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

**Date:** Monday, 24 February 2020  
**Time:** 1.15pm  
**Meeting Room:** Room 1, Level 26  
**Venue:** 135 Albert Street  
Auckland

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

**OPEN AGENDA**

**MEMBERSHIP**

- **Chairperson**  
  Sue Sheldon, CNZM
- **Deputy Chairperson**  
  Cr Daniel Newman, JP  
  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*

**19 February 2020**

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

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**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 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.

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.
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PUBLIC EXCLUDED

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C1  Council-controlled Organisations’ Quarterly Risk Updates - February 2020   | 119  |
C2  Proposed approach for 2020-2021 Insurance Renewal                       | 120  |
C3  Half year results announcement for NZX and Interim Report 31 December 2019 | 120  |
C4  Office of the Auditor-General and Audit New Zealand Briefing           | 120  |
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**

That the Audit and Risk Committee:

a) confirm the ordinary minutes of its meeting, held on Monday, 9 December 2019, including the confidential section, as a true and correct record.

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 review and approve the Audit and Risk Committee’s three-year forward work programme that has been updated following the Audit and Risk Committee’s meeting on 9 December 2019.

Whakarāpopototangatanga matua
Executive summary
2. The Audit and Risk Committee approved its three-year forward work programme at its 9 December 2019 meeting. [Resolution number AUD/2019/68]
3. In accordance with good practice, the committee reviews the forward programme at each meeting to ensure it can be adapted to council’s risk profile changes and that it remains relevant to the needs of the committee.
4. Minor scheduling adjustments have been made to implement the decision of the committee on 9 December 2019 to alternate the updates received on activities from Assurance Services department and the Risk department. Any emerging risks or significant matters will be reported as required in between the update reports.
5. The financial entries have also been updated to correctly reflect which reports are annual versus interim reports and to include a Green Bond update due in September 2020.
6. The Top Risk deep dives have been updated. Deep Dives are scheduled to be reported for Service Delivery in May and Climate Change Phase 2 in August 2020.
7. Scheduling of the annual attendances by each of the council-controlled organisations in 2021 and 2022 has been confirmed and included.
8. Several new matters are recommended to be included (highlighted in yellow in attachment A):
   (a) A briefing report on council’s approach to integrated reporting with our Annual Report is proposed for May 2020. The purpose of the report is to brief the committee on council’s approach and seek the Audit and Risk Committee’s endorsement to make the 2019/2020 Annual Report a formal Integrated Report.
   (b) A report on the Sky City Convention Fire post event review is proposed for the 24 May 2020.
   (c) An update on the CCO review is proposed for 24 May 2020 to update the committee on the outcomes of the review.
   (d) Annual updates on insurance activities are proposed in February 2021 and 2022 to enable ongoing oversight and endorsement of the programme development.
9. Workshops are proposed on the following topics on 24 May 2020:
   (a) Internal audits and reviews completed in Q2 and Q3 2019/2020
   (b) Post event review following Sky City Convention Centre Fire – business continuity and emergency response
   (c) Outcomes of the Top Risk - Service Delivery Deep Dive.
Ngā tūtohunga
Recommendation/s
That the Audit and Risk Committee:

a) approve the recommended new matters and adopt the updated Audit and Risk Committee work programme.

b) approve the recommended workshop topics to be held in May 2020.

Ngā tāpirihanga
Attachments

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<td>Audit and Risk Committee Forward Workprogramme 2020-2022 updated</td>
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Ngā kaihaina
Signatories

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<tr>
<th>Author</th>
<th>Emma Mosely - Head of Assurance Services (Acting)</th>
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<tr>
<td>Authoriser</td>
<td>Phil Wilson - Governance Director</td>
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## Audit and Risk Committee Work Programme 2020-2022

### Item 8

### Area of work and lead

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<tr>
<td><strong>Audit and Risk Committee</strong>&lt;br&gt;Head of Assurance Services</td>
<td>Work programme update</td>
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<td><strong>Assurance</strong>&lt;br&gt;Head of Assurance Services – Assurance Services Department</td>
<td>Building and resource consents assurance plan update</td>
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<td>Treaty Audit Monitoring update</td>
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<td><strong>CCO Risk management</strong>&lt;br&gt;Facilitated by Risk and Insurance Department</td>
<td>CCO quarterly risk report Attendance by Panuku</td>
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<td><strong>Auckland Council partners/ shareholder risk management</strong>&lt;br&gt;Director Infrastructure and Environmental Services &amp; CCO/External Partnerships Dept</td>
<td>Auckland’s Cup 36</td>
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<td>Legal Risk report</td>
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## Audit and Risk Committee Work programme 2020-2022

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<td><strong>Interim Report</strong></td>
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31 December 2020 Interim Financial Statements & NZX announcement Updates  
Proforma interim financial statements and accounting policies 31 December 2020 |
| **Annual Report**     |        |        |        |        |       |
| **Long Term Plan 2018/2028** |        |        |        |        |       |
| **External Audit**    |        |        |        |        |       |
| Office of Auditor-General (OAG) | Briefing paper provided | Briefing paper provided | Briefing paper provided | Briefing paper provided | Briefing paper provided |

### Workshops

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

Workshops are not used 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 (six monthly)
3. Post event review following Sky City Convention Centre Fire 2019 – business continuity and emergency response (May 2020)
4. Risk appetite statement review (May 2020)
5. Natural Hazards Risk management
6. Integrity – policies and procedures for prevention, detection, reporting and investigation of bribery and fraud and conflicts of interest (Our Charter)
7. Transport
## Audit and Risk Committee Work programme 2020-2022

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<td><strong>Assurance</strong>&lt;br&gt;Head of Assurance Services – Assurance Services Department</td>
<td>Assurance Services Strategy and activities update (fraud and integrity, elected members, internal audits and reviews, speak up)&lt;br&gt;Audit Programme reporting – updated plan and audits completed</td>
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<td><strong>Independent Moari Statutory Board - Treaty Audit</strong>&lt;br&gt;Head of Assurance and QM 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&lt;br&gt;Attendance by ATED</td>
</tr>
<tr>
<td><strong>Auckland Council partner/ shareholder risk management</strong>&lt;br&gt;Director Infrastructure and Environmental Services &amp; CCO/External Partnerships Dept</td>
<td>America’s Cup 36</td>
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<tr>
<td><strong>Health, Safety and Wellbeing</strong>&lt;br&gt;Head of Health, Safety and Wellbeing</td>
<td>Health, safety and wellbeing update</td>
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<tr>
<td><strong>Legal Risk</strong>&lt;br&gt;General Counsel – Legal &amp; Risk Dept</td>
<td>Legal Risk report</td>
</tr>
</tbody>
</table>
## Audit and Risk Committee Work Programme 2020-2022

### Item 8

<table>
<thead>
<tr>
<th>Area of work and lead</th>
<th>Expected reporting 2022 (dates TBC)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Feb</td>
</tr>
<tr>
<td><strong>Insurance</strong></td>
<td>Update on insurance activities</td>
</tr>
<tr>
<td>Manager Insurance - Risk and Insurance Dept</td>
<td></td>
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<tr>
<td>Group Financial Controller</td>
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<tr>
<td>Group Financial Controller</td>
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<tr>
<td><strong>Long Term Plan 2021/2031</strong></td>
<td>Audit New Zealand final 2021 LTP amendment management report</td>
</tr>
<tr>
<td>Annual Plan</td>
<td>GM Financial Strategy and Planning</td>
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<tr>
<td><strong>External Audit</strong></td>
<td>Briefing paper provided</td>
</tr>
<tr>
<td>Office of Auditor-General (OAG)</td>
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</tr>
</tbody>
</table>
Te take mō te pūrongo
Purpose of the report

1. To provide an update on:
   • the ongoing monitoring of the council’s Te Tiriti o Waitangi Treaty Audit response programme to implement the recommendations contained in Te Tiriti o Waitangi audits of the council. These audits are commissioned by the Independent Māori Statutory Board every three years.
   • the progress being made on a council-wide Māori Outcomes Framework which includes the performance measures requested at the Audit and Risk Committee meeting in August 2019 (Resolution AUD/2019/42).

A short presentation will also be provided to the committee.

Whakarāpopototanga matua
Executive summary

2. Every three years the Independent Māori Statutory Board commissions a Tiriti o Waitangi Audit of Auckland Council against its statutory obligations to Māori (the Treaty Audit). In total, 80 recommendations have been made to the council.

3. Oversight of the implementation of council’s response to the Treaty Audit recommendations occurs via the Waharoa Group which has representatives from the Independent Māori Statutory Board Secretariat, Te Waka Anga Mua and Assurance Services department.

4. Over the last six months, the Waharoa Group has continued to undertake a process for monitoring and reporting on the delivery of the Te Tiriti o Waitangi (Treaty Audit) Response Programme responding to the findings of the Treaty Audit Report 2018.

5. Of the 34 open Treaty Audit recommendations reported to the Audit and Risk Committee in August 2019, 20 have been closed in the last six months. Of the 14 open recommendations, seven are in progress. The seven remaining recommendations are being developed either through scoping for integration into work programmes or are awaiting confirmation of closure criteria. A summary of progress is shown in Attachment A.

6. The development of a performance measurement framework is a recommendation of the 2015 Treaty Audit. It is included as one of the 10 priorities that were reconfirmed in August 2019 as part of the council’s Māori Outcomes Strategic Direction (previously agreed by the Māori Outcomes Steering Group and Te Toa Takitini Executive Leadership Group).

7. A Māori Outcomes Framework, including measures and indicators, is being developed to guide work and measurement of these 10 priorities. The framework is due for completion by May 2020 following consultation with key stakeholders (including the Independent Māori Statutory Board). The proposed framework will be reported to the Parks, Arts, Community and Events Committee (PACE) in April 2020. A reporting cycle will be agreed as part of that decision. A draft example for one of the priority areas is provided in Attachment B.

Ngā tūtohunga
Recommendation/s

That the Audit and Risk Committee:

a) receive the update on the monitoring and progress of the Treaty Audit response programme and progress on the Māori Outcomes Framework.
b) note the oversight and monitoring that has been performed by the Assurance Services department

c) note that the Assurance Services department will report on a six-monthly basis on progress against the Treaty Audit Response Programme to this committee in accordance with the approved Assurance Plan 2019/2020.

Horopaki Context

8. The Independent Māori Statutory Board’s Treaty Audit process sets out a framework for assessing council’s performance against statutory responsibilities and requirements relating to Te Tiriti o Waitangi and to Māori.

9. The third Treaty Audit was completed and received by the Finance and Performance Committee in July 2018, and by the Audit and Risk Committee in September 2018.

10. Of the 80 Treaty Audit recommendations, 34 were reported as still open at August 2019. Twenty have since been closed and 14 remain open.

11. Te Tiriti o Waitangi Audit Report 2018 noted that council had made a considerable effort over the previous 12 months to address the outstanding recommendations from the previous two audits. It also recognised that progress has been made in the development of Māori Responsiveness Plans (MRPs).

12. Te Tiriti o Waitangi Audit Report 2018 recommends that the Assurance Services (formerly Internal Audit) department continue monitoring and reporting to the Audit and Risk Committee and that the council’s ‘follow-up’ framework is used by the Waharoa Group.

13. The Te Tiriti o Waitangi (Treaty Audit) Response Programme is the basis for the Assurance Services department’s monitoring and reporting to the Audit and Risk Committee.

14. The Audit and Risk Committee resolved at its August 2019 meeting that the department provide documentation of the performance measures for marae development, economic development, Te Reo Māori and water (kaitiakitanga) in the next report of the Treaty Audit Programme to this committee. (Resolution AUD/2019/42). The Māori Outcomes Framework under development will contain the performance measures and is discussed below.

Tātaritanga me ngā tohutohu Analysis and advice

The Waharoa Group

15. The Waharoa Group is comprised of representatives from the Assurance department, Te Waka Anga Mua and the Independent Māori Statutory Board Secretariat.

16. The group provides oversight of Te Tiriti o Waitangi (Treaty Audit) Response Programme, including monitoring, guidance and support to action owners and their executives, and agrees closure of recommendations. Assurance Services provides independent oversight and reporting of progress.

Te Tiriti Audit Response Work Programme

17. The strengthened process for monitoring the delivery of the work programme has enabled an increase in the rate of closure of audit recommendations. Improved documentation of the work plans to respond to each recommendation and clearer tracking documents have been implemented.
18. Of the 14 open audit recommendations seven are in progress. The seven remaining recommendations are being developed either through scoping for integration into work programmes or are awaiting confirmation of closure criteria.

<table>
<thead>
<tr>
<th>Audit Year</th>
<th>Total No. of Recommendations</th>
<th>Recommendations closed from Aug 2019 to Feb 2020</th>
<th>Total open recommendations in current work programme</th>
<th>Project Plans</th>
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<tbody>
<tr>
<td>2012 &amp; 2015</td>
<td>67</td>
<td>11</td>
<td>10</td>
<td>4 in development</td>
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<tr>
<td>2018</td>
<td>13</td>
<td>9</td>
<td>4</td>
<td>3 in development</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1 monitoring</td>
</tr>
</tbody>
</table>

19. There are project plans in place or currently being drafted for all 14 remaining open audit recommendations.

20. Improvements are being made to centralised registering, tracking and monitoring of Māori Responsiveness Plans (MRPs) by Te Waka Anga Mua to enable accurate reporting and proactive follow up and support. Work is progressing on refreshing and updating existing MRPs for the Finance Division, Assurance Services department and Panuku Development Auckland Limited. In February 2019 staff advised 21 MRPs are approved and being implemented. Two MRPs are currently in development.

21. MRPs are in place for the substantive council-controlled organisations (CCOs).

**Evolution of strategic direction and improvements to internal arrangements**

22. In December 2019, the council adopted a strategic direction for Māori outcomes across the council group. The strategy sees an evolution from responsiveness to delivery of outcomes for Māori in Tāmaki Makaurau. Decisions have been made by the executive leadership team on where business responsibility sits for delivering the 10 strategic priorities and agree performance measures.

23. In August 2019, the council evolved its leadership structure to Māori Outcomes which saw an elevation in the leadership group which now extends across the council divisions. This enables TWA to ensure audit actions land in the right place with the right support, at the right level, thereby strengthening the strategic lens and oversight of Māori Outcomes.

24. A key element to the structure is the creation of Māori Outcome Lead roles that report to relevant directors and sit on the leadership teams for People and Performance division, Infrastructure and Environmental Services division, Customer and Community division, Regulatory division and Chief Planning Office division, with dotted line reporting to the General Manager Māori Outcomes and Relationships.

25. It is anticipated that these changes to strategic direction and strengthening of governance structure and resourcing will support and positively enable the closure of the outstanding audit recommendations over the next 6 months and the continued improvements to deliver the 10 priorities including the Māori Outcomes Framework and performance measures.

**Māori Outcomes Framework**


27. The purpose of the framework is to monitor and report how the council group is delivering on Māori outcomes in a comprehensive and more specific way. It forms a key component of the council group’s collaborative approach to delivering Māori outcomes.
28. The work is being overseen by a council group steering group called the Māori Outcomes Steering Group (members include council and CCO representatives).

29. Originally, four priorities were selected by the Te Toa Takitini Executive Leadership Group as there was limited capacity to focus on all ten priorities in the structure at the time. The ten priorities are shown in Attachment C.

30. The evolved structure and processes have been implemented in order to allow for all priorities to be delivered. Directorates and council controlled organisations now have responsibility for delivery of their allocated priorities. In some cases this involves working across directorates.

31. A Māori Outcomes Framework project plan states the following key milestones:
   - ELT approval of allocation of the 10 priorities across directorates – completed in December 2019
   - Workshop with subject matter experts and programme leads to develop key priority indicators – in progress
   - Draft Framework for endorsement by the Māori Outcomes Steering Group in March 2020
   - Framework to the PACE Committee in April 2020

   This Framework includes outcome statements and council-activity level performance measures for all ten strategic priorities. It also includes high level indicators. A draft outline of the Māori Outcomes Framework is provided in Attachment C.

32. The Māori Outcomes Framework is intended to provide guidance and measurement of progress and performance for the council group. The measures and indicators will be drawn from several sources, including the council’s Long-Term Plan and Annual Plan, Statistics New Zealand, and the Quality of Life survey. The work is also integrating relevant measures from strategic documents such as the Independent Māori Statutory Board’s Māori Plan, iwi strategies, and the Mana Whenua Kaitiaki Forum’s 10-year strategy. The reporting cycle of measures will be included in the final Māori Outcomes Framework.

33. Staff are working closely with mana whenua, mataawaka, the Independent Māori Statutory Board, council group, the Māori Outcomes Steering Group and Te Toa Takitini Executive Leadership Group, to develop and finalise the Māori Outcomes Framework.

Tauākī whakaaweawe āhuarangi
Climate impact statement
34. There are no impacts on climate from this report. However, the Māori Outcomes Framework is based on wellbeing and includes environmental wellbeing.

Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera
Council group impacts and views
35. The Treaty Audit response work programme enables the council group to strengthen responsiveness to Māori through targeted actions and improvements. The Māori Outcomes Framework is intended to give clarity and guidance to the council group.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe
Local impacts and local board views
36. The views of local boards have not been sought in relation to this report.

Tauākī whakaaweawe Māori
Māori impact statement
37. The Treaty Audit response work programme enables the council group to strengthen responsiveness to Māori through targeted actions and improvements.
Ngā ritenga ā-pūtea
Financial implications
38. The committee is not being asked to make a decision with financial implications.

Ngā raru tūpono me ngā whakamaurutanga
Risks and mitigations
39. The meeting of council's obligations to Māori and honouring of its Treaty obligations is a priority objective of council.
40. Key risks to achieving this objective are lack of resources and capability and oversight and monitoring of the Audit work programme. The independent oversight and monitoring by Assurance Services, membership of the Waharoa Group and six-monthly reporting to the Audit and Risk Committee are key mitigations of these risks.

Ngā koringa ā-muri
Next steps
41. The Assurance Services department will continue to attend the Waharoa Group and monitor the Treaty Audit response programme and report to the Audit and Risk Committee in accordance with the Assurance plan, and the committee's forward work programme.

Ngā tāpirihanga
Attachments

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
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<tbody>
<tr>
<td>A</td>
<td>Attachment A - Update of Treaty Audit Recommendations from Aug 19</td>
<td>25</td>
</tr>
<tr>
<td>B</td>
<td>Attachment B - Draft Example of Maori Outcomes Priority Area Measures</td>
<td>27</td>
</tr>
<tr>
<td>C</td>
<td>Attachment C - Māori Outcomes Strategic Direction with Priority Owners</td>
<td>29</td>
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Ngā kaihaina
Signatories

<table>
<thead>
<tr>
<th>Authors</th>
<th></th>
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<tbody>
<tr>
<td></td>
<td>Emma Mosely - Head of Assurance Services (Acting)</td>
</tr>
<tr>
<td></td>
<td>Simone Andersen - Head of Maori Strategic Outcomes</td>
</tr>
<tr>
<td></td>
<td>Tania Winslade - General Manager, Maori Outcomes &amp; Relationships</td>
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<p>| Authoriser | Phil Wilson - Governance Director |</p>
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<tr>
<th>Recommendation No.</th>
<th>Audit Year</th>
<th>Audit Recommendation Description</th>
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<tr>
<td>1</td>
<td>2018</td>
<td>Review Closure Criteria for all open actions (from 2015)</td>
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<td>2018</td>
<td>Evidence of Action Closure</td>
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<td>3</td>
<td>2018</td>
<td>Expectations of oversight for senior leaders</td>
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<td>4</td>
<td>2018</td>
<td>Establish reporting procedures for progress and risk management</td>
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<td>5</td>
<td>2018</td>
<td>Develop a new reporting template</td>
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<td>6</td>
<td>2018</td>
<td>Monitoring of MRP Implementation and Improved Reporting on Progress</td>
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<td>7</td>
<td>2018</td>
<td>Actions arising out of MRP's will be incorporated into Business plans</td>
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<td>8</td>
<td>2018</td>
<td>Legal Self-Assessment check</td>
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<td>2018</td>
<td>Monitoring Legal Self-Assessment Review in MRP Development</td>
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<td>2015 &amp; 2018</td>
<td>Capacity Contracts</td>
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<td>12</td>
<td>2018</td>
<td>Reframe closure criteria for action groups relating to Mana Whenua participation in Resource Consents</td>
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<td>Assign Co Management/Co Governance Recommendation (Rec 9, 2015) to the right action owner</td>
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<td>8.2</td>
<td>2015</td>
<td>Auckland Plan - Governance Statement</td>
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<td>9, 22, 23, 85</td>
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<td>Co Management, Co Governance, Joint Management Policy, Transfer of Powers Policy and their processes</td>
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<td>25, 26, 29, 54</td>
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<td>Māori Information Portal</td>
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<td>Courts order agreements register</td>
<td>Closed</td>
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<td>36</td>
<td>2012</td>
<td>Acquisition and disposal of Māori Freehold land processes</td>
<td>Closed</td>
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<tr>
<td>45</td>
<td>2012</td>
<td>CCO and Local Board Māori consultation processes</td>
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## DRAFT EXAMPLE OF PRIORITY AREA MEASURES

### Priority 1.0 Papakāinga and Māori Housing

**Whānau Māori are thriving in Papakāinga and housing developments across Tāmaki Makaurau**

This aspiration will be achieved through cross-sector collaboration - working with central government, iwi and community sector organisations. Council’s contribution focuses on the infrastructure and consenting needs for papakāinga and Māori housing, which in turn can deliver social benefits with and for whānau.

<table>
<thead>
<tr>
<th>Ngā Putanga Mahi (Regulatory Services):</th>
</tr>
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<tbody>
<tr>
<td>One of council’s greatest opportunities is through ensuring it’s planning, consenting and infrastructure processes are responsive to Māori needs and aspirations. These are reflected in the focus areas for this priority:</td>
</tr>
</tbody>
</table>

**Outcome 1.1:** Māori receive expert advice and appropriate investment to develop papakāinga and Māori housing

**Action 1.1:** Provide investment, advisory support and technical expertise to progress papakāinga & Māori housing development applications.

**Measure 1.1 (Existing):** Number of Māori organisations and trusts projects that have been supported to achieve Māori housing and papakāinga development (Auckland Council - Annual Plan)

**Outcome 1.2:** Māori experience housing and papakāinga that reflects and supports te Ao Māori needs and aspirations.

**Action 1.2:** Improve council processes to enable Māori to build housing specific to whānau needs and aspirations.

**Measure 1.2 (Existing):** Number of Auckland Council-assisted papakainga (Auckland Council - Annual Plan)

**Outcome 1.3:** The infrastructure of Tāmaki Makaurau supports and enables Māori housing and papakāinga needs and aspirations.

**Action 1.3:** Deliver programmes that support the infrastructure needs of Māori housing and papakāinga, such as road safety improvements and water infrastructure.

**Measure 1.3:** To be determined
MĀORI OUTCOMES
STRATEGIC DIRECTION
2019-2022

WHAT DO WE DO?
We lead Auckland Council toward a Tāmaki Makaurau where Māori thrive.

HOW DO WE DO IT?

1. We are led by te ao Māori philosophy and tikanga Māori-based principles.
2. We are navigators for Auckland Council to achieve Māori outcomes.
3. We are trusted advisors for Auckland Council leadership.
4. We hold strategic relationships to achieve shared priorities.
5. We focus on measurement monitoring and reporting of Māori outcomes.

OUR LONG TERM PRIORITIES

1. Priority 1: Papakāinga and Māori Housing
2. Priority 2: Whaitangi and Tāmaki Wellbeing
3. Priority 3: Marae Development
4. Priority 4: Te Reo Māori
5. Priority 5: Māori Identity and Culture
7. Priority 7: Realising Rangatahi Potential
8. Priority 8: Kaupākāinga
9. Priority 9: Effective Māori Participation
10. Priority 10: An Empowered Organisation

PRIORITY OWNER

1. REGULATORY SERVICES
2. CUSTOMER & COMMUNITY SERVICES
3. GOVERNANCE: TWA
4. CHIEF PLANNING OFFICE
5. ATEED
6. GOVERNANCE: TWA
7. INFRASTRUCTURE & ENVIRONMENTAL SERVICES
8. GOVERNANCE: TWA
9. PEOPLE & PERFORMANCE
Te take mō te pūrongo
Purpose of the report

1. To update and provide assurance regarding Health, Safety and Wellbeing processes and emerging risks and issues.

Whakarāpopototanga matua
Executive summary

2. Staff are in the process of reviewing existing health, safety and well-being reporting processes, with a view to ensuring that reports to the committee are meaningful and relevant. This updated reporting format will be in place by the next quarterly report.

3. This report is focused on Auckland Council’s response to the novel coronavirus (COVID-19) threat and the challenges faced by frontline staff who have to deal with antisocial and, potentially violent behaviour on the part of members of the public.

4. Staff are able to answer any wider questions regarding Auckland Council’s health, safety and well-being performance at the committee meeting.

Ngā tūtohunga
Recommendation/s

That the Audit and Risk Committee:

a) note the council’s response to the novel coronavirus threat and challenges for frontline staff facing antisocial behaviour from members of the public.

Horopaki
Context

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

Tātaritanga me ngā tohutohu
Analysis and advice

Response to novel coronavirus (COVID-19)

6. Council has put in place a crisis management team (CMT) to plan and direct Auckland Council’s response to the novel coronavirus threat, led by Ian Maxwell (Acting Director Customer and Community Services). The CMT has representatives from key customer facing business units, Auckland Emergency Management, Communications & Engagement, and People & Performance (including Health, Safety & Well-being). Wherever possible, representatives from council-controlled organisations (CCOs) are involved.

7. The guiding principle is that the council will follow the direction set by the Ministry of Health to determine the appropriate approach to manage our response to the threat posed by the virus.
8. The CMT's preparations are guided by the premise that there will be three possible stages to the COVID-19 virus' level of infection in New Zealand. They are:
   • Stage I - no virus present in New Zealand
   • Stage II - virus present in the small number of patients, who are restricted to quarantine in medical facilities
   • Stage III - widespread prevalence across the New Zealand population

9. We are currently at Stage I, and it is likely that we will reach Stage II. The Ministry of Health's assessment is that it is unlikely New Zealand will get to Stage III. Our current actions are focused on Stage I responses, but preliminary plans are being made in anticipation of Stage II and thought is being given to the implications of Stage III (e.g. impacts on mass gatherings and other Council events).

10. Responses to date include:
   • MOH posters promoting awareness of the importance of washing and drying hands are being circulated across the organisation's premises.
   • Paper towels (as opposed to air dryers) are being placed in all staff and public washrooms, with which staff have regular contact (e.g. Libraries).
   • Plans are in place in the event we get to Stage II for increased cleaning of surfaces.
   • Assessment of PPE. Based on MOH guidelines, we do not believe it is appropriate or helpful to provide facemasks. If staff choose to wear them, that choice will be respected.
   • People & Performance have put in place guidance and a register for recording staff details, where a staff member needs to self-isolate.
   • Appropriate messages, led by the Mayor, have reinforced the importance of tolerance and abhorrence of any racist or xenophobic messages. Increased training is available to staff to deal with this.

Staff exposure to antisocial behaviour

11. Increasingly, council staff are exposed to antisocial behaviour by members of the public. This has noticeably increased in recent years. The behaviour ranges from violent confrontations between members of the public to unacceptable behaviour between members of the public and directed towards staff and places them in situations where they are having to manage these complex situations and ensure their own personal safety.

12. The reasons for this are many and include increasing homelessness, a failure of support agencies to cater for community needs, and the simple reality that many of our public facing facilities are deliberately set up to encourage visitors. Council has responded to these challenges as best it can, whilst trying to ensure its facilities and amenities remain accessible to local communities.

13. To give an indication of the scale of the issue in the period 1 October 2019-31 December 2019:
   • There were 533 incidents reported to the council's security team.
   • The main staff affected are in libraries (approximately 280 incidents) and regional parks, pools and leisure (approximately 105 incidents), together with staff in customer services, and community centres.
   • These figures do not include incidents encountered by Regulatory staff, involved in such areas as animal and noise control, licensing, and building regulation.
   • The immediate response to these incidents has involved 25 trespassed notices being served, 18 trespass authorisations issued, and 151 CCTV investigations conducted.
   • Police have been involved in 60 incidents.
14. The response to the issues has included:
   - Appropriate training being provided within each department to manage conflict situations, including interactions that involve violence.
   - Departments have provided appropriate security and other support where this is warranted.
   - As part of ongoing building refurbishment programme, facilities such as Libraries are including safety design considerations, for example, safe spaces or panic rooms, which can only be accessed by staff.
   - Employee Assistance Program support is provided for affected staff individually and groups of employees who are exposed to traumatic events or incidents.
   - The Corporate Health, Safety and Well-being team are working to prepare a corporate standard to provide guidance on staff having to deal with antisocial behaviour (including violence) from members of the public.

Tauākī whakaaweawe āhuarangi
Climate impact statement
15. 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
16. CCOs are involved in the CMT for the novel coronavirus where appropriate.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe
Local impacts and local board views
17. Local boards have oversight of many of facilities where measures are being or will be put in place to address any issues with novel coronavirus and antisocial behaviour, and will be involved as appropriate.

Tauākī whakaaweawe Māori
Māori impact statement
18. No additional Māori impact.

Ngā ritenga ā-pūtea
Financial implications
19. Currently, any additional cost associated with extra cleaning, provision of towels and sanitisers, and salary cost associated with self-isolation is being managed within existing budgets.

Ngā raru tūpono me ngā whakamaurutanga
Risks and mitigations
20. The risk of non-compliance with health and safety is recorded in the council’s top risk register. Controls are in place to monitor and respond to critical risks through the Risk Manager System.

Ngā koringa ā-muri
Next steps
21. Continue to monitor the development of the virus and plan accordingly.
22. Develop a pan-Council standard on dealing with antisocial behaviour, while supporting departmental plans. Developed for the council parent and offered to CCOs.

Ngā tāpirihanga

Attachments
There are no attachments for this report.

Ngā kaihaina

Signatories

<table>
<thead>
<tr>
<th>Author</th>
<th>Andre Lubbe - Head of Employment Relations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorisers</td>
<td>Patricia Reade - Director People and Performance</td>
</tr>
<tr>
<td></td>
<td>Phil Wilson - Governance Director</td>
</tr>
</tbody>
</table>
Te take mō te pūrongo

Purpose of the report

1. To receive an update on risk management activities for the 36th America's Cup programme.

Whakarāpopototanga matua

Executive summary

2. The America’s Cup programme was established in 2018 to enable Tāmaki Makaurau to host the 36th defence of the America's Cup in 2021.

3. The Wynyard Edge Alliance is responsible for delivering the essential infrastructure to host the America’s Cup. Auckland Tourism, Events and Economic Development (ATEED) is leading the event coordination and planning on behalf of the Auckland Council Group and the Crown. This will ensure that the city continues to function efficiently during the America's Cup, and that the events take place in a safe manner.

4. This will be achieved in collaboration with the event deliverer, America’s Cup Event Limited, who are responsible for the on-water racing and the race village.

5. The focus of the America’s Cup programme is moving from the infrastructure build to the events, and the Programme Management Office has moved from Auckland Council to ATEED to focus on the event delivery.

6. The chair of the America’s Cup Joint Chief Executive Group has engaged external consultancy services to review the overall programme governance in February and March 2020. This will ensure adequate risk governance and management is taking place at all levels. The programme risk lead function will continue to be led by Auckland Council, until the review has been completed.

7. The overall risk profile of the America’s Cup Host’s programme is stable. As of 4 February 2020, the programme risk register was made up of 27 risks, of which three are rated high and 20 are rated medium after controls and mitigations have been put in place. All risks continue to be actively managed by the risk owners. A summary of key risk themes is provided in this report, and top residual risks are outlined in Attachment A.

8. ATEED and Auckland Council representatives will present on these risks at the 24 February 2020 Audit and Risk Committee meeting. A further update on America’s Cup risk management activities will be provided to the Audit and Risk Committee in August 2020.

Ngā tūtohunga

Recommendation

That the Audit and Risk Committee:

a) receive the update on the risk management activities for the 36th America’s Cup programme.
Horopaki

Context

9. The America’s Cup programme risk lead function continues to be led by Auckland Council, providing leadership, guidance and oversight for the risk management activities across the programme. This function will remain in place until the programme’s governance review is completed in February and March 2020 to ensure there is adequate oversight of the overall programme risk profile. Any recommendations arising from the review will be considered by Joint Chief Executive Group following its completion.

10. America’s Cup project and workstream leads maintain and update their own risk registers on a monthly basis. The programme risk lead works with these leads to review and challenge the rationality and effectiveness of risk identification, assessments, controls and mitigations.

11. America’s Cup programme risks that are high or extreme after controls have been put in place, as well as any other relevant risks, are reported to the Joint Chief Executive Steering Group. This comprises of Auckland Council Group, the Ministry of Business Innovation and Employment (on behalf of the Crown), America’s Cup Event Limited, New Zealand Police, State Services Commission and mana whenua.

12. The council’s chief risk officer chaired the Risk Advisory Group which supported the Joint Chief Executive Group on risk management. The group last convened in October 2019 before being placed on-hold while the governance review takes place.

13. The Wynyard Edge Alliance, established by Auckland Council and central government to deliver the America’s Cup infrastructure, and America’s Cup Event Limited continue to maintain their own risk management and reporting systems. Top level risks that may impact the overall programme are highlighted to the Joint Chief Executive Group through monthly reporting.

