

Audit and Risk Management Committee AGENDA

Notice of Meeting:

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

Date: Friday 1 April 2022

Time: 10am

Venue: Held by Audio/Visual Link

Under the current provisions of the Covid-19 Protection Framework (the Traffic Alert system) meeting attendance is only possible via an Audio/Visual link. Please request access details from Megan.Pearce@ccc.govt.nz.

Membership

Chairperson	Ms Kim Wallace
Deputy Chairperson	Councillor Sam MacDonald
Members	Mayor Lianne Dalziel
	Ms Jacqueline Robertson Cheyne
	Mr Michael Rondel
	Councillor Pauline Cotter
	Deputy Mayor Andrew Turner

25 March 2022

Principal Advisor

Leah Scales

Acting General Manager - Resources / CFO
Tel: 941 8999

Megan Pearce

Manager Hearings and Council Support
941 8140

megan.pearce@ccc.govt.nz

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

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<https://www.ccc.govt.nz/the-council/meetings-agendas-and-minutes/>

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 Sam MacDonald
Membership	Mayor Lianne Dalziel Deputy Mayor Andrew Turner Councillor Pauline Cotter External Members: Mr Michael Rondel Ms Jacqueline Robertson Cheyne
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.
-

- 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 2022

2022	Feb	Apr	Jun	Sep	Annual Report	Dec
Update Reports		<ul style="list-style-type: none"> • Risk and Assurance • Procurement • Capital Delivery Risk • Cyber Security • Fraud • Health, Safety & Wellbeing 	<ul style="list-style-type: none"> • Risk and Assurance • Procurement • Capital Delivery Risk • Health, Safety & Wellbeing • Litigation 	<ul style="list-style-type: none"> • Risk and Assurance • Procurement • Capital Delivery Risk • Cyber Security • Fraud • Health, Safety & Wellbeing • Litigation 		<ul style="list-style-type: none"> • Risk and Assurance • Procurement • Capital Delivery Risk • Health, Safety & Wellbeing • Litigation
Other Reports		<ul style="list-style-type: none"> • Holidays Act Remediation Programme 	<ul style="list-style-type: none"> • Climate Change / Resilience • Internal Audit Plan • Terms of Reference Review 			<ul style="list-style-type: none"> • Climate Change / Resilience • Committee Business
Annual Report	<ul style="list-style-type: none"> • External Reporting and Audit Programme for 2021/22 	<ul style="list-style-type: none"> • External Reporting and Audit Programme for 2021/22 Update 	<ul style="list-style-type: none"> • External Reporting and Audit Programme for 2021/22 Update • Audit NZ Management Letter for current year interim audit 	<ul style="list-style-type: none"> • Update on critical judgments, estimates & assumptions • Financial Statements Update - Valuations 	<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"> • Final Annual Plan 			

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, 14 February 2022](#) be confirmed (refer page 11).

4. Public Forum Te Huinga Whānui

There were no public forum requests received at the time the agenda was prepared

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 14 February 2022
Time: 2.04pm
Venue: Council Chambers, Level 2, Civic Offices,
53 Hereford Street, Christchurch

Present

Chairperson	Ms Kim Wallace (by audio-visual link)
Deputy Chairperson	Councillor Sam MacDonald
Members	Mayor Lianne Dalziel
	Ms Jacqueline Robertson Cheyne (by audio-visual link)
	Mr Michael Rondel
	Councillor Pauline Cotter
	Deputy Mayor Andrew Turner (by audio-visual link)

Acting Principal Advisor

Leah Scales
Acting GM Resources/
Chief Financial Officer

Mark Saunders
Committee and Hearings Advisor
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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/2022/00001

That the minutes of the Audit and Risk Management Committee meeting held on Friday, 3 December 2021 be confirmed.

Councillor MacDonald/Ms Wallace

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. Consideration of the Council's Draft Annual Plan 2022/23

Committee Resolved ARCM/2022/00002 (Original Staff Recommendations Accepted without Change)

Part C

That the Audit and Risk Management Committee:

1. Notes it has reviewed the general checklist and sign-off by management, including significant forecasting assumptions, in respect of the information that provides the basis for the Draft 2022/23 Annual Plan.
2. Advises the Council that in the Committee's opinion an appropriate process has been followed in the preparation of this information.
3. Notes that the Draft 2022/23 Annual Plan will be released when it is published in the Council Agenda for its meeting commencing 24 February 2022.

Deputy Mayor/Ms Wallace

Carried

8. External Reporting and Audit Programme for 2021/22

Committee Comment

The Committee accepted the Staff Recommendations and further to its discussion, including with Chantelle Gernetzky and Karina Page of Audit New Zealand (who were present to the meeting via audio-visual link, and provided update from their perspective also in respect of external reporting and the audit programme, referencing their resourcing constraints and dealing with deferrals from last year), the Committee added a resolution to note the potential impact of the local government elections process and resourcing on the timing of this year's external audit.

Officer Recommendations Ngā Tūtohu

That the Audit and Risk Management Committee:

1. Receives the information in the External Reporting and Audit Programme for 2021/22 Report.
2. Requests Council staff to update the Committee on critical judgements, assumptions and decisions made that affect the financial statements of Council at the next ARMC meeting in April.

Committee Resolved ARCM/2022/00003

Part C

That the Audit and Risk Management Committee:

1. Receives the information in the External Reporting and Audit Programme for 2021/22 Report.
2. Requests Council staff to update the Committee on critical judgements, assumptions and decisions made that affect the financial statements of Council at the next ARMC meeting in April.

3. Notes the potential impact of the local government elections process and resourcing on the timing of this year's external audit.

Ms Wallace/Mr Rondel

Carried

9. Resolution to Exclude the Public

Committee Resolved ARCM/2022/00004

Part C

That at 2.42pm the resolution to exclude the public set out on pages 47 to 48 of the agenda be adopted.

Councillor MacDonald/Deputy Mayor

Carried

The public were re-admitted to the meeting at 3.02pm.

Meeting concluded at 3.03pm.

CONFIRMED THIS 1st DAY OF APRIL 2022

**KIM WALLACE
CHAIRPERSON**

7. External Reporting and Audit Programme for 2021/22 Update

Reference Te Tohutoro: 22/67703

Report of Te Pou Matua: Leah Scales, Chief Financial Officer

General Manager

Pouwhakarae:

Leah Scales, Acting GM Resources/CFO

1. Brief Summary

- 1.1 The purpose of this report is to update the Audit and Risk Management Committee on the annual report timetable and audit. The report has been written in response to receiving the 2021/22 audit plan from Audit New Zealand.
- 1.2 This report will also include discussion on material risks that have arisen since the last meeting and an assessment of the critical judgements, estimates and assumptions likely to impact the financial statements that will be included in the 2021/22 Christchurch City Council Annual Report.

2. Officer Recommendations Ngā Tūtohu

That the Audit and Risk Management Committee:

1. Receive the information in the External Reporting and Audit Programme for 2021/22 Update Report.
2. Receive the audit plan for 2021/22 from Audit NZ.
3. Request Council staff to update the committee on critical judgements, assumptions and decision made that affect the financial statements of Council at the next ARMC meeting in June.

3. Audit Plan for 2021/22

- 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 2020/21 include:
 - 3.2.1 **COVID-19 pandemic.** Review financial performance for any ongoing impacts of the pandemic.
 - 3.2.2 **Valuation of property, plant and equipment.** Roads and footpaths and art works are due to be revalued this year on a triennial cycle. Emphasis will be placed on the more material assets in the transport infrastructure class.
 - 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, these include three waters and roading.
 - 3.2.4 **Valuation of equity investment in council-controlled organisations (CCOs) subsidiaries.**
 - 3.2.5 **Capital asset additions and work in progress.** Review of classifications and disclosures.
 - 3.2.6 **The 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 **Setting of rates.**
 - 3.3.4 **Derivatives.**
 - 3.3.5 **Group Issues.**
 - 3.3.6 **Three waters reform.** Discuss implications and potential impact on financial disclosures.
 - 3.3.7 **Software as a Service (SaaS).** Discuss the extent to which Council is exposed to cloud based SaaS.

- 3.4 The following materiality apply for the financial statements.

\$ million	Parent	Group
Overall materiality (applies to fair value of PPE)	800	1,200
Lower specific materiality (applies to other financial statement items)	17.6	32.5
Clearly trivial threshold	0.88	1.6

- 3.5 Non-financial reporting thresholds for three waters and transport range from 1% (for DWSNZ disclosures) to 8% (for reported crashed on the transport network).

- 3.6 The audit plan works toward the approval of the draft annual report by Audit NZ on 29 September 2022.

The intention is that we will work to have audit clearance on the Annual Report for this date, however it is likely adoption will not occur until after the Election. Noting there is a further extension to legislation requirements to 31 December this year.

In order to meet this key milestone, the follow items will support the team in meeting this date:

- 3.6.1 Interim audit in April 2022 to ensure testing of control environment is completed in advance of the final visit;
 - 3.6.2 Use of the audit dashboard to transfer information between Council and the audit team; and
 - 3.6.3 Prioritisation of the Council in the Audit New Zealand work programme for 2022.
- 3.7 The June 2022 audit of the Council's financial statements will see the introduction of Audit NZ's AuditDashboard as a file sharing platform and client engagement and delivery monitoring tool for audit management.
- 3.8 Council has used the AuditDashboard for the audit of financial statements for directly managed CCOs for the 2020/21 year. Feedback has been positive from the accounting staff.

4. Update on Critical Estimates, Decisions and Assumptions

Valuation Programme

- 4.1 We are still on track to value the Art Collection and Roads and Footpaths for the 2022 financial statements. Subject to the availability of a suitably qualified valuer, we are also looking to add historical structures to the 2022 list, the main asset in this class is the Bridge of Remembrance.

- 4.2 Land, buildings and three water asset classes are also being reviewed.

Accounting standards

- 4.3 Council is required to adopt revised Public Benefit Entity accounting standards in the preparation of financial statements. Standards with changes that will be adopted in the 2021/22 financial statements are as follows.


