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

**Date:** Wednesday, 14 October 2020  
**Time:** 8.30am  
**Meeting Room:** Board Room, Ground Floor  
**Venue:** Auckland Town Hall, Auckland

---

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

**OPEN AGENDA**

---

**MEMBERSHIP**

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

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

(Quorum 3 members)

Quorum must include two Governing Body members

---

Mike Giddey  
Kaitohutohu Mana Whakahaere / Governance Advisor  
9 October 2020

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

---

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

Purpose

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

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

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

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

Decision-Making Powers

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

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

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

Tenure

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

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

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

The committee’s responsibilities are detailed below.

Forward Work Programme

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

Risk management

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

Assurance

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

Fraud and Integrity

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

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

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

External Audit

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

Interaction with Council Controlled Organisations

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

This committee will 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.
<table>
<thead>
<tr>
<th>ITEM</th>
<th>TABLE OF CONTENTS</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Apologies</td>
<td>9</td>
</tr>
<tr>
<td>2</td>
<td>Declaration of Interest</td>
<td>9</td>
</tr>
<tr>
<td>3</td>
<td>Petitions</td>
<td>9</td>
</tr>
<tr>
<td>4</td>
<td>Public Input</td>
<td>9</td>
</tr>
<tr>
<td>5</td>
<td>Local Board Input</td>
<td>9</td>
</tr>
<tr>
<td>6</td>
<td>Extraordinary Business</td>
<td>9</td>
</tr>
<tr>
<td>7</td>
<td>Significant forecasting assumptions for the Long-term Plan 2021-2031</td>
<td>11</td>
</tr>
<tr>
<td>9</td>
<td>Consideration of Extraordinary Items</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>PUBLIC EXCLUDED</strong></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Procedural Motion to Exclude the Public</td>
<td>37</td>
</tr>
<tr>
<td>C2</td>
<td>CONFIDENTIAL: Office of the Auditor-General and Audit New Zealand briefing</td>
<td>37</td>
</tr>
</tbody>
</table>
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 Petitions

There is no petitions section.

4 Public Input

There is no public input section.

5 Local Board Input

There is no local board input section.

6 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 provide oversight of the approach used to determine the key COVID-19 related significant forecasting assumptions that will be used to develop financial projections for the council group’s Long-term Plan (LTP) 2021-2031.

**Whakarāpopototanganga matua**

**Executive summary**

2. Disruption from the COVID-19 situation is adversely impacting many revenue streams for the council group as well as affecting the delivery of services and capital projects. Because there is no clarity yet on the severity, duration or longer-term impacts of this disruption, the implications for the council group remain highly uncertain.

3. The council’s Financial Strategy and Planning department, in conjunction with the Auckland Plan Strategy and Research department and the Chief Economist, have prepared three scenarios in developing some key forecasting assumptions for the LTP 2021-2031 which are affected by the COVID-19 situation. Staff have used data from within the council group, Statistics New Zealand, Treasury, Reserve Bank of New Zealand and other financial institutions or agencies in developing these scenarios.

4. The three scenarios are:
   - Optimistic scenario
   - Pessimistic scenario
   - Balanced scenario.

5. The optimistic scenario is similar to Treasury’s main scenario released in the pre-election economic and financial update. Staff’s concern with the Treasury scenario is that it makes no further allowance for more lockdowns or an extended time with borders closed.

6. The pessimistic scenario is based on the borders being closed for longer and six weeks of further lockdowns at level 3 or 4.

7. The balanced scenario is between the optimistic and pessimistic scenarios and reflects the uncertainty around the COVID-19 impacts and the council’s low appetite for financial risk.

8. Council departments and the council-controlled organisations (CCOs) will prepare detailed financial projections based on the balanced scenario. They will also test the sensitivity of these projections under the optimistic and pessimistic scenarios to demonstrate they have considered impacts should outcomes be different than those outlined in the balanced scenario. This sensitivity analysis will form the basis for disclosures in the consultation document and supporting information about the impact of COVID-19 uncertainty on the council group’s financial position.

9. The forecasting assumptions and guidance set out in Attachment A are the key COVID-19 related assumptions needed to allow the council departments and CCOs to prepare their draft asset management plans, capital programmes and budgets. The Finance and Performance Committee will consider the draft budgets and capital programmes as part of the LTP 2021-2031 process. These assumptions cover the following areas:
• Government health restrictions
• Growth (population and buildings)
• Economic growth (GDP and unemployment)
• Inflation
• Behavioural trends.

10. These assumptions form part of a broader set of significant forecasting assumptions which are required to be included in the LTP 2021-2031. The remaining assumptions will continue to be developed as the LTP process progresses, drawing on new information from internal and external sources. Reviewing the set of significant forecasting assumptions and their application to the LTP will form a key part of the audit process.