Tātaritanga me ngā tohutohu

Analysis and advice

14. The overall risk profile of the America’s Cup programme is stable. The programme risk register at 4 February 2020 was made up of 27 risks, of which three are rated high and 20 are rated medium after controls and mitigations have been put in place. All risks continue to be actively managed by the risk owners.

15. A summary of key programme risk themes and management activities is provided in Table 1 below. Top risk probabilities and impacts are provided in Attachment A.

Table 1. Key America’s Cup programme risk themes and management activities

<table>
<thead>
<tr>
<th>Risks</th>
<th>Residual risk rating</th>
<th>Management activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insufficient programme funding and resources – event delivery and city operations</td>
<td>High</td>
<td>Auckland Council Group executives are in discussions around how budgets and resources should be managed during the America’s Cup events, and more widely over the whole 2021 major events programme to share any efficiencies from managing 2021 as a complete programme.</td>
</tr>
<tr>
<td>Insufficient funding available to achieve America’s Cup programme outcomes and to deliver all Host Venue Agreement obligations, including meeting stakeholder and public expectations.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Risks

<table>
<thead>
<tr>
<th><strong>Withdrawal of challengers (dependency)</strong></th>
<th><strong>Residual risk rating</strong></th>
<th><strong>Management activities</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>This would affect the scale of the Prada Cup and will leave vacant bases.</td>
<td>High</td>
<td>Emirates Team New Zealand is supportive of giving Stars+Stripes a concession to compete in the Prada Cup, however the Challenger of Record will need to agree to any changes to protocol. The Crown and the council are working with America’s Cup Event Limited on how the vacant challenger bases could be re-purposed during the event. An alternative use for vacant bases will be confirmed in advance of the event.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Significant disruption (security incident)</strong></th>
<th><strong>Residual risk rating</strong></th>
<th><strong>Management activities</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant disruptions to America's Cup events (on-water or on-land) due to security incidents such as riots, protests, civil disorder, war, violence or terrorism.</td>
<td>Medium</td>
<td>A Security Steering Group has been established by New Zealand Police. There is also a C4 Security and Crowd Management Working Group in place at an operational level to minimise this risk.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Governance</strong></th>
<th><strong>Residual risk rating</strong></th>
<th><strong>Management activities</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor or inadequate oversight and governance of the programme.</td>
<td>To be advised following the governance review being undertaken in February and March 2020.</td>
<td>PricewaterhouseCooper has been engaged to conduct a review of the governance model to ensure adequate governance and management (including risk management) is taking place at all levels.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Health, safety and wellbeing</strong></th>
<th><strong>Residual risk rating</strong></th>
<th><strong>Management activities</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Public, staff, volunteers and contractors may be harmed during America’s Cup planning or events, due to an external or internal incident or exposure to a hazard.</td>
<td>Medium</td>
<td>Individual agencies and stakeholders continue to manage their respective health and safety obligations. A C4, Security and Crowd Management Working Group is in place at an operational level to minimise this risk.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Downtown and waterfront construction activities during the event period (dependency)</strong></th>
<th><strong>Residual risk rating</strong></th>
<th><strong>Management activities</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>These activities could impact on the presentation of Auckland and negatively affect the hosting of the event.</td>
<td>Medium</td>
<td>These risks are managed by phasing and prioritising projects to enable major works to be completed, which will allow occupation of the public areas. Minor works will be undertaken during non-racing and afterhour periods. Hoarding and fencing will be erected around any remaining construction sites, and pedestrian safety and security will be managed.</td>
</tr>
</tbody>
</table>
### Item 11

**Risks**

<table>
<thead>
<tr>
<th>Risks</th>
<th>Residual risk rating</th>
<th>Management activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insufficient programme funding and resources – America's Cup</td>
<td>Low</td>
<td>Financial risks related to the infrastructure build have been well managed through the Wynyard Edge Alliance, including its Project Alliance Board which includes representatives from both the Crown and Auckland Council. These works are over 70 per cent complete with final completion in November 2020.</td>
</tr>
<tr>
<td>Insufficient funding available to deliver infrastructure required for the America's Cup.</td>
<td></td>
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</tbody>
</table>

16. Workstream leads continue to work with stakeholders across the programme to ensure the hosts and parties meet their obligations under the Host Venue Agreement. If obligations are not met, this may result in reputational damage, financial loss and non-achievement of the America's Cup objectives.

17. The next risk update on America’s Cup programme will be provided to this committee in August 2020.

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**Ngā tāpirihanga**

**Attachments**

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
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</thead>
<tbody>
<tr>
<td>A</td>
<td>America's Cup Programme - Top Residual Risks - February 2020</td>
<td>39</td>
</tr>
</tbody>
</table>

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**Ngā kaihaina**

**Signatories**

<table>
<thead>
<tr>
<th>Authors</th>
<th>Authorisers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barry Potter - Director Infrastructure and Environmental Services</td>
<td>Kevin Ramsay - Chief Risk Officer (Acting)</td>
</tr>
<tr>
<td>Nick Hill – Chief Executive, ATEED</td>
<td>Phil Wilson - Governance Director</td>
</tr>
</tbody>
</table>
# America's Cup Programme - Top Residual Risks

As at 04 February 2020

<table>
<thead>
<tr>
<th>Probability</th>
<th>Impact</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Almost</td>
<td>Insignificant</td>
<td>Minor</td>
</tr>
<tr>
<td>Certain</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Likely</td>
<td></td>
<td>18</td>
</tr>
<tr>
<td>Possible</td>
<td></td>
<td>6, 17</td>
</tr>
<tr>
<td>Unlikely</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unlikely</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Risk ID Title

- 9 Poor Programme Budgeting, Monitoring and Reporting
- 8 Insufficient Programme Funding - Event Delivery and City Operations
- W1 Insufficient Programme Funding - America’s Cup Infrastructure (Wynyard Edge Alliance)
- Withdrawal of Challengers (Dependency)
- 64 Withdrawal of Challengers (Dependency)
- Significant Disruption (Security Incident)
- 6 Significant Disruption (Security Incident)
- Governance
- TBA Poor Programme Governance
- Health, safety and wellbeing
- 21 Health, Safety and Wellbeing (Public)
- 22 Health, Safety and Wellbeing (Staff, Contractors and Volunteers)
- Downtown and waterfront construction
- 18 Lower Queen St Incomplete (Dependency)
- 23 Lower Albert St Incomplete (Dependency)
- 17 Quay Street works Incomplete (Dependency)

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America’s Cup programme risk management update
Resource and Building Consents performance and improvement activities update

File No.: CP2020/01784

Te take mō te pūrongo
Purpose of the report
1. To update the Audit and Risk Committee on the plan to improve overall performance of building and resource consent processes and the progress towards having accurate processing time recording for Building and Resource Consents to generate statutory performance results in the 2019/2020 Annual Report.

Whakarāpopototanga matua
Executive summary
2. Annual audits in 2018 and 2019 highlighted inaccuracies in system generated figures for the reported statutory performance of consents issued within 20 working days.
3. A programme of work has been undertaken within the Regulatory Services directorate to address these variances in the resource and building consent areas, particularly aimed at having an accurate unmodified result reported against the 2020 Annual Report.
4. Additional resources have been employed to verify the results for all the consents issued from 1 July 2019. This process and work have then been audited by Assurance Services prior to an assessment by Audit NZ scheduled for late February. The outcomes of this process will be reported separately to the Audit and Risk Committee.
5. A programme of work has been implemented to improve system performance and work practices. This has led to improved statutory performance figures for both the Resource and Building Consent departments.

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

a) note the work that has been undertaken to respond to the resource consent and building consent processing time variances reported by Audit New Zealand in 2019 and improve overall performance

Horopaki
Context
6. During the 2017/2018 annual audit, Audit New Zealand reported errors arising from its testing of Resource and Building consent processing time key performance indicators. These errors were considered 'material.' They resulted in a modification to the audit opinion Audit New Zealand issued on the 2018 Annual Report.
7. During the 2018/2019 annual audit, the initial testing of a sample of both Resource and Building consents indicated that there was still an unacceptable number of variances between the reported performance levels and the evidence stored within our systems to support verification of those results.
8. As a result of their findings, Audit NZ advised us that in order to receive an unmodified audit opinion for 2019, we needed to re-calculate actual performance for 2019. The re-calculation was based on a representative sample of consents (759 building consents and 959 resource consents) selected by Audit NZ.

9. Actual performance for each consent was calculated based on measured back to source documents and system evidence to give a manually calculated result. These results were audited and subsequently accepted as an accurate representation of performance.

10. It was recommended that business units continue to focus on improving the accuracy of their reporting and their capture/ storage of supporting documentary evidence through system related enhancements and consistent manual task execution.

11. Assurance Services has been working with both the Building and Resource Consent departments to respond to these issues. This work has been reported to this committee regularly.

### Tātaritanga me ngā tohutohu

**Analysis and advice**

12. In preparation for the 2020 Audit, the Regulatory Services Directorate is verifying every consent decision with a statutory clock implication from the 1st July 2019. This equates to approximately 2,000 building consent records and 900 resource consent records every month.

13. There are currently 10 people across the resource and building consents team performing this work. These staff are dedicated to validating the existence of compliant documentary evidence to support every consent record. Where an anomaly is found between a record and available documentary evidence, further work is performed by the business to investigate the issue and resolve the discrepancy. Due to the legislative complexity of the consent processes and related workflow, this represents a significant financial cost overhead to both departments.

14. Whilst engaging in initiatives to enhance the accuracy of their reporting the resource consent and building consent departments have also continued to work on improving the timeliness of consenting service delivery. This has resulted in substantive improvements over the financial year to date. The improvements are well indicated by reference to their monthly statutory performance from July 2019 [Refer table below.]

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>BC Stat</td>
<td>79%</td>
<td>84%</td>
<td>84%</td>
<td>86%</td>
<td>88%</td>
<td>87%</td>
<td>90%</td>
</tr>
<tr>
<td>RC Stat</td>
<td>63%</td>
<td>66%</td>
<td>68%</td>
<td>71%</td>
<td>68%</td>
<td>74%</td>
<td>75%</td>
</tr>
</tbody>
</table>

15. Notwithstanding the obvious benefit to the customer of improved performance, it also means that, in the event that there is an inaccuracy in the statutory clock calculation, it is less likely to change a consent result from within 20 statutory to one where it is over the 20 statutory day threshold and results in a non-compliance.

16. Whilst the actual number of building consent applications has declined by 4 per cent over the financial year to date, the scale and complexity of the developments being consented has increased substantially. This is best evidenced by the record number of residential units consented (15,154) in 2019 and the 19 per cent increase in the $-value of works consented against the previous year ($10.7b.) Over this same period, consenting performance has continued to improve. If we contrast recent months with the same period the previous year, the median statutory days taken to approve a building consent has reduced by 4.5 days and the number of days it takes an applicant to respond to any request for additional information by 18 per cent (4 days). The median elapsed days (total business days) to grant and issue a consent from receipt of application has reduced from 40 days down to 33 days.
17. Based on the status of the processes and testing information available an alternative method of calculating the resource consent performance result is required. Two options to calculate the result for resource consents have been identified.

18. The options are:
   (a) Use a random sample to generate a representative result (same process completed for 2018/2019 financial year).
   (b) Use a statistical methodology to extrapolate results from a cleansed subset of data across the whole data source.

19. Consultation with Audit NZ technical statistics experts is being urgently completed and a verbal update will be provided by Assurance Services to the Audit and Risk Committee at the meeting.

Tauākī whakaaweawe āhuarangi
Climate impact statement
20. There are no climate impacts as a result of this report.

Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera Council group impacts and views
21. There are no council group impacts arising from this report.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe Local impacts and local board views
22. Local board views were not required for this report.

Tauākī whakaaweawe Māori
Māori impact statement
23. This report does not benefit or have any adverse effect on Māori.

Ngā ritenga ā-pūtea
Financial implications
24. This report does not require the committee to make decisions that have financial implications.

Ngā raru tūpono me ngā whakamaurutanga
Risks and mitigations
25. This report outlines mitigations being taken by the Regulatory Services Directorate to avoid the risk of having reported Annual Report performance results being modified or qualified; and the implications such a result might have on public trust and confidence.

Ngā koringa ā-muri
Next steps
26. The manual task of verifying all consenting decisions with reporting implications for the 2019/2020 year will continue through to the end of the year.

27. Audit NZ testing is about to be undertaken for the data for the first half of the year 1July 2019 to 31 December 2019 for building consents.
28. Depending on results of the Assurance Services and Audit NZ testing, and once the reliability of the data is improved, Regulatory Services intend to implement a plan to be able to drop back from the level of manual verification currently being undertaken. Testing will continue but will target types of consents that are at higher risk of error due to their complexity and the number of requests for information.

29. System changes required into SAP have been specified and are waiting to be implemented within an ICT priority queue. Two areas of change have been requested:

1. An additional field added to require staff to store the location of documentary evidence
2. Improved system reporting to identify areas of priority checking based on modified dates.

30. Staff training has been implemented to highlight and address the areas of concern. Further targeted training for teams and individuals identified as a result of the verification steps is being implemented. Whilst there has been a noticeable improvement in reporting accuracy and capture of relevant corroborative documentary evidence, there are older consents remaining in our work in progress being taken ‘off hold’, that continue to require more work to remediate.

31. The Building Consents department are currently exploring a change to their consent process workflow, specifically around how technical inputs from the structural and development engineering teams are treated in the statutory clock calculation. This provides an opportunity to reduce complexity and make it easier to verify the calculation for reporting purposes moving forward.

32. The Resource Consents department are currently reviewing the end to end process in order to ensure it is fit for purpose. This will result in changes to the workflow within the SAP system (15 changes have been identified to date), and a significant training plan with a tentative start date of early April.

33. The Regulatory Services Directorate is currently progressing a regulatory excellence programme focussing on enhancing service delivery performance. This programme is being staged over a two to three-year period with iterative improvements being deployed, as they are developed, throughout this period.

34. A “Consenting Performance Measure Assurance Plan” has been produced and implemented in collaboration between Regulatory Services and Assurance Services, with the objective of enabling a smooth and timely process so that Audit NZ can confirm the 2020 annual plan performance reporting.

Ngā tāpirihanga
Attachments
There are no attachments for this report.

Ngā kaihaina
Signatories

<table>
<thead>
<tr>
<th>Author</th>
<th>Peter Laurenson - Manager Project Assessment South</th>
</tr>
</thead>
</table>
| Authorisers | Ian McCormick - Manager Building Control  
Ian Smallburn - General Manager Resource Consents  
Craig Hobbs - Director Regulatory Services  
Phil Wilson - Governance Director |
Purpose of the report

1. To update the Audit and Risk Committee on the consents performance measure assurance activities and decisions made for generation of required performance results for the Annual Report concerning the processing of consents within 20 working days.

Executive summary

2. In 2019 additional checking and assurance processes were implemented by the Regulatory division and Assurance Services to ensure the data for the timeliness of the processing of consents is accurate and validated sufficiently that it can be relied on and reported in the Annual Report.

3. At the time of the last report to the Audit and Risk Committee in December 2019, the processes had been set up but were not sufficiently implemented to test and give assurance that they were working and effective.

4. Assurance Services' testing to date has indicated that:
   (a) The building consents process is robust and operating effectively and will likely be able to generate a sufficiently reliable result from the processes and systems.
   (b) The resource consents process is also robust. However, progress made to date is not adequate to be able to test accuracy or be confident that it will be able to produce a sufficiently reliable result in time.

5. Based on the status of the processes and testing information available, it has been decided that an alternative method of calculating the resource consent performance result is required.

6. Two options to calculate the result for resource consents have been identified. Consultation with Audit NZ technical statistics experts is being urgently completed. The options are:
   (a) Use a random sample to generate a representative result (same process completed for 2018/2019 financial year).
   (b) Use a statistical methodology to extrapolate results from a cleansed subset of data across the whole data source.

7. A decision on the required process for resource consents, is expected by 21 February 2020 and a verbal update will be provided to the Committee.

8. A separate report will be provided to the Audit and Risk Committee on 24 February 2020 from the Building Consents and Resource Consents departments on the work being undertaken to produce accurate reporting and improve performance overall.
Ngā tūtohunga
Recommendation/s

That the Audit and Risk Committee:

a) receive the update on the consents performance measure assurance activities and the generation of required performance results for the Annual Report concerning the processing of consents within 20 working days.

Horopaki
Context

9. The reliability of the systems data for building and resource consents has been an ongoing issue for Council over which the Audit and Risk Committee has had regular oversight.

10. While the quality and accuracy of the consenting data and performance has been improving over time, the processes remain complex and reliant on manual processes that are vulnerable to human error. Consequently, additional testing and quality assurance have been implemented under the Consents Performance Measure Assurance Plan (Attachment A).

