

AGENDA:

Meeting of the
FINANCE & AUDIT COMMITTEE

Wednesday 7 December 2016
commencing at 5:00pm

at:

Clocktower Chambers
Palmerston Street, Westport

Finance & Audit Committee Members:

- His Worship the Mayor Garry Howard
- Cr J Cleine
- Cr D Hawes
- Cr S Roche (Chair)
- Cr R Nahr
- Cr P Rutherford

Terms of Reference

Finance & Audit Committee

Purpose

The Finance and Audit Committee will monitor and assess the following:

- The correct level of service is being delivered within the approved financial parameters.
- External financial funding is on track to be received within the budgeted financial year.
- Council's level of borrowing is financially sustainable and intergenerational equity requirements are achieved.
- Council's investments are growing as predicted and invested as per Treasury Management Policy and that all breaches of policy are reported and approved by Council.
- Rates are being collected and that debt recovery is under control.
- Monitoring of Council's fiscal prudence indicators.
- Both external and internal audit requirements are met.

Delegated Powers

- The Finance and Audit Committee has authority to undertake the following functions and to make recommendations to Council as required:

Financial and Performance Monitoring

- Monitoring financial performance to budgets
- Monitoring service level performance to key performance indicators
- Monitoring of Rates and General Debt collection

External Reporting and Accountability

- Enquire of external auditors for any information that affects the quality and clarity of the Council's financial statements, and assess whether appropriate action has been taken by management.
- Satisfy itself that the financial statements are supported by appropriate management signoff on the statements and on the adequacy of the systems of internal control (ie letters of representation), and recommend signing of the financial statements by the Chief Executive and Mayor and adoption by Council.

External Audit

- Confirm the terms of the appointment and engagement, including the nature and scope of the audit, timetable and fees, with the external auditor.
- Receive the external audit report(s) and review action to be taken by management on significant issues and audit recommendations raised
- Enquire of management and the independent auditor about significant business, political, financial and control risks or exposure to such risks. Internal Audit
- Review the internal audit coverage and annual work plans.

Frequency of Meetings

Monthly

Reporting To

Council

Reporting Timeline

Monthly dashboard report

Membership

Chair:

- Sharon Roche

Members:

- Garry Howard
- Robyn Nahr
- Phil Rutherford
- Dave Hawes
- Jamie Cleine

FINANCE & AUDIT COMMITTEE MEETING

7 DECEMBER 2016

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FINANCE AND AUDIT COMMITTEE

7 DECEMBER 2016

Agenda Item No 1

Prepared by - Dean Phibbs
- Manager Corporate Services

MEMBERS INTEREST

Councillors are encouraged to consider the items on the agenda and disclose whether they believe they have a financial or non-financial interest in any of the items in terms of Council's Code of Conduct.

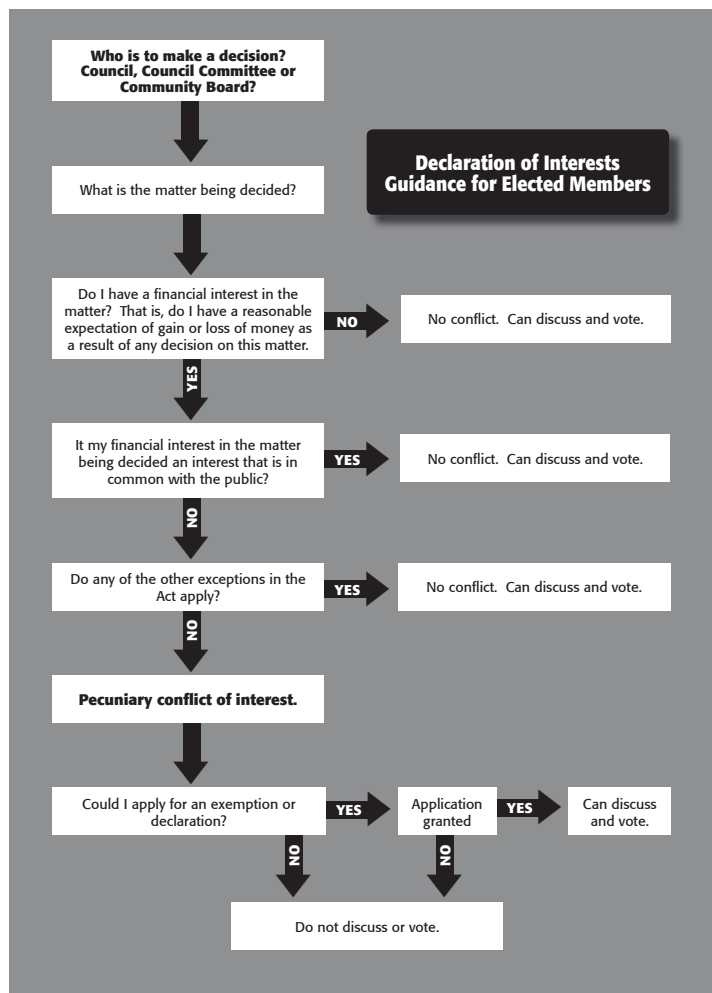
Councillors are encouraged to advise the Personal Assistant, Corporate Services, of any changes required to their declared Members Interest Register.

The follow flowchart may assist Councillors in making that determination (Appendix A from Code of Conduct).

DRAFT RECOMMENDATION

That Councillors disclose any financial or non-financial interest

in any of the agenda items.



FINANCE AND AUDIT COMMITTEE

7 DECEMBER 2016

Agenda Item No 2

**Prepared by - Dean Phibbs
- Manager Corporate Services**

CONFIRMATION OF MINUTES

Minutes of the meeting held 16 November 2016.

DRAFT RECOMMENDATION

That the minutes from the meeting held 16 November 2016 are confirmed.

MEETING OF THE BULLER DISTRICT COUNCIL FINANCE AND AUDIT COMMITTEE, COMMENCED AT 5:00pm ON 16 NOVEMBER 2016 AT THE CLOCKTOWER CHAMBERS, PALMERSTON STREET, WESTPORT

PRESENT:

Mayor G Howard, Councillor's S Roche (Chair), P Rutherford and R Nahr.

IN ATTENDANCE:

Manager Corporate Services (D Phibbs), Financial Accountant (W Thompson), Management Accountant (L Brooks) and PA Corporate Services (MS Wilson).

Councillors S Barry, E Miazgo, D Hawes and J Cleine.

TERMS OF REFERENCE:

Were discussed and will be tabled at Council's meeting on 23 November 2016.

APOLOGIES:

No apologies were received.

1. MEMBER'S INTEREST

No members interests were declared.

2. MINUTES

RESOLVED that the minutes of the 14 September 2016 meeting be accepted.

**P Rutherford/R Nahr
CARRIED UNANIMOUSLY**

Amendment: Dean Phibbs: Corporate Services Manager.

3. ACTION POINTS

- 103. Change responsibility to CEO and Financial Accountant. Separate Service Levels from this AP. Change date to August 2017. Change date of internal audit to January 2017 and make a separate action.
- 110. Report is going to be going to the full Council. Change responsibility to Management Accountant (L Brooks), and Councillor J Cleine. Remove from Action Points lists.
- 111. Change responsibility to Manager Operations (M Duff), and change date to February 2017.
- 117. Discuss during debt recovery report. Now Financial Accountant (W Thompson) and Management Accountant (L Brooks), and remove mention of small claims court as no longer available. Change date to December 2016.

- 118. Completed
- 119. Completed
- 120: Coaltown have acknowledged the overpayment and will be repaid over a quarterly basis. A schedule of expected payment dates to be given to Chairperson of Coaltown.
- 121. Completed
- 122. Completed
- 123. Completed
- 124. Not completed with lighting yet to be installed. Mayor G Howard gave a verbal update.

RESOLVED that the report be received for information and discussion.

**S Roche/Garry Howard
CARRIED UNANIMOUSLY**

4. INVESTMENTS AND BORROWINGS

AP: Report on NBS investment, and sponsorship (Manager Corporate Services, D Phibbs). 2015 report to be recirculated and brought to February 2017 meeting.

RESOLVED that the report be received for information and discussion.

