

Audit and Risk Management Committee AGENDA

Notice of Meeting:

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

Date: Tuesday 17 March 2020
Time: 1:30pm
Venue: Committee Room 1, Level 2, Civic Offices,
53 Hereford Street, Christchurch

Membership

Chairperson	Ms Kim Wallace
Deputy Chairperson	Councillor Sam MacDonald
Members	Mayor Lianne Dalziel Mr Mark Russell Mr Michael Rondel Councillor Pauline Cotter Deputy Mayor Andrew Turner

9 March 2020

Principal Advisor

Carol Bellette
General Manager Finance and Commercial

Mark Saunders
Committee and Hearings Advisor
941 6436
mark.saunders@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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Developing Resilience in the 21st Century

Strategic Framework



Whiria ngā whenu o ngā papa,
honoa ki te maurua tāuiki

Bind together the strands of each mat and join
together with the seams of respect and reciprocity

Ōtautahi–Christchurch is a city of opportunity for all

Open to new ideas, new people and new ways of doing things – a city where anything is possible

Principles

Being open,
transparent and
democratically
accountable

Promoting
equity, valuing
diversity and
fostering inclusion

Taking an inter-generational approach
to sustainable development,
prioritising the social, economic
and cultural wellbeing of
people and communities
and the quality of the
environment, now
and into the
future

Building on the
relationship with
Te Rūnanga o Ngāi Tahu
and the Te Hononga–Council
Papatipu Rūnanga partnership,
reflecting mutual understanding
and respect

Ensuring
the diversity
and interests of
our communities
across the city and the
district are reflected in
decision-making

Actively collaborating and
co-operating with other
local, regional
and national
organisations

Community Outcomes

Resilient communities

Strong sense of community
Active participation in civic life
Safe and healthy communities
Celebration of our identity
through arts, culture, heritage,
sport and recreation
Valuing the voices of all cultures
and ages (including children)

Liveable city

Vibrant and thriving city centre
Sustainable suburban and
rural centres
A well connected and accessible
city promoting active and
public transport
Sufficient supply of, and
access to, a range of housing
21st century garden city
we are proud to live in

Healthy environment

Healthy water bodies
High quality drinking water
Unique landscapes and
indigenous biodiversity are
valued and stewardship
exercised
Sustainable use of resources
and minimising waste

Prosperous economy

Great place for people, business
and investment
An inclusive, equitable economy
with broad-based prosperity
for all
A productive, adaptive and
resilient economic base
Modern and robust city
infrastructure and community
facilities

Strategic Priorities

Enabling active
and connected
communities
to own their future

Meeting the challenge
of climate change
through every means
available

Ensuring a high quality
drinking water supply
that is safe and
sustainable

Accelerating the
momentum
the city needs

Ensuring rates are
affordable and
sustainable

Ensuring we get core business done while delivering on our Strategic Priorities and achieving our Community Outcomes

Engagement with
the community and
partners

Strategies, Plans and
Partnerships

Long Term Plan
and Annual Plan

Our service delivery
approach

Monitoring and
reporting on our
progress

AUDIT AND RISK MANAGEMENT COMMITTEE - TERMS OF REFERENCE / NGĀ ĀRAHINA MAHINGA

Chair	Kim Wallace (Independent)
Deputy Chair	Councillor MacDonald
Membership	The Mayor Deputy Mayor Turner Councillor Cotter Two External Members: Mr Mark Russell Mr Michael Rondel
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	Quarterly and as required
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.
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- 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.
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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.

Audit and Risk Management Committee Forward Work Programme 2020

2020	Feb – Draft Annual Plan	Mar - Quarterly	Jun - Quarterly	Jun - Annual Plan	Sep – Quarterly Update	Sep - Annual Report	Dec – Quarterly Update
Quarterly Update Reports		<ul style="list-style-type: none"> • Risk Management • Internal Audit • Health, Safety & Wellbeing • Procurement 	<ul style="list-style-type: none"> • Risk Management • Internal Audit • Procurement 	<ul style="list-style-type: none"> • Health, Safety & Wellbeing 	<ul style="list-style-type: none"> • Risk Management • Internal Audit • Procurement 	<ul style="list-style-type: none"> • Health, Safety & Wellbeing 	<ul style="list-style-type: none"> • Risk Management • Internal Audit • Procurement
Other Reports		<ul style="list-style-type: none"> • Fraud six-month report 	<ul style="list-style-type: none"> • Internal Audit Plan 		<ul style="list-style-type: none"> • Fraud six-month report 		<ul style="list-style-type: none"> • Annual Review of Work Programme
Annual Report	<ul style="list-style-type: none"> • Management Letter from prior year's audit 	<ul style="list-style-type: none"> • External Audit Plan for current year • Critical judgments, estimates & assumptions for current year 	<ul style="list-style-type: none"> • Audit NZ Management Letter for current year interim audit 		<ul style="list-style-type: none"> • Update on critical judgments, estimates & assumptions 	<ul style="list-style-type: none"> • Financial Statements and Annual Report 	<ul style="list-style-type: none"> • Debenture trust audit report • Audit NZ Management Letter from prior year's audit
Annual Plan	<ul style="list-style-type: none"> • Draft Annual Plan 			<ul style="list-style-type: none"> • Annual Plan 			
Deep Dive Topic			<ul style="list-style-type: none"> • Risk focus TBC 				<ul style="list-style-type: none"> • Risk focus TBC

Part A	Matters Requiring a Council Decision
Part B	Reports for Information
Part C	Decisions Under Delegation

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1. Apologies / Ngā Whakapāha

At the close of the agenda no apologies had been received.

2. Declarations of Interest / Ngā Whakapuaki Aronga

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 / Te Whakaāe o te hui o mua

That the minutes of the Audit and Risk Management Committee meeting held on [Monday, 3 February 2020](#) be confirmed (refer page 11).

4. Public Forum / Te Huinga Whānui

A period of up to 30 minutes may be available for people to speak for up to five minutes on any issue that is not the subject of a separate hearings process.

5. Deputations by Appointment / Ngā Huinga Whakaritenga

There were no deputations by appointment at the time the agenda was prepared.

6. Petitions / Ngā Pākikitanga

There were no petitions received at the time the agenda was prepared.

Audit and Risk Management Committee OPEN MINUTES

Date: Monday 3 February 2020
Time: 2:01pm
Venue: Committee Room 1, Level 2, Civic Offices,
53 Hereford Street, Christchurch

Present

Chairperson	Ms Kim Wallace
Deputy Chairperson	Councillor Sam MacDonald
Members	Mayor Lianne Dalziel
	Mr Mark Russell
	Mr Michael Rondel
	Councillor Pauline Cotter
	Deputy Mayor Andrew Turner

3 February 2020

Principal Advisor

Carol Bellette
General Manager Finance and
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Part A	Matters Requiring a Council Decision
Part B	Reports for Information
Part C	Decisions Under Delegation

The agenda was dealt with in the following order.

1. Apologies / Ngā Whakapāha

Part C

There were no apologies.

2. Declarations of Interest / Ngā Whakapuaki Aronga

Part B

There were no declarations of interest recorded.