11. For the 2018/2019 Annual Report the results for both resource and building consents were generated by a recalculation of a sample of consents that was completed by Assurance Services.

12. The purpose of the assurance plan and additional checking processes are to ensure the data of the timeliness of the processing of consents is accurate and validated sufficiently that it can be relied on and reported in the Annual Report.

Tātaritanga me ngā tohutohu
Analysis and advice

13. In October 2019 the consents assurance performance measure assurance plan was developed and implemented. Activities include building control and resource consents undertaking a 100 per cent checking and remediating process for all consents for the financial year and Assurance Services department (internal audit) performing quality assurance checking of this process and cleansed data.

14. In December 2019, the additional checking processes in both resource consents and building consents had been set up but they had not sufficiently implemented to test whether they were working and effective.

15. In the quarter ending February 2020, Assurance Services has completed:

(a) quality assurance of the processes and documentation and provided advice for improvements and efficiencies; and

(b) random testing of the data that has been 100 per cent checked by resource and building consents to test the effectiveness and reliability of the processes.

16. Assurance Services testing has established for building consents that:

(b) The building consents process will likely be able to generate a sufficiently reliable result from the processes and systems.

(c) The 100 per cent checking process has been assessed and is robust and operating as planned.
(d) Based on current progress, this work will be completed by the annual report deadlines. We identified a small number of errors, isolated to one staff member. However, these issues have been rectified and additional quality assurance introduced, and we do not believe there will be an effect on the overall result.

17. Assurance Services testing has found for resource consents that:
   (a) The resource consents 100 per cent checking process is robust and operating. Building consents have been checking a range of requirements to help raise performance (including the accurate use of the clock, billing and other data).
   (b) However, progress is not enough for Assurance Services to be able to form a view on the accuracy of the process to produce the timeliness KPI data. The checking process appears to be sound, but the full end to end process has not been completed so that the errors identified, and missing information, has been rectified in the system. Resource Consents are taking steps to accelerate the checking process, but this is unlikely to be completed in time to ensure reliable substantiated figures for the Annual Report.

18. On 11 February 2020, the Steering Group overseeing the assurance processes decided, based on status of the processes and testing information available, that an alternative method of calculating the resource consent performance result is required.

19. At the writing of this report, two options to calculate the result for resource consents have been identified. The options are:
   (a) Use a random sample to generate a representative result (same process completed for 2018/2019 financial year).
   (b) Use a statistical methodology to extrapolate results from a cleansed subset of data across the whole data source.

   Consultation with Audit NZ technical experts is being urgently completed to inform a final decision on the required process.

20. A decision for resource consents on the required process is expected to be reached by 21 February 2020. A verbal update will be provided to the Committee at its meeting on 24 February 2020.

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

Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera
Council group impacts and views
22. There are no council group impacts arising from this report.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe
Local impacts and local board views
23. This report does not have any specific local impact or require local board input.

Tauākī whakaaweawe Māori
Māori impact statement
24. This report does not specifically benefit or have any adverse effects on Māori.
Ngā ritenga ā-pūtea
Financial implications
25. This report does not require the committee to make decisions with financial implications.

Ngā raru tūpono me ngā whakamaurutanga
Risks and mitigations
26. There is a risk that the Regulatory Services division will not be able to report accurate performance measures that can be adequately substantiated by Audit New Zealand, resulting in a modified audit opinion.
27. This risk is being mitigated through the Assurance Plan which will ensure close oversight and escalation of activities and issues to ensure either an effective checking process with errors being sufficiently resolved, or a recalculation approach if this cannot be achieved.

Ngā koringa ā-muri
Next steps
28. Assurance Services is continuing oversight and auditing of the building and resource consent processes to ensure they are operating adequately to generate accurate data for the full financial year.
29. Planning and scheduling discussions have commenced between Audit NZ and the Building Control department for the Audit NZ testing.
30. Assurance Services are facilitating discussions between Audit NZ and resource consents to ensure required processes and resourcing to complete an alternative method of calculation are established. Once a decision is made, urgent arrangements will need to be made to undertake the calculation of the Annual Report result for resource consents.
31. Assurance Services will continue its leadership of the Steering Group and monitor and maintain oversight of the Regulatory division’s processes and the planned programme of work to implement systems controls and training to ensure quality data in the next financial year.
32. A further update will be provided to the Audit and Risk Committee on 24 May 2020.

Ngā tāpirihanga
Article I. Attachments

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
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<tr>
<td>A1</td>
<td>Consents Assurance Plan</td>
<td>49</td>
</tr>
</tbody>
</table>

Ngā kaihaina
Article II. Signatories

<table>
<thead>
<tr>
<th>Authors</th>
<th>Emma Mosely - Head of Assurance Services (Acting)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nick Rennie - Manager Audit and Probity</td>
</tr>
<tr>
<td>Authoriser</td>
<td>Phil Wilson - Governance Director</td>
</tr>
</tbody>
</table>
Te take mō te pūrongo
Purpose of the report
1. To update the Audit and Risk Committee (ARC) on risk management activities at Auckland Council for the period December 2019 - February 2020.

Whakarāpopototanga matua
Executive summary
2. The Risk Strategy is unchanged with the focus continuing to be to lift risk culture across the enterprise.
3. As part of the wider strategy to continuously improve building bottom up momentum, the Risk Champions from departments met for the quarterly kōrero in November 2019. Risk and control identification and articulation, tools to support risk discussion and roles and responsibilities were discussed.
4. To further strengthen the tone from the top, the recently introduced Risk Business Partnering approach is now embedded, with the Executive Leadership Team (ELT) members having a dedicated Risk Business Partner supporting each division.
5. The updating of the Top Risk report using the new format is underway with ELT. This will clearly identify risk ownership, and the monitoring and effectiveness of controls for Auckland Council. Further confirmation of controls linked to the risks and actions need to be signed off before presenting to ARC.
6. The Risk Framework has been updated to incorporate ISO31000: 2018 standards and is being tabled with ELT for approval and sign off.
7. The Risk Appetite Statement is being reviewed and updated as part of the risk programme.
8. The viability of deploying an organisational risk system is being scoped so that recording and tracking of risks, controls and actions are consistent and simplified with automated escalations to support enhancing the risk culture at council. This will reduce manual activities and provide real time insights to support risk-based decision making. Note some council controlled organisations (CCOs) have already implemented risk systems.
9. The deep dive review on the top risk called “Service Delivery” is underway. This review is primarily investigating the effectiveness of the controls in place, associated with the delivery of council services provided through third parties. Key findings will be provided at a future meeting.
10. To ensure that the group's insurance programme stays fit for purpose, the council and CCO staff have completed work on a number of key policy and risk reviews to prepare for the 2020/2021 renewal. This is discussed as a separate topic in today’s agenda.

Ngā tūtohunga
Recommendation/s
That the Audit and Risk Committee:
a) note the risk and insurance activities in this report.
Auditor and Risk Committee
24 February 2020

Horopaki

Context

11. This report provides an update on risk activities for Auckland Council to enable the committee to fulfill their governance and oversight role for effective risk management.

Tātaritanga me ngā tohutohu

Analysis and advice

12. The risk champions reset occurred in November 2019. New risk champion resources have been identified by their respective departmental heads and are being initiated into the programme.

13. The risk function is leveraging the Business Risk Partner approach to get adequate risk representation, improve risk capability and the consistency of risk champions who support the General Managers with risk management.

14. As part of simplification, the combined top down and bottom up approach for risk management is supported with updated roles and responsibilities of risk management, control ownership, actions monitoring and reporting. This has been updated in the Risk Framework.

15. Regular reviews of the Risk Strategy, the Risk Management Framework and the Risk Assessment Tool are part of the risk programme and have been completed recently, or are about to be completed. Work is also currently underway on the Risk Appetite Statement, (Top) Risk Register and new format Risk Reporting, which will be brought back to this committee within the calendar year. These components of the programme are shown below, alongside the various roles that exist to deliver on the programme.

16. Underpinning the programme and roles noted above, is a risk system. To enable data driven risk-based decision making, the use of such a risk system is being scoped. This will reduce manual interventions, give time back in the long run to the departments and provide real time risk reporting and insights. The recommendations and outcome of this scoping will be provided to this committee at a future meeting.

17. The deep dive review on the top risk called “Service Delivery” is underway. This review is primarily investigating the effectiveness of the controls in place, associated with the delivery of council services provided through third parties. Key findings will be provided at a future meeting.
18. To ensure that the group’s insurance programme stays fit for purpose, the council and council-controlled organisation staff have completed key policy and risk reviews to prepare for the 2020/21 renewal. This is discussed separately in today’s agenda.

**Tauākī whakaaweawe āhuarangi**

**Climate impact statement**

19. Climate change adaptation and mitigation stays as a top risk for Auckland Council.

20. There are no direct climate change implications arising from this information on report.

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

**Council group impacts and views**

21. The Enterprise Risk team continue to work closely with the council-controlled organisations about their top risks and report 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 risk practitioners from council-controlled organisations.

22. 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**

23. 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 boards in making decisions.

**Tauākī whakaaweawe Māori**

**Māori impact statement**

24. There are no specific Maori impacts directly arising from the information on this report.

**Ngā ritenga ā-pūtea**

**Financial implications**

25. There are no financial implications directly arising from this information report.

**Ngā raru tūpono me ngā whakamarutanga**

**Risks and mitigations**

26. No new specific risks have been raised for further attention in this report.

**Ngā koringa ā-muri**

**Next steps**

27. The new format of top risk reporting along with controls and their effectiveness will be provided at the next risk update.

28. The updated Risk Appetite Statement will be finalised and presented to this committee for approval at the August meeting.

29. The updated Risk Framework will be presented for information at a future meeting of this committee.

30. An update of progress on the risk system will be provided at a future meeting of this committee once it has been further scoped.
Ngā tāpirihanga
Attachments

<table>
<thead>
<tr>
<th>No.</th>
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<tbody>
<tr>
<td>A</td>
<td>Auckland Council Top Risk Register</td>
<td>55</td>
</tr>
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</table>

Ngā kaihaina
Signatories

<table>
<thead>
<tr>
<th>Author</th>
<th>Authorisers</th>
</tr>
</thead>
</table>
| Ann Brown - Senior Risk Advisor | Kevin Ramsay - Chief Risk Officer (Acting)  
|                               | Dani Gardiner - General Counsel                   |
|                               | Phil Wilson - Governance Director                |
|---------|------------|------------------------|-----------------------------------------------|------------|-------------------|---------------------|-----------------|------------------------------------------------|---------------------------------|-----------------|------------------|-------------|
| 1       | Health, Safety and Wellbeing | External or internal events may have a negative impact on the health and safety or wellbeing of staff, contractors, and the public (including volunteers and vulnerable children), which may result in physical and/or emotional harm, low staff morale, prosecutions leading to financial loss and reputation damage. | Lack of or inadequate:  
- Health and Safety Frameworks  
- Consistent application of policies, procedures and demonstrating expected behaviours  
- Consistent and/or effective performance monitoring  
- Clear Health and Safety hearing and awareness (competence)  
- Sharing of lessons learned across council  
- Sufficient resources and/or capability of staff  
- Supportive work environment (workloads, bullying), preparedness for security and physical threats to people, including violence, shooting etc.  
In addition:  
- Opposite Outlook (e.g. flu and other contagious diseases)  
- Organisational changes  
- Staff unknowingly acting as monitors  
- Safety in design is not implemented consistently by third parties  
- Risk Manager software not fit for purpose or has performance issues. | Director, People & Performance | Almost Certain | Extreme | Extreme | 1. Health, Safety and Wellbeing (H&S) management system will allow us to meet requirements of Health and Safety at Work Act (2015). The Health and Safety management system comprises of health and safety standards, processes, procedures, guidance (including key safety requirement) and tools. This has been approved by AC.  
2. Development & implementation of a Corporate Health and Safety (H&S) Strategy has been approved by ELT. Title is due for review in 2020.  
3. Implementation of Safety Management framework that will drive H&S behaviours throughout council  
4. Risk Manager is the system used for recording and managing all health and safety issues/incidents  
5. An approved Governance Arrangement framework is in place that describes the accountabilities and responsibilities of all departments.  
6. ELT receive a monthly H&S snapshot on performance.  
7. H&S committee comprising of ELT members perform deep dives of critical H&S areas. The results are communicated to business and improvement plans to developed and implemented as required.  
9. Corporate H&S Standards in place for:  
- Policy & Procedures control  
- Risk Assessment & Framework  
- Incident, Near Misses Reporting & Investigation  
- Contractor Management Procedures  
- Managing risks;  
10. Managing volunteer health and safety risks  
11. Key Safety Requirements (KSS) 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 H&S practitioners. Key risks mapped out.  
12. H&S Team monitor Risk Manager performance and take appropriate action to address gaps.  
13. Quarterly H&S safety leaders forum where H&S issues and lessons are discussed  
14. Mandate H&S training as part of staff induction. Managing safety training is provided as part of the people leader H&S training  
14. ELT set the tone from the top and demonstrate leadership commitment and meet their due diligence requirements.  
15. Verification of safe 365 capability assessments for assurance purposes - six audits completed and reported with six more commissioned. | Possible | Major | High | |

Additional controls being developed:  
1. Corporate standards under development  
   a. Priming - standard developed, expected roll out Dec 2019  
2. Auditing framework for assurance - under development (Dec 2019)  
3. Identification and assessment of critical risks is place with visits underway - this is to understand and verify controls critical risks sites with a view to provide officers assurance on the controls their effectiveness. Schedule of assessment completed. Three critical risk visits completed. Refuse Transfer Station, Tópad baths and Auckland Airport.
<table>
<thead>
<tr>
<th>Risk No.</th>
<th>Risk Theme</th>
<th>Risk 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>
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<tbody>
<tr>
<td>2</td>
<td>Cyber Security</td>
<td>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.</td>
<td>Chief Financial Officer</td>
<td>Likely</td>
<td>Major</td>
<td>High</td>
<td>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 policies have been updated and implemented through the Our Charter programme under the 'We look after our information' heading. 3. ICT management as information security awareness campaigns via stories and articles published on Intranet. 4. New staff are required to review the ICT policies as part of their induction. 5. Network perimeter 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 decentralised zone (DMZ) on the network. 7. Anti-spyware and anti-phishing controls are in place to monitor email traffic and block emails from unknown or suspicious senders that have been marked as suspicious. 8. Website tracking 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 system logs 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 data loss or a successful terrorist attack. 13. Backup tapes and active backups are monitored for any issues communicated to the Network Operations Centre for investigation and remediation. 14. The creation of anesthetic accounts are managed through an automated approval workflow within Author. 15. Automated alerts have been configured to alert management of suspicious administrator activities. 16. Monthly system generated reports of network administrator user accounts are provided to and reviewed 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 on 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 notifies Auckland Council ICT if an email address has been compromised due to phishing used to authenticate an external website. 21. Think 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 reviewed and approved by the Change Team and by the Security Team where applicable. 23. Testing is a requirement prior to the deployment of projects that impact the ICT environment. 24. 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 analyze, classify and resolve incidents. 27. Cyber insurance cover has been purchased as part of the insurance renewal process. 28. Various ICT meetings take place to communicate and discuss ICT related matters, including information and cyber security.</td>
<td>Possible</td>
<td>Major</td>
<td>High</td>
</tr>
<tr>
<td>Risk No.</td>
<td>Risk Theme</td>
<td>Risk and Mitigation Description</td>
<td>Likely</td>
<td>Major</td>
<td>High</td>
<td>Inherent Likelihood</td>
<td>Inherent Consequence</td>
<td>Inherent Risk</td>
<td>Controls (Existing and Additional Controls Suggested)</td>
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<tr>
<td>3</td>
<td>Climate change</td>
<td>Adaptation and Mitigation</td>
<td>Lack of or inadequate: Planning provisions to ensure appropriate ongoing zoning for land and housing development and urban design planning with respect to climate change impacts. Leadership to ensure alignment of council resource and prioritised delivery of key actions. Collaboration between council/business units and Council Controlled Organisations. Communicate perceptions (across public and private sectors) and different understandings and prioritisation of climate risks. Quality advice to decision makers to ensure effective management and governance oversight. Reliable and accessible data and fit for purpose information systems. Sufficient resources and capability of staff. Design quality of coastal, flooding and other climate resilience projects. Strategic approach to coastal erosion, sea level rise, flooding and inundation issues. Risk consultancy and Lloyd Information Management (LIN) processes. In addition: Changes to extreme weather patterns (frequency, severity and intensity). Legacy risk caused by historic decisions to permit development (including critical assets) in areas of risk (e.g., housing, roads, utilities etc.). The complex urban planning system and misalignment with finance, policy, operations, regulatory, legal and risk.</td>
<td>Chief of Strategy</td>
<td>Director Infrastructure and Environment services</td>
<td>Moderate</td>
<td>High</td>
<td>Possible</td>
<td>Moderate</td>
<td>Medium</td>
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<tr>
<td>Risk No.</td>
<td>Risk Theme</td>
<td>Risk and Impact Description</td>
<td>Risk Drivers ( Existing and Potential Causes)</td>
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<tr>
<td>4</td>
<td>Crown reform - housing and urban growth</td>
<td>Strategic alignment with Crown Management between Council and the Crown objectives and leadership approach and priorities to housing and urban growth due to complex and multifaceted responsibilities and political decision making.</td>
<td>- Growing Agenda and legislative reform not aligned to council objectives due to lack of integrated and aligned approach between Crown and council in HSG outcomes and facilitate the delivery of housing and infrastructure.</td>
<td>Director, Growth &amp; Housing</td>
<td>Likely</td>
<td>Major</td>
<td>High</td>
<td>1. Director Urban Growth and Housing building direct and effective relationship with Crown and to provide valuable thought process and influence in the Crown Urban Growth Agenda.</td>
<td>Possible</td>
<td>Moderate</td>
</tr>
</tbody>
</table>

