



Independent Māori
Statutory Board

Te Tiriti o Waitangi

Audit on Auckland Council 2015
SUMMARY REPORT





**Independent Māori
Statutory Board**

Meaning behind our logo

The pieces of our tohu represent the land and islands called Tāmaki Makaurau

The textural blue symbolises the seas that bind these lands together.

The koru is the unfurling frond symbolising new beginnings. The many koru show how we are working together, forging a new unity.

The centre line (spine) represents the direction or goal Tāmaki Makaurau is working towards.

The overarching meaning behind our tohu is the moving towards our vision of the future.

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Chairman's message

Tui, tui, tui, tuia

Tuia i raro, i Te Tiriti o Waitangi e takoto tūāpapa nei

*Tuia i runga, i ngā pou mana whenua o Tāmaki Makaurau
e tū rangatira nei*

*Tuia te here tangata, i te kāhui whānui o Te Kaunihera o
Tāmaki Makaurau e mahi tahi nei i runga i te whakaaro kotahi
Haumi e! Hui e! Tāiki e!*



Tēnā koutou katoa

On behalf of the Independent Māori Statutory Board, I welcome the second Te Tiriti o Waitangi audit report.

The first audit report in March 2012 set a baseline, allowing a work programme to be developed to effect real change within local government in Tāmaki Makaurau. The 70 recommendations supplied in the initial report gave a pathway to this change. The learnings and subsequent improvements gained through the audit process should prove helpful to all local authorities in Aotearoa.

Since its establishment in 2010, Auckland Council has faced the task of amalgamating eight council's into one cohesive body along with 21 local boards and seven council-controlled organisations that make up the wider council group. The challenge this presented, also came with opportunity - the opportunity to become a fully integrated council group, who appreciates, understands and acts upon its statutory responsibilities to Māori.

The Board acknowledges Pricewaterhouse-Coopers' work in delivering on the 2015 Te Tiriti o Waitangi Audit programme.

The second audit report presented here shows, since 2012, only three of the 42 recommendations that were audited, have been completed. The Board is very concerned about this finding and will work with council to understand what will be done to rectify this and we will continue to monitor and provide advice accordingly. We do acknowledge a large number of recommendations are currently in various degrees of progress.

The 2015 report also tells us that Council awareness of the purpose and importance of the audit is high. There is a better understanding of treaty principles and their legislative obligations, therefore the Board expects progress to be at a rate that reflects this and commits to fulfilling statutory responsibilities. We encourage the wider council family to take the lead from successes within council and gain the momentum needed to achieve results. This report provides more action-based recommendations so the road to success for Council is made clearer.

Recently, council's Chief Executive established Te Toa Takitini - a group of executive managers from the wider council group, to lead in progression of the actions provided by this latest audit report. We look forward to the benefits of this top down leadership for both effective performance in the organisation and delivering Māori outcomes.

The Board is committed to continue providing advice to Council to be top performers in meeting their statutory obligations to Māori as a first step toward building stronger relationships with Māori in Tāmaki Makaurau.

A handwritten signature in black ink, appearing to read 'D. Taipari'.

David Taipari

Chairman - Independent Māori Statutory Board

Board members



David Taipari
Chairman



Glenn Wilcox
Deputy Chair



John Tamihere



Josie Smith



Karen Wilson



Kris McDonald



Liane Ngamane



Precious Clark



Background to Te Tiriti o Waitangi Audit

The Audit

In 2012, the Independent Māori Statutory Board (the Board) initiated Te Tiriti o Waitangi Audit programme to support its role in ensuring Auckland Council (Council) and its associated organisations act in accordance with statutory provisions referring to the Treaty of Waitangi. The audit is carried out every three years.

This report outlines the findings and recommendations of the second Te Tiriti o Waitangi Audit (the Audit) which was completed in 2015. It reassesses Council, Local Boards and Council-controlled organisations (CCOs) against high priority legislative requirements relating to Māori. The audit was carried out by PricewaterhouseCoopers (PwC).

