Audit and Risk Management Committee

AGENDA

Notice of Meeting:
An ordinary meeting of the Audit and Risk Management Committee will be held on:

Date: Wednesday 23 August 2017
Time: 8.30am
Venue: Committee Room 1, Level 2, Civic Offices,
53 Hereford Street, Christchurch

Membership
Chair Ms Sue Sheldon
Deputy Chair Councillor Raf Manji
Members
Councillor Vicki Buck
Councillor Phil Clearwater
Councillor Pauline Cotter
Mayor Lianne Dalziel
Councillor David East
Deputy Mayor Andrew Turner
Mr Mark Russell
Mr Michael Rondel

18 August 2017

Principal Advisor
Carol Bellette
General Manager Finance and
Commercial

Margaret Henderson
Committee Advisor
941 8185
margaret.henderson@ccc.govt.nz
www.ccc.govt.nz

Note: The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted. If you require further information relating to any reports, please contact the person named on the report.

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AUDIT AND RISK MANAGEMENT COMMITTEE - TERMS OF REFERENCE

<table>
<thead>
<tr>
<th>Chair</th>
<th>Sue Sheldon (Independent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deputy Chair</td>
<td>Councillor Manji as the Chair of the Finance and Performance Committee</td>
</tr>
</tbody>
</table>
| Membership             | Mayor Dalziel and Deputy Mayor Turner  
                        The Chair of the following committees:  
                        • Innovation and Sustainable Development Committee  
                        • Social and Community Development Committee  
                        • Infrastructure, Transport and Environment Committee  
                        • Regulatory Performance Committee  
                        2 External Members |
| Quorum                 | Half of the members if the number of members (including vacancies) is even, or a majority of members if the number of members (including vacancies) is odd. |
| Meeting Cycle          | To be separately considered |
| Reports To             | Council |

**Purpose**

To assist the Council to discharge its responsibility to exercise due care, diligence and skill in relation to the oversight of:

- the robustness of the internal control framework;
- the integrity and appropriateness of external reporting, and accountability arrangements within the organisation for these functions;
- the robustness of risk management systems, process and practices;
- internal and external audit;
- accounting policy and practice;
- compliance with applicable laws, regulations, standards and best practice guidelines for public entities; and
- the establishment and maintenance of controls to safeguard the Council’s financial and non-financial assets.

The foundations on which this Committee operates, and as reflected in this Terms of Reference, includes: independence; clarity of purpose; competence; open and effective relationships and no surprises approach.

**Procedure**

In order to give effect to its advice the Committee should make recommendations to the Council and to Management.

The Committee should meet the internal and the external auditors without Management present as a standing agenda item at each meeting where external reporting is approved, and at other meetings if requested by any of the parties.
The external auditors, the internal audit manager and the co-sourced internal audit firm should meet outside of formal meetings as appropriate with the Committee Chair.

The Committee Chair will meet with relevant members of Management before each Committee meeting and at other times as required.

Responsibilities

Internal Control Framework

- Consider the adequacy and effectiveness of internal controls and the internal control framework including overseeing privacy and cyber security.
- Enquire as to the steps management has taken to embed a culture that is committed to probity and ethical behaviour.
- Review the processes or systems in place to capture and effectively investigate fraud or material litigation should it be required.
- Seek confirmation annually and as necessary from internal and external auditors, attending Councillors, and management, regarding the completeness, quality and appropriateness of financial and operational information that is provided to the Council.

Risk Management

- Review and consider Management’s risk management framework in line with Council’s risk appetite, which includes policies and procedures to effectively identify, treat and monitor significant risks, and regular reporting to the Council.
- Assist the Council to determine its appetite for risk.
- Review the principal risks that are determined by Council and Management, and consider whether appropriate action is being taken by management to treat Council’s significant risks. Assess the effectiveness of, and monitor compliance with, the risk management framework.
- Consider emerging significant risks and report these to Council where appropriate.