**The above risks may result in failure to:**
- Deliver on the housing and growth outcomes in the Auckland Plan development strategy, and
- Anticipate and implement changes that may be required to plan for and deliver the regulatory and service functions.
<table>
<thead>
<tr>
<th>Risk No.</th>
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<th>Residual Risk</th>
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<tbody>
<tr>
<td>5</td>
<td>Fill for purpose community assets</td>
<td>Failure to effectively manage and protect council owned assets so they are fit for purpose to deliver the required levels of service and meet growth demand which may result in: - inability to deliver environmental and economic outcomes sought in Auckland Plan and by Aucklanders - harm to staff, contractors and public’s health and safety and wellbeing - financial loss in loss of investment and unexploited costs and - loss of trust and confidence</td>
<td>Lack of or inadequate understanding and management of significant asset risks including: - Asbestos - Oil - Letcnic - Deterioration of assets - Weather tightening - Impacts on assets from extreme weather events (eg. flooding) - Geotechnical (including accelerated deterioration caused by hazards and events exacerbated by climate change [e.g. climate change risk list]) - Existing residual assets that cannot be removed or closed (e.g. landfills) - Non-compliance with regulatory and legislative obligations - Lack of aligned service need strategy and asset management strategy, plan or policy for renewal or development opportunities - Inaccurate, inaccurate and delayed information and data on assets - Lack of tools to manage the utilisation, reliability and performance of the assets. - Funding shortfalls - Over or under maintenance - Ineffective asset management practices due to inadequate suppliers, staff capacity and capability, lack of standardisation and processes and systems.</td>
<td>Director Customer and Community Services</td>
<td>Almost Certain</td>
<td>Major</td>
<td>Extreme</td>
<td>1. Dedicated asset risk assessment programme to identify and record known risks for council assets (e.g. asbestos, seismic, performance) including the development of new risk management capability within CFS, SAR and Risk Manager, and consistent methodologies.</td>
<td>Possible</td>
<td>Moderate</td>
<td>Medium</td>
</tr>
</tbody>
</table>
## Audit and Risk Committee
24 February 2020

### Risk Update Report

#### Top Risk Register 26 November 2019

<table>
<thead>
<tr>
<th>Risk No.</th>
<th>Risk Theme</th>
<th>Risk Impact Description</th>
<th>Risk Owners</th>
<th>Inherent Likelihood</th>
<th>Inherent Consequence</th>
<th>Inherent Risk</th>
<th>Workshop Output</th>
<th>Risk Assessment</th>
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</thead>
<tbody>
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#### Attachment A

**Item 14**

<table>
<thead>
<tr>
<th>Risk No.</th>
<th>Risk Theme</th>
<th>Risk Impact Description</th>
<th>Risk Owners</th>
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<th>Inherent Consequence</th>
<th>Inherent Risk</th>
<th>Workshop Output</th>
<th>Risk Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Significant international external disruptions</td>
<td>Significant disruptions in the operations of Auckland Council and/or a (disaster emergency due to major natural catastrophes, technology and/or communication failure, power outage, asset failure and cyber attacks, which result in financial loss or reputation damage, loss of life and loss of trust and confidence in Auckland Council.</td>
<td>Lack of or inadequate:</td>
<td>Business Continuity Management 1. Auckland Council Management holds the lead for business continuity planning at Auckland Council. 2. Mandate for departments to have business continuity plans through the Business Continuity Policy and the Self-Audit Checklist. 3. Department heads across the organisation are given guidance on best practice continuity planning and on how to plan for disruptive or extreme events. 4. A range of partners contribute to emergency and business continuity planning at council. This is coordinated via a Crisis Management Plan, with a nominated Crisis Manager, from a range of senior managers in the business. Core partners, including welfare and whakapapa partners, are coordinated via ADM interfaces to ensure that they are aware of BCP good practice and hazard information to enable the development of suitable plans. 5. AEM coordinates the update of business continuity plans across the council on a six-monthly basis, with the roles included in BCPs expected to be updated quarterly. 6. Each business is required to use standard Business Continuity Plan templates. This template includes information on multiple vendors to provide key services (data, power, communications) in case of a business continuity incident. 7. Second data centres have been set up, and services are now being migrated to the new data centre. 8. AEM constitutes the testing of the crisis management team (annually). 9. AEM coordinates the testing of the integration of the various business continuity plans. 10. AEM coordinates and provides scenarios to businesses for testing of BCPs. 11. Business Continuity Exercises program of work is in place and implemented across council. An exercise schedule is in place and executed. Progress against this programme of work is reported via an annual reporting system OFPA. 12. Council’s backup mechanisms are in place to ensure data is recoverable to acceptable levels. The BCPs include recovery time objectives. 13. A training programme is in place for key teams and business Continuity Coordinators to ensure training is provided at least annually. 14. A Crisis Management Plan is in place and is regularly updated and communicated to key stakeholders via the OFPA.</td>
<td>Likely</td>
<td>Major</td>
<td>High</td>
<td>Business Continuity Management</td>
</tr>
</tbody>
</table>

**Additional controls being developed:**

1. Recovery point objectives should be captured in BCPs; investigate to understand how this is working at council and IT assets play a key role.
2. Governance, reporting, escalation and assurance processes in relation to business continuity for Auckland council should be implemented. Reporting must be, at minimum, include status of BCP across council, status of scenario testing, table top testing, and CCM testing across council, status of actions arising out of the testing and progress made in implementing improvements/issue identified. Progress against this programme of work is reported via an annual reporting system OFPA. Investigate further what goes to OFPA, and who reviews it.
## Top Risk Register 26 November 2019

### Risk Identification

<table>
<thead>
<tr>
<th>Risk No.</th>
<th>Risk Theme</th>
<th>Risk Description</th>
<th>Risk Drivers (Existing and Potential Causes)</th>
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</thead>
</table>
| 7        | Service delivery    | Council may be unable to maintain and deliver services and meet service performance targets (including those delivered by third parties or arm's length entities), while at the same time, being held under constant scrutiny from the media and ratepayers with regard to good governance and responsible financial management, which may result in adverse impacts on communities / customers, reputation damage and/or financial loss. | Lack of or inadequate:  
- Consistent and/or effective performance monitoring of service level targets.  
- Due diligence in vendor selection.  
- Contract management and supervision competencies.  
- Investment in infrastructure to meet future needs.  
- Communication to citizens, customers and communities.  
- Efficient resources and/or capability of staff.  
- Adherence to the project control framework from inception through to post implementation reviews.  
- Capability in performing comprehensive cost benefit analyses.  
- Absent financial controls or a financial system which provide an up-to-date reporting ability.  
- Alignment between delivery expectations and budgets.  
In addition:  
- Perceived decreased or lack of understanding of communities needs.  
- Negative media coverage or perceived negative media sentiment.  
- Perceived poor value for ratepayers’ money.  
- Spend more waste or cost over runs.  
- Major or declining levels of customer service and experience.  
- Poor integration between aspirations and objectives of local boards, CE and CCOs and project outcomes.  
- Lower than expected stakeholder growth due to demographics.  
- Ineffective relationship with Central Government in relation to forward planning for infrastructure. | Director Customer and Community Services | Lively | Major | High | 1. Implemented Service Strategy, supported by Community Facilities Network Plan, Local Board plans and Asset Management programme.  
2. Limited community empowerment model within ACE and extend progressively across council.  
3. Programme manager and Work stream leaders are out seeing relevant groups to inform of process. Work stream leaders are also contacting relevant staff where required (including CCOs).  
4. Initiating early discussion between governing body and local boards to reach agreement on mutually acceptable completion dates for draft agreements.  
5. Service performance targets have been defined as part of the LTP. These will be monitored and reported regularly. | Possible | Moderate | Medium | Additional Controls Suggested:  
Contractor performance framework needs to be developed and implemented. |
<table>
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<th>Residual Consequence</th>
<th>Residual Risk</th>
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<tbody>
<tr>
<td>8</td>
<td>Small Water, Waste Systems and Stormwater management</td>
<td>Water quality and supply risks for Council including: - the quality (treatment, monitoring and reporting) and availability of potable water at council owned or managed regional facilities and reserves may be inadequate. - the wastewater management system (including monitoring and reporting) at council owned or managed regional facilities and reserves may be inadequate and the non-regulated system may not effectively remove and treat waste water. - the capacity and management of storm water assets (infrastructure) to cope with severe weather events may be inadequate.</td>
<td>Lack of or inadequate: - Up-to-date data (e.g. consenting framework 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. - Escalation processes to notify when information needs to be increased/enhanced. - Proportional information to the size of the consent; - Storm water overloading the capacity of drainage systems; - Asset understanding / management (capacity and age); - A focus on disaster prevention rather than disaster recovery. - Insufficient funding (including rates and rates) to achieve the desired environmental outcomes (e.g. targeted rate not approved). - Technology upgrades / incentives. - Integration and transparency of the Resource Management Act. - Security of water supply and standards of how resources. - Compliance with statutory requirements.</td>
<td>Almost Certain</td>
<td>Major</td>
<td>Extreme</td>
<td></td>
<td>1. Effective Auckland Unitary plan that is evaluated for specific water outcomes - does not fully incorporate National Policy Statement on Freshwater Management (NPSFM) outcomes. 2. Monitoring / reassessment framework being developed. 3. Network discharge consents to uniformly manage these consents. 4. Relationship between central government /clear direction on how growth is managed in conjunction with environmental outcomes. 5. Auckland plan 2050 - implementation of and recognising shift from 2012 version. 6. Reporting and raising public awareness (talkshow). 7. Participated wastewater collection and treatment plants. 8. Stream improvements by Healthy Waters (planning and implementation). 9. Monitoring of water quality is being done by SBU. 10. Healthy Waters storm water operations and maintenance to ensure the hydraulic capacity of the storm water network. 11. Catchment management plans for developing storm water models that take into account climate change and sea level rise. 12. Establishment of new Natural Environment Strategy team, working to embed improved environmental outcomes in council activities. 13. National Policy Statement on Freshwater Management work streams delivered. 14. Completion and implementation of Waitakaruru Catchment Plan. 15. Tauranga Water (independent agency) monitoring reviews of overall health of marine ecosystem. 16. Chief Sustainability Office initiating and supporting sustainability initiatives across council and externally. 17. Active involvement in the special interest groups with other regional councils, many of which focused on the environment/impact. 18. Ongoing review of plans and effectiveness. 19. Environmental monitoring and frequent reporting of data. 20. Identifying sites without treatment equipment as prioritisation-potential, and introducing treatment as required. 21. All known sites without adequate treatment are assessed as non-potable bed water. 22. All known sites without adequate treatment to have emergency action plan implemented or alternatives provided. 23. Back to be connected to Watercare redeveloped wastewater network wherever possible (1 completed and 1 being investigated as at July 2018). 24. Public education &amp; engagement provided.</td>
<td>Possible</td>
<td>Major</td>
<td>High</td>
</tr>
</tbody>
</table>
### Top Risk Register 26 November 2019

<table>
<thead>
<tr>
<th>Risk Number</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>Workshop Output - Risk Assessment</th>
<th>Residual Likelihood</th>
<th>Residual Consequence</th>
<th>Residual Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Programme and Project Delivery</td>
<td>Project management, including the management of interdependencies and risks is inadequate, which may result in budget and scope overruns, project delays, substandard construction, work stoppages not being captured by each other to drive decision-making and optimise efficiencies, adverse environmental impacts, financial loss (including return on investment, benefit realisation not met), reputational damage and not meeting LTP project deliverables. In addition:</td>
<td>Director Customer and Community Services</td>
<td>Likely</td>
<td>Major</td>
<td>High</td>
<td>1. Processes in place to provide increasing transparency and regular reporting of all projects over $5M to the Finance and Performance Committee, Audit and Risk committee as well as the Strategy Procurement Committee. 2. Investment Delivery Framework embedding programme including training programme around the project management framework. 3. Use of BIM tools to record projects and maintain clear gates between project phases to ensure quality management processes. 4. Projects referred to the Audit and Risk committee for independent review as requested by the CE, CCO or Chair of the Strategic Procurement Committee. Finance and Procurement. 5. Investment Delivery Framework ( IDF), is in place in relation to delivery of projects. 6. Conducting &quot;health checks&quot; on project delivery.</td>
<td>Possible</td>
<td>Moderate</td>
<td>Medium</td>
</tr>
</tbody>
</table>

**Additional Controls Suggested:**
- Consistent performance of post-implementation reviews.
- Ensure Business Owners and Financial Managers identify the timeframe the benefits are to be realised in and report 6 monthly against progress to the relevant ELT, PSM and IC.
- Improve the current process and systems for project IRSS, codes or transfer of expenses into a project budget to ensure approval is required for all transfers and costs.
- Risk framework review to develop a project risk framework which will address management oversight of key project risks, escalation and risk tolerances.
- Review project management processes and controls to explore improvements in efficiency and effectiveness of risk assessment and management and improve embedded controls in Investment Delivery Framework.
## 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 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>10</td>
<td>Consent Processing</td>
<td>Delays in obtaining consent, extended timelines, lack of standardisation and consistency.</td>
<td>- Delays in obtaining consent, extended timelines.</td>
<td>Director Regulatory Services</td>
<td>Likely</td>
<td>Major</td>
<td>High</td>
<td>1. Continue to embed streamlined, standard processes and key performance indicators. 2. Establish a dedicated team to manage consent processes. 3. Develop a training program for key staff. 4. Review and update the consent process to ensure efficiency and effectiveness.</td>
<td>Likely</td>
<td>Moderate</td>
<td>High</td>
</tr>
</tbody>
</table>

**Additional Controls Underway:**
- Process optimisation and simplification.
## Top Risk Register 26 November 2019

<table>
<thead>
<tr>
<th>Risk No.</th>
<th>Risk Theme</th>
<th>Risk and Impact Description</th>
<th>Inherent Likelihood</th>
<th>Inherent Consequence</th>
<th>Inherent Risk</th>
<th>Controls (Existing and Additional Controls Suggested)</th>
</tr>
</thead>
</table>
| 11      | Fraud and Corruption        | Internal or external fraud, corruption or other unethical behaviour perpetrated within or against Council that could lead to financial loss, reputational damage, and/or operational risk to Council. | 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 debt analytical services.  
5. Procure training and awareness.  
6. 18 Security (User access management, segregation of duties, password management etc.).  
8. Integrated and coordinated process for sharing of critical and relevant information between Internal Audit and Risk departments.  
9. SAP Reappraisal being reviewed by 3rd Team members and identifies if the bank account has been added.  
10. Procurement and Purchasing policies.  
11. Our Charter deployed to provide guidance to staff on expected behaviours.  
12. Atis - control framework around procurement and purchasing.  
15. Reporting and transparency around sensitive expenditure.  
16. Quarterly financial and management report reviews.  
17. Background checks and controls around recruitment process.  
20. Procurement and contract management controls in key systems (e.g. ARPA). | 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.
Approval of the Audit New Zealand audit plan for the year ended 30 June 2020

File No.: CP2020/01024

Te take mō te pūrongo
Purpose of the report

1. To approve the draft Audit New Zealand audit plan for their audit of the Auckland Council Group’s 30 June 2020 annual report.

Whakarāpopototanga matua
Executive summary

2. Audit New Zealand has provided the draft audit plan for their audit of the council’s 30 June 2020 annual report for the council’s approval in Attachment A.

3. The audit plan outlines key audit matters, the areas of audit focus, significant business and reporting risks and administration matters such as logistics and timetables.

4. The audit plan is provided in draft and is required to be approved by the Audit and Risk Committee before Audit New Zealand issues the final audit plan for signing by the mayor and chief executive.

5. Deputy Auditor-General Greg Schollum and Audit New Zealand Director Athol Graham are in attendance to discuss the proposed key audit matters and answer any questions the committee may have.

Ngā tūtohunga
Recommendation/s

That the Audit and Risk Committee:

a) approve the draft audit plan for the 30 June 2020 audit of the annual report
b) request Audit New Zealand issue the final audit plan
c) delegate the mayor and chief executive to sign the finalised audit plan.

