AUDIT AND RISK COMMITTEE

AGENDA

Meeting to be held

FRIDAY 10 NOVEMBER 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

Councillor Barbara Cameron

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

		PAGE
1.	**MEETING OPENING**	
2.	**APOLOGIES**	
3.	**CONFIRMATION OF MINUTES**	**5**

Draft resolution

That the minutes of the Audit and Risk Committee meeting held 11 August 2017 be adopted as a true and correct record.

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	**INTERNAL AUDIT CHARTER**	**9**

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

6.2	**INTERNAL AUDIT SERVICE LEVEL AGREEMENT**	**18**

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

6.3	**PROPOSED INTERNAL AUDIT PLAN**	**32**

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

PAGE

6.4 REVIEW OF SENSITIVE EXPENDITURE **45**

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

6.5 CORPORATE RISK REGISTER - ANALYSIS **64**

Report of the General Manager – Community and Strategy dated 31 October 2017.

6.6 FIRST QUARTER REPORT TO 30 SEPTEMBER 2017 **75**

Report of the General Manager – Corporate and Regulatory dated 27 October 2017.

7. CONSIDERATION OF LATE ITEMS

8. NOTIFICATION OF ITEMS FOR NEXT MEETING

9. MEETING CLOSURE

MINUTES	MEETING	TIME
AUDIT AND RISK COMMITTEE	**FRIDAY 11 AUGUST 2017**	**8.30AM**

Minutes of a meeting of the Audit and Risk Committee held on Friday 11 August 2017, commencing at 8.30am in the Manawatu District Council Chambers, 135 Manchester Street, Feilding.

PRESENT:	Cr Stuart Campbell	(Chairperson)
	Cr Barbara Cameron	
	Cr Hilary Humphrey	
	Cr Phil Marsh	
	Cr Howard Voss	
	Mayor Helen Worboys	
	Mr John Fowke	
IN ATTENDANCE:	Cr Alison Short	
	Richard Templer	(Chief Executive)
	Brent Limmer	(General Manager - Community and Strategy)
	Hamish Waugh	(General Manager – Infrastructure)
	Frances Smorti	(General Manager – People and Culture)
	Michael Hawker	(Project Delivery Manager)
	Colleen Morris	(Chief Financial Officer)
	Paul Stein	(Communications Manager
	Allie Dunn	(Governance Team Leader)

ARC 17/025 MEETING OPENING

The Chairperson declared the meeting open.

ARC 17/026 APOLOGIES

RESOLVED

That apologies from the General Manager Corporate and Regulatory, and for early departure from Her Worship the Mayor, be accepted.

Moved by: **Councillor Howard Voss**

Seconded by: **John Fowke**

CARRIED

Councillor Phil Marsh joined the meeting at 8.31am.

ARC 17/027 CONFIRMATION OF MINUTES

RESOLVED

That the minutes of the Audit and Risk Committee meeting held 19 May 2017 be adopted as a true and correct record with the addition of the leave of absence recorded for Cr Howard Voss.

Moved by: **Councillor Barbara Cameron**

Seconded by: **Councillor Hilary Humphrey**

CARRIED

ARC 17/028 DECLARATIONS OF INTEREST

There were no declarations of conflict of interest.

ARC 17/029 NOTIFICATION OF LATE ITEMS

There were no items of late business notified.

ARC 17/030 FOURTH QUARTER REPORT TO 30 JUNE 2017

Report of the General Manager – Corporate and Regulatory dated 31 July 2017 providing a summary to 30 June 2017 of the Council's performance against 2016/17 Annual Plan.

Her Worship the Mayor left the meeting at 9.01am.

RECOMMENDED

That the Council receive the Fourth Quarter Report and the Capital Expenditure Report for the period ended 30 June 2017.

Moved by: **Councillor Howard Voss**

Seconded by: **Councillor Phil Marsh**

CARRIED

ARC 17/031 MANAWATU DISTRICT COUNCIL RISK REGISTER

Report of the General Manager – Corporate and Regulatory dated 4 August 2017 presenting the Manawatu District Council's Risk Register for information.

RESOLVED

That the Audit and Risk Committee receive the report of the General Manager – Corporate and Regulatory dated 4 August 2017 presenting the Manawatu District Council's Risk Register for information.

Moved by: **Councillor Howard Voss**

Seconded by: **Councillor Barbara Cameron**

CARRIED

ARC 17/032 INSURANCE POLICIES HELD

Report of the General Manager – Corporate and Regulatory dated 4 August 2017 presenting information on the insurance policies held by Council. It was noted that in addition to the list of insurances reported, the Council also held cyber insurance which insures Council against loss of revenue and additional expenditure that may be required in the event of a cyber attack.

RESOLVED

That the Audit and Risk Committee receive the report of the General Manager Corporate and Regulatory dated 4 August 2017 "Insurance Policies Held".

Moved by: **Councillor Phil Marsh**

Seconded by: **John Fowke**

CARRIED

ARC 17/033 FRAUD POLICY AND SENSITIVE EXPENDITURE POLICY

Report of the General Manager – Corporate and Regulatory dated 7 August 2017 presenting the Manawatu District Council's Fraud Policy and Sensitive Expenditure Policy for information.

RESOLVED

That the Audit and Risk Committee receive the report of the General Manager – Corporate and Regulatory dated 7 August 2017 presenting the Manawatu District Council's Fraud Policy and Sensitive Expenditure Policy for information.

Moved by: **Councillor Howard Voss**

Seconded by: **Councillor Barbara Cameron**

CARRIED

ARC 17/034 NOTIFICATION OF ITEMS FOR NEXT MEETING

The following items were notified for including on the agenda for the next meeting of the Audit and Risk Committee:

- Next stage of work on risk register
- Internal audit programme
- Potential risk for Manawatu District to its water supply
- Potential risk for Manawatu District regarding CCO with Rangitikei District Council
- Review of protected disclosures policy

ARC 17/035 CONFIRMATION OF PUBLIC EXCLUDED MINUTES

RESOLVED

That the public excluded minutes of the Audit and Risk Committee meeting held 19 May 2017 be adopted as a true and correct record with the addition of the leave of absence recorded for Cr Howard Voss.

Moved by: **Councillor Barbara Cameron**

Seconded by: **Councillor Hilary Humphrey**

CARRIED

ARC 17/036 MEETING CLOSURE

The meeting closed at 10.40am

Approved and adopted as a true and correct record:

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CHAIRPERSON **DATE**

Audit and Risk Committee

Meeting of 10 November 2017

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

Internal Audit Charter

Purpose

To present the proposed Internal Audit Charter for approval.

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 recommends:

That the Council adopts the Internal Audit Charter for the provision of the internal auditing function for the Manawatū District Council.

Report prepared by:
Allie Dunn
Governance Team Leader

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

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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 Manawatū – the best rural lifestyle in New Zealand

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

2 Background

2.1 Internal Audit services at Manawatū District Council are provided by Manawatū-Wanganui Local Authority Shared Services Limited.

2.2 The Internal Audit Coordinator contracted to Council through the shared services arrangement, is the designated Head of Internal Audit within the Council as defined in the International Standards for the Professional Practice of Internal Auditing (Standards) issued by the Institute of Internal Auditors.

2.3 The Internal Audit Coordinator has prepared a proposed Internal Audit Charter for consideration and adoption.

3 Discussion and Options considered

3.1 The Internal Audit Charter is a formal statement of purpose, authority and responsibility for the internal auditing function within the Manawatū District Council.

3.2 The Charter establishes internal audit within the Council and outlines the legal and operational framework under which internal audit will operate.

3.3 The proposed Internal Audit Charter is attached as Appendix 1 to this report.

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 There are no financial implications associated with this paper.

6 Statutory Requirements

6.1 There are no statutory requirements associated with this paper.

7 Delegations

7.1 The Audit and Risk Committee's Terms of Reference sets out its responsibility for internal audit, including:

- Appointment and relationship with the internal auditor;
- Scope of work; and
- Responses to internal audit recommendations.

7.2 The Audit and Risk Committee does not have delegated authority for decision-making therefore recommendations are made to Council for adoption.

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 proposed Internal Audit Charter establishes internal audit within the Council and outlines the legal and operational framework under which internal audit will operate.

10.2 The proposed Internal Audit Charter is attached as Appendix 1 to this report and is recommended to the committee for consideration and adoption.

11 Attachments

- Proposed Internal Audit Charter

Attachment 1

Internal Audit Charter

The mission of internal auditing is to provide an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal Audit at Manawatu District Council ("MDC") is managed by the Internal Audit Coordinator who is the designated Head of Internal Audit (HIA) within the Council. The HIA is the top position within an organisation for internal audit activities, as defined in The International Standards for the Professional Practice of Internal Auditing (Standards) issued by the Institute of Internal Auditors.

1 Introduction

This Internal Audit Charter is a formal statement of purpose, authority and responsibility for the internal auditing function within MDC.

It establishes Internal Audit within MDC and recognises the importance of such an independent and objective service to the Council.

It outlines the legal and operational framework under which Internal Audit will operate.

It authorises the Head of Internal Audit to promote and direct a broad range of internal audits across MDC and, where permitted, external bodies.

2 Role and Authority

The HIA is authorised to direct a comprehensive program of internal audit work in the form of reviews, previews, consultancy advice, evaluations, appraisals, assessments and investigations of functions, processes, controls and governance frameworks in the context of the achievement of business objectives.

For this purpose, all members of Internal Audit are authorised to have full, free and unrestricted access to all functions, property, personnel, records, information, accounts, files, monies and other documentation, as necessary for the conduct of their work.

3 Objectivity, Independence and Organisational Status

Objectivity requires an unbiased mental attitude. As such, all Internal Audit staff shall perform internal audit engagements in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. Further, it requires Internal Audit staff not to subordinate their judgment on internal audit matters to that of others.

To facilitate this approach, Internal Audit shall have independent status within MDC, and for this purpose shall be responsible directly through the HIA to the Audit and Risk Committee and administratively to the Chief Executive. Internal Audit shall be independent of the activities

reviewed, and therefore shall not undertake any operating responsibilities outside internal audit work. Neither shall Internal Audit staff have any executive or managerial powers, authorities, functions or duties except those relating to the management of Internal Audit. Internal Audit staff and contractors shall report to the HIA any situations where they feel their objectivity may be impaired. Similarly, the HIA should report any such situations to the Audit and Risk Committee.

The work of Internal Audit does not relieve the staff of MDC from their accountability to discharge their responsibilities. All MDC staff are responsible for risk management and the operation and enhancement of internal control. This includes responsibility for implementing remedial action endorsed by management following an internal audit.

Internal Audit shall not be responsible for operational activities on a daily basis, or in the detailed development or implementation of new or changed systems, or for internal checking processes.

4 Scope of work

The scope of services provided by Internal Audit shall encompass:

- The examination and evaluation of the adequacy and effectiveness of systems of internal control, risk management, governance, and the status of ethical behaviour.
- Ascertaining conformity with the goals and objectives of MDC.
- Assessment of the economic and efficient use of resources.
- The examination of compliance with policies, procedures, plans and legislation.
- Assessment of the reliability and integrity of information.
- Assessment of the safeguarding of assets.
- Any special investigations as directed by the Audit and Risk Committee.
- All activities of MDC, whether financial or non-financial, manual or computerised.

5 The scope of work may include

- **Assurance services** – objective examination of evidence for the purpose of providing an independent assessment on risk management, control, or governance processes for the organisation. Examples may include financial, performance, operational, compliance, system security, and due diligence engagements.
- **Consulting services** – advisory and related client service activities, the nature and scope of which are agreed with the client and which are intended to add value and improve an organisation's governance, risk management, and control processes without the internal

auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

6 Internal Audit Methodology

Internal Audit shall use the most appropriate methodology for each internal audit engagement, depending on the nature of the activity and the pre-determined parameters for the engagement. Generally, internal audits will include:

- Planning.
- Reviewing and assessing risks in the context of the audit objectives.
- Examination and evaluation of information.
- Communicating results.
- Following up on implementation of audit recommendations.

7 Operating Principles

Internal Audit shall conform with:

- The Standards and Code of Ethics issued by the Institute of Internal Auditors.
- Where relevant, the Statement on Information Systems Auditing Standards issued by the Information Systems and Control Association.
- Relevant auditing standards issued by the Auditing and Assurance Standards Board.

8 Internal Audit shall:

- Possess the knowledge, skills, and technical proficiency essential to the performance of internal audits.
- Be skilled in dealing with people and in communicating audit issues effectively.
- Maintain their technical competence through a program of continuing education.
- Exercise due professional care in performing internal audit engagements.

9 Internal Audit staff shall:

- Conduct themselves in a professional manner.
- Conduct their activities in a manner consistent with the concepts expressed in the Standards and the Code of Ethics.

10 Reporting Arrangements

The HIA shall at all times report to the Audit and Risk Committee. At each Audit and Risk Committee, the HIA shall submit a report summarising all audit activities undertaken during the period, indicating:

- Internal audit engagements completed or in progress.
- Outcomes of each internal audit.
- Remedial action taken or in progress.

On completion of each internal audit engagement, Internal Audit shall issue a report to its audit customers detailing the objective and scope of the audit, and resulting issues based on the outcome of the audit. Internal Audit shall seek from the responsible senior executive an agreed and endorsed action plan outlining remedial action to be taken, along with an implementation timetable and person responsible. Responsible officers shall have a maximum of ten working days to provide written management responses and action plans in response to issues and recommendations contained in internal audit reports.

The HIA shall make available all internal audit reports to the Audit and Risk Committee. However, the work of Internal Audit is solely for the benefit of MDC and is not to be relied on or provided to any other person or organisation, except where this is formally authorised by the Audit and Risk Committee.

In addition to the normal process of reporting on work undertaken by Internal Audit, the HIA shall draw to the attention of the Audit and Risk Committee all matters that, in the HIA's opinion, warrant reporting in this manner.

11 Planning Requirements

Internal Audit uses a risk-based rolling program of internal audits to establish an annual Internal Audit Plan to reflect a program of audits over a 12 month period. This approach is designed to be flexible, dynamic and more timely, in order to meet the changing needs and priorities of MDC.

The HIA through consultation with the Audit and Risk Committee Chair, Chief Executive and relevant senior executives shall prepare an annual Internal Audit Plan for review and approval by the Audit and Risk Committee, showing the proposed areas for audit. The annual Internal Audit Plan shall be based on an assessment of the goals, objectives and business risks of MDC, and shall also take into consideration any special requirements of the Audit and Risk Committee and senior executives.

The HIA will also prepare a 3 year Strategic Audit Plan to facilitate the monitoring of rotational audits.
The Internal Audit Plan may be adjusted based on receiving special requests from management to conduct reviews that are not on the plan, subject to approval by the Chief Executive and the Audit and Risk Committee.

12 Quality Assurance & Improvement Program

The HIA shall oversee the development and implementation of a quality assurance and improvement program for Internal Audit, to provide assurance that internal audit work conforms to the Standards and is focused on continuous improvement.

13 Co-ordination with External Audit

The HIA shall periodically consult with the external auditor, to discuss matters of mutual interest, to co-ordinate audit activity, and to reduce duplication of audit effort.

Internal Audit will make Internal Audit staff, and any relevant work papers or reports available to the External Auditor on request.

14 Review of Internal Audit Charter

The HIA shall periodically review (at least every two years) the Internal Audit Charter to ensure it remains up-to-date and reflects the current scope of internal audit work. Amendments should be approved by the Audit and Risk Committee.

15 Evaluation of Internal Audit

The HIA shall develop performance measures (key performance indicators) for consideration and endorsement by the Audit and Risk Committee, as a means for the performance of Internal Audit to be periodically evaluated.

Internal Audit shall also be subject to an independent quality review at least every five years. Such review shall be in line with the Standards of Professional Practice in Internal Audit and be commissioned by and report to the Audit and Risk Committee.

16 Conflicts of Interest

Internal auditors are not to provide audit services for work for which they may previously have been responsible. Whilst the Standards provide guidance on this point and allow this to occur after 12 months, each instance should be carefully assessed.

When engaging internal audit contractors, the Head of Internal Audit shall take steps to identify, evaluate the significance, and manage any perceived or actual conflicts of interest that may impinge upon internal audit work.

Instances of perceived or actual conflicts of interest by the Head of Internal Audit or Internal Audit staff and contractors are to be immediately reported to the Chief Executive and Audit and Risk Committee by the HIA.

Any changes to this Internal Audit Charter will be approved by the Audit and Risk Committee.

Approved: _____

Date: _____

Designation: _____

Audit and Risk Committee

Meeting of 10 November 2017

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

Internal Audit Service Level Agreement

Purpose

To present the Internal Audit Service Level Agreement for the provision of Internal Audit services from 1 October 2017 to 30 September 2020.

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 recommends:

That the Council adopts the Internal Service Level Agreement for the provision of Internal Audit services by Manawatū-Wanganui Local Authority Shared Services Limited for the period 1 October 2017 to 30 September 2020.

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 Manawatū – the best rural lifestyle in New Zealand

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

2 Background

2.1 Manawatū-Wanganui Local Authority Shared Services Limited provides the Council with internal audit services.

2.2 The specific internal audit scope is governed by the Manawatū District Council Internal Audit Charter as updated in September 2017 and presented to the Audit and Risk Committee for consideration on 10 November 2017.

2.3 The proposed agreement sets out the basis on which Manawatū-Wanganui Local Authority Shared Services Limited provides those services.

3 Discussion and Options considered

3.1 Attached as Appendix 1 to this report is the proposed Service Level Agreement for provision of internal audit services to the Council.

3.2 The proposed agreement sets out the following:

- Manawatū District Council responsibilities;
- Manawatū-Wanganui Local Authority Shared Services Limited responsibilities;
- Service performance and performance measurement;
- Quality assurance; and
- Resources, fees and costs.

3.3 The agreement covers a three-year period commencing 1 October 2017 for the provision of a minimum of 500 internal audit hours each year and ending 30 September 2020.

3.4 The service will be reviewed every three years.

3.5 Alterations or revisions to the agreement can be suggested by either party at any time but would require the agreement of both parties before any formal written amendment could be made.

4 Operational Implications

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

5 Financial implications

5.1 There are no financial implications associated with this matter as budget provision has been made for provision of the service.

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 sets out its responsibility for internal audit, including:

- Appointment and relationship with the internal auditor;
- Scope of work; and
- Responses to internal audit recommendations.

7.2 The Audit and Risk Committee does not have delegated authority for decision-making therefore recommendations are made to Council for adoption.

8 Consultation

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

9 Cultural Considerations

9.1 There are no cultural considerations associated with this matter.

10 Conclusion

10.1 The proposed Service Level Agreement for Internal Audit service provision is intended to facilitate the provision of a cost effective internal audit service to all participating Councils of Manawatū-Wanganui Local Authority Shared Services Limited.

10.2 The proposed agreement sets out the basis on which Manawatū-Wanganui Local Authority Shared Services Limited will provide internal audit services to the Manawatū District Council, including the basis of charging for the service and service performance measures and is presented to the Audit and Risk Committee for consideration.

11 Attachments

- Appendix 1 – Internal Audit Service Level Agreement

Internal Audit

Manawatu Wanganui Local Authority Shared Services Limited

Service Level Agreement

with

Manawatu District Council

for the provision of Internal Audit Services
2017-2020

1. Overview of the agreement

Scope of Service and Purpose

1.1 Manawatu Wanganui Local Authority Shared Services Limited ("MW LASS") has been engaged to provide Manawatu District Council ("MDC") with internal audit services as agreed by both parties.