PBE FRS 48 – Service Performance Reporting

- 4.4 The Council will be adopting the changes to PBE FRS 48 – Service Performance Reporting as part of the 2021/22 Annual Report preparation process.
- 4.5 This standard establishes requirements for service performance reporting for Tier 2 PBEs and formalises the process described in PBE IPSAS 1 preparation of financial statements.
- 4.6 The finance and performance management teams will work together on what changes are needed to activities and services summary to accommodate these changes.

PBE IPSAS 41 – Financial Instruments

- 4.7 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 as part of the 2021/22 Annual Report preparation process.
- 4.8 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.
- 4.9 PBE IAS 12 Treatment of Income Tax standard includes consequential changes as a result of the change to IPSAS 41.

Attachments Ngā Tāpirihanga

No.	Title	Page
A 	Christchurch City Council Audit Plan for 2021/22	19

Additional background information may be noted in the below table:

Document Name	Location / File Link
Not applicable	Not applicable

Confirmation of Statutory Compliance Te Whakatūtutanga ā-Ture

<p>Compliance with Statutory Decision-making Requirements (ss 76 - 81 Local Government Act 2002).</p> <p>(a) This report contains:</p> <ul style="list-style-type: none"> (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. <p>(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.</p>

Signatories Ngā Kaiwaitohu

Author	Len Van Hout - Manager External Reporting & Governance
Approved By	Bruce Moher - Acting Head of Finance Leah Scales - Acting General Manager Resources/Chief Financial Officer

Audit plan

Christchurch City Council

For the year ending 30 June 2022

Audit plan

I am pleased to present our audit plan (plan) for the audit of Christchurch City Council (the Council) for the year ending 30 June 2022. The purpose of this plan is to discuss:

Audit risks and issues	2
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Our audit process.....	12
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Audit logistics	19
Expectations.....	23

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

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

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

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

Yours sincerely



Chantelle Gernetzky
Appointed Auditor
23 March 2022

Audit risks and issues

Focus areas



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

Audit risk/issue	Our audit response
Valuation of Property, Plant and Equipment	
<p>Council's property, plant and equipment assets are significant items in 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>We understand that the roading network and works of art asset classes are due to be revalued in the 2021/22 year.</p> <p>We consider this to be an audit risk due to the significance of the carrying value and the judgements and estimates involved in determining fair value.</p> <p>Audit risk</p> <p>Asset classes subject to revaluation are misstated in the financial statements.</p>	<p>For the asset classes 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.</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. For these asset classes, Council will need to complete a fair value assessment to determine whether there is a difference between the carrying amount and the fair value.</p> <p>If this assessment identifies that there is a material difference between the carrying value and fair value of certain asset classes, these assets will need to be revalued.</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 2021/22.</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>In performing the 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 current market conditions indicate there has been significant changes to some of the assumptions and base information used in the assessment of fair value and due to the significant value of the classes of infrastructure and operational assets that are outside of their valuation cycle, the carrying value of non-revalued property, plant and equipment disclosed in the financial statements could be materially different from the fair value.</p>	
Valuation of equity investments in council controlled organisations (CCO) subsidiaries	
<p>Council has significant equity investments in its CCO subsidiaries. These are classified as available-for-sale financial assets recognised at fair value through other comprehensive revenue and expense in the financial statements under PBE IPSAS 29 <i>Financial Instruments: Recognition and Measurement</i>.</p> <p>The group values its investments in its CCO subsidiaries annually. The group engages specialist valuers to complete the revaluations because of the complexity and significant assumptions applied. These forecasting assumptions present a higher degree of estimation uncertainty in the current economic environment.</p> <p>Audit risk</p> <p>The equity investments are not disclosed at fair value at balance date.</p>	<p>Our audit procedures will include:</p> <ul style="list-style-type: none"> • Reading the valuation reports and meeting with the valuers to discuss key inputs and assumptions. • Assessing the valuation methodology and key assumptions for compliance with the requirements of the applicable financial reporting standards. • Assessing the robustness of forecast cash flow information and the appropriateness of discount rates applied. • Confirming that appropriate disclosure is included in the annual report. <p>We will rely on the work completed by the Christchurch City Holdings Limited auditors.</p> <p>We will complete audit work for the other subsidiaries revalued (Venues Ōtautahi Limited, ChristchurchNZ Holdings Limited and Civic Building Limited).</p>

Audit risk/issue	Our audit response
Capital asset additions and work-in-progress	
<p>The Council has a significant ongoing capital expenditure 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; • 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>	<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; • assessing the reasonableness of the processes used by management to assess for impairment, including all significant WIP balances; and • reviewing the disclosures within the financial statements.
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 resulting in a material misstatement of the financial and performance information.</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 the Council and its environment; and • review of any changes in the Council's accounting policies.

Additional areas of audit focus

Audit focus areas	Our audit response
Procurement, contract management and project governance	
The areas of procurement, contract management and project governance continue to be areas of focus for the 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>Our main focus will be to gain an understanding of any recent developments in the area of procurement, project governance and contract management.</p> <p>Our specialist assurance member will review a sample of contracts (completed and in progress) to ensure Council's policies are being followed.</p> <p>We will follow up on any prior year recommendations made in our management report.</p> <p>We will continue to review the development of the Te Kaha/ Canterbury Multi Use Arena project.</p>
Prudent expenditure decisions	
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>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>
Setting of rates	
<p>Councils fund their operating and capital expenditure through rates as set out in the Local Government Act 2002 and the Local Government (Rating) Act 2002.</p> <p>Councils must consult with the community before using these powers through the long-term plan and annual plan processes. This links community consultation to the rates people are required to pay.</p> <p>Courts will generally interpret powers of this kind, and the associated legal duties, strictly. To be lawful, rates must be set in accordance with the</p>	<p>We will update our understanding of the Council's progress embedding its legislative compliance process, and review Council compliance with the Local Government (Rating) Act 2002.</p> <p>We will verify that all mandatory measures are included and reported on in the annual report.</p>

Audit focus areas	Our audit response
<p>relevant provisions of a council's long-term plan and funding impact statement.</p> <p>There must be consistency between the rates resolution, the funding impact statement for that year and the revenue and financing policy in the long-term plan.</p> <p>Mandatory disclosures</p> <p>The Annual Report must contain the disclosures required under legislation, including:</p> <ul style="list-style-type: none"> the Local Government Act; the Local Government (Financial Reporting and Prudence) Regulations 2014; and the Non-Financial Performance Measures Rules 2013. 	
Derivatives	
<p>The Council holds a material number of interest rate swaps that it hedge accounts for in its financial statements.</p> <p>The accounting for these swaps is complex.</p>	<p>Due to the complexity of these accounting estimates, we will review the hedge accounting of the swaps. This is peer reviewed by our Hedge Accounting Team.</p> <p>We will also review a sample of documentation for new and existing hedges to check for compliance with the accounting standards.</p>
Group issues	
<p>In our audit planning we consider potential risks within the Council group. The significant components of the Council group are the Christchurch City Holdings Limited group, Venues Ōtautahi Limited, and the Ōtautahi Community Housing Trust.</p>	<p>We will work with the group component auditors to ensure that any changes in group structure and group audit risks are communicated and appropriately addressed on consolidation into the Council's group financial statements. We also review related party transactions throughout the group.</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> <p>This includes any decisions made by the Council that may impact on the group up to the date of signing the 2022 annual report.</p> <p>We will review the impact of the Covid-19 pandemic on the financial performance of the Group, to ensure that the impacts are</p>

Audit focus areas	Our audit response
	appropriately accounted for or appropriate disclosure is made.
Three waters reform	
<p>On 27 October 2021, the Government publicly announced that legislation will be introduced to establish four publicly owned water services entities to take over responsibility for three waters service delivery and infrastructure from local authorities, from 1 July 2024.</p> <p>The impact of the proposal is that the Council would no longer be responsible for the delivery of three waters services. Instead these services would be delivered by 'Water Entity D'.</p> <p>Further detail of the reform proposal is expected from the working party, and through introduction of three Bills to Parliament.</p> <p>Due to the significance of the reform proposal to the sector, we expect affected Councils to include appropriate subsequent events disclosure. Given the significance, we will also include an emphasis of matter in the audit opinion drawing readers attention to this disclosure.</p>	<p>We will continue to monitor any significant developments and the assess the implications on the financial statements.</p> <p>We will review the Council's proposed subsequent events disclosure, and confirm its appropriateness and compliance with relevant accounting standards.</p>
Software as a Service (SaaS)	
<p>Entities can sometimes incur significant costs when implementing cloud computing arrangements. Until recently, there has been no specific guidance on this subject in IFRS accounting standards.</p> <p>Recent IFRIC agenda decisions by the IASB have provided some clarity on the accounting for certain costs in implementing such arrangements.</p> <p>The agenda decisions must be applied by for-profit entities. For Public Benefit Entities, the agenda decisions can be referred to in determining the accounting treatment because the underlying intangible asset standards are consistent between IFRS and PBE IPSAS.</p> <p>The key issues are whether such costs:</p> <ul style="list-style-type: none"> • Shall be capitalised as an intangible asset and amortised; or • expensed when incurred; or 	<p>We will need to consider the Council's specific circumstances. We will discuss this with this with management to obtain an understanding of the costs incurred and assess whether the accounting treatment complies with the accounting standards.</p>

Audit focus areas	Our audit response
<ul style="list-style-type: none"> expensed over the term of the software as a service (SAAS) arrangement (including capitalising as a prepaid service if paid upfront). 	

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

Fraud risk

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

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

- What role does 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.parliament.nz/reports/fraud-reports.

Group audit



The group comprises the Council parent, a number of council controlled organisations (CCOs) and other council controlled entities. The following CCOs and controlled entities have been identified as material to the group, due to their financial significance or the nature of their services and activities:

- Christchurch City Holdings Limited;
- Venues Ōtautahi Limited; and
- Ōtautahi Community Housing Trust¹.

