
ORDINARY MEETING

OF

FINANCE, AUDIT AND RISK SUBCOMMITTEE

AGENDA

Time: 9:30 am
Date: Tuesday, 2 May 2017
Venue: Committee Room 1
Ground Floor, Council Offices
101 Wakefield Street
Wellington

MEMBERSHIP

Mayor Lester
Councillor Calvert
Councillor Foster (Chair)
Councillor Young
Peter Harris (External)
Phillipa Smith (External)
Roy Tiffin (External)

Have your say!

You can make a short presentation to the Councillors at this meeting. Please let us know by noon the working day before the meeting. You can do this either by phoning 803-8334, emailing public.participation@wcc.govt.nz or writing to Democratic Services, Wellington City Council, PO Box 2199, Wellington, giving your name, phone number and the issue you would like to talk about.

AREA OF FOCUS

The Finance, Audit and Risk Management Subcommittee provides objective advice and recommendations regarding the sufficiency, quality and results of assurance on the adequacy and functioning of the council's financial processes, risk management, control and governance frameworks and processes. It is also responsible for exercising active oversight of all areas of the Council's control and accountability in an integrated and systematic way.

The Finance, Audit and Risk Management Subcommittee has responsibility for assisting the Council to discharge its responsibilities for:

- the robustness of the internal control framework and financial management practices;
- the integrity and appropriateness of internal and external reporting and accountability arrangements;
- the robustness of risk management systems, processes and practices;
- the independence and adequacy of internal and external audit functions;
- compliance with applicable laws, regulations, standards and best practice guidelines; and
- the establishment, maintenance and effectiveness of controls to safeguard the Council's financial and non-financial assets.

In fulfilling their role on the Finance, Audit and Risk Management Subcommittee, members shall be impartial and independent at all times.

Quorum: 3 members (at least one external member must be present for a quorum to exist).

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1 Meeting Conduct

1.1 Apologies

The Chairperson invites notice from members of apologies, including apologies for lateness and early departure from the meeting, where leave of absence has not previously been granted.

1.2 Conflict of Interest Declarations

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

1.3 Confirmation of Minutes

The minutes of the meeting held on 8 March 2017 will be put to the Finance, Audit and Risk Management Subcommittee for confirmation.

1.4 Public Participation

A maximum of 60 minutes is set aside for public participation at the commencement of any meeting of the Council or committee that is open to the public. Under Standing Order 3.23.3 a written, oral or electronic application to address the meeting setting forth the subject, is required to be lodged with the Chief Executive by 12.00 noon of the working day prior to the meeting concerned, and subsequently approved by the Chairperson.

1.5 Items not on the Agenda

The Chairperson will give notice of items not on the agenda as follows:

Matters Requiring Urgent Attention as Determined by Resolution of the Finance, Audit and Risk Management Subcommittee.

1. The reason why the item is not on the agenda; and
2. The reason why discussion of the item cannot be delayed until a subsequent meeting.

Minor Matters relating to the General Business of the Finance, Audit and Risk Management Subcommittee.

No resolution, decision, or recommendation may be made in respect of the item except to refer it to a subsequent meeting of the Finance, Audit and Risk Management Subcommittee for further discussion.

2. General Business

AUDIT NEW ZEALAND TRIENNIAL AUDIT PROPOSAL AND ENGAGEMENT LETTERS; AND 2017 AUDIT ARRANGEMENT LETTER

Purpose

1. The purpose of this report is to update the Subcommittee on the Audit New Zealand arrangements for the audit of the financial statements, including statements of service performance for the year 30 June 2017.
2. This report also sets out the audit proposal and engagement for the next 3 years outlining audit fees, hours of annual audits, responsibilities and limitations.

Recommendations

That the Finance, Audit and Risk Management Subcommittee:

1. Receive the information.
2. Note the draft Audit Engagement Letter prepared by Audit New Zealand.
3. Note the draft Audit Arrangements Letter prepared by Audit New Zealand.
4. Authorise the Mayor to finalise and sign the Audit Proposal Letter, Audit Engagement Letter and Audit Arrangements Letter.

Background

3. At the start of the new Council triennial, it is normal to agree audit fees and hours for the next 3 years and set expectations about responsibilities and limitations. This is done by authorising the Mayor to conclude arrangements in the Audit Proposal and Audit Engagement letters.
4. With the approach of the June 2017 year end, it is appropriate to review the draft approach Audit New Zealand is proposing to take with the audit of the financial statements. It also provides the Subcommittee the opportunity to highlight any other matters or areas that they would like Audit New Zealand to focus on during the audit. This is done by authorising the Mayor to conclude arrangements in the Audit Arrangement letter.

Discussion

5. The Council normally receives the following draft letters from Audit New Zealand in relation to audit arrangements.
6. Audit Proposal Letter

The Audit Proposal Letter is a three year contract which covers the periods ending 30 June 2017, 2018 and 2019. This contract outlines the proposed audit hours and fees for the three year period.

The Audit Proposal Letter is currently being reviewed by the Office of the Auditor General to ensure consistency of fees and hours with other councils before it is released to Council. Bede Kearney, Audit Director of Audit New Zealand will provide a verbal update to the meeting.

7. Audit Engagement Letter (Attachment 1)

The Audit Engagement Letter outlines the terms of the audit engagement for the periods ending 30 June 2017, 2018 and 2019, and the respective responsibilities of the auditor and Council. The letter remains effective across financial years, unless there is a change in the audit terms or a replacement of approved auditor or mayor.

8. Audit Arrangement Letter (Attachment 2)

The Audit Arrangement Letter covers the audit arrangements for the year ending 30 June 2017. A new letter is issued annually to reflect the areas of audit focus and audit logistics specifically relating to that financial year.

9. These letters have been reviewed by management and are consistent with previous arrangements and are believed appropriate for the periods ending 30 June 2017, 2018 and 2019.

Attachments

Attachment 1.	Draft Audit Engagement Letter	Page 10
Attachment 2.	Draft Audit Arrangements Letter	Page 31

Author	Richard Marshall, Manager Financial Accounting
Authoriser	Andy Matthews, Chief Financial Officer

SUPPORTING INFORMATION

Engagement and Consultation

There is no consultation required on this matter.

Treaty of Waitangi considerations

There are no specific Treaty of Waitangi considerations.

Financial implications

The financial impact of the Audit fees for the 2017 financial year has been included in the budget.

Policy and legislative implications

There is no policy or legislative implications arising from this paper.

Risks / legal

There are no legal issues arising from this paper.

Climate Change impact and considerations

There are no impacts on Climate change.

Communications Plan

There is no communication plan required.

Health and Safety Impact considered

There are no impacts on Health and Safety.

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[Date]

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Justin Lester
Mayor
Wellington City Council
101 Wakefield Street
PO Box 2199

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Dear Justin

Audit engagement letter

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This audit engagement letter is sent to the council on behalf of the Auditor-General, who is the auditor of all “public entities”, including the Wellington City Council (the City Council) under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Bede Kearney, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audits of the City Council’s financial statements and performance information. We will be carrying out these annual audits on the Auditor-General’s behalf, for the years 30 June 2017, 2018 and 2019.

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This letter outlines:

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

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The objectives of the annual audit are:

- to provide an independent opinion on the council’s financial statements and performance information; and
- to report on other matters relevant to the council’s financial and other management systems that come to our attention, need improvement or are significant (for example, non-compliance with statutory obligations or a lack of probity).

We will carry out the audit in accordance with the Auditing Standards issued by the Auditor-General, which incorporate the International Standards on Auditing (New Zealand). They require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the City Council’s financial statements and performance information are free from material misstatements.

The council’s responsibilities

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

- preparing the financial statements and performance information in accordance with legal requirements and financial reporting standards;
- having such internal control as the council determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error; and
- providing us with:
 - access to all information of which the City Council is aware that is relevant to preparing the financial statements and performance information such as records, documentation, and other matters;
 - additional information that we may request from the City Council for the purpose of the audit;

- unrestricted access to council members and employees that we consider necessary; and
- written confirmation concerning representations made to us in connection with the audit.

In addition, the council is responsible:

- for the preparation of the summary financial statements and summary performance information in accordance with the applied criteria;
- to make the audited financial statements and summary performance information available to the intended users of that information without undue difficulty; and
- to include our audit report on the summary financial statements and summary performance information in any document that contains that information and that indicates that we have reported on them.

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

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

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

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

. The council has certain responsibilities relating to the preparation of the financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Appendix 1. We assume that members of the council are familiar with those responsibilities and, where necessary, have obtained advice about them.

Our responsibilities

Carrying out the audit

. We are responsible for forming an independent opinion on whether the financial statements and performance information of the City Council:

- comply with generally accepted accounting practice; and
- presents fairly, in all material aspects its position and performance.

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

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

. During the audit, we consider internal control relevant to the council's preparation of the financial statements and performance information, but not for the purpose of expressing an opinion on the effectiveness of the council's internal controls.

. Please note that the audit does not relieve the council of its responsibilities. The Auditor-General expects members of the council to be familiar with those responsibilities and, where necessary, to have obtained advice about them.