**P Rutherford/R Nahr
CARRIED UNANIMOUSLY**

5. COALTOWN TRUST: Funding Agreement and Quarterly Reporting

RESOLVED that the report be received for information and discussion.

**S Roche/R Nahr
CARRIED UNANIMOUSLY**

RESOLVED that a summarised report outlining the financial results and Key Performance Indicators be presented for whole of Council to consider.

**P Rutherford/R Nahr
CARRIED UNANIMOUSLY**

RESOLVED that a recommendation be presented to whole of Council to approve the information presented, therefore allowing release of a portion of the grant funding to Coaltown Trust.

**P Rutherford/R Nahr
CARRIED UNANIMOUSLY**

6. DEBT RECOVERY REPORT

RESOLVED that the report be accepted for information purposes and discussion.

**G Howard/P Rutherford
CARRIED UNANIMOUSLY**

7. CAPITAL INCOME AND CAPITAL EXPENDITURE REPORT

RESOLVED that the report be received for information purposes and discussion.

**P Rutherford/G Howard
CARRIED UNANIMOUSLY**

8. AUDIT MANAGEMENT REPORT: Action Points

RESOLVED that the report be received for information and discussion.

**P Rutherford/R Nahr
CARRIED UNANIMOUSLY**

10 PUBLIC EXCLUDED

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

DRAFT RECOMMENDATION

Item No	Minutes/Report from:	General Subject	Reason for Passing Resolution Section 7 LGOIMA 1987
1.	Dean Phibbs (Manager Corporate Services)	Quarterly Coaltown Report - Appendices	Section 7(2)(i) - Enable the local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

RESOLVED that the public is excluded from his section of the Agenda for the above reason.

**S Roche/G Howard
CARRIED UNANIMOUSLY**

1. COALTOWN QUARTERLY REPORTING

RESOLVED that the appendices be read in conjunction with Agenda Item 5 (Coaltown Quarterly Report) for information and discussion.

**S Roche / R Nahr
CARRIED UNANIMOUSLY**

RESOLVED that Committee revert to open meeting and the resolutions and disclosures made whilst the public were excluded remain confidential.

**S Roche/G Howard
CARRIED UNANIMOUSLY**

FINANCE WORK PLAN

An explanation of the plan was given for the benefit of the newly elected Councillors.

There being no further business the meeting concluded at 7:00pm

NEXT MEETING: Wednesday 7 December 2016 at 5:00pm

Confirmed: **Date:**

Name:

FINANCE AND AUDIT COMMITTEE

7 DECEMBER 2016

Agenda Item No 3

**Prepared by - Dean Phibbs
- Manager Corporate Services**

ACTION POINT LIST

DRAFT RECOMMENDATION

That the report be received for information.

FINANCE & AUDIT COMMITTEE: CURRENT ACTION POINTS

No.	Meeting of:	Action Point	Responsible?	Progress:	Date required by:	Completed
103 (a)	17 Feb 2016	Internal Audit: to carry an internal audit out before the end of financial year.	Lynn Brooks; Wendy Thompson	Overall audit plan completed. Audit plan for the first internal audit is complete (procurement/delegation).	June 2017	
103 (b)	17 Feb 2016	Shared Services: to be discussed with other West Coast Council's as part of the joint Level of Service review.	Andy Gowland-Douglas; Wendy Thompson	Continue working with other Council's. To be in place by 1 July 2017.	June 2017	
111	11 May 2016	Leases and Licences to Occupy: Update register and provide report	Mike Duff	Progressing.	February 2017	
117	15 June 2016	Debt Recovery: clarify the Resource Management debt with Team Leader Planning.	Wendy Thompson; Lynn Brooks	Progressing.	December 2016	
120	13 July 2016	Coaltown Trust: Letter to be sent to Coaltown acknowledging the payment received of \$19,000 and addressing the overpayment and historical arrears.	Sharon Roche	Letter to Coaltown Trust setting out timeframes for reporting and payment dates.	December 2016	
125	16 Nov 2016	Investment with NBS: A report from 2015 on Council's investment with NBS is to be recirculated.	Dean Phibbs	Will be completed by January 2017 meeting.	February 2017	

FINANCE AND AUDIT COMMITTEE

7 DECEMBER 2016

Agenda Item No 4

Prepared by - Wendy Thompson
- Financial Accountant

Reviewed by - Dean Phibbs
- Manager Corporate Services

FINANCIAL PERFORMANCE: Quarterly Reports to 30 September 2016

1. REPORT SUMMARY

To provide the Finance and Audit Committee with an update on the financial performance of Buller District Council for the quarter ending 30 September 2016.

2. RECOMMENDATION/DRAFT RESOLUTION

That this report be received for information and discussion.

3. ISSUES AND DISCUSSION: QUARTERLY REPORTS

3.1 Statement of Financial Performance

- Operating Result

Council has budgeted for a quarterly deficit of \$0.96 million. The actual result is a deficit of \$0.67 million which is a difference of \$ 290,000. Analysis of the quarterly result is detailed below.

- Operating Revenue

Overall Operating Revenue totals \$5.2 million compared to a budget of \$5.1 million. The difference of \$100,000 was predominately made up of variances in the following areas:

- Subsidies and grants are \$60,000 above budget. \$150,000 is unbudgeted DWC Stimulus Fund grants, \$20,000 an unbudgeted contribution from the NZ Motor Caravan Association; offset by timing differences in community facilities sponsorship receipts \$60,000 and road subsidy claims of \$55,000 due to timing differences in the work programme to budget.
- Fees and charges are \$70,000 above budget. Significant variations to budget are \$25,000 additional harbour lease income and \$50,000 airport lease income received earlier than budgeted, lower receipts in Planning and Building Consent Fees \$35,000 and Financial Contributions \$20,000 due to the slowdown in the local economy and Petrol Tax receipts received later than budgeted \$40,000.

- Operating Expenditure

Operating expenditure totals \$5.87 million as compared to a budget of \$6.06 million. The total variance of \$190,000 is made up of:

- Employee costs exceeded budget by \$20,000 due to timing of payroll cycles in the first quarter of the financial year.
- Interest costs are under budget by \$40,000 as rates remain relatively low.
- Other expenses are tracking under budget at this stage by \$90,000. This is mainly the result of delayed receipt of insurance invoices after the end of the quarter (\$280,000), and is offset by \$135,000 in unbudgeted grants paid out relating to the DWC Stimulus Fund.

Note

There are a number of transactions that are not recognised or budgeted until the end of the financial year including vested assets, asset write-offs, derivative movements, and any movements in investment property values.

3.2 Statement of Financial Position

Net debt (being external debt less term deposits) has remained constant during the first quarter of the financial year. Debt will increase as Council's significant capital projects relating to property upgrades and water schemes are completed during the financial year.

3.3 Cash Flow Statement

Cash flow remains positive during the first quarter of the financial year.

3.4 Dashboard – Financial Performance Indicators

Activity	Revenue	Expenditure	Comment
Democracy	●	●	
Property Amenities & Reserves	●	●	Minor variations in the timing of lease income and timing of insurance premiums.
Community Services	●	●	Timing of grants payments
Regulatory	●	●	Lower income in building and planning to date.
Roading	●	●	Timing variations in the works program to budget
Solid Waste	●	●	
Support	●	●	Timing of insurance and audit invoices.
Wastewater	●	●	
Water	●	●	Timing of insurance premiums.
Airport	●	●	Timing of lease income

4. CONSIDERATIONS

4.1 Strategic Impact

The quarterly financial reports provide an overview of Council's financial performance and position during the financial year. This allows Council to monitor trends and evaluate progress against the strategies, financial budgets and service delivery adopted in the 2015/25 Long Term Plan and subsequent 2016/17 Annual Plan.

4.2 Significance Assessment

The Significance and Engagement policy sets out the criteria and framework for a matter or transaction to be deemed significant. The content included in this report is not considered significant for the purpose of public consultation but is an important component of monitoring progress against the 2016/17 Annual Plan.

4.3 Risk Analysis

Risk is assessed by taking into account the likelihood of an event occurring and the result of that event.