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 business activities/entities which are included in the group financial statements. Each business activity/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	<p>This will be audited by the same Appointed Auditor as the Council using the Audit New Zealand audit team.</p> <p>The significant audit risks relevant to this component are:</p> <ul style="list-style-type: none"> • carrying value of group property, plant and equipment; • valuation of investment property; • valuation of investment in subsidiaries at fair value; and • management override of internal controls. <p>The audit work on this component will be a full financial statement and performance report audit.</p>
Venues Ōtautahi Limited	<p>This will be audited by the same Appointed Auditor as the Council using the Audit New Zealand audit team.</p> <p>The significant audit risks relevant to this component are:</p> <ul style="list-style-type: none"> • fair value of the Arena and Town Hall; and • management override of internal controls. <p>The audit work on this component will be a full financial statement and performance report audit.</p>

¹ Ōtautahi Community Housing Trust is not a council controlled organisation. It is a controlled entity for accounting purposes only.

Significant component	Work to be performed
Ōtautahi Community Housing Trust	<p>This component will be audited by BDO, Christchurch.</p> <p>Group instructions will be issued to the component auditor that will specify information we require.</p> <p>The significant audit risks relevant to this component are:</p> <ul style="list-style-type: none"> • fair value of the land and buildings; and • management override of internal controls. <p>The audit work on this component will be a full financial statement and performance report audit.</p>

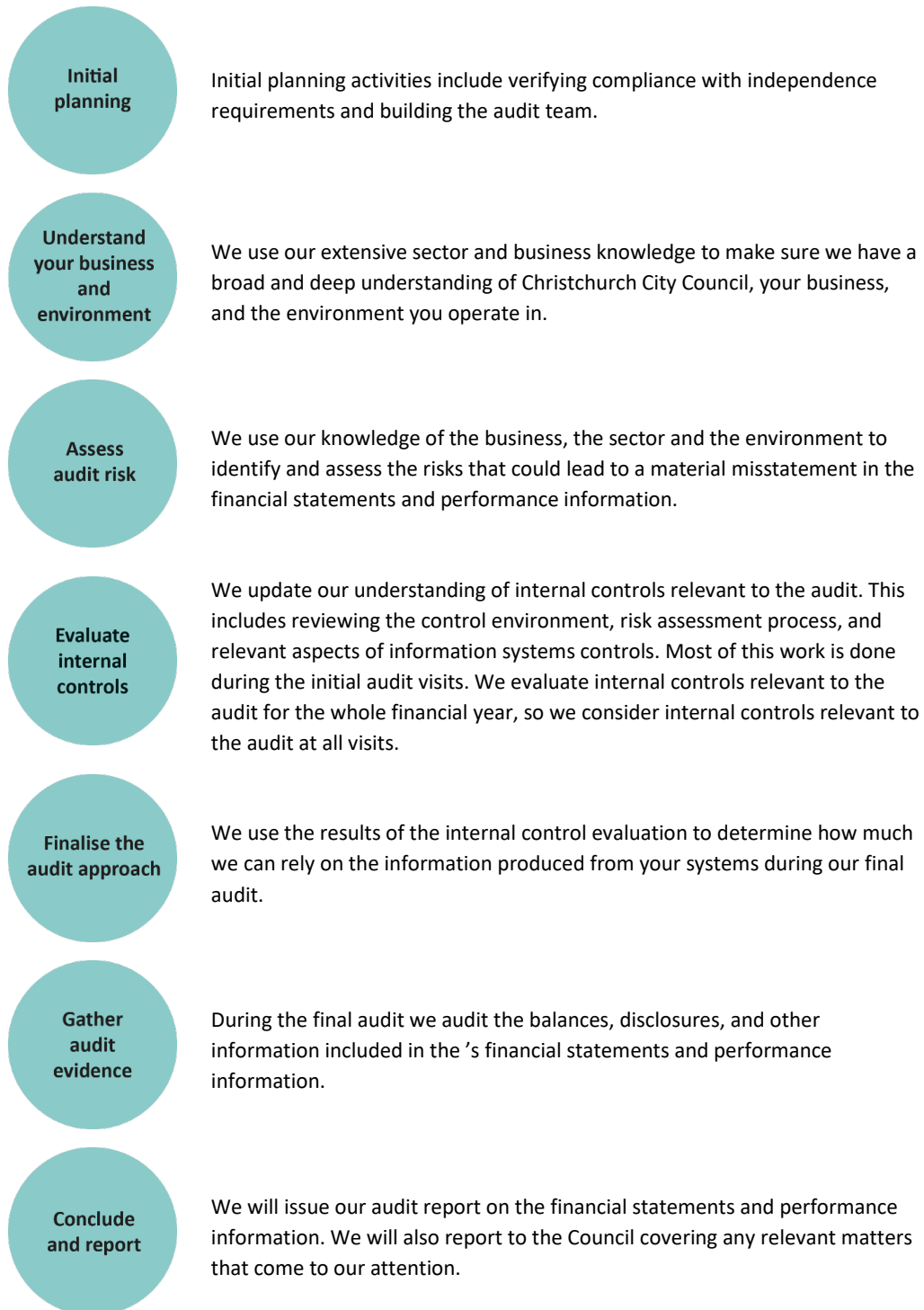
For non-significant components, we will perform analytical procedures at the group level to identify unexpected movements.

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 controls; 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



Materiality

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

- influence readers' overall understanding of the financial statements and service 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.

It is a matter of judgement whether information is material. We consider the nature (qualitative) and amount (quantitative) of each item judged in the surrounding circumstances and its impact. In the public sector qualitative considerations are of equal significance as quantitative considerations. Qualitative considerations are of primary importance in our assessment of materiality in the context of disclosures for transparency and accountability reasons, and in evaluating any non-compliance with laws and regulations.

The Council and management need to consider materiality in preparing the financial statements and service performance information and make their own assessment of materiality from a preparer's perspective. 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. Management and the Council should not rely on our materiality assessment as a basis for owning and making judgements about the integrity of the financial statements and service performance information.

Financial statements materiality

For planning purposes we have set **overall group materiality** for the financial statements at \$1.2 billion based on total property, plant and equipment. This is subject to change once the actual results for the current year are available. For this audit we are only applying this overall group materiality to the fair value of property, plant and equipment.

For this audit we have set a lower, **specific group materiality** of \$32.5 million for all items not related to the fair value of property, plant and equipment.

Overall group materiality	\$1.2 billion
Specific group materiality	\$32.5 million
Overall parent materiality	\$800 million
Specific parent materiality	\$17.6 million
Group clearly trivial threshold	\$1.6 million
Parent clearly trivial threshold	\$880,000

We have set **overall parent materiality** for the financial statements at \$800 million based on last year's total property, plant and equipment. This is subject to change once the actual results for the current year are available. For this audit we are only applying this overall parent materiality to the

fair value of property, plant and equipment. We have set a lower, **specific materiality** of \$17.6 million for all items not related to the fair value of property, plant and equipment.

We also set a lower, **specific materiality** for some items due to their sensitivity. For example, we apply a lower specific materiality to related party and key management personnel disclosures.

We design our audit procedures to detect misstatements at a lower level than overall materiality. This takes account of the risk of cumulative misstatements and provides a safety net against the risk of undetected misstatements.

We will report all uncorrected misstatements to the Council other than those that are **clearly trivial**. We consider misstatements of less than \$1.6 million to be clearly trivial for the **group** financial statements and misstatements of less than \$880,000 to be clearly trivial for the **parent** financial statements unless there are qualitative considerations that heighten its significance. 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 management and the Council on the reasons why the corrections will not be made.

Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements [and service performance information]. The effects of any detected and uncorrected misstatements, individually and in aggregate, are assessed against overall materiality and qualitative considerations.

Overall financial statement materiality does not apply to any matters of effectiveness and efficiency, waste, or a lack of probity or financial prudence.

Materiality for service performance information

At an overall level, we assess whether the service performance information is suitable, given your purpose and the nature of your activities, and whether the reporting allows for an informed assessment of the Council's performance. In doing this we consider whether the information is relevant, complete, reliable, neutral, and understandable.

We set materiality for service performance information at an individual measure level based on what we expect would influence readers' overall understanding, decision making, or assessment of Christchurch City Council's performance. We consider a variety of factors including the level of public interest and potential public risk. Because of the variety of measurement bases applied, we normally express this materiality as a percentage of the reported result.

We have identified the following measures as material and assessed materiality for planning purposes. We will reassess this during the audit.

Activity	Material measure	Council's target	Materiality
Water	12.0.2.9 Proportion of residents (with supplies of > 100 customers) supplied water compliant with the DWSNZ bacterial compliance criteria.	100%	Within 1% of the reported result.

Activity	Material measure	Council's target	Materiality
Water	12.0.2.10 Proportion of residents (with supplies of > 100 customers) supplied water compliant with the DWSNZ protozoal compliance criteria.	≥ 0.3%	Within 1% of the reported result.
Water	12.0.1.10 Median time (in hours) from notification to attendance of urgent call-out.	≤ 1 hour	5%
Water	12.0.1.12 Median time (in hours) from notification to resolution of urgent call-outs.	≤ 5 hours	5%
Water	12.0.6 Percentage of real water loss from Council's water supply reticulated network.	≤ 24%	5%
Wastewater	11.1.2.0 Number of abatement notices, infringement notices, enforcement orders and convictions regarding Council resource consents related to discharges from wastewater systems per year.	0 notices	0%
Wastewater	11.0.5.2 Number of dry weather overflows from wastewater systems per 1,000 connected properties per year.	≤ 0.7 per 1,000 properties	5%
Wastewater	11.0.1.5 Median time (in hours) from notification to attendance of overflows resulting from network faults.	≤ 1 hours	5%
Wastewater	11.0.1.6 Median time (in hours) from notification to resolution of overflows resulting from network faults.	≤ 24 hours	5%
Stormwater	14.0.10 Council responds to flood events, faults and blockages promptly and effectively: The median response time to attend a flooding event, measured from the time that the territorial authority receives notification to the time that service personnel reach the site.	≤60 minutes urban ≤120 minutes rural	8%
Stormwater	14.0.2.1 Number of abatement notices regarding Council resource consents related to discharges from the stormwater networks per year. 14.0.2.4 Number of infringement notices regarding Council resource consents related to discharges from the stormwater networks per year. 14.0.2.3 Number of enforcement orders regarding Council resource consents related to discharges from the stormwater networks per year. 14.0.2.2 Number of successful prosecutions regarding Council resource consents related to discharges from the stormwater networks per year.	0 notices for each measure	0%

Activity	Material measure	Council's target	Materiality
Transport	16.0.2 Improve roadway condition, to an appropriate national standard, measured by smooth travel exposure (STE).	≥75% of the sealed local road network meets the appropriate national standard	8%
Roads and Footpaths	16.0.3 Improve resident satisfaction with road condition.	≥25% resident satisfaction	5%
Transport	10.0.6.1 Reduce the number of death and serious injury crashes on the local road network.	≤ 105 crashes	8%
Building consenting	9.1.1 Grant Building consents within 20 days working days.	95% of building consents within 19 working days from the date of acceptance	5%

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:

- Christchurch City 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 Christchurch City Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by Christchurch City 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 Christchurch City 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. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are “no surprises”.

