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

**Date:** Monday, 24 August 2020  
**Time:** 11.45am  
**Meeting Room:** This meeting will be held remotely  
**Venue:**

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

**OPEN AGENDA**

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**MEMBERSHIP**

**Chairperson**  
Sue Sheldon, CNZM

**Deputy Chairperson**  
Cr Daniel Newman, JP

**Members**  
Deputy Mayor Cr Bill Cashmore  
Paul Conder  
Cr Shane Henderson  
Bruce Robertson

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

(Quorum 3 members)

Quorum must include two Governing Body members

---

**Mike Giddey**  
Kaitohutohu Mana Whakahaere / Governance Advisor

19 August 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 focusing on the appropriate management of risk
  - oversight of preparation of the LTP, Annual Report, and other external financial reports required by statute.

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

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

Decision-Making Powers

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

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

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

Tenure

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

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

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

The committee’s responsibilities are detailed below.

Forward Work Programme

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

Risk management

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

Assurance

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

Fraud and Integrity

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

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

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

External Audit

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

Interaction with Council Controlled Organisations

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

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

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

Annual Report on the work of the committee

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

Members of the public

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

Those who are not members of the public

General principles

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

Members of the meeting

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

Independent Māori Statutory Board

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

Staff

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

Local Board members

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

Council Controlled Organisations

- Representatives of a Council Controlled Organisation can remain only if required to for discussion of a matter relevant to the Council Controlled Organisation.
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1 Apologies

At the close of the agenda no apologies had 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 Tuesday, 26 May 2020, 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.

5.1 Public Input - Deborah Manning - tree risk assessment

Te take mō te pūrongo

Purpose of the report

1. Deborah Manning would like to address the committee about how Auckland Council can better manage their tree risk assessment and environmental responsibilities. See Attachment A for briefing paper.

Ngā tūtohunga

Recommendation/s

That the Audit and Risk Committee:

a) thank Deborah Manning for her presentation.

Attachments

A Briefing paper ................................................................. 147
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 updated three-year forward work programme (Attachment A).

Whakarāpopototanga matua
Executive summary
2. The Audit and Risk Committee approved its three-year forward work programme at its December 2019 meeting.
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. As a result of discussions with its auditors, Audit New Zealand and the Office of the Auditor-General, the Council believes it is prudent to delay the release of its financial results for the year ended 30 June 2020 to no later than 28 September 2020 and its annual report to no later than 30 October 2020.
5. The COVID-19 pandemic has given rise to a number of uncertainties which require management to apply significant judgement to the underlying assumptions and estimates within the financial statements. The time extension is required to allow additional time for the audit review of these judgements, and the extended annual report disclosures relating to the impact of the COVID-19 pandemic on Auckland Council Group.
6. Due to this delay in the release of its financial results and its annual report, the following changes have been made in the timing of the items in the forward work programme.
   b) The 15 September 2020 committee meeting will receive:
      • the NZX Release of Preliminary results – 30 June 2020 (for clearance)
      • an update on the Annual Report 2019/2020 process
      • the Council Controlled Organisation’s annual audit risk briefings
      • a briefing from the Office of the Auditor General/Audit NZ.
   c) An extraordinary meeting of the Audit and Risk Committee has been scheduled for 14 October 2020 which will receive the:
      • draft Annual Report and Summary Annual Report 2019/2020 (to recommend for adoption)
      • briefing from the Office of the Auditor General/Audit NZ.
7. On 16 July 2020, the Finance and Performance Committee resolved to request that the Audit and Risk Committee “review the asset rationalisation process and make recommendations on improvements”. A report will be brought to the Audit and Risk Committee on this matter on 15 September 2020.
8. The following other changes in timing of items are:
   a) the annual report on the performance of the Committee will be moved from September to December 2020.
b) the Interim Audit NZ management letter on the 2020 annual audit will be received at the September 2020 meeting.

c) The Audit New Zealand arrangement letter with respect to the audit of the Long -Term Plan 2021-2031 will be received at the September 2020 meeting.

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

That the Audit and Risk Committee:

a) note the additional extraordinary meeting on 14 October 2020, approve the changes in timing of items and adopt the updated Audit and Risk Committee work programme.

**Ngā tāpirihanga**  
**Attachments**

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**Ngā kaihaina**  
**Signatories**

| Authors | Mark Maloney - Head of Assurance Services  
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<td>Authoriser</td>
<td>Phil Wilson - Governance Director</td>
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| **Audit and Risk Committee**  
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Committee’s Annual performance report |
| **Assurance**  
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Holidays Act project (inter Assurance Services Update report)  
Building and resource consents performance and improvement plan update (Regulatory division)  
Audit Programme reporting – updated plan and audits completed  
| **Independent Maori Statutory Board – Treaty Audit**  
Head of Assurance and GM Maori Outcomes and Relationships | Treaty Audit Monitoring update | Treaty Audit Monitoring update | | | Preparations for Independent Maori Statutory Board upcoming 2022 Te Tiriti o Whaitangi Audit |
| **Enterprise Risk**  
Chief Risk Officer – Risk and Insurance Department | Risk Update – top risk register strategy, ERM framework  
CODAC-19 Risk Review – top risk register ERM Framework  
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| **CCO Risk management**  
Facilitated by Risk and Insurance Department | CCO quarterly risk report  
Attendance by Panuku | CCO Covid-19 Risk Update  
CCO quarterly risk report  
Attendance by Regional Facilities Auckland | CCO-2020-19 Risk Update  
CCO quarterly risk report  
Attendance by Watercare and Regional Facilities Auckland | CCO annual reports on risk (matters raised through annual audit process and summary of any significant findings raised by audit)  
Attendance by Watercare, ATED, Auckland Transport, RFA, Panuku | CCO Covid-19 Risk Update  
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Attendance by ATEED |
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<td>Briefing paper provided</td>
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*Attachment A*
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.

The workshop schedule is currently under review due to the impact of Covid-19. Topics and timing outlined below are tentative.

Proposed Workshop topics for 2020

1. Risk Deep Dives (outcomes from deep dive processes into Auckland Council's Top Risks) – deferred to 2021
2. Audit and reviews (Audit and reviews completed (six monthly))
3. Post event review following Sky City Convention Centre Fire 2019 – business continuity and emergency response – deferred TBC
4. Risk appetite statement review (completed May 2020)
5. Natural Hazards Risk management (August 2020)
6. Integrity – policies and procedures for prevention, detection, reporting and investigation of bribery and fraud and conflicts of interest (Our Charter) – (September 2020)
7. Transport (TBC)
## Audit and Risk Committee Forward Work Programme

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<td>Preparations for Independent Maori Statutory Board upcoming 2022 Te Tiriti o Waitangi Audit</td>
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<td><strong>Independent Maori Statutory Board - Treaty Audit</strong>&lt;br&gt;Head of Assurance and GM Maori Outcomes and Relationships</td>
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<td>CCO quarterly risk report Attendance by Regional Facilities Auckland</td>
<td>CCO annual reports on risk (matters raised through annual audit process and summary of any significant findings raised by auditors) Attendance by Watercare, ATEED, Auckland Transport, RFA, Panuku</td>
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<td>May</td>
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## Audit and Risk Committee Forward Work Programme 2020-2022

**This committee assists and advises the Governing Body in discharging its responsibility and ownership of governance, risk management and internal control across Auckland Council group. Responsibilities include reviewing the effectiveness of enterprise risk management, internal and external audit assurance, health safety and wellbeing, business continuity and resilience, integrity and investigations. The Committee monitors compliance, risk management in significant projects and programmes of work and procurements and has oversight of risk management and assurance of CCOs, the preparation of the LTP, Annual Report and other statutory financial reports. Full terms of reference can be found [here](#).**

### Area of work and lead

<table>
<thead>
<tr>
<th>Area of work and lead</th>
<th>Expected reporting 2022 (dates TBC)</th>
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<tbody>
<tr>
<td><strong>Audit and Risk Committee</strong> Head of Assurance Services</td>
<td>Feb</td>
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<tr>
<td>Work programme</td>
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<td><strong>Assurance</strong> Head of Assurance Services – Assurance Services Department</td>
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<tr>
<td>Assurance Services Strategy and activities update (head and integrity, elected members, internal audits and reviews, speak up)</td>
<td>May</td>
</tr>
<tr>
<td>Audit Programme reporting – updated plan and audits completed</td>
<td>Aug</td>
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<tr>
<td><strong>Independent Maori Statutory Board – Treaty Audit</strong> Head of Assurance and GM Maori Outcomes and Relationships</td>
<td>Sep</td>
</tr>
<tr>
<td>Treaty Audit Monitoring update</td>
<td>Dec 7</td>
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<td>Risk Update</td>
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*Attachment A*

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Audit and Risk Committee Forward Work Programme
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<tr>
<td>Insurance</td>
<td>Update on insurance activities</td>
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<td>Audit New Zealand final 2021 LTP amendment management report</td>
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Te take mō te pūrongo
Purpose of the report
1. To update the Audit and Risk Committee on risk management activities at Auckland Council and top risk interim update completed in the period June – August 2020.

Whakarāpopototanga matua
Executive summary
2. In response to the current risk landscape, which is continuously evolving and changing at speed, the risk team has adjusted its risk management activities and the focus of its programme. The focus is on speed, agility and supporting organisational resilience.

3. The overall risk system and the Enterprise Risk Framework remains in place and activities such as risk pulse checks and divisional top risk profiles have been added to enable real-time risk management, dynamic risk profiling, continuous “top down and bottom up” feedback and escalation.

4. The 14 top risks reported to the Audit and Risk Committee in May 2020 remain with unchanged risk ratings. Assessments and evaluations of the Financial Management, Recovery and Fraud and Corruption Top Risks has been completed and are summarised in Attachment A.

5. An enterprise wide risk pulse check process to gather data, insights and information from all divisions and departments on the drought and climate change is underway. This work will inform the quarterly top risk review to be reported to the executive leadership team (ELT) and Audit and Risk Committee in September. It will also feed into the drought response work being led by the Drought Crisis Management Team.

6. The Council has taken several actions to increase its management and control of its top risks. These include commencing a campaign for all staff to refresh the awareness of Our Charter and complete core e-learning modules on the topics of cyber security and integrity. A Transition Unit has been established to coordinate and lead the organisation model review and a drought crisis management team has been set up.

7. At the writing of this report, the Government has raised the COVID-19 alert level for Auckland Region to Alert Level 3 for an additional 12 days until 26 August 2020. The situation remains fluid and uncertain. The crisis management team and corporate resilience team are activated.

8. Verbal updates on the COVID-19 situation and council's top risks, including the financial management and recovery risks, will be provided at the meeting.

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

a) note the risk activities and enterprise top risk update

b) refer the Enterprise Risk Update to the Governing Body for information.
Horopaki

Context

9. An update on risk management activities to enable the Audit and Risk Committee to fulfil their governance and oversight role of the effectiveness of risk management within Auckland Council.

10. This includes responsibility for reviewing the effectiveness of risk management systems and emerging risks and changes to the Auckland Council Top Risks.

Tātaritanga me ngā tohutohu

Analysis and advice

Risk Work Programme Update

11. Following the COVID-19 pandemic events, and in response to the current risk landscape, which is continuously evolving and changing at speed, the risk team has adjusted its risk management activities and its programme. The focus is on speed, agility and supporting resilience of the organisation so it can effectively prepare and thrive through the fast shocks (such as COVID-19) and slow shocks (such as climate change).

12. While the overall system and the Enterprise Risk Framework that has been previously endorsed by the Audit and Risk Committee remains in place, key enhancements and additional activity have been added to facilitate real time risk management, dynamic risk profiling, continuous feedback and escalation to the appropriate levels.

13. Key additional activities to support enterprise risk management include:

(a) Building Directorate/Division Top Risk profiles with each lead team that link up to the enterprise strategic top risks and down to the departmental operational risks and relevant project and programme risks. The risk partners will be supporting the division lead teams to review their risk profile’s monthly and adjust the mitigations and controls as required.

(b) Increasing the frequency of reporting and review of risks by ELT to every second strategic meeting (bi-monthly).

(c) Undertaking enterprise risk “pulse checks” across all council departments on key drivers, risk events and areas requiring an enterprise view to inform the top risk understanding and management. Following the pulse check on COVID-19 impacts, a pulse check is underway on drought and climate change. The data and insights gathered will inform our climate change and water top risk management and our operational response to the drought impacts and risks.

(d) Expert risk staff are embedded in key COVID-19, drought and recovery response work including the Auckland Emergency Response, Corporate Resilience Team, COVID Crisis Management team, Drought Crisis Management.

(e) Increasing the dynamic profiling of risk though use of data from assurance/internal audit, compliance data, insurance claims, speak up channels, and complaints.
14. The following high-level diagram shows the cycle of risk management oversight, review and reporting (including these additional activities).

Auckland Council Top Risk interim (bi-monthly) review July 2020

15. The Auckland Council top risks were reviewed and updated in the May 2020 after the COVID-19 pandemic event and three new emerging risks were added to the Top Risk Register. There are currently fourteen Top Risks identified.

16. Since the previous report to the Audit and Risk Committee in May 2020, the risk team have facilitated an assessment and evaluation of three top risks: Financial Management, Recovery and Fraud and Corruption. The completed risk assessments and updates were approved by the ELT as part of their bi-monthly review of top risks on 17 July 2020 and are in Attachment A.

17. Regular and increased monitoring and reporting of the Top Risks has commenced due to COVID-19 related disruptions, and the fast paced and changing nature of the external and internal environment can have a material impact on residual risk to the enterprise.

18. The risk team has engaged with risk owners and stakeholders to understand any changes in the risk profile. Whilst there are no material changes to report, it is recognised that the changing external and internal environment is increasing the threats of climate change / water and drought related risks, cybersecurity, and integrity risks.

19. Internal controls and risk management are operating, and no new risks have been identified or changes made to the top risk residual ratings.

Financial Management Top Risk

20. The recent COVID-19 events and related financial impacts have meant that there is a strategic Financial Management Risk for Council. This is the potential risk of the inability to prudently manage Council’s financial obligations as expected.
21. The Finance department lead team have considered the causes of this risk and the likelihood and impact should this risk eventuate. Several controls and mitigation actions are being taken to proactively manage and reduce the likelihood of it occurring.

22. The current control environment is operating to manage the risk proactively by the Auckland Council Group (Council Group). Whilst the Council Group is pivoting to be more efficient and responsive to the new financial environment and the emergency budget has been adopted, there are many variables and changing priorities which require time and investment to minimise medium/long term and emerging adverse impacts during this period.

23. Based on this rationale, whilst the inherent risk is critical, taking into account the current controls, the residual risk has been assessed and rated as high. The financial management risk is reported in Attachment A.

24. At the writing of this report the Government has raised the Alert level for Auckland region to Alert Level 3. The situation remains fluid and uncertain. The finance team are assessing the impact of the recent change in alert level and are modelling scenarios based on the evolving assumptions. A verbal update will be provided at the meeting on any developments and changes impacting this top risk.

Recovery Top Risk
25. The recovery from the economic and social impacts of the COVID-19 pandemic is a priority and challenge globally, nationally, and locally. The situation continues to unfold, is rapidly changing and complex with New Zealand border and Auckland region boundary controls and restrictions in place and outbreaks occurring in New Zealand and overseas.

26. The risks related to recovery are wide ranging. The government, business, community, and local government sectors will all have roles in managing and mitigating the risks, impacts and opportunities to enable a successful recovery.

27. The strategic risk to the Council as an organisation has been identified in this context and focuses on the key objectives of Council and its role and contribution to the recovery as Auckland’s unitary authority.

28. Key staff including the Group Recovery Manager COVID-19, Transition Unit (People and Performance directorate) and Principal Advisor Recovery have engaged with the risk team to define the recovery objective, key risk drivers, actions, and opportunities. The recovery risk summary report is in Attachment A.

29. The Council’s role and contribution to Auckland’s recovery is to address the economic hardship and community impacts and enable recovery through leadership, coordination and community liaison.

30. A steering group has been formed to coordinate with central and local government. A small project office is collating information, conducting analysis, identifying opportunities and developing a work programme. The Risk department is supporting this work and will update the recovery risk on actions as the work programme unfolds.

31. The likelihood of a major impact to Auckland remains high and the situation is fast moving. The risks are therefore evolving and need to be continuously evaluated and monitored and mitigations developed.

Fraud and Corruption Top Risk
32. Following direction from the ELT in May 2020, a review has been completed of Top Risk 11 Fraud and Corruption.

33. The description and title of the top risk and its controls has been updated to focus on the key risk events. The likelihood of fraud, corruption or other dishonest behaviours being undertaken against the council is increased in the current climate, and the inherent risk rating has been updated to reflect current threat levels.
34. However, there are adequate controls and mitigations in place that do not currently require an increase in the residual rating being increased. The updated Fraud and Corruption Top Risk is included in Attachment A.

**Drought and Climate Change Risk Pulse Check**

35. The risk team is conducting a climate change and drought pulse check with the enterprise leadership group to gain insights on what the potential risks and impacts may be across the organisation.

36. An update of the Water and Climate Change Top Risks will be completed as part of the quarterly full risk register quarterly review by the ELT. The insights and information received back from the pulse check will inform that review.

37. The data on the departments’ risks and impacts will also be used by Council’s Drought Crisis Management Team to help with planning and activities to manage Council’s water usage.

38. An analysis of the information received back from the organisation is underway to identify trends and insights. The full top risk report and updated risk register will be reported to the Audit and Risk Committee on 15 September 2020.

**Drought Emergency - Council response and mitigations**

39. The Auckland drought emergency and water restrictions are ongoing. A Drought Crisis Team has been established which includes the chief risk officer.

40. The role of the drought emergency team is to:
   - oversee the achievement by Auckland Council of targeted water reductions from the Metropolitan Water Supply System consistent with Watercare’s Drought Management Plan.
   - input to Council business continuity plans as to the implications of reduced water consumption, and possible increased restrictions
   - develop initiatives to reduce water consumption
   - liaise with Council Controlled Organisation’s including Auckland Transport, Regional Facilities Auckland, ATEED.

41. Key risks at this time include:
   (a) Deployment of water restrictions reduces Watercare’s income while additional costs will be incurred in mitigating and managing a limited water supply. In response Watercare may require budgetary support from Council.
   (b) Ongoing drought (lack of rain) presents enhanced hazard of wildfires, including fires within parkland, especially Maunga given their policy not to use animals to reduce grass, within the urban area.
   (c) Water restrictions do impact adversely upon sectors of the Auckland economy reducing employment and slowing the economic and employment recovery from the effects of the COVID 19 lockdown.
   (d) Water restrictions threaten the appearance, health and usability of public gardens and sports fields especially during 2021 – a reduced capacity to provide for sports will impact not only community sports but more significant sports events.
   (e) more severe water restrictions may affect availability of municipal water in bulk to rural communities.
   (f) The adverse impact of the interplay between water restrictions and any resurgence of community transmission of the COVID19 virus is not clear.
Improvements and additional risk mitigation measures

Core cyber security and integrity e-learning modules mandatory for all staff

42. In July 2020, on the recommendation of the risk, ICT and assurance departments, the ELT agreed that four core eLearning modules be made mandatory for all staff and for a campaign be undertaken as part of a refresh of Our Charter awareness and understanding. The campaign will include council and RFA, Panuku and ATEED.

43. The continuing awareness, understanding and compliance by everyone of the system requirements, guidelines and bottom lines is critical to mitigating the cyber security and fraud and corruption top risks.

44. Council must support its people so that they know what is expected and they can do the right things and help manage these significant risks to council.

45. The four mandatory eLearning modules relate to security awareness, preventing cybercrime, securing social media, and integrity.

46. This step is to strengthen our controls in the post Covid-19 environment. The numbers of staff working flexibly and remotely is significantly increased. The risks of integrity and behavioural issues are also increased as the current operating model review and organisational change processes are completed.

47. A project group led by the ICT department has been formed. It is anticipated that the campaign will be able to begin in September 2020. The risk department will be monitoring and reporting the completion rates of the eLearning modules across all directorates and divisions.

Organisation Model Review – Transition Unit

48. The council has commenced a whole of organisation model review with the objective of designing efficient ways to organise council services, activities and how we do things so our people can best serve Tāmaki Makaurau now and in the future.

49. A transition unit has been established to coordinate and lead this work and recovery efforts to avoid ad hoc or siloed changes that could result in poor outcomes for our people, customers and communities.

50. Council’s financial shortfall of $120 million requires an organisation-wide approach to operating model changes so that decisions are not made in isolation. The Transition Unit will coordinate work to identify initiatives that will contribute to $30 million of the $120 million savings target. The unit is made up of people from across council to provide the technical and planning support needed for a change of this magnitude.

51. There are significant opportunities and risks associated with this work driven in part by the required pace to realise the required financial management and efficiency outcomes. The Risk department is supporting the unit to identify and effectively manage the risks and challenges.

52. The establishment of the unit with relevant expertise is a key mitigation of the risks of disruption and unintended impacts from the changes being implemented. A standardised, clear, coordinated and transparent process is a critical control. The process includes a review and challenge step by an enterprise leaders’ group and engagement with staff through a big-brainstorm process. The PSA also have representation on the enterprise group and form part of all approved programme processes.

53. Risks include loss of talent and intellectual property, health and wellbeing of staff, unintended outcomes to customers and conflicting stakeholder requirements are being managed. The ELT are retaining a critical sponsor and decision-making role in the process.
COVID activities

54. The situation concerning COVID-19 alert levels and restrictions remains fluid and council is in close contact and monitoring the situation closely.

