I hereby give notice that an ordinary meeting of the Audit and Risk Committee will be held on:

**Date:**  Monday, 9 December 2019  
**Time:**  2.15pm  
**Meeting Room:**  Room 1, Level 26  
**Venue:**  135 Albert Street  
Auckland

---

**Komiti Tātari me te Mātai Raru Tūpono / Audit and Risk Committee**

**OPEN AGENDA**

---

**MEMBERSHIP**

**Chairperson**  Sue Sheldon, CNZM  
**Deputy Chairperson**  Cr Daniel Newman, JP  
**Members**  Deputy Mayor Cr Bill Cashmore  
Paul Conder  
Cr Shane Henderson  
Bruce Robertson  

**Ex-officio**  Mayor Hon Phil Goff, CNZM, JP  
IMSB Chair David Taipari

(Quorum 3 members)

**Quorum must include two Governing Body members**  
Mike Giddey  
Kaitohutohu Mana Whakahaere / Governance Advisor

4 December 2019

Contact Telephone: (09) 890 8143  
Email: mike.giddey@aucklandcouncil.govt.nz  
Website: www.aucklandcouncil.govt.nz

---

**Note:** The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted. Should Members require further information relating to any reports, please contact the relevant manager, Chairperson or Deputy Chairperson.
**Terms of Reference**

**Purpose**

The purpose of the Audit and Risk Committee is to assist and advise the Governing Body in discharging its responsibility and ownership of governance, risk management, and internal control.

- The committee will review the effectiveness of the following aspects of governance, risk management and internal control:
  - enterprise risk management (ERM) across the Auckland Council group
  - internal and external audit and assurance
  - health, safety and wellbeing
  - business continuity and resilience
  - integrity and investigations
  - monitoring of compliance with laws and regulations
  - significant projects, programmes of work and procurement focusing on the appropriate management of risk
  - oversight of preparation of the LTP, Annual Report, and other external financial reports required by statute.

The scope of the committee includes the oversight of risk management and assurance across the council’s CCOs and the council with respect to risk that is significant to the Auckland Council group.

To perform his or her role effectively, each committee member must develop and maintain his or her skills and knowledge, including an understanding of the committee’s responsibilities, and of the council’s business, operations and risks.

**Decision-Making Powers**

The committee has no decision-making powers other than those in these terms of reference.

The committee may request expert advice through the chief executive where necessary.

The committee may make recommendations to the Governing Body and / or chief executive.

**Tenure**

External members will be appointed for an initial period not exceeding three years, after which they will be eligible for extension or re-appointment, after a formal review of their performance, and have not already served two terms on the committee. Councillors appointed to the committee will automatically cease to hold office at the time of the local authority triennial elections. They may be eligible for re-appointment post those elections if they are returned to office and have not already served two terms on the committee.

The chief executive, and the senior management team members will not be members of the committee.

The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the council. At least one member of the committee should have accounting or related financial management experience, with an understanding of accounting and auditing standards in a public sector environment.
Committee’s responsibilities

The committee’s responsibilities are detailed below.

Forward Work Programme

The committee will agree and approve annually a forward work programme – which will consist of in-depth briefings and reviews of specific significant risks and assurance strategies, as contained in the ERM “Top Risks” or Auckland Council’s work plan.

Risk management

- Review, approve and monitor the implementation of the ERM policy, framework and strategy (including risks pertaining to CCOs that are significant to the Auckland Council group).
- Review and approve the council’s “risk appetite” statement.
- Review the effectiveness of risk management and internal control systems including all material financial, operational, compliance and other material controls. This includes legislative compliance (including Health and Safety), significant projects and programmes of work, and significant procurement.
- Review risk management reports identifying new and / or emerging risks, and any subsequent changes to the ERM “Top Risk” register.

Assurance

- Review annually the Assurance Charter – which confirms the authority, independence and scope of the function.
- Review and approve annually and monitor the implementation of the three-year Assurance Strategy and 12 month detailed Internal Audit Plan.
- Review the co-ordination between the risk and assurance functions – including the integration of the council’s ERM risk profile with the Internal Audit programme. This includes assurance over all material financial, operational, compliance and other material controls. This includes legislative compliance (including Health and Safety), significant projects and programmes of work, and significant procurement.
- Review the reports of the assurance functions dealing with findings, conclusions and recommendations (including assurance over risks pertaining to CCOs that are significant to the Auckland Council group)
- Review and monitor management’s responsiveness to the findings and recommendations – enquiring into the reasons that any recommendation is not acted upon.

Fraud and Integrity

- Review and approve annually, and monitor the implementation of, the Assurance Strategy, including the fraud and integrity aspects, including a detailed work programme.
- Review annually the ‘Speak Up’ and whistleblowing procedures and ensure that arrangements are in place by which staff, may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters, and that there is proportionate and independent investigation of such matters and appropriate follow-up action.
- Review the procedures in relation to the prevention, detection, reporting and investigation of bribery and fraud.
- Review and monitor policy and process to manage conflicts of interest amongst elected members, local board members, management, staff, consultants and contractors.
- Review reports from the Risk, Assurance, Integrity and Investigations, external audit and management related to whistle blower, ethics, bribery and fraud related incidents.
Statutory Reporting

Review and monitor the integrity of the Long-term Plan, interim and annual report including statutory financial statements and any other formal announcements relating to the council’s financial performance, focusing particularly on:

- compliance with, and the appropriate application of, relevant accounting policies, practices and accounting standards
- compliance with applicable legal requirements relevant to statutory reporting
- the consistency of application of accounting policies, across reporting periods, and the Auckland Council group
- changes to accounting policies and practices that may affect the way that accounts are presented
- any decisions involving significant judgement, estimation or uncertainty
- the extent to which financial statements are affected by any unusual transactions and the way they are disclosed
- the disclosure of contingent liabilities and contingent assets
- the clarity of disclosures generally
- the basis for the adoption of the going concern assumption
- significant adjustments resulting from the audit.

External Audit

- Discuss with the external auditor before the audit commences:
  - the nature, scope and fees of the external audit
  - areas of audit focus
  - error and materiality levels.
- Review with the external auditors representations required by elected members and senior management, including representations as to the fraud and integrity control environment.
- Review the external auditors management letter and management responses, and inquire into reasons for any recommendations not acted upon.
- Where required, the chair may ask a senior representative of the Office of the Auditor General to attend the committee meetings to discuss the office’s plans, findings and other matters of mutual interest.

Interaction with Council Controlled Organisations

Other committees dealing with CCO matters may refer matters to the Audit and Risk Committee for review and advice.

This committee will enquire to ensure adequate processes at a governance level exist to identify and manage risks within a CCO. Where an identified risk may impact on Auckland Council or the wider group, the committee will also ensure that all affected entities are aware of and appropriately managing the risk.

The Head of Assurance and the Chief Risk Officer are responsible for monitoring CCO risk and internal audit strategies with respect to risks and CCO risks that are significant to the Auckland Council group.

Annual Report on the work of the committee

The chair of the committee will submit a written review of the performance of the committee to the chief executive on an annual basis. The review will summarise the activities of the committee and how it has contributed to the council’s governance and strategic objectives. The chief executive will place the report on the next available agenda of the governing body.
Exclusion of the public – who needs to leave the meeting

Members of the public

All members of the public must leave the meeting when the public are excluded unless a resolution is passed permitting a person to remain because their knowledge will assist the meeting.

Those who are not members of the public

General principles

- Access to confidential information is managed on a “need to know” basis where access to the information is required in order for a person to perform their role.
- Those who are not members of the meeting (see list below) must leave unless it is necessary for them to remain and hear the debate in order to perform their role.
- Those who need to be present for one confidential item can remain only for that item and must leave the room for any other confidential items.
- In any case of doubt, the ruling of the chairperson is final.

Members of the meeting

- The members of the meeting remain (all Governing Body members if the meeting is a Governing Body meeting; all members of the committee if the meeting is a committee meeting).
- However, standing orders require that a councillor who has a pecuniary conflict of interest leave the room.
- All councillors have the right to attend any meeting of a committee and councillors who are not members of a committee may remain, subject to any limitations in standing orders.

Independent Māori Statutory Board

- Members of the Independent Māori Statutory Board who are appointed members of the committee remain.
- Independent Māori Statutory Board members and staff remain if this is necessary in order for them to perform their role.

Staff

- All staff supporting the meeting (administrative, senior management) remain.
- Other staff who need to because of their role may remain.

Local Board members

- Local Board members who need to hear the matter being discussed in order to perform their role may remain. This will usually be if the matter affects, or is relevant to, a particular Local Board area.

Council Controlled Organisations

- Representatives of a Council Controlled Organisation can remain only if required to for discussion of a matter relevant to the Council Controlled Organisation.
## Audit and Risk Committee Forward Work Programme 2020-2022

### Financial process update for the preparation of the interim report and NZX release for the 6 months ended 31 December 2019

<table>
<thead>
<tr>
<th>ITEM</th>
<th>TABLE OF CONTENTS</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Apologies</td>
<td>9</td>
</tr>
<tr>
<td>2</td>
<td>Declaration of Interest</td>
<td>9</td>
</tr>
<tr>
<td>3</td>
<td>Confirmation of Minutes</td>
<td>9</td>
</tr>
<tr>
<td>4</td>
<td>Petitions</td>
<td>9</td>
</tr>
<tr>
<td>5</td>
<td>Public Input</td>
<td>9</td>
</tr>
<tr>
<td>6</td>
<td>Local Board Input</td>
<td>9</td>
</tr>
<tr>
<td>7</td>
<td>Extraordinary Business</td>
<td>10</td>
</tr>
<tr>
<td>8</td>
<td>Audit and Risk Committee Forward Work Programme 2020-2022</td>
<td>11</td>
</tr>
<tr>
<td>9</td>
<td>Assurance Services Strategy and Activities Update</td>
<td>31</td>
</tr>
<tr>
<td>10</td>
<td>Health Safety and Wellbeing update - November 2019</td>
<td>51</td>
</tr>
<tr>
<td>11</td>
<td>Final audit management report for the year ended 30 June 2019</td>
<td>63</td>
</tr>
<tr>
<td>12</td>
<td>Approval of the draft Audit New Zealand Interim Engagement Letter for the 6 months ended 31 December 2019, and draft Audit New Zealand Audit Engagement and Audit Proposal letters for 2020, 2021 and 2022</td>
<td>105</td>
</tr>
<tr>
<td>13</td>
<td>Financial process update for the preparation of the interim report and NZX release for the 6 months ended 31 December 2019</td>
<td>157</td>
</tr>
<tr>
<td>14</td>
<td>Pro forma Auckland Council Group interim report for 31 December 2019</td>
<td>163</td>
</tr>
<tr>
<td>15</td>
<td>Quarterly Risk Update - December 2019</td>
<td>167</td>
</tr>
<tr>
<td>16</td>
<td>Consideration of Extraordinary Items</td>
<td></td>
</tr>
</tbody>
</table>

### PUBLIC EXCLUDED

- Procedural Motion to Exclude the Public
- **C1** Council-controlled Organisations’ Quarterly Risk Updates - December 2019
- **C2** Confidential discussion of key financial statement judgements and assumptions and endorse the pro forma interim report and NZX release for the 6 months ended 31 December 2019
- **C3** Office of the Auditor-General and Audit New Zealand briefing
- **C4** Assurance Services - Integrity activity and internal audit outcomes

Page 7
1 Apologies

An apology from Mayor P Goff has been received.

2 Declaration of Interest

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have.

3 Confirmation of Minutes

There are no minutes to confirm.

4 Petitions

At the close of the agenda no requests to present petitions had been received.

5 Public Input

Standing Order 7.7 provides for Public Input. Applications to speak must be made to the Governance Advisor, in writing, no later than one (1) clear working day prior to the meeting and must include the subject matter. The meeting Chairperson has the discretion to decline any application that does not meet the requirements of Standing Orders. A maximum of thirty (30) minutes is allocated to the period for public input with five (5) minutes speaking time for each speaker.

At the close of the agenda no requests for public input had been received.

6 Local Board Input

Standing Order 6.2 provides for Local Board Input. The Chairperson (or nominee of that Chairperson) is entitled to speak for up to five (5) minutes during this time. The Chairperson of the Local Board (or nominee of that Chairperson) shall wherever practical, give one (1) day’s notice of their wish to speak. The meeting Chairperson has the discretion to decline any application that does not meet the requirements of Standing Orders.

This right is in addition to the right under Standing Order 6.1 to speak to matters on the agenda.

At the close of the agenda no requests for local board input had been received.
7 Extraordinary Business

Section 46A(7) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

"An item that is not on the agenda for a meeting may be dealt with at that meeting if-

(a) The local authority by resolution so decides; and

(b) The presiding member explains at the meeting, at a time when it is open to the public,-

(i) The reason why the item is not on the agenda; and

(ii) The reason why the discussion of the item cannot be delayed until a subsequent meeting."

Section 46A(7A) of the Local Government Official Information and Meetings Act 1987 (as amended) states:

"Where an item is not on the agenda for a meeting,-

(a) That item may be discussed at that meeting if-

(i) That item is a minor matter relating to the general business of the local authority; and

(ii) the presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but

(b) no resolution, decision or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further discussion."
Te take mō te pūrongo
Purpose of the report
1. To brief the Audit and Risk Committee on its Terms of Reference which were adopted by Governing Body on 26 November 2019.
2. To consider and approve a draft three-year forward work programme 2020-2022.

Whakarāpopototanga matua
Executive summary
3. Terms of Reference were adopted by the Governing Body on 26 November 2019. Resolution number GB/2019/110. An excerpt of the Terms of reference relating to the Audit and Risk Committee is provided as Attachment A.
4. The Terms of Reference delegate the appropriate responsibilities and powers to, and setting quorums for, the committees established by the mayor. They also include certain matters to be included in the work programme.
5. The Terms of Reference remain largely unchanged from the previous term of council with four refinements. The most substantive change is that the Audit and Risk Committee reports directly to the Government Body.
6. A draft work programme for 2020 – 2022 is attached for consideration and approval. (Attachment B)
7. The programme generally reflects the content from the current work programme that was adopted on 12 September 2019 with some proposed changes.
8. A new layout has been developed that is organised by the key areas of work of the Audit and Risk Committee.
9. The following improvements are proposed:
   (a) the Risk department and Assurance Services department general activity updates be scheduled for every second meeting (6 months) with reports on specific or urgent matters to be brought separately and if required.
   (b) the council-controlled organisations (CCOs) scheduled attendances be maintained but that the September meeting be reserved for Annual Plan risk discussions by CCOs to avoid unnecessary duplication.
   (c) an area of work concerning Auckland Council partner/shareholder risk management be added with scheduled reporting scheduled for the 36th America’s Cup and City Rail Link.
10. To increase transparency and planning, it is proposed that a schedule of workshop topics be included in the work programme. The final scheduling will be determined by the Audit and Risk Committee every six months.
Ngā tūtohunga

Recommendation/s

That the Audit and Risk Committee:

a) note its Terms of Reference in Attachment A to the report

b) adopt the Audit and Risk Committee 2020-2022 Forward Work programme.

Horopaki

Context

11. On 26 November the Governing Body adopted the Terms of Reference. The mayor has the power to establish committees and to appoint their chairpersons. By adopting the Terms of Reference, the Governing Body has delegated the appropriate responsibilities and powers to, and set quorums for, the committees established by the mayor.

12. The Terms of Reference have been developed in consultation with councillors and staff from across the organisation, to ensure that reporting responsibilities align clearly with the purpose of each of the committees.

13. This being the first meeting of the Audit and Risk Committee following the Governing Body decisions, the new Terms of Reference have been provided for the committee’s information and a new work programme developed that accords with the Terms of Reference.

Tātaritanga me ngā tohutohu

Analysis and advice

Terms of Reference

14. The Audit and Risk Committee Terms of Reference (extract from the Governing Body Terms of Reference 26 November 2019) are provided in Attachment A.

15. The terms of reference remain largely the same as for the previous 2017-2019 term. However, the following changes have been made:

(a) the Committee reports directly to Governing Body (previously it was a subcommittee of the Finance and Performance Committee)

(b) health, safety and wellbeing and business continuity and resilience have been specified in the list of aspects of governance, risk management and internal control over which the committee will review the effectiveness

(c) the oversight of Ports of Auckland Limited and Auckland International Airport Limited has been removed. These entities report to other committees

(d) the responsibilities of the Chief Risk Officer and Head of Assurance Services over the council-controlled organisations (CCOs) have been clarified. CCOs have their own risk and assurance functions, and accordingly, the officer’s responsibilities are to monitor CCO risk and internal audit strategies with respect to risks and CCOs risks that are significant to the Auckland Council Group.

Proposed work programme 2020-2022

16. The Audit and Risk Committee adopted its last work programme on 1 May 2017 and most recently reviewed and updated it on 12 September 2019.

17. In accordance with good practice, the committee reviews and updates the programme at each meeting. This is to ensure it can be adapted quickly if council’s risk profile changes and that it remains relevant to the needs of the committee. For example, it would be
appropriate for the committee to consider a change to the approved forward work programme in the event there has been a significant change in the risk profile of council as reflected in the top risk register. Similarly, a significant event occurring either within council or in the wider operating environment could result in a change in the work programme of the committee.

18. A draft work programme for 2020 – 2022 is attached for consideration and approval as Attachment B.

Content of draft work programme

19. The programme generally reflects the content from the current work programme that was most recently adopted on 12 September 2019 with some proposed changes.

20. A new layout has been developed that is organised by the key areas of work of the Committee, those being:
   (a) Assurance
   (b) Te Tiriti o Waitangi - Independent Maori Statutory Board audit – oversight of council’s response
   (c) Enterprise risk
   (d) CCO risk management
   (e) Auckland council partner/shareholder risk management
   (f) Health safety and wellbeing
   (g) Legal risk
   (h) Insurance
   (i) Interim financial Statements
   (j) Annual Report/Long-term plan
   (k) External audit

21. The forward work programme includes:
   - the incorporation of ‘deep dive’ reviews on significant ‘high’ and ‘moderate’ risks, as contained in council’s Enterprise Risk Management Top Risk register
   - the annual work programme, covering:
     o the risk and insurance functions
     o the assurance (internal audit, integrity, and probity functions)
     o the audits of the annual report, long-term plan and annual plan
     o the review of the six-month interim financial statements.
   - Regular progress reporting concerning:
     o assurance services
     o risk
     o legal risk
     o health, safety and wellbeing
     o business continuity
   - Any other item of relevance to the committee’s Terms of Reference e.g. Auditor General reports.

Reporting by council-controlled organisations

22. All substantive CCOs are required to provide quarterly, written risk updates to the Audit and Risk Committee of Auckland Council. In addition, within a 12-month period and on a rolling
basis, representatives of the CCOs are required to present their risk update in person to this committee. (AUD/2017/027).

23. Further discussion about the CCO reporting and schedule of attendances is included in the Quarterly Risk Update report to the Audit and Risk Committee on 9 December 2019.

**Proposed changes to work programme from 2017-2019 term**

24. The following new matters and adjustments are proposed address the role and responsibilities of the committee and to maximise the effective use of the meeting time available:

   (d) the Risk and Assurance Services departments general activity updates be scheduled every second meeting (6 months) as opposed to every meeting on the basis that reporting will be brought on specific or urgent matters to be brought separately and as required

   (e) the CCO scheduled attendances are maintained but that the September meeting be reserved for annual plan risk discussions by CCOs to avoid unnecessary duplication.

   (f) an area of work concerning Auckland Council partner/shareholder risk management be added with reporting scheduled for 36th America’s Cup and City Rail Link.

25. In the previous term, the committee has held workshops on matters where a general background briefing or more informal discussion was required. No decisions are made, and the workshops do not replace the need for formal reporting to the committee.

26. To improve transparency and planning, it is proposed that a schedule of workshop topics be included in the work programme to confirm the priority matters requiring workshop. The final scheduling will be determined by the Audit and Risk Committee every six months.

27. Staff recommend that the committee hold a workshop in February 2020 covering:

   - the completed top risk deep dive for service delivery risk
   - the post event review on the sky convention centre fire (including business continuity and emergency response).

**Tauākī whakaaweawe āhuarangi**

**Climate impact statement**

28. Climate change risk is currently identified as a top risk on council’s top risk register. A risk deep dive (phase 2) is scheduled for completion and reporting to the Audit and Risk Committee in May 2020.

**Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera**

**Council group impacts and views**

29. The reporting of CCOs is included in the work programme and discussed in this report.

30. Under its Terms of Reference, the scope of the Audit and Risk Committee includes oversight of risk management and assurance across council’s CCOs and the council with respect to risk that is significant to the Auckland Council Group.

**Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe**

**Local impacts and local board views**

31. There are no specific local impacts arising from this report.
Tauākī whakaaweawe Māori
Māori impact statement
32. Staff recommend that the committee maintain its six-monthly review of the council’s progress to address the recommendations of the Independent Maori Statutory Board’s Te Tiriti o Waitangi audit (Treaty Audit). The next update will be provided in February 2020.

Ngā ritenga ā-pūtea
Financial implications
33. The Audit and Risk Committee Terms of Reference and work programme includes the review and monitoring of the Long-term plan, interim and annual report including statutory financial statements and any formal announcements relating to the council’s financial performance.

Ngā raru tūpono me ngā whakamaurutanga
Risks and mitigations
34. There are no risks arising from this report.

Ngā koringa ā-muri
Next steps
35. The work programme will be reported to the next meeting for review and approval.

Ngā tāpirihanga
Attachments

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Excerpts from Governing Body Terms of Reference 26 November 2019 - Audit and Risk Committee</td>
<td>17</td>
</tr>
<tr>
<td>B</td>
<td>Draft Audit and Risk Committee work programme 2020-2022</td>
<td>25</td>
</tr>
</tbody>
</table>

Ngā kaihaina
Signatories

<table>
<thead>
<tr>
<th>Author</th>
<th>Emma Mosely - Head of Assurance Services (Acting)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorisers</td>
<td>Emma Mosely - Head of Assurance Services (Acting)</td>
</tr>
<tr>
<td></td>
<td>Phil Wilson - Governance Director</td>
</tr>
</tbody>
</table>
Excerpts from:

Auckland Council Governing Body Terms of Reference 2019-2022

Adopted by the Governing Body on 12 November 2019 (version 1.1)

Resolution No. GB/2019/109
1 INTRODUCTION

1.1 GENERAL PRINCIPLES OF DELEGATION

This document sets out the terms of reference for committees of the Governing Body. The mayor is responsible for establishing committees and appointing chairpersons. The Governing Body, through this document and subject to section 14, delegates to committees those powers necessary for them to carry out their responsibilities as set out in this document.

Section 2 sets out those matters which the Governing Body cannot legally delegate under the Local Government Act 2002 or has elected not to delegate.

The business to be transacted by the Governing Body and its committees is large and wide-ranging, dealing with the details of many Acts and Regulations, the council’s plans, bylaws, and a range of Governing Body activities and services. The terms of reference and delegations in this document are intended to reflect the principles of subsidiarity to allow the Governing Body to delegate its powers and functions to the most efficient and effective levels.

The committee to which powers are delegated will usually exercise the delegated power but is not obliged to do so. The most common circumstances where the committee with the delegation might choose not to exercise it are when the matter has become a matter of public notoriety, or the issues are contentious and finely balanced.

A decision made by a committee under delegation from the Governing Body has the same effect as if it were made by the Governing Body itself.

1.2 ESTABLISHMENT OF COMMITTEES

In accordance with section (9)(3) of the Local Government (Auckland Council) Act 2009, the mayor has the power to establish the committees of the governing body and appoint the chairperson of each committee of the governing body.

**Committee** includes, in relation to the Governing Body:

(a) a committee comprising all the members of the Governing Body

(b) a standing committee appointed by the Governing Body

(c) a standing committee appointed by the mayor

(d) a joint committee appointed under clause 30 of Schedule 7 of the Local Government Act 2002

(e) any subcommittee, or reporting committee, of a committee described in items (a) (b), (c) or (d) of this definition.

**Independent Māori Statutory Board**: Promotes issues of significance for mana whenua groups and mataawaka of Ōtākou and ensures council compliance with statutory provisions relating to the Treaty of Waitangi. Appointees represent the Board on various committees and are included in the quorum at a committee meeting.
**Ex officio member:** ‘By virtue of the office held’. An ex officio member of a committee is a member because of the office held. An ex officio member may either have full voting rights or voting rights for some of the responsibilities of the committee, as stated in the Terms of Reference. The Local Government (Auckland Council) Act 2009 states that the mayor is an ex officio member of all committees and Standing Order 4.1.1 states that both the mayor and deputy mayor are members of all committees.

**Panels:** The role of a panel is to inform and advise the council. They have no decision-making role.

**Quorum:** Unless otherwise specified, a quorum is defined as a half, if the total number of members is even, or a majority, if the total number of members is odd.

- Ex officio members are not included in calculating the quorum but are counted towards the quorum when present; this reflects the expectation that ex officio members will not always be able to attend all committees and forums but have full voting rights when present (unless specified otherwise).

- Appointed members are included in calculating the quorum and are counted towards the quorum when present; this reflects the expectation that appointed members will attend those committees to which they are appointed.

- Vacancies are not included in calculating the quorum.

- Any member attending a meeting by way of audio link or audio-visual link and who is not physically present at the meeting can cast a vote but is not to be counted as present for the purpose of the quorum.

---

1.3 **AMBIGUITY AND CONFLICT**

In the event of ambiguity or conflict between the provisions of the Terms of Reference, which results in uncertainty or dispute as to which committee has delegated authority to act in respect of a particular matter, the chief executive will prepare a written report and submit it to the mayor (or the deputy mayor in the absence of the mayor) for consideration and determination. The decision of the mayor (or deputy mayor) will be final and binding.

If neither the mayor nor the deputy mayor is available, the decision of the chief executive will be final and binding.

1.4 **CALLING IN A MATTER FOR GOVERNING BODY CONSIDERATION**

The mayor may require any matter that would otherwise be reported to a committee, to be reported to the Governing Body. If that matter is already on a published agenda for a committee meeting, that meeting will not consider that matter unless invited by the mayor to make a recommendation to the Governing Body.

1.5 **ROLE OF THE CHAIR AND DEPUTY CHAIR**

Key responsibilities of the chair of a committee include:
chairsing meetings and workshops in accordance with the Standing Orders.

- ensuring the meeting is planned effectively and deals with matters in accordance with the terms of reference.

- developing and implementing an annual committee work programme.

- being the spokesperson for the committee.

- ensuring matters on the agenda are dealt with in an orderly and efficient manner.

- chairing pre-agenda run-throughs.

Key responsibilities of the deputy chair of a committee include:

- chairing meetings in the absence of the chair.

- chairing workshops under Standing Order 5.1.5 as the chairperson’s nominee, subject to agreement of the chairperson.

- attending pre-agenda run-through and chairing them in the absence of the chair.

- taking the lead on certain committee work programme topics, as agreed with the chair (such as engaging with staff and being the spokesperson on these agreed topics).

- working with the chair to establish the agreed committee work programme.

1.6 REVIEW

These terms of reference may be reviewed at any time, or within one year of the date they come into effect. Amendments will be made as and when the committee structure or delegations change.
5.2 AUDIT AND RISK COMMITTEE

Terms of Reference (Delegations)

Purpose

The purpose of the Audit and Risk Committee is to assist and advise the Governing Body in
discharging its responsibility and ownership of governance, risk management, and internal control.

The committee will review the effectiveness of the following aspects of governance, risk
management and internal control:

- enterprise risk management (ERM) across the Auckland Council group
- internal and external audit and assurance
- health, safety and wellbeing
- business continuity and resilience
- integrity and investigations
- monitoring of compliance with laws and regulations
- significant projects, programmes of work and procurement focussing on the appropriate
  management of risk
- oversight of preparation of the LTP, Annual Report, and other external financial reports required
  by statute.

The scope of the committee includes the oversight of risk management and assurance across the
Council's CCOS and the council with respect to risk that is significant to the Auckland Council group.

To perform his or her role effectively, each committee member must develop and maintain his or her
skills and knowledge, including an understanding of the committee's responsibilities, and of the
council's business, operations and risks.

Decision-Making Powers

The committee has no decision-making powers other than those in these terms of reference.

The committee may request expert advice through the chief executive where necessary.

The committee may make recommendations to the Governing Body and / or chief executive.

Tenure

External members will be appointed for an initial period not exceeding three years, after which they
will be eligible for extension or re-appointment, after a formal review of their performance, and have
not already served two terms on the committee. Councillors appointed to the committee will
automatically cease to hold office at the time of the local authority triennial elections. They may be
eligible for re-appointment post those elections if they are returned to office and have not already
served two terms on the committee.

1 In regard to health and safety, all members of the Governing Body are required to discharge their
responsibilities of due diligence under the Health and Safety at Work Act 2015. Staff will provide regular reports
to the Governing Body to enable members to discharge their duties, and these reports will include any
recommendations made by the Audit and Risk Committee in relation to council's health, safety and wellbeing
processes.
The chief executive, and the senior management team members, will not be members of the committee.

The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the council. At least one member of the committee should have accounting or related financial management experience, with an understanding of accounting and auditing standards in a public sector environment.

Committee’s responsibilities

The committee’s responsibilities are detailed below.

Forward Work Programme

The committee will agree and approve annually a forward work programme – which will consist of in-depth briefings and reviews of specific significant risks and assurance strategies, as contained in the ERM “Top Risks” or Auckland Council’s work plan.

Risk management

- Review, approve and monitor the implementation of the ERM policy, framework and strategy (including risks pertaining to CCOs that are significant to the Auckland Council group).
- Review and approve the council’s “risk appetite” statement.
- Review the effectiveness of risk management and internal control systems including all material financial, operational, compliance and other material controls. This includes legislative compliance (including Health and Safety), significant projects and programmes of work, and significant procurement.
- Review risk management reports identifying new and / or emerging risks, and any subsequent changes to the ERM “Top Risk” register.

Assurance

- Review annually the Assurance Charter – which confirms the authority, independence and scope of the function.
- Review and approve annually and monitor the implementation of the three-year Assurance Strategy and 12 month detailed Internal Audit Plan.
- Review the co-ordination between the risk and assurance functions – including the integration of the council’s ERM risk profile with the Internal Audit programme. This includes assurance over all material financial, operational, compliance and other material controls. This includes legislative compliance (including Health and Safety), significant projects and programmes of work, and significant procurement.
- Review the reports of the assurance functions dealing with findings, conclusions and recommendations (including assurance over risks pertaining to CCOs that are significant to the Auckland Council group).
- Review and monitor management’s responsiveness to the findings and recommendations – enquiring into the reasons that any recommendation is not acted upon.

Fraud and Integrity

- Review and approve annually, and monitor the implementation of, the Assurance Strategy, including the fraud and integrity aspects, including a detailed work programme.
- Review annually the ‘Speak Up’ and whistleblowing procedures and ensure that arrangements are in place by which staff, may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters, and that there is proportionate and independent investigation of such matters and appropriate follow-up action.

- Review the procedures in relation to the prevention, detection, reporting and investigation of bribery and fraud.

- Review and monitor policy and process to manage conflicts of interest amongst elected members, local board members, management, staff, consultants and contractors.

- Review reports from the Risk, Assurance, Integrity and Investigations, external audit and management related to whistle blower, ethics, bribery and fraud related incidents.

**Statutory Reporting**

Review and monitor the integrity of the Long-term Plan, interim and annual report including statutory financial statements and any other formal announcements relating to the council’s financial performance, focussing particularly on:

- compliance with, and the appropriate application of, relevant accounting policies, practices and accounting standards

- compliance with applicable legal requirements relevant to statutory reporting

- the consistency of application of accounting policies, across reporting periods, and the Auckland Council group

- changes to accounting policies and practices that may affect the way that accounts are presented

- any decisions involving significant judgement, estimation or uncertainty

- the extent to which financial statements are affected by any unusual transactions and the way they are disclosed

- the disclosure of contingent liabilities and contingent assets

- the clarity of disclosures generally

- the basis for the adoption of the going concern assumption

- significant adjustments resulting from the audit.

**External Audit**

- Discuss with the external auditor before the audit commences:
  - the nature, scope and fees of the external audit
  - areas of audit focus
  - error and materiality levels.

- Review with the external auditors representations required by elected members and senior management, including representations as to the fraud and integrity control environment

- Review the external auditors management letter and management responses, and inquire into reasons for any recommendations not acted upon.

- Where required, the chair may ask a senior representative of the Office of the Auditor General to attend the committee meetings to discuss the office’s plans, findings and other matters of mutual interest.
Interaction with Council Controlled Organisations

Other committees dealing with CCO matters may refer matters to the Audit and Risk Committee for review and advice.

This committee will ensure to ensure adequate processes at a governance level exist to identify and manage risks within a CCO. Where an identified risk may impact on Auckland Council or the wider group, the committee will also ensure that all affected entities are aware of and appropriately managing the risk.

The Head of Assurance and the Chief Risk Officer are responsible for monitoring CCO risk and internal audit strategies with respect to risks and CCO risks that are significant to the Auckland Council group.

Annual Report on the work of the committee

The chair of the committee will submit a written review of the performance of the committee to the chief executive on an annual basis. The review will summarise the activities of the committee and how it has contributed to the council’s governance and strategic objectives. The chief executive will place the report on the next available agenda of the governing body.

Quorum: 3 (which must include 2 Governing Body members)

Frequency of Meetings: Quarterly, plus September meeting to review Annual Report prior to review by Finance and Performance Committee, and adoption by Governing Body

Membership:

Chairperson: Independent
Deputy chairperson: Councillor Daniel Newman

Governing Body members: Deputy Mayor Bill Cashmore, Councillor Shane Henderson

Independent members: 2

Ex officio: Mayor Phil Goff, IMSB Chair David Taipari (or nominee) expected to attend for matters relevant to the IMSB
<table>
<thead>
<tr>
<th>Area of work and lead</th>
<th>Expected reporting 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>24 Feb</td>
</tr>
<tr>
<td><strong>Audit and Risk Committee</strong>&lt;br&gt;Head of Assurance Services</td>
<td>Work programme</td>
</tr>
<tr>
<td><strong>Assurance</strong>&lt;br&gt;Head of Assurance Services – Assurance Services Department</td>
<td>Assurance Services Strategy and activities update (trust and integrity, elected members, internal audits and reviews, speak up)</td>
</tr>
<tr>
<td><strong>Independent Maori Statutory Board - Treaty Audit</strong>&lt;br&gt;Head of Assurance and EM/Maori Outcomes and Relationships</td>
<td>Treaty Audit Monitoring update</td>
</tr>
<tr>
<td><strong>CCO Risk management</strong>&lt;br&gt;Facilitated by Risk and Insurance Department</td>
<td>CCO quarterly Risk report</td>
</tr>
<tr>
<td><strong>Auckland Council partner/ shareholder risk management</strong>&lt;br&gt;Director Infrastructure and Environmental Services &amp; CCC External Partnerships Unit</td>
<td>America’s Cup 36</td>
</tr>
</tbody>
</table>
## Audit and Risk Committee Forward Work Programme 2020-2022

### Area of work and lead

<table>
<thead>
<tr>
<th>Area of work and lead</th>
<th>Expected reporting 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Legal Risk</strong></td>
<td></td>
</tr>
<tr>
<td>General Counsel – Legal &amp; Risk Dept</td>
<td>24 Feb</td>
</tr>
<tr>
<td><strong>Insurance</strong></td>
<td></td>
</tr>
<tr>
<td>Manager Insurance - Risk and Insurance Dept</td>
<td>26 May</td>
</tr>
<tr>
<td><strong>Interim financial statements</strong></td>
<td>24 Aug</td>
</tr>
<tr>
<td>Group Financial Controller</td>
<td>15 Sep</td>
</tr>
<tr>
<td>31 December 2019 Interim Financial Statements</td>
<td>8 Dec</td>
</tr>
<tr>
<td>NZX Announcement Clearance</td>
<td></td>
</tr>
<tr>
<td><strong>Annual Report</strong></td>
<td></td>
</tr>
<tr>
<td>Group Financial Controller</td>
<td>30 June 2020 Arrangements (extended audit plan)</td>
</tr>
<tr>
<td>NZX Announcement 30 June 2020 / Annual Report 30 June 2020 update for committee</td>
<td></td>
</tr>
<tr>
<td>Audit New Zealand interim management report 30 June 2020</td>
<td></td>
</tr>
<tr>
<td>NZX Announcement 2020/Annual Report 30 June 2020 update for committee</td>
<td></td>
</tr>
<tr>
<td>Proforma Annual Report 30 June 2020 (financial statements and accounting policies)</td>
<td></td>
</tr>
<tr>
<td><strong>Long Term Plan 2018/2028</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Annual Plan</strong></td>
<td></td>
</tr>
<tr>
<td>Audit New Zealand final 2020 LTP amendment management report</td>
<td></td>
</tr>
<tr>
<td><strong>External Audit</strong></td>
<td></td>
</tr>
<tr>
<td>Office of Auditor-General (OAG)</td>
<td>2021/22 Annual Plan (draft)</td>
</tr>
<tr>
<td>Briefing paper provided</td>
<td></td>
</tr>
<tr>
<td>Briefing paper provided</td>
<td></td>
</tr>
<tr>
<td>Briefing paper provided</td>
<td></td>
</tr>
<tr>
<td>Briefing paper provided</td>
<td></td>
</tr>
</tbody>
</table>

### Workshops

The Audit and Risk Committee holds workshops on matters where a background briefing/meetings discussion and opportunity for questions from the committee is necessary to perform its role and responsibilities.