11. The Audit and Risk Committee’s responsibilities include oversight of the preparation of the LTP and advice to the Governing Body on risk management. It also has a key role to play in ensuring that the council follows robust processes to be in a position to make sound decisions based on robust information and analysis.

12. To support the committee in this role, staff have prepared this report setting out the methodology used to develop these key COVID-19 related forecasting assumptions.

13. To ensure consistent application across the council group these assumptions have been distributed to all council departments and CCOs with appropriate guidance for their use. This information is also shared on the council’s LTP 2021-2031 intranet page.

14. Staff will continue to monitor the data sources used to develop these assumptions throughout the LTP process in case there is a significant change. Staff will also report to the Audit and Risk Committee on the full set of significant forecasting assumptions as part of the LTP process prior to the Governing Body adopting LTP documentation at both the consultation document and final LTP stages.

Ngā tūtohunga

Recommendation/s

That the Audit and Risk Committee:

a) note that the extent of the impacts of the disruption from the COVID-19 situation remain highly uncertain and therefore the financial implications for the council group are also highly uncertain.

b) agree to advise the Finance and Performance Committee that the methodology used to develop the COVID-19 related significant forecasting assumptions for the LTP 2021-2031 is complete, reasonable and supportable given the uncertainty.

Horopaki

Context

15. The Audit and Risk Committee is responsible for oversight of the methodology to develop the assumptions for the LTP 2021-2031 to ensure they are complete, reasonable and supportable. This responsibility was outlined in the Risk Management and Assurance Approach for the Long-Term Plan 2021-2031 report provided to the Audit and Risk Committee on 24 August 2020.

16. The LTP 2021-2031, including the significant forecasting assumptions, is subject to audit review. Amongst other things, the Office of the Auditor General will be interested in the forecasting assumptions Auckland Council uses to assess the impact of COVID-19 on its financial position.
Tātaritanga me ngā tohutohu
Analysis and advice

17. Disruption from the COVID-19 situation is adversely impacting many revenue streams for the council group as well as affecting the delivery of capital projects. Because there is not yet clarity on the severity, duration or longer-term impacts of this disruption, the quantum of the financial implications for the council group remains highly uncertain.

18. The longer the event continues, the more significant and varied the impacts and consequences.

19. The council’s Financial Strategy and Planning department have coordinated work on some COVID-19 impact scenarios to provide guidance on the potential financial implications. Staff across the council group will use this information in developing their draft asset management plans, budgets and capital programmes for the LTP 2021-2031. These scenarios and assumptions are set out in Attachment A.

20. These assumptions form part of a broader set of significant forecasting assumptions which are required to be included in the LTP 2021-2031. The remaining assumptions will continue to be developed as the LTP process progresses, drawing on new information from internal and external sources.

21. The Audit and Risk Committee has a key role to play in ensuring that the council is in a position to make sound decisions based on robust assumptions. To support the committee in this role, this report outlines the methodology and information sources used in developing these key forecasting assumptions that have been provided to the council departments and CCOs.

COVID-19 impact scenarios

22. Staff have prepared three scenarios in developing forecasting assumptions:
   - Optimistic scenario
   - Pessimistic scenario
   - Balanced scenario.

23. The optimistic scenario is similar to Treasury’s main scenario outlined in the pre-election economic and financial update (PREFU). Staff’s concern with the Treasury scenario is that it makes no further allowance for more lockdowns or an extended time with borders closed. In effect, it presents the most optimistic scenario where there are no further negative events in New Zealand due to COVID-19, and relatively rapid border openings. Therefore, any alternative scenario is likely to be more pessimistic.

24. Staff have also developed a significantly more pessimistic scenario, with borders closed for longer and six weeks of further lockdowns at level 3 or 4. It assumes in such an event, a wage subsidy similar to that seen in wave one would be provided, which would stop unemployment from rising even more sharply than it would under this border/lockdown scenario without the subsidy. It is worth noting that this is not the most pessimistic scenario possible, but staff’s view is that there is only so much lockdown a country can tolerate from an economic and political perspective before it is forced to adopt a stronger personal responsibility/alternative risk approach.

25. Due to the high levels of uncertainty around the two alternative scenarios (optimistic and pessimistic) we have prepared initial assumptions based on a balanced scenario which is in between the optimistic and pessimistic scenarios. The balanced scenario also reflects council’s low appetite for financial risk.

26. The balanced scenario does not assume the best possible outcome from here, but also does not assume any further lengthy lockdowns, with only a delay in borders reopening. The delay in opening the borders means the region will not get the post-reopening migration surge that drives economic growth until financial years 2023/2024 and 2024/2025.
27. The two alternative scenarios outline several considerations for the council departments, CCOs and asset managers to test the sensitivity of better and worst outcomes against the balanced scenario.

28. The Financial Strategy and Planning department worked with various council departments including the Chief Economist and Auckland Plan Strategy and Research department to develop these scenarios. Information from Treasury and other financial institutions was also used in developing these scenarios.

