Revenue



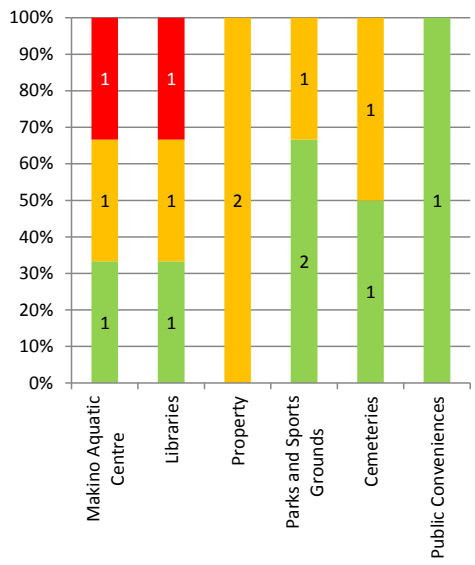
Operating Expenditure



Capital Expenditure



Key Performance Indicators



Revenue is from rates and user fees and charges.

MAC revenue budget was conservative due to the capital project. The Makino was closed for the first month of the first quarter.

No property sales transactions occurred this quarter and none are expected in the near future.

Rental relief has reduced income on Feilding Depot.

Expenditure is expected at planned levels for all activities for the year. The variances above reflect timing differences throughout the year. Expenditure will increase over the summer months for Parks and Property.

Scoping work is being carried out for many of the projects and physical work will commence once scoping has been completed.

The MAC redevelopment was completed in July 2016, with final expenditure expected in January 2017. The Annual Plan is lower, $1m was carried forward from 2015/16 outside the Annual Plan process.

No work has been planned for the South Street/Kawakawa Road land development (budget $459k). This is a part of the property activity.

The capital expenditure report contains a detailed list of the progress of projects.

Makino - Poolsafe re-accreditation has not yet been obtained following the redevelopment. The assessment is scheduled for 22 February 2017. The customer satisfaction survey is scheduled for February. On the positive side the annual target of more than 12,500 participants in a variety of water activities has been exceeded, with a total of 14,180 participants in the first six months.

Libraries - The target of 12 issues per capita is unlikely to be met with only 4.21 issues per capita for the six months ended 31 December. While it is expected to meet the target of 920 events (447 for the first six months) only 6,313 participants have taken part in these activities and the target of 18,300 participants is unlikely to be achieved. (continued on page 15)

Key

Annual Plan | Year End Forecast | YTD Budget | YTD Actual - favourable **OR** unfavourable < 5% budget | YTD Actual - unfavourable 5-15% budget | YTD Actual - unfavourable > 15% budget

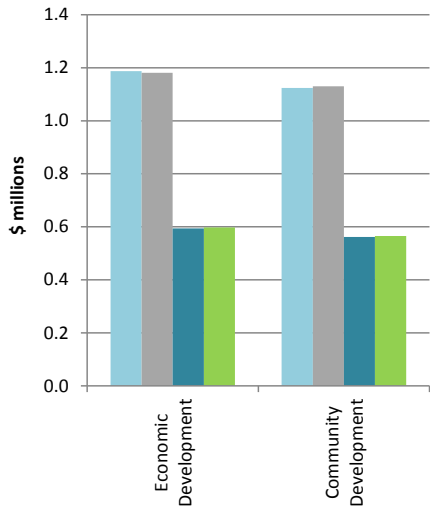
Key

On Track | Needs Monitoring | Not achieving

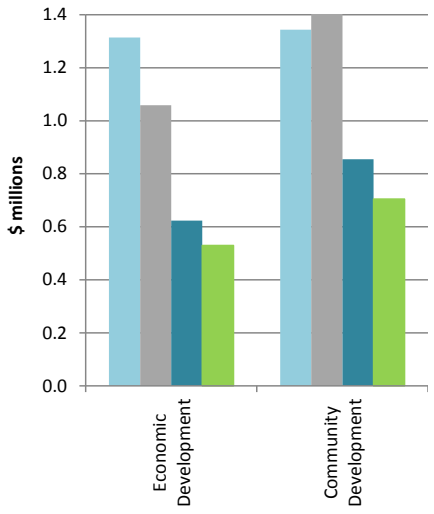
District Development

For the period ended 31 December 2016

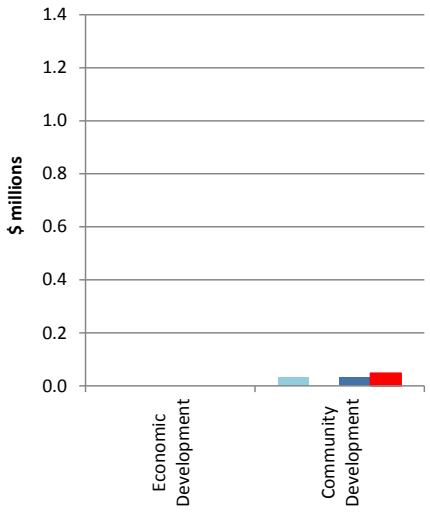
Operating Revenue



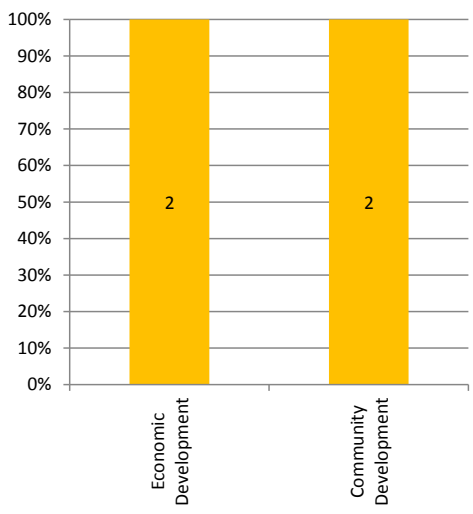
Operating Expenditure



Capital Expenditure



Key Performance Indicators



Income is primarily from rates.

Expenditure is down compared to budget due to phasing differences and lower support costs for the first two quarters.

Expenditure for the implementation of the village community plans has been prioritised for the next three years. Projects have now commenced.

Other projects, such as Community Development Fund, Community Committee Project Funds, Village Community Plans and the Spatial Plan were carried over from the previous financial year and are currently being carried out.

Community Development Project (Rangiwahia Hall toilets)

Economic Development - The customer satisfaction survey is planned for the third quarter. Reports are expected from funding recipients in March, for the six months ended 31 December.

Community Development -The customer satisfaction survey is planned for the third quarter. Reports from partnership funding recipients were received by the Community Funding Committee in December 2016. Additional information was requested from one recipient and will be presented in February 2017.

Key

Annual Plan | Year End Forecast | YTD Budget | YTD Actual - favourable **OR** unfavourable < 5% budget | YTD Actual - unfavourable 5-15% budget | YTD Actual - unfavourable > 15% budget

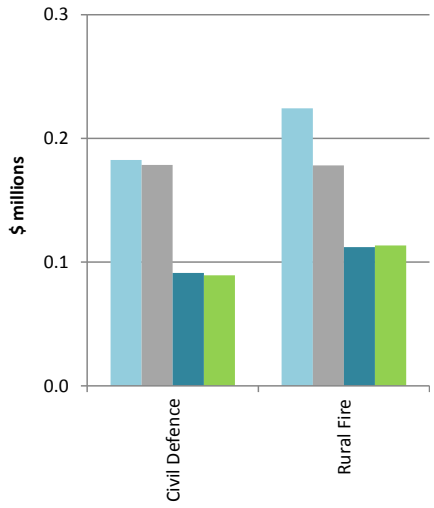
Key

On Track | Needs Monitoring | Not achieving

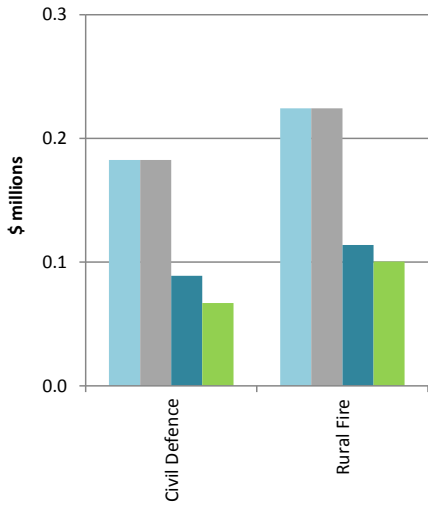
Emergency Management

For the period ended 31 December 2016

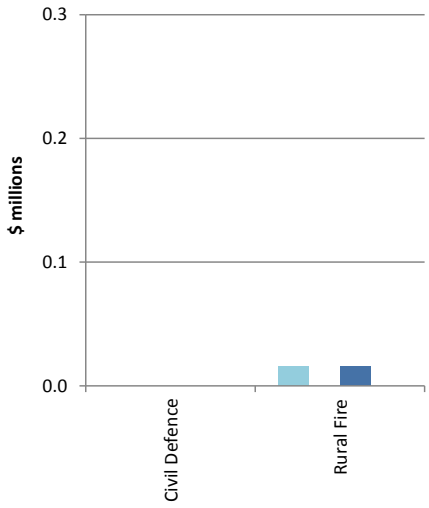
Operating Revenue



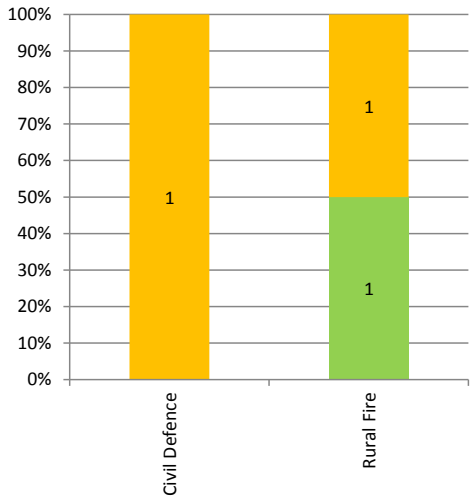
Operating Expenditure



Capital Expenditure



Key Performance Indicators



Income is primarily received through rates.

The budget includes a small allowance for unexpected events. No such events have occurred this quarter.

Planned capital expenditure for the year is $16k, for equipment renewals and is forecast to be spent later in the year. Due to the transfer of this activity to FENZ, this will only be spent if considered necessary.

Civil Defence - The community feedback survey is planned for the end of the third quarter.