Internal Audit

- Review and approve the annual internal audit plan, such plan to be based on the Council’s risk framework. Monitor performance against the plan at each regular quarterly meeting.
- Monitor all internal audit reports and the adequacy of management’s response to internal audit recommendations.
- Review six monthly fraud reporting and confirm fraud issues are disclosed to the external auditor.
- Provide a functional reporting line for internal audit and ensure objectivity of internal audit.
- Oversee and monitor the performance and independence of internal auditors, both internal and co-sourced. Review the range of services provided by the co-sourced partner and make recommendations to Council regarding the conduct of the internal audit function.
- Monitor compliance with the delegations policy.

External Reporting and Accountability
Consider the appropriateness of the Council’s existing accounting policies and practices and approve any changes as appropriate.

- Contribute to improve the quality, credibility and objectivity of the accounting processes, including financial reporting.
- Consider and review the draft annual financial statements and any other financial reports that are to be publicly released, make recommendations to Management.
- Consider the underlying quality of the external financial reporting, changes in accounting policy and practice, any significant accounting estimates and judgements, accounting implications of new and significant transactions, management practices and any significant disagreements between Management and the external auditors, the propriety of any related party transactions and compliance with applicable New Zealand and international accounting standards and legislative requirements.
- Consider whether the external reporting is consistent with Committee members’ information and knowledge and whether it is adequate for stakeholder needs.
- Recommend to Council the adoption of the Financial Statements and Reports and the Statement of Service Performance and the signing of the Letter of Representation to the Auditors by the Mayor and the Chief Executive.
- Enquire of external auditors for any information that affects the quality and clarity of the Council’s financial statements, and assess whether appropriate action has been taken by management.
- Request visibility of appropriate management signoff on the financial reporting and on the adequacy of the systems of internal control; including certification from the Chief Executive, the Chief Financial Officer and the General Manager Corporate Services that risk management and internal control systems are operating effectively;
- Consider and review the Long Term and Annual Plans before adoption by the Council. Apply similar levels of enquiry, consideration, review and management sign off as are required above for external financial reporting.
- Review and consider the Summary Financial Statements for consistency with the Annual Report.

External Audit

- Annually review the independence and confirm the terms of the audit engagement with the external auditor appointed by the Office of the Auditor General. Including the adequacy of the nature and scope of the audit, and the timetable and fees.
- Review all external audit reporting, discuss with the auditors and review action to be taken by management on significant issues and recommendations and report to Council as appropriate.
- The external audit reporting should describe: Council’s internal control procedures relating to external financial reporting, findings from the most recent external audit and any steps taken to deal with such findings, all relationships between the Council and the external auditor, Critical accounting policies used by Council, alternative treatments of financial information within Generally Accepted Accounting Practice that have been discussed with Management, the ramifications of these treatments and the treatment preferred by the external auditor.
- Ensure that the lead audit engagement and concurring audit directors are rotated in accordance with best practice and NZ Auditing Standards.

Compliance with Legislation, Standards and Best Practice Guidelines
Review the effectiveness of the system for monitoring the Council’s compliance with laws (including governance legislation, regulations and associated government policies), with Council’s own standards, and Best Practice Guidelines.

Appointment of Independent Members

- Identify skills required for Independent Members of the Audit and Risk Management Committee. Appointment panels will include the Mayor or Deputy Mayor, Chair of Finance & Performance Committee and Chair of Audit & Risk Management Committee. Council approval is required for all Independent Member appointments.

- The term of the Independent members should be for three years. (It is recommended that the term for independent members begins on 1 April following the Triennial elections and ends 31 March three years later. Note the term being from April to March provides continuity for the committee over the initial months of a new Council.)

- Independent members are eligible for re-appointment to a maximum of two terms. By exception the Council may approve a third term to ensure continuity of knowledge.

**Long Term Plan Activities**

Consider and review the Long Term and Annual Plans before adoption by the Council. Apply similar levels of enquiry, consideration, review and management sign off as are required above for external financial reporting.
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1. **Apologies**
   At the close of the agenda no apologies had been received.

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

3. **Confirmation of Previous Minutes**
   That the minutes of the Audit and Risk Management Committee meeting held on [Friday, 12 May 2017](#) be confirmed (refer page 8).

4. **Deputations by Appointment**
   There were no deputations by appointment at the time the agenda was prepared.