55. At the writing of this report Auckland has been placed in Alert Level 3 until 26 August 2020. A verbal update will be provided to the Audit and Risk Committee on 24 August on the latest situation.

56. This update is to confirm steps being taken to manage the evolving situation and ensure potential risks are being effectively mitigated and scenarios planned and prepared for.

57. The COVID-19 Auckland Council Crisis Management Team was stood up again at the end of July 2020 to prepare and be ready for a potential resurgence based on trends overseas and some issues with managed isolation in Auckland.

58. This crisis team is being led by Ian Maxwell and briefings have been provided to the Mayor, Councillors, IMSB and Local Board members. CCO Chief Executives were advised of the heightened concern with respect to COVID-19. The Crisis Management Team which includes council and each of the CCOs was re-established.

59. Stocks of personal protection equipment (PPE) continue to be enhanced, including masks. We are deploying QR Codes appropriate to the NZ Covid Tracer app. We are redeploying social distancing and hygiene practices.

60. Since Auckland moved to Alert Level 3, other than essential workers, staff are working from home. The capacity for people to work from home is high. Procedures are in place to respond should we be advised that a staff member / visitor has COVID-19 and for closure of services / facilities / construction sites should that be required.

61. The Corporate Resilience team (CRT) is part of the Crisis Management Team. CRT’s focus is staff wellbeing and operational effectiveness and providing a safe and productive workplace and while working remotely. CRT also provides support for essential workers during lockdown periods.

62. Consideration is being given to splitting teams responsible for the delivery of essential services, management of staff who may be (or their family) are especially vulnerable to COVID-19 and how governance, in particular local boards may work should they be impacted by a local lockdown. Policy on leave and pay is being reviewed. There is a focus on staff welfare with the resurgence of COVID-19, the ongoing structural changes and the long-term financial implications for Auckland Council.

63. It is to be noted that this resurgence of COVID-19 would impact council revenues associated with the 2020-21 Emergency Budget. Via the regular quarterly forecast process, Council retains the ability to respond appropriately should this be required. The existing regular meetings of Financial Controllers drawn from each agency within the Council Group provides a basis for a watching brief on this issue.

64. Recent preparedness activities include the following:
   a) ‘A Case in Our Midst Triage Process’ has been reviewed and is now confirmed. Following an assurance test of the process, a senior risk advisor has been appointed lead of the internal track and trace process to ensure a robust and effective process. The assurance review is discussed in the Assurance department update report to the Audit and Risk Committee.
   b) We have reviewed and are preparing additional key messages which we will insert progressively in various communications. There is on-going messaging on the digital noticeboards throughout the region.
   c) ICT checks have confirmed all remote working systems are ‘good-to-go’, nothing has been turned off since the last COVID-19 level 4 period and some further improvements have been undertaken. No issues have been noted after the recent move to Level 3.
d) PPE stock levels have been reviewed and supply chains confirmed. Consolidation points established under lock and key at Orewa, Auckland House and Manukau Civic have been replenished including facemasks, and supply chains confirmed.

**Tauākī whakaaweawe āhuarangi**

**Climate impact statement**

65. The climate change adaptation and mitigation risk remains as a top risk for Auckland Council. The residual risk has been assessed as high and remains unchanged at this time.

66. There are no direct climate change implications arising from this report.

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

**Council group impacts and views**

67. There are no direct impacts on the Council Group arising from this report. The risk department continues to work with the risk managers and key staff in the CCOs to collaborate and manage the group risks.

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

**Local impacts and local board views**

68. Local boards are affected by many of the top risks as they represent risks to the entire organisation. The top risks will be referred to the Local Board Chairs for awareness and to assist local boards’ decisions.

**Tauākī whakaaweawe Māori**

**Māori impact statement**

69. The delivery of Māori Outcomes is a key strategic objective for Council.

70. The potential risk that council may be unable to meet its responsibilities to Māori would have a range of significant impacts and consequences including social inequality, breach of statutory obligations and a loss of trust and confidence in council.

71. The Māori Outcomes top risk will be reported to the Audit and Risk Committee in September when the evaluation and reporting of the risk to the executive leadership team is completed.

**Ngā ritenga ā-pūtea**

**Financial implications**

72. Financial management has been identified as a key risk for the council and is included within the Top Risk Register to enable adequate and ongoing management of the risks.

73. There are no financial funding decisions required as a result of this report, and consequently there are no direct financial implications.

**Ngā raru tūpono me ngā whakamaurutanga**

**Risks and mitigations**

74. The emerging risks and issues are addressed in the body of this report.

**Ngā koringa ā-muri**

**Next steps**

75. The Top Risk quarterly review (including the climate change and drought pulse check) will be reported to the Audit and Risk Committee on 15 September 2020 as part of the Risk Update.
Ngā tāpirihanga
Attachments

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Signatories

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<tr>
<td>Emma Mosely - Chief Risk Officer</td>
<td></td>
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<tr>
<td>Caroline Innes Mehta - Senior Risk Advisor</td>
<td></td>
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<tr>
<td>Ann Brown - Senior Risk Advisor</td>
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<td>Matthew Kerly - Risk Advisor</td>
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<tr>
<td>Helen Wild - General Counsel</td>
<td></td>
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<tr>
<td>Phil Wilson - Governance Director</td>
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## Enterprise Top Risks – bi-monthly review update July 2020

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<td>Health, Safety &amp; Wellbeing</td>
<td>Director People &amp; Performance</td>
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<td>2</td>
<td>Cyber Security</td>
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<td>3</td>
<td>Climate Change - Adaptation &amp; Mitigation</td>
<td>Chief of Strategy; Director Infrastructure &amp; Environmental Services</td>
<td>Almost Certain</td>
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<td>4</td>
<td>Crown Reforms - Housing &amp; Urban Growth</td>
<td>Chief of Strategy</td>
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<td>5</td>
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<td>Director Customer &amp; Community Services</td>
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<td>Significant Internal &amp; External Disruptions</td>
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<td>Water (Small Waters, Wastewater &amp; Stormwater Management)</td>
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### Reading the Top Risks

- **Inherent Risk**: No change to risk profile
- **Residual Risk**: Trending Down

- **Action under review**
- **Action overdue**
- **Action at risk**
- **Action on track**

---

**Attachment A**

**Item 9**
## Top Risk 11 – Fraud & Corruption

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Critical</th>
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<td>Potential for internal or external corruption, bribery, fraud, theft or other unethical and dishonest behaviours perpetrated within or against Council.</td>
<td>IN</td>
<td>R</td>
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**Risk Owner:** Governance Director  
**Key Risk Driver(s):**  
- People  
  - poor culture, complacency, emotionally and financially stressed staff, training and awareness  
- Process  
  - breakdown of, and poorly designed, internal controls, inadequate channels to speak up  
- System  
  - online and remote working controls and oversight, user management access controls  

**External**  
- collusion between staff and suppliers  
- external attempts to influence staff and to perpetrate fraud against council  

**Impacted:**  
- breach of statutory and regulatory requirements  
- legal liability  
- loss of ability of Council to perform its functions and duties  
- Independence of Council and its staff called into question  
- Loss of trust and confidence in Auckland Council.

**Residual Risk Rating Rationale:** See detailed controls in the Top Enterprise Risk Register.  
**Tone from the Top:**  
- Audit and Risk Committee oversight and Our Charter;  
- Resources and capability:  
  - Dedicated resources for the prevention of corrupt behaviours, proactive training and awareness, advice and guidelines for elected members;  
- System and process controls:  
  - Budget setting and monitoring, delegations of Financial Authority, segregation of duties, vendor and payroll master file controls, robust internal and external recruitment processes;  
  - Physical security, ICT security controls, Ariba processes and anti-money laundering framework;  
  - Annual Conflict of Interest Declarations reminders for all staff and public publishing of the Gift Register;  
  - 0800 integrity line & speak up framework – group wide (incl CCs)  
**Detection Controls:**  
- Assurance Strategy and work program incl data analytics, coordinated process for sharing of critical information between Assurance and Risk;  

**Actions to strengthen controls**  
- **Communications Strategy** – Reinforce tone from the top, build awareness around policies and e-learnings in place;  
- **Embed Speak Up** – Embed framework and group processes, raise awareness and improve cross speak up channel coordination and collaboration;  
- **Risk and Assurance integration** – Continuing programme to coordinate Risk and Assurance team work programmes, and sharing of information;  
- **Refocused assurance audits** and data analytic checks on internal controls for security, access, financial spend etc. COVID 19 Level 4 audit programme checks continuing (line 2 and 3 audits).

Heightened inherent risk of fraud and corruption due to hardship, job-loss and grievance which could motivate bad behavior and increased external attempts  
Control environment stable - internal controls continue to operate and are being monitored
Top Risk 12 – Financial Management

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Critical</th>
<th>High</th>
<th>Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential inability to prudently manage Council’s financial obligations as expected.</td>
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</table>

**Risk Owner:** Chief Financial Officer  
**Key Risk Drivers**  
**People**  
- Fraud, Error, inaccurate modelling, ineffective training, malicious or unintentional employee activities, key person risk.  
**Process**  
- Loss of operating revenue from Community facility closures (public libraries, community halls, swimming pools, stadiums, etc.), reduction in development contributions, financial contributions, and consenting fees, business license fees as a result of business closures, loss of dividends and investment income.  
**External**  
- Further COVID-19 pandemic waves, external political pressure, market volatility, credit related (borrowing ability), asset and funding liquidity, Auckland drought conditions, economic downturn, legislative environment changes.

**Impacted:**  
- Reputation: Failure to deliver key initiatives, maintain trust and confidence  
- Financial stability & sustainability  
- Legal: e.g. Non-compliance to changing legislation

**Residual Risk Rating Rationale:**  
See detailed controls in the Top Enterprise Risk Register.

The Financial risk is being managed proactively by AC Group. Whilst the Council group is pivoting to be more efficient and effective and responsive to the community and political landscape, there are many variables and changing priorities which requires time and investment to minimise medium term adverse impacts during to this change. The following controls are in place to mitigate this risk:

**Policies:** Financial Strategy, Infrastructure Strategy, Treasury Management Policy, Procurement Policy, Speak Up and protected disclosures policy and related plans and policies  
**Processes:** Embedded processes involving multi-disciplinary project groups to compile Long Term Plans, Annual Budgets, and Annual Reports  
**Systems:** Use of SAP as council’s ERP system, utilising inbuilt workflows and delegated financial authorities, information security, password changes and segregation of duties-based access profiles  
**Monitoring and Reporting:** through ELT dashboards, quarterly reports to Finance & Performance Committee, and updates to Audit & Risk Committee and Strategic Procurement  
**Use of three “lines of defence” model incorporating business ownership of transactions, internal audit and external audit  
**Employment of specialist roles** to lead specific functions such as Group Financial Controller, Group Treasurer, Group CFO, Head of Assurance Services. Council employs many qualified accounting staff who have specific ethical requirements and external oversight as part of their membership.

**Actions to strengthen controls:** TBA  
**Opportunities:** TBA

Residual risk stays high due to many external variables and dependencies that lead to constantly changing priorities.
## Top Risk 13 - Recovery Risk

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Critical</th>
<th>High</th>
<th>Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential failure to develop and execute</td>
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<td></td>
</tr>
<tr>
<td>Auckland Council’s contribution to</td>
<td></td>
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<tr>
<td>Auckland’s recovery from COVID-19*</td>
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</tr>
</tbody>
</table>

**Risk Owner:** Group Recovery Manager COVID-19

**Key Risk Driver(s)**

**External**
- Central and local government strategy and execution not aligned
- Increasing COVID cases/ additional Risk event (drought)
- Public expectations
- Preference to return to previous norms, failing to take up opportunities to adapt and become more resilient

**People**
- Staff health, wellbeing, low morale and engagement
- Lack of good relationships, collaboration, communication leadership
- Misallocation of resources due to short term pressure
- Insufficient funding to meet delivery expectations.
- Lack of balancing AC & AEM resource allocation

**Process**
- Governance, roles and responsibilities and execution – misalignment and/or inefficiencies
- Lack of internal co-ordination & communication across teams (top down and bottom up)
- Council’s operating model
- Ongoing recovery program not sustained
- Constraints – emergency budget, transition and barriers to multi-agency collaboration

**Impacted:**
- Health, Safety & Wellbeing Risk
- Reputational Risk
- Financial Risk
- Operational Risk
- Poor Customer/community experience
- Regulatory & Legal Risk
- Environmental Risk

### Controls and mitigation comments

**Residual Risk Rating Rationale**

- Gathering information (Good practice elsewhere, Quantifying and qualifying community impacts and consequences, activities underway across Auckland’s communities, whole of government recovery will look like nationally, regionally & locally)
- Discussion with Tāmaki Makaurau iwi leaders, and Independent Māori Statutory Board
- Monitoring and research framework
- Develop structures for coordination of recovery and clarification of roles
- Virtual project office
- Governance arrangements being developed – central and internal
- Collated overview of recovery activities.
- Close coordination between recovery team (Governance) and Transition unit (P&P), Emergency Budget process, big brainstorm
- Communication strategy

### Actions to strengthen controls: TBA

### Opportunities: TBA

*Note this top strategic risk concerns “recovery” in the broad sense of the word. It is not a reference to Council’s responsibilities for recovery under the Civil Defence Emergency Management Act*

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**Risk rating remains high based on ongoing emerging risks and uncertainties, extent of recession, complex governance and decision making – roles and responsibilities within council, central government, contractors and community.**
# Residual Risk Heat Map - July 2020

Risk assessment matrix

<table>
<thead>
<tr>
<th>Number</th>
<th>Category</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Health, Safety &amp; Wellbeing</td>
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<tr>
<td>2</td>
<td>Cyber Security</td>
</tr>
<tr>
<td>3</td>
<td>Climate Change - Adaptation &amp; Mitigation</td>
</tr>
<tr>
<td>4</td>
<td>Crown Reforms - Housing &amp; Urban Growth</td>
</tr>
<tr>
<td>5</td>
<td>Fit for Purpose Community Assets</td>
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<tr>
<td>6</td>
<td>Significant Internal &amp; External Disruptions</td>
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<td>7</td>
<td>Service Delivery</td>
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<td>8</td>
<td>Water (Small Waters, Wastewater &amp; Stormwater Management)</td>
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<td>9</td>
<td>Programme &amp; Project Management</td>
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<td>10</td>
<td>Consent Processing</td>
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<td>11</td>
<td>Fraud &amp; Corruption</td>
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<tr>
<td>12</td>
<td>Financial Management</td>
</tr>
<tr>
<td>13</td>
<td>Recovery</td>
</tr>
</tbody>
</table>

- **Legend**
  - Red: High Risk
  - Orange: Medium Risk
  - Green: Low Risk
  - Blue: Very Low Risk

![Risk Heat Map Diagram]
Ngā mihi nui ki a koe
Thank you from the Risk Team
30 June 2020 annual report progress

File No.: CP2020/11038

Te take mō te pūrongo
Purpose of the report
1. To update the Audit and Risk Committee on key aspects of the Auckland Council Group’s year-end reporting and audit requirements.

Whakarāpopototanga matua
Executive summary
2. The COVID-19 pandemic has had a significant impact on the finances of the group and has given rise to additional uncertainty to areas of risk that are dependent on judgement and assumptions.
3. Because of the heightened risk associated with judgements and assumptions, Audit New Zealand has placed additional quality control measures in place, which has resulted in additional documentation being requested, and extensions of timeframes for closure of technical matters.
4. To encourage transparency in our committee reporting we have endeavored to discuss as much information as possible about the annual report progress in this report. However, there is some information which cannot be released to the public due to disclosure requirements of the NZX. Instead these will be presented in the confidential item “Confidential report on the 30 June 2020 annual report”.

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

a) note the revised timeline for finalisation of the annual report
b) note the year end reporting matters information in this report and use it to supplement the information in the confidential item “Confidential report on the 30 June 2020 annual report”.

Horopaki
Context
5. In accordance with the NZX listing rules, Auckland Council Group must lodge a results announcement with the NZX within 60 days of the financial year-end, and the annual report within 3 months of the financial year-end.
6. The COVID-19 pandemic has had a significant impact on the financial performance, position, cash flows and service performance of the group which has resulted in significant increase in disclosures, particularly around judgements and assumptions underlying financial estimates.
7. The COVID-19 pandemic has also had a significant impact on the group’s resources as management has been focussed on addressing the impact through changes to operations and the preparation of the Emergency Budget; which has diverted resource from the preparation of the annual report.
8. The Office of the Auditor-General (OAG) and Audit New Zealand have indicated that current year audits are taking significantly longer to complete given the uncertainty, increased disclosures and heightened level of risk.

9. The OAG/Audit New Zealand and management have agreed that it is prudent to delay the release of the council’s financial results for the year ended 30 June 2020 to ensure sufficient time to complete the annual report and its audit. Therefore, management has relied on the NZX Class Waiver dated 3 April 2020 in relation to NZX Listing Rules 3.5.1 and 3.6.1.

10. Attached is a copy of our media release announcing that we expect to release our results to NZX no later than 28 September 2020 and our annual report no later than 30 October 2020 (Attachment A).

11. This has meant a significant shift in key year-end milestones, which is outlined below:

<table>
<thead>
<tr>
<th>Original date</th>
<th>Revised date</th>
<th>Milestone</th>
</tr>
</thead>
<tbody>
<tr>
<td>29 July</td>
<td>29 July</td>
<td>Group reporting packs received from CCOs and Ports of Auckland Limited</td>
</tr>
<tr>
<td>5 August</td>
<td>5 August</td>
<td>Consolidated results provided to Audit NZ</td>
</tr>
<tr>
<td>17 August</td>
<td>31 August</td>
<td>Draft NZX release provided to Audit NZ</td>
</tr>
<tr>
<td>25 August</td>
<td>7 September</td>
<td>Audit NZ technical feedback on financial statements</td>
</tr>
<tr>
<td>24 August</td>
<td>15 September</td>
<td>Audit and Risk Committee to provide clearance on group results and NZX release</td>
</tr>
<tr>
<td>28 August</td>
<td>28 September</td>
<td>NZX preliminary release</td>
</tr>
<tr>
<td>8 September</td>
<td>7 October</td>
<td>Audit NZ verbal clearance on annual report and summary annual report</td>
</tr>
<tr>
<td>15 September</td>
<td>14 October</td>
<td>Audit and Risk Committee to recommend adoption of annual report and summary annual report</td>
</tr>
<tr>
<td>25 September</td>
<td>29 October</td>
<td>Audit opinion issued</td>
</tr>
<tr>
<td>25 September</td>
<td>30 October</td>
<td>Annual report and summary annual report final release</td>
</tr>
<tr>
<td>28 September</td>
<td>6 November</td>
<td>Audit NZ management report issued in draft</td>
</tr>
</tbody>
</table>

Tātaritanga me ngā tohutohu
Analysis and advice

12. The preparation of the financial statements requires judgements, estimates and assumptions. Application is based on future expectations as well as historical experience and other factors, as appropriate to the circumstances. The financial impact of the COVID-19 pandemic has been far reaching. It has affected several areas where judgements and estimates are applied, introducing several new areas of significant judgement.

13. The main areas impacted by the increased uncertainty impacting significant judgements and estimates are:
   - revaluations of investment properties and various property, plant and equipment
   - valuations of derivative financial instruments
Item 10

• provision for weathertightness and associated building defect claims
• provision for contaminated land and closed landfills
• accounting for the council’s investment in Auckland International Airport Limited
• Eden Park loan
• City Rail Link Limited
• Regional Fuel Tax.

14. Details of these will be discussed in the confidential item “Confidential report on the 30 June 2020 annual report progress”.

15. The Financial Control team is remaining alert for any subsequent events that might require disclosure in the financial statements. Potential items have been discussed in the confidential item “Confidential report on the 30 June 2020 annual report progress”.

Climate change risk disclosure

16. A climate change risk disclosure, prepared in terms of the Task Force on Climate-related Financial Disclosures Framework, will be presented in the annual report.

17. It includes additional disclosures to those presented at 31 December 2019. In particular, it will now include the Scope 1 and 2 emissions inventories of the CCOs and Ports of Auckland Limited.

18. As the group is still in its infancy in terms of climate change disclosures, we have not yet undertaken scenario analysis in order to describe the resilience of the group’s strategy. Such scenario analysis takes into consideration different climate-related scenarios, including a 2°C or lower scenario. We intend to commence scenario analysis for the next annual report; however, this is dependent on the ability to secure resource to undertake this work.

Tauākī whakaaweawe āhuarangi
Climate impact statement

19. This report relates to a financial reporting process and disclosures only and as such has no climate implications. Information relating to the Auckland Council Group’s climate impact will be included in the annual report and summary annual report.

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

20. Feedback will be sought from substantive CCOs, Ports of Auckland Limited and City Rail Link Limited to ensure that any matters that apply to them have been considered in preparation for the annual report and summary annual report. All matters have been incorporated into the work plan.

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

21. Local boards will assist in the preparation of the local board content in Volume 2 of the annual report and will review their performance information for accuracy and validity.

Tauākī whakaaweawe Māori
Māori impact statement

22. This report does not affect the achievement or reporting on the council or group’s contributions towards Māori outcomes. The contributions to Māori outcomes are reported in Volume 1 of the annual report.
Ngā ritenga ā-pūtea
Financial implications
23. There are no financial implications directly arising from the information contained in the report as no financial decision is sought.

