NOTICE OF MEETING

Notice is hereby given of the Meeting of the Risk and Assurance Committee to be held in the Council Chamber, First Floor, Civic Administration Building, 101 Esk Street, Invercargill on Friday, 20 March 2020 at 8.30am

B Robertson (Chair)
Cr R L Abbott
Cr A J Arnold
Cr T M Biddle
R Jackson
I R Pottinger

CLARE HADLEY
CHIEF EXECUTIVE

A2951790

A G E N D A

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11. **PUBLIC EXCLUDED SESSION**

Moved, seconded that the public be excluded from the following parts of the proceedings of this meeting; namely

(a) Confirmation of Public Excluded Session Minutes – 6 September 2019
(b) Health and Safety Update
(c) Sensitive Expenditure report 1 July 2019 to 31 December 2019
(d) Discussion with the Chief Executive on Risk
(e) Risks relating to Council investment in Invercargill Central Limited through Invercargill City Holdings Limited

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)(d) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
(a) Confirmation of Public Excluded Session Minutes – 6 September 2019	To enable any Local Authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	**Section 7(2)(i)**
(b) Health and Safety Matters	To enable any Local Authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	**Section 7(2)(i)**
(c) Sensitive Expenditure report 1 July 2019 to 31 December 2019	To enable any Local Authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	**Section 7(2)(i)**
(d) Discussion with the Chief Executive on Risk	To enable any Local Authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	**Section 7(2)(i)**
(e) Risks: City Block Development	To enable any Local Authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	**Section 7(2)(i)**

INVERCARGILL CITY COUNCIL ELECTED MEMBERS
INTEREST REGISTER

A2279220

ELECTED MEMBERS			
NAME	**ENTITY**	**INTERESTS**	**PROPERTY**
RONALD LINDSAY ABBOTT	Invercargill City Council Kiwi-Pie Radio 88FM Invercargill	Councillor Director / Broadcaster	
REBECCA RAE AMUNDSEN	Invercargill City Council Arch Draught Ltd BP Orr Ltd Task Ltd Arts Murihiku Dan Davin Literary Foundation Heritage South Glengarry Community Action Group SMAG Board	Councillor Director Director Director Trustee Trustee/Chair Contractor Events Co-ordinator (Volunteer) Council Representative	

INVERCARGILL CITY COUNCIL ELECTED MEMBERS

INTEREST REGISTER

A2279220

ALLAN JAMES ARNOLD	Invercargill City Council Ziff's Café Bar Ltd Buster Crabb Ltd Ziff's HR Ltd Ziff's Trust Southland Aero Club Invercargill Club Invercargill East Rotary	Councillor Executive Director Executive Director Executive Director Trustee Administrator Member Member Member	
TONI MARIE BIDDLE	Invercargill City Council Southland Museum and Art Gallery Trust Board McIntyre and Dick	Councillor Trustee Husband (Kris MacLellan) – Chief Executive Officer	
WILLIAM STUART CLARK	Invercargill City Council Invercargill Ratepayers Advocacy Group	Councillor Member	

INVERCARGILL CITY COUNCIL ELECTED MEMBERS

INTEREST REGISTER

A2279220

ALEX HOLLY CRACKETT	Invercargill City Council Ride Southland Southland Youth Futures Advisory Board Sport Southland McIntyre Dick	Councillor Chair Chair Trustee Marketing Manager	High Street Invercargill
PETER WARREN KETT	Invercargill City Council Age Concern Southland Kite Investments Limited Invercargill Harness Racing Club Board Member Ascot Consortium	Councillor Board Member Director Vice President and Life Member Member	
GRAHAM DAVID LEWIS	Invercargill City Council Bluff 2024 Rejuvenation Hospice Southland City Centre Heritage Steering Group	Councillor Officer Trustee Member	
DARREN JAMES LUDLOW	Invercargill City Council Radio Southland Healthy Families Invercargill Murihiku Maori Wardens Southland Community Law Centre Thrive Community Trust Environment Southland	Councillor Manager Board Member Board Member Board Member Trustee Lyndal Ludlow (wife) – Councillor	770 Queens Drive Invercargill

Members Interest Register 12 February 2020

INVERCARGILL CITY COUNCIL ELECTED MEMBERS

INTEREST REGISTER

A2279220

IAN REAY POTTINGER	Invercargill City Council Southland Electronics Limited Santa Parade Organiser	Councillor Director Alice Pottinger (Wife)	171 Terrace Street Invercargill 9810
TIMOTHY RICHARD SHADBOLT	Invercargill City Council Kiwi Speakers Limited SIT Ambassador	Mayor Director Member	
NIGEL DEAN SKELT	Invercargill City Council Badminton New Zealand Badminton Oceania Badminton World Federation ILT Stadium Southland	Councillor Board Member Vice President Council Member (Chair of Communications and Media) General Manager	
LESLEY FRANCES SOPER	Invercargill City Council Breathing Space Southland Trust (Emergency Housing) Omaui Tracks Trust National Council of Women (NCW) Citizens Advice Bureau Southland ACC Advocacy Trust Southern District Health Board Southland Warm Homes Trust	Councillor Chair Director Secretary / Treasurer Member Board Member Employee Member Member	137 Morton Street Strathern Invercargill 24 Margaret Street Glengarry Invercargill

Members Interest Register 12 February 2020

INVERCARGILL CITY COUNCIL ELECTED MEMBERS
INTEREST REGISTER

A2279220

EXECUTIVE STAFF			
NAME	**ENTITY**	**INTERESTS**	**PROPERTY**
CLARE HADLEY	Invercargill City Council Hadley Family Trust	Chief Executive Trustee	
CAMERON MCINTOSH	Invercargill City Council	Group Manager - Works and Services	
DAVID FOSTER	Invercargill City Council	Acting Group Manager - Finance and Corporate Services Executive Director Foster and Associates Ltd	
DARREN EDWARDS	Invercargill City Council	Group Manager - Environmental and Planning Services	

MINUTES OF THE MEETING OF THE RISK AND ASSURANCE COMMITTEE HELD IN THE COUNCIL CHAMBER, CIVIC ADMINISTRATION BUILDING, 101 ESK STREET, INVERCARGILL, ON FRIDAY 6 SEPTEMBER 2019 AT 8.30AM

PRESENT: Cr I R Pottinger – Chair
His Worship the Mayor, Sir T R Shadbolt, KNZM JP
Cr D J Ludlow
Cr R R Amundsen
Cr L S Thomas

IN ATTENDANCE: Cr L F Soper
Cr T M Biddle
Cr K Arnold
Mr B Robertson – External Advisor
Mrs C Hadley – Chief Executive
Mr D Foster – Group Manager of Finance
Mr C A McIntosh – Group Manager, Works and Services
Mr A Cameron – Strategic Advisor
Mr G Mitchell – Manager Health and Safety
Miss C Keen – Governance and Corporate Administrator

2. APOLOGIES

It was noted that Cr Abbott was absent and no apology had been received.

3. INTEREST REGISTER

Nil.

4. CONFIRMATION OF MINUTES OF MEETING HELD 28 MAY 2019

Moved Cr Amundsen, seconded Cr Ludlow and **RESOLVED** that the minutes be approved as a true and correct record.

5. HEALTH AND SAFETY UPDATE

The Health and Safety Update report was taken as read.

Moved Cr Amundsen, seconded Cr Pottinger and **RESOLVED** that the report 'Health and Safety Update' be received.

6. SENSITIVE EXPENDITURE

Mrs Hadley raised that it had been highlighted to her by various Councillors that the date stated on statements was not necessarily the date of the travel or the event occurring and in some instances invoices had been grouped together causing confusion. Mrs Hadley would be working with the Group Manager of Finance to rectify this.

Mr Robertson added that as the sensitive expenditure schedule was a public document, helpful descriptions were important for public interpretation and clarity.

Moved Cr Pottinger, seconded Cr Amundsen and **RESOLVED** that the Sensitive Expenditure report be received;

AND THAT

The Risk and Assurance Committee accepts the expenditure identified in the report as compliant with the Sensitive Expenditure Policy;

AND THAT

The report be made publicly available subject to any changes to the format.

7. COUNCIL INSURANCE

Mr Foster spoke to the report. Cr Biddle queried how the Council assisted if a staff member were to be killed while on duty. Mrs Hadley confirmed that ACC would have a role to play and Council may have a Health and Safety liability.

Mrs Hadley encouraged the Committee to look over the insurance renewals as a whole as she was particularly keen for the Council to be comfortable with all information supplied and that the right cover was in place.

Mr Robertson queried whether the cyber risk cover amount was adequate. It was suggested that Mr Foster approach the insurer and review the cyber risk insurance cost (including ransom cover).

Moved Cr Ludlow, seconded The Mayor and **RESOLVED** that the Council Insurance report be received;

AND THAT

The Committee endorse the cancellation of insurance policies relating to accidental death and disablement of elected members and staff;

AND THAT

The Committee is satisfied that the insurance programme provides adequate protection for financial consequences of the matters insured for.