5. **Presentation of Petitions**
   There were no petitions received at the time the agenda was prepared.
Audit and Risk Management Committee
OPEN MINUTES

Date:                  Friday 12 May 2017
Time:                  1pm
Venue:                 Committee Room 1, Level 2, Civic Offices,
                        53 Hereford Street, Christchurch

Present
Chair                 Ms Sue Sheldon
Deputy Chair          Councillor Raf Manji
Members               Mayor Lianne Dalziel
                      Deputy Mayor Andrew Turner
                      Councillor Vicki Buck
                      Councillor Phil Clearwater
                      Councillor Pauline Cotter
                      Councillor David East
                      Mr Mark Russell
                      Mr Michael Rondel

8 May 2017
Principal Advisor
Carol Bellette
General Manager Finance and
Commercial

Margaret Henderson
Committee Advisor
941 8185
margaret.henderson@ccc.govt.nz
www.ccc.govt.nz

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www.ccc.govt.nz/Council/meetingminutes/agendas/index
The agenda was dealt with in the following order.

1. **Apologies**
   - Part C
   - Committee Resolved ARCM/2017/00020
     
     It was resolved on the motion of Councillor Cotter, seconded by Deputy Mayor Turner that the apologies for lateness from Mayor Dalziel and Councillor Buck, be accepted.
     
     Councillor Cotter/Deputy Mayor

2. **Declarations of Interest**
   - Part B
   - There were no declarations of interest recorded.

3. **Confirmation of Previous Minutes**
   - Part C
   - Committee Resolved ARCM/2017/00021
     
     Committee Decision
     
     That the minutes of the Audit and Risk Management Committee meeting held on Monday, 20 February 2017, be confirmed.
     
     Deputy Chair Manji/Deputy Mayor

4. **Deputations by Appointment**
   - Part B
   - There were no deputations by appointment.

5. **Presentation of Petitions**
   - Part B
   - There was no presentation of petitions.

Councillor East joined the meeting at 1.07pm.
Councillor Buck joined the meeting at 1.08pm.
6. Audit New Zealand - Audit Engagement and Arrangement Letters 2017

Staff Recommendations

That the Audit and Risk Management Committee consider the audit engagement and arrangement letters provided by Audit New Zealand.

That after consideration of the audit engagement and arrangement letters the Audit and Risk Management Committee recommend to Council that it:

1. Approve the content of the draft audit engagement letter received from Audit New Zealand.
2. Approve the content of the draft audit arrangements letter received from Audit New Zealand with the exception of the audit fee as that is yet to be advised.
3. Recommend that the Mayor sign the final audit engagement letter once received from Audit New Zealand.
4. Note that as the Council is yet to be advised of the final audit fee, the signing the final audit arrangements letter is deferred until the audit fee is received and considered.

Committee Decided ARCM/2017/00022

Part A

That the Council:

1. Approve the content of the draft audit engagement letter received from Audit New Zealand.
2. Approve the content of the draft audit arrangements letter received from Audit New Zealand with amended wording with respect to the audit fee that is yet to be advised.
3. Recommend that the Mayor sign the final audit engagement letter and the amended Audit Arrangements letter once received from Audit New Zealand.
4. Note that the final audit fee proposal will be received subsequently.

Deputy Chair Manji/Councillor Cotter Carried

Through the Chair, the Committee expressed its thanks to Julian Tan of Audit New Zealand for all the work he has done for the Christchurch City Council including leading the audit over the last five years.

Mayor Dalziel joined the meeting at 1.21pm.

7 Resolution to Exclude the Public

Committee Resolved ARCM/2017/00023

Part C

That at 1.24pm the resolution to exclude the public set out on pages 40 to 42 of the agenda, be adopted.

AND
That Steve Wakefield, David Seath and Aloysius Tey of Deloitte and Kathy Dever-Todd, Consultant from Dever-Todd Advisory Services, remain after the public have been excluded for Item 11 of the public excluded agenda as they have knowledge that is relevant to that item and will assist the Committee.

Mr Rondel/Councillor Clearwater  
Carried

The public were re-admitted to the meeting at 3.36pm.

Meeting concluded at 3.36pm.

CONFIRMED THIS 23RD DAY OF AUGUST 2017

SUE SHELDON  
CHAIR
6. Audit New Zealand - Audit Proposal Letter

Reference: 17/827179
Contact: Patricia Christie Patricia.christie@ccc.govt.nz 941 8113

1. Purpose and Origin of Report

   Purpose of Report
   1.1 The purpose of this report is for the Audit and Risk Management Committee to confirm the audit proposal with Audit New Zealand for the three years beginning 30 June 2017.