Ngā raru tūpono me ngā whakamaurutanga
Risks and mitigations
24. The following risks have been identified and are being actively monitored by the financial control team and Audit New Zealand:
   - the incorrect disclosure or omission of the impact of the COVID-19 pandemic on transactions and disclosures
   - delays in technical clearance of complex accounting matters and disclosures.
25. These risks are being managed through ongoing communication and tracking of issues, and regular dialogue with financial advisors within operational units.

Ngā koringa ā-muri
Next steps
26. The following diagram summarises the steps towards finalisation of the annual report and summary annual report.

- 15 Sep • Audit and Risk Committee meeting - endorse preliminary NZX release
- 28 Sep • Preliminary NZX release - primary financial statements and commentary
- 7 Oct • Audit NZ verbal clearance on annual reports
- 14 Oct • Audit and Risk Committee meeting
- 22 Oct • Finance and Performance Committee meeting
- 29 Oct • Governing Body approves annual reports
- 29 Oct • Audit NZ provide signed audit opinion
- 30 Oct • Release of the annual reports to the NZX and the public
**Ngā tāpirihanga**  
**Attachments**

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<td>43</td>
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**Ngā kaihaina**  
**Signatories**

<table>
<thead>
<tr>
<th>Authors</th>
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<tbody>
<tr>
<td>Tracy Gers</td>
<td>Group Accounting &amp; Reporting Manager</td>
</tr>
<tr>
<td>Francis Caetano</td>
<td>Group Financial Controller</td>
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<tr>
<th>Authorisers</th>
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<tbody>
<tr>
<td>John Bishop</td>
<td>Group Treasurer</td>
</tr>
<tr>
<td>Kevin Ramsay</td>
<td>Acting Group Chief Financial Officer</td>
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<tr>
<td>Phil Wilson</td>
<td>Governance Director</td>
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Item 10
Media release

4 August 2020

Council delays release of results announcement and annual report

Auckland Council (Council) has notified the New Zealand Stock Exchange (NZX) that it will rely on the NZX Class Waiver dated 3 April 2020 extending the deadline for the release of results announcements and annual reports. Accordingly, Council expects to release:

- its results announcement to NZX no later than 28 September 2020; and
- its annual report to NZX no later than 30 October 2020.

As a result of discussions with its auditors, Audit New Zealand and the Office of the Auditor-General, Council believes it is prudent to delay the release of its financial results for the year ended 30 June 2020 from 28 August 2020 to no later than 28 September 2020 and its annual report from 30 September to no later than 30 October 2020.

The COVID-19 pandemic has given rise to a number of uncertainties which require management to apply significant judgement to the underlying assumptions and estimates within the financial statements. The time extension is required to allow additional time for the audit review of these judgements, and the extended annual report disclosures relating to the impact of the COVID-19 pandemic on Auckland Council Group.

End

For further information please contact:
Katherine Forbes,
Head of Public Affairs,
Mobile: +64 21 872 680,
Email: Katherine.forbes@aucklandcouncil.govt.nz
Purpose of the report

1. To provide members with a summary of the matters identified by the Office of the Auditor-General during the interim audit for the year ended 30 June 2020 and outline how Auckland Council is addressing those matters.

Executive summary

2. In their recent audit report, Audit New Zealand highlighted the service performance of consenting activities as a continuing area for improvement; specifically to processes, systems and controls to accurately record consent processing times.

3. There was one new recommendation, that management prepares a group analysis and expected annual report disclosures related to the impact of COVID-19.

4. Several matters raised in previous reports have been resolved. The following prior year recommendations remain in progress:
   - building and resource consent processing times
   - capitalisation of assets
   - review of DFA policy and SAP delegation
   - Procurement team access to the vendor Masterfile.

5. Auckland Council accepts the recommendations made and has provided a response outlining actions being taken to address each matter raised.

Recommendation/s

That the Audit and Risk Committee:

a) note the matters identified by the Office of the Auditor-General during its 30 June 2020 interim audit and Auckland Council’s responses to those matters.

Context

6. Audit New Zealand, as Auckland Council’s appointed auditor, undertakes the audit on behalf of the Deputy Auditor-General.

7. Audit New Zealand works with the council throughout the year reviewing the interim report, the annual report and NZX disclosures. Their audit procedures include a review of the systems, processes and controls that support the preparation of these key documents.

8. In terms of auditing standards, an auditor is required to communicate any significant observations that relate to financial reporting and service performance, to those charged with governance. Accordingly, the Office of the Auditor-General issues reports to the council with recommendations for enhancing and improving processes, controls and disclosures.
9. Following the completion of the interim audit for the year ended 30 June 2020, a report was issued which outlines matters identified and makes recommendations for improvement. The report is attached (Attachment A).

10. Management has responded to these matters within the report.

Tātaritanga me ngā tohutohu
Analysis and advice

11. Audit New Zealand completed their second interim audit visit in March and April 2020. Their focus was on:
   - updating their understanding of Auckland Council’s systems and controls that support financial and service performance information
   - assessing the effectiveness of those controls and of the overall control environment.

12. Key messages relate to the impact of the COVID-19 pandemic on financial reporting and the service performance of building and resource consents.

13. There is one new recommendation in the report, being that the council finalises the group impact analysis and provides expected draft COVID-19 related annual report disclosures as early as possible. A memo has been prepared assessing the risks of the council and the group, along with a COVID-19 reporting checklist. In addition, pro forma COVID-19 disclosures have been provided to Audit New Zealand.

14. Updates were also provided on the following previously raised recommendations that are still in progress:
   - Building and resource consent processing times – This is an ongoing recommendation for the improvement in the recording and reporting of compliance with statutory time frames for the processing of consents. It remains a challenge for management to address, particularly for resource consents.
   - Capitalisation of assets – Management has improved its processes.
   - Review of DFA policy and SAP delegation – Management has started a project to review delegated financial authorities, which at a minimum will include a review of the framework.
   - Procurement team access to the vendor Masterfile – Management have updated control processes relating to Masterfile changes.

15. The following matters were resolved and/or have been closed by Audit New Zealand:
   - Our Charter
   - Treasury and funding management
   - cash handling
   - internal audit report finalisation in relation to a treasury review
   - payroll systems and controls – monitoring
   - food grading
   - domestic kerbside refuse per capita.

Tauākī whakaaweawe āhuarangi
Climate impact statement

16. There are no items covered by this agenda item that impact climate change.

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

17. There are no items covered by this agenda item that impact the Auckland Council Group, so the views of group entities have not been sought.
Local impacts and local board views
18. There are no local impacts from the audit report or issues relating to reporting at a local board level. Accordingly, the views of local boards have not been sought.

Māori impact statement
19. The report does not affect the achievement or reporting on Auckland Council’s or the Auckland Council Group’s contributions towards Māori outcomes. The council’s contributions to Māori outcomes are reported in the annual report.

Financial implications
20. The matters in this report relate to internal controls and processes and such, do not have any direct financial implications.

Risks and mitigations
21. There is a risk that actions undertaken by management to address internal control deficiencies may not be considered sufficient or appropriate to address Audit New Zealand’s concerns.

Next steps
22. Audit New Zealand will validate all matters which management has recommended for closure.

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<tr>
<td>A</td>
<td>Interim audit report - 30 June 2020</td>
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Signatories

| Authors               | Tracy Gers - Group Accounting & Reporting Manager  
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<td>Phil Wilson - Governance Director</td>
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Report to the Council on the interim audit of

Auckland Council

For the year ended 30 June 2020
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<td>Appendix 3: Disclosures</td>
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Key messages

Impact of Covid-19

Covid-19 has had a significant impact on all New Zealanders. It has also significantly impacted local government, including the Auckland Council (the Council). We are currently working with the Council on the potential implications of Covid-19 on the Council’s Annual Report.

We have carried out a high level assessment of the control environment, and have tested the Council’s relevant key financial and non-financial systems. This work has been completed for the purpose of planning the most effective and efficient audit approach, to enable us to express an audit opinion on the Council’s financial statements and the service performance information for the year ended 30 June 2020.

To date our work on the Council’s control environment has focused on the period prior to the lockdown. We have not identified any significant deficiencies in the control environment to date and consider it effective in mitigating the risk of material misstatement in the information the Council is expected to report in its 2019/20 annual report. We are also satisfied that, for the purposes of our audit of the financial systems, the Council’s information technology (IT) activity controls have remained effective. Therefore, we plan to continue to place reliance on these IT controls where appropriate. During our next visit we will need to consider whether the controls for the period impacted by Covid-19 have remained effective.

We have made recommendations for improvement to the control environment, particularly around the systems and policies impacting expenditure approvals.

Council’s management team is working on a Covid-19 impact analysis paper for the group. Once this is completed we will work through the implications for our audit work and the implications of any changes to our audit report, including the wording of the key audit matters.

The inclusion of good disclosure in the annual report about the implications of Covid-19 on the Council will be important to stakeholders and investors. Depending on the nature and extent of issues we may highlight this within our audit report. If the scope of our audit work is limited this could impact on the nature of our audit opinion and we will advise you if this looks to be the case.

Building and Resource consents

For the year ended 30 June 2019, in order to determine the level of service performance achieved, the Council was able to calculate the consent processing times manually based on a representative statistical sample for the following two performance measures:

- percentage of non-notified resource consent applications processed within 20 working days; and

- percentage of building consent applications processed within 20 working days.
As a result, we were able to determine that the Council’s reported results for the non-notified resource consent processing times and building consents applications processed were materially correct for the 2018/19 year.

Council is continuing its approach of checking and confirming 100% of the building consent data loaded into the system. Our testing of the data for the nine months to 31 March 2020 is underway, and we are ready to continue our testing as the remaining months are checked by Council.

A decision was made by the Steering Group\textsuperscript{1} to move to a recalculation of results for resource consents based on a representative sample of consents selected by us. This is the same approach as that taken for the year ended 30 June 2019.

We have not yet been able to assess the accuracy of Council’s recalculation in providing reliable information about resource consent performance during 2019/20. Further delays could put our ability to conclude on the accuracy of reported performance at risk. We have also requested that we are kept informed of any further delays and revisions to timelines, to ensure we have staff available at the right time to perform the audit work required.

We continue to recommend that the Council undertakes further work to improve the processes, systems and controls in place over the recording of consent processing times.

\textbf{Prior year recommendations}

We have included an update on prior year recommendations for matters covered during our interim audit visits. All other prior year recommendations will be followed up and reported on at the completion of our 30 June 2020 audit.

\textbf{Thank you}

I would like to thank the Council, management and staff for their assistance during our interim audit. We look forward to your continued cooperation for the remainder of the audit.

\begin{flushleft}
Greg Schollum  
Deputy Auditor-General  
18 August 2020
\end{flushleft}

\textsuperscript{1} This steering group was specifically established to oversee improvements to the data used to measure consents performance information.
1 Introduction

Earlier this year we completed a review of Auckland Council’s interim financial statements for the six-month period ended 31 December 2019. We issued a separate management report following completion of this work. To get a full picture of our audit findings to date, the key findings and comments in this report should be considered together with the report issued following the review engagement.

We have recently completed our second interim audit visit. During that visit our main focus was on:

- updating our understanding of the systems and controls the Council operates, including the monitoring of these controls, to ensure its financial and service performance information is fairly stated;
- assessing the effectiveness of these controls and of the Council’s overall control environment; and
- maintaining an awareness of key issues impacting the Council.

Our interim audit was undertaken during the Covid-19 lockdown. We have not identified any significant deficiencies in the controls tested so far. Our work focused on the controls that operated up to the end of February and these controls would not have been impacted by the Covid-19 lockdown. During our next visit we will need to consider whether the controls for the period impacted by Covid-19 remained effective.
2 Assessment of internal control

The Council, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. We have performed a high level assessment of the control environment, risk management process, and monitoring of controls relevant to financial and service performance reporting. We review internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Our findings related to our normal audit work, and may not include all weaknesses for internal controls relevant to the audit.

2.1 Control environment

The control environment reflects the overall attitude, awareness and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting and performance estimates and the Council’s external reporting philosophy, and is the context in which the accounting system and control procedures operate. Management, with the oversight of the Council, need to establish and maintain a culture of honesty and ethical behaviour through implementation of policies, procedures and monitoring controls. This provides the basis to ensure that the other components of internal control can be effective.

In the current environment there is an increased risk that routine controls that would normally operate effectively may fail. This might be either because of time pressure, challenges working in the information systems environment, or because of deliberate opportunistic attempts to circumvent controls.

We are interested in the work the Council is doing to ensure the control environment has not been compromised. To date our work on the Council’s control environment has focused on the period prior to the lockdown. We will provide a further update on our assessment of the control environment in our final Report to the Council at the completion of the 2019/20 audit.

2.2 Internal controls

We reviewed the relevant internal controls in place for your key financial and non-financial information systems, as detailed below.

Internal controls are the policies and processes that are designed to provide reasonable assurance as to the reliability of financial and non-financial reporting, as well as compliance with significant legislative requirements. These internal controls are designed, implemented and maintained by the Council and management, but the ultimate responsibility for the effective design, implementation and maintenance of internal control rests with the governing body.

In performing our control environment assessment we consider both the “design effectiveness” and “operational effectiveness” of internal controls. Both “design effective”
and “operationally effective” internal control is important to minimising the risk of either fraud or misstatement occurring.

However, it is not the purpose of our assessment to provide you with assurance on internal control in its own right. As such we provide no assurance that our assessment will necessarily identify and detect all matters in relation to internal control.

We reviewed the adequacy of internal controls over the following key systems:

- expenditure;
- payroll;
- revenue;
- fixed assets;
- treasury (including accounting for derivatives);
- General Ledger (GL) reconciliations and journals; and
- systems used to capture and report service performance data for the performance measures we have identified as key.

The findings from our review of the systems and controls to capture and report on the levels of achievement against performance measures and targets, along with the areas for improvement, are reported on below in Section 4.

Our work on the financial systems and controls and the resulting findings are summarised below with further detail included in Section 6 of this report.

We tested the operational effectiveness of controls over expenditure and payroll. Our testing found that the key controls have operated effectively to date. We plan to rely on these controls to gain audit assurance over these account balances for the year ending 30 June 2020. During our next visit we will need to consider whether the controls for the period impacted by Covid-19 remained effective.

We are satisfied that, for the purposes of our audit of the financial systems, the Council’s information technology (IT) activity controls have remained effective. Therefore, we plan to place reliance on these IT controls where appropriate.
3 Covid-19 implications

We are currently working with the Council on the potential implications of Covid-19 on Council’s Annual Report in relation to three key issues:

- impact on the control environment (refer to section 2 for more detail);
- impact on the annual report, including the financial statements; and
- the potential for delays in the annual report and audit process.

3.1 Impact on the annual report, including the financial statements

Covid-19 will have varying impacts throughout the group affecting, amongst other things, asset valuations, project timelines and costs and revenue. Council’s management team is working on a Covid-19 impact analysis paper for the group. Once this is completed we will work through the implications for our audit work and the implications of any changes to our audit report, including the wording of the key audit matters.

The inclusion of good disclosure in the annual report about the implications of Covid-19 on the Council will be important to stakeholders and investors. In our view, the readers of public entities’ annual reports could reasonably expect the Covid-19 related disclosures noted below:

- General disclosure about Covid-19 and any resultant impact on the entity during the alert levels. If there was no impact on the entity, it would be helpful for the reasons why the entity was not impacted to be disclosed.
- Disclosure about how the entity’s financial and non-financial performance has changed due to Covid-19.
- Disclosure about the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of adjustments to assets and liabilities within the next financial year (as required by Public Sector PBE accounting standards).
- Disclosure about any non-adjusting subsequent event for matters that occurred after 30 June 2020.

Audit New Zealand is developing a series of Bulletins in response to Covid-19 focused on providing guidance to public entities. These Bulletins will provide useful information, in particular when considering the implications of Covid-19 on:

- revaluations of property, plant and equipment, and investment property²; and

- service performance reporting (will be available on the Audit NZ website soon).

Depending on the nature and extent of issues we may highlight this within our audit report. If the scope of our audit work is limited this could impact on the nature of our audit opinion and we will advise you if this looks to be the case.

A key issue that we have been working on with management is the valuation of investment property held across the group. This includes consideration of any material uncertainty or conditional clauses that valuers include in their reports. Management is working proactively with valuers to ensure any improvement to valuation data up to the date of signing the annual report can be considered and if necessary the financial statements can be altered where changes are material.

We recommend that the Council finalises the group impact analysis and provides expected draft Covid-19 related annual report disclosures as early as possible. This includes, but is not limited to, disclosures related to property, plant and equipment (PPE), investment property, financial instruments, provisions and contingent liabilities. Significant judgements should be reflected in these disclosures.

3.2 Delays in the annual reporting and audit process

Under the Financial Markets Conduct Act 2013 the Financial Markets Authority (FMA) requires issuers, including Council, to announce their unaudited result by the end of August and their audited annual report by the end of September. On 3 April the FMA announced that all issuers with balance dates up to and including 31 July would have a further two months to provide audited financial statements and an additional 30 days to prepare and release results announcements, if their ability to produce financial statements is legitimately impacted by Covid-19. As a result, the Council can apply to the FMA to take advantage of these extensions if it believes it may be unable to meet the original timeframes. The Council is currently planning to continue to deliver an announcement and adopt their annual report within the original timeframe which will be challenging. However this will mean the Council can absorb delay in the planned timeframe if issues require additional time to resolve. As a mitigation we are working with management on a detailed set of milestones based on the assumption that there will be no delays.

We anticipate a number of challenges in this timeline such as the timing of final investment property valuations and resolution of other known and unknown Covid-19 related matters.

Subsequent to completing the March/April interim audit we have increased our resourcing for the next two visits (interim and final audits). This is because the last interim audit was completed during the lock-down period and was not as efficient as it would normally be.
4 Service performance information – significant matters arising

We have reviewed the Council’s systems and controls for reporting service performance information. We focused on understanding whether the Council has appropriate systems in place to accurately report against those measures we believe are key to understanding the Council’s overall performance. Based on our work to date, we are planning to take a substantive approach to our audit of the Council’s service performance reporting, either because we could not identify effective internal controls in the system or because it would be less efficient for us to rely on controls.

As a result of our interim audit work to date, we would like to bring the following matter to your attention.

Building and non-notified resource consents timeliness measures

We continue to work with management as they implement their approach to improving the reliability of data within the consenting systems, to allow accurate reporting of the following performance measures:

- percentage of non-notified resource consent applications processed within 20 working days; and
- percentage of building consent applications processed within 20 working days.

The Council is continuing its approach of checking and confirming 100% of the building consent data loaded into the system. Our testing of the data for the nine months to 31 March 2020 is underway, and we are ready to continue our testing as the remaining months are checked by the Council.

For resource consents a decision has been made to carry out a recalculation of results based on a representative sample of consents selected by us. This is the same approach as that taken for the year ended 30 June 2019.

We provided Council with our initial sample for testing in March. This covered the period from July 2019 to February 2020. We have provided an additional sample in May covering the period of March and April 2020.

We commenced our testing of the first sample in mid-May once the recalculation and quality assurance processes had been completed by the Council. We identified errors in carrying out our testing and requested that additional quality assurance processes be carried over the full recalculation. The Assurance Services team then identified further errors through these additional quality assurance processes. As a result, management paused further work to allow additional time to go back through the completed samples.

We have reminded management and the Steering Group of the risks relating to our ability to conclude on the accuracy of reported results if planned timelines continue to be delayed.
We have also requested that we are kept informed of any further delays and revisions to timelines, to ensure we have staff available at the right time to perform the audit work required.

We continue to recommend that the Council undertakes further work to improve the processes, systems and controls in place over the recording of consent processing times.
5 Key audit matters (KAMs)

In our audit plan we identified five KAMs:

- valuation of operational and infrastructure assets;
- valuation of derivatives;
- valuation of the weathertightness provision;
- accounting for, and disclosure of, the City Rail Link (CRL) project; and
- reporting on Council’s role in responding to population growth in housing, transport and water services.

We are considering incorporating the CRL KAM (accounting for, and disclosure of, the City Rail Link project) into the KAM related to Council’s response to growth (reporting on Council’s role in responding to population growth in housing, transport and water services). We think this would reflect the fact that the CRL project is a key part of the growth related performance information.

We are also considering whether Covid-19 is a KAM in its own right, in addition to explaining how it impacts on our audit approach for the other KAM areas.

We will discuss with management any changes to the KAMs during our final audit.
6 Other matters

6.1 Review of DFA Policy and SAP delegation

As in previous years we reviewed the delegated financial authority (DFA) levels set-up in the Council’s finance system (SAP) as part of our testing of the expenditure approval controls in place. For a sample of Council employees we compared the delegation included in SAP against the Council DFA policy for that tier of employee. We continue to note multiple instances of inconsistencies between the DFA assigned in SAP and the Council’s DFA Policy. While we understand that Council has been reviewing the staff DFA register there is a risk that staff have been operating outside their DFA. We recommend:

- The Council urgently reviews the extent of any breach of DFA and if necessary ensure any breaches are regularised.
- Changes required to DFAs are properly authorised and the SAP system updated to reflect those changes.

6.2 Pro-forma financial statements and annual report

We have provided feedback to management on the pro-forma financial statements and annual report. Our feedback included a number of minor suggestions that we expect to receive feedback from the Council on shortly.
7 Quality and timeliness of information provided for audit

Management is required to provide information for audit that is of good quality. We provided a listing of information we required to management on 3 March 2020. This included the dates we required the information to be provided to us.

