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Report 02.301

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Report to the Passenger Transport Committee
From Dr D J Watson, Division Manager Transport

Transfund New Zealand Audit

1. Purpose

To advise the Committee of the results of a recent procedural audit undertaken by Transfund New Zealand.

To inform the Committee of the actions being taken to rectify a number of instances where bus contracts have been extended beyond the maximum 6 years in the Transfund CPP for such contracts.

2. The Transfund New Zealand Audit

Transfund New Zealand undertakes an audit of the Council's land transport activities every three to five years. Transfund staff visited the Council in late April and spent about one week checking our compliance with the approved CPP processes, our patronage growth returns, our monthly funding claims and any other matters relevant to Transfund procedures or funding.

At the end of their audit process Transfund officers held a close out meeting to present their findings. This is followed up with a full report, yet to be received. The following is a summary of the matters presented at the close out meeting.

- After a general statement complimenting the transport staff for all their help during the audit, the following key points were raised:
 - Financial documentation for 1998/99, 1999/2000 and 2000/01 was inspected and reconciled with the Council's funding claims. Invoices from operators and other providers were examined and reconciled.
 - Seven contracts have expired and ten are due to expire shortly (Oct/Nov 2002). These contracts have expired because they have been allowed to run beyond a 6 year maximum period through extensions or variations involving

the invoking of an up to 2 year extension provision provided in the “kick-start” programme.

[This 2 year extension provision was mistakenly assumed to be available to all contracts regardless of length.]

- A selection of tenders were examined, all CPP procedures were correctly followed.
- It was suggested that the Council consider photo identification for all Total Mobility users as a fraud mitigation measure. Also to note the outcome of the upcoming smart card implementation in the Auckland region.
- The complaints management system for bus, trains and ferries is well managed.
- Competition is limited. 60% of all tenders attracted only one tender.
- Patronage data validation is a problem. The Council is asked to undertake an independent validation of baseline patronage data.

3. Actions on expired contracts

3.1 Expired contracts

Five of the seven already expired contracts are in the Kapiti/Porirua area and two are in the Wellington city area. These seven contracts are to be retendered immediately for two and three year periods.

3.2 Contracts expiring in Oct/Nov

All these contracts are in the Hutt Valley. Transfund have been asked to provide the Council with a six month dispensation from the CPP rules to allow these contracts to be retendered at the completion of the Hutt Valley services review. If Transfund do not allow this extension then these contracts will have to be tendered immediately albeit for short periods. This is likely to mean that the results of the Hutt Valley service review could not be implemented as early as expected.

4. Communications

There is nothing to communicate.

5. Recommendation

That the report be received.