The audit is divided into two phases.

Phase One - Developing the audit approach

A legal framework setting out Council's relevant statutory Treaty provisions and obligations to Māori was completed by Atkins Holm Majurey Law.

Utilising knowledge gained from the first audit, PwC then developed the audit approach which engaged key stakeholders and ascertained actual progress made by Council. Issues impacting progress as well as risks and opportunities were identified. The audit approach was endorsed by the Board and included:

- Auditing against high priority legislative requirements with consideration given to:
 - Recommendations identified in the first audit report and;
 - Broad strategic priorities and issues of significance.
- Considering other areas including overarching issues and Council mechanisms for delivering on legislative obligations.

The strategy for delivering the audit approach required selecting key statutory provisions to audit in this phase. It is anticipated that more work will be required to complete all statutory provisions outlined in the audit approach.

Phase Two - Auditing Council against the audit approach

The key deliverables of the audit approach were:

- input from Māori and Council;
- interviews with Council staff (including local board and CCO staff);
- an audit report outlining PwC's observations, priority ratings and findings
- agreed recommendations and proposed actions.

A key part of the audit is for Council and the Board to develop a clear programme of work to address the report recommendations. The Board will monitor Council's progress and assist Council to meet the agreed actions.

Findings and Recommendations

The detailed report sets out the specific findings and recommendations and has been presented to Council. The recommendations must be read in context with the observations and findings to get an accurate reflection of their meaning. For this reason, they are not included in the Executive Summary.

In summary, the Audit finds that there is improved awareness of legislative obligations by Council. There is substantive work underway that should contribute to progressing the recommendations of the Audit. There is support amongst executive and senior management to secure an implementation programme with some good practice examples to draw upon. A top-down leadership approach is developing especially with the newly formed Te Toa Takitini leadership group.

The Audit also finds that there are areas of concern around the slow progress of meeting the recommendations and monitoring and reporting of progress needs improvement. Internal controls need further development and meaningful engagement with Māori needs to be priority.

Next steps

The Council has agreed to have a work programme in place by July 2015.

In developing the work programme, the Board expects and will work with Council to:

- ensure Māori Responsiveness Plans are given priority and take into account the aspirations of Māori
- take a transformational approach to addressing the findings across the organisation with a top-down leadership approach
- ensure CCO's realise the big role they have to play and give priority to the recommendations of the report
- ensure the wider council group understands how to meet their obligations to Māori, and executive and senior staff are trained and accountable in implementing the recommendations effectively through staff HR processes.
- ensure the budget identified for use over the next three years to implement a response programme is applied directly to address the treaty audit recommendations.





Brandi Hudson
Chief Executive
Independent Māori Statutory Board
Private Bag 92311
Auckland 1142

18 May 2015

Tēnā koe Brandi

Te Tiriti o Waitangi Audit Report 2014/15

In accordance with Contract 066: Provision of Consultancy Services to the Independent Māori Statutory Board signed by us on 16 October 2014, we are delighted to attach Te Tiriti o Waitangi Audit Report 2014/15.

If you require any clarification or further information, please do not hesitate to contact us.

Ngā mihi

A handwritten signature in black ink, appearing to read 'Wayne Tainui'.

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The statements in our report have been made in good faith and on the basis that all information provided to us that we have relied upon is reliable accurate and complete. This information has not been subject to verification.



Tēnā koutou Te Pōari motuhake o Tāmaki
E mihi nei ana mātou ki a koutou
E pupuri nei ngā wawata o te hau kainga
Tae atu ki ngā Mataawaka.

Me to koutou mahi hoki e titiro whakakitenga mo Te Tiriti
e rapu ana i te huarahi anga whakamua mo te Kaunihera o Tāmaki.

