



# KOMITI ITI AHUMONI I TŪRARU AUDIT AND RISK SUBCOMMITTEE

17 September 2024

Order Paper for the meeting to be held **via Zoom**,  
on:

**Tuesday 24 September 2024 commencing at 2:00 pm**

The meeting will be livestreamed on Council's YouTube page.

## Membership

Suzanne Tindal (Independent Chair)

Mayor C Barry (Deputy Chair)

Cr S Edwards

Cr J Briggs

Cr K Morgan

Cr T Stallinger

For the dates and times of Council Meetings please visit [www.huttcity.govt.nz](http://www.huttcity.govt.nz)

### **Have your say**

You can speak under public comment to items on the agenda to the Mayor and Councillors at this meeting. Please let us know by noon the working day before the meeting. You can do this by emailing [DemocraticServicesTeam@huttcity.govt.nz](mailto:DemocraticServicesTeam@huttcity.govt.nz) or calling the Democratic Services Team on 04 570 6666 | 0800 HUTT CITY

## KOMITI ITI AHUMONI I TŪRARU | AUDIT AND RISK SUBCOMMITTEE

<b>Chair:</b>	Independent Chair Sue Tindal
<b>Deputy Chair:</b>	Mayor Campbell Barry
<p><b>Membership:</b></p> <p>Komiti Iti Ahumoni i Tūraru   Audit and Risk Subcommittee members should be appointed so that the subcommittee has a diversity of governance skills, experiences and personal qualities. Between them, the members should bring a mix of the following attributes:</p> <ol style="list-style-type: none"> <li>1. Broad governance experience;</li> <li>2. Familiarity with risk management disciplines;</li> <li>3. Understanding of internal control and assurance frameworks;</li> <li>4. An understanding of financial and non-financial performance reporting;</li> <li>5. A good understanding of the roles of internal and external audit; and</li> <li>6. A sound understanding of the local government sector.</li> </ol> <p>Use of the matrix below has assisted other councils to consider the best fit for membership of an Komiti Iti Ahumoni i Tūraru Audit and Risk Committee.</p>	<p>Cr Josh Briggs</p> <p>Cr Simon Edwards</p> <p>Cr Karen Morgan</p> <p>Cr Tony Stallinger</p>
<b>Quorum:</b>	Half of the membership
<b>Meeting Cycle:</b>	Meets on an eight-weekly basis or as required
<b>Reports to:</b>	Council

### AREAS OF FOCUS:

The subcommittee's areas of focus are:

- Oversight of risk management and assurance across the Council Group with respect to risk that is significant
- Internal and external audit and assurance
- Health, safety and wellbeing
- Business continuity and resilience
- Integrity and investigations
- Monitoring of compliance with laws and regulations
- Significant projects, programmes of work and procurement, focussing on the appropriate management of risk
- The Long Term Plan, Annual Report and other external financial reports required by statute.

## **DELEGATIONS FOR THE SUBCOMMITTEE'S AREAS OF FOCUS:**

- The subcommittee has no decision-making powers other than those in these Terms of Reference.
- The subcommittee may request expert advice through the Chief Executive where necessary.
- The subcommittee may make recommendations to Council and/or Chief Executive.

### **Risk Management:**

- Review, approve and monitor the implementation of the risk management framework and strategy, including significant risks to the Council Group.
- Review the effectiveness of risk management and internal control systems including all material financial, operational, compliance and other material controls. This includes legislative compliance (including health and safety), significant projects and programmes of work, and significant procurement.
- Review risk management reports identifying new and/or emerging risks.

### **Assurance:**

- Review and approve, and monitor the implementation of, the assurance strategy and detailed internal audit coverage and annual work plans.
- Review the coordination between the risk and assurance functions, including the integration of the Council's risk profile with the internal audit programme. This includes assurance over all material financial, operational, compliance and other material controls. This includes legislative compliance (including health and safety), significant projects and programmes of work, and significant procurement.
- Review the reports of the assurance functions dealing with findings, conclusions and recommendations (including assurance over risks pertaining to Council Controlled Organisations and Council Controlled Trading Organisations that are significant to the Council Group).
- Review and monitor management's responsiveness to the findings and recommendations, inquiring into the reasons that any recommendation is not acted upon.