Workshops are not intended to make decisions - that is for formal committee or Governing Body Meetings. Workshop material will be appended to a summary of information items in the next committee meeting, unless it has been clearly marked as confidential.

The following topics have been identified as proposed workshops necessary to discharge the Committee’s duties. Workshops will be scheduled over the three-year programme based on strategic priorities, risk and time available.

Additional topics may be added if circumstances change or require a topic to be the subject of a workshop.

### Proposed Workshop topics for 2020

1. Risk Deep Dives (outcomes from deep dive processes into Auckland Council’s Top Risks).
2. Internal Audits and reviews completed.
3. Post event review following Sky City convention Fire – business continuity and emergency response.
4. Integrity – policies and procedures for prevention, detection, reporting and investigation of bribery and fraud and conflicts of interest (Our Charter).
5. Insurance Programme.
6. Risk appetite statement review.
7. Natural Hazards Risk management.
8. Transport.
<table>
<thead>
<tr>
<th>Area of work and lead</th>
<th>Expected reporting 2021 (dates TBC)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Feb</td>
</tr>
</tbody>
</table>
| Audit and Risk Committee  
Head of Assurance Services | Work programme | Work programme | Work programme | Work programme | Work programme |
| Assurance  
Head of Assurance Services – Assurance Services Department | Assurance Services Strategy and activities update (trust and integrity, elected members, internal audits and reviews, speak up)  
Holidays Act project  
Building and resource consents assurance plan update  
Audit Programme reporting – updated plan and audits completed  
Business Continuity (TBC) | Assurance Services Strategy and activities update (trust and integrity, elected members, internal audits and reviews, speak up)  
Holidays Act project  
Building and resource consents assurance plan update  
Audit Programme reporting – updated plan and audits completed  
Business Continuity (TBC) | | |
| Independent Maori Statutory Board - Treaty Audits  
Head of Assurance and GM Maori Outcomes and Relationships | Treaty Audit Monitoring update | Treaty Audit Monitoring update | | Preparations for Independent Maori Statutory Board upcoming 2022 Te Tiriti o Waitangi Audit |
| Enterprise Risk  
Chief Risk Officer – Risk and Insurance Department | Risk Update – top risk register; strategy; ERM framework  
Risk Deep Dive: Service Delivery | Review and Refresh Risk Appetite Statement  
Risk Deep Dive: Climate change phase 2 | Risk Update  
Risk Deep Dive: Internal and external disruptions | Risk Deep Dive (TBC) | Risk Update  
Risk Deep Dive (TBC) |
| CCO Risk management  
Facilitated by Risk and Insurance Department | CCO quarterly risk report  
Attendance by Panuku | CCO quarterly risk report  
Attendance by Regional FaciliXs Auckland | CCO quarterly risk report  
Attendance by Watercare | CCO annual reports on risk (matrices renewed through annual audit process and summary of any significant findings noted by auditors)  
Attendance by Watercare, ATIED, Auckland Transport, RPA, Panuku | CCO quarterly risk report  
Attendance by ATIED |
| Auckland Council partner/ shareholder risk management  
Director Infrastructure and Environmental Services & CCO External Partnerships Dept | America’s Cup 36 | City Rail Link | America’s Cup 36 | City Rail Link | America’s Cup 36 |
| Health, Safety and Wellbeing  
<table>
<thead>
<tr>
<th>Area of work and lead</th>
<th>Feb</th>
<th>May</th>
<th>Aug</th>
<th>Sep</th>
<th>Dec</th>
</tr>
</thead>
</table>
| **Legal Risk**
  General Counsel – Legal & Risk Dept | | Legal Risk report | | Legal Risk report | |
| **Insurance**
  Manager Insurance - Risk and Insurance Dept | Insurance risk profiling
  Indicative insurance procurement strategy | Indicative Insurance Renewal Report | Update to Committee post placement of Insurance Programme | | |
| **Interim financial statements**
  Group Financial Controller | 31 December 2020 Interim Financial Statements
  NZX Announcement Clearance | Audit New Zealand Review engagement management report 31 December 2020 | | Review arrangements 31 December 2021
  31 December 2021 NZX announcement Update | |
| **Annual Report**
  Group Financial Controller | 30 June 2021 Arrangements (extended audit plan) | NZX Announcement 30 June 2021
  Annual Report 30 June 2020 update for committee
  Audit New Zealand interim management report 30 June 2021
  Proforma Annual Report 30 June 2021 (financial statements and accounting policies) | NZX Announcement 2021/ Annual Report 30 June 2021 update for committee
  30 June 2021 Annual Report | 30 June 2022 Arrangements (extended audit plan)
  Audit New Zealand final audit management report 30 June 2021
  Proforma interim financial statements and accounting policies 31 December 2021 | |
| **Long Term Plan 2021/2031**
  Annual Plan
  GM Financial Strategy and Planning | | | 2021-2031 LTP (draft) | |
| **External Audit**
  Office of Auditor-General (OAG) | Briefing paper provided | Briefing paper provided | Briefing paper provided | Briefing paper provided | Briefing paper provided |
<table>
<thead>
<tr>
<th>Area of work and lead</th>
<th>Expected reporting 2022 (dates TBC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit and Risk Committee</td>
<td></td>
</tr>
<tr>
<td>Head of Assurance Services</td>
<td></td>
</tr>
<tr>
<td>Work programme</td>
<td></td>
</tr>
<tr>
<td>Work programme</td>
<td></td>
</tr>
<tr>
<td>Work programme</td>
<td></td>
</tr>
<tr>
<td>Work programme</td>
<td></td>
</tr>
<tr>
<td>Audit Programme reporting – updated plan and audits completed</td>
<td></td>
</tr>
<tr>
<td>Business Continuity (TBC)</td>
<td></td>
</tr>
<tr>
<td>Assurance</td>
<td></td>
</tr>
<tr>
<td>Head of Assurance Services – Assurance Services Department</td>
<td></td>
</tr>
<tr>
<td>Assurance Services Strategy and activities update (thrust and integrity; elected members; internal audits and reviews, speak up)</td>
<td></td>
</tr>
<tr>
<td>Holidays Act project</td>
<td></td>
</tr>
<tr>
<td>Building and resource consents assurance plan update</td>
<td></td>
</tr>
<tr>
<td>Audit Programme reporting – updated plan and audits completed</td>
<td></td>
</tr>
<tr>
<td>Audit and Risk Committee Forward Work Programme 2020-2022</td>
<td></td>
</tr>
<tr>
<td>Independent Maori Statutory Board - Treaty Audit</td>
<td></td>
</tr>
<tr>
<td>Treaty Audit Monitoring update</td>
<td></td>
</tr>
<tr>
<td>Treaty Audit Monitoring update</td>
<td></td>
</tr>
<tr>
<td>Preparations for Independent Maori Statutory Board upcoming 2022 To Tiriti o Waitangi Audit</td>
<td></td>
</tr>
<tr>
<td>Enterprise Risk</td>
<td></td>
</tr>
<tr>
<td>Chief Risk Officer – Risk and Insurance Department</td>
<td></td>
</tr>
<tr>
<td>Risk Update – top risk register: strategy, ERM framework, Risk Deep Dive: Service Delivery</td>
<td></td>
</tr>
<tr>
<td>Review and Refresh Risk Appetite Statement</td>
<td></td>
</tr>
<tr>
<td>Risk Deep Dive: Climate change phase 2</td>
<td></td>
</tr>
<tr>
<td>Risk Update</td>
<td></td>
</tr>
<tr>
<td>Risk Deep Dive: Internal and external disruptions</td>
<td></td>
</tr>
<tr>
<td>Risk Deep Dive (TBC)</td>
<td></td>
</tr>
<tr>
<td>Risk Update</td>
<td></td>
</tr>
<tr>
<td>Risk Deep Dive (TBC)</td>
<td></td>
</tr>
<tr>
<td>CCO Risk management</td>
<td></td>
</tr>
<tr>
<td>Facilitated by Risk and Insurance Department</td>
<td></td>
</tr>
<tr>
<td>CCO quarterly risk report Attendance by Periwhetu</td>
<td></td>
</tr>
<tr>
<td>CCO quarterly risk report Attendance by Regional Facilities Auckland</td>
<td></td>
</tr>
<tr>
<td>CCO quarterly risk report Attendance by Watercare</td>
<td></td>
</tr>
<tr>
<td>CCO annual report on risk (matters raised through annual audit process and summary of any significant findings raised by auditors)</td>
<td></td>
</tr>
<tr>
<td>Attendance by Watercare, ATEEED, Auckland Transport, RPA, Penitu</td>
<td></td>
</tr>
<tr>
<td>Attendance by ATEEED</td>
<td></td>
</tr>
<tr>
<td>Auckland Council partner/ shareholder risk management</td>
<td></td>
</tr>
<tr>
<td>Director Infrastructure and Environmental Services &amp; CCC External Partnerships Unit</td>
<td></td>
</tr>
<tr>
<td>America’s Cup 36</td>
<td></td>
</tr>
<tr>
<td>City Rail Link</td>
<td></td>
</tr>
<tr>
<td>America’s Cup 36</td>
<td></td>
</tr>
<tr>
<td>City Rail Link</td>
<td></td>
</tr>
<tr>
<td>America’s Cup 36</td>
<td></td>
</tr>
<tr>
<td>Health, Safety and Wellbeing</td>
<td></td>
</tr>
<tr>
<td>Head of Health, Safety and Wellbeing</td>
<td></td>
</tr>
<tr>
<td>Health, safety and wellbeing update</td>
<td></td>
</tr>
<tr>
<td>Health, safety and wellbeing update</td>
<td></td>
</tr>
<tr>
<td>Health, safety and wellbeing update</td>
<td></td>
</tr>
<tr>
<td>Health, safety and wellbeing update</td>
<td></td>
</tr>
<tr>
<td>Health, safety and wellbeing update</td>
<td></td>
</tr>
</tbody>
</table>
## Audit and Risk Committee Forward Work Programme 2020-2022

### Area of work and lead

<table>
<thead>
<tr>
<th>Area of work and lead</th>
<th>Expected reporting 2022 (dates TBC)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Legal Risk</strong></td>
<td>Feb: Legal Risk report</td>
</tr>
<tr>
<td></td>
<td>Sep: Legal Risk report</td>
</tr>
<tr>
<td><strong>Insurance</strong></td>
<td>Feb: Insurance risk profiling</td>
</tr>
<tr>
<td></td>
<td>May: Inducitive Insurance procurement strategy</td>
</tr>
<tr>
<td></td>
<td>Aug: Update to Committee post placement of Insurance Programme</td>
</tr>
<tr>
<td></td>
<td>Sep: Review arrangements 31 December 2022</td>
</tr>
<tr>
<td></td>
<td>Dec 7: 31 December 2022 NZX announcement Update</td>
</tr>
<tr>
<td><strong>Interim financial statements</strong></td>
<td>31 December 2021 Interim Financial Statements</td>
</tr>
<tr>
<td><strong>Annual Report</strong></td>
<td>30 June 2023 Arrangements (extended audit plan)</td>
</tr>
<tr>
<td></td>
<td>Sep: NZX Announcement 2023 / Annual Report 30 June 2022 update for committee</td>
</tr>
<tr>
<td></td>
<td>Dec 7: 30 June 2023 Arrangements (extended audit plan)</td>
</tr>
<tr>
<td><strong>Long Term Plan 2021/2031</strong></td>
<td>Aug: Audit New Zealand final 2021 LTP amendment management report</td>
</tr>
<tr>
<td><strong>External Audit</strong></td>
<td>Briefing paper provided</td>
</tr>
<tr>
<td><strong>Attachment B</strong></td>
<td></td>
</tr>
</tbody>
</table>
Audit and Risk Committee  
09 December 2019

**Assurance Services Strategy and Activities Update**

**File No.: CP2019/20234**

---

**Te take mō te pūrongo**  
**Purpose of the report**

1. To seek endorsement of the Assurance Strategy 2022 – 3 year roadmap.

---

**Whakarāpopototanga matua**  
**Executive summary**

3. The finalised Assurance Strategy 2022 and 3 year roadmap is recommended for the endorsement of the Audit and Risk Committee (Attachment A).
4. Minor editorial refinements to the draft received by the Committee on 27 August 2019 have been made reflecting feedback from the executive leadership team and key stakeholder departments.
5. Good progress has been made on the 2019/2020 priority areas across all six strategic objectives.
6. The Assurance Services department’ rolling audit plan 2019/2020 has been reviewed and updated. (Attachment B). Four audits have been completed and reports issued in the four months ending November 2019.
7. In all areas reviewed, there have been some control weaknesses identified and process enhancements recommended. Action plans or appropriate responses have been agreed with the control owners and progress will be monitored.
8. The key reviews to be completed in the next six months relate to ICT security, Aotea Centre Refurbishment project, sensitive expenditure (p-card expenditure and staff reimbursements) and waste key performance indicator processes.
9. A building and resource consents performance measure assurance plan is being implemented to manage the risk of inaccurate data and ensure effective oversight and clear process (Attachment C). A verbal update on the plan will be provided at the meeting.

---

**Ngā tūtohunga**  
**Recommendation/s**

That the Audit and Risk Committee:

a) receive and note the update on activities performed by the Assurance Services department


---

**Horopaki**  
**Context**

10. This report provides an update on Assurance Services activities for Auckland Council to enable the Committee to have oversight and review the effectiveness of governance, risk management and internal control.
Tātaritanga me ngā tohutohu
Analysis and advice

11. This update provides advice and assurance on the following matters:
   - the Assurance Services Strategy – 3 year roadmap
   - audits and reviews
   - probity support for procurements and projects
   - integrity and investigations – Speak Up
   - elected member advice
   - Holidays Act 2003 project
   - resource and building consents performance measures
   - City Rail Link sponsor agreement made under delegation.

Assurance Services Strategy – 3 year roadmap

12. A draft Assurance Strategy – 3 year roadmap was reported to the Audit and Risk Committee on 27 August 2019 for discussion and feedback.

13. Further feedback has been received from key departments and executive and senior leaders and minor editorial refinements have been made. The finalised strategy is attached for the committee’s consideration and endorsement (Attachment A).

14. The three-year strategy covers internal audit, probity, elected member advisory services and integrity functions. It includes the assurance vision, strategic objectives and prioritised initiatives phased over the next three years.

15. Its purpose is to:
   (a) ensure effective independent assurance activities addressing key risk areas:
       • corruption, fraud and integrity
       • probity in projects and procurements
       • elected member conduct and conflict of interests
   (b) provide assurance through independent audit and review (third line defense)
   (c) focus and improve the Assurance Services department’s resourcing, capability and skills.

16. Good progress has been made on the 2019/2020 priority areas across all six strategic objectives. Our priority in the last six months has been to maintain and build visibility, trust and confidence, maximise efficiency and close collaboration and coordination with key assurance departments across council.

17. We are increasing our use of data analytics through all aspects of the Assurance Services departments’ work as well as offering expert advice and support to divisions to undertake and utilize data analytics in auditing and monitoring processes.

18. Highlights include:
   • external publication on council’s website of a summary of gifts accepted and declared by staff to increase openness, transparency, trust and confidence
   • elected member conflicts of interest support and induction
• planning and engagement with the Risk and Insurance, Investment Management Office and Procurement departments on forward work programmes
• monthly speak up meetings and reporting to the executive leadership team via a dashboard report has been established
• communications and events run for fraud week have raised visibility and awareness
• Assurance Services Kotahi intranet pages and information available to all staff have been refreshed
• conflicts of interest anniversary disclosure process established for all staff.

Audits and Reviews

19. The Assurance Audit Plan 2019/2020 has been reviewed and updated (Attachment B).

20. Except for the review of the Memorial Gardens (completed), no new audits or reviews have been added to the plan reported on 27 August 2019. However, refinements and clarification to scope and planned scheduling have been made.

21. In the first quarter of 2019/2020, we have completed and issued five audits concerning:
   • Treasury
   • Project Management and the Investment Delivery Framework
   • Avondale Business Association payment processes and controls
   • Manukau Memorial Gardens

22. To maintain the integrity and effectiveness of the confidential assurance review and audit processes, key findings and outcomes are reported to the Audit and Risk Committee in a separate confidential report.

23. In all areas audited, there have been some control weaknesses identified and process enhancements or further work recommended as part of continuous improvement. Actions plans or appropriate further work have been developed and agreed with control owners and progress will be monitored.

24. The key reviews to be completed in the next six months relate to ICT security, Aotea Centre Refurbishment project, sensitive expenditure (p-card expenditure and staff reimbursements) and waste key performance indicator processes.

Probity support for procurements and projects

25. Our strategic objective for the probity function is to proactively plan and prioritise support based on risk and strategic priorities of the council.

26. We continue to provide independent probity assurance over large and high-risk procurements and probity oversight and advice to council departments and council controlled organisations. Advice covers conflicts of interest and fairness and equity of processes and decision making.

27. In the three months since September 2019, staff have been supporting the following procurements:
   • Integrated waste collection services (“three bins”)
   • Stormwater southern and regional maintenance
   • Westhaven pile berth redevelopment (Panuku)
   • Aotea Central development

28. In all cases staff were comfortable that the procurements were run in a fair and effective manner.
29. The Finance Division has recently completed a change process that has included the establishment of a new department responsible for projects and programmes called the Investment Management Office. Discussions have commenced about implementing a programme of work to support the probity of significant projects and programmes including opportunity for independent, real time probity advice and targeted audits and quality checks.

**Integrity and Investigations – Speak Up**

30. Integrity matters and fraud prevention, detection and response remain a priority focus for the council, the Assurance Services department and the Integrity team.

31. Our priority in the next quarter is to increase and expand our communications to raise general awareness and support higher risk areas to increase numbers of staff completing the e-learning and other training.

**Speak Up status update**

32. Auckland Council encourages staff and provides multiple channels through which people can speak up about behaviors that are not in line with “Our Charter”. This includes empowering staff to look for and speak up about fraud and corruption.

33. The Assurance Services department provides an independent channel for staff to confidentially and safely speak up on questions, issues or concerns from minor through to serious issues. Options to contact Assurance Services include:
   - direct contact to Assurance staff, dedicated email addresses and phone numbers
   - the integrity hotline - phone 0800 AC INTEGRITY (0800 224 683)
   - anonymous online email capability
   - external opportunities are also listed via Auckland Council's web page

34. The Speak Up channels are operating adequately and the numbers of speak ups received are remaining steady. While there has been a general decline in total numbers using the formal channels there has been an increase in complexity and time taken to resolve.

35. Work to align and coordinate channels is continuing. Ongoing internal communications linking to Our Charter are reinforcing the Speak Up messages and maintaining awareness. Six monthly reporting to the executive leadership team on Speak Up processes, trends and issues has been established.

**Training and capability building**

36. The Assurance Services department delivers an ongoing training and capability building programme that includes e-learning, integrity training and tailored sessions for departments and leadership teams. Over the 12 months ending December 2019 the programme has included:

<table>
<thead>
<tr>
<th>Type of Training</th>
<th>Sessions / Attendances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethics and Integrity workshop (General Integrity Training)</td>
<td>10 sessions, 148 staff attended</td>
</tr>
<tr>
<td>Staff Induction Days</td>
<td>21 sessions, 934 staff attended</td>
</tr>
<tr>
<td>Building Consent &amp; Regulatory Induction Workshops</td>
<td>9 sessions, approx. 180 staff</td>
</tr>
<tr>
<td>Integrity eLearning module</td>
<td>391 staff completed (three months since roll out commenced)</td>
</tr>
<tr>
<td>Other tailored</td>
<td>17 sessions, including Local Board workshops, the lead teams of</td>
</tr>
</tbody>
</table>
37. The roll out of the integrity e-learning online training module for staff started in August 2019. Completing the module is mandatory as part of the ‘on boarding’ of new staff.

38. Our next priority is to increase the awareness of the e-learning module and numbers of existing staff completing through targeted communications and linking it to ongoing engagements with departments and teams.

**Summary of gift register published on Council website**

39. A summary from our staff gift register (including travel, entertainment and gifts) was published on council’s website in the first week of October 2019. This publication covers the period 1 July to 30 September 2019. The gift register will be published quarterly to align with financial reporting.

40. Our policies or procedures on giving and receiving gifts have not changed, only the proactive publishing of details from our gift register. In line with current practices, staff below tier 4 will only be referred to by position title and not named.

41. While information about the gifts we receive has previously been available to the public via Local Government Official Information and Meetings Act requests (LGOIMA), as part of the council’s strategic direction to increase public trust and confidence, this information will be proactively released. As a result, we are also anticipating a reduction in the number of LGOIMA requests for this information.

42. This approach is in line with other public sector entities including the New Zealand Police and New Zealand Treasury.

**Conflict of interest disclosure anniversary reminder process**

43. On 25 September 2019, a new process commenced of emailing interest disclosure reminders to all staff and contractors when they start work and on their annual anniversary date. This is to ensure staff are regularly reminded to disclose and manage interests. The reminders provide links to the required forms and the online ‘Awhina’ system to make disclosure as easy as possible.

44. As anticipated, the process has generated an increase in staff making declarations of possible conflicts of interests and in staff seeking advice about their interests from the Assurance Services department. In the three months to 20 November 2019, 1118 staff have responded.

**International Fraud Awareness Week 17 – 23 November 2019**

45. During this focus week, the Assurance Services department arranged an event at which the General Manager of the Serious Fraud Office presented to staff from council and council controlled organisations on fraud and corruption in the public sector. There were also enterprise wide and people leader communications and stories published promoting the Our Charter principles, Speak Up channels and guidance available.

**Elected members advice**

46. There has been a consistent number of requests for personalised interest management advice from newly elected local board members. This advice has included advice regarding managing the perception of predetermination, as well as financial conflict of interest management.
47. The Assurance Services department are working alongside council’s legal team and the Auditor-General Office to ensure that all elected members are compliant with the Local Government Members Interest Act 1968 disqualification rule.

48. A series of workshops introducing local board members to Assurance Services as well as a discussion on gifts and interest management has been offered to each of the local boards. The first of these sessions took place on the 28th November 2019 with all 21 local boards to be visited over the next 12 months.

49. The Assurance Services department are working with the Auditor General’s Office to co-present at two conflict of interest sessions as part of the Kura Kāwana elected member development programme entitled “Should I? Could I? Will I?” The sessions focus on scenario-based learning and are scheduled to take place February and March 2020.

**Holidays Act 2003 Project**

50. The council is nearing completion of its programme to rectify leave calculation issues and ensure all staff receive their correct entitlements according to the Holidays Act 2003.

51. Systems changes and upgrades have been completed and implemented with the reconfigured payroll systems (including SAP, Verint and Time Target) operating in a manner compliant with the Act.

52. Final remediation payments and annual leave balance corrections were made to existing staff on 21 November 2019. Remediation of sick leave balances is currently under way with the project team aiming to complete this before the end of the year.

53. An online portal has been developed and hosted by Ernst Young for former employees to register and confirm whether they are owed a Holidays Act payments. The portal was open as of 25 November 2019. Once identity is confirmed for those owed payment, our internal payroll team will process payments.

54. This portal will be available for about a year of the seven-year window agreed with the Ministry of Business, Innovation and Employment (MBIE) for former employees to make a remediation claim. It is anticipated that the need for the portal will tail off after this time and staff are currently considering what alternatives can be made for the following years.

55. The Labour Inspector had extended the enforceable undertaking until 20 December 2019. Now that the payments have been made to existing employees, a process is in place to manage claims by former employees, a process is in place to manage claims by former employees, and our payroll system has been configured correctly, we will work with the Labour Inspector to extinguish the enforceable undertaking. To date, he has expressed his satisfaction with the efforts we have made to remediate and reconfigure, and our progress generally.

**Resource and building consents**

56. The Audit and Risk Committee has been receiving regular reporting to provide oversight of the ongoing issue on the reliability of the systems data for building consent and resource consent performance measures relating to the timeliness of processing.

57. While the quality and accuracy of consenting data is generally improving over time and plans are in place to improve performance, the process remains complex and reliant on manual processes. The council has recognised a need to add additional manual control processes to strengthen the control environment for this financial year.

58. Since the last update provided to the Audit and Risk Committee on 27 August 2019, the Regulatory Services division have been working to ensure that processes are in place for accurate and validated data to be used for the performance measures for the 2019/20 financial year.

59. A building and resource consents performance measure assurance plan is being implemented (Attachment C).
60. The assurance plan contains the key activities and controls to manage and mitigate the risk that the data produced for council’s resource consents and building consents performance is accurate and can be reported in the annual report.

61. This assurance plan has been developed to apply the three lines of defense risk model with mitigations and monitoring implemented in the consent departments, secondary quality checking and an independent audit.

62. The assurance plan includes key decision points when reporting will occur to the Audit and Risk Committee and implements the following controls:
   - Additional quality checking/audit process for 100 per cent of all building and resource consents.
   - Assurance services oversight of the Regulatory Services’ training programme and system improvement programme.
   - A steering group established for oversight and escalations and decisions on process, approach and controls. Senior representatives from Regulatory Services, Assurance Services, Finance, and Audit New Zealand.
   - Assurance Services department to complete sample quality assurance to establish additional controls working, methodology for this checking will be developed and agreed with Audit New Zealand.
   - Assurance Services department to maintain ongoing monitoring of process and monthly quality checking and reporting to steering group.

63. A steering group meeting will be held in late December 2019 to review the Assurance Services department quality assurance results and a decision will be taken on whether a similar recalculation approach to last year is required.

City Rail Link – record of sponsor’s decision

64. The Governing Body has delegated responsibility to the Audit and Risk Committee to:

   “receive regular reports on the City Rail Link project status, including a record of all Sponsors decisions made under delegated authority and information on the management of key risks (budget, schedule, specification, safety and probity)”

   [Resolution number GB/2017/72 J].

65. The council is joint sponsor with the Crown for the project and has delegated to the mayor, deputy mayor and chief executive the authority to enter into the Project Delivery Agreement.

66. The Audit and Risk Committee received a report in September 2019 regarding City Rail Link and will receive further status and risk management reports as part of the committee’s work programme in May and September 2020.

67. Any Sponsor’s decisions made under delegated authority made outside the scheduled six-monthly reporting, will be reported to the Audit and Risk Committee as part of the Assurance Services department update report.

68. The Project Delivery Agreement between Council, Crown and City Rail Link Limited (CRLL) sets out the terms upon which CRLL will manage the delivery of the City Rail Link project.

69. The Sponsors signed the Deed of Amendment and Restatement in relation to the Project Delivery Agreement (PDA) on 22 October 2019.

70. The Deed of Amendment updates the Project Delivery Agreement to reflect the key decisions made by the Shareholders on scope (agreed enhancement of the capacity of the railway from six to nine car trains), the procurement strategy (from a design and construct model to an alliance model) and increased funding to reflect change in market conditions and the enhanced capacity of the railway (GB/2019/33).

Tauākī whakaaweawe āhuarangi
Climate impact statement
71. There are no climate impacts arising from this report.

Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera
Council group impacts and views
72. There are no council group impact arising from this report. The 0800-integrity line and integrity channels are available and used by Panuku Development Auckland Limited, Auckland Tourism, Events and Economic Development and Regional Facilities Auckland staff.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe
Local impacts and local board views
73. The Assurance Services department has been supporting local boards with advice and training on conflicts of interest and conduct matters. Feedback from local board members is that they appreciate the independent real time advice available from the team.

Tauākī whakaaweawe Māori
Māori impact statement
74. The Assurance Services Strategy and Assurance Plan includes maintaining independent oversight and monitoring of the council’s progress to address the recommendations of the Independent Māori Statutory Board audit of the Te Tiriti o Waitangi (Treaty Audit) and report six monthly to the Audit and Risk Committee.

75. The Waharoa Group continues to meet monthly to provide oversight of the Te Tiriti o Waitangi (Treaty Audit) response programme.

Ngā ritenga ā-pūtea
Financial implications
76. This report does not require the committee to make decisions with financial implications.

Ngā raru tūpono me ngā whakamaurutanga
Risks and mitigations
77. There are no specific risks arising from this report.

78. All risks and issues identified through the Assurance Services activities have been raised with the appropriate risk owner and shared with the Risk and Insurance department.

Ngā koringa ā-muri
Next steps
79. The department will complete reviews and audits relating to ICT security, the Aotea Centre Refurbishment project, sensitive expenditure (p-card expenditure and staff reimbursements) and waste key performance indicator processes.

80. Increase and expand our communications to raise general awareness and support higher risk areas to increase numbers of staff completing the e-learning and other training.

81. In accordance with the Audit and Risk Committee’s work programme, Assurance Services will provide updates on strategy and activities every second meeting (6 monthly).

82. Any significant or serious issues or matters for the oversight or attention of the Audit and Risk Committee will be reported separately as required.
Ngā tāpirihanga
Attachments

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Assurance Strategy 2022 - 3 Year Roadmap</td>
<td>41</td>
</tr>
<tr>
<td>B</td>
<td>Assurance Audit and Review Plan November 2019</td>
<td>45</td>
</tr>
<tr>
<td>C</td>
<td>Building and Resource Consents Performance Measure Assurance Plan Oct 2019</td>
<td>49</td>
</tr>
</tbody>
</table>

Ngā kaihaina
Signatories

<table>
<thead>
<tr>
<th>Authors</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Authors</td>
<td>Nick Rennie - Manager Audit and Probity</td>
</tr>
<tr>
<td></td>
<td>Gary Hale - Integrity and Investigations Manager</td>
</tr>
<tr>
<td></td>
<td>Maureen Glassey - Principal Advisor Governance Elected Members</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Authorisers</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorisers</td>
<td>Emma Mosely - Head of Assurance Services (Acting)</td>
</tr>
<tr>
<td></td>
<td>Phil Wilson - Governance Director</td>
</tr>
</tbody>
</table>
Assurance Strategy 2022 - 3 Year Roadmap

We support Council to do the right thing, make good decisions to deliver for Tamaki Makaurau

We enable Aucklanders to have trust and confidence in our elected members and staff

Auckland Council’s vision is for Auckland to be a world-class city, and we’ll achieve that by having a great Council with great people who have the confidence and competence to do the right thing.

We proactively and effectively support staff and its elected members to be to meet their obligations, act with transparency and integrity, achieve value for ratepayers and residents, make good decisions, enable our communities and deliver for Auckland.

Purpose of Strategy

- Ensure effective independent assurance activities addressing key risk areas:
  - corruption, fraud and integrity
  - probity in projects and procurements
  - elected member conduct and conflict of interests.
- Provide assurance through independent audit and review (third line defense).
- Focus and improve assurance services’ resourcing, capability and skills.

Strategic Objectives


2. Strengthen and lift culture and capability - balance reactive and proactive/preventative activities.

3. Make the most of expertise and resources - implement ways of working to deliver probity, integrity, audit and elected member support – optimise use of external resources for additional investigation and specialist advisor work.

4. Maintain and build visibility, trust and confidence in the team and council - transparency and proactive reporting.

5. Maximise efficiency in detection and response and enable continuous improvement across Council through expanded use of data analytics.

6. Build strong alignment, close collaboration and coordination with Risk and Insurance, Health, Safety and Wellbeing, Financial Control, Te Waka Angamua, and Privacy/LGOIMA.
<table>
<thead>
<tr>
<th>Prevent corruption, fraud, dishonesty and bad practice</th>
<th>Respond to Risk/Issue</th>
<th>Core Programme Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our Charter / Speak Up awareness and understanding - culture</td>
<td><strong>SPEAK UP Framework</strong> - Confidential support, investigation and advice</td>
<td>Probitity - procurement and project advice and support</td>
</tr>
<tr>
<td>Independent Advice: Independent expert advice and support to help everyone do the right thing</td>
<td>Collaborate and support all channels</td>
<td>Internal Audit - critical/core system control effectiveness audits</td>
</tr>
<tr>
<td>Advising, coaching and mentoring senior leadership</td>
<td>Independent 0800 assurance line and email for public, staff, elected members and contractors</td>
<td>Declarations - Gifts and Conflicts of Interest - register and advice</td>
</tr>
<tr>
<td>Advising on systems and processes change and improvements</td>
<td>Elected members - Advice and sensitive investigations, incl code of conduct, conflict of interests, complaints and investigations</td>
<td>Elected Members</td>
</tr>
<tr>
<td>Independent monitoring and review of business performance and risks</td>
<td>Probitity advice and decision-making process support: procurements and projects</td>
<td>- Training, relationship building, declarations of interests</td>
</tr>
<tr>
<td>Education and capability building of staff and elected members e-learning - workshops - staff onboarding and induction, awareness communications and engagements</td>
<td>Data analytics in investigations and reviews</td>
<td>- Serious complaints and sensitive investigations</td>
</tr>
</tbody>
</table>

**PRIORITYs – Year 1 (2019-2020)**

- Embed and resource Assurance Services realignment – multi discipline approach
  - Communications - Raising visibility and establish clear brand
  - Stakeholder engagement - ELT and senior leaders - build and maintain collaborative relationships - understand priorities, risks and issues, immediate needs and opportunities
  - Build professional capability in assurance team and confirm resources to deliver assurance strategy
  - Use every assurance team interaction to enable an outcome for Auckland in line with Our Strategy

- Pilot departmental “assurance checkup” approach - Partner with high risk operational areas (E&IS, AIMS, ACE) to identify needs and deliver tailored support – education, process audit, probity, integrity - whole team approach

- Embed Speak Up - Joint leadership with P&P. Establish and embed framework and council group processes, raise awareness and improve experience - improve cross speak up channel coordination and collaboration

- Support Elected members post-election induction and Kura Kawana professional development programme – educate and build trust and confidence with new council and local board members, manage conflicts of interest. Re-establish a high performing Audit and Risk Committee after election

- Oversight and advice to Our Strategy game change programmes and change initiatives - simplification, customer 360, connecting with communities, organisation for the future

- Roll out e-learning and refine training and capability workshops - maximise efficiency and value

- Plan systems and process improvements – simplify, easier for staff
  - Integration of assurance services processes/documentation into existing business processes e.g. Conflicts of interests, Ariba, Assurance Surveys

- Develop and implement whole of assurance services response approach – risk assessment, resources, respond/resolve

- Expand awareness of independent 0800 phone line and integrity channel - promote use by all council group staff, elected members and public

- Speak Up - Document processes and protocols - roles and responsibilities

- Develop data assurance strategy effectively and efficiently use data to identify and manage risk and improve organisational performance

- Data analytics
  - Research best practice and emerging opportunities
  - Identify all data currently available and opportunities to use for assurance activity
  - Work with key business groups to develop tools and systems – fleet, procurement, finance

- Implement systems and process improvements Conflicts of interests, Ariba etc

- Develop way we work - coordinated, risk focused, tailored services that draw on all the assurance disciplines – integrity, audit, probity, elected member advice. Traga work, be responsive in terms of investigation, learnings from Speak Up, probity reviews and audit and always use our experience to facilitate learnings for the whole organisation

- Probitity – proactively plan and prioritise support of projects and procurements based on risk and strategic priority – engage end to end to ensure robust, transparent and fair processes and decisions

- Audit
  - deliver assurance plan - prioritise audits of core business processes to provide assurance on high risk business processes – technology/systems, people, financial - Performance data
  - Implement rolling audit plan methodology. Align and coordinate work to Risk Deep Dive programme
  - Refresh audit methodology to support faster, value add, maximise learning for the business

- Integrity
  - Publish gift register on Auckland Council website
  - Expand staff anniversary interest declaration and integrity trial to all staff

- Elected members
  - Election induction - Support new council elected member transition and onboarding

- Improve and enhance combined reporting ind to Audit and Risk Committee – timely, effective, quality advice
### PRIORITIES – Year 2 (2020-2021)

| Maintain and lift Assurance Services profile and reputation across the organisation and outside stakeholders e.g. Office of the Auditor General, Serious Fraud Office, Police. |
| Expand departmental assurance check approach for all departments |
| Review and refresh training and capability activities to focus and maximise impact of education and training offerings |
| Develop training and capability toolkit to be used with high risk areas of business |
| Review and risk/issue response process and resourcing Survey departments / key stakeholders – customer experience and outcomes Complete Fraud survey – gap analysis to inform assurance and strategy Empower departments to do the right thing – Improve guidelines, FAQ’s checklists and tools for key stakeholders on probity, conflicts of interest, fraud etc |
| Improve visibility of what we do – Kotahi page, annual communications plan to maintain awareness and understanding Monitor and assess ongoing processes including work anniversary declarations Review and develop strategic assurance services plan in collaboration with executive leadership team – help address top risks, business needs, strategic objectives |

### PRIORITIES – Year 3 (2021 – 2022)

| Maintain high degree of recognition, trust, and visibility – leaders in excellence in assurance - external and internal Review and refine prevention programme Broaden probity advice to all business processes Develop organizational capability development strategy for assurance matters All staff and contractors attend ethical and integrity awareness training |
| Review resourcing and methodology for issue response and investigations Expand Data analytics programme |
| Assurance workprogrammes integrated risk, health and safety departments – highly collaborative and aligned Agile Audit programme and methodology implemented Audits of all core business processes completed Maintaining fraud and risk oversight maintained through formalised engagement with senior leadership teams |
Assurance Services – Audit Plan 2019/2020 – reviewed and updated November 2019

This plan details the programme of audits, reviews and monitoring to be completed by Assurance Services. The objective of the programme is to complete audits to test core functions and controls of high-risk processes and provide independent reviews and assurance for top risks, significant procurements, other decision making and processes. The rolling plan is reviewed quarterly by Assurance Services and updates reported to the Audit and Risk Committee.