. However, we will communicate to the council in writing any significant deficiencies in internal control relevant to the audit of the financial statements and performance information that we have identified during the audit.

. The audit team is required to be alert for issues of:

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 - effectiveness and efficiency – in particular, how the council and the City Council have carried out their activities;
 - non-compliance with laws, regulations, and contractual requirements;
 - waste – in particular, whether the council obtained and applied the resources of the City Council in an economical manner and whether any resources are being wasted;
 - a lack of probity – in particular, whether the council and the City Council have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector; and

- a lack of financial prudence.

Our independence

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

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

Reporting

. We will issue an audit report that will be attached to the financial statements and performance information. This report contains an opinion that provides readers with reasonable assurance on whether the financial statements and performance information have been prepared in accordance with legal requirements, are free from material misstatements, and comply with financial reporting standards. It may also contain comment on matters such as compliance with statutory obligations and other matters that we consider may be of interest to the readers of the audit report. In addition, we will issue an audit report that will be attached to the summary financial statements and summary performance information. This audit report will contain an opinion that provides the same level of assurance as the audit report on the financial statements and performance information.

. We will also issue a management letter that will be sent to the council. This letter communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the council (for example, internal control weaknesses, probity matters, or compliance with statutory obligations). We may also provide other management letters to the City

Council from time to time. We will inform the council of any other management letters we have issued.

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

Next steps

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

. Appendix 2 contains some additional “other” responsibilities for the audit.

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

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

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. Yours sincerely

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. Bede Kearney

. [redacted] [date]

. Director

. On behalf of the
Auditor-General

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. *I acknowledge the terms of this engagement and that I
have the required authority on behalf of the City Council.*

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Justin .
Lester

. Mayor .

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ton City Council

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Appendix 1:

Respective specific responsibilities of the council and the Appointed Auditor

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

Responsibilities of the council	Responsibilities of the Appointed Auditor
<p>The council is required by legislation to prepare financial statements and, where appropriate, other accountability statements that comply with generally accepted accounting practice in New Zealand and that present fairly, in all material respects the activities of the City Council during the year, and its financial position at the end of the year.</p> <p>The council must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.</p> <p>The council is required by legislation to prepare the financial statements and performance information and provide that information to the appointed auditor before the statutory reporting deadline. It is normal practice for the council to set its own timetable to comply with statutory reporting deadlines.</p>	<p>We are responsible for carrying out an annual audit, on behalf of the Auditor-General, and to form an opinion on whether the City Council’s financial statements and performance information have been prepared in accordance with legal requirements, comply with generally accepted accounting practice in New Zealand, and present fairly, in all material respects the position and performance of the City Council.</p> <p>We will also read other accompanying information to the financial statements and performance information to identify whether there are material inconsistencies with the audited financial statements and performance information.</p> <p>Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence a reader’s overall understanding of the financial statements and performance information.</p> <p>If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General’s preference is for the council to correct any material misstatements and avoid the need for them to be referred to in the audit</p>
Attachment 1 Draft Audit Engagement Letter	<p>opinion.</p> <p>An audit also involves evaluating:</p> <p style="text-align: right;">Page 20</p>

Responsibilities of the council	Responsibilities of the Appointed Auditor
	<ul style="list-style-type: none"> • the appropriateness of the content and measures in any non-financial accountability statements; • the adequacy of all disclosures in the financial statements and performance information; and • the overall presentation of the financial statements and performance information. <p>We will ask the council for written confirmation of representations made to us about the financial statements and performance information. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> • the adoption of the going concern assumption is appropriate; • all material transactions have been recorded and are reflected in the financial statements and performance information; • all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed; and • uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information. <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p>

Responsibilities of the council	Responsibilities of the Appointed Auditor
Responsibilities for the accounting records	
<p>The council is responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> • correctly record and explain the transactions of the City Council; • enable the council to monitor the resources, activities, and entities under its control; • enable the City Council’s financial position to be determined with reasonable accuracy at any time; • enable the council to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and • are in keeping with the requirements of the Commissioner of Inland Revenue. 	<p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p>

Responsibilities of the council	Responsibilities of the Appointed Auditor
Responsibilities for accounting and internal control systems	
<p>The council is responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the City Council), supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of financial and, where applicable, non-financial reporting.</p>	<p>The annual audit is not designed to identify all significant weaknesses in the City Council’s accounting and internal control systems. We will review the accounting and internal control systems only to the extent required to express an opinion on the financial statements and performance information.</p> <p>We will report to the council separately any weaknesses in the accounting and internal control systems that come to our notice and that we consider may be relevant to it. Any such report will provide constructive recommendations to assist the council to address those weaknesses.</p>

Responsibilities of the council	Responsibilities of the Appointed Auditor
Responsibilities for preventing and detecting fraud and error	
<p>The responsibility for the prevention and detection of fraud and error rests with the council through the implementation and continued operation of adequate internal control systems (appropriate to the size of the City Council) supported by written policies and procedures.</p> <p>We expect the council to formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with. Fraud also includes bribery and corruption.</p> <p>We expect the council to consider reporting all instances of actual, suspected or alleged fraud to the appropriate law enforcement agency, which will decide whether proceedings for a criminal offence should be instituted. We expect the council to immediately inform us of any suspected fraud, where it, and/or any individuals within the City Council with delegated authority have a reasonable basis that suspected fraud has occurred, regardless of the amount involved.</p>	<p>We design our audit to obtain reasonable, but not absolute, assurance of detecting fraud or error that would have a material effect on the financial statements and performance information. We will review the accounting and internal control systems only to the extent required for us to express an opinion on the financial statements and performance information, but we will:</p> <ul style="list-style-type: none"> • assess the effectiveness of internal control systems and procedures for preventing and detecting fraud and error; and • report to the council significant weaknesses in internal control systems and procedures for monitoring the prevention and detection of fraud and error that come to our notice and that we consider could be relevant to the council. <p>We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected or alleged fraud.</p> <p>As part of the audit, the council will be asked for written confirmation that it has disclosed all known instances of actual, suspected or alleged fraud to us.</p>

Responsibilities of the council	Responsibilities of the Appointed Auditor
	<p>If we become aware of the possible existence of fraud, whether through applying audit procedures, advice from the council or management, or by any other means, we will communicate this to the council with the expectation that the council will consider whether it is appropriate to report the fraud to the appropriate law enforcement agency. In the event that it does not report fraud to the appropriate law enforcement agency, the Auditor-General will consider doing so if it is appropriate for the purposes of protecting the interests of the public.</p>

Responsibilities of the council	Responsibilities of the Appointed Auditor
Responsibilities for compliance with laws and regulations	
<p>The council is responsible for ensuring that the City Council has systems, policies, and procedures (appropriate to its size) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to its activities and functions are complied with. Such systems, policies, and procedures should be documented.</p>	<p>We will assess whether the council has systems, policies, and procedures to ensure compliance with those legislative, regulatory, and contractual requirements that are relevant to the audit. We will either perform specific audit tests to assess whether the council has complied with statutory requirements that are relevant to the audit or will maintain an awareness for possible non-compliance that may be relevant to the audit.</p> <p>The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to the council and to the Auditor-General all material and significant instances of non-compliance.</p> <p>We will also report to the council any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws, regulations, and contractual requirements that we consider may be relevant.</p>

Responsibilities of the council	Responsibilities of the Appointed Auditor
Responsibilities to establish and maintain appropriate standards of conduct and personal integrity	
<p>The council should at all times take all practicable steps to ensure that its members and employees maintain high standards of conduct and personal integrity. It should document its expected standards of conduct and personal integrity in a “Code of Conduct” and, where applicable, support the “Code of Conduct” with policies and procedures.</p> <p>The expected standards of conduct and personal integrity should be determined by reference to accepted “Codes of Conduct” that apply to the public sector.</p>	<p>We will have regard to whether the council maintains high standards of conduct and personal integrity. Specifically, we will be alert for significant instances where members and employees of the City Council may not have acted in accordance with the standards of conduct and personal integrity expected of them.</p> <p>The way in which we will report instances that come to our attention will depend on significance. We will report to the council and to the Auditor-General all significant instances of departure from expected standards of conduct and personal integrity.</p>
	<p>The Auditor-General, on receiving a report from us, may, at his discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with the council.</p> <p>Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.</p>

Responsibilities of the council	Responsibilities of the Appointed Auditor
Responsibilities for conflicts of interest and related parties	
<p>The council should have policies and procedures to ensure that its members and employees carry out their duties free from bias.</p> <p>It should maintain a full and complete record of related parties and their interests. It is the council's responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.</p>	<p>To help determine whether the council members and employees have carried out their duties free from bias, we will review information provided that identifies related parties and will be alert for other material related-party transactions. We will check that the council has complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.</p>

Responsibilities of the council	Responsibilities of the Appointed Auditor
Responsibilities for publishing the audited financial statements on a website	
<p>The council is responsible for the electronic presentation of the financial statements and performance information on the City Council’s website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented.</p> <p>If the council intends to publish or reproduce the financial statements and performance information, together with the audit report, on a website, it must, before publication, provide us with a draft version of the documents to read and must obtain our approval to include the audit report with the information it intends publishing on the website.</p> <p>If the audit report is reproduced in any medium, the council should present the complete financial statements, including notes and accounting policies as well as any other accountability statements.</p> <p>If the council intends to post any new material not previously read by us, it must advise us before posting the new material.</p>	<p>We will perform procedures to satisfy ourselves that the information the council intends including on its website is consistent with the audited financial statements and performance information and that the audit report will not be inappropriately associated with any information that has not been audited.</p> <p>Examining the controls over the electronic presentation of audited financial statements and performance information, and the associated audit report, on the City Council’s website is beyond the scope of the annual audit.</p> <p>We will review the material on initial posting and on notification from the council that new material has been posted on the website. We do not carry out ongoing monitoring of the material on the City Council’s website.</p>

Appendix 2:

Other responsibilities

. To meet the reporting deadlines, we are dependent on receiving the City Council’s financial statements and performance information ready for audit and in enough time to enable the audit to be completed. “Ready for audit” means that the financial statements and performance information have been prepared in accordance with legal requirements, comply with generally accepted accounting practice and present fairly, in all material respects, the activities and position of the City Council. They must also be supported by proper accounting records and complete accounting records and complete evidential documentation.