### **Fraud and Integrity:**

- Review, approve and monitor the implementation of the assurance strategy, including the fraud and integrity aspects.
- Review the arrangements in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters, and ensure that there is a proportionate and independent investigation of such matters and appropriate follow-up action.
- Review the procedures in relation to the prevention, detection, reporting and investigation of bribery and fraud.
- Review and monitor policy and process to manager conflicts of interest amongst elected and appointed members, management, staff, consultants and contractors.
- Review internal and external reports related to possible improprieties, ethics, bribery and fraud-related incidents.

### **Statutory Reporting:**

- Review and monitor the integrity of the Long Term Plan and Annual Report including statutory financial statements and any other formal announcements relating to the Council's financial performance, focussing particularly on the areas listed below.
- Compliance with, and the appropriate application of, relevant accounting policies, practises and accounting standards.

- Compliance with applicable legal requirements relevant to statutory reporting.
- The consistency of application of accounting policies, across reporting periods, and the Council Group.
- Changes to accounting policies and practices that may affect the way that accounts are presented.
- Any decisions involving significant judgement, estimation, or uncertainty.
- The extent to which financial statements are affected by any unusual transactions and the way they are disclosed.
- The disclosures of contingent liabilities and contingent assets.
- The clarity of disclosures generally.
- The basis for the adoption of the going concern assumption.
- Significant adjustments resulting from the audit.

**External Audit:**

- Discuss with the external auditor, before the audit commences, the nature, scope and fees of the external audit, areas of audit focus, and error and materiality levels.
- Review, with the external auditors, representations required by elected members and senior management, including representations as to the fraud and integrity control environment.
- Review the external auditor's management letter and management responses and inquire into reasons for any recommendations not acted upon.
- Where required, the Chair may ask a senior representative of the Office of the Auditor General to attend meetings of the subcommittee to discuss the office's plans, findings and other matters of mutual interest.

**Interaction with Council Controlled Organisations (CCO) and Council Controlled Trading Organisations (CCTO):**

- Other committees dealing with CCO and CCTO matters may refer matters to the Komiti Iti Ahumoni i Tūraru | Audit and Risk Subcommittee for review and advice.
- This subcommittee will inquire to ensure adequate processes at a governance level exist to identify and manage risks within a CCO. Where an identified risk may impact on Council or the Council Group, the subcommittee will also ensure that all affected entities are aware of and are appropriately managing the risk.

## Matrix of Experience, Skills and Personal Qualities

Experience, Skills and Personal Qualities	Member A	Member B	Member C	Member D	Independent Chairperson
<i>The recommended combination of experience is:</i>					
• financial reporting					
• broad governance experience					
• familiarity with risk management disciplines					
• understanding of internal control and assurance frameworks					
• good understanding of the roles of internal and external audit					
• local government expertise					
<i>For an “advisory-oriented” audit committee, particular emphasis should be placed on:</i>					
• Strategy					
• Performance management					
• Risk management disciplines					
<i>In determining the composition of the audit committee, the combined experience, skills, and personal qualities of audit committee members is critical. Members should bring:</i>					
• the ability to act independently and objectively					
• the ability to ask relevant and pertinent questions, and evaluate the answers					
• the ability to work constructively with management to achieve improvements					
• an appreciation of the public entity’s culture and values, and a determination to uphold these					
• a proactive approach to advising the governing body and chief executive on matters that require further attention					
• business acumen					
• appropriate diligence, time, effort, and commitment					
• the ability to explain technical matters in their field to other members of the audit committee					

## HUTT CITY COUNCIL

### KOMITI ITI AHUMONI I TŪRARU | AUDIT AND RISK SUBCOMMITTEE

Meeting to be held via Zoom on  
Tuesday 24 September 2024 commencing at 2:00 pm

#### ORDER PAPER

#### PUBLIC BUSINESS

##### 1. OPENING FORMALITIES - KARAKIA TIMATANGA

Whakataka te hau ki te uru	Cease the winds from the west
Whakataka te hau ki te tonga	Cease the winds from the south
Kia mākinakina ki uta	Let the breeze blow over the land
Kia mātaratara ki tai	Let the breeze blow over the ocean
E hī ake ana te atakura	Let the red-tipped dawn come with a
He tio, he huka, he hau hū	sharpened air.
Tihei mauri ora	A touch of frost, a promise of a
	glorious day.

##### 2. APOLOGIES

No apologies have been received.

##### 3. PUBLIC COMMENT

Generally, up to 30 minutes is set aside for public comment (three minutes per speaker on items appearing on the agenda). Speakers may be asked questions on the matters they raise.