3. Confirmation of Previous Minutes / Te Whakaāe o te hui o mua

Part C

Committee Resolved ARCM/2020/00001

That the minutes of the Audit and Risk Management Committee meeting held on Wednesday, 27 November 2019 be confirmed.

Ms Wallace/Deputy Mayor

Carried

4. Public Forum / Te Huinga Whānui

Part B

There were no public forum presentations.

5. Deputations by Appointment / Ngā Huinga Whakaritenga

Part B

There were no deputations by appointment.

6. Presentation of Petitions / Ngā Pākikitanga

Part B

There was no presentation of petitions.

7. Committee-Only Time with Auditors for Public Excluded Items

Part B

It was noted that under its Terms of Reference, the Committee should meet with the internal and the external auditors without Management present at each meeting where external reporting is approved, and at other meetings if requested by any of the parties. This Committee-only time with the auditors to be part of the consideration of a relevant item on the public excluded agenda and requested during the consideration of the item.

8 Resolution to Exclude the Public
Committee Resolved ARCM/2020/00002

Part C

That at 2:04pm the resolution to exclude the public set out on pages 14 to 15 of the agenda be adopted.

Ms Wallace/Mr Russell

Carried

The public were re-admitted to the meeting at 4:32pm.

Meeting concluded at 4:33pm.

CONFIRMED THIS 17th DAY OF MARCH 2020

KIM WALLACE
CHAIRPERSON

7. Report on Critical Judgements, Estimates and Assumptions to be applied in the Council's Annual Report 2020

Reference / Te Tohutoro: 20/115030

Report of: Len van Hout; Manager, External Reporting and Governance;
len.vanhout@ccc.govt.nz

General Manager: Carol Bellette; General Manager, Finance and Commercial;
carol.bellette@ccc.govt.nz

1. Brief Summary

- 1.1 The purpose of this report is to advise the Audit and Risk Management Committee (ARMC) of critical judgements, estimates and assumptions used in the preparation and new standards being adopted in the preparation of the 2020 Annual Report.

2. Officer Recommendations

That the Audit and Risk Management Committee:

1. Notes there are no critical judgements, estimates and assumptions in the preparation of the 2020 financial statements to be included in the Annual Report.
2. Notes the changes to accounting standards for adoption by the Council when considering the Annual Report.
3. Notes that should any material issues arise during the preparation of financial statements that results in the adoption of a critical judgement, estimate or assumption, this will be reported to the Committee at the September 2020 ARMC meeting.
4. Recommends to the Council that it receives this report.

3. Significant judgements, estimates and assumptions

- 3.1 This report is part of the standard reporting prior to the Annual Report being prepared. On this occasion there is nothing to bring to the Committee's attention as officers are not making any critical judgements, estimates and assumptions in the preparation of the 2020 financial statements to be included in the Annual Report.
- 3.2 Council is required to adopt revised Public Benefit Entity accounting standards in the preparation of financial statements. A list of standards with changes that will be adopted in 2020 are as follows.

PBE IPSAS 41 – Financial Instruments

- 3.3 Following on from the adoption of PBE IFRS 9 – Financial Instruments in 2018/19, the Council will be adopting PBE IPSAS 41 – Financial Instruments which supersedes PBE IFRS 9 - Financial Instruments and supersedes most of PBE IPSAS 29 - Financial Instruments: Recognition and Measurement.
- 3.4 Council staff do not consider there to be any material impacts on the presentation of the financial statements with the adoption of PBE IPSAS 41.

2018 Omnibus Amendments to Public Benefit Entity Standards

- 3.5 2018 Omnibus Amendments to Public Benefit Entity Standards, issued in November 2018, has led to changes in the rules determining which entities are required to be consolidated and the associated disclosures. The new standards that affect the preparation of the 2020 Annual

Report are PBE IPSAS 35 Consolidated Financial Statements, PBE IPSAS 36 Investments in Associates and Joint Ventures, PBE IPSAS 37 Joint Arrangements and PBE IPSAS 38 Disclosure of Interests in Other Entities.

- 3.6 Council staff have reviewed all organisations which may have been affected and have not identified any changes which need to be made to the consolidated financial statements of the Christchurch City Council Group.
- 3.7 This analysis will be tested with Audit New Zealand during their audit and any change will be reported at the September 2020 ARMC meeting.

Attachments / Ngā Tāpirihanga

There are no appendices to this report.

In addition to the attached documents, the following background information is available:

Document Name	Location / File Link
Not applicable	

Confirmation of Statutory Compliance / Te Whakatūtutanga ā-Ture

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.

8. Audit Plan for the Council's 2020 Annual Report

Reference / Te Tohutoro: 20/176187

Report of: Len van Hout; Manager, External Reporting and Governance;
len.vanhout@ccc.govt.nz

General Manager: Carol Bellette; General Manager, Finance and Commercial;
carol.bellette@ccc.govt.nz

1. Brief Summary

- 1.1 The purpose of this report is for the Audit and Risk Management Committee to recommend that the Council confirm with Audit New Zealand the audit arrangements for the audit of the financial statements for the year ending 30 June 2020 for the Council and Consolidated Group.

2. Officer Recommendations

That the Audit and Risk Management Committee:

1. Consider the Audit Plan for Christchurch City Council and Consolidated Group from Audit New Zealand.
2. Recommends that the Council receives this report and authorises the Mayor to sign the Audit Engagement Letter for 2020 audit on behalf of the Council.

3. Key Points

- 3.1 The Audit Plan is issued each year outlining audit issues, audit timetable and audit process (**Attachment A**).
- 3.2 The main audit issues for 2020 include:
 - 3.2.1 **New in 2020, Provision for Holiday Pay.** Review the work being undertaken by Council in determining the potential provision, liability or contingent liability.
 - 3.2.2 **Valuation of property, plant and equipment.** Three waters and public art are due to be revalued this year on a triennial cycle.
 - 3.2.3 **Fair value assessment of non-revalued property, plant and equipment.** Asset categories that are outside of the revaluation cycle this year will be reviewed to determine whether there is a material difference with the carrying values of these asset categories.
 - 3.2.4 **Capital asset additions and work in progress.**
 - 3.2.5 **Adoption of accounting standards (the Council and group).** This year will see Council adopt PBE IPSAS 41 – Financial Instruments and PBE IPSAS 35 to 38 consolidation and disclosure statements, review of Council's disclosures will form part of this year's work plan.
 - 3.2.6 **Risk of management override of internal controls.** Audit New Zealand will perform targeted audit procedures to minimise this inherent risk.
- 3.3 Other ongoing accounting issues to be reviewed that are included in this plan are:
 - 3.3.1 **Procurement and contract management and project governance.**
 - 3.3.2 **Prudent expenditure decisions (the Council and group).**

3.3.3 **Group Issues**, including multi-use arena, Vbase restructure and Development Christchurch Limited.

- 3.4 The audit engagement letter sets out the terms of the audit engagement, the nature and limitations of the audit and the responsibilities of each party (**Attachment B**). A letter setting out the fee to be charged for the current and following two years will be forwarded under separate cover before the meeting.