Rural Fire - The customer survey is planned for the end of the third quarter. All rural fire callouts have been responded to.

Key

Annual Plan | Year End Forecast | YTD Budget | YTD Actual - favourable **OR** unfavourable < 5% budget | YTD Actual - unfavourable 5-15% budget | YTD Actual - unfavourable > 15% budget

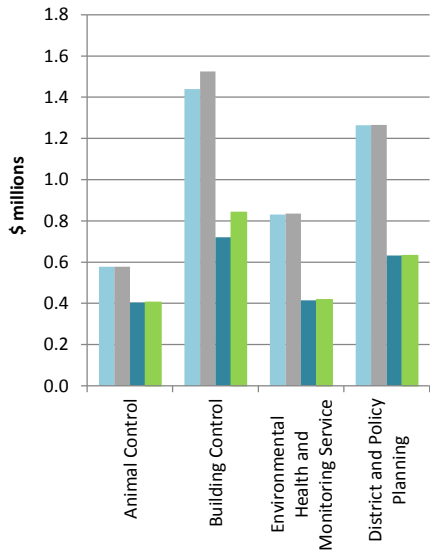
Key

On Track | Needs Monitoring | Not achieving

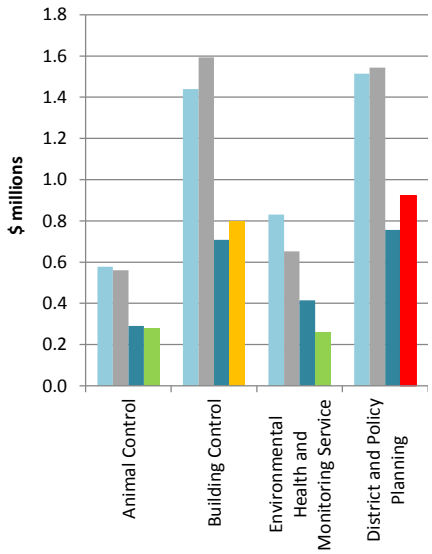
Environmental Services and Monitoring

For the period ended 31 December 2016

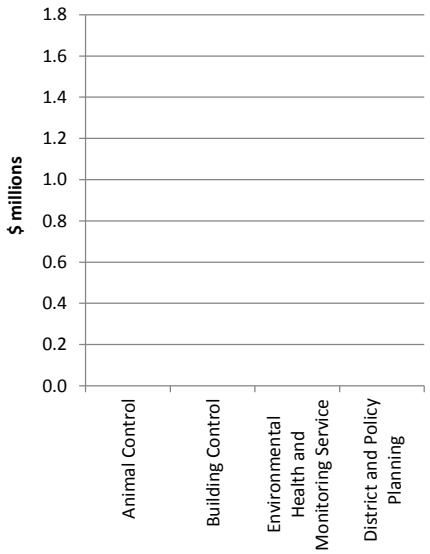
Operating Revenue



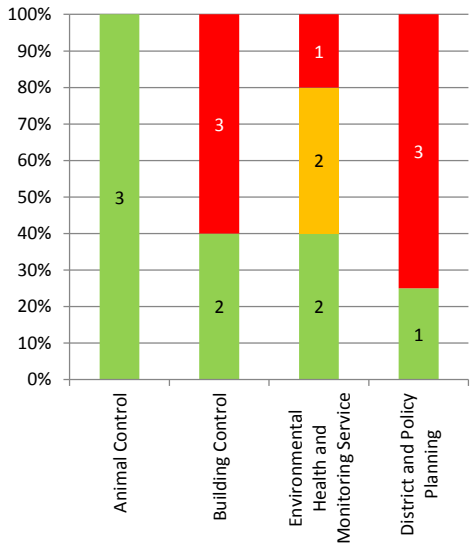
Operating Expenditure



Capital Expenditure



Key Performance Indicators



Building Control revenue is greater than anticipated as a result of increased numbers of building consents applications.

Animal Control - a greater number of dogs were registered than anticipated.

Environmental Health - greater revenue due to the transition to the requirements of the Food Act 2014. The transition period is three years, with the possibility of extra revenue this year, depending on uptake.

Building Control - support costs are higher than budgeted due to additional time required to process the increased applications. This is funded by the additional building control revenue received.

District Planning - the costs associated with Precinct 4, urban growth plan change for Pharazyn St are greater than anticipated.

Environmental Health - less staff time has been charged to this activity for the first two quarters as less administration support staff time was needed.

There is no capital expenditure planned for this activity.

Animal Control - All of the targets for a timely response to requests for service have been met. Last quarter these were reported as not met due to technical issues. These issues have been address and the data reloaded.

District Planning and Policy - The three measures not achieved relate to the consent processing time. In all cases the target is 100%.
- five notified or limited notified consents were received with one processed outside the 70 day target. This consent required additional time due to issues raised at the hearing.
- 127 resource consents were received and four were not processed within the 20 day target. Three were processed within 23 days and one was subject to an objection by the applicant.
(continued on page 15)

Key

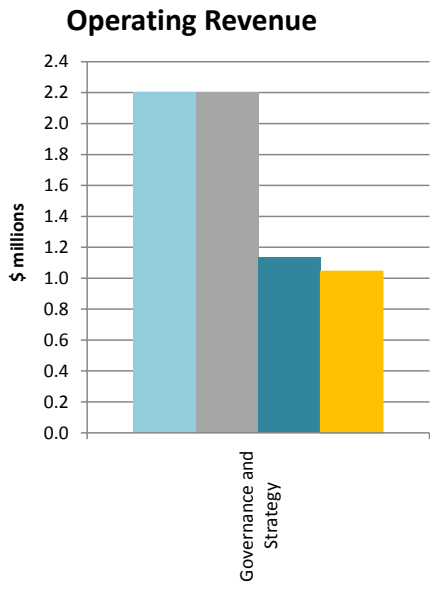
Annual Plan | Year End Forecast | YTD Budget | YTD Actual - favourable **OR** unfavourable < 5% budget | YTD Actual - unfavourable 5-15% budget | YTD Actual - unfavourable > 15% budget

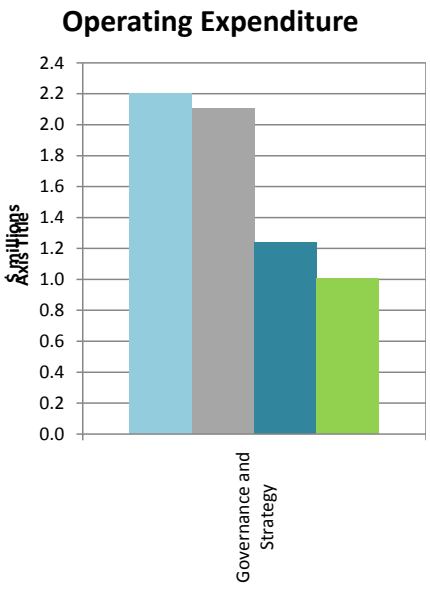
Key

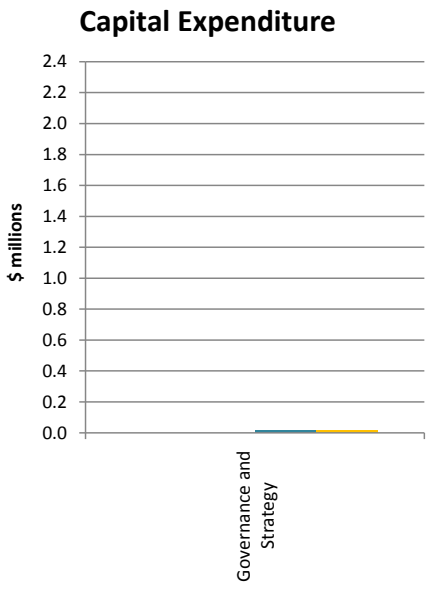
On Track | Needs Monitoring | Not achieving

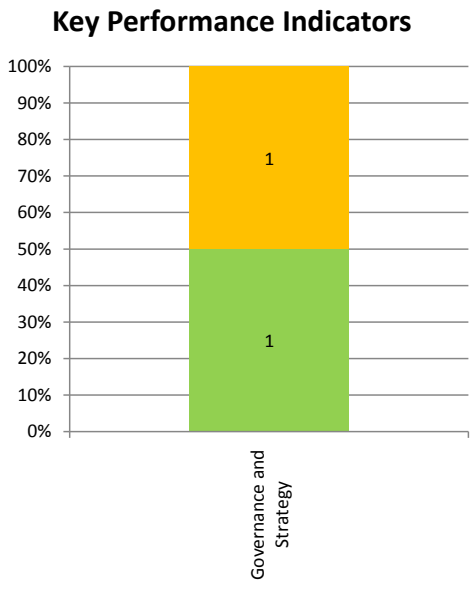
Governance and Strategy

For the period ended 31 December 2016









Income is received through rates.

Invoices for the October 2016 election costs are to be sent to Mid Central Health and Horizons in February 2017.

Support services costs are lower than budgeted.

In 2015/16 the upgrade of the Council wing was planned. The purchase of furniture was delayed until July 2016 (total $13k).

Governance and Strategy -There have been no breaches of the rating or debt limits set in the financial strategy. The limit for rates increases (as defined in the Financial Strategy) for the 2016/17 year is 5.9%. The rates set resulted in a 4.6% increase. The borrowing limit for the 2016/17 year is $74m. The proposed borrowing at the end of the year is $63m with actual borrowing to date is $53m.

The customer survey regarding opportunities for the community involvement in decision-making is planned for the end of the third quarter.