1.2 The specific internal audit scope is governed by the MDC Internal Audit Charter as updated in September 2017, which both parties to this agreement acknowledge.

1.3 This agreement sets out the basis on which MW LASS will provide internal audit services to MDC, including the basis of charging for the service and service delivery review metrics.

1.4 This internal audit service level agreement is intended to facilitate the provision of a cost effective internal audit service to all participating councils of MW LASS.

1.5 Internal audit as defined by the Institute of Internal Auditors is as follows: "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

Applicable standards

1.6 MW LASS will have due regard to the "International Standards for the Professional Practice of Internal Auditing" (the "Standards") issued by the Institute of Internal Auditors ("IIA"). These standards define the way in which the internal audit function should be established and undertake its functions

Commencement date and duration

1.7 The agreement covers a three-year period commencing 1 October 2017 for the provision of a minimum of 500 internal audit hours each year and ending 30 September 2020.

1.8 The service will be reviewed every three years.

1.9 Alterations or revisions to the Agreement may be suggested by either party at any time but will require the agreement of both parties before any formal written amendment may be made, apart from very minor or routine changes not affecting the substance of the agreement.

Confidentiality and ownership of records

1.10 All records, documentation and information accessed in the course of undertaking internal audit activities are used solely for the conduct of these activities. The Internal

Auditor and /or external service provider is responsible and accountable for maintaining the confidentiality of the information received during the course of their work, unless required to be disclosed to the external auditor or the Audit and Risk Committee.

1.11 Internal Auditors are governed by the Institute of Internal Auditors Code of Ethics which states that internal auditors shall be prudent in the use and protection of information acquired in the course of their duties and shall not use information for any personal gain.

1.12 All current audit files, working papers, reports and other documents specific to MDC will be held by the Internal Auditor in secure lockable cabinets or appropriately backed up to authorised and secure mediums at MW LASS. Access to these documents will be restricted to Internal and External Audit or other staff specifically authorised by MDC.

1.13 All audit files, working paper, reports and other documents specific to MDC shall remain the property of MDC. All archive material will be stored at a location authorised by MDC.

2. MDC Responsibilities

2.1 The Chief Executive is responsible for ensuring there are effective arrangements for governance, risk management (including advice about and scrutiny of key risks) and internal control.

2.2 In accordance with the agreed scope of services (see 1.1 above) MDC will:

- Appoint an overall sponsor for Internal Audit ;
- Appoint a day-to-day contact point for Internal Audit;
- Assign an Engagement Sponsor for each internal audit review;
- Provide access to all necessary information, including records, documents and correspondence relating to the agreed audit activity, for which Internal Audit will have a duty to safeguard and handle appropriately;
- Allow access at all reasonable times to any land, premises or member of staff of MDC;
- Meet appointments, information requests and agreed deadlines for responses and recommendations, providing explanations concerning any matters relevant to the agreed audit activity;
- Agree a mechanism with Internal Audit for internal audit satisfaction surveys; and

2.3 MDC will deliver the above and day-to-day response levels in accordance with agreed indicative timescales as set out in Appendix A.

2.4 Responsibility for implementing the recommendations identified by Internal Audit rests with the management team of MDC.

3. MW LASS Internal Audit Responsibilities

3.1 The Internal Audit Coordinator will lead the provision of services to MDC.

3.2 In accordance with the agreed scope of work, Internal Audit will:

- Meet with the assigned Engagement Sponsor in advance of each engagement to discuss and subsequently agree a formal terms of reference(ToR) to include the following inter alia:
    - scope and limitations
    - approach
    - Internal Auditor or team
    - key contacts for the engagement
    - timetable for delivery
    - budget/fees

- Undertake their work using a risk based approach and prepare a working paper file supported by the required evidence to support the audit opinion.

- In the event of any unanticipated major systems weaknesses or significant control failures which make it impossible to meet all the Internal Audit objectives within the audit plan, this will be brought to the attention of the Internal Audit Sponsor (usually through the Chief Executive) at the earliest moment and the implications agreed in terms of the impact upon the audit plan or resources required.

- Meet with key contacts and/or Engagement Sponsor at the end of the fieldwork to confirm factual accuracy of the internal audit findings.

- Provide a draft report with details of findings, implications and proposed actions for review and agreement by the key contacts, before submission and agreement of the final report with the Engagement Sponsor.

- Hold update meetings on a sufficiently regular basis to provide the Internal Audit Sponsor with an update on the progress against the agreed scope of work.

- All reports should be circulated to the Internal Audit Sponsor for any further comments prior to distributing the final report.

- Provide written progress report against the Audit Plan for each Audit and Risk Committee meeting.

- In conjunction with the MDC day-to-day contact point, prepare a “recommendation tracker” report, highlighting progress with the follow up of internal audit recommendations (to be reviewed by the Audit and Risk Committee).

- Regularly liaise with the external auditors (as/when required).

3.3 The Internal Audit Coordinator has right of access to the Chief Executive and Chair of the Audit and Risk Committee. Any serious matters should be communicated to the Internal Audit Sponsor prior to being communicated to other parties.

3.4 Internal Audit will deliver the above and day-to-day response levels in accordance with the agreed indicative timescales as set out in Appendix A.

3.5 In conjunction with the Internal Audit Sponsor, support the development of an annual audit programme and Three Year Strategic Plan for MDC which provides, based on professional experience, an adequate spread of assurance. Such plans should be prepared by no later than July and be approved by the Audit and Risk Committee.

3.6 The annual plan should detail the projects to be completed during the year and the rationale for selecting each (if appropriate), the budgeted input for each project and expected review date.

3.7 MW LASS Internal Audit will deliver the above and day-to-day response levels in accordance with agreed indicative timescales as set out in Appendix A.

4. Service performance and performance measurement

4.1 As your Internal Audit service provider, we are committed to the successful delivery of an Internal Audit service that can be measured and assessed.

We place a great deal of emphasis on feedback, and we gather this through:

- Independent client satisfaction surveys completed on an annual basis focusing on the quality of our delivery, service and our people; and
- Formal feedback from stakeholders such as the Audit and Risk Committee and key senior management on their perception of the Internal Audit service the Council is receiving.

4.2 The Internal Audit Coordinator will be accountable to the Chief Executive of MDC for the delivery of the responsibilities set out in Section 3 above. The Chief Executive and the Chair of the Audit and Risk Committee will also have the right of access to the Internal Audit Coordinator to discuss any matters in relation to the provision of the services as agreed therein.

4.3 In the event of any service delivery issues, they can be formally raised with the Internal Audit Coordinator's Line Manager.

4.4 Upon receipt of the issue, the Internal Audit Coordinator's line manager will seek to resolve the issue within 5 days of receipt. If the issue cannot be resolved, it will automatically be referred to the MW LASS Chief Executive by email with all relevant information, for resolution under the terms of the Service Level Agreement within 20 working days of referral.

4.5 If the matter still remains unresolved, it will be finally escalated to the MW LASS Board Chair.

4.6 The MDC Audit and Risk Committee will be responsible for agreeing the scope of services provided by the Internal Audit Service and for reviewing the Internal Audit Service's performance.

4.7 An annual review meeting will be held at MDC to discuss and review formally the services being provided by the Internal Audit Service against the Service Levels set out in this agreement, overall satisfaction survey from engagement sponsors and recommend any improvements.

5. Quality Assurance

5.1 All internal audits are to be conducted in accordance with the Standards as published by the IIA.

5.2 As such, internal quality reviews are periodically conducted with independent assessment being sought at least once every five years.

5.3 If at any time, the Chief Executive and Internal Auditor cannot come to agreement on an internal audit conclusion; the matter will be referred to the MDC Audit and Risk Committee.

5.4 MDC reserves the right to request an independent peer review of any internal audit engagement. Such cost will be for MDC's account, unless the findings of the independent review differ substantially with those of the internal audit report. In such cases, MW LASS will bear the cost of the review.

6. Resources, fees and costs

6.1 MW LASS shall employ resources (referred to as Internal Auditors) on behalf of MDC as deemed necessary to fulfil the work requirement set down in the approved audit plan, having due regard to the qualifications, competences and experience necessary.

6.2 The Internal Auditor charge out rate exclusive of GST is $90 per hour. This rate is designed to cover all costs, including internal quality reviews as required and excluding independent peer review charges (this is discussed in greater detail in Section 7) and costs directly associated with MDC, such as travel and accommodation. The charge rate will be increase annually in line with the LGCI as set by BERL.

6.3 In the event of any changes in scope, requiring amendments to budgeted audit input or due to reasons outside the control of MW LASS, such fees will be negotiated and agreed between the Internal Audit Coordinator and the Engagement Sponsor, and formally approved by the Internal Audit Sponsor.

6.4 Actual costs associated with an approved engagement of external specialists will be met directly by MDC.

6.5 An invoice will be generated monthly detailing the Internal Auditors' actual hours worked and any disbursements incurred (i.e. travel).

6.6 In the event of a vacancy arising for the post of Internal Auditor, MW LASS will determine the process for filling the vacancy.

This agreement and associates Appendices sets out the entire basis on which the services set out in Section 1.1 will be provided by MW LASS to MDC.

Signed…….	Signed……
MW LASS Limited	Manawatu District Council
Chief Executive	Chief Executive
TITLE……	TITLE…….
DATE……	DATE…….
40 Bowen Street, Feilding	135 Manchester Street, Feilding

Appendix A – Service Levels

Phase of internal audit activity	Internal Audit Service responsibilities	MDC responsibilities
Planning	• Planning meetings with the Engagement Sponsor will be held as mutually agreed. • Issue a draft Terms of Reference (ToR) within 5 days of the meeting.	• Engagement Sponsor to attend planning meetings on agreed date. • Agree the ToR within 5 days of receipt. • Distribute the ToR and book initial meetings with key stakeholders.
Fieldwork	• Complete fieldwork in accordance with the ToR during the agreed fieldwork period. • Conduct audit close-out meeting at agreed date (at end of fieldwork period)	• Where relevant, ensure information requested is available at the start of the audit and all required information provided is provided before the close-out. • Facilitate agreed attendance at the audit close-out.
Reporting	• Submit draft report to key contacts within 10 working days of the close out. • Submit final report to Engagement Sponsor within 5 working days of receipt of key contacts comment. • Agree report as final within 10 working days of submissions to the Engagement Sponsor.	• Agree draft report and provide key contacts agreed actions, owners and timescales within 10 working days of receipt of the draft report. • Engagement Sponsor to agree report as final within 10 days of submission.
General	• Telephone calls will be responded to by the end of the next working day. • Emails will be responded to within 2 working days.	

Appendix B – Key Contacts

Manawatu District Council

Name and Designation	Relevance to service	Contact details
Colleen Morris Chief Financial Officer	Day-to-day internal audit Liaison	06 323 0805 colleen.morris@mdc.govt.nz
Richard Templer Chief Executive	Internal Audit Sponsor	06 323 0801 richard.templer@mdc.govt.nz
Stuart Campbell	Chair - Audit and Risk Committee	06 323 7204 stuart.campbell@mdc.govt.nz

MW LASS Internal Audit Service

Name and Designation	Relevance to service	Contact details
Luele Driescher Internal Audit Coordinator	Appointed Head of Internal Audit	06 952 2940 luele.driescher@mw.org.nz
Shayne Harris Manawatu District Council General Manager – Corporate and Regulatory	Internal Audit Coordinator's Line Manager.	06 323 0000 shayne.harris@mdc.govt.nz
Craig Grant	MW LASS Chief Executive	06 9522 863 craig.grant@horizons.govt.nz

Audit and Risk Committee

Meeting of 10 November 2017

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

Internal Audit Plan 2017-18

Purpose

To present for approval the Internal Audit plan for the 2017-18 year.

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 recommends:

That the Council approves the Internal Audit plan for the 2017-18 year as set out in Appendix 1 to the report of the General Manager – Corporate and Regulatory dated 1 November 2017.

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 Manawatū – the best rural lifestyle in New Zealand

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

2 Background

2.1 Each year the Council undertakes a number of internal audits. For this to occur an audit programme needs to be agreed by the Audit and Risk Committee.

2.2 The audit programme for the 2016-17 year was approved by the Audit and Risk Committee at its meeting held 1 September 2016, and reviewed by the incoming Audit and Risk Committee following the local elections at its meeting held 10 February 2017.

2.3 The programme proposed for the 2017-18 year has been developed through refreshing the Internal Audit Strategy and following the following approach:

- Coverage of material risks;
- Identify and prioritise internal audit plan;
- Review by Chief Executive; and
- Presentation to Audit and Risk Committee for approval.

3 Discussion and Options considered

3.1 The proposed Internal Audit plan is set out in Appendix 1 to this report. The plan sets out the strategy followed, noting that in developing the strategy, the following factors were considered:

- Prior internal audits and existing assurance gained from other assurance providers;
- The maturity of systems and processes, and taking into account known issues;
- The expectations of the Audit and Risk Committee and Senior Leadership Team; and
- The most recent risk register of material risks.

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, the time required to undertake the programme is factored into the Internal Auditors twelve month work schedule

6 Statutory Requirements

6.1 The approach to internal audit includes reviewing the Council's compliance with applicable statutory requirements and regulations.

7 Delegations

7.1 The Audit and Risk Committee's Terms of Reference sets out its responsibility for considering the scope of work for its internal audit. The Committee does not have delegated authority for decision making therefore recommendations are made to Council for adoption.

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 matter.

10 Conclusion

10.1 The proposed Internal Audit Plan for 2017-18 has been developed in partnership with management and the Audit and Risk Committee and is set out in Appendix 1 to this report for approval of the committee.

11 Attachments

- Appendix 1 – Proposed Internal Audit Plan 2017-18

Attachment 1

- Internal Audit Plan Development
- Internal Audit Plan for FY2017/18
- Multi Year Plan and Rotational Audits

DRAFT
Internal Audit Plan 2017/18

September 2017

Contents

Internal Audit Plan Development **3**

Internal Audit Plan for FY2017/18 **6**

Multi Year Plan and Rotational Audits **9**

Internal Audit Plan Development

Internal Audit Plan Development

We set out in this document the detailed Internal Audit Plan for the year ending 30 June 2018, which has been developed through refreshing the **Internal Audit Strategy** and following the Internal Audit Approach as set out on the following page. We have looked to bring a fresh innovative approach to developing the plan and will adopt the same for each individual engagement.

Strategy

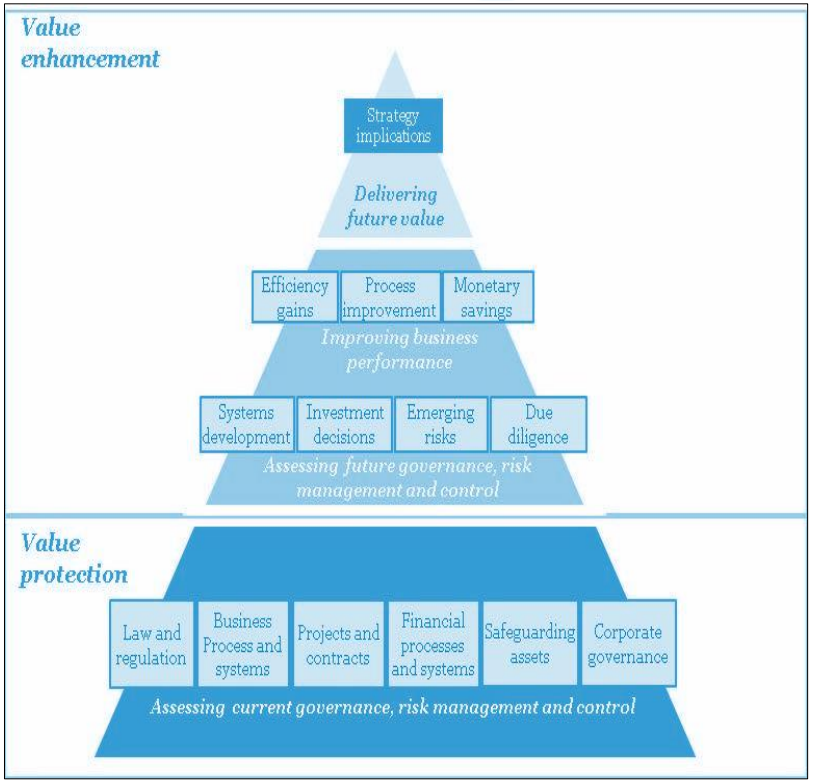
The approach to internal audit is not set in stone. Typically, core internal audit services would include a combination of controls based and risk based work covering the following:

* the adequacy of MDC's internal control framework.
* the effectiveness of MDC's risk management framework.
* compliance with applicable laws and regulations.
* compliance with MDC's own policies and procedures.
* the adequacy and effectiveness of business processes, procedures and activities.

We have refreshed the MDC approach to Internal Audit. We believe that the internal audit strategy provides the right balance between potential areas of focus. The traditional internal audit role, focusing on governance, risk management and control over your enabling core business processes and systems, can assist management in ***value protection***. However, focussing on the performance of business strategies, effectiveness of key initiatives and business risk management, for example, process and systems development, can assist management in delivering on its objectives, and forms a key role of ***value enhancement***.

In developing the strategy, the following factors have been considered:

* Prior internal audits and existing assurance gained from other assurance providers;
* The maturity of systems and processes , and taking into account known issues;
* The expectations of the Audit and Risk Committee and Senior Leadership Team; and
* The most recent risk register of material risks.



Internal Audit Plan Development

Approach

Internal Audit is committed to taking an **innovative approach,** emphasising our partnership by leveraging MDC resources in delivering internal audits, bringing efficiencies through data where possible-enabling our internal audits, and being a positive catalyst for change with internal audit reports that go beyond delivering just findings but seek to tell the story and allows co-creating of recommendations.