. We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non–receipt or condition of the financial statements and performance information, or for some other reason beyond our control, as soon as possible after that.

. The workpapers that we produce in carrying out the audit are the property of the Auditor–General. Workpapers are confidential to the Auditor–General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.

. 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 the City Council to keep our audit staff safe while they are working at its premises. We expect the City Council to provide a work environment for our audit staff that is without risks to their health and safety. This includes providing adequate space, lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect the City Council to provide them with all information or training necessary to protect them from any risks they may be exposed to at the City Council’s premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

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Draft for discussion and consideration

Draft – 23 February 2017

Justin Lester
Mayor
Wellington City Council
101 Wakefield Street
PO Box 2199
Wellington 6140

cc Andy Foster, Chair, Finance, Audit and Risk Management Committee
Kevin Lavery, Chief Executive Officer
Andy Matthews, Chief Financial Officer

Dear Justin

Audit for the year ending 30 June 2017

I am writing to outline our arrangements for the audit of Wellington City Council for the year ending 30 June 2017. This letter has two main sections – an agreement to be signed, and details of the audit.

Agreement to be signed

On the next page is an agreement for you to sign. Your signature confirms that the details of the audit match your understanding of the arrangements for this year's audit.

Please sign and return one copy of the agreement, along with a copy of the details of the audit.

Details of the audit

Here we set out the proposed arrangements for this year's audit. These include:

- business risks/issues and our audit response;
- areas of audit interest for all local authorities; and
- logistics (such as our audit team, and timing). The information on professional fees (section 3.5) is not included in this draft as our proposed fee is going through an OAG moderation process. We will discuss this with you once the moderation is completed.

Additional information attached

We have attached two appendices for your information:

- Appendix 1: Areas of audit interest for all local authorities.
- Appendix 2: Additional information about the audit.

Please take the time to read this document thoroughly before returning the signed agreement. If there are additional matters that should be included, or any matters requiring clarification, please contact me.

Yours sincerely

Bede Kearney

Director

Agreement to be signed

I acknowledge that the details of the audit set out here are in keeping with my understanding of the arrangements for the audit.

Signed _____ *Date* _____
Justin Lester
Mayor

Details of the audit

1 Introduction

This document sets out the arrangements for the audit of Wellington City Council (the City Council) for the year ending 30 June 2017.

These include:

- business risks/issues and our audit response;
- areas of interest for all local authorities; and
- logistics (such as our audit team, timing, and fees).

2 Your business risks/issues and our audit response

Based on the planning work and discussions that we have completed to date, we have identified what we consider to be the main business risks and issues facing the City Council. Many of these risks and issues are relevant to the audit because they affect our ability to form an opinion on your financial statements. As part of the wider public sector audit, we are also required to be alert to issues of effectiveness and efficiency, waste and a lack of probity or financial prudence (as set out in the Audit Engagement Letter dated [date of Audit Engagement Letter]).

The table below sets out the business risks and issues that we have identified in line with these requirements. The left-hand column describes these risks and issues. In the right-hand column, we describe how we plan to respond to these during the audit.

Your business issues	Our audit response
Implementation of Project Odyssey	
Phase 1 of Project Odyssey was implemented in 2016. Our high level review of the implementation noted issues with the quality of reporting	As part of our 2016/17 audit we will: <ul style="list-style-type: none"> • Review data transfers from legacy systems to new

Your business issues	Our audit response
<p>to the Programme Control Group and onwards to the Organisational Change Group.</p> <p>Equinox performed IQA reviews over the programme. It recommended improvements to project management disciplines, governance structures and programme reporting. Phase 2 of the project is currently on hold while the project is reviewed in the context of the City Council's wider transformational change.</p>	<p>applications.</p> <ul style="list-style-type: none"> • Liaise with management on the post- implementation of Phase 1, including the City Council's assessment of benefits realisation. • Liaise with management on the status of Phase 2. • Consider the City Council's progress in addressing Equinox's project management recommendations. • Assess whether the accounting for the project complies with generally accepted accounting practice.
Shared services arrangements	
<p>The City Council agreed with Porirua City Council, Upper Hutt City Council and Wellington Water to develop shared information and communications technology (ICT) infrastructure services. Dimension Data was selected as the preferred supplier.</p> <p>A Shared Services Office (SSO) has been established to manage Dimension Data's service delivery.</p> <p>The City Council and other Councils in the region, use Wellington Water Limited (WWL) to manage their water infrastructure assets.</p> <p>While WWL is a CCO, partly owned by the City Council, it is important that the City Council has in place robust</p>	<p>We will keep up to date with this initiative and assess any potential financial impact in the 2016/17 financial year. This will include assessing whether costs are accounted for in accordance with generally accepted accounting practice.</p> <p>We will consider the effectiveness of governance and management oversight arrangements in place.</p> <p>We will review the City Council's procedures for monitoring WWL's service delivery.</p>

Your business issues	Our audit response
procedures to monitor and manage WWL's service delivery under its contract.	
Valuation of the City Council's weathertightness liabilities	
The City Council's liability for weathertightness claims remains significant, totalling \$44 million at 30 June 2016. There is a high degree of judgement and estimation in the calculation of the liability.	We will review the valuation of the weathertight homes provision as at 30 June 2017.
Valuation of Infrastructure Assets and Investment Properties	
<p>The City Council revalues its operational land and buildings and infrastructure assets (except land under roads) on a three year cycle.</p> <p>This year, the City Council will be revaluing its infrastructure assets as at 30 June 2017. These were last revalued at 30 June 2014.</p> <p>The City Council is required to revalue its Investment Properties on an annual basis.</p>	<p>We will review the robustness of:</p> <ul style="list-style-type: none"> • the valuations undertaken, including discussions with external valuers; and • management's assessments of the fair value and the carrying value of those assets classes that have not been revalued.
Impact of the November 2016 earthquakes	
<p>The November 2016 earthquakes caused damage to several City Council properties.</p> <p>When preparing the 2016/17 financial statements, the City Council should assess whether damage to its assets (both operational and infrastructure) has impaired their carrying value.</p> <p>We expect key elements of the City Council's service performance</p>	<p>We will review the City Council's assessment of potential building and infrastructure asset impairments.</p> <p>We will also review its reporting of the impact of the earthquake on the City Council itself and on the city. When preparing this information, the City Council should consider how it will communicate:</p> <ul style="list-style-type: none"> • The impact on its assets and the financial impact of this.

Your business issues	Our audit response
<p>reporting in 2016/17 will be the extent and effectiveness of its response to the earthquake and the earthquake’s effect on service delivery.</p>	<ul style="list-style-type: none"> • The effect on service delivery and its response to this. • Its role in the city’s immediate response to the earthquake. • Its ongoing role after the earthquakes, for example in performing and requiring building assessments and demolition.
Risk of management override of controls and fraudulent financial reporting	
<p>Auditing standards require us to consider fraud risks in all audits we perform. This includes the risk of management override of control. Management is in a powerful position to perpetrate fraud due to its ability to override controls that appear to be operating effectively.</p>	<p>We will carry out the audit procedures we consider appropriate. This will include review of journal entries, accounting estimates and significant transactions that are outside the normal course of business. We will incorporate an element of unpredictability in our audit testing through random sampling.</p> <p>We will also assess whether relevant internal controls are designed effectively in a way that reduces the risk of override.</p>

We will also follow up on progress made by the City Council in its response to our previous recommendations.

Please tell us about any additional matters that we should be aware of as your auditor, and any specific significant business risks that we have not covered.

3 Logistics

3.1 Our audit team

The Audit New Zealand staff involved in the audit are:

Bede Kearney	Director
Robert Cox	Engagement Quality Control Director
Matthew Geddes	Audit Manager
Rajesh Ratanjee	Audit Manager
Moeed Temuri	Audit Supervisor
Alan Clifford	Information Systems Audit Director
Martin Richardson	Specialist Assurance Audit Director
Jason Biggins	Tax Director

We are aware the City Council has suffered significant disruption through the November 2016 earthquakes. While space may be at a premium during our visits, it is important that we and the City Council meet our Health and Safety obligations to our audit staff. This will include ensuring they have adequate seating and space while they are on site for the interim (five people), pre-final (five people) and final (six people) audit visits.