Horopaki
Context

6. The audit plan outlines how Audit New Zealand will conduct their audit to obtain reasonable assurance that the 30 June 2020 financial statements and performance information are free from material misstatement resulting from error, omission or fraud.

7. The draft audit plan outlines the following:
   • key audit matters
   • Audit New Zealand’s response to accounting, business and service performance risks
   • the audit process
   • reporting protocols, logistics and timelines.
8. As Auckland Council is an issuer of bonds on the New Zealand, Swiss and Singapore exchanges, the audit opinion on the group annual report is required to include the auditor’s comments of key audit matters. Key audit matters are defined as those matters that, in the auditor’s professional judgement, are of the most significance in the audit of the financial statements. The focus will be on:

- areas identified as involving significant risk or requiring significant auditor judgement
- areas in which the auditor encountered significant difficulty during the audit, such as obtaining sufficient, appropriate audit evidence
- circumstances that required significant modification of the auditor’s planned approach, such as the identification of a significant deficiency in internal controls.

Tātaritanga me ngā tohutohu
Analysis and advice

9. The draft audit plan outlines the following key audit matters:

- valuation of operational and infrastructure assets
- valuation and disclosure of derivatives
- valuation of the weathertightness provision
- accounting and disclosure of City Rail Link Limited
- reporting performance on housing, transport and water.

10. These key audit matters are consistent with the prior year except for the addition of disclosure of derivatives.

11. The draft audit plan also outlines other business and reporting risks which include:

- **performance information reporting** – reviewing consenting and stormwater services measures, and considering the value provided by integrated reporting
- **Crown funding initiatives** – considering accounting for the Housing Infrastructure Fund, Crown Infrastructure Agreement (Wainui) and Regional Fuel Tax, focussing on the impact of funding and financing decisions, correct accounting treatment and appropriate disclosures and the proper management of funds and their application to approved projects
- **treasury function** – reviewing treasury management processes and procedures, considering any breach of financial benchmarks and covenants and disclosures in relation to compliance with financial limits and covenants
- **risk of management override of internal controls** – considering whether this has occurred and has impacted the financial reporting
- **legislative compliance** – reviewing legislative compliance in relation to rates setting, the Regional Fuel Tax, Financial Markets Conduct Act 2013, NZX rules and financial reporting disclosures imposed by various local government acts and rules
- **information systems control environment** - reviewing IT governance processes over IT, people and resources and reviewing activity-level controls.

12. The draft audit plan also highlights seven accounting risks, namely:

- accounting for impairment, capitalisation of costs and recognition of completed assets
- valuation of investment properties
- accounting for the America’s Cup
Audit and Risk Committee
24 February 2020

Item 15

13. To view the detailed explanations of the risks and the audit responses please refer to the draft audit plan in Attachment A.

14. The key audit matters and other business and reporting risks have been reviewed by management and are appropriate. These matters are part of the council’s business as usual and no specific items need to be brought to your attention.

15. The proposed fee for the 30 June 2020 audit is $1,214,278 plus estimated disbursements of $30,000 (excluding GST). This sum was set out in the Office of the Auditor-General’s Audit proposal letter for the years ending 30 June 2020, 2021 and 2022. The proposal letter, dated 17 December 2019 (Attachment B), was approved by this committee on 9 December 2019 (resolution as Attachment C) and signed by the mayor and chief executive on 18 December 2019.

16. The audit plan contains the audit timings and delivery dates for information. The council is currently working with Audit New Zealand to finalise the agreed dates so that the council and group can meet the reporting requirements of the NZX.

Tauākī whakaaweawe āhuarangi
Climate impact statement

17. There is no impact arising directly from this report. However, reporting of the groups response to climate change risk will be discussed in the 2019/2020 annual report.

Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera
Council group impacts and views

18. The audit plan covers the audit of the Auckland Council Group as a whole. Accordingly, information relating to entities in the group are outlined in the audit plan and will be communicated to the relevant staff.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe
Local impacts and local board views

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

Tauākī whakaaweawe Māori
Māori impact statement

20. The report is about the 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

21. This paper is about the reporting of the financial performance of the Auckland Council Group. As such, there are no financial decisions required (noting the audit fee and disbursements were previously approved), and there are no financial implications as a result of this paper.
 Audit and Risk Committee  
24 February 2020

Ngā raru tūpono me ngā whakamaurutanga
Risks and mitigations

22. No decisions beyond document approval and related delegations are sought from the committee and accordingly no risks need be considered.

Ngā koringa ā-muri
Next steps

23. Following the approval of the audit plan by this committee, we will request that Audit New Zealand issue the audit plan in final and the mayor and chief executive will sign the finalised audit plan. Staff will also confirm and finalise the delivery timelines with Audit New Zealand.

Ngā tāpirihanga
Attachments

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<tr>
<td>C</td>
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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
Audit Plan

Auckland Council and group

For the year ending 30 June 2020
Audit Plan

I am pleased to present the arrangements for the audit of Auckland Council (the Council) and group for the year ending 30 June 2020. The purpose of this Audit Plan is to discuss:

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<td>Reporting protocols</td>
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<tr>
<td>Audit logistics</td>
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</table>

The contents of this Plan should provide a good basis for discussion when we meet with you.

As the auditor of Auckland Council and group I will be using my staff and resources, and appointed auditors and their staff to complete the audit work that will enable me to report on the information in Auckland Council’s 30 June 2020 annual report.

The group comprises the Council Parent; a number of significant Council Controlled Organisations (CCOs) and other jointly controlled and associated entities. The following significant components have been identified for the group, due to their size. These are:

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

We have also assessed as significant City Rail Link Limited (CRL), which is a joint venture between the Council and the Crown, and Auckland International Airport Limited (AIAL) which is an associate.

We would be happy to elaborate further on the matters raised in this plan.

We are committed to delivering a high-quality audit. Our audit is a risk based public sector audit, which means that we focus on the areas that are most important in that context.
If there are additional matters that you think we should include, or any matters requiring clarification, please discuss these with me or Athol Graham, Audit Director.

Yours sincerely

Greg Schollum
Deputy Auditor-General

Date
Audit risks and issues

Key audit matters

As a listed issuer and Financial Markets Conduct Act 2013 (FMC) reporting entity the Council is considered to have a higher level of public accountability than other public entities. As a result, we are required to communicate details of key audit matters as part of the audit report we will issue on the Council and group’s annual report for the year ending 30 June 2020.

Key audit matters are defined as those matters that, in the auditor’s professional judgement, are of the most significance in the audit of the financial and service performance statements of the current period, including:

- areas of significant risk or involving significant judgement;
- areas in which the auditor encountered significant difficulty during the audit, including with respect to obtaining sufficient appropriate audit evidence; or
- circumstances that required significant modification of the auditor’s planned approach to the audit, including as a result of the identification of a significant deficiency in internal control.

As in previous years, other matters may arise during our audit, some of which may be of such significance as to become a key audit matter. We will discuss any such matters with the Council, the Audit and Risk Committee, and senior management throughout the year as necessary.

Our assessment of the significant areas for audit focus are based on the risks inherent in the related transactions or balances, or in the performance reporting. The five significant areas of audit focus that have been identified to date are:

- valuation of operational and infrastructure assets;
- valuation and disclosure of derivatives;
- valuation of the weathertightness provision;
- accounting for, and disclosure of, City Rail Link; and
- reporting performance on housing, transport and water.

The following sets out in detail what each audit issue is, why it is significant and what our audit response to address each issue will be.
Valuation of operational and infrastructure assets

The group owns a large portfolio of operational and infrastructure assets. At 30 June 2019 the group had infrastructure assets of $32 billion, operational assets of $9.2 billion and restricted assets of $7 billion.

A number of asset classes are carried at fair value, with revaluations performed on a regular basis, or when the fair value is materially different to the carrying value. The accuracy of the valuation of material classes of assets depends on the completeness and accuracy of the source data and the appropriateness of underlying assumptions used in the revaluations. Some valuations are inherently more complex and involve the use of numerous data sources from several different parties. Because of the large value of the assets held by the group, a small movement in the replacement value or expected useful life of some components can have a significant impact on the depreciation expense recognised in the financial statements. The large, more complex asset classes include:

- Water, wastewater and stormwater: These asset classes account for $12.4 billion (39%) of the group’s total infrastructure asset balance. Each asset class is broken down into numerous components with some of these being below ground. This makes verification of existence, condition and capacity for valuation purposes difficult.

- Roads: Roads account for $10 billion (32%) of the group’s total value of the infrastructure assets held by the group. The valuation is determined by separately valuing each of the various components, such as land, formation and bridges, and adding these together. Different price indices are used for valuing each component and some components cannot be physically inspected as they are beneath other layers.

We will review the Council’s fair value assessment that needs to be undertaken before the end of the financial year, to determine which, if any, asset class needs to be revalued this year. For those classes of assets being revalued we will work with the Council and the appointed auditors of entities within the group that manage significant asset classes to assess the key inputs used, competence and objectivity of any specialists involved, and reasonableness of assumptions applied. We will also ensure related disclosures such as the sensitivity of the valuation to changes in key assumptions have been made in accordance with the requirements of accounting standards.

Valuation and disclosure 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. The types of derivative instruments used as at 30 June 2019 were:

- interest rate swaps, which swap a fixed interest rate on a principal balance to a floating rate on the same balance (or vice versa);

- cross currency interest rate swaps, which are a variation on interest rate swaps where one of the legs is denominated in a foreign currency;
Audit and Risk Committee
24 February 2020

Approval of the Audit New Zealand audit plan for the year ended 30 June 2020

Attachment A

Item 15

- forward rate agreements and foreign currency swaps, which lock in interest or foreign exchange rates at a future date; and

- basis point resetting swaps, which are instruments the Council parent entered into to partially hedge against interest rate risk on its cross currency interest rate swaps.

At 30 June 2019, the Council and group had derivative assets with a fair value of $444 million and derivative liabilities with a fair value of $1.8 billion. 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. For the year ended 30 June 2019 there was a loss on derivatives of $719 million recognised across the group as a result of the continuing unanticipated decrease in interest rates and changes in the foreign currency rates. There is a risk that the financial statements do not fairly disclose the nature and extent of the loss on derivatives.

During our audit we will obtain assurance that:

- processes applied to value the derivatives are designed and operating effectively;

- the methodology and source information applied in the valuation models is appropriate;

- the valuations as at 30 June 2020 are materially correct; and

- the derivatives disclosure is factually correct and sufficient.

Valuation of the weathertightness provision

The Council recognises its estimated liability towards the cost of repairing Auckland homes impacted by weathertightness and associated building defects issues. The Council’s obligation extends to multi-unit dwellings as well as single homes.

The Council recognised a weathertightness provision of $238 million as at 30 June 2019. Multi-unit claims were 85% of this provision.

There are three different types of claims:

- active claims ($133 million): those which have been lodged and are progressing through the resolution process;

- reported claims ($33 million): those which have been lodged but are not yet progressing through the resolution process; and

- unreported claims ($72 million): those which have yet to be reported or identified but the group has recognised a liability.
The valuation of the provision is complex and subject to a high degree of judgement and estimation. The provision is significantly impacted by the discount rates applied and assumptions around the timing of the expected future cash outflows. There is also inherent uncertainty in the quantum and value of unreported claims. Due to the significant uncertainty the Council also recognises an unquantified contingent liability.

We will obtain the actuarial valuation and confirm that the:

- methodology applied is consistent with the previous year and remains appropriate; and

- significant assumptions used by the Council are reasonable, that the underlying data is complete and that claims have been correctly classified for the purpose of the valuation.

We will obtain an understanding of any significant court action or legislative change during the year that could affect the value of the Council’s actual or contingent liabilities.

We will review the completeness and consistency of the disclosures within the notes to the financial statements that illustrate the sensitivity of valuations to key assumptions.

**Accounting for, and disclosure of, City Rail Link**

City Rail Link Limited (CRL) is a schedule 4A Crown Entity jointly owned by the Crown (51%) and the Council (49%). CRL is charged with building the city rail link on behalf of the Crown and Council (known as the Sponsors). The city rail link is budgeted to cost $4.4 billion once completed with the allocation of the assets between the Sponsors yet to be determined. Until the allocation is determined the assets remain with CRL and each Sponsor records a share of the project assets in their group financial statements (currently the share recorded is relative to their ownership interest). The eventual allocation may be significantly different to the current allocation requiring material adjustments to the group financial statements.

While CRL is an independent company with its own board, the Council, as one of the Sponsors, has a responsibility to ensure that ratepayer funds are being used and accounted for appropriately. The Council should ensure:

- Its interest in CRL, including its share of commitments and contingencies, are appropriately recognised in the 30 June 2020 Council and group financial statements; and

- Information reported about the city rail link project is accurate and complete and reflects both the role and performance of the Council and group in relation to this project.
We will consider whether the Council’s interest in CRL is fairly stated in the Council and group’s 30 June 2020 financial statements, with a focus on:

- the accounting treatment for Council’s interest in CRL within the Council and group financial statements; and
- the measurement and disclosure of any commitments and contingencies related to CRL in the Council and group financial statements.

We will also review the information reported about the project for consistency with CRL’s audited financial statements and statement of performance, and our knowledge obtained in the audit of both CRL and the Council.

**Reporting performance on housing, transport and water**

Housing, transport and water are high priority issues being dealt with by the group in planning for the future of the city. The issues related to housing and transportation impact on perceptions about Auckland as a desirable city to live. They are also important as they impact the productivity, and future growth of Auckland and New Zealand as well as the affordability of Auckland as a place to live. Water and wastewater networks should have sufficient capacity to adapt to Auckland’s future growth while also addressing the impacts of ageing water and wastewater networks.

**Housing**

Auckland’s housing issues continue to be a key area of focus for the Government and members of the public. The Council has a key role in housing through:

- establishing the rules for development under the Unitary Plan;
- its role as a building consent authority responsible for issuing building consents and code of compliance certificates; and
- its role in providing resource consents and working with developers to agree on the timely release of land for developments.

**Transport**

The Council and its CCOs, primarily Auckland Transport, have a key role in working with the Government to address a history of underinvestment in public transport and roads in Auckland. The aim is to enable efficient and cost effective transportation services around and through the city. The 2018-28 Long term plan includes an ambitious programme of capital works for completion over the next 10 years. The delivery of this programme will be done in conjunction with other agencies and require the Council to ensure it has sufficient capacity to deliver such a programme of critical projects.
**Water supply and wastewater**

Watercare is responsible for providing and maintaining Auckland’s drinking water (water supply) network and the sewerage system (wastewater network). There are significant projects planned as part of the water quality improvement programme during the next 10 years to address the issue of ageing networks and to enable growth to continue to occur. The Government is also in the process of considering significant changes to the regulatory environment for water in New Zealand. The Council and Watercare have a key role in ensuring that water and wastewater networks are operating safely and reliably across the Auckland region.

**Reporting on Council’s role in responding to population growth in these areas**

The complexity of these issues requires innovative planning solutions and sustainable funding options, including the collaboration between key local stakeholders, CCOs and the Government.

Because of the significance of these issues we expect they will continue to be a key feature of the performance information reported in the Annual Report. In addition to clearly articulating the Council and group’s role (as well as the role of other agencies) the reported information should enable a reader to understand:

- the key issues (for example as outlined in the long term plan);
- the strategic initiatives and projects to address the issues;
- the progress being made by the group towards addressing the key issues within the timeframes and costs;
- the key measures used to assess Council’s performance in these areas; and
- any ongoing challenges that are yet to be addressed.

The reported information should be balanced and tell a complete story.

In addition to our standard audit procedures on performance indicators and that we have assessed as being material to the Council and group’s performance, we will:

- consider the adequacy of systems and controls in place to record performance information;
- maintain an awareness of the key issues facing the Council and group, the strategic initiatives and projects to address these and the progress being made to deliver them;
- consider the adequacy of the information reported so a reader of the Annual Report has a good understanding of the progress being made by the Council and group towards addressing the housing, transport and water issues identified; and
where information on housing, transport and water activities is included in the annual report but outside the statement of service performance, we will review this information for consistency with the audited financial statements and statement of service performance, and our knowledge obtained during the audit of the Council and the group.

Other areas of audit emphasis

Based on the planning work and discussions that we have completed to date, we have identified what we consider to be the other main business, financial and service performance risks and issues facing the Council and group.

Many of these risks and issues are relevant to the audit because they affect our ability to form an opinion on your financial statements and statement of service performance. As part of the wider public sector audit, we are also required to be alert to issues of effectiveness and efficiency, waste and a lack of probity or financial prudence (as set out in the Audit Engagement Letter).

The following tables identify each risk and issue, the associated audit risk and our proposed audit response.