Our interim audit was undertaken during the Covid-19 lockdown period which significantly impacted Council’s interaction with us. However, information was generally provided to us in a timely manner and assistance from staff has helped us to progress our audit work. While there were some unavoidable delays in payroll and sensitive expenditure information we appreciated the financial control team’s assistance throughout the interim to ensure information was delivered where possible.
8 Prior period recommendations

There has been a fairly short time period between the issuing of the management reports following completion of the 30 June 2019 audit, the review of the interim financial statements as at 31 December 2019 and the issuing of this report. Therefore, there has not been significant progress against a large number of previous recommendations. We have included an update in Appendix 2 of those prior year recommendations where progress has been made. A full update will be included in the reports issued following completion of our audit for the year ended 30 June 2020.
## Appendix 1: Summary of recommendations

<table>
<thead>
<tr>
<th>Paragraph reference</th>
<th>Recommendation</th>
<th>Management comment</th>
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<tbody>
<tr>
<td>3.1</td>
<td>We recommend that the Council finalises the group impact analysis and provides expected draft Covid-19 related annual report disclosures as early as possible. This includes, but is not limited to, accounting and disclosure issues related to property, plant and equipment (PPE), investment property, financial instruments, provisions and contingent liabilities, as well as disclosure about the impact on service performance. Significant judgements should be reflected in these disclosures.</td>
<td>A memo will be prepared assessing the risks of the Council and Group, along with a Covid-19 reporting checklist. In addition, proforma Covid-19 disclosures will be provided in July for Audit NZ’s review.</td>
</tr>
</tbody>
</table>
### Appendix 2: Status of prior year recommendations

**Matters with current status of “in progress”**

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>First raised</th>
<th>Current status</th>
<th>Management comments</th>
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</thead>
<tbody>
<tr>
<td>Building and resource consent processing times</td>
<td></td>
<td>In progress</td>
<td>From a Building Consent perspective, we are satisfied that we have effective controls to manage the accuracy of our statutory clock reporting. Our mitigations comprise changes associated with our technology platform, our processes and staff training. We have automated the start of the statutory clock from application receipt and made changes to the way the system supports the re-starting of the clock following a response to a request for information. We have developed and deployed a number of new operational reports to better support the management process and maintain a 100% audit regime across our applications. Staff have been trained in the new system and received direct mentoring in the event an audit identifies a discrepancy. Both internal audits and those conducted by Assurance Services - Internal Audit function provide evidence of the efficacy of our mitigations. For resource consents, we were looking to undertake the 100% audit but it became evident that we would not be able to complete this by the end of the year, so we are using a sample to calculate our timeliness figure. This has been undertaken with Audit NZ, and we are looking at a sample of approximately 825.</td>
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2019 final audit Refer to section 4 above.
<table>
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<tr>
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<th>First raised</th>
<th>Current status</th>
<th>Management comments</th>
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<tr>
<td></td>
<td></td>
<td></td>
<td>In terms of mitigation, we will continue to undertake audits and we have new reports out of the system which are helping as well as undertaking on-going training. Unfortunately, due to Covid-19 our Business Optimisation programme has been delayed and will be refreshed, noting updates to the systems (SAP) are still a high priority in order to get accurate data.</td>
</tr>
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</table>

**Capitalisation of assets**

We recommend that the Council put systems and processes in place to ensure timely capitalisation of assets. This is to ensure that depreciation and amortisation expense are appropriately recorded in the correct accounting period.

| 2019 final audit | In progress | We have reviewed and amended our processes to ensure that the information required for the timely capitalisation of assets is obtained, and we are now working more closely with project managers and departments to ensure we identify assets to be capitalised on a timely basis. We have added extra staff to support the assets team to help with the increased volume of capital expenditure and capitalisations this financial year. We believe the amended processes and additional staff levels will result in a significant reduction in the value of Work in Progress at 30 June 2020. |
|------------------|-------------|-----------------|---------------------|
| During the interim visit we continued to note delays in the capitalisation of assets. Delays were also noted during the work performed over June 2020 capitalisation of assets. The capitalisation policy is that assets are capitalised within three months whereas they are currently taking five to seven months. We will follow this up again during the 31 December audit. |
### Recommendation

To reduce the risk of employees having incorrect DFAs we recommend:

- Council urgently review the extent of any breach of DFA and if necessary ensure any breaches are regularised.
- Changes required to DFAs are properly authorised and the SAP system updated to reflect those changes.

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<tr>
<th>Recommendation</th>
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<th>Management comments</th>
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</thead>
<tbody>
<tr>
<td>Review of DFA Policy and SAP delegation</td>
<td>2019 interim audit</td>
<td>In progress Refer to section 6.1</td>
<td>There is no DFA policy at Auckland Council. Delegations are documented in the Chief Executive’s Delegation Register. The framework for delegated financial authorities is being considered in a collaborative effort between the Risk, Assurance, Financial Control and Legal teams. Also, under discussion is which department will own the framework, and be responsible for updating and maintaining the register. An interim measure being undertaken was a review of the Chief Executive’s Delegation Register, including the financial restrictions included in the register. This was being led by the public law team. As part of this review, each division/directorate in council has been asked to review all the restrictions relevant to them in the register and to update/amend them as necessary. This review is currently on hold, due to capacity constraints in the public law team over the past few months. As there are many views of areas for improvement in relation to delegated financial authorities, Financial Transformation has agreed to provide resource over the coming months to scope a problem statement, help prepare a briefing paper for the ELT, and manage a project which at a minimum will include a review of the framework.</td>
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## Procurement team access to the vendor Masterfile

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<th>Recommendation</th>
<th>First raised</th>
<th>Current status</th>
<th>Management comments</th>
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<tr>
<td>We noted a segregation of duties risk given that the procurement team also has access to edit vendor details such as bank accounts. We recommend that a system be put in place to ensure segregation of user edit access rights to the vendor Masterfile. This may include restricting the procurement team’s access to entering contract/vendor identifiers only instead of having full edit access to the Masterfile.</td>
<td>2019 interim audit</td>
<td>In progress</td>
<td>Access to maintain the Masterfile is now solely sitting in the P2P Support and Compliance team where the vendor Masterfile tasks already sit. There will be no “partial access role” to Masterfile changes before the end of FY20 as this task has been absorbed by the team already doing all Masterfile changes. We have also reviewed how we are recording our review of the vendor Masterfile change reports. We understand our practice of saving the reports without evidence of the checks is insufficient. Since May 2019 we now record the reviews performed and scan the reports with the evidence of review onto our network drive.</td>
</tr>
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</table>
Matters which have been resolved

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>First raised</th>
<th>Current Status</th>
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</thead>
<tbody>
<tr>
<td>Our Charter</td>
<td>2018 interim audit</td>
<td>We are closing this issue as resolved.</td>
</tr>
<tr>
<td>We recommend that the implementation of the Council charter, including raising awareness and understanding by staff of the new charter, be monitored to ensure it is effectively implemented across the council group.</td>
<td></td>
<td>We understand:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• The implementation of Our Charter is complete and there is ongoing embedding and continuous improvement activities.</td>
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<tr>
<td></td>
<td></td>
<td>• A staff survey was completed in February 2019 to understand employee awareness and perceptions of Our Charter. The results, together with the on-learning module completion rates indicate good levels of awareness.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Performance measures and an Our Charter dashboard has been developed. Performance measures for Our Charter are reported to the Executive Leadership Team on a quarterly basis.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• All entities within the Council group have agreed to adopt and implement the Charter. The CCOs will take ownership for their own implementation.</td>
</tr>
</tbody>
</table>
### Audit and Risk Committee

24 August 2020

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#### Interim audit management report for the year ending 30 June 2020

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>First raised</th>
<th>Current Status</th>
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</thead>
<tbody>
<tr>
<td><strong>Treasury and funding management</strong></td>
<td>2019 final audit</td>
<td><strong>We are closing this issue as resolved.</strong></td>
</tr>
<tr>
<td>We recommend that the Council either has the Treasury Operating Manual approved by the Finance and Performance (F&amp;P) Committee or reconsiders the level and timing of Treasury reports presently going to the F&amp;P Committee and/or Governing Body with a view to ensuring that there is more transparency at this level about treasury function decisions being made.</td>
<td>2019 final audit</td>
<td><strong>We are closing this issue as resolved.</strong> Management and Assurance Services consider that the Treasury Operating Manual (TOM) should continue to be approved by the TMSG due to its technical nature. The TOM must be consistent with the Treasury Management Policy approved by the Finance &amp; Performance Committee/Governing Body. Quarterly Treasury performance reports are now being presented to the Finance and Performance Committee, which provide greater transparency around the key performance and compliance parameters.</td>
</tr>
<tr>
<td><strong>Cash handling</strong></td>
<td>2017 interim audit</td>
<td><strong>We are closing this issue as resolved.</strong></td>
</tr>
<tr>
<td>We continue to recommend that the Council improves processes to ensure compliance with cash handling policies. To clear this recommendation we will look to obtain objective evidence that these policies are being consistently adhered to.</td>
<td>2017 interim audit</td>
<td><strong>We are closing this issue as resolved.</strong> We have closed this matter as it appears that the cash handling policies are being adhered to. This should continue to be an area that the Council monitors.</td>
</tr>
<tr>
<td><strong>Internal Audit Report finalisation</strong></td>
<td>2019 final audit</td>
<td><strong>We are closing this issue as resolved.</strong></td>
</tr>
<tr>
<td>We recommend that processes are put in place to facilitate the finalisation of Internal Audit's reports in a timely manner.</td>
<td>2019 final audit</td>
<td><strong>We are closing this issue as resolved.</strong> We have sighted the finalised internal audit report over the Treasury Review dated October 2019. As the report has now been completed and presented to the Council's executive leadership team and the Audit and Risk Committee, we are now closing this issue as resolved.</td>
</tr>
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</table>
## Payroll systems and controls – monitoring

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<tr>
<th>Recommendation</th>
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<th>Current Status</th>
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<tr>
<td>We recommend that management regularly reminds staff of the importance of applying controls and complying with policy. This may require additional training for some staff.</td>
<td>2016 interim audit</td>
<td><strong>We are closing this issue as resolved.</strong> This is a very old item and many systems, process and organisational changes have happened since. Several automated controls have been introduced to limit the possibility of errors and reduce reliance on reminders to the payroll team. New employees are entered into the Success Factors System and this information replicates into SAP. Several fields are pre-populated via the recruitment module. There has been an enhancement in the Success Factors System and it now validates bank details when the employee enters them. The Council very rarely will have a specialist do this on an employee’s behalf. Where this happens, the bank account entry has to be validated by a Team Leader. This has recently been reinforced with the payroll team.</td>
</tr>
<tr>
<td>Recommendation</td>
<td>First raised</td>
<td>Current Status</td>
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<td>-----------------------------------------------------</td>
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</tbody>
</table>
| Food grading         | 2019 final audit | **We are closing this issue as resolved.**  
We recommend management consider whether additional performance measures are needed to measure all significant dimensions of the Council's performance in relation to its food grading activity.  
We recommend an independent review is carried out over all electronic forms to reduce the risk of input error.  
We also recommend an improved system is developed for collating and reporting on this measure during the year and at year-end, as the current manual process is subject to a high risk of error. |
### Domestic kerbside refuse per capita

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<tr>
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<tr>
<td>We recommend that management implement effective processes and controls to ensure all waste collected by the Council is recorded within the service performance information system. We also recommend effective quality assurance processes are undertaken to ensure the reported result is calculated on a consistent basis each year, in line with the methodology used to set the target. <strong>Further comment:</strong> Management has commented that a new waste management solution and data collection system will apply from 2021. While management has not resolved the original issue, we have closed this issue as it will not be relevant from 2021. Council will need to ensure the new system produces relevant and reliable data for reporting performance information.</td>
<td>2019 final audit</td>
<td>Waste Solutions is introducing a new data collation and analysis process as we roll out our new three-bin refuse, recycling and food scraps collection contracts. These contracts will be rolled out progressively through FY2020-21. Auckland Council would welcome Audit New Zealand’s review of the new Kerbside Refuse Per Capita tonnage reporting process once these new contracts and reporting procedures are in place.</td>
</tr>
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</table>
# Appendix 3: Disclosures

<table>
<thead>
<tr>
<th>Area</th>
<th>Key messages</th>
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</table>
| Our responsibilities in conducting the audit | I am responsible for expressing an independent opinion on the financial statements and performance information. This responsibility arises from section 15 of the Public Audit Act 2001.  
The audit of the financial statements and performance information does not relieve management or the Council of their responsibilities.  
Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Council. |
| Auditing standards                | We carry out our audit in accordance with the Auditor-General’s Auditing Standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements or performance information. The Council and management are responsible for implementing and maintaining systems of controls for detecting these matters. |
| Auditor independence              | I am independent of the Council in accordance with the independence requirements of the Auditor-General’s Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised) (PES-1): Code of Ethics for Assurance Practitioners, issued by New Zealand Auditing and Assurance Standards Board (PES-1).  
In addition to this audit, I, or my appointed auditors, have carried out a range of other assurance engagements which comply with PES-1. Other than the other assurance engagements, and in exercising functions and powers under the Public Audit Act 2001 as the auditor of public entities, I have no relationship with, or interests in, the Council and group. |
| Other relationships               | I am not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Council or its subsidiaries that is significant to the audit.  
I am not aware of any staff member who has accepted a position of employment with the Council or its subsidiaries since the end of the last financial year. |
Te take mō te pūrongo

Purpose of the report

1. To provide an update on:
   - progress by Ngā Mātārae to develop and implement the Māori outcomes performance measurement framework (the Framework) for the Council Group.
   - the approach for the implementation and reporting of Māori Responsiveness Plans (MRPs) across the council group, pursuant to resolution number AUD/2020/22.

Whakarāpopototanga matua

Executive summary

2. The Audit and Risk Committee has requested an update from Ngā Mātārae, pursuant to Resolution Number AUD/2020/22 as follows:

   That the Audit and Risk Committee:

   d) agree that Te Waka Angamua (now Ngā Mātārae) and the General Manager, Māori Outcomes and Relationships report to the Audit and Risk Committee in August on progress in Māori Responsiveness Plans implementation and reporting across the Council Group.

3. In May 2020 the General Manager, Ngā Mātārae – Māori Outcomes updated the Committee on the Framework, which is being developed in response to an outstanding Treaty Audit recommendation.

4. At that meeting it was agreed that Ngā Mātārae would provide a progress update to the Committee in August 2020 on the development of the Framework.

5. Ngā Mātārae will provide a presentation on the progress to develop the Framework, which will include an update on the approach for the implementation and reporting of MRPs. See Attachment A for the presentation.

Ngā tūtohunga

Recommendation/s

That the Audit and Risk Committee:

a) receive the update from Ngā Mātārae on the Māori outcomes performance measurement framework

b) note the approach for the implementation and reporting of Māori Responsiveness Plans across the Council Group.
Ngā tāpirihanga
Attachments

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>Presentation</td>
<td>79</td>
</tr>
</tbody>
</table>

Ngā kaihaina
Signatories

<table>
<thead>
<tr>
<th>Authors</th>
<th>Authors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Simone Andersen - Head of Māori Strategic Outcomes</td>
<td>Chelsea Natana - Advisor - Māori Outcomes</td>
</tr>
<tr>
<td>Authorisers</td>
<td>Authorisers</td>
</tr>
<tr>
<td>Tania Winslade - General Manager - Ngā Mātārae Māori Outcomes</td>
<td>Phil Wilson - Governance Director</td>
</tr>
</tbody>
</table>
Kia Ora Tāmaki Makaurau

Māori outcomes performance measurement framework
Māori Responsiveness Plans implementation and reporting
Progress update – Māori outcomes framework

**Structure**

- **Mana Outcomes**
  - What is it?: Outcomes set by Māori
  - What does it include?: Outcome statement

- **Mahi Objectives**
  - What is it?: The council group’s contribution to the mana outcomes
  - What does it include?: Objectives, Measures
Framework delivery

Kia Ora Tāmaki Makaurau

- Adopted into the LTP 2021-2031
- CCO commitment outlined in SOIs
- Integrate into Local Board planning & Org Strategy

Directorate/CCO
Māori Responsiveness Plans
Work Progammes

Integration into business planning cycle
Māori Responsiveness Plans Implementation and Reporting

Review of Māori Responsiveness Plans found:

- Ad-hoc approach with plans sitting at different levels e.g. directorate, department, team
- Inconsistent organisational measures
- A strong focus on capability building at the expense of outcomes for and with Māori
- Lack of resourcing
# MRP Implementation and Reporting Approach

<table>
<thead>
<tr>
<th>The Framework</th>
<th>Provides the link between the Auckland Plan and Business Planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Māori Responsiveness Plans (MRPS)</td>
<td>Developed at directorate level with key actions that deliver on the Framework</td>
</tr>
<tr>
<td>Business Planning</td>
<td>Directorate MRPs will be integrated into the business planning cycle</td>
</tr>
<tr>
<td>Work programmes</td>
<td>Monitoring and reporting of MRPs will occur through the Māori Outcomes Lead work programme</td>
</tr>
</tbody>
</table>
Treaty Audit Monitoring Update

File No.: CP2020/11113

Te take mō te pūrongo
Purpose of the report

1. This report provides an update on:
   - the ongoing monitoring of the council’s Te Tiriti o Waitangi Audit Response Programme (Treaty Audit Response Programme) to implement the recommendations contained in Te Tiriti o Waitangi Audits (Treaty Audits) of the council. These Treaty Audits are commissioned by the Independent Māori Statutory Board every three years.
   - risks and controls with respect to Māori Responsiveness Planning Implementation and Reporting.

Whakarāpopototanga matua
Executive summary

2. Over the last six months, the Waharoa Group has continued to perform an oversight role with respect to the monitoring and reporting on the delivery of Treaty Audit Response Programme.

3. Of the 15 open Treaty Audit recommendations reported to the Audit and Risk Committee in February 2020, five have since been closed. Of the ten remaining open recommendations, six are being substantially progressed and are scheduled to be put forward to the Waharoa Group for formal closure by October 2020.

4. The Audit and Risk Committee resolved at its May 2020 meeting (AUD/20/22) that the Assurance Services department report to the Committee in August 2020 on Māori Responsiveness Plans implementation and reporting across the Council Group with a view to whether there are adequate risk management and controls in place.

5. The implementation of the Māori Outcomes Framework represents a step change and strengthening in the mechanism through which Māori Responsiveness Plan (MRP) initiatives are delivered and reported on. Key MRP initiatives will be reflected in, and delivered through departmental, divisional, and Council Controlled Organisation (CCO) business plans. Reporting on progress towards the achievement of Māori Outcomes will be given effect to through regular business plan reporting. This will be overseen and guided by Māori Outcome Leads. Māori Outcome Leads will help ensure that initiatives are aligned to the Māori Outcomes Framework. This mechanism will mitigate against key risks of lack of capability and resource devotes to MRP initiatives, and misalignment with the Māori Outcomes Framework.

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 assessment of risks and controls with Māori Responsiveness Planning

b) note the oversight and monitoring that has been performed by the Assurance Services department in relation to the Treaty Audit Response Programme and Māori Responsiveness Planning Implementation and Reporting

c) note that the Assurance Services department will continue to report on a six-monthly basis on progress against the Treaty Audit Response Programme to this committee.
Horopaki

Context

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

7. 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.

8. 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).

9. Te Tiriti o Waitangi Audit Report 2018 recommends that the Assurance Services 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.

10. 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.

Tātaritanga me ngā tohutohu

Analysis and advice

The Waharoa Group


12. The Waharoa 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 /Treaty Audit Response Work Programme

13. In February 2020 we reported that the strengthened process for monitoring the delivery of the work programme had 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.

14. Of the 10 remaining open audit recommendations five have approved project plans in place which are being monitored by the Waharoa Group.

<table>
<thead>
<tr>
<th>Audit Year</th>
<th>Total No of Recommendations</th>
<th>Closed Feb 2020-August 2020</th>
<th>Total Open August 2020</th>
<th>Project Plan Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 and 2015</td>
<td>67</td>
<td>5</td>
<td>6 (Feb 10)</td>
<td>3 in development</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2 monitored</td>
</tr>
<tr>
<td>2018</td>
<td>13</td>
<td>-</td>
<td>4 (Feb 4)</td>
<td>1 in development</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3 monitored</td>
</tr>
</tbody>
</table>
15. The following six recommendations are scheduled to be closed imminently:
   - Closure Criteria for all open actions (Recommendation 1 – 2018)
   - Mana Whenua Participation in Resource Consents (Recommendation 34 and 58B – 2015)
   - Performance Measure Framework (Recommendation 67 – 2015)
   - Evolution of MRP’s (Recommendations 6&7 – 2018)

16. Work is currently being progressed to develop Project Plans for the Waharoa to approve with respect to:
   - Clarification of the previously approved plan with respect to Contract Management System (Recommendation 31)
   - Taonga Management Policy (Recommendation 12)
   - Protection of Sensitive Information (Recommendation 13)
   - Relationship Agreements (Recommendation 10)

**Māori responsiveness Plans**

17. Māori Responsiveness Plans (MRP’s) across the Auckland Council parent, and Council Controlled Organisations (CCO’s) are at varying stages of maturity and review.

18. With the development of the Māori Outcomes Framework, mechanisms are being implemented that will use MRP’s to drive progress towards the achievement of Māori Outcomes, while establishing a clear reporting framework at directorate and CCO level to report on progress towards the achievement of Māori outcomes.