Meeting with	Planned timing
Council	<ul style="list-style-type: none"> Attend the annual report adoption meeting and any other meetings (as required). Informally meet with the Mayor and Deputy Mayor on an annual basis. Our objective is: <ul style="list-style-type: none"> to discuss key issues, risks and changes, and the areas of focus for the audit, and approach.
Audit and Risk Committee	<ul style="list-style-type: none"> Attend all formal meetings and informally meet with the Chair on a quarterly basis (April, July, October, January). Our objective is: <ul style="list-style-type: none"> to discuss the areas of focus for the audit, and approach; to discuss results of interim audit; and to discuss results of final audit.
Management of the Council	<ul style="list-style-type: none"> Meet with CEO and CFO quarterly (April, July, October, January) and all other members of the management team on an annual basis. Our objective is: <ul style="list-style-type: none"> to discuss key issues, risks and changes, and the areas of focus for the audit, and approach; to discuss preliminary results of interim audit and approach for final audit; to discuss preliminary results of the final audit; and to de-brief on the audit process in the current year to identify areas for improvement.

Reports to the Council



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 their comments on the draft within 10 working days. Once management comments are received the report will be finalised and provided to Council.

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

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:

Chantelle Gernetzky	Appointed Auditor
Jo Smaill	Engagement Quality Review Director
Karina Page	Audit Manager
Richard Ng	Audit Supervisor
Alan Clifford/Robyn Dearlove	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



Due to the cumulative impact of issues arising from the Covid-19 pandemic and the Auditor-General's audit prioritisation process, there may be some flow on effects that impact the original time frames agreed. There is the possibility that due to Covid-19, there may be further disruptions that will require changes to the timetable proposed below. If this arises, we will discuss a revised timetable with you. Our priority is to make sure our clients meet their statutory timeframes.

Our proposed timetable is:

Interim audit begins	2 May 2022
Draft interim report (internal controls report) to the Council issued	13 June 2022
Draft parent financial statements available for audit (including notes to the financial statements) with actual year-end figures ²	25 July 2022

² This includes all valuations processed (operational, restricted and infrastructure assets and the valuation of CCO subsidiaries), all Funding Impact Statements, all financial prudence benchmarks and other Local Government Act 2002 required disclosures.

Draft statement of service performance available for audit with actual year-end figures and variance explanations.	25 July 2022
Final audit begins	25 July 2022
Draft group financial statements available for audit (including notes to the financial statements) with actual year-end figures	22 August 2022
ARMC meeting to consider the draft financial statements	2 September 2022
Annual report available, including any Chair and Chief Executive's overview or reports	12 September 2022
Final financial statements available, incorporating all the amendments agreed to between us	20 September 2022
ARMC meeting to approve the 2022 annual report	23 September 2022
Verbal audit clearance given	25 September 2022
Council meeting to adopt the 2022 annual report	29 September 2022
Audit opinion issued	29 September 2022
Draft final report to Council issued	29 September 2022
Draft summary annual report available for audit	29 September 2022

AuditDashboard

During the audit, your staff provide us with a significant number of files. These files contain information that we have asked for about your internal controls or financial and non-financial information to support the contents of your annual report. When all of this information is available in a timely manner, it helps the audit process to run as smoothly and effectively as possible for both you and us.

We began implementing a new online portal called AuditDashboard in 2021. AuditDashboard allows for easier collaboration and file sharing between the Council and your audit team. It is a robust, secure digital platform that is specifically designed to streamline the process of sharing information with us. During 2021, we used AuditDashboard to exchange more than 30,000 files with our clients. More information on this new tool can be found at: [Information about AuditDashboard](#).

The benefits of AuditDashboard

Your team will be invited to collaborate on one central request list in a shared space. The ability to drag and drop files makes it easy to fulfill requests. Real-time status updates provide greater visibility to everyone and helps to keep everyone organised and on the same page. It will be easy to:

- see what has been asked for;
- assign specific tasks to your own people and see who each request is assigned to;
- see when each request is due and track the progress of requests;
- exchange information securely; and
- see what has been uploaded.

There will be no change to the information that the audit team asks for. Rather than obtaining information from a Council provided laptop connected to the Council network, we will request information using AuditDashboard, which your team will then use to upload files.

Your team will have time to gather the relevant information, upload the files, and submit them to us at any time that suits them up to the due date. When we start work, we will already have access to this information and can get started straight away.

We intend to start using AuditDashboard at our interim audit stage. We have provided the Chief Financial Officer with an overview and agreement to use AuditDashboard. We expect compliance with this agreement will already be covered by your computer-use policy. We need to receive the agreement back prior to implementing AuditDashboard on your audit.

Working remotely

Covid-19 restrictions, such as lockdowns, and resultant changes to our own and our client's work locations, including increasing numbers working from home since the start of the pandemic have meant we changed how we worked with our clients over the last two years.

Lockdowns meant that our clients and our auditors did not always have access to their premises and information and had to work remotely. For clients able to work remotely, with access to systems and electronic documentation, as well as being prepared for the audit, audits continued to progress and progress well.

Performing our audit work during higher alert level restrictions confirmed that aspects of our audit work can be done efficiently off-site. We plan to continue to perform aspects of your audit remotely as there are some benefits to you and us of having our team off-site for parts of the audit. For you these benefits include:

- staging and sending the information we request for audit over an agreed period of time as opposed to having all the information requested ready for our arrival at one agreed date;
- less time spent on travel, so we will have more time focus on auditing what matters and raising issues earlier;
- reduction in disbursements as we will incur less travel and overnight costs; and
- less auditor time on site which allows you to get on with your work and enables planned focused conversations when these take place.

To complete audit work off-site and fully obtain the benefits detailed above, you will need to:

- ensure that you can assess your systems remotely; and
- store supporting documents electronically and be able to easily retrieve these.

During the previous audit, we were able to perform some of our audit work remotely, using the Council supplied laptop. Based on our experience we found that the Council has good systems and processes in place to facilitate any future off-site work by us.

We recognise different organisations are positioned differently to enable off-site audit work. We will be discussing and agreeing off-site working expectations in conjunction with our information requests with you as part of your 2022 audit. This will include our expectation that AuditDashboard will be used, which is a safe and secure way of transferring information and documentation between you and us.

Expectations



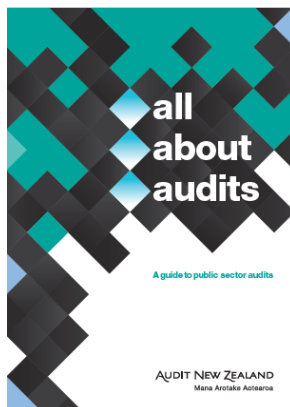
For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

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

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

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



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

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

www.auditnz.parliament.nz



8. Health, Safety and Wellbeing Dashboard

Reference / Te Tohutoro: 22/294531

Report of / Te Pou
Matua: Duncan Sandeman, Manager Health and Safety,
duncan.j.sandeman@ccc.govt.nz

General Manager /
Pouwhakarae: Leah Scales, Acting General Manager Resources,
leah.scales@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 (HSWC) of Council at its last meeting.
- 1.2 At the 4 February 2022 meeting the Committee expressed a strong desire for the dashboard to be completely revamped to provide better lead and lag indicators to assist them in their oversight duties. A revamped dashboard is to be presented to the Executive Leadership Team on 23 March. This dashboard is attached (**Attachment B**) for the Audit and Risk Management Committee's reference.

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).
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 	HSW Dashboard October - December 2021	47
B 	Health, Safety and Wellbeing Dashboard January-February 2020	49

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

Document Name	Location / File Link
Not Applicable	Not Applicable

Confirmation of Statutory Compliance / Te Whakatūturutanga 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.

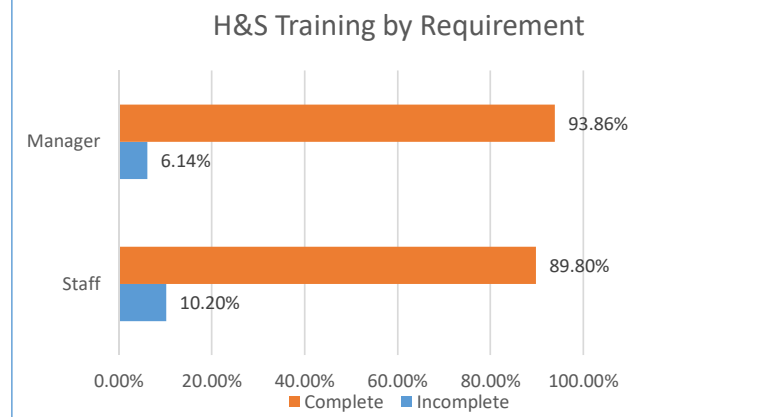
(b) The information reflects the level of significance of the matters covered by the report, as determined in accordance with the Council's significance and engagement policy.