Please tell us about any additional matters we should consider, or any specific risks that we have not covered. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.
### Business risks/service performance risks

<table>
<thead>
<tr>
<th>Business risk/issue</th>
<th>Our audit response</th>
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</thead>
</table>
| **Performance information reporting (the Council and group)** | We will follow up on the status of our previous recommendations related to these issues and update our understanding of progress made since our last audit. This will include reviewing improvements relating to integrated reporting. Our work will also involve:  
- considering how the Statement of Service Performance and related information such as reporting on outcomes collectively tell the performance story of the Council for the year ending 30 June 2020; and 
- reviewing and testing the systems and processes that capture and provide information for non-financial performance reporting, as well as ensuring that the content of the Statement of Service Performance is verifiable and appropriate.  
We will pay particular attention to the reported levels of service for significant performance indicators and targets, including explanations of variances across the group. |
<p>| <strong>Consenting</strong>                          | The Council needs to continue work on improving the systems and controls in place over building and resource consent processing in order to enhance the reliability of the consenting data used for monitoring and reporting performance. The Council will also need to ensure that the testing performed in relation to consenting activities by Internal Audit is completed in time for the purposes of year-end reporting and the audit process. |
| <strong>Stormwater services</strong>                 | In the 2019 year we continued to note issues with reporting mandatory performance measures related to the stormwater activity. The Council needs to resolve this issue and we are aware that consideration is being given to either improving the information sharing process by working with Fire and Emergency New Zealand or developing a new measure by working with other local authorities and the Department of Internal Affairs (DIA). |
| <strong>Integrated reporting</strong>                | 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. 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 Council’s 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. |</p>
<table>
<thead>
<tr>
<th>Business risk/issue</th>
<th>Our audit response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit risk:</td>
<td></td>
</tr>
<tr>
<td>The levels of achievement for service performance for 30 June are not fairly stated in the annual report.</td>
<td></td>
</tr>
<tr>
<td>Crown Funding Initiatives (the Council and group)</td>
<td></td>
</tr>
<tr>
<td>Housing Infrastructure Fund</td>
<td>Our areas of audit focus will include:</td>
</tr>
<tr>
<td>On 21 September 2018 the Crown announced its 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. However, the Council has yet to draw down any of the available funding.</td>
<td>- reviewing the impact of funding and financing decisions for consistency with Council’s policies;</td>
</tr>
<tr>
<td>Crown Infrastructure Partners</td>
<td>- ensuring the correct accounting treatment is applied and appropriate disclosures are included in the 30 June 2020 financial statements;</td>
</tr>
<tr>
<td>The Crown announced $600 million of network infrastructure for housing developments through Crown Infrastructure Partners (CIP). One of the earliest projects to be assessed by CIP for investment is in North Auckland. Council, CIP and the developer have agreed that Council will act as an agent collecting the agreed charge over each property on behalf of CIP.</td>
<td>- Ensuring the funds are properly managed and applied to approved projects in accordance with any relevant agreements or legislation; and</td>
</tr>
<tr>
<td>Regional Fuel Tax</td>
<td>- Assessing the completeness of revenue from RFT.</td>
</tr>
<tr>
<td>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.</td>
<td></td>
</tr>
<tr>
<td>Audit risks:</td>
<td></td>
</tr>
<tr>
<td>non-compliance with funding covenants and ratios imposed under the Council’s borrowing and trust deed arrangements;</td>
<td></td>
</tr>
<tr>
<td>misclassification of borrowings between current and non-current;</td>
<td></td>
</tr>
<tr>
<td>financial impacts of Crown funding initiatives not fairly reflected in the 30 June 2020 financial statements; and</td>
<td></td>
</tr>
<tr>
<td>Business risk/issue</td>
<td>Our audit response</td>
</tr>
<tr>
<td>-----------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>• RFT revenue recognised is not complete and disclosures are not compliant with</td>
<td>We will update our understanding of the Council's treasury systems, processes and reporting mechanisms to ensure compliance with policies and benchmarks.</td>
</tr>
<tr>
<td>the requirements of the Land Transport Management (Regional Fuel Tax) Amendment</td>
<td>We will also ensure that there have been no breaches of benchmarks and covenants during the year and that disclosures in relation to the Council's</td>
</tr>
<tr>
<td>Act 2018.</td>
<td>compliance with financial limits and covenants are fairly stated in the 30 June 2020 financial statements.</td>
</tr>
</tbody>
</table>

**Treasury function (Council only)**

The Council manages significant amounts of borrowings, other liabilities and financial instruments. This exposes the Council to interest rate, liquidity and credit risks. The Council also has to manage its creditworthiness and debt levels against predetermined limits and benchmarks.

**Audit risks:**

- treasury management processes and procedures not in line with the Council's policy and good practice; and
- breach of financial prudence benchmarks and borrowing covenants.

**The risk of management override of internal controls (the Council and group)**

**Audit risk:**

There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management is in a unique position to perpetrate fraud because of the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a significant risk on every audit.

**Our audit response to this risk includes:**

- testing the appropriateness of selected journal entries;
- reviewing accounting estimates for indications of bias; and
- evaluating any unusual or one-off transactions, including those with related parties.
### Business risk/issue

<table>
<thead>
<tr>
<th>Legislative compliance (the Council and group)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The following are the areas of focus for our review of the Council’s legislative compliance:</td>
</tr>
<tr>
<td><strong>Rates setting</strong></td>
</tr>
<tr>
<td>The Council has continued to demonstrate an appropriate level of review over rating procedures, including carrying out a legal review of the Council’s resolutions and sign-off on compliance through the recent long term plan round. We would expect to see a similar review for the setting of rates for the 2020/21 financial year.</td>
</tr>
<tr>
<td><strong>Auckland regional fuel tax</strong></td>
</tr>
<tr>
<td>The regional fuel tax is a funding source for the Council introduced at the time of the 2018 LTP and came into effect from 1 July 2018. The collection, use and related reporting about the fuel tax are subject to specific legislative requirements.</td>
</tr>
<tr>
<td><strong>Financial Markets Conduct Act</strong></td>
</tr>
<tr>
<td>The Council needs to fully comply with the Financial Markets Conduct Act (FMCA) and NZ stock exchange (NZX) listing requirements and ensure adequate processes are in place to achieve this.</td>
</tr>
<tr>
<td><strong>Mandatory disclosures</strong></td>
</tr>
<tr>
<td>The Annual Report must contain the disclosures required under legislation, including:</td>
</tr>
<tr>
<td>- the Local Government Act;</td>
</tr>
<tr>
<td>- the Local Government (Financial Reporting and Prudence) Regulations 2014; and</td>
</tr>
</tbody>
</table>

### Our audit response

- We will update our understanding of the Council’s progress embedding its legislative compliance process, and review Council compliance with the Local Government (Rating) Act 2002.
- We will determine what process the Council has put in place to ensure the regional fuel tax collected is only used for the transport projects included in the legislation.
- We will verify that all mandatory measures are included and reported on in the annual report.
- We will determine which are the significant requirements of the FMCA and NZX from an audit perspective and update our understanding of the processes the Council has in place to ensure compliance.

<table>
<thead>
<tr>
<th>Audit risks:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- non-compliance with legislation;</td>
</tr>
<tr>
<td>- material error in revenue due to errors in the rates setting process;</td>
</tr>
<tr>
<td>- breach of FMC or NZX listing requirements; and</td>
</tr>
</tbody>
</table>
Audit and Risk Committee  
24 February 2020

Approval of Audit New Zealand audit plan for the year ended 30 June 2020

<table>
<thead>
<tr>
<th>Business risk/issue</th>
<th>Our audit response</th>
</tr>
</thead>
<tbody>
<tr>
<td>• funds collected through the regional fuel tax are not applied or reported in accordance with the legislation.</td>
<td></td>
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</tbody>
</table>

Financial statement risks

<table>
<thead>
<tr>
<th>Accounting risk/issue</th>
<th>Our audit response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting for impairment, capitalisation of costs and recognition of completed assets (the Council and group)</td>
<td></td>
</tr>
</tbody>
</table>

**Impairment**
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.

**Capitalisation of costs**
The Council and group need to ensure appropriate policies and processes are in place to identify and record costs that are capital in nature. This includes both direct and indirect costs.

**Completed projects**
The Council 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 accounted for appropriately.

**Audit risks:**
• assets not accounted for at fair value in the financial statements;
• overstatement of capital costs in the financial statements; and
• understatement of impairment and/ or depreciation expenses in the financial statements.

We will assess the processes used by management to assess for impairment, including all significant WIP balances.

We will update our understanding of the Council and group’s policy and processes for identifying and recording both direct and indirect capital costs.

We will review management’s processes and controls for ensuring that the capitalising of WIP costs occurs in a timely manner.

We will ensure capital costs, impairment and depreciation expenses are accounted for correctly at year-end.
### Valuation of Investment Properties

The carrying value of the Council and group investment properties as at 30 June 2019 was $629 million.

We consider this to be an audit risk due to the significance of the carrying value and the judgements involved in determining the fair value of these assets, including consideration of the development agreements.

**Audit risks:**
- investment property not fairly stated in the financial statements;
- gain or loss arising from change in the fair value of investment property not accounted for appropriately; and
- disclosure requirements are not satisfied.

<table>
<thead>
<tr>
<th>Accounting risk/issue</th>
<th>Our audit response</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>We will:</strong></td>
<td></td>
</tr>
<tr>
<td>- consider the valuation report and meet with the valuer to discuss the valuation approach and confirm our understanding of the valuation methodologies and key assumptions;</td>
<td></td>
</tr>
<tr>
<td>- assess the valuer’s expertise for the work and their objectivity, including reading their terms of engagement and considering the existence of other engagements or relationships with the group;</td>
<td></td>
</tr>
<tr>
<td>- obtain an understanding of the source data used for the valuations, and assess its reliability and the risk of errors or omissions in that data;</td>
<td></td>
</tr>
<tr>
<td>- review the overall valuation gains/losses and obtain explanations from the valuer for any significant or unusual changes in value; and</td>
<td></td>
</tr>
<tr>
<td>- assess whether the revaluation has been correctly accounted for and assess whether the disclosures made in the notes to the financial statements comply with PBE IPSAS 16.</td>
<td></td>
</tr>
<tr>
<td>Accounting risk/issue</td>
<td>Our audit response</td>
</tr>
<tr>
<td>-----------------------</td>
<td>--------------------</td>
</tr>
<tr>
<td><strong>Accounting for the America’s Cup</strong></td>
<td></td>
</tr>
<tr>
<td>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. This expenditure is included in the 2018-28 Long-term Plan. A further $29 million was approved for the programme in December 2018 of which $14.5 million represents the Council’s share. The Council has obtained technical advice to determine how the agreements put in place for this project should be accounted for. The advice concluded that the Council has entered into a contract for the delivery of the infrastructure assets and the costs should generally be accounted for as a normal construction contract. Council should review all the advice included in the technical opinion when preparing the financial statements. For example there was specific advice in relation to the Hobson Wharf accounting treatment and disclosure recommendations due to certain restrictions over the use of the assets. The Ministry of Business, Innovation and Employment’s (MBIE) contribution to the costs of these works is accounted for as a grant from MBIE to the Council.</td>
<td>We will ensure that:</td>
</tr>
<tr>
<td>Audit risks:</td>
<td>• costs incurred by the Council and any contributions from MBIE in relation to the America’s Cup are appropriately accounted for in the financial statements;</td>
</tr>
<tr>
<td>• capital work in progress and other related balances are not correctly accounted for in the financial statements;</td>
<td></td>
</tr>
<tr>
<td>• MBIE’s contributions are not properly accounted for; and</td>
<td></td>
</tr>
<tr>
<td>• capital commitments and other disclosures (such as asset use restrictions) relating to the America’s Cup project are not appropriate.</td>
<td></td>
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</tbody>
</table>
## Accounting risk/issue vs Our audit response

<table>
<thead>
<tr>
<th>Accounting risk/issue</th>
<th>Our audit response</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Accounting for the food scraps arrangement</strong></td>
<td>We will review the Council’s assessment of the food scraps arrangement and ensure that this is correctly accounted for in the financial statements.</td>
</tr>
<tr>
<td>The Council has entered into a food scraps processing arrangement as part of the long term stretch goal of the Waste Management and Minimisation Plan (WMMP). The Council has obtained advice in relation to the accounting treatment based on the terms of the draft agreement. This includes whether the agreement could require the recognition of a financing arrangement in the financial statements. <strong>Audit risk:</strong></td>
<td></td>
</tr>
<tr>
<td>• Accounting treatment of the food scraps arrangement does not comply with GAAP.</td>
<td></td>
</tr>
</tbody>
</table>

## Other provisions (the Council and group)

<table>
<thead>
<tr>
<th>Other provisions</th>
<th>Our audit response</th>
</tr>
</thead>
<tbody>
<tr>
<td>We will consider the following in relation to the valuation of provisions. <strong>Eden Park loan provision</strong></td>
<td>We will update our understanding of circumstances relating to Eden Park and ensure accounting for and disclosure of the cancellation of the guarantee and new revolving credit facility in the financial statements is accurate. We will follow up on progress made against previous recommendations, and review Council’s assessment of other provisions.</td>
</tr>
<tr>
<td>In September 2019, the Council along with the ASB, and Eden Park Trust (EPT) consolidated all of the EPT loan facilities. The result was that Council entered into a single revolving credit facility which enabled EPT to repay the ASB loan, and the guarantee the Council provided in relation to that loan was cancelled. Council has fully impaired the EPT revolving credit loan balance provided to EPT.</td>
<td></td>
</tr>
<tr>
<td><strong>Other provisions</strong></td>
<td></td>
</tr>
<tr>
<td>A number of other provisions are recognised in the Council’s financial statements. The accuracy and completeness of these provisions should be reassessed each year based on current information and historic evidence. <strong>Audit risk:</strong></td>
<td></td>
</tr>
<tr>
<td>Misstatement of provisions and inadequate disclosure in the 30 June 2020 financial statements.</td>
<td></td>
</tr>
</tbody>
</table>
## Accounting risk/issue

<table>
<thead>
<tr>
<th>Early adoption of accounting standards (the Council and group)</th>
<th>Our audit response</th>
</tr>
</thead>
<tbody>
<tr>
<td>The following standards came into effect for the financial year beginning 1 July 2019:</td>
<td>We will review the Council and group’s assessment of the impact of adopting PBE IPSAS 34–38. We will ensure that the investment in entities impacted are appropriately accounted for in the financial statements.</td>
</tr>
<tr>
<td>• PBE IPSAS 34 Separate Financial Statements;</td>
<td>We will also review the Council’s assessment of PBE IPSAS 21, 26 and 39 and ensure that the impact is appropriately accounted for in the financial statements.</td>
</tr>
<tr>
<td>• PBE IPSAS 35 Consolidated Financial Statements;</td>
<td></td>
</tr>
<tr>
<td>• PBE IPSAS 36 Investments in Associates and Joint Ventures;</td>
<td></td>
</tr>
<tr>
<td>• PBE IPSAS 37 Joint Arrangements;</td>
<td></td>
</tr>
<tr>
<td>• PBE IPSAS 38 Disclosure of Interests in Other entities;</td>
<td></td>
</tr>
<tr>
<td>• PBE IPSAS 21 and PBE IPSAS 26 (Revalued PPE scoped into PBE impairment accounting standards); and</td>
<td></td>
</tr>
<tr>
<td>• PBE IPSAS 39 Employee benefits.</td>
<td></td>
</tr>
</tbody>
</table>

**Audit risks:**

- non-compliance with the requirements of the new accounting standards; and
- incorrect assessment of the entities that should be included or excluded from the group.

### Unallocated receipts (Council only)

As at 30 June 2019, there was $19 million of credit balances in non-rates debtor accounts. There are a number of reasons for these credit balances and Council has an ongoing project in place to resolve this.

**Audit risk:**

- Unallocated receipts are not properly accounted for in Council’s financial statements.
- Amounts owed by individual debtors are overstated.

We will obtain an update on progress made by Council to reduce the credit balances and address the system issues that have led to their build up.

We will ensure Council has properly accounted for the remaining credit balances in the 30 June 2020 financial statements.

### Emerging issues

We have identified key emerging issues relating to the Council and group. Because work on these matters is ongoing we will not be focusing on these areas during our audit. However, we acknowledge the importance and impact of the issues below to the Council and group,
therefore we will keep a watching brief and ensure that appropriate audit considerations are made when required.

Review of Council-Controlled Organisations (CCOs)

The Council has recently set up an independent review panel to conduct a review of the CCOs. The panel is expected to report its findings back to the Council by the middle of the year. The terms of reference relating to the review (which are broadly to increase efficiency, transparency, accountability and communication) have been finalised.

Climate change

Council declared a climate emergency last year and subsequently sought community feedback on a proposed Climate Action Framework. Feedback on the framework is currently being considered. This means that the Council has acknowledged the need for action and is committing to establishing mitigation and adaptation considerations in programmes and decision making processes.