<table>
<thead>
<tr>
<th>Topic</th>
<th>Scope</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Audits completed first quarter 2019</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury</td>
<td>• Assess compliance with relevant legislation, policy and procedures.</td>
<td>Complete</td>
</tr>
<tr>
<td></td>
<td>• Assess both design and effectiveness of internal controls and assess whether those controls are operating as intended.</td>
<td>Reported to ARC 9 December 2019</td>
</tr>
<tr>
<td></td>
<td>• Assess whether treasury transactions are recorded completely, accurately and are being reported in a timely manner.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Assess whether there is duplication of controls and/or processes.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Assess the completeness and accuracy of the migration of balances from Watercare Services Limited’s treasury systems to Auckland Council’s treasury systems, and compliance with the Service Level Agreement.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Follow up on the status of recommendations arising out of the previous internal audit report dated June 2017.</td>
<td></td>
</tr>
<tr>
<td>Project Management</td>
<td>Assess council’s approach to managing its project management activity and assess whether it is fit for purpose to enable it to successfully deliver projects while effectively managing project risk.</td>
<td>Complete</td>
</tr>
<tr>
<td></td>
<td>• Co-ordination of annual business planning activity.</td>
<td>Reported to ARC December 2019</td>
</tr>
<tr>
<td></td>
<td>• Compliance with council’s project management framework (IDF).</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Processes re-delivering and managing activity.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Building project capability and succession planning within council.</td>
<td></td>
</tr>
<tr>
<td>Grants follow-up</td>
<td>Follow up following Grants Audit undertaken in 2016.</td>
<td>Follow-up complete, determining ownership and risks associated with remaining gaps to finalise report</td>
</tr>
<tr>
<td>Avondale Business Association</td>
<td>Review of financial and payment controls to provide assurance to Avondale Business Association, Council, and Local Board.</td>
<td>Complete</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reported to ARC December 2019</td>
</tr>
<tr>
<td>Manukau Memorial Gardens</td>
<td>Review of administrative processes concerning sales of burial plots to identify gaps and propose practical recommended actions.</td>
<td><strong>Review in response to incident</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Complete</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reported to ARC December 2019</td>
</tr>
<tr>
<td>Topic</td>
<td>Scope</td>
<td>Status</td>
</tr>
<tr>
<td>-------</td>
<td>-------</td>
<td>--------</td>
</tr>
<tr>
<td><strong>Reviews/audits underway - quarters 2 and 3 (October 2019– March 2020)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aotea Centre Refurbishment</td>
<td>Review of the circumstances surrounding the revised cost of the Aotea Centre refurbishment (GB 2019/40).</td>
<td>Drafting report – to be completed by end 2019</td>
</tr>
<tr>
<td>Waste Solutions Data Review</td>
<td>Following errors being identified by Audit NZ, Waste Solutions has requested assurance in reporting tonnage data. This review focuses on processes for measuring domestic kerbside refuse, a non-financial KPI in the Annual Report. The basis for this KPI is a target outlined in the Waste Management and Minimisation Plan, aiming to reduce waste to landfill. The objective is to outline the key risks and controls around processes that measure and report this KPI.</td>
<td>Drafting report</td>
</tr>
<tr>
<td>Sensitive Expenditure</td>
<td>Review of expenditure and controls following move to principles-based approach under Our Charter. Testing of a sample of p-card expenditure and staff reimbursements, with a focus on staff recognition, entertainment and training expenditure.</td>
<td>Drafting report <em>Brought forward from Q4</em></td>
</tr>
<tr>
<td>Regulatory – Consents Performance Data Quality</td>
<td>Develop and implement Assurance Plan for consents performance measures. Ongoing monitoring to provide assurance over Regulatory Services’ QA processes.</td>
<td>Ongoing Assurance Plan developed and agreed by Regulatory and Audit NZ.</td>
</tr>
<tr>
<td>IT General Controls: IT Security</td>
<td>Policies, processes and controls over access to SAP and network, with objective of ensuring system access is only held by current employees as required for their roles, and processes to protect against external attack. Audit to be completed for Council, Panuku and ATEED who use same systems and controls.</td>
<td>Finalising scoping following discussions with ICT. Work planned for Q3/Q4</td>
</tr>
<tr>
<td><strong>Audits/Reviews quarter 4 and onwards</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Health Checks</td>
<td>Develop health check process - line 3 assurance of projects and investment delivery framework – one health check per quarter to be undertaken.</td>
<td>Developing and coordinating joint approach following establishment of Investment Management Office</td>
</tr>
<tr>
<td>Project 17 post implementation review / Full Facilities Maintenance Contract Management</td>
<td>Review of project benefits, particularly focusing on KPI monitoring and performance management.</td>
<td>Timing to be agreed with management, likely to be Q4</td>
</tr>
<tr>
<td>Top Risk controls and Risk Deep Dives follow ups</td>
<td>Coordinate review with Risk and Insurance Department to test critical controls of top risk areas identified in deep-dive reviews.</td>
<td>Currently working with Risk team to coordinate and share findings and develop approach</td>
</tr>
<tr>
<td>Topic</td>
<td>Scope</td>
<td>Status</td>
</tr>
<tr>
<td>---------------------------------------------------</td>
<td>----------------------------------------------------------------------</td>
<td>--------------------------------------------------</td>
</tr>
<tr>
<td>Financial controls - general ledger reconciliations / suspense accounts</td>
<td>Audit of process and systems to internal controls are operating effectively.</td>
<td>Working with new Finance teams following introduction of revised structure to identify risk areas</td>
</tr>
<tr>
<td>Health, Safety and Wellbeing</td>
<td>Provide assurance over H&amp;S team’s line 2 management and compliance programme.</td>
<td>To be scoped – review Q4 onwards</td>
</tr>
<tr>
<td>Regulatory Process Review</td>
<td>Focus on suitable regulatory process for end to end review, for example swimming pool inspections.</td>
<td>To be scoped – review Q4 onwards</td>
</tr>
<tr>
<td>Direct Sourcing</td>
<td>Control review and data analysis around direct sourcing – how often is it happening, and for what values of contract, and what are controls to ensure value for money and manage COIs etc.</td>
<td>To be scoped – review Q4 onwards</td>
</tr>
<tr>
<td>Performance data</td>
<td>Framework of performance measures and reporting – LTP, AP, Auckland Plan, statutory etc - Current state assessment.</td>
<td>To be scoped – review Q4 onwards</td>
</tr>
</tbody>
</table>

**Ongoing assurance oversight and monitoring – compliance, audit and probity**

<table>
<thead>
<tr>
<th>Topic</th>
<th>Scope</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Probity</td>
<td>Support significant procurements – proactive risk-based approach.</td>
<td>Ongoing</td>
</tr>
<tr>
<td>LTP/Annual Plan support</td>
<td>Assurance Review of LTP and AP documentation.</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Holidays Act project</td>
<td>Member of steering group. Oversight and monitoring for compliance and regular reporting to Audit and Risk Committee.</td>
<td>Ongoing</td>
</tr>
<tr>
<td>Maori outcomes and responsiveness</td>
<td>Member of Waharoa and six-monthly reporting to Audit and Risk Committee.</td>
<td>Ongoing</td>
</tr>
</tbody>
</table>
Consents Performance Measure Assurance Plan

Audit and Risk Committee
09 December 2019

Assurance Services Strategy and Activities Update
Page 49

Attachment C  Item 9
Te take mō te pūrongo
Purpose of the report
1. To update the committee on Auckland Council’s health safety and wellbeing (HSW) performance between September and November 2019.

Whakarāpopototanga matua
Executive summary
2. Auckland Council’s strategic HSW vision is ‘to become a leading organisation for HSW by 2020’. Good progress is being made against the strategy.
3. With the elections complete our health safety and wellbeing policy statement becomes due for signing by the mayor and the chief executive, re-establishing a person conducting a business or undertaking (PCBU) commitment and support to the health and safety for our people, volunteers and visitors.
4. Auckland Council uses an overall performance measure for our HSW performance measure called ‘Safe365’. Auckland Council’s aggregated Safe365 HSW capability score is at 61 per cent for the period. Our strategy is focussed on achieving 75 per cent by end of June 2020.
5. There are departments who are below the 60 per cent target.
6. Council passed the ACC Accredited Employer Programme Audit at Primary level and will enter the self-insurance accredited employer programme on 16 December 2019.

Ngā tūtohunga
Recommendation/s
That the Audit and Risk Committee:

a) review and endorse this report for referral to the Governing Body and draw the attention of elected members to their duties under the Health and Safety at Work Act 2015

b) note that this report will be provided to all local boards for their information.

Horopaki
Context
7. Under the Health and Safety at Work Act 2015 all elected members are deemed officers and must exercise a duty of due diligence in relation to health and safety. These quarterly reports provide information to assist elected members to carry out that role.

8. Our health and safety framework provides a robust mechanism for ensuring that council can comply with its legal requirements. To ensure this, a commitment is required from council leaders to ensure our framework is supported and effectively managed. Our people also need to know the roles and responsibilities they all play and what is expected from all of us. The health and safety policy statement achieves this.

9. With the election now complete, staff are inviting Mayor Goff and Auckland Council’s Chief Executive Stephen Town to sign this document and reconfirm to our people that HSW is central to ensuring our people are kept healthy and safe in the delivery of their work and that our council operations, as far as is reasonably practicable, do not cause harm.
Tātaritanga me ngā tohutohu
Analysis and advice

10. The key metrics considered from a health and safety perspective are:
   - Safe365 health and safety capability indicator (lead indicator)
   - people leaders trained in their health, safety and wellbeing responsibilities (lead indicator)
   - new starters - health, safety and wellbeing inductions
   - critical risk reporting and assurance audits
   - reporting index.

11. Our health and safety dashboard comprised of the various metrics can be seen in Attachment A.

Safe365

12. The Safe365 indicator provides a holistic view of performance across the council by measuring health and safety capability across the highest risk areas and then aggregating it. The council's score in November 2019 has not moved since the last report and remains at sixty one per cent. Sixty per cent is an indicator of being in overall compliance.

13. As represented in the starburst graphic below in amber, module 2, forty per cent of our people leaders have attended Managing Safely training, our mandatory HSW Induction.

14. As represented in the starburst graphic below in amber, module 5, our line three assurance program is still in its infancy. Critical risk audits carried out to date have shown very little active monitoring of controls i.e. front-line monitoring, is taking place. This is consistent with organisations developing their safety maturity.

15. As represented in the starburst graphic below in amber, module 6, we must focus on improving our testing or drills on emergencies. The common drill practiced is fire. Our Corporate Security team and HSW team have recently developed training regarding other emergencies such as ‘active shooter’ and response to major injury.

Chart 1 – Safe365 Starburst – Auckland Council Aggregate


16. Departmental Safe365 scores can now be seen in Attachment B.
ACC Accredited Employer Programme Audit

17. Council was audited by ACC between the 9 and 11 October 2019. Council passed the audit at Primary Level and as such were granted access to the accredited employer program. This audit is significant as it is the first audit under our new framework. It verifies and supports that the council health and safety framework is effective.

18. The audit did identify some areas of weakness in the application of the HSW framework in the two departments audited, (the waste transfer station and libraries). These areas are being addressed.

19. The ACC accredited employer program allows large employers to take on the responsibility of managing their own workplace health and safety, including claims management and rehabilitation of their own employees following a work injury. Council has partnered with WellNZ to deliver this.

20. This is another positive step in council’s health and safety maturity level. It is expected that this will deliver council savings but also foster the culture of prevention and equally, positive and swift response in the event of an incident as council’s performance in this area is now financially linked and provides a further business incentive.

Due diligence duties

21. As ‘officers’ (under the Act) elected members have the duties set out in the table below. This also shows measures underway to support those duties.

<table>
<thead>
<tr>
<th>Duty</th>
<th>Support provided</th>
</tr>
</thead>
</table>
| Duty 1 - Acquire and keep up to date with health and safety knowledge and matters | Health and safety training for designated ‘officers’

Health and safety training has been ongoing to ensure elected members and senior management are well informed and up to date on health and safety matters. Following the recent elections, the health and safety induction will be delivered under the Kura Kāwana (elected member development).

Due Diligence Refreshers and proposed coaching for ELT

On 25 November ELT undertook a due diligence refresher. In line with our health safety and wellbeing strategy under the pillar of ‘safety leadership’ and with the view of reaching our vision on becoming a leading organisation for health and safety, we are considering trialling a safety leadership coaching programme for the ELT members who have critical risks under their area of management. If supported by ELT these will roll out from the third quarter.

The Health Safety and Wellbeing team are working with the Legal Service department to arrange a mock trial to deliver to our senior leadership team, ELT and general managers to further focus their responsibilities and provide insight as to how they are meeting these.

Third Party Administrator – Accredited Employer Programme

ACC audited council HSW systems and processes between 9 and 11 October 2019. Council passed the audit and will enter the accredited employer programme on the 16 December 2019. The Central Library and the Waitakere Refuse Centre were chosen as audit locations.
<table>
<thead>
<tr>
<th>Duty</th>
<th>Support provided</th>
</tr>
</thead>
<tbody>
<tr>
<td>Duty 2 - Understand council’s operations and associated hazards/risks</td>
<td>Site visits</td>
</tr>
<tr>
<td></td>
<td>A health and safety site visit plan for the chief executive, ELT members and elected members is in place. In October ELT visited our West Wave leisure centre and the Waitakere Refuse Centre.</td>
</tr>
<tr>
<td></td>
<td>Health Safety and Wellbeing committee</td>
</tr>
<tr>
<td></td>
<td>The ELT operates as the Health Safety and Wellbeing Committee which creates better visibility and understanding of council operations and the health and safety risks in their parts of the organisation. These have been taking place quarterly.</td>
</tr>
<tr>
<td>Duty 3 - Ensure the council has appropriate resourcing and processes to eliminate/minimise risks</td>
<td>Corporate training programme</td>
</tr>
<tr>
<td></td>
<td>A key focus of the current strategy is to build capability within the organisation and to prioritise high risk business areas. A corporate training programme has now been agreed mandating all people leaders to complete a one day ‘Managing Safely’ course. Our indicator in this area has increased to forty percent. The target is 75 per cent by the fourth quarter.</td>
</tr>
<tr>
<td>Duty 4 - Ensure the council has appropriate processes for receiving and considering information regarding incidents, hazards and risks and for responding in a timely way to that information</td>
<td>Management framework and reporting</td>
</tr>
<tr>
<td></td>
<td>A management framework is now in place. It is designed to ensure robust safety governance, processes, guidance and positive behaviours around health and safety. Risk Manager is also working effectively as our reporting tool for unsafe conditions, incidents and near misses.</td>
</tr>
<tr>
<td></td>
<td>Triage</td>
</tr>
<tr>
<td></td>
<td>The Corporate team continues to triage incidents. This assures the quality of the data and furthermore tasks ‘reasonably expected’ actions to people leaders in the business as incidents arise in Risk Manager. This helps safeguard the organisation further to ensure incidents are not closed without knowledgeable oversight and that any serious incidents involving critical risk are appropriately investigated either by people leaders, local health and safety specialist or the Corporate team.</td>
</tr>
<tr>
<td>Duty 5 - Ensure the council has, and implements, processes for complying with any duty or obligation</td>
<td>Policy statement</td>
</tr>
<tr>
<td></td>
<td>The chief executive and mayor are set to sign the Health and Safety Policy Statement following the elections. This has been implemented alongside the new Health and Safety Framework.</td>
</tr>
<tr>
<td></td>
<td>Our Charter</td>
</tr>
<tr>
<td></td>
<td>The health and safety section in Our Charter (we look after our safety and wellbeing) is being prepared for application to all council-controlled organisations. We are ready to roll out this value to all CCOs.</td>
</tr>
<tr>
<td>Duty 6 - Take reasonable steps to verify the provision and use of resources</td>
<td>Safe365audits</td>
</tr>
<tr>
<td></td>
<td>No external verification audits were done this quarter</td>
</tr>
<tr>
<td></td>
<td>Assurance framework</td>
</tr>
<tr>
<td>Duty</td>
<td>Support provided</td>
</tr>
<tr>
<td>------</td>
<td>------------------</td>
</tr>
<tr>
<td>and processes through reviews and audits</td>
<td>Assurance audits are now taking place. The dashboard in Attachment A shows the audits that have taken place in the last quarter. Our AIM Airport Contract was audited this quarter as were the northern regional parks operation.</td>
</tr>
</tbody>
</table>

**Tauākī whakaaweawe āhuarangi**

**Climate impact statement**

22. The decisions contained in this report do not have an impact on climate change.

**Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera**

**Council group impacts and views**

23. This update includes information about council activities only. It does not provide a group-wide view.

**Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe**

**Local impacts and local board views**

24. Briefings for elected members, including local boards, will now be rolled out in line with the Kura Kāwana programme inducting all new elected members. The elected members site visit program will be offered at this session.

25. This report will be provided to all local boards together with a briefing from staff.

**Tauākī whakaaweawe Māori**

**Māori impact statement**

26. Auckland Council staff work with the Independent Māori Statutory Board and the council’s co-governance entities, such as the Tūpuna Maunga Authority, Te Poari o Kaipātiki ki Kaipara, the Ngāti Whātua Ōrākei Reserves Board and Te Motu a Hiaroa (Puketutu Island) Trust to ensure they have information and support to comply with their duties under the legislation.

27. The People and Performance department have integrated Health Safety Wellbeing plans into council’s Māori employment strategy (known as the Mahi Strategy).

**Ngā ritenga ā-pūtea**

**Financial implications**

28. There are no financial implications in this report.

29. As reflected in the Corporate Risk Register, non-compliance with Health and Safety Legislation and poor performance in this area can carry substantial fines and impacts to operational costs through incidents and or poor productivity.

**Ngā raru tūpono me ngā whakamaurutanga**

**Risks and mitigations**

30. The risk of non-compliance with health and safety is recorded in the council’s top risk register. As set out above, controls are in place to monitor and respond to critical risks through the Risk Manager System.

**Ngā koringa ā-muri**

**Next steps**

31. Staff will continue with the implementation of the HSW strategy, embedding the Health and Safety Framework.
Audit and Risk Committee
09 December 2019

**Ngā tāpirihanga**
**Attachments**

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Health Safety and Wellbeing dashboard</td>
<td>57</td>
</tr>
<tr>
<td>B</td>
<td>Safe365 Departmental scores</td>
<td>61</td>
</tr>
</tbody>
</table>

**Ngā kaihaina**
**Signatories**

| Authors | Oliver Sanandres - Head of Health, Safety and Wellbeing  
|         | Andre Lubbe – Head of Health, Safety and Wellbeing (Acting) |
| Authorisers | Patricia Reade - Director People and Performance  
|           | Phil Wilson - Governance Director             |
Audit and Risk Committee  
09 December 2019

Health, Safety and Wellbeing Report

STRATEGIC AND LEADERSHIP

SAFETY LEADERSHIP
- Ten lead trainers for Managing safety programme by Q4 FY20
  - Current: 5/10

COMPETENCE
- Implementation of volunteer management standard by Q1 FY20
  - Current: 45%

EMBRACING SAFETY
- All new starters completed Corporate HSW e-learning induction
  - Current: 61%

KNOW WHAT TO DO
- Safe65
  - Current: 8%

CONTINUALLY IMPROVING
- A capable Wellbeing Ambassador in every department
  - Current: 62

WELLBEING

TRAINING (YTD)
- Managing Safety course: 39.0%
  - Target: 75% by Q4 FY20
  - Completed: 35.0%
  - Target: 100% in first month: 68.37%

HSW e-learning induction: 95.55%

CRITICAL RISK
- Top 5 Critical risk with potential 3+
  - Public safety: 46
  - Working at height: 20
  - Driving a vehicle: 10
  - Contractor safety: 19
  - Workplace violence: 18

- Bottom 5 Critical risk + other with potential 3+
  - Lifting work: 19
  - Work related stress: 11
  - Work related fatigue: 10
  - Escalation: 0
  - Confined spaces: 0

WORKSAFE (WSNW2) NOTIFIABLE EVENTS (YTD)
- Count of notifiable events: 0
  - Previous month: 0
  - YTD: 6

Status of notifiable events:
- WNWC decided not to investigate: 3
- Duty holder issues: 2
- Unknown: 1

Status of actions:
- Complete: 13
- Open: 8
- Unknown: 33

SPEAK UP (YTD)
- Court of Actions:
  - Previous month: 0
  - YTD: 6

- Learnings:
  - Ad-hoc risk - employees and specifically labour hire: 0

ASSURANCE
- Externally verified business units: 1
  - Civil Defence & Emergency Services: 0%
  - AMG Services: 50%
  - Regulatory Services - Building Consent: 42%
  - FDA: 4%
  - PPA: Regional Parks South: 50%
  - PPA: CBD: 0%
  - WES - Engineering & Technical Services: 65%
  - WES - Environmental Services: 0%
  - WES - Health Services: 56%
  - WES - Waste: 84%
  - WES - Roads Management Unit: 48%

Critical risk audits:
- Completed: 0
- Action plan complete: 0

PERFORMANCE
- Reporting indices (13th month):
  - 1.23
  - Initial target: 25

Closed incidents with critical risk and potential consequence 3+ (YTD):
- 288 (84%)
  - Initial target: 75%

Closed actions with critical risk and potential consequence 3+ (YTD):
- 131 (84%)
  - Initial target: 75%
Health Safety and Wellbeing update - November 2019

Audit and Risk Committee
09 December 2019

Attachment A

Item 10

Audit and Risk Committee: Community Services: Community Facilities: Attachment A

Page 58
<table>
<thead>
<tr>
<th>Audit and Risk Committee</th>
<th>09 December 2019</th>
</tr>
</thead>
</table>

### Significant events

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
<th>Status</th>
<th>Actions</th>
<th>Status of</th>
</tr>
</thead>
<tbody>
<tr>
<td>16 Aug 19</td>
<td>Walking Ranges by Ainslie Road Please see humans accounts below: On 16/08/2019 Arora Kahara was hunting at Ainslie Road Track towards Chateau Mosquito Track to meet Tanu Hal. Several dogs followed in to some pigs. 2 dogs came up out of the woods in the hill over the ridge where they stopped and started looking for food. One of the dogs had also chased another pig in the gulley before me. I was standing on track easy to get the dog before me on his own when I heard a gun shot in the direction of my dog. This was followed by a second shot and when I looked back at my GPS only 1 dog was showing on my unit and showed I was running down the Ridge Trail. At the same time my other dog finally came back on GPS out on Ainslie Rd &amp; he then went back up the Chateau Mosquito Track towards the other hunter, Tanu Hal. As soon as I heard the second shot, Arora started calling his dogs &amp; the other manager Duane Dougherty to inform him. Greg, then rode the other contrator, Tanu to let him know. Both Arora and Greg then proceeded to Ainslie Rd. Greg is well clear of the meeting site, and confirming they were in a different block, site. They proceeded to drop the rest of the pig's dogs south which took a few hours as they continued to catch pigs in the area and were unable to leave the area soon. Tanu is extremely upset. Tanu Hal and Gregore Kahara split up from different points on Ainslie road. Gregore heading up ridge road track and Tanu Hal heading up the Chateau Mosquito track then on to R G D 5 track. We had a remnant of pigs at either side of the pig Kawai stream and Brown's stream junction. We made a decision via radio to drive with our own packs of dogs as we had more than one pig to catch up with. I had just gotten over the ridge out of site and at least 100m away from Gregore when he called me and told me that somebody had just shot the pigs. I was very upset as someone had just shot not only a pig, they had put his dog at risk. None of the hunters carry firearms and use knives only. Duane tried to contact Ramesh (Contract Manager) but unfortunately as Ramesh was in the meeting, the phone was not picked up. Stephen Ball was then contacted who sent Rangers to investigate, as well as following through with Regional Park procedures. Tanu contacted Duane back and was told to contact the police. Duane stated that Stephen was managing this process and as he is an ex police officer, Tanu's confident procedures will be followed.</td>
<td>1. Ensuring that the site specific safety plan (SSSP) for work such as pig culling covers the key control risks. 2. Update the SSSP to include the following process for similar situations: - Leave the location immediately and go to a safe location out of the bush, on the road where you are clearly visible. - If firearms are involved or if you feel threatened phone the police (111) - Contact the appropriate ranger and follow their (and police if contacted) instructions - Notify your manager - File an incident report - An investigation will be conducted</td>
<td>1</td>
<td>Closed</td>
</tr>
<tr>
<td>03 Jul 19</td>
<td>In the customer survey the responder reported: My child nearly drowned in the pool. I was standing next to the lifeguard when it happened and had to beg him 3 times to jump in and save her. Finally another casual swimmer saw my panic and rescued her. No staff member came up to check on her after this near drowning, so report to or for to take details.</td>
<td>Awaiting Management Review</td>
<td>0</td>
<td>Closed</td>
</tr>
<tr>
<td>06 Jun 19</td>
<td>No provision of suitable &amp; sufficient supplies in preparation for an emergency caused by a natural hazard event like an earthquake or volcanic eruption that would likely cause structural building failure. There are currently no emergency provisions held at Graham Street (water, food, blankets, rations, botches etc.) that. My understanding is that this is the case for most Auckland Council offices.</td>
<td>Closed</td>
<td>Corporate Property to provide facilities to Graham Street as required. HSW reps to include this in their building monitoring</td>
<td>1 - Corp Property</td>
</tr>
<tr>
<td>26 May 19</td>
<td>Plant Operator began to push up rubbish along gate 8, in Loafer, on multiple occasions, whilst staff &amp; public were on the Gate 6 tipping floor, in direct contravention of recently introduced risk controls. Ignoring the operation of plant when there was pedestrian on the tipping floor or in the immediate vicinity of the operating plant. Fire Op operator attempted numerous times to get plant operator to cease activity, via RT, with no effect.</td>
<td>Closed</td>
<td>Full site safety review implemented locally by management team. New rules put inplace.</td>
<td>0</td>
</tr>
<tr>
<td>Item</td>
<td>Description</td>
<td>Date</td>
<td>Status</td>
<td>Notes</td>
</tr>
<tr>
<td>------</td>
<td>-------------</td>
<td>------</td>
<td>--------</td>
<td>-------</td>
</tr>
<tr>
<td>5</td>
<td>Auckland Council: Customer &amp; Community Services: Auckland Emergency Management: Transition - AEM. Emergency Management Operations</td>
<td>14 May 19</td>
<td>Awaiting Full Investigation</td>
<td>None of the council-owned AEM facilities appear under ‘side’ drop-down menu. Another significant power failure occurred due to lack of monitoring equipment, non-functioning backup systems (UPS &amp; generator) and no apparent urgency from responsible departments to address all those issues that are well known and new/ongoing for over one year. The power failure resulted in critical Civil Defence infrastructure being unavailable for unknown period of time. Because there’s no monitoring equipment on site, no one was aware of the failures and no steps could be taken to rectify the issue, until a volunteer arrived on site in the evening to participate in training and noticed that the power was out in the entire building but neither the UPS nor the backup generator was functioning. The same happened during the major storm event in April 2016. This incident and its consequences was noted in the formal, external storm review and subsequently passed on to Corporate Property as an urgent action for rectification.</td>
</tr>
<tr>
<td>6</td>
<td>Auckland Council: Customer &amp; Community Services: Parks, Sports and Recreation: Active Recreation: Leisure Operations</td>
<td>29 Apr 19</td>
<td>Closed</td>
<td>At 14:20pm, all staff were in the office area, and we heard this almighty crash coming from the roof. We all ran out to the stadium where the noise had come from, and saw a large whole in the ceiling in the roof landing area. Staff member 1, noticed a person in a high vis vest, on the floor moaning as he was injured. Staff members ran upstairs to assist. The contractor was laying on the floor in pain, we immediately rang 111, staff member 1, assisted the injured contractor and called for the second contractor. He could not speak English, and was hard for him to communicate to the team. The ambulance arrived 15 minutes later and took over the care of the injured contractor. He was assessed and taken to hospital, with a suspected broken leg.</td>
</tr>
<tr>
<td>7</td>
<td>Auckland Council: Customer &amp; Community Services: Community Facilities: Contracts &amp; Supplier Management: Health &amp; Safety</td>
<td>02 Apr 19</td>
<td>Closed</td>
<td>It has been brought to my attention that the Samsung J2 model is unable to receive Civil Defence warning messages. ICT has advised that field staff with J2 phones should upgrade to J3 phones. As this may be prevalent across council a council wide alert should be issued for those with J2 phones who are unaware of the problem. This has been raised in Awaina (RIN2008479) in September 2016 but no comms have been sent out.</td>
</tr>
<tr>
<td>8</td>
<td>Auckland Council: Customer &amp; Community Services: Parks, Sports and Recreation: Park Services: Botanic Gardens</td>
<td>19 Feb 19</td>
<td>Closed</td>
<td>While person attempted to weeding in a garden bed, he heard a vehicle approach. The vehicle was re.weixin at an uncontrolled speed from further up stop in the car park. It mounted the kerb and stopped in the garden bed. He went to to vehicle to check on the drivers condition. Driver was in a state of shock but was otherwise unharmed. She moved the vehicle out of the garden bed and parked it in a different location. The driver set for a while nearby and then went into the Friends building.</td>
</tr>
<tr>
<td>10</td>
<td>Auckland Council: Regulatory Services: Resource Consents: Premium</td>
<td>29 Jan 19</td>
<td>Closed</td>
<td>The Level 1 Fire doors are sticking severely/jamming and need some work to ensure they open easily when required.</td>
</tr>
</tbody>
</table>

Note: Status: Closed (Resolved), Open (Open for action), Closed - Action Required (Open for action, requires further action).

Attachment A
### Audit and Risk Committee
09 December 2019

**Health Safety and Wellbeing update** - November 2019

#### Auckland Council - Organisation (all dashboards)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Auckland Council - Organisation (all dashboards)</td>
<td>53%</td>
<td>53%</td>
<td>53%</td>
<td>54%</td>
<td>53%</td>
<td>53%</td>
<td>53%</td>
<td>53%</td>
<td>53%</td>
<td>53%</td>
<td>53%</td>
<td>53%</td>
</tr>
</tbody>
</table>

**Audit and Risk Committee - Customer & Community Services (Aggregated dashboard)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Auckland Council - Customer &amp; Community Services (Aggregated dashboard)</td>
<td>52%</td>
<td>53%</td>
<td>56%</td>
<td>54%</td>
<td>54%</td>
<td>53%</td>
<td>54%</td>
<td>53%</td>
<td>54%</td>
<td>53%</td>
<td>54%</td>
<td>53%</td>
</tr>
</tbody>
</table>

---

*Figures may be aggregated only*
## Audit and Risk Committee

09 December 2019

### Health Safety and Wellbeing update - November 2019

#### Attachment B

<table>
<thead>
<tr>
<th>Auckland Council (Operations, HLS)</th>
<th>67%</th>
<th>67%</th>
<th>67%</th>
<th>67%</th>
<th>67%</th>
<th>67%</th>
<th>67%</th>
<th>5%</th>
<th>0.003%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auckland Council (Operations, HLS) (PD)</td>
<td>33%</td>
<td>33%</td>
<td>33%</td>
<td>33%</td>
<td>33%</td>
<td>33%</td>
<td>33%</td>
<td>0%</td>
<td>0.000%</td>
</tr>
<tr>
<td>Auckland Council (Operations, HLS) Engineering &amp; Technical Services</td>
<td>67%</td>
<td>67%</td>
<td>67%</td>
<td>67%</td>
<td>67%</td>
<td>67%</td>
<td>67%</td>
<td>2%</td>
<td>0.0003%</td>
</tr>
<tr>
<td>Auckland Council (Operations, HLS) Environmental Services</td>
<td>67%</td>
<td>67%</td>
<td>67%</td>
<td>67%</td>
<td>67%</td>
<td>67%</td>
<td>67%</td>
<td>1%</td>
<td>0.0003%</td>
</tr>
</tbody>
</table>

### Auckland Council: Executive, Governance and Finance (Aggregated Dashboard)

<table>
<thead>
<tr>
<th></th>
<th>57%</th>
<th>57%</th>
<th>57%</th>
<th>57%</th>
<th>57%</th>
<th>57%</th>
<th>57%</th>
<th>4%</th>
<th>0.0003%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auckland Council (FH) Aggregated Dashboard</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>4%</td>
<td>0.0003%</td>
</tr>
<tr>
<td>Auckland Council (UPS) FMU</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>4%</td>
<td>0.0003%</td>
</tr>
<tr>
<td>Auckland Council (OCS) Heritage Unit - Parks &amp; Places</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>4%</td>
<td>0.0003%</td>
</tr>
</tbody>
</table>

### Auckland Council: C2C (Aggregated Dashboard)

<table>
<thead>
<tr>
<th></th>
<th>57%</th>
<th>57%</th>
<th>57%</th>
<th>57%</th>
<th>57%</th>
<th>57%</th>
<th>57%</th>
<th>4%</th>
<th>0.0003%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auckland Council (Deemed) C2C</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>4%</td>
<td>0.0003%</td>
</tr>
<tr>
<td>Auckland Council (Deemed) Property</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>4%</td>
<td>0.0003%</td>
</tr>
<tr>
<td>Auckland Council (Operations) Commercial &amp; Finance</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>57%</td>
<td>4%</td>
<td>0.0003%</td>
</tr>
</tbody>
</table>
Te take mō te pūrongo

Purpose of the report

1. To summarise the issues identified by the Office of the Auditor-General during the final audit for the year ended 30 June 2019 and outline how Auckland Council is addressing the issues raised.

Whakarāpopototanga matua

Executive summary

2. Audit New Zealand is Auckland Council’s external auditor appointed by the Office of the Auditor-General to conduct the audit on their behalf. Audit New Zealand works with the council throughout the year reviewing our internal controls, half year report and disclosures to both the New Zealand and overseas stock exchanges and auditing our annual report. The Office of the Auditor-General issues reports to the council throughout the year with recommendations on how the council can enhance and improve our processes, procedures and disclosures.

3. Following the completion of the final audit, a report has been issued which outlines issues identified and makes recommendations for significant items that need to be addressed. The report is provided as Attachment A.

4. The service performance of consenting activities was highlighted as a continuing area for improvement, specifically to processes, systems and controls to accurately record consent processing times.

5. The new recommendations made include:
   - valuation of the weathertightness provision
   - development of a formal review programme to ensure consistent procurement practice is being followed
   - implementation of the recommendations arising from the Treasury and Funding management review
   - inclusion in the 2019/2020 annual report of reporting against Auckland Plan outcomes
   - additional guidance on the principles and process for termination payments.

6. The report also includes an update on prior year recommendations which are either in progress or have been resolved. Issues in progress are:
   - project management:
     - project closure and benefits measurement
     - gateway reviews
     - risk assessment process
     - risk tolerance and escalation process
   - consenting and service reporting
   - quality of information for audit
   - sensitive expenditure.
7. Several matters raised in previous reports have been resolved.
8. The council accepts the recommendations made and has provided a response outlining actions being taken to address each issue raised.

Ngā tūtohunga
Recommendation/s
That the Audit and Risk Committee:

a) note the issues identified by the Office of the Auditor-General and Auckland Council’s responses to the matters raised at the year-end audit for the year ended 30 June 2019.

Horopaki
Context
9. This report summarises the issues identified by the Office of the Auditor-General during the final audit for the year ended 30 June 2019 and outlines how Auckland Council is addressing the matters raised.

10. The Office of the Auditor-General issued their audit report on 26 September 2019 on the Auckland Council Group Annual Report 2018/2019. As part of the audit process the auditors undertake reviews to evaluate the council’s systems, controls and processes including financial statement preparation. Matters identified during the audit are reported to the council. The council responds to the items raised in the report and indicates the actions we will undertake to resolve each recommendation.

Tātaritanga me ngā tohutohu
Analysis and advice

Audit reporting and audit opinion
11. At the June 2019 and August 2019 meetings of the Audit and Risk Committee, the Review Engagement Management Report for the six months ended 31 December 2018 and Interim Audit Management Report for the year ended 30 June 2019 respectively were provided to the committee arising from the work performed by the auditors in the 2018/2019 financial year. These reports contained recommendations made and the council’s actions to address issues.

12. The most significant item raised during the year related to be the accuracy of reporting of statutory timelines for building and non-notified resource consents. The audit opinion on the financial statements was unmodified. While the auditors were able to determine that the 2018/19 reporting of service performance was materially correct, a modified opinion on the statement of service performance was issued as the 2017/2018 comparative results.

Key audit matters
13. As the council is an issuer of bonds, the annual report audit opinion is required to include the auditor’s comments of the key audit matters. The five key audit matters identified were:

- valuation of derivatives
- reporting performance on transport, housing and three waters
- valuation of the weathertightness provision
- City Rail Link
- valuation of operational and infrastructure assets.
14. It was determined that the key audit matters were appropriately addressed by the council.

Audit Recommendations

15. The council’s responses to the recommendations arising from the final audit are set out below:

- **Valuation of the weathertightness provision**
  The council is required to have a provision on the balance sheet for any obligations which may arise from weathertightness. One portion of the provision relates to unreported claims. It is recommended that this be reviewed as there has been a significant drop in the number of actual claims being received. The council is working with our actuaries to review the underlying assumptions of this provision.