Council prepares financial budgets to balance income and spending for each financial year. Budgets are based on the best information available at the time but subsequent financial performance will be affected by events outside Council's control during the year. Regular monitoring of financial performance reduces the risk of financial pressure on Council because income and expenditure variances are identified early and mitigating actions can be put in place as required.

4.4 Policy / Legal Considerations

The Local Government Act (2002) and associated regulation govern the activities of Buller Council including preparation of Long Term and Annual Plans, financial prudence requirements and annual financial reporting.

The Terms of Reference of Finance and Audit Committee include monitoring financial performance to budgets.

4.5 Tangata whenua considerations

Not applicable.

4.6 Views of those affected

Council's financial budgets are consulted on with the community during Long Term and Annual Plan processes.

4.7 Costs

Because this report is for information purposes it does not generate activity or any associated costs.

4.8 Benefits

The benefits of a quarterly financial reporting regime include early identification of budget variances and intervention measures at a Council wide level.

4.9 Media / Publicity

There are no media or publicity opportunities with this report.

**STATEMENT OF COMPREHENSIVE REVENUE & EXPENSE
FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2016**

	Parent		
	Sep-16 Actual \$000	Sep-16 Budget \$000	2016/2017 Budget - Full Year \$000
OPERATING REVENUE			
General Rates	2,005	2,002	8,006
Targeted Rates (excluding Metered Water)	1,365	1,377	5,514
Metered Water Charges	25	22	187
Rate Penalties	52	38	150
Subsidies and Grants	845	784	4,271
Dividend & Subvention Revenue	0	0	910
Investment Revenue	96	118	613
Development and Financial Contributions	6	25	100
Fees & Charges	807	739	2,954
Vested Assets	0	0	100
Total Operating Revenue	5,201	5,105	22,805
OPERATING EXPENDITURE			
Employee Costs	1,143	1,126	4,502
Depreciation & Amortisation	1,318	1,359	5,401
Finance Costs	274	305	1,219
Other Expenses	3,140	3,272	10,746
Assets Written Off	0	0	350
Loss on Revaluations of Investment Land	0	0	165
Total Operating Expenditure	5,875	6,062	22,383
Net Surplus (Deficit) Before Taxation	(674)	(957)	422
Income Tax Expense	0	0	0
Net Surplus (Deficit) After Taxation	(674)	(957)	422
Other Comprehensive Revenue & Expenses			
Increase/(decrease) in Infrastructure Revaluation Reserves	0	0	10,068
Total Comprehensive Revenue and Expenses	(674)	(957)	10,490

**STATEMENT OF CHANGES OF EQUITY
FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2016**

	Parent	
	Sep-16 Actual \$000	2016/2017 Budget - Full Year \$000
Equity as at 1 July	317,007	316,756
Total Comprehensive Revenue and Expense	(674)	10,490
Total Equity at End of Period	316,333	327,246
Components of Equity		
Accumulated Funds	167,291	168,042
Reserves	4,854	4,949
Asset Revaluation Reserve	144,188	154,255
Total Equity at End of Period	316,333	327,246

**STATEMENT OF FINANCIAL POSITION
PERIOD ENDED 30 SEPTEMBER 2016**

	Parent		
	Sep-16 Actual \$000	2015/2016 Actual \$000	2016/2017 Budget - Full Year \$000
CURRENT ASSETS			
Cash and Cash Equivalents	3,545	3,308	1,364
Trade and Other Receivables	2,759	3,263	4,687
Inventories	16	18	13
Other Current Assets	22	35	21
Short Term Investments	13,284	13,284	12,284
Assets Held for Sale	204	204	0
Total Current Assets	19,830	20,112	18,369
NON CURRENT ASSETS			
Investment in Council Controlled Organisations	19,623	19,614	20,253
Other Investments	459	386	0
Investment Property	7,976	7,976	8,068
Infrastructural Assets	277,030	277,773	293,215
Other Non Current Assets	20,847	20,734	20,199
Intangible Assets	37	41	265
Total Non Current Assets	325,972	326,524	342,000
Total Assets	345,802	346,636	360,369
CURRENT LIABILITIES			
Trade and Other Payables	2,176	2,444	3,833
Derivative Financial Instruments	0	0	54
Employee Entitlements	726	600	433
Provisions	35	35	0
Current Portion of Term Debt	60	80	77
Total Current Liabilities	2,997	3,159	4,397
NON CURRENT LIABILITIES			
Derivative Financial Instruments	1,169	1,169	850
Provisions	1,475	1,475	1,313
Bond Deposits	82	83	82
Employee Entitlements	246	246	280
Term Debt	23,500	23,500	26,201
Total Non Current Liabilities	26,472	26,473	28,726
EQUITY			
Accumulated Funds	167,291	167,962	168,042
Reserves	4,854	4,854	4,949
Asset Revaluation Reserve	144,188	144,188	154,255
Total Equity	316,333	317,004	327,246
Total Liabilities & Equity	345,802	346,636	360,369

**STATEMENT OF CASHFLOWS
FOR PERIOD ENDED 30 SEPTEMBER 2016**

	Parent	
	Sep-16 Actual \$000	2016/2017 Budget - Full Year \$000
CASHFLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Rates	3,831	13,485
Other Revenue	1,810	8,342
Interest Received	96	745
Dividends & Subvention Payments Received	0	1,156
	5,737	23,728
Cash was applied to:		
Payments to Suppliers and Employers	4,462	15,906
Interest Paid	274	1,438
Net GST Movement	(63)	0
	4,673	17,344
Net Cash From Operating Activities	1,064	6,384
CASHFLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Sale of Investment Property	0	160
Investment Realised	3,284	0
	3,284	160
Cash was applied to:		
Purchase of Fixed Assets	693	8,605
Purchase of Investments	3,398	0
Purchase of Equity Investments	0	55
	4,091	8,660
Net Cash From Investing Activities	(807)	(8,500)
CASHFLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Loans Raised	0	2,947
Cash was applied to:		
Repayment of loans	20	56
Net Cash From Financing Activities	(20)	2,891
NET INCREASE (DECREASE) IN CASH	237	775
OPENING CASH AS AT 1 JULY	3,308	45
CLOSING CASH AS AT 30 SEPTEMBER	3,545	820

FINANCE AND AUDIT COMMITTEE

7 DECEMBER 2016

Agenda Item No 5

Prepared by - Wendy Thompson
- Financial Accountant

Reviewed by - Dean Phibbs
- Manager Corporate Services

FINANCIAL PERFORMANCE - OCTOBER 2016

1. REPORT SUMMARY

To provide Council with a financial performance update on the operational results to 31 October 2016.

2. RECOMMENDATION/DRAFT RESOLUTION

That the report be received for information and discussion.

3. OPERATIONAL FINANCIAL PERFORMANCE - Summary of Results October 2016

	Actual YTD	Budget YTD	Projected Full Year	Budget Full Year	Projected variance full year
Income	\$5,321,000	\$5,315,000	\$22,204,000	\$22,204,000	0
Expenditure	\$7,298,000	\$7,492,000	\$22,526,000	\$22,526,000	0
					\$0

3. DASHBOARD -

Operational Financial Performance Indicators

Activity	Revenue	Expenditure	Comment
Democracy	●	●	
Property Amenities & Reserves	●	●	
Community Services	●	●	Timing variance – grant payments
Regulatory	●	●	Additional grant and lease income \$50k.
Roading	●	●	Building and planning income lower than budgeted.
Solid Waste	●	●	Timing variance - petrol tax proceeds.
Support	●	●	
Wastewater	●	●	Timing variance – audit fees. Interest and bank fee savings.
Water	●	●	
Airport	●	●	