8. WORK PROGRAMME FOR AUDIT MANAGEMENT LETTER ISSUES

Mrs Hadley noted that Mr Andy Burns had apologised for his absence as Audit Director to this meeting and that Council would align its Risk and Assurance meetings and his availability for future meetings. Mr Burns was comfortable that there was progress occurring in this area.

Moved Cr Pottinger, seconded Cr Amundsen and **RESOLVED** that the report 'Work Programme for Audit Management Letter Issues' be received.

9. ANNUAL REPORT 2019

A late tabled item was received in relation to this report. (A2768351).

Mr Foster explained that Council was on target. There were several risks listed around the CCO's and these were being managed with close attention.

There were minor issues around ICFL's valuations, the Board had signed off on these with the valuations as they arrived, and discussions with the valuer were ongoing.

Moved Cr Pottinger, seconded Cr Ludlow and **RESOLVED** that the 'Annual Report 2019 report' be received.

10. PUBLIC EXCLUDED SESSION

Mr Robertson declared that he had a conflict of interest in relation to the Health and Safety Matters – Contract 650 as he was an independent member on the Southland District Council Audit and Risk Committee which had considered Contract 850. He believed that his role in decision making with Southland District Council excluded him from participating and he had received no papers in relation to this matter.

Moved Cr Pottinger, seconded Cr Ludlow and **RESOLVED** that the public be excluded from the following parts of the proceedings of this meeting, namely

(a) Confirmation of Public Excluded Session Minutes – 28 May 2019
(b) Health and Safety Matters – Contract 650

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)(d) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
(a) Confirmation of Public Excluded Session Minutes – 28 May 2019	*To enable any Local Authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).*	*7(2)(i)*
(b) Health and Safety Matters – Contract 650	*To enable any Local Authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).*	*7(2)(i)*

There being no further business the meeting closed at 9.16 am.

A2769810

TO: **RISK AND ASSURANCE COMMITTEE**

FROM: **DAVE FOSTER – INTERIM GROUP MANAGER FINANCE**

MEETING DATE: **FRIDAY 20 MARCH 2020**

TERMS OF REFERENCE

SUMMARY

This paper provides the opportunity for a discussion on the Terms of Reference for the Risk and Assurance Committee.

The Terms of Reference (ToR) are included in the Local Governance statement for Invercargill City Council.

RECOMMENDATIONS

THAT the Terms of Reference for the Risk and Assurance Committee be considered.

IMPLICATIONS

1.	*Has this been provided for in the Long Term Plan/Annual Plan?* Not applicable
2.	*Is a budget amendment required?* *No*
3.	*Is this matter significant in terms of Council's Policy on Significance?* No
4.	*Implications in terms of other Council Strategic Documents or Council Policy?* Not applicable
5.	*Have the views of affected or interested persons been obtained and is any further public consultation required?* Not applicable
6.	*Has the Child, Youth and Family Friendly Policy been considered?* Not applicable

INTRODUCTION

The Terms of Reference (ToR) are included in the Governance Statement of Council. As this is the first meeting of the Risk and Assurance Committee it is worth spending some time considering the ToR and considering whether changes may be appropriate.

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If changes are sought they will need to be considered by Council with a request from the Committee.

To provide some contrast to other ToR the Chair has asked for the new ToR for Waipa District Council to be provided to assist in consideration of whether any points raised in that document may highlight potential gaps or opportunities for the committee to consider.

The existing terms of reference are:

"*Risk and Assurance Committee*
The Risk and Assurance Committee is responsible for reviewing audit and financial documentation as well as monitoring risk management processes.

Its objective is to provide independent assurance to the Council on the Council's risk control and compliance framework, and Council's external accountabilities, including that the financial statements are a true and fair representation. The Committee will report to Council as required as to the overall assessment of the Invercargill City Council's risk, control and compliance framework, including details of any significant emerging risk impacting on the Invercargill City Council.

Employees are advised that under certain limited circumstances they may communicate to the Chairman of the Risk and Assurance Committee regarding the potential fraud or misappropriation, weakness in internal control, or the adequacy or accuracy of information being provided within the organisation to Senior Managers or to the Council. Contact numbers or email addresses are available for this purpose. Such communications (which shall be in writing) shall be treated as confidential. Communications should explain whether the matters have previously been discussed with an employee's Manager, and if not, why the employee has chosen to report to the Risk and Assurance Committee.

Chair:	*Mr Bruce Robertson*
Members:	*Cr L Abbott* *Cr A Arnold* *Cr T Biddle* *Cr W Clark* *Cr I Pottinger* *Independent member to be appointed – Ross Jackson*
Delegations:	*Obtain external legal or other professional advice at the expense of the Invercargill City Council where it considers such consultation is necessary to carry out its functions and responsibilities.*
Frequency of meetings:	*Quarterly and as required*

List of current activities:

- *Council's treasury policies and functions*
- *Council's Annual Report*
- *Audit processes and management of financial risk, including fraud*
- *Organisational Risk Management, including business continuity*
- *External audit*
- *Internal controls and internal audit (where necessary)*
- *Health and Safety*

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- *Statutory compliance*
- *Related party transactions and executive/elected representative expenditure*

In carrying out the activities the Committee may:

- *Obtain any information it needs from any employee and/or external party (subject to the Committee's legal obligation to protect information);*
- *Discuss any matters with any internal or external auditors, or other external parties (subject to confidentiality considerations);*
- *Request the attendance of the chief executive or any other Council employee at Committee meetings;*
- *Obtain external legal or other professional advice at the cost of the Invercargill City Council where it considers such consultation is necessary to carry out its functions and responsibilities; and*
- *Provide opinions to Council on findings, including such matters as the integrity of all levels of planning and reporting (whether financial or non-financial), statutory and regulatory compliance and risk management.*

The Chief Executive and any internal auditors or external auditors will have direct access to the Committee Chairperson for the purpose of raising concerns about matters within the functions and responsibilities of the Committee.

(Source Governance Statement ICC 2019-2022)

"DRAFT TERMS OF REFERENCE FOR THE WAIPA DISTRICT COUNCIL AUDIT AND RISK COMMITTEE FOR THE 2019-22 TRIENNIUM
(For consideration by the Audit and Risk Committee on 9 December 2019 and approval by Council on 17 December 2019)

1. ESTABLISHMENT

This document establishes the responsibilities and explains the role of the Audit and Risk Committee within Council.

2. OBJECTIVES

The general objective of the Audit and Risk Committee is to assist and advise the Waipa District Council in its responsibility and ownership for enterprise risk management, Council's control and compliance framework, and its external accountability responsibilities.

Specific objectives are to:

- *Recommend to Council an appropriate enterprise risk management strategy and monitor the effectiveness of that strategy, including the advancement of any projects or programmes of work focussing on the appropriate management of risk*
- *Monitor the Council's external and internal audit process and the resolution of any issues that are raised*
- *Assist in any investigations of potentially inappropriate actions by Council staff or elected members, including any allegations of fraudulent activity, bribery or corruption*
- *Monitor compliance with laws and regulations*
- *Oversee the preparation of and review key formal external accountability documents such as the Long-term Plan, Annual Plan and the Annual Report in order to provide advice and recommendation in respect to the integrity and appropriateness of the documents and the disclosures made*
- *Provide a forum for communication between management, internal and external auditors, and the governance level of Council*
- *Ensure the independence and effectiveness of Council's internal audit processes*
- *Monitor existing corporate policies and recommend new corporate policies to prohibit unethical, questionable, or illegal activities*
- *Support measures to improve management performance and internal controls.*

3. MEMBERSHIP

The committee will be appointed by resolution and shall comprise of no greater than six members including His Worship the Mayor as an ex-officio member with full membership and voting rights, and the Chair of the Finance and Corporate Committee.

To perform their 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.

The Chair of the Committee shall be an external appointee.

The Chief Executive and the Group Manager Finance and Corporate Services shall attend all meetings in a key advisory capacity but are not members and have no voting rights. Other Council officers may be required to attend the Committee meetings as required.

Members will be appointed at the commencement of each triennium term of Council.