29. These scenarios were distributed by the Financial Strategy and Planning department to council departments and CCOs on 24 September. This information was also shared on the council’s LTP 2021-2031 intranet page.

**Economic factors**

30. **Balanced scenario:** Assumes unemployment is under eight percent in financial year 2020/2021 and falling to four percent in financial year 2027/2028. Inflation remains under one percent and does not return to normal until financial year 2024/2025. Economic growth will remain weak until we get a modest increase in financial years 2021/2022 and 2022/2023. Staff also expect to see surge in economic growth in financial years 2023/24 and 2024/2025 due to an increase in migration. See Attachment A for a full list of details.

31. **The process used:** Since COVID-19 wave one the Chief Economist’s office has estimated the impacts on Auckland GDP and unemployment. The Chief Economist’s office has calibrated this with each different data release from Statistics New Zealand (SNZ) to get an idea of how many jobs the Auckland region loses, and the share of workers and economic activity that can occur at each alert level.

32. Along with ATEED, the Chief Economist’s office also monitors the jobseeker and COVID Income Relief Payment (CIRP) recipients to get an up to date indicator of actual unemployment, given the inaccuracy of the latest quarterly SNZ unemployment data, which showed that unemployment decreased.

33. The Chief Economist has also provided inflation predictions.

34. **Information sources used:** Staff also used Treasury, Reserve Bank of New Zealand (RBNZ), Westpac and other bank data as a cross-check on our estimates of the impact. So far, the Chief Economist’s predictions have been closer to actual impacts, such as the March GDP decline and house price declines, than many of the other financial institution predictions. The Chief Economist office has also cross-checked our inflation and GDP expectations against Treasury’s PREFU estimates.

35. It is important to bear in mind that all of these sources provide New Zealand-level forecasts, so we have to consider not only the reasonableness of their assumptions, but also how Auckland may differ from the national picture. For example, what does an extra round of lockdown for Auckland mean for our region, relative to the rest of the country.

36. **Sensitivity of the alternative scenarios to the balanced scenario:** The council departments and CCOs will assess any significant impacts against the balanced scenario. The sensitivity analysis will focus on the impacts to their capital programme, revenue and operating expenditure should the COVID-19 impacts for unemployment, inflation and economic growth be better or worse than the balanced scenario. See Attachment A for details on the key differences on the three scenarios for unemployment, inflation and economic growth.

37. We have also asked the council departments and CCOs to consider other impacts such as:
   - How long before we return to pre-COVID public transport patronage?
   - What limitations will we experience in our supply chains?
   - What are the consequences on their services if the workforce (including our workforce) shifts to a largely work from home basis?
   - NZ becomes a “safe haven”, what are the rewards and consequences of this?
38. These economic factor scenarios were distributed by the Financial Strategy and Planning department to council departments and CCOs on 24 September 2020. This information was also shared on the council’s LTP 2021-2031 intranet page.

Growth assumptions

39. **Balanced scenario:** Assumes population growth will be weak due to low migration until the end of the first half of financial year 2022/2023 and migration levels will be higher from then. Residential housing growth will remain strong until financial year 2024/2025 due to low interest rates and then will be weaker from then as the official cash rate increases. Business building growth is expected to be very weak until end of financial year 2022/23 as more people work from home and have modest growth from financial year 2023/2024. See Attachment A for a full list of details.

40. **The process used:** The Land Use and Infrastructure Research and Evaluation team use the Auckland Strategic Planning model (ASP) and the Macro Strategic Model (MSM) to simulate future growth scenarios in Auckland by distributing SNZ’s growth projections at a sub-regional level. The modelling process is overseen and updated by the Auckland Forecasting Centre (AFC) using policy and development sequence inputs from Auckland Council and Waka Kotahi NZ Transport Agency.

41. **Information sources used:** SNZ’s population estimates, long-term growth projection data, economic and employment data from Market Economics, EFM - Auckland Spatial Economic Futures Model 2017 (Market Economics), Auckland Council and Waka Kotahi inputs.

42. **Sensitivity of the alternative scenarios to the balanced scenario:** The council departments and CCOs will assess any significant impacts against the balanced scenario. The sensitivity analysis will focus on the impacts to their capital programme, revenue and operating expenditure should the COVID-19 impacts for population and building growth be better or worse that the balanced scenario. See Attachment A for details on the key differences on the three scenarios for population and building growth.

43. We have also asked the council departments and CCOs to consider other impacts such as:

   - How are elderly and vulnerable people affected in the long-term if they are forced to isolate from the rest of the community? Would this affect how they use our services?
   - NZ becomes a “safe haven” from COVID-19, what are the rewards and consequences of this?

44. The LTP growth scenario was distributed to councillors and was also presented to the Finance and Performance Committee LTP asset management 101 workshop on 26 August 2020.