3.2 Important dates in the audit process

Our proposed timetable is:

	Date
Interim audit begins (three weeks)	13 March 2017
Draft interim management report issued	13 April 2017
Management comments on interim management report received	21 April 2017
Finalised interim management report issued	28 April 2017
Pre-final audit and review of infrastructure and investment property revaluations begins (two weeks)	29 May 2017
Draft financial statements and service performance report available for audit ¹	14 August 2017
Final audit begins	21 August 2017
Final financial statements and service performance reports available ² for audit	11 September 2017
Finance, Audit and Risk Management-committee workshop	12 September 2017
Finance, Audit and Risk Management-committee meeting	20 September 2017
Audit opinion issued	27 September 2017
Draft final management report issued	27 September 2017
Management comments on final management report received	4 October 2017
Final management report issued as finalised	11 October 2017

¹ Financial statements (including notes to the financial statements) with actual year-end figures.

² Financial statements incorporating all the amendments agreed to between the City Council and Audit New Zealand.

	Date
Summary Annual Report available for audit	TBC
Summary Annual Report opinion issued	TBC

3.3 Our interim audit visit

We will carry out the interim audit in March. During this visit, we will focus on updating our understanding of the City Council’s internal control. This includes reviewing the control environment, risk assessment processes and relevant aspects of information systems controls. We will use the results of this assessment to determine how much we can rely on the information produced from your systems during our final audit.

3.4 Our final audit visit

Our final audit is scheduled to start on 21 August 2017 and is expected to last four weeks. During this visit we will be auditing the balances, disclosures, and other information included in your financial statements.

3.5 Professional fees [to be discussed later]

Our audit fee for the year ending 30 June 2017 is \$xxx plus disbursements (GST exclusive). This is as agreed in the Audit Proposal Letter dated [date of APL].

The fee assumes the timeframes in section 3.2 will be met. If this does not occur, or the scope of the audit changes, we will discuss this further with you.

We propose to bill as follows:	Amount
February	\$30,000
March	\$90,000

June	\$40,000
August	\$120,000
September	\$xx
	<hr/>
**	\$xx
	<hr/>

** To be determined once the fee has been agreed.

To ensure we can complete the audit within the proposed time frame (see section 3.2) and agreed fee, it is critical that you make appropriate supporting documentation available to us on a timely basis. If this is not the case, it is likely to result in cost overruns, which we will seek to recover from you. 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.

Appendix 1:

Appendix 1: Areas of audit interest for all local authorities

Issue	Our audit response
Rates	
<p>Rates are the City Council’s primary funding source.</p> <p>Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge.</p> <p>The City Council should have appropriate processes in place. Where issues or concerns arise, it should seek legal advice, to ensure compliance with legislation of its rates and rating processes.</p>	<p>We will consider the City Council’s compliance with those aspects of the LGRA that potentially materially impact on the financial statements. This means we will focus on the parts of the rates setting process that present the highest risk, namely the consistency and completeness of the rates resolution and the Funding Impact Statement (FIS). We will review a sample of differentially set and/or targeted rates to assess whether the matters and factors used are consistent with the LGRA.</p> <p>Our review of compliance with legislation is completed for the purposes of expressing our audit opinion. It is not, and should not be seen, as a comprehensive legal review. This is beyond the scope of the audit, and our expertise as auditors. The council has the ultimate responsibility for ensuring that it complies with applicable laws and regulations.</p>
Asset management plans	
<p>Asset Management Plans (AMPs) play an integral part in the ongoing management of the City Council’s significant infrastructural assets. These assets deliver the quality-of-life services</p>	<p>We will review the City Council’s progress in relation to the continuing development of its AMPs in line with the improvement plans.</p> <p>We will consider the City Council’s</p>

Issue	Our audit response
<p>that are critical to the community.</p> <p>During the last LTP audit we reviewed the AMPs and provided feedback on these.</p> <p>The City Council has heavily invested in improving its knowledge of asset condition and performance. This resulted in a decrease in forecast renewals of \$10 million per annum (approx. 10% of total renewals over the LTP).</p>	<p>assessment as to whether improved knowledge of its asset base has had any significant impact on the assessed asset lives and depreciation rates. If appropriate, the depreciation rates in the Fixed Asset Register should be updated to reflect better knowledge of the assets and their useful lives.</p>
<p>Financial reporting disclosures</p>	
<p>Schedule 10 of the Local Government Act and the Local Government (Financial and Prudence) Regulations 2014 detail disclosures to be included in the Annual Report.</p> <p>The City Council should review these requirements to ensure all disclosures have been included in the annual report.</p>	<p>We will confirm whether all the disclosures required by schedule 10 of the Local Government Act and the Local Government (Financial Reporting and Prudence) Regulations 2014 have been included in the City Council's annual report appropriately.</p>
<p>Possible Long Term Plan (LTP) amendments</p>	
<p>An LTP amendment arises where Council proposes:</p> <ul style="list-style-type: none"> • a significant change to services levels [section 97 (1)(a)] or • to transfer ownership of a strategic asset [section 97(1)(b)] , or • a significant change to the revenue and financing policy [section 103(4)]. <p>Every proposed amendment must be audited.</p>	<p>The council has agreed to an amendment which relates to the convention centre/film museum, subject to agreeing satisfactory commercial arrangements with external parties. If this amendment is finally adopted, we will issue an update to our audit opinion on the 2015–25 LTP.</p> <p>We will remain alert for other possible amendments throughout the year. We will liaise with management and discuss potential amendments as they arise.</p> <p>We also plan to review the City Council's 2017/18 annual plan, to ensure we</p>

Issue	Our audit response
	understand the nature and extent of any changes being proposed.
Elected members – remuneration and allowances	
<p>The Local Government Act gives the Remuneration Authority responsibility for setting the remuneration of local government elected members. The Authority also has the role of approving a Local Authority’s policy on allowances and expenses.</p> <p>Council’s annual report must disclose the total remuneration received by or payable to each member of the local authority in the reporting period (Schedule 10, clause 18, Local Government Act 2002). A local authority must disclose remuneration paid or payable to each member from both the local authority and any council organisation of the local authority.</p>	<p>We will assess the City Council’s compliance with the requirement to disclose the remuneration of each member of the local authority in the annual report against the relevant Local Government Elected Members Determination and any amendment to that Determination.</p> <p>We will also confirm the payments are within the Determination set by the Authority.</p>
Debenture Trust Deed	
<p>Local authorities are able to secure borrowings using any security (including future rates revenue). A debenture trust deed provides the benefit of the charge, through a trustee, to the lender.</p> <p>The City Council’s Debenture Trust Deed requires us to provide an independent assurance report on certain matters stated in clause 12.2.6 of the Trust Deed.</p>	<p>We will agree with the City Council separate terms of engagement in relation to the Debenture Trust Deed.</p>

Appendix 2: Additional information about the audit

Our reporting protocols

Management reports

We will provide a draft of all management 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 the Council.

Reporting of misstatements

We will include details of all uncorrected misstatements in our management report. Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of the City Council's financial statements.

During the audit, we will provide details of any such misstatements we identify to an appropriate level of management. We will ask for each misstatement to be corrected in the City Council's financial statements. Where management does not wish to correct a misstatement we will seek written representations from representatives of the City Council's governing body that specify the reasons why the corrections will not be made.

Our expectations of you to enable an efficient audit

To enable us to carry out our audit efficiently within the proposed audit fee, we expect that:

- the City Council will provide us with access to all relevant records and provide information in a timely manner;
- your staff will provide an appropriate level of assistance;

- the financial statements will be available at the start of the final audit, include all relevant disclosures, and be fully supported by a detailed workpaper file; and
- the annual report and financial statements (including the statement of service performance) will be subjected to appropriate levels of quality review before submission for audit.

Our audit fee is based on the assumption that we will review no more than two sets of the draft annual report, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report for publication on the City Council's website.

Using your internal auditors

Our approach will be to continue to liaise with your internal auditors to ensure appropriate co-ordination of effort. In keeping with the applicable auditing standard, ISA (NZ) 610, *Using the Work of Internal Auditors*, we will make a preliminary assessment of the internal audit function in terms of organisational status, scope, technical competence, and professional care.

If we determine from our preliminary assessment that the internal audit function could be relied on for external audit purposes then we will consider the internal audit work proposed or completed. We will then determine the extent to which we can use the internal audit work to supplement our audit work.

How we consider your compliance with statutory authority

As part of the Auditor-General's mandate, we carry out an audit of compliance with statutory authority. Our audit is limited to obtaining assurance that you have complied with certain laws and regulations that may directly affect the City Council's financial statements or general accountability. Our audit does not cover all of the City Council's requirements to comply with statutory authority.