   Origin of Report
   1.2 This report is staff generated in response to the receipt of the draft audit proposal letter (Attachment A) from Audit New Zealand.

2. Significance

   2.1 The decision(s) in this report is of low significance in relation to the Christchurch City Council’s Significance and Engagement Policy.

   2.1.1 The level of significance was determined by the impact of the issues raised in this report.

   2.1.2 The community engagement and consultation outlined in this report reflect the assessment.

3. Staff Recommendations

   That the Audit and Risk Management Committee recommend to Council that it:

   1. Approve the content of the draft audit proposal letter received from Audit New Zealand.

   2. Approve the Mayor signing the final audit proposal letter once received from Audit New Zealand.

4. Key Points

   4.1 The audit proposal letter is the third letter which underpins the annual audit engagement by Audit New Zealand. The other two letters; the engagement letter and audit arrangements letters were considered by the Committee at its last meeting. The audit proposal letter was not available at that time to allow all three to be considered together.

   4.2 The purpose of the audit proposal letter is to outline the audit fee for the Council for the next three audits and the number of hours that Audit New Zealand are budgeting to spend on the audit.

   4.3 The audit is expected to require 1,892 hours of staff time in 2017 reducing to 1,772 in 2018 and 2019. The 2017 hours are a 165 hour increase on those budgeted for the 2016 audit. The reasons for the increase are:

      • Additional time to audit the financial prudence disclosures and other Local Government Act disclosures as no provision was made for these in the previous proposal – 25 hours.

      • Review of the new revenue system implemented – 20 hours for 2017 only.

      • Additional time to audit the increased number of asset valuations – 120 hours reducing by 100 hours in 2018 with Council returning to a ‘normal’ valuation routine.

   1.2 These hours translate to the following audit fees:
Audit and Risk Management Committee  
23 August 2017

<table>
<thead>
<tr>
<th>Item No.: 6</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>2016 (Actual costs) $</td>
<td>2016 (As agreed) $</td>
<td>2017 $</td>
<td>2018 $</td>
<td>2019 $</td>
<td></td>
</tr>
<tr>
<td>Audit Fee (excluding disbursements and GST)</td>
<td>376,636</td>
<td>320,200</td>
<td>351,548</td>
<td>332,330</td>
<td>336,705</td>
</tr>
</tbody>
</table>

1.3 The fees above also include an estimate of staff salary movements and the Office of the Auditor General overhead charge.

1.4 The fee proposal provided has been reviewed by the Office of the Auditor General. Management have also compared the Council’s audit fee against other councils of similar size and the proposed level of fee is not inconsistent.

Attachments

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>2017 Audit New Zealand Audit Proposal Letter</td>
<td>15</td>
</tr>
</tbody>
</table>

Confirmation of Statutory Compliance

Compliance with Statutory Decision-making Requirements (ss 76 - 81 Local Government Act 2002).

(a) This report contains:
   (i) sufficient information about all reasonably practicable options identified and assessed in terms of their advantages and disadvantages; and
   (ii) adequate consideration of the views and preferences of affected and interested persons bearing in mind any proposed or previous community engagement.

(b) The information reflects the level of significance of the matters covered by the report, as determined in accordance with the Council’s significance and engagement policy.

Signatories

<table>
<thead>
<tr>
<th>Author</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Patricia Christie - Manager External Reporting and Governance</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Approved By</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Diane Brandish - Head of Financial Management</td>
<td></td>
</tr>
<tr>
<td>Carol Bellette - General Manager Finance and Commercial (CFO)</td>
<td></td>
</tr>
</tbody>
</table>
25 May 2017

Lianne Dalziel
Mayor
Christchurch City Council
PO Box 73015
Christchurch 8154

Copy: Murray Powell
Director Auditor Appointments
Office of the Auditor-General
PO Box 3928
Wellington
Ref: EN/LCA/4-0002

Dear Lianne

Proposal to conduct the audit of Christchurch City Council and subsidiaries on behalf of the Auditor-General for the 2017, 2018 and 2019 financial years

