

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 February 2019
Time: 3:30pm
Venue: Council Chambers, Level 2, Civic Offices,
53 Hereford Street, Christchurch

Membership

Chairperson	Ms Kim Wallace
Deputy Chairperson	Councillor Raf Manji
Members	Councillor Vicki Buck
	Councillor Phil Clearwater
	Councillor Pauline Cotter
	Mayor Lianne Dalziel
	Councillor David East
	Deputy Mayor Andrew Turner
	Mr Mark Russell
	Mr Michael Rondel

28 January 2019

Principal Advisor

Carol Bellette
General Manager Finance and
Commercial

Mark Saunders
Committee and Hearings Advisor
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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/>

Strategic Framework

The Council's Vision – 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.

Whiria ngā whenu o ngā papa Honoa ki te maurua tāuikiuki

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

The partnership with Papatipu Rūnanga
reflects mutual understanding and respect,
and a goal of improving the economic,
cultural, environmental and social
wellbeing for all.

Overarching Principle

Partnership – Our
people are our taonga
– to be treasured and
encouraged. By working
together we can create
a city that uses their
skill and talent, where
we can all participate,
and be valued.

Supporting Principles

Accountability	Collaboration
Affordability	Prudent Financial Management
Agility	Stewardship
Equity	Wellbeing and resilience
Innovation	Trust

Community Outcomes

What we want to achieve together as our city evolves

Strong communities

Strong sense of
community
Active participation in
civic life
Safe and healthy
communities
Celebration of our
identity through arts,
culture, heritage and
sport
Valuing the voices of
children and young
people

Liveable city

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

Healthy environment

Healthy waterways
High quality drinking
water
Unique landscapes and
indigenous biodiversity
are valued
Sustainable use of
resources

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

Our focus for improvement over the next three years and beyond

Enabling active citizenship and connected
communities

Maximising opportunities to develop a vibrant,
prosperous and sustainable 21st century city

Climate change
leadership

Informed and proactive
approaches to natural
hazard risks

Increasing active, public
and shared transport
opportunities and use

Safe and sustainable
water supply and
improved waterways

AUDIT AND RISK MANAGEMENT COMMITTEE - TERMS OF REFERENCE

Chair	Kim Wallace (Independent)
Deputy Chair	Councillor Manji as the Chair of the Finance and Performance Committee
Membership	Mayor Dalziel and Deputy Mayor Turner The Chair of the following committees: <ul style="list-style-type: none">• Innovation and Sustainable Development Committee• Social and Community Development Committee• Infrastructure, Transport and Environment Committee• Regulatory Performance Committee 2 External Members
Quorum	Half of the members if the number of members (including vacancies) is even, or a majority of members if the number of members (including vacancies) is odd.
Meeting Cycle	To be separately considered
Reports To	Council

Purpose

- 1.1 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.
- 1.2 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

- 2.1 In order to give effect to its advice the Committee should make recommendations to the Council and to Management.
- 2.2 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.
- 2.3 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.

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

Responsibilities

3.1 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.

3.2 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.

3.3 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.

3.4 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.

3.5 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.

3.6 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.

3.7 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

- 4.1 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.

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

TABLE OF CONTENTS

C	1.	Apologies.....	8
B	2.	Declarations of Interest.....	8
C	3.	Confirmation of Previous Minutes	8
B	4.	Public Forum	8
B	5.	Deputations by Appointment.....	8
B	6.	Presentation of Petitions	8
B	7.	Committee-Only Time with Auditors for Public Excluded Items	8

STAFF REPORTS

C	8.	Audit NZ Report to Council on the 2017/18 Audit of the Christchurch City Council.....	13
C	9.	Resolution to Exclude the Public	42

1. Apologies

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

2. Declarations of Interest

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

3. Confirmation of Previous Minutes

That the minutes of the Audit and Risk Management Committee meeting held on [Monday, 12 November 2018](#) be confirmed (refer page 9).

4. Public Forum

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

5. Deputations by Appointment

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

6. Petitions

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

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

The Committee is reminded that under its Terms of Reference, it should meet with the internal and the external auditors without Management present at each meeting where external reporting is approved, and at other meetings if requested by any of the parties.

Any Committee-only time with the auditors within the proceedings of the meeting will be held as part of the consideration of a public excluded item. The public will be excluded from this time for the reason set out in the below resolution to exclude the public relating to the relevant item.

Audit and Risk Management Committee OPEN MINUTES

Date: Monday 12 November 2018
Time: 9:35am
Venue: Council Chambers, Level 2, Civic Offices,
53 Hereford Street, Christchurch

Present

Chairperson	Ms Kim Wallace
Deputy Chairperson	Councillor Raf Manji
Members	Councillor Vicki Buck
	Councillor Phil Clearwater
	Councillor Pauline Cotter
	Mayor Lianne Dalziel
	Councillor David East
	Mr Mark Russell
	Mr Michael Rondel

12 November 2018

Principal Advisor

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www.ccc.govt.nz/Council/meetingminutes/agendas/index

Part A Matters Requiring a Council Decision

Part B Reports for Information

Part C Decisions Under Delegation

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The agenda was dealt with in the following order.