Our approach to this aspect of the audit will mainly involve assessing the systems and procedures that are in place to ensure compliance with certain

laws and regulations that we consider to be significant. We will also complete our own checklists covering the key requirements of significant legislation. In addition, we will remain alert for any instances of non-compliance that come to our attention. We will evaluate the relevance of any such non-compliance to our audit.

AUDIT NEW ZEALAND GOVERNING BODY REPORT

Purpose

1. The purpose of this report is to present the Audit New Zealand Report to Council on the 2015/16 audit to the Subcommittee. This report contains audit recommendations from Audit New Zealand related to the 2015/16 audit as well as progress against recommendations made in prior years.

Recommendations

That the Finance, Audit and Risk Management Subcommittee:

1. Receive the information.
2. Note the content of the 2015/16 Report to Council from Audit New Zealand.

Background

2. Every year after the completion of the audit of the annual report, Council auditors, Audit New Zealand produce a report to the Council on the audit conducted, and within the report provide a number of recommendations on matters that they believe will strengthen the Council's control environment, or enable greater efficiencies or effectiveness.
3. The report outlines their recommendations and officers response to those recommendations. The progress of implementing these recommendations will be monitored and reported on by Risk Assurance as part of their regular reporting to the Subcommittee.

Discussion

4. The key findings from Audit NZ audit are:
 - An unmodified audit opinion on the Council parent and group's annual report on 28th September 2016
 - The Council's control environment continues to operate effectively
5. There were commentary on three key business issues in the report:
 - Project Odyssey
 - Shared Services for ICT infrastructure services
 - Valuation of weathertightness liabilities
6. There were no significant issues identified from this commentary.
7. There are five recommendations on which officers have provided comments, that cover the following areas:
 - Bank reconciliation
 - Payroll reconciliations
 - Validation of attendance at events
 - Rates revenue- master file change report

-
- Sick leave accrual

8. The report also has an update on the status of previous outstanding recommendations.

Attachments

Attachment 1. Audit NZ Management Letter

Page 52

Author	Richard Marshall, Manager Financial Accounting
Authoriser	Andy Matthews, Chief Financial Officer

SUPPORTING INFORMATION

Engagement and Consultation

There is no requirement to consult on the issues raised in this paper or report.

Treaty of Waitangi considerations

There are no specific Treaty of Waitangi considerations.

Financial implications

There are no new financial implications arising from this paper.

Policy and legislative implications

There are no new policy or legislative implications arising from this paper.

Risks / legal

There are no new risks or legal implications arising from this paper.

Climate Change impact and considerations

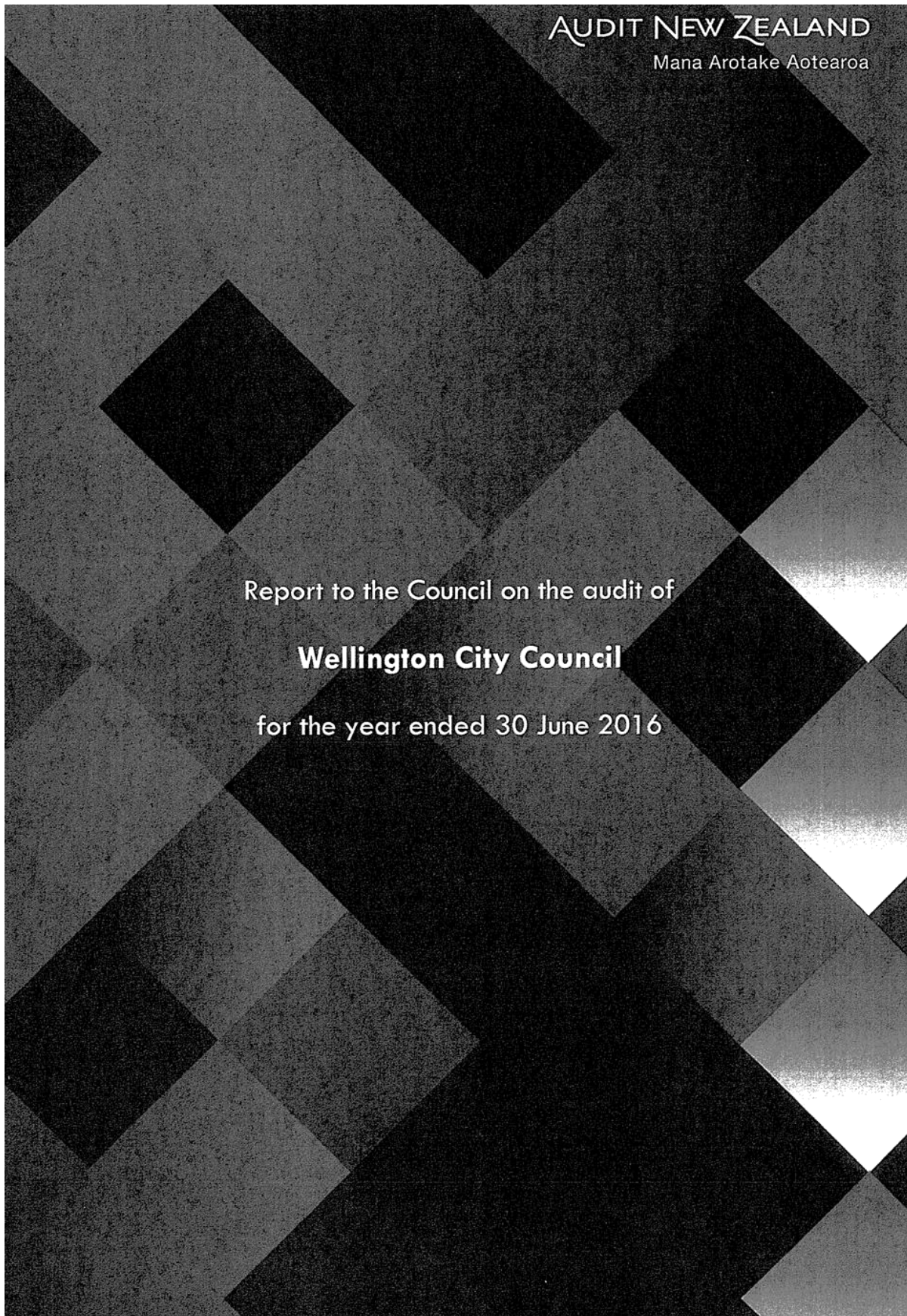
There is no climate change implications arising from this paper.

Communications Plan

No communication plan is required for this paper.

Health and Safety Impact considered

There is no health and safety implications arising from this paper.



Key messages

We have completed the audit for the year ended 30 June 2016. This report sets out our findings from the audit and draws attention to areas where Wellington City Council (the City Council) is doing well or where we have made recommendations for improvement.

We issued an unmodified audit report on the annual report on 28 September 2016. We issued an unmodified audit report on the summary annual report on 27 October 2016. There was one audit difference, which we considered was not material – refer to Appendix 3.

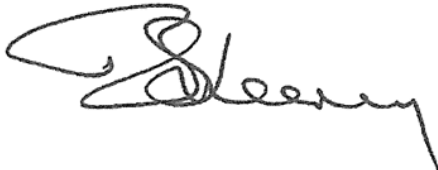
The Council rolled out Phase 1 of Project Odyssey in July 2016. We reviewed the City Council's project management arrangements for Odyssey and our findings are in Section 2.1.1.

As part of the current year's audit we identified a number of matters in our review of key financial and non-financial systems. We have set these out, along with our recommendations, in Appendix 1 of this report.

We also followed up on our recommendations made in previous years and note that some of those recommendations have been cleared in the current year. An update over status of previous years' recommendations is also provided in Appendix 4 of this report.

Thank you

We would like to thank the Audit and Risk Committee, management and staff for their assistance in completing the audit.



Bede Kearney
Audit Director
28 March 2017

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1 Our audit opinion

1.1 We issued an unmodified audit opinion

We issued an unmodified audit opinion on 28 September 2016. This means that we were satisfied that the financial statements and statement of service performance fairly reflected the City Council's activity for the year and its financial position at the end of the year.

1.2 Audit Difference

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any audit differences that we found, other than those which were clearly trivial. The audit difference between Audit and management that was not adjusted is listed in Appendix 3, along with management's reasons for not adjusting the item. We are satisfied that the audit difference is not material to the financial statements as a whole.

2 Key business issues identified in our management report

In our audit arrangements letter dated 24 February 2016 we identified areas of focus as part of our audit, we have provided an update.

2.1 Project Odyssey

2.1.1 Review of project Odyssey project management arrangements

During the year the City Council undertook a significant programme to implement a rationalised enterprise IT system, the Odyssey Programme. Most elements of Phase 1 of Odyssey have now gone live, initially through the roll out within Finance and Assets on 4 July, followed by the first stage of Payroll go-live.

We commend the City Council on achieving these milestones and encourage it to consider any learnings that can be applied for later stages of this programme or other projects and programmes within the organisation.

As part of our audit we undertook a high level review of the Odyssey programme to consider whether the programme's place within the change portfolio was adequately supported, and whether the expected elements of good programme management were in place. Our findings are summarised below:

- An organisation running the range and scale of change projects that the City Council is engaged in should have effective oversight and control of the portfolio.