Signatories / Ngā Kaiwaitohu

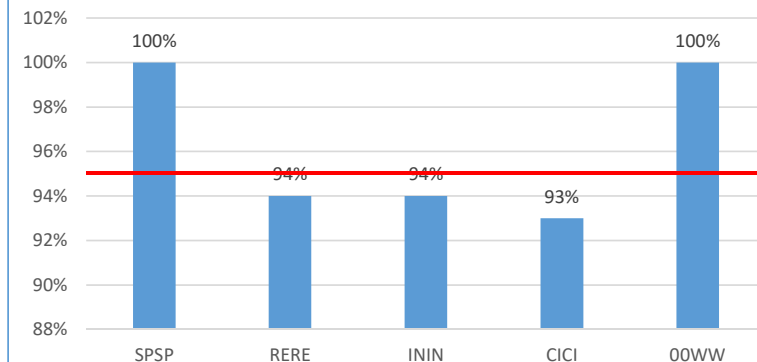
Authors	Mark Saunders - Community Board Advisor Duncan Sandeman - Manager Health and Safety
Approved By	Duncan Sandeman - Manager Health and Safety

Christchurch City Council - Health, Safety & Wellbeing Dashboard - as at 31 December 2021

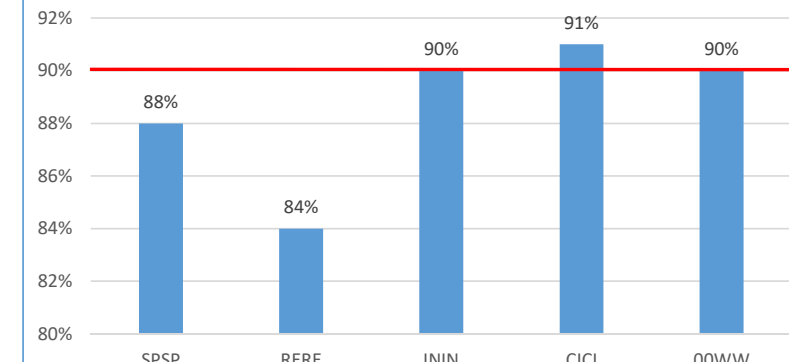
Training



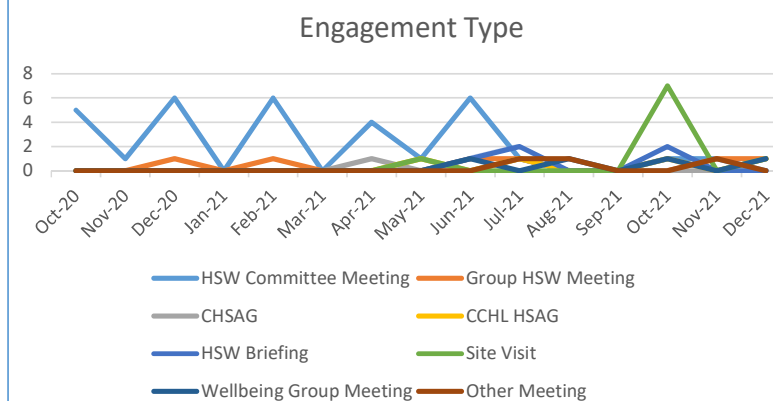
H&S Training Manager Completion



H&S Training - Staff Completion



Visible Leadership



Events

Total events this period
631

Employee events this period
266

Citizen events this period
355

Contractor events this period
38

Events by Group:
00WW: 9
CICI: 579
ININ: 65
RERE: 5
SPSP: 1

Notifiable events this period

Discomfort & Pain events this period
49

Lost time injuries this period
11

Key:
00WW: Three Waters & Waste
CICI: Citizens & Community
ININ: Infrastructure, Planning & Regulatory Serv
RERE: Resources
SPSP: Strategic Policy & Performance

Lost time days this period
65.5

Events

Risk Frequency Heat Map	EX00	00WW	CICI	ININ	RERE	SPSP	Total	% of Total Events
Animal behaviours	0	1	14	12	0	0	27	1.12%
Biological agent	0	0	12	0	2	0	14	0.64%
Chemicals	0	1	15	3	0	0	19	0.69%
Electrical services	0	2	5	9	2	0	18	0.69%
Furniture, fixtures and fittings	0	9	403	27	11	0	450	24.35%
Human behaviours	1	6	831	79	10	6	933	40.86%
Indoor or outdoor elements	0	3	63	5	0	0	71	3.58%
Machinery or fixed plant	0	5	32	4	2	0	43	2.40%
Material or substance	1	3	33	18	2	0	57	2.60%
Medical condition	0	0	88	5	2	0	95	4.75%
Mobile Plant	0	5	10	10	0	0	25	1.08%
Non-powered hand tool, appliance or equipment	0	1	66	10	2	1	80	4.65%
Powered equipment, tool or appliance	0	2	20	3	1	0	26	1.22%
Underground environment	0	1	0	0	1	0	2	0.10%
Vehicles	0	9	46	39	2	0	96	4.26%
Water/liquid	0	0	113	0	0	0	113	5.54%
Work factors	0	1	17	6	2	2	28	1.47%
Total Events	2	49	1768	230	39	9	2097	100.00%
% of Total Events	0.09%	2.34%	84.31%	10.97%	1.86%	0.43%		

0-14

15-29

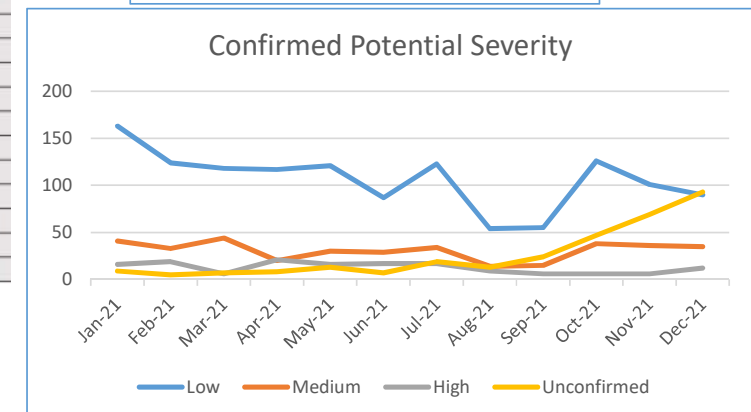
30-59

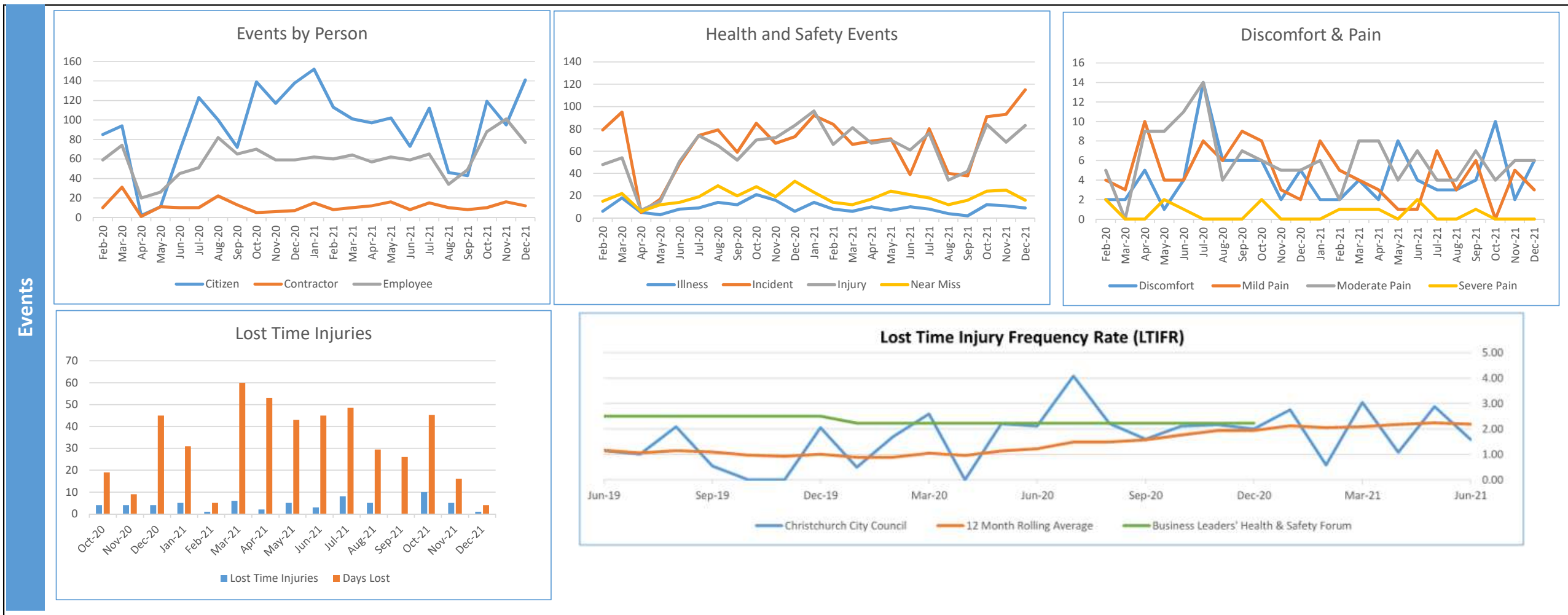
60+

Low	Medium	High	Unconfirmed	Total
8	2	3	14	27
6	2	0	6	14
8	3	1	7	19
5	4	5	4	18
325	73	16	36	450
563	170	63	137	933
41	12	12	6	71
30	7	2	4	43
37	9	3	8	57
45	29	16	5	95
13	3	3	6	25
62	7	0	11	80
11	7	4	4	26
1	0	1	0	2
35	16	15	30	96
84	16	5	8	113
13	6	2	7	28
1287	366	151	293	2097
61.37%	17.45%	7.20%	13.97%	

The current top five causes (risks) of Health & Safety events are:

- Human behaviours (40.86%)
- Furniture, fixtures & fittings (24.35%)
- Water/liquid (5.54%)
- Medical conditions (4.75%)
- Vehicles (4.26%)