Attachments / Ngā Tāpirihanga

No.	Title	Page
A ↓	Audit New Zealand 2020 Audit Plan for Christchurch City Council and Group	19
B ↓	Audit New Zealand 2020 Audit Engagement Letter for Christchurch City Council	39

In addition to the attached documents, the following background information is available:

Document Name	Location / File Link
Not applicable	

Confirmation of Statutory Compliance / Te Whakatūtutanga ā-Ture

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.

Audit plan

Christchurch City Council and group

For the year ending 30 June 2020

Audit plan

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

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The contents of this plan reflect the discussions we have had to date with management and 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
20 February 2020

Audit risks and issues

Specific focus areas for the audit of Christchurch City Council and group



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.

Audit risk/issue	Our audit response
Valuation of property, plant and equipment	
<p>Council's property, plant and equipment assets are significant items on its statement of financial position. Many of these asset classes are subject to periodic revaluation in accordance with Council's accounting policies.</p> <p>The accounting standard PBE IPSAS 17 <i>Property, Plant and Equipment</i>, requires that valuations are carried out with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from their fair value.</p> <p>From discussions with management to date, Council has identified that the water network asset class is due to be revalued in the 2019/20 year:</p> <p>Due to the significance of the balances involved and the judgemental nature of the revaluation process, this is a specific area of audit focus.</p> <p>Audit risk:</p> <p>Asset classes subject to revaluation are misstated in the financial statements.</p>	<p>For the asset class that will be subject to a revaluation, we will:</p> <ul style="list-style-type: none"> • review the valuation performed to assess whether it complies with the relevant valuation and accounting standards; • assess that the controls in place and assumptions applied to the valuation are reasonable and applied consistently; • obtain an understanding of the underlying data; • evaluate the qualifications, competence and expertise of the external valuer used; • confirm that any fair value movements have been accounted for correctly; and • verify that all the assets within the class have been revalued. <p>We will liaise with management to understand the timing of the valuation work. Ideally, as in previous years, we would like to complete our review of the valuation in June 2020, in advance of the final audit visit commencing.</p>
Fair value assessment of non-revalued property, plant and equipment	
<p>Council has other classes of infrastructure and operational assets that are outside of their revaluation cycle this year. Council will need to complete a fair value assessment to determine whether there is a significant difference between the carrying amount and the fair value. If this assessment identifies that there is a material difference between the carrying value and fair</p>	<p>We will review the Council's assessment of whether there is any significant difference between the carrying amount and fair value of those asset classes that are not being revalued in 2019/20.</p> <p>We encourage the Council to perform this assessment early so that if a revaluation is required, there is time to complete it without impacting on the annual report process.</p>

Audit risk/issue	Our audit response
<p>value of certain asset classes, these will need to be revalued.</p> <p>In performing this assessment, Council will need to identify and apply relevant independent information to support its position. This may include independent input from Council's valuers due to their knowledge of market and industry factors as well as Council's assets.</p> <p>Audit risk:</p> <p>The carrying value of property, plant and equipment disclosed in the financial statements is materially different from the fair value.</p>	
Provision for Holiday Pay liabilities	
<p>The Council has identified issues with its process for calculating staff leave liabilities.</p> <p>This issue has arisen in many entities across both the public and private sector and resulted, in some cases, of significant leave liabilities needing to be recognised. Issues have been identified with the calculations of annual, bereavement, sick and public holiday leave.</p> <p>Council is undertaking a review of its leave calculations in compliance with employment legislation. The costs of the review will be expensed as they are incurred. However, Council will need to assess at balance date whether there is sufficient certainty to recognise any provision, or liability, in respect to amounts owing to employees. If there is still uncertainty as to the amounts owing, a contingent liability disclosure should be included in the financial statements.</p> <p>Audit risk:</p> <p>Non-compliance with the requirements of the legislation and misstatement of the liability in the financial statements.</p>	<p>We will discuss with management the work being undertaken and review the status of this at balance date. We will review management's assessment of whether a provision, liability or contingent liability should be recognised in accordance with the relevant accounting standards and any associated disclosures of the issue.</p>
New accounting standards (the Council and group)	
<p>There are a range of new 'public benefit entity' accounting standards that are effective for the 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.</p>	<p>We will review the Council's assessment of the impact of the new suite of 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</p>

Audit risk/issue	Our audit response
<p>The most relevant standards that could impact on Council, include:</p> <ul style="list-style-type: none"> new consolidation and interests in other entity standards – PBE IPSAS 35 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. Management has advised us that Council intends to early adopt PBE IPSAS 41 <i>Financial Instruments</i>. The assessment prepared to date has indicated that the impact of this standard will not be significant. <p>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 <i>Leases</i>, Council will need to make adjustments on consolidation due to the ‘Public Benefit’ nature of the Council group.</p> <p>Audit risk:</p> <p>Non-compliance with the requirements of the newly adopted accounting standards by the Council and/or group entities.</p>	<p>the supporting documentation of the entities being assessed e.g. the constitution or Trust Deed.</p> <p>Following discussions with management, these assessments are expected to be available for audit prior to our first interim visit in mid-March 2020.</p> <p>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.</p> <p>We will review any adjustments required to consolidate ‘for profit’ entities into the ‘public benefit entity’ group.</p>
Capital asset additions and work-in-progress	
<p>The Council continues to have a significant ongoing capital programme. Accounting for capital projects, that are either completed during the year or in progress at balance date, requires assumptions and judgements to be made that can have a significant effect on the financial statements, including:</p> <ul style="list-style-type: none"> assessing the nature of costs and either capitalising these as work in progress, or recognising these as expenses; 	<p>Our audit work on property, plant and equipment will review the accounting for costs incurred on capital projects, including:</p> <ul style="list-style-type: none"> the correct classification of costs as either capital or operating in nature; appropriate capitalisation point for completed assets, including transfers from work in progress; assessing the reasonableness of depreciation rates and useful lives applied to asset components; and

Audit risk/issue	Our audit response
<ul style="list-style-type: none"> identifying asset components and assigning appropriate useful lives to these components; and identifying the appropriate date of capitalising the asset, transferring costs from work in progress to asset additions and the commencement of depreciation of the asset. <p>Audit risk:</p> <p>Incorrect classification of costs between capital and operating expenditure.</p>	<ul style="list-style-type: none"> reviewing the disclosures within the financial statements. <p>We will obtain an update on the progress with the wellhead replacement programme, the costs incurred to date (and accounting treatment of those costs), the expected costs to complete the programme and timeframes for Council to obtaining its secure status</p>
The risk of management override of internal controls	
<p>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.</p> <p>Audit risk:</p> <p>Fraud arising from management override of internal controls.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> 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; evaluating significant transactions that are outside the normal course of business or those that appear to be unusual given our understanding of Council and its environment; and review of any changes in Council's accounting policies.