Operational Financial Report for the period ending 31 October 2016

	Year to Date										Explanation of Variances of 10% or greater	
	Actual	Budget	Variance to October	U/F		Full Year Prediction	Annual Budget	Variance Full Year Prediction	U/F	Note		Temporary or Permanent Variance
Income												
Community Services	220,463	173,416	47,047	F	498,548	498,548	0	0	Rfn SC	Permanent	Grant received for waterfront \$20,000; additional Harbour lease income \$30,000	
Democracy	9,864	8,457	1,407	F	144,528	144,528	0	0				
Tourism & Promotion	0	0	0	U	0	0	0	0				
Water Supply	627,996	622,521	5,475	F	2,588,432	2,588,432	0	0				
Airport	101,196	46,332	54,864	F	190,996	190,996	0	0		Temporary	Timing of lease income	
Amenities & Reserves	224,005	251,036	(27,031)	U	753,108	753,108	0	0				
Roading & Urban Development	692,973	751,352	(58,379)	U	3,436,308	3,436,308	0	0		Temporary	Petrol tax not yet received \$50,000	
Environmental Services	358,237	418,637	(60,400)	U	917,658	917,658	0	0		Temporary	Slow start to Building and Planning income	
Solid Waste	213,632	210,519	3,113	F	800,724	800,724	0	0				
Support Services	20,360	24,012	(3,652)	U	72,036	72,036	0	0				
Council (General Rates & Investments)	2,248,902	2,196,720	52,182	F	10,356,109	10,356,109	0	0		Permanent	Holding company subvention payment \$75,000 higher than anticipated, offset by investment income underbudget.	
Wastewater	603,939	612,220	(8,282)	U	2,445,636	2,445,636	0	0				
Total Income	\$5,321,567	\$5,315,222	\$6,345	F	\$22,204,083	\$22,204,083	\$0	\$0				
Expenditure												
Democracy	209,511	217,556	8,045	F	590,964	590,964	0	0				
Tourism & Promotion	199,327	153,786	(45,541)	U	460,746	460,746	0	0		Temporary	Grants paid out earlier than budgeted	
Water Supply	599,916	631,235	31,319	F	2,013,719	2,013,719	0	0				
Airport	123,519	107,540	(15,979)	U	289,820	289,820	0	0				
Amenities & Reserves	848,501	861,784	13,283	F	2,088,015	2,088,015	0	0				
Roading & Urban Development	1,754,110	1,804,184	50,074	F	5,422,070	5,422,070	0	0		Temporary	Timing of maintenance programme	
Environmental Services	439,389	472,509	33,120	F	1,462,676	1,462,676	0	0				
Solid Waste	274,846	297,912	23,066	F	1,013,361	1,013,361	0	0				
Support Services	1,095,790	1,217,219	121,429	F	3,424,420	3,424,420	0	0		Temporary	Timing of audit fees \$50,000, interest and bank fees \$20,000. Salary and other savings.	
Wastewater	688,037	695,603	7,566	F	2,486,750	2,486,750	0	0				
Total Expenditure	7,298,004	7,491,855	193,851	F	22,525,484	22,525,484	0	0				
Total Expenditure	\$1,448,934	\$1,665,899	\$216,965	F	\$22,525,484	\$22,525,484	\$0	\$0				
Net Variance			\$200,196	F			\$0	\$0				

FINANCE AND AUDIT COMMITTEE

7 DECEMBER 2016

Agenda Item No 6

Prepared by - Wendy Thompson
- Financial Accountant

INVESTMENTS AND BORROWINGS - NOVEMBER 2016

1. REPORT SUMMARY:

This report summarises Councils cash investments and borrowings for the month ended November 2016, interest earned for the period from 1 July to 30 November 2016 and policy compliance.

2. RECOMMENDATION/DRAFT RESOLUTION:

That the report be received for information.

3. ISSUES & DISCUSSION

3.1 Investments

Investments have increased by \$2.0m in total from the last report circulated in October. This is mainly due to the effect of the rates billing cycle and monthly creditor payment obligations.

3.2 Interest Revenue

Interest revenue to the end of November 2016 is \$199,000 versus a budget of \$197,000. Council will continue to reinvest term investment funds at the most favourable interest rate when deposits are up for renewal. There are often opportunities to take advantage of bank pricing differences to maximise returns even in time of low interest rates.

3.3 Borrowings and Net Debt Position

Total borrowings are stable at \$23.6m. This balance is likely to increase throughout the year as a number of debt funded projects are completed.

Net debt (borrowings less term investments) has decreased to \$6.5m from the \$8.5m balance in October due to the movement in investments.

4. CONSIDERATIONS

4.1. Strategic Impact

It is important that Council retains suitable cash holdings and credit facilities to ensure its activities and capital projects are able to be funded in a timely and affordable manner.

4.2. Significance Assessment

The significance policy sets out the criteria and framework for a matter or transaction to be deemed significant. The content included in this report is not considered significant because the matters disclosed are of a routine nature, and not large in terms of total assets and total annual operations of council.

4.3. Risk Analysis

Risk is assessed by taking into account the likelihood of an event occurring and the result of that event.

Cash flow management is an integral part of ensuring Council is able to deliver the services and projects it has committed to in successive Long Term and Annual Plans.

This risk is mitigated by establishing policies and procedures, engaging staff to manage investment and borrowings and regular reporting to Council to ensure high level oversight.

4.4 Policy / Legal Considerations

The Local Government Act (2002) and associated regulations prescribe prudent financial management and nationwide benchmarks. The financial prudence benchmarks are now compulsory sections included in Council Long Term/Annual Plans and Annual Reports.

Council's Investment Policy and Treasury Policy govern the management of cash assets and borrowings.

4.5. Tangata whenua considerations

Not applicable.

4.6. Views of those affected

Council's financial strategies, investment levels and borrowing projections are included in the Long Term Plan and Annual Plan consultation processes.

4.7. Costs

There are no extraordinary costs relating to investments and borrowings.

4.8. Benefits

The benefits of structured Treasury management include risk minimisation, prudent cash management and long term financial stability.

4.9. Media / publicity

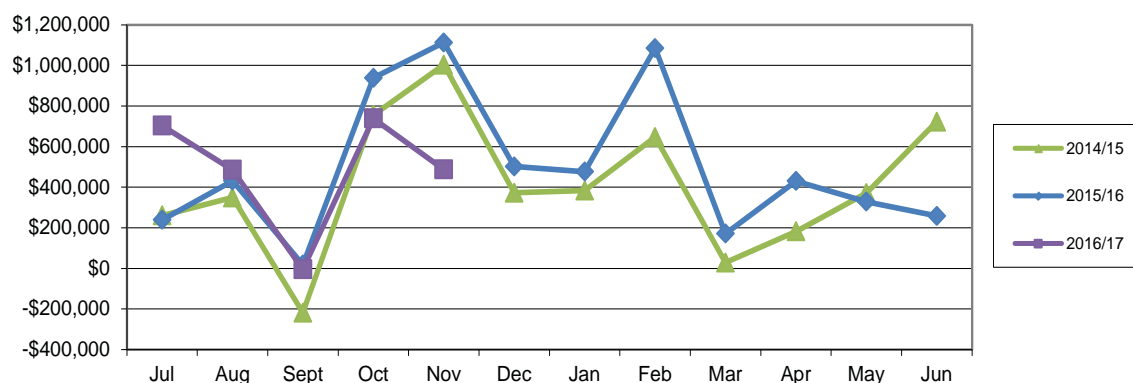
Not applicable

INVESTMENTS AND BORROWINGS REPORT

1. BANK BALANCE

	This Month 30 Nov-16	Last Month 30 Oct-16	Last Year 30 Jun-16
Council	\$486,787	\$738,248	\$258,418