Reporting to meetings of the Project Control Group (PCG) and on to the Organisational Change Group (OCG) was of variable quality. Management considered the remedial work required to bring the reporting up to standard may have impacted on the timeframes the Groups had to make decisions and had the potential to weaken the central oversight and control of the Odyssey Programme. This was driven by a differing in expectations between the project team and the business / control groups. Issues around

quality of documentation were resolved in the first instance by the Business Process Owners by agreeing a consistent reporting framework for reports going through to the Control Group. Management are of the view that this was resolved by the control groups in time for a well-informed Go-Live decision to be made.

- The City Council engaged Equinox to provide Independent Quality Assurance (IQA) over the programme. We observed that some of the unique issues in the IQA reports might have been mitigated or more easily resolved were there clearer expectations and guidance in place with the project team. The City Council should consider whether project management standards, tools, methodologies and minimum expectations for their application would assist in ensuring an appropriate level of consistency for the project going forward.
- During the period to GoLive, IQA issued four reports which raised a range of issues. The project team worked through the issues, deciding that some of these issues could not be immediately addressed. A number of temporary compromise solutions were identified and approved by the PCG as not having sufficient an impact to prevent GoLive. As a result, additional levels of investment both of time and resources was required before GoLive and subsequent to GoLive through the implementation of a Hypercare strategy to manage the issues.

We understand that Phase 2 of the project is currently on hold while the project is reviewed in the context of the City Council's wider transformational change. This is good. It is important for the City Council to consider the ongoing justification of programmes and projects within its portfolio at the boundary between stages. It is important that should the City Council proceed with Phase 2 in either the original format or a revised version, it reviews the business case to ensure that the programme remains desirable, viable and achievable.

2.1.2 Data transfer

We will review data transfers from legacy systems to the new applications. This work forms part of the 2016/17 audit and is still in progress. We will report on this in due course.

2.2 Shared services for ICT infrastructure services

The City Council along with Porirua City Council and Upper Hutt City Council and Wellington Water have agreed to develop shared information and communications technology (ICT) infrastructure services.

A detailed business case, which provided a view of the benefits and costs of the shared services, was approved on 27 February 2015. A final implementation business case, which gave the go ahead to implement Wellington regional shared ICT infrastructure services, was approved on 2 October 2015.

Dimension Data was selected as the preferred supplier in late June and a contract has been signed.

The scope of shared ICT services

These include standard commodity ICT infrastructure, such as:

- Service (help) desk.
- Data centres and storage.
- Servers.
- Data and voice networks.
- Telephone services and phones.
- Desktop and laptop computers.

No changes to council services, business applications or business processes are planned as part of this programme.

What next

A new Shared Services Office (SSO) has been established to manage the delivery of the services by Dimension Data. The SSO will be based at the City Council's offices, but will operate as an independent business unit.

The implementation of the new services will be phased and is expected to take about 14 months. Service Desk have been implemented in mid-March 2016.

Appropriate governance arrangements are in place. An advisory committee made up of the chief executives of the three councils and Wellington Water will be set up. It will be chaired by the Chief Executive of the Porirua City Council.

2.3 Valuation of the City Council's weathertightness liabilities

We reviewed the valuation of the City Council's weathertight homes obligation at 30 June 2016. We confirmed that this was based on its best knowledge and assumptions and that the methodology applied to the valuation was appropriate. We also confirmed the provision has been appropriately disclosed in the financial statements and notes.

The City Council engaged an external valuer to perform the valuation of the obligation as at year end. During our audit we reviewed the valuer's work, their valuation methodology and the key assumptions. We did not identify any significant issues from our review.

3 Assessment of the control environment

We performed a high-level assessment of the City Council's control environment. This assessment was performed for the purpose of planning the most effective and efficient audit approach, to enable us to express an audit opinion on the City Council's financial statements and the non-financial information. We considered the

overall attitude, awareness, and actions of the Council and management in establishing and maintaining effective management procedures and internal controls.

Areas where we have identified that the control environment can be improved, these are included later in this report.

In performing this assessment we consider both the “design effectiveness”¹ and “operational effectiveness”² of internal controls. The explanation of these terms is outlined below. However, it is not the purpose of our assessment to provide assurance on internal control in its own right. As such we provide no assurance that our assessment will necessarily identify and detect all matters in relation to internal control.

We reviewed the internal controls in place for key financial and non-financial information systems. Internal controls are the policies and processes that are designed to provide reasonable assurance as to reliability and accuracy of financial and non-financial information, as well as compliance with significant legislative requirements. These internal controls are designed, implemented and maintained by management. Both “design effective” and “operationally effective” internal control is important to minimising the risk of either fraud or misstatement occurring. The ultimate responsibility for the effective design, implementation and maintenance of internal control rests with the governing body, the Council.

Results of our review

Overall we concluded that for the purposes of our audit, the City Council's control environment continues to operate effectively.

Our testing confirmed that overall the key internal controls we expect within its financial and non-financial systems are in place. They have been designed effectively and are operating as intended. As in previous year's audits, we plan to place reliance on these key expenditure and payroll controls for the purpose of our audit. Matters identified during our testing are included in Appendix 1.

We followed up the outstanding matters reported in previous management letters. The results of this follow up review are summarised in Appendix 4.

3.1 The high level control environment

As part of our overall review of the control environment we reviewed a number of key aspects of the high level control environment. Our objective in reviewing these areas was to gain an undertaking of the control environment and in particular how the City Council managed its risks across these areas. We used this information for determining the extent of work we needed to undertake as part of our audit.

3.1.1 Procurement and contract management

The City Council procures a wide range of goods and services and manages a large number of contracts as part of its ongoing operations.

¹ Control is effective to either prevent or detect a material error in either the financial statements and/or non-financial information. The control is “fit for purpose”.

² Control has operated effectively throughout the period tested.

During 2015 the City Council changed the roles and responsibilities of its contract and procurement team. We have followed up on our 2015 recommendations raised with management in prior years.

Long term strategy

The annual procurement plan was completed on schedule in December 2015, but at the time of our review the longer term strategy was still to be prepared. We were advised that work on this was to commence after the 2016/17 budget had been confirmed.

Management comment

A review of the Contracts & Procurement function should be completed by June 2017. A long term strategy will be developed after a Manager has been appointed. Until this happens, the team will continue to operate under the existing strategy.

Procurement policy

The procurement policy was updated and approved by the Steering Committee in February 2016 and was made available to staff on the intranet.

Staff training

During the year, the City Council conducted staff trainings conflict of Interest, procurement, commercial awareness, and collusive tendering training courses.

Contract management

The City Council has a centralised contract register. In prior year we sample tested few contracts and identified that some of the data within the register was old and potentially out of date. During the year, the Council has performed an exercise to ensure all the contracts related database is up to date. We plan to perform sample test over the updated contract register next year.

Management comment

The Contracts Register within One Council will be updated throughout the year by the business and the Contracts & Procurement team will review the information on a regular basis to ensure that the information is accurate and up to date.

3.1.2 Risk management

The City Council's risk environment is broad, due to the nature and number of activities it undertakes.

There is a high level of commitment and a sound approach to risk management. Risk Assurance has developed a council-wide risk management framework and there is a regular reporting of key risks at both senior management and governance (Audit and Risk Committee) levels.

Risks with a residual risk level of moderate are monitored by Risk Assurance. High risk levels are reviewed and signed off by ELT and critical risks are reviewed by ELT and

the Audit and Risk Subcommittee. Risk Assurance focuses risks on the high and critical risks, in consultation with executive management and the Audit and Risk Subcommittee. This ensures its efforts are aligned with executive management's and Council's understanding of key risk areas.

From our observations, key risks are being monitored effectively.

3.1.3 Asset management

Last year we noted the progress the City Council had made in enhancing its knowledge of the age and condition of its infrastructural assets. On the back of this better knowledge, it was developing a more sophisticated approach to its network management and growth.

In the current year the City Council has outsourced its asset management for its three waters assets to Wellington Water. As part of this, the City Council's staff have moved across to Wellington Water.

This new arrangement is still in its relatively early stages of transition and full separation to an arm's length relationship may not have occurred yet. However over time this will occur and as former city council staff assimilate into Wellington Water any informal basis on which they represent the City Council's interests will disappear.

While Wellington Water is a CCO, the City Council's primary relationship with it is a contractual one. This is a major contract and the City Council needs to manage this on the same basis as it would for any such significant contract, if it was contracting with an unrelated third party. Its ownership interest in Wellington Water should not be seen as mitigating the need for strong and effective monitoring of its contractor's performance.

3.1.4 Information systems

As part of our 2016 audit we performed a review of information technology general controls. This review consisted of two parts. The first being a risk assessment of the entity level controls in place.

The entity level controls considered management's activities in: IT governance and strategic planning; IT processes, organisation, and relationships. Assessed and manages IT risks; monitored and evaluated performance and how it monitored and evaluated internal controls.

We assessed the risk as low for these areas except for risks related to IT processes, organisation, and relationships. We assessed the risk in this area as medium. Overall, the City Council has taken reasonable steps to minimise the risk of disruptions or unauthorised actions.