19. Key departmental, directorate and CCO MRP initiatives will be included in respective business plans. Progress will be reported on routinely through the year and at year end.

20. It is expected the clarity to be provided by the Māori Outcomes Framework will guide the development of MRPs to be realistic and relevant to the different directorates of council and CCO’s. This clarity will enable the business planning of directorates and CCOs and ensure the appropriate resource and skill is applied to delivery, and that initiatives are aligned to the Māori Outcomes Framework.

21. The directorates of council, and CCO’s will be responsible for monitoring the performance of the MRPs, on the advice of the Māori Outcome Leads. The directorates of council will report to Nga Mātārae at the end of each annual planning cycle regarding the alignment of delivery to the Māori Outcomes Framework.

22. Assurance Services will retain independent oversight of the implementation of the above MRP planning and reporting framework.

23. Key risks include:
   - Lack of adequate capability and resource devoted to the delivery of MRP initiatives.
   - Lack of alignment of MRP initiatives to the Māori Outcomes Framework.

24. These are mitigated through:
   - The requirement to include key MRP initiatives in business plans, and report on progress against those initiatives during the year. Accountability for delivery sits with respective departments and CCO’s.
   - Māori Outcome leads providing guidance to departments and CCO’s at each planning cycle will mitigate the risk of MRP initiatives not being aligned to outcomes.
Tāukī whakaaweawe āhuanangi
Climate impact statement
25. 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
26. The Treaty Audit Response Programme work enables the council group to strengthen responsiveness to Māori through targeted actions and improvements cited in the Māori Outcomes Framework. The Māori Outcomes Framework is intended to provide 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
27. The views of local boards have not been sought in relation to this report.

Tāukī whakaaweawe Māori
Māori impact statement
28. The Treaty Audit response work programme enables the council group to strengthen responsiveness to Māori through targeted actions and improvements cited in the Māori Outcomes Framework.

Ngā ritenga ā-pūtea
Financial implications
29. The committee is not being asked to make a decision with financial implications.

Ngā raru tūpono me ngā whakamaurutanga
Risks and mitigations
30. The meeting of council’s obligations to Māori and honouring of its Treaty obligations is a priority objective of council.

31. 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
32. 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
There are no attachments for this report.

Ngā kaihaina
Signatories

<table>
<thead>
<tr>
<th>Author</th>
<th>Mark Maloney - Head of Assurance Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authoriser</td>
<td>Phil Wilson - Governance Director</td>
</tr>
</tbody>
</table>
Te take mō te pūrongo
Purpose of the report

1. To provide an update on the steps involved in finalising the Emergency Budget 2020/2021.
2. To outline the Long-term Plan 2021-2031 (LTP) assurance process and the role of the Audit and Risk Committee in this process.

Whakarāpopototanga matua
Executive summary

Update on the Emergency Budget 2020/2021 process

3. In the Enterprise Risk COVID-19 Update report to this committee on 26 May 2020, a brief update on the Emergency Budget process was included. On 28 May 2020, the Governing Body adopted consultation materials for the Emergency Budget based on the consultation budget approved by the Emergency Committee on 21 May 2020.

4. Public consultation on the proposed draft Emergency Budget opened on 29 May 2020 and closed on 19 June 2020. Budget discussions between council officers and representatives from council-controlled organisations (CCOs) were workshoped with the Finance and Performance Committee between 30 June and 8 July 2020. Local Board feedback was also heard in a workshop held on 14 July.

5. Finance staff reviewed and updated group budget projections for 2020/2021 based on the latest information, advice and feedback received from council departments, CCOs and Local Boards prior to the decision-making meeting on 16 July 2020.

6. The decisions required to finalise the Emergency Budget were agreed by the Governing Body on 16 July 2020 and on 30 July the Governing Body adopted the final Emergency Budget 2020/2021, including the 21 local board agreements.

Long-term Plan 2021-2031 (LTP) assurance process

7. According to the Local Government Act 2002, the council must have an LTP adopted before the beginning of the first year to which it relates and utilise the special consultative procedure to consult with its community.

8. Section 94 of the Local Government Act 2002 requires the LTP to be audited by and contain a report from the Auditor-General. To deliver an LTP that achieves an unqualified audit opinion, it is critical for the council group to ensure that:
   - LTP processes are robust
   - information contained in the LTP is materially complete and reliable
   - any risks associated with the LTP process are minimised and
   - the LTP meets the requirements of all relevant legal requirements, including those set out in the Local Government Act 2002, and the Local Government (Auckland Council) Act 2009.

9. A programme of work has now commenced to develop Auckland Council’s Long-term Plan 2021-2031 (also referred to as the council’s 10-year Budget). Various workstreams have been setup to deliver this programme, overseen by an LTP Project Control Group.
10. Phase one of the LTP project focuses on developing the consultation document and supporting information, to be adopted by the Governing Body in early February 2021. This will be made available throughout the region for public consultation in mid-February 2021.

11. Phase two of LTP focuses on developing the final LTP, as a key statutory document that enables the implementation of its strategic plans and identifies what people can expect over the next 10 years. The Governing Body will need to adopt the final LTP document by 30 June 2021.

12. The Audit and Risk Committee will have an oversight role throughout the LTP process as prescribed in its Terms of Reference. In phase two, the committee’s role will also be to attest that the final prepared document is a true and accurate reflection of the decisions made by the Governing Body and that it complies with all accounting standards and legislative requirements. The committee will then recommend the document to the Governing Body for adoption.

13. The following table provides a summary of controls and sign-offs for key areas of the LTP:

<table>
<thead>
<tr>
<th>Area</th>
<th>Key controls and sign-offs</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Programme management and governance</td>
<td>• An LTP Project Control Group monitors LTP alignment with council priorities, and ensures that significant risks are being actively managed.</td>
</tr>
<tr>
<td></td>
<td>• Councillors are engaged throughout the LTP process so late surprises or risks to adoption are minimised.</td>
</tr>
<tr>
<td>b) Asset management plans (AMPS)</td>
<td>• Internal Audit department review to assess whether AMP processes are sufficiently robust and the information is materially complete and reliable.</td>
</tr>
<tr>
<td></td>
<td>• Department manager and CCO sign off that the planned services and AMPs are consistent with available funding and strategies.</td>
</tr>
<tr>
<td>c) Infrastructure investment</td>
<td>• Mitigate risks of uncoordinated planning by areas working together in one workstream on an integrated programme of infrastructure provision.</td>
</tr>
<tr>
<td>d)</td>
<td>• Engagement with community and stakeholders on scenario trade-offs and decisions.</td>
</tr>
<tr>
<td>e) Levels of service and performance</td>
<td>• Validate existing measure set for relevancy, meaningful targets and robust reporting methodology.</td>
</tr>
<tr>
<td>measures/performance targets</td>
<td>• Following approval of budgets, performance targets will be realigned and signed-off by activity managers to ensure that the planned services are consistent with available funding.</td>
</tr>
<tr>
<td>f) Key alignment and linkages</td>
<td>• Key steps will be taken to ensure that financial and non-financial information included in the LTP is consistent with council’s strategies, policies and assumptions.</td>
</tr>
<tr>
<td>g) Assumptions</td>
<td>• Appropriate managers from council parent and CCOs will review and sign-off whether information included for each group of activities has been incorporated into the underlying information.</td>
</tr>
<tr>
<td></td>
<td>• Ensure assumptions are complete, reasonable and supportable.</td>
</tr>
<tr>
<td></td>
<td>• Sign-off of budget submissions by business financial managers to confirm consistent application of assumptions.</td>
</tr>
</tbody>
</table>
### Area | Key controls and sign-offs
---|---
h) Accounting standards | • Document review against accounting standard FRS-42 Prospective financial statements as well as New Zealand Society of Local Government Managers guidance.  
• Peer review of financials by Financial Control team.
i) Financial model and data | • Monitor built-in checks in model of treasury ratios, prudential benchmarks and the balanced budget requirement.  
• Review the financial model against significant commitments, policies and strategies e.g. City Rail Link commitments, Financial Strategy, Infrastructure Strategy.
j) Legal sign off/Document preparation | • Council has an experienced legal team who will conduct a review of the Consultation Document, supporting information, and the final LTP, and provide legal support and guidance during the process.
k) Prudent financial management | • Financial scenarios presented to elected members will illustrate the impact of different scenarios on rates and debt levels in the short and long term.  
• Final published documents will include assessment of council’s borrowing against its prescribed limits and of its operating budget through a prescribed Balanced Budget Benchmark.
l) Right debate with the community | • One of the key issues in the consultation document will be balancing recovering from the financial impact of COVID-19, affordability of rates and other charges against the need for additional infrastructure investment.  
• Communication and Engagement team will review and signoff that the consultation document and process adopted are fit for purpose.
m) Budget refresh for Final LTP | • Budget refresh process will incorporate alignment of budgets with AMP and performance targets and any new investment or changes in budget request will require a full justification.  
• Prior to submission of all budgets, there will be a review and signoff by boards of CCOs and council’s Executive Leadership Team.

14. A key focus for this committee will be providing oversight of key risks and assumptions. A list of identified risks and proposed mitigations is set out in Attachment A.

15. The Office of the Auditor General (OAG) has indicated that for this round of LTPs, audit reviews will be expected to focus on key risks and assumptions related to the impacts of COVID-19, climate change and asset condition on council services.

16. Staff will provide an update to this committee later in the process on key assumptions for this LTP. This will include an update on assumptions related to the key review areas indicated by the OAG.
Ngā tūtohunga
Recommendation/s
That the Audit and Risk Committee:

a) note the Emergency Budget 2020/2021 process update

b) endorse the risk management and assurance approach for the Long-term Plan 2021-2031.

Horopaki
Context

Background

Update on the Emergency Budget 2020/2021 process

17. The COVID-19 situation presents significant risks to the financial position of the council group. The endorsed process and methodology for financial scenario modelling by this committee has been followed throughout the process for finalising the Emergency Budget 2020/2021.

18. On 26 May 2020, a brief update on the Emergency Budget process was provided as part of the Enterprise Risk COVID-19 Update to the committee. It was agreed that a further update on the Emergency Budget 2020/2021 process be provided on 24 August 2020.

19. In response to the resolution, this report provides an update on the Emergency Budget process, particularly around steps involved in finalising the budget.

Long-term Plan 2021-2031 (LTP) assurance process

20. The Auckland Council LTP is a key statutory document for Auckland Council, enabling the implementation of its strategic plans and identifying what people can expect over the next 10 years.

21. Auckland Council will be providing an opportunity for all stakeholders including tangata whenua and the community at large to submit on the LTP consultation document.

22. The development of the LTP is a collaborative effort with key accountabilities for delivery lying with the Financial Strategy and Planning team. However, by its very nature and content, it requires collective engagement from the entire council group, including local boards and CCOs.

23. Phase one of LTP focuses on developing the LTP consultation document and supporting information, to be adopted by the Governing Body in February 2021. This will be made available throughout the region for public consultation in mid-February 2021.

24. Phase two of LTP focuses on developing the final LTP as a key document which enables the implementation of its strategic plans and identifies what people can expect over the next 10 years. The final LTP document will need to be adopted by the Governing Body by 30 June 2021.
Tātaritanga me ngā tohutohu
Analysis and advice

Update on the Emergency Budget 2020/2021 process

25. The COVID-19 situation presents significant risks to the financial position of the council group. As the financial implications for the Emergency Budget 2020/2021 were highly uncertain, the work to prepare a budget has needed to be assumption driven and follow a systematic approach to scenario modelling.

26. To support the role of this committee in maintaining independent monitoring and oversight of the financial risk management for the council group, staff provided a report on 14 April 2020 on the process, methodology and underlying assumptions underpinning the financial scenario modelling to assess the financial impacts of COVID-19.

27. Since that update, the endorsed process and methodology has continued. A draft Emergency Budget for public consultation was prepared based on a “most likely scenario” approach to budgeting, disclosing the impacts of uncertainty. As well as reflecting financial impacts of COVID-19, updated group budgets included a wide range of mitigating measures.

28. Between 14 April and 26 May 2020, staff briefed the Chair of the Audit and Risk Committee on financial management risks and refinements to the assumptions and financial position, supporting the committee’s oversight role through the process.

29. On 28 May 2020, consultation materials on a draft Emergency Budget were adopted by the Governing Body. Along with the options and implications of different rates increases, these documents explained the central budget issue of a significant revenue shortfall for 2020/2021 and set out in detail a range of proposed mitigating actions. This included temporarily elevated debt levels, capital expenditure deferrals, temporary reductions in operating service levels and asset recycling.

30. Public consultation on the proposed draft Emergency Budget with options for either 3.5 per cent or 2.5 per cent average general rates increases opened on 29 May 2020 and closed on 19 June 2020. A series of workshops on key budget issues and savings options were held between 30 June and 8 July 2020, where more information and answers to Finance and Performance Committee were provided to support final decisions.

31. On 14 July 2020 a workshop was held between local board chairs and the Finance and Performance Committee. These discussions provided an opportunity for local board views to be considered ahead of Finance and Performance Committee making recommendations to the Governing Body.

32. As budget discussions on key items were workshopped and feedback was received from council departments, CCOs and Local boards, finance staff have reviewed and updated group budget projections for 2020/2021 based on the latest information.

33. Overall, this budget review identified additional short-term budget capacity, mainly due to a more favourable revenue outlook due to revised assumptions about social distancing requirements and a slightly improved economic outlook, before any adjustments for Watercare drought response and potential mitigations were incorporated.

34. The additional budget requests for Watercare’s drought response, potential mitigations committed by Watercare, and options for mitigating the residual budget gap resulting from the drought response were set out in the Budget decision-making 2020/2021 report to the Finance and Performance committee on 16 July 2020.

35. On that day, Finance and Performance Committee recommended to the Governing Body the decisions required to finalise the Emergency Budget 2020/2021. The Governing Body subsequently agreed to these decisions. Resultant changes were reflected in final group budgets.
36. Local board business meetings were held between 21 and 24 July 2020, where all 21 local boards adopted their local board agreements for 2020/2021. On 30 July the Governing Body adopted the Emergency Budget 2020/2021, including the 21 local board agreements.

37. Throughout this process, finance staff have made sure the endorsed process and methodology was applied consistently across the group, ensuring that the council follows robust processes to be in a position to make sound decisions based on robust information and analysis.

38. Finance staff have also worked closely with our legal advisors on matters of legal compliance, including compliance with the Local Government Act 2002 and debt market disclosure requirements.

Long-term Plan 2021-2031 (LTP) assurance process

Phase one: consultation document

Programme management and governance

39. A detailed draft roadmap has been developed that sets out the intended path of the entire LTP process. This roadmap should be finalised by the end of August 2020 following further engagement with the Mayoral Office. This draft roadmap has been provided to Audit New Zealand to assist with their resource planning.

40. They key dates from this draft roadmap are as follows:

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Definition</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance &amp; Performance Committee workshops</td>
<td>Workshop key issues for the LTP 2021-2031</td>
<td>26 Aug-11 Nov 2020</td>
</tr>
<tr>
<td>Finance &amp; Performance Committee / Governing Body meeting</td>
<td>Agree consultation items</td>
<td>9 Dec 2020</td>
</tr>
<tr>
<td>Audit &amp; Risk Committee meeting</td>
<td>Ensure process is sound and advise there are no outstanding Audit issues in relation to the Consultation Document &amp; Supporting Information</td>
<td>9 Feb 2021</td>
</tr>
<tr>
<td>Finance &amp; Performance Committee / Governing Body meeting</td>
<td>Adopt Consultation Document &amp; Supporting Information and agree to the consultation and engagement approach</td>
<td>10 Feb 2021</td>
</tr>
<tr>
<td>Public consultation</td>
<td>Details to be confirmed as part of the engagement plan</td>
<td>15 Feb – 15 Mar 2021</td>
</tr>
<tr>
<td>Finance &amp; Performance Committee / Governing Body meeting</td>
<td>Decision making for final budget</td>
<td>25 May 2021</td>
</tr>
<tr>
<td>Audit &amp; Risk Committee meeting</td>
<td>Ensure process is sound and advise there are no outstanding Audit issues in relation to the final LTP 2021-2031</td>
<td>14 June 2021 (TBC)</td>
</tr>
<tr>
<td>Governing Body meeting</td>
<td>Adoption of the LTP 2021-2031</td>
<td>22 June 2021</td>
</tr>
</tbody>
</table>

41. The Audit and Risk Committee will have oversight of key aspects of LTP governance, assurance, risk management and internal control. Attachment B of this report details the committee’s role and responsibility with respect to discharging its duties to provide oversight over the preparation of the LTP. This memo refers to the 2018-2028 LTP however remains valid for the 2021-2031 LTP.
42. Clear roles and responsibilities have been allocated to various work-streams who report to the LTP Project Control Group. Membership of this group consisting of senior and executive managers from the Finance, Planning and Governance divisions, along with a representative from the mayoral office.

43. The Project Control Group includes members with the necessary delegated authority to make key decisions that will impact the process and accountability of:
   - monitoring the strategic direction of the project and ensure ongoing alignment with council priorities
   - understanding and supporting the project objectives, process and deliverables
   - checking that all significant project risks have been identified and are being actively managed.

44. Elected members are part of the process at the outset, in the form of committee meetings and workshops with the Finance and Performance Committee, Governing Body and the local boards.

45. The workstream leads and Project Control Group will meet regularly to track progress and respond to issues.

46. Representatives from Nga Matarae and the Independent Māori Statutory Board attend the regular workstream leads’ meetings.

47. Risks and issues will be recorded in the internal LTP risk and issues register and mitigating actions will be coordinated through LTP governance and programme management. Highly significant risks will also be recorded and followed up via the Enterprise Top Risk Register and risk mitigation process.

48. Any substantial risks or issues will be escalated to the Executive Leadership Team by the Project Control Group.

49. We are working closely with Audit New Zealand to ensure that the scope of assurance reflects the work that they will be performing when they audit the LTP. By doing this work in advance of the external audit, we will be in a position to identify any issues early and address them prior to the external audit visits during the LTP preparation.

Asset management plans

50. An internal audit is underway to review, assess and report on whether:
   - council’s asset management planning framework and processes are sufficiently robust
   - the information contained in council’s AMPs is materially complete and reliable.

51. The review will assess whether the plans will provide a reasonable basis for the Infrastructure Strategy, Financial Strategy, financial forecasts and service performance framework that will be contained in the LTP.

52. The audit focuses on the Auckland Council group’s AMP processes across the significant Infrastructural AMPS such as Roading, Public Transport, Water, Wastewater, Stormwater, Parks, Property and Community Facilities.

53. External peer review is being carried out across AMP’s with the significant spends – Water (Watercare Services Limited), Transport (Auckland Transport) and Stormwater.

54. Review and testing of individual AMPS focuses on:
   - analytical review to understand and verify the reasonableness of operational and capital expenditure
   - identification, assessment and disclosure of risk
   - assumptions for completeness, reasonableness, and consistency of application
- integration of service levels
- integration of demand and asset lifecycle management
- updating of AMPs to reflect operational and capital expenditure incurred
- the outcomes of quality assurance performed over AMPs, including the actions taken to respond to Quality Assurance findings
- impact of the Emergency Budget 2020/2021 decisions on maintenance and renewals.

55. A provisional AMP review report is due to be released by October, to be finalised on the delivery of AMPs that are still under development, or undergoing peer review.

**Infrastructure Investment**

56. The infrastructure investment work focuses on council’s capital build over the next three, 10 and 30 years. Infrastructure providers across the council family are working together to provide an integrated programme view of infrastructure for the next 30 years. Together with the work on the AMPs, this information will inform the development of the 30-year Infrastructure Strategy.

57. Staff are mitigating risks of uncoordinated planning by working together on an integrated programme of infrastructure provision. The work includes taking a spatial view of planned infrastructure investment to ensure alignment with the council's strategic growth priority areas.

58. There will be engagement with community and stakeholders on scenario trade-offs and decisions.

59. Any funding risks or issues are being managed in conjunction with Finance staff to ensure alignment with relevant financial, audit and legal requirements.

**Assumptions**

60. Controls and sign-off on completeness and appropriateness of assumptions will consist of the following:
   - ensure assumptions are complete, reasonable and supportable
   - review assumptions against Local Government Act 2002 and New Zealand Society of Local Government Managers guidance to identify mandatory and recommended assumptions
   - identify council specific assumptions based on a documented risk assessment, e.g. central government funding for transport
   - support assumptions by way of reference to external supporting documentation where practical
   - sign-off of assumptions, including assessment of risk and potential impacts, by the LTP financial workstream.

61. To ensure consistent application of assumptions, the following controls and sign-offs are intended:
   - send clear written communication/ guidance to all business areas
   - design and pre-populate templates with assumptions where practical, e.g. budget submission templates
   - sign-off of budget submissions by business financial managers to confirm consistent application of assumptions
   - perform and document an analytical review of budget submissions and supporting information to confirm consistency with assumptions.
62. The Office of the Auditor General (OAG) has indicated that for this round of LTPs, audit reviews will be expected to focus on key risks and assumptions related to the impacts of COVID-19, climate change and asset condition on council services.

63. Staff will provide an update to this committee later in the process on key assumptions for this LTP. This will include an update on assumptions related to the key review areas indicated by the OAG.

Financial model and data
64. Data integrity review will consist of the following:
   - confirm access controls exist to prevent unauthorised changes to data and models
   - reconcile base data for modelling to existing 2020/2021 budgets
   - reconcile the financial model results to budget submissions/ templates
   - clearly identify the impact of consultation options and reconcile back to base data
   - monitor built-in data checks in the financial model.