2. MONTH END BANK BALANCE



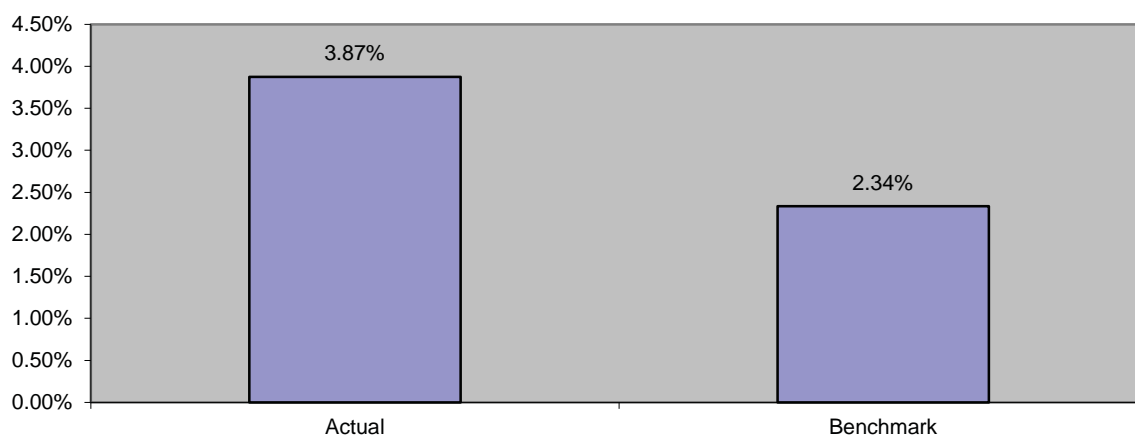
3. SUMMARY OF INVESTMENTS

	This Month 30 Nov-16	Last Month 30 Oct-16	Last Year 30 Jun-16
Term Deposits	17,083,518	15,083,518	15,783,518
Other Loans (includes loan to Holding Company)	2,559,889	2,562,285	2,494,843
Total Investments	\$19,643,407	\$17,645,803	\$18,278,361

4. SOURCE OF FUNDS

	This Month 30 Nov-16	Last Month 30 Oct-16	Last Year 30 Jun-16
Depreciation Reserves	1,000,000	1,000,000	1,000,000
West Coast Package (Govt subsidy for halt to logging)	2,429,551	2,429,551	2,429,551
Harbour (profit from past harbour operations)	1,979,092	1,979,092	1,979,092
Freeholding Proceeds (sale of leasehold land)	2,840,838	2,840,838	2,840,838
Capital Sponsorship (deposits from V2010 sponsors)	5,034,038	5,034,038	5,034,038
Short Term Funds (rates income plus tds held pending debt reduction)	3,800,000	1,800,000	2,500,000
	\$17,083,518	\$15,083,518	\$15,783,519

5. INVESTMENTS PORTFOLIO PERFORMANCE (12 Month Average)



6. INTEREST REVENUE

	Actual YTD	Budget YTD	Budget Full Year
Interest Revenue	\$198,979	\$197,115	\$1,238,889

7. COMPLIANCE WITH INVESTMENT POLICY

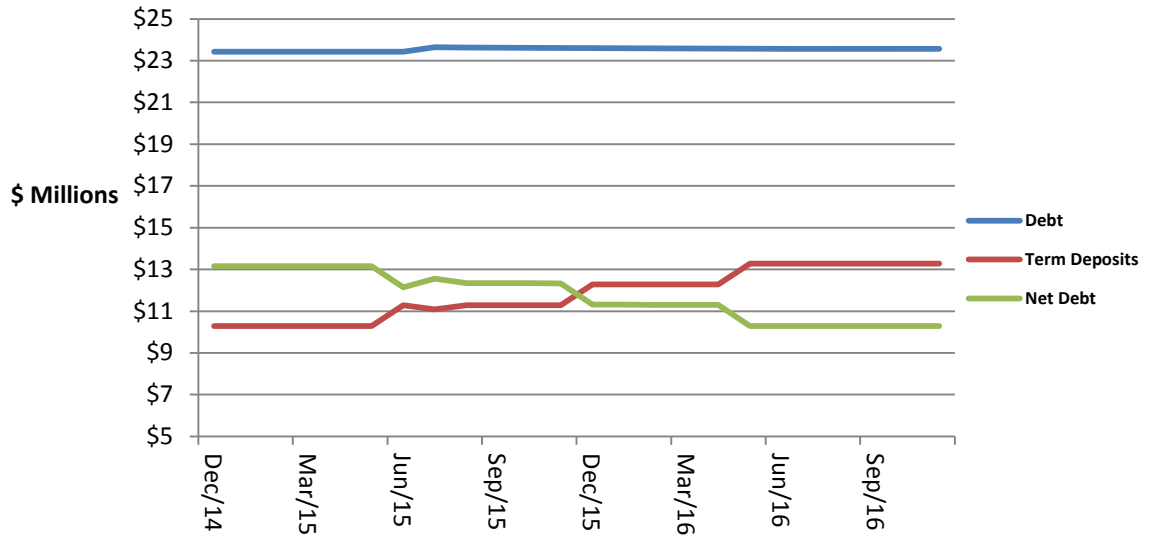
All term deposits are held with New Zealand Registered banks with no more than \$10 million with any one institution. The terms and maturity dates of investments are spread to minimise Council's exposure to interest rate fluctuations while still aiming to optimise interest earned.

Council has approved the investment in NBS which sees us in breach of the Treasury Management Policy. This breach will continue as investments mature and are rolled over.

8. SUMMARY OF BORROWINGS

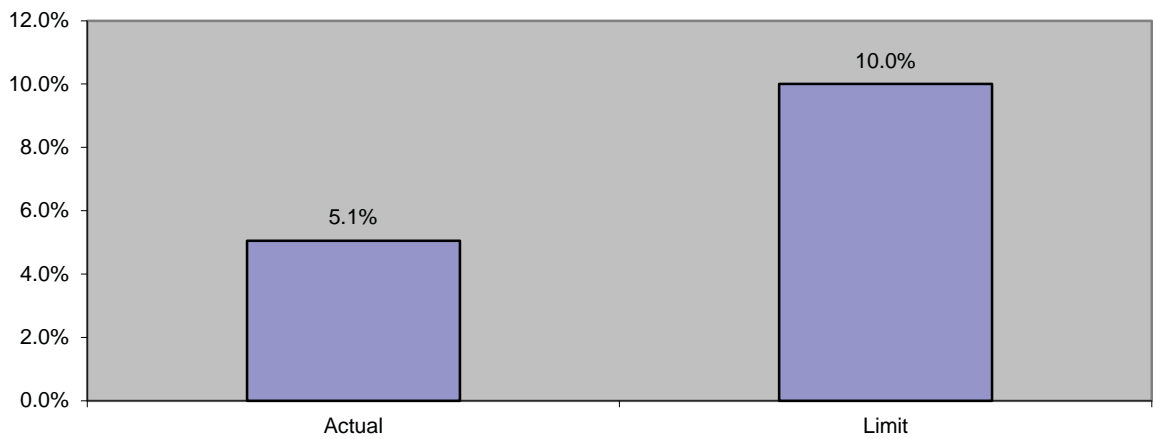
	This Month 30 Nov-16	Last Month 30 Oct-16	Last Year 30 Jun-16
External Debt:			
Westpac Loan Facility	3,433,860	3,433,860	3,433,860
LGFA Loan Facility	20,000,000	20,000,000	20,000,000
EECA Loan	106,033	125,925	145,824
	\$23,539,893	\$23,559,785	\$23,579,684
Weighted Average Interest Cost	4.60%	4.60%	4.60%
Net Debt:			
Total Borrowings	23,539,893	23,559,785	23,579,684
Less: Term Deposits	17,083,518	15,083,518	15,783,518
	\$6,456,374	\$8,476,267	\$7,796,166