45. The General Manager, Auckland Plan Strategy and Research department approved the assumptions which were then circulated to relevant council departments, CCOs and asset managers on 24 August 2020. The growth information is also shared on the council’s LTP 2021-2031 intranet page.

**Tauākī whakaaweawe āhuarangi**

**Climate impact statement**

46. There is no climate impact from the recommendations of this report.

47. The council departments and CCOs will prepare their draft budgets and capital programmes based on these assumptions. The climate change impacts will be considered as part of the LTP 2021-2031 process.
Item 7

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

48. This report considers the process by which the key COVID-19 related forecasting assumptions have been developed with expertise from within the council group and external sources. The council departments and CCOs will prepare their draft budgets and capital programmes based on these assumptions for consideration by the Finance and Performance Committee as part of the LTP 2021-2031 process.

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

49. There are no local impacts associated with the recommendations of this report.

50. The council departments and CCOs will prepare their draft budgets and capital programmes based on these assumptions. The local impacts will be considered by the Finance and Performance Committee as part of the LTP 2021-2031 process.

Tauākī whakaaweawe Māori
Māori impact statement

51. There are no impacts for Māori associated with the recommendations of this report.

52. Māori are likely to be disproportionately impacted in a post COVID-19 environment. Along with the assumptions, we have asked the council departments to consider the impacts to vulnerable people and how this would affect our services.

53. The council departments and CCOs will prepare their draft budgets and capital programmes based on these assumptions and considerations. The impacts for Māori will be considered by the Finance and Performance Committee as part of the LTP 2021-2031 process.

Ngā ritenga ā-pūtea
Financial implications

54. There are no financial implications associated with the methodology to develop COVID-19 related scenarios and assumptions.

55. The financial implications of the resulting budget projections will be discussed as part of the LTP 2021-2031 process once the assumptions have been used to prepare those projections.

Ngā raru tūpono me ngā whakamaurutanga
Risks and mitigations

56. The uncertainty of the COVID-19 situation for the council group are the subject of this report and its attachments.

57. The initial significant forecasting assumptions based on the balanced scenario provide a reasonable and supportable basis for the council departments and CCOs to prepare their draft budgets and capital programmes for consideration by the Finance and Performance Committee as part of the LTP 2021-2031 process.

58. Staff will continue to monitor the data sources used to develop these key assumptions in case there is a significant change.

59. The Audit and Risk Committee plays a key role in maintaining oversight and advising the Finance and Performance Committee on the management of these financial risks and the associated compliance matters, including whether or not a robust process has been followed.

60. The risks associated with the LTP process are being actively managed and mitigated through the LTP process and governance arrangements. The key risks and mitigations were reported on 24 August 2020 to this committee.
Next steps

61. Staff from both the council departments and the CCOs will use these COVID-19 related forecasting assumptions to prepare their draft asset management plans, capital programmes and budgets for consideration by the Finance and Performance Committee.

62. Staff will continue to monitor the data sources used to develop these assumptions in case there are any significant changes that require the assumptions to be revised. Staff will also report to Audit and Risk Committee on the full set of significant forecasting assumptions as part of the LTP process prior to the Governing Body adopting LTP documentation at both the consultation document and final LTP stages.

Attachments

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>10-year Budget 2021-2031 Forecasting assumptions</td>
<td>19</td>
</tr>
</tbody>
</table>

Signatories

Author | Ross Tucker - General Manager, Financial Strategy and Planning
Authorisers | Kevin Ramsay - Acting Group Chief Financial Officer
| Phil Wilson - Governance Director
10-year Budget 2021-2031
Forecasting assumptions
24 September 2020
Starting point budgets
Guidance

- **Purpose**
  - These forecasting assumptions are provided to support the preparation of starting point budgets for the 10-year Budget 2021-2031.

- **Scenarios**
  - Given the high degree of current uncertainty three COVID and economic scenarios have been prepared.
  - A single growth scenario has been provided. This represents a prudent approach, prepared by RIMU, using the Statistics NZ moderate and low (pre-COVID) growth projections. This aligns with the forecast provided for AMP preparation.

- **Detailed guidance is included in Appendix A**
## Assumptions: Government Decisions

<table>
<thead>
<tr>
<th>Scenario A</th>
<th>Scenario B</th>
<th>Scenario C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overview</strong></td>
<td>More optimistic (Aligns with Treasury “main” PREDU scenario)</td>
<td>Fluctuations between levels 1-3 for current year</td>
</tr>
<tr>
<td>Alert level</td>
<td>Fluctuations between levels 1-3 for current year (no further lockdowns post Sept 2020)</td>
<td>Fluctuations between levels 1-3 for current year and 1-3 for first year of transition (assumes one further 3 week lockdown in each of these two years)</td>
</tr>
<tr>
<td></td>
<td>[Level1 (closed borders)](December 2021)</td>
<td>[Level1](closed borders) to June 2023</td>
</tr>
<tr>
<td></td>
<td>No restrictions from 1 Jan 2023</td>
<td>No restrictions from 1 July 2023</td>
</tr>
</tbody>
</table>