- **Development of a formal review programme to ensure consistent procurement practice is being followed**
  The council has established a team within procurement to undertake formal reviews to ensure procurement practices and processes are followed consistently.

- **Implementation of the recommendations arising from the Treasury and Funding management review**
  An internal review of the council’s treasury and funding management functions was performed and has been approved by the Treasury Management Steering Group. This matter is included as part of the Assurance Services Strategy and Activities item in this meeting.

- **Inclusion in the 2019/2020 annual report of reporting against Auckland Plan outcomes**
  In the 2019/2020 annual report, the council will include a summary of results reported within the Auckland Plan progress report.

- **Principles and process for termination payments**
  The council has a policy and process regarding severance payments. The support and advice of the council’s Employment Relations team is always sought. The decision to make a payment is made based on the circumstance of the situation and is based on the best interests of the organisation and ratepayers. There is a downward trend in the number and quantum of severance payments made.

16. Updates were also provided on previously raised recommendations:

- **Project management – project closure and benefits measurement**
  As part of the Investment Delivery Framework (IDF), the council has developed a project health check as a form of independent quality assurance. During the year improvements have been made which include the identification of benefit owners. As part of our continuous improvement programme a review is planned of the project health check.

- **Project management – gateway reviews**
  Electronic gateways reviews for projects over $1 million are working well and providing the information required. In the coming year the criteria for electronic gating will be reviewed to capture high risk, low value projects.

- **Consenting and service reporting**
  A business optimisation programme to address the issues impacting consenting and service reporting is underway.

- **Quality of information for audit**
Item 11

A quality control process is in place to review all the volumes of the annual report prior to submitting the information to the auditors. Although there was an improvement in the process in comparison to the prior year further improvements can be made.

- **Project management – risk assessment process**
  Risk processes and controls have been developed and are being reviewed to ensure that appropriate controls are embedded in the Investment Development Framework.

- **Project management – risk tolerance and escalation process**
  The council has established a programme and project risk and tolerance steering group and a project risk framework is being developed to address risk tolerance and escalation.

- **Sensitive expenditure**
  To ensure staff are documenting the rationale for decisions made regarding sensitive expenditure, the council has developed a mandatory e-learning module covering this area and also regularly reminds approving managers of their obligations.

**Audit matters addressed during the year**

17. In the Interim Audit Management Report tabled in August 2019, several matters were identified as being addressed and therefore finalised in the year. The following matters have now also been resolved following the final audit:

- implementation of the Investment Delivery Framework
- project management change programme
- development of a consistent compliance approach to procurement practices
- documented conflict of interest management plan for procurements
- embedding consistent contract management practices
- development of enhanced reporting and refresher training for procurement staff
- improvements to the reporting for City Rail Link sponsors.

**Tauākī whakaaweawe āhuarangi**

**Climate impact statement**

18. This is an information report, and the issues covered do not have any climate-related impacts and implications.

**Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera**

**Council group impacts and views**

19. There are no items covered by this agenda item that impact the Auckland Council Group, so the views of group entities have not been sought.

**Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe**

**Local impacts and local board views**

20. There are no local impacts from the audit report or issues relating to reporting at a local board level. Accordingly, the views of local boards have not been sought.

**Tauākī whakaaweawe Māori**

**Māori impact statement**

21. The report does not affect the achievement or reporting on Auckland Council’s or the Auckland Council Group’s contributions towards Māori outcomes. Auckland Council’s contributions to Māori outcomes are reported in the annual report.
Ngā ritenga ā-pūtea
Financial implications
22. There are no financial implications directly arising from the information contained in this report.

Ngā raru tūpono me ngā whakamaurutanga
Risks and mitigations
23. Auckland Council is actively addressing the issues raised.

Ngā koringa ā-muri
Next steps
24. Auckland Council will continue to work on resolving and clearing the outstanding issues.

Ngā tāpirihanga
Attachments

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Audit report to the Council for the year ended 30 June 2019</td>
<td>69</td>
</tr>
</tbody>
</table>

Ngā kaihaina
Signatories

<table>
<thead>
<tr>
<th>Author</th>
<th>Authorisers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morna Macfarlane - Financial Compliance Manager</td>
<td>John Bishop - Group Treasurer</td>
</tr>
<tr>
<td></td>
<td>Matthew Walker - Group Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td>Phil Wilson - Governance Director</td>
</tr>
</tbody>
</table>
Report to the Council on the audit of

Auckland Council

For the year ended 30 June 2019
Contents

Key messages ........................................................................................................ 3
1  Our audit report ............................................................................................... 5
2  Matters raised in the Audit Plan .................................................................. 7
3  Other matters considered ............................................................................. 17
4  Public sector audit ......................................................................................... 20
5  Group audit .................................................................................................... 23
Appendix 1: Uncorrected misstatements .......................................................... 25
Appendix 2: Summary of recommendations .................................................... 26
Appendix 3: Status of previous recommendations ......................................... 28
Appendix 4: Disclosures .................................................................................... 36
Key messages

We have completed the audit for the year ended 30 June 2019. This report sets out our findings from the audit and draws attention to areas where Auckland Council (the Council) is doing well and others where we have made recommendations for improvement.

Findings relate to our audit of the Auckland Council parent and the consolidated 2018/19 Annual Report (Council and Group). We have included the more significant matters arising from the audits of each of the substantive Council Controlled Organisations (CCOs) and Ports of Auckland Limited. Separate reports have been presented to the board and management of each entity.

A more detailed management report will be issued to the Chief Executive of the Council. This will include further detail on the matters raised in this report, an update on the status of all recommendations made in previous reports, and information on less significant matters identified during the course of the audit.

I have issued an unmodified audit opinion on the financial statements and a modified opinion on the performance information for the building consent and non-notified resource consent processing time performance measures in relation to last year’s comparative information.

For the current year, I was able to determine that the Council’s reported results for these two performance measures were materially correct. However, I highlighted in my opinion that the Council has calculated the consent processing times manually based on a representative statistical sample, rather than using the information in the consenting system.

We continue to report on key audit matters as part of our audit report. We identified as a key audit matter significant performance reporting issues relating to housing, transport and the three waters. We concluded that other than the matter discussed above, we were satisfied that the information presented about housing, transport and three waters was reasonable, and reflected both the role and performance of the Council and Group in addressing the housing, transport and water issues identified.

We also identified three key audit matters relating to either the valuation or use of assets and liabilities and concluded that for each the balances recognised in the Council and Group financial statements were reasonable and supportable. We have also identified City Rail Link (CRL) as a key audit matter. We concluded that the information presented about the CRL project was reasonable, and reflected both the role and performance of the Auckland Council and Group.

The 2018/19 financial year has seen quite a few changes within the Group. Auckland Council Investment Limited (ACIL) was disestablished and Watercare Services Limited’s (Watercare) treasury function was transferred to the Council which included the novation of derivative financial instruments from Watercare. Both of these were recognised on 1 July 2018. The 2018–2028 Long-Term Plan amendment was adopted which resulted in the transfer of waterfront assets from Development Auckland Limited (Panuku) to the Council in June 2019. The impact of these changes have been appropriately recognised in the 30 June 2019 financial statements.
This year's financial result includes the recognition of a $719 million loss resulting from changes in the fair value of the Council's derivative financial instruments. This is an unrealised loss resulting primarily from the drop in the long term interest rate curve used when revaluing interest rate swaps. This year the Council has also had an increase in salaries and wages costs, both at the Council itself and across the Group. This is reflected in the increase in the full time equivalent staff numbers disclosed in the financial statements. The Council has a very large capital programme to deliver across the ten years of the current Long-Term Plan. While capital expenditure levels continue to increase they are not as high as expected, with some delays experienced. This is reflected in the lower than budgeted level of borrowings as at 30 June 2019.

Thank you

I would like to take this opportunity to thank the Council, management and staff for their assistance during our audit.

Greg Schollum
Deputy Auditor-General
7 November 2019
1  Our audit report

1.1  Unmodified audit opinion on the 30 June 2019 audited information other than the statement of service performance comparative results for building and non-notified resource consent processing times

Issued, on 26 September 2019, an unmodified audit opinion on the 30 June 2019 audited information and a modified opinion on the statement of service performance, specifically in relation to the comparative results reported for building consent and non-notified resource consent processing time measures.

While I was able to determine that the Council’s reported results for the 30 June 2019 year for building consent and non-notified resource consent processing time measures were materially correct I drew attention to this in the 30 June 2019 opinion. My opinion highlights for a reader that the Council has calculated the consent processing times manually based on a representative statistical sample, rather than using the information in the consenting system.

In forming my audit opinion, I considered the following matters.

1.2  Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. The misstatements that have not been corrected are listed in Appendix 1, along with management’s reasons for not adjusting these misstatements. I am are satisfied that these misstatements are individually and collectively immaterial.

1.3  Quality and timeliness of information provided for audit

To enable the smooth delivery of the Council’s audited Annual Report council management need to provide in a timely manner information for audit relating to the Annual report, including supporting working papers. To facilitate this process a milestone letter which set out key deliverables and timeframes was agreed to by both council management and my auditors.

Overall, the required information for our audit was delivered in a timely manner. Assistance from staff, together with appropriate supporting work papers, ensured our audit process could be carried out efficiently. Regular meetings with the Financial Control team also contributed to effective communication and up-to-date knowledge of key matters arising.
Management does have quality control processes in place, but although an improvement on last year, they were not always completed early enough to enable a final quality reviewed version of the Annual Report volumes to be provided for audit. This meant we had to review multiple versions of the financial statements, service performance information, the NZX preliminary release and the summary Annual Report.

As part of the preparation and planning for next year’s audit, we continue to recommend management ensures adequate time is allowed for the quality control processes to be carried out over all volumes of the Annual Report and the NZX preliminary release prior to passing to my team for audit.
2 Matters raised in the Audit Plan

In our Audit Plan dated 18 December 2018, we identified the following matters as the main audit risks and issues from an audit perspective that could impact the Council and Group financial and service performance statements. We shared these risks with the component auditors of the substantive Council Controlled Organisations (CCOs) and gained an understanding of the planned work to be performed over these. We are satisfied that these risks have been addressed by the component auditors and that findings have been reported to the Group auditor and to each CCO board and management. We have included the more significant matters arising from our audit and the audits of the CCOs in this report.

A summary of the recommendations arising have been included in Appendix 2 for your consideration and comment.

2.1 Key audit matters

2.1.1 Derivatives

The Council and Group use a number of different types of derivatives to hedge against interest rate and foreign exchange risk. Overall, there has been a net unfavourable movement of $725 million on the Council and Group’s derivative instruments since 30 June 2018. This consists of $719 million in fair value losses disclosed under Net other gains and losses in the Statement of Comprehensive Revenue and Expenditure and a $6 million unfavourable movement in Ports of Auckland’s derivatives, which are hedge accounted and taken to the cashflow hedge reserve in the Statement of Financial Position. Assets have increased by $155 million while liabilities have increased by $880 million.

We verified the fair value of these derivatives. We also confirmed that treasury controls remained in place and were being monitored.

The Council early adopted PBE IFRS 9 Financial Instruments. We reviewed the impact of early adopting this accounting standard on the derivative financial instruments. We are satisfied that derivatives have been correctly classified as fair value through surplus or deficit under PBE IFRS 9. The measurement basis is unchanged from the previous accounting standard.

We found that the derivative valuations were appropriately recognised in the Council and Group’s 30 June 2019 financial statements. However, we have had several discussions with council management about the level of disclosure on the fair value loss recognised in the financial statements. This loss has arisen primarily as a result of the historically low interest rates applied when calculating the fair value of the interest rate swaps. We worked with council management to ensure both we and the Council are satisfied that a reader would understand what the loss relates to and the impact of this.
On 1 July 2018, interest rate swaps with a fair value of $217 million were novated from Watercare to the Council following the transfer of Watercare’s treasury function. The novation of derivatives from Watercare has been appropriately accounted for in the financial statements.

2.1.2 Reporting performance on transport, housing and three waters

This key audit matter reflects the priority given to Auckland’s housing, transport and water issues at a local and national level.

The Council and Group’s contributions to achieving better outcomes for housing, transport and water are included in the section “Material Issues” within the Annual Report. The narrative covers key issues, strategic initiatives and projects, and ongoing challenges in these areas.

We concluded that, other than the matter discussed below relating to our modified opinion on the statement of service performance relating to the 2018 comparative information, the information presented in the Annual Report about transport, housing and three waters is appropriate, reasonable, and balanced, and reflects both the role and performance of the Council and Group in addressing the housing, transport and water issues identified.

Building and resource consent processing times

The Council reports on its performance against statutory timeframes for the following two measures:

- Percentage of non-notified resource consent applications processed within 20 working days.
- Percentage of building consent applications processed within 20 working days.

We assessed this aspect of performance as material to the public, given the importance of the consenting function in enabling housing and other development activities.

During our testing last year, it was found that the system for recording the data to report on building and resource consent processing times was not reliable for most of the year. As a result, our opinion was modified in regards to these measures. During our interim visit this year, we performed testing to determine whether these system issues still existed. Based on our testing, which was consistent with internal audit findings, we concluded the system remained unreliable. We agreed an acceptable workaround for estimating both measures with Council. This involved the determination of a result for each measure as at 30 June 2019 by selecting and testing a large enough sample back to source documents. In effect, this approach sets aside the result arising from the Council’s system and recalculates the result outside the core system. This was to determine an accurate result for each consent processed, and an overall result for the sample population as a whole.

This was a time-consuming process involving a large sample, which diverted key council staff from their operational roles in a time of high demand. We also note that unless significant improvements occur, a similar approach will need to be taken to determine results for these measures next year.
We performed our own substantive testing over the population tested by internal Audit. We are satisfied that the result reported is materially correct and therefore the opinion was not modified in relation to this matter for the 2019 financial year. The modification remains in place for the 2018 comparative information for both measures.

Although we will not be issuing a modified opinion for current year results, we have referred in the audit opinion to the Council’s disclosure that outlines the approach taken to determine this year’s results.

A wider concern remains about the Council’s performance in terms of meeting the statutory timeframe for processing consents for a large part of the year assessed in what has been a capacity constrained market. We note that Council acknowledges the disappointing results and is focusing on how to improve performance going forward.

We continue to recommend that management improve the accuracy of the system for recording and reporting compliance with statutory time frames for the processing of building and non-notified resource consents.

We also recommend that the Council continues to investigate and address the key factors affecting the underlying performance in this area.

2.1.3 Valuation of the weathertightness provision

The provision for leaky home claims was valued by an independent actuary. We reviewed the actuary’s valuation report and met with the actuary to discuss and gain further understanding of his report.

We performed audit work on the valuation methodology and assumptions based on the applicable financial reporting standards and our accumulated knowledge and experience of weathertightness issues in Auckland.

The weathertightness provision has decreased since 30 June 2018 by $81 million to $238 million. The movement is as a result of new claims being received, a number of claims being settled and changes in the loss estimate for claims already recognised. During our audit of the provision two areas for further discussion arose. The first related to unreported weathertightness claims and whether the level of unreported claims was still reasonable given the significant drop in the number of claims being received.

It is important for the Council to ensure that the unreported weathertightness claims portion of the provision is only capturing true weathertightness claims. There is a risk that a portion of the claims being caught are now general in nature and would not meet the original definition of a leaky home. While we agreed with the Council that the provision is reasonable given the size of some of the multi-unit claims settled recently we do recommend that the Council undertake a more in-depth analysis of the underlying assumptions as they relate to the unreported portion of the provision before the 31 December 2019 review engagement.
The second area of discussion related to the active and reported claims. While we are satisfied that the active and reported claims are correctly identified as weathertightness claims on receipt, other defects such as fire and structural defects are often identified later on. We agreed with the Council that an additional disclosure in the financial statements stating this is required as the claims are wider than just weathertightness.

We are satisfied that the weathertightness provision and disclosures, including contingent liabilities are reasonable and supportable.

2.1.4 City Rail Link (CRL)

The CRL project is being delivered by City Rail Link Limited (CRL) which, as a schedule 4 Crown Entity, has prepared and adopted its own audited Annual Report. This includes financial and performance statements that report on the progress made by CRL over the last year. CRL has also been providing the project Sponsors, being the Council and the Crown, reports which contain relevant information extracted from the reports provided to the CRL Board. These reports were provided monthly during the latter part of the year. This is more frequently than required under the original Project Delivery Agreement (PDA).

The Sponsors have an obligation to ensure that the project is being managed effectively and efficiently to minimise the risk of performance, waste and probity issues. We understand that the PDA is in the process of being amended to ensure that the Sponsors and CRL can more effectively work together to deliver this project. We are also aware that in addition to the Sponsors’ Forum a Steering Committee chaired by Auckland Council’s Chief Executive has also been established.

CRL has been classified as a joint venture and is equity accounted by the Council. On 19 July 2019, the final Project Alliance Agreement (PAA) was signed with a budgeted value of $2.4 billion. This brings the total value of the project to over $4 billion. The joint CRL funding agreement with the Crown commits the Council to $2.2 billion of funding over the lifetime of this project. We are satisfied that the commitment has been appropriately disclosed in the notes to the financial statements. The signing of the PAA has been disclosed as a subsequent event in the Council’s financial statements.

Overall, we have assessed the accounting treatment in the Council’s 30 June 2019 financial statements as reasonable and we are satisfied that the information presented about CRL was reasonable, and reflected both the role and performance of the Auckland Council and Group.

2.1.5 Valuation of operational and infrastructure assets

The only asset class revalued in the 2019 year was marina assets. This revaluation was completed as part of the normal valuation cycle and occurred prior to the transfer of these assets from Development Auckland Limited (Panuku) to the Council in June 2019 as a result of the LTP Amendment. The Panuku auditors performed audit procedures over these valuations with no issues arising.
For the Council and Group assets not scheduled for revaluation this year, fair value assessments conducted by the Council and Group concluded that the carrying value of these assets was not materially different from fair value at balance date.

We found that the operational and infrastructure asset values in the Council and Group’s financial statements were supportable and that the approach used was consistent with our expectations for public benefit entity asset valuations.

2.2 Other matters of audit emphasis

2.2.1 Management override of controls

Professional auditing standards require us to consider the risk of management override of controls in all audits we perform. Management is in a powerful position to perpetrate fraud due to its ability to override controls that appear to be operating effectively.

In response to the risk of management override of controls, we have reviewed the journals system to ensure that there is sufficient segregation of duties in the process.

We have also performed testing and analysis of journals and other adjustments identified as of heightened risk.

No indications of inappropriate adjustments or management override of controls were identified during this testing.

2.2.2 Procurement

We have updated our understanding of procurement practices at the Council with a particular focus on developments and changes made over the last year. The main focus of activity has been to reinforce the processes introduced the previous year and starting to use the data from the system (Ariba) more strategically. Training of staff has focussed on ensuring staff using Ariba have the necessary support to follow the Council’s well established procurement policy and extensive guidance material and template documents.

We understand that whilst the initial implementation of Ariba was generally successful, there was considerable “noise” about the system being inflexible for lower value procurements. To this end the Council implemented a short-form process in the final quarter of 2018/19 that can be used for procurements involving direct or price weighted sourcing (RFQ) assessed as being low risk and low value (LRLV – that is <$300k). During the first three months the short form process was in place, it was used for over 590 procurements with a value totalling $29.9 million.

We reviewed some of these procurements to assess whether staff are using the process as intended and found that overall, the use of a direct sourcing approach was appropriate. We noted that the monetary limit applied for what is deemed a “low value” procurement is easily quantified but the decision as to whether a procurement is low risk is more subjective. We therefore recommend that the Council considers mandating the use of an assessment documenting the formal consideration as to whether or not a procurement is in fact low risk. The assessment should be approved before proceeding with the procurement.
The processes established in Ariba for medium and high risk/value procurements have continued as implemented. The centralised Procurement Team is involved in all high risk procurements and acts as a Centre of Excellence for all staff involved in sourcing activities. We performed a high level review of a small sample of significant procurements that were undertaken by the Council Group during 2018/19. From this review we noted the following matter for the Council’s consideration.

Auckland Wide Food Scraps Processing Services

The purpose of this procurement was to secure food scraps processing services for at least 50,000 tonnes of household food scraps per annum, by October 2021. The tender process included provision by the Council of two parcels of land for proposed processing sites.

This is a two stage procurement. The Council has conducted an open competitive request for proposal (RFP) process and is currently in negotiations with the preferred bidder. We understand that at the time of the audit no contract had been awarded.

We noted from our review that the weightings approved for the various evaluation criteria in the procurement plan differed from those shown in the RFP and used for the evaluation of submissions. Changes in weightings assigned to evaluation criteria from those originally approved potentially increase the risk that a procurement process is challenged. However in this instance the change in weightings was made before approaching the market and therefore will not have impacted the responses submitted by potential suppliers.

We recommend that where a decision is made to go to market with evaluation criteria weightings that differ from those agreed in the procurement plan the Council ensures that the procurement plan (as held on Ariba) is updated accordingly and the changes are formally approved consistent with Council’s delegated authorities. Changes to evaluation criteria weightings should not be made once an RFP or other market approach has commenced.

A summary of the progress made against prior year recommendations has been included in Appendix 3.

2.2.3 Contract Management

We have updated our understanding of contract management practices at the Council with a particular focus on developments and changes made over the last year. The Contract Management Centre of Excellence (CM COE) is currently reworking the Contract Management Strategy to focus on what needs to be achieved over the next three years.

The CM COE provides high level advice, tools and templates to support contract managers via the Council Intranet and also provides training courses periodically on a range of topics associated with contract management. The focus of effort is on effecting cultural change across the organisation by front-loading contract management effort so that contracts are set up correctly the first time around and can be managed effectively thereafter.

We note that the complex issues associated with behavioural change means embedding the desired behaviour is time consuming and will continue over several years as proposed in the draft Contract Management Strategy.
A summary of the progress made against prior year recommendations has been included in Appendix 3.

2.2.4 Project Management

The Council is a large organisation with a complex and diverse portfolio of investments in projects and programmes. As at May 2019, there were 3,288 projects recorded in the Sentient system.

During the current year we held discussions with staff from the Strategic Portfolio and Programme Office (SPO), as well as from the Health Waters, Community Facilities and Organisational Strategy business units. The purpose of these discussions was to understand how project managers, project sponsors and others involved in project management are embedding the Investment Development Framework (IDF) which was rolled out in 2018 and its tools to effectively manage projects and whether this is being done in a consistent way.

Significant progress has been made to embed the IDF further over the past 12 months and feedback we received from discussions held with different business units was generally positive. Sentient has until recently only included information on the Council funded projects. Some Council Controlled Organisations now also have access to Sentient to use as a project management tool.

Ongoing areas of focus for the Council are:

- Ensuring good quality business cases are prepared to support investments (this is an ongoing theme from the previous year). This includes developing a group business case policy to ensure consistent business case practice and governance is applied to achieve best value for money in alignment with the Auckland Council “Better Business Case” standards, the 10 year Budget and Auckland Plan outcomes.

- Ensuring all projects have clearly stated benefits so that these can be tracked and measured (this is an ongoing theme from the previous year).

- Refining and completing benefit realisation plans for projects where this was not completed (this is an ongoing theme from the previous year).

- Developing a list of outcomes with associated benefits for similar projects (this is an ongoing theme from the previous year).

- Defining programmes and tagging projects to these to facilitate aligned, organised and collaborative planning and delivery of programmes and to be able to manage programme performance and reporting.

- Extending the use of Sentient to entities that are part of the Council group.

- Reviewing the criteria for electronic gating as some high risk, low value projects are not included (as they are less than $1 million).
• Considering what changes may be required to the Project Health Check process to ensure it achieves its objective, being to provide assurance that projects are being effectively planned and managed.

• Obtaining further assurance that consistent, effective project management practices are being applied through using risk and assurance for this purpose (by undertaking audits of major capital projects).

• Considering whether project risk tolerances and the escalation process is clearly defined and understood for projects that have a project status indicating that they are off track (this is an ongoing theme from the previous year).

• Working with the Community Facilities to improve the application of IDF through tailoring.

A summary of the progress made against prior year recommendations has been included in Appendix 3.

2.3 Crown Funding Initiatives

2.3.1 Regional Fuel Tax

The Auckland Regional Fuel Tax (RFT) became collectable on 1 July 2018. The New Zealand Transport Agency (NZTA) has set up a system to collect the tax, coordinate reimbursements, and pass the net tax onto the Council.

We are satisfied that the regional fuel tax revenue has been appropriately accounted for in the financial statements and sufficient disclosure has been made. A reserve account has been created to ensure that the RFT collected is only used for the transport projects agreed with the Crown.

2.3.2 Housing Infrastructure Fund (HIF)

On 21 September 2018 the Crown announced its agreement with the Council to provide a 10-year interest free loan facility of up to $339 million to support infrastructure projects in Redhills and Whenuapai. We understand both parties have now signed the agreement. However, the Council has yet to draw down any of the available funding.

2.3.3 Crown Infrastructure Partners (CIP)

On 24 October 2018, the Council entered into several agreements with CIP, CIP subsidiaries, and Fulton Hogan to formalise a partnership to fund $91 million of bulk infrastructure to support the building of 9000 homes at Wainui, north of Auckland. Under these agreements, the Council entered into a capital commitment to fund $25 million of infrastructure between late 2019 and 2022, which will eventually be vested back to the Council. This capital commitment has been included in the total capital commitments disclosed at 30 June 2019.
Aside from the capital commitments, the key financial arrangements and obligations are between CIP and the developer, with the Council to act only as an agent to collect funds from landowners on behalf of CIP. As no transactions have yet occurred there is no impact on the 30 June 2019 financial statements except for the additional capital commitment.

2.4 Other Provisions

2.4.1 Holiday Pay

The reconfiguration of the payroll system has taken longer than expected. However, the Council is currently in the final phase of testing the new system to ensure it is processing payments correctly. Payments to past employees and the remaining payments to current employees will take place later this year.

We have reviewed the provision ($10.9 million for parent and a further $1.5 million for other group entities), including key assumptions, methodology, and quality assurance processes, and are satisfied that it represents a reasonable basis for inclusion in the 2019 Annual Report.

2.4.2 Contaminated land and closed landfills

We assessed whether the Council and Group’s closed landfill and contaminated land provisions are based on appropriate underlying information.

In prior years, we have identified that costs were not being accurately tracked against the closed landfill and contaminated land provision. We noted improvements had been made to the system for capturing these costs by year end. However, the system is not yet fully operational.

The Council uses internal experts to assess the estimated future cash flows for the closed landfill and contaminated land provision.

We confirmed our understanding of the valuation methodology and key assumptions to ensure that they were reasonable. We also considered the source, accuracy and appropriateness of the underlying information used and tested this information where appropriate.

We concluded that the provision is reasonable and supportable.

2.4.3 Eden Park provision

We reviewed the Council’s provision for its financial guarantee of the Eden Park Trust Board (EPTB)’s bank loan. The full provision amount of $40 million has been reclassified from non-current to current, due to EPTB’s loan facility expiring in September 2019. We agreed with the Council’s conclusion that the provision amount remains appropriate. This is on the basis that the Council has agreed to take over and pay the loan when it falls due in September. We understand that a final agreement between the Council and EPTB on future funding arrangements is in the process of being negotiated with nothing yet signed.
2.5 Treasury and funding management

The Council operates a centralised Treasury and Funding unit for itself and the substantive CCOs, including Watercare from 1 July 2018. Ports of Auckland continues to operate its own treasury function. We have updated our understanding of the systems and processes for managing the treasury function and valuing financial instruments at the Council and for other substantive group entities.

The Council’s Internal Audit team perform a review of controls relating to the Treasury function with the last review being carried out in September 2018. The report resulting from this review has not yet been finalised. The Council has indicated that this is due to resourcing constraints within the Internal Audit team. The value in the completion of such a review will be reduced if the report is not finalised in a timely manner. While we understand actions are already being taken to address issues raised the risk that issues are not dealt with in a timely manner is increased if the report is not finalised.

The Council’s Treasury Management Policy (TMP), is approved by the Governing Body at least every three years through the LTP process. This is a very high level document, and refers to the treasury management steering group (TMSG) reviewing and approving strategic risk limits conforming to the policy. The only real restrictions or limits within the policy itself are the high level borrowing and liquidity limits.

Detailed limits and delegations are set out in the Treasury Operating Manual (TOM). This is approved at least annually by the TMSG. The TOM does not get approved by the Governing Body or Finance and Performance (F&P) Committee, yet this is the document which provides Council management with the parameters within which they are required to operate.

All significant transactions and treasury developments are communicated to the TMSG. The report and minutes of the TMSG meetings are circulated to the Treasury Accounting (TA) team, allowing them to stay informed of key matters. Any reporting on Treasury is prepared and reviewed with input from the Treasury team to ensure that the financial reporting accurately conveys the economics of transactions entered into by Treasury. Only key borrowing limits are reported to the F&P Committee on a quarterly basis.

We recommend that processes are put in place to facilitate the finalisation of Internal Audit’s reports in a timely manner. This is to ensure that issues raised in the review are dealt with in a timely manner.

We also recommend that the Council either has the Treasury Operating Manual approved by the F&P Committee or reconsiders the level of detail and timing of Treasury reports presently going to the F&P Committee and/or Governing Body with a view to ensuring that there is more transparency at this level about treasury function decisions being made.
3 Other matters considered

3.1 America’s Cup

The America’s Cup (AC36) programme is a significant programme for the Council, with a budget of $212.4 million, of which $98.5 million represents the Council’s share.

We are satisfied that at 30 June 2019 the Council has appropriately accounted for its share of the infrastructure assets constructed to date and MBIE’s contribution to the costs of these works. We have reviewed the disclosures included in the financial statements and are satisfied these are appropriate.

Governance

We have performed a high level review of the oversight of the AC36 programme partnership and delivery of the programme. We do not at this stage have any specific recommendations to make.

The programme governance is evolving and the intention is for this to be revisited throughout the programme. Terms of Reference for the various governing bodies have been established, key roles and responsibilities have been established and reporting is taking place and evolving.

We will continue to focus on this programme during our next audit as it progresses.

Shared Infrastructure Works Procurement and selection of a preferred construction alliance partner

We carried out a high level review of the procurement undertaken to select a construction team to form an interim Project Alliance Agreement with the Council and Group (Auckland Council and Panuku) and its preferred Alliance Design Partner. We do not have any specific recommendations arising from our review of this procurement.

3.2 Annual reporting

The 30 June 2018 Annual Report was the first time the Council began incorporating the integrated reporting framework into the Annual Report. More information has been included in the year’s Annual Report. Following our review we have the following observations to make.
3.2.1 Integrated reporting

For the last couple of years the Council has started using aspects of the Integrated Reporting (IR) Framework to better tell its performance story in the Annual Report. While we understand the Council does not anticipate fully complying with the principles of this framework we consider that what is being reported could be enhanced by the inclusion of the following:

- insight into the Council’s strategy and how it relates to the Council’s ability to create value in the short, medium, and long term; and
- a description of the Council’s use of and effects on its “capitals”, that is, the unique things that can be harnessed to create value for their customers.

This project is still very much a work in progress. Within Volume One of the 30 June 2019 Annual Report the Council has defined its “capitals” and listed the inputs to these capitals for each group of activity as a first step towards integrated reporting. Our view is that the integrated reporting is not yet at a level where it provides additional insights to the reader. However, we would expect this to continue to improve as the project progresses.

In addition to the above the international framework for integrated reporting requires an integrated report to include a statement from those charged with governance that includes:

- an acknowledgement of their responsibility to ensure the integrity of the integrated report;
- an acknowledgement that they have applied their collective mind to the preparation and presentation of the integrated report; and
- their opinion or conclusion about whether the integrated report is presented in accordance with this Framework.

The framework also states that if the integrated report does not include such a statement, it should explain:

- what role those charged with governance played in its preparation and presentation;
- what steps are being taken to include such a statement in future reports; and
- the time frame for doing so, which should be no later than the organization’s third integrated report that references this Framework.

We suggest that if the Council intends to continue on the pathway towards integrated reporting, consideration should be given to including the above matters.
3.2.2 Outcome reporting

Schedule 10 of the Local Government Act requires the Council's Annual Report to include, for each group of activities of the local authority:

- the activities within the group of activities;
- the community outcomes to which the group of activities primarily contributes, noting these are defined within the Auckland Plan; and
- the results of any measurement undertaken during the year of progress towards the achievement of those outcomes.

The draft Annual Report did not include any reporting against the Auckland Plan outcomes, on the basis that no measurement had been undertaken of progress made. However, on further investigation, we found that annual scorecards are prepared containing a snapshot of progress against the outcomes, with the most recent being published in July 2019. We asked the Council to include information from this monitoring within the Annual Report. This was subsequently added.

We also understand a more comprehensive progress report is to be prepared every three years. This report will supplement the annual scorecards and will provide a more detailed analysis of the trends for each measure, drawing on a range of other reports and data sets. We understand the first report following the update of the Auckland Plan will be published in 2020. We would expect this three yearly report will help to provide valuable information for the 2020 Annual Report on how the Council is progressing towards the achievement of its community outcomes.

In preparing the 2020 Annual Report we recommend that the Council ensures this includes the results of any measurement undertaken of progress made towards the achievement of the Auckland Plan outcomes. This should be informed by the results reported within the Three Yearly Auckland Plan progress report.
4 Public sector audit

The Council is accountable to the community for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the Council said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the Council has fairly reflected the results of its activities in its financial statements and non-financial information.

We also considered if there was any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the Annual Report;
- the Council carrying out its activities effectively and efficiently;
- the Council incurring waste as a result of any act or failure to act by a public entity;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the Council or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by a public entity or by one or more of its members, office holders, or employees.

We remained alert to public sector concerns, including issues and risks about effectiveness and efficiency, waste, and a lack of probity or financial prudence.

Expenditure transactions

We have performed specific testing over a sample of sensitive transactions, including the Chief Executive (CE) and Mayor transactions, to ensure expenditure is in line with the public sector principles and expectations.

This includes transactions involving purchase cards, international travels, large termination payments, elected members expenses, and bonuses.

As part of our testing, we have also assessed the transactions against the policies the Council has in place. We have not noted any potential improper behaviour. However, we found the following instances:

- expenditure incurred where the justification for the expense was not adequately documented;
- expenditure was not approved through one-up approval; and
- expenditure not in line with policy.

Refer to Appendix 3 below for the progress against prior year recommendations.
Termination payments

We reviewed the appropriateness of severance payments made. Considering the circumstances these payments are considered reasonable and in line with the Council policies except for the matter noted below.

We reviewed the redundancy and payment in lieu of notice paid to a former staff member. While the redundancy is supported with appropriate documentation we have not been provided with sufficient evidence to support the payment in lieu of notice.

We recommend that more guidance is provided to management on the principles and processes to be followed in relation to payments in lieu of notice, including specific guidance on appropriate documentation.

This is to ensure that accurate and appropriately approved termination payments are made to staff and to ensure that payments made can withstand public scrutiny.

Processes in place to prevent and detect bribery and corruption

Parliament’s Finance and Expenditure Committee has expressed an interest in understanding whether the public sector has effective corruption prevention and detection processes in place. In response to this, we have reviewed the Council’s processes and controls, which are used by management and the Council to ensure that there are adequate controls in place to mitigate the risks of bribery and corruption.

The Charter looks at fraud, dishonesty and illegal behaviours which can be inferred to encompass bribery and corruption. Although, there is clear guidance provided in response to such behaviours, we recommend that it would be beneficial to include a specific section that looks at bribery and corruption, in order to provide clarity.

We noted that a Fraud Risk assessment was conducted in 2015. Since 2015 the Assurance Services unit have enhanced or implemented a number of preventative, detection and reactive measures in the fraud, bribery and corruption area.

We understand the 2015 fraud risk assessment was a key input into the Assurance Services Fraud and Integrity strategy which focusses on fraud, bribery and corruption prevention strategies in particular training, education and awareness raising. Progress against this strategy is reported regularly to the Audit and Risk Committee. The strategy was refreshed and reapproved for the next three years in August 2019.

The Fraud and corruption risk (including the risk of bribery) is recognised by the Council as a top risk. Top risks and mitigations are reviewed quarterly by risk owners and reported to both the Executive Leadership Team and the Audit and Risk Committee.
Legislative compliance

We reviewed the systems and procedures the Council and Group employ to identify and comply with the legislative requirements for financial reporting purposes.

The Council's NZDX preliminary materials and the Annual Report are subject to a compliance review by the Council's legal team prior to release.

We have reviewed the Annual Report for compliance with relevant and significant legislation and regulations, and all issues identified have been satisfactorily addressed by management.

We have also confirmed that the Council had an appropriate level of legal review over the 2019 and 2020 rates setting processes.

We have not been advised of, or separately noted, any significant breaches of relevant legislation affecting the financial statements and the Annual Report.
5 Group audit

The group comprises the Council parent, a number of substantive CCOs and multiple smaller entities. The following CCOs have been identified as material to the group, due to their financial significance, the nature of their services and activities, or both. These are:

- Auckland Transport (AT);
- Watercare Services Limited (Watercare);
- Regional Facilities Auckland (RFA);
- Auckland Tourism, Events, and Economic Development (ATEED); and
- Development Auckland Limited (Panuku).

We have also assessed City Rail Link Limited (CRL), which is a joint venture between the Council and the Crown, as significant to the Council and Group financial statements as well as Ports of Auckland Limited (POAL) which is a 100% Council owned entity.