1. Apologies

Part C

Committee Resolved ARCM/2018/00029

Committee Decision

That the apology for lateness from Mayor Dalziel be accepted.

Deputy Chair Manji/Ms Wallace

Carried

2. Declarations of Interest

Part B

There were no declarations of interest recorded.

3. Confirmation of Previous Minutes

Part C

Committee Resolved ARCM/2018/00030

Committee Decision

That the minutes of the Audit and Risk Management Committee meeting held on Friday, 28 September 2018 be confirmed.

Ms Wallace/Mr Russell

Carried

4. Public Forum

Part B

There were no public forum presentations.

5. Deputations by Appointment

Part B

There were no deputations by appointment.

6. Presentation of Petitions

Part B

There was no presentation of petitions.

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

Part B

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

8. Asset Management Maturity Assessment 2018 Report - Executive Summary Committee Comment

Kathy Dever-Tod of Dever-Tod Advisory Services joined the table for this item.

Committee Resolved ARCM/2018/00031 (Original Staff Recommendations Accepted without Change)

Part C

That the Audit and Risk Management Committee:

1. Note the Executive Summary of the 2018 Asset Management Maturity Assessment Report.
2. Note those report recommendations to be monitored by the Audit and Risk Management Committee and those recommendations to be monitored by the Asset Management Governance Board.
3. Endorse the Asset Management Unit's continued work on implementing the Asset Management Maturity Assessment report's recommendations.
4. Note as part of the annual Asset Management Improvement Programme review, projects will be considered in light of the Asset Management Maturity Assessment recommendations. This will commence in the new year and an updated Improvement Programme will be presented to the Executive Leadership Team (ELT) prior to the commencement of the next financial year.

Deputy Chair Manji/Councillor East

Carried

Committee Decided ARCM/2018/00032 (Original Staff Recommendations Accepted without Change)

Part A

That the Audit and Risk Management Committee recommends the Council:

1. Receive the information in this report.

Deputy Chair Manji/Councillor East

Carried

9. Debenture Trust Audit Report and Letter of Representation

Committee Resolved ARCM/2018/00033 (Original Staff Recommendations Accepted without Change)

Part C

That the Audit and Risk Management Committee:

1. Receive the information in the Audit New Zealand Report on the Debenture Trust.
2. Note that Audit New Zealand have issued an unqualified opinion.

Deputy Chair Manji/Mr Rondel

Carried

10 Resolution to Exclude the Public

Committee Resolved ARCM/2018/00034

Part C

That David Seath of Deloitte remain after the public have been excluded for Items 12 and 13 of the public excluded agenda as he has knowledge that is relevant to that item and will assist the Council.

AND

That at 10:02am the resolution to exclude the public set out on pages 51 to 52 of the agenda be adopted.

Mr Russell/Ms Wallace

Carried

The public were re-admitted to the meeting at 12:13pm.

Meeting concluded at 12:14pm.

CONFIRMED THIS 1st DAY OF FEBRUARY 2019

**KIM WALLACE
CHAIRPERSON**

8. Audit NZ Report to Council on the 2017/18 Audit of the Christchurch City Council

Reference: 19/41606

Presenter(s): Len van Hout; Manager External Reporting and Governance

1. Purpose of Report

- 1.1 The purpose of this report is for the Audit and Risk Management Committee to receive the Audit New Zealand Management Report relating to the audit of the financial statements and annual report for the year ended 30 June 2018.

2. Staff Recommendations

That the Audit and Risk Management Committee:

1. Receive the information and consider the recommendations made by Audit New Zealand in the Audit New Zealand Management Report relating to the audit of the financial statements and annual report for the year ended 30 June 2018 and management's responses to these.
2. Recommend to Council that it receives the Audit New Zealand Management Report relating to the audit of the financial statements and annual report for the year ended 30 June 2018.

3. Key Points

- 3.1 The Management Report is attached as Attachment A.
- 3.2 The Management Report sets out Audit New Zealand's findings from their audit of the Council for the year ended 30 June 2018. The report draws attention to areas where the Council is doing well or where Audit New Zealand has made recommendations for improvement.
- 3.3 The key points in the management report are:
 - 3.3.1 Internal Control Processes

Audit NZ noted that the identification of a significant although not material misstatement by Council highlighted that there are appropriate internal control processes in place.
 - 3.3.2 Recommendation for Improvements

No new recommendations were made following the 2017/18 audit.
- 3.4 Review notes from the audit of group entities include:
 - 3.4.1 Christchurch City Holdings Limited – Release of Capital, Dividends and Bond Issues.
 - 3.4.2 Vbase Limited – Move to PBE accounting standards and Town Hall repair costs and post balance date equity injections from Council.
- 3.5 Future matter to be reviewed in the 2018/19 audit cycle include:
 - 3.5.1 Accounting for the Otautahi Community Housing Trust Asset Transfer.
 - 3.5.2 Council's procurement and contract management processes from a best practice perspective.
 - 3.5.3 The accounting treatment of the Crown's contribution towards key development projects.
 - 3.5.4 Progress in addressing Deloitte's outstanding recommendations from their audit of Holidays Act 2003 compliance.