*We acknowledge you the Independent Māori Statutory Board.
You are the voice for the aspirations of the original occupants
through to the later tribes
who now also reside in this place.*

*We acknowledge your foresight
in building a vision for the way forward
with the Council in regard to Te Tiriti.*

Executive summary



Executive summary

Thank you for requesting Pricewaterhouse-Coopers (“PwC”) to execute the second Te Tiriti o Waitangi (“Te Tiriti”) Audit (“the audit”) on your behalf. The audit directly supports the second aspect of the Independent Māori Statutory Board’s (“IMSB”) purpose as it assesses the performance of the Auckland Council Group (herein referred to as “the Council” and including the Governing Body, Auckland Council organisation, Local Boards and CCOs) in acting in accordance with statutory references to Te Tiriti and statutory responsibilities to Māori. The scope of any audit is a matter for the IMSB to determine, the major driver being a consideration of those legislative requirements or statutory references that, if not complied with, would have high impact to Māori, and/or an increased likelihood of non-compliance or gaps in existing organisational processes.

In contrast to the first audit, there is:

- good awareness of legislative obligations to Māori, Te Tiriti principles and the audit, its purpose and importance
- executive and senior level interest and support in securing a clear and readily implementable work programme, that dovetails into existing projects and initiatives, without delays
- a number of instances where good practice is occurring, and this is by design, rather than due to the institutional knowledge held by certain individuals.

This is a positive shift which is underpinned by a number of significant streams of work which have been started to support the implementation of the recommendations from the first audit, most notably the Māori Responsiveness Frame-

work (“MRF”), supported by a pilot for the development of Māori Responsiveness Plans (“MRP”), and Te Toa Takitini, a newly formed Māori Responsiveness Leadership team, which will focus on transformation shifts to support the achievement of the key strategic goal to “enable and support Mana Whenua and Mataawaka aspirations and provide opportunities for them to contribute to the future well-being of Auckland”.

However, progress to date has been slow with only three of the 42 in-scope recommendations complete at the time of this audit. A number of improvements are required to the way in which progress is being monitored and reported to ensure progress is made as reported, and the changes achieve the desired impact. In summary:

- the internal control framework needed to actively support Te Tiriti principles and ensure compliance with the range of statutes relating to local government, in which there are references to Te Tiriti principles and responsibilities to Māori, are under development and lack maturity in a number of areas
- engagement with Mana Whenua and Mataawaka continues to be a work in progress. Engagement with Mana Whenua is more advanced than engagement with Mataawaka.

Consistent with the first audit, the findings are categorised into ten themes, aligned to the fundamental structures of a typical internal control framework. The top ten themes and their priority ratings across the first and second audits are detailed opposite:

Internal control framework	Top ten themes	2012 rating	Status of in-scope recommendations			2014 rating
Legislation	Knowledge of obligations	Significant	0	2	1	Significant
Policy	Policies	Significant	7	3	2	Significant
Process	Processes, systems, data	High	2	6	0	High
Control	Roles and responsibilities	High	1	4	0	High
	Decision making	High	0	2	0	High
	Consultation and engagement	Significant	0	2	0	Significant
	Capacity	Significant	0	2	0	Significant
	Training and awareness	High	1	3	0	High
	Communication	High	0	1	0	High
Monitoring	Monitoring	High	0	3	0	High

Status	Definition	Description
	Not started	No substantial work has commenced
	In progress	Substantial work has commenced
	Complete	All actions to address all aspects of the previous findings are complete



Summary of findings

Introduction

The role and purpose of the IMSB

We acknowledge the purpose of the IMSB. You exist to assist the Council to make decisions, perform functions and exercise powers by:

- promoting cultural, economic, environmental and social issues of significance for Mana Whenua and Mataawaka of Tāmaki Makaurau
- ensuring Council acts in accordance with statutory provisions referring to Te Tiriti.