We have worked closely with management to develop the Fy2017/18 Internal Audit Plan. The following details our approach:

1

Material risks

Obtain material risks reviewed by Senior Leadership team and Audit and Risk Committee

Coverage of material risks

2

Identify and prioritise internal

Input from Chief Executive, Chief Financial Officer, Chair of Audit and Risk Committee derive a draft Internal Audit Plan

Focus on complex areas and leveraging MDC resources where appropriate

3

Chief Executive Approval

Reviews the Internal Audit Plan to ensure proposed engagements link to strategy and material risks, and will deliver value for MDC

Internal Audit Plan reflects the internal audit strategy

4

Audit and Risk Committee Approval

Approves the Internal Audit Plan to ensure the programme of work aligns with Audit and Risk Committee expectations

Internal Audit Plan assists their governance role and aligns with risk appetite

Internal Audit Plan for FY2017/18

2

Internal Audit Plan for FY2017/18

Engagement	Timing	Internal Audit Approach	Budgeted Hours	Internal Audit Strategy
Sensitive Expenditure	Q2	This will include compliance with policies, suspicious transaction analysis and compliance testing of a sample of transactions. Identified risk areas are travel and accommodation; entertainment and hospitality.	80	Value Enhancement
Feilding Waste Water Treatment Plant Project	Q3	A follow up review of the project to assess the extent to which previously reported findings have been addressed. The review will include an assessment • Project management protocols • Motivation and authorisation of expenditure • Project procurement processes • Payments to contractors • Budget monitoring and reporting	80	Value Enhancement
Solid Waste Procurement	Q2-Q4	A consultative engagement whereby Internal Audit will provide advice and support to facilitate the achievement of project objectives and the maintenance of appropriate project governance. Internal Audit will not assume any direct management responsibility in this role. A quarterly update will be provided in memo form to the Audit and Risk Committee.	90	Value Enhancement
Cyber Security	Q4	A review to assess the adequacy and effectiveness of management controls over cyber security. The review will consider: • IT security architecture • Threat and vulnerability management • Privacy and data protection • Identity and access management • IT security management • Awareness and education	85	Value Protection

Internal Audit Plan for FY17/18

Engagement	Timing	Internal Audit Approach	Budgeted Hours	Internal Audit Strategy
Cash Handling	Q4	Assess the design and operating effectiveness of key controls identified across the following cash handling processes: • point of sale/till application • receipting • cashing up and banking • physical security • reconciliations.	80	Value Protection
Mt Lees	Q2	A high level review of the management of the Mt Lees property and related lease.	35	Value Protection
Follow up	Q1-Q4	Quarterly follow up on outstanding management actions and reporting to the audit committee thereon.	20	
Internal Audit Plan Development	Q1	Meeting with senior management, Chief Executive and Chair of Audit and Risk Committee to develop the Internal Audit Plan	6	
Audit and Risk Committee reporting and attendance	Q1-Q4	Quarterly meetings with the ARC Chair, attendance of the ARC meetings and preparation of the ARC report.	16	
		TOTAL AUDIT INPUT 2017/18	**512**	

Multi Year Plan and Rotational Audits

Audit/Review	Year last assessed	2017/18	2018/19	2019/20
Rotational Reviews				
Health and Safety			Q1	
IT Security		Q4		
Procurement	2016/17		Q2	
Antifraud Risk Assessment				Q3
Sensitive Expenditure	2013/14	Q2		
Legislative Compliance	2016/17			Q2
Programmed Assessments In addition to the above Rotational Audits, the Audit and Risk Committee has expressed interest in the following areas:				
Cash handling	2013/14	Q4		
Solid Waste Procurement Project		Q2-Q4		
Feilding Waste Water Treatment Plant Project	2015/16	Q3		
Payroll			Q3	

Multi Year Plan and Rotational Audits

Audit/Review	Year last assessed	2017/18	2018/19	2019/20
Programmed Assessments (continued)				
Mt Lees		Q2		
Risk Management			Q1	
Business Continuity and Disaster Recovery Planning	2016/17			Q4
Parks and Property				Q1
Project Management (Specific)			Q4	
Native Plant Nursery			Q1	
Stakeholder Engagement				Q1
Contract Management	2015/16			Q3

Audit and Risk Committee

Meeting of 10 November 2017

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

Review of Sensitive Expenditure 2016-17

Purpose

To review the summary of key findings and recommendations arising from the review of Sensitive Expenditure for the 2016-17 year.

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 recommends:

That the Council receives the Sensitive Expenditure Internal Audit report dated September 2017 and notes the management response to recommendations and actions to be taken.

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 Manawatū – the best rural lifestyle in New Zealand

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

2 Background

2.1 A review of Sensitive Expenditure was carried out as part of the proposed Internal Audit Plan for 2017-18.

2.2 The review covers the period July 2016 to August 2017.

3 Discussion and Options considered

3.1 The findings from the review of Sensitive Expenditure are presented to the committee in Appendix 1 to this report.

3.2 The Sensitive Expenditure Internal Audit report dated October 2017 details the scope and approach taken for the audit, outlines the key findings and provides detailed commentary on each of the findings.

3.3 The Internal Auditor's recommendations, and the management response to the recommendations are presented to the committee for review.

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 report.

6 Statutory Requirements

6.1 There are no statutory requirements directly related to this report.

7 Delegations

7.1 The Audit and Risk Committee's Terms of Reference sets out its responsibility for considering responses to internal audit recommendations. The Committee does not have delegated authority for decision making therefore recommendations are made to Council for adoption.

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 internal audit plan and related audits provide a key health check on key policies, projects and processes. The recommendations from those reports provide management with a way of improving the way we do business.

10.2 The report on the review of Sensitive Expenditure undertaken for the period July 2016 to August 2017 is attached for consideration.

11 Attachments

- Sensitive Expenditure Internal Audit – October 2017

Attachment 1

MWLASS
breaking boundaries, building opportunities

Manawatu District Council

Sensitive Expenditure

Internal Audit

October 2017

Table of contents

Section	Page
Scope and Approach	2
Executive Summary	3
Detailed Findings	5
Appendix	
A – Distribution list	12
B – Ratings definitions	13

MWLASS
breaking boundaries, building opportunities

1 – Scope and Approach

Background

As required in terms of the proposed Internal Audit Plan 2017/18, we have performed a review of Sensitive Expenditure. The period covered by the review is July 2016 to August 2017.

As is the case with any public entity, MDC spends public money. Such spending is required to meet standards of probity and financial prudence that will enable it to withstand public scrutiny. Sensitive Expenditure is defined as spending that provides, has the potential to provide, or has the perceived potential to provide potential benefit to a staff member that is additional to the business benefit to the Council. It also includes expenditure by the Council that could be considered unusual given the Council's purpose and/or functions.

Objective: To provide assurance on the adequacy and effectiveness of the managerial control environment surrounding sensitive expenditure.

Scope: A review of the measures in place to ensure the achievement of the control objectives surrounding policies and procedures, authorisation of sensitive expenditure, compliance with Council policies and procedures, accounting for GST and fringe benefits and the appropriateness of sensitive expenditure.

Approach: Gathered existing policies and procedures making comparison to better practice; assessed the extent to which policies and procedures have been communicated to staff; documented key risks in relation to specified objectives and performed a gap analysis; performed data analytics to select a judgemental sample for comparison to supporting documentation and verification of compliance with policy and delegated authority.

2 - Executive Summary

Report classification and conclusion

Cause for concern

The control environment applicable to sensitive expenditure, as noted in the aforementioned scope, needs to be enhanced to provide management with the required degree of assurance that risk is being managed effectively.

Whilst management have adopted certain good practices to ensure the objectives relating to the control of sensitive expenditure are achieved, we have identified seven improvement opportunities, one of which has been assigned a high-risk rating, to assist management in enhancing controls over this area.

Key findings raised are summarised below:

Area	Summary of key findings and recommendations
Policies and procedures	• Whilst policies and procedures are in place, certain best practice recommendations have been raised to enhance control over sensitive expenditure. • The sensitive expenditure policy requires update to reflect current business practice.
Access	• Periodic Ozone user access reviews are not performed and as such inappropriate access rights may be in place compromising segregation of duties. • There are a large number of users with privileged access – the appropriateness of access should be reassessed as part of the periodic access review.

Area	Summary of key findings and recommendations
Gifts	• The gift register does not appear to be utilised – there have been no gifts recorded for the period under review. • An annual attestation of compliance with Council policies is not in place.
Masterfile changes	• Whilst master file changes to supplier details are independently reviewed, they are not consistently reviewed on a monthly basis. • Information to support bank account changes is not in line with best practice.
Reporting	• A number of inconsistent cost applications were identified which would complicate reporting of sensitive expenditure. • Formalised reporting in respect of sensitive expenditure is not in place – management should give consideration to this to increase transparency and facilitate monitoring of sensitive expenditure.
Travel and hospitality	• We identified one instance where expenditure incurred for meals appeared to exceed the Policy requirement of "reasonable". Although the amount is not material, management may wish to consider revising the Policy to be more prescriptive. • Farewells have not been approved in line with Sensitive Expenditure Policy requirements. The amounts claimed are not considered material and have been approved in line with ordinary delegated authority limits. • Two instances were identified where personal loyalty cards had been swiped for Council related expenditure; staff should be reminded of the Policy.
GST	• Instances were identified where GST has been incorrectly claimed on allowances. • Greater guidance in respect of accounting for GST should be included in the Purchase Order Policy.

Disclaimer

Whilst our report details those errors and weaknesses that came to our attention during our review of sensitive expenditure, based on limited sampling, the responsibility for the prevention and detection of irregularities and fraud rests with management. We have planned our review so that we have a reasonable expectation of detecting weaknesses and deficiencies in the sensitive expenditure process, however, our review should not be relied upon to disclose all irregularities and fraud which may exist.

4 - Detailed Findings

Finding	Assessed Risk	Recommendations and Management Response
4.1 Sensitive Expenditure Policy		
Observations: Whilst the Sensitive Expenditure Policy largely follows the OAG Guidelines, certain better practice improvement opportunities and updates to the Policy to reflect current practice are suggested. • The Sensitive Expenditure Policy currently states that the Mayor does not have a credit card whereas the Mayor does have a credit card with a $5,000 limit. We did confirm that this credit card is authorised by the Delegations Manual, it is therefore merely a policy update. • A number of instances were identified where "reasonable" has not been defined in the Policy e.g. meal and accommodation charges. Our work identified an instance where charges incurred for meals and beverages arguably did not meet the requirement and would support the recommendation to be more prescriptive in the Policy where possible. An example would be to define the value allowed for meals and the acceptable "star – rating" of hotels. This recommendation is also supported by the OAG Guidelines. • The acceptable period for submission of staff claims to be reimbursed has not been defined. It is suggested that a period of 30 days be specifically specified in the Policy to ensure timely submission. • A specific reporting framework has not been defined for key Sensitive	**Moderate**	**Recommendations** • The Sensitive Expenditure Policy should be updated to reflect the changes in practice with regards to the Mayor's credit card. • Consideration should be given to applying more prescriptive guidelines to expenditure where possible and defining the period for submission of claims to be reimbursed to staff. • A reporting framework should be defined for expenditure classed as "sensitive". **Management Response** *The Sensitive Expenditure Policy is currently being reviewed to cater for increased use of purchase cards and virtual cards. The Mayor's card has now been included in the policy.* *We believe the policy provides suitable guidelines and will review the reporting framework within the next three months.*

Finding	Assessed Risk	Recommendations and Management Response
Expenditure. OAG guidelines and accepted better practice suggests that sensitive expenditure should be identified and reported on to ensure appropriate scrutiny. The following protocols are generally observed: • Travel Expenditure – reported monthly to Executive Leadership with any international travel being reported to the Audit and Risk Committee. • Koha/Donations – reported monthly to Executive Leadership and annually to the Audit and Risk Committee. • Disposal of assets to staff/councillors – reported to Executive Leadership (irrespective of value), and to the Council and Audit and Risk Committee where the original cost of the asset exceeds $10,000. • Breach of the Policy – Immediately if the breach is material to the Audit and Risk Committee or at the subsequent Audit and Risk Committee where the breach is not material. More recently, it has however been noted that certain public sector entities are adopting a more rigorous approach and have included full disclosures of both the Chief Executive and Mayor's credit card expenditure. **Risk/Implication:** • Policy not reflective of current practice. • Expenditure may not be able to withstand internal/external scrutiny for a public sector entity.		**Action Date** *31 December 2017*

Finding	Assessed Risk	Recommendations and Management Response
4.2 GST claimed on allowances		
Observations: The Purchase Order Policy does not provide guidance on when GST can be claimed and the IRD requirements to be met. A number of instances were identified where GST has been incorrectly claimed on allowances to Councillors. Based on the data analytics performed, it appears that the effect of this is that input tax has been over claimed by approximately $199. **Risk/Implication:** Non compliance with tax laws.	**Moderate**	**Recommendations** Management should update the purchase order policy to include guidance on GST. **Management Response** *It is acknowledge that an error had been made and GST was being claimed for Councillor's communication allowances. This practice has now stopped and an adjustment has been made to prior GST returns.* **Action Date** *3 October 2017*
4.3 User access – Ozone		
Observations: A periodic access review has not been performed to ensure that all users with access to Ozone are active and have the appropriate access. We understand that the reports available to support such a review are cumbersome and that as such, a review has not been performed in some time. We identified the following: • Three users who were active Ozone users although they had left the employ of MDC. We confirmed that Active Directory (AD) user accounts have been suspended, meaning that they would not be able to access Ozone; there is therefore no risk of unauthorised access. A clean up should however be conducted periodically to remove these	**High**	**Recommendations** A user access review should be performed to remove duplicate and inactive accounts and to ensure that access awarded is appropriate. Given the large number of contractors with access to Ozone, it is imperative that this review is performed on at least an annual basis. Management should further consider the number of privileged access rights awarded to ensure that access awarded remains appropriate and follows a least privileged approach. Management may also wish to

Finding	Assessed Risk	Recommendations and Management Response
accounts. • There are a large number of users with privileged access on Ozone. This review did not consider a detailed assessment of the appropriateness of such access. We did however confirm that none of the privileged users appear to have delegated authority assigned in Ozone. **Risk/Implication:** • Compromised IT general control environment.		consider investing in a privileged user monitoring solution as part of the wider IT security strategy. Appropriate policies and procedures should be drafted to formalise the process surrounding access award and period access review. These documents should include reference to how privileged access is managed. **Management Response** *It is acknowledge that the full Ozone user access review had not been completed, although a partial review had started during the year.* *A cyclical review will be initiated to ensure all group or individual profiles a reviewed annually. This review is to be carried out by the Accounting Operations Manager and will be reviewed by the Chief Financial Officer.* *The Datacom Helpdesk requires access to enable them to assist us. We will review their access as a part of the cyclical review.* **Action Date** *Cyclical review to commence 1 November 2017*

Finding	Assessed Risk	Recommendations and Management Response
4.4 Masterfile changes		
Observations: Whilst we acknowledge that Masterfile change records are reviewed by the Finance Team and appropriate segregation maintained, the reviews are not performed consistently. We understand that the reviews should be performed on a monthly basis. At the time of our review in mid September, the last review had been performed at the end of July 2017. We also identified instances during the reporting period where two months were combined into a single review which increases exposure to financial risk. No instances were identified in our sample where changes were not supported by documentation. We did however identify that certain of the documentation accepted to effect a Masterfile change to supplier information e.g. bank details were not appropriate. Generally accepted better practice is for all changes to bank information to be supported by a bank statement or cancelled cheque. Some organisations, due to heightened fraud instances reported of late, verify all bank account changes telephonically with the entity to further combat exposure to fraud. **Risk/implication:** Increased exposure to financial losses/fraud.	**Moderate**	**Recommendations** Masterfile changes should be performed consistently on at least a monthly basis and supporting documentation required to effect changes to bank details enhanced. **Management Response** *It is acknowledged that the masterfile review had not always been completed as scheduled.* *The timing of this review has been reconsidered and a new process has been put in place to ensure masterfile changes will be reviewed prior to all major payment runs (being 5th, 14th and 20th of each month). This review will be carried out and evidenced by the Senior Finance Officer and the Accounting Operations Manager.* **Action Date** *3 October 2017*

Finding	Assessed Risk	Recommendations and Management Response
4.5 Travel and hospitality		
Observations: Our sample identified an instance where an amount claimed for meals exceeded what is typically considered reasonable. An amount of $128 was claimed for dinner with a further amount of $72 being claimed for beverages. A second purchase order was raised and approved to cover the additional costs to be reimbursed to the staff member, and described as "accommodation cost" rather than meals. We noted that there is inconsistent application of the Sensitive Expenditure Policy requirement that all farewells are to be approved by a General Manager. Whilst expenses incurred are not individually extravagant and in all cases represented eats for morning tea, the policy is prescriptive in this regard. We further identified two cases where loyalty cards have been swiped for Council expenditure incurred on credit cards. **Risk/implications** • Non adherence to Sensitive Expenditure Policy. • Expenditure may not be able to withstand internal/external scrutiny.	**Moderate**	**Recommendations** Management should ensure that the Sensitive Expenditure Policy is recommunicated to all staff to ensure consistent application of the Policy. Further recommendations have been addressed in 4.1. **Management Response** *In the instance mentioned, three staff were staying at the hotel and all meals and beverages were put onto one room. The cost is not considered unreasonable and is within the limits of the Sensitive Expenditure Policy.* *However, this highlights the need to ensure documentation is appropriately annotated with whose meal/drinks are being paid for.* *Currently the authority for farewell morning teas the often verbally given. Going forward the appropriate General Manager will approve the purchase order.* *Staff and Councillors will be reminded of the policy not to use personal loyalty cards when purchasing goods. Council does have a Warehouse loyalty cards in its own name and benefits will only be used for Council purposes.* **Action Date** *31 October 2017*

Finding	Assessed Risk	Recommendations and Management Response
4.6 Incorrect coding of expenditure		
Observations: Expenditure was found to be inconsistently coded across cost codes. General expenses coding is used excessively and there is inconsistent application of this code e.g. certain farewells and lunches are coded to General Expenses whereas others are coded to Cafeteria Expenses. Review of the general expense account identified reference to a variety of items, including asset purchases, repairs and maintenance, functions etc. The following specific items were misallocated: • 4 Koha payments totalling $600 coded to general expenses. • $146 cost of meals coded to telephone costs. **Risk/implications** Difficulty in monitoring sensitive expenditure.	**Moderate**	**Recommendations** Management should consider improving guidance surrounding coding of expenditure to facilitate effective sensitive expenditure monitoring. **Management Response** *The koha charged to general expenses was in July 2016. After this date all koha has been charged to the koha post code.* *The level of "general expenses" is in excess of $600,000 for the 2016/17 financial year. This included air fares, consultants' accommodation, and catering. Staff approving invoices will also be reminded of the need to ensure expenditure is charged to the appropriate activity.* *As we are entering into the LTP budget round we will encourage staff to ensure they have appropriate post codes set up within their cost centres to reduce the need to use "general expenses".* **Action Date** *20 October 2017 (when LTP budgets are opened for input by managers)*

Finding	Assessed Risk	Recommendations and Management Response
4.7 Gifts and compliance with policies		
Observations: Although Council is generally accepted to be an environment where gifts in excess of $50 are uncommon, there are no entries in the gifts register for the period under review. We confirmed that a "negative confirmation" is not required from staff and that reliance is placed on the General Managers to enforce this within their teams. We noted that new appointees are made aware of the MDC policies repository on Jarvis and that they are required to sign a confirmation of having read such policies. The Sensitive Expenditure Policy is not specifically listed in the list of key policies. An annual attestation process is not in place. Whilst an attestation process relies on staff being honest in their disclosures, it does serve as a means to remind staff of key policy requirements and a tool to facilitate appropriate action in cases where non-compliance is identified. **Risk/implications** Non-adherence to Council Policy.	**Moderate**	**Recommendations** Management should consider the implementation of an annual attestation process utilising Microsoft Outlook capabilities, whereby staff are required to confirm compliance with Council policies and procedures. Specific policies may be highlighted to draw particular attention to those considered most significant e.g. gifts, fraud, conflicts of interest and sensitive expenditure. **Management Response** *The last time People and Culture were notified of a gift was 2016. Often the value of a gift is not known (e.g. flowers or a gift basket) but it is assumed that it is under $50, which may not be the case.* *The Sensitive Expenditure Policy will be reviewed to state that all gifts are to be reported. A system will be set up within JARVIS to provide an easy process to do this and automatically report the gift to the appropriate General Manager for a decision how the gift is to be used.* **Action Date** *30 November 2017*

Appendix A - Distribution List

Richard Templer	- Chief Executive Officer
Shayne Harris	- General Manager - Corporate and Regulatory
Colleen Morris	- Chief Financial Officer

For information

Stuart Campbell	- Audit & Risk Committee Chair

Appendix B – Ratings Definitions

Overall report rating

The following rating definitions are used in assessing the control environment of the area subject to internal audit.