Key

Annual Plan | Year End Forecast | YTD Budget | YTD Actual - favourable **OR** unfavourable < 5% budget | YTD Actual - unfavourable 5-15% budget | YTD Actual - unfavourable > 15% budget

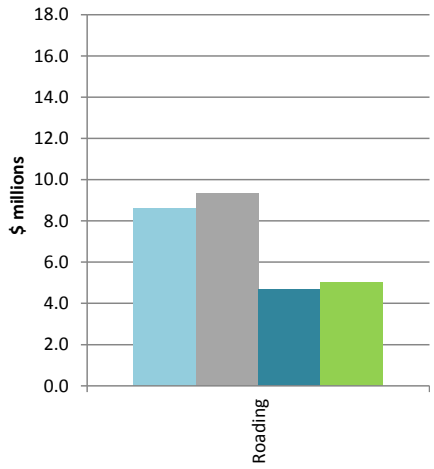
Key

On Track | Needs Monitoring | Not achieving

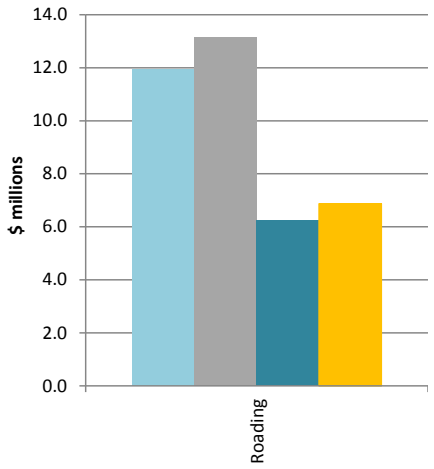
Roading

For the period ended 31 December 2016

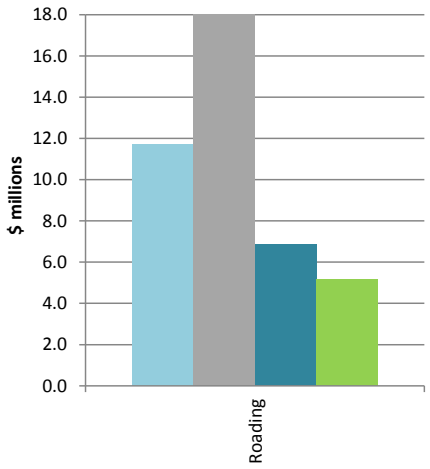
Operating Revenue



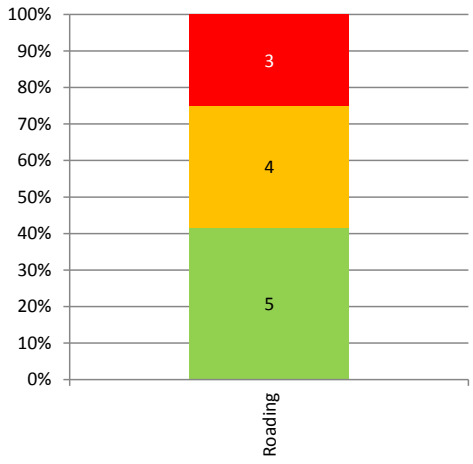
Operating Expenditure



Capital Expenditure



Key Performance Indicators



Revenue is received through rates and NZTA subsidy. The increased subsidy is a result of the increased expenditure.

The June 2015/16 flood put the 2015/16 programme behind schedule. Significant amounts were carried over to 2016/17 and projects are now being completed.

Subsidised work programme ahead of budget phasing. Meeting monthly with contractor to ensure work programme for the financial year finishes on budget.

The capital expenditure report contains a detailed list of the progress of projects.

There are four measures that are not yet able to be reported against. Three relate to customer satisfaction surveys that are planned for the third quarter. The fourth relates to the number of fatal and injury crashes where the crash data is not yet available.
The targets not met relate to achieving the agreed response times 90% of the time:
- 67.5% for contracted service personnel on site for urgent requests (target within one hour)
- 83.3% of customers were notified when the road network had been reinstated (within one hour)
- 39.2% of non urgent requests responded to, acknowledged and resolved within five days. (Under the contract non urgent works are programmed for repair within three months or as instructed).

Key

Annual Plan | Year End Forecast | YTD Budget | YTD Actual - favourable **OR** unfavourable < 5% budget | YTD Actual - unfavourable 5-15% budget | YTD Actual - unfavourable > 15% budget

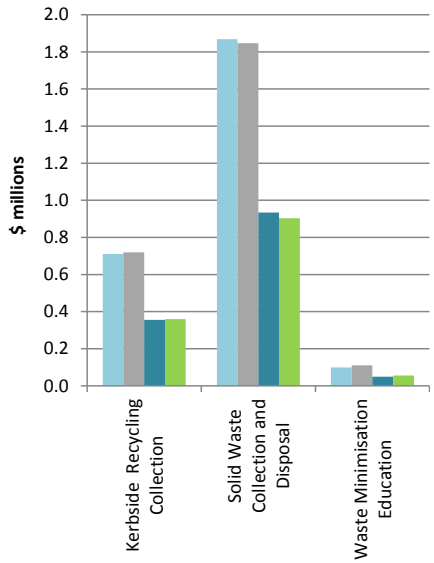
Key

On Track | Needs Monitoring | Not achieving

Solid Waste

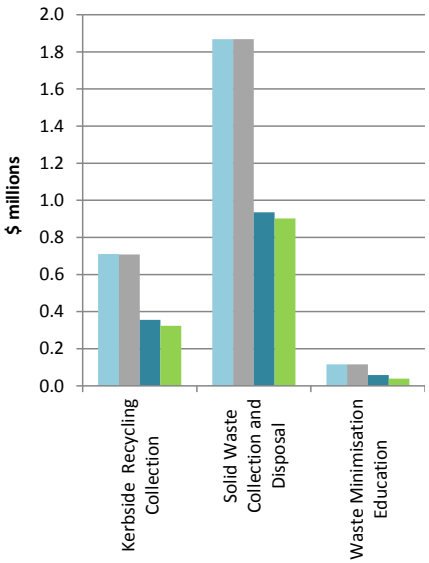
For the period ended 31 December 2016

Operating Revenue



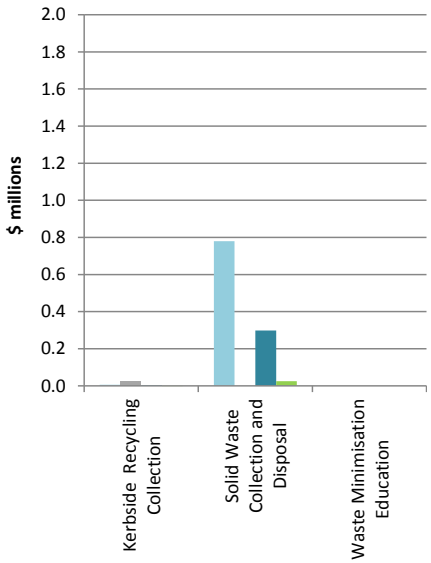
Revenue is primarily from rates, gate takings at the transfer station and blue bag sales.

Operating Expenditure



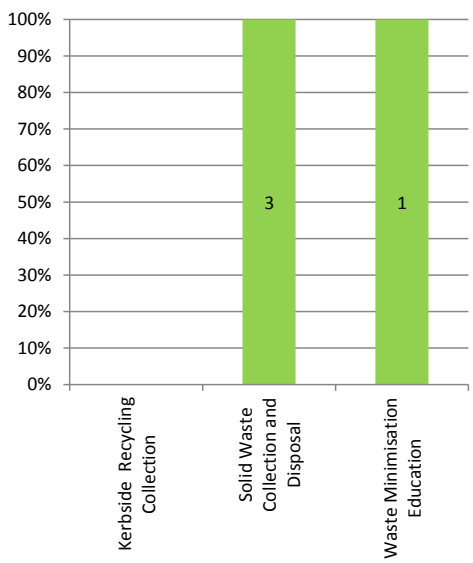
The variances above are timing differences and, in-line with previous years, expenditure is expected to increase in the remainder of the summer months.

Capital Expenditure



The main capital expenditure item budgeted for this activity is a Resource Recovery Centre. The construction estimates are higher than the budget. The business case is being re-assessed and this project is not likely to be completed this year.

Key Performance Indicators



All targets have been met.

Key

Annual Plan | Year End Forecast | YTD Budget | YTD Actual - favourable **OR** unfavourable < 5% budget | YTD Actual - unfavourable 5-15% budget | YTD Actual - unfavourable > 15% budget

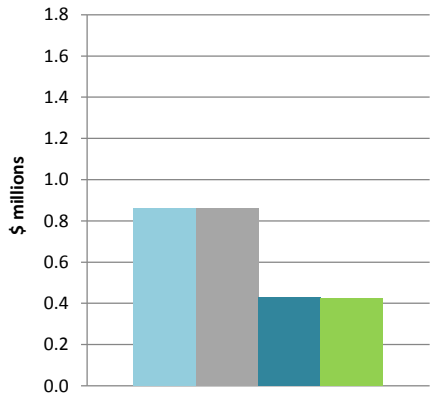
Key

On Track | Needs Monitoring | Not achieving

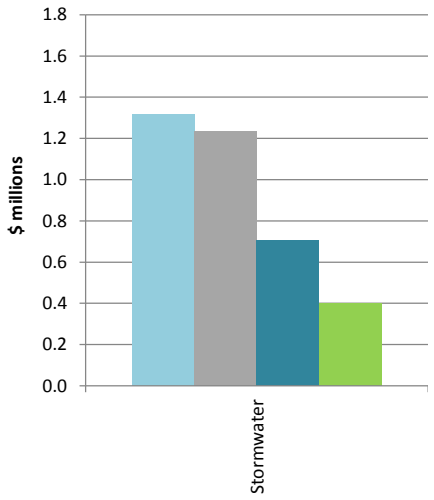
Stormwater

For the period ended 31 December 2016

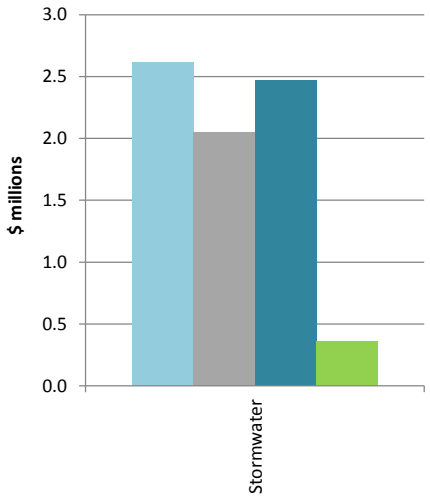
Operating Revenue



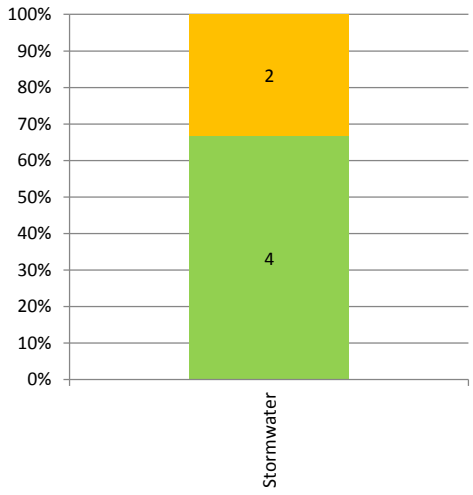
Operating Expenditure



Capital Expenditure



Key Performance Indicators



All revenue is sourced from rates.