4. RESPONSIBILITIES

External Audit and External Accountability

- *Engage with Council's external auditors regarding the external audit work programme and agree the terms and arrangements of the external audit*
- *Oversee the preparation of and review key formal external accountability documents such as the Long-term Plan and the Annual Report in order to provide advice and recommendation to the Finance and Corporate Committee and/or Council in respect to the integrity and appropriateness of the documents and the disclosures made*
- *To recommend the adoption of the Annual Report and the approval of the Summary Annual Report to Council*
- *Review of the effectiveness of the annual audit and Long-term Plan audit*
- *Monitor management response to audit reports and the extent to which external audit recommendations concerning internal accounting controls and other matters are implemented.*

Internal Audit

- *In conjunction with the Chief Executive and the Group Manager Finance and Corporate Services, agree the scope of any three-yearly and annual internal audit work programmes and assess whether resources available to Internal Audit are adequate to implement the programme*
- *Monitor the delivery of any internal audit work programme including the review of any internal audit reports*
- *Assess whether any significant recommendations of any internal audit work programme have been properly implemented by management. Any reservations the Internal Auditor may have about control risk, accounting and disclosure practices should be discussed by the Committee.*

Risk Management

- *Review the enterprise risk management framework, and associated strategy, policy and procedures to ensure they are current, comprehensive and appropriate for effective identification and management of Council's financial and business risks, including fraud*
- *Assist Council with determining a 'risk appetite'*
- *Review the effectiveness of Council's risk management framework and internal control systems*
- *Review risk management reporting on a quarterly basis*

Other Matters

- *Review the effectiveness of the system for monitoring Council's compliance with relevant laws, regulations and associated government policies*
- *Review the systems and processes that Council has in place to prevent fraud, bribery and corruption, and assist in any investigations related to these matters*
- *Review whether a sound and effective approach has been followed in establishing Council's business continuity planning arrangements*
- *Review the development of the financial strategy and the infrastructure strategy as required for the long-term plan*
- *Engage with internal and external auditors on any specific one-off audit assignments.*

- *Consider matters referred to the committee by the Chief Executive, Council or other Council committees.*

5. MEETINGS, RECORDS AND REPORTING STRUCTURE

- *The committee will meet at least four times in each financial year.*
- *The Group Manager Business Support will be responsible for the preparation of the meeting agendas and will oversee the preparation of any reports for the Committee and the minutes of the Committee meetings.*
- *A quorum consists of three members.*
- *A report of the key matters of discussion of each meeting of the Committee will be made to the next Council meeting and accompanied by the draft minutes of the meeting.*

6. DELEGATIONS

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 is delegated the authority to:

- *Receive and consider external and internal audit reports.*
- *Receive and consider staff reports on audit, internal control and risk management related matters.*
- *Make recommendations to the Finance and Corporate Committee and/or Council on financial, internal control and risk management policy and procedure matters as appropriate.*
- *To approve the Auditors engagement and arrangements letters.*
- *To deal with any other matter requested of the Committee by Council or any of its other Committees.*

7. REVIEW OF TERMS OF REFERENCE

These Terms of Reference will be reviewed by the Audit and Risk Committee and confirmed by Council at the commencement of every Triennium after consideration of any recommendation made by the Committee in regard to proposed changes or refocus."

(Source Waipa District Council website, extract of minutes)

A2952605

TO: **RISK AND ASSURANCE COMMITTEE**

FROM: **DAVE FOSTER – INTERIM GROUP MANAGER FINANCE**

MEETING DATE: **FRIDAY 20 MARCH 2020**

RISK AND ASSURANCE WORK PROGRAMME

SUMMARY

This paper outlines a work programme for the Risk and Assurance Committee for the calendar year 2020. A work programme is emerging as good practice for a Risk and Assurance Committee as it allows for good planning and ensures that the matters to be considered are scheduled and can be monitored.

This plan has been developed at the request of the Chair.

RECOMMENDATION

THAT the draft work plan as set out in A2952650 be adopted.

IMPLICATIONS

1.	*Has this been provided for in the Long Term Plan/Annual Plan?* Not applicable
2.	*Is a budget amendment required?* *No*
3.	*Is this matter significant in terms of Council's Policy on Significance?* No
4.	*Implications in terms of other Council Strategic Documents or Council Policy?* Not applicable
5.	*Have the views of affected or interested persons been obtained and is any further public consultation required?* Not applicable
6.	*Has the Child, Youth and Family Friendly Policy been considered?* Not applicable

INTRODUCTION

It is emerging as good practice for a Risk and Assurance Committee to develop and monitor an annual work programme to ensure the Committee is aware of when matters will be coming to the committee and also to ensure that a robust and planned programme of risk identification and monitoring is in place and to allow adequate time for overview of key accountability documents such as Annual plans, LTPs and Annual Reports to be reviewed and considered, prior to being referred to Council for adoption.

A2952650

The draft work plan is attached for consideration. The plan will be brought forward to each meeting of the committee and can be updated when needed.

Work stream	20-Mar-20	23-Jun	28-Aug	29-Sep	16-Dec
Risk Management					
Development of 'Top Risks' (Top-down Strategic Risk identification and assessment – initial identification in June each year, confirmation of mitigants in September)		✓	✓		
Risk Management Update / Quarterly Risk Report		✓	✓	✓	✓
Capital Works Delivery Update / Risks (PE)		✓			✓
Deep Dive into 'Top Risks' (Risk by Risk)				✓	
CEO Risk Discussion (Public Excluded)	✓				
Group Risk Discussion with GMs (Public Excluded) - Works and Services - Finance and Corporate Services - Environment and Planning - Human Resources		✓	✓	✓	
Internal Audit and Improvement Programme Updates		✓			
Confirmation of 2020/21 Internal Audit Programme		✓			
Internal Audit Reporting / Monitoring of Improvement Programme progress		✓	✓	✓	✓
Policy / Strategy Input					
Review and input into various policies and strategies such as the Sensitive Expenditure Policy, Fraud Policy, Procurement Policy and Business Continuity Management Policy as relevant					
Key Financial Risks - Insurance / Treasury / Tax					
Insurance Renewal Update	✓		✓		
Treasury Update		✓		✓	
Tax Governance		✓			✓
External Audit and External Accountability					
Annual Plan Assumptions / Update	✓				
2021 Long Term Plan update - Assumptions / Risks / Controls		✓		✓	
Audit Arrangements Letter	✓				
Annual Report - Review of Accounting Policies, Key Accounting Estimates and Update on Asset Revaluation Results		✓	✓		
Annual Report – Recommendation that Council adopt Annual Report				✓	
Annual Report – Audit NZ Management Report	✓				
Outstanding Management Report Matters		✓		✓	
Litigation matters (Public Excluded)					
Litigation Matters Update	✓		✓		
Other					
Confirmation of Terms of Reference for the Committee at commencement of new Triennium	✓				
Determine Audit and Risk Committee Workplan	✓				
Review of Performance and Effectiveness of the Audit and Risk Committee					✓

A2952650

TO: **RISK AND ASSURANCE COMMITTEE**

FROM: **RHIANNON SUTER, MANAGER – STRATEGY & POLICY**

MEETING DATE: **FRIDAY 20 MARCH 2020**

ENGAGEMENT – ANNUAL PLAN AND LONG TERM PLAN PROCESS

SUMMARY

This report summarises the engagement approach for the Annual Plan and the Long Term Plan, summarises the recommended issues and indicative options for the Annual Plan consultation and contains key dates for the Annual Plan consultation and Long Term Plan strategic workshops.

RECOMMENDATIONS

That the Risk and Assurance Committee

1. **Receive the report "Engagement – Annual Plan and Long Term Plan Process"**
2. **Note the recommended issues and indicative options for the Annual Plan consultation document**
3. **Note the dates for the Annual Plan consultation process, which have been revised following the report to the Finance and Policy committee to allow inclusion of consultation regarding City Block**
4. **Note the dates for strategic workshops for the Long Term Plan process**

IMPLICATIONS

1.	*Has this been provided for in the Long Term Plan/Annual Plan?* Yes
2.	*Is a budget amendment required?* No
3.	*Is this matter significant in terms of Council's Policy on Significance?* No
4.	*Implications in terms of other Council Strategic Documents or Council Policy?* *This engagement is required as part of the Annual Plan and Long Term Plan processes*
5.	*Have the views of affected or interested persons been obtained and is any further public consultation required?* This engagement plan outlines the approach to Annual Plan engagement
6.	*Has the Child, Youth and Family Friendly Policy been considered?* Yes

FINANCIAL IMPLICATIONS

The consultation process is a budgeted for item under the Long-term Plan.

BACKGROUND

This year the Long-term Plan process will commence resulting in the adoption of the 2021 – 2031 Long-term Plan by the end of June 2021. There is an opportunity for early engagement in the first half of 2020. Formal consultation on the Long-term Plan will take place in the first half of 2021.

Consultation on the 2020/21 Annual Plan would take place in April for the Plan to be adopted on 22 May or at a later date prior to the last statutorily required date, 30 June 2020. The proposed dates for the Annual Plan consultation period have been revised to allow consultation on the additional requested investment into the City Block project, allowing work to commence in July 2020.

Long-Term Plan

Under Section 93 of the Local Government Act, a local authority must at all times have a Long-term Plan, which must be consulted on and renewed each three year period.

The purpose of a Long-term Plan is to:
- Describe the activities for the local authority, and
- Describe the community outcomes of the local authority's district or region, and
- Provide integrated decision making and coordination of the resources of the local authority, and
- Provide long term focus for the decisions and activities of the local authority, and
- Provide a basis for accountability of the local authority to the community.

The Long-term Plan is one of the most important guiding documents for Council and an opportunity to set a clear strategic vision and outline the detailed ten year delivery plan and budget to achieve that vision.