We have not identified any of the following during our audit for the year ended 30 June 2019:

- Instances where our review of the work of component auditors gave rise to a concern about the quality of that auditor’s work.
- Limitations on the group audit.
- Fraud or suspected fraud involving group management, component management, employees with significant roles in group-wide controls, or others where the fraud resulted in a material misstatement of the group financial statements.

5.1 Group matters

During the audit the following group matters were addressed.

5.1.1 Novation of Watercare treasury function

Watercare’s treasury function transitioned to the Council treasury on 1 July 2018. A number of benefits are expected to result from this transition, including improved costs, pricing, and risk management.

As previously noted we are satisfied that derivative financial instruments novated from Watercare have been appropriately accounted for at 30 June 2019.
5.1.2 Disestablishment of Auckland Council Investment Limited (ACIL)

During the 2017–18 financial year, the Council’s Finance and Performance Committee made the decision to disestablish Auckland Council Investments Limited (ACIL) with its investments in Auckland International Airport Limited (AIAL) and Ports of Auckland (POAL) to be recognised and managed directly by the Council from 1 July 2018.

We are satisfied that the disestablishment of ACIL has been appropriately accounted for in the financial statements.

5.1.3 Regional Facilities Auckland (RFA) – New Zealand Maritime Museum (NZMM)

RFA acquired the assets and liabilities of the NZMM on 9 March 2018 for nil consideration and now has complete control of its operations. As required during this financial year RFA has completed a valuation of the maritime assets to enable them to be recognised at fair value. The valuation resulted in a fair value gain of $4.1 million.

PBE IFRS 3 Business Combinations, required the group to restate the prior year figures to recognise the fair value of the maritime assets, the Council instead intends to record the transaction in the 30 June 2019 year. This has resulted in an error of $4.1 million in the opening accumulated funds and the incorrect recognition of a $4.1 million gain in the 30 June 2019 Council group’s financial statements. As the Council has chosen not to adjust the opening accumulated funds the $4.1 million has been included in section 1.2 above.

5.1.4 Tamaki Redevelopment Company (TRC)

We have remained current with developments at TRC and its related entities. We are satisfied that the Council and Group has adequate processes in place to capture and report its exposure to the joint venture’s activities and risks.

5.1.5 Panuku assets transfer to the Council

Following the adoption of the 2018–2028 Long-Term Plan amendment, waterfront assets, including $458 million of investment properties and $334 million of Property, Plant and Equipment has been transferred from Panuku to the Council.

We reviewed the accounting treatment and are satisfied that this is appropriate and consistent with the audit work performed for the LTP Amendment.
## Appendix 1: Uncorrected misstatements

<table>
<thead>
<tr>
<th>Current year uncorrected misstatements</th>
<th>Assets</th>
<th>Liabilities</th>
<th>Equity</th>
<th>Financial performance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dr (Cr)</td>
<td>Dr (Cr)</td>
<td>Dr (Cr)</td>
<td>Dr (Cr)</td>
</tr>
<tr>
<td><strong>Hedge accounting</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Comprehensive Income (to flow through to Equity): Cashflow hedge reserve</td>
<td></td>
<td></td>
<td></td>
<td>6,631</td>
</tr>
<tr>
<td>Fair value adjustment to debt</td>
<td></td>
<td></td>
<td></td>
<td>(5,375)</td>
</tr>
<tr>
<td>Other gains and losses: derivatives fair value movement</td>
<td></td>
<td></td>
<td></td>
<td>(1,257)</td>
</tr>
<tr>
<td><strong>Total parent</strong></td>
<td></td>
<td>(5,375)</td>
<td></td>
<td>(5,375)</td>
</tr>
<tr>
<td><strong>Business combinations – Regional Facilities Auckland (RFA)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on business combination</td>
<td></td>
<td></td>
<td></td>
<td>4,140</td>
</tr>
<tr>
<td>Opening accumulated funds</td>
<td></td>
<td></td>
<td></td>
<td>(4,140)</td>
</tr>
<tr>
<td><strong>Total group</strong></td>
<td></td>
<td>(5,375)</td>
<td>(4,140)</td>
<td>(1,235)</td>
</tr>
</tbody>
</table>

### Explanation of uncorrected misstatements

**Hedge accounting** – This adjustment recognises the current period effect of a decision made by the Council and Group in the 2013/14 financial year, to de-designate the cross currency interest rate swaps (CCIRS) and Interest rate swaps (IRS) hedge accounting relationships. At that time, the Group elected to release the cash flow hedge reserve and fair value hedge directly to the 2014 surplus/(deficit) rather than over the remaining period of the hedges. This misstatement will continue to unwind and be reported in the misstatement schedule over the next few years. This was not adjusted as management believe it is not material to readers and the costs associated with maintaining accounting records and disclosures for this balance outweighs any benefit.

**Business combinations (RFA)** – The Business Combination standard (PBE IFRS 13) requires that the comparative figures (that is 30 June 2018) need to be restated for the adjustment relating to the measurement period in respect of the New Zealand Maritime Museum (NZMM) collections. In the final RFA Pack to the Council, the increase in value of the NZMM collections of $4.140 million has been accounted for in the current financial year (that is 30 June 2019) instead of restating the comparatives. This represents an overstatement of revenue in 30 June 2019.
## Appendix 2: Summary of recommendations

<table>
<thead>
<tr>
<th>Section reference</th>
<th>Recommendation</th>
<th>Management comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1.3</td>
<td>Valuation of the weathertightness provision</td>
<td>We will work with our actuaries before 31 December 2019 to ensure that the unreported weathertightness provision only includes claims that meet our original definition of leaky homes.</td>
</tr>
<tr>
<td></td>
<td>The Council needs to ensure that the unreported weathertightness claims portion of the provision is only capturing true weathertightness claims. There is a risk that a portion of the claims being caught are now general in nature and would not meet the original definition of a leaky home. While we agreed with the Council that the provision is reasonable given the size of some of the multi-unit claims settled recently we do recommend that the Council undertakes a more in-depth analysis of the underlying assumptions as they relate to the unreported portion of the provision before our 31 December 2019 review engagement.</td>
<td></td>
</tr>
<tr>
<td>2.2</td>
<td>Procurement</td>
<td>We agree with this recommendation and have established a team within Procurement led by a Manager of P2P Support and Compliance, specifically to undertake these reviews with a formal programme to be developed in conjunction with the Assurance team and Financial Control team.</td>
</tr>
<tr>
<td></td>
<td>We recommend that the Council considers implementing a formal programme of periodic internal reviews to ensure good procurement practice is being followed consistently as intended within the processes established for use with Ariba.</td>
<td></td>
</tr>
<tr>
<td>2.5</td>
<td>Treasury and funding management</td>
<td>We agree that processes are put in place to ensure the finalisation of Internal Audit reports in a timely manner. With regard to the Treasury Internal Audit report, the resourcing issues have been addressed by the Internal Audit team and the report is due to be finalised and presented to the Treasury Management Steering Group (TMSG) in October. Following review by the TMSG it will be submitted to the Audit &amp; Risk Committee.</td>
</tr>
<tr>
<td></td>
<td>We recommend that processes are put in place to facilitate the finalisation of Internal Audit’s reports in a timely manner. This is to ensure that issues raised in the review are dealt with in a timely manner. We also recommend that the Council either has the Treasury Operating Manual approved by the Finance and Performance (F&amp;P) Committee or reconiders the level and timing of Treasury reports presently going to the F&amp;P Committee and/or Governing Body with a view to ensuring that there is more transparency at this level about treasury function decisions being made.</td>
<td>We recommend that the Treasury Operating Manual (TOM) continue to be approved by the TMSG due to its technical nature. It should be noted that the TOM must be</td>
</tr>
<tr>
<td>Section reference</td>
<td>Recommendation</td>
<td>Management comment</td>
</tr>
<tr>
<td>-------------------</td>
<td>----------------</td>
<td>--------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>consistent with the Treasury Management Policy approved by the Finance &amp; Performance Committee/Governing Body. We agree that the level of detail that is being reported on a quarterly basis to the Finance &amp; Performance Committee on treasury activities should be enhanced to provide greater transparency.</td>
</tr>
<tr>
<td>3.2.2</td>
<td><strong>Outcome reporting</strong>&lt;br&gt;In preparing the 2020 Annual Report we recommend that the Council ensures this includes the results of any measurement undertaken of progress made towards the achievement of the Auckland Plan outcomes. This should be informed by the results reported within the Three Yearly Auckland Plan progress report.</td>
<td>Agreed. In future we will include in the Annual Report a summary of the results reported within the three yearly Auckland Plan progress report.</td>
</tr>
<tr>
<td>4</td>
<td><strong>Termination payments</strong>&lt;br&gt;We recommend that more guidance is provided to management on the principles and processes to be followed in relation to payments in lieu of notice, including specific guidance on appropriate documentation. This is to ensure that accurate and appropriately approved termination payments are made to staff and to ensure that payments made can withstand public scrutiny.</td>
<td>We consider that the Council’s policy and processes regarding severance arrangements are clear and understood by management. Severance arrangements are only undertaken with the support and advice of Council’s Employment Relations Team, which includes four experienced solicitors, all of whom have specialised in employment law for a number of years. The robust governance of severance arrangements is reflected in the ongoing downward trend in the number and overall quantum of severance arrangements within the Council parent.&lt;br&gt;We also consider that the payment noted in the report was acknowledged to be a severance payment from the beginning, which as a management decision, was justifiable in the particular circumstances of that situation and ultimately was in the best interests of the organisation and ratepayers.</td>
</tr>
</tbody>
</table>
Appendix 3: Status of previous recommendations

The following is an update on prior year outstanding matters. Where the status of the prior year recommendation have been updated elsewhere in the report, we have included a reference to this section in the report on the table below.

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>First raised</th>
<th>Status</th>
<th>Management comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project management – project closure and benefits measurement</td>
<td>2016</td>
<td>In progress</td>
<td>The work of the SPPO is being picked up by newly formed investment Management Office (IMO). IMO will continue to embed best practices for project management through effective implementation of the Investment Delivery Framework (IDF) which is under continuous improvement, tailoring to suit the different business units’ needs. The project health check process will undergo a minor review to improve the uptake and to be a useful tool for continuous improvement of delivery of projects. As a part of the wider work around IDF, how benefits will be identified and tracked at programme level is underway and will continue to work on benefit realisation at project level.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Improvements made during the current year include:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• the business case template now requires benefit owners to be identified for all benefits; and</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• cost centre fields have been included in the business case template to enable financial benefits to be tracked.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Benefits realisation continues to be a focus for the Council.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>The project health check process is a good form of independent quality assurance, but we note that the process is voluntary,</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>uptake has not been as expected and some push back has been received from pockets within the Council.</td>
</tr>
<tr>
<td>Recommendation</td>
<td>First raised</td>
<td>Status</td>
<td>Management comment</td>
</tr>
<tr>
<td>----------------</td>
<td>--------------</td>
<td>--------</td>
<td>--------------------</td>
</tr>
<tr>
<td>We understand that the Strategic Portfolio and Programme Office (SPPO) is also considering the reporting channel for these reviews to ensure that they are seen as a process to achieve continuous improvement in project management practices. As at May 2019, 12.8% of projects have benefits loaded in Sentient. This information excludes Community Facilities projects as the SPPO are working with the business unit to create standardised benefits. We understand that projects that are closing, which were started before the Investment Development Framework (IDF) was implemented, may not have benefits captured in Sentient and may not therefore be measuring or monitoring benefits. We understand that the development of benefits realisation plans for these projects is still in ongoing.</td>
<td></td>
<td></td>
<td><em>A dashboard report is presented to Executive Leadership Team monthly and shows metrics for risks, cost and schedule drawn from the “Sentient”; the P3 reporting tool.</em></td>
</tr>
</tbody>
</table>

**Attachment A**  
**Item 11**
<table>
<thead>
<tr>
<th>Recommendation</th>
<th>First raised</th>
<th>Status</th>
<th>Management comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portfolio, Programme and Project Management – Gateway reviews</td>
<td>2017</td>
<td>In progress</td>
<td>Criteria for electronic gating will be reviewed to capture high risk, low value projects. Further compliance to completion of minimum standard documents at each phase of all project will be closely monitored.</td>
</tr>
<tr>
<td>Gateway reviews, aligned to the key stages of the IDF are a strong control over continued project justification, but these need to be applied consistently well to ensure they are effective. Sponsors and Project Managers can sign through the gates or refer upwards for a full review if there are risks or issues identified. Whilst it is reasonable for Sponsors and Project Managers to be able to sign through gates for routine low risk projects, it is important that gateway reviews are escalated where appropriate so that the full benefit of a gateway review panel’s expertise and experiences can be applied to higher risk, more significant decisions.</td>
<td></td>
<td></td>
<td>We understand that the electronic gating process is working well and providing the assurance it was set up to achieve. This process is only formally applied to projects over $1 million. The Council is considering reviewing the criteria for electronic gating as some of the high risk, low value projects are not included as they are less than $1 million. The May 2019 SPPO dashboard report shows that a number of projects are moving into Deliver without any documentation in Sentient, including any of the IDF minimum standard documents. This indicates that further work is required to ensure that expectations relating to minimum documentation requirements for each phase is embedded.</td>
</tr>
<tr>
<td>Recommendation</td>
<td>First raised</td>
<td>Status</td>
<td>Management comment</td>
</tr>
<tr>
<td>----------------------------------------------------</td>
<td>--------------</td>
<td>--------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Consenting and service performance reporting</strong></td>
<td>2018</td>
<td>In progress</td>
<td>We will continue to investigate and address the issues impacting our performance in this area. A business optimisation programme within Regulatory Services has commenced with ELT support. The Council’s Executive Leadership Team has committed to significant support of Regulatory Services over the next three years to address these performance issues.</td>
</tr>
<tr>
<td><strong>Quality of information for audit</strong></td>
<td>2018</td>
<td>In progress</td>
<td>During the preparation of the 2018/2019 Annual Report we allowed sufficient time and carried out the necessary quality control processes. All changes that were made subsequent to the first version provided were for the most part, minor editorial changes.</td>
</tr>
<tr>
<td><strong>Project management – risk assessment process</strong></td>
<td>2018</td>
<td>In progress</td>
<td>A Project working group has been established to focus on a number of key areas including developing a project risk framework. Recent changes to the Risk Matrix are now included on a monthly basis as part of Project and Programme reporting to the ELT. The intention is to bring a more consolidated approach to Project and Programme reporting.</td>
</tr>
<tr>
<td>We recommend that the Council continues to work on improving the processes, systems and controls in place over consent processing and document management to ensure accuracy of recorded performance in future years. While we were able to confirm the results reported for 2019 this continues to be an area that needs to be addressed.</td>
<td>Refer to section 1.1 and 2.1.2 above.</td>
<td>Refer to section 1.3 above.</td>
<td></td>
</tr>
<tr>
<td>Recommendation</td>
<td>First raised</td>
<td>Status</td>
<td>Management comment</td>
</tr>
<tr>
<td>----------------------------------------------------</td>
<td>--------------</td>
<td>-----------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Project management – risk tolerance and escalation process</td>
<td>2018</td>
<td>In progress</td>
<td>A programme and project risk and tolerances steering group has been established. Current members include Internal Audit, Risk and operations representatives and the SPPO. A collaborative improvement roadmap will be developed to deliver the changes in a coordinated approach.</td>
</tr>
<tr>
<td>Sensitive expenditure</td>
<td>2019</td>
<td>In progress</td>
<td>Refer to section 4 above.</td>
</tr>
</tbody>
</table>

The project risk framework will be developed by IMO and will include guidelines on risk tolerance and escalations.

The Council has an ongoing rolling communication plan and a mandatory E-learning module as part of the Our Charter education.

People leaders are reminded of their obligations in Turama the internal regular communication channel.
### Matters that have been addressed during the year

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>First raised</th>
<th>Status</th>
</tr>
</thead>
</table>
| Portfolio, Programme and Project Management – implementation of the Investment Delivery Framework  
The Council’s approach to project management and delivery has been updated with the development of the Investment Delivery Framework (IDF). This needs to be effectively rolled out and implemented. | 2017         | Most of the significant change initiatives relating to the IDF are now complete, with ongoing improvements being made iteratively.  
We consider this matter resolved. |
| Project management – change programme  
The Council should consider whether a planned change programme would be beneficial to prevent change fatigue through ongoing changes being made to the system, processes and templates. | 2018         | The SPPO roadmap is in place and initiatives planned are being delivered. Communication about planned changes appear to be well received.  
We consider this matter resolved. |
| Procurement  
We recommend that the Council continues to develop procurement practice in line with improved policy by ensuring a more formal and consistent compliance approach, particularly with procurements that are complex, high risk, and high value. | 2017         | A key focus of the Procurement Team has been on ensuring that the Council’s use of Ariba is properly embedded throughout the organisation. An abridged process has been established for low value / low risk procurements whilst requiring the “full” process to be completed for medium/high value and medium/high risk.  
We consider this matter resolved. |
| Procurement  
The Council needs to ensure that there is a documented conflict of interest management plan appropriately completed so that the records clearly document whether the reviewer has decided there is no issue requiring specific management or, if there is, what the management needs to be. | 2018         | Training was provided to staff in September 2018 and will continue to be provided to staff involved in procurement processes.  
We consider this matter resolved. |
| Contract management  
We recommend that the Council monitors contract management practices to ensure that adequate progress is being made against identified deficiencies. | 2017         | As previously noted, a cultural shift is required to see contract management activities performed consistently across the organisation. As such this will take a number of years. The CM COE is involved with a variety of initiatives intended to drive the required change. |
<table>
<thead>
<tr>
<th>Recommendation</th>
<th>First raised</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement</td>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>We recommend the Council utilise the rich data set available within the Ariba procurement system to monitor compliance with procurement policy and to analyse the data on procurements being undertaken to enhance the strategic approach to procurement across all the Council activities. We recommend refresher training be considered for procurement staff to:</td>
<td></td>
<td>We have closed this particular issue but will in the future continue to monitor the implementation of good contract management practices across the Council.</td>
</tr>
</tbody>
</table>

- enhance the understanding and documentation of conflict of interest matters; and
- ensure appropriate procurement planning decisions are made based on the risk and value of the procurement and to promote the maintenance of adequate documentation to support the rationale for the decisions made.

Reports are now being generated that provide an analysis of spending and enable the Council to identify opportunities for rationalising contracts and procurement for specific categories of spend. Category managers have started establishing contracts that cover the whole organisation rather than having separate contracts for each activity.

The Council is also working on developing reporting to show what categories exist and which ones are currently being managed.

Initial training was provided to all staff involved with procurement when Ariba was introduced. Since then the focus has been on training key people who support procurement processes rather than all staff.

An induction to the Council procurement is provided to all new employees. After that, support is provided by either the Procurement Team or by people who have been provided with on-going training regarding procurement systems and processes.

The Council implemented a new process in April 2019 to provide a “streamlined” procurement process for those procurements assessed as being low value (that is less than $300k) and low risk. We reviewed a small sample of these procurements to confirm that the new process is being applied appropriately. We did not identify any issues from the sample reviewed and sighted adequate documentation on Ariba to support the decisions made.

We consider this matter resolved.
<table>
<thead>
<tr>
<th>Recommendation</th>
<th>First raised</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Rail Link</td>
<td>2018</td>
<td>Refer to section 2.1.4 above. We are satisfied that this recommendation is now resolved.</td>
</tr>
</tbody>
</table>
## Appendix 4: Disclosures

<table>
<thead>
<tr>
<th>Area</th>
<th>Key messages</th>
</tr>
</thead>
</table>
| Our responsibilities in conducting the audit | I am responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.  
The audit of the financial statements does not relieve management or the Council of their responsibilities. Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council. |
| Auditing standards                        | We carried out our audit in accordance with generally accepted audit standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters. |
| Auditor independence                      | I confirm that, for the audit of the Council and Group’s financial statements, we have maintained our independence in accordance with the independence requirements of the Auditor-General’s Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners, issued by New Zealand Auditing and Assurance Standards Board.  
In addition to this audit, I or my appointed auditors have carried out a range of other assurance engagements. Other than the other assurance engagements, and in exercising functions and powers under the Public Audit Act 2001, as auditor of public entities, I have no relationship with, or interests in, the Council and Group. |
| Fees                                      | The audit fee for the year is $3,310,000 for the group and $1,213,000 for the Council. Other fees charged in the period are $495,000 for the group and $312,000 for the Council. These are for the review of interim financial statements, agreed upon procedures on foreign borrowings, review of Debenture Trust Deed services, review of service performance, and audit of the 2018–28 Long-Term Plan amendment. |
| Other relationships                       | I am 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 or its subsidiaries that is significant to the audit.  
Two staff members declared non-influential relationships with council or group employees. Mitigation actions were implemented and complied with as required.  
I am not aware of any staff member who has accepted a position of employment with the Council or its subsidiaries since the end of the financial year. |
Approval of the draft Audit New Zealand Interim Engagement Letter for the 6 months ended 31 December 2019, and draft Audit New Zealand Audit Engagement and Audit Proposal letters for 2020, 2021 and 2022

File No.: CP2019/19440

Te take mō te pūrongo
Purpose of the report
1. To review and endorse the following documents:
   • draft Audit New Zealand Review Engagement Letter (review engagement letter) for the six months ending 31 December 2019 (Attachment A)
   • draft Audit New Zealand Audit Engagement Letter (audit engagement letter) for the audit of the Auckland Council Group and Auckland Council for the financial years ending 30 June 2020, 2021 and 2022 (Attachment B)
   • draft Audit New Zealand Audit Proposal Letter (audit proposal letter) for the audit of the Auckland Council Group and Auckland Council for the financial years ending 30 June 2020, 2021 and 2022 (Attachment C).

Whakarāpopototanga matua
Executive summary
2. In the last few weeks Audit New Zealand has provided drafts of the letters listed above to the council’s group financial controller and group treasurer. They have reviewed the draft letters, provided feedback and Audit New Zealand has made all requested amendments.
3. These documents are required to be approved by the Audit and Risk Committee before Audit New Zealand issues the final letters for approval by the mayor and chief executive.
4. The Audit New Zealand Audit Director Athol Graham will be in attendance to answer any questions the committee may have in relation to these letters.

Review Engagement Letter
5. The review engagement letter outlines the scope of responsibilities, group entities subject to review, areas of review focus and administration matters such as logistics and timetables.
6. The letter is substantially the same as in prior years with the exception that Panuku Development Auckland Limited and Auckland Tourism, Events and Economic Development Limited are no longer considered to be significant and therefore are excluded from the list of group entities subject to review.

Audit Engagement Letter
7. The audit engagement letter outlines the scope of the respective responsibilities of the Governing Body and the Deputy Auditor-General, significant components (i.e. entities), independence matters and reporting contents, covering the next three financial years to 30 June 2022.

The Audit Proposal Letter
8. The audit proposal letter contains the statutory basis for the audit and how audit fees are set, the entities covered by this proposal, team members and hours planned to be spent and proposed fees for the next three financial years.
Ngā tūtohunga

Recommendation/s

That the Audit and Risk Committee:

a) review and endorse Audit New Zealand’s draft review engagement letter, draft audit engagement letter and draft audit proposal letter

b) request Audit New Zealand issue the final letters

c) recommend the mayor and chief executive sign the finalised letters.

Horopaki

Context

Review engagement

9. A review engagement provides readers with a moderate level of assurance that nothing has come to the auditor’s attention that causes him to believe that the interim financial statements do not fairly reflect the Auckland Council Group’s financial position, performance and cash flows for the period. This moderate level of assurance (known as negative assurance) is a lower level of assurance than that of an audit.

10. The review is performed in accordance with the review standards issued by the External Reporting Board. It primarily involves enquiry, analytical procedures, the obtaining of representations and reconciliation of the financial statements to underlying accounting records.

Audit engagement and audit proposal letters

11. An audit engagement provides readers with a high level of assurance that the financial statements fairly reflect the group’s financial position, performance and cash flows for the period.

12. The audit engagement letter sets out the terms of the audit engagement and outlines the objectives of an annual audit.

13. The audit proposal letter provides details on the audit fee budget for the financial years ending 30 June 2020, 2021 and 2022 and outlines areas that may result in an increase in fees over and above budgeted fees.

Tātaritanga me ngā tohutohu

Analysis and advice

Review engagement letter

14. The draft review engagement letter outlines the:

- scope of the Audit New Zealand and the Auditor-General’s responsibilities
- scope of the governing body and management’s responsibilities
- areas of the review focus
- engagement logistics and timelines.

15. This draft review engagement letter includes the following areas of focus (which are the same as in the prior year; except for the addition of City Rail Link Limited):
• Fair value assessment of fixed assets and investment property – consideration of significant changes in fair value which might require an independent valuation to be carried out.
• Accounting for capitalisation and impairment of work in progress – work in progress (WIP) on projects that span an extended period should be assessed for impairment.
• Valuation of derivatives – derivatives should be appropriately valued, and fair value movements should be clearly explained in the financial statements.
• Provisions – the weathertightness provision should be re-assessed and the Eden Park Loan should be appropriately measured and disclosed.
• Crown funding initiatives – the Housing Infrastructure Fund, Crown Infrastructure Partners (Wainui) and Regional Fuel Tax scheme should be appropriately accounted for and disclosed.
• City Rail Link Limited – the council’s investment in City Rail Link Limited should be appropriately accounted for and disclosed.
• Early adoption of accounting standards – outstanding analysis should be completed, and the new standards should be applied in the interim financial statements.
• Treasury and funding management – the accounting treatment and disclosure of financial liabilities should meet accounting standard requirements.
• Management override of controls – Audit New Zealand will maintain an awareness of the risk of management override of controls as they perform their review procedures.
• Rates revenue recognition – annual rates revenue should be recognised in full, from the beginning of the financial year, and appropriately discounted for rates yet to be received in accordance with PBE IPSAS 23.
• Legislative compliance – all reporting should continue to undergo a thorough legal review to ensure compliance with legislation and NZX listing rules.

16. All accounting matters will be subject to formal accounting analysis by the Financial Control team.

17. The proposed fee for the review engagement is $121,816 plus disbursements. This is approximately 10 per cent of the 30 June 2020 annual audit fee and represents an increase of two per cent on the fee charged for the same engagement last year. We consider the areas of review focus and the proposed fee are appropriate, given the size and complexity of the review engagement.

Audit engagement letter

18. The audit engagement letter outlines, for the three financial years ending 30 June 2020, 2021 and 2022:
• the terms of the audit engagement
• the nature and limitations of the annual audit
• the respective responsibilities of the Governing Body and the Deputy Auditor-General for the financial statements and performance information.

19. It outlines the objectives of the annual audit, being:
• to provide an independent opinion on the group and the council’s financial statements and performance information
• to report on other matters relevant to the group and the council’s financial and other management systems that come to the Deputy Auditor-General’s attention, need improvement or are significant (for example, non-compliance with statutory obligations or a lack of probity).
20. The letter details the council's responsibility for the provision of timely, accurate and valid information and explanations, and the Deputy Auditor-General's responsibilities for reporting on the annual report, summary annual report and on internal control matters.

21. Significant entities which will require audits and reporting to the Deputy Auditor-General are:
   - Auckland Transport (AT)
   - Watercare Services Limited (Watercare)
   - Regional Facilities Auckland (RFA).

22. Auckland Tourism Events and Economic Development Limited and Panuku Development Auckland Limited are no longer considered significant entities as they were in prior years. Accordingly, the entities' auditors will not be required to provide assurance for the purposes of the Auckland Council Group audit.

Audit proposal letter

23. The audit proposal letter provides information on:
   - Audit fees
     - the statutory basis for the audit
     - how audit fees are set
     - assumptions relating to the fees
     - the proposed fees for the audit for the financial years ending 30 June 2020, 2021 and 2022
     - reasons for any changes to fees
     - what the Office of the Auditor-General (OAG) overhead charge covers
   - Audit hours
     - hours Audit New Zealand and the Office of the Auditor-General plan to spend on the audit for the financial years ending 30 June 2020, 2021 and 2022
     - reasons for any changes to hours
   - Entities covered by this proposal, as previously mentioned in the audit engagement letter
   - Key members of the audit team.

24. The letter lists examples of items that could potentially cause an increase in the proposed fees. The most likely of these are:
   - ongoing changes in financial reporting requirements, including new group accounting standards (PBE IPSASs 34 - 38) and employee entitlements (PBE IPSAS 39)
   - ongoing work in relation to the controls over the reporting of statutory timeframes for building and resource consents
   - any decision by the council to increase the use of Extended External Reporting within the annual report.

25. Audit fees proposed for each of the years, with a comparison to the 2018/2019 budgeted fees are:

<table>
<thead>
<tr>
<th>Structure of audit fees</th>
<th>2019 budgeted fees</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net audit fee (excluding OAG overhead, disbursements and GST)</td>
<td>$1,132,050</td>
<td>$1,134,399</td>
<td>$1,157,893</td>
<td>$1,179,974</td>
</tr>
</tbody>
</table>
26. The 2020 fee represents a 0.2 per cent increase on the 2018/2019 budgeted fee. Subsequent increases are two per cent.

**Tauākī whakaaweawe āhuarangi**

**Climate impact statement**

27. Although climate change will be included within disclosures for the interim and annual reports, there is no specific climate impact as a result of the audit and review engagements.

**Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera**

**Council group impacts and views**

28. This report is about engagement of Audit New Zealand for the Auckland Council Group as a whole. Accordingly, the group impacts are outlined in the body of this document.

**Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe**

**Local impacts and local board views**

29. This report is about engagement of Audit New Zealand for the Auckland Council Group as a whole, with no impact at a local board level.

**Tauākī whakaaweawe Māori**

**Māori impact statement**

30. The report is about engagement of Audit New Zealand for the Auckland Council Group as a whole, with no impact specific to Māori.

**Ngā ritenga ā-pūtea**

**Financial implications**

31. The proposed fee for the review engagement is $121,816 plus disbursements which is an increase of two per cent on the fee charged for the same engagement last year.

32. The proposed fees for the audit engagement are $1,134,399 for 2019/2020, $1,157,893 for 2020/2021 and $1,179,974 for 2021/2022.

**Ngā raru tūpono me ngā whakamaurutanga**

**Risks and mitigations**

33. The key risk related to these letters is a potential increase in audit fees. This could occur if there is a significant increase in the audit scope which would require extra audit effort; such as ongoing work in relation to the controls over the reporting of statutory timeframes for building and resource consents.

34. To mitigate this risk, Audit New Zealand and Auckland Council staff meet fortnightly to discuss audit issues to ensure they are managed and resolved efficiently.

**Ngā koringa ā-muri**

**Next steps**

35. Following the approval of the draft documents by the committee, Audit New Zealand will issue the letters in final form and the mayor and chief executive will sign the finalised letters. Auckland Council staff will also confirm and finalise the council and Audit New Zealand’s delivery timelines, to ensure a timely and efficient annual audit process.
Ngā tāpirihanga
Attachments

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Draft review engagement letter for the six months to 31 December 2019</td>
<td>111</td>
</tr>
<tr>
<td>B</td>
<td>Draft audit engagement letter for financial years ending 30 June 2020, 2021 and 2022</td>
<td>133</td>
</tr>
<tr>
<td>C</td>
<td>Draft audit proposal letter for financial years ending 30 June 2020, 2021 and 2022</td>
<td>149</td>
</tr>
</tbody>
</table>

Ngā kaihaina
Signatories

<table>
<thead>
<tr>
<th>Authors</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tracy Gers - Group Accounting &amp; Reporting Manager</td>
</tr>
<tr>
<td></td>
<td>Francis Caetano - Group Financial Controller</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Authorisers</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>John Bishop - Group Treasurer</td>
</tr>
<tr>
<td></td>
<td>Matthew Walker - Group Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td>Phil Wilson - Governance Director</td>
</tr>
</tbody>
</table>
25 November 2019

Hon Phil Goff  
Mayor of Auckland  
Auckland Council  
Private Bag 92300  
Victoria Street West  
Auckland 1142

Stephen Town  
Chief Executive  
Auckland Council  
Private Bag 92300  
Victoria Street West  
Auckland 1142

Dear Hon Phil Goff and Stephen


The purpose of this letter is to confirm the terms of our engagement in respect of the review of the Auckland Council Group’s interim financial statements for the six month period ending 31 December 2019.

This letter also serves to ensure a clear understanding of the scope of our respective responsibilities with respect to this review engagement.

Agreement to be signed

On page 14 of this letter is an agreement that you need to sign. Your signature confirms that the details of the review engagement as described in this letter match your understanding of the arrangements for this review.

Please sign and return one copy of the letter to Athol Graham, Audit Director.
Details of the review engagement

You have requested that I conduct a review of Auckland Council Group’s Interim Financial Statements in accordance with the Review Engagement Standard NZ SRE 2410 issued by the External Reporting Board (the XRB).

Our review will be conducted with the objective of expressing my conclusion on the interim financial statements that, if unmodified, will be as follows:

“Based on my review, which is not an audit, nothing has come to my attention that causes me to believe that the Auckland Council Group’s interim financial statements do not:

- comply with generally accepted accounting practice in New Zealand in accordance with PBE IPSAS 34: Interim Financial Reporting; or
- present fairly, in all material respects:
  - Auckland Council Group’s financial position as at 31 December 2019; and
  - the results of its operations and cash flows for the six months ended on that date.”

The form and content of my conclusion may need to be amended in light of findings obtained from my review.

Scope of my responsibilities

My review of the interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. It is not designed to disclose defalcations or other irregularities and should not be relied on for that purpose. My work will be limited primarily to enquiries of Auckland Council and Auckland Council Group’s personnel responsible for financial and accounting matters, and applying analytical and other review procedures.

The procedures performed in a review are substantially less than those performed in an audit, and thus a review provides less assurance than an audit. I will not perform an audit and accordingly I will not express an audit opinion, nor the fulfilling of any other statutory audit or other requirements.

Note that the terms “auditor” and “audit team” are used throughout this letter, consistent with NZ SRE 2410, not because we are performing an audit function, but because we are performing this review in our role as the independent auditor of Auckland Council Group.
Scope of your responsibilities

It is understood and agreed that:

- you will provide all of the information relevant to the financial statements, and that is required for us to complete the review;
- you will provide all additional information that we may request for the purposes of the review;
- you will provide us with unrestricted access to staff from whom we determine it is necessary to obtain evidence;
- the responsibility for the preparation and fair presentation including the accuracy and completeness of the interim financial statements remains with you;
- the responsibility for such internal controls as management and those charged with governance deem necessary to enable the preparation of financial statements free from material misstatement remains with you;
- if our name is to be used in connection with any interim financial statements reviewed in terms of this engagement, you will ensure that our full report is attached and the limited extent of our review is clear when distributing the interim financial statements to third parties; and
- each page of the interim financial statements will be clearly marked “unaudited”.

Our review report will be prepared for your sole use. It should not be used for any other purpose, nor given to any other party without our prior written consent.

Auditor-General’s wider responsibilities

The Auditor-General has wider responsibilities to generally oversee the appropriate use of a public entity’s resources. As part of my review of Auckland Council Group’s interim financial statements I will maintain an alertness for such matters, although any observations are unlikely to affect my review report. Any observations will become part of my annual statutory audit of your financial statements.
Auckland Council Group

It is my understanding that the six month interim financial statements of the Auckland Council Group comprises Auckland Council (the Council), Other Council Controlled Organisations (CCOs) and other controlled entities as per Appendix 1 and the following significant components:

- Auckland Transport (CCO);
- Watercare Services Limited (CCO);
- Regional Facilities Auckland (CCO);
- Ports of Auckland Limited (POAL) (100% Council-owned entity).

We have also assessed City Rail Link Limited (CRL), which is a joint venture between the Council and the Crown, as significant to the Auckland Council Group’s interim financial statements.

Group instructions will be issued to the component auditors of the entities named above. These will specify the component information we require for our review of the Auckland Council Group’s interim financial statements.
Areas of review focus

This review will be carried out in accordance with the review engagement standards issued by the XRB. The specific objective of the engagement is that I be provided with sufficient assurance to enable me to state whether anything has come to my attention that causes me to believe that the interim financial statements do not fairly reflect the Auckland Council Group’s financial position, performance and cash flows for the period to 31 December 2019 (such as negative assurance).

The review is based on an understanding of the impact of any substantive changes in the Council and Auckland Council Group’s control environment with respect to the effectiveness of that control environment, together with analytical review procedures and enquiries of Council management, the Boards and management of the above listed significant components.

We will only carry out more extensive procedures should we, based on our work, have reason to believe that the interim financial statements of the Auckland Council Group do not fairly reflect the Group’s financial position, performance and cash flows. Prior to completing this work we will discuss any concerns with the Council. My specific areas of review focus are as follows.

Control environment

For the Council, the above listed significant components, we will update our understanding of the management control environment (MCE) to assess the controls in place. We will assess whether there have been any significant changes to the MCE. This will be based on enquiries of management, together with walkthroughs of relevant systems to confirm our understanding. Specifically, our review will encompass the overview aspects of the control environment, including:

- control consciousness and culture;
- governance structures and mechanisms;
- risk management;
- financial planning, reporting and monitoring;
- information systems environment; and
- legislative compliance monitoring and reporting.

Our review will also consider the adequacy of internal controls over the following key financial systems:

- expenditure;
- payroll;
- revenue;
• fixed assets;
• treasury (including accounting for derivatives); and
• general ledger reconciliations and journals.