Operational costs are currently below budget. Operational projects and contract payments will increase over the drier months and are anticipated to remain within budget at year end.

Unbudgeted savings have been made by bringing services in house

The projects relating to Turners Road have been deferred.

Other projects (such as Churcher St) have been delayed due to the high water table during the December quarter.

The capital expenditure report contains a detailed list of the progress of projects.

A total of 17 complaints relating to stormwater were received, 12 in the first quarter and five in the second quarter. This represents 2.5 complaints per 1,000 connections. The target is less than six complaints per annum per 1,000 connections. This measure requires monitoring as the annualised results are close to the target.

Key

Annual Plan | Year End Forecast | YTD Budget | YTD Actual - favourable **OR** unfavourable < 5% budget | YTD Actual - unfavourable 5-15% budget | YTD Actual - unfavourable > 15% budget

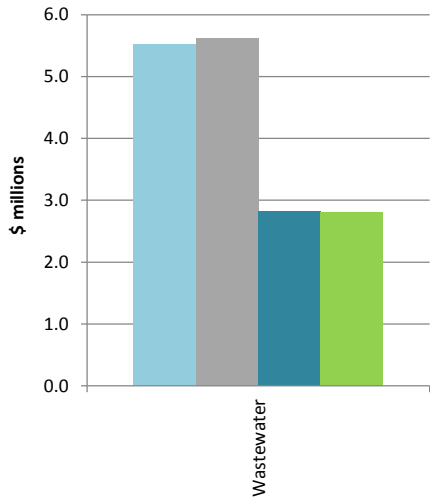
Key

On Track | Needs Monitoring | Not achieving

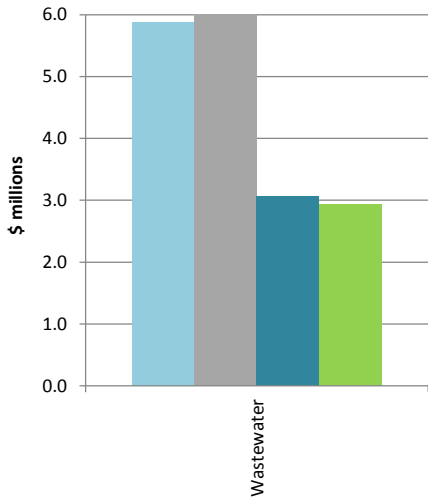
Wastewater

For the period ended 31 December 2016

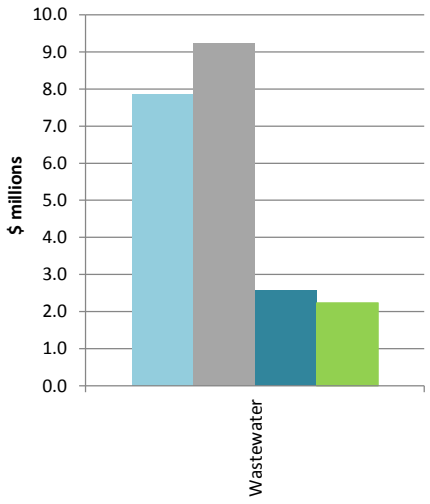
Operating Revenue



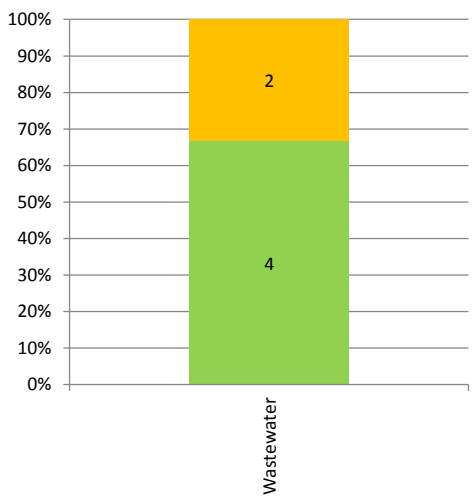
Operating Expenditure



Capital Expenditure



Key Performance Indicators



Revenue is from rates, tradewaste charges and volumetric charges.

Volumetric charges and trade waste are slightly higher than expected. Volumes vary depending on livestock processing works volumes.

Bringing the reticulation team in-house has resulted in savings over the first two quarters. Savings will be reinvested into the network.

Maintenance and monitoring costs are expected to rise over summer months but remain within budgeted levels.

Final resource consent conditions for Feilding WWTP upgrade were granted on 24 November 2016, these determine the design of irrigation. Some of the costs for irrigation have been deferred until the 2017/18 financial year. Trial irrigator construction is underway and a wastewater buffer lagoon is being built.

The Halcome and Cheltenham WWTP discharge consent has been lodged, and we are waiting for feedback from Horiozons.

The capital expenditure report contains a detailed list of the progress of projects.

A total of 35 complaints relating to wastewater services have been recorded with 25 in the first quarter and 10 in the second (2 odour, 14 systems faults, 1 response time and 18 systems blockages). Complaints relating to systems blockages represent 2.7 per 1,000 connections. The target is less than six complaints per annum per 1,000 connections per category. If this trend continues the year end results will be very close to the target.

There is a target of less than six dry weather overflows per scheme. There have been five events in Feilding and one in Sanson to date. If the trend in Feilding continues over the next two quarters the target will not be achieved.

Key

Annual Plan | Year End Forecast | YTD Budget | YTD Actual - favourable **OR** unfavourable < 5% budget | YTD Actual - unfavourable 5-15% budget | YTD Actual - unfavourable > 15% budget

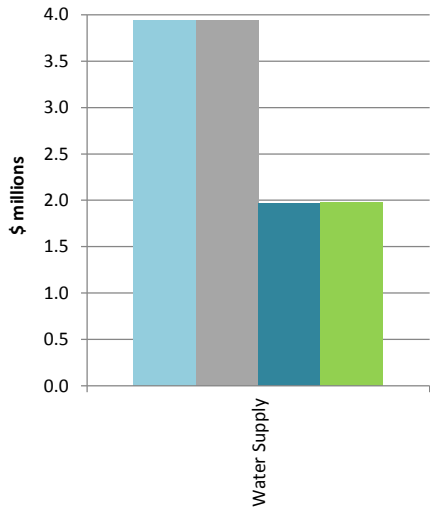
Key

On Track | Needs Monitoring | Not achieving

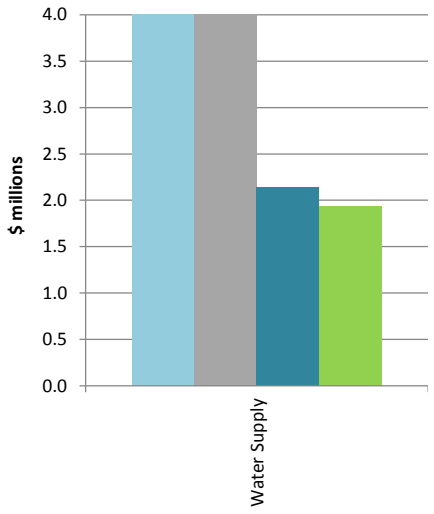
Water Supply

For the period ended 31 December 2016

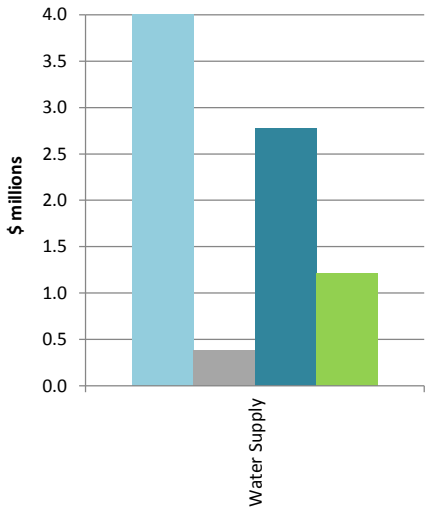
Operating Revenue



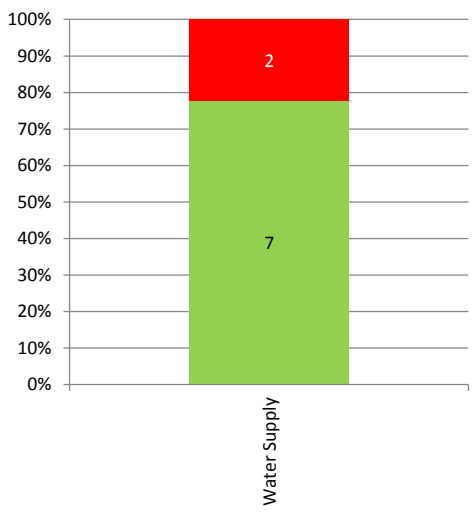
Operating Expenditure



Capital Expenditure



Key Performance Indicators



Revenue is from rates and metered water.

Expenditure will increase with demand over the summer months and is expected to remain within planned levels for the financial year.

Timing of physical works (repairs to network) are expected to during February to April 2017.

Work is moving from the design phase to contract phase, physical works expected to start in February 2017, for the Himatangi Beach and Sanson water supply projects.

The capital expenditure report contains a detailed list of the progress of projects.