3.5.5 Review of the treatment of any variations to the 2018/28 Long Term Plan.

Attachments

No.	Title	Page
A ↓	Audit New Zealand Management Report for the year ended 30 June 2018	15

Signatories

Author	Len Van Hout - Manager External Reporting & Governance
Approved By	Diane Brandish - Head of Financial Management Carol Bellette - General Manager Finance and Commercial (CFO)

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Report to the Council on the audit of

Christchurch City Council

For the year ended 30 June 2018

Item 8

Attachment A

Contents

Key messages	3
1 Our audit report.....	4
2 Observations and matters arising from the audit.....	6
3 Matters raised in the Audit Plan	11
4 Recommendations	14
5 Public sector audit	15
6 Group audit	16
7 Useful publications	19
Appendix 1: Status of previous recommendations	21
Appendix 2: Uncorrected misstatements.....	22
Appendix 3: Disclosures	24

Key messages

Audit opinion

We have completed the audit of the Christchurch City Council and group for the year ended 30 June 2018. We issued an unmodified audit opinion dated 11 October 2018. This is the first audit report that is completely unmodified and does not contain any references to earthquake issues in the current or prior year.

Matters identified during the audit

The 2018 year saw further progress with, and the completion of, several key projects for the city. There continues to be significant investment in roading, flood protection and three water infrastructure.

Our areas of focus for the audit included the revaluation of the City Council's land and buildings assets that were last revalued in 2015. We also considered the status of, and accounting for, projects under the cost sharing agreement between the City Council and government. Other areas of interest, including issues that have a future focus, were the accounting for the arrangement between the City Council and the Otautahi Community Housing Trust, the Lancaster Park surrender agreement between Vbase and the City Council and any potential impact on the City Council of the proposed Vbase restructure (such as future asset transfers).

We considered and concluded that the City Council continues to have an effective control environment with strengthening elements of effective governance. We endorse the role of the Audit and Risk Management Committee and the support the Committee provides to the City Council's internal audit function to identify and address improvement areas across the activities of the City Council. We are aware of the Council commissioned independent review of matters relating to the secure status of the city's drinking water supply. We encourage Council to consider any learnings from this review for its overall governance arrangements. We will consider the Council's response to this and other reports as part of next year's audit.

Thank you

We would like to thank the Council, management and staff for their assistance and open, constructive working relationship during the audit.



Andy Burns
Appointed Auditor
16 January 2019

1 Our audit report

1.1 We issued an unmodified audit report



We issued an unmodified audit report on 11 October 2018. This means we are satisfied that the financial statements and statement of service performance present fairly the City Council's activity for the year and its financial position at the end of the year.

The unmodified opinion issued in 2018 is the first opinion since the Canterbury earthquake sequence that is completely unmodified for both the current and comparative financial years. This means that the City Council has addressed all earthquake related matters that had previously impacted on the audit opinion, particularly the asset related issues arising from impairment of damaged assets, accounting for the rebuild and repair and the valuation of Council's infrastructure asset classes. This reflects the significant effort of management and staff over recent years to address the many complex accounting issues while focussing on the necessary repair and rebuild tasks.

In forming our audit opinion, we considered the matters identified in sections two and three of this report.

1.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we discussed with management any misstatements that we found, other than those which were clearly trivial. We also discussed adjustments identified by Council staff through the annual report process and agreed the appropriate adjustments to make to the annual report.

The misstatements that were not corrected are listed in Appendix 2 along with management's reasons for not adjusting these misstatements. We are satisfied that these misstatements are individually and collectively immaterial to the financial statements.

1.3 Uncorrected disclosure deficiencies

The financial statements include all material disclosure requirements. The disclosure deficiencies that were not corrected in the financial statements are listed in Appendix 2.

We are satisfied that these disclosure deficiencies are individually and collectively immaterial to the financial statements.

1.4 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the City Council. This includes the draft annual report with supporting working papers.

We agreed a timetable with management for the provision of information as part of the audit plan issued on 15 May 2018. This included the dates we required the information to be provided to us to assist us meeting Council's annual report adoption timetable.

The information provided for audit was in line with this agreed timeframe and was of a good quality. We consider there was a good working relationship with Council's finance team, and regular meetings with the finance team also contributed to effective communication and up-to-date knowledge of key matters arising. Adjustments to the draft financial statements were well managed to avoid numerous iterations of the financial statements.

2 Observations and matters arising from the audit



The following section outlines our observations and matters that were identified during our audit.

2.1 Overview of the year

The 2018 financial year was another year of progress and regeneration for the city. The City Council completed several key projects during the year, including community libraries, the Taiora QEII Recreation and Sport Centre, cycle ways, car parking facilities and significant investment in the three waters and transport infrastructure. In addition the Turanga central library opened subsequent to balance date.

The forward work programme includes ongoing investment in roading and flood protection projects and the expected completion of the Town Hall and Nga Puna Wai sports complex.

An unexpected priority of Council during the year was responding to the loss of the secure status for the city's drinking water supply, resulting in investment in above grounding of well heads. This work is continuing in 2018/19.

From an audit perspective, we commented in section 1.1 that the 2018 audit report was the first fully unmodified audit report since the Canterbury earthquakes. We comment on other observations and accounting and audit matters further within the report.