Draft Infrastructure and Finance Strategies will be available for Council to review in June – July 2020. In preparation for this, the six asset-focused Activity Management Plans are being developed. The remaining Activity Management Plans will be completed for the last quarter of 2020.

The following strategic issues have been identified for consideration as part of the Long-term Plan process: inner city revitalisation, anticipated changes to infrastructure requirements related to the water regulations, climate change and demographic changes including an gaining population and increasing diversity within the City.

Council workshops on these issues and the priorities for the Capital works programme will take place in March and April 2020. Following this the assumptions will be completed and used to inform the development of the Activity management plans.

Market research into the public's views on levels of service and rates levels is underway and will also feed into Council prioritisation and activity management planning.

Annual Plan

Under Section 95 of the Local Government Act, a local authority must prepare and adopt an Annual Plan for each financial year, consulting on those matters where there are variances to the Long-term Plan, which meet the criteria of the Council's Significance and Engagement policy.

No matters were determined to be significant as part of the 2019/20 process and consultation was not undertaken.

The resolution to consult was determined at the 18 February Finance and Policy Committee, in line with legislative requirements.

Consultation will commence on 2 April and conclude on 30 April, with hearings taking place in the week commencing 11 May. The earliest opportunity Council would have to adopt the Annual Plan would be 22 May with the latest opportunity 30 June 2020.

Alignment of Long-term Plan and Annual Plan Engagement

The requirement to consult on the Annual Plan and to undertake engagement for the Long-term Plan within the same period presents challenges, and associated opportunities.

Consultation on the Annual Plan is restricted to very specific issues where there is a variance from the 2018 – 2028 Long-term Plan. Residents are asked to consider only these issues, and only for the period of the 2020/21 Annual Plan.

Engagement for the Long-term Plan is, in comparison, an opportunity for residents to share their views on a much broader range of topics, with a view to the next ten years of Council operation, and with regard to the infrastructure assets, the next thirty years.

Engagement can be green-field (i.e. undirected in topic) or can be more directive, through the choice of questions asked of residents.

Given the need to balance these two very different conversations with the public over a similar time period, a number of strategies are recommended:

- Alignment through an overarching communications strategy which tells the story of progress since the adoption of the 2018 Long Term Plan, including focus on the high profile capital works where forecast commencement dates have varied with the Long-term Plan
- Given the recommendation to consult on the Capital works programme in the Annual Plan, there is an opportunity to link this to the communications strategy
- Long-term Plan engagement will be more valuable with a clear story on progress on high profile capital works projects, as this is an area of significant public interest. This story will help the conversation to move forward, and incorporate important long-term matters such as climate change, rather than remain focused primarily on concerns regarding delays
- In order to develop the overarching communications story, strategic Council workshop(s) in the first quarter of 2020 will be required to build on the prioritisation work undertaken in April and November 2019
- Active participation from Councillors in Long-term Plan engagement will be essential to raising the profile of these conversations and encouraging meaningful participation from the public. Active participation has the benefit of enabling Councillors to both hear from the public and support communication of the overarching story of progress on the priorities of the 2018 – 2028 Long-term Plan.

ENGAGEMENT STRATEGY

Based on the approach outlined above the following plan has been developed:

1. Communications strategy

   It is proposed to develop messages around Council's vision and priorities in order to respond to public requirements for clearer information and to enable a forward looking conversation on Annual Plan and Long Term Plan matters.

2. Channels

   The primary delivery strategy will be online, although paper forms will also be available at the administration building, the library and Bluff service centre.

   There will be three primary channels used to drive online responses:

   a. Media – General awareness will be raised through:
      i. Social media – Facebook
      ii. Print – Limited advertising run in Southland Times and Southland Express
      iii. Radio TBC
   b. Stakeholder engagement
      i. Targeted communications (phone and email) to key stakeholders to raise awareness of the opportunity for them to submit
      ii. Utilisation of stakeholder communication channels, including email newsletter lists
   c. Event engagement
      i. Mix of different engagement styles, hosted by councillors

ANNUAL PLAN ISSUES

The following are the recommended issues and indicative options for consultation:

Consultation issue	Option 1	Option 2
Capital works programme	Increase capital works programme by $3.95m and smooth funding.	Do not amend capital works programme. No increase in rates would be required.
City block investment	Invest an additional $16m in City block redevelopment project, as part of a total investment of $46m. This would enable the project to commence in July 2020. The increase in rates required would be 0.5%	Do not invest in additional funding meaning building would not commence in July 2020. Developers would need to seek alternative funding, or reduce the project, noting feedback is that this would make it unfeasible or cease the project. No increase in rates would be required.
Solid waste (ETS) and recyclables acceptance	Until the contract is determined the potential increase in funding and rates required is unknown.	Do not increase funding, possibly resulting in a decreased level of service to be determined.

Southland Museum and Art Gallery Governance	Transfer governance to Invercargill City Council. This option has the support of Southland District Council and Gore District Council. No increase in rates would be required.	Continue regional representative governance, noting this is not supported by Southland District Council and Gore District Council. No increase in rates would be required.
Rugby Park maintenance	Officers do not yet have information available to advice on cost. At this stage it is proposed to make a provision of an annual grant for the next two years of $350,000 each year to redevelop Rugby Park to reopen the offices and make the stands safe for the next season in 2021/2022. The increase in rates required would be 0.6%	Do not redevelop Rugby Park meaning the majority of the stand and the Rugby Southland offices are not open for the next season. No increase in rates would be required.

Other issues on which Council has previously made decisions or are market driven, which will have an impact on rates, include:

Regional Heritage Strategy
Southland Heritage increased $1 rate
Electricity
Interest on the City Block investment loans
Grants
Salaries
Inflation

The total forecast rate increase, incorporating both the matters to be consulted on and the matters which do not require consultation, is likely to be greater than the 5.2% allowed for in the Financial Strategy.

TIMETABLE

Council strategic workshops	2 March 2020 16 March 2020 w/c 23 March 2020 - Option for additional workshop if required 7 April 2020
Council approves Annual Plan consultation document	31 March 2020
Draft Annual Plan on Council website, hard copies available at ICC Civic Administration building, Invercargill Public Library and Bluff Service Centre	2 April 2020
Annual Plan Submission period	2 April – 30 April 2020
Hearing of Annual Plan submissions	7/8 May
Council considers submissions	11 May 2020
Council adopts 2020 – 2021 Annual Plan with any changes requested enabling work to commence on City Block in July 2020	22 May 2020

CONCLUSION

The recommended issues and timetable for Annual Plan consultation have been revised to allow for consultation on the further funding for City Block as part of the same process. This will allow both the public and Council to consider all the significant issues for the 2020/21 planning process together.

TO: **RISK AND ASSURANCE COMMITTEE**

FROM: **DAVE FOSTER – INTERIM DIRECTOR OF FINANCE**

MEETING DATE: **FRIDAY 20 MARCH 2020**

WORK PROGRAMME FOR AUDIT MANAGEMENT LETTER ISSUES

SUMMARY

This report covers the programme of work to be undertaken by the organisation to cover the matters raised by Audit New Zealand in their "Report to Council on the Audit of Invercargill City Council for the year ending 30 June 2019". This report updates the Committee on management progress on the issues raised.

RECOMMENDATIONS

THAT the update on the Audit Management Letter Work programme is received.

IMPLICATIONS

1.	*Has this been provided for in the Long Term Plan/Annual Plan?* *Not applicable.*
2.	*Is a budget amendment required?* *No.*
3.	*Is this matter significant in terms of Council's Policy on Significance?* *No.*
4.	*Implications in terms of other Council Strategic Documents or Council Policy?* *Not applicable.*
5.	*Have the views of affected or interested persons been obtained and is any further public consultation required?* *Not applicable.*
6.	*Has the Child, Youth and Family Friendly Policy been considered?* *Not applicable.*

INTRODUCTION

The programme is on-going and is updated for each Audit round. The Auditors have in some cases identified problems and suggested solutions. The programme focus is on resolving the underlying problem, the solutions to be implemented may not be those recommended by Audit. If this occurs staff will work with Audit to ensure that the underlying issue is resolved.

A review on our procurement to payment processes highlighted a number of issues. It was apparent that the solutions to some issues cannot be undertaken without implementing a new finance solution. The current finance product is old, and is now outside maintenance from the supplier.

A2947216

Updating the product has been on the work plan since September 2018 it is planned to "go-live" on 1 July 2020. All parts of an improved procurement process will be timed to go live with the new system.

FINANCIAL IMPLICATIONS

There are no spending implications however; the programme will provide better accountability and reporting for council.

AUDIT MATTERS RAISED

The Audit Management Letter outlined a number of issues for Council to consider and take actions on. One of the matters raised by Audit was for Council to put in place a programme to improve and resolve issues raised, this report is part of that programme.

The matters raised are in the table (*Appendix 1 – A2947230)* with progress noted.