Bacteriological compliance was demonstrated in all months at Waituna West, Sanson, and Stanway-Halcombe. In September Feilding failed bacteriological compliance due to a five minute incident which is believed to have coincided with an equipment recalibration problem. Inadequate frequency of sampling carried out at Himatangi Beach and Rongotea in the first five months meant that compliance could not be demonstrated. The sampling regime was changed and all schemes were compliant in December. There were no positive e-coli results in any of the samples taken.
(continued on page 15)

Key

Annual Plan | Year End Forecast | YTD Budget | YTD Actual - favourable **OR** unfavourable < 5% budget | YTD Actual - unfavourable 5-15% budget | YTD Actual - unfavourable > 15% budget

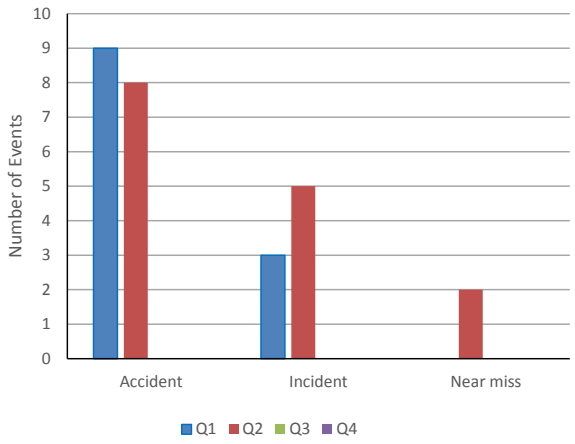
Key

On Track | Needs Monitoring | Not achieving

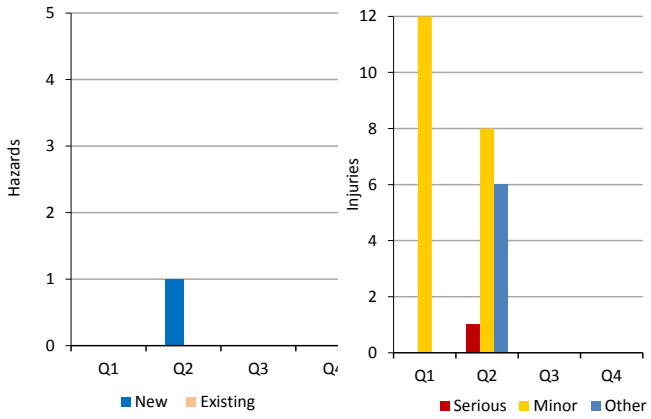
Health and Safety

For the period ended 31 December 2016

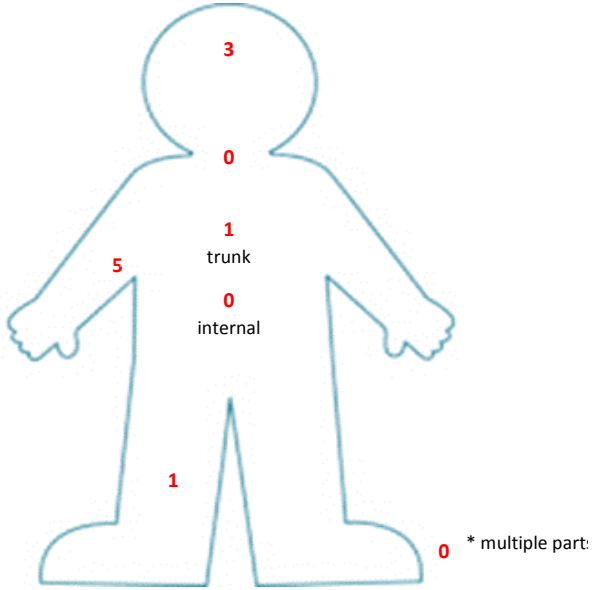
Events reported



Hazards and injuries



Injuries sustained



Notifiable events this quarter

Notifiable: 0 Not Notifiable: 15

Status of hazards this quarter

Open: 1 Resolved: 0

Training this quarter

First Aid Training
Lifeguard Practicing Certificate

Policy and procedures this quarter

Reviewed and updated the following:
- Accident/incident reporting form
- Accident/incident investigation form

Wellness initiatives this quarter

These initiatives are designed to support staff and promote wellness in the workplace.
Initiatives undertaken:
- Hepatitis vaccinations
- Drug and alcohol checks
- Workstation assessments

Inductions this quarter

We have carried out 7 inductions during the quarter.

Lost time (days) this quarter

Communication and education this quarter

- Health and Safety election process emailed to staff
- Worksafe newsletter regarding Health and Safety at Christmas events

Comments Continued

Community Facilities (from page 4)

Library continued - To date there have been 28,317 digital users which greatly exceeds the target of 12,000 users for the year.

Property - The customer survey is planned for the end of the third quarter Hall usage is reported by the Hall Committees in their annual return in June 2017.

Parks and Sports Grounds - The customer survey is planned for the end of the third quarter.

Cemeteries - The customer survey is planned for the end of the third quarter.

Public Conveniences - There has been a significant increase in the level of service. Last year 45 complaints were received during the year. The annual target is less than 25 complaints. Only two complaints have been received this year, both relating to water pump failures.

Environmental Services and Monitoring (from page 7)

District Planning and Policy continued
- 27 controlled activity resource consents were received and four were processed within the targeted timeframe and another 19 were processed within the statutory timeframe. The four consents that exceeded the statutory timeframe were due to complexities arising from the National Environmental Standard for Assessing and Managing Contamination in Soil to Protect Human Health.

Building Control - Targets for building consent (BC) and code of compliance certificate (CCC) processing within the agreed timeframes were not met.
- 283 BCs issued - 91.5% compliance
- 435 CCCs issued - 94.5% compliance
- 138 fast track BCs issued - 80.5% compliance.

The target for the average number of days for booking an inspection is 4 days. While this was achieved in the first four months of the year the average days in November and December were 5.5 and 4.5 days respectively.
Under-resourcing and the increased number of building consents are the underpinning reasons for not achieving the targets. An additional building inspector will be recruited in January 2017.

Environmental Services and Monitoring (from page 7)

Environmental - Currently 31 of 172 registered food premises and 15 of 55 licensed premised selling alcohol have been inspected. The balance of inspections are scheduled for the second half of the year and it is expected that all required premises will be inspected.
Five complaints relating to issues endangering public health were received and one was took five days to respond to (target 24 hours)

Water Supply (from page 13)

Feilding achieved protozoa compliance throughout the six months but it was not achieved for Stanway-Halcombe, Sanson, Himatangi Beach and Rongotea. Waituna West has secure bore status and is not required to comply. The secure bore status at Himatangi Beach and Rongotea is pending. There are projects underway to upgrade Sanson and Stanway-Halcombe to achieve protozoal compliance.

There have been 27 urgent faults. The median response time has been 1.8 hours against a target of 1 hour. More than half of these were outside Feilding, resulting in increased travel time to reach the sites.

Capital Expenditure
For the period ended 31 December 2016

	Actual YTD $000	Budget YTD $000	Variance YTD $000	Variance YTD %	Annual Plan 2017 $000	Annual Plan Used %	Commitments $000	Physical Completion %	Year End Forecast $000	Notes Year end forecast greater than the Annual Plan budgets is, in general, due to late carry overs from the 2015/16 financial year
Community Facilities										
Feilding Cemetery Extension	20	8	12	151%	273	7%	16	10%	273	The project is progressing in conjunction with Timona Park car park, with an expected completion in April 2017.
Halcombe Cemetery Extension	9	34	(24)	-71%	5	182%	0	25%	34	The project brief is in development phase. Works are planned to begin in March 2017.
Rongtea Cemetery - New Works	0	5	(5)	-96%	5	2%	0	10%	5	Work is being scoped for this project, and the brief is currently in development phase.
Cemetery Renewal Works	5	0	5	n/a	10	47%	0	50%	10	Work has been scoped and waiting on contractor to start.
Feilding Little Theatre - Roof	0	10	(10)	-98%	20	1%	0	0%	0	The project is to be undertaken as part of the Feilding Little Theatre strengthening project. This project may carry over to 2017/2018 year, as the Theatre Trust needs to source additional funding.
Library Collection Purchases	79	99	(20)	-20%	197	40%	0	55%	197	Book replacements on track to be fully expended by year end.
Library Review Project	5	6	(1)	-16%	46	12%	9	5%	16	To develop options for the modernisation of Feilding Library and undertake minor modernisation projects. Options to be presented to Council in March.
MAC Redevelopment	1,017	1,044	(28)	-3%	62	1644%	1	97%	1,075	Budget includes carry over from 2015/2016 year. Pool cover costs included as part of the project. On target to be completed by 2016/2017 year end.
MAC New pool covers	0	31	(31)	-99%	31	0%	0	100%	0	Pool covers were replaced as a part of the redevelopment project above.
Public Conveniences Renewals	0	26	(26)	-100%	26	0%	0	0%	26	Works are for the Feilding Cemetery toilet renewal. Project scoping is in progress with the physical works to be carried out in April 2017.
Strengthen Earthquake Prone Buildings	26	15	11	73%	183	14%	72	5%	49	Developed design is underway for the Feilding Theatre. Completion of the project will depend on the Theatre Trust seeking additional external funding.
Manfeild Park Development	0	0	0	n/a	426	0%	0	0%	5	This project is for Kawakawa Rd / South St development. No expenditure is anticipated until section sales arise.
Makino Park Growth	0	0	0	n/a	335	0%	0	0%	0	This project is for the Makino Precinct. Engagement with the community on the project is expected to commence early in the 2017 calendar year. The unspent budget is expected to be carried over to coincide with additional funding in the 2017/18 year.
Property Renewal Projects	7	31	(24)	-78%	99	7%	6	5%	99	Projects include: shelters and storage facilities in public open spaces, Feilding lighting and Kowhai Park pavilion. An engagement plan is currently in progress for design development and is expected to be completed early in 2017. Works to be bundled as a complete
Vinegar Hill Toilets Renewal	2	0	2	n/a	0	n/a	0	100%	2	Costs invoiced late and were for the previous years project.
Parks and Reserves - Kowhai Park	5	7	(2)	-29%	123	4%	7	0%	15	Development design is complete. A detailed design is planned for later this year with construction late in the 2017 calendar year to coincide with additional funding requirements in the 2017/18 year. Likely to be carried over to 2017/2018 year.
Parks and Reserves - New Projects	17	5	12	231%	16	109%	0	100%	17	Installation of new signage at Himatangi Beach is complete.
Parks and Reserves - Refurbish Victoria Park	0	3	(3)	-106%	29	1%	0	100%	3	Works planned for completion in February 2017.
Parks Growth - Timona Park	15	169	(154)	-91%	175	8%	9	10%	175	The project work is in conjunction with the Feilding Cemetery Extension, construction is currently underway, with expected completion in April 17.
Parks and Reserves - Walkway / Linkages	63	55	8	15%	456	14%	0	22%	85	This project is made up of Walkway Linkages (Railway Rd to Johnston Park), Kowhai to Kitchener Parks, and Stonebridge Reserve. Stonebridge Reserve is 90% complete. Remaining works projected for completion by financial year end.
Parks and Reserves - Playground Renewal	46	5	41	820%	106	43%	0	55%	106	This project is made up of the Tangimoana playground, Timona Park playground and general playground renewals. Tangimoana playground is ahead of schedule. Timona Park is planned to start in 2017.
Parks Renewal Projects	0	0	0	n/a	36	0%	0		36	Expenditure is planned to begin early in 2017.
Feilding CBD Park Benches	2	0	2	n/a	41	5%	0	35%	41	New park bench installation underway and is ahead of schedule.
Kitchener Park Capital Works	16	30	(14)	-47%	53	31%	0	40%	45	The work is for Kitchener Park Flood Protection. Costs cover the preliminary scoping work undertaken by the Awahuri Forest Trust.
Makino Park Playground and Skate Park	4	47	(43)	-92%	99	4%	4	0%	14	This project is for the Makino Precinct. Engagement with the community on the project is expected to commence early in 2017. The balance of funding is expected to be carried over to coincide with additional funding in the 2017/18 year.
Mt Lees Trails	0	0	0	n/a	15	0%	0	0%	0	Budget carry over not required as was fully expended in 2015/16 year.
Walkway Linking	2	0	2	n/a	0	n/a	0	100%	2	Late costs associated with previous years project.
Railway Land Beautification	13	0	13	n/a	555	2%	34	0%	30	The project is for the Greenspine development, and is progressing through a review of the design in consultation with NZTA and Kiwi Rail. Construction is programmed for July 2017, a carry-over of the balance of funds may be required.
Himatangi Beach Access Carpark	0	0	0	n/a	21	2%	0	0%	21	Project planning is underway with construction planned for February 2017.
Parks and Reserves - Renewal Projects	124	134	(10)	-7%	207	60%	0	65%	231	The project is for Raumai Reserve toilets replacement, fencing at Johnston and Timona parks, Makino Precinct Paths, and Rongotea park refurbishment. The forecast includes funds carried forward from 2015/2016 year.
Parks and Reserves - Railway Reserve	2	0	2	n/a	371	1%	0	5%	25	The project is on hold with the work to be bundled as a complete package of works. Design development underway with consents and approvals in progress from NZTA and Kiwi Rail. The balance of funding is expected to be carried over to coincide with additional funding in the 2017/18 year.
Parks - New Projects	0	0	0	n/a	7	2%	0	0%	7	The project is for the Pohangina Domain and walkway. Work will be programmed with the community early in 2017.
Sanson Playground	0	0	0	n/a	156	0%	0	0%	0	The project is part of the Sanson development. Funds are expected to be spent late in the 2016/17 financial year, however timing is dependent on the Sanson development being finalised.
Londons Ford Toilet	33	57	(25)	-44%	57	57%	0	100%	33	The project is physically complete. Remainder in budget covers the shortfall in the development of Raumai toilets as part of Parks and Reserves - renewal projects above.
Total Community Facilities	**1,513**	**1,822**	**(310)**	**-17%**	**4,241**	**36%**	**159**		**2,677**	
Emergency Management										
Rural Fire - Equipment Renewal	0	16	(16)	-100%	16	0%	0	0%	16	Due to the transfer of this activity to FENZ, this will only be spent if considered necessary.
Total Emergency Management	**0**	**16**	**(16)**	**-100%**	**16**	**0%**	**0**		**16**	
District Development										
Community Planning - Renewal	48	32	16	49%	32	149%	0	100%	48	Project covers Rangiwahia toilets. There is some funding available ($2k) from a third party.
Total District Development	**48**	**32**	**16**	**49%**	**32**	**149%**	**0**		**48**	
Governance and Strategy										
Council Chamber Asset Purchase	15	13	2	13%	0	n/a	0	100%	15	Carried over from 2015/2016 year and project complete.
Total Governance and Strategy	**15**	**13**	**2**	**13%**	**0**	**n/a**	**0**		**15**	