We will not be performing compliance testing of key controls throughout the six month period to 31 December 2019, unless we have reason to believe that the systems of control have changed significantly, or are not operating as intended.

**Overall analytical review**

For the Council, the above listed significant components, we will make enquiries as to year to date performance compared to both budget and the prior year. We will consider the reasonableness of the Council’s explanations for any significant variances based on the supporting information they provide. The Council will need to ensure all significant variances are properly supported.

**Matters to be considered during the review**

We will specifically consider the following matters when expressing our conclusion. We have outlined what we expect the Council to do in relation to these matters which we will review when determining whether anything comes to our attention to indicate the valuation, recognition and related disclosures are not materially correct.

**Valuation of property, plant, and equipment**

*Fair value assessment of fixed assets*

Public Benefit Entity International Public Sector Accounting Standard 17 (PBE IPSAS 17), *Property, Plant and Equipment*, requires that valuations are carried out with enough regularity to ensure that the carrying amount does not differ materially from fair value.

Certain asset classes within the Group are currently revalued on a cyclical basis, or where there are indicators of a significant out-of-cycle change in fair value. The Council will need to determine whether any asset classes will need to be revalued at 31 December 2019.

If any classes of assets need to be revalued, we will work with management to agree the timing of the valuations and complete the review work required to ensure assets are reflected at fair value in the Auckland Council Group’s six month interim results.

Where necessary we will engage with the external valuers to ensure timely identification of current valuation issues.
Accounting for impairment and capitalisation of work in progress

Assets held at cost are required to be assessed for indicators of impairment on an annual basis. In addition, work in progress (WIP) values on projects that span an extended period of time should be assessed regularly for impairment over the period of the project.

The Auckland Council Group also needs to ensure that as phases of a project are completed, and assets become operational, capitalisation of the WIP balance occurs in a timely manner. This will ensure that depreciation expense on these assets is recognised and accounted for appropriately.

The Council will need to complete an assessment of impairment assets including all significant WIP balances.

Valuation of Investment Properties

The Council needs to ensure investment properties are properly classified, and valued in the financial statements in accordance with Public Benefit Entity International Public Sector Accounting Standard 16: Investment Property.

Valuation of derivatives

The Group uses a number of different types of derivative financial instruments to mitigate risks associated with foreign currency and interest rate fluctuations that affect the Group’s debt. There is a level of judgement required when valuing these derivatives and a level of sensitivity around the assumptions and rates used in the valuation. A small market movement in interest rates and foreign exchange rates can have a significant effect on the value of the derivatives and the consequential unrealised gain or loss that is recognised in the financial statements.

There is a risk that material movements during the period are not adequately explained in the interim financial statements. The Council should ensure that:

- processes applied to value the derivatives are designed and operating effectively;
- the methodology and source information applied in valuation models is appropriate;
- the valuations as at 31 December 2019 are materially correct; and
- significant fair value movements in derivatives during the period are appropriately explained in the interim financial statements.

Provisions

The Council relies on systems and processes for valuing and accounting for leaky building liabilities, including contingent liability disclosures and management will need to make an assessment of the effect of recent court cases and changes in assumptions within the period. We expect the provision as at 31 December 2019 to be based on updated assessments by the Council’s weathertightness actuaries and legal advisors.
The Council will need to ensure the arrangements between the Council, ASB, and Eden Park Trust Board in relation to the outstanding bank loan previously guaranteed by the Council are correctly accounted for.

Crown Funding Initiatives

The Council has recently engaged with the Crown in a number of funding initiatives:

- **Housing Infrastructure Fund (HIF):** On 21 September 2018 the Crown announced an agreement with Auckland Council to provide a 10-year interest free loan facility of up to $339.2 million to support infrastructure projects in Redhills and Whenuapai. We understand both parties have now signed the agreement but funds have not yet been drawn down.

- **Crown Infrastructure Partners:** On 24 October 2018, the Council entered into several agreements with Crown Infrastructure Partners (CIP), CIP subsidiaries, and Fulton Hogan to formalise a partnership to fund $91 million of bulk infrastructure to support the building of 9000 homes at Wainui, north of Auckland. Under these agreements, the Council entered into a capital commitment to fund $25 million of infrastructure between late 2019 and 2022, which will eventually be vested back to the Council. This capital commitment was included in the total capital commitments disclosed at 30 June 2019. Aside from the capital commitments, the key financial arrangements and obligations are between CIP and the developer, with the Council to act only as an agent to collect funds from landowners on behalf of CIP.

- **Regional Fuel Tax:** The Auckland Regional Fuel Tax became collectable on 1 July 2018. The New Zealand Transport Agency (NZTA) collects the tax, coordinates reimbursements and passes the net tax onto the Council.

The Council should ensure:

- any HIF funds drawn down as at 31 December 2019, have been fairly reflected and disclosed in the interim financial statements;

- amounts collected on behalf of CIP, and any commitments arising from these arrangements, are accurately classified, accounted for and disclosed in the interim financial statements;

- Regional Fuel Tax collected by NZTA on behalf of council is accurately classified, accounted for and disclosed in the interim financial statements.

**City Rail Link Limited**

The Council should ensure its investment in CRLL is appropriately accounted for within the interim financial statements, and that related contingency and commitments disclosures are materially correct.
New accounting standards

The new accounting standards, PBE IPSASs 34 to 38 are effective for financial years beginning on or after 1 January 2019. This means that these standards should be applied in preparing the interim financial statements.

The Council has analysed the impact of adopting these standards for the Group. We have provided initial feedback on the Council’s analysis. The Council is still working through the additional information requirements we identified.

Once received, we will review the Council Group’s assessment of the impact of adopting PBE IPSASs 34 to 38, and the application of these standards in the interim financial statements.

Treasury and funding management

As the Auckland Council Group continues its debt programme, it needs to ensure that debt levels and interest exposure remain within its policy settings, and that all debt and associated instruments are valued and accounted for correctly.

To gain assurance over the valuation of financial instruments, borrowings and compliance with policy limits, we will update our understanding of the Council’s systems and processes for:

- managing the treasury function, including borrowing and cash flow management; and
- valuing and accounting for financial instruments, borrowing and hedges (including the Council’s reconciliations to counterparty valuations as at 31 December 2019).

We will review the accounting treatment and disclosure for financial liabilities to assess compliance with the applicable standards.

Management override of controls

Management is in a powerful position to perpetrate fraud due to its ability to override controls that appear to be operating effectively.

We will maintain an awareness for the risk of management override of controls as we perform our review procedures, including controls assessment and analytical review.

Rates

In compliance with PBE IPSAS 23, the Council’s annual rates revenue must be recognised from the date of issuing the rating notices for the 2019/20 financial year, and appropriately discounted for rates yet to be received.

---

1PBE IPSAS 34 Separate financial statements, PBE IPSAS 35 Consolidated financial statements, PBE IPSAS 36 Investments in associates and joint ventures, PBE IPSAS 37 Joint arrangements, and PBE IPSAS 38 Disclosures of interests in other entities
We will review the classification and accounting for 2019/20 rates as at 31 December 2019, including undertaking a review of the discount rate applied and the underlying assumptions used.

Legislative compliance

We understand that the Council’s legal team will complete a comprehensive internal legal review over the interim financial statements. We also understand this will address compliance with applicable legislation; which includes compliance with NZ stock exchange reporting rules (including continuous disclosure requirements). We will follow up on completion of this work and sign-off by your legal team.
Engagement logistics

Review team

Our engagement team has been selected to ensure that we have the right subject matter expertise and sector knowledge. Each member of the engagement team has received tailored training to develop their expertise.

Our senior team members are as follows.

Office of the Auditor-General (OAG)

| Greg Scholium | Deputy Auditor-General |
| To be confirmed | Sector Manager |

Audit New Zealand

| Athol Graham | Engagement Director |
| Andy Burns | Engagement Quality Control Director |
| Claudia Brink/Lauren Clark | Audit Managers |
| Jasdeep Singh | Supervisor |
| Alan Clifford | Information Systems Director |
| Jason Biggins | Tax Director |

The component auditors involved in the management of the review engagement of the significant components are as follows:

| Auckland Transport | | Appointed Auditor |
| Watercare Services Limited | Carl Wessels (Audit NZ) |
| Regional Facilities Auckland | Brett Tomkins (Deloitte) |
| Ports of Auckland | David Walker (Audit NZ) |
| City Rail Link Limited | Brett Tomkins (Deloitte) |
| | TBC |
**Timetable**

Our proposed timetable is:

<table>
<thead>
<tr>
<th>Description</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proforma Interim Report</td>
<td>15 November 2019</td>
</tr>
<tr>
<td>The Council review of controls fieldwork commences</td>
<td>11 November 2019</td>
</tr>
<tr>
<td>CCO review of controls fieldwork commences (varies)</td>
<td>November and December 2019</td>
</tr>
<tr>
<td>The Council and CCO reporting packs available (balance sheet and profit and loss only)</td>
<td>15 January 2020</td>
</tr>
<tr>
<td>The Council and CCO review teams commence review of reporting packs and final Trial Balance</td>
<td>15 January 2020</td>
</tr>
<tr>
<td>The Council and CCO reporting packs available (complete except for cash flow statement)</td>
<td>20 January 2020</td>
</tr>
<tr>
<td>Cash flow statement for the Council</td>
<td>23 January 2020</td>
</tr>
<tr>
<td>CCO signoff of reporting packs</td>
<td>23 January 2020</td>
</tr>
<tr>
<td>The Council signoff of reporting pack</td>
<td>28 January 2020</td>
</tr>
<tr>
<td>Auckland Council Group consolidation review available (balance sheet and profit and loss only)</td>
<td>8am 4 February 2020</td>
</tr>
<tr>
<td>Auckland Council Group consolidation review available (including cash flow, variance commentary and operating cash reconciliation)</td>
<td>10 February 2020</td>
</tr>
<tr>
<td>Full draft Auckland Council Group Interim Financial Statements available</td>
<td>12 February 2020</td>
</tr>
<tr>
<td>Draft NZX Preliminary release available</td>
<td>12 February 2020</td>
</tr>
<tr>
<td>Full final Auckland Council Group interim report available (including AIAL adjustment)</td>
<td>8am 18 February 2020</td>
</tr>
<tr>
<td>NZX announcement including AIAL adjustment available</td>
<td>8am 18 February 2020</td>
</tr>
<tr>
<td>Verbal clearance</td>
<td>24 February 2020</td>
</tr>
<tr>
<td>Draft Management Report issued</td>
<td>28 February 2020</td>
</tr>
<tr>
<td>Review report issued</td>
<td>28 February 2020</td>
</tr>
</tbody>
</table>

A more detailed schedule of our requirements is included at Appendix 3.
Fees

Our fee for the review of the Auckland Council Group’s interim financial statements is $121,816 (GST exclusive) plus disbursements.

Note: Each significant component (excluding the legacy CCOs) will agree and pay their own fees for the review of their interim period consolidated reporting pack with their respective Appointed Auditor.

We expect this to be a maximum fee estimate. If actual costs are less than the fee estimate we will only invoice for actual costs incurred. Should actual costs unexpectedly significantly exceed my initial expectation outlined above we will seek to recover the actual costs incurred from the Council. This will be discussed with you before billing any additional costs.

The fee assumes:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance; and
- the draft reporting pack, consolidation, and interim financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable and will be subjected to appropriate levels of quality review before being provided to us.

We wish to interim bill as work progresses. We propose the following billing arrangements:

<table>
<thead>
<tr>
<th>Month</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 2019</td>
<td>30,000</td>
</tr>
<tr>
<td>January 2020</td>
<td>60,000</td>
</tr>
<tr>
<td>February 2020</td>
<td>31,816</td>
</tr>
<tr>
<td>Total</td>
<td>121,816</td>
</tr>
</tbody>
</table>

Disbursements incurred are charged on an actual and reasonable basis.

Please see Appendix 2 for more details on the expected team hours and fee calculation.
Agreement

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for this review.

If there are any matters requiring further clarification, please contact Athol Graham on 021 222 8211.

Yours sincerely

Greg Schollum
Deputy Auditor-General

We acknowledge that this letter is in accordance with our understanding of the arrangements of the review engagement.

__________________________________________ Date
Hon Phil Goff
Mayor of Auckland

__________________________________________ Date
Stephen Town
Chief Executive
Appendix 1: Other CCOs and other controlled entities

- Panuku Development Auckland Limited (CCO);
- Auckland Tourism, Events and Economic Development Limited (CCO); and
- Community Education Trust Auckland (COMET).
- Highbrook Park Trust.
- Manukau Beautification Charitable Trust.
- Te Tuhi Contemporary Art Trust (formerly Pakuranga Arts and Cultural Trust).
- Te Puru Community Charitable Trust.
- North Shore Heritage Trust.
- Mt Albert Grammar School Community Swimming Pool Trust.
- Arts Regional Trust.
- Auckland Regional Migrant Services Charitable Trust.
- Keep Waitakere Beautiful Trust.
- Mangere Mountain Trust.
- Te Motu (Puketutu) Governance Trust.
- North Tugz Limited.
- Waste Disposal Services.
- PortConnect Limited.
- New Zealand Food Innovation Auckland Limited.
- New Lynn Central Limited Partnership.
- Tamaki Redevelopment Company Limited.
- Longburn Intermodal Freight Hub Limited.
- Haumaru Housing Limited Partnership.
- Auckland International Airport Limited (22% shareholding).
Appendix 2: Team mix and hours

Auckland Council Group

<table>
<thead>
<tr>
<th>Role</th>
<th>Total hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appointed Auditor</td>
<td>70</td>
</tr>
<tr>
<td>Review Director</td>
<td>10</td>
</tr>
<tr>
<td>Audit Manager</td>
<td>100</td>
</tr>
<tr>
<td>Tax Director</td>
<td>10</td>
</tr>
<tr>
<td>Other staff (CA qualified and not yet CA qualified)</td>
<td>510</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>700</strong></td>
</tr>
</tbody>
</table>

Fee calculations

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fee</td>
<td>121,816</td>
</tr>
<tr>
<td>Estimated disbursements*</td>
<td>5,500</td>
</tr>
<tr>
<td><strong>Total fee (Including disbursements)</strong></td>
<td>127,316</td>
</tr>
<tr>
<td>GST</td>
<td>19,097</td>
</tr>
<tr>
<td><strong>Review Engagement fee for the 31 December 2019 interim financial statements</strong></td>
<td><strong>146,413</strong></td>
</tr>
</tbody>
</table>

*Our estimate of disbursements, including travel and the cost of obtaining expert valuations for derivatives, is $5,500. Should actual and reasonable disbursements exceed that estimate for reasons beyond our control, we may seek to recover those additional costs.
Appendix 3: Detailed schedule of requirements for the review engagement

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Date (by midday unless specified)</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Auckland Council</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pro forma Interim Report</td>
<td>15 November 2019</td>
<td></td>
</tr>
<tr>
<td><strong>Auckland Council Parent</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parent (the Council) Reporting pack balance sheet and profit and loss to Audit New Zealand.</td>
<td>15 January 2020</td>
<td></td>
</tr>
<tr>
<td>Balance sheet reconciliations for all balance sheet accounts, reviewed by Financial Control.</td>
<td>15 January 2020</td>
<td></td>
</tr>
<tr>
<td>Remainder of reporting pack (excluding cash flow statement) to Audit New Zealand, including variance explanations as below.</td>
<td>20 January 2020</td>
<td></td>
</tr>
<tr>
<td><strong>Variance explanations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Balance sheet variance explanations: variance explanations for variances over (the greater of) $2 million/10% compared to comparative period (30 June 2019).</td>
<td>20 January 2020</td>
<td></td>
</tr>
<tr>
<td>• Variance explanations for YTD capital spend (PPE and Intangibles) and debt compared to YTD planned budget: variance explanations for variances over (the greater of) $2 million/10%.</td>
<td>20 January 2020</td>
<td></td>
</tr>
<tr>
<td>• Profit and Loss variance explanations: variance explanations for variances over $2 million/10% compared to budget (first year of the 2018-2028 Long-Term Plan) and comparative period (31 December 2018).</td>
<td>20 January 2020</td>
<td></td>
</tr>
<tr>
<td>Reconciliation of budget comparatives to first year of the 2018-28 Long-Term Plan. This includes explanations of phasing and revisions to the budget.</td>
<td>23 January 2020</td>
<td></td>
</tr>
<tr>
<td>Complete Parent reporting pack including cash flows to Audit New Zealand.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Requirement</td>
<td>Date (by midday unless specified)</td>
<td>Responsibility</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>-----------------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td><strong>Financial Instruments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Working papers for financial instruments (cash, investments, borrowings, and derivative instruments) including reconciliations to third party valuations/confirmations.</td>
<td>16 January 2020</td>
<td></td>
</tr>
<tr>
<td>• Impairment assessment for investments.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Debtors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Details of provision for doubtful debts calculation as at 31 December 2019.</td>
<td>5 February 2020</td>
<td></td>
</tr>
<tr>
<td>• Schedule of debtors written off during the period.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• File note on cut off procedures for revenue/debtors for the period to 31 December 2019.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Creditors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• File note on cut off procedures for expenditure / Accounts Payable for the period to 31 December 2019.</td>
<td>23 January 2020</td>
<td></td>
</tr>
<tr>
<td><strong>Rates Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workings on discounting of rate debtors</td>
<td></td>
<td>3 February 2020</td>
</tr>
<tr>
<td><strong>Provisions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Movement schedule for the period 30 June 2019 to 31 December 2019.</td>
<td>20 January 2020</td>
<td></td>
</tr>
<tr>
<td>• Weathertightness assessment as at 31 December 2019 (including reference to actuary’s assessment).</td>
<td>23 January 2020</td>
<td></td>
</tr>
<tr>
<td>• Management’s assessment of the effect of any recent court cases;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Supporting schedule for contaminated land provision including use of provisions.</td>
<td>17 January 2020</td>
<td></td>
</tr>
</tbody>
</table>
## Requirement | Date (by midday unless specified) | Responsibility
--- | --- | ---
**PPE: Parent**
- Movement schedule for the period 30 June 2019 to 31 December 2019, outlining additions, disposals, and depreciation. | 13 January 2020 |
- Reconciliation to the fixed asset register. | 13 January 2020 |
- Fair value assessment as at 31 December 2019. | 16 December 2019 |
- Impairment assessment as at 31 December 2019. | 18 December 2019 |
- Capital budget comparison to actual, with explanations for significant variances (over $2 million/10%). | 20 January 2020 |
- WIP reports as at 31 December 2019. | 13 January 2020 |
**Investment property: Parent**
- Movement schedule for the period 30 June 2019 to 31 December 2019, outlining additions and disposals. | 13 January 2020 |
- Fair value assessment as at 31 December 2019. | 16 December 2019 |
**Intangibles: Parent**
- Movement schedule for the period 30 June 2019 to 31 December 2019, outlining additions, disposals, and amortisation. | 13 January 2020 |
- Impairment assessment for intangibles as at 31 December 2019. | 18 December 2019 |
- Capital budget comparison to actual, with explanations for significant variances (over $2 million/10%). | 20 January 2020 |
- WIP reports as at 31 December 2019. | 13 January 2020 |
**Subsidiaries**
- Inter-company confirmations matrix agreed with all CCOs. | 24 January 2020 |
<table>
<thead>
<tr>
<th>Requirement</th>
<th>Date (by midday unless specified)</th>
<th>Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Payroll</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• A reconciliation of the payroll system and the general ledger for the period to 31 December 2019.</td>
<td>17 January 2020</td>
<td></td>
</tr>
<tr>
<td>• Schedule of any major changes (for example, wage increases) since 30 June 2019 and effective date.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• List of severances, redundancies and bonuses paid since 30 June 2019.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Minutes</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Council and relevant sub-committee confidential minutes for the period ended 31 December 2019 and all subsequent minutes up to the date the review opinion is signed.</td>
<td>Ongoing to date of review opinion</td>
<td></td>
</tr>
<tr>
<td><strong>Consolidation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group consolidation file to Audit New Zealand excluding cash flow and variance explanations.</td>
<td>4 February January 2020 – 8am</td>
<td></td>
</tr>
<tr>
<td>Completed Group consolidation file to Audit New Zealand including cash flow and cash flow proof, including variance explanations as below.</td>
<td>10 February 2020</td>
<td></td>
</tr>
<tr>
<td><strong>Variance explanations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Balance sheet variance explanations: variance explanations for variances over (the greater of) $2 million /10% compared to budget (first year of the 2018-2028 Long-Term Plan) and comparative period (30 June 2019).</td>
<td>10 February 2020</td>
<td></td>
</tr>
<tr>
<td>• Profit and Loss variance explanations: variance explanations for variances over $2 million/10% compared to budget (first year of the 2018-2028 Long-Term Plan) and comparative period (31 December 2018).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group financial statements to Audit New Zealand.</td>
<td>12 February 2020</td>
<td></td>
</tr>
<tr>
<td>Draft NZX preliminary release to Audit New Zealand.</td>
<td>12 February 2020</td>
<td></td>
</tr>
<tr>
<td>Full final Group interim report and NZ Announcement to Audit New Zealand (including AI/AL adjustment).</td>
<td>18 February 2020 8:00am</td>
<td></td>
</tr>
<tr>
<td>Requirement</td>
<td>Date (by midday unless specified)</td>
<td>Responsibility</td>
</tr>
<tr>
<td>-------------</td>
<td>----------------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td><strong>Cash flow statement</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash flow proof to support Group cash flow statement based on profit and loss and movement between balance sheet accounts.</td>
<td>10 February 2020</td>
<td></td>
</tr>
<tr>
<td><strong>PPE: Group</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value assessment as at 31 December 2019.</td>
<td>10 February 2020</td>
<td></td>
</tr>
<tr>
<td><strong>Investment property: Group</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value assessment as at 31 December 2019.</td>
<td>10 February 2020</td>
<td></td>
</tr>
<tr>
<td><strong>Contingencies</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Legal representation for the Auckland Council Group.</td>
<td>5 February 2020</td>
<td></td>
</tr>
<tr>
<td>• A schedule of matters (including financial guarantees) which are either new or have significantly changed from those matters identified in the legal representations made for the financial year ended 30 June 2019, as prepared and signed off by the Council’s Legal and Risk Director.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Legal sign off</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Confirmation of legal review and sign off on the Interim release.</td>
<td>18 February 2020</td>
<td></td>
</tr>
</tbody>
</table>
25 November 2019

Hon Phil Goff
Mayor of Auckland
Auckland Council
Private Bag 92300
Victoria Street West
Auckland 1142

Dear Hon Phil Goff

Audit Engagement Letter

The Auditor-General is the auditor of all “public entities”, including Auckland Council (the Council) and Group, under section 14 of the Public Audit Act 2001 (the Act). I will be using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audits of the Council’s separate and consolidated group financial statements and performance information on behalf of the Auditor-General.

This letter outlines, for the three years ending 30 June 2020, 2021 and 2022:

- the terms of the audit engagement and the nature, and limitations, of the annual audit; and
- the respective responsibilities of the Governing Body of the Council and me for the financial statements and performance information.

The objectives of the annual audit are:

- to provide an independent opinion on the Council and consolidated Group’s financial statements and performance information; and
- to report on other matters relevant to the Council and Group’s financial and other management systems that come to my attention, need improvement or are significant (for example, non-compliance with statutory obligations or a lack of probity).

My audit will be carried out in accordance with the Auditor-General’s Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board (collectively the Auditing Standards). They require that I comply with ethical requirements, and plan and perform the annual audit to obtain reasonable assurance about whether the Council and group’s financial statements and performance information are free from material misstatement.
Your responsibilities

My audit will be carried out on the basis that the Council, as the governing body, acknowledges that it has responsibility for:

- preparing the financial statements and performance information in accordance with any applicable legal requirements, including the Financial Markets Conduct Act 2013, the Local Government Act 2002 and financial reporting standards;

- the establishment and maintenance of adequate accounting records and having such internal control as you determine is necessary, and as required by the Financial Markets Conduct Act 2013, to enable you to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error;

- ensuring that registers are kept, and audited by a qualified auditor, for all regulated products as required by the Financial Markets Conduct Act 2013;

- filing the audited financial statements in the manner and within the timeframe specified by the Financial Markets Conduct Act 2013; and

- providing me with:
  - access to all information of which the Council is aware that is relevant to preparing the financial statements and performance information such as records, documentation, and other information;
  - all other information, in addition to the financial statements and performance information, to be included in the annual report;
  - additional information that I may request from the Council for the purpose of the audit;
  - unrestricted access to the Council members and employees that I consider necessary; and
  - written confirmation concerning representations made to me in connection with the audit.

In addition, the Council is responsible for:

- the preparation of the summary financial statements and summary performance information in accordance with the applied criteria;

- making the audited summary financial statements and summary performance information readily available to the intended users of that information without undue difficulty; and

- including my audit report on the summary financial statements and summary performance information in any document that contains that information and that indicates that I have reported on them.

The Council’s responsibilities extend to all resources, activities, and entities under its control.
I expect that the Council will ensure:

- the resources, activities, and entities under its control have been operating effectively and efficiently;
- it has complied with its statutory obligations including laws, regulations, and contractual requirements;
- it has carried out its decisions and actions with due regard to minimising waste;
- it has met Parliament’s and the public’s expectations of appropriate standards of behaviour in the public sector in that it has carried out its decisions and actions with due regard to probity; and
- its decisions and actions have been taken with due regard to financial prudence.

I expect the Council and/or the individuals within the Council with delegated authority, to immediately inform me of any suspected fraud, where there is a reasonable basis that suspected fraud has occurred – regardless of the amount involved. Suspected fraud also includes instances of bribery and/or corruption.

The Council should have documented policies and procedures to support its responsibilities. It should also regularly monitor performance against its objectives.

The Council has certain responsibilities relating to the preparation of the financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Appendix 1. Appendix 2 contains some additional responsibilities relating to the health and safety of audit staff. I assume that members of the Council are familiar with those responsibilities and, where necessary, have obtained advice about them.

**My responsibilities**

**Carrying out the audit**

I am responsible for forming an independent opinion on whether the financial statements of the Council and consolidated Group:

- present fairly, in all material respects:
  - its financial position; and
  - its financial performance and cash flows for the financial year; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity accounting standards.
I am also responsible for forming an independent opinion on whether the performance information of the Council and consolidated Group:

- presents fairly, in all material respects, the level of service for each group of activities for the financial year, including:
  - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
  - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
  - complies with generally accepted accounting practice in New Zealand.

In addition, I am also responsible for reporting on whether or not the Council and Group has complied with:

- the requirements of schedule 10 of the Local Government Act 2002 as they relate to the annual report; and
- the completeness and accuracy of the disclosures about performance against benchmarks required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements and performance information. How I obtain this information depends on my auditors’ judgement, including my assessment of the risks of material misstatement of the financial statements and performance information, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements and performance information.

I do not examine every transaction, nor do I guarantee complete accuracy of the financial statements and performance information. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the Auditing Standards.

During the audit, I consider internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council’s internal controls.

Please note that the audit does not relieve the Council of its responsibilities. I expect members of the Council to be familiar with those responsibilities and, where necessary, to have obtained advice about them.

However, I will communicate to you in writing about any significant deficiencies in internal control relevant to the audit of the financial statements and performance information that I identified during the audit.
My audit team is required to be alert for issues of:

- effectiveness and efficiency — in particular, how the Council and Group carried out their activities;
- non-compliance with laws, regulations and contractual requirements;
- waste — in particular, whether the Council and Group obtained and applied the resources of the Council and Group in an economical manner, and whether any resources are being wasted;
- a lack of probity — in particular, whether the Council and the Group have met Parliament’s and the public’s expectations of appropriate standards of behaviour in the public sector; and
- a lack of financial prudence.

In addition to my other duties set out in this letter, there are circumstances where I may be required under the Financial Markets conduct Act 2013 and the Financial Markets Conduct Regulations 2014 to report certain matters to the Financial Markets Authority, the supervisor (if applicable), the External Reporting Board and others.

In particular, if my independent opinion on the financial statements indicates that the requirements of Part 7 of the Financial Markets Conduct 2013, which deals with financial reporting, have not been complied with, I am required to send, within seven working days after signing my audit report, a copy of the report, and a copy of the financial statements to which it relates to the Financial Markets Authority and the External Reporting Board. Where debt securities are issued I am also required to send my audit report to the supervisor.

Under the Financial Markets Conduct Regulations 2014, if specifically requested by the supervisor, I am required to meet with the supervisor at the beginning and completion of the audit without any representative of the Council being present.

Any further work to be completed as a result of the above meetings or in terms of any other requests I receive from Councillors or employees of the Council and Group and/or the supervisor will be addressed in a separate letter of engagement.

It is expressly agreed that fulfilling any of the reporting or meeting requirements under the Financial Markets Conduct Act 2013 and the Financial Markets Conducts Regulations 2014 will not result in a breach of my duty of confidentiality or any other ethical duty I may have towards the Council.

**Significant components**

I have currently assessed three substantive Council Controlled Organisations (CCOs) as material to the group, due to their financial significance, the nature of their services and activities, or both.
These are:

- Auckland Transport (AT);
- Watercare Services Limited (Watercare);
- Regional Facilities Auckland (RFA);

On behalf of the Auditor-General, and in line with my instructions to them, component auditors shall perform an audit of the financial and service performance information of the Council’s substantive CCOs which will be consolidated into the Auckland Council and Group’s annual report.

We have also assessed City Rail Link Limited (CRL), which is a joint venture between the Council and the Crown, as significant to the Council and Group financial statements as well as Ports of Auckland Limited (POAL) which is a 100% Council-owned entity.

During the audit I will evaluate whether sufficient appropriate evidence has been obtained and communicated to me by component auditors to allow me to form a group audit opinion.

My independence

It is essential that I and my audit team and Audit New Zealand remain both economically and attitudinally independent of the Council (including management and the Governing Body of the Council). This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with integrity, objectivity and independence.

To protect my independence, specific limitations are placed on me in accepting engagements with the Council other than the annual audit. I may accept certain types of other engagements, subject to the requirements of the Auditor-General’s Auditing Standards. Any such other engagements must be the subject of a separate written arrangement between the Council, and me or Audit New Zealand.

Reporting

I will issue an independent audit report that will be attached to the financial statements and performance information. This report contains an opinion that provides readers with reasonable assurance on whether the financial statements and performance information have been prepared in accordance with legal requirements, are free from material misstatements, and comply with financial reporting standards. It may also contain comment on matters such as:

- key audit matters which are those matters that, in my professional judgement, were of most significance in the audit of the financial statements and performance information in the current period and are selected from matters communicated to the Council’s Audit and Risk Committee; and

- compliance with statutory obligations and other matters that I consider may be of interest to the readers of the audit report.

In addition, I will issue an audit report that will be attached to the summary financial statements and summary performance information. This audit report will contain an opinion that provides the same
level of assurance as the audit report on the full financial statements and full performance information.

I will also issue a report to the Council. This report communicates any matters that come to my attention during the audit that, in my opinion, are relevant to the Council (for example, internal control weaknesses, probity matters, or compliance with statutory obligations). I may also provide other management letters to the Council from time to time. I will inform the Council of any other management letters I have issued.

Please note that the Auditor-General or Deputy Auditor-General may publicly report matters that are identified in the annual audit, in keeping with section 21 of the Public Audit Act 2001.

Next steps

Please acknowledge receipt of this letter and the terms of the audit engagement by signing the enclosed copy of the letter in the space provided and returning it to me. The terms will remain effective until a new Audit Engagement Letter is issued. If you have any questions about the audit generally, or have any concerns about the quality of the audit, you should contact me as soon as possible.

If you require any further information, or wish to discuss the terms of the audit engagement further before replying, please do not hesitate to contact me.

Yours faithfully

Greg Schollum
Deputy Auditor-General

I acknowledge the terms of this engagement and that I have the required authority on behalf of the Council.

Signature: ........................................... Date: ...........................................
Hon Phil Goff
Mayor of Auckland
Appendix 1: Respective specific responsibilities of the Council and the Auditor

<table>
<thead>
<tr>
<th>Responsibilities of the Council</th>
<th>Responsibility of the Auditor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsibilities for the financial statements and performance information</td>
<td>I and my auditors are responsible for carrying out an annual audit, and to form an opinion on whether the Council’s financial statements and performance information have been prepared in accordance with legal requirements, comply with generally accepted accounting practice in New Zealand, and present fairly, in all material respects the position and performance of the Council.</td>
</tr>
<tr>
<td>You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards. Specifically Part 7 of the Financial Markets Conduct Act 2013 specifies the financial reporting requirements placed on the Council. You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information. You are required by legislation to prepare the financial statements and performance information and provide that information to me before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, I am dependent on receiving the financial statements and performance information ready for audit and in enough time to enable the audit to be completed. “Ready for audit” means that the financial statements and performance information have been prepared in accordance with legal requirements and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.</td>
<td>I will also read the other information accompanying the financial statements and performance information and consider whether there are material inconsistencies with the audited financial statements and performance information.</td>
</tr>
<tr>
<td>Responsibilities of the Council</td>
<td>Responsibility of the Auditor</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>Materiality is one of the main factors affecting my judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, I aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in my judgement, are likely to influence the audit report addressee's overall understanding of the financial statements and performance information.</td>
<td></td>
</tr>
<tr>
<td>If I find material misstatements that are not corrected, they will be referred to in the audit opinion. My preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion. An audit also involves evaluating:</td>
<td></td>
</tr>
<tr>
<td>• the appropriateness of accounting policies used and whether they have been consistently applied;</td>
<td></td>
</tr>
<tr>
<td>• the reasonableness of the significant accounting estimates and judgements made by those charged with governance;</td>
<td></td>
</tr>
<tr>
<td>• the appropriateness of the content and measures in any performance information;</td>
<td></td>
</tr>
<tr>
<td>• the adequacy of the disclosures in the financial statements and performance information; and</td>
<td></td>
</tr>
<tr>
<td>• the overall presentation of the financial statements and performance information.</td>
<td></td>
</tr>
<tr>
<td>I will ask you for written confirmation of representations made about the financial statements and performance information. In particular, I will seek confirmation that:</td>
<td></td>
</tr>
<tr>
<td>• the adoption of the going concern basis of accounting is appropriate;</td>
<td></td>
</tr>
<tr>
<td>• all material transactions have been recorded and are reflected in the financial statements and performance information;</td>
<td></td>
</tr>
</tbody>
</table>
### Responsibilities of the Council

<table>
<thead>
<tr>
<th>Responsibilities of the Council</th>
<th>Responsibility of the Auditor</th>
</tr>
</thead>
<tbody>
<tr>
<td>- all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to me; and</td>
<td>- enable the Council's financial position to be determined with reasonable accuracy at any time;</td>
</tr>
<tr>
<td>- uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information.</td>
<td>- enable you to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and</td>
</tr>
<tr>
<td>Any representation made does not in any way reduce my responsibility to perform appropriate audit procedures and enquiries.</td>
<td>- are in keeping with the requirements of the Commissioner of Inland Revenue.</td>
</tr>
<tr>
<td>We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non-receipt or condition of the financial statements and performance information, or for some other reason beyond our control, as soon as possible after that.</td>
<td>I will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</td>
</tr>
<tr>
<td>The work papers that we produce in carrying out the audit are the property of the Auditor-General. Work papers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.</td>
<td>If, in my opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, I will need to consider the effect on the audit opinion.</td>
</tr>
</tbody>
</table>
## Responsibilities of the Council

<table>
<thead>
<tr>
<th>Responsibilities for accounting and internal control systems</th>
</tr>
</thead>
<tbody>
<tr>
<td>You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the Council), supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of financial and performance information reporting.</td>
</tr>
</tbody>
</table>

## Responsibility of the Auditor

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The annual audit is not designed to identify all significant weaknesses in your accounting and internal control systems. We will review the accounting and internal control systems only to the extent required to express an opinion on the financial statements and performance information.</td>
</tr>
<tr>
<td>I will report to you separately on any significant weaknesses in the accounting and internal control systems that come to my notice and that I consider may be relevant to you. Any such report will provide constructive recommendations to assist you to address those weaknesses.</td>
</tr>
</tbody>
</table>

## Responsibilities for preventing and detecting fraud and error

<p>| |</p>
<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The responsibility for the prevention and detection of fraud and error rests with you, through the implementation and continued operation of adequate internal control systems (appropriate to the size of the Council) supported by written policies and procedures.</td>
</tr>
<tr>
<td>I expect you to formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with. Fraud also includes bribery and corruption.</td>
</tr>
<tr>
<td>I expect you to consider reporting all instances of actual, suspected, or alleged fraud to the appropriate law enforcement agency, which will decide whether proceedings for a criminal offence should be instituted. I expect you to immediately inform me of any suspected fraud where you, and/or any individuals within the Council with delegated authority have a reasonable basis that suspected fraud has occurred—regardless of the amount involved.</td>
</tr>
<tr>
<td>I design my audit to obtain reasonable, but not absolute, assurance of detecting fraud or error that would have a material effect on the financial statements and performance information. I will review the accounting and internal control systems only to the extent required for them to express an opinion on the financial statements and performance information, but I will:</td>
</tr>
<tr>
<td>• obtain an understanding of internal control and assess its ability for preventing and detecting material fraud and error; and</td>
</tr>
<tr>
<td>• report to you any significant weaknesses in internal control that come to my notice.</td>
</tr>
<tr>
<td>My auditors will immediately advise me of all instances of actual, suspected, or alleged fraud.</td>
</tr>
<tr>
<td>As part of the audit, you will be asked for written confirmation that you have disclosed all known instances of actual, suspected, or alleged fraud to me.</td>
</tr>
<tr>
<td>If I become aware of the possible existence of fraud, whether through applying audit procedures, advice from you, or management, or by any other means, I will communicate this to you with the expectation that you will consider whether it is appropriate to report the fraud to the relevant law enforcement agency. In the event that you do not report the fraud to the relevant law enforcement agency, I will consider doing so, if it is appropriate for the purposes of protecting the interests of the public.</td>
</tr>
</tbody>
</table>
### Responsibilities of the Council

<table>
<thead>
<tr>
<th>Responsibilities of the Council</th>
<th>Responsibility of the Auditor</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Responsibilities for compliance with laws and regulations</strong></td>
<td></td>
</tr>
<tr>
<td>You are responsible for ensuring that the Council has systems, policies, and procedures (appropriate to the size of the Council) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of the Council are complied with. Such systems, policies, and procedures should be documented.</td>
<td>I will obtain an understanding of the systems, policies, and procedures put in place for the purpose of ensuring compliance with those legislative and regulatory requirements that are relevant to the audit. My consideration of specific laws and regulations will depend on a number of factors, including:</td>
</tr>
<tr>
<td>• the relevance of the law or regulation to the audit;</td>
<td>• the relevance of the law or regulation to the audit;</td>
</tr>
<tr>
<td>• my assessment of the risk of non-compliance; and</td>
<td>• my assessment of the risk of non-compliance; and</td>
</tr>
<tr>
<td>• the impact of non-compliance for the addressee of the audit report.</td>
<td>• the impact of non-compliance for the addressee of the audit report.</td>
</tr>
</tbody>
</table>

The way in which I will report instances of non-compliance that come to my attention will depend on considerations of materiality or significance. I will report to you all material and significant instances of non-compliance.