65. To ensure consistency with other strategies and policies, the following reviews will be carried out:
   - monitor built-in checks in model of treasury ratios, prudential benchmarks and the balanced budget assumption
   - review the financial model against significant commitments, policies and strategies such as City Rail Link commitments, Financial Strategy, and Infrastructure Strategy.

66. The financial model will also go through an overall review, reconciliation and sign-off process:
   - document analytical review of year-on-year movements by activity
   - reconcile the result of different financial statements in the model, e.g. funding impact statement, statement of comprehensive income, statement of cash flows and movements in balance sheet
   - acceptance of budgets by operational and senior management by way of sign-off.

Consultation document preparation
67. We will work with various stakeholders to produce a user friendly LTP consultation document that informs and engages the public about the LTP.

68. Council has an experienced legal team who will conduct a legal review of the consultation document, supporting information, and the final LTP, and provide legal support and guidance during the process.

Prudent financial management
69. Auckland Council’s approach to prudence is laid out in the Financial Strategy and supported by the Treasury Management Policy, and the Revenue and Financing Policy. In phase two, the final LTP will include an updated Financial Strategy and Revenue and Financing Policy. The plan development process may also include an update to our Treasury Management Policy.

70. The key factors in the council’s approach to ensuring long-term financial prudence and sustainability are the parameters around prudent borrowing and funding of depreciation. All financial scenarios presented to elected members will clearly illustrate the impact of the scenario on these factors.

71. Due to the COVID-19 financial impact coupled with climate related risks (including the current drought situation), these factors will be a key focus when considering the prudent and affordable levels of capital and operating expenditure for this LTP.
72. Final published documents will include, in accordance with regulations, assessment of the group’s planned financial performance in relation to various benchmarks to enable the assessment of whether the group is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

**Right debate with the community**

73. Section 93(2) of the Local Government Act 2002 requires the council to consult with Aucklanders through a special consultative procedure (SCP) in order to adopt the LTP. Using the SCP places enhanced obligations on the council, specifying what must be done in order to consult with Aucklanders for this purpose.

74. We plan to drive an elevated conversation with Aucklanders, based on the big issues to help them engage in, understand and shape the LTP. We will ensure the LTP consultation document, supporting material and final document is publicly available easily.

75. One of the key issues in the consultation document will be balancing recovering from the financial impact of COVID-19, affordability of rates and other charges against the need for additional infrastructure investment. This will focus on the effects of our Financial Strategy on debt, rates and services delivered.

76. The Communication and Engagement team are involved in ensuring that the consultation document and process adopted are effective in meeting their intended purpose.

**Phase two: final Long-term Plan 2021-2031**

**Levels of service and performance measures/performance targets**

77. In order to ensure a set of relevant, meaningful measures and targets, along with a robust underpinning methodology, a review will be conducted between representatives from the appropriate departments to validate the information.

78. A performance framework and guidance material has been developed that articulates the linkages between community outcomes, LTP measures and AMP performance information.

79. LTP targets will be updated and signed-off to reflect any changes to levels of service due to proposed funding envelopes. Following the Finance and Performance Committee approval of the final envelopes, the targets will be realigned to ensure that the planned services are consistent with available funding.

**Key alignment and linkages**

80. Key steps will be taken to ensure that information included in the LTP is consistent, such as:

   - review and sign-off by activity managers that key plans and policies are adequately applied
   - review of consistency of assumptions with key plans and policies in the development of the underlying information
   - review and sign-off whether information on capital expenditure included in the funding impact statements is consistent with underlying asset information
   - review to ensure linkages between community outcomes, LTP measures and AMP performance information.

81. Appropriate managers from parent council and CCOs will review and sign-off whether information for each group of activity has been incorporated into the underlying information.
Accounting Standards
82. The following key steps will be taken to ensure prospective financial information complies with General Accounting Accepted Practices:
   • document review against accounting standard FRS-42 Prospective financial statements as well as New Zealand Society of Local Government Managers guidance
   • confirm with Financial Control department that the accounting policies are consistent with those in the last audited annual report and those expected to be used for subsequent reporting
   • Peer review of financials by Financial Control department.

Final budget decision-making
83. Following consultation and engagement, a series of Finance and Performance Committee workshops will be held through May 2021 to discuss budget issues, implications and trade-offs.
84. The mayor, in his role leading the planning process, will present a proposal to the Finance and Performance Committee in mid May 2021.
85. The Finance and Performance Committee will debate the proposal and make recommendations to the Governing Body. Final decisions on the LTP will then be made by the Governing Body (both meetings are currently scheduled for 25 May 2021).

Document preparation
86. Council staff will incorporate the decisions made by the Governing Body into the LTP document in line with the appropriate legislation. This document will include an updated Financial Strategy, Infrastructure Strategy, Revenue and Financing Policy, and Funding Impact Statement.

Audit and Risk Committee review
87. The draft final LTP will be presented to the Audit and Risk Committee in June 2021.
88. The committee will review the document to ensure that:
   • it is a true and accurate reflection of the decisions made by the Governing Body
   • the prospective financial statements, and level of service statements accurately reflect the impacts of the decisions
   • the prospective financial statements are compliant with the relevance accounting standards
   • the document complies with all legislative requirements.
89. The committee will recommend the document to the Governing Body for adoption.

Long-term Plan 2021-2031 Adoption
90. The Governing Body must adopt the final LTP by 30 June 2021 (this is currently scheduled for 22 June 2021). This allows for the rates to be set for 2021/2022.

Tauākī whakaaweawe āhuarangi
Climate impact statement
91. Climate impact is a key topic that will be addressed as part of the LTP process, however not a factor to consider in this report.
Ngā whakaaweawe me ngā tirohanga a te rōpū Kaunihera
Council group impacts and views
92. The information on financial implications of COVID-19 was pulled together from right across the council group, advice and updates from council departments and CCOs were considered and worked up as part of the Emergency Budget process.
93. As for the upcoming LTP, the council group will be communicated with throughout the process to ensure required work is carried and ready for political consideration as planned. Content and signoffs will be obtained from all parts of the council group.

Ngā whakaaweawe ā-rohe me ngā tirohanga a te poari ā-rohe
Local impacts and local board views
94. Local boards were extensively involved throughout all stages of the Emergency Budget process.
95. Local Board Plans are a key input to the LTP and are well progressed. Local Board Plans are scheduled to be adopted by the end of October 2020. These plans identify priorities and preferences for local communities which provide direction for the next three years. The plans should align with local board agreements.
96. The role of local boards in the public consultation process for the LTP is an integral part of our approach. Locally held ‘Have Your Say’ events will be deployed across the region to collect feedback on regional and local issues to inform the LTP.
97. Local boards have the discretion within the consultation period to hold various ‘Have Your Say’ events that may or may not include a traditional hearing style event. Governing Body usually delegates authority to councillors, local board chairs and local board members, and senior staff approved by the Group Chief Financial Officer to hear from the public and receive feedback on the proposal. Staff will be recommending a similar delegation is made for consultation on the draft LTP.

Tauākī whakaaweawe Māori
Māori impact statement
98. Engagement for the LTP will take place with mana whenua and mataawaka during the consultation phase. Detail on the engagement will be covered in the communication and engagement approach which will be presented to the Finance and Performance Committee in February 2021 for formal agreement.
99. In addition, each financial year the Tūpuna Maunga Authority o Tāmaki Mākaurau and the council must agree an annual operational plan, to provide a framework for the council to carry out its functions.
100. A feedback event will be held focusing on Tūpuna Maunga Authority draft operational plan attended by Tūpuna Maunga Authority members, including councillors on the Tūpuna Maunga Authority board.

Ngā ritenga ā-pūtea
Financial implications
101. The operational budget for the LTP is $1.2 million, plus Audit New Zealand’s cost (amount still to be confirmed).

Ngā raru tūpono me ngā whakamaurutanga
Risks and mitigations
102. Key risks and mitigations can be found in Attachment A to this report.
Ngā koringa ā-muri

Next steps

103. The LTP audit and quality assurance workstream coordinates and reviews risks with Audit New Zealand, the legal team, the various work-stream leaders and the organisation wide risk management team as appropriate.

104. The overarching objective of the audit and quality assurance workstream is to support the delivery of the LTP by reviewing and assessing that:

- LTP processes are sufficiently robust
- the information contained in LTP is materially complete and reliable
- any risks associated with the LTP process are minimised and

105. The quality assurance workstream is currently conducting an internal pre-assessment to identify any issues early and address them prior to Audit New Zealand’s formal assessment. Key information on controls, sign-offs, workshop material and supporting content will be provided to Audit New Zealand at the time of various workshops or meetings, to ensure that there are no surprises or late issues.

106. Staff will report back to this committee at a later stage of the LTP process on the key assumptions that will underpin this LTP.

Ngā tāpirihanga

Attachments

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Ngā kaihaina

Signatories

<table>
<thead>
<tr>
<th>Author</th>
<th>Kylie Thompson - Programme Manager</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorisers</td>
<td>Ross Tucker - General Manager, Financial Strategy and Planning</td>
</tr>
<tr>
<td></td>
<td>Kevin Ramsay - Acting Group Chief Financial Officer</td>
</tr>
<tr>
<td></td>
<td>Phil Wilson - Governance Director</td>
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</tbody>
</table>
## Attachment A - Key Risks as at August 2020

<table>
<thead>
<tr>
<th>Risk ID</th>
<th>Description of Risk</th>
<th>Actions/Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>RR1</td>
<td>Failure to comply with all LTP statutory requirements</td>
<td>Work closely with the legal team to ensure compliance.</td>
</tr>
<tr>
<td>RR2</td>
<td>Insufficient quality of financial / non-financial information, and Misalignment of projected service levels with projected expenditure budgets</td>
<td>Ensure that a robust review of performance measures and targets with internal quality assurance process is planned and implemented. Address the quality of financial and non-financial information through key controls relating to the sign-off from council managers and COOs.</td>
</tr>
<tr>
<td>RR3</td>
<td>Uncertainty about incoming government’s policies and priorities</td>
<td>Continued collaboration with central government agencies at multiple levels (e.g. political, executive and management).</td>
</tr>
<tr>
<td>RR4</td>
<td>Project delivery deadlines are not met</td>
<td>Monitor project delivery closely and add additional resource if and when required. Use effective programme governance to manage the complex independencies and escalate any key issues promptly.</td>
</tr>
<tr>
<td>RR5</td>
<td>Uncertainty about the impact of COVID-19 on council revenue streams</td>
<td>Work with our Chief Economist to update underlying assumptions, drawing on the best available information from national and international trends and forecasts. Also continue to use a financial scenario modelling approach to understand the potential impact of this uncertainty.</td>
</tr>
<tr>
<td>RR6</td>
<td>Impact of climate change on council assets and services</td>
<td>Auckland Council adopted Te Tāruke-ā-Tāwhi: Auckland’s Climate Plan on 21 July 2020. A key element of this plan is preparing Auckland for the impacts of climate change, including a stronger focus on how we will adapt to climate change. We will take a precautionary approach and prepare for the prospect of a 3.5 degrees warmer region. All aspects of the LTP will be considered through the lens of this plan.</td>
</tr>
<tr>
<td>RR7</td>
<td>Impact of deteriorating asset condition on the ability to provide council services</td>
<td>Asset Management Plans will be prepared and reviewed to ensure asset condition information and risks to critical assets are well understood. Any significant issues relating to asset renewal funding gaps will be addressed via the Infrastructure and Financial Strategies.</td>
</tr>
</tbody>
</table>
Memo from: Sue Sheldon CNZM, Chair Audit and Risk Committee
Memo to: Audit and Risk Committee
Date: 22 January 2018
Subject: Scope of Audit and Risk Committee’s review of 2018-2028 Long Term Plan and Consultation Document

Introduction
The purpose of this memo is to:

- Clarify the scope of the Audit and Risk Committee’s (the Committee’s) role and responsibility with respect to discharging its duties to provide oversight over the preparation of the Long Term Plan (LTP) (including the Consultation Document (CD)).

- Distinguish the scope of the Committee’s responsibility from that of the Governing Body.

- Clarify the likely wording of the recommendation that will arise from the 12 February 2018 Committee meeting.

Background
The Council is currently producing its 2018-2028 LTP. It must adopt its LTP before the beginning of the first year to which it relates. It must utilise a special consultative procedure to consult with its community on the content of that plan.

- It will give effect to consultation through the preparation and adoption of the CD, which will be used as the basis for consultation.

- A special meeting of the Committee is scheduled to take place on 12 February. The sole agenda item is consideration of the draft CD. That meeting will be held in confidence; on the basis legal advice is being provided to the Committee.

- The Governing Body will adopt the CD, together with supporting information on 21 February. This will be made available throughout the region for public consultation in late February 2018.

- Consultation will take place from the end of February. Feedback from consultation will be considered, and if appropriate included in the LTP. The LTP will be adopted by the Governing Body in June 2018.

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1 Section 95 (3) Local Government Act 2002
2 Section 95 (3) Local Government Act 2002
3 Local Government Official Information and Meetings Act 1987 Section 7 (2) [g]
Attachment B

Item 14

• The purpose of the CD is to provide an effective basis for public participation in local authority decision making relating to the content of the LTP by
  o Providing a fair representation of the matters that are proposed for inclusion in the long term plan, and presenting those in a way that
    ▪ Explains the overall objectives of the proposals and how rates, debt and levels of service might be affected
    ▪ Can be readily understood by interested or affected people.
  o Identifying and explaining to the people of the region, significant and other important issues and choices facing the council or region, and the consequences of those choices.
  o Informing discussions between the local authority and its communities about these matters.

Responsibility of the Governing Body

• The Governing Body is responsibility for adopting the CD and LTP.
• The Governing Body clearly has the responsibility for the merits of the content of the CD and LTP – in particular they key matters being consulted on.
• The Governing Body is also responsible and accountable for the following ‘compliance’ aspects of the preparation of the CD and LTP:
  o meeting all legal requirements relating to its processes, decisions, consultation, disclosures and other actions relating to the preparation and publication of the CD and LTP
  o having systems and processes in place to provide the supporting information and analysis the Council needs to be able to prepare a CD and LTP that meets the purposes set out in the Act
  o ensure that any forecasts financial information has been prepared in accordance with generally accepted accounting practice in New Zealand.
• To discharge its responsibility and accountability for these ‘compliance’ aspects the Governing Body takes the advice of the Committee – to provide it with assurance that these responsibilities have been discharged.

Responsibility of the Audit and Risk Committee

• The purpose of the Committee is to assist and advise the Governing Body in discharging its ‘compliance’ responsibilities with respect to the CD and LTP.
• Specifically the Committee’s role is to review the effectiveness of governance over, the risks and the design and operation of internal control over the preparation of the CD and LTP.
• The Committee does not have any responsibility for settling or changing any policy in the LTP.

* Audit and Risk Committee Terms of Reference
As an example the Committee will be briefed on, and will enquire as to how Council has ensured it has complied with the prudent financial management provisions of the Local Government Act 2002. In order for the Committee to form a view, it will need to understand the key matters on which Council intends to consult on, and how the options put forward to the community will impact on debt, rates and levels of service. However the committee does not have a view on the merits of the key matters themselves on which Council intends to consult.

The committee will discharge its responsibilities by
- receiving a report from Council officers about the draft CD (supplemented by enquiry of relevant Council officers) that outlines with respect to the draft CD:
  - the status of key controls including key assumptions underpinning the CD
  - key risks and risk team sign off
  - results of legal review and legal sign off
  - financial control review and sign off
  - results of the Asset Management Plan review and sign off
  - results of treasury review and sign off.
- receiving a report and briefing from the Office of the Auditor General as to audit progress, and an assessment of any outstanding audit issues.

The committee will have a specific focus on key assumptions, risks and the management there of those risks. This will focus on
- satisfying themselves that project risks have been managed appropriately
- understand from a process perspective how key assumptions have been applied within the CD and LTP
- satisfying themselves that the risks around application of the assumptions have been articulated appropriately
- satisfying themselves that there are appropriate processes in place to provide the assurance that key assumptions and risks are complete, accurate and reasonable.

Recommendation from the Audit and Risk Committee
- The Committee can make recommendations to the Governing Body. It is likely that the committee will resolve
  - that there are no significant outstanding audit issues relevant to the scope of the committees review of the 2016-2028 CD and supporting information. If there are significant outstanding issues, then this will be noted in the recommendation.

- The recommendation will note that the draft CD is still subject to
  - consideration by the Governing Body
  - final management review
  - any specific requirement of management to complete documentation prior to adoption by the Governing Body

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5 Section 101 Local Government Act 2002
Item 14

- receipt of the independent auditors report
- the resolution of any outstanding significant audit matters.
Te take mō te pūrongo

Purpose of the report

1. To review and endorse the draft audit engagement letter for the Long-term Plan 2021-2031 (Attachment A).

Whakarāpopototanga matua

Executive summary

2. In the last week, Audit New Zealand have provided a draft letter of engagement for the Long-term Plan (LTP) 2021-2031 for the council’s review and comment. This letter sets out the terms of the audit engagement and outlines the objectives of the LTP audit.

3. Management has reviewed and provided feedback on the draft letter and Audit New Zealand has made all requested amendments.

4. These documents are required to be approved by the Audit and Risk Committee before the Office of the Auditor General issues the final letter for signing by the Mayor and the council’s Chief Executive.

5. The Deputy Auditor-General Greg Schollum, Assistant Auditor-General – Local Government Andrea Reeves and Audit New Zealand Audit Director Athol Graham will be in attendance to answer any questions the committee may have in relation to this letter.

Ngā tūtohunga

Recommendation/s

That the Audit and Risk Committee:

a) review and endorse the draft audit engagement letter for the Long-term Plan 2021-2031

b) request the Office of the Auditor General issue the final audit engagement letter for the Long-term Plan 2021-2031

c) recommend the Mayor and Chief Executive sign the final audit engagement letter for the Long-term Plan 2021-2031.

Horopaki

Context

6. The draft audit engagement letter relates to the Long-term Plan for the 10-year period commencing 1 July 2021 and outlines:

- the terms of the audit engagement and the respective responsibilities of the governing body (council), Audit New Zealand and the Office of the Auditor General
- the audit scope and objectives
- the approach taken to complete the audit
- the areas of audit emphasis
- the audit logistics
- the professional fees.

The letter is substantially the same as in prior years, other than some changes to the areas of audit emphasis.
Tātaritanga me ngā tohutohu
Analysis and advice

7. The areas of audit emphasis for this LTP are:
   - impact of COVID-19
   - integration with Government policies, projects and joint funding arrangements
   - financial strategy and infrastructure strategy
   - assumptions
   - quality of asset-related forecasting information
   - climate change
   - review of Council-Controlled Organisations (CCOs).

8. The three new (or materially changed) areas of audit emphasis for this LTP are discussed below.

Impact of COVID-19

9. The COVID-19 situation has created significant economic uncertainty that will have ongoing impacts for the council’s revenue and its ability to deliver intended levels of service across the LTP timeframe.

10. Council has already commenced work to understanding the immediate and future implications of COVID-19 for the purposes of its Emergency Budget 2020/2021. This should provide a good base of knowledge to help factor the impact of COVID-19 into the LTP.

11. Audit New Zealand will review Council’s approach to ensure the impact of COVID-19 has been reasonably factored into the underlying policies, strategies, and assumptions.

Climate Change

12. As part of the Consultation Document (CD) and LTP the council will need to consider how its response to climate change will impact on:
   - the matters it intends to consult on and LTP content
   - the underlying financial forecasts, such as the cost of mitigation actions
   - the activities and service levels it will deliver
   - asset lives as a result of adaption and divestment.

Review of Council-Controlled Organisations (CCOs)

13. An independent review panel has completed a review of the CCOs and the council may decide to progress some recommendations from this review as part of the LTP process.

Tauākī whakaaweawe āhuarangi
Climate impact statement

14. This is discussed within the body of this report.

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

15. The recommendations in this report do not require the consideration of council group impacts and views.
Local impacts and local board views
16. The recommendations in this report do not require the consideration of local board views.

Māori impact statement
17. The recommendations in this report do not require the consideration of impacts on Māori.

Financial implications
18. The draft audit engagement letter includes the proposed audit fee covering both the CD and the LTP of $738,000.00 (excluding GST and disbursements).
19. The corresponding fee for the 2018-2028 LTP audit was $685,000.00 (excluding GST and disbursements). The effective annual rate of increase in this fee is 2.5 per cent over the three years between LTPs.

Risks and mitigations
20. A risk related to this letter is a potential increase in audit fees. This could occur if there is a significant increase in the audit scope which would require extra audit effort.
21. To mitigate this risk, Audit New Zealand and Auckland Council staff meet fortnightly to discuss audit issues to ensure they are managed and resolved efficiently.

Next steps
22. Following the approval of the draft document by the committee, the Office of the Auditor General will issue the letter in final form and the Mayor and Chief Executive will be asked to sign the finalised letter.
23. Auckland Council staff will also confirm and finalise the council and Audit New Zealand’s delivery timelines, to ensure a timely and efficient annual audit process.