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Risk and Assurance Committee - Work Programme for Audit Management Letter Issues

Prioity	Topic	Audit Comment	Raised Audit of year	Programmed for	Management comment
Necessary	**Financial Delegation Policy**	We recommend that the City Council updates its Financial Delegation Policy to include financial delegation for the disposal of all types of property, plant and equipment.	2016	Jun-20	A process for review has commenced. The review will be wider than that raised by Audit, and will examine and include the issues raised.
Necessary	**General ledger reconciliations**	Reconciliations across all aspects of the financial system need to be performed and independently reviewed in a timely manner, with evidence of the reviews occurrence to be appropriately retained.	2017	Jun-20	A review of reconciliations will be undertaken. That review will identify what reconciliations need to be completed, what evidence of review is required and also the frequency of the reviews.
Necessary	**Rates remissions approval**	Review the rates remission policy to determine the appropriate approver of rates remissions. This will enable future remissions to be approved by the officer with delegated authority. Consider practical controls to ensure that rates remissions are not processed without prior approval.	2017	Dec-20	The Financial Controller had been delegated authority to approve all rates remissions. The rates remission policy is due for renewal in the 2020 financial year.
Necessary	**Reconciliation between the asset management and financial information management system**	Implement regular asset register reconciliations between the asset management and financial information management systems (FMIS). The reconciliations need to take place at least quarterly.	2017	Jun-20	A review of the two systems was undertaken to identify whether there were significant variances between the values at a high level. The New Finance system is reviewing how financial information for assets withn the maintenance management system are recorded. It is difficult to see a need for the reconciliation to be prepared at any frequency shorteer than 6 monthly.
Necessary	**Fraud risk management**	Include in the Fraud Policy a process for undertaking regular review of transactions, activities, or locations that may be susceptible to fraud. Undertake regular review of transactions, activities, or locations that may be susceptible to fraud once the process is established	2018	Sep-20	The Fraud policy will be reviewed and the issues raised will be incorporated.
Necessary	**Formal disaster recovery plan**	A disaster recovery plan should be developed to ensure that the IT systems can be recovered in the event of a disaster. These plans should be tested and should be available in multiple locations to ensure they can be accessed if required.	2018	Sep-20	A review of recovery of data/systems is underway and work is progressing with other Southland Councils.
Necessary	**Assessment of assets held at cost less depreciation**	We recommended that: · useful lives of assets are reviewed to ensure they are appropriate.	2018	Jun-20	Asset lives are reviewed as part of the Infrastructure asset revaluation. Non infrastructure assets will be reviewed to determine whether remaining useful lives are appropriate.
Necessary	**Councillor remuneration compliance with legislation**	Implement a detailed monitoring process to ensure: · all aspects of each councillor's remuneration are clearly identified; and · remuneration payments do not exceed the value allowed in the Local Government Members Local Authorities Determination.	2018	Jun-20	A review of Councillor remuneration was underttaken for June 2020, however it is not part of a detailed monitoring process. It is intended that a detailed monitoring and internal audit programme is introduced by June 2020, for monitoring by the Risk and Assurance committee.
Necessary	**Rates revenue**	Implement a reporting system to accurately record the level of rates revenue coming in from each type of rate, to ensure it is accurately allocated to the correct area of expenditure.	2019	Jun-20	This will be completed.
Necessary	**Payroll**	Implement an independent review of the 'Masterfile Audit Report' to ensure all changes to the payroll system have been checked and no fraudulent changes have been conducted. Review the access levels for reviewing timesheets and consider if it is necessary for payroll officers to have this system access.	2019	May-20	An independent review will be undertaken.
Necessary	**Performance reporting**	Complete an internal review of the systems and controls in place to accurately record the number of customer complaints relating to drinking water. Regularly monitor and accuratelv reoort on all oerformance measures.	2019	Apr-20	A review will be undertaken
Urgent	**Risk management**	Implement the risk management framework, and risk register drafted in 2013. Implement regular risk reporting to the City Council, or an appropriate sub-committee of the Council.	**2014**	May 2020 to December 2020	A framework was produced and this will be reviewed. A process will be developed for regular updating and reporting of risks.
Urgent	**Project management**	Implement a project management policy that documents the City Council's unified approach to managing its projects.	**2016**	May 2020 to September 2020	A review will be undertaken. Higher priority items have caused this to be deferred. The review of Don Street development was completed and lessons learned from those reviews will be incorporated into a
Urgent	**Contract and procurement management**	Implement a set of contract and procurement management policies that document the City Council's unified approach to managing its contracts and procurements. The contract policy and guidance should outline the City Council's approach from procuring the contract to the closure of the contract, including monitoring and reporting requirements of the performance of the contract.	**2017**	Jul-20	A review of contract and procuremnt management was commenced in 2019. Early findings of that review found that significant changes to the finance system was required to support better practice and monitoring. Thatsystem implementation has commenced and is expected to go live on 1 July 2020. A review of the policies will be commenced so that policy, practice and monitoring can be
Necessary	**Application of group accounting policies**	We recommended that the City Council: · ensures group accounting policies are consistently applied across the group entities where possible.	**2018**	Jun-20	A review was undertaken for the new Accounting standards which were incorporated into the 2019 Annual report. A wider review will be conducted for the 2020 Annual report.
Necessary	**Sensitive expenditure**	The Sensitive Expenditure Policy should be reviewed and updated. Necessary training needs to be provided to all relevant staff and those charged with governance to ensure full acceptance and implementation of the new policy and practices. Implement robust controls over the review and approval of sensitive expenditure. Implement processes to ensure that breaches of the Sensitive Expenditure Policy are adequately addressed.	2018	Jul-20	The sensitive expenditutre policy was reviewed and there has been greater focus on the review, rationale for expenditure and documentation. We agree that continued improvement in this area should be undertaken. This matter will be picked up as part of the improvements in Procurement management, and delegations policy review.

TO: **RISK AND ASSURANCE COMMITTEE**

FROM: **DAVE FOSTER – INTERIM GROUP MANAGER FINANCE**

MEETING DATE: **FRIDAY 20 MARCH 2020**

AUDIT PLAN

SUMMARY

This report is on the Audit Planand outlines the Audit Plan for the 2020 Annual Report for Invercargill Council and Group. The letter is prepared by our Auditor and forwarded to Council for consideration.

RECOMMENDATIONS

THAT THE AUDIT PLAN FOR THE AUDIT OT THE 30 JUNE 2020 ANNUAL REPORT BE RECEIVED.

IMPLICATIONS

1.	*Has this been provided for in the Long Term Plan/Annual Plan?* Not applicable
2.	*Is a budget amendment required?* *No*
3.	*Is this matter significant in terms of Council's Policy on Significance?* No
4.	*Implications in terms of other Council Strategic Documents or Council Policy?* Not applicable
5.	*Have the views of affected or interested persons been obtained and is any further public consultation required?* Not applicable
6.	*Has the Child, Youth and Family Friendly Policy been considered?* Not applicable

INTRODUCTION

The audit plan has been received from Audit New Zealand. The plan outlines the major issues considered to be important and to be a focus of the audit of the annual report.

It follows a reasonably standard format for most councils, but does relate to specific matters for the individual council. Staff are working with the auditor to ensure that our annual audit

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continues to improve. This will involve improvement on behalf of council with matters raised in previous years continuing to be addressed.

The Audit Director Mr Andy Burns will be at the meeting to discuss any points the committee may wish to raise.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Audit plan

Invercargill City Council

For the year ending 30 June 2020

Audit plan

I am pleased to present our audit plan for the audit of Invercargill City Council (the Council) Group for the year ending 30 June 2020. The purpose of this audit plan is to discuss:

Audit risks and issues....3

Group audit....10

Our audit process....12

Reporting protocols....15

Audit logistics....16

Expectations....17

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

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

Our work improves the performance of, and the public's trust in, the public sector. Our role as your auditor is to give an independent opinion on the financial statements and performance information. We also recommend improvements to the internal controls relevant to the audit.

If there are additional matters that you think we should include, or any matters requiring clarification, please discuss these with me.

Yours sincerely

Andy Burns
Appointed Auditor
13 March 2020

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Audit risks and issues

Focus areas

Based on the planning work and discussions that we have completed to date, we set out in the table below the main audit risks and issues. These will be the main focus areas during the audit.

Your business risks and accounting issues	Our audit response
The risk of management override of internal controls	
There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.	Our audit response to this risk includes: testing the appropriateness of selected journal entries; reviewing accounting estimates for indications of bias; evaluating any unusual or one-off transactions, including those with related parties; and perform an unpredictable procedure.
Fair value of property, plant and equipment	
PBE IPSAS 17 Property, Plant and Equipment requires that the revaluation of assets accounted for using the revaluation model be conducted with sufficient regularity to ensure that the carrying amounts of qualifying assets do not differ materially from the fair value at the balance date. The City Council periodically revalues its land, buildings, infrastructural assets, and library collections. The last full revaluation was as at 30 June 2019. 2020 is a non-revaluation year. For efficiency purposes, we recommend the City Council engages an independent valuer to carry out an assessment of whether there is any significant difference between the carrying amount and fair value of revalued property, plant and equipment assets. This assessment needs to include considerations for any impairment factors relating to the City Council's assets.	We will review the assumptions and managements judgement underlying the City Council's annual assessment performed, for reasonableness and compliance with the accounting standards. It is important that the City Council completes this assessment at an early stage, to avoid the risk of this becoming a significant issue at a late stage of the audit.