### Item 7

<table>
<thead>
<tr>
<th>10-year Budget</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY21</td>
<td>FY22</td>
</tr>
<tr>
<td>A</td>
<td>1.3</td>
</tr>
<tr>
<td>B</td>
<td>1</td>
</tr>
<tr>
<td>C</td>
<td>1.3</td>
</tr>
</tbody>
</table>
## Assumptions: The Economy

<table>
<thead>
<tr>
<th>Factor</th>
<th>Scenario A: More optimistic</th>
<th>Scenario B: Balanced</th>
<th>Scenario C: More pessimistic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unemployment rate</strong></td>
<td>• 7.5% in FY 21, falling to 4% by FY27 (unemployment is very sticky)</td>
<td>• Under 8% in FY21, falling to 4% by FY28 (unemployment is very sticky)</td>
<td>• 8.5% in FY 21, falling to 4% by FY30 (unemployment is very sticky)</td>
</tr>
<tr>
<td>(pre-COVID was 4%)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Inflation</strong></td>
<td>• Less than 1% in FY21</td>
<td>• Less than 1% in FY21</td>
<td>• Less than 1% in FY21 and FY22</td>
</tr>
<tr>
<td></td>
<td>• Weak to FY23</td>
<td>• Weak to FY23</td>
<td>• Weak to FY24</td>
</tr>
<tr>
<td></td>
<td>• Normalises from FY24 on</td>
<td>• Normalises from FY25 on</td>
<td>• Normalises from FY25 on</td>
</tr>
<tr>
<td><strong>Economic growth</strong></td>
<td>• Falls in FY20, FY21</td>
<td>• Falls in FY20, FY21</td>
<td>• Falls in FY20, FY21</td>
</tr>
<tr>
<td></td>
<td>• Bounce in FY22</td>
<td>• Modest bounce in FY22, FY23</td>
<td>• Weak in FY22, FY23</td>
</tr>
<tr>
<td></td>
<td>• Migration and trade surge in FY23-25</td>
<td>• Migration and trade surge in FY24-25</td>
<td>• Migration and trade surge in FY24 but husk of an economy can’t fully capitalise</td>
</tr>
</tbody>
</table>
## Economic assumptions - detail

### Unemployment Rate

<table>
<thead>
<tr>
<th></th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
<th>FY27</th>
<th>FY28</th>
<th>FY29</th>
<th>FY30</th>
<th>FY31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scenario B</td>
<td>7.5%</td>
<td>7.8%</td>
<td>6.8%</td>
<td>6.1%</td>
<td>5.5%</td>
<td>5.0%</td>
<td>4.5%</td>
<td>4.0%</td>
<td>4.0%</td>
<td>4.0%</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

### Inflation

<table>
<thead>
<tr>
<th></th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
<th>FY27</th>
<th>FY28</th>
<th>FY29</th>
<th>FY30</th>
<th>FY31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scenario B</td>
<td>&lt;1%</td>
<td>1.0%</td>
<td>1.5%</td>
<td>1.6%</td>
<td>1.8%</td>
<td>1.8%</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

### Economic Growth (year on year growth)

<table>
<thead>
<tr>
<th></th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
<th>FY25</th>
<th>FY26</th>
<th>FY27</th>
<th>FY28</th>
<th>FY29</th>
<th>FY30</th>
<th>FY31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scenario B</td>
<td>-2.0%</td>
<td>+3.5%</td>
<td>+4.0%</td>
<td>+5.0%</td>
<td>+3.5%</td>
<td>+2.5%</td>
<td>+2.5%</td>
<td>+2.5%</td>
<td>+2.5%</td>
<td>+2.5%</td>
<td>+2.5%</td>
</tr>
</tbody>
</table>
# Assumptions: People and houses

<table>
<thead>
<tr>
<th>Factor</th>
<th>Scenario A: More optimistic</th>
<th>Scenario B: Balanced</th>
<th>Scenario C: More pessimistic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Migration / population</strong></td>
<td>Weak migration through FY 21 and into FY22 as now being seen</td>
<td>Weak migration to first half of FY23</td>
<td>Weak migration through FY 21 and into FY22 as now being seen, persists into FY23</td>
</tr>
<tr>
<td></td>
<td>Very, very (unprecedented) immigration from FY23</td>
<td>Strong migration from second half of FY23 helps GDP</td>
<td>Strong migration from FY24 helps GDP</td>
</tr>
<tr>
<td><strong>Growth in rateable units</strong></td>
<td>Strong through FY21-FY25, reducing shortfall then buoyed by migration surge</td>
<td>Strong through FY21-FY25, reducing shortfall then buoyed by migration surge</td>
<td>Strong through FY21-FY22</td>
</tr>
<tr>
<td>(residential)</td>
<td>Weaker from FY26 possibly as OCR lifts</td>
<td>Weaker from FY26/27 possibly as OCR lifts</td>
<td>Lost advantage over world means migration not as strong as Scen A</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Moderate from FY23-31</td>
</tr>
<tr>
<td><strong>Growth in rateable units</strong></td>
<td>Very weak in FY21-FY22</td>
<td>Very weak in FY21-FY23</td>
<td>Very weak in FY21-FY24</td>
</tr>
<tr>
<td>(commercial and industrial)</td>
<td>Recovery to moderate rates in FY23-25</td>
<td>Recovery to moderate rates in FY24-26</td>
<td>Recovery to moderate rates in FY25-27</td>
</tr>
<tr>
<td></td>
<td>Catchup from FY26</td>
<td>Catchup from FY27</td>
<td>Catchup from FY28</td>
</tr>
</tbody>
</table>
### People and houses - detail