##### 4. 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

##### 5. HUTT CITY COUNCIL GROUP ANNUAL REPORT 2023-2024

Report No. ARSC2024/4/269 by the Corporate Planning Lead

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#### CHAIRS RECOMMENDATION:

“That the recommendations contained in the report be endorsed.”

## 6. QUESTIONS

With reference to section 32 of Standing Orders, before putting a question a member shall endeavour to obtain the information. Questions shall be concise and in writing and handed to the Chair prior to the commencement of the meeting.

## 7. CLOSING FORMALITIES - KARAKIA WHAKAMUTUNGA

Unuhia!

Unuhia!

Unuhia i te uru-tapu-nui

Kia wātea, kia māmā

Te ngākau, te tinana,

te wairua i te ara takatū

Koia rā e Rongo

whakairihia ake ki runga

Kia wātea, kia wātea!

Ae rā, kua wātea!

Hau, pai mārire.

Release us from the

supreme sacredness of our

tasks

To be clear and free

in heart, body and soul in

our continuing journey

Oh Rongo, raise these

words up high so that we

be cleansed and be free,

Yes indeed, we are free!

Good and peaceful

Jack Kilty

**Democracy Advisor**

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Report no: ARSC2024/4/269

## **Hutt City Council Group Annual Report 2023-2024**

### **Purpose of Report**

1. The purpose of this report is to progress the review of Council's Group Annual Report 2023-24. The Audit and Risk Subcommittee is asked to endorse the Group Annual Report (attached as Appendix 1 to the report) ahead of the Group Annual Report being considered by the Policy, Finance and Strategy Committee and Council.

### **Recommendation**

That the Subcommittee endorses the adoption of the Group Annual Report for the year ended 30 June 2024 (attached as Appendix 1 to the report), subject to satisfactory resolution of the following outstanding items:

- a) completion of final design and minor editorial changes;
- b) completion of the external audit and any adjustments required; and
- c) receipt of final audit clearance from Audit NZ.

For the reason of meeting legislative requirements and to inform the community.

### **Section A - Background and legislative framework**

2. The Local Government Act 2002 requires local authorities to prepare, complete and adopt (by resolution) an Annual Report within four months after the end of the financial year to which it relates. The Annual Report and a summary of the information it contains must be made publicly available within one month after its adoption. The statutory deadline for adoption of the Annual Report for 2023-24 is 31 October 2024.
3. There is a requirement to prepare both a Full Annual Report (FAR) and a Summary Annual Report (SAR). Both these documents are required to be audited, although not the full reports but rather parts of each of the FAR and SAR. The auditor's opinion will state exactly what pages of the FAR and SAR have been audited. The SAR includes the front section of FAR and the summary sections of non-financial and financial performance results.



4. The final FAR must contain the Auditor-General's (audit) report and the SAR must contain the Auditor-General's report on whether the summary fairly and consistently represents the information regarding the major matters dealt with in the Annual Report.
5. The Audit and Risk Subcommittee's (ARSC's) role, from the terms of reference of the Subcommittee, is to review and monitor the integrity of the Annual Report including statutory financial statements and any other formal announcements relating to Council's financial performance, focusing particularly on compliance with accounting and legal requirements, consistency of application of accounting policies and changes to these, disclosures and significant adjustments resulting from the audit.
6. The Policy, Finance and Strategy Committee's (PFSC's) role is to monitor the integrity of reported performance information at the completion of the Council's Annual Report process, together with reviewing and recommending to Council the adoption of the Annual Report.
7. Council's role is the adoption of the final Annual Report.

#### **Section B – High-level process for the Group Annual Report and external audit**

8. The Group Annual Report for the year ended 30 June 2024 is attached at Appendix 1 to the report.
9. The detailed external audit plan was presented to the ARSC on 30 April 2024 (refer to ARSC2024/2/87) as part of the "External Update - Hutt City". This outlined the approach to be taken by Audit New Zealand and the timelines.
10. The results of the interim external audit were reported to the ARSC on 27 August 2024 (refer to ARSC2024/4/208), together with a broader update on the Annual Report preparation. Of particular note is the asset revaluation process for three water assets, which has encountered a range of challenges that were reported to ARSC. Risks of delays with the completion of the Annual Report due to the asset revaluation complexities were outlined. A verbal update will be provided at the Audit and Risk Subcommittee on this matter.
11. The final external audit will start on 16 September 2024, and the audited FAR and SAR are expected to be available for Council adoption on 29 October 2024. Currently, several preliminary activities are taking place, but the detailed onsite visits are scheduled to begin on 16 September. The statutory deadline for completing the FAR and SAR is 31 October 2024.
12. Wellington Water Limited has advised that they expect their audit and Annual Report to be completed in late September 2024. A verbal update will be provided at the Audit and Risk Subcommittee on 24 September 2024 as to the latest status of the audit and Annual Report.