9. DEBT AND INVESTMENTS 3-YEAR TREND

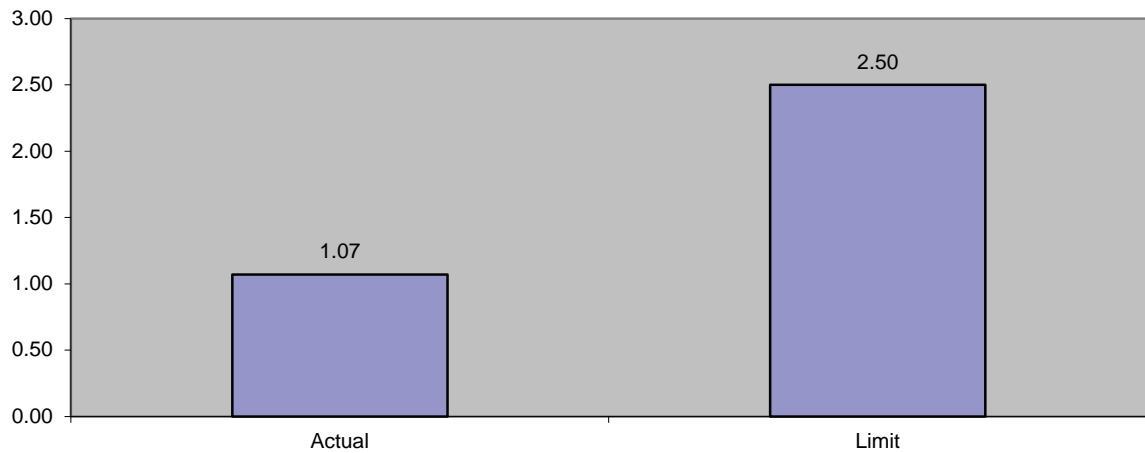


10. COMPLIANCE WITH TREASURY POLICY

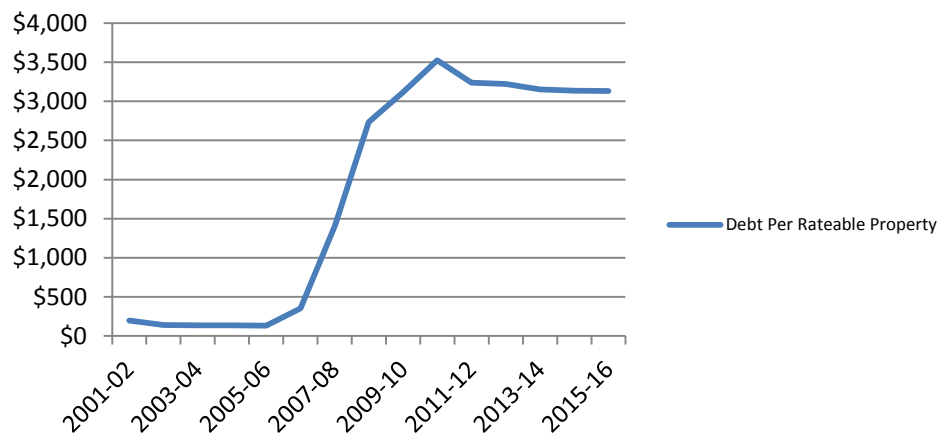
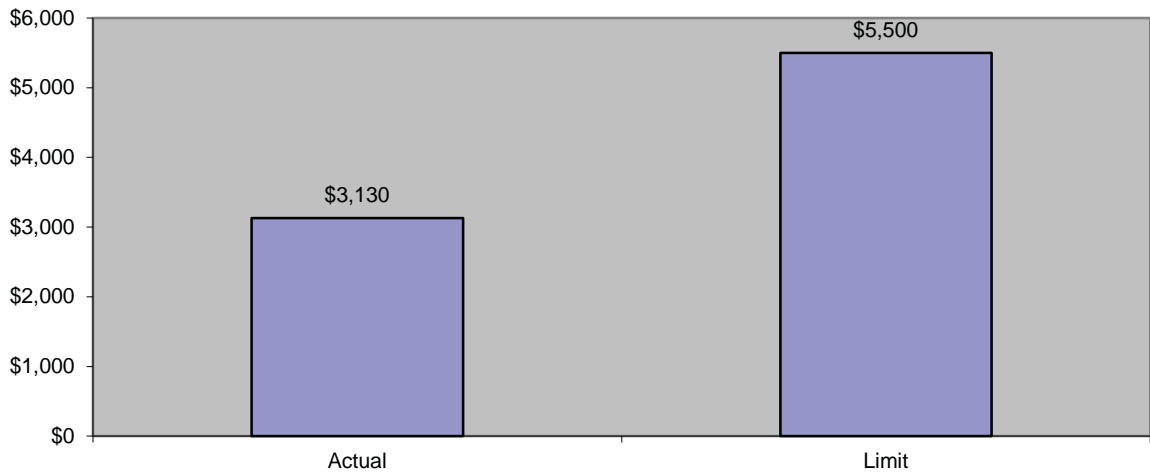
10.1 Interest Expense / Total Income



10.2 Gross Debt / Total Income



10.3 Gross Debt per Rateable Property



Current borrowings are in compliance with the limits specified in Council's Treasury Policy.

Investments are in breach of Council's Treasury Management Policy in respect that there is more than 10% of the portfolio invested in a Building Society. Council ratified this breach via resolution to obtain ongoing sponsorship proceeds for the NBS Theatre.

FINANCE AND AUDIT COMMITTEE

7 DECEMBER 2016

Agenda Item No 7

**Prepared by - Dean Phibbs
- Manager Corporate Services**

2017/2018 ANNUAL PLAN TIMELINE

RECOMMENDATION/DRAFT RESOLUTION:

That this report be received for information and discussion.

2017/2018 ANNUAL PLAN: TIMELINE

2016		2017				June
December	January	February	March	April	May	June
<p>16 December: Budget Templates open to Managers. <ul style="list-style-type: none"> • Wendy </p> <p>16 December: Council Workshop: Councillors Strategic Priorities. <ul style="list-style-type: none"> • Council • Managers • Wendy • Lynn • Mary </p>	<p>20 January: Budget templates to be completed by Managers. <ul style="list-style-type: none"> • Managers • Wendy • Lynn </p>	<p>10 February: Draft Estimates to be reviewed by Management. <ul style="list-style-type: none"> • Managers • Wendy • Lynn </p> <p>15 February: Council Workshop: Draft estimates and Management comments presented to Council. <ul style="list-style-type: none"> • Dean </p>	<p>8 March: Council Workshop: (review draft estimates). <ul style="list-style-type: none"> • Managers </p> <p>22 March: Complete Draft Annual Plan and Consultation Document. <ul style="list-style-type: none"> • Dean • Wendy • Lynn • Mary </p> <p>29 March: Council to adopt Draft Annual Plan. <ul style="list-style-type: none"> • Council </p>	<p>5 April: Draft Annual Plans, Consultation Documents and Submission forms to be distributed/published. <ul style="list-style-type: none"> • Mary </p> <p>7 April: Submissions OPEN. <ul style="list-style-type: none"> • Mary </p> <p>19-26 April: Roadshows (x5). <ul style="list-style-type: none"> • Mary </p>	<p>9 May: Submissions CLOSE. <ul style="list-style-type: none"> • Mary </p> <p>15 May: Councillors to receive a full copy of submissions, and recommended responses to them from Managers. <ul style="list-style-type: none"> • Managers • Mary </p> <p>30-31 May: Submission Hearings and Deliberations. <ul style="list-style-type: none"> • Council • Managers • Mary • Wendy • Lynn </p>	<p>19 June: Amendments to be made to the Draft Annual Plan, with final Annual Plan distributed to Councillors. <ul style="list-style-type: none"> • Dean • Mary • Wendy • Lynn </p> <p>28 June: Council adopts final Annual Plan. <ul style="list-style-type: none"> • Council </p>

NOTE:

- Draft Annual Plan, Consultation Documents and Submission Forms will be distributed/published by 7 April 2017.
- An update on submissions received will be distributed to Management and Councillors throughout the consultation period, as they are received, however, please note that traditionally a large portion of the submissions are received during the last two days of consultation.

FINANCE AND AUDIT COMMITTEE

7 DECEMBER 2016

Agenda Item No 8

**Prepared by - Dean Phibbs
- Manager Corporate Services**

AUDIT NZ MANAGEMENT REPORT: 2015/2016 Annual Report

RECOMMENDATION/DRAFT RESOLUTION

That the report is accepted for information and discussion purposes.

Report to the Council on the audit of
Buller District Council and group
for the year ended 30 June 2016

Key messages

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

Overview of the audit

Council reported a deficit for the year of (\$1.093 million) for the 2015/16 year compared with a budgeted surplus of \$1.534 million. The result was largely due to lower than budgeted grant and subsidy revenue and unbudgeted losses relating to derivate financial instruments and the value of investment property. Overall, the 2016 audit process went well this year with information available to audit in line with agreed timetables. This was a significant effort by Council's finance team due to the changes within the team and resulted in all agreed timeframes being met. There were no significant issues arising during the audit.