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Your business risks and accounting issues	Our audit response
Revaluation of investment property	
The City Council's asset base consists of a substantial level of investment property. Investment property is independently valued and stated at its fair value each balance date.	As part of our audit, we will: gain an understanding of the current status of the City Council's investment property portfolio; review the account treatment for each asset to ensure it is compliant with generally accepted accounting principles (GAAP); obtain and review the independent valuation reports to understand the methodology and assumptions used, in determining the value recognised in the financial statements. We will assess these measures to ensure the value is appropriate; and ensure that the disclosure included in the financial statements is appropriate.
Group consolidation	
The City Council has a complex group structure, which includes investments in subsidiaries, associates and joint ventures. Each year the Council must present the audited financial results of both the parent and the consolidated group. The group reporting involves the City Council applying the public benefit entity accounting framework, while several of the group entities apply the for-profit accounting framework. During our annual audits, we have identified inconsistencies within the accounting treatment of the group and recommended to the Council, that they complete a review of the group accounting policies to ensure there is consistency.	As part of our audit, we will: review the City Council's arrangements with other entities and assess whether the City Council has consolidated or equity accounted for all its relevant investments; review the consolidation workings to gain assurance that it is prepared in accordance with accounting standards including specifically, that there is full elimination of all inter-entity transactions and the treatment of the new accounting standards; check that the accounting policies and other financial information are prepared on a consistent basis across the group and appropriately disclosed; and consider audit risks in relation to significant components of the group, assess the responses from the significant components to those risks, and convey our findings in our report to the Council.
New accounting standards (the Council and group)	
There are a range of new 'public benefit entity' accounting standards that are effective for the	As part of our audit we will review the Council's assessment of the impact of the new suite of

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Your business risks and accounting issues	Our audit response
year ending 30 June 2020 and will need to be adopted by Council. There are also new 'for-profit' standards that apply to Council's group entities. The most relevant standards that could impact on Council, include: New consolidation and interests in other entity standards – PBE IPSAS 34 to 38. The consolidation standard (PBE IPSAS 35) has changed how an entity assesses whether it has 'control' of another entity and therefore consolidates this into its group financial statements. There is potential that previously separate entities may now be assessed as being controlled by Council and need to be consolidated into Council's group. Where the situation arises that a 'for-profit' subsidiary has made adjustments in adopting an applicable 'for-profit' accounting standard, for example NZ IFRS 16 *Leases,* Council will need to make adjustments on consolidation due to the 'Public Benefit' nature of the Council group. ***Audit risk*** Non-compliance with the requirements of the newly adopted accounting standards by the Council and/or group entities.	accounting standards and the conclusions reached regarding control of the related entities. We envisage that in making these assessments, Council will need to refer to the supporting documentation of the entities being assessed e.g. the constitution or Trust Deed. Depending on the outcome of the assessments performed, we will review the accounting treatment of any changes required to ensure that the standards have been appropriately applied in the 2020 financial statements. We will review any adjustments required to consolidate 'for profit' entities into the 'public benefit entity' group.
Hedge accounting	
The City Council uses interest rate swap arrangements (which qualify for hedge accounting) as a key risk management tool to manage its cost of finance. We use a specialist hedge accounting team member, who reviews the valuation and hedge accounting of interest rate swap derivatives.	As part of our audit, we will: perform a test of valuation and accounting for interest rate hedges; review the group's hedge accounting practices against the accounting standard, to ensure the current treatment is compliant; and follow up on the key issues raised in last year's report to the Council. This work will be performed and reviewed by members of our specialist hedge team.
Project management	
The City Council has several high value or high profile capital projects underway. As a result the Council needs to perform effective project	As part of our audit, we will: update our understanding of significant projects the City Council is currently undertaking;

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Your business risks and accounting issues	Our audit response
monitoring, and ensure the associated accounting treatments are appropriately applied.	review the accounting treatment applied to expenditure for compliance with relevant accountings standards and in line with the City Council's accounting policy; review for any changes in projects and ensure all associated costs in work in progress have been written off as appropriate; and consider the outcome of any independent reviews conducted on recently completed projects, to understand how governance arrangements have been updated following any lessons learned.
Procurement	
An effective procurement management system can reduce the risk of challenges to the procurement decision-making processes, retain credibility with suppliers, and may decrease the cost of procurement of goods and services. An effective contract management system can provide significant value to an entity throughout the lifecycles of the contracts procured.	We will: update our understanding of current procurement and contract management practices; and assess whether the City Council's procurement policies and processes are up to date and appropriate.
Rates	
Rates are the City Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge. The City Council should ensure it has appropriate processes in place, including seeking legal advice where appropriate, to ensure compliance of its rates and rating processes with legislation.	We will consider the City Council's compliance with aspects of the LGRA that materially impact on the financial statements. Principally this means a focus on the rates setting process – the consistency and completeness of the resolution and the Funding Impact Statement (FIS), and reviewing a sample of differentially set and/or targeted rates to assess whether the matters and factors used are consistent with the LGRA. Our review of compliance with legislation is for the purposes of expressing our audit opinion. It is not, and should not be seen, as a comprehensive legal review. This is beyond the scope of the audit, and our expertise as auditors. The City Council is responsible for ensuring that it complies with applicable laws and regulations.
Sensitive expenditure	
Sensitive expenditure is an area of significant public scrutiny.	As part of our audit, we will:

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Your business risks and accounting issues	Our audit response
In February 2007 the Auditor-General published: Controlling sensitive expenditure: Guidelines for public entities (the Sensitive Expenditure Guidelines). It is an expectation that the sensitive expenditure policies, of all public entities, cover the principles in these best practice guidelines. It is also expected that the policies are applied in practice. In our 2018 and 2019 Reports to the Council, we strongly recommended that the City Council: review and update its Sensitive Expenditure Policy; provide training on expectations regarding sensitive expenditure is provided to all relevant employees and Councillors; implement robust controls over the review and approval of sensitive expenditure; implement processes to ensure breaches of the policy are adequately addressed; and emphasise the importance of considering the appropriateness of expenditure and where considered appropriate, documenting why this is considered to be the case.	review any changes to the City Council's sensitive expenditure related policies or processes; perform sample testing to gain assurance over the City Council's compliance with its current policies and processes throughout the 2020 financial year; and follow up on the status of our previous recommendations made, and report any issues we find in this area.
Performance reporting	
Each year, we audit the performance information and report on whether it fairly reflects the achievements measured against the targets and other measures in the Council's Long-term plan (LTP). This year will be the second year of reporting against the Council's 2018-28 LTP. In November 2013, the Department of Internal Affairs announced the Non-financial Performance Measures Rules 2013. It requires the City Council to measure and report against a number of mandatory measures covering water supply, wastewater, stormwater drainage, flood protection and roading and footpath activities.	We will review the: reliability of systems; operation of controls (including policies, procedures and monitoring) where appropriate; appropriateness of the information reported; and presentation of the information. We will report our findings on the City Council's reporting against non-financial performance in our final management report to the Council.
Ethics and integrity	
Ensuring that the public sector is effective and, above all, trusted, requires transparency, honesty and accountability. For that reason, ethics and integrity is an area of interest for the Auditor-General.	We will assess whether: the City Council's control environment promotes transparency and ethical behaviour;

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Your business risks and accounting issues	Our audit response
	Members of the City Council provide clear and consistent communication about expected behaviours; and the City Council has controls and processes in place to mitigate the risks of unethical behaviour.
The risk of management override of internal controls	
There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.	Our audit response to this risk includes: testing the appropriateness of selected journal entries; reviewing accounting estimates for indications of bias; evaluating any unusual or one-off transactions, including those with related parties; and performing an unpredictable procedure.

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

Fraud risk

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

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

What role does the council play in relation to fraud? How do you monitor management's exercise of its responsibilities?

Has a robust fraud risk assessment been completed? If so, is the council satisfied that it had appropriate input into this process?

How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?

What protocols/procedures have been established between the council and management to keep you informed of instances of fraud, either actual, suspected, or alleged?

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Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to council? Has appropriate action been taken on any lessons learned?

Our responsibility

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

identify fraud risk factors and evaluate areas of potential risk of material misstatement;

evaluate the effectiveness of internal controls in mitigating the risks;

perform substantive audit procedures; and

remain alert for indications of potential fraud in evaluating audit evidence.