1 Introduction

The Auditor-General has appointed me, Andy Burns, to carry out the audit of Christchurch City Council (the City Council) for the next three years. As required by the Office of the Auditor-General (OAG), I set out below information relating to the audit for the three financial years ending 30 June 2017, 2018 and 2019. The purpose of this proposal is to provide information on:

- the statutory basis for the audit and how audit fees are set;
- the entities covered by this proposal;
- key members of the audit team;
- the hours we plan to spend on the audit and reasons for any change in hours;
- our proposed fees for the audit for the financial years ending 30 June 2016, 2017 and 2018 and reasons for any change;
- assumptions relating to the proposed audit fees, including what we expect of the City Council;
- what the OAG overhead charge provides;
- certification required by the Auditor-General; and
- our commitment to conduct the audit in accordance with the Auditor-General’s Auditing Standards.
2  **Statutory basis for the audit and how audit fees are set**

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

Fees for audits of public entities are set by the Auditor-General under section 42 of the Public Audit Act 2001. However, your Council and I have the opportunity to reach agreement first and recommend those fees for approval. The Auditor-General, with assistance from the OAG, will set audit fees directly only if we fail to reach agreement.

Our proposed audit fees are set out in this letter and include an estimate of the reasonable cost of disbursements (including travel and accommodation where necessary).

3  **Entities covered by this proposal**

This proposal covers the audits of the City Council and group’s annual audit only. All other subsidiaries of the City Council, such as Vbase and Christchurch City Holdings Limited are covered by their respective audit proposal letters.

We will issue a separate assurance engagement letter relating to an auditor’s report to the City Council’s bond trustees (the debenture trust deed assurance engagement).

4  **Key members of the audit team**

<table>
<thead>
<tr>
<th>Audit team member</th>
<th>2016 budget</th>
<th>2016 actual</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appointed Auditor</td>
<td>145</td>
<td>133</td>
<td>150</td>
<td>145</td>
<td>145</td>
</tr>
<tr>
<td>EQCR Director</td>
<td>15</td>
<td>12</td>
<td>18</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Audit Manager</td>
<td>205</td>
<td>196</td>
<td>220</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>Other CA qualified staff</td>
<td>600</td>
<td>704</td>
<td>620</td>
<td>575</td>
<td>575</td>
</tr>
<tr>
<td>Non CA qualified staff</td>
<td>630</td>
<td>1,055</td>
<td>730</td>
<td>710</td>
<td>710</td>
</tr>
<tr>
<td>Sector specialist support</td>
<td>22</td>
<td>21</td>
<td>19</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>Other specialists</td>
<td>0</td>
<td>20</td>
<td>30</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Information systems auditors</td>
<td>105</td>
<td>73</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Tax director</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total audit hours</strong></td>
<td><strong>1,727</strong></td>
<td><strong>2,219</strong></td>
<td><strong>1,892</strong></td>
<td><strong>1,772</strong></td>
<td><strong>1,772</strong></td>
</tr>
</tbody>
</table>
4.1 Reasons for changes in audit hours

The major reasons for the changes in hours for your organisation’s audit are:

<table>
<thead>
<tr>
<th>Reasons for increased or decreased audit hours compared to previous period budgeted hours:</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional auditing procedures to audit the financial prudence disclosures and other Local Government Act disclosures (no provision was made for these in the 2014-2016 proposal).</td>
<td>25</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Proposed hours to review new Council revenue systems implemented in 2017. This work covers the initial system documentation, identification of controls, walkthrough testing and any further testing if reliance is to be placed on controls.</td>
<td>20</td>
<td>(20)</td>
<td>0</td>
</tr>
<tr>
<td>Additional work to audit an increased number of asset valuations in 2017, including:</td>
<td>120</td>
<td>(100)</td>
<td>0</td>
</tr>
<tr>
<td>• Roading assets under a revised methodology.</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>• Stormwater assets, being revalued for the first time since the Canterbury earthquakes.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Water supply.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Wastewater.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Marine structures.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

We have estimated that the level of work required to audit the 2017 revaluations will incur the following hours at the staff grades below:

- Director – 5 hours.
- Manager – 20 hours.
- CA qualified staff – 65 hours.
- Asset specialist staff – 30 hours.