Performance reporting

Council reported against the new mandatory performance measures for the first time in its 2015/16 annual report. Overall, we noted that Council had appropriate systems in place to be able to report against these measures. Where Council did not have this information captured, we were able to substantively confirm Council's reported results. Council is looking to implement the required improvements in the 2016/17 financial year.

Ownership of water scheme assets

During the year, Council obtained a legal opinion that confirmed Council is the owner of the Hector/Ngakawau water scheme assets. This confirmation meant no adjustment was needed to Council's recognition of these assets.

Our thanks

We would like to thank the Council staff and management for the support they provided during the audit.



John Mackey
Audit Director
30 November 2016

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1 Our audit opinion

1.1 We issued an unmodified audit opinion

We issued an unmodified audit opinion on the Council's and group's annual report on 26 October 2016. This means that we were satisfied that the financial statements, and statement of service performance, present fairly, in all material respects, Council's activity for the year, and its financial position at the end of the year.

We also issued an unmodified audit opinion on the Council's and group's summary annual report.

1.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management the misstatements that we found, other than those which were clearly trivial.

The significant misstatements, which have not been corrected, are listed in Appendix 1. We are satisfied that these misstatements are individually and collectively immaterial to the financial statements.

2 Audit issues and other matters

2.1 Valuation of infrastructure assets

The Council revalues its infrastructure asset classes (roading, sewerage, water and stormwater) on a two-yearly revaluation cycle. The Property, Plant and Equipment accounting standard, requires valuations to be carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value. There is no requirement for periodic revaluations.

The last revaluation of the Council's infrastructure was carried out on 30 June 2014. Therefore, a revaluation of the Council's infrastructure assets should have taken place as at 30 June 2016. However, the Council assessed the difference, between the fair value and the carrying amount, to be immaterial. Therefore, no revaluation was performed.

We reviewed Council's assessment, as to whether the difference between carrying value and fair value, is material at 30 June 2016. We concluded that the movement in value, since 30 June 2014, is not significant.

2.2 Confirmation of the ownership of the Hector/Ngakawau water schemes

The Council obtained a legal opinion to determine who the legal owner of this water supply scheme is. The opinion concluded that the Council is the lawful owner of the water supply. Therefore, it was correct for the Council to recognise these assets in its financial statements and no adjustment was necessary.

2.3 Valuation of Council's investment in subsidiaries

Council has investments in its subsidiary companies through Buller Holdings Limited. Council recognises its investment in Buller Holdings Limited at cost in accordance with the accounting standards. Investments at cost are required to be assessed for impairment. No impairment was recognised by Council in the 2015/16 year.

We reviewed the Council's assessment, as to whether any impairment exists in respect of its investment in Buller Holdings Limited. We reviewed the investments in Westreef Services Limited, Buller Recreation Limited, and Westport Harbour Limited, as well as Buller Holdings Limited. We also considered the impact of the departure of Holcim cement on the group and in particular the impact on Westport Harbour's future profitability and viability.

We concluded that the fair value assessments for each of these companies supports the carrying value of the Council's investment in its subsidiaries. Therefore, we believe there is no need to impair the Council's investment in its subsidiaries.

However, we noted that the Council did not carry out a specific formal impairment assessment of its investment in its subsidiary, Buller Holdings Limited. It instead relied on the assessment carried out by Buller Holdings Limited on its subsidiaries. Buller Holdings' assessment involves determining whether the carrying value of its investments in its subsidiaries, Westreef Services Limited, Westport Harbour Limited and Buller Recreation Limited, needed to be impaired. This can be different from the assessment as to whether the Council's investment in Buller Holdings Limited needs to be impaired. As well, the Council's assessment could also differ from the Buller Holdings Limited's as it might include qualitative considerations into account such as the need to provide a commercial harbour service to the district to achieve economic development objectives. The Council also needs to assess whether Buller Holdings Limited's subsidiaries' property, plant and equipment assets need to be impaired in the group financial statements.

We recommend that the Council performs an annual formal impairment assessment of its investment in its subsidiary in accordance with the accounting standards.

Management comment

Council would have provided an assessment of the value investment in BHL if this was requested by Audit NZ. Council staff had input into the determination/assessment of the carrying value of the subsidiaries particularly BRL and WHL for the 2015/16 year, hence the reliance on the in house assessment conducted by BHL. Based on current information on BRL and WHL in particular, and information on WSL, Council staff believed little had changed in regards to the FV of those entities' from the 2014/15 assessment, and that the FV of the investment in BHL exceeded the carrying value with plenty to spare.

2.4 Departure of the Chief Executive

The Chief Executive Officer (CEO) received a settlement of \$221,680 on his departure. As the Council is a public entity and is spending public money, it is important that such severances are not seen as inappropriate or excessive. There are also specific legislative requirements in the Local Government Act on the disclosures.

The Council is required to include, in the annual report, details of the settlements paid to CEOs. We reviewed the settlement paid and the disclosure in the annual report. We were satisfied that the settlement paid was appropriate. We were also satisfied that the disclosure was fairly stated and complied with the legislative requirements of the Local Government Act.

2.5 Group issues

2.5.1 Westport Harbour Limited

As we have previously reported to Council, there are significant challenges facing Council, and the wider Buller District, including the withdrawal of Holcim Cement from Westport with production ceasing during 2016. One of these challenges will be the impact on Council's subsidiary, Westport Harbour Limited (WHL).

The Board plans, with the Council early in 2017, to review the future of WHL as a result of the departure of Holcim, its largest customer. This will impact on the value of the Council's assets as the Council owns the tug and dredge used by WHL.

These assets have been impaired to nil in Council's financial statements on the basis that there is no expected future use. Therefore, there was no need to further impair these assets. However, should WHL find a use for these assets in the future, the Council may need to reverse the impairment recognised.

2.5.2 Westport Airport Authority

We issued an unmodified audit opinion on 30 September 2016. Due to increased flights by Sounds Air, and revenue from the Defence Force exercise held in Westport in November 2015, the Airport reported a \$44,000 increase in revenue.

We have no issues to report from our audit.

2.6 Debenture trust deed

In October 2015, Council signed a debenture trust deed with Corporate Trust Limited. Schedule 7 of the Trust Deed requires Council to annually prepare, and deliver to the trustees, a reporting certificate. An auditor's report is required to accompany the reporting certificate. We have performed a separate audit on the reporting certificate and will issue a separate report on that audit to the Trustees.

2.7 Management override

Management override is a potential audit risk because in any organisation, management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

To address this risk, during the audit we:

- tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- reviewed the accounting estimates for biases and evaluated if there was any risk of material misstatement due to fraud from bias; and
- evaluated the business rationale of any significant transactions that were outside the normal course of business, or that otherwise appeared to be unusual given our understanding of the Council group.

We found no indications of management override that would result in a material misstatement in the financial statements due to fraud.

3 Other sector issues

3.1 Payment dates for metered water rates

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

The High Court found other issues with the way the territorial authorities were collecting rates for the Regional Council, but has not yet determined what relief will be given.

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

Based on the information received to date, we note the Council has not specified calendar dates in its rates resolution for metered water rates. Its rating resolution states that the payment date is the 20th of the month following the month of the invoice date.

Although the High Court did not consider the issue of dates for metered water rates, we believe there is a potential risk for the Council to consider.

We recommend that the Council review its rates resolution and, if appropriate, seek independent advice over whether its resolution meets the requirements of section 24 of the Local Government (Rating) Act 2002 for payment dates for targeted water rates.

Management comment

Noted for 2017/18 Annual Plan process.

3.2 Mandatory performance measures

The Council reported against the new mandatory performance measures for the first time in its 2015/16 annual report.

We reviewed the systems the Council had in place to be able to report against these measures. We found that, for material performance measures, Council's systems were able to appropriately record and report performance against most of these measures. However, the Council could not report the median response times to attend call-outs in response to a fault or unplanned interruption to the Council's water networked reticulation system. This was because no system was in place to record the response times. Staff and contractors also received limited training on the processes and definitions. We understand that a system is now in place and the Council will be able to report against this measure in the 2016/17 financial year.