I will also report to you any significant weaknesses that I observe in internal control systems, policies, and procedures for monitoring compliance with laws and regulations.
<table>
<thead>
<tr>
<th>Responsibilities of the Council</th>
<th>Responsibility of the Auditor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsibilities to establish and maintain appropriate standards of conduct and personal integrity</td>
<td>I will have regard to whether you maintain high standards of conduct and personal integrity – particularly in matters relating to financial management and accountability. Specifically, I will be alert for significant instances where members and employees of the Council may not have acted in accordance with the standards of conduct and personal integrity expected of them. The way in which I will report instances that come to my attention will depend on significance. I will report to you all significant departures from expected standards of conduct and personal integrity that come to my attention during the audit. At my discretion and with consideration of its significance, I may decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, I may decide to publicly report the matter without carrying out a performance audit or inquiry.</td>
</tr>
<tr>
<td>You should at all times take all practicable steps to ensure that your members and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a “Code of Conduct” and, where applicable, support the “Code of Conduct” with policies and procedures. The expected standards of conduct and personal integrity should be determined by reference to accepted “Codes of Conduct” that apply to the public sector.</td>
<td></td>
</tr>
<tr>
<td>Responsibilities for conflicts of interest and related parties</td>
<td>To help determine whether my members and employees have carried out their duties free from bias, I will review information provided by you that identifies related parties, and will be alert for other material related-party transactions. Depending on the circumstances, I may enquire whether you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.</td>
</tr>
<tr>
<td>You should have policies and procedures to ensure that your members and employees carry out their duties free from bias. You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.</td>
<td></td>
</tr>
<tr>
<td>Responsibilities of the Council</td>
<td>Responsibility of the Auditor</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>------------------------------</td>
</tr>
<tr>
<td>Responsibilities for publishing the audited financial statements on a website</td>
<td>Examining the controls over the electronic presentation of audited financial statements and performance information, and the associated audit report, on your website is beyond the scope of the annual audit.</td>
</tr>
</tbody>
</table>

You are responsible for the electronic presentation of the financial statements and performance information on the Council’s website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented.

If the audit report is reproduced in any medium, you should present the complete financial statements, including notes, accounting policies, and any other accountability statements.
Appendix 2: Health and safety of audit staff

I and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015 I need to make arrangements with you to keep my audit staff safe while they are working at your premises. I expect you to provide a safe work environment for my audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. I also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.
25 November 2019  Ref: EN/LCA/04-0014
A106

Hon Phil Goff  Stephen Town
Mayor  Chief Executive
Auckland Council  Auckland Council  Copy:  Director Auditor Appointments
Private Bag 92300  Private Bag 92300  Office of the Auditor–General
Victoria Street West  Victoria Street West  PO Box 3928
Auckland 1142  Auckland 1142  Wellington 60140

Dear Hon Phil Goff and Stephen

Proposal to conduct the audit of the Auckland Council and Group for the 2020, 2021 and 2022 financial years

1 Introduction

I am the auditor of the Auckland Council and Group. I have appointed Audit New Zealand’s Audit Directors, Athol Graham and Karen MacKenzie, to carry out the audit of Auckland Council and Group’s accounts, including the Debenture Trust Deed, for the next three years. The fee and information relating to the Debenture Trust Deed audit will be detailed in a separate engagement letter. I set out below information relating to the audit for the three financial years ending 30 June 2020, 2021 and 2022. The purpose of this proposal is to provide information on:

- the statutory basis for the audit and how audit fees are set;
- the entities covered by this proposal;
- key members of the audit team;
- the hours we plan to spend on the audit for the financial years ending 30 June 2020, 2021 and 2022 and reasons for any change in hours;
- our proposed fees for the audit for the financial years ending 30 June 2020, 2021 and 2022 and reasons for any change;
- assumptions relating to the proposed audit fees, including what we expect of your organisation;
- what the Office of the Auditor-General (OAG) overhead charge provides; and
- our commitment to conduct the audit in accordance with the Auditor-General’s Auditing Standards.
2 Statutory basis for the audit and how audit fees are set

The audit of your organisation is carried out under section 15 of the Public Audit Act 2001, which states that “the Auditor-General must from time to time audit the financial statements, accounts, and other information that a public entity is required to have audited”.

The fees for audits of public entities are set under section 42 of the Public Audit Act 2001. Our proposed audit fee for the financial years ending 30 June 2020, 2021 and 2022 are set out in this letter and include an estimate of the reasonable cost of disbursements (including travel and accommodation where necessary).

3 Entities covered by this proposal

This proposal covers the audits of the following entities:

- the Auckland Council parent; and
- the consolidated group accounts.

Separate audit proposals will be agreed for each of the Council Controlled Organisations, Trusts and any other entities that make up the group where an audit is required. Any additional reviews or agreed upon procedures we are requested to complete will also be covered by a separate proposal or arrangements letter.

4 Key members of the audit team

Deputy Auditor-General Greg Schollum
Audit Director Athol Graham
Second Director Karen MacKenzie
Engagement Quality Control Reviewer Andy Burns
Audit Manager Claudia Brink
Second Audit Manager Lauren Clark
Tax Director Jason Biggins
Information Systems Director Alan Clifford
Specialist Audit and Assurance Director Martin Richardson
5 Estimated audit hours

We estimate that the following hours will be required to carry out the audits for the years ending 30 June 2020, 2021 and 2022 (compared to budgeted and actual data from the previous financial year):

<table>
<thead>
<tr>
<th>Audit team member</th>
<th>2019 budget</th>
<th>2019 actual(^1)</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Director</td>
<td>550</td>
<td>629</td>
<td>550</td>
<td>550</td>
<td>550</td>
</tr>
<tr>
<td>Second Director</td>
<td>100</td>
<td>81</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>EQCR Director</td>
<td>70</td>
<td>55</td>
<td>70</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Audit Managers</td>
<td>825</td>
<td>948</td>
<td>825</td>
<td>825</td>
<td>825</td>
</tr>
<tr>
<td>Other staff</td>
<td>3,151</td>
<td>4,775</td>
<td>3,151</td>
<td>3,151</td>
<td>3,151</td>
</tr>
<tr>
<td>Tax</td>
<td>34</td>
<td>7(^2)</td>
<td>34</td>
<td>34</td>
<td>34</td>
</tr>
<tr>
<td>Information Systems</td>
<td>260</td>
<td>179</td>
<td>260</td>
<td>260</td>
<td>260</td>
</tr>
<tr>
<td>Specialist Audit and Assurance</td>
<td>180</td>
<td>182</td>
<td>180</td>
<td>180</td>
<td>180</td>
</tr>
<tr>
<td>Sector specialist</td>
<td>120</td>
<td>120</td>
<td>120</td>
<td>120</td>
<td>120</td>
</tr>
<tr>
<td><strong>Total audit hours</strong></td>
<td><strong>5,290</strong></td>
<td><strong>6,976</strong></td>
<td><strong>5,290</strong></td>
<td><strong>5,290</strong></td>
<td><strong>5,290</strong></td>
</tr>
</tbody>
</table>

6 Proposed audit fees

Our proposed fees for the next three audits ending 30 June 2020, 2021 and 2022 (compared to budgeted and actual data from the previous financial year) are:

<table>
<thead>
<tr>
<th>Structure of audit fees</th>
<th>2019 budget fees</th>
<th>2019 actual fees charged(^1)</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net audit fee (excluding OAG overhead and disbursements)</td>
<td>1,132,050</td>
<td>1,246,900</td>
<td>1,134,399</td>
<td>1,157,893</td>
<td>1,179,974</td>
</tr>
<tr>
<td>OAG overhead charge</td>
<td>81,384</td>
<td>81,384</td>
<td>79,879</td>
<td>81,149</td>
<td>82,683</td>
</tr>
<tr>
<td><strong>Total audit fee (excluding disbursements)</strong></td>
<td><strong>1,213,434</strong></td>
<td><strong>1,328,734</strong></td>
<td><strong>1,214,278</strong></td>
<td><strong>1,239,042</strong></td>
<td><strong>1,262,657</strong></td>
</tr>
<tr>
<td>Less not recovered</td>
<td>-</td>
<td>(115,900)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

\(^1\) Actual hours and amounts are reflected as at 24 September 2019 as the 2019 audit is ongoing.

\(^2\) The variance in budgeted and actual fees is a result of a focus on the Panuku asset transfer to the Council. Significant tax matters during the year related to the Panuku asset transfer to the Council and the work performed on this has been charged as part of the LTF amendment fee instead of the annual audit.

The proposed hours are more in line with prior year actual hours (23 hours in both 2018 and 2017 audits). We anticipate the hours to be closer to budgeted going forward.
### Structure of audit fees

<table>
<thead>
<tr>
<th></th>
<th>2019 budget fees</th>
<th>2019 actual fees charged</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Estimated disbursements</td>
<td>16,000</td>
<td>17,084</td>
<td>30,000</td>
<td>30,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Total billable audit fees and charges</td>
<td>1,229,434</td>
<td>1,230,518</td>
<td>1,244,278</td>
<td>1,269,042</td>
<td>1,292,657</td>
</tr>
<tr>
<td>GST</td>
<td>184,415</td>
<td>184,578</td>
<td>186,641</td>
<td>190,356</td>
<td>193,899</td>
</tr>
<tr>
<td>Total (including GST)</td>
<td>1,413,849</td>
<td>1,415,096</td>
<td>1,430,919</td>
<td>1,459,398</td>
<td>1,486,556</td>
</tr>
</tbody>
</table>

### 6.1 Cost overrun

Additional audit effort this year related mostly to the audit work on the building and resource consents statutory timeframe measures. Council manually recalculate these performance results which required additional effort from us to ensure the manual calculation led to a reliable result for reporting purposes.

The other main areas of additional cost included:

- work over Council’s early adoption of PBE IFRS 9 *Financial Instruments*, and
- early work over the transition to PBE IPSASs 34–38. In addition,
- a number of significant technical matters to consider in 2018/19 including:
  - the novation of Watercare derivatives,
  - accounting for related party loans,
  - the disestablishment of ACIL,
  - the transfer of Panuku assets,
  - the recognition of the Regional Fuel Tax,
  - a derivatives restructure.

We did not seek any recovery of the cost overrun incurred in 2019 but will discuss the impact and cost of additional work for the 2020 to 2022 audits. We may seek recovery if we are unable to absorb the costs of additional audit effort, for example if similar work is required in relation to the building and resource consents statutory timeframe measures.
6.2 Disbursements

We have estimated the reasonable cost of disbursements (including travel and accommodation where necessary). Disbursement costs are indicative only and will be charged on an actual and reasonable basis. While the 2019 disbursements for travel and accommodation were relatively low compared to previous years, these could increase depending on the need to include resource from outside of Auckland. The disbursements in the table above included costs of $15,249 related to the use of experts to assist with the valuation of complex financial instruments, cross-currency interest rate swap valuations and bank confirmations.

Our disbursement figure for the next three years includes an estimate of these costs for the first time.

6.3 Issues that may impact the scope of the audit

The proposed movement in fees for each of the next three years (0.1%, 2% and 1.9% respectively) reflects our estimate of how movements in the CPI and job market are likely to affect our salary costs.

There are a number of issues that may impact our audit costs to varying degrees over the next three years. At this stage we expect to be able to focus our audit effort to be able meet the costs related to this work within our fee estimate. For example over the next three years we expect the following issues to affect the costs of our audit:

- ongoing out of cycle asset revaluations as a result of continued movements in Auckland’s property values;
- ongoing changes in financial reporting requirements, including new group accounting standards (PBE IPSASs 34 - 38) and employee entitlements (PBE IPSAS 39);
- any decision by Council to increase the use of Extended External Reporting within the Annual Report;
- any funding or impairment issues arising in relation to the City Rail Link (CRL) project;
- increased activity with regards to the America’s Cup and APEC;
- Auckland Council moving to their own cloud-based solutions; and
- ongoing work in relation to the controls over the reporting of statutory timeframes for building and resource consents.
7 Assumptions relating to our audit fee

You are responsible for the production of your financial statements and anything else that must be audited. Our proposed audit fees are based on the assumption that:

- you will provide to us, in accordance with the agreed timetable, the complete information required by us to conduct the audit;
- your staff will provide us with an appropriate level of assistance;
- your organisation’s annual report and financial statements (including Statements of Service Performance) will be subject to appropriate levels of quality review before being submitted to us for audit;
- your organisation’s financial statements will include all relevant disclosures;
- we will review up to two sets of draft annual reports, one printer’s proof copy of the annual report, and one copy of the electronic version of the annual report (for publication on your website);
- there are no significant changes to the structure and/or scale of operations of the entities covered by this proposal other than as already advised to us;
- there are no significant changes to mandatory accounting standards or the financial reporting framework that require additional work, other than as specified in the tables above;
- there are no significant changes to mandatory auditing standards that require additional work other than items specifically identified in the tables above; and
- there are no significant changes to the agreed audit arrangements (set out in an annual letter we will send you) that change the scope of, timing of, or disbursements related to, this audit.

If the scope and/or amount of work changes significantly, we will discuss with you the implications on our costs and your audit fees.

8 What the OAG overhead charge provides

Parliament has indicated that it expects the full cost of annual audits under the Public Audit Act (including an OAG overhead charge) to be funded by public entities. The OAG overhead charge partially funds a range of work that supports auditors and entities, including:

- input and support from the Auckland Council Sector Manager;
- development and maintenance of auditing standards;
- technical support for auditors on specific accounting and auditing issues;
ongoing auditor training on specific public sector issues;

preparation of sector briefs to ensure a consistent approach to annual audits;

development and maintenance of strategic audit plans; and

carrying out quality assurance reviews of all auditors, and their audits and staff on a regular (generally, three-year) cycle.

Audit New Zealand is required to return the OAG overhead charge portion of the audit fee, to the OAG.

9 Conclusion

As the Deputy Auditor-General, I am committed to providing you with the highest level of professional service. I intend to work with you and Audit New Zealand, in a partnership environment to resolve any issues that may arise.

If you require any further information, please do not hesitate to contact me.

Please counter-sign this letter (below) to confirm that you, and Auckland Council, agree with its contents. This letter will then form the basis of the audit fee set. The schedules of audit hours and fees will also be incorporated into my audit engagement agreement with Audit New Zealand to carry out the audit of your organisation.

Yours sincerely

Greg Schollum
Deputy Auditor-General

I accept the audit fees for the audit of the three financial years as stated above.

<table>
<thead>
<tr>
<th>Full name</th>
<th>Hon Phil Goff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position</td>
<td>Mayor</td>
</tr>
</tbody>
</table>

Authorised signature

Date

Entity name

Auckland Council
### Item 12

<table>
<thead>
<tr>
<th>Full name:</th>
<th>Stephen Town</th>
</tr>
</thead>
<tbody>
<tr>
<td>Position:</td>
<td>Chief Executive</td>
</tr>
<tr>
<td>Authorised signature:</td>
<td></td>
</tr>
<tr>
<td>Date:</td>
<td></td>
</tr>
<tr>
<td>Entity name:</td>
<td>Auckland Council</td>
</tr>
</tbody>
</table>

**Actions to take when agreement has been reached:**

1. Make a copy of this signed proposal and keep it for your file.

2. Send the original to: Athol Graham  
   Audit Director  
   Audit New Zealand  
   PO Box 1165  
   Auckland 1142
Financial process update for the preparation of the interim report and NZX release for the 6 months ended 31 December 2019

File No.: CP2019/19542

Te take mō te pūrongo
Purpose of the report

1. To provide the Audit and Risk Committee with an update on the status of financial processes in preparation of the half year interim report and the NZX (New Zealand’s stock exchange) release for the six months ending 31 December 2019; including key aspects of the Auckland Council Group’s financial reporting and the review engagement requirements.

Whakarāpopototanga matua
Executive summary

2. On 24 February 2020 the Audit and Risk Committee will recommend to the chair and deputy chair of the Finance and Performance Committee, that the mayor and chief executive approve and release the following documents to the NZX on 28 February 2020:
   - the NZX announcement
   - the associated media release
   - the interim report for the half year ending 31 December 2019.

3. This update assists the committee in the review of the quality of the reports, and processes undertaken to prepare them, for the half-year ending 31 December 2019, including:
   - key audit matters for the review engagement at 31 December 2019
   - review milestones
   - quality assurance and compliance sign-off processes
   - management representation letters and management confirmations
   - the Audit and Risk Committee’s oversight of the management of fraud.

4. Updates on key areas of judgement and assumptions and on issues and risks will be presented to the committee in the confidential report in this meeting “Confidential discussion on key judgements and assumptions and endorse the pro forma for the interim report and NZX release for the six months to 31 December 2019”.

5. Additionally, five documents will be provided in the confidential item relating to the preparation for the half year reporting to 31 December 2019, those being the:
   - draft NZX announcement
   - draft memo of representation (based on prior year)
   - draft letter of representation for the group interim report (based on prior year)
   - draft fraud questionnaire (for endorsement)
   - pro forma interim report for the half year ending 31 December 2019 (for approval).
Ngā tūtohunga
Recommendation/s

That the Audit and Risk Committee:

a) note the information contained in this financial process status update for the Auckland Council group NZX announcement and interim report for the half year ending 31 December 2019

b) note an update on the matters outlined in paragraph four and that the five draft documents under paragraph five will be discussed later in this meeting in confidence.

Horopaki
Context

6. Auckland Council has bonds listed on the NZX and is therefore designated as an issuer.

7. As in the prior year, to comply with the NZX continuous disclosure requirements, annual and half year financial reporting to the Audit and Risk Committee, Finance and Performance Committee and the Governing Body will be conducted in the confidential section of the meeting.

8. Under the NZX listing rules the Auckland Council Group must release financial information within 60 days after the half year ending 31 December 2019.

9. Included in the NZX release are the following documents:
   - NZX announcement
   - media release
   - interim report for the half year ending 31 December 2019.

10. The Audit and Risk Committee will review the NZX release and the processes used to prepare the documents. The chair and deputy chair of the Finance and Performance Committee will review and enquire into the financial and operational performance of the group.

11. Audit New Zealand will attend the committee meeting on 24 February 2020 to enable the Audit and Risk Committee to liaise with Audit New Zealand to ensure that a robust financial review of the Auckland Council Group has occurred.

12. In fulfilment of its terms of reference, on 24 February 2020 the Audit and Risk Committee will recommend to the chair and deputy chair of the Finance and Performance Committee that the mayor and chief executive approve the NZX announcement, media release and interim report.

Tātaritanga me ngā tohutohu
Analysis and advice

Audit New Zealand’s key audit matters

13. Audit New Zealand’s key review matters for the review engagement at 31 December 2019 are:
   - internal control matters:
     - treasury and funding management controls
     - management override of controls
     - legislative compliance
• accounting matters:
  o fair value assessment of fixed assets
  o accounting for impairment and capitalisation of work in progress
  o valuation of derivatives
  o provisions including weathertightness and Eden Park
  o Crown Funding Initiatives including Housing Infrastructure Fund, Crown Infrastructure Partners agency agreement, and the regional fuel tax
  o early adoption of new accounting standards
  o rates revenue recognition.

Key milestones

<table>
<thead>
<tr>
<th>Reviewer</th>
<th>Consolidated results and commentary</th>
<th>Interim report</th>
<th>NZX release</th>
<th>Media release</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group chief financial officer</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Group treasurer</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Group financial controller</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Manager group accounting and reporting</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Senior group reporting technical accountant</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Head of group financial planning</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

Quality assurance and compliance approvals

14. Quality assurance reviews will be performed on the consolidated results and commentary of the NZX release documents. The reviews will focus on accuracy, completeness and reasonableness of disclosures, legislative compliance and adherence to council communications standards. A summary of the reviews is as follows:
<table>
<thead>
<tr>
<th>Reviewer</th>
<th>Consolidated results and commentary</th>
<th>Interim report</th>
<th>NZX release</th>
<th>Media release</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior specialist corporate communications</td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Senior Solicitor and Mayne Wetherell</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

15. All the quality assurance reviewers performing reviews from a financial perspective are Chartered Accountant (CA) and Chartered Financial Analyst (CFA) qualified and have the appropriate technical accounting skills and knowledge.

**Management representation letters and management confirmations**

16. Audit New Zealand will require the mayor and chief executive to sign a letter providing assurance that the control environment adequately supports the validity, accuracy and completeness of financial reporting, and that the financial statements comply with applicable standards and regulations.

17. To support the mayor and the chief executive’s representations, the group chief financial officer, group treasurer and the group financial controller will sign a back-to-back representation letter.

**Draft representation on fraud and fraud questionnaire**

18. Audit New Zealand make formal enquiries of the Audit and Risk Committee, senior management and the Assurance Services department in relation to fraud using a questionnaire. The questionnaire covers risk assessment, monitoring controls, mitigating systems and controls, risk communication and the assessment of fraud risk.

19. The Audit and Risk Committee formally respond to these enquiries in writing. The representations made are supported by questionnaires completed by senior management and the Assurance Services department.

20. A copy of the fraud questionnaire is included in the confidential report in this meeting titled “Confidential discussion on key judgements and assumptions and approval of the pro forma for the interim report and NZX release for the 6 months to 31 December 2019”.

**Other matters**

21. During the half year end process, it is proposed that the group financial controller will communicate, between Audit and Risk Committee meetings, any significant risks or material judgements to the chair of the committee, along with any unresolved significant disagreements between Auckland Council management and Audit New Zealand.

**Tauākī whakaaweawe āhuarangi**

**Climate impact statement**

22. This paper relates to a financial reporting process only and as such has no climate implications. Information relating to the Auckland Council Group’s climate impact will be included in the interim report released on 28 February 2019.

**Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera**

**Council group impacts and views**

23. Feedback will be sought from substantive CCOs to ensure that any matters that apply to them have been considered in preparation for the 31 December 2019 interim report. All matters have been incorporated into the work plan.
Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe
Local impacts and local board views
24. This report relates to the financial reporting of the Auckland Council Group, which does not include reporting at a local board level.

Tauākī whakaaweawe Māori
Māori impact statement
25. The report relates to the financial reporting of the Auckland Council Group and does not impact the achievement or reporting of council’s contribution to Māori outcomes.

Ngā ritenga ā-pūtea
Financial implications
26. This report is for information only and accordingly, there are no financial implications.

Ngā raru tūpono me ngā whakamaurutanga
Risks and mitigations
27. No risks have been identified related to the information provided in this report.
28. Any risks and mitigations relating to the key judgements and assumptions will be outlined in the confidential section of this meeting under the report “Confidential discussion on key judgements and assumptions and the approval of the pro forma for the interim report and NZX release for the 6 months ended 31 December 2019”.

Ngā koringa ā-muri
Next steps
29. The committee will review the confidential key judgements and assumptions and attachments relating to this report in the confidential section of this meeting under the report “Confidential discussion on key judgements and assumptions and endorse the pro forma for the interim report and NZX release for the 6 months ended 31 December 2019”.
30. The Auckland Council Group NZX announcement, media release and interim report for the half year ending 31 December 2019 will be presented to the Audit and Risk Committee on 24 February 2020 for review and approval.

Ngā tāpirihanga
Attachments
There are no attachments for this report.

Ngā kaihaina
Signatories

| Authors | Tracy Gers - Group Accounting & Reporting Manager  
|         | Francis Caetano - Group Financial Controller |
| Authorisers | John Bishop - Group Treasurer  
|             | Matthew Walker - Group Chief Financial Officer |
|             | Phil Wilson - Governance Director |
Te take mō te pūrongo
Purpose of the report
1. To provide information on the purpose and process for the pro forma Auckland Council Group interim report and relevant accounting policies for the half year ending 31 December 2019.

Whakarāpopototanga matua
Executive summary
2. The Audit and Risk Committee is asked to approve the format of the group’s pro forma interim report, including the financial statements and the relevant accounting policies for the half year ending 31 December 2019.
3. The interim report will be issued on 28 February 2020 as part of the reporting of the group’s financial results to the NZX (New Zealand’s stock exchange).

Ngā tūtohunga
Recommendation/s
That the Audit and Risk Committee:

a) note the information in this report related to the 31 December 2019 pro forma interim report, including relevant accounting policies for the Auckland Council Group, subject to any required changes identified by management and Audit New Zealand during the half year close and auditor review

b) note that the committee has considered the confidential report “Confidential discussion on key judgements and assumptions and endorse the pro forma for the interim report and NZX release for the 6 months ended 31 December 2019”

c) endorse the pro forma Auckland Council Group interim report subject to any further feedback from committee members

d) request committee members give further feedback to staff by 14 January 2020 on the pro forma interim report

e) delegate the authority to the committee chair to endorse any significant subsequent amendments to the pro forma interim report.

Horopaki
Context
Reporting requirements
4. Auckland Council is an issuer of bonds on the NZX. Under the NZX listing rules, the group must release financial information within 60 days of the half year end.

5. Included in the NZX release is the NZX announcement, media release and interim report.

6. A draft of the group’s NZX announcement has been included in the report “Confidential discussion on key judgements and assumptions and endorse the pro forma for the interim report and NZX release for the 6 months ended 31 December 2019” in the confidential agenda of this meeting.
7. The council also has foreign currency bonds listed on the Singapore and Swiss stock exchanges which require us to disclose the differences between our reporting standards and International Financial Reporting Standards.

**Interim report**

8. The group pro forma interim report has been prepared in accordance with New Zealand Generally Accepted Accounting Practice and complies with Public Benefit Entity - International Accounting Standard 34 - Interim Financial Reporting.

9. There have been no significant changes impacting the disclosures within the pro forma interim report for the half year ending 31 December 2019 from the prior year; with the exception of the disclosure around adoption of newly implemented accounting standards and climate change risk.

10. The pro forma interim report for the half year ending 31 December 2019 includes the financial statements and relevant accounting policies for the group.

**Tātaritanga me ngā tohutohu**

**Analysis and advice**

11. The accounting policies applied in the pro forma interim report are consistent with those used at 30 June 2019; except for the adoption of the following standards and amendments as outlined in the accounting policies section:

- PBE IPSAS 34 Separate Financial Statements
- PBE IPSAS 35 Consolidated Financial Statement
- PBE IPSAS 36 Investments in Associates and Joint Ventures
- PBE IPSAS 37 Joint Arrangements
- PBE IPSAS 38 Disclosure of Interests in Other Entities
- Amendments to PBE IPSAS 21 Impairment of Non-Cash-Generating Assets
- Amendments to PBE IPSAS 26 Impairment of Cash-Generating Assets
- PBE IPSAS 39 Employee Benefits.

12. Management intends to take the first steps towards disclosing climate change in line with the Task Force on Climate Related Financial Disclosures (TCFD) recommendations. Initial draft disclosures are being developed in conjunction with the Sustainability Office in the Auckland Plan Strategy and Research unit. They will be available for the committee to review shortly after half year end.

13. Unlike the annual report, the interim report does not include reporting of non-financial performance measures, and accordingly Audit New Zealand will not be required to review non-financial performance measures in so far as they do not affect the financial performance or position at 31 December 2019.

**Tauākī whakaaweawe āhuarangi**

**Climate impact statement**

14. This report applies to the preparation the Auckland Council Group pro forma interim report for the half year ending 31 December 2019 and as such has no climate implications. Information relating to the group’s climate impact will be included in the final interim report.

**Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera**

**Council group impacts and views**

15. The pro forma interim report relates to the Auckland Council Group, and as such takes group impacts and views into account.
Local impacts and local board views

16. This report applies to the preparation of the Auckland Council Group pro forma interim report for the half year ending 31 December 2019, including the financial statements and accounting policies, which do not include reporting at a local board level. Accordingly, the views of local boards have not been sought.

Māori impact statement

17. The Auckland Council Group pro forma interim report for the half year ending 31 December 2019 has no impact on the achievement or reporting of council’s contribution towards Māori outcomes.

Financial implications

18. This paper pertains to the reporting of the financial performance of the Auckland Council Group. As such, there are no financial decisions required, and there are no financial implications as a result of this paper.

Risks and mitigations

19. No risks have been identified related to the information in this report.

Next steps

20. The committee will review and approve the draft pro forma in the confidential section of this meeting under the report “Confidential discussion on key judgements and assumptions and endorse the pro forma for the interim report and NZX release for the 6 months ended 31 December 2019”.

21. The Auckland Council Group NZX announcement, media release and interim report for the half year ended 31 December 2019 will be presented to the Audit and Risk Committee on 24 February 2020 for review and approval.

Attachments

There are no attachments for this report.

Signatories

<table>
<thead>
<tr>
<th>Authors</th>
<th>Tracy Gers - Group Accounting &amp; Reporting Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Francis Caetano - Group Financial Controller</td>
</tr>
<tr>
<td>Authorisers</td>
<td>John Bishop - Group Treasurer</td>
</tr>
<tr>
<td></td>
<td>Matthew Walker - Group Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td>Phil Wilson - Governance Director</td>
</tr>
</tbody>
</table>
Te take mō te pūrongo

Purpose of the report
1. This report updates the Audit and Risk Committee on risk management activities at Auckland Council for the period September 2019 - November 2019.

Whakarāpopototanga matua

Executive summary
2. Risk Champions from the business groups and departments are scheduled to meet at the next Risk Korero (Risk Forum) on 29 November 2019. This is part of the wider strategy to continuously improve risk capability for first line representatives and build bottom up momentum.

3. To further strengthen the ‘tone from the top’, a business partnering approach has now been put in place with Executive Leadership Team (ELT) members having a dedicated Enterprise Risk Advisor supporting each division.

4. A format enhancement is proposed for the Top Risk reporting to easily identify risk ownership, and the monitoring and effectiveness of controls for Auckland Council.

5. Since its beginning, the 36th America’s Cup (AC36) programme operating model has continued to evolve. The Programme Management Office (PMO) is currently responsible for providing the Joint Chief Executives Group (JCEG) with oversight of programme risks through the support of the Programme Risk Lead, currently held by Auckland Council. The role of the PMO and Programme Risk Lead are currently under review. This may impact on the way risks are being managed and reported for the AC36 programme.

6. The scope and terms of reference for the Service Delivery deep dive review, have been presented to the ELT of Auckland Council and approved. The Risk team is now moving into the groundwork phase and the deep dive is due to be reported back to this committee at the next regular meeting in February 2020.

7. To ensure that the group’s insurance programme stays fit for purpose, the council and council-controlled organisation (CCO) staff have commenced work on a number of key policy and risk reviews to prepare for the 2020/2021 renewal.

Ngā tūtohunga

Recommendation/s
That the Audit and Risk Committee:

a) note the risk and insurance activities in this report

b) note the update of the 36th America’s Cup (AC36) Programme

c) consider the proposed new format of the top risk reporting and provide any feedback.

Horopaki

Context
8. This report provides an update on risk activities for Auckland Council to enable the committee to fulfil their governance and oversight role for effective enterprise risk management.
9. The insurance update follows on from the Post Renewal report provided to this committee on 27 August 2019.

Tātaritanga me ngā tohutohu
Analysis and advice

Risk Champions

10. The Risk Champions network is an integral part of preparing for the organisation of the future where ideas and actions of continuously improving our risk culture are generated bottom up by our people who are closest to the customer and community.

11. The Risk Champions are individuals nominated by department and senior people leaders and has been in place since 2017.

12. Based on the feedback received at the last forum held in June 2019, there is a need to continuously review and improve the risk capability of our frontline risk representatives.

13. It is timely to revisit the Risk Champions framework to assess whether it is still fit for purpose. Some of the key considerations are:
   - capability
   - engagement.

14. Most business units and departments have at least one nominated representative which supports the department and manages the department’s Risk Register, which contributes to the Top Risk Register. It is noted that not all risk champions are actively contributing due to changes in roles, time commitments and understanding of their expectations.

15. As a result of having been actively engaged, capable risk champs will help strengthen our bottom up approach to risk management and raise the risk maturity of council.

16. Roles and responsibilities, as well as the title of “Risk Champs” or “Leads” or “Reps”, will be revisited over the next quarter with the aim of getting the right fit for championing risk. This will be part of the top down-bottom up business risk partnering activity that will be undertaken in conjunction with the business leaders.

17. The Risk Korero (Risk Forum) are held quarterly and the next korero is scheduled in November 2019.

Business Partnering

18. A business partnering approach is being rolled out across all divisions. This approach means that each ELT functional area is supported by dedicated Risk Advisors, who will provide strong support to lead risk from the front.

19. To further strengthen the tone from the top the business will be supported by the respective Executive Officers for each area, and they will work closely with the Risk Advisors and the ELT member.

Top Risk Reporting Format

20. The format of the top risk reports, including the level of information, has recently been reviewed, to better present key information to the ELT, the Audit and Risk Committee and the Governing Body.

21. The council’s top risks are currently recorded and reported in a comprehensive risk register. The same register is reported to the Audit Risk Committee and Governing Body every quarter following a review.

22. The Top Risk register has detailed information for each risk, but limited information on control gaps and actions to mitigate these gaps and to reduce the risk. This poses a threat to achieving Auckland Council’s strategic, financial and operational objectives. Please refer to attachment A.
23. The proposal of the new format reflects best practice and the new ANZISO 31000:2018. In particular, the tailored reporting is intended to support and strengthen risk governance and leadership by focusing on the areas of controls and the relationship with the causes of the risks. It also focusses on identifying gaps in the controls.

24. The new format will highlight the following with the aim to provide a clear end to end profile of each top risk:
   - the risk
   - key causes
   - the objectives impacted
   - control gaps
   - actions taken to mitigate the gaps with due dates
   - action progress.

25. The proposed formats will provide the recipients with the relevant level of information to make informed decisions and to support the recipient’s understanding of the risks by:
   - more succinctly articulating the risks, its impact and related causes
   - the controls relevant to mitigating the causes
   - actions to improve or enhance controls to reduce the residual risk
   - actions required to be undertaken to monitor risks/controls, as identified from the previous quarter
   - a comparison of any changes to the risk profile from the previous quarter, i.e. if the risk has increased, decreased or is stable and its rationale.

26. The proposed format was subject to discussion with ELT and approved subject to any feedback from this committee. It was also proposed that we use the same format when reporting to Governing Body.

27. The Top Risk Register is included in its current form as attachment B. There have been no changes to the top risks since they were last reported to this committee.

36th America’s Cup (AC36) Programme Update

28. The AC36 Programme risk register currently holds 26 risks, of which, two are rated ‘High’, 18 are rated ‘Medium’, and six are rated ‘Low’ – all post mitigation and treatment. The risk profile remains unchanged as at 26 November 2019.

29. The Joint Chief Executives Group (JCEG) has had the following changes:
   - the Independent Chair is departing, and the new chair will be the Chief Executive of Auckland Tourism, Events and Economic Development
   - Auckland Council’s Director of Infrastructure & Environmental Services will be representing Auckland Council
   - there are new representatives from Panuku Development Auckland Limited and the Mayor’s Office.

30. Since its beginning, the AC36 operating model has continued to evolve. The Programme Management Office (PMO) is currently responsible for providing the AC36 Joint Chief Executives Group (JCEG) with oversight of programme risks through the support of the Programme Risk Lead, currently held by Auckland Council. The role of the PMO and Programme Risk Lead is currently under review. This may impact on the way risks are being managed and reported for the AC36 programme.

31. Given the evolution of the AC36 operating model and as we move closer towards the event, it has been observed and noted that the Programme Risk Lead (currently held by Auckland
Council) needs to align with any future programme or project management structure in order to support JCEG’s risk oversight responsibilities effectively, including ensuring the most appropriate agency holds the Programme Risk Lead role.

32. The Risk Advisory Group also considered it prudent to remind JCEG of the very limited scope of risk governance and oversight of the Inter-Agency Steering Group (IASG) only. This was reported and discussed with JCEG in October 2019.