13. Table 1 details the high-level process, including the next steps. Following the ARSC meeting, the unaudited FAR will be presented to PFS on 14 October 2024. The audited FAR and SAR will be presented to Council on 29 October 2024 for adoption.

**Table 1 - High level plan for adoption of the Group Annual Report**

Date 2024	Activity	Status
Jun-Jul	Interim audit by Audit NZ	Complete
Jul-Aug	Preparation of content of Annual Report by officers	Complete
Aug - Sept	Audit clearance obtained on Annual Reports for Seaview Marina Ltd and Urban Plus Ltd	Complete
16 Sept	Final Audit New Zealand audit commences.	In progress
24 Sept	Draft unaudited FAR presented to ARSC. Seeking endorsement ahead of final audit adjustments (if required) and minor editorial changes.	Today
14 Oct	Draft unaudited FAR presented to PFS. The audited Annual Reports for Seaview Marina Ltd and the Urban Plus Ltd Group will also be presented.	
29 Oct	Audited FAR and SAR presented to PFS, followed by Council decision meeting to adopt FAR and SAR.	

### **Risk and mitigations**

#### *Risk of error, omission and non-compliance in preparation*

14. There is a risk that errors or non-compliance with legislation and accounting standards could occur in preparing the Annual Report. To mitigate this risk, quality assurance reviews were performed on the results and commentary. The reviews focused on accuracy, completeness and reasonableness of disclosures and legislative compliance.
15. External specialist advice has been sought where deemed necessary. This included specialist support for asset revaluations from Aon New Zealand Ltd and WSP, together with actuarial specialist advice from Eriksen Global regarding the landfill aftercare provision.

#### *Reviews of accuracy, completeness, and fairness*

16. Several reviews of the annual report occur by officers with differing levels and areas of involvement in reporting.
17. These reviews have been undertaken by:
- members of the project team collating the various content, including leads from Finance, Communication and Strategy and Policy;
  - key team leads and Business Unit Managers;

- the Project Oversight Group; and
- the Corporate Leadership Team.

18. All the technical quality assurance reviewers who perform reviews from a financial perspective are Chartered Accountants qualified or equivalent and have the appropriate technical accounting skills and knowledge.

### Options

19. There are no options to consider.

### Consultation and engagement

20. Officers plan to deliver relevant and concise messages to the community on publication of the Annual Report in October 2024 via Council's website, media release, social media, and direct email to stakeholders.
21. The FAR and SAR will be available within one month of adoption by the Council, including publication on Council's website, hard copies available in key Council facilities and accompanied by public notices and social media collateral.

### Climate Change Impact and Considerations

22. The Annual Report provides an opportunity to highlight 2023-2024 climate change responses.

### Legal Considerations

23. The Local Government Act 2002 sets out the information and timing requirements for the Annual Report. The 2023-2024 Annual Report and Summary must be completed and adopted by 31 October 2024 and made publicly available within one month.

### Financial Considerations

24. There are no further financial considerations besides those mentioned in the report above.

### Appendices

No.	Title	Page
<a href="#">1</a>	Draft Annual Report 2023-24	12

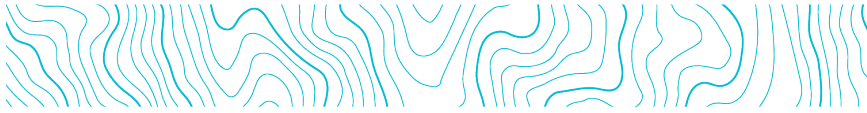
**Author:** Wendy Botha, Corporate Planning Lead

**Reviewed By:** Jenny Livschitz, Group Chief Financial Officer

**Reviewed By:** Richard Hardie, Head of Strategy and Policy

**Reviewed By:** Jarred Griffiths, Director Strategy and Engagement

**Approved By:** Jo Miller, Chief Executive



**Draft**

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**Pūrongo ā-Tau 2023-24**

**Annual Report 2023-24**

















































































































































































































































































































































































































































































































































































































































































































































