2.2 Governance and control environment

The City Council continues to operate in an environment of change and challenge. There is ongoing earthquake related investment in infrastructure and anchor projects, either delivered by Council or working in partnership with other agencies, changes in the regulatory environment and planning to address future identified risks including natural hazards.

Central to the successful operation of any organisation is effective governance disciplines supported by a strong control environment.

The control environment is defined by the standards, processes and structures that guide people throughout the organisation in carrying out their responsibilities for internal control and making decisions. It creates the discipline that supports the other aspects of internal control – risk assessment processes, performance of control activities, information and communication systems, and monitoring of controls.

Some of the mechanisms that Council has in place to discharge its governance responsibilities include the Audit and Risk Management Committee and the Internal Audit function.

Internal Audit function and other reviews

Our observations are that the internal audit function of Council is operating well. A three year internal audit plan covering the 2017/18 – 2019/20 years has been endorsed by the Audit and Risk Management Committee (ARMC). The internal audit plan provides for a comprehensive review of a wide-range of the Council's operations and identified risk areas.

Reviews conducted during 2017/18 by the City Council's internal audit function, and co-source partner Deloitte, have covered major aspects of the City Council's processes including procurement, contract management and elements of sensitive expenditure.

The results of internal audit's reviews are reported to the ARMC on a regular basis. This reporting also includes a summary of previous recommendations and the status of any follow-up action taken.

We are aware of the Council commissioned independent review of matters relating to the secure status of the city's drinking water supply. We encourage Council to consider any learnings from this review for its overall governance arrangements. We will consider the Council's response to this and other reports as part of next year's audit.

We encourage Council, through its ARMC, to continue its robust monitoring of the internal audit function and the recommendations raised from the reviews performed. Council should continue to hold management and staff accountable for the progress being made to address recommendations arising in their areas of responsibility.

Internal control processes

During the preparation of the annual report management identified transactions from the prior year that had been made in error. The most significant related to the accruing of NZTA subsidy revenue in 2017 for earthquake damaged roading projects that had yet to commence, or were in progress but the full subsidy had been recognised. Approximately \$24.8 million of subsidy revenue was incorrectly recognised in 2017. This resulted in the correction of this overstatement as a prior period error.

The identification of the error by Council staff does demonstrate that processes this year were able to identify this issue. It also provides an opportunity for Council to review whether these current internal processes could be strengthened, particularly where information may be held in different areas of Council, e.g. between the central finance function and the asset teams.

Management comment

During the preparation of the 2017/18 financial statements a misstatement was identified in accrued revenue and a solution to correct the issue was presented to Audit NZ for consideration. The recognition of the NZTA income accrual in 2016/17 did not take into account the proposed income and corresponding expenditure budgeted in future years which was known at the time. Advice was sought from the appropriate Business Partner

before the journal was raised but on this occasion the person concerned was also unaware that the accrual formed part of the income for the 2017/18 plan.

2.3 Future issues

2.3.1 Accounting for the Otautahi Community Housing Trust

The Council has entered into an arrangement with the Otautahi Community Housing Trust (OCHT) whereby the Council intends to transfer social housing assets to OCHT. The transfers are proposed to occur in tranches via a mix of cash and assets. The total value to be transferred to OCHT amounts to \$50 million.

During the audit, both management and Audit NZ considered the current status of the arrangement and the accounting implications of the assets that had been transferred to date and the planned transfers still to occur. This analysis has identified potential accounting issues with the current proposed arrangement between Council and OCHT and management has undertaken to review the arrangement.

We consider it prudent that Council takes the opportunity to revisit the current arrangement and accounting implications to ensure that the arrangement remains fit for purpose and achieves the intended outcomes for both parties. We will review the outcome of this work to confirm the accounting for the transaction in the 2018/19 financial statements.

Management comment

Council finance staff are working with the Council's social housing team staff to ensure that the proposed transactions between the Council and OCHT do achieve the intended outcomes for both parties. This work includes the \$45 million asset transfers and \$30 million loan for the development of new units.

2.3.2 2018-28 Long term plan

Council adopted its long term plan (LTP) for the 10 year period covering the 2018/19 to 2027/28 financial years on 26 June 2018. Inherent in any forecast information is the likelihood that the underlying assumptions applied to the planned information will change and the forecast information will need to be revisited in light of more recent information.

There were several assumptions made in the preparation of the LTP that were based on the best available information at the time. Some of the circumstances and information relating to these assumptions would have changed since the adoption of the LTP.

As Council reviews its forecast information there is the potential that these changes may require the LTP to be amended. From our discussions with management to date, a comprehensive list of possible issues has been identified. At this stage management consider these to be variations rather than at the level that would require Council to amend the LTP.

Where there is uncertainty as to whether the issue would require the LTP to be amended, we recommend Council obtains advice to determine the appropriate course of action.

Management comment

In line with normal procedure Council staff have reviewed all assumptions and forecasts as part of the preparation of the Annual Plan, and while there are several changes we do not believe that they give rise for the need to prepare an amended Long Term Plan.

2.4 Holidays Act 2003 compliance

Many public and private sector entities continue to investigate underpayment of minimum holiday entitlements through the end-to-end pay systems they have implemented in their businesses.