33. The advisory group consisting of the Programme Risk Lead (Auckland Council), the Crown (MBIE), its JCEG Representative (State Services Commission) and the Programme Director have discussed the potential oversight gaps and expressed the need for extending the role of this advisory group and its scope beyond IASG. This matter is currently under discussion with the Chair of JCEG.

Deep Dive on Top Risk Service Delivery

34. The scope and terms of reference for the deep dive have been presented to and approved by the ELT.

35. The scope of the deep dive review is to investigate the top risk identified as “Service Delivery”.

36. To achieve this the review will focus on services delivered on behalf of council, by third-party contractors, vendors and suppliers.

37. Due to the potentially wide scope, it was agreed that the review will be focussed on the following services:
   - waste services – rubbish, recycling and inorganic collection;
   - arboriculture services – maintenance of trees in parks and on berms;
   - full facilities services – focussing on grass mowing, spraying and cleaning services.

38. This review will seek to get an understanding of how third-party contractors, vendors and suppliers manage the following key risks within the services they provide for council:
   - health, safety and wellbeing
   - integrity (theft, fraud and corruption)
   - significant disruption risks (cyber security and business continuity).

Insurance Update

39. To ensure the group’s insurance programme stays fit for purpose, staff from the council group have commenced work on a number of key insurance policy reviews.

40. These reviews will provide an improved understanding of the group’s risk exposure in respect to:
   - fine arts
   - marina operator’s liability
   - wreck removal
   - cyber
   - motor vehicle policies.

41. The outcome of these reviews will then inform an insurance procurement strategy for 2020/2021 renewal.

42. The council group and its insurance broker, Aon New Zealand, have also commenced the group loss modelling work to understand the cumulative impact of damage to key assets. This important work will help inform the council group’s future strategy and approach to insurance procurement and self-insurance.
**Tauākī whakaaweawe āhuarangi**  
**Climate impact statement**

43. Climate change adaptation and mitigation has been identified as a top risk for Auckland Council.

44. There are no direct climate change implications directly arising from this information report.

**Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera**  
**Council group impacts and views**

45. The Enterprise Risk Team continue to work closely with the council-controlled organisations about their top risks and reporting these to the Auckland Council Group. Separately, council-controlled organisations provide individual risk update reports on a quarterly basis and there is regular interaction with the risk practitioners from the council-controlled organisations.

46. The Insurance Leadership Group continues to work closely across the group to prepare for the upcoming insurance renewal.

**Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe**  
**Local impacts and local board views**

47. Local boards are affected by many of the top risks as they represent risks to the entire council organisation. While no specific consultation has been done for this report, the top risks presented in this format will assist local board in making informed decisions.

**Tauākī whakaaweawe Māori**  
**Māori impact statement**

48. Given the specific legislative responsibilities to Māori and Te Tiriti o Waitangi across many of the council’s functions there may be some incidental impact to Māori by the risk council faces. Whilst no specific consultation has been undertaken with Māori for this report, the risk management activities will have benefit for the council’s Māori Responsiveness activities.

**Ngā ritenga ā-pütea**  
**Financial implications**

49. There are no financial implications directly arising from this information report.

**Ngā raru tūpono me ngā whakamaurutanga**  
**Risks and mitigations**

50. This report addresses the format of the top risk reporting only.

51. More generally this information report relates to various risk matters which are summarised throughout this document.

**Ngā koringa ā-muri**  
**Next steps**

52. The new format of reporting will commence in the first meeting of the new calendar year of the Audit and Risk Committee.

53. The next quarterly risk update will be provided to the committee at the next meeting.

54. The deep dive review into top risk Service Delivery will be presented to the committee at a subsequent regular meeting.

55. A progress update report on insurance policy reviews, cumulative loss modelling work and proposed insurance renewal strategy will be provided to the committee at its February meeting.
Ngā tāpirihanga
Attachments

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Proposed Top Risk Reporting Format</td>
<td>173</td>
</tr>
<tr>
<td>B</td>
<td>Current Top Risk Register November 2019</td>
<td>175</td>
</tr>
</tbody>
</table>

Ngā kaihaina
Signatories

<table>
<thead>
<tr>
<th>Author</th>
<th>Matthew Kerly - Risk Advisor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorisers</td>
<td>Kevin Ramsay – Chief Risk Officer (Acting)</td>
</tr>
<tr>
<td></td>
<td>Dani Gardiner - General Counsel</td>
</tr>
<tr>
<td></td>
<td>Phil Wilson - Governance Director</td>
</tr>
</tbody>
</table>
Sample of Top Risk Report to ARC & GB

Risk Description
Risk of an external or internal events may have a material impact on the health and safety or wellbeing of staff, contractors (including volunteers) and the public.

Key Risk Driver(s)
- Process - Inadequate Design and/or implementation of the H&S Policy & Procedures
- External - Inconsistent implementation of Health and Safety Framework & Policy by third parties.

Impacted:
- Health, Safety & wellbeing of People
- Reputation

Control gaps and Mitigation comments
Control gaps/Residual Risk Rating Rational:
- Design and implementation needs to be enhanced to corporate standards - Control owner (Head of Health, Safety and Wellbeing)
- Auditing framework for assurance to be developed - Control owner (Head of Health, Safety and Wellbeing)
- Identification and assessment of critical sites underway - Control owner (Head of Health, Safety and Wellbeing)

Corrective actions agreed:
- Training, design framework and Volunteer standard expected to be rolled out and completed by July 2019 - Action owner, due date (Head of Health, Safety and Wellbeing, Dec 2019)
- Auditing framework for assurance to be developed - Action owner, due date (Head of Health, Safety and Wellbeing, Dec 2019)
- Identification and assessment of critical sites have been scheduled, with the first one - Action owner, due date (Head of Health, Safety and Wellbeing, Dec 2019)

Comment:
Proposed report highlighting controls gaps and actions taken to mitigate the control gaps alongside progress of actions since last quarter.

Auckland Council
Te Ao 'a Taiao - 'Oranga Mauawhenua
## Residual Risk heatmap - Top risks

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>Almost Certain</th>
<th>Likely</th>
<th>Possible</th>
<th>Rare</th>
<th>Insignificant</th>
<th>Minor</th>
<th>Moderate</th>
<th>Major</th>
<th>Extreme</th>
<th>Impact/Consequence</th>
</tr>
</thead>
</table>

---
## Top Risk Register 26 November 2019

### Risk Identification

<table>
<thead>
<tr>
<th>Risk No.</th>
<th>Risk Theme</th>
<th>Risk and Impact Description</th>
<th>Risk Owners</th>
<th>Inherent Likelihood</th>
<th>Inherent Consequence</th>
<th>Inherent Risk</th>
<th>Controls (Existing and Additional Controls Suggested)</th>
<th>Residual Likelihood</th>
<th>Residual Consequence</th>
<th>Residual Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Health, Safety and Wellbeing</td>
<td>Lack of or inadequate: - Health and Safety framework, - Consistent application of policies, frameworks and demonstrating expected behaviours, - Consistent and effective performance monitoring, - Completion of closures and adherence to workflows. - Staff awareness and compliance. - Frequent external reviews, - Sufficient resources and capability of staff, - Supportive work environment (workloads, bullying, Resilience and physical threat to people including violence, bullying, etc.</td>
<td>Drift / People &amp; Performance</td>
<td>Extreme</td>
<td>Extreme</td>
<td>1. Health, Safety and Wellbeing (HS&amp;W) management system will allow us to meet requirements of Health and Safety Act (2015). The Health and Safety management system consists of health and safety standards, processes, procedures, guidance (including key safety requirements, procedures). This has been approved by AC. 2. Development &amp; Implementation of a Corporate Health and Safety (H&amp;S) Strategy has been approved by LUTT. 3. Implementation of Safety Management Framework that will drive HS&amp;W behaviours throughout Auckland Council. 4. Risk Manager is the system used for recording and managing all health and safety issues. 5. An approach Governance Arrangements framework is in place that describes the accountability and responsibilities of all departments. 6. ELT receive a monthly HS&amp;W report on performance. 7. HS&amp;W Committee comprising of ELT members perform deep dive of critical HS&amp;W areas. The results are communicated to business and improvement plan is developed and implemented as required. 8. Governing body. And ARC receive quarterly KPI reports on HS&amp;W performance. 9. Corporate HS&amp;W Standards are in place. a) Policy &amp; Procedure control. b) Risk Assessment framework. c) incident, Near Miss &amp; Reporting &amp; Investigation; 10. Contractor Management Procedures. 11. Managing asbestos. 12. Managing workplace health and safety risk. 13. Key Safety Requirements (KSR) to support the business are in place. There is now a process in place for development of key safety requirements in consultation with the departments and embedded in HS&amp;W practitioners’ training matrix. 14. HS&amp;W Team monitor Risk Manager performance and taking appropriate action to address any gaps. 15. Quarterly HS&amp;W safety leaders forum where HS&amp;W issues and lessons are discussed. 16. Mandatory HS&amp;W training as part of staff induction. Managing safety training is provided as part of the people leader induction training. 17. ELT set the tone from the top and demonstrate leadership-commitment and meet their due diligence requirements. 18. Verification of site HS&amp;W capability assessments for assurance purposes, six audits completed and reported with six more commissioned.</td>
<td>Possible</td>
<td>Major</td>
<td>High</td>
<td></td>
</tr>
</tbody>
</table>

**Attachment B**

**Item 15**

**Repeat**
<table>
<thead>
<tr>
<th>Risk No.</th>
<th>Risk Theme</th>
<th>Risk and Impact Description</th>
<th>Risk Driver (Existing and Potential Causes)</th>
<th>Risk Owner</th>
<th>Inherent Likelihood</th>
<th>Inherent Consequence</th>
<th>Inherent Risk</th>
<th>Controls (Existing and Additional Controls Suggested)</th>
<th>Residual Likelihood</th>
<th>Residual Consequence</th>
<th>Residual Risk</th>
</tr>
</thead>
</table>
| 2       | Cyber Security | Increased cyberattacks, which may result in loss of personal data, intellectual property, reputational damage, business interruption due to loss of systems, impact on supply chains and financial loss. | • Increased digitisation without proper integration with processes.  
• Inadequate cyber security mechanisms & strategy.  
• Technical failures to protect IT systems.  
• Malicious or incorrect employee activities.  
• Inadequate backup and recovery planning.  
• Move to flexible working hours creates less secure connections. | Chief Financial Officer | Likely | Major | High | 1. Auckland Council’s approach to Cyber security is based on the National Institute of Standards and Technology (NIST) Cyber security framework.  
2. Information security guides have been updated and implemented through the Group program.  
3. ICT management run information security awareness campaigns via stories and articles to all staff.  
4. Half staff are expected to review the ICT policies as part of their induction.  
5. Inherent perimeters controls (e.g. firewalls) are in place to detect and prevent suspicious attempts to access the network.  
6. Council’s external customer facing websites are in a demilitarised zone (DMZ) on the network.  
7. Anti-spam and anti-phishing controls are in place to monitor email traffic and block emails from suspicious or malicious source.  
8. Effective leading and monitoring controls are in place to track and restrict access to websites that are either unsafe, illegal or inappropriate.  
9. Network traffic is encrypted for both physical and wireless connections.  
10. Access to the corporate wireless and remote network is authenticated via 2-factor authentication.  
11. Critical security systems logs files are monitored for suspicious activity daily by the Cyber Security team.  
12. Backup and offsite storage mechanisms are in place to allow for the recovery of data in the event of site loss or a successful ransomware attack.  
13. Backups are monitored for failures and any issues are communicated to the Network Operations Centre for investigation and resolution.  
14. The creation administrator accounts are managed through an automated approval workflow within Aurora.  
15. Automated alerts have been configured to alert management of suspicious administration activities.  
16. Identity system generated reports of network administrator user accounts are provided to and monitored by ICT management.  
17. Monthly vulnerability scans are performed on the Auckland Council network by the ICT department.  
18. Annual penetration scans are performed.  
19. All projects that impact the ICT environment require the security and technical specifications reviewed by the information security team.  
20. Auckland Council subscribes to a third party service that validates Auckland Council ICT if an email address has been compromised due to being used to authenticate to an external website.  
21. Tools have been implemented to automatically deploy, track and report on the completeness of system patches and anti-malware software updates across council devices.  
22. All changes are required, to be reviewed and approved by the Change Team and the security team (where applicable).  
23. Testing is a requirement prior to the deployment of projects that impact the ICT environment.  
24. Post implementation testing is required to be performed by the person assigned the change prior to the change being closed by the change team.  
25. An automated configuration management tool is in place to detect and record the configuration of devices on the network.  
26. A formal major incident response process is in place to analyse, classify and resolve incidents.  
27. Various ICT meetings take place to communicate and discuss ICT related matters, including information and cybersecurity. | Possible | Major | High |
<table>
<thead>
<tr>
<th>Risk No.</th>
<th>Risk Theme</th>
<th>Risk and Impact Description</th>
<th>Risk Drivers (Existing and Potential Causes)</th>
<th>Risk Owner</th>
<th>Inherent Likelihood</th>
<th>Inherent Consequence</th>
<th>Inherent Risk</th>
<th>Workshop (Input) - Risk Assessment</th>
<th>Controls (Existing and Additional Controls Suggested)</th>
<th>Resident Likelihood</th>
<th>Resident Consequence</th>
<th>Resident Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Climate change Adaptation and Mitigation</td>
<td>Adaptation and mitigation actions (reducing emissions) may not be adequate to respond, absorb and/or reduce impacts of climate change (including severe weather events)</td>
<td>Lack of or inadequate: &lt;br&gt;- Planning processes to ensure appropriate ongoing zoning for land and housing development and other design planning with respect to climate change impacts.</td>
<td>Chief of Strategy Director Infrastructure and Environment Services</td>
<td>Likely</td>
<td>Major</td>
<td>High</td>
<td>Possible</td>
<td>Moderate</td>
<td>Critical</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Additional controls being developed:**
1. Auckland Climate Action Plan
2. The Natural Hazards Research Project
3. Coastal Community Management Plan
4. Resilient Communities, Catchments and Catchments (RBC) project

**Additional controls proposed:**
1. Review climate change controls for their design and operating effectiveness.
2. Establish a combined approach to climate change across the Council Group to ensure alignment of our collective actions.
3. Develop a strategic communications plan to support planning, reporting, project management and community engagement.
4. Review council’s information systems, integrity and availability of data within the Council group and to the public.
5. Update and build staff capability with training and development to improve risk-based decision making for climate change issues.
6. Develop a council wide response policy.
<table>
<thead>
<tr>
<th>Risk No.</th>
<th>Risk Theme</th>
<th>Risk Impact Description</th>
<th>Risk Owner</th>
<th>Inherent Likelihood</th>
<th>Inherent Consequence</th>
<th>Inherent Risk</th>
<th>Controls (Existing and Additional Controls Suggested)</th>
<th>Residual Likelihood</th>
<th>Residual Consequence</th>
<th>Residual Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Strategic alignment with Crown</td>
<td>- Housing and urban growth actions not aligned to council objectives, due to lack of integrated and aligned approach between Crown and council. Gaps in information and public engagement processes, require adaptation and incorporation of new information and adaptation of governance processes</td>
<td>Director, Housing &amp; Regulatory</td>
<td>Likely</td>
<td>Major</td>
<td>High</td>
<td>1. Director of City Growth and Housing ensuring alignment with Crown and</td>
<td>Possible</td>
<td>Moderate</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Lack of oversight and monitoring mechanisms to ensure alignment with Crown objectives and reporting processes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2. Council and Crown Memorandum of Understanding and Joint Working Programme commitment to collaboration and delivery of workstreams and areas of joint interest.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Joint working program and Council Group governance structures in place - steering group and working group mechanisms in place</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3. Council Group GWM Working group meeting monthly with Risk as a standing agenda item.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Communications Strategy and programme communication plans.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5. Joint Working Programme terms of reference - includes ways of working together - collaborative and open relationship with central government agencies, and communications protocol.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Joint Working Programme terms of reference - includes ways of working together - collaborative and open relationship with central government agencies, and communications protocol.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6. Joint Working Programme terms of reference - includes ways of working together - collaborative and open relationship with central government agencies, and communications protocol.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Joint Working Programme terms of reference - includes ways of working together - collaborative and open relationship with central government agencies, and communications protocol.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7. Joint Working Programme terms of reference - includes ways of working together - collaborative and open relationship with central government agencies, and communications protocol.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Joint Working Programme terms of reference - includes ways of working together - collaborative and open relationship with central government agencies, and communications protocol.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10. Joint Working Programme terms of reference - includes ways of working together - collaborative and open relationship with central government agencies, and communications protocol.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Quarterly Risk Update - December 2019
## Top Risk Register 26 November 2019

<table>
<thead>
<tr>
<th>Risk No.</th>
<th>Risk Theme</th>
<th>Risk and Impact Description</th>
<th>Risk Owner</th>
<th>Inherent Likelihood</th>
<th>Inherent Consequence</th>
<th>Inherent Impact</th>
<th>Controls (Existing and Additional Controls Suggested)</th>
<th>Residual Likelihood</th>
<th>Residual Consequence</th>
<th>Residual Risk</th>
</tr>
</thead>
</table>
| 5        | Failure to effectively manage and protect council owned assets so they are fit for purpose to deliver the required outcomes for efficient and effective delivery of social and economic outcomes sought in Auckland Plan and the Aucklanders Promise to staff, contractors and the public’s health and safety and wellbeing  
- Financial loss (e.g. investment and unbudgeted costs)  
- Loss of trust and confidence | Lack of or inadequate understanding and management of significant asset risk including:  
- Accessibility  
- Definability of assets  
- Weather tightness  
- Impacts of assets from extreme weather events (e.g. flooding)  
- Non-compliance with regulatory and legislative obligations  
- Lack of aligned service road strategy and asset management strategy, plan or policy for investment or divestment opportunities  
- Insufficient, incomplete and delayed information and data on assets  
- Lack of tools to manage the prioritisation, criticality and performance of the assets  
- Funding uncertainties  
- Over- or under-maintenance  
- Inefficient asset management practices, due to inadequate suppliers, staff capacity and capability, lack of standardised processes and systems | Director Customer and Community Services | Almost Certain | Major | Extreme |  
1. Disconnected asset risk assessment programme to identify and record known risks for council assets as part of asset data and asset management training.  
2. Asset Management Data Tools  
3. Capital and Property Management Information Systems (CAPMIS)  
4. Asset Management Plan (AMP)  
5. Asset Management Information System (AMIS)  
6. Strategic Asset Management Plan (SAMP)  
7. Semi-annual Asset Management Plan (SAMP)  
8. Strategic Asset Management Plan (SAMP)  
9. Asset Management Plan (AMP)  
10. Strategic Asset Management Plan (SAMP)  
11. Strategic Asset Management Plan (SAMP)  
12. Strategic Asset Management Plan (SAMP)  
13. Strategic Asset Management Plan (SAMP)  
14. Strategic Asset Management Plan (SAMP) | Possible | Moderate | Medium |
<table>
<thead>
<tr>
<th>Risk No.</th>
<th>Risk Theme</th>
<th>Risk Impact Description</th>
<th>Risk Drivers (Existing and Potential Causes)</th>
<th>Risk Owner</th>
<th>Inherent Likelihood</th>
<th>Inherent Consequence</th>
<th>Inherent Risk</th>
<th>Controls (Existing and Additional Controls Suggested)</th>
<th>Residual Likelihood</th>
<th>Residual Consequence</th>
<th>Residual Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>15</td>
<td>System failure</td>
<td>Lack of adequate</td>
<td>Business continuity and disaster recovery framework,</td>
<td>Director Customer and Community Services</td>
<td>Likely</td>
<td>Major</td>
<td>High</td>
<td>Business Continuity Management</td>
<td>Likely</td>
<td>Major</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>CEO emergency management framework,</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1. Business Continuity Management holds the lead for business continuity planning at Auckland Council.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Effective and consistent BCPs across council due to</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2. Mandate for partners to have business continuity plans through the Business Continuity Policy and the BCP Audit Checklist.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>leadership of BCPs across council</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3. Department heads in the organisation are given guidance on best practice continuity planning and on how to plan for disruptive or extreme events.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Commitment to risk management strategy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4. A range of partners contribute to emergency and business continuity planning at council.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>in the form of support for major risk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Title is coordinated via a Crisis Management Plan, with a nominated Crisis Manager, from a range of sector managers in the business.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Business Continuity Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Core partners, including vertical and delivery partners, are coordinated via a PMO interface to ensure they are aware of BCP criticality and guidance.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Business Continuity Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5. APM coordinates the update of business continuity plans across the council on a six-monthly basis, in the event the plan is to be updated quarterly.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Business Continuity Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6. Each business is required to use standard Business Continuity Plan template. The template includes information on multiple scenarios to provide key services (data, power, communications) in case of a business continuity incident.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Business Continuity Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7. Second data centre has been set up, and services are now being migrated to the new data centre.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Business Continuity Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>8. APM coordinates the testing of the crisis management team (annually).</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Business Continuity Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>9. APM coordinates the testing of the integration of the various business continuity plans.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Business Continuity Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10. APM coordinate and provides scenarios to businesses for testing of BCPs.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Business Continuity Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>11. Business Continuity Exercise programme of work is in place and implemented across council. An exercise schedule is in place and executed. Progress against this programme is monitored and shared with the board and senior management.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Business Continuity Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12. Critical backup mechanisms are in place to ensure data is recoverable to acceptable levels. The BCPs include recovery time objectives.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Business Continuity Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>13. A training program is in place for key teams and Business Continuity Coordinators to ensure training is provided at least annually.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Business Continuity Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>14. A crisis management plan is in place and is regularly updated and communicated to key stakeholders via our ODT.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Civil Defence and Emergency Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>15. Auckland OCEM Group Plan, is a key document required by the Civil Defence Act 2002. The plan identifies a range of disruptive and extreme events for Auckland as well as a range of actions to reduce risk from these events. Specific events are also undertaken for specific hazards, such as storms and fire, with procedures being developed to reduce the effects of these events.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Civil Defence and Emergency Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>17. Auckland OCEM Group has a Service Level Agreement with the Civil Defence.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Civil Defence and Emergency Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>This SLA allows Auckland Council access to a range of weather-related indicators. These indicators allow pre-planning for disruptive events. Likewise, other emergency services such as fire, police and transport have a range of pre-defined indicators in place that allow for action to be taken in response. Communication of future adverse events to our business partners and managers.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Civil Defence and Emergency Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>18. Governance, reporting and assurance processes to confirm effectiveness of OCEM’s done by the Coordinated Auckland Group and the Auckland OCEM Committee, chaired by Co-Councilor Shane Swete.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Additional controls being developed**

1. Recovery point objectives should be captured in BCPs - Investigate to understand how this is captured or could be captured.
2. Governance, reporting, escalation and assurance processes in relation to Business Continuity in Auckland Council should be implemented. Reporting should at minimum include status of BCP across councils, status of councils testing, call tree testing and OCP testing across council, status of actions arising out of the testing and progress made in implementing improvements/changes identified. Progress against this programme of work is reported via non-financial reporting system (OPIAL). Investigate further what gets to OPIAL and who owns it.
<table>
<thead>
<tr>
<th>Risk No.</th>
<th>Risk Theme</th>
<th>Risk and Impact Description</th>
<th>Risk Owner</th>
<th>Inherent Likelihood</th>
<th>Inherent Consequence</th>
<th>Inherent Risk</th>
<th>Controls (Existing and Additional Controls Suggested)</th>
<th>Residual Likelihood</th>
<th>Residual Consequence</th>
<th>Residual Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>Service delivery</td>
<td>Council may be unable to maintain or deliver services and meet service performance targets (including those related to statistical or attitudinal impacts), while at the same time not wasting ratespayer funds, leading to potential adverse impacts on communities / customers, reputation damage and financial risks.</td>
<td>Director Customer and Community Services</td>
<td>Likely</td>
<td>Major</td>
<td>High</td>
<td>1. implemented service strategies, supported by Community Facilities network plan, Local Board plans and Asset Management programmes. 2. Enacted Community Engagement Model within ACE and extend progressively across council. 3. Programme manager and workstream leaders are coordinating relevant stakeholders (including CCIs). 4. Service performance targets have been developed and regularly reported.</td>
<td>Possible</td>
<td>Moderate</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Additional Controls Suggested: Contractor performance framework needs to be developed and implemented.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In addition:  
- Processed decreased or lack of understanding of community needs.  
- Negative media coverage or perceived negative media sentiment.  
- Perceived poor value for ratespayers' money.  
- Spent more waste or cost over-run.  
- Poor or declining levels of customer service and experience.  
- Poor integration between operations and objectives of local boards, CCIs and CCIs and project outcomes.  
- Lower than expected revenue growth due to disruptions.  
- Ineffective relationship with Central Government in relation to forward planning for infrastructure.
<table>
<thead>
<tr>
<th>Risk No.</th>
<th>Risk Theme</th>
<th>Risk and Impact Description</th>
<th>Risk Drivers (Existing and Potential Causes)</th>
<th>Inherent Likelihood</th>
<th>Inherent Consequence</th>
<th>Inherent Risk</th>
<th>Controls (Existing and Additional Controls Suggested)</th>
</tr>
</thead>
</table>
| 8       | Small Waters, Waste Systems and Stormwater Management | Water quality and supply risks for Council including:  
  - the quality, treatment, monitoring and reporting; and avilability of potable water at council owned or managed local and regional parks and reserves may be inadequate  
  - the wastewater management system (including monitoring and reporting) at council owned or managed local and regional parks and reserves may be inadequate and the non-networked system may not effectively remove or treat waste water  
  - the capacity and management of storm water assets (introduction) to cope with severe weather events may be inadequate  
  The above risks may result in health and safety issues, reputation damage, financial loss and non-compliance with national policy statements and/or legislation; increased flooding risks; potential effects on the ecological health of our urban streams and coastal waters; as well as on the economic, social and cultural value of these environments. | Lack of or inadequate:  
  - Up-to-date data (e.g., consent frameworks) is not robust enough to provide confidence in how we manage water  
  - Integration of the consenting data and planning mechanisms at local and regional scales  
  - Calibration processes to verify when information needs to be updated/increased  
  - Proportional  
  - Information to the size of the consent  
  - Stormwater characteristics of drainage systems  
  - Asset understanding management (capacity and age)  
  - A focus on disaster prevention rather than disaster recovery  
  - Sufficient funding (including reserves and capital) to achieve the desired environmental outcomes (e.g., targeted data not available)  
  - Technology upgrades / incentives  
  - Integration and transparency of the Resource Management Act Reform  
  - Security of water supply and standards of bare sources.  
  - Compliance with statutory requirements.  
  In addition:  
  - Changing climate (increased rainfall intensity, storm, drought, water stress, sea-level rise, heatwave conditions)  
  - Resilience in historic data to manage the future  
  - Changes in land use (Rural land becoming urban / industrial) and increasing contaminants  
  - Population growth and migration  
  - Cost of construction  
  - Perception of value of habitat, including intrinsic value  
  - Treaty Settlements expectations  
  - Increased water demand for different uses of land (recreational)  
  - Uninterruption of private sources (e.g., seaport and storm water). | Almost Certain | Major | Exposure:  
  - Effective Auckland Water plan that is evaluated for specific outcomes - does not fully incorporate National Policy Statement on Freshwater Management (NPSFM) outcomes.  
  - Monitoring and evaluation framework being developed.  
  - Network discharge consents to adequately manage these consents.  
  - Relationship with central government (desired action or how is growth managed in conjunction with environmental outcomes.  
  - Auckland plan 2040 - implementation of and recognising impact from 2012 version.  
  - Protecting and raising public awareness (tick/tick/tick).  
  - Recreational and wastewater collection and treatment plants  
  - Storm improvements by Healthy Waterways (planning and reinitiating).  
  - Monitoring of water quality is being done by RMIT  
  - Healthy Waterways storm water operations and maintenance to ensure the hydraulic capacity of the storm water network.  
  - Settlement management plans for developers (storm water models that take into account climate change and sea level rise).  
  - Establishment of new Natural Environment Strategy teams, working to verify improved environmental outcomes in council activities.  
  - National Policy Statement on Freshwater Management (NPSFM)  
  - Comprehensive and implementation of Auckland Water Quality Spatial Plan  
  - Healthy Waterways (independent agency) monitoring review of overall health of marine ecosystems.  
  - City Sustainability Office initiating and supporting sustainability initiatives across council activity.  
  - Active involvement in the special interest groups with other regional councils, many of which focussed on the environmental impact.  
  - Ongoing review of plans and effectiveness.  
  - Environmental monitoring and frequent reporting of data.  
  - Identifying sites without treatment equipment as potable water potable and introducing treatment as required.  
  - All known sites without adequate treatment are signed as non-potable (evaporation water).  
  - All known sites with adequate treatment to have emergency action plan implemented or alternatives provided.  
  - Sites to be connected to waterways extended wastewater network where possible (1 completed and 1 being investigated as at July 2018).  
  - Public education & signage provided.  
  - Funding Source/s from through Water Targeted Rates (WTR)  
  - Water Quality Plans (WQP) Improvement Schedule - actions taken and improvements completed (treatment plans.  
  - RPT assessments for private wastewater systems including septic tanks  
  - Quarterly reporting and updates provided to governance committees on water quality.  
  - Ongoing review of and identifying additional sites without treatment equipment. | Possible | Major | Consequence:  
  - Additional Controls Underway:  
  - Comprehensive Auckland Water strategy is under development (July 2019) with Healthy Waters, WaterCare, AT and CPO.  
  - Central Interceptor / Western Interceptor Water Quality Improvement Programme - Underway.  
  - Integrated Asset Management plan that talk to each other, shared environmental outcomes (WaterCare, Healthy Waters and AT). |
<table>
<thead>
<tr>
<th>Risk Identification</th>
<th>Workshop Output - Risk Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Risk Identification</strong></td>
<td><strong>Workshop Output - Risk Assessment</strong></td>
</tr>
<tr>
<td><strong>Risk No.</strong></td>
<td><strong>Risk Theme</strong></td>
</tr>
<tr>
<td>9</td>
<td>Programme and Project Delivery</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Top Risk Register 26 November 2019

<table>
<thead>
<tr>
<th>Risk Identification</th>
<th>Workshop Digital - Risk Assessment</th>
<th>Residual Likelihood</th>
<th>Residual Consequence</th>
<th>Residual Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Item 15</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Risk Theme:** Consent Processing

- Unlawful, unauthorised or malpractice
- Consulting processes, which may result in the breach of statutory and regulatory requirements, unexpected environmental outcomes, incompatibility with other processes, or risks to public safety, including health and safety, costs or delays to consenting
- Inability to meet deadlines
- Inability to meet deadlines
- Inability to meet deadlines
- Increase in compliance requirements on developers/developers
- Increase in demand for new housing
- Lack of effectiveness or engagement with Qualified Persons (QPs)
- Increase in demand for new housing
- Non-delivery of necessary technical systems (e.g., WIP, etc.)
- Non-delivery of necessary technical systems (e.g., WIP, etc.)
- Non-delivery of necessary technical systems (e.g., WIP, etc.)
- Non-delivery of necessary technical systems (e.g., WIP, etc.)
- Non-delivery of necessary technical systems (e.g., WIP, etc.)

**Risk Owner:** Director Regulatory Services

**Inherent Likelihood:** Likely

**Inherent Consequence:** Major

**Inherent Risk:** High

**Controls (Existing and Additional Controls Suggested):**

1. Continue to embed streamlined, standardised processes and protocols.
2. Recruitment and retention, including onboarding of skilled staff.
4. Active advisory to central government (including regulatory functions and risk initiatives) on changes to Better Regulation of Housing and infrastructure.
5. Training and development of staff.
6. Stewarding quality assurance and accountability of building consenting processes to ensure compliance with accreditation framework.
7. Ongoing development of codes of practice, technical guidance, practice roles, Training of staff and industry.
8. Resource Consents is an administrator of the Unitary Plan and through this, are allowed to prosecute for breaches to this plan.
9. Resource Consents is an arm’s length organisation that is independent and able to act.
10. Convene a meeting with key stakeholders to discuss and articulate the need for additional resources.
11. Post-July 2018, internal audit undertakes further monitoring on a monthly basis for both building consents and non-built resource consents.
12. Integration between Habitat and SAP to enable full utilisation of digital integration processes.
13. Building and training enhancements have been completed.

**Additional Controls Underway:**

- Process optimisation and simplification.
<table>
<thead>
<tr>
<th>Risk No.</th>
<th>Risk Theme</th>
<th>Risk and Impact Description</th>
<th>Risk Drivers (Existing and Potential Causes)</th>
<th>Risk Owner</th>
<th>Inherent Likelihood</th>
<th>Inherent Consequence</th>
<th>Inherent Risk</th>
<th>Controls (Existing and Additional Controls Suggested)</th>
<th>Residual Likelihood</th>
<th>Residual Consequence</th>
<th>Residual Risk</th>
</tr>
</thead>
</table>
| 11      | Theft, Fraud and Corruption      | Internal or external fraud, corruption or other unethical or illegal acts committed by or against Council members, financial loss, reputational damage, and/or operational risk to Council | Lack of or inadquate:  
- Pre-employment checks  
- Training and awareness  
- User access management controls  
- Segregation of Duties controls  
- Controls around procurement and contract management  
- Rigorous management of declarations and conflicts of Interest  
- Mandate to review budgets vs actuals (Holy)  
  
  In addition:  
- Insider knowledge impacting tendering process  
- Collaboration between staff and external suppliers  
- Poor Financial Berley for lodge suppliers  
- Inconsistently applying policies and demonstrating expected behaviours  
- Undocumented or unattended and/or unapproved building products used in construction  | Governance Director | Likely | Major | High | 1. Fraud risk mitigation is embedded in the organisation culture  
2. Internal Audit work program to review and identify potential fraud risks  
3. Fraud Risk Framework  
4. Integrity and Investigation Unit providing training, investigations and data analytics services  
5. Procedure training and awareness  
6. IS Security (User access management, segregation of duties, password management etc.)  
7. Monthly Security Focus  
8. Integrated and coordinated process for sharing of critical and relevant information between Internal Audit and Risk departments  
9. SAP Requisition being reviewed by 3rd Party members and identifies if the bank account has been added  
10. Procurement and Purchasing policies  
11. Our Charter is designed to provide guidance to staff on expected behaviours  
12. Ailbe - control framework around procurement and purchasing  
15. Reporting and transparency around sensitive expenditure  
17. Background checks and controls around recruitment process  
18. Speak Up channel from Our Charter  
19. Quality Assurance framework for continuous monitoring  
20. Procurement and contract management controls are key systems (e.g. ARIBA) | Possible | Major | High |
Please note:
The rating is assessed based on a likelihood and consequence matrix.
The likelihood assesses the probability of the risk occurring.
The consequence is assessed based on the impact of the risk on council’s objectives.
Exclusion of the Public: Local Government Official Information and Meetings Act 1987

That the Audit and Risk Committee

a) exclude the public from the following part(s) of the proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

C1 Council-controlled Organisations’ Quarterly Risk Updates - December 2019

<table>
<thead>
<tr>
<th>Reason for passing this resolution in relation to each matter</th>
<th>Particular interest(s) protected (where applicable)</th>
<th>Ground(s) under section 48(1) for the passing of this resolution</th>
</tr>
</thead>
<tbody>
<tr>
<td>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</td>
<td>s7(2)(c)(i) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information or information from the same source and it is in the public interest that such information should continue to be supplied. s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities. In particular, the report contains risk reporting and detailed top risks confidential to the council-controlled organisations’ Boards or Audit and Risk Committees. The council-controlled organisations have provided their risk reports for the council’s Audit and Risk Committee subject to confidentiality.</td>
<td>s48(1)(a)</td>
</tr>
</tbody>
</table>

The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.
### C2 Confidential discussion of key financial statement judgements and assumptions and endorse the pro forma interim report and NZX release for the 6 months ended 31 December 2019

<table>
<thead>
<tr>
<th>Reason for passing this resolution in relation to each matter</th>
<th>Particular interest(s) protected (where applicable)</th>
<th>Ground(s) under section 48(1) for the passing of this resolution</th>
</tr>
</thead>
</table>
| The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7. | s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities. In particular, the report contains financial assumptions and judgements that have an impact on the financial results of the Auckland Council Group as at 31 December 2019. | s48(1)(a)

### C3 Office of the Auditor-General and Audit New Zealand briefing

<table>
<thead>
<tr>
<th>Reason for passing this resolution in relation to each matter</th>
<th>Particular interest(s) protected (where applicable)</th>
<th>Ground(s) under section 48(1) for the passing of this resolution</th>
</tr>
</thead>
</table>
| The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7. | s7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities. In particular, the report from Audit New Zealand contains information regarding the interim report and financial results of the Auckland Council Group and Auckland Council as at 31 December 2019. | s48(1)(a)

### C4 Assurance Services - Integrity activity and internal audit outcomes

<table>
<thead>
<tr>
<th>Reason for passing this resolution in relation to each matter</th>
<th>Particular interest(s) protected (where applicable)</th>
<th>Ground(s) under section 48(1) for the passing of this resolution</th>
</tr>
</thead>
</table>
| The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7. | s7(2)(c)(i) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information or information from the same source and it is in the public interest that such information should continue to be supplied. In particular, the report contains details of integrity and audit and review activity. The maintenance of confidentiality is required to ensure effective assurance processes for Council. | s48(1)(a)

The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.