	Actual YTD $000	Budget YTD $000	Variance YTD $000	Variance YTD %	Annual Plan 2017 $000	Annual Plan Used %	Commitments $000	Physical Completion %	Year End Forecast $000	Notes Year end forecast greater than the Annual Plan budgets is, in general, due to late carry overs from the 2015/16 financial year
Roading										
CBD Redevelopment Projects	0	40	(40)	-100%	0	n/a	0	0%	0	The budget represents carry overs from last year. No projects have been identified to date.
Sub Unsealed Road Metalling	498	373	125	34%	614	81%	125	55%	899	Major projects underway, work is weather dependent.
Sub Sealed Road Resurfacing	709	662	47	7%	1,892	37%	1,219	30%	1,900	The programme is underway, completion of chip seal sites expected by end of February 2017, some asphaltic concrete sites to follow.
Subsidised Bridge Renewals	324	582	(258)	-44%	1,332	24%	1,529	5%	2,264	Bridge renewals have begun with works continuing until end of the financial year unless resource consents issues create delays. Following the Annual Plan process, a further $600k was carried forward for the Nannestads Line Bridge renewal from the 2015/16 emergency works budget. Professional services costs have been higher than initial estimates and are included in the 2016/2017 year forecast.
Sub Cycle Facilities	0	20	(20)	-100%	38	0%	0	0%	0	There are currently no plans for the Feilding to Palmerston North cycle link works. The project is under discussion as part of the 2017/2018 Annual Plan process.
Sub Minor Improvements	16	55	(39)	-71%	53	30%	6	50%	53	Work programmed in conjunction with new subsidised minor improvement projects.
Roading Growth	425	925	(500)	-54%	1,458	29%	14	50%	1,006	Costs relate to Pharazyn St works. The budget will underspend by approximately $850k as the budget allowed for preliminary costs on the Turners Rd extension project which will not be undertaken in 2016/2017 year.
Sub Drainage Renewals	440	77	363	475%	229	192%	166	50%	825	The over spend against budget is due to phasing of renewals associated with this year's pavement rehabilitation projects. This budget projected to overspend but is funded by an underspend in other renewals activities.
Sub Structures Renewals	491	316	175	55%	281	175%	139	60%	850	Budget over spend will be offset by carry overs from other renewal projects, progress to be monitored, two projects have been deferred to 2017/2018 year.
Sub Traffic Services Renewal	225	348	(122)	-35%	310	73%	122	40%	566	Behind budget phasing due to delays with the supply of LED light fittings. This budget projected to overspend but is funded by an underspend in other renewals activities.
Sub Associated Improvements	11	36	(25)	-70%	53	21%	6	50%	53	Work programmed in conjunction with new subsidised minor improvement projects.
Sub Pavement Rehabilitation	1,165	2,029	(865)	-43%	3,270	36%	2,230	50%	2,374	The programme is underway and behind budget phasing as work was delayed by inclement weather. The bulk of work is expected to be completed between January and April 2017.
Sub Minor Improvement New	591	601	(10)	-2%	819	72%	0	60%	914	Fergusson St/Halcombe Rd complete. The second project on Lees Rd/Awahuri Rd intersection start is dependent on preliminary drainage works and remains scheduled for completion by 2016/2017 year end.
Non Sub Road Reconstruction	52	500	(448)	-90%	871	6%	595	10%	848	The Wellington St reconstruction project is underway. Evaluation of tenders for Seddon St North scheduled for January 2017. Both projects will be constructed by end of 2016/2017 year.
Non Sub Seal Extension	173	80	93	117%	145	119%	36	60%	296	The project is for the seal extension of Makoura Rd and Cheltenham Cross Rd. Projections are for a budget overspend. Stage 3 of the Makoura Rd seal extension is to be deferred until 2017/18 year. The expected overspend will be offset by an under spend on new footpaths.
Non Sub Roading New Footpaths	0	81	(81)	-99%	165	0%	79	0%	37	Project yet to begin. The budget underspend is offset by an expected over spend on the non-subsidised seal extension project.
Non Sub Footpath Renewals	37	95	(57)	-61%	78	48%	48	23%	158	Shared between urban reconstruction projects and maintenance renewals.
Non Subsidised Roading Renewal	28	74	(47)	-63%	99	28%	125	15%	191	To be used in association with Seddon St and Wellington St non-subsidised reconstruction projects and footpath renewals.
Total Roading	**5,185**	**6,894**	**(1,709)**	**-25%**	**11,707**	**44%**	**6,440**		**13,234**	
Solid Waste										
Purchase of New Recycling Bins	4	3	1	27%	6	63%	0		6	} Bin movements. New bin purchases planned closer to June 2017.
Recycling Inventory	(4)	0	(4)	n/a	0	n/a	0		(6)	} Bin movements
Resource Recovery Centre	25	298	(273)	-92%	779	3%	7	100%	25	Subdivision consent has been granted with the land use consent in progress. Due to construction estimates being considerably higher than budgets, the business case is being re-assessed and not expected to be completed in 2016/2017 year.
Total Solid Waste	**25**	**301**	**(276)**	**-92%**	**785**	**3%**	**7**		**25**	
Stormwater										
Stormwater Growth Feilding	209	1,663	(1,454)	-87%	1,541	14%	103	20%	1,000	Stage 3 stormwater contract for Precinct 4 awarded and works are currently underway. Kawakawa Rd stormwater design underway including Oroua outlet adjacent to the FWWTP. Work in Turners Rd is currently on hold.
Stormwater New Work Feilding	0	211	(210)	-100%	211	0%	146	10%	251	The new stormwater in Wellington Rd is under construction. Poplar Gr investigation and Mahi Gr.
Stormwater Unplanned Renewals	20	595	(575)	-97%	863	2%	145	10%	800	Stormwater renewals for Root St and Victoria Park are in the design phase. Culvert sections are on order for West St and the culvert installation works are about to be put out to tender. Works included Macorkindale St and Derby St improvements.
Total Stormwater	**230**	**2,468**	**(2,239)**	**-91%**	**2,615**	**9%**	**394**		**2,051**	
Wastewater										
Desludging Oxidation Ponds	0	139	(139)	-100%	139	0%	0	10%	139	Sanson ponds de-sludging is waiting on favourable weather conditions. The sludge survey is complete and waiting on contractor pricing.
Feilding WWTP Asset Renewal	467	655	(188)	-29%	2,161	22%	1,216	40%	1,800	Detailed seismic strengthening design for administration building in progress, monitoring bores are being installed, sedimentation tank chains and scrapers replaced, and the master programmable logic controller replacement completed. Digester replacement tender awarded, and the composting trial is complete.
Feilding WWTP Upgrade	727	288	439	153%	1,580	46%	758	30%	1,580	Phasing ahead of budget with construction of effluent storage pond and pipework design underway.
Feilding WWTP - Irrigation	461	331	130	39%	1,803	26%	1,521	20%	950	Expenditure to be spread over the next two years due to consent conditions requiring one irrigator to be trialled during 2016/2017 year. Irrigation contract and design yet to be finalised. Trial irrigator works are complete.
Feilding WWTP Growth	147	32	115	354%	300	49%	59	50%	300	Inlet screen works completed. Grit removal chamber is in the design phase.
Feilding Wastewater Growth	173	235	(62)	-26%	200	87%	433	80%	200	The Churcher St sewer main project is on hold due to unfavourable weather causing high ground water levels. Additional expenditure will be required to complete these works for 2016/2017 year. A request will be made to bring forward planned future capital expenditure from the LTP is needed in order to complete the project, due to increased demand as a result of rapid growth within Precinct 4.
Feilding WWTP Nursery New Work	14	15	(2)	-11%	104	13%	0	15%	104	On target.
Feilding Reticulation Renewals	24	0	24	n/a	0	n/a	0	100%	24	Costs are the completion of minor items associated with sewer renewals from the 2015/16 year.