The second part of our work was an assessment of the design and operational effectiveness of activity level controls on the following areas:

- Systems acquisition/project management.
- Security (network & applications).

-
- Management of physical hardware.
 - Change management.
 - Management of third-party services.
 - Manages data.
 - Managing operations.
 - Managing the configuration.
 - Managing problems and incidents

Overall, we concluded that IT general controls are design effective. The exception was in the security area.

During our audit we were unable to conclude on operational effectiveness of some controls performed before the transition to the Shared Service Office in Mid-March 2016. This was due to the Business Information and Technology (BIT) staff no longer being employed at the time of the time of the audit review.

We acknowledge there has been some progress made to follow up our prior year recommendations. We have reported the matters that have yet to be fully resolved in Appendix 4.

4 Matters arising during our audit

Please refer to Appendix 1 for the matters arising from our review of key financial and non-financial systems.

5 Other matters

5.1 Holiday Act 2003 compliance

We discussed with management of any potential impact on the City Council of miscalculated leave payments through non-compliance with the requirements of the Holidays Act 2003.

Many entities encountered problems, predominantly because their payroll systems and processes did not correctly calculate leave payments because the system calculations and formulae used did not easily fit each employee's individual circumstances and work patterns. For example, leave payments could be miscalculated for employees who:

- have fluctuations in the hours they work; and/or
- receive additional pay on top of their normal wages (e.g. bonuses or allowances).

Management advised that the City Council has taken legal advice on its interpretation of the application of the Holidays Act 2003.

The City Council's lawyers confirmed that management's understanding of the application was correct.

Management also reviewed average weekly earnings and relevant daily pay of employees. While there were a few errors, management believed the overall effect was minimal. Going forward, management intends to retrospectively look at all errors and address these appropriately. These issues are expected to be corrected in the new payroll system.

We understand that management has not yet reviewed cases with staff changing hours such as full-time to part-time and vice versa. We understand that a working party led by State Services Commission is looking at this with an intention to have a consistent approach which all Government and Local Government organisations can follow.

5.2 Incomplete documentation in our samples of "Resource consents monitored within three months of project commencement" measure

During our audit of non-financial performance measures, we noted cases where management has not maintained an adequate information trail for "Resource consents that are monitored within three months of project commencement" measure.

We tested 25 samples. Two samples did not have sufficient information to verify the date of the inspection. For example, the photo of the inspection was not date stamped. For another sample, we could not verify in the TeamWork system when the consent holder had notified the City Council of the start date for work over the phone.

Overall we are satisfied that records for this measure are adequate to provide a reasonably indicative result in the overall context of the City Council's service performance. Improvement in this area would increase transparency and quality of information reported to the public and the City Council's management of this area of its activity.

We recommend that the City Council clearly specifies the information to be obtained and retained for consents monitoring. For example, date stamped photo from inspections, emails/file notes documenting the notified start date for work, should be kept in the system. In cases where the City Council discovers commencement of work other than by being formally notified by the consent holder, for example through its review of reports or complaints from neighbours or its own site inspections, then these details should be clearly documented in Teamwork.

Management comment

Noted.

6 Status of previous recommendations

The status of each matter that was outstanding in last year's report to the Council is summarised in Appendix 4.

Summary of action taken against previous years' recommendations:

Number of recommendations from previous years' audits	Current status
4	Matters that have been resolved
6	Progress is being made, but not yet fully resolved
2	No progress has been made

This summary needs to be read in conjunction with the status of recommendations raised in previous years' management reports as detailed at Appendix 4.

**Appendix 1: Matters identified in our testing of key
financial and non-financial systems**

Issue	Recommendation	Priority	Management's comment and proposed action
Significant reconciling items in bank reconciliation			
<p>During our final audit, we agreed amounts from bank confirmations to the trial balance. We noted that a reconciliation was prepared which included significant balancing items. These included (A) items in GL but not in the bank statement and (B) items in the bank statement but not the GL. The unmatched items in (A) related to amounts received through the debtor sub-systems and did not match with the expected corresponding amount that came through on the bank statement (B). Both (A) and (B) largely netted off as they potentially related to the same items. However, because they differed in one aspect, eg: name, amount or reference they remained on the unreconciled schedule.</p> <p>The net difference between the two reconciliations was not material.</p>	<p>Clear the significant reconciling items on a timely basis.</p>	<p>Urgent</p>	<p><i>This issue refers to one bank account out of 11 bank accounts, the Receipts account. Due to the large volumes of transactions, it is taking longer than anticipated in clearing the backlog of reconciling items. But it is being steadily cleared and will be up to date by year end.</i></p>
Timeliness of Payroll Reconciliations			
<p>During the audit we tested payroll reconciliations. We noted that these were not prepared in a timely manner. Also, we found there was no evidence of independent review of the reconciliations.</p>	<p>Prepare and independently review payroll reconciliations in a timely manner. This should ideally occur within five working days of month end.</p>	<p>Necessary</p>	<p><i>With the implementation of the new OneCouncil payroll system, there is now a more efficient means to ensure payroll transactions are reconciled to G/L. Due to the delay in the creation of new reports to enable this to occur, there is a backlog in the reconciliation. This backlog will be cleared by year-end.</i></p>

Issue	Recommendation	Priority	Management's comment and proposed action
Lack of validation of attendance at events			
<p>We reviewed the data collection system for the performance measure – “Estimated attendance at WCC events”.</p> <p>We found that for ticketed events the City Council is using the attendance figures directly taken from the event organisers' reports without verifying that the attendance figures cited are correct.</p> <p>The City Council should obtain independent reports from the ticketing agency used by the event organiser to confirm that the attendance figures for events are valid.</p>	<p>Independent reports from the ticketing agency used by the Event Organiser. This will provide evidence that the attendance figures for events that it uses in reporting its result for this measure are valid.</p>	<p>Necessary</p>	<p><i>We understand from the Event Development Manager that any new or renewed contracts for the period 2016/17 onwards will require ticketing information from the Ticketing Agency.</i></p>
Rates revenue - No independent review of masterfile change report			
<p>A master file change report is generated for all rate-type changes made in the RID during the month. The Rates Team Leader reviews a copy of this report, however this review is not independent as she also has the ability to make within the RID.</p> <p>If a reconciliation is not independently reviewed then there is a risk that incorrect or invalid changes are processed. This exposes the City Council to increased risk of fraud or error.</p>	<p>Perform a timely independent review for all rating masterfile changes. Evidence this independent check.</p>	<p>Necessary</p>	<p><i>This is now being independently reviewed by the Financial Accounting team.</i></p>
Sick leave accrual			
<p>The City Council does not accrue for sick leave even though employees may accumulate to up to 20 sick days. Each Full time employee is entitled to five days sick leave per year. Unpaid leave is not paid out.</p> <p>The effect of non-recognition of a sick leave liability is not expected to be material, however sick leave liabilities are not being reflected in the financial statements.</p>	<p>Consider accruing for sick leave liabilities in future.</p>	<p>Necessary</p>	<p><i>Council has a mix of staff who have sick leave versus a wellness leave provision (one that requires no accrual to be made) in their IEA that makes determining the liability each year onerous in calculating any potential accrual. A high level assessment indicates that this accrual is not material</i></p>

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for the year ended 30 June 2016

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Issue	Recommendation	Priority	Management's comment and proposed action
PBE IPSAS 25 <i>Employee Benefits</i> requires an obligation to be recognised for any vesting or non-vesting accumulating compensated absences.			<i>and as such Council will not be implementing this recommendation.</i>

AUDIT NEW ZEALAND

Appendix 2: Explanation of priority rating system

Our recommendations for improvement and their priority are based on our assessment of how far short the City Council is from a standard that is appropriate for the size, nature, and complexity of its business. We have developed the following priority ratings for our recommended improvements:

Urgent

Major improvements required

Needs to be addressed urgently

These recommendations relate to a significant deficiency that exposes the Council to significant risk. Risks could include a material error in the financial statements and the performance information a breach of significant legislation; or the risk of reputational harm.

Necessary

Improvements are necessary

Address at the earliest reasonable opportunity, generally within 6 months

These recommendations relate to deficiencies that need to be addressed to meet expected standards of good practice. These include any control weakness that could undermine the system of internal control or create operational inefficiency.

Beneficial

Some improvement required

Address, generally within 6 to 12 months

These recommendations relate to deficiencies that result in the Council falling short of best practice. These include weaknesses that do not result in internal controls being undermined or create a risk to operational effectiveness. However, in our view it is beneficial for management to address these.

Appendix 3: Audit Difference

Wellington International Airport Limited (WIAL) revalued its Property, Plant and Equipment (PPE) assets by \$91.4 million for the year ended 31 March 2016. To align the WIAL revaluation with its own PPE revaluations, it has not recognised the revaluation in 2015/16. This means it has not accounted for its \$23.4 million share of the WIAL PPE revaluation.

As the City Council is equity accounting for its share of WIAL, no adjustments to align accounting policies are required.