	The Internal Audit identified one or more of the following
Cause for considerable concern	• Significant control design improvements identified to ensure that the risk of material loss is minimised and functional objectives are met. • An unacceptable number of controls (including a selection of both significant and minor) identified as not operating for which sufficient mitigating back-up controls could not be identified. • Material losses have occurred as a result of control environment deficiencies. • Instances of fraud or significant contravention of Council policy detected. • No action taken on previous significant Internal Audit findings to resolve the item on a timely basis.
Cause for concern	• Control design improvements identified to ensure that the risk of material loss is minimised and functional objectives are met. • A number of significant controls identified as not operating for which sufficient mitigating back-up controls could not be identified. • Losses have occurred as a result of control environment deficiencies. • Little action taken on previous significant Internal Audit findings to resolve the items on a timely basis.
No major concerns noted	• Control design improvements identified, however the risk of loss is immaterial. • Isolated or "one-off" significant controls identified as not operating for which sufficient mitigating back-up controls could not be identified. • Numerous instances of minor controls not operating for which sufficient mitigating back-up controls could not be identified. • Some previous significant Internal Audit action items have not been resolved on a timely basis.
No or limited scope for improvement	• No control design improvements identified. • Only minor instances of controls identified as not operating which have mitigating back-up controls or the risk of loss is immaterial. • All previous significant Internal Audit items have been closed.

Issue ratings – individual controls

The following ratings as defined are applied to all issues identified in the course of our internal audit work:

Extreme (E)	A very serious weakness likely to compromise internal control or operational efficiency; immediate action required as key controls are ineffective. Issue resolution will be monitored by Audit Committee and executive management.
High (H)	A significant weakness which could compromise internal control or operational efficiency and should be addressed as a matter of some urgency as soon as reasonably practicable (normally within 12 months). Issue resolution will be monitored by executive and senior management.
Moderate (M)	A weakness which could undermine the system of internal control or operational efficiency and requires improvement in the short term (normally within 12 to 24 months). Issue resolution to be monitored by senior management.
Low (L)	A weakness which does not seriously detract from the system of internal control or operational efficiency and is raised for management consideration only. If required, action should be taken within a specified period of time as determined by management and be monitored by the business.

Audit and Risk Committee

Meeting of 10 November 2017

Business Unit: Community and Strategy
Date Created: 31 October 2017

Corporate Risk Register - Analysis

Purpose

The purpose of this report is to present to the Audit and Risk Committee an analysis of the Manawatū District Council Corporate Risk Register Database.

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 receives the report "Corporate Risk Register – Analysis".

Report prepared by:
Michael Hawker
Project Delivery Manager

Approved for submission by:
Brent Limmer
General Manager - Community and Strategy

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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 Manawatū – the best rural lifestyle in New Zealand

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

2 Background

2.1 Manawatū District Council (MDC) has begun a process of maturing its risk management practice.

2.2 An Audit and Risk Committee has been established with responsibility for oversight of Financial Reporting, Internal and External Audit and Risk Management. The Audit and Risk Committee responsibility for risk management and the system of internal controls includes:

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.

2.3 MDC has followed the standard "ISO 31000 Risk Management" which provides guidelines for the design, implementation and maintenance of risk management processes throughout an organization. The standard defines risk as the "impact of uncertainty on objectives". In other words, a risk is something that has not happened but if it did happen would impact the achievement of objectives, either positively or negatively.

2.4 A Risk Appetite Statement (attached) was adopted by MDC in April 2016 and this was endorsed by the new Council in 2017. A Risk Assessment Framework has been adopted to classify the likelihood and consequences of risks impacting at the strategic level. These were presented to the Audit and Risk Committee in August 2017.

2.5 A Corporate Risk Register Database has been established and populated with risks. These risks have been sourced from the Long Term Plan 2015-2025 and its associated Asset Management Plans. 218 threat risks have identified from these documents. These risks have been categorised (risk categories attached) according to their source and their risk appetite impact.

2.6 The development of the Long Term Plan 2015-2025 and its associated Asset Management Plans started before the current risk approach was put in place. This has negatively impacted the quality of the current risk data. In particular, the description of risks and assessment of risk impact.

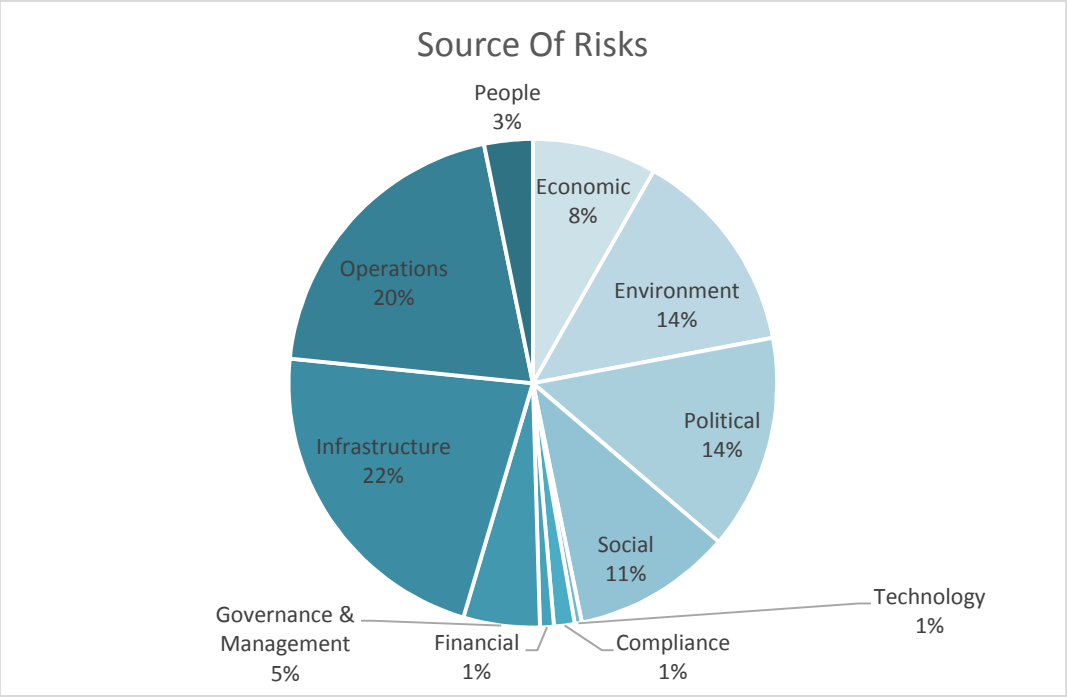
2.7 MDC is also developing a Risk Register for Health and Safety specific risks. This register is due for completion in December 2017. It will comply with WorkSafe New Zealand Health and Safety risk register practices. This will aid compliance with the Health and Safety Act (2015) and contribute to better Health and Safety practices for MDC staff and Manawatū District citizens.

2.8 The next update of the Corporate Risk Register Database will occur in the first half of 2018 with the development of the Long Term Plan 2018-2028 and its associated Asset Management Plans. These documents have utilised the MDC Risk Framework and the quality of risk data will be improved. The process of Key Project Status Reports is identifying risks for the delivery of key projects. These risks will be added to the Corporate Risk Register Database.

3 Discussion and Options considered

Sources and Impacts of Risk

3.1 The source of the risks is evenly split between internal (52%) and external (48%) sources.



3.2 The main sources of risk occurring internally are shown in the table below. The top one or two risk categories are identified in each area.

Top Internal Risk Source Categories	Number of Risks Identified	% of 218 Total Risks Identified
48 Infrastructure risks identified The two main Infrastructure risk categories are:		22 %
• Infrastructure Failure	23	10.6 %
• Infrastructure Capacity	15	6.9 %
44 Operational Issue risks identified The two main Operational Issue risk categories are:		20 %
• Inadequate Systems and Processes	28	12.9 %
• Incomplete/Inaccurate Information and Records	10	4.6 %
11 Governance and Management risks identified The main Governance and Management Risk Category is:		5 %
• Governance Decision Making Effectiveness	7	3.2 %

3.3 The main sources of risk occurring externally are shown in the table below. The top one or two risk categories are identified in each area.

Top External Risk Source Categories	Number of Risks Identified	% of 218 Total Risks Identified
31 Political risks identified The main Political risk category is:		14 %
• Policy Changes By Central/Local Government Agencies	17	7.8 %
30 Environmental risks identified The two main Environmental risk categories are:		14 %
• Natural Disasters	15	6.9 %
• Climate Change	11	5.0 %
23 Social risks identified The main Social risk category is:		11 %
• Demographic Changes Not Matching Assumptions	14	6.4 %

3.4 Impact on Risk Appetite. This table shows for each objective in the risk appetite statement which are the main sources of risk for that objective.

Risk Appetite Objective with Main Risk Source Categories	Number of Risks Impacting Objectives	Risk Appetite
Objective: Operate Within Financial Targets (Impacted by 37 risks)		Averse
Political – Changes to Local/Central Government Agencies Policies	7	
Operations – Inadequate Systems/Processes	5	
Objective: Maintain Legal Compliance (Impacted by 30 risks)		Minimalist
Infrastructure Failure	6	
Objective: Deliver Work Programmes (Impacted by 11 risks)		Cautious
Operations - Incomplete/Inaccurate Information and Records	2	
Objective: Maintain Public Confidence (Impacted by 27 risks)		Cautious
Infrastructure Failure	5	
Political – Relationship Management	4	
Objective: Achieve Strategic Organisational Transformation (Impacted by 1 risk)		Open
Objective: Achieve Service Levels (Impacted by 80 risks)		Open
Operations – Inadequate Systems/Processes	12	

Risk Appetite Objective with Main Risk Source Categories	Number of Risks Impacting Objectives	Risk Appetite
Infrastructure Failure	10	
Infrastructure Capacity	9	
Social - Demographic Changes Not Matching Assumptions	6	
Objective: Achieve Purposeful Growth (Impacted by 31 risks)		Open
Social - Demographic Changes Not Matching Assumptions	4	
Social – Community Expectations Not Matching Assumptions	4	
Objective: Build People and Culture (Impacted by 1 risk)		Hungry

Risk Identification Limitations

3.5 The Long Term Plan and Asset Management Plan process does not identify many risks associated with the capability of MDC to deliver the plans, such as staff capability, staff retention, cybersecurity, fraud, procurement, project and contract management, corruption, and health and safety.

3.6 The identification of only two risks impacting on the Risk Appetite objectives of Build People and Culture and Achieve Strategic Organisational Transformation demonstrates the current limitation of using only using these documents.

3.7 To overcome this limitation, the next round of risk identification will include:

- Long Term Plan 2018-2028 and associated Asset Management Plans using the Risk Framework;
- Health & Safety Risks from completed Register;
- Review Key Project Status Reports Risks;
- Internal Group Business Plans and Strategies; and
- Risk Focus group sessions to identify any gaps in risk identification.

3.8 While the number of risks identified will increase, all categories of risk will be covered with better risk impact assessment.

Key Risks

3.9 The following are key risks (events that might happen) from the Corporate Risk Register requiring monitoring to ensure that current controls and risk treatments maintain their effectiveness:

- Failure of water assets impacting on achieving service levels, maintaining legal compliance;
- Failure of waste water treatment assets impacting on maintaining legal compliance;

- Demographic changes are significantly different from assumptions and plans impacting operating within financial targets, and achieving purposeful growth and development;

- Incomplete/incorrect information in Asset Management Systems impacting on operating within financial targets, maintaining legal compliance and achieving service levels;

- Ineffective consent monitoring systems and processes impacting on operating within financial targets, maintaining legal compliance and maintaining public confidence; and

- Ineffective maintenance systems and processes for infrastructure assets required for consents impacting on operating within financial targets, maintaining legal compliance and maintaining public confidence.

3.10 The Executive Team have identified the following key risks to be added to the Corporate Risk Register:

- Critical Roles and Critical People;

- Cyberattack on IT systems;

- Insufficient capacity/capability of Civil Defence and Emergency Management Team to meet disaster events;

- Economic growth is significantly different from assumptions and plans; and

- Ineffective systems and processes to connect strategic plans and their operational implementation.

3.11 This analysis of the Corporate Strategic Risk Register supports MDC with:

- Regular reporting of risks to Council and MDC management;

- Informing discussions for the work plan of Audit investigations of the effectiveness of controls and treatments for risks;

- Providing focus of key risks for the Audit and Risk Committee to monitor;

- Supporting MDC Management in prioritising risk management actions; and

- Improving MDC risk management processes.

4 Operational Implications

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

5 Financial implications

5.1 There are no capital/operating expenditure implications associated with this report.

6 Statutory Requirements

6.1 There are no statutory requirements associated with this report.

7 Delegations

7.1 The Audit and Risk Committee's Terms of Reference sets out its responsibility for considering risk management and the system of internal controls. This includes:

- Setting the Council's appetite for risk;
- Understanding the key risk areas including likelihood and consequences;
- Effectiveness of internal controls; and
- Fraud risk and procurement risk.

7.2 The Audit and Risk Committee does not have delegated authority for decision-making, therefore recommendations are made to Council for adoption.

8 Consultation

8.1 There are no consultation requirements associated with this report.

9 Cultural Considerations

9.1 There are no cultural considerations associated with receiving this report.

10 Conclusion

10.1 MDC is implementing a risk framework and process.

10.2 This report provides an overview of key sources of risk and the impact on risk appetite.

10.3 A work plan has been identified to improve the identification of risks.

11 Attachments

- MDC Risk Appetite Statement
- MDC Risk Source Categories

Risk appetite is the level of risk we are willing to accept in the pursuit of our strategic objectives. Our aim is to consider all options to respond to risk appropriately and make informed decisions that are most likely to result in successful delivery whilst also providing an acceptable level of value for money.

The acceptance of risk is subject to ensuring that all potential benefits and costs are fully understood and that appropriate measures to manage risk are established before decisions are made. We recognise that the appetite for risk will vary according to the activity undertaken and hence different appetites and tolerances to risk apply.

Specifically, our approach is to minimise exposure to financial and compliance risk, whilst accepting and encouraging an increased degree of risk in other areas in pursuit of our strategic objectives as illustrated in the diagram and statements below.

We at Manawatu District Council (MDC) expect all decision-makers to take the following into account:

MDC Strategic Objectives	Averse	Minimalist	Cautious	Open	Hungry
Build people and culture					■
Achieve purposeful growth and development				■	
Achieve service levels				■	
Achieve strategic organisational transformation				■	
Maintain public confidence			■		
Deliver work programmes			■		
Maintain legal compliance		■			
Operate within financial targets	■				

Operate within financial targets – The Council has **no appetite** for risk in maintaining its long term financial viability and its overall financial strength. It will not trade-off this objective for gains in other objectives. It aims to achieve its strategic and financial objectives subject to the following criteria:

- The Council sets a balanced overall budget and GM's must then contain net expenditure within approved levels;
- To hold rate increases to the Local Government Cost Index (for the previous year), plus four percent in any one year; and
- The Council's maximum level of debt servicing is set at 10% of planned revenue.

Maintain Legal Compliance – The Council recognises the need to place high importance on compliance, regulation and public protection and has **no appetite** for breaches in statute, regulation, professional standards, ethics, bribery or fraud. But it is prepared for **minimal risk** to seek benefits where aspects of compliance are negotiable.

Deliver Work Programmes – The Council accepts a **cautious level of risk** to deliver its complete work programme but only when non-delivery can be limited and any benefits heavily outweigh any non-delivery.

Maintain Public Confidence – It is regarded as important that the Council maintains public confidence in its actions and performance, however it is prepared to defend actions with a good reward despite negative response. Hence it has set a **cautious appetite** for risk in the conduct of any of its activities that puts its reputation in jeopardy but where it can justify the reward from those activities.

Achieve Strategic Organisational Transformation – The environment the Council works in is continually changing through both its internal operations and the services it provides. Change projects provide the Council with an opportunity to be an agile and effective Council and also to establish benefits for the longer term. The Council recognises that this may require high levels of risk and is **open** to accepting the risk subject to always ensuring that impacts are appropriately managed.

Achieve Service Levels – The Council is **open to a high level of risk** arising from the nature of the Council's business operations and service delivery to deliver an appropriate level of service at value for money, whilst managing any impact.

Achieve Purposeful Growth and Development – The Council has a continuing obligation to invest in the development and growth of the District in a purposeful and planned manner. To achieve progressive and innovative development the Council has an **open risk appetite** whilst ensuring that benefits are assessed and risks are fully scrutinised and appropriately treated before developments are authorised.

Build People & Culture – The Council recognises that its staff are critical to achieving its objectives and therefore the support and development of staff is key to making the Council an enjoyable and safe place to work. It has a **very high appetite** for decisions that involve staffing or culture to support transformational change and ensure the Council is continually improving even if there is a chance of failure.

Risk Categories

	Risk Category	Risk Sub-Category
External	Social	Demographics
		Social Wellbeing
		Social Expectations
		Social Engagement
	Political	Iwi
		Legal/Regulatory Change
		External Relationship Management
		External Policies
	Economic	Inflation
		Markets
		Exchange/Interest rates
		Economic Wellbeing
		Economic Structure
	Environment	Disasters
		Climate Change
		Pollution
	Technological	Standards
		Technological Change
		Cybersecurity
Internal	Infrastructure	Infrastructure Resilience
		Infrastructure Safety
		Infrastructure Failure
		Infrastructure Capacity
		Infrastructure Coverage
		Infrastructure Availability
	People	Talent Retention
		People Capacity
		People Capability
	Compliance	Legal Actions

	Investigations/Reporting
	Penalties
	Violations
	Licences/Permits
Financial	Liability
	Debt
	Revenue
	Tax
Health & Safety	Physical
	Biological
	Chemical
	Ergonomic
	Psychosocial
Operations	Fraud/Corruption
	Procurement/Contracts
	Project
	Information/Records/Privacy
	Business Continuity
	Systems/Processes
Governance & Management	Audit
	Internal Relationships (Governance/Management)
	Strategy
	Decision-Making

Audit and Risk Committee

Meeting of 10 November 2017

Business Unit: Corporate and Regulatory
Date Created: 27 October 2017

First Quarter Report to 30 September 2017

Purpose

To provide a summary to 30 September 2017 of the Council's performance against 2017/18 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 recommends:

That the Council receives the First Quarter Report and the Capital Expenditure Report for the period ended 30 September 2017.

Report prepared by:
Colleen Morris
Chief Financial 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 Manawatū – the best rural lifestyle in New Zealand

Manawatū District will improve the natural environment, stewarding the district in a practice aligned to the concept of kaitiakitanga.	The Manawatū will attract and retain residents.	Manawatū district develops a broad economic base from its solid foundation in the primary sector.	Manawatū and its people are connected via quality infrastructure and technology.	Manawatū's built environment is safe, reliable and attractive.	Manawatū 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 2017/18. The Annual Report accounts for how Council performed against the 2017/18 Annual Plan and the non-financial measures included in the third year of the 2015-25 Long Term Plan. The reports summarise 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.