	Actual YTD $000	Budget YTD $000	Variance YTD $000	Variance YTD %	Annual Plan 2017 $000	Annual Plan Used %	Commitments $000	Physical Completion %	Year End Forecast $000	Notes Year end forecast greater than the Annual Plan budgets is, in general, due to late carry overs from the 2015/16 financial year
Wastewater New Connections	48	0	48	n/a	0	n/a	29	50%	100	New connections installed. Demand driven and are funded by connection fees received.
Wastewater Pump Station Renewals	0	74	(74)	-100%	74	0%	0	20%	74	Works deferred to second half of 2016/2017 year.
Rongotea Renewals	6	292	(286)	-98%	462	1%	0	10%	150	A consultant has been engaged to assist with the consent renewal application. New aerator purchased and waiting on installation.
Himatangi Sewerage New Work	(12)	0	(12)	n/a	0	n/a	0			A late credit note raised by pump station supplier for 2015/16 year.
Sanson Renewals	13	118	(104)	-89%	475	3%	77	10%	150	A consultant has been engaged to assist with the consent renewal application. Irrigation renewals are designed and are subject to the consent application. Horizons are reviewing the irrigation design to ensure that any renewal works meet their requirements. The irrigation system has reached the end of its life and needs total replacement. A feasibility review is underway subject to consent requirements and pending the wastewater strategy outcomes.
WW Unplanned renewals-Villages	1	0	1	n/a	0	n/a	0	100%	1	
Cheltenham Wastewater Renewal	0	0	0	n/a	289	0%	0	0%	289	Awaiting information from Iwi and Horizons for consent notification.
Rongotea Wastewater Reticulation	152	125	27	22%	0	n/a	78	100%	152	Construction works completed and the network is operational.
Awahuri WWTP Renewals	0	20	(20)	-100%	20	0%	0	0%	20	A surveyor has been engaged to confirm site area prior to works starting. Investigating land purchase options.
Kimbolton Wastewater Treatment	2	0	2	n/a	50	5%	0	0%	50	Waiting on SCADA/electrical works completion certification.
Halcombe WWTP Renewals	0	73	(73)	-100%	98	0%	0	10%	73	Minor treatment improvements designed with installation planned for the summer months.
Halcombe WWTP Discharge Consent	0	122	(122)	-100%	113	0%	32	10%	20	Consent application lodged and awaiting final comments from Iwi and Horizons. Final costs depend on hearing requirements. A feasibility review is underway subject to consent requirements and pending the wastewater strategy outcomes.
District WWPS Telemetry	0	47	(47)	-100%	0	n/a	0	0%	47	Unspent budget carried forward from 2015/2016 year. Works deferred to second half of 2016/2076 year
Total Waste	**2,225**	**2,568**	**(343)**	**-13%**	**7,867**	**28%**	**4,203**		**6,223**	
Water										
Feilding WTP Renewals	133	723	(590)	-82%	1,217	11%	47	45%	300	Report received on water treatment options for bores and is under consideration. Contractor for Awa St programmable logic controller works has been engaged. The Feilding Water Strategy for reservoir replacement options is being finalised. Other work has been deferred to the 2017/18 year in accordance with the revised water strategy. A feasibility review is underway subject to consent requirements and pending the water strategy outcomes.
Feilding Reticulation Renewals	407	446	(40)	-9%	893	46%	167	50%	893	On target with renewals works in Bowen St, Dalzien Place, Haggitt St and Windsor Tce currently in design phase.
Feilding Water Supply Growth	281	425	(143)	-34%	389	72%	110	75%	389	South St up-grades completed, West St works carried over from 2015/2016 year underway. Works in Pharazyn St (Stage 3) underway. The budget includes work on Turners Rd which is currently on hold.
Feilding Water Pressure Zones	10	240	(231)	-96%	100	10%	11	20%	100	The pump station has been designed, pipe configuration around the reservoir is confirmed, and tender documents are being prepared.
Feilding Water Metering/Backflow	3	0	3	n/a	42	7%	6	1%	42	
Almadale WTP Optimisations	3	0	3	n/a	0	n/a	0	100%	3	Costs are for safety improvements to the treatment room. No further costs required.
Water Supply New Connections	4	0	4	n/a	0	n/a	11	50%	10	Costs are demand driven and funded by connection fees received.
Himatangi Water Asset Renewals	42	177	(135)	-76%	380	11%	0	30%	450	The reservoir is in the design phase. Fencing installation is in progress. The aerator is designed, and consultants have been engaged to design improvements to the treatment processes.
Himatangi Water Supply New Work	5	43	(39)	-89%	55	8%	3	1%	55	Tenders let for new reservoir and associated works. Project is on track for June 2017 completion.
Sanson Water Asset Renewal	0	7	(7)	-100%	13	0%	0	0%	13	
Sanson WTP New Works	28	548	(520)	-95%	1,180	2%	30	25%	1,180	Tender for new water supply bore awarded and drilling works commenced. Certificate of compliance (resource consent) has been issued.
Rongotea Water Scheme	5	0	5	n/a	0	n/a	0	50%	10	Costs are demand driven and funded by connection fees received.
Water Supply Unplanned Renewals -Villages	6	0	6	n/a	0	n/a	0	50%	8	Replacement of valves and hydrants as and when needed.
Stanway/Halcombe WTP New Works	169	16	153	941%	94	180%	26	100%	169	Work was re-scoped to meet Halcombe Water Scheme committee requirements and funded from their existing funds.
Stanway/Halcombe RWS Renewals	30	54	(24)	-44%	49	62%	2	50%	49	Bundled with capacity improvements works below.
Stanway/Halcombe RWS Intake and Capacity Improvements	81	49	32	66%	84	97%	0	90%	84	Second stage of pipeline from Pryce's Line to booster reservoir completed. Bundled with renewals budget
Waituna West RWS Renewals	0	40	(40)	-100%	40	0%	0	10%	20	Works are for replacement of minor items of mechanical equipment and are in design and pricing phase.
Total Water	**1,208**	**2,770**	**(1,562)**	**-56%**	**4,538**	**27%**	**412**		**3,775**	
Support Services and Other										
Motor Vehicle Renewals	294	193	101	52%	260	113%	211	18%	386	Additional forecast spend is a result of approved carry over from 2015/2016 year.
Hardware	24	74	(50)	-68%	191	12%	2	12%	191	The renewal programme is underway. Major replacements scheduled for February and March 2017.
Software - Document Management	194	304	(110)	-36%	608	32%	365	50%	350	Project underway and scheduled for completion in December 2017. Unspent funds may be requested for carryover to the 2017/18.
Software Replacement	22	56	(34)	-60%	52	42%	0	20%	56	Cost is upgrade to Creative Cloud, with a further spend of $10k expected early in 2017. Budget carry over from 2015/2016 year is unlikely to be required due to cost savings in the Go-Shift project.
Establishment of the Three Waters Reticulation Team	125	261	(136)	-52%	0	n/a	69	47%	261	Unspent budget carried over from last financial year.
Infrastructure Refurbishment	19	0	19	n/a	0	n/a	0	100%	19	Project complete
Infrastructure Computers	8	0	8	n/a	0	n/a	0	100%	8	Project complete
Computers - WTP and WWTP Ops	11	0	11	n/a	0	n/a	0	100%	11	
General Renewals	0	11	(11)	-100%	23	0%	24	0%	23	To date no new items have been identified for renewal.
General New Assets	7	14	(8)	-54%	23	29%	0	30%	23	Cost are for wall removal in Community and Strategy area, and two laptops purchased for new parks and property staff.
Total Support Services and other	**703**	**913**	**(210)**	**-23%**	**1,156**	**61%**	**670**		**1,328**	
TOTAL CAPITAL EXPENDITURE	**11,151**	**17,796**	**(6,646)**	**-37%**	**32,956**	**34%**	**12,285**		**29,392**	

Key: Greater than 15% of budget Between 5-15% greater than budget Less than 5% greater than budget

Audit and Risk Committee

Meeting of 10 February 2017

Business Unit: Corporate and Regulatory
Date Created: 03 February 2017

Review of Internal Audit Programme and Terms of Reference

Purpose

To present for information and review the Internal Audit programme for the 2016-17 year, as well as the Terms of Reference for the Audit and Risk Committee.

Significance of Decision

The Council's Significance and Engagement policy is not triggered by matters discussed in this report.

Recommendations

That the Audit and Risk Committee notes the Internal Audit programme for the 2016-17 year.

Report prepared by:
Allie Dunn
Governance Team Leader

Approved for submission by:
Shayne Harris
General Manager - Corporate and Regulatory

1 Contribution to the Council Vision and Council Outcomes

1.1 Relationship to the Council Outcomes that underpin the Council's Vision:

Connected, vibrant and thriving Manawatu – the best rural lifestyle in New Zealand

Manawatu District will improve the natural environment, stewarding the district in a practice aligned to the concept of kaitiakitanga.	The Manawatu will attract and retain residents.	Manawatu district develops a broad economic base from its solid foundation in the primary sector.	Manawatu and its people are connected via quality infrastructure and technology.	Manawatu's built environment is safe, reliable and attractive.	Manawatu District Council is an agile and efficient organisation.
					✓

2 Background

2.1 The Council's Internal Audit programme for the 2016-17 year was approved by the previous Audit and Risk Committee at its 1 September 2016 meeting.

2.2 The committee's Terms of Reference were adopted by Council at its 16 November 2016 meeting.

3 Discussion and Options considered

3.1 Attached to this report are copies of the Internal Audit programme approved by the committee, and the committee's Terms of Reference.