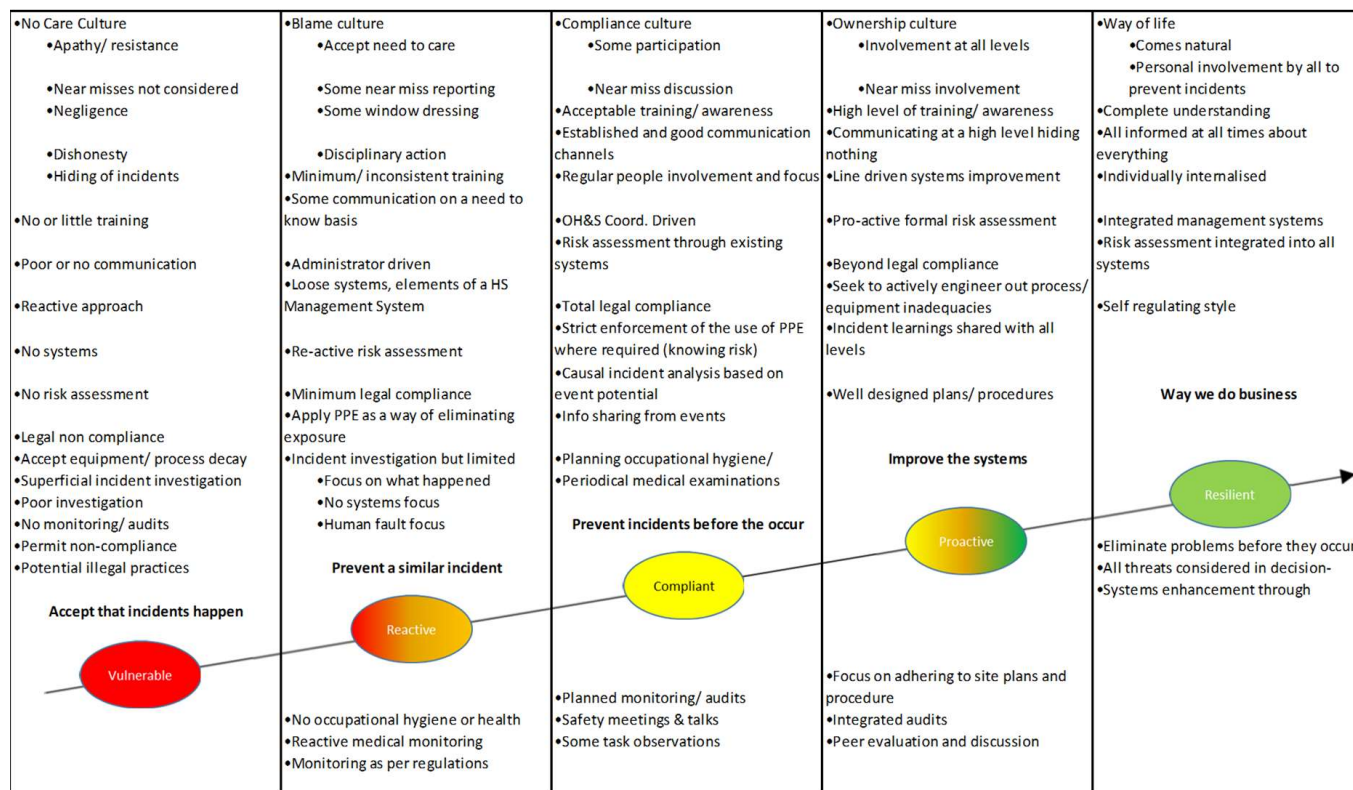




Health, Safety and Wellbeing Dashboard January – February 2022

Duncan Sandeman
Health & Safety Manager
duncan.j.sandeman@ccc.govt.nz

Organisation Health & Safety Maturity

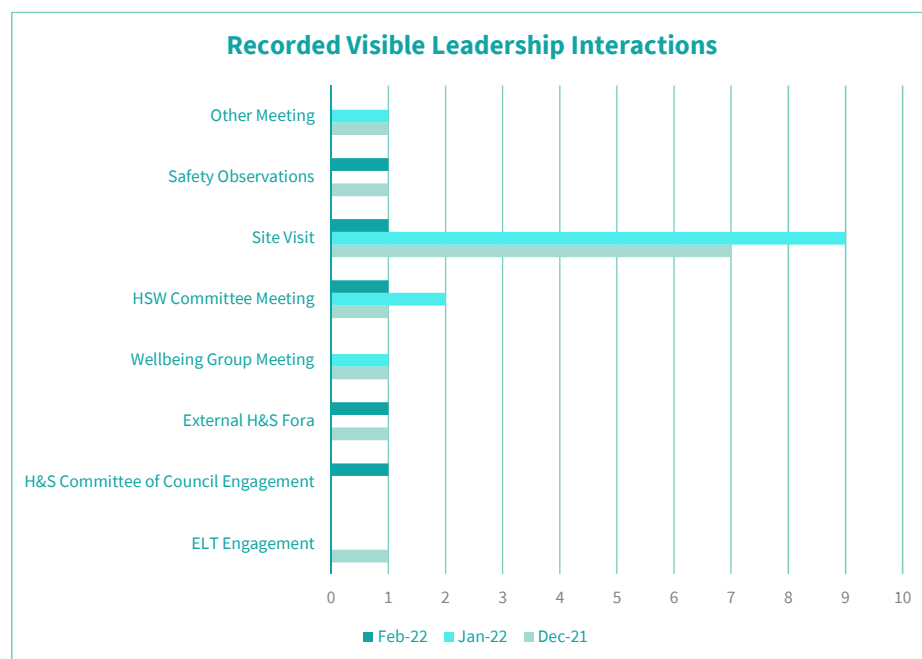


Health, Safety & Wellbeing Plan 2021-2026

Goal: Be the safest and healthiest council in New Zealand

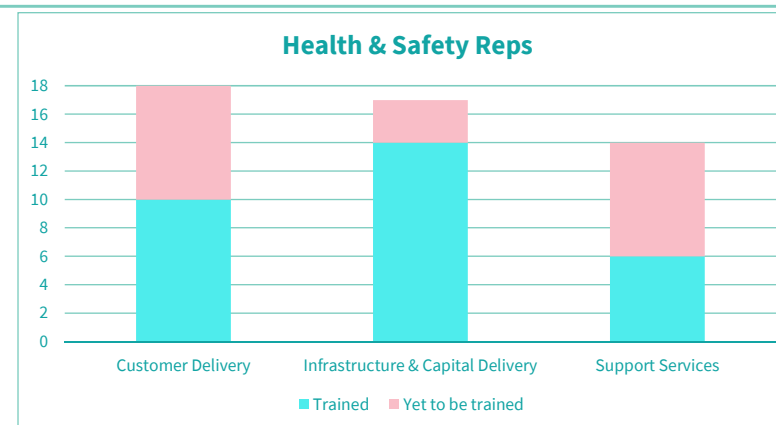
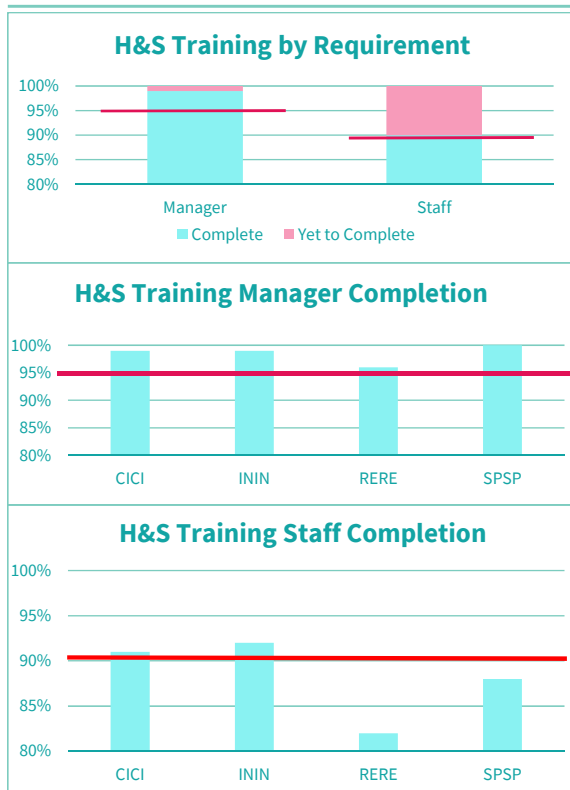
- Show visible leadership of HSW practices
- Support competent, committed people
- Effectively manage risks
- Continuously improve performance
- Collaborate with industry and community partners
- Promote employee wellbeing

Show visible leadership of HSW practices



- Purpose is to demonstrate leadership commitment to specific HSW activities and as a result, influence others to do so too
- May engage in conversations with and observe employees or contractors during this
- Proactively embedding conversations about Health, Safety and Wellbeing in our day-to-day meetings, interactions and the behaviour we model
- Relates to us modelling best practice, creating physically and psychologically safe, inclusive work environments
- Fundamental part and expectation of leadership in general, not just in relation to HSW.
- Needs to be recorded in Able.

Support competent and committed workers

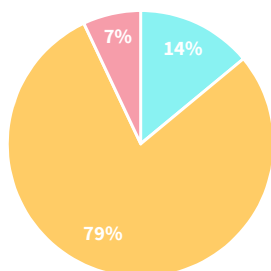


Goals to support competent and committed workers

- Increase worker engagement and participation
- Ongoing development of resources and training to ensure all our people have the right skills and competence to undertake health and safety
- Develop a single source of truth for HSW resources at Council
- Ensure resources and training are available

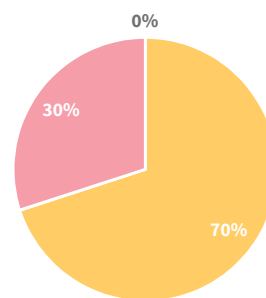
Effectively manage risk – Main Effort

Customer Delivery



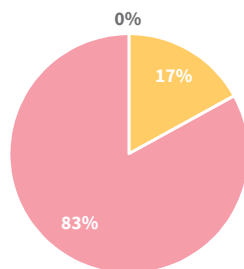
■ Completed ■ Incomplete ■ Not started

Infrastructure Delivery



■ Completed ■ Incomplete ■ Not started

Support Services



■ Completed ■ Incomplete ■ Not started

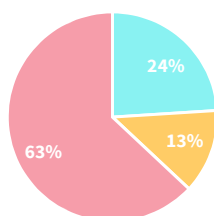
Ongoing identification and management of significant health and safety risks.