In 2016/17 the City Council engaged Deloitte to review its compliance with the Holidays Act 2003. This initial review resulted in several issues being identified by Deloitte that were subsequently worked through with City Council staff. Residual issues to be addressed included:

- Calculation and payment of Bereavement Leave, Alternative Leave, Public Holiday Leave and Sick Leave (BAPS).
- Annual Leave calculations such as when an employee changes their standard hours of work.

Some of the outstanding payroll issues required changes to the City Council's SAP system in order to ensure compliance. SAP has introduced functionality into their payroll software that brings certain payroll processes and calculations in line with the Holidays Act.

The City Council has developed an action plan and timetable to implement changes required to address the residual compliance issues.

We will follow up on the City Council's progress with addressing the outstanding recommendations and issues as part of the 2018/19 audit.

2.5 Management override of controls

Professional auditing standards require us to consider the risk of management override of controls in all audits we perform. Management is in a powerful position to perpetrate fraud due to its ability to override controls that appear to be operating effectively.

In response to the risk of management override of controls, we have reviewed the journals system to ensure that there is sufficient segregation of duties in the process.

We have also performed testing and analysis of journals and other adjustments identified as of heightened risk.

No indications of inappropriate adjustments or management override of controls were identified during this testing.

Item 8

Attachment A

3 Matters raised in the Audit Plan



In our Audit Plan dated 15 May 2018, we identified the following matters as the main audit risks and issues from an audit perspective that could impact the Council and group financial and service performance statements.

We have included the more significant matters arising from our audit and the audits of the Council group.

Audit risk/issue	Outcome
Valuation of property, plant and equipment	
<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 does not differ materially from fair value.</p> <p>The asset categories that are due to be revalued in the 2017/18 year are:</p> <ul style="list-style-type: none"> • Land and buildings assets. • Parks improvements assets. 	<p>For 2017/18 the valuations covered land and buildings and parks improvements. The total revaluation movement across all asset classes was an increase of \$121.1 million. This includes impairment reversals of \$4.6 million.</p> <p>The land and buildings valuation was performed by Quotable Value (QV) as at 30 June 2018 and resulted in an increase in value of \$57.9 million. We reviewed the valuation report and supporting schedules to confirm whether the valuation had been conducted in accordance with generally accepted accounting practice and confirm that the valuation complies with PBE IPSAS 17. Council management were concerned that the quality assurance performed by QV in assessing its assets was not of good quality, which resulted in City Council staff performing extensive quality checks to ensure that the valuation data provided by QV was accurate and complete. In particular, we note that the valuation double counted numerous assets. We were satisfied that the final valuation report was reasonable.</p> <p>The parks improvements valuation was performed internally by the Senior Insurance Specialist as at 30 June 2018 and peer-reviewed by WSP Opus. This resulted in a valuation increase of \$58.6 million. We reviewed the valuation report and supporting schedules to confirm whether the valuation had been conducted in accordance with generally accepted accounting practice and confirm that the valuation complies with</p>

Audit risk/issue	Outcome
	PBE IPSAS 17. The peer review indicated that the valuation was appropriate for inclusion in the City Council's financial statements.
Fair value assessment of property, plant and equipment	
<p>Council has other classes of infrastructure and operational assets that are outside of their revaluation cycle this year. Council will need to complete a fair value assessment to determine whether there is a significant difference between their carrying amounts and their fair values. If this assessment identifies that there is a material difference in the carrying values of these asset classes, a revaluation is required.</p> <p>In 2017 Council revalued all infrastructure asset classes, including stormwater and roading, which had previously been subject to modified audit reports. This provided Council with robust asset values that will form the basis for a fair value assessment in 2018.</p>	<p>In accordance with generally accepted accounting practice, management completed a fair value assessment to determine whether the fair value of these assets differs significantly from their carrying amounts.</p> <p>We reviewed the City Council's assessment Management applied a materiality of 10% of net assets, which equates to \$1,089 million, to assess whether the calculated value was materially different to the carrying amount as at 30 June 2018. The overall movement across all asset classes was an increase of \$78.3 million which indicated to management that the carrying value and fair values of individual assets classes were not materially different.</p> <p>We reviewed the assessment performed by management and were satisfied that the carrying value of the assets was not materially different to their fair value. The assessment was completed in accordance with generally accepted accounting practice.</p>
Procurement and contract management	
<p>The areas of procurement and contract management have been an area of focus for Council recently. They are also areas that the Office of the Auditor-General (OAG) intend to include in future work streams for auditors in the public sector.</p> <p>Council continues to operate in a period of significant capital spend, mainly due to the delivery of the capital programme, and the establishment and application of sound procurement policies and practices is important.</p> <p>Additionally, effective contract management practices are important across the life cycle</p>	<p>The City Council's internal audit function, and co-sourcing partner Deloitte, performed reviews of the City Council's procurement and contract management processes during the period. The findings from these reviews indicated that Council's policies and processes require some significant improvements.</p> <p>Given the detailed nature of these reviews we have maintained a watching brief so as not to duplicate any of the work performed by the internal auditors and used the findings to inform our audit testing.</p> <p>As part of our audit in 2018/19 we will utilise a specialist from our Specialist Audit and</p>