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

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

11 Attachments

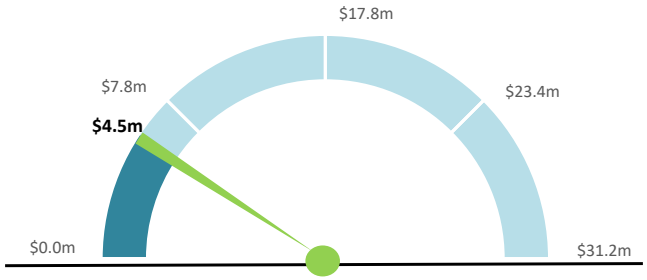
- Quarter One Report
- Capital Expenditure Report for the period ended 30 September 2017

Attachment 1

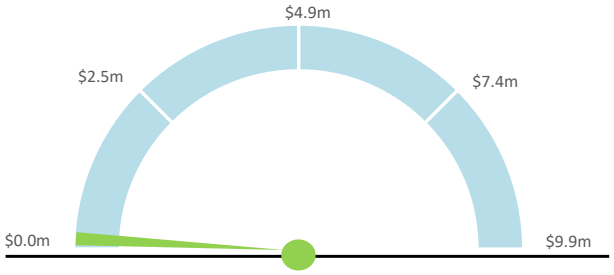
Key Indicators

For the period ended 30 September 2017

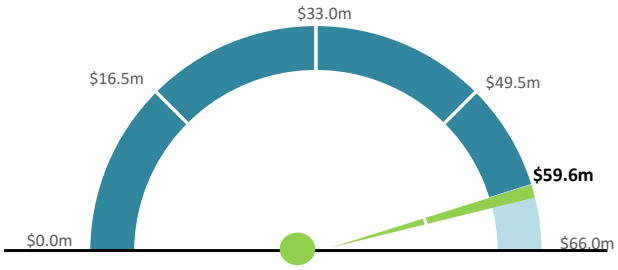
Capital Expenditure



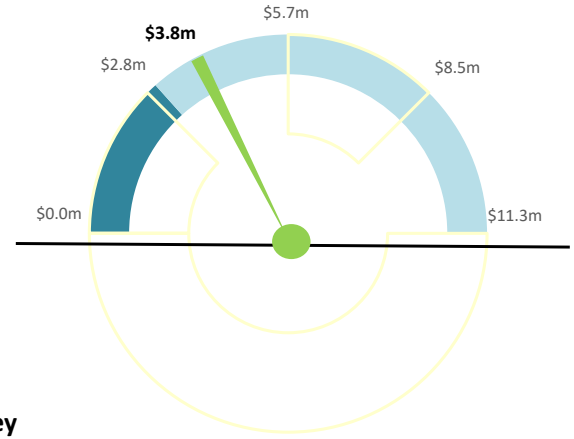
Loans Raised (excluding refinancing loans)



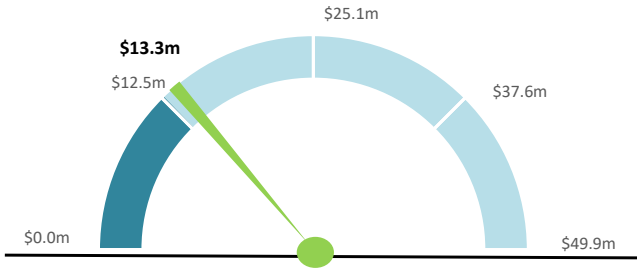
Total External Debt



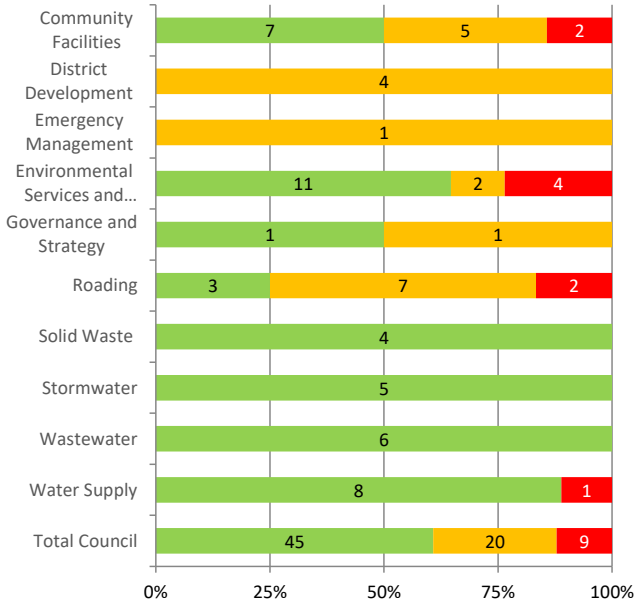
Total Operating Revenue (excluding rates)



Total Operating Expenses



Key Performance Indicators

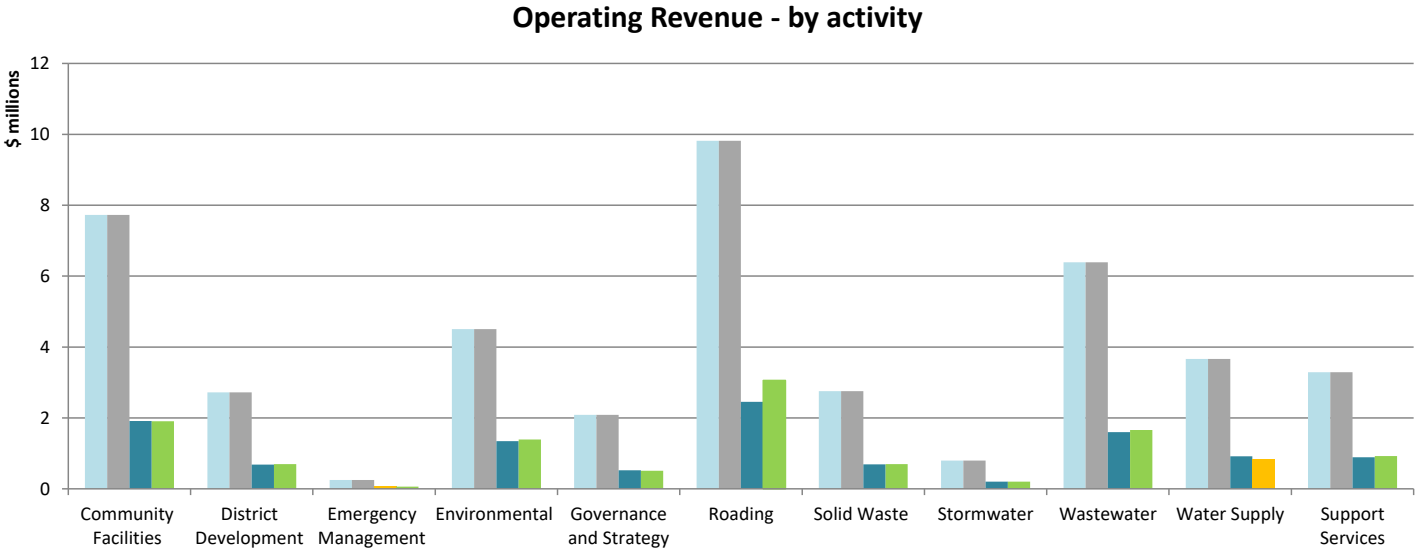


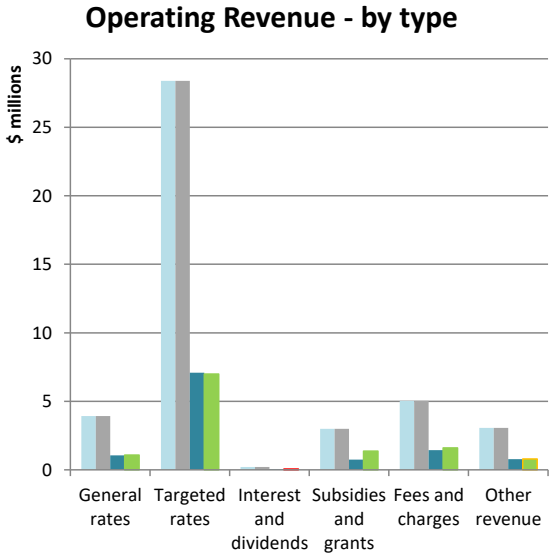
Key

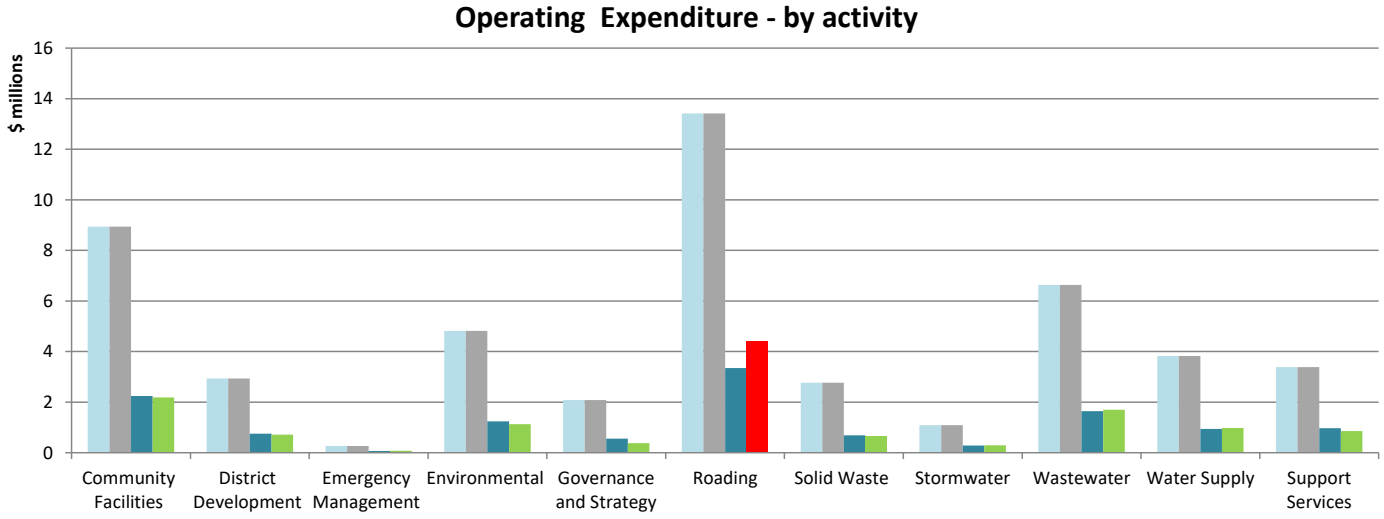
Annual Plan | YTD Budget | Actual - On Track | Actual - Needs Monitoring | Actual - Not achieving

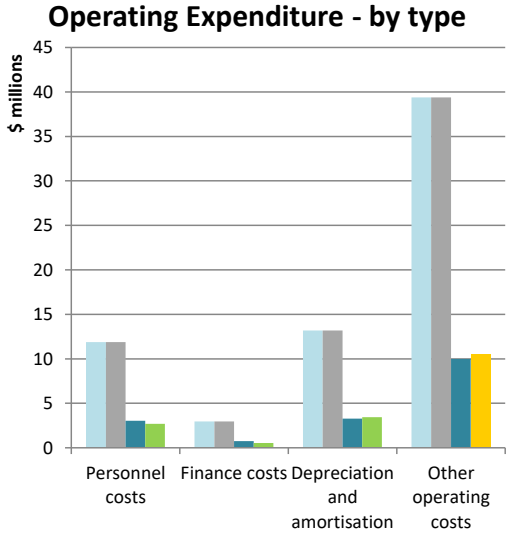
Overall Council Summaries

For the period ended 30 September 2017







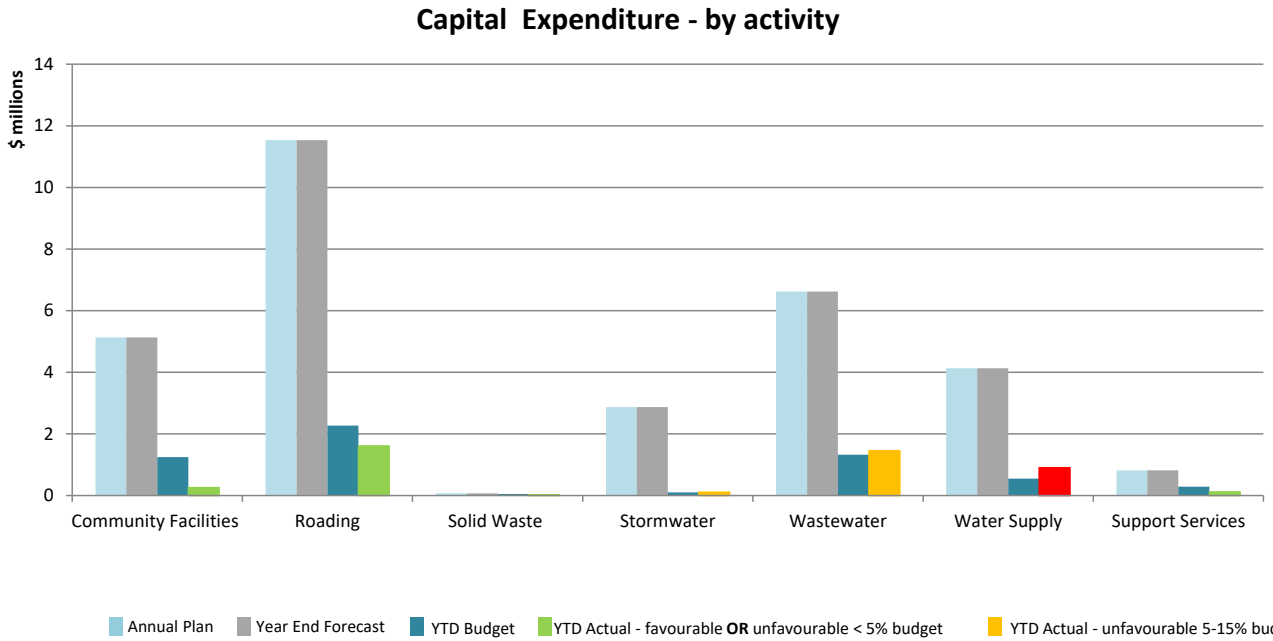


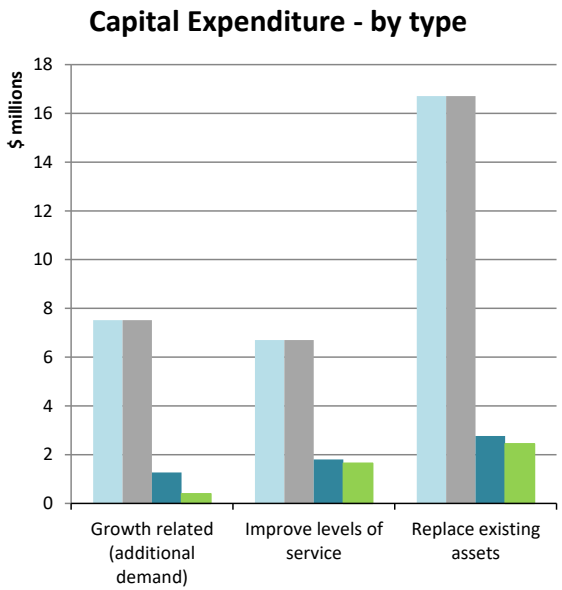
Key

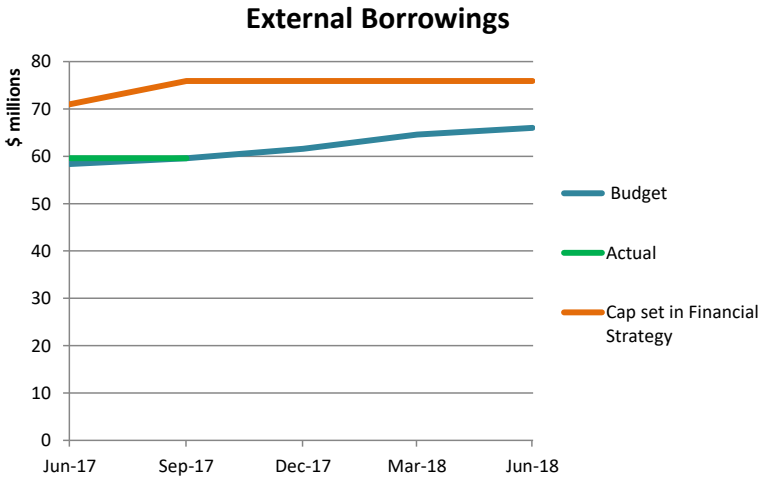
- Annual Plan
- Year End Forecast
- YTD Budget
- YTD Actual - favourable **OR** unfavourable < 5% budget
- YTD Actual - unfavourable 5-15% budget
- YTD Actual - unfavourable > 15% budget

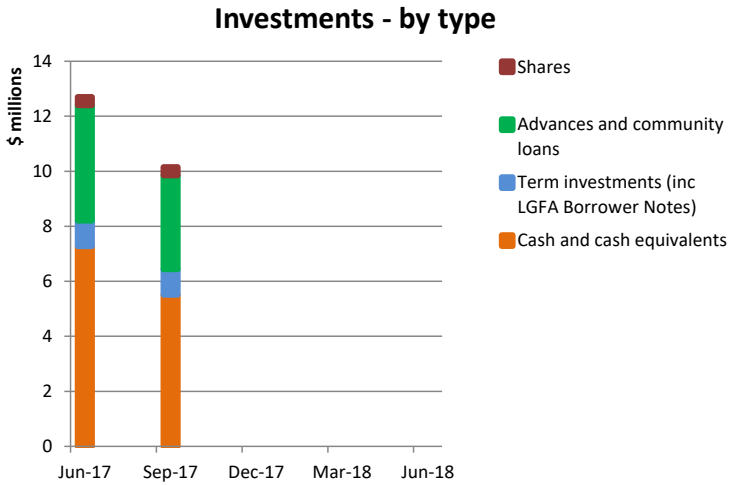
Overall Council Summaries

For the period ended 30 September 2017









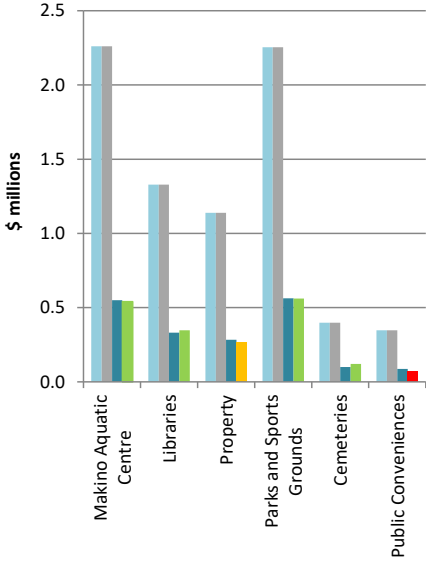
Comments:

There was a breach in the Investment Policy in July. An early receipt of an NZTA claim caused the ratio of funds held with our transactional bank to exceed 40%.