We also reviewed the service performance information included in the annual report for completeness and reasonableness. We made several recommendations in our interim report to the Council as to how the disclosure of the measures in the annual report improved. Based on these recommendations, the Council made improvements to the disclosures in the annual report.

Due to the limited number of interruptions which occurred on the Council's networks, we were able to substantively confirm that the relevant key performance information, in the annual report, is reasonable and complete.

We recommend that for future significant changes, to the Council's reporting obligations, that it establishes a project team, with a clear project brief, to ensure that it meets its obligations.

Management comment

Staff are aware of the necessity to record information for the mandatory performance measures and the team members will report progress to the Manager on a three monthly basis.

3.3 Holiday Pay

There has recently been a high level of media and public interest in cases where entities have been found to have incorrectly interpreted the Holidays Act legislation. This is a complex area of legislation and entities have found that they have both underpaid and overpaid employees' entitlements. In some cases, investigation has identified significant underpayments and increased employee entitlements have been recognised.

We understand that this is not an issue for the Council as there are few staff who work irregular hours or have significant variability with their earnings. The Council's payroll software provider, NCS, also conducted an audit which confirmed that there were no issues with its software for holiday pay calculations.

This is a more significant issue for the Buller Holdings group due to the nature of the employees it employs. We raised this in Buller Holdings' report to the Board. Buller

Holdings' management advised that this is not a problem for the group and the correct amount of holiday pay has been paid to employees.

4 Status of previous recommendations

The status of each matter, which was outstanding in last year's report to the Council, is summarised in Appendix 3. It is pleasing to note that Council continues to address our previous recommendations and that two have now been resolved.

Summary of action taken against previous years' recommendations:

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

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

Appendix 1: Uncorrected misstatements

	Assets \$000	Liabilities \$000	Equity \$000	Financial Performance \$000
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Rates revenue				(77)
Bad debts expense				77
Bad debts expense has been netted off rates revenue rather than being shown as gross				
Total parent and group	0	0	0	0

The error has no impact on Council's bottom line or statement of financial position.

Appendix 2: Explanation of priority rating system

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

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

Appendix 3: Status of previous recommendations

Outstanding matters

Recommendation	Current status	Priority	Management's proposed action
Independent review of disposals			
<ul style="list-style-type: none"> Implement standard asset disposal forms. Revise the Council's delegations policy to include asset disposal approval including one-up approval for the disposal of assets exceeding the departmental manager's limit. Require the removal of the asset from the Fixed Asset Register (FAR) and General Ledger, and the calculation of any gain/loss on disposal, to be approved by the Financial Accountant. 		Necessary	
Infrastructure asset valuations			
<ul style="list-style-type: none"> Council improve the quality of the roading information in the RAMM database and use it for the next roading valuation. The recommendations, in the GHD report, be addressed as part of this. In future valuations, use replacement cost unit rates which reflect actual Council specific contract rates. Council review the remaining economic useful lives of assets annually and extend the useful lives of assets so they continue to be depreciated over their remaining economic useful lives. 	<p>This was not applicable for the 2015/16 financial year as the Council did not revalue its infrastructure assets.</p>	Necessary	<p>The RAMM database is in the process of being reviewed for accuracy and will be able to be used for the valuation of Roading assets at the next valuation.</p>

Recommendation	Current status	Priority	Management's proposed action
Rates review			
Complete a review of the Council's rates. Wholesale changes are needed in rates as there are antiquated differentials and many fixed amount targeted rates.	Confirmed this is still in progress. The new system will not be implemented until 2017/18 at the earliest.	Necessary	
Transfer of asset revaluation reserve on disposal of assets			
Any asset revaluation reserve for assets disposed of, be transferred to accumulated funds.	No transfer is made.	Beneficial	
Internal audit reviews			
An internal audit programme is adopted and implemented.	Due to staff shortages, as a result of the Chief Executive and Corporate Service Manager leaving, the Council has not undertaken any audits in the 2016 financial year. The new management accountant will carry out internal audit reviews in the 2017 financial year.	Beneficial	
Report on non-financial measures during the year			
Report key performance measures to elected members regularly throughout the year.	Key performance measures will be reported to the Finance and Audit committee. This will begin in January 2017.	Beneficial	

Matters that have been resolved

Recommendation	Outcome
The WestReef Services Limited's depot property is accounted for correctly in Council's parent and group financial statements.	The WestReef Services Limited's depot property is accounted for correctly as investment property in Council's parent, and PPE in the group financial statements.
At each annual valuation, Council confirm that the list of investment properties, which it provides to the valuer, is accurate.	For the revaluation in the 2015/16 annual report, the Council provided the valuer with a list of investment properties. No issues were identified by the valuer or through our audit work.
Assets be capitalised once completed and operational, and depreciated from that date.	Capitalisation and depreciation of assets is still being updated at year end. However, better records are being kept to retrospectively calculate the appropriate depreciation based on timing of additions and disposals at year end. We did not identify any issues with the process in our final audit.

Appendix 4: Mandatory disclosures

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

FINANCE AND AUDIT COMMITTEE

7 DECEMBER 2016

Agenda Item No 9

**Prepared by - Dean Phibbs
- Manager Corporate Services**

AUDIT MANAGEMENT REPORT: ACTION POINTS

RECOMMENDATION/DRAFT RESOLUTION:

That the report be received for information and discussion.

AUDIT MANAGEMENT ACTION POINTS: 2016

No.	Subject	Detail	Responsible	Status	Comments	Planned Completion Date
7	Non-financial performance reporting	Key non-financial performance measures should be reported to management and Council throughout the year.	Manager Corporate Services	In Progress	Key non-financial information to be agreed with the management team and reported to Finance and Audit committee commencing January 2017.	January 2017

PREVIOUS AUDIT MANAGEMENT POINTS: 2015

No.	Subject	Detail	Responsible	Status	Comments	Planned Completion Date
1	Infrastructure asset valuations	Improve quality of Roading data in RAMM use for next valuation. Recommendations in GHD report used.	Operational Accountant	In progress	Asset data condition and performance processes were identified in the AMP as an improvement plan item. Council will assess options to effect an appropriate regime during 2015/16. This process will strengthen lifecycle management and asset valuations.	June 2017
2	Transfer of asset revaluation reserve for assets disposed of, be transferred to accumulated funds	No transfer is made.	Operational Accountant	In progress	Methodology to enable this to occur will be finalized and reserve adjustments processed in the 2015/16 financial year Will be completed during an revaluation year which is scheduled June 2017.	June 2017
4	Internal audit	No formal internal audit reviews were performed in 2014/15	Manager Corporate Services	In progress	Resources have been fully deployed on the Rates Overhaul and LTP this year. An internal assessment of the QV use codes was carried out after year end and in 2015/16 a full internet audit of rates processes will be undertaken with a formal audit report produced. To be incorporated with Shared Services Project.	February 2017

FINANCE WORK PLAN

	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17
INTERNAL REPORTING:												
F&A Reports												
- BDC Quarterly Financials		Quarterly			Half Yearly			Three quarterly				
- BDC Operational												
- BDC Treasury												
- BDC Debtors												
- BDC Capital												
- BDC Significant Projects												
- BHL Quarterly Financials												
COUNCIL REPORTS:												
- Interim Accounts Airport					Draft SOI			Final SOI				
- Budget Carry Overs		2016 Carryovers										2017 Carryovers
- BHL SOIs					Draft				Final SOI's			
- Grant Quarterly Reports												
RATES OVERHAUL PROJECT:												
- Rates Overhaul										Workshop		
2016/17 ANNUAL PLAN:												
- Annual Plan			2017/2018 Annual Plan Workshops	2017/2018 Annual Plan Workshops	2017/2018 Annual Plan Workshops	2017/2018 Annual Plan Workshops	Consult	Roadshows/ Hearings	Adopt Final			
2016/17 ANNUAL REPORT												
- BDC Annual Report		Publish Summary & report					Systems Audit					Audit
- BHL Annual Report		Annual Report									Audit	Group Figures
ELECTIONS:												
- Tri-annual Election		Election, appointment & Induction										
OTHER OPERATIONAL PROJECTS:												
- Insurance					Valuations (2-3 yearly)			Negotiations	Finalise			