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

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Group audit

The group comprises:

- Invercargill City Council
- Invercargill City Holdings Limited and Group
- Invercargill Venue and Events Management Limited
- Invercargill City Charitable Trust
- Invercargill Community Recreation and Sport Trust
- Southland Regional Heritage Committee
- Invercargill Community Recreation and Sports Trust
- Southland Regional Development Agency Limited; and
- Venture Southland

WasteNet Southland

Emergency Management Southland

Our auditor's report covers the group as a whole. Our audit approach is developed to ensure we have sufficient information to give an opinion on the group. In designing our group audit approach, we considered the structure of the group and identified the entities which are included in the group financial statements. Each entity is referred to as a component. We have assessed the risks of material misstatement and have identified our approach for each component. The table below shows the work planned for each significant component.

[illegible]	[illegible]
Invercargill City Holdings Limited and Group	**This will be audited by the same Appointed Auditor using the Audit New Zealand audit team.** **A separate Invercargill City Holdings Limited group audit plan is issued to the Board of Invercargill City Holdings Limited outlining the key audit and accounting issues.** **There are no additional specific audit risks at a City Council group level to bring to your attention at this stage.** **The audit work on this component will be a full financial statement and performance report audit.**

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Invercargill City Charitable Trust	**This will be audited by the same Appointed Auditor using the Audit New Zealand audit team.** **A separate Invercargill City Charitable Trust audit plan is issued to the Board of Invercargill City Charitable Trust outlining the key audit and accounting issues.** **There are no additional specific audit risks at a Council group level to bring to your attention at this stage.** **The audit work on this component will be a full financial statement and performance report audit.**

For non-significant components, we will perform analytical procedures at the group level to identify unexpected movements.

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

group-wide internal control; or

internal controls at each component.

We will also communicate any fraud identified by the group engagement team or brought to our attention by the component auditor.

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Our audit process

Initial planning

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

Understand your business and environment

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

Assess audit risk

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

Evaluate internal controls

We update our understanding of internal controls relevant to the audit. This includes reviewing the control environment, risk assessment process, and relevant aspects of information systems controls. Most of this work is done during the initial audit visits. We evaluate internal controls relevant to the audit for the whole financial year, so we consider internal controls relevant to the audit at all visits.

Finalise the audit approach

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

Gather audit evidence

During the final audit we audit the balances, disclosures, and other information included in the council's financial statements and performance information.

Conclude and report

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

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Materiality

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

influence readers' overall understanding of the financial statements and performance information; and

influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

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

Accounting standards also require the council and management to consider materiality in preparing the financial statements. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer's perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities.

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

Misstatements

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

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

Professional judgement and professional scepticism

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

The term "opinion" reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

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

How we consider compliance with laws and regulations

As part of the Auditor-General's mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

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

Wider public sector considerations

A public sector audit also examines whether:

the Council carries out its activities effectively and efficiently;

waste is occurring or likely to occur as a result of any act or failure to act by the Council;

there is any sign or appearance of a lack of probity as a result of any act or omission by the Council or by one or more of its members, office holders, or employees; and

there is any sign or appearance of a lack of financial prudence as a result of any act or omission by the Council or by one or more of its members, office holders, or employees.

DRAFT

Reporting protocols

Communication with management and the Council

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

Reports to Council

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

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

DRAFT

Audit logistics

Our team

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

Our senior audit team members are:

Andrew Burns	Appointed Auditor
Chantelle Gernetzky	Engagement Quality Review Director
Jenna Hills	Audit Manager

The Engagement Quality Review (EQR) Director forms an important part of our internal quality assurance process to maintain and enhance the quality of your audit. The EQCR Director is an experienced Audit Director who has sufficient and appropriate experience to objectively evaluate the judgements made by the audit team. They are independent from the day to day audit field work, and so can provide an independent challenge to the audit team on their judgements. The EQCR will work with your Appointed Auditor and the audit team, but will not have direct contact with you.

Timetable

Our proposed timetable is:

Interim audit begins	4 May 2020
Draft report to Council issued	5 June 2020
Draft annual report available for audit	21 September 2020
Final audit begins	28 September 2020
Verbal audit clearance given	26 October 2020
Audit opinion issued	30 October 2020
Draft report to issued	30 October 2020

DRAFT

Expectations

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

Our respective responsibilities are set out in our audit engagement letter.

We expect that:

you will provide us with access to all relevant records and provide information in a timely manner;

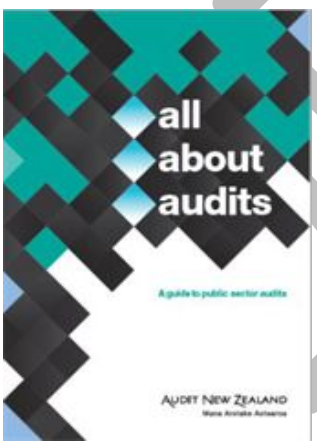
staff will provide an appropriate level of assistance;

the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;

management will make available a detailed workpaper file supporting the information in the financial statements; and

the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit. We have also published information to help explain the audit process:



DRAFT

Health and safety

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 management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required. We also expect management to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

DRAFT

TO: **RISK AND ASSURANCE COMMITTEE**

FROM: **DAVE FOSTER – INTERIM GROUP MANAGER FINANCE**

MEETING DATE: **FRIDAY 20 MARCH 2020**

AUDIT ENGAGEMENT LETTER

SUMMARY

As part of an Annual Report preparation the Auditor forwards and Audit Engagement letter to the Client. The Arrangements letter outlines the Council responsibilities and the responsibilities of the Auditor. The letter is addressed to the Mayor, who is expected to sign it and return it to the Auditor.

RECOMMENDATIONS

THAT the Risk and assurance committee advise the Mayor that there are no issues identified by the committee and recommend that he signs the letter and sends it to the Auditor.

IMPLICATIONS

1.	*Has this been provided for in the Long Term Plan/Annual Plan?* Not applicable
2.	*Is a budget amendment required?* *No*
3.	*Is this matter significant in terms of Council's Policy on Significance?* No
4.	*Implications in terms of other Council Strategic Documents or Council Policy?* Not applicable
5.	*Have the views of affected or interested persons been obtained and is any further public consultation required?* Not applicable
6.	*Has the Child, Youth and Family Friendly Policy been considered?* Not applicable

INTRODUCTION

The Audit engagement letter is a standard part of an Audit engagement. It is a part of the Auditors professional standards. The letter outlines the responsibilities of the Council, and the responsibilities of the Auditor.

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Officers have not identified any issues we wish to highlight for the Committee. The letter needs to be signed by the Mayor and returned to the Auditor. Mr Andy Burns, Audit Director will be in attendance at the meeting to speak to any questions the Committee may have.

The Audit Engagement letter is attached at Appendix 1

A2952650

A2952650

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

13 March 2020

Level 1, 399 Moray Place
PO Box 232, Dunedin 9054

Sir Tim Shadbolt
Invercargill City Council
Private Bag 90104
Invercargill 9840

Dear Sir Tim Shadbolt

Audit Engagement Letter

This Audit Engagement Letter is sent to you on behalf of the Auditor-General who is the auditor of all "public entities", including the Invercargill City Council (the council) and group, under section 14 of the Public Audit Act 2001 (the Act). The group comprises:

- Invercargill City Holdings Limited Group
- Invercargill City Charitable Trust
- Southland Regional Development Agency Limited
- Invercargill Community Recreation and Sports Trust
- Invercargill Venue and Events Management Limited
- Southland Regional Heritage Committee
- Venture Southland
- WasteNet Southland
- Emergency Management Southland

The Auditor-General has appointed me, Andy Burns, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audits of the council and group's financial statements and performance information. We will be carrying out these annual audits on the Auditor-General's behalf, for the years ending 30 June 2020 to 30 June 2022

This letter outlines:

- the terms of the audit engagement and the nature, and limitations, of the annual audit; and
- the respective responsibilities of the governing body (the council) and me, as the Appointed Auditor, for the financial statements and performance information.

The objectives of the annual audit are:

- to provide an independent opinion on the council and group's financial statements and performance information; and
- to report on other matters that come to our attention as part of the annual audit (typically those matters will relate to issues of financial management and accountability).

We will carry out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board (collectively the Auditing Standards). The Auditing Standards require that we comply with ethical requirements, and plan and perform the annual audit to obtain reasonable assurance about whether the Invercargill City Council's financial statements and performance information are free from material misstatement. The Auditing Standards also require that we remain alert to issues of concern to the Auditor-General. Such issues tend to relate to matters of financial management and accountability.

The council's responsibilities

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

- preparing the financial statements and performance information in accordance with any applicable legal requirements and financial reporting standards;
- having such internal control as determined necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error; and
- providing us with:
    - access to all information relevant to preparing the financial statements and performance information such as records, documentation, and other information;
    - all other information, in addition to the financial statements and performance information, to be included in the annual report;
    - additional information that we may request from the council and group for the purpose of the audit;
    - unrestricted access to council members and employees that we consider necessary; and
    - written confirmation concerning representations made to us in connection with the audit.