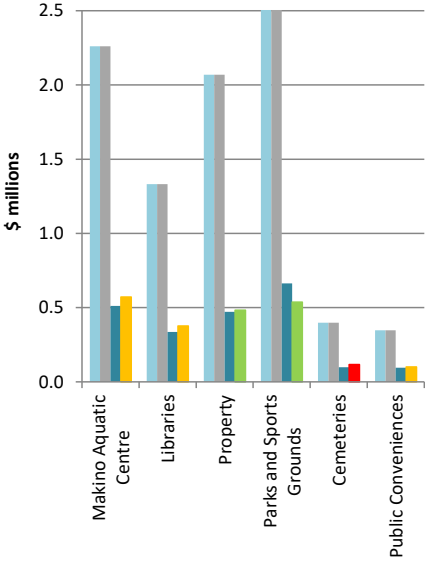
Community Facilities

For the period ended 30 September 2017

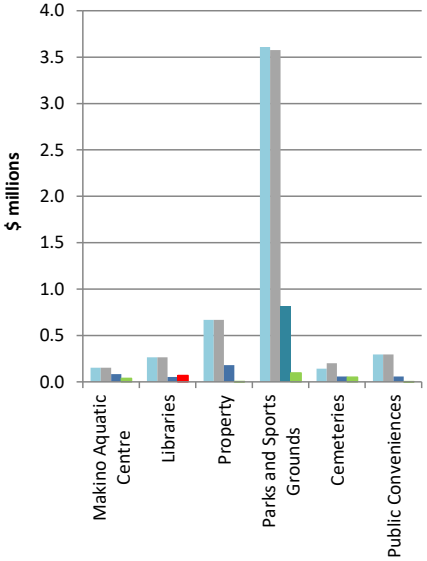
Operating Revenue



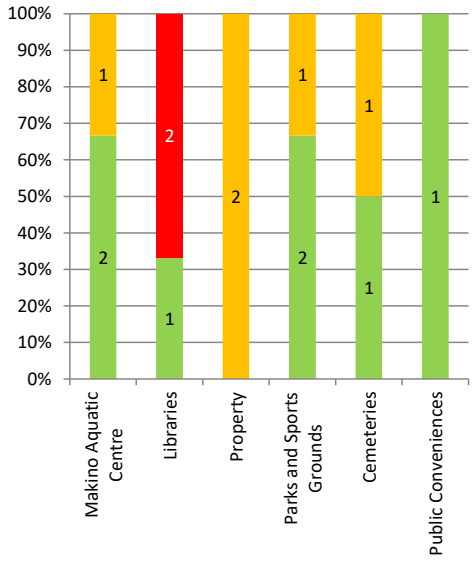
Operating Expenditure



Capital Expenditure



Key Performance Indicators



Revenue is from rates and user fees and charges.

MAC swim programme revenue is lower than budget but is anticipated to rise over the summer months.

No property sales transactions occurred, therefore no gain on sale.

Rental relief has reduced income on Feilding Depot.

Additional instructor hours have been required at the Makino Aquatic Centre at the learn to swim pool. Depreciation charges are greater than budgeted. The final depreciation calculation are based on the final costings and more accurate useful lives.

A number of library subscriptions have been paid for at the beginning of the financial year.

Cemetery interment costs are ahead of budget. The cost is offset by greater fees being received.

The public convenience costs include $12k unbudgeted expenditure for the relocation of the Londons Ford toilets.

The capital expenditure report contains the progress of individual projects.

Makino - The customer survey has yet to be completed.

From 1 July to 30 September 2017 a total of 13,814 participants have taken part in water programmes at the Makino. This exceeds the annual target of 13,750. Swimming lessons and clubs have had the most participants with 5,091 and 3,037 respectively.

Libraries - Currently two issues per capita for the first quarter. The annual target is 12 issues per capita and is not expected to be achieved this year.

(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

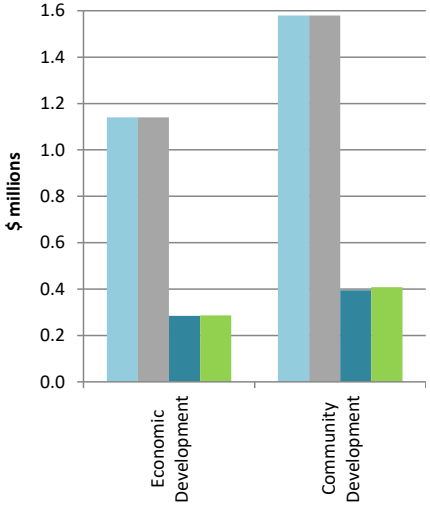
Key

On Track | Needs Monitoring | Not achieving

District Development

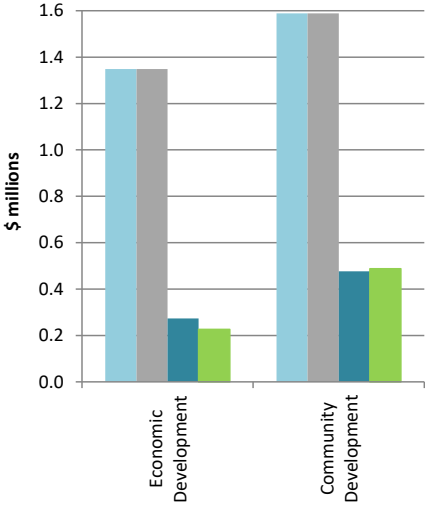
For the period ended 30 September 2017

Operating Revenue



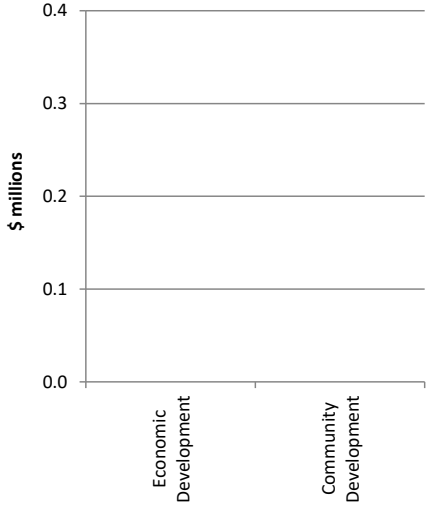
Income is primarily from rates.

Operating Expenditure



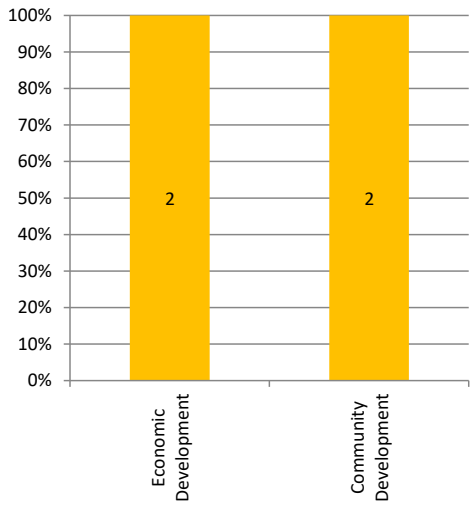
Expenditure is on track.

Capital Expenditure



There is no capital expenditure planned for this activity.

Key Performance Indicators



Economic Development - The customer satisfaction survey has not yet been completed. Reporting from agencies will be received later in the year.

Community Development - The customer satisfaction survey has not yet been completed. Reporting from agencies will be received later in the year.

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

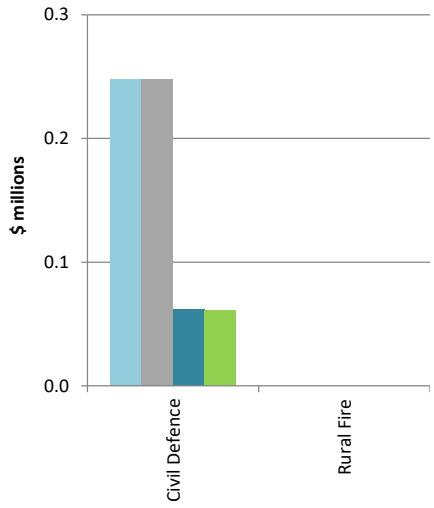
Key

- On Track
- Needs Monitoring
- Not achieving

Emergency Management

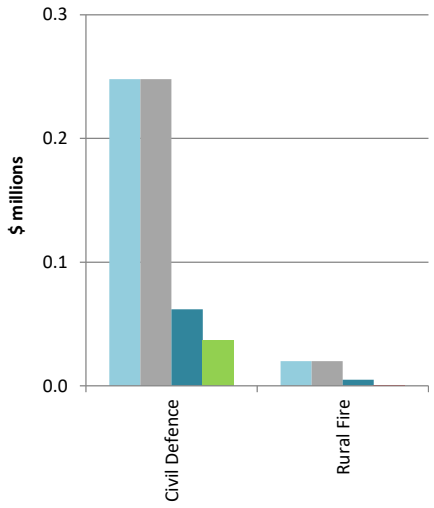
For the period ended 30 September 2017

Operating Revenue



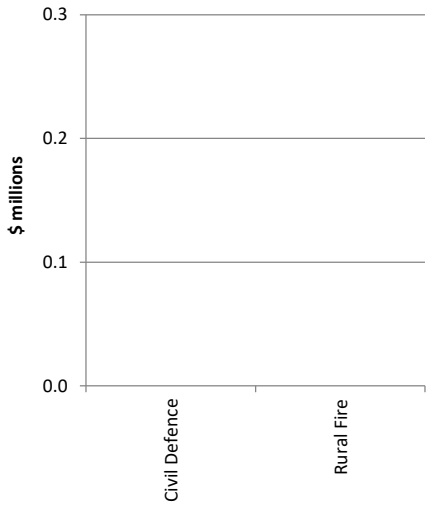
Income is primarily received through rates.

Operating Expenditure



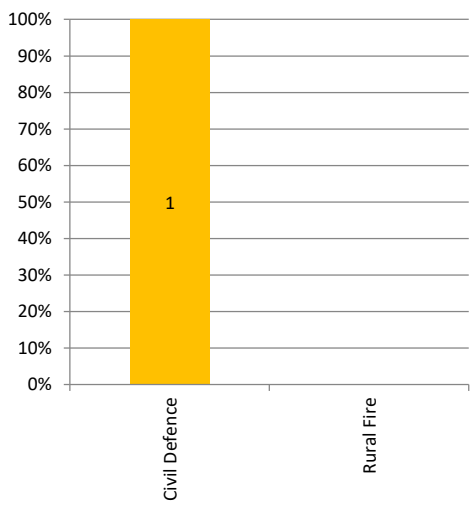
The Civil Defence budget includes a small allowance for unexpected events. No such events have occurred this quarter.

Capital Expenditure



There is no capital expenditure planned for this activity.

Key Performance Indicators



Civil Defence - The community satisfaction survey is yet to be completed.

Rural Fire - Rural Fire services transferred to Fire and Emergency New Zealand (FENZ) on 1 July 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

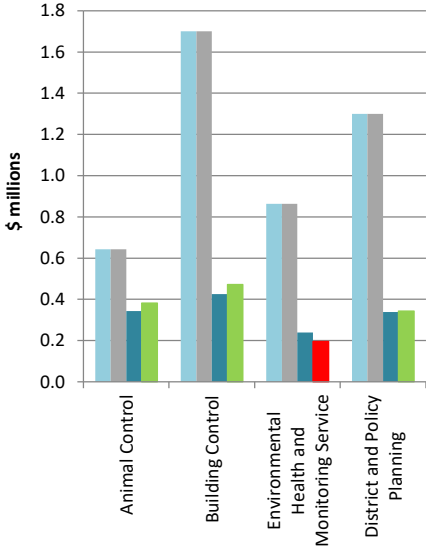
Key

On Track | Needs Monitoring | Not achieving

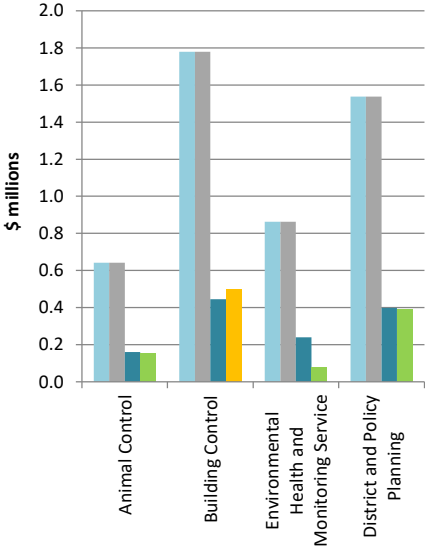
Environmental Services and Monitoring

For the period ended 30 September 2017

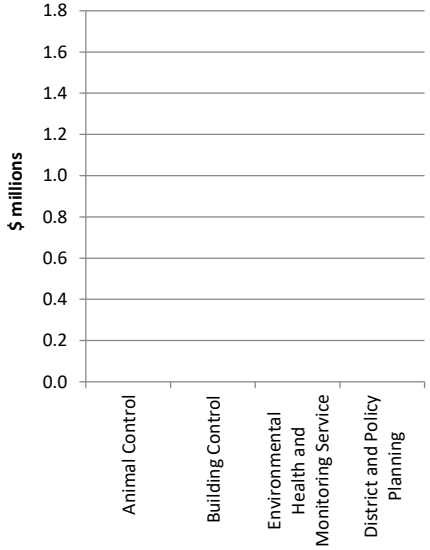
Operating Revenue



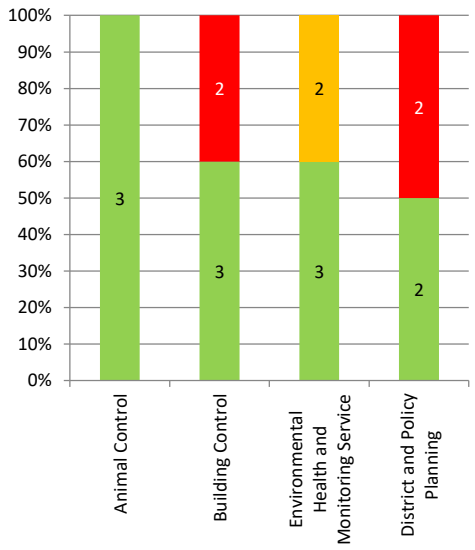
Operating Expenditure



Capital Expenditure



Key Performance Indicators



Building Control revenue is approximately $40k greater than anticipated as a result of increased numbers of building consents applications. This trend is likely to continue for the rest of the financial year.

Environmental health - manager certificate revenue and swimming pool inspection revenue will be received in the second quarter.

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

The District Plan project is $81k below current year's budget but spending will increase in the next quarter.

There is no capital expenditure planned for this activity.

Building Control - A new electronic building consent application and processing system was introduced on 1 August 2017. Technical officers are currently adapting to the new system and are also working with the paper system for applications received prior to implementation. In addition, we are experiencing an increased number of consents.

A total of 160 building consents, 289 code compliance certificates and 74 fast track building consent were issued in the first quarter. Of these 63%, 95% and 84% respectively were issued within the targeted timeframe.

(Continued 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

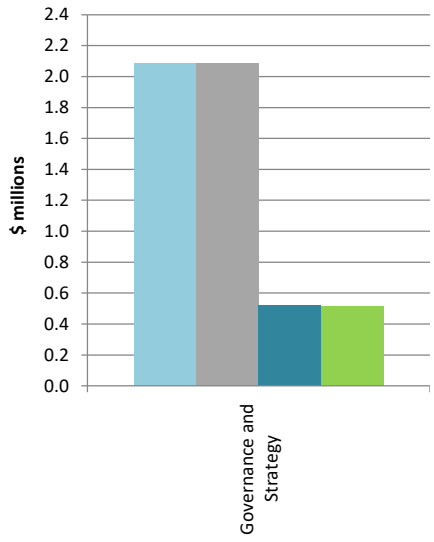
Key

- On Track
- Needs Monitoring
- Not achieving

Governance and Strategy

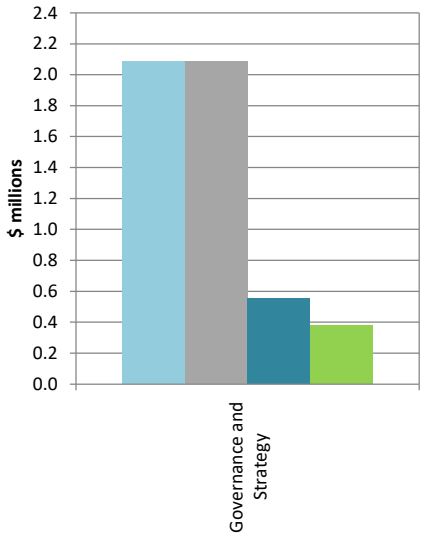
For the period ended 30 September 2017

Operating Revenue



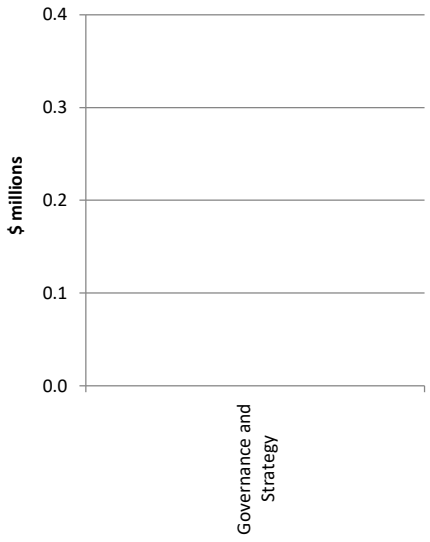
Income is received through rates.

Operating Expenditure



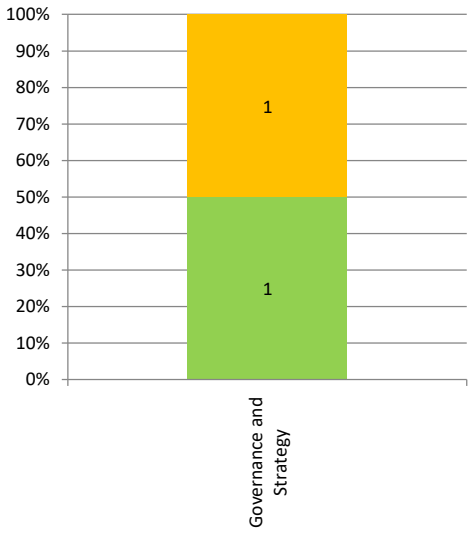
Overhead costs are lower than budgeted for.

Capital Expenditure



There is no capital expenditure planned for this activity.

Key Performance Indicators



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 2017/18 year is 5.9%. The rates set resulted in a 3.9% increase from last year. The borrowing limit for the 2017/18 year is $75.9m. The proposed borrowing at the end of the year is $66m. Borrowing to date is $59.6m.

The customer survey is yet to be carried out.

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

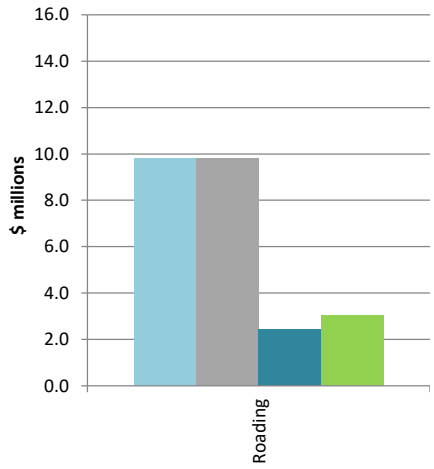
Key

- On Track
- Needs Monitoring
- Not achieving

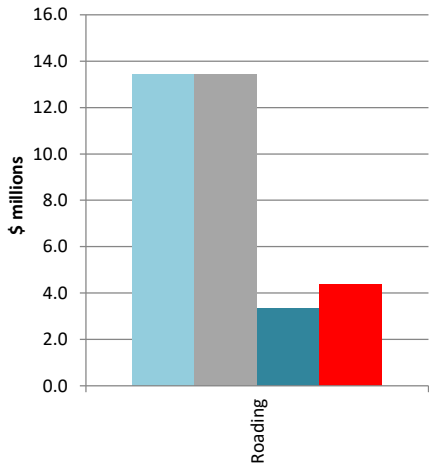
Roading

For the period ended 30 September 2017

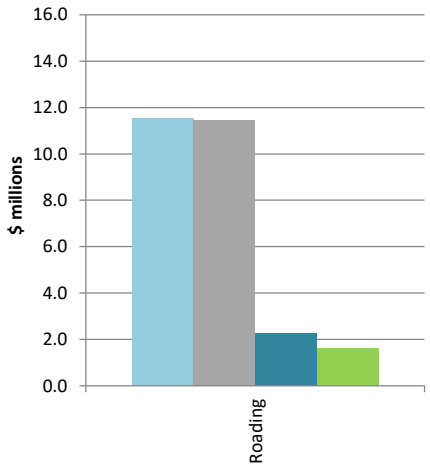
Operating Revenue



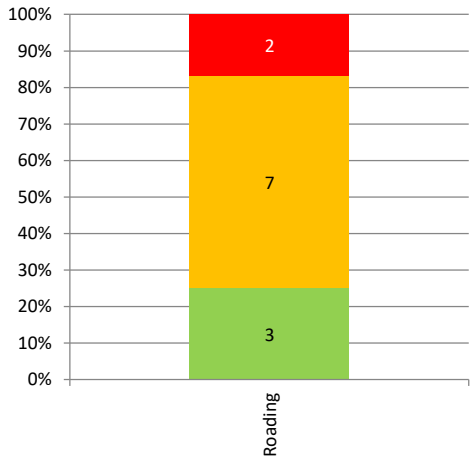
Operating Expenditure



Capital Expenditure



Key Performance Indicators



Revenue is received through rates and NZTA subsidy. The increased subsidy is a result of the increased expenditure for repairs caused by the July 2017 storm.