3.2 The committee is asked to review these documents, and advise of any amendments the committee may wish to make.

4 Operational Implications

4.1 There are no capital / operating expenditure implications or maintenance costs associated with this paper.

5 Financial implications

5.1 There are no financial implications associated with this paper.

6 Statutory Requirements

6.1 There are no statutory requirements directly relating to this matter.

7 Delegations

7.1 The Audit and Risk Committee's Terms of Reference, with regard to internal audit, set out the following responsibilities:

- Appointment and relationship with the internal auditor;
- Scope of work; and

- Responses to internal audit recommendations.

7.2 The committee does not have any delegated authority.

7.3 Any amendments to the committee's Terms of Reference would need to be recommended to Council for approval.

8 Consultation

8.1 There are no community consultation requirements associated with this paper.

9 Cultural Considerations

9.1 There are no cultural considerations associated with this paper.

10 Conclusion

10.1 The newly formed Audit and Risk Committee has a number of new members.

10.2 The Internal Audit programme for the 2016-17 year, and the committee's Terms of Reference, are provided to give an opportunity for discussion and review.

11 Attachments

- Internal Audit Programme 2016-17
- Audit and Risk Committee Terms of Reference

Appendix 1

Manawatu District Council's Proposed Audit Plan

	Approach	Audit Hours	Priority	The Month in which the Audit is carried out for the A's
Corporate & Regulatory				
Legislative Compliance and Conflict Interest review	Review process to ensure that there is a formal process in place to comply with legislation, with an emphasis on training for new and existing employees. Review the process surrounding Conflict of Interest in MDC and providing the assurance that COI is managed appropriately	64 hours	A	November 16
Risk Management Review	The objective of the review is to evaluate the process by which risks are identified, evaluated, reported and managed in MDC. The review focus will be primarily on the structures and processes used rather than being an assessment of the outcomes achieved in applying the risk management processes.	40 hours	C	

Procurement Tender	The process for determining the need for the particular procurement is valid. The award procedure is as per MDC's policy and resources being spent in line with applicable criteria. Description of performance, calculation of contract value, award criteria, award procedure, notification and assessment of tenders.	64 hours	B - Probity of future procurement	
Cash receipting – Reception, Library, pools, solid waste	Cash is received, controlled, accounted for, deposited in a timely manner and in compliance with applicable policy. Cash receipting practices of agents at Feilding Transfer Station are appropriate and all cash is received, controlled, accounted for, deposited in a timely manner. Petty cash is properly accounted for, adequately safeguarded and is used for their intended purpose.	80 hours	A	November 16
Business Continuity and DR Plan	The objective of the audit is to identify the controls the Council has in place over the Business Continuity and Disaster Recovery plan and provide the assurance over the recovery options for IT systems to ensure they are in line with Council service recovery objectives.	40 hours	A	January 17
IT Reviews	IT Performance Management – Third Parties High-level assessment of the controls and governance structures in place over the	80 hours	C	

	general computer environment and infrastructure including: • IT operational and security administration management • Change management (upgrades and enhancements) • Patch management • Problem management • Virus and incident detection			
Infrastructure				
Asset Revaluations Review	Reviewing the valuation process. The methodology used to calculate unit rates, the integrity of the formula driving the valuation model, timeliness and reliability of data entered into AMS and quality assurance.	80 hours	A	October 16
Asset Management	To review if the work line up with the Asset/Activity Management plan. To evaluate the cost i.e. budget vs actual and the claim. The audit will also focus on MDC's systems and procedures for managing the delivery of transport outcomes.	80 hours	C	
Feilding Waste Water Treatment	The review of the internal process in the governance and management of WWTP. 1 July 16/17 $6 million to spend	80 hours	A	February 17

Projects – Sanson Water Treatment Plant Resource Recovery Centre	Walk through process and report on project.	80 hours	C	
Projects – Transparency and Access to Financial Information	A review of the current issue of Infrastructure in obtaining Financial Information for projects	40 hours	C	
Community and Strategy				
Post Implementation Review – Makino Pool	A post implementation review-	64 hours	A	October 16
Parks and Property	To perform a risk assessment of this activity and to review the processes and controls in place to manage this area. Key areas of concern are: • Maintenance contract management and the related maintenance contract management plans. • Customer service request management and systems, including close out of customer requests for service.	80 hours	C	

Native Plant Nursery	A review in Native Plant Nursery unit. • Reviewing the original business case against what it is current activity • Reviewing the purpose of the nursery as the volume had not originally been anticipated (strategy forward)	80 hours	B	
Follow up review from previous audit finding Pool and Library	Follow up review from previous audit finding Pool and Library	40 hours	A	January 17
People and Culture				
Health and safety review	Review of Health and Safety and to identify and provide the assurance that the updates in the Act is reflected in MDC's practices	80 hours	C	
Payroll Review	A review of our payroll system, processes and procedures	64 hours	A	March 17
Total Hours		1136 hours		

A = Approved Audits by Exec Team to be carried out in 16/17 **(512 hours)**

B = Approved Audits Exec Team advised if could fit in they will approve for it be carried out **(144 hours)**

C = Audits to be carried out some time in the future i.e. in the next 3 years **(480 hours)**

Audit and Risk Committee

Subordinate to	Council
Subordinate Committees	-
Legislative basis	Committee delegated powers by Council in accordance with Schedule 7, Clause 32, LGA.
Membership	Chairperson: Cr S Campbell Deputy Chairperson: tba Committee: Her Worship the Mayor H Worboys, Crs B Cameron, H Humphrey, P Marsh, H Voss, J Fowke (Independent member)
Meeting cycle	At least four times a year. The Chair of the Audit and Risk Committee may convene additional meetings, as they deem necessary.
Termination date	Next triennial general election for local government.
Review of decisions	Refer to Section 25 of this Manual.
Responsibilities	1 Financial reporting including the following: a. long term planning including the financial strategy; b. appropriateness of accounting policies; c. annual report; and d. internal report (monthly and/or quarterly) 2 2. Risk management and the system of internal controls a. setting the Council's appetite for risk; b. understanding the key risk areas including likelihood and consequences; c. effectiveness of internal controls; and d. fraud risk and procurement risk. 3 3. External audit a. relationship with auditor; b. understanding scope and engagement; c. review significant audit findings /recommendations; and d. monitor progress on recommendations. 4 4. Internal audit a. appointment and relationship with internal auditor; b. scope of work; and c. responses to internal audit recommendations.
Delegated authority	None.
Limits to delegations	-
Recommendations	-

Audit and Risk Committee

Meeting of 10 February 2017

Business Unit: Corporate and Regulatory
Date Created: 01 February 2017

Appointment of Deputy Chairperson

Purpose

To elect the deputy Chairperson for the Audit and Risk Committee.

Significance of Decision

The Council's Significance and Engagement policy is not triggered by matters discussed in this report.

Recommendations

1. That the Audit and Risk Committee use System ….. of Clause 25 of Schedule 7 of the Local Government Act 2002 for the election of its Deputy Chairperson.

2. That the Audit and Risk Committee appoints Councillor ……. as its Deputy Chairperson.

Report prepared by:
Allie Dunn
Governance Team Leader

Approved for submission by:
Shayne Harris
General Manager - Corporate and Regulatory

1 Contribution to the Council Vision and Council Outcomes

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					✓

2 Background

2.1 The Audit and Risk Committee was established following the 8 October 2016 local elections, under the Mayoral powers set out in section 41A of the Local Government Act 2002.

2.2 The Chairperson of the Committee was also appointed under section 41A of the Local Government Act 2002.

2.3 The Council noted the establishment of the committee and appointment of the Chairperson at its meeting held 26 October 2016 (refer minute item MDC 16/010).

3 Discussion and Options considered

3.1 Following the establishment of the committee, and the appointment of its Chairperson, the Council at its meeting on 16 November 2016 determined the membership, terms of reference and delegations of authority for the committee.

3.2 The Council left the election of the Deputy Chairperson for the committee to undertake at its first meeting.

3.3 There are specific requirements around the voting system used for electing a deputy chairperson set out in the Local Government Act 2002. The meeting is required to choose between two systems of voting (known as System A and System B) prior to undertaking the election.

System A

3.4 Under System A, there is a first round of voting for all candidates, and if no candidate is successful then there is a second round of voting from which the candidate with the fewest votes in the first round is excluded. Further rounds are held as required and if two or more candidates tie for the lowest number of votes, the person to be excluded is resolved by lot.

System B

3.5 System B has one round of voting, and if two or more candidates tie for the most votes, the tie is resolved by lot.

4 Operational Implications

4.1 There are no capital / operating expenditure implications or maintenance costs associated with this report.

5 Financial implications

5.1 There are no financial implications associated with this report.

6 Statutory Requirements

6.1 Clause 25 of Schedule 7 to the Local Government Act 2002 sets out the choices for systems of voting that must be used for election a Deputy Chairperson of a committee. The committee must decide which system it will use prior to undertaking its election:

System A—

(a) requires that a person is elected or appointed if he or she receives the votes of a majority of the members of the local authority or committee present and voting; and

(b) has the following characteristics:

(i) there is a first round of voting for all candidates; and

(ii) if no candidate is successful in that round there is a second round of voting from which the candidate with the fewest votes in the first round is excluded; and

(iii) if no candidate is successful in the second round there is a third, and if necessary subsequent, round of voting from which, each time, the candidate with the fewest votes in the previous round is excluded; and

(iv) in any round of voting, if 2 or more candidates tie for the lowest number of votes, the person excluded from the next round is resolved by lot.

System B—

(a) requires that a person is elected or appointed if he or she receives more votes than any other candidate; and

(b) has the following characteristics:

(i) there is only 1 round of voting; and

(ii) if 2 or more candidates tie for the most votes, the tie is resolved by lot.

7 Delegations

7.1 The Council has the power to appoint the Deputy Chairperson of the committee. However if the Council does not exercise that power, then the committee has the authority to elect its Deputy Chairperson.

8 Consultation

8.1 There are no community consultation requirements associated with this report.

9 Cultural Considerations

9.1 There are no cultural considerations associated with this report.

10 Conclusion

10.1 The committee needs to make its decision in two parts. Firstly, deciding which system of appointment under the Local Government Act 2002 that it will use. Having made that the decision, the committee can then call for nominations and undertake the election of its Deputy Chairperson.

11 Attachments

- There are no attachments to this report.