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<td>Audit engagement letter LTP 2021-2031</td>
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Signatories

Author  Kylie Thompson - Programme Manager
Authorisers  Ross Tucker - General Manager, Financial Strategy and Planning
            Kevin Ramsay - Acting Group Chief Financial Officer
            Phil Wilson - Governance Director
13 August 2020

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

Dear Hon Phil Goff

Audit Engagement Letter: Audit of the Consultation Document and Long-Term Plan for the period commencing 1 July 2021

I am the auditor of Auckland Council and Group (the Council), under section 14 of the Public Audit Act 2001 (the Act). I will be using the staff and resources of Audit New Zealand, to carry out the audit of the Council’s consultation document and long-term plan (LTP). As the LTP requires the collation of information from across the group we will also be engaging with the auditors of Council’s subsidiaries and Controlled Council Organisations (CCOs).

This letter outlines:

- the terms of the audit engagement and the respective responsibilities of the governing body (Council) and me;
- the audit scope and objectives;
- the approach taken to complete the audit;
- the areas of audit emphasis;
- the audit logistics; and
- the professional fees.

1 Responsibilities of the Council and me in relation to the consultation document and the Long-Term Plan

Our audit will be carried out on the basis that the Council acknowledges that it has responsibility for preparing the consultation document (CD) and the long-term plan (LTP), by applying the Council’s own assumptions, in accordance with the Local Government Act
2002 (the Act) (in particular, the requirements of Part 6 and Schedule 10), and in accordance with generally accepted accounting practice in New Zealand. We assume that elected members are familiar with those responsibilities and, where necessary, have obtained advice about them.

For clarity, we note the following statutory responsibilities as set out in the Act:

- Section 93 of the Act requires the Council to have an LTP at all times, and Part 1 of Schedule 10 governs the content of the LTP.
- Section 111 aligns the financial information with generally accepted accounting practice.
- Section 83 (with reference to section 93A) sets out the special consultative procedure that the Council is required to follow to adopt the CD and LTP.
- Section 93C(4) requires an auditor’s report on the CD, and section 94 requires a separate audit report on the LTP.

Please note that the audit does not relieve the Council of any of its responsibilities.

Other general terms are set out in the relevant sections of this letter and Appendix 1.

2 Our audit scope

The Act requires me to provide two separate audit reports, as follows:

- on the CD, I need to form an opinion on:
  - whether the CD gives effect to the purpose specified in section 93B; and
  - the quality of the information and assumptions underlying the information in the CD; and
- on the LTP, I need to form an opinion on:
  - whether the LTP gives effect to the purpose in section 93(6); and
  - the quality of the information and assumptions underlying the forecast information provided in the LTP.

We expect our work to assess the quality of underlying information and assumptions to be a single, continuous process during the entire LTP preparation period, which includes the preparation of the CD.

Our focus for the first limb of each audit opinion will be to assess whether each document meets its statutory purpose. Given the different purposes of each document, we will assess the answers to different questions for each opinion.
Our focus for the second limb of each audit opinion will be to obtain evidence about the quality of the information and assumptions underlying the information contained in the CD and LTP. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the information and assumptions underlying the information contained in the CD and LTP, whether because of fraud or error.

Our audit opinions do not:

- provide a guarantee of absolute accuracy of the information in the relevant document;
- provide a guarantee that the Council has complied with all relevant legal obligations;
- express an opinion on the merits of any policy content; or
- include an opinion on whether the forecasts will be achieved.

3 Our approach to this audit

3.1 The content of the CD

The Act emphasises the discretion of the Council to decide what is appropriate to include in the CD and the associated consultation process. In deciding what to include in the CD, the Council must have regard to its significance and engagement policy, and the importance of other matters to the region and its communities.

We will need to understand how the Council has approached the task of applying its significance and engagement policy, and how it has considered the importance of other matters in deciding what to include in the CD. This will help inform our assessment of whether the CD achieves its statutory purpose.

3.2 Adopting and auditing the underlying information

Before adopting the CD, section 93G of the Act requires the Council to prepare and adopt the information that:

- is relied on for supporting the content of the CD;
- is necessary to enable me to issue an audit report under section 93C(4); and
- provides the basis for the preparation of the LTP.

The information to be prepared and adopted needs to be enough to enable the Council to prepare the CD.

We consider that local authorities will need to have thought comprehensively about how best to meet the requirements of the Act. Consistent with the guidance of the Society of
Local Government Managers (SOLGM), our view is that core building blocks of an LTP will be needed to support an effective CD. This will include, but not be limited to, draft financial and infrastructure strategies and the information that underlies them, including asset management information, assumptions, defined levels of service, funding and financial policies, and a complete set of financial forecasts.

We will work with management to understand the information proposed to be adopted and assess whether it will enable me to issue an audit report under section 93C(4).

In addition, the time frames to consider and adopt the LTP after the consultation process will be tight. From a practical perspective, it will be important that the Council is well advanced with the preparation of the full LTP when it issues the CD. Otherwise, you may find it difficult to complete the work and adopt the full LTP before the statutory deadline. The same is true for the audit work. The more audit work that is able to be completed at the first stage of the process, the less pressure there will be on council management and staff, and the audit team at the end of the process.

3.3 Control environment

The Council is responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the Council), supported by written policies and procedures, designed to prepare the CD and LTP, and to provide reasonable quality information and assumptions underlying the information contained in these documents.

Our approach to the audit will be to identify, confirm, and assess the Council’s key processes and controls over the underlying information and the production of both the CD and the LTP. The purpose of this assessment is to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit opinions. Our assessment is not for the purpose of expressing an opinion on the effectiveness of the Council’s internal controls.

We will carry out a review of the control environment to help us understand the approach taken to develop the CD and LTP, develop expectations of what should be included in the CD and LTP, and identify areas of potential audit risk. This will involve discussions with elected representatives and selected staff throughout the Council and may also involve discussions with staff across the Council, review of publicly available information about the Council, updating our knowledge of Council issues developed during recent years, and a review of the Council minutes since the last audit review.

Our review of your self-assessment response (see below) and key controls relating to the underlying information and development of the LTP is useful for our initial assessment of audit risk which affects the nature and extent of our overall audit work.

3.4 Self-assessment

To assist our audit planning, we intend to use a self-assessment process to assist with our risk assessment process. The self-assessment requires you to reflect on your most
significant issues and risks, governance of the LTP project, and the systems and processes you have in place (particularly to meet the purposes in the Act for the CD and the LTP), asset management, performance management and reporting, and financial management.

We will shortly be forwarding the self-assessment to you under a separate cover. We ask for your co-operation in completing this assessment for return to us by 17 August 2020.

The self-assessment is similar to those used with our audit of previous LTPs. The information provided through the self-assessment will be confirmed with you through discussion after its completion.

3.5 Project delivery

The three-yearly task of preparing the Council’s CD and LTP requires significant effort from yourself, elected members, and management and staff from across the group. In addition, the group approach to the CD and LTP also requires timely integration of the CCOs planning activities, including financial forecasting and infrastructure planning.

We will actively engage with the Council, its CCOs as the project plan is developed and carried out. Because the Council will be doing its LTP preparation over an extended period, the most efficient and cost-effective audit can be achieved when audit work and feedback is provided in “real time” or on an “auditing as you go” basis as the underlying information is developed. Consequently, we will discuss with you and your staff the Council’s approach for preparing and completing the LTP so that our audit work can “shadow” the significant decisions and milestones in the project. The success of this “auditing as you go” approach will depend on the Council’s project timeline including time for that audit work at appropriate points in the process.

It is important that Council has appropriate project disciplines in place, including realistic time frames for the delivery of key project milestones, and a process for actively monitoring and managing work streams to meet these. If issues arise, or delivery problems are encountered, it is important that we are aware of these as soon as possible.

The Council will need to ensure that formal planning inputs and outputs align across the group. As with the last LTP round, we expect this will involve:

- the implementation of formal controls to ensure the alignment of key underlying assumptions across the Council;
- reconciliation of formally approved CCO plans and accountability documents with the final LTP forecasts; and
- formal sign off of budget inputs, asset management information and strategies, levels of service and the key assumptions that inform the CD and LTP by CCO boards and management.

We also expect the Council to integrate appropriate project governance into the project plan, such as oversight by the Audit and Risk Committee and the Council, independent
quality assurance processes, and legal sign off of key documents and process. The role of elected members in the project should be clearly agreed with them upfront and monitored along the way to ensure that their key responsibilities for governance and adoption are well understood and properly supported.

As in previous LTP audit rounds, Audit New Zealand, while completing the audit on my behalf, and our office’s local government team are committed to helping the Council meet its obligations and statutory deadlines.

Within this audit engagement letter, we have included agreed timings for the delivery of key milestones. In order for us to meet the Council’s expectations it is important that the Council keep to these agreed timeframes and milestones.

4 Our particular areas of audit emphasis

4.1 Impact of Covid-19

The global response to manage Covid-19 has created significant uncertainty for private businesses, and local and central government agencies, as well as communities and families. The ongoing impact on the economy is likely to be negative which will directly impact Council’s revenue assumptions and create challenges when determining the level of service Council can provide across the LTP timeframe. In addition, Council will need to consider the impact on its financial and infrastructure strategies, and key underlying assumptions such as population growth, and interest rates. This may require input from Council’s experts to ensure assumptions are based on the best information available to Council.

Council began working on understanding the immediate and future implications of Covid-19 when preparing the 2021 annual plan budget. This should provide a good base of knowledge when factoring in the impact of Covid-19 into the CD and LTP.

We will review Council’s approach to ensuring the impact of Covid-19 has been factored into the underlying policies, strategies and assumptions.

4.2 Integration with Government policies, projects and joint funding arrangements

Council will be working closely with the Government to agree policies, projects and joint funding arrangements that will impact the CD and LTP. It is likely that the position of both parties is not agreed at the time of the CD or LTP, or both. While ideally the CD and LTP should reflect an agreed position, where this is not possible Council will need to apply and disclose information about the assumptions used and why they are considered reasonable and supportable.

Joint projects requiring a commitment from Council, may need to be consulted on with the ratepayer and disclosure about any uncertainty at the time the CD is adopted will be an important part of the consultation process.
We will review the Council’s CD and LTP, to ensure joint projects and funding arrangements are properly included and information about assumptions and their uncertainty is disclosed.

4.3 Financial strategy and infrastructure strategy

The Act requires each local authority to prepare two key strategies as part of the LTP: the financial strategy and the infrastructure strategy.

The purpose of the financial strategy is to:

- facilitate prudent financial management by the local authority by providing a guide for the local authority to consider proposals for funding and expenditure against; and

- provide a context for consultation on the local authority’s proposals for funding and expenditure by making transparent the overall effects of those proposals on the local authority’s services, rates, debt, and investments.

The purpose of the infrastructure strategy is to:

- identify significant infrastructure issues for the local authority during the period covered by the strategy; and

- identify the principal options for managing those issues and the implications of those options.

The Act expects close alignment between the two strategies, and section 101B(5) allows for them to be combined into a single document.

Although the Act clearly sets the minimum requirements for these strategies, it does not define the only things that can be in a strategy. A good strategy should include what is needed to be a good quality strategic planning document. In the case of the infrastructure strategy, the principles of ISO 55000 should be considered, particularly where the Council is seeking to prepare a best practice strategy.

In our reports to the Council on the 2018-2028 CD and LTP included a number of recommendations in relation to the financial and the infrastructure strategies. Part of the Council’s planning process should consider those recommendations and any changes that may be appropriate to the strategies or underlying planning processes.

The Auckland Transport Alignment Project (ATAP) is a key strategy for Auckland outlining the shared transport priorities between the Government and Auckland Council. Council will need to continue to work with key agencies to ensure any planned changes to those priorities are agreed and reflected in Council’s strategies and LTP. Council may also need to consult on significant changes to priorities in the CD.
Our focus when reviewing both strategies is to assess whether the Council has met the purpose outlined in the Act and presented the strategies in a coherent and easily readable manner. This is particularly important given the challenge of delivering an ambitious infrastructure investment programme that responds to growth and capacity issues, while staying within debt and rates limits.

Specifically, we will:

- confirm that the two strategies are appropriately aligned;
- understand the effect of the financial forecasts included in the infrastructure strategy on the prudence of the financial strategy; and
- assess the reasonableness of the prepared forecasts by:
  - understanding how the Council has applied the effect of its assumptions (for example, allowing for changing demographics, the implications of the changing climate, the condition and performance of critical assets, inflation) and levels of service on expenditure decisions and outlined the implications of these decisions in the strategies;
  - reviewing the Council’s relationship between its renewal capital expenditure and depreciation expenditure forecasts;
  - checking that the infrastructure strategy is appropriately inflated; and
  - checking that the infrastructure strategy is consistent with the key information that underpins the CD and LTP (for example, forecast maintenance and renewal costs based on best information).

The Council’s financial modelling is a significant component of the underlying information that supports both the financial strategy and infrastructure strategy. We will place particular emphasis on the integrity and effectiveness of the financial modelling of all local authorities.

An additional role played by these strategies is to facilitate accountability to the community. It is critical that these strategies are presented in such a way that they are engaging and informative, and support the presentation of issues, options, and implications presented in the CD.

4.4 Assumptions

The quality of the Council’s financial forecasts is significantly affected by whether the assumptions on which they are based are defined and reasonable. The Act recognises this by requiring all local authorities to clearly outline all significant forecasting assumptions and risks underlying the financial estimates in the LTP (Schedule 10, clause 17). Prospective Financial Statements (PBE FRS 42) also requires the disclosure of significant assumptions.
Significant assumptions we expect to be particularly important for the Council to consider:

- population growth and any related demographic changes;
- non-rates revenue funding sources such as development contributions revenue;
- asset condition and performance;
- inflation;
- borrowing costs;
- climate change adaptation and mitigation;
- capital expenditure delivery, and
- efficiency and cost reduction.

We will review the Council’s list of significant forecasting assumptions and confirm that they are materially complete. We will also test the application of selected assumptions in the financial forecasts to check they have been reasonably applied. Finally, we will confirm that:

- all significant forecasting assumptions disclose the level of uncertainty associated with the assumption; and
- for all significant forecasting assumptions that involve a high level of uncertainty, the nature of uncertainty and an estimate of the potential effects of the uncertainty on the financial forecasts are appropriately disclosed in the LTP.

We consider that the significant forecasting assumptions are crucial to the underlying information for the CD and will complete our review during our audit of the CD.

4.5 Quality of asset-related forecasting information

A significant portion of the Council’s operations relates to the management of its infrastructure: the roading network and the “three-waters” of water supply, sewerage, and stormwater drainage. These activities typically make up a significant part of Auckland Council’s operating and capital expenditure.

To prepare reasonable quality asset information, the Council needs to have a comprehensive understanding of its critical assets and the cost of adequately maintaining and renewing them. An important consideration is how well the Council understands the condition of its assets and how the assets are performing.

In reviewing the reasonableness of the Council’s asset-related forecasting information, we will:

- assess the Auckland Council’s asset management planning systems and processes;
Audit and Risk Committee
24 August 2020

- understand what changes the Council proposes to its forecast levels of service;
- understand the Council’s assessment of the reliability of the asset-related information;
- consider how accurate recently prepared budgets have been; and
- assess how matters such as affordability have been incorporated into the asset-related forecasts prepared.

Depending on what we identify in completing this work, we may have to complete further detailed testing on the Council’s asset-related information.

4.6 Climate change

The United Nations Environment Programme (UNEP) Finance Initiative has noted that climate change is referred to by leading economists as the greatest market failure in human history, with potentially disruptive implications on the social well-being, economic development and financial stability of current and future generations.

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.

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. The Council will need to consider developing appropriate performance indicators, informed by the disclosure regime. For example, targets for the reduction of greenhouse gas emissions or projects to extend flood/stormwater protection, or develop more water reserves may be necessary.

As part of the CD and LTP Council will need to consider how its response to climate change will impact on:

- the matters it intends to consult on and LTP content,
- the underlying financial forecasts, such as the cost of mitigation actions,
- the activities and service levels it will deliver, and
- asset lives as a result of adaption and divestment.

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2 https://www.unepfi.org/climate-change/climate-change/
4.7 Review of Council-Controlled Organisations (CCOs)

An independent review panel is completing a review of the CCOs and is expected to report key issues in May 2020 followed by a final report by the middle of the year. The terms of reference of the review are to increase efficiency, transparency, accountability and communication.

Depending on the nature of the panel’s recommendations and the timing on any implementation of those recommendation the Council may need to consider the impact on the CD and LTP.

5 Other matters

5.1 Our Independence

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

5.2 Publication of the CD and adopted LTP on the Council website

The Council is responsible for the electronic presentation of the CD and LTP on its website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the presented data. Please ensure that your project plan allows time for us to examine the final electronic file version of the respective documents, including our audit report, before their inclusion on the website.

We need to do this to ensure consistency with the paper-based documents that have been subject to audit.
6 Audit logistics

6.1 Audit timing

The dates in the audit timetable are based on a high level timeline provided by management. These dates may need to move forward or backward once we have agreed a detailed timeline Council management in a separate milestones letter.

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-assessment provided to Auckland Council</td>
<td>13 July 2020</td>
</tr>
<tr>
<td>Self-assessment returned to audit team for consideration</td>
<td>17 August 2020</td>
</tr>
<tr>
<td>First interim visit (initial assessment)</td>
<td>16 November to 24 December 2020</td>
</tr>
<tr>
<td>Proposed consultation document available</td>
<td>4 December 2020</td>
</tr>
<tr>
<td>Second interim visit</td>
<td>6 January to 28 February 2021</td>
</tr>
<tr>
<td>Audit and Risk Committee (Briefing by audit team on significant issues)</td>
<td>4 February 2021</td>
</tr>
<tr>
<td>Audit opinion on consultation document</td>
<td>11 February 2021</td>
</tr>
<tr>
<td>Draft management report on consultation document engagement</td>
<td>25 February 2021</td>
</tr>
<tr>
<td>Finalised management report on consultation document engagement</td>
<td>11 March 2021</td>
</tr>
<tr>
<td>Final LTP visit</td>
<td>10 May to 7 June 2021</td>
</tr>
<tr>
<td>Proposed LTP for adoption available</td>
<td>TBC</td>
</tr>
<tr>
<td>Audit opinion on adopted LTP</td>
<td>22 June 2021</td>
</tr>
<tr>
<td>Draft management report on LTP engagement</td>
<td>22 June 2021</td>
</tr>
<tr>
<td>Finalised management report on LTP engagement</td>
<td>20 July 2021</td>
</tr>
</tbody>
</table>

Should we encounter any significant problems or delays during the audit, we will inform you immediately.

We have an electronic audit management system. This means that our auditors will complete most of their work on their laptops. Therefore, we would appreciate it if the following could be made available during our audit:

- a suitable workspace for computer use (in keeping with the health and safety requirements discussed in Appendix 1); and
• electronic copies of key documents.

As noted in section 3.4, our audit work needs to be done as you develop your underlying information and prepare your consultation document and LTP, to ensure the timely completion of our audit.

To ensure that we meet agreed deadlines, it is essential that the dates agreed are adhered to.

7 Professional fees

Our audit fee, covering both the consultation document and the LTP for the period commencing 1 July 2021, is $738,000 (excluding GST and disbursements), as outlined in Appendix 2. The fee for the 2018-2028 LTP audit was $685,000 (excluding GST and disbursements).

The proposed fee is based on the following assumptions:

• Information required to conduct the audit is complete and provided in accordance with the agreed timelines. This includes the draft consultation document and the draft financial strategy, draft infrastructure strategy and key underlying assumptions and information that supports the draft consultation document.

• There will be an appropriate level of assistance from your staff.

• All documentation (CD, LTP, and all other underlying documentation) provided will be subject to appropriate levels of quality review before submission for audit.

• The CD and LTP will include all relevant disclosures.

• We will review, at most, two drafts of each of the CD and LTP during our audit.

• We will also review one printer’s proof copy of the CD and LTP and one copy of the electronic version of the CD and LTP (for publication on your website).

• There are no significant changes in the structure or level of operations of the Council impacting on the audit, such as the establishment of a CCO to deliver core functions or a major restructuring of groups of activities.

If the scope and/or amount of work changes significantly (such as a change in direction during the development of the CD or between the development of the CD and the LTP), we will discuss the issues with you at the time.

If information is not available for the visits as agreed, or the systems and controls the Council use to prepare the underlying information and assumptions cannot be relied on, we will seek to recover all additional costs incurred as a result. We will endeavour to inform you as soon as possible should such a situation arise.
This fee is exclusive of any subsequent amendments the Council might make to the adopted LTP under section 93D.

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

<table>
<thead>
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<th>Month</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2020</td>
<td>20,000</td>
</tr>
<tr>
<td>August 2020</td>
<td>10,000</td>
</tr>
<tr>
<td>September 2020</td>
<td>10,000</td>
</tr>
<tr>
<td>October 2020</td>
<td>10,000</td>
</tr>
<tr>
<td>November 2020</td>
<td>137,600</td>
</tr>
<tr>
<td>December 2020</td>
<td>137,600</td>
</tr>
<tr>
<td>January 2021</td>
<td>137,600</td>
</tr>
<tr>
<td>February 2021</td>
<td>137,600</td>
</tr>
<tr>
<td>June 2021</td>
<td>137,600</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>738,000</strong></td>
</tr>
</tbody>
</table>

8 Personnel

My senior team members involved in the management of the audit are:

**Audit New Zealand**

- **Athol Graham**  
  Audit Director

- **Karen MacKenzie**  
  Second Director (support the audit of Council’s performance information)

- **Andrew Clark**  
  Engagement Quality Control Director

- **Lauren Clark**  
  Associate Director (support the audit of Council’s performance information, derivatives and borrowing assumptions)

- **Claudia Brink**  
  Audit Manager

- **Rohan Prasad**  
  Assistant Manager

- **Alan Clifford**  
  Information Systems Auditor Director

- **Dieter Rohm**  
  Information Systems Auditor Manager

- **Jason Biggins**  
  Tax Director
We have endeavoured to maintain staff continuity as far as possible.