Work programme is ahead of budget due to the July 2017 storm event. Repair costs are estimated at $3.2m, part of which will be subsidised by NZTA. $1m has been spent to the end of September 2017.

The capital expenditure report contains the progress of individual projects.

Several measures including crash data, customer surveys (3), footpath assessment and the Smooth Travel Exposure review do not have information available at this stage. These will be reported later in the year.
The road sealing programme has not yet commenced.

The measures 'not met' relate to achieving the agreed response times 90% of the time:
- 45.5% of contracted service personnel on site for urgent requests (within one hour)
- 50.7% of non-urgent requests were responded to, acknowledged and resolved within five days of receipt. Under the contract non urgent works are programmed for repair within three months or as instructed by Council.

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

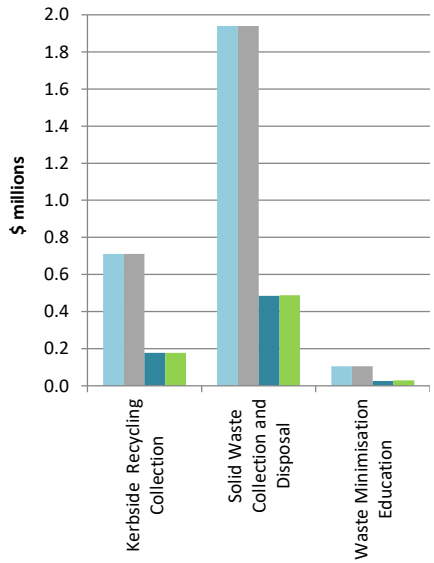
Key

On Track | Needs Monitoring | Not achieving

Solid Waste

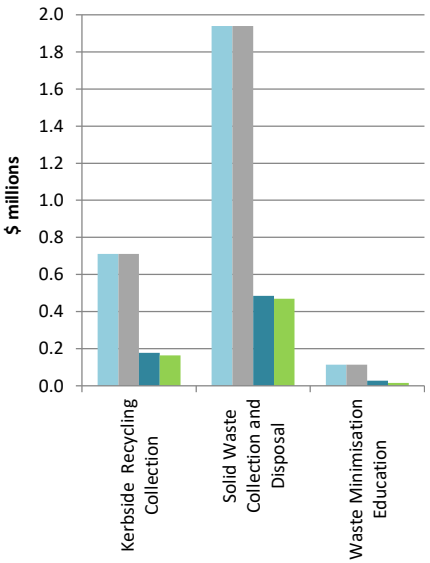
For the period ended 30 September 2017

Operating Revenue



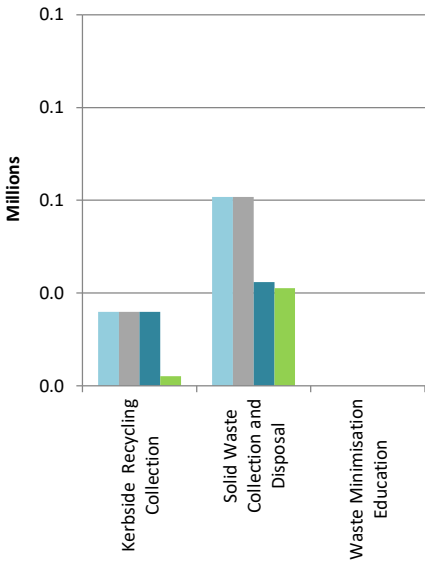
Revenue is primarily from rates, gate takings at the transfer station and blue bag sales.

Operating Expenditure



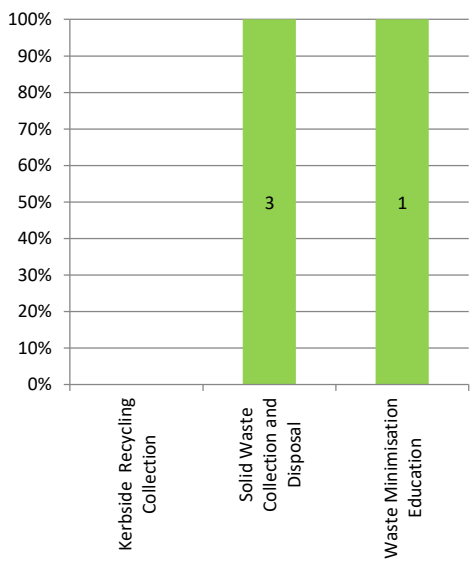
Expenditure is on track.

Capital Expenditure



The capital expenditure report contains the progress of individual projects.

Key Performance Indicators



All targets have been met.

A mini digital film competition organised by Council and Horizons is scheduled to close in October 2017.

In the first quarter Zero Waste Education visited Manchester Street School twice, as well as Apiti and Oroua Downs with positive reports received from all schools.

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

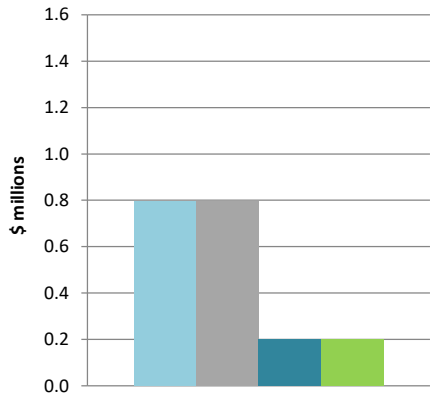
Key

On Track | Needs Monitoring | Not achieving

Stormwater

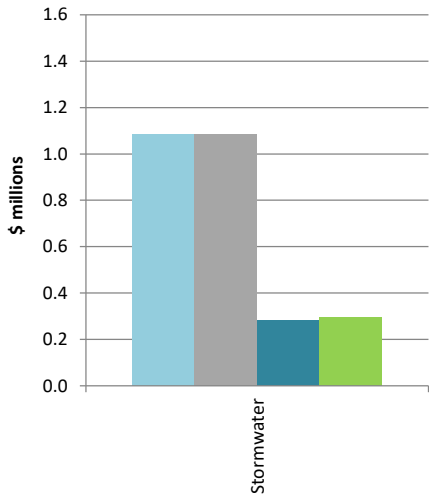
For the period ended 30 September 2017

Operating Revenue



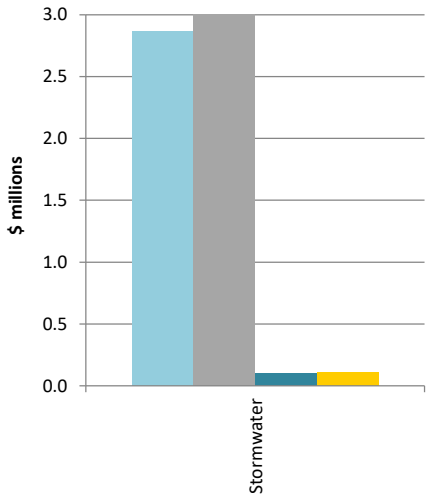
All revenue is sourced from rates.

Operating Expenditure



Expenditure is on track.

Capital Expenditure

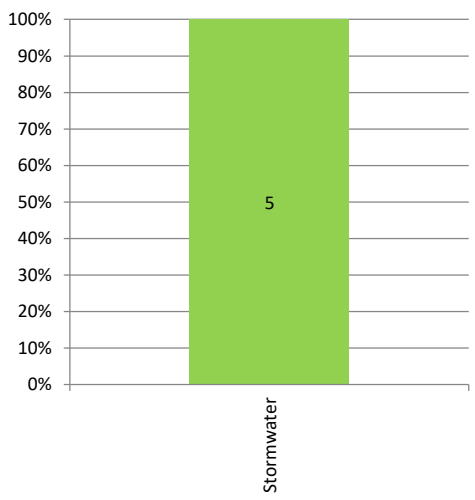


The capital expenditure report contains the progress of individual projects.

Design work underway, project is on track for Feilding growth works.

The forecast reflects the carry forward expenditure made subsequent to the Annual Plan process.

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

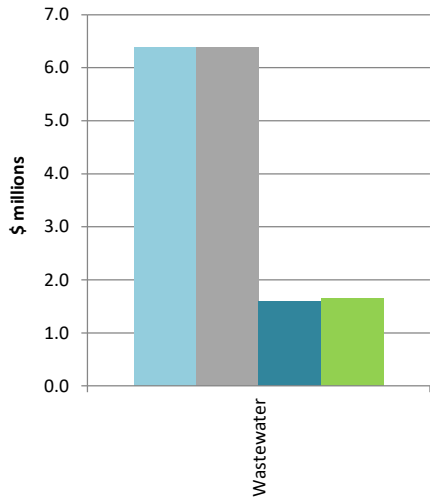
Key

On Track | Needs Monitoring | Not achieving

Wastewater

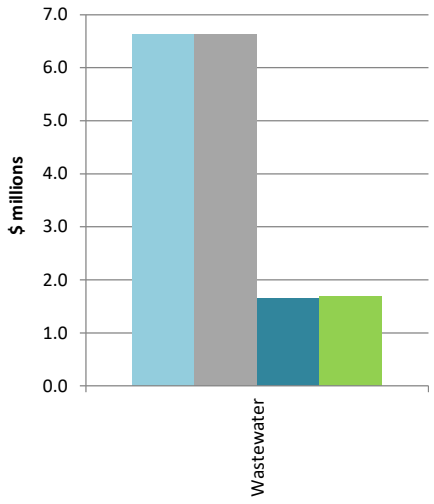
For the period ended 30 September 2017

Operating Revenue



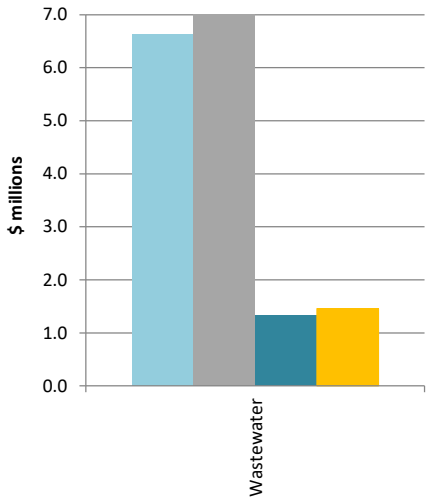
Revenue is from rates, tradewaste charges and volumetric charges.

Operating Expenditure



Expenditure is on track.

Capital Expenditure

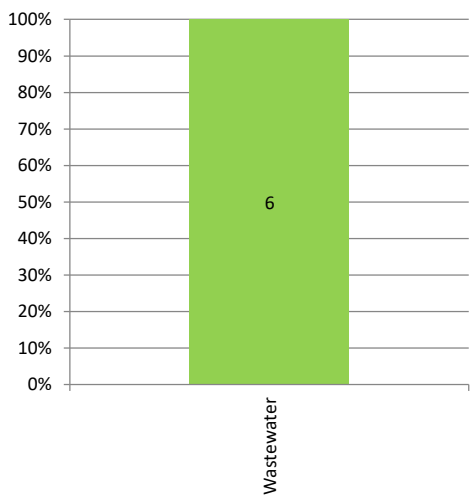


The capital expenditure report contains the progress of individual projects.

Feilding Wastewater Treatment Plant works are on schedule, Sanson works are on hold, pending the outcome of the centralisation proposal.

The forecast reflects the carry forward expenditure made subsequent to the Annual Plan process.

Key Performance Indicators



All targets have been met.

During the quarter there were no dry weather overflows and one wet weather overflow in Feilding. Response times were within the timeframe allowed.

In total 10 complaints have been received - odour (3), systems faults (6) and systems blockages (1). If this trend continues the number of complaints will be less than the targeted maximum.

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

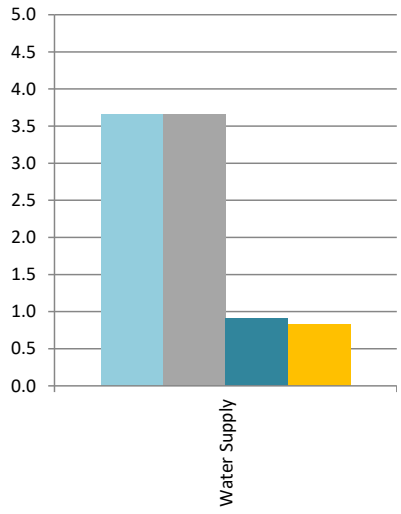
Key

On Track | Needs Monitoring | Not achieving

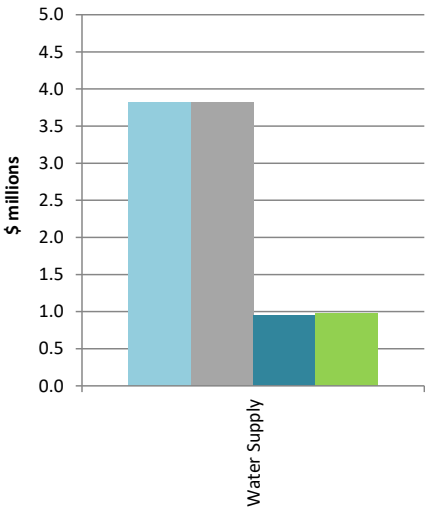
Water Supply

For the period ended 30 September 2017

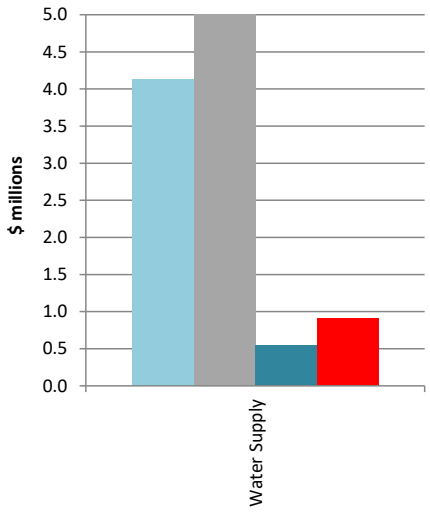
Operating Revenue



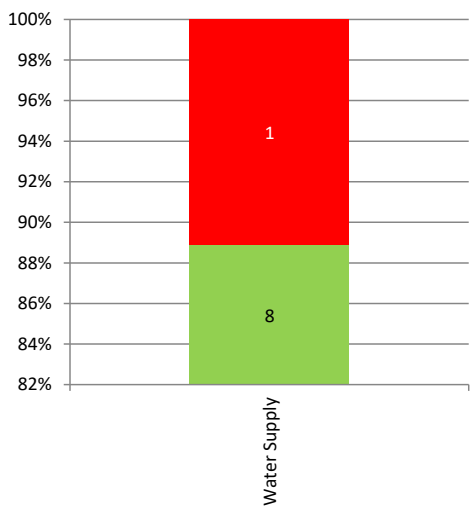
Operating Expenditure



Capital Expenditure



Key Performance Indicators



Revenue is from rates and metered water.

The budget includes $210k subsidy for improvements to the Sanson scheme. This subsidy has not yet been invoiced.

Expenditure is on track.

The capital expenditure report contains the progress of individual projects.

A number of projects have been carried forward from last financial year. These include Feilding treatment plant renewals and the Sanson storage and treatment new works. This is reflected in the forecast figures.

The physical works programme is subject to the outcome of a new Water Strategy investigation.

Protozoa compliance was not achieved for Stanway-Halcombe and Sanson schemes. There are projects underway/planned to upgrade schemes to enable compliance.

In total 28 complaints have been received - clarity (10), taste (3), odour (4), pressure (2) and continuity of supply (9). If this trend continues the number of complaints will be less than the targeted maximum.

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

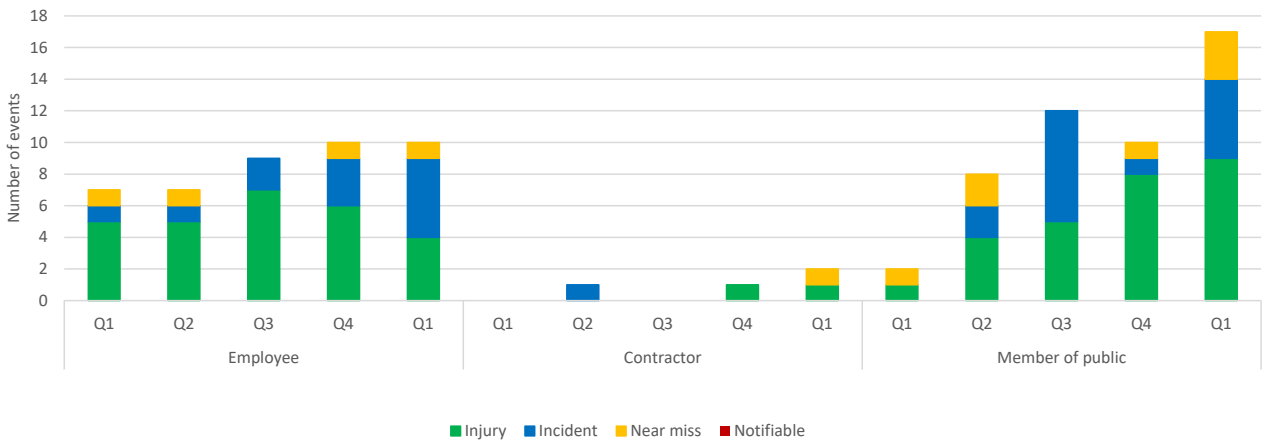
Key

On Track | Needs Monitoring | Not achieving

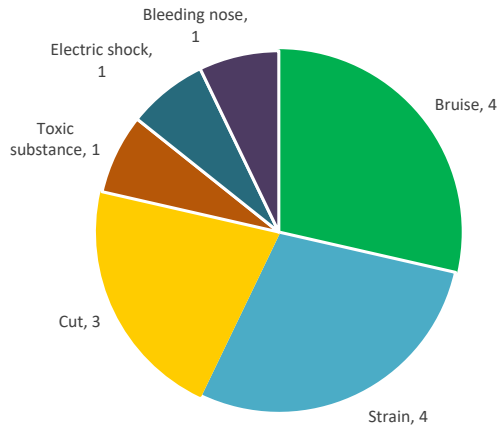
Health and Safety

For the period ended 30 September 2017

Events reported



Injury type for the quarter



Notifiable events this quarter

Notifiable: 0 Not Notifiable: 29

Significant incidents this quarter

3 x verbal abuse to staff, police called
3 x rescues at the pool
1 x gas inhalation by contractor (notified to WorkSafe, but did not met "notifiable" criteria).