As Council will continue to revalue its asset classes in subsequent years, albeit on a more normal level of cyclical revaluations, we have not removed all of the additional 2017 hours from the 2018 budgeted hours. However, valuations in future years are not expected to require the level of hours and additional specialist staff that are required for Council’s infrastructure asset valuations.

Total increase (decrease) in audit hours | 165 | (120) | 0 |
5  Proposed audit fees

Our proposed fees for the next three audits (compared to budgeted and actual data from the previous financial year) are:

<table>
<thead>
<tr>
<th>Structure of audit fees</th>
<th>2016 budget $</th>
<th>2016 actual $</th>
<th>2017 $</th>
<th>2018 $</th>
<th>2019 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net audit fee (excluding OAG overhead and disbursements)</td>
<td>294,987</td>
<td>294,987</td>
<td>325,579</td>
<td>305,791</td>
<td>309,635</td>
</tr>
<tr>
<td>OAG overhead charge</td>
<td>25,213</td>
<td>25,213</td>
<td>25,969</td>
<td>26,539</td>
<td>27,070</td>
</tr>
<tr>
<td>Total audit fee (excluding disbursements)</td>
<td>320,200</td>
<td>320,200</td>
<td>351,548</td>
<td>332,330</td>
<td>336,705</td>
</tr>
<tr>
<td>Estimated disbursements</td>
<td>1,000</td>
<td>1,513</td>
<td>1,500</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Total billable audit fees and charges</td>
<td>321,200</td>
<td>321,713</td>
<td>353,048</td>
<td>333,330</td>
<td>337,705</td>
</tr>
<tr>
<td>GST</td>
<td>48,180</td>
<td>48,257</td>
<td>52,957</td>
<td>50,000</td>
<td>50,656</td>
</tr>
<tr>
<td>Total (including GST)</td>
<td>369,380</td>
<td>369,970</td>
<td>406,005</td>
<td>383,330</td>
<td>388,361</td>
</tr>
</tbody>
</table>

* Our actual audit costs before disbursements to complete the audit in 2016 was $376,636 (2,219 hours). In 2015 this was $455,658 (2,617 hours) and in 2014 $437,024 (2,439 hours).

The audit fees allow for the audit team to carry out specific tasks identified in the OAG Sector Brief and for the OAG overhead charge. We have also estimated the reasonable cost of disbursements (including travel and accommodation where necessary). Disbursement costs are indicative only and will be charged on an actual and reasonable basis.

The increase in disbursements in 2017 reflects the expected costs related to the use of our asset specialist assisting in our review of the 2017 asset revaluations.

5.1  Reasons for changes in audit fees

The main changes in cost components for future audits are:

<table>
<thead>
<tr>
<th>Reasons for increased or decreased audit fees compared to previous period budgeted fees.</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional auditing procedures to audit the financial prudence disclosures and other Local Government Act disclosures (no provision was made for these in the 2014-2016 proposal).</td>
<td>2,500</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
### Reasons for increased or decreased audit fees compared to previous period budgeted fees.

<table>
<thead>
<tr>
<th>Description</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional work to review an increased number of asset valuations in 2017. The estimated fee impact based on the hours outlined in section 4.1 above is $25,490. As asset revaluations will continue in 2018 (for example Land and Buildings is expected to be revalued), we have not removed the full amount of the additional 2017 costs.</td>
<td>25,490</td>
<td>(21,490)</td>
<td>0</td>
</tr>
<tr>
<td>Cost of the additional work to review new Council revenue systems implemented in 2017. This is a one-off in 2017 and the costs are removed in 2018.</td>
<td>2,000</td>
<td>(2,000)</td>
<td>0</td>
</tr>
<tr>
<td>Predicted staff salary cost movements.</td>
<td>1,358</td>
<td>4,272</td>
<td>4,375</td>
</tr>
<tr>
<td><strong>Total increase (decrease) in audit fees</strong></td>
<td>31,348</td>
<td>(19,218)</td>
<td>4,375</td>
</tr>
</tbody>
</table>

### 6 Assumptions relating to our audit fee

Our proposed audit fees are based on the following assumptions that:

- The Council will provide to us in a timely manner the complete information required by us to conduct the audit.