Council will consider any necessary investment as part of the next Long Term Plan process. Consultation on the Ministry for the Environment’s discussion document “Climate-related financial disclosures, understanding your business risks and opportunities related to climate change”2 closed on 13 December 2019 and may result in the introduction of a climate related disclosure regime for New Zealand. The Council will need to consider how it will report on climate change in its annual report. This could include the development of appropriate performance indicators, informed by the disclosure regime.

Council will also need to consider the implication of any adaption and divestment when considering indicators of asset impairment if it is possible that assets may have shorter useful lives than expected or deliver reduced benefits over their remaining lives. Council will also need to consider the financial implications of any legal risk especially in regulatory services.

Tamaki Redevelopment Company (TRC) (Council only)

TRC is a Joint Venture (JV) between the Council and the Crown, with shares held 41% and 59% respectively. The JV was established to progress housing and associated social issues in the Tamaki area. Council needs to maintain an awareness of developments at the JV and, where relevant, assess any impact it may have on the Council’s shareholding.

Other areas of interest across the Local Government sector

As part of our audit planning across the sector areas that are significant to the audit of all Local Authorities have been identified. These include areas of interest that are not necessarily significant to the Council, but are areas we monitor as part of our responsibility to consider the broader risks affecting Local Authorities. We have reviewed the specific areas of interest for the 2019/20 year and have not identified any areas of focus over and above those already

covered in this Plan. Should any additional areas be identified during the year we will notify you separately. Wider public sector areas of interest are set out on pages 25 – 28.

**Fraud risk**

Misstatements in the financial statements and performance information can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. In considering fraud risk, two types of intentional misstatements are relevant – misstatements resulting from fraudulent reporting, and misstatements resulting from misappropriation of assets.

The primary responsibility for the prevention and detection of fraud and error rests with the Council, with assistance from management. In this regard, we will discuss the following questions with you:

- What role does the Council play in relation to fraud? How do you monitor management’s exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, is the Council satisfied that it had appropriate input into this process?
- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the Council and management to keep you informed of instances of fraud, either actual, suspected, or alleged?
- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management’s investigation been reported to the Council? Has appropriate action been taken on any lessons learned?

**Our responsibility in relation to fraud**

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement resulting from fraud. Our approach to obtaining this assurance is to:

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls in mitigating the risks;
- perform substantive audit procedures; and
• remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at oag.govt.nz/reports/fraud-reports.

Group audit considerations

The following is a description of:

• the type of work to be performed on the financial information of group components; and

• the nature of the group engagement team’s planned involvement in the work to be performed by the component auditors on the financial information of significant components.

Our approach to significant components

On my behalf, component auditors will perform an audit of the financial and service performance information of the significant components of the group (as set out on page 9 of this Audit Plan), using component materiality which we have determined for them.

As part of our audit planning, we have agreed with the component auditors the significant risks that could potentially impact the group financial and performance statements. These are included in the tables above. Through our audit we will continue to update our understanding of the work to be performed in these audits to ensure that risks are appropriately addressed by the component auditors.

Our instructions to component auditors include the expected form and content of their communications to us. Based on these communications, we will evaluate whether sufficient appropriate evidence has been obtained on these audits as a basis for our group audit opinion.

As group auditor, my team will also evaluate the effect on the group audit opinion of any uncorrected misstatements either identified by the group engagement team or communicated by component auditors.

We will report any significant internal control deficiencies to the Council and management reported to us by the auditors of the significant components. This will include any deficiencies identified by the group engagement team or brought to our attention by the component auditor. We will communicate deficiencies related to:

• group-wide internal control; or

• internal controls at each component.

We will also communicate any fraud identified by the group engagement team or brought to our attention by component auditors.
Our approach to non-significant components

For remaining components determined not to be significant, we will perform analytical procedures at a group level.
Our audit process

Initial planning
Initial planning activities include verifying compliance with independence requirements and building the audit team.

Understand your business and environment
We use our extensive sector and business knowledge to make sure we have a broad and deep understanding of the Council and group and the environment you operate in.

Assess audit risk
We use our knowledge of the business, the sector and the environment to identify and assess the risks that could lead to a material misstatement in the financial statements and performance information.

Evaluate internal controls (interim audit)
During our interim audits, we update our understanding of internal control. This includes reviewing the control environment, risk assessment processes, and relevant aspects of information systems controls.

Finalise the audit approach
We use the results of the internal control evaluation to determine how much we can rely on the information produced from your systems during our final audit.

Gather audit evidence (final audit)
During the final audit we audit the balances, disclosures, and other information included in the Council and group’s financial statements and performance information.

Conclude and report
We issue our audit report on the financial statements and performance information. We will also report to the Council covering any relevant matters that come to our attention.
Materiality

In performing our audit, we apply the concept of materiality. In the public sector, materiality refers to something that if omitted, misstated, or obscured could reasonably be expected to:

- influence readers’ overall understanding of the financial statements and performance information; and
- influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

Accounting standards also require the Council and management to consider materiality in preparing the financial statements. IFRS Practice Statement 2, Making Materiality Judgements, provides guidance on how to make materiality judgements from a financial statements preparer’s perspective.

Whether information is material is a matter of judgement. We consider the nature and size of each item judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Materiality will be lower for some items due to their sensitivity.

Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader’s overall understanding of your financial statements and performance information. During the audit, we will provide details of any such misstatements we identify to an appropriate level of management.

We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from the Council that specify the reasons why the corrections will not be made.

Professional judgement and professional scepticism

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term “opinion” reflects the fact that professional judgement is involved. My audit report is not a guarantee, but rather reflects our professional judgement based on work performed in accordance with established standards.
Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

Exercising professional scepticism means that we will not accept everything we are told at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

How we consider compliance with laws and regulations

As part of my mandate, my team consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach involves first assessing the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance on our audit.

Wider public sector considerations

A public sector audit also examines whether:

- the Council carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act by the Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by the Council or by one or more of its members, office holders, or employees; and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by the Council or by one or more of its members, office holders, or employees.
We have identified the following wider public sector issues as relevant to the audit of the Council and group.

<table>
<thead>
<tr>
<th>Business risk/issue</th>
<th>Our audit response</th>
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<tbody>
<tr>
<td>Prudent expenditure decisions (the Council and group)</td>
<td>We will remain alert to public sector concerns, including issues and risks about effectiveness and efficiency, waste, and a lack of probity or financial prudence. This means looking at some transactions or other arrangements in more detail, as well as assessing the Charter put in place by the Council to ensure expenditure is in line with the public sector principles described above. Aside from specific testing across a sample of sensitive transactions, this will also involve making certain enquiries of the Council, management, and staff, and maintaining awareness of public sector concerns throughout our audit work.</td>
</tr>
<tr>
<td>Audit risk:</td>
<td>Expenditure decisions are not in line with our expectations of a public sector entity.</td>
</tr>
<tr>
<td>Project management (the Council and group)</td>
<td>We will obtain updates on key projects and follow-up on progress made against our previous recommendations. Our work will involve understanding Council’s processes and controls in place to ensure projects are properly managed and monitored. Where appropriate, our work will be conducted in conjunction with CCO auditors and supported by our Specialist Audit and Assurance Services (SAAS) team.</td>
</tr>
<tr>
<td>Across the group there are a number of major infrastructure projects at various stages of development, from conception through to completion. These include:</td>
<td></td>
</tr>
<tr>
<td>- the large programme of key transport projects agreed in the LTP including AMETI, the additional EMUs, and other public transport priority infrastructure and improvement projects;</td>
<td></td>
</tr>
<tr>
<td>- Hunua 4 Watermain Project;</td>
<td></td>
</tr>
<tr>
<td>- Central Interceptor wastewater tunnel;</td>
<td></td>
</tr>
<tr>
<td>- Downtown infrastructure development programme; and</td>
<td></td>
</tr>
<tr>
<td>- City Rail Link.</td>
<td></td>
</tr>
<tr>
<td>The Council also has or may have a key role in the delivery of:</td>
<td></td>
</tr>
<tr>
<td>- the America’s Cup;</td>
<td></td>
</tr>
<tr>
<td>- Mass transportation (light rail); and</td>
<td></td>
</tr>
<tr>
<td>- APEC.</td>
<td></td>
</tr>
</tbody>
</table>

2 Those transactions that could be seen to have an element of personal benefit.
### Business risk/issue

These large projects are high risk due to their scale, prominence, the complexity of the procurement arrangements, and their financial impact. Therefore, it is vital that the Council has an appropriate monitoring and governance framework over these projects to manage delivery to timeline and budget.

The Council also needs to ensure that its smaller value projects comply with its policies and processes, as there is a risk that the project management practices applied to smaller projects may not be as rigorous.

Project management practices should be considered in light of our reported findings and recommendations to date in this area.

**Audit risks:**
- waste and probity issues; and
- non-compliance with the Council’s policies, procedures and good practice.

### Procurement (the Council and group)

The Council’s major projects involve significant procurement decisions.

We are aware that the Council has implemented Ariba to track the procurement lifecycle and ensure that key steps in each procurement phase are completed in line with policy. The capabilities of this system extend to tracking contract management activities, supplier performance and contract and procurement benefits.

The Council also needs to ensure that lower value procurements and contract renewals are subject to its policies and processes, as there is a risk that procurement practices applied to these arrangements may be less robust.

Procurement practices should be considered in light of our reported findings to date in this area, including the areas for improvements noted in the 2018 and 2019 audits.

<table>
<thead>
<tr>
<th>Our audit response</th>
</tr>
</thead>
<tbody>
<tr>
<td>We will follow up on the status of our previous recommendations and update our understanding of progress made and emerging issues since our last audit.</td>
</tr>
<tr>
<td>We will follow up the progress being made embedding the SAP system (Ariba), consider the impact of this on the Council's procurement practices. We are also interested in whether the capabilities and efficiencies identified are taken up and implemented by the Council and if not why not.</td>
</tr>
<tr>
<td>We will update our understanding of large value procurements and contract renewals entered into during the year to determine an appropriate level of audit focus.</td>
</tr>
<tr>
<td>We will also review the application and effectiveness of procurement controls over a sample of smaller procurement contracts.</td>
</tr>
<tr>
<td>Business risk/Issue</td>
</tr>
<tr>
<td>---------------------</td>
</tr>
<tr>
<td><strong>Audit risks:</strong></td>
</tr>
<tr>
<td>• non-compliance with the Council’s policies, procedures and good practice;</td>
</tr>
<tr>
<td>• procurement processes resulting in poor purchasing decisions; and</td>
</tr>
<tr>
<td>• contracting arrangements not following good practice.</td>
</tr>
<tr>
<td><strong>Contract management (the Council and group)</strong></td>
</tr>
<tr>
<td>The Council has many significant goods and services delivery contracts in place. To reduce the risk of poor or non-delivery it is important that the Council has in place effective contract management processes that ensure delivery against contracts is timely, to the right quality and is within budget. In previous audits, we noted a number of areas where improvements could be made in the Council’s management of contractual arrangements. We understand that the Council is working to address these through:</td>
</tr>
<tr>
<td>• the introduction of the contract management centre of excellence;</td>
</tr>
<tr>
<td>• development of a contract management framework; and</td>
</tr>
<tr>
<td>• a range of tools, templates, training, support and guidance from the centre of excellence.</td>
</tr>
<tr>
<td><strong>Audit risks:</strong></td>
</tr>
<tr>
<td>• contract monitoring arrangements not being fit for purpose;</td>
</tr>
<tr>
<td>• processes not in line with good practice; and</td>
</tr>
<tr>
<td>• poor or non-delivery by contractors (waste and probity).</td>
</tr>
</tbody>
</table>
Reporting protocols

Communication with management and the Council

We will meet with management and the Council throughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are “no surprises”.

We have also planned fortnightly meetings with the Finance team.

We will provide a briefing paper to the Audit and Risk Committee prior to each meeting and brief the Committee as required.

Reports to Council

We will provide a draft of all reports to management for discussion/clearance purposes. In the interests of timely reporting, we ask management to provide their comments on the draft within 10 working days. Once management comments are received the report will be finalised and provided to the Council.

We will also follow up on your progress in responding to our previous recommendations.
Audit logistics

Our team

My senior audit team members are:

- Athol Graham: Audit Director
- Karen MacKenzie: Second Director (support the audit of Council’s performance information)
- Lauren Clark: Associate Director (support the audit of building consents, resource consents, derivatives and borrowing)
- Andy Burns: Engagement Quality Review Director
- Claudia Brink: Audit Manager
- Penica Cortez: Second Manager
- Rohan Prasad: Audit Supervisor
- Alan Clifford: Information Systems Auditor
- Jason Biggins: Tax Director
- Martin Richardson: Specialist Audit and Assurance Services Director

I will also be supported by Andrea Reeves, Assistant Auditor- General, Local Government. Andrea brings an important sector lens to the audit.

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

In addition to the team members above additional input is provided by sector and subject matter experts from across Audit New Zealand and the Office of the Auditor-General.
Timetable

Our proposed timetable is:

11 November 2019  First interim audit begins
16 March 2020  Draft pro forma financial statements provided by the Council
23 March 2020  Second interim audit begins
14 April 2020  Draft pro forma of the annual report including performance reporting, integrated reporting and climate change disclosures
13 May 2020  Draft interim management report issued
29 May 2020  Audit NZ and OAG sign off on pro forma financial statements
8 June 2020  Pre-final audit begins
6 July 2020  Draft financial statements available for audit (including notes to the financial statements)
6 July 2020  Final audit begins
14 August 2020  Final financial statements available, incorporating all the amendments agreed to between us
28 August 2020  NZX preliminary release
25 September 2020  NZX Final release
25 September 2020  Audit opinion issued
28 September 2020  Final management report issued in draft

We note that these are indicative dates only and may be subject to change. We will provide a detailed update on milestones and expected deliverables (ours and yours) in due course.
Expectations

For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our audit engagement letter dated 17 December 2019.

We expect that:

- 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;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit.
Health and safety

I take seriously my and Audit New Zealand’s responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required. We also expect management 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.
Office of the Auditor-General *Te Mana Arotake*
Level 2, 100 Molesworth Street, Thorndon 6011
PO Box 3928, Wellington 6140
www.oag.govt.nz
17 December 2019

Ref: EN/LCA/04–0014

A106

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

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

Copy:

Director Auditor Appointments
Office of the Auditor-General
PO Box 3928
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
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

<table>
<thead>
<tr>
<th>Deputy Auditor-General</th>
<th>Greg Schollum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Director</td>
<td>Athol Graham</td>
</tr>
<tr>
<td>Second Director</td>
<td>Karen MacKenzie</td>
</tr>
<tr>
<td>Engagement Quality Control Reviewer</td>
<td>Andy Burns</td>
</tr>
<tr>
<td>Audit Manager</td>
<td>Claudia Brink</td>
</tr>
<tr>
<td>Second Audit Manager</td>
<td>Penica Cortez</td>
</tr>
<tr>
<td>Tax Director</td>
<td>Jason Biggins</td>
</tr>
<tr>
<td>Information Systems Director</td>
<td>Alan Clifford</td>
</tr>
<tr>
<td>Specialist Audit and Assurance Director</td>
<td>Martin Richardson</td>
</tr>
</tbody>
</table>
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>Total audit fee (excluding disbursements)</td>
<td>1,213,434</td>
<td>1,328,734</td>
<td>1,214,278</td>
<td>1,239,042</td>
<td>1,262,657</td>
</tr>
<tr>
<td>- Less not recovered</td>
<td>-</td>
<td>(115,300)</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 tax hours 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 LTP amendment fee instead of the annual audit.

The proposed hours is more in line with prior year actual hours (23 hours in both 2018 and 2019 audits). We anticipate the hours to be closer to budgeted going forward.
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 recalculated 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, and
- 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 IPSAs 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.

Full name: Hon Phil Goff

Position: Mayor

Authorised signature: [Signature]

Date: 18/12/19

Entity name: Auckland Council
Full name: Stephen Town  
Position: Chief Executive  

Authorized signature: [Signature]  
Date: 18/12/19  

Entity name: Auckland Council  

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
12 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

Resolution number AUD/2019/72

MOVED by Chairperson S Sheldon, seconded by Member P Conder:

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.

CARRIED
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 - February 2020

<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) 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>
</tr>
</tbody>
</table>
### C2  Proposed approach for 2020-2021 Insurance Renewal

<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)(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 details of the proposed insurance strategy, policies and programmes for which terms and costings are being sought from and negotiated with the insurance market.</td>
<td>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.</td>
</tr>
</tbody>
</table>

### C3  Half year results announcement for NZX and Interim Report 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>
<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)(j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage. In particular, the report contains information which if disclosed to the public, could breach NZX disclosure rules.</td>
<td>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.</td>
</tr>
</tbody>
</table>

### C4  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>
<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)(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.</td>
<td>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.</td>
</tr>
</tbody>
</table>