Lost time (days) this quarter

Communication and education

Defibrillators in Feilding
Don't stand on your chair

Training and inductions

12 new staff inductions
Contractor management training
First aid training

Wellness initiatives

Hepatitis vaccinations
Workstation assessments
Drug and alcohol testing
Lung function testing

Rolling year injuries

Sprain/strain	13
Bruise	12
Other	11
Abrasion	7
Emotional	5
Laceration/cut	5
Fractured bone	3
Hyperventilation	2

Comments Continued

Community Facilities

Library continued - In the first quarter the Library has hosted 295 programmes/events with 3,770 participants. The programme target of 920 events is likely to be achieved at year end. However we are unlikely to achieve the annual participant target of 20,200. We are purposely reducing participant numbers at events to mitigate issues that arose last year due to the variety of programmes and needs of user groups.

Property - The customer satisfaction survey is yet to be completed and hall usage will be measured at the end of the financial year.

Parks and Sports Grounds - The customer satisfaction survey is yet to be completed.

Cemeteries - The customer satisfaction survey is yet to be completed.

Environmental Services and Monitoring

Environmental - Of the 165 registered food and other premises, 23 were inspected in the first quarter. Approximately 13 premises per month are required to be inspected in order to achieve this target at year end based on the total number of registered premises.

District Planning - 45 non-notified resource consents were processed. 43 of these (96%) were processed within 20 days.

11 controlled activities resource consents were processed with none being processed within the 10 day target. Currently controlled activities are complex to process and we are reviewing the activities rules to enable us to process these within the targeted timeframe.

Attachment 2

Capital Expenditure
For the period ended 30 September 2017

	Actual YTD $000	Budget YTD $000	Variance YTD $000	Variance YTD %	Commitments $000	Full Year Revised Budget $000	Annual Plan 2018 $000	Physical Completion %	Year End Forecast $000	Notes/Comments *Budget YTD reflects the amounts carried forward from 2016/17 after the Annual Plan was prepared.*
Community Facilities										
Feilding Cemetery Extension	47	52	(5)	-10%	43	190	21	70%	190	The budget was revised from cemetery renewal works below. The project is expected to be completed with Beam installation due in January when the ground is in a suitable condition The $21k is for RSA area extension and funded by growth from RSA.
Cemetery Renewal Works	1	7	(5)	-77%	0	11	121	9%	11	The carry forward from 2016/17 of $110k is revised to the Feilding cemetery extension project above.
Halcombe Cemetery Extension	2	0	2	n/a	0	0	0	100%	2	
Feilding Little Theatre - Roof	0	20	(20)	-100%	0	20	20	0%	0	The project is to be undertaken as part of the Feilding Little Theatre strengthening project. Balance of funding to be carried over to the 2018/19 year, as the Theatre Trust needs to source additional funding.
Himatangi Beach Hall Renewals	0	3	(3)	-107%	0	3	3	0%	3	Urinal replacement project is underway, expected completion in October.
Library Collection Purchases	45	50	(4)	-8%	12	199	199	30%	199	To be expended throughout the year.
Library Review Project	23	2	21	933%	9	59	64	35%	64	To be expended through the year as options are developed.
Makino Redevelopment	4	0	4	n/a	5	64	64	6%	64	This is the car park redevelopment between MDC and MAC, the project is in detailed design stage with consultant. Project is on track.
MAC General Renewals	34	82	(49)	-60%	4	89	89	40%	89	Outdoor pool work delayed due to wet weather.
Public Conveniences Renewals	0	3	(3)	-100%	17	26	26	0%	26	This is the balance to install public convenience at Tangimoana. Project is scoped and underway.
Sanson Public Toilets	0	55	(55)	-100%	0	210	210	0%	0	Project is on hold while Sanson hotel developments are being finalised.
Tangimoana Public Toilets	0	0	0	n/a	58	58	58	0%	58	Project is underway, consulting with the Community. Expected to be completed by December 2017.
Strengthen Earthquake Prone Buildings	0	28	(28)	-99%	0	113	118	0%	113	Developed design is underway for the Feilding Theatre. Completion of the project will depend on the Theatre Trust seeking additional external funding. Balance of funding may potentially carry over to the 2018/19 year.
Manfeild Park Development	1	105	(104)	-99%	0	420	420	0%	1	This project is for Kawakawa Rd / South St development. No expenditure is anticipated until sections sell.
Makino Park Growth	0	84	(84)	-100%	0	335	335	0%	0	This project is for the Makino Precinct and is currently on hold, pending wider strategic conversations for the precinct.
Property Renewal Projects	3	24	(22)	-92%	35	73	107	4%	73	Clock tower lighting, is underway as well as ground lighting, expected completion of this portion of works is early October.
Parks and Reserves - Kowhai Park	15	24	(8)	-34%	1	156	158	10%	158	Technical drawings as part of design development are in progress. Project will be out for tender in October 2017.
Parks and Reserves - New Projects	6	8	(2)	-26%	0	16	16	38%	16	Mt Stewart project is complete, with additional projects underway.
Parks and Reserves - Refurbish Victoria Park	5	0	5	n/a	25	0	0	80%	5	This is the fitness station, with costs to be invoiced to Rotary at project completion. Project is under construction with completion expected end of October 2017.
Parks Growth - Timona Park	3	12	(9)	-74%	0	48	48	6%	0	This is for the Simon St toilets that will be carried over until the next long term plan.
Parks and Reserves - Walkway / Linkages	11	82	(71)	-86%	0	732	732	1%	732	This is Greenspine and Rata St walkway. Design works have begun.
Parks and Reserves - Playground Renewal	0	8	(8)	-101%	0	8	8	0%	8	This is general playground renewals, project is in scoping stage.
Parks Renewal Projects	1	8	(8)	-94%	0	34	34	2%	34	Himatangi Beach health clinic car park renewal works are in investigation phase. Contractor engagement is in progress.
Parks - Makino Precinct Growth	1	0	1	n/a	0	516	516	0%	0	The Makino Precinct project is currently on hold, pending wider strategic conversations for the precinct.
Kitchener Park Capital Works	0	35	(35)	-101%	0	35	35	0%	35	Awahuri Kitchener Park Trust flood protection works are being scoped and are in the design stage.
Johnston/Timona Park Redevelop	0	8	(7)	-93%	0	8	8	0%	8	The pump track project is in the community engagement phase.
Makino Park Playground and Skate	0	10	(10)	-100%	0	40	40	0%	0	This project will be carried over to 2018/19 year.
Railway Land Beautification	22	409	(386)	-94%	6	1,255	961	2%	960	Part of the Greenspine project and is in the detailed design stage.
Parks and Reserves - Renewal Projects	31	0	31	n/a	0	84	84	37%	84	Part of the Greenspine project and is in the detailed design stage.
Parks and Reserves - Railway Reserve	0	92	(92)	-100%	0	369	369	0%	369	Part of the Greenspine project and is in the detailed design stage.
Sanson Playground	0	39	(39)	-100%	0	156	156	0%	0	This project is on hold until the Sanson Hotel development occurs.
Kitchener Park Toilets	1	0	1	n/a	0	111	111	1%	111	Detailed design work is being carried out with consultants to establish site and engineering requirements.
Total Community Facilities	**257**	**1,249**	**(992)**	**-79%**	**215**	**5,438**	**5,131**		**3,413**	

	Actual YTD	Budget YTD	Variance YTD	Variance YTD	Commitments	Full Year Revised Budget	Annual Plan 2018	Physical Completion	Year End Forecast	Notes/Comments *Budget YTD reflects the amounts carried forward from 2016/17 after the Annual Plan was prepared.*
	$000	$000	$000	%	$000	$000	$000	%	$000	
Roading										
CBD Redevelopment Projects	0	20	(20)	-100%	0	80	0	0%	80	Identified for Stafford St redevelopment in conjunction with Makino Precinct which is in 2019/20 programme and yet to be confirmed. Likely to be carried over to 2018/19 year.
Sub Unsealed Road Metalling	14	30	(16)	-53%	0	150	150	8%	173	Will be used on Makoura Rd Stage 3 seal extension, due for completion January 2018. Projected overspend to be covered by surplus in other sub renewal budgets.
Sub Sealed Road Resurfacing	18	0	18	n/a	0	1,650	1,650	1%	1,650	Pre-seal repairs nearly complete with re-seal season scheduled to start in October 2017 and be completed by February 2018, depending on the weather.
Subsidised Bridge Renewals	18	0	18	n/a	511	899	965	2%	800	Nanestads Line and Mangaweka Bridge detailed business case to begin in October 2017 with completion in May 2018. Funding for Mangaweka bridge detailed business case awaiting NZTA funding.
Sub Cycle Facilities	0	10	(10)	-100%	0	38	38	0%	0	NZTA has indicated that funding may be available in the 2018-21 National Land Transport Programme for the Feilding to Palmerston North cycleway. If confirmed for this financial year the budget will be used for a detailed business case.
Roading Growth	148	789	(642)	-81%	249	1,843	1,979	11%	1,301	Pharazyn St Stage 3 nearing completion. Port St East Stage 1 project to be tendered in October 2017. Both 2017/18 projects will be completed this financial year.
Sub Drainage Renewals	188	389	(200)	-52%	243	648	648	30%	648	Construction started this quarter and is later than expected due to continuing wet weather.
Sub Structures Renewals	1	0	1	n/a	149	281	281	0%	281	
Sub Traffic Services Renewal	62	28	34	124%	248	260	260	18%	344	Costs ahead of budget phasing due to carry over of street lighting work in Seddon St and Wellington St. Projected overspend to be covered by surplus in other sub renewal budgets.
Sub Pavement Rehabilitation	449	530	(81)	-15%	343	2,873	3,614	16%	2,817	Construction underway and progress has been weather dependant. Tangimoana Rd project has been scaled back.
Sub Minor Improvement New	323	342	(19)	-6%	18	1,590	837	22%	1,447	Awahuri Feilding Rd/Lees Rd intersection improvements are in progress with planned completion in October 2017. Pohangina Rd dropout is dependant on NZTA funding approvals with construction planned to start in February 2018. Other projects to be undertaken in association with pavement renewals.
Subsidised Accelerated LED Ren	138	65	74	114%	258	432	432	32%	432	Stage one LED installations ahead of schedule, stage two luminaires planned for October 2017 installation.
Non Sub Road Reconstruction	103	0	103	n/a	85	320	320	32%	320	Wellington and Seddon St footpath costs are part of a budget carry over from 2016/17 projects and is nearing completion. Stage 2 Seddon St expected to start in October 2017.
Non Sub Seal Extension	78	0	78	n/a	20	78	78	45%	171	Cole Rd completed, Makoura Rd Stage 3 started and due for completion in January 2018. Forecast overspend due to these commitments.
Non Sub Roading New Footpaths	43	28	15	53%	19	112	112	33%	112	Pharazyn St, Poole St, Wear St and Taonui Rd new footpaths planned.
Non Sub Footpath Renewals	2	19	(17)	-88%	42	76	76	3%	76	Allocated for renewals under the road maintenance contract, delays due to wet weather.
Non Subsidised Roading Renewal	26	24	2	8%	57	96	96	34%	144	Projected overspend to be covered by surplus in other sub renewal budgets.
Total Roading	**1,611**	**2,273**	**(663)**	**-29%**	**2,241**	**11,347**	**11,537**		**10,796**	
Solid Waste										
Purchase of New Recycling Bins	6	20	(14)	-69%	0	20	20	30%	20	100 bins purchased in July dictated by demand. Next bulk purchase planned in March 2018.
Recycling Inventory	(4)	0	(4)	n/a	2	0	0	100%	(4)	Bin movements from inventory.
Resource Recovery Centre	15	25	(10)	-40%	11	100	0	15%	100	Investigation and design underway with funding required for 2017/18 year.
Kaimatarau Rural Transfer Station Improvements	0	3	(3)	-100%	0	12	12	0%	12	investigation works underway with bulk of expenditure planned for February 2018.
Establish Mobile Recycling Centres	11	0	11	n/a	3	39	39	30%	39	
Total Solid Waste	**29**	**48**	**(19)**	**-40%**	**16**	**171**	**71**		**167**	**Note: Closed landfills budget $75,000**
Stormwater										
Stormwater Growth Feilding	70	72	(2)	-3%	191	2,135	2,135	5%	2,135	Design underway, project on track. Approval for carry forward from 2016/17 year of $184k is pending.
Stormwater New Work Feilding	0	15	(15)	-99%	0	60	60	0%	60	Detailed design works delayed now expected to commence in November 2017, with physical works planned between January-March 2018.
Stormwater Unplanned Renewals	22	15	7	50%	42	673	673	5%	673	Preliminary works required earlier than expected, ahead of physical works which are due to start January 2018. Approval for carry forward of $369k from 2016/17 year is pending.
Stormwater Asset Renewal Tangimoana	16	0	16	n/a	0	0	0	100%	16	Emergency pump upgrade works were required.
Total Stormwater	**109**	**102**	**7**	**7%**	**233**	**2,868**	**2,868**		**2,884**	

	Actual YTD	Budget YTD	Variance YTD	Variance YTD	Commitments	Full Year Revised Budget	Annual Plan 2018	Physical Completion	Year End Forecast	Notes/Comments *Budget YTD reflects the amounts carried forward from 2016/17 after the Annual Plan was prepared.*
	$000	$000	$000	%	$000	$000	$000	%	$000	
Wastewater										
Desludging Oxidation Ponds	0	14	(14)	-100%	0	138	138	0%	138	Sanson works are on hold pending the centralisation proposal.
Feilding WWTP Asset Renewal	582	635	(54)	-8%	758	2,422	2,372	24%	2,422	Contract works on track.
Feilding WWTP Upgrade	213	225	(12)	-6%	246	900	900	23%	900	Works on schedule.
Feilding WWTP - Irrigation	549	120	429	357%	645	1,200	1,200	50%	1,200	Irrigation pivots delivered and erected ahead of schedule.
Feilding WWTP Growth	69	21	48	231%	62	83	83	83%	83	Contractor ahead of schedule.
Feilding Wastewater Growth	(17)	31	(48)	-154%	0	660	660	0%	660	Revised the work schedule to commence works in January 2018. Credit is an adjustment from previous financial year.
Feilding WWTP Nursery New Work	0	23	(23)	-100%	0	77	77	0%	77	No new equipment as yet required.
Feilding Reticulation Renewals	12	0	12	n/a	94	530	530	2%	530	Design and investigation work ahead of relining works, expected to commence in February/March 2018.
Wastewater New Connections	38	15	23	152%	8	60	60	63%	60	Current demand for Himatangi Beach connections, offset by contributions from property owners.
Sanson WWTP Renewals	12	0	12	n/a	0	0	0	100%	12	Unplanned installation of a pump station Milne St Sanson.
Rongotea WWTP Renewals	0	165	(165)	-100%	0	198	198	0%	198	Physical works forms part of centralisation project in March/April 2018.
WW Unplanned Renewals-Villages	0	0	0	n/a	0	0	0		0	
Awahuri WWTP Renewals	0	5	(5)	-100%	0	20	20	0%	20	Legalisation works in progress.
Kimbolton WWTP Renewals	0	51	(51)	-100%	0	282	282	0%	282	Project on hold pending approval of centralisation project.
Halcombe WWTP Renewals	0	25	(25)	-100%	0	104	104	0%	104	Project on hold pending approval of centralisation project.
Total Waste Water	**1,457**	**1,329**	**128**	**10%**	**1,814**	**6,674**	**6,624**		**6,686**	**Note: District Wide condition assessment budget $11,500**
Water										
Feilding WTP Renewals	(27)	88	(115)	-130%	67	1,260	1,260	0%	1,260	Physical works programme subject to outcome of a new Water Strategy investigation. Approval to carry forward $338k from 2016/17 year is pending.
Feilding Reticulation Renewals	465	221	244	110%	636	1,053	1,053	44%	1,053	Contract works ahead of schedule.
Feilding Water Supply Growth	91	66	25	37%	61	390	390	23%	390	Approval to carry forward $212k from 2016/17 year is pending.
Feilding Water Pressure Zones	98	10	88	884%	38	100	100	98%	100	Contract works almost complete.
Feilding Water Metering/Backflow	0	11	(10)	-96%	0	43	43	0%	43	Cost are demand driven. No new equipment as yet required.
Water Supply New Connections	5	0	5	n/a	0	0	0	0%	5	Cost are demand driven. Funded by connection fees received.
Himatangi Water Asset Renewals	216	42	174	409%	147	50	50	75%	50	Approval to carry forward $310k from 2016/17 year is pending.
Himatangi Water Supply New Work	1	25	(24)	-95%	47	291	291	5%	291	Investigation works in progress with physical works commencing in October 2017.
Sanson Water Treatment Plant New Works	46	88	(41)	-47%	338	350	350	25%	350	Bore completed, resevior and treatment under design.
Stanway/Halcombe Water Treatment Plant New Works	4	0	4	n/a	6	350	350	5%	350	Capital works on hold pending Drinking Water Standards NZ outcome.
Stanway/Halcombe RWS Intake and Capacity Improvements	3	0	3	n/a	0	240	240	5%	240	Capital works on hold pending Drinking Water Standards NZ outcome.
Water Supply Unplanned Renewals - Villages	0	0	0	n/a	0	0	0			
Waituna West RWS Renewals	0	0	0	n/a	0	0	0			
Total Water Supply	**903**	**551**	**352**	**64%**	**1,341**	**4,128**	**4,128**		**4,132**	
Support Services and Other										
Motor Vehicle Renewals	(2)	150	(152)	-101%	0	257	257	0%	257	Credit is an adjustment from previous financial year. Delivery for two vehicles expected in October with two further vehicles waiting on delivery date confirmation.
Computer Hardware	9	45	(36)	-80%	0	192	192	5%	192	Continuing to investigate the best replacement tablets and our major spend will not occur until new device type has been selected. There will be some costs for hardware in October 2017.
Software - Document Management	59	64	(5)	-8%	261	257	257	90%	257	
Software Replacement	0	13	(13)	-100%	0	52	52	0%	52	Demand driven and no demand for year to date.
Boiler Replacement	(4)	0	(4)	n/a	0	0	0	0%	0	Credit is an adjustment from previous financial year.
Establishment of the Three Waters Reticulation Team	42	0	42	n/a	3	0	0	100%	42	Cost is for a new Ute purchased for reticulation team.
Infrastructure Computers	9	0	9	n/a	0	0	0	100%	9	4 new computers purchased for new infrastructure roles.
General Renewals	3	6	(3)	-50%	0	23	23	13%	23	Acoustic sound dividers purchased for customer services team.
General New Assets	4	10	(6)	-63%	0	40	40	25%	40	Divider screens purchased for finance and building administration team.
Total Support Services and other	**120**	**288**	**(168)**	**-58%**	**264**	**821**	**821**		**872**	
TOTAL CAPITAL EXPENDITURE	**4,486**	**5,841**	**(1,355)**	**-23%**	**6,124**	**31,527**	**31,180**		**28,950**	

Greater than 15% of budget Between 5-15% greater than budget Less than 5% greater thar LOS = Level of Service