Audit risk/issue	Outcome
of a contract to ensure Council receives value from its contracting arrangements.	Assurance Services team to consider the City Council's processes from a best practice perspective.
Accounting for the cost sharing agreement with the Crown	
<p>In August 2017, Council agreed some changes to the cost sharing agreement that it is a party to with the Crown. This "refresh" of the agreement clarifies payments and ownership of the respective parties under the agreement, particularly where the original 2013 agreement was not clear.</p> <p>Assets specifically addressed in the resolution include the bus interchange, central city public realm (Margaret Mahy family playground and the Otakaro/Avon river precinct) and residential red zoned land in the Port Hills, Brooklands and Southshore.</p> <p>Management needed to assess during the year and at year end, Council's obligations under the agreement. Potentially, as Council may have needed to recognise assets transferred to Council, its commitments of costs towards anchor projects or revenue where funding to Council is able to be recognised.</p>	<p>The City Council has taken ownership of several assets transferred from Otakaro Limited during the year including the Margaret Mahy playground and several elements of the Avon River, South Frame and East Frame precincts. We reviewed the transfers to ensure that they were recorded in the City Council's financial statements at appropriate amounts. We did not identify any issues. We also considered the completeness of the assets being transferred to ensure that the City Council had taken ownership of all required assets under the agreement. We did not identify any issues.</p> <p>Also, the Government has agreed to provide the Council with an additional \$300 million as a contribution towards key development projects as part of the City's regeneration. We will maintain a watching brief and consider the accounting treatment of this commitment as part of the 2018/19 audit.</p>

4 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommendations.

Explanation	Priority
Needs to be addressed <i>urgently</i> These recommendations relate to a significant deficiency that exposes the City Council to significant risk or for any other reason need to be addressed without delay.	Urgent
Address at the earliest reasonable opportunity, <i>generally within six months</i> These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.	Necessary
Address, <i>generally within six to 12 months</i> These recommendations relate to areas where the City Council is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.	Beneficial

4.1 New recommendations

There are no new recommendations.

4.2 Status of previous recommendations

Set out below is a summary of the action taken in response to previous recommendations. Appendix 1 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open		1	1	2
Implemented or closed				
Total		1	1	2

5 Public sector audit



The City Council is accountable to their local community and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the City Council said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the City Council has fairly reflected the results of its activities in its financial statements and non-financial information.

We also considered if there are any indications of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the City Council carrying out its activities effectively and efficiently;
- the City Council incurring waste as a result of any act or failure to act by a public entity;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the City Council or by one or more of its members, office holders, or employees; or
- any sign or appearance of a lack of financial prudence as a result of any act or omission by a public entity or by one or more of its members, office holders, or employees.

5.1 Prudent expenditure decisions

We remained alert to public sector concerns, including issues and risks about effectiveness and efficiency, waste, and a lack of probity or financial prudence.

We have performed specific testing over a sample of sensitive transactions to ensure expenditure is in line with the public sector principles and expectations.

This includes transactions involving purchase cards, large termination payments, elected members' expenses, and bonuses.

As part of our testing, we have also assessed the transactions against the policies the City Council has in place.

We reviewed the appropriateness of severance payments made and found these payments are in line with the City Council policies.

6 Group audit



The consolidated Council group comprises the City Council parent, the substantive CCOs listed below, and multiple smaller entities. The following CCOs have been identified as material to the group, due to their financial significance or the nature of their services and activities. These are:

- Christchurch City Holdings Limited; and
- Vbase Limited.

We have not identified any of the following matters during our audit for the year ended 30 June 2018:

- instances where our review of the work of component auditors gave rise to a concern about the quality of that auditor's work;
- limitations on the group audit; or
- fraud or suspected fraud involving group management, component management, employees with significant roles in group-wide controls, or others where the fraud resulted in a material misstatement of the group financial statements.

We comment below on relevant audit, accounting and other matters relating to the significant subsidiaries of the City Council.

6.1 Christchurch City Holdings Limited (CCHL)

CCHL is a holding company for the City Council's trading subsidiaries. The consolidated CCHL group has total assets of \$4.020 billion and reported a group net surplus after tax of \$135.7 million.

The City Council and CCHL are working closely to identify opportunities to release capital to the City Council to support post-earthquake infrastructure investment. Under an amended capital release programme, CCHL will provide an additional \$280 million over the 2017/18 and 2018/19 financial years to Council. During the 2017/18 year CCHL paid dividends of \$192.7 million to the City Council, including a special dividend of \$140 million as part of the capital release programme.

In order to meet this commitment, CCHL issued \$150 million of fixed rate bonds on the NZX Debt Market on 6 December 2017.

6.2 Vbase

From an accounting perspective the key issue impacting Vbase in 2018 was the change in accounting designation. Vbase had previously assessed themselves as a "for-profit" entity. The accounting implications of this "for-profit" assessment previously required the carrying value of its assets (Horncastle Arena) and the work in progress value of the Town Hall

repairs to be impaired. In 2017 there was also an issue with the calculation of deferred tax that had an audit opinion issue.