Additional areas of focus

Audit risk/issue	Our audit response
Procurement, contract management and project governance	
<p>The areas of procurement, contract management and project governance continue to be areas of focus for Council. These broader areas of the audit are also a focus of ours and the Office of the Auditor-General (OAG) for its auditors in the public sector.</p> <p>Council has undertaken significant work within the procurement activity in recent years and we have previously reviewed and reported on these developments in prior audits.</p> <p>In 2019 we also performed a high level review of the Town Hall restoration project and commented on our observations.</p> <p>Our main focus will be to gain an understanding of any recent developments in the project governance and contract management areas, review Council's progress with the roll-out of recently implemented procurement changes and complement the work of Council's internal audit function.</p>	<p>In 2020, we will continue to have a focus on Council's developments in the areas of procurement, contract management and project governance.</p> <p>We intend to utilise a specialist from our Specialist Audit and Assurance Services team to perform this work, that will include:</p> <ul style="list-style-type: none"> reviewing the progress and outcome of Council's post implementation review of the Town Hall project; review of selected procurement and contract management practices, as appropriate. <p>We plan to complement the work of the Council's internal audit function, to understand and provide input, where appropriate, to the next steps in Council's development of its contract management process.</p>
Prudent expenditure decisions	
<p>We expect all public entities to apply a number of principles to expenditure decisions, including that the expenditure has a justifiable business purpose, preserves impartiality, is made with integrity, is moderate and conservative in respect of the circumstances and is made transparently.</p>	<p>We will remain alert to public sector concerns, including issues and risks about effectiveness and efficiency, waste, and a lack of probity or financial prudence. This means looking at some transactions or other arrangements in more detail to ensure expenditure is in line with the public sector principles.</p> <p>Aside from specific testing across a sample of sensitive transactions, this will also involve making certain enquiries of the Council, management, and staff, and maintaining awareness of public sector concerns throughout our audit work.</p>
Group issues	
<p>In our audit planning we consider potential audit risks within the Council group. The significant components of the Council group are the Christchurch City Holdings Limited group and Vbase Limited.</p>	<p>We will maintain a watching brief on any accounting and auditing issues that may arise within the wider Council group in planning and executing the respective audits of the group entities.</p>

Audit risk/issue	Our audit response
<p>We work with the group component auditors to ensure that any changes in group structure or group audit risks are communicated and appropriately addressed on consolidation into Council's group financial statements. We also review related party transactions throughout the group.</p> <p>Potential changes in the Council's group structure or its subsidiaries, include:</p> <ul style="list-style-type: none"> • formation by Council of a company to build the new multi-use arena; • proposed restructure of Vbase Limited separating the event management and facilities management activities into separate companies; and • formation of a group structure for Development Christchurch Limited (a subsidiary of CCHL), following their majority ownership interest in the Christchurch Adventure Park general and limited partners. 	<p>This also includes any decisions made by Council that may impact on the group up to the date of signing the 2020 annual report.</p>

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. We will discuss the following questions with you:

- What role does Council play in relation to fraud? How do you monitor management's exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, is the Council satisfied that it had appropriate input into this process?

- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the Council and management to keep you informed of instances of fraud, either actual, suspected, or alleged?
- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to 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.

Group audit



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.

Significant component	Work to be performed
Christchurch City Holdings Limited (CCHL)	<p>This will be audited by the same Appointed Auditor using Audit New Zealand audit resources.</p> <p>A separate CCHL group audit plan is issued to the Board of CCHL outlining the key audit and accounting issues.</p> <p>There are no specific audit risks at a Council group level to bring to your attention at this stage.</p> <p>The audit work on this component will be a full financial statement and performance information audit.</p>
Vbase Limited	<p>This will be audited by the same Appointed Auditor using Audit New Zealand audit resources.</p> <p>A separate Vbase group audit plan is issued to the Board of Vbase outlining the key audit and accounting issues. There are some proposed changes and new transactions between Council and Vbase that are included in the Vbase audit plan, including the advancement of loans from Council to Vbase and Vbase's decision to bring in-house formerly outsourced event staff.</p> <p>The audit work on this component will be a full financial statement and performance information audit.</p>

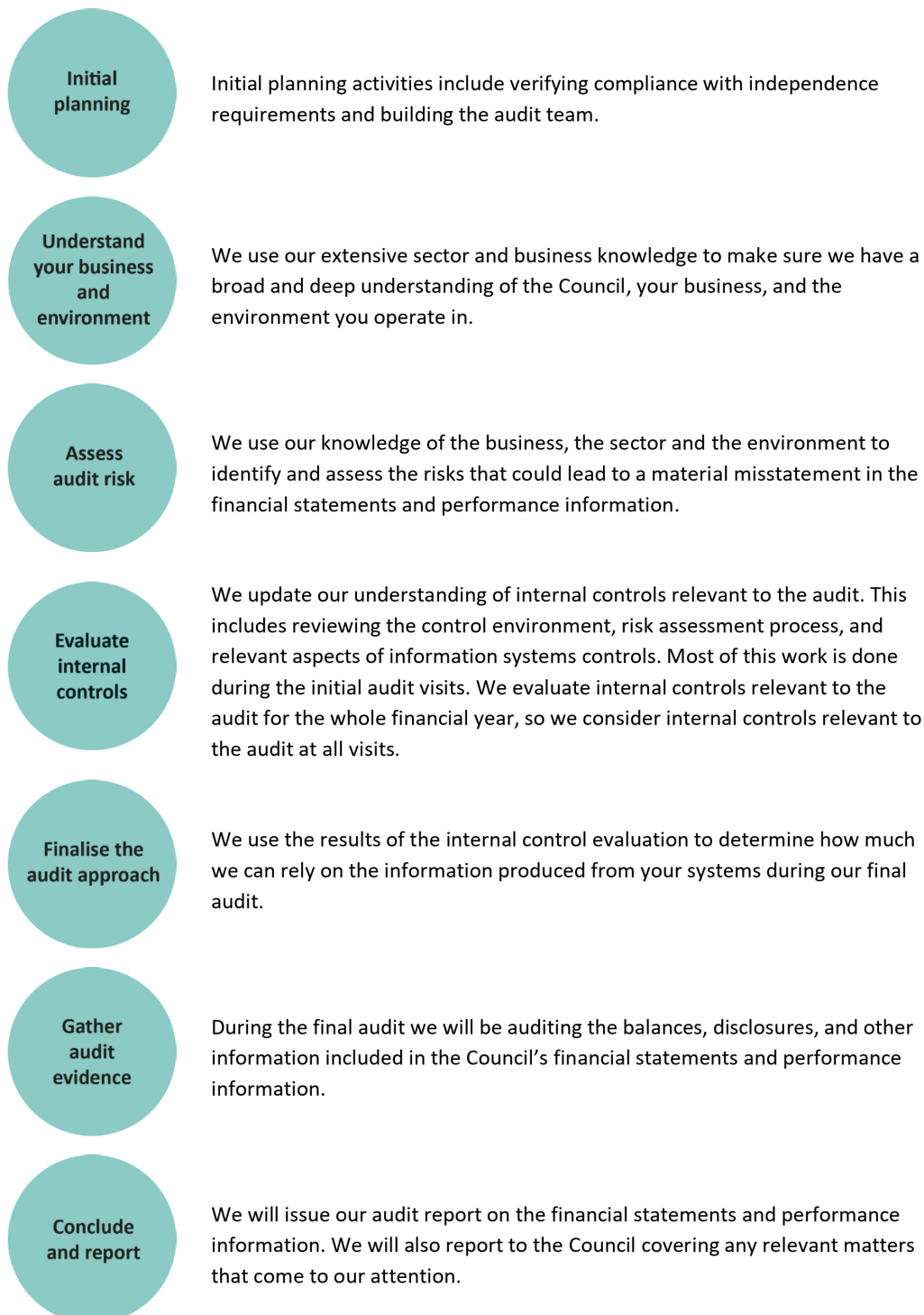
For non-significant components, we will perform analytical procedures at the group level to identify unexpected movements.