Correction required

Note	Statement of comprehensive income		Statement of financial position	
	Dr \$000	Cr \$000	Dr \$000	Cr \$000
1			23,446	23,446

- 1 The net effect of this non-recognition is to understate the value of Council's share of net assets of WIAL and revaluation reserves in the 2016 Group financial statements. The impact of this is 0.36% of Group Equity.

Management comment

Going forward, Council will consider the issue of recognising the movement of PPE revaluations of associates in the year that they occur.

Appendix 4: Status of previous recommendations

Outstanding matters

Issue	Recommendation	Priority	Current status
Contract Management			
Council has a centralised contract register from which we selected a small sample of contracts for review. This identified that some of the data within the register is old and potentially out of date.	We recommended that the City Council review its contract register to ensure the accuracy and currency of information. Also refer section 3.1.1 above.	Necessary	Refer to section 3.1.1 above.
Procurement - Strategy			
In 2014 we recommended the City Council document an overall procurement strategy. This should be a long term strategy that has been approved at service management level.	In 2014 we recommended the City Council document an overall procurement strategy. This should be a long term strategy that has been approved at service management level.	Necessary	Refer to section 3.1.1 above.
Conflicts of interest			
In 2014 we recommended some areas where Council should consider reviewing and further strengthening its procedures. Please refer recommendations column.			
Recommendation 1	Review the content of interest registers and update them so they are more comprehensive and reflect all aspects of good practice.	Necessary	This is currently ongoing. We will review a sample from the updated contract register in our 17J audit. In progress Management comment <i>With the move to the OneCouncil system, there is now an electronic register for contracts. For any contract that has been tendered and the Contracts & Procurement team has been involved, declarations of conflicts of interests have been provided.</i>
Recommendation 2	Extend the registers to clearly document how interests have been	Necessary	This is currently ongoing. We will review a sample

Issue	Recommendation	Priority	Current status
	judged as giving rise to conflict, and how these will be managed.		from the updated contract register in our 17J audit. <i>In progress</i> Management comment See above.
Accounting for Fines and Penalties in line with the requirements PBE IPSAS 23 – Non Exchange Revenue			
The City Council recognises fines and penalties at face value, but at balance date makes an impairment provision reflect their low collectability. Under PBE IPSAS 23 the City Council is required to initially recognise non-exchange revenue at fair value rather than face value. Due to fines and penalties having a low historic collection rate, we believe the fair value of the fines and penalties is significantly below face value at the point of recognition.	Record fines and penalties revenue at fair value in future years.	Necessary	Management comment Council will record fines and penalties revenue at fair value for the period ended 30 June 2017.
IT Security Policy			
The City Council does not have one overarching IS/IT Security Policy. This potentially allows unauthorised access to systems and/or fraudulent, malicious or unintended transactions to be posted. We recommended that the City Council develops and implements an IS/IT Security Policy as an overall statement of the importance of security to the organisation.	Review and update the security framework and security awareness programmes should be carried out. The roles and responsibilities including monitoring of security compliance should be established and recommendations from the external KPMG review should be progressed.	Necessary	A review and update of the security framework has been completed. As at January 2016, BIT has a small number of policies that are combined into an ICT Policy Handbook. <ul style="list-style-type: none"> • General ICT Policy. • IT Security Policy. • Mobile Device Policy. • Information Management Policy - will include information security classification guidelines. A security awareness programme has not yet been carried out. <i>Issue in progress</i>

Issue	Recommendation	Priority	Current status
Aged items in the work in progress balance			
<p>In 2015, we noted that the City Council has a wide variety of assets under development at balance date. Within the work-in-progress balance of \$69.5 million, some \$5.2 million relates to items prior to 30 June 2013. This balance represents a number of minor items, and it is not clear whether they still represent valid capital projects that will be completed.</p>	<p>Finance staff should review the work in progress balance to determine the validity of items within the balance. They should assess whether these items are being recognised and accounted for correctly.</p>	<p>Beneficial</p>	<p>During the year the City Council reviewed its WIP balance transferring it into OneCouncil. We reviewed the work-in-progress listing and noted that management has cleared a number of old WIP amounts prior to 30 June 2013. However, there is still \$2.4 million which relates to 2005-2012.</p>

Matters that have been resolved

Recommendation	Outcome
Business Continuity and Disaster Recovery	
<p>We recommended that Business Continuity Plans be finalised and tested as planned. The results should be documented and communicated to all affected staff so that improvements to procedures can be made.</p> <p>Business Continuity and IT Disaster Recovery plans are now well developed.</p>	<p>The City Council completed Disaster Recovery Remediation and Test Project in October – November 2015. The project has achieved its objectives to demonstrate that the City Council has a Disaster Recovery capability which could enable a limited application set to be stood up reasonably quickly.</p> <p><i>Issue cleared</i></p>
Consideration of Wellington International Airport in the City Council's consolidation of financial results	
<p>We recommended that each year the City Council performs an analysis of any potential accounting differences between WIAL and itself. Any adjustments necessary should be reflected in the balances consolidated into the City Council's group financial statements.</p>	<p>During the year management has assessed the accounting policies of WIAL for consolidation purposes.</p> <p><i>Issue cleared</i></p>
Procurement – Training	
<p>We recommended that the City Council completes its planned procurement and conflict of interest training for staff.</p>	<p>During the year, the City Council conducted staff trainings on conflict of Interest, procurement, commercial awareness, and collusive tendering training courses.</p> <p><i>Issue cleared</i></p>
Meeting reporting deadlines	
<p>We recommended the City Council to ensure a clear and achievable timetable is set for 2016 annual report and identify any issues that need to be addressed early so they be addressed in a timely manner in 2015/16.</p>	<p>The City Council reviewed its annual report timetable and set the adoption date for the annual report to 28 September 2016.</p> <p><i>Issue cleared</i></p>
Conflict of Interests	
<p>Recommendation 1</p> <p>Make sure that all policies and guidance are up to date and reflect current good practice.</p>	<p>Progress has been made in respect of Procurement. Management has published a COI Guide, which is now appended to COI forms on the intranet. Code of Conduct is now dated January 2015.</p> <p><i>Issue cleared</i></p>
<p>Recommendation 2</p> <p>Develop a programme/guide for business units to apply at induction.</p>	<p>Conflicts of interest training has been incorporated into the Council's induction programme.</p> <p><i>Issue cleared</i></p>

Recommendation	Outcome
Accounting for capital projects	
<p>In 2015, the City Council had capitalised \$4.66 million of costs for Project Odyssey incurred. This included all costs incurred after the initial request for proposal process. The amounts capitalised included the user requirements and the costs of the procurement process.</p> <p>In our view costs related to early design and procurement process for selection of the supplier should not be directly attributed to the final asset and do not meet the definition of “development” costs in PBE IPSAS 31 Intangible assets.</p> <p>We reviewed the costs and identified \$519,000 that appears. The size of this misstatement is not material to the City Council’s overall financial performance and position. A number of other costs related to the early design and could also not clearly be identified as operating or capital in nature.</p>	<p>We recommended that the City Council continue to monitor spending against the project to ensure the actual costs capitalised are consistent with generally accepted accounting practice.</p> <p>Our testing in 2016 did not identify any issues.</p> <p><i>Issue cleared</i></p>
Disclosure of underlying operating results	
<p>The City Council’s annual report and its summary annual report include disclosure of an “Underlying Operating Result” along with a reconciliation of this to the accounting surplus recognised in the financial statements.</p> <p>In our view the disclosure is complex and does not necessarily convey its intended key messages to readers effectively.</p>	<p>Revisit the objectives in relation to this information and assess whether the current disclosure of underlying surplus achieves its purpose.</p> <p>The City Council changed this disclosure to a simpler and more focussed format.</p> <p><i>Issue cleared</i></p>

Appendix 5: Mandatory 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 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 carry out our audit in accordance with generally accepted audit 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 confirm that, for the audit of the Wellington City Council's financial statements for the year ended 30 June 2016, we have maintained our independence in accordance with the requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.</p> <p>Other than the audit, we have not provided any engagements for the Wellington City Council during the year ended 30 June 2016. In addition, we have no relationships with, or interests in, the Wellington City Council.</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 Wellington City Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Wellington City Council during or since the end of the financial year.</p>
Unresolved disagreements	<p>We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the financial statements. Management has not sought to influence our views on matters relevant to our audit opinion.</p>

3. Public Excluded

Resolution to Exclude the Public:

THAT the Finance, Audit and Risk Management Subcommittee :

Pursuant to the provisions of the Local Government Official Information and Meetings Act 1987, exclude the public from the following part of the proceedings of this meeting namely:

General subject of the matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
3.1 Council's Debtor Report	7(2)(c)(ii) The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to damage the public interest.	s48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.
3.2 Health and Safety Report	7(2)(d) The withholding of the information is necessary to avoid prejudice to measures protecting the health and safety of members of the public.	s48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.
3.3 Risk Management Update	7(2)(c)(ii) The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to damage the public interest.	s48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.
3.4 Internal Audit Update	7(2)(c)(ii) The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the	s48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.

authority of any enactment, where the making available of the information would be likely to damage the public interest.

3.5 Annual Security
Management Report

7(2)(c)(ii)
The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to damage the public interest.

s48(1)(a)
That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.