During 2018, Vbase re-designated itself as a “public benefit entity”. As a result of this change, the carrying values of its assets and work in progress did not need to be impaired and the prior year’s deferred tax issue was addressed.

There was no impact on the City Council’s group financial statements as these are consolidated on a consistent basis. In 2017 adjustments were made on consolidation to reinstate the values of the assets to be consistent with Council’s group accounting policies. In 2018 no adjustment was required as both Council and Vbase apply the same accounting standards framework.

Other Vbase related issues noted were the proposed restructure of the company and Vbase’s share issue to Council subsequent to balance date.

Council are implementing a revised structure for Vbase’s operations to separate the facilities ownership and asset management from the event hosting and operations. The proposed changes will involve the activation of a previously dormant shelf company to deliver the event management business and retain the core property assets within the existing company structure. However there is not expected to be any change in operations during the restructure period.

On 24 August 2018 Vbase issued 45 million shares to Council. The proceeds from the share issue are to provide sufficient capital for Vbase to complete the Town Hall repair programme and development works for Horncastle Arena. This event was appropriately disclosed in the annual report.

6.3 Other Council subsidiaries

The City Council has the following subsidiaries that it consolidates into its group financial statements:

- Tuam Limited;
- Civic Building Limited;
- Riccarton Bush Trust;
- ChristchurchNZ Holdings Limited
- World Buskers Festival Trust;
- Rod Donald Banks Peninsula Trust; and
- Christchurch Agency for Energy Trust.

Relevant issues relating to the above entities include:

- The World Buskers Festival prepared its final financial statements for the year ended 30 June 2018. These were prepared on a realisation basis with remaining assets transferred and the Trust being dissolved. A rebranded festival is scheduled to take place in January/February 2019.
- The Christchurch Agency for Energy Trust disclosed within their 2018 financial statements that these had been prepared on a disestablishment basis, as the Trust intends to wind up within the next 12 month period. It is expected that the remaining grants will be disbursed in the 2018/19 financial year.

There are no other significant issues to bring to your attention in relation to the other subsidiaries.

7 Useful publications



Based on our knowledge of the City Council, we have included some publications that the Council and management may find useful.

Description	Where to find it
Client updates	
<p>In March 2018, we hosted a series of client updates. The theme was “Our high performing and accountable public sector”.</p> <p>These included speakers from both Audit New Zealand and external organisations.</p> <p>Relevant sessions for the City Council include:</p> <ul style="list-style-type: none"> • A high performing and accountable public sector by Greg Schollum – issues affecting the public accountability system and the OAG work programme. • New Zealand economic outlook. • Annual reports and stakeholder expectations. • Valuing your audit and risk committee. • Accounting technical update. 	<p>On our website under publications and resources.</p> <p>Link: Client updates</p>
Model financial statements	
<p>Our model financial statements reflect best practice we have seen to improve financial reporting. This includes:</p> <ul style="list-style-type: none"> • significant accounting policies are alongside the notes to which they relate; • simplifying accounting policy language; • enhancing estimates and judgement disclosures; and • including colour, contents pages and subheadings to assist the reader in navigating the financial statements. 	<p>On our website under publications and resources.</p> <p>Link: Model Financial Statements</p>

Description	Where to find it
Tax matters	
As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.	On our website under publications and resources. Link: Tax Matters
Data in the public sector	
The Office of the Auditor-General (the OAG) has published a series of articles about how data is being used in the public sector. These cover: <ul style="list-style-type: none"> functional leadership; building capability and capacity; collaboration; and security. 	On the OAG's website under publications. Link: Data in the public sector
Matters arising from the 2016/17 audits	
The OAG has published a report on the results of the 2016/17 audits for the sector.	On the OAG's website under publications. Link: Recent publications
Audit Committees	
The OAG has released various best practice information on Audit Committees.	On the OAG's website under "Our Work – Audit Committee Resources". Link: Audit Committee Resources
Infrastructure as a Service	
The OAG has completed a performance audit on Infrastructure as a Service and considered whether the benefits are achieved.	On the OAG's website under publications. Link: Infrastructure as a Service

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Necessary		
Review of revenue in advance accounts		
Council staff perform a review of all revenue in advance items older than one year and clear out to revenue those that are not valid Revenue in Advance. This is particularly relevant for revenue in advance accounts relating to building consent applications, inspections and issuance of code compliance certificates.	2016/17	In progress <i>The Council has made progress in reducing the aforementioned revenue in advance balances and this item remains on the high priority list.</i>
Beneficial		
SAP accounts payable three-way matching		
<p>We recommended that all available SAP system controls for three-way matching are fully activated.</p> <p>We found that the “three-way matching” system control is only partly activated. The system setting requiring purchase orders to be matched to invoices with zero tolerance is correctly activated within the SAP system. However, the restriction for all invoices to require goods to be receipted before payment, is not fully set. The control is currently marked as “optional” in the system. Per the SAP settings this feature would be enhanced if this was set to “required”.</p>	2016/17	In progress <i>The Council will consider the full activation of 3WM as part of the SAP Suite 4 Hana upgrade project.</i> <i>The requirement to use purchase orders is currently not mandatory, therefore full activation of 3WM is not warranted.</i> <i>Along with the SAP S4Hana project review, 3WM may eventuate from the work being undertaken in the purchase to pay project.</i>