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.

Our audit process



Enhancing year-end processes

The year-end financial statement close process and the preparation of the annual report requires a large number of resources to be committed to complete it effectively. This diverts the attention of your staff away from the current financial year and focuses them on past events. We want the audit process to run smoothly and we will work with management to bring forward the timing of audit procedures where possible.

Bringing forward audit procedures

Substantive audit procedures are traditionally performed after the year-end. Where possible, we will aim to perform certain audit procedures earlier in the year. This will be focused on year-to-date transactions for revenue and expenditure, property, plant and equipment testing and review of asset valuations. Completion of these tests earlier in the year should allow for more timely identification and resolution of errors.

This testing will be completed during the pre-final interim audit. If we can complete this work earlier in the year, we expect this to take some pressure off the final audit. This requires us to have the right information available during this visit to enable us to complete this work.

We will work with management to agree what can be achieved. We will communicate with management if information is not available as agreed, including any impact on the year-end audit.

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.

Reporting protocols

Communication with management and the Council



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

Reports to governors



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

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

As part of our final reporting to Council we set out non-trivial unadjusted misstatements, along with reasons why the adjustments have not been made. As part of our continued focus on improving the efficiency of the annual reporting and audit process, this year we will also report adjusted misstatements in the report to Council. The adjusted misstatements will be any made to the draft annual report received at the start of the audit.

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:

Andy Burns	Appointed Auditor
Jo Smaill	Engagement Quality Review Director
Karina Page	Audit Manager
Alan Clifford/Sharon Bowler	Information Systems Audit Specialists

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 EQR 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 EQR will work with your Appointed Auditor and the audit team, but will not have direct contact with you.

Timetable



Our proposed timetable for the audit is:

9 March 2020	First interim audit begins
17 March 2020	ARMC meeting to consider the audit plan and management's critical judgements, estimates and assumptions
15 April 2020	Draft interim report to the Council issued
3 June 2020	ARMC meeting to consider the draft interim report with staff comments
8 June 2020	Second interim audit begins, including review of asset valuations
3 August 2020	Draft parent financial statements available for audit (including notes to the financial statements) with actual year-end figures
3 August 2020	Final audit begins
5 August 2020	Draft Council activities and services sections available for audit
21 August 2020	Draft group financial statements and full annual report available for audit
21 August 2020	Draft summary annual report available for audit
28 August 2020	Final annual report available for audit including Mayor's and Chief Executive's overview or reports
28 August 2020	Final summary annual report available for audit
2 September 2020	ARMC meeting – to consider draft financial statements
23 September 2020	Final report on the audit to issued to management (in draft)
30 September 2020	ARMC meeting – to approve the 2020 annual report
30 September 2020	Verbal audit clearance given
8 October 2020	Council meeting to adopt annual report
8 October 2020	Audit opinion on the full and summary annual reports issued

Expectations



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

Our respective responsibilities are set out in our audit engagement letter dated 20 February 2020.

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 explain what to expect from your audit:



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.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

www.auditnz.govt.nz

Level 3, 335 Lincoln Road, Addington
PO Box 2, Christchurch 8140





20 February 2020

Lianne Dalziel
Mayor
Christchurch City Council
PO Box 73015
Christchurch 8154

Dear Lianne

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 Christchurch City Council and its subsidiaries and controlled entities (the Group), under section 14 of the Public Audit Act 2001 (the Act). 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 audit of the Christchurch City Council and Group’s consolidated 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 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 Christchurch City 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 Christchurch

City Council and Group'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.

Your responsibilities

Our audit will be carried out on the basis that the Council 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 Christchurch City 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;
- for making the audited summary financial statements and summary performance information readily available to the intended users of that information; and
- for 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 Christchurch City 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 Christchurch City 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 Christchurch City 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 Christchurch City 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 Christchurch City 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 Christchurch City 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 Christchurch City 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 Christchurch City 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 report to the Council. This report 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 reports to the Christchurch City Council and Group from time to time. We will inform the Council of any other reports 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: _____

Lianne Dalziel
Mayor, Christchurch City Council

Appendix 1: Respective specific responsibilities of the Council and the Appointed Auditor

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities for the financial statements and performance information	
<p>You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards.</p> <p>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.</p> <p>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.</p>	<p>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:</p> <ul style="list-style-type: none"> • present fairly, in all material respects: <ul style="list-style-type: none"> ◦ 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. <p>We are also responsible for forming an independent opinion on whether the performance information:</p> <ul style="list-style-type: none"> • presents fairly, in all material respects, the performance for the financial year, including: <ul style="list-style-type: none"> ◦ the performance achievements as compared with forecasts included in the forecast performance report for the financial year; and ◦ the actual revenue and expenses as compared with the forecasts included in the forecast performance report for the financial year. • complies with generally accepted accounting practice in New Zealand. <p>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.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>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.</p> <p>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.</p> <p>An audit also involves evaluating:</p> <ul style="list-style-type: none"> • 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. <p>We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> • 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
	<ul style="list-style-type: none"> 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. <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p> <p>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.</p> <p>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.</p>
Responsibilities for the accounting records	
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> correctly record and explain the transactions of Christchurch City Council and Group; enable you to monitor the resources, activities, and entities under your control; enable the Christchurch City 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. 	<p>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.</p> <p>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.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities for accounting and internal control systems	
<p>You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of Christchurch City 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.</p>	<p>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.</p> <p>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.</p>
Responsibilities for preventing and detecting fraud and error	
<p>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 Christchurch City Council and Group) supported by written policies and procedures.</p> <p>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.</p> <p>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 Christchurch City Council and Group with delegated authority have a reasonable basis that suspected fraud has occurred - regardless of the amount involved.</p>	<p>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:</p> <ul style="list-style-type: none"> • 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. <p>We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected, or alleged fraud.</p> <p>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.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>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.</p>
Responsibilities for compliance with laws and regulations	
<p>You are responsible for ensuring that Christchurch City Council and Group has systems, policies, and procedures (appropriate to the size of Christchurch City Council and Group) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of Christchurch City Council and Group are complied with. Such systems, policies, and procedures should be documented.</p>	<p>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:</p> <ul style="list-style-type: none"> the relevance of the law or regulation to the audit; our assessment of the risk of non-compliance; and the impact of non-compliance for the addressee of the audit report. <p>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.</p> <p>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.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities to establish and maintain appropriate standards of conduct and personal integrity	
<p>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.</p> <p>The expected standards of conduct and personal integrity should be determined by reference to accepted “Codes of Conduct” that apply to the public sector.</p>	<p>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 Christchurch City Council and Group may not have acted in accordance with the standards of conduct and personal integrity expected of them.</p> <p>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.</p> <p>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.</p>
Responsibilities for conflicts of interest and related parties	
<p>You should have policies and procedures to ensure that your members and employees carry out their duties free from bias.</p> <p>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.</p>	<p>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.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities for publishing the audited financial statements on a website	
<p>You are responsible for the electronic presentation of the financial statements and performance information on the public entity'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.</p> <p>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.</p>	<p>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.</p>

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.