- The Council’s staff will provide us with an appropriate level of assistance.

- The Council’s annual report and financial statements (including Statements of Service Performance) will be subject to appropriate levels of quality review before being submitted to us for audit.

- The Council’s financial statements will include all relevant disclosures.

- We will review up to two sets of draft annual reports, one printer’s proof copy of the annual report, and one copy of the electronic version of the annual report (for publication on your website).

- There are no significant changes to the structure and/or scale of operations of the entities covered by this proposal (other than as already advised to us).

- There are no significant changes to mandatory accounting standards or the financial reporting framework that require additional work.

- There are no significant changes to mandatory auditing standards that require additional work other than items specifically identified in the tables above.

- There are no significant changes to the agreed audit arrangements (set out in an annual letter we will send you) that change the scope of, or disbursements related to, this audit.

If the scope and/or amount of work changes significantly, we will discuss the issues with the Council and the OAG at the time.
7 What the OAG overhead charge provides

Parliament has indicated that it expects the full cost of annual audits under the Public Audit Act (including an OAG overhead charge) to be funded by public entities.

The OAG overhead charge partially funds a range of work that supports auditors and entities, including:

- development and maintenance of auditing standards;
- technical support for auditors on specific accounting and auditing issues;
- ongoing auditor training on specific public sector issues;
- preparation of sector briefs to ensure a consistent approach to annual audits;
- development and maintenance of strategic audit plans; and
- carrying out quality assurance reviews of all auditors, and their audits and staff on a regular (generally, three-year) cycle.

Appointed Auditors are required to return the OAG overhead charge portion of the audit fee, to the OAG.

8 Certifications required by the Auditor-General

We certify that:

- the undertakings, methodology, and quality control procedures that we have declared to the OAG continue to apply;
- our professional indemnity insurance policy covers this engagement; and
- the audit will be conducted in accordance with the terms and conditions of engagement set out in the audit engagement agreement and schedules.

9 Conclusion

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

If you require any further information, please do not hesitate to contact me.
Please counter-sign this letter (below) to confirm that you, and the governing body of your organisation, agree with its contents. This letter will then form the basis for a recommendation to the Auditor-General on the audit fee that should be set. The schedules of audit hours and fees will also be incorporated into my audit engagement agreement with the Auditor-General to carry out the audit of your organisation as the agent of the Auditor-General.

Yours sincerely

[Signature]

Andy Burns
Director

I accept the audit fees for the audit of the [number of] financial years as stated above.

Full name: Lianne Dalziel
Position: Mayor

Authorised signature: ___________________________ Date: ___________________________

Entity name: Christchurch City Council

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

1. Make a copy of this signed proposal and keep it for your file.

2. Send the original to: Andy Burns
   Audit New Zealand
   PO Box 2
   Christchurch 8140
7. Resolution to Exclude the Public


I move that the public be excluded from the following parts of the proceedings of this meeting, namely items listed overleaf.

Reason for passing this resolution: good reason to withhold exists under section 7.
Specific grounds under section 48(1) for the passing of this resolution: Section 48(1)(a)

Note

Section 48(4) of the Local Government Official Information and Meetings Act 1987 provides as follows:

“(4) Every resolution to exclude the public shall be put at a time when the meeting is open to the public, and the text of that resolution (or copies thereof):

(a) Shall be available to any member of the public who is present; and
(b) Shall form part of the minutes of the local authority.”