Appendix 2: Uncorrected misstatements

Uncorrected misstatements

The misstatements that have not been corrected are listed below:

Current year uncorrected misstatements	Assets	Liabilities	Equity	Financial Performance
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Parent misstatements				
The City Council and Vbase signed a surrender of lease agreement, effective 29 June 2018. Under this surrender agreement, Council repaid Vbase for prepaid ground lease rental and Vbase paid Council to take over the responsibility for the demolition of Lancaster Park assets. We considered that the receipt by Council of the net \$10.186 million should be recognised as revenue in the 2017/18 year. Council's view is that this should be recognised as a revenue in advance liability as the obligation to incur these costs falls in the 2018/19 financial year.		10,186		(10,186)
Council purchased flood risk properties adjacent to Dudley Creek and the Heathcote River. As the improvements on these properties have or will be demolished, the value of these assets (\$1.685 million) should be recognised as an expense in the surplus for the year.	(1,685)			1,685
Total parent	(1,685)	10,186		8,501
Group misstatements				
CCHL The impairment charge for capital contributions relating to the electricity distribution network should be recognised in other comprehensive revenue and expense and not as an expense against surplus in CCHL's financial statements. This impacts the Group surplus upon consolidation.				1,970 (1,970)
Total group				0

Uncorrected disclosure deficiencies

The disclosures that have not been corrected are listed below:

Detail of disclosure deficiency	Management's explanation for not correcting
Parent disclosures	
None	
Group disclosures	
<p>CCHL</p> <p>Capital work in progress (WIP) is overstated by an estimated \$13.8 million in CCHL's financial statements. This flows into the City Council's group property, plant and equipment figures upon consolidation.</p> <p>Capital WIP should have been transferred out of WIP and into depreciable assets. This does not impact the overall value of property, plant and equipment.</p>	<p><i>This is a classification error within property, plant and equipment. The classification error does not materially affect the reader's understanding or perception of the financial statements.</i></p>

Appendix 3: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the City Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to the audit of the City Council and its subsidiaries, excluding Lyttelton Port Company (audited by KPMG), we carried out other audit and assurance engagements for the City Council and its subsidiary companies.</p> <p>The engagements we carried out for the City Council parent were:</p> <ul style="list-style-type: none"> • An audit of the City Council's 2018-28 Long term plan. • An audit of the City Council's Debenture Trust Deed. <p>The engagements for the City Council's subsidiaries were:</p> <ul style="list-style-type: none"> • an assurance engagement in respect of Orion's annual regulatory information disclosures, prepared under the Electricity Distribution Information Disclosure Determination 2012;

Area	Key messages
	<ul style="list-style-type: none"> an assurance engagement in respect of Orion's annual compliance statement, prepared under the Electricity Distribution Services Default Price-Quality Path Determination 2010; an assurance engagement in respect of Christchurch International Airport Limited's (CIAL) annual regulatory information disclosures, prepared under the Commerce Act (Specified Airport Services Information Disclosure) Determination 2010; and an audit of CIAL's bond registry. <p>These engagements are compatible with those independence requirements. Other than the audits and the other audit and assurance engagements, we have no relationship with or interests in the City Council or any of its subsidiaries.</p>
Fees	<p>The audit fee for the year is \$332,330, as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period were \$220,000 for the audit of the City Council's Long term plan and \$4,800 for the audit of the Debenture Trust Deed.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the City Council or its subsidiaries that is significant to the audit.</p> <p>We are aware of a situation where a staff member of Audit New Zealand has accepted a position of employment with the City Council since the end of the financial year. This staff member was not involved in the 2018 audit of the City Council or its subsidiaries.</p>

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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	PUBLIC EXCLUDED AUDIT AND RISK MANAGEMENT COMMITTEE MINUTES - 12 NOVEMBER 2018			REFER TO THE PREVIOUS PUBLIC EXCLUDED REASON IN THE AGENDAS FOR THESE MEETINGS.	
11	DRAFT ANNUAL PLAN 2019/20 TO BE PRESENTED TO THE COUNCIL ANNUAL PLAN MEETING ON 12 FEB 2019	S7(2)(B)(II), S7(2)(G)	PREJUDICE COMMERCIAL POSITION, MAINTAIN LEGAL PROFESSIONAL PRIVILEGE	THE INFORMATION TO BE USED AS THE BASIS FOR PREPARATION OF THE COUNCIL'S ANNUAL PLAN REMAINS SUBJECT TO CHANGE. PREMATURE RELEASE OF THIS INFORMATION, BEFORE IT IS ADOPTED BY THE COUNCIL, COULD PREJUDICE THOSE PEOPLE AND ENTITIES THAT MAY BE AFFECTED BY ANY CHANGES MADE. THE COMMITTEE MAY SEEK AT THE MEETING LEGAL ADVICE ON MATTERS RELATING TO THE PREPARATION AND ADOPTION OF THE ANNUAL PLAN.	UPON THE CHIEF EXECUTIVE BEING SATISFIED, IN HER DISCRETION, THAT THERE ARE NO LONGER GROUNDS FOR WITHHOLDING THE INFORMATION.