9. Health, Safety and Wellbeing Dashboard

Reference / Te Tohutoro: 20/182828

Report of / Te Pou Mark Saunders, Committee and Hearings Advisor

Matua: mark.saunders@ccc.govt.nz

General Manager / Carol Bellette, General Manager Finance and Commercial (CFO)

Pouwhakarae: carol.bellette@ccc.govt.nz

1. Brief Summary

- 1.1 The purpose of this report is to forward to the Committee the Christchurch City Council Health, Safety and Wellbeing Dashboard (**Attachment A**), which was received and considered by the Health, Safety and Wellbeing Committee of Council at its last meeting on 4 March 2020.

2. Officer Recommendations / Ngā Tūtohu

That the Audit and Risk Management Committee:

1. Notes the Christchurch City Council Health, Safety and Wellbeing Dashboard as received and considered by the Health, Safety and Wellbeing Committee (HSWC) on 4 March 2020.
2. Notes that the Council has tasked the HSWC with assisting it to discharge its due diligence responsibilities as a Person Conducting a Business or Undertaking (PCBU), and the Audit and Risk Management Committee does not replicate HSWC's task, but notes that there are risk management and assurance processes in place.

Attachments / Ngā Tāpirihanga

No.	Title	Page
A A	Health, Safety and Wellbeing Dashboard - January 2020	54

In addition to the attached documents, the following background information is available:

Document Name	Location / File Link
Not applicable	

Confirmation of Statutory Compliance / Te Whakatūtutanga ā-Ture

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

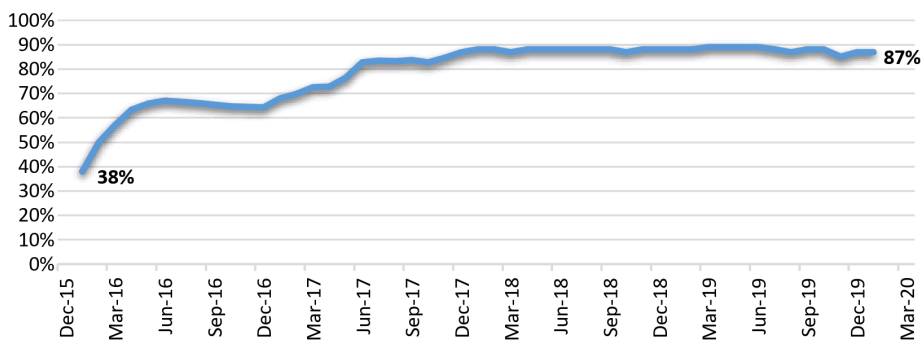
(a) This report contains:

- (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.

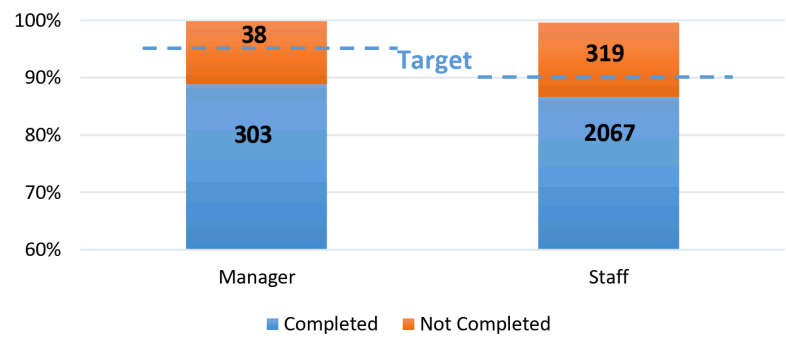
(b) The information reflects the level of significance of the matters covered by the report, as determined in accordance with the Council's significance and engagement policy.