- All business units need to identify significant health and safety risks and have controls in place to manage that risk.
- Controls require to be regularly reviewed.

Effectively manage risk – Main Effort

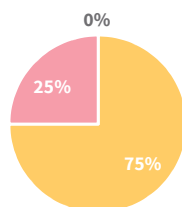


**CICI Citizen's & Community
Events Awaiting 1-up Review**



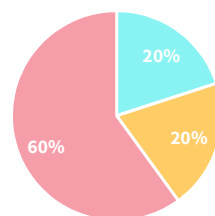
■ 0-30 ■ 31-90 ■ 91+

**RERE Resources
Events Awaiting 1-up Review**



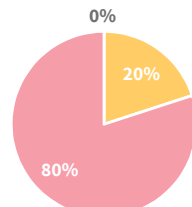
■ 0-30 ■ 31-90 ■ 91+

**ININ Infrast. Planning & Regulation
Events Awaiting 1-up Review**



■ 0-30 ■ 31-90 ■ 91+

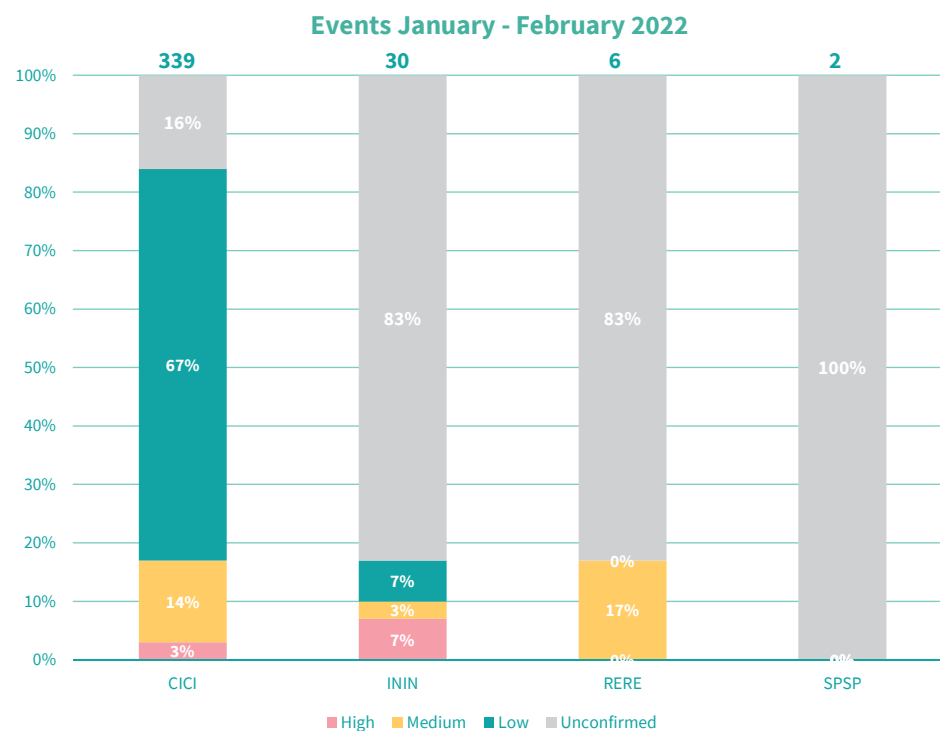
**SPSP Strategic Performance
Events Awaiting 1-up Review**



■ 0-30 ■ 31-90 ■ 91+

- We want to ensure we learn from incident investigations to drive improvement
- We must ensure all HSE are investigated promptly

Continuously Improve Performance: Health & Safety Events



Total events this period:
377

Employee events this period:
150

Citizen events this period:
213

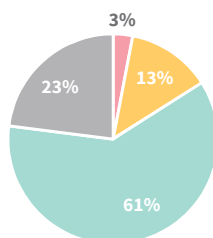
Contractor events this period:
14

Notifiable events this period:
1

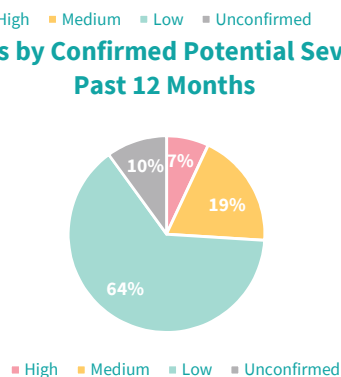
Continuously Improve Performance Health & Safety Events



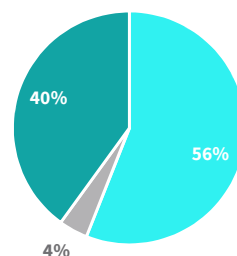
Jan - Feb Events by Confirmed Potential Severity



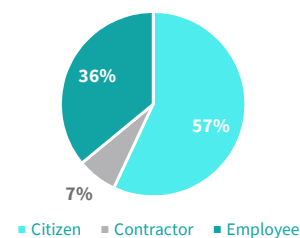
Events by Confirmed Potential Severity Past 12 Months



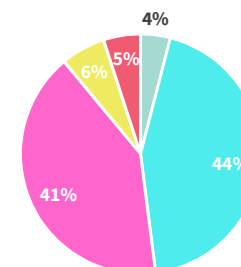
Event by Person Type Jan-Feb 22



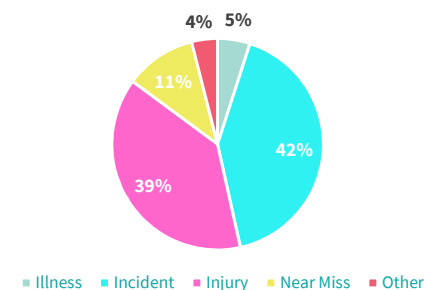
Event by Person Type Past 12 Months



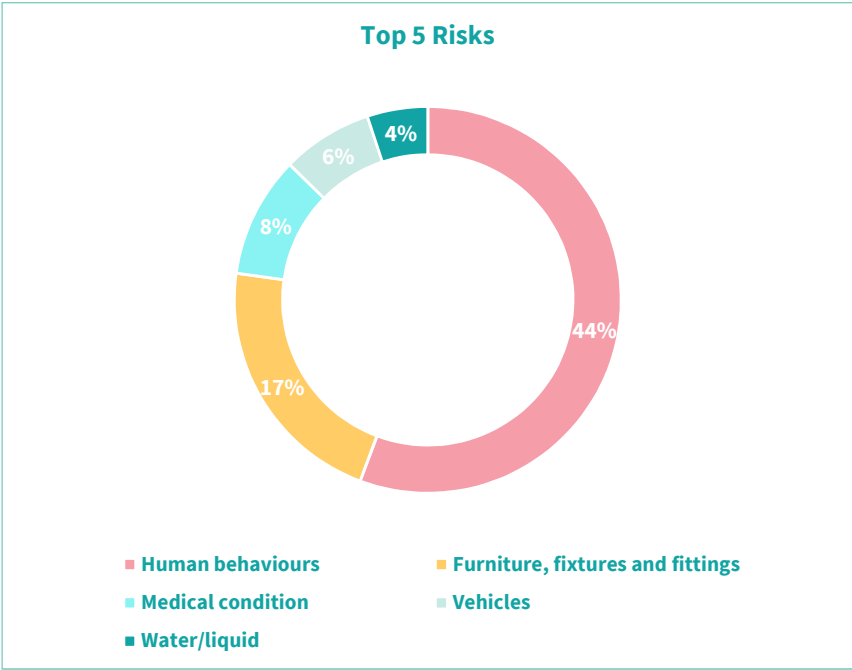
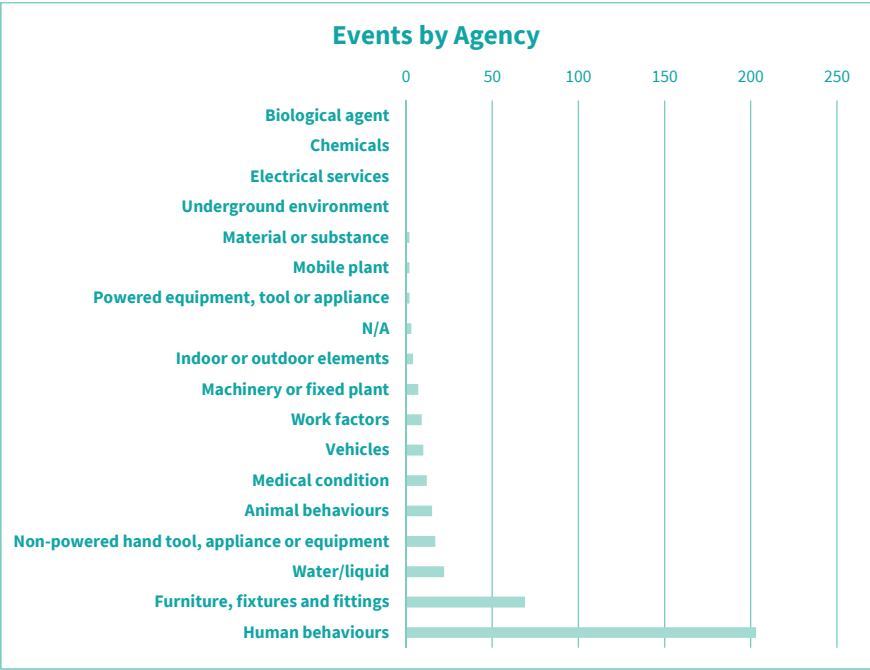
Event by Type Jan - Feb 22