9 Agreement

Please sign and return the attached copy of this letter to indicate that:

- it is in accordance with your understanding of the arrangements for this audit of the CD and LTP for the period commencing 1 July 2021; and

- you accept the terms of the engagement set out in this letter that apply specifically to the audit of the CD and LTP and supplement the existing audit engagement letter dated 17 December 2019.

If there are any matters requiring further clarification, please do not hesitate to contact me.

Yours sincerely

Greg Schollum
Deputy Auditor-General

cc Patricia Reade, Chief Executive (Acting)
Kevin Ramsay, Group CFO (Acting)

I acknowledge that this letter is in accordance with my understanding of the arrangements for the audit engagement. I also acknowledge the terms of the engagement that apply specifically to the audit of the consultation document and LTP, and that supplement the existing audit engagement letter dated 17 December 2019.
Signed: _______________________________ Date: ______________________
Hon Phil Goff
Mayor
Appendix 1: Terms of the engagement that apply specifically to the audit of the CD and LTP

Objectives

The objectives of the audit of the CD and LTP are:

- to provide independent opinions on the CD (under section 93C(4) of the Act) and on the LTP (under section 94(1) of the Act) about:
  - whether each document gives effect to the relevant statutory purpose; and
  - the quality of the information and assumptions underlying the information included in each document; and
- to report on matters relevant to the Council’s planning systems that come to our attention.

Our audit involves performing procedures that examine, on a test basis, evidence supporting assumptions, amounts, and other disclosures in the CD and LTP, and evaluating the overall adequacy of the presentation of information.

We also review other information associated with the CD and LTP to identify whether there are material inconsistencies with the audited CD and LTP.

Provision of a management report to the Council

At a minimum, we will report to the Council at the conclusion of the engagement. The report communicates matters that come to our attention during the engagement and that we think are relevant to the Council. For example, we will report:

- any weaknesses in the Council’s systems; and
- uncorrected misstatements noted during the audit.

Please note that the Auditor-General may refer to matters that are identified in the audit of CDs and LTPs in a report to Parliament if it is in the public interest, in keeping with section 20 of the Public Audit Act 2001.

Materiality

Consistent with the annual audit, the audit engagement for the CD and LTP adheres to the principles and concepts of materiality during the 10-year period of the LTP and beyond (where relevant).

Materiality is one of the main factors affecting our judgement on the areas to be tested and the nature and extent of our tests and procedures performed during the audit. In planning and performing the audit, we aim to obtain assurance that the CD and LTP, and the information and
assumptions underlying the information contained in these documents, do not have material misstatements caused by either fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence a reader’s overall understanding of the CD and LTP.

Consequently, if we find material misstatements that are not corrected, we will refer to them in the audit opinion. Our preference is for any material misstatement to be corrected, avoiding the need to refer to misstatements in our opinion.

The standards applied when conducting the audit of the CD and adopted LTP

Our audit is carried out in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. In meeting the requirements of this standard, we took into account particular elements of the Auditor-General’s Auditing Standards and International Standard on Assurance Engagements 3400: The Examination of Prospective Financial Information that were consistent with those requirements.

Responsibilities

General responsibilities

The general responsibilities of the Council for preparing and completing the CD and LTP are consistent with those for the annual report, as set out in the audit engagement letter dated 17 December 2019 – but noting that the CD and LTP include forecast information.

These responsibilities include those set out in Appendices 1 and 2 of that audit engagement letter as detailed below:

- Appendix 1: Respective responsibilities of the Council and the Appointed Auditor:
  - responsibilities for compliance with laws and regulations; and
  - responsibilities to establish and maintain appropriate standards of conduct and personal integrity.

Specific responsibilities

The Council is responsible for:

- maintaining accounting and other records that:
  - correctly record and explain the forecast transactions of the Council;
  - enable the Council to monitor the resources, activities, and entities under its control;
Audit and Risk Committee  
24 August 2020

- enable the Council's forecast financial position to be determined with reasonable accuracy at any time; and
- enable the Council to prepare forecast financial statements and performance information that comply with legislation; and

  providing us with:

- access to all information and assumptions relevant to preparing the CD and LTP, such as records, documentation, and other matters;
- additional information that we may request from the Council for the purpose of the audit;
- unrestricted access to the Council members and employees that we consider necessary; and
- written confirmation of representations made to us in connection with the audit.

Health and safety of audit staff

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015, we need to make arrangements with you to keep our audit staff safe while they are working at your premises.

We expect you to provide a safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.
Appendix 2: Team mix and hours for the audit of the CD and LTP for the 10-year period commencing on 1 July 2021

<table>
<thead>
<tr>
<th>Role</th>
<th>Total hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Director</td>
<td>450</td>
</tr>
<tr>
<td>Engagement Quality Review Director</td>
<td>50</td>
</tr>
<tr>
<td>Sector Specialists</td>
<td>1</td>
</tr>
<tr>
<td>Audit Manager</td>
<td>640</td>
</tr>
<tr>
<td>Other CA staff</td>
<td>1450</td>
</tr>
<tr>
<td>Staff not yet CA qualified</td>
<td>1150</td>
</tr>
<tr>
<td>Other Expert or Specialist Assistance:</td>
<td>70</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>3811</strong></td>
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**Fee calculations**

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<th>Item</th>
<th>Amount</th>
</tr>
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</tr>
<tr>
<td>OAG overhead contribution*</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Total fee (including overhead contribution)</strong></td>
<td><strong>$738,000</strong></td>
</tr>
<tr>
<td>GST</td>
<td>$110,700</td>
</tr>
<tr>
<td>Audit fee for the LTP for the period commencing 1 July 2021</td>
<td>$848,700</td>
</tr>
</tbody>
</table>

* No OAG overhead is charged in relation to the audit of the LTP.

We will charge disbursements, including travel, on an actual and reasonable basis.
Resource and Building Consents performance and improvement activities update

File No.: CP2020/11463

Te take mō te pūrongo
Purpose of the report
1. To advise the Audit and Risk Committee of progress towards confirming our building and resource consents statutory performance figures for the 2019/2020 Annual Report.

Whakarāpopototanga matua
Executive summary
2. The work undertaken to verify the reported statutory performance of resource and building consents issued within 20 working days is on target and is close to being completed.
3. The Regulatory Services directorate, with the support of Assurance Services have provided appropriate data sets to be verified by Audit NZ to complete the timely confirmation of the 2020 Annual plan performance reporting.

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.

Horopaki
Context
4. Previous detailed reports have been provided to the committee at its meetings of 24 February 2020 and 26 May 2020 outlining the actions taken to improve the performance of time recording for the resource and building consent departments. These briefings have also articulated the approach being taken for verifying these key performance indicators in the 2019/2020 Annual Report.
5. The reports have reflected an on-going improvement in the organisation’s statutory performance. They have also updated the committee on the verification processes required to be undertaken by our Assurances Services in collaboration with Audit NZ over the intervening period.
6. The Resource and Building Consent departments have completed the data cleansing that was agreed they needed to perform. This has allowed our Assurance Services team to undertake their verification process.
7. Samples of an appropriate data set size were subsequently requested by Audit NZ and these have all been supplied along with supporting documentation.
8. Auditing and verification of the samples have been undertaken by Audit NZ with no material variances identified.
9. Further work has been undertaken in the business units relating to procedures, training, and identifying system enhancements required to eliminate the variances for future processing results.
Tātaritanga me ngā tohutohu
Analysis and advice

10. Following on from initial investigative work, the plan for verification of the full set of performance results was agreed with Audit NZ to be handled in the following manner:

(a) For Building Consents, a random sample was taken of consents processed over the period. The time calculation for each selected application was recalculated and then verified against the documentary evidence recorded and then compared with the system reported performance result in order to confirm it.

(b) For Resource Consents, a representational sample (619) of processed consents was reviewed. The time calculation for each selected application was recalculated and verified against recorded documentary evidence. The statutory performance result for this representational sample is to be used as the reported figure for the annual report.

11. Assurance Services verified the sample sets provided by the business units, and Audit NZ undertook their audit of those samples, finding no material variances.

12. Whilst enhancing 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. Subject to final confirmation by Audit NZ the reported performance results are:

<table>
<thead>
<tr>
<th>Percentage processed with 20 Statutory Working Days</th>
<th>Fin Year 2019/2020</th>
<th>Fin Year 2018/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building Consents</td>
<td>82.4%</td>
<td>60.0%</td>
</tr>
<tr>
<td>Resource Consents</td>
<td>71.2%</td>
<td>56.0%</td>
</tr>
</tbody>
</table>

13. Improvement activities have been progressing to enhance the accuracy and efficiency of the process for time recording and storage of supporting correspondence:

(a) Working together the ICT and the Resource Consents department have developed a Resource Management Application Tracker which provides a real-time overview of resource consent processing timeframes. This tool is in the process of being implemented.

(b) For Building Consents an enhancement to automatically require the appropriate storage of supporting correspondence at the time of entering RFI information has been specified. This system improvement will also restrict permissions to amend technical decision dates in the system to prevent opportunities for user error. These initiatives have been included in a suite of system improvements being advanced for implementation as part of the R-UX project.

(c) Reporting modifications have been implemented and are now monitored to detect and correct any technical decision date inconsistencies.

Tauākī whakaaweawe āhuarangi
Climate impact statement

14. 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

15. There are no council group impacts arising from this report.
16. Local board views were not required for this report

17. This report does not benefit or have any adverse effect on Māori.

18. This report does not require the committee to make decisions that have financial implications.

19. This report confirms steps 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 had on public trust and confidence.

20. Final confirmation and separate reporting by Audit NZ to the committee will complete the process for the 2019/2020 Annual Plan performance reporting.

21. The improvement plan items referred to in earlier A&R committee reports are progressing with a focus on 3 key areas:
   - Standardised and improved end to end procedures.
   - Staff training and feedback throughout the testing process.
   - System changes required into SAP have been specified and are waiting to be implemented within an ICT priority queue.

There are no attachments for this report.

<table>
<thead>
<tr>
<th>Author</th>
<th>Peter Laurenson - Manager Project Assessment South</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorisers</td>
<td>Ian McCormick - Manager Building Control</td>
</tr>
<tr>
<td></td>
<td>Ian Smallburn - General Manager Resource Consents</td>
</tr>
<tr>
<td></td>
<td>Craig Hobbs - Director Regulatory Services</td>
</tr>
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<td></td>
<td>Phil Wilson - Governance Director</td>
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</tbody>
</table>
Building and Resource Consents Assurance Plan Update

File No.: CP2020/11114

Te take mō te pūrongo
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.

Whakarāpopototanga matua
Executive summary
2. In February we reported to this Committee that the building consents process is robust and operating effectively and will likely be able to generate a sufficiently reliable performance result from the processes and systems. However, we reported that for resource consents, 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 for the annual audit.

3. As such the process to generate reported performance for resource consents is a recalculation of a representative sample of consents. The sample is generated by Audit New Zealand.

4. The consents performance assurance plan was reported to this Committee in February and is currently being executed.

5. A separate report is being provided to this Committee from the Building Consents and Resource Consents departments on the work being undertaken to produce accurate reporting and improve performance overall.

6. Audit NZ has completed its audit testing on the resource consents recalculation. With respect to their testing on building consents they have completed their audit testing for the period to May 2020, with testing for June 2020 to complete. As at the date of this report Audit NZ has not indicated any areas of concern that would impact on the issuing of an unmodified audit opinion.

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
7. 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.

8. 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.
9. In February 2020 we reported that Assurance Services’ testing to date has indicated that:
   • 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.
   • 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.

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

11. For resource consents Audit NZ has used a random sample as the basis for a recalculation being performed by the Resource Consents department to generate a representative result (this is the same process completed for 2018/2019 financial year for both resource consents and building consents).

12. 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.

13. The purpose of the assurance plan and additional checking processes is to ensure the data on 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

14. Since February the following quality assurance checking on consents included in the Audit NZ sample has been performed by Assurance Services.

Resource consents

15. A random sample of 619 resource consents, selected by Audit NZ has now been recalculated and internally reviewed by the consent's hub.

16. That sample has been subject to independent quality assurance by Assurance Services.

17. At the date of this report Audit NZ has completed its testing. We are awaiting final confirmation that there are no remaining unresolved issues.

Building Consents

18. At the date of this report the Building Consents department have verified 18,847 consents out of a total population of 19,462 consents for the 12 months ending 30 June 2020. These have been subject to quality assurance by Assurance Services on a sample basis.

19. The remaining 615 consents are being “recleansed” due to errors picked up from Building Consents quality assurance procedures, and Internal Audit testing. The errors detected have been ringfenced to a finite part of the population. They are not indicative of wider systemic errors.

20. Audit New Zealand have completed their sample testing for Building Consents issued from the period of July-May. A residual sample of 4 consents issued in June will be tested once the Building Consents team have completed the recleansing exercise.

Tauākī whakaaweawe āhuarangi
Climate impact statement

21. There are no climate impacts arising from this report.
Item 17

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 NZ, 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. Assurance Services will continue its leadership of the Steering Group and monitor and maintain oversight of the Regulatory directorate’s processes and the planned programme of work to implement systems controls and training to ensure quality data in the next financial year.
30. A further update will be provided to the Audit and Risk Committee in September 2020.

Ngā tāpirihanga
Attachments
There are no attachments for this report.

Ngā kaihaina
Signatories

<table>
<thead>
<tr>
<th>Author</th>
<th>Mark Maloney - Head of Assurance Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authoriser</td>
<td>Phil Wilson - Governance Director</td>
</tr>
</tbody>
</table>
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:

<table>
<thead>
<tr>
<th>C1</th>
<th>Council-controlled Organisations’ Quarterly Risk Updates - August 2020</th>
<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></td>
<td></td>
<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.</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>
<tr>
<td></td>
<td></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.</td>
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<td></td>
<td></td>
<td>In particular, the report contains risk reporting and detailed top risks confidential to the council controlled organisations’ Board 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>
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</tbody>
</table>
### C2 America’s Cup programme risk management update

<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>
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<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 risk reporting and detailed top risks confidential to the America’s Cup programme.</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>
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</table>

### C3 Council Group Insurance Placement Update

<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 specific details of the insurance programme, including loss limits and final premium figures.</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>
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</table>

### C4 Confidential report on the 30 June 2020 annual report progress

<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 information that may not be disclosed to the public until released to the NZX on 30 October 2020.</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>
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</tbody>
</table>
### C5 Covid-19 Refocussed Assurance Plan Update

<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>
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</thead>
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<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. In particular, the report contains information which if released would jeopardise the effective delivery of the Assurance Services work programme.</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>
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</tbody>
</table>

### C6 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 annual report and financial results of the Auckland Council Group and Auckland Council as at 30 June 2020.</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>
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</table>
ATTACHMENTS

Item 5.1  Attachment A  Briefing paper  Page 147
Attachment A

Item 5.1

TREE RISK ASSESSMENTS: Auckland Council, need for industry recognised decision making

Auckland Council (AC) has a responsibility to manage the trees on AC land responsibly and within the law. It must ensure that if a tree is unsafe that it is appropriately managed. (Due to time constraints this paper doesn’t deal with relevant case law, but key case is Plaza Investments Ltd v Queenstown Lakes District Council [2018] NZHC 1925).

AC has the following interests:
- Protecting the community from foreseeable tree failure (persons and/or property);
- Protecting AC from liability of tree failure (on persons or property);
- AC and community concern regarding the high rate of tree loss in Auckland⁴; and
- Advancement of Auckland’s Urban Ngahere (Forest) Strategy⁵.

The community also share these interests and are additionally concerned about the rate of removal of trees by AC based on risk and safety grounds when no standardised defensible risk methodology is used and/or made visible to the community.

Unfortunately, there is a growing lack of confidence in the tree removal decision making process and it seems that removal on the grounds of risk and safety is convenient more so than factually correct. There are a number of examples of high tension situations in Auckland over such tree removal and this degree of tension and distress benefits nobody. A simple way to manage AC’s liability, restore credibility and manage community concern is to require AC to use an industry recognised tree risk methodology when assessing trees for risk and safety (set out below).

Responsible AC Business Unit for managing tree risk: Community Facilities, General Manager Rod Sheridan⁶.

Auckland Unitary Plan (AUP), Chapter E deals with tree works and refers to these being carried out “consistent with best arboricultural practice” and according to “best practice guidelines for tree management.” This is considered to be any or all guideline documents endorsed by a NZ or international arboricultural body – these are the NZ Arboricultural Association and International Society of Arboriculture⁷ (more on this later).

⁶ LGOMA response dated 13 September 2019
⁷ LGOMA response dated 12 September 2019 re AUP, Chapter E16: Trees in Open Space Zones.
AUP contains permitted activity rules for emergency tree works\(^5\) which are defined in Chapter J of the Auckland Unitary Plan as: “The alteration or removal of any tree or vegetation immediately necessary to avoid any actual and imminent threat to the safety of persons or damage to property or to maintain or restore utility services.” (emphasis added).

**Hazard Identification:** To manage risk there must first be hazard identification and then an assessment of the level of risk [Reference AC Corporate Standard 3 Risk assessment]. Unfortunately, there is no standardised system currently being used by Community Facilities to identify the level of risk posed by tree (or stand of trees). Determining the extent of the risk and likelihood of the threat actually happening is totally up to internal or external consultants interpretation, they do not have to follow a particular standard and there is no way to determine if risk is being consistently applied between consultants (refer email by Community Facilities dated 11 February 2019).

We have a situation where different methods and approaches are being used by different consulting arborists which erodes public confidence and brings into question the decision making process. This failure of Community Facilities to require a recognised industry standard be used is of concern. Since February 2019 they have repeatedly said they would consider this issue but there has been no indication of progress. The AC Audit and Risk Committee is now respectfully requested to take up this matter.

**Industry accepted standard of tree risk assessment:** There are a number of tree risk methodologies that exist but only two are supported and endorsed by the New Zealand Arboricultural Association. These are:

- **TRAQ** (Tree Risk Assessment Qualification) which is a qualitative methodology from the USA, produced by the International Society of Arboriculture.
- **QTRA** (Quantified Tree Risk Assessment) which is a quantitative methodology that comes from the UK

These methodologies allow for inputs that can be set by AC to ascertain potential financial consequences (such as the value of property) and other consequences (such as rates of pedestrian activity to assess the level of risk of injury). These standardised risk assessments minimise disagreement between experts and provide total transparency on which factors are being assessed.

The current assessment criteria seems to involve **Visual Tree Assessment (VTA):** VTA is a way to initially assess tree health, think of it as a tree triage. VTA does not concern itself with risk to people or property, it does not predict the the likelihood of a given threat happening or provide a time frame for the threat to happen in. Both TRAQ/QTRA use VTA to assess tree health but being risk methodologies they go on to assess the likelihood and consequences of the risk happening.

It seems there is a tendency in Community Facilities to rely upon the VTA for tree removal, however the technique is not in itself a tree risk methodology. Using an industry accepted standardised risk assessment such as TRAQ and/or QTRA is neither a costly nor time consuming process. Once a VTA is done, it may only take another 15 to 20 minutes to complete the risk assessment.

**Current risk to Auckland Council:** the failure of consultant arborists to assess trees to a recognised standard currently poses a risk to Auckland Council. If there is damage to property or person and the tree has not been properly assessed to industry standards, this places the Council at risk of liability and damages. (In the case of Western Springs Forest, the AC has recently tried to move the risk of tree failure onto residents to assess and manage).

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\(^5\) Chapter E16: Trees in Open Space Zones, Rule E16.4.1 (A3), states that emergency tree works are a permitted activity. Chapter E15: Vegetation Management and Biodiversity, Rule E15.4.2 (A35), states that emergency tree works are a permitted activity.
Conversely, if trees are being assessed according to these recognised industry standards, this will protect the AC from liability and demonstrate a level of care.

Similarly, if trees are being removed on the grounds of safety without a recognised assessment process, this can lead to tension and division within a community. Conversely, if the trees are risk assessed according to a published and recognised standard the community can have confidence in AC decision-making.

**Lack of documentation maintained by Community Facilities regarding tree risk assessment and removal:** Currently there is no required standardised AC documentation when a tree is removed on the grounds of risk and safety. It seems to vary widely from a report to a basic receipt from a contractor for works.

The simple use of existing standardised forms [such as those that make up the TRAQ and/or QTRA assessment] could protect the Auckland Council from liability, help defend the decision making process, create consistency, restore credibility and give the community confidence in the decision making process.

**Request:** The AC Audit and Risk Committee is therefore requested to consider this issue. It is requested that you recommend/require that Community Facilities require an industry standard risk assessment be conducted when making decisions about trees based upon risk assessments (TRAQ or QTRA).

Furthermore, it is requested that standardised administrative forms be prepared by AC that must be completed by internal/external arborists completing tree risk assessment before any tree removal is undertaken for the purposes of consistent and safe decision making, accountability and transparency.

**Attachments:**

5. NZ Arb TRAQ course information [as at 16.8.2020].
7. AC Corporate Standard 3 Risk assessment, AC Risk assessment table (previously provided to residents).
8. Email from Community Facilities dated 11 February 2019 confirming no standard tree risk assessment methodology used, and depends on the consultant.
9. Gisborne District Council tree management policy (NZ example).