TRAINING

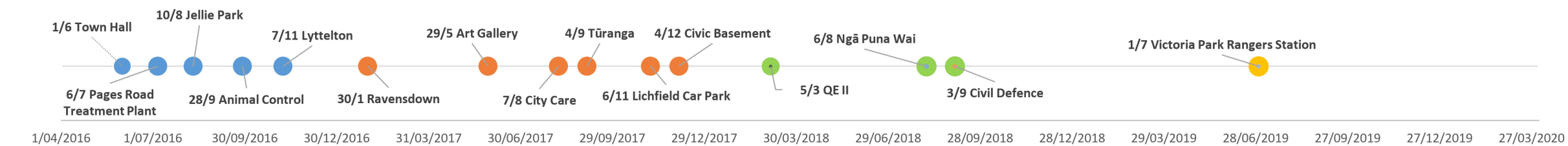
H&S Training Completion Rate



H&S Training By Requirement

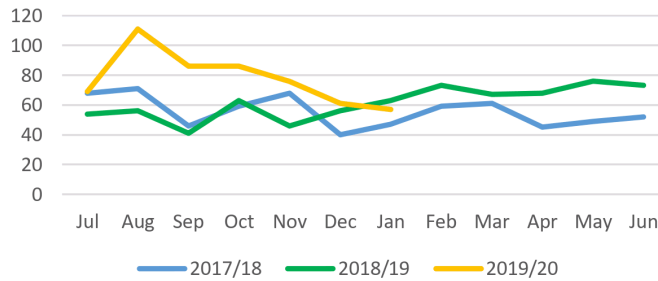


ELT SITE VISITS

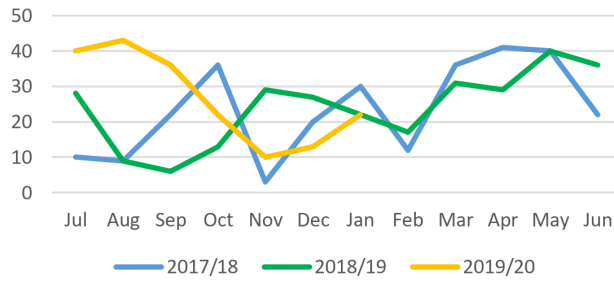


EVENTS

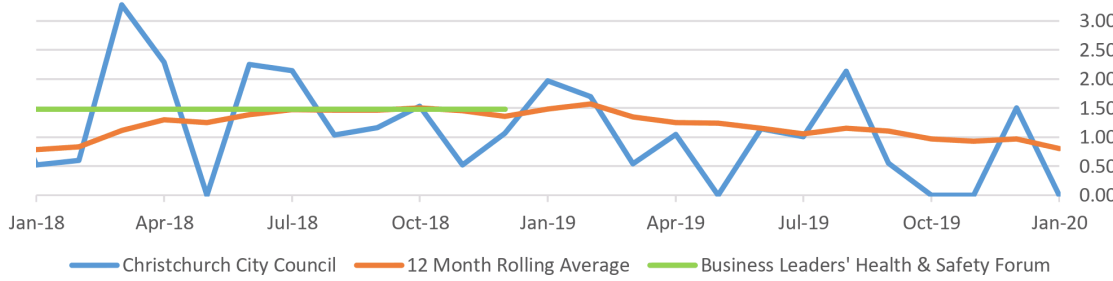
Total Events Reported



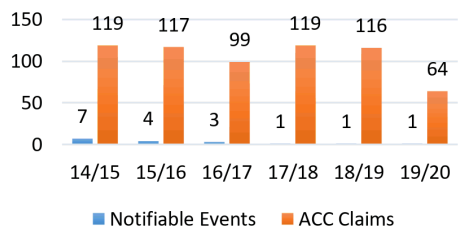
Total Days Lost



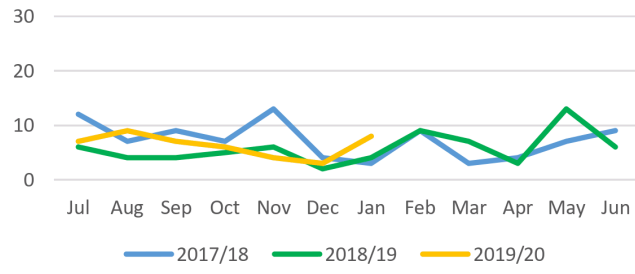
Lost Time Injury Frequency Rate (LTIFR)



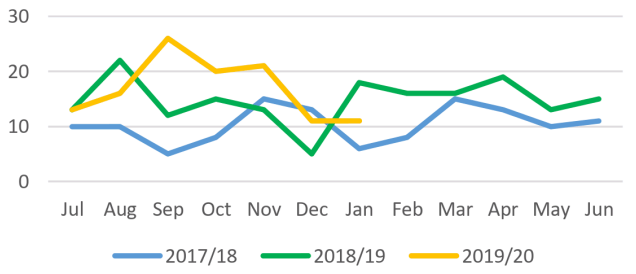
Notifiable Events / ACC Claims



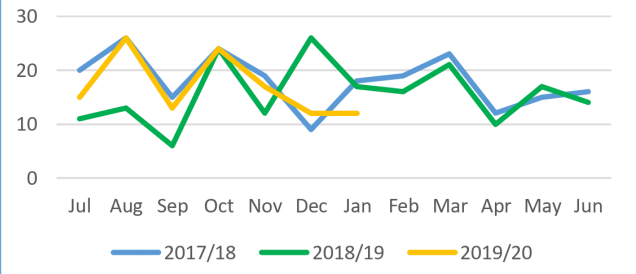
Medical Injuries



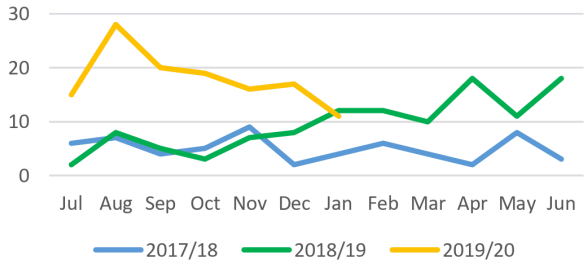
Discomfort & Pain



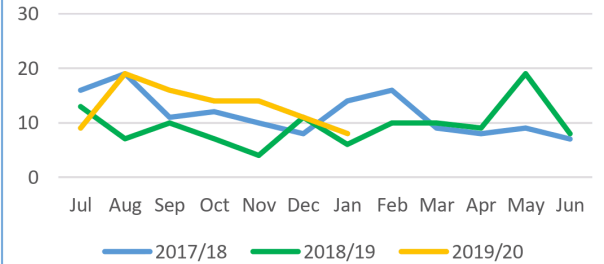
First Aid Injuries



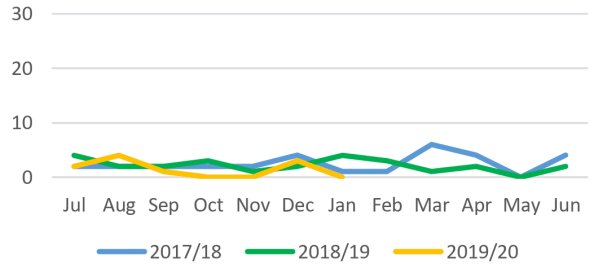
Abuse, Threat & Assault



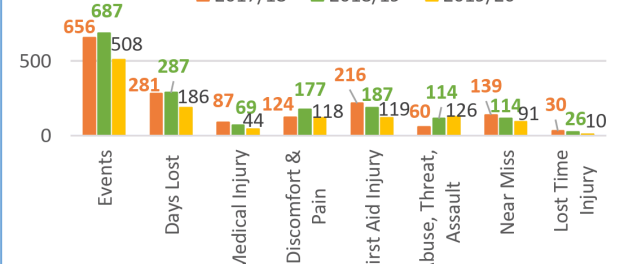
Near Misses



Lost Time Injury

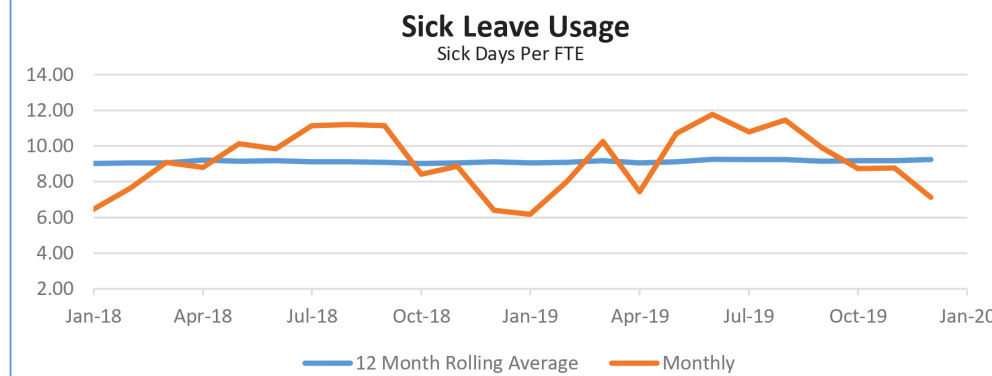


Totals



ACTIVITIES

- A 'Mindfulness for Beginners' course was piloted, successfully evaluated and will be made available to all staff in 2020
- A presentation on the 'Five Ways to Wellbeing' was given at the Senior Leaders Forum
- Developing a 'Mental Health Training for Managers' session, which includes a toolkit on 'Lets make mental health part of the conversation'
- '12 Days of Christmas' - videos published of healthy messages and tips from staff to their colleagues

NOVEMBER 2019 - JANUARY 2020Employees

- **Lost Time Injury 3/12** - Hurt shoulder and arm whilst lifting an inflatable boat (Recreation, Sports & Events). The employee was undertaking a two person job on their own. A reminder to undertake a risk assessment beforehand and to follow procedures was issued. Other Team Leaders have also issued process reminders to their teams and will monitor compliance. Employee advised to rest for 4 days.
- **Lost Time Injury 4/12** - Moving an e-scooter in the basement car park, when it fell over and hit them on the ankle, causing a cut (Information Technology). Facilities Management issued a reminder to all staff on ensuring the correct storage of e-scooters and bikes within the car parking area. Employee initially required first aid treatment but the wound then became infected. Antibiotics were required and resulted in an allergic reaction and 7 days off work.
- **Lost Time Injury 8/12** - Strained back and neck whilst trying to hold motor scooter steady in windy conditions (Transport). Scooter users will ensure to undertake a dynamic risk assessment of activities and drive to the conditions of the road. Employee required 1 day of rest.