#### Population

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>10-year Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY21</td>
<td>FY22</td>
</tr>
<tr>
<td>i11 v6</td>
<td>1.656</td>
<td>1.681</td>
</tr>
</tbody>
</table>

#### Population growth (%)

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>10-year Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY21</td>
<td>FY22</td>
</tr>
<tr>
<td>i11 v6</td>
<td>1.58</td>
<td>1.53</td>
</tr>
</tbody>
</table>

#### Households

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>10-year Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FY21</td>
<td>FY22</td>
</tr>
</tbody>
</table>
### Assumptions: travel and events

<table>
<thead>
<tr>
<th>Factor</th>
<th>Scenario A: More optimistic</th>
<th>Scenario B: Balanced</th>
<th>Scenario C: More pessimistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>International travel</td>
<td>• Basically none to second half of FY22</td>
<td>• Basically none to second half of FY23</td>
<td>• Basically none to beginning of FY24</td>
</tr>
<tr>
<td></td>
<td>• Normal travel from then</td>
<td>• Normal travel from then</td>
<td>• Normal travel from then</td>
</tr>
<tr>
<td></td>
<td>• Unprecedented migration then</td>
<td>• Strong migration from then</td>
<td>• Boost to migration, weaker than Scen A</td>
</tr>
<tr>
<td>Major events</td>
<td>• No local APEC first half of FY22</td>
<td>• No local APEC first half of FY22</td>
<td>• No local APEC first half of FY22</td>
</tr>
<tr>
<td></td>
<td>• No international events until Jan 22</td>
<td>• No international events until Jan 23</td>
<td>• No/few international events until FY24</td>
</tr>
<tr>
<td></td>
<td>• Patchy allowance of domestic events in FY22</td>
<td>• Patchy allowance of domestic events in FY22</td>
<td>• Patchy domestic events in FY22 and FY23 due to levels and weak economy</td>
</tr>
<tr>
<td></td>
<td>• Full return of events in FY23</td>
<td>• Full return of events in second half of FY23</td>
<td>• Full return of events in FY24</td>
</tr>
<tr>
<td>Scenario</td>
<td>Factor</td>
<td>Assumptions</td>
<td></td>
</tr>
<tr>
<td>------------------</td>
<td>-------------------------</td>
<td>------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Scenario C: More pessimistic</td>
<td>Working from home levels similar to at alert level 2</td>
<td>People tend to avoid gathering and public facilities</td>
<td></td>
</tr>
<tr>
<td>Scenario B: Balanced</td>
<td>Significantly more people working from home than pre-COVID</td>
<td>Cautious approach – particularly in the short-term, becoming more confident over time</td>
<td></td>
</tr>
<tr>
<td>Scenario A: More optimistic</td>
<td>Similar levels of working from home pre-COVID</td>
<td>Pre-COVID levels of gatherings</td>
<td></td>
</tr>
<tr>
<td>Working from home trends</td>
<td>Reluctance to gather</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Other considerations

- How long before we return to pre-COVID public transport patronage?

- What limitations will we experience in our supply chains?

- What will happen to corporate property as various organisation’s (including us) reassess our corporate property footprint?
Other considerations

- How are elderly and vulnerable people affected in the long-term? If they are forced to isolate from the rest of the community more, how does this affect how they use our services?

- Does NZ become seen as a “safe haven”? What are the rewards (and consequences) of this?

- What are the consequences on our services if our workforce shifts to a largely work from home basis? What if it’s harder to attract skilled workers from overseas?

File No.: CP2020/13810

Te take mō te pūrongo
Purpose of the report

1. To inform the Audit and Risk Committee of the process followed to prepare the draft Auckland Council Annual Report 2019/2020 and the draft Auckland Council Summary Annual Report 2019/2020 (together referred to as the annual reports).

Whakarāpopototanga matua
Executive summary

2. On 29 October 2020 the Governing Body will be asked to adopt the annual reports. Preparing and publishing these annual reports is a legislative requirement and ensures that we are transparent about our operations with investors and ratepayers.