In addition, the council is responsible for:

- the preparation of the summary financial statements and summary performance information;

- making the audited summary financial statements and summary performance information readily available to the intended users of that information; and
- including our audit report on the summary financial statements and summary performance information in any document that contains that information and that indicates that we have reported on that information.

The council's responsibilities extend to all resources, activities, and entities under its control. We expect that the council will ensure:

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

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

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

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

Our responsibilities

Carrying out the audit

We are responsible for forming an independent opinion on whether the financial statements of the council and group:

- present fairly, in all material respects:
    - its financial position; and
    - its financial performance and cash flows for the financial year;

- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.

We are also responsible for forming an independent opinion on whether the performance information of the council and group:

- presents fairly, in all material respects, the performance for the financial year, including:
    - its performance achievements as compared with the intended levels of service for the financial year; and
    - its actual revenue and expenses as compared with the forecasts included in the Long-term plan and annual plan for the financial year; and
- complies with generally accepted accounting practice in New Zealand.

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

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

During the audit, we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council and group's internal controls. However, we will communicate to you in writing about any significant deficiencies in internal control relevant to the audit of the financial statements and performance information that we identify during the audit.

During the audit, the audit team will:

- be alert for issues of effectiveness and efficiency – in particular, how the council and the council and group have carried out their activities;
- consider laws and regulations relevant to the audit;
- be alert for issues of waste – in particular, whether the council obtained and applied the resources of the council and group in an economical manner, and whether any resources are being wasted;
- be alert for issues of a lack of probity – in particular, whether the council and the council and group have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector; and

- be alert for issues of a lack of financial prudence.

Our independence

It is essential that the audit team and Audit New Zealand remain both economically and attitudinally independent of the council and group; including being independent of management personnel and members of the council). This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with the objectivity of the audit team and the Audit New Zealand.

To protect our independence, specific limitations are placed on us in accepting engagements with the council other than the annual audit. We may accept certain types of other engagements, subject to the requirements of the Auditing Standards. Any other engagements must be the subject of a separate written arrangement between the council and me or Audit New Zealand.

Reporting

We will issue an independent audit report that will be attached to the financial statements and performance information. This report contains our opinion on the fair presentation of the financial statements and performance information and whether they comply with the applicable reporting requirements. The audit report may also include comment on other financial management and accountability matters that we consider may be of interest to the addressee of the audit report.

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

We will also issue a management letter that will be sent to the council. This letter communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the council. Typically, those matters will relate to issues of financial management and accountability. We may also provide other management letters to the council and group from time to time. We will inform the council of any other management letters we have issued.

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

Next steps

Please acknowledge receipt of this letter and the terms of the audit engagement by signing the letter in the space provided and returning a copy to me. The terms will remain effective until a new Audit Engagement Letter is issued.

If you have any questions about the audit generally, or have any concerns about the quality of the audit, you should contact me as soon as possible. If, after contacting me, you still have concerns, you should contact the Director of Auditor Appointments at the Office of the Auditor-General on (04) 917 1500.

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

Yours sincerely

Andy Burns
Appointed Auditor
On behalf of the Auditor-General

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

Signed _____ Date _____

Sir Tim Shadbolt
Mayor

Appendix 1: Respective specific responsibilities of the council (the governing body) and the Appointed Auditor

Responsibilities of the council	Responsibility of the Appointed Auditor
Responsibilities for the financial statements and performance information	

You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards.
 	
You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.
 	
You are required by legislation to prepare the financial statements and performance information and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, we are dependent on receiving the financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.
	We are responsible for carrying out an annual audit, on behalf of the Auditor-General. We are responsible for forming an independent opinion on whether the financial statements:
	
	• present fairly, in all material respects:
	  ○ the financial position; and
	  ○ the financial performance and cash flows for the financial year;
	• comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.
	
	We are also responsible for forming an independent opinion on whether the performance information:
	
	• presents fairly, in all material respects, the performance for the financial year, including:
	  ○ the performance achievements as compared with the intended levels of service for the financial year; and
	  ○ the actual revenue and expenses as compared with the forecasts included in the Long-Term Plan and Annual Plan for the financial year.
	• complies with generally accepted accounting practice in New Zealand.
	
	We will also read the other information accompanying the financial statements and performance information and consider whether there are material inconsistencies with the audited financial statements and performance information.

Responsibilities of the council	Responsibility of the Appointed Auditor
	Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence the audit report addressee's overall understanding of the financial statements and performance information. If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion. An audit also involves evaluating: • the appropriateness of accounting policies used and whether they have been consistently applied; • the reasonableness of the significant accounting estimates and judgements made by those charged with governance; • the appropriateness of the content and measures in any performance information; • the adequacy of the disclosures in the financial statements and performance information; and • the overall presentation of the financial statements and performance information. We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that: • the adoption of the going concern basis of accounting is appropriate; • all material transactions have been recorded and are reflected in the financial statements and performance information;

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

Responsibilities of the council	Responsibility of the Appointed Auditor
Responsibilities for accounting and internal control systems	
You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of The council and group), supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of financial and performance information reporting.	The annual audit is not designed to identify all significant weaknesses in your accounting and internal control systems. We will review the accounting and internal control systems only to the extent required to express an opinion on the financial statements and performance information. We will report to you separately, on any significant weaknesses in the accounting and internal control systems that come to our notice and that we consider may be relevant to you. Any such report will provide constructive recommendations to assist you to address those weaknesses.
Responsibilities for preventing and detecting fraud and error	
The responsibility for the prevention and detection of fraud and error rests with you, through the implementation and continued operation of adequate internal control systems (appropriate to the size of The council and group) supported by written policies and procedures. We expect you to formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with. Fraud also includes bribery and corruption. We expect you to consider reporting all instances of actual, suspected, or alleged fraud to the appropriate law enforcement agency, which will decide whether proceedings for a criminal offence should be instituted. We expect you to immediately inform us of any suspected fraud where you, and/or any individuals within The council and group with delegated authority have a reasonable basis that suspected fraud has occurred – regardless of the amount involved.	We design our audit to obtain reasonable, but not absolute, assurance of detecting fraud or error that would have a material effect on the financial statements and performance information. We will review the accounting and internal control systems only to the extent required for them to express an opinion on the financial statements and performance information, but we will: • obtain an understanding of internal control and assess its ability for preventing and detecting material fraud and error; and • report to you any significant weaknesses in internal control that come to our notice. We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected, or alleged fraud. As part of the audit, you will be asked for written confirmation that you have disclosed all known instances of actual, suspected, or alleged fraud to us. If we become aware of the possible existence of fraud, whether through applying audit procedures, advice from you, or management, or by any other means, we will communicate this to you with the expectation that you will consider whether it is appropriate to report the fraud to the appropriate law enforcement agency. In the event that you do not report the fraud to the appropriate law enforcement agency, the Auditor-General will consider doing so, if it is appropriate for the purposes of protecting the interests of the public.

Responsibilities of the council	Responsibility of the Appointed Auditor
Responsibilities for compliance with laws and regulations	
You are responsible for ensuring that The council and group has systems, policies, and procedures (appropriate to the size of The council and group) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of The council and group are complied with. Such systems, policies, and procedures should be documented.	We will obtain an understanding of the systems, policies, and procedures put in place for the purpose of ensuring compliance with those legislative and regulatory requirements that are relevant to the audit. Our consideration of specific laws and regulations will depend on a number of factors, including: • the relevance of the law or regulation to the audit; • our assessment of the risk of non-compliance; • the impact of non-compliance for the addressee of the audit report The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance. We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws and regulations.
You should at all times take all practicable steps to ensure that your members and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a “Code of Conduct” and, where applicable, support the “Code of Conduct” with policies and procedures. The expected standards of conduct and personal integrity should be determined by reference to accepted “Codes of Conduct” that apply to the public sector.	We will have regard to whether you maintain high standards of conduct and personal integrity – particularly in matters relating to financial management and accountability. Specifically, we will be alert for significant instances where members and employees of the council and group may not have acted in accordance with the standards of conduct and personal integrity expected of them. The way in which we will report instances that come to our attention will depend on significance. We will report to you and to the Auditor-General all significant departures from expected standards of conduct and personal integrity that come to our attention during the audit.

Responsibilities of the council	Responsibility of the Appointed Auditor
	The Auditor-General, on receiving a report from us, may, at his discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.
Responsibilities for conflicts of interest and related parties	
You should have policies and procedures to ensure that your members and employees carry out their duties free from bias. You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.	To help determine whether your members and employees have carried out their duties free from bias, we will review information provided by you that identifies related parties, and will be alert for other material related-party transactions. Depending on the circumstances, we may enquire whether you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.
Responsibilities for publishing the audited financial statements on a website	
You are responsible for the electronic presentation of the financial statements and performance information on The council and group's website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented. If the audit report is reproduced in any medium, you should present the complete financial statements, including notes, accounting policies, and any other accountability statements.	Examining the controls over the electronic presentation of audited financial statements and performance information, and the associated audit report, on your website is beyond the scope of the annual audit.

Appendix 2: 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.