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public are as follows:
<table>
<thead>
<tr>
<th>ITEM NO.</th>
<th>GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED</th>
<th>SECTION</th>
<th>SUBCLAUSE AND REASON UNDER THE ACT</th>
<th>PLAIN ENGLISH REASON</th>
<th>WHEN REPORTS CAN BE RELEASED</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>PUBLIC EXCLUDED AUDIT AND RISK MANAGEMENT COMMITTEE MINUTES - 12 MAY 2017</td>
<td>S7(2)(B)(II), S7(2)(H), S7(2)(I)</td>
<td>PREJUDICE COMMERCIAL POSITION, COMMERCIAL ACTIVITIES, CONDUCT NEGOTIATIONS</td>
<td>REFER TO THE PREVIOUS PUBLIC EXCLUDED REASON IN THE AGENDAS FOR THESE MEETINGS.</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>QUARTERLY PROCUREMENT REPORT - QUARTER 4 - 2016/17</td>
<td>S7(2)(C)(II), S7(2)(F)(II)</td>
<td>PREVENT DAMAGE TO THE PUBLIC INTEREST, PROTECTION FROM IMPROPER PRESSURE OR HARASSMENT</td>
<td>THE FOLLOWING INFORMATION MAY PREJUDICE THE COUNCIL'S COMMERCIAL POSITION.</td>
<td>AT THE EXPIRY OF THE AGREEMENT.</td>
</tr>
<tr>
<td>10</td>
<td>INTERNAL AUDIT STATUS REPORT</td>
<td>S7(2)(E), S7(2)(F)(II), S7(2)(J)</td>
<td>PREVENTION OF MATERIAL LOSS, PROTECTION FROM IMPROPER PRESSURE OR HARASSMENT, PREVENTION OF IMPROPER ADVANTAGE</td>
<td>PREVENT THE USE OF INTERNAL AUDIT FINDINGS BEING UTILISED FOR IMPROPER ADVANTAGE.</td>
<td>CONSIDERATION OF RELEASE WHEN REPORTED FINDINGS HAVE BEEN CLOSED.</td>
</tr>
<tr>
<td>11</td>
<td>RISK MANAGEMENT STATUS REPORT</td>
<td>S7(2)(C)(II), S7(2)(F)(II)</td>
<td>PREVENT DAMAGE TO THE PUBLIC INTEREST, PROTECTION FROM IMPROPER PRESSURE OR HARASSMENT</td>
<td>PREVENT THE IMPROPER USE AND MISINTERPRETATION OF INFORMATION.</td>
<td>CONSIDERATION OF RELEASE PENDING STATUS OF RISKS AND MANAGEMENT ACTIVITY.</td>
</tr>
<tr>
<td>12</td>
<td>THE CROSSING CAR PARK - REVIEW BY THE OFFICE OF THE AUDITOR-GENERAL</td>
<td>S7(2)(C)(I), S7(2)(H)</td>
<td>PROTECTION OF SOURCE OF INFORMATION, COMMERCIAL ACTIVITIES</td>
<td>TO ALLOW THE OFFICE OF THE AUDITOR-GENERAL TO HAVE ADVANCED NOTICE THAT THE LETTER ATTACHED TO THE REPORT WILL BE RELEASED TO THE PUBLIC.</td>
<td>10 DAYS FROM THE DATE THE LETTER IS SENT TO THE OFFICE OF THE AUDITOR-GENERAL</td>
</tr>
<tr>
<td>Item</td>
<td>Description</td>
<td>Section Code</td>
<td>Details</td>
<td></td>
<td></td>
</tr>
<tr>
<td>------</td>
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<td>--------------</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>AUDIT NEW ZEALAND - INTERIM MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2017</td>
<td>S7(2)(H), S7(2)(J)</td>
<td>COMMERCIAL ACTIVITIES, PREVENTION OF IMPROPER ADVANTAGE</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>THIS REPORT DISCUSSES AREAS OF THE COUNCIL’S INTERNAL CONTROL FRAMEWORK AND WORK THAT IS STILL TO OCCUR. PUBLIC KNOWLEDGE OF SOME ITEMS IN THIS REPORT COULD ALLOW CONTROL DEFICIENCIES TO BE EXPLOITED FOR IMPROPER ADVANTAGE.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>THE FINAL MANAGEMENT REPORT IS TYPICALLY TABLED IN A PUBLIC MEETING</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>ANNUAL REPORT 2017 - KEY ACCOUNTING DECISIONS AND ASSUMPTIONS</td>
<td>S7(2)(B)(II)</td>
<td>PREJUDICE COMMERCIAL POSITION</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>THE ANNUAL REPORT IS STILL DRAFT AND SUBJECT TO FINAL AUDIT SIGN OFF AND CHANGE BY MANAGEMENT.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>THE ANNUAL REPORT WILL BECOME PUBLIC AFTER THE AUDIT AND RISK COMMITTEE MEETING TO APPROVE THE ANNUAL REPORT FOR ADOPTION BY COUNCIL</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>