3. The annual reports cover the 12 months to 30 June 2020. They have been prepared by council staff and audited by Audit New Zealand on behalf of the Auditor-General. The annual reports compare and comment on the performance of the group and the council against the budgets and performance targets set in the Annual Budget 2019/2020 and the amended 10-year Budget 2018-2028.

4. The Deputy Auditor-General will attend this meeting and during the confidential part will comment on the:
   - audit process
   - draft proposed audit opinion, including commentary on the key audit matters
   - status of the annual reports.

5. There are no significant outstanding process issues relating to the annual reports.

Ngā tūtohunga
Recommendation/s

That the Audit and Risk Committee:

a) note that there are no significant outstanding issues relating to the process for the preparation of the draft Auckland Council Annual Report 2019/2020 and the draft Auckland Council Summary Annual Report 2019/2020

b) note the draft Auckland Council Annual Report 2019/2020 and the draft Auckland Council Summary Annual Report 2019/2020 will be discussed later in this meeting in confidence.

Horopaki
Context

6. The Audit and Risk Committee reviews the quality of the annual reports and the processes followed to prepare them.

7. The Audit and Risk Committee liaises with Audit New Zealand to ensure a robust audit of the group.
8. The Finance and Performance Committee reviews the financial and service performance of the group.

9. This report, in conjunction with the associated confidential item, comments from the Deputy Auditor-General at this meeting and his report, assists the Audit and Risk Committee to fulfil its duty as noted above.

10. Audit New Zealand will report on any matters arising from the audit in their final report to those charged in governance in the confidential item.

**Tātaritanga me ngā tohutohu**

**Analysis and advice**

**Draft Annual Report 2019/2020 Volume 1: Overview and Service Performance**


12. It reports the revenue and expenditure for each group of activities in the group within funding impact statements. The format and accounting policies of the funding impact statements are prescribed by the Local Government Act 2002. The regulations require us to compare actual activities and actual performance with the intended activities and the intended level of performance as set out in the long-term plan and the annual plan.

13. As the Annual Budget 2019/2020 does not contain all performance measures, the group reported performance against the 10-year budget 2018-2028.


14. The council has a legislative requirement to report each local board’s service performance results and their funding impact statements. Local board reporting is measured against the Annual Budget 2019/2020.

15. The draft local board reports were presented to each local board for review and their feedback has been incorporated where appropriate.


16. Volume 3 includes the group and council’s statutory financial statements.


18. The Audit and Risk Committee approved the pro forma financial statements subject to any updates identified during the year end close and audit process at the meeting on 26 May 2020.

19. A full disclosure checklist has been completed and will be available for inspection during the confidential part of this meeting.

**Draft Annual Report 2019/2020 Volume 4: Climate Change Risk**

20. Volume 4 is a summary of the group’s climate-related risks and opportunities. It describes the group’s climate change risk management and outlines the group’s climate change targets and metrics in accordance with the framework set out by the Task Force on Climate-related Financial Disclosures (TCFD).

21. Volume 4 was prepared through collaboration with the Financial Control team, the Chief Sustainability Office and sustainability officers at the CCOs and Ports of Auckland Limited.

22. This is the group’s second disclosure in accordance with the TCFD. Management acknowledges that as the group’s understanding of and responses to climate change mature, so will the disclosure.
Draft Summary Annual Report 2019/2020

23. The Auckland Council Summary Annual Report 2019/2020 is an abridged version of the four annual report volumes and provides highlights, performance information and information about the group including governance, community engagement and the group’s commitment to sustainability.

Tauākī whakaaweawe āhuarangi
Climate impact statement

24. This committee paper relates to a financial reporting process and disclosures. Although Volume 4 of the annual report discusses climate change, no decision is sought in this paper that has an impact on greenhouse gas emissions and the council’s approach to reduce emissions.

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

25. The annual reports reflect the results of the group for the year ended 30 June 2020. The council-controlled organisations are involved in the preparation of this information. No decision is sought that would directly impact the group.

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

26. Volume 2 of the annual report includes a section featuring the achievements in each local board area. Local boards were engaged to collect and review this information and each chair has prepared a message which is included in their respective report. No decision is sought that would impact local boards.

Tauākī whakaaweawe Māori
Māori impact statement

27. The annual reports cover all aspects of the group’s governance and public accountability. Although the annual reports include commentary on the group’s contribution to outcomes for Māori, as well as the role of the Independent Māori Statutory Board and the council’s Ngā Mātārae – Māori Outcomes Department, no decision is sought in this paper that has a direct impact on Māori.