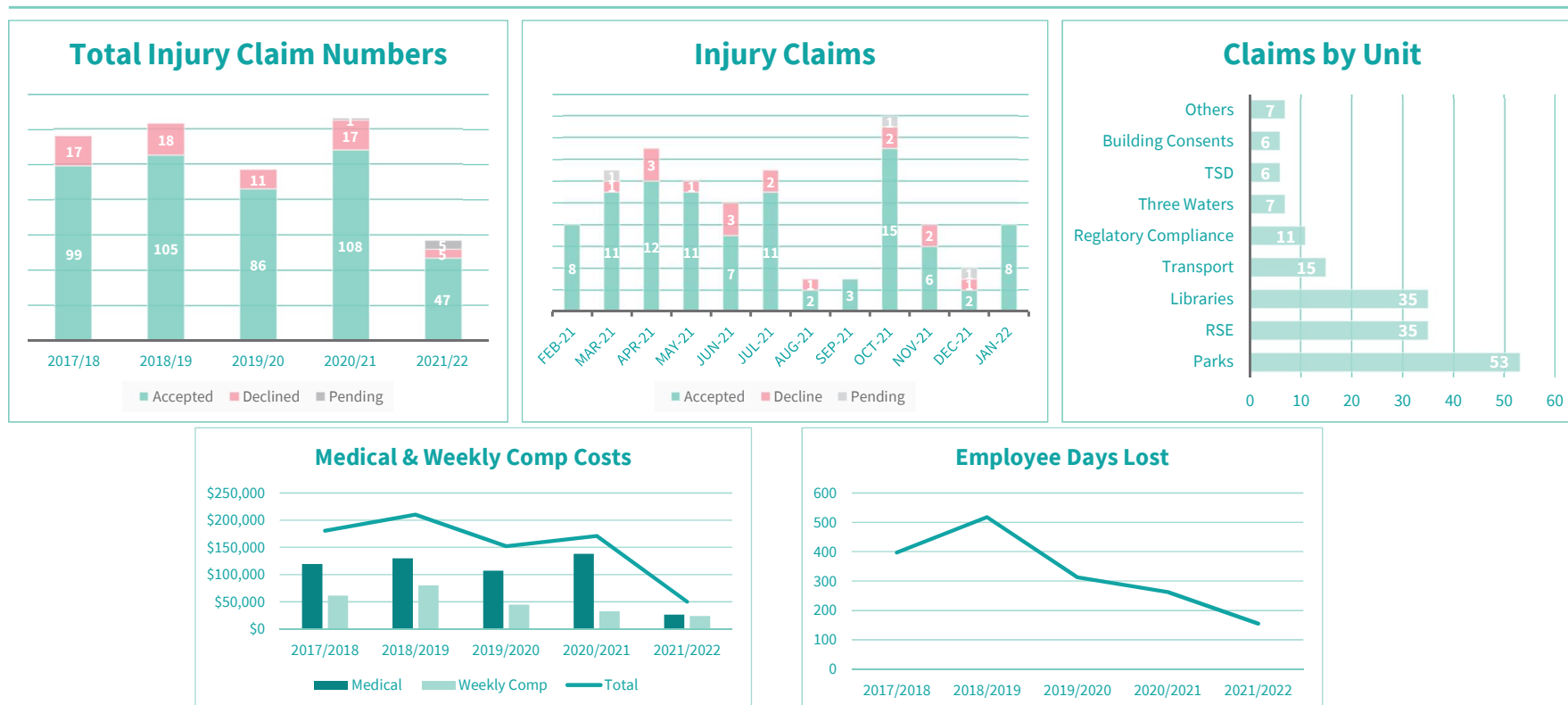
Event by Type Past 12 Months



Event Source Analysis

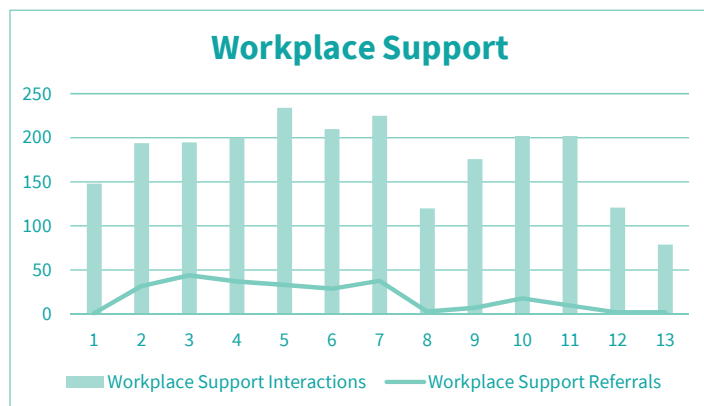


Promote employee wellbeing

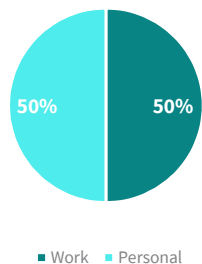


Health, Safety and Wellbeing Dashboard January - February 2022

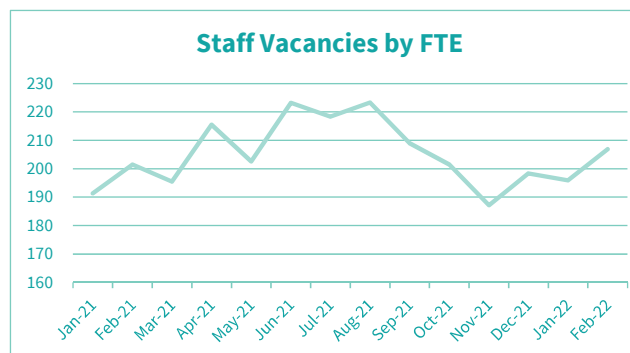
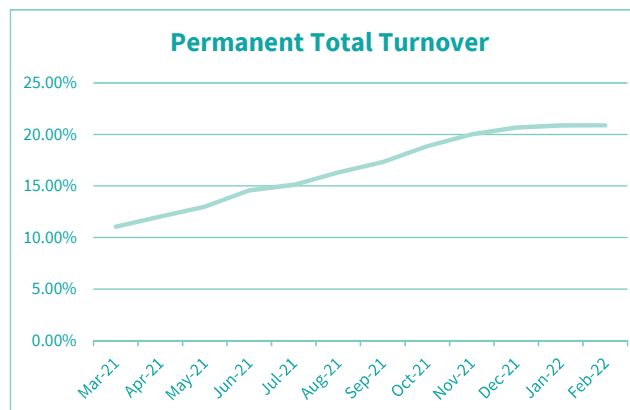
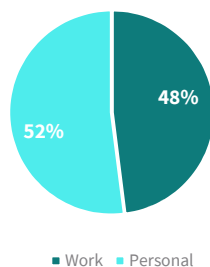
Promote employee wellbeing



Referrals January - February



Referrals 12 Months



9. 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
10.	CYBER SECURITY PROGRAMME UPDATE	S7(2)(C)(II)	PREVENT DAMAGE TO THE PUBLIC INTEREST	DISCLOSURE OF OUR APPROACH TO CYBER SECURITY WILL INCREASE THE RISK OF COUNCIL BEING A TARGET, RESULTING IN POTENTIAL SERVICE DISRUPTIONS AND / OR INFORMATION BREACHES THAT WILL NOT BE IN THE PUBLIC INTEREST.	THE CYBER SECURITY PROGRAMME UPDATE REPORT MAY ONLY BE RELEASED IF THE CHIEF EXECUTIVE HAS DETERMINED THAT THERE ARE NO LONGER ANY REASONS UNDER THE LOCAL GOVERNMENT OFFICIAL INFORMATION AND MEETING ACT TO WITHHOLD THE INFORMATION.
11.	HOLIDAYS ACT REMEDIATION PROGRAMME - AUDIT AND RISK MANAGEMENT COMMITTEE - 01 APRIL 2022	S7(2)(B)(II), S7(2)(I)	PREJUDICE COMMERCIAL POSITION, CONDUCT NEGOTIATIONS	THE INFORMATION IN THIS REPORT RELATES TO REMUNERATION OF PAST AND CURRENT EMPLOYEES. THE FINAL POSITION IS STILL TO BE DETERMINED THEREFORE THIS INFORMATION SHOULD NOT BE MADE PUBLIC UNTIL THIS OCCURS.	AT THE COMPLETION OF THE HOLIDAYS ACT REMEDIATION PROJECT WHEN ALL PAYMENTS HAVE BEEN MADE.
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	DUE TO THE NATURE AND SENSITIVITY OF THIS INFORMATION, IT IS NOT ANTICIPATED THAT THERE WILL BE A

				THE COUNCIL'S OR ITS SUPPLY CHAIN'S COMMERCIAL POSITION.	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.	FRAUD MANAGEMENT UPDATE	S7(2)(J)	PREVENTION OF IMPROPER ADVANTAGE	TO ENSURE THAT FRAUD DETECTION TECHNIQUES ARE NOT CIRCUMVENTED	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 RISK AND ASSURANCE TO CONFIRM WHEN IT IS NO LONGER DEEMED TO REQUIRE PUBLIC EXCLUSION FOR THE APPLICABLE REASONS ABOVE.
14.	RISK AND ASSURANCE UPDATE	S7(2)(C)(II), S7(2)(E), S7(2)(F)(II), S7(2)(G), S7(2)(I), S7(2)(J)	PREVENT DAMAGE TO THE PUBLIC INTEREST, PREVENTION OF MATERIAL LOSS, PROTECTION FROM IMPROPER PRESSURE OR HARASSMENT, MAINTAIN LEGAL PROFESSIONAL PRIVILEGE, CONDUCT NEGOTIATIONS, PREVENTION OF IMPROPER ADVANTAGE	THE CONTENT OF THIS REPORT IS LEGALLY PRIVILEGED. TO PREVENT IMPROPER USE OR MISINTERPRETATION OF RISK INFORMATION. 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 RISK AND ASSURANCE TO CONFIRM WHEN IT IS NO LONGER DEEMED TO REQUIRE PUBLIC EXCLUSION FOR THE APPLICABLE REASONS ABOVE.