Contractors

- **Notifiable Event 22/11** - A confirmed case of Legionnaires Disease of a Temporary Agency Worker who had been working at a Council facility. A review by an external specialist has been completed and management are currently reviewing the recommendations. Worker was hospitalised for 3 days and is now fully recovered.
- **Notifiable Event 13/12** - A worker was injured whilst undertaking road landscaping works. They were operating a thermal steam unit when the hose burst and caused burn injuries to the arm. They also suffered a broken hand after losing their balance and falling to the floor. A second thermal unit has been removed from operation, as a precaution, until the investigation is complete.
- **Notifiable Event 13/1** - Asbestos containing material was disturbed and resulted in exposure to two workers. An investigation recommended improvements in communication between the contractor, site engineers and Council.
- **Notifiable Event 15/1** - A worker was operating a digger when they struck overhead cables with the digger bucket and damaged power lines. An investigation recommended a review of risk assessment practices and procedures.

10. Resolution to Exclude the Public

Section 48, Local Government Official Information and Meetings Act 1987.

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:

ITEM NO.	GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED	SECTION	SUBCLAUSE AND REASON UNDER THE ACT	PLAIN ENGLISH REASON	WHEN REPORTS CAN BE RELEASED
11	PUBLIC EXCLUDED AUDIT AND RISK MANAGEMENT COMMITTEE MINUTES - 3 FEBRUARY 2020			REFER TO THE PREVIOUS PUBLIC EXCLUDED REASON IN THE AGENDAS FOR THESE MEETINGS.	
12	QUARTERLY PROCUREMENT REPORT	S7(2)(B)(II), S7(2)(H), S7(2)(I)	PREJUDICE COMMERCIAL POSITION, COMMERCIAL ACTIVITIES, CONDUCT NEGOTIATIONS	TO PREVENT INFORMATION BEING RELEASED THAT COULD BE USED FOR IMPROPER COMMERCIAL ADVANTAGE OR THAT NEEDS TO BE WITHHELD TO AVOID PREJUDICE TO THE COUNCIL'S OR ITS SUPPLY CHAIN'S COMMERCIAL POSITION.	DUE TO THE NATURE AND SENSITIVITY OF THIS INFORMATION, IT IS NOT ANTICIPATED THAT THERE WILL BE A SPECIFIC DATE OR EVENT THAT ALLOWS FOR THE RELEASE OF THIS INFORMATION. THE INFORMATION WILL BE RELEASED IN FULL OR PART, AS APPROPRIATE UPON PERIODICAL REVIEW BY THE HEAD OF PROCUREMENT AND CONTRACTS, WHEN IT IS NO LONGER DEEMED TO IDENTIFY SENSITIVE COMMERCIAL INFORMATION FOR THE COUNCIL OR ITS SUPPLY CHAIN.
13	RISK MANAGEMENT STATUS REPORT	S7(2)(C)(II), S7(2)(F)(II)	PREVENT DAMAGE TO THE PUBLIC INTEREST, PROTECTION FROM IMPROPER PRESSURE OR HARASSMENT	TO PREVENT IMPROPER USE OR MISINTERPRETATION OF THIS INFORMATION.	DUE TO THE NATURE AND SENSITIVITY OF THIS INFORMATION, IT IS NOT ANTICIPATED THAT THERE BE A SPECIFIC DATE OR EVENT THAT ALLOWS FOR THE RELEASE OF

					THIS INFORMATION. THE INFORMATION WILL BE RELEASED IN FULL OR PART AS APPROPRIATE UPON PERIODICAL REVIEW BY THE HEAD OF AUDIT AND RISK AND WHEN IT IS NO LONGER SUBJECT TO AN OBLIGATION OF CONFIDENCE OR BEING PROVIDED UNDER COMPULSION WHERE RELEASE WOULD LIKELY DAMAGE THE PUBLIC INTEREST AND NO LONGER NEEDS TO BE WITHHELD TO PROTECT FROM IMPROPER PRESSURE OR HARASSMENT AFFECTING THE CONDUCT OF PUBLIC AFFAIRS.
14	FRAUD STATUS REPORT	S7(2)(F)(II)	PROTECTION FROM IMPROPER PRESSURE OR HARASSMENT	TO ALLOW FOR PROTECTED DISCLOSURES AND THE ONGOING EFFECTIVE MANAGEMENT OF CONCERNS RAISED.	DUE TO THE NATURE AND SENSITIVITY OF THIS INFORMATION, IT IS NOT ANTICIPATED THAT THERE WILL BE A SPECIFIC DATE OR EVENT THAT ALLOWS FOR THE RELEASE OF THIS INFORMATION. THE INFORMATION WILL BE RELEASED IN FULL OR PART AS APPROPRIATE UPON PERIODICAL REVIEW BY THE HEAD OF AUDIT AND RISK AND WHEN IT NO LONGER NEEDS TO

					BE WITHHELD TO PROTECT FROM IMPROPER PRESSURE OR HARASSMENT AFFECTING THE CONDUCT OF PUBLIC AFFAIRS.
15	INTERNAL AUDIT STATUS REPORT	S7(2)(E), S7(2)(F)(II), S7(2)(J)	PREVENTION OF MATERIAL LOSS, PROTECTION FROM IMPROPER PRESSURE OR HARASSMENT, PREVENTION OF IMPROPER ADVANTAGE	TO PREVENT THE USE OF INTERNAL AUDIT FINDINGS AND IDENTIFIED CONTROL WEAKNESSES FROM BEING USED FOR IMPROPER ADVANTAGE.	DUE TO THE NATURE AND SENSITIVITY OF THIS INFORMATION, IT IS NOT ANTICIPATED THAT THERE BE A SPECIFIC DATE OR EVENT THAT ALLOWS FOR THE RELEASE OF THIS INFORMATION. THE INFORMATION WILL BE RELEASED IN FULL OR PART AS APPROPRIATE UPON PERIODICAL REVIEW BY THE HEAD OF AUDIT AND RISK AND WHEN IT IS NO LONGER DEEMED TO IDENTIFY CONTROL WEAKNESSES THAT COULD BE USED FOR IMPROPER ADVANTAGE AND NO LONGER NEEDS TO BE WITHHELD TO PROTECT FROM IMPROPER PRESSURE OR HARASSMENT AFFECTING THE CONDUCT OF PUBLIC AFFAIRS.