Ngā ritenga ā-pūtea
Financial implications

28. 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

Risk of error, omission or non-compliance in preparation of the annual report and summary annual report

29. There is a risk that errors or non-compliance with legislation and accounting standards could occur in the preparation of the annual reports. To mitigate this risk, quality assurance reviews were performed on the consolidated results and commentary and the year-end reports. The reviews focused on accuracy, completeness and reasonableness of disclosures, legislative compliance and adherence to the council’s communications standards.
30. There is also a risk that the annual reports present a biased view of the performance of the group. Trust lens reviewers are used to review the annual reports to ensure that we are telling a fair and balanced story, that good news stories are truthful and accurate and the poor performance stories are honest and transparent. They review the overall story for consistency through all volumes.

**Compliance reviews**

31. Auckland Council’s Legal Services reviews the summary annual report and volumes 1-3 of the annual report for compliance with local government legislation.

32. The Chief Sustainability Office reviews volume 4 of the annual report for compliance with the Taskforce on Climate-related Financial Disclosures (TCFD).


**Reviews of accuracy, completeness and fairness**

34. Several reviews of the annual reports take place by people with differing levels and areas of involvement in financial reporting. A summary of the reviews is as follows:

<table>
<thead>
<tr>
<th>Reviewer</th>
<th>Volume 1</th>
<th>Volume 2</th>
<th>Volume 3</th>
<th>Volume 4</th>
<th>Summary Annual Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acting group chief financial officer</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Group treasurer</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>General manager financial strategy and planning</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>General manager financial &amp; business performance</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Group financial controller</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Manager corporate and local board performance</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Manager group accounting and reporting</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Manager financial strategy</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Senior group reporting technical accountant</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Financial accounting manager</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Trust lens reviewers</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Legal services</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Chief Sustainability Office</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Mayne Wetherell</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
35. In addition to these reviews, the council’s Financial Control team completes a detailed reporting checklist to ensure all financial reporting and disclosure requirements have been met. The group financial controller will have an annual report checklist and sign-off document available, providing assurance that reporting and disclosure requirements have been complied with.

36. Two trust lens reviewers provided feedback on the financial statements. Both reviewers are not within the council’s finance division, and neither were involved in the preparation of the annual reports.

37. All the technical quality assurance reviewers who perform reviews from a financial perspective are Chartered Accountant (CA) qualified or equivalent and have the appropriate technical accounting skills and knowledge.

Disclosures from council-controlled organisations, City Rail Link Limited and Ports of Auckland Limited

38. There is a risk that significant matters that affect the financial performance, financial position or cash flows of council-controlled organisations, City Rail Link Limited or Ports of Auckland Limited may not be adequately disclosed.

39. To mitigate this risk, each substantive council-controlled organisation, City Rail Link Limited and Ports of Auckland Limited provide an audited financial reporting pack, based on a standardised pack issued by the council’s Financial Control team. This audited financial information is consolidated to form the group’s financial statements.

40. The group financial controller obtains short and long-form representation letters from the respective CFO/CEOs and/or Audit Committee chairs/boards which cover the completeness, accuracy and adequacy of disclosures provided in their financial reporting packs. In addition, the group financial controller will obtain updates from the respective CFOs/delegate just prior to the Governing Body meeting at which the annual reports are adopted, to ensure nothing else has arisen since the representation letters were signed that could materially affect their financial reporting disclosures.

Delay in Audit New Zealand’s final clearance

41. There is a risk of delay in Audit New Zealand’s final clearance due to unresolved technical matters.

42. The Financial Control team has been working with Audit New Zealand to address technical issues early, however some matters cannot be cleared by Audit New Zealand until they have audited the relevant information subsequent to year end.

Ngā koringa ā-muri
Next steps

43. The Audit and Risk Committee will discuss the annual reports in confidence with staff and Audit New Zealand, after which it will recommend the annual reports’ adoption to the Governing Body. The committee will then have completed its responsibilities for the annual reports.

Ngā tāpirihanga
Attachments

There are no attachments for this report.
## Ngā kaihaina
### Signatories

| Authors                          | Tracy Gers - Group Accounting & Reporting Manager  
|                                 | Alvin Ang - Senior Group Reporting Technical Accountant  
|                                 | Maria Marin Godoy - Financial Accounting Manager  
|                                 | Francis Caetano - Group Financial Controller  
| Authorisers                     | John Bishop - Group Treasurer  
|                                 | Kevin Ramsay - Acting Group Chief Financial Officer  
|                                 | Phil Wilson - Governance Director  

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>CONFIDENTIAL: Recommendation of Auckland Council’s draft annual report 2019/2020 and summary annual report 2019/2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reason for passing this resolution in relation to each matter</td>
<td>Particular interest(s) protected (where applicable)</td>
</tr>
<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 financial information that forms part of the Auckland Council Group Annual Report 2019/2020 and can only be made public following the release of the annual report to the NZX on 30 October 2020.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>C2</th>
<th>CONFIDENTIAL: Office of the Auditor-General and Audit New Zealand briefing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reason for passing this resolution in relation to each matter</td>
<td>Particular interest(s) protected (where applicable)</td>
</tr>
<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 the Office of the Auditor-General and 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>
</tr>
</tbody>
</table>