The IMSB also has general functions:

- to develop a schedule of issues of significance for Mana Whenua and Mataawaka of Tāmaki Makaurau, and give a priority to each issue, to guide the IMSB in carrying out its purpose
- to work with Council on the design and execution of documents and processes to implement the Council's statutory responsibilities toward Mana Whenua and Mataawaka of Tāmaki Makaurau.

The IMSB has developed key working documents to enable and support the achievement of this purpose, in particular:

- the Schedule of Issues of Significance
- the Māori Plan for Tāmaki Makaurau
- Te Tiriti o Waitangi Best Practice Audit Approach (updated in 2014) and Recommended Audit Plan, together with Te Tiriti Audit Framework
- Te Tiriti o Waitangi Audit Detailed Report 2012
- KPMG's report on the Independent Assessment of Expenditure incurred by Auckland Council to achieve Māori Outcomes.

How the audit supports the IMSB's role and purpose

Te Tiriti Audit Framework directly supports the second aspect of the IMSB's purpose as it provides the IMSB with a framework for assessing Council's performance in acting in accordance

with statutory references to Te Tiriti and statutory responsibilities to Māori.

Te Tiriti Audit Approach covers the full legislative framework which impacts upon the Council as determined by the Board in conjunction with their legal advisors Atkins Holm Majurey Ltd ("AHM") with input from Council's legal team.

The Board and Council developed Te Tiriti Audit Approach with a view to establishing a detailed baseline from which Council could readily establish a new, more robust approach to respond to its statutory responsibilities to Māori. As such this represents an agreed view on what would be considered expected good practice against which Council could be assessed through the audit.

The subset of the legislative framework to be included in any audit is a matter for the Board to determine. The major driver for scope is the legislative requirements deemed high priority. High priority is defined as a legislative requirement that if not complied with, would have high impact to Māori, and/or legislation for which there is an increased likelihood of non-compliance or gaps in existing organisational processes.

Council's commitment to Māori and key activities

It is now over four years since the Council was established in November 2010. Since the first audit in 2012, Council has developed and adopted a number of key guiding strategy documents including the Long Term Plan 2012-22 and the Auckland Plan. Another cornerstone document, the Unitary Plan, is currently out for public consultation and has had input from Mana Whenua and the IMSB.

The adopted Auckland Plan has, as a key strategic goal, to "enable and support Mana Whenua and Mataawaka aspirations and provide opportunities for them to contribute to the future well-being of Auckland". Four fundamental tenets set out

in this plan to guide future outcomes include:

- creating a relationship where Māori are fully engaged in decisions concerning matters of significance to them
- making smarter decisions about how best to support Māori aspirations
- forming sustainable partnerships with Māori that have mutually beneficial, Auckland-wide outcomes
- recognising and providing for the customary right outcomes from historical Treaty Settlements and contemporary claims made under the Marine and Coastal Area (Takutai Moana) Act (2011)."

Strategic direction 2				
Enable Māori aspirations through recognition of Te Tiriti o Waitangi / the Treaty of Waitangi and customary rights				
Targets				
Increase the number of papakāinga in the Auckland region from three to eighteen by 2040	Increase the number of reciprocal decision-making processes and arrangements which promote shared governance over matters of significance to Iwi from one to sixteen by 2040	Increase the number of major co-ordinated service delivery programmes between Government and Council that affect Māori from zero to five by 2030		
Increase targeted support to Māori community development projects by at least fifteen projects by 2040	Incorporate the values, culture and beliefs of the Māori people, in all Auckland-related policies by 2020	Increase the number of marae development projects that support Māori social and economic development to seven projects every five years by 2030		
Priorities				
1	2	3	4	5
Establish papakāinga in Auckland	Enable tangata whenua to participate in the co-management of natural resources	Explore partnerships with Mana Whenua to protect, identify and manage wahi tapu sites	Enable Māori aspiration for thriving and self-sustaining marae	Support sustainable development of Māori outcomes, leadership, community and partnerships

Source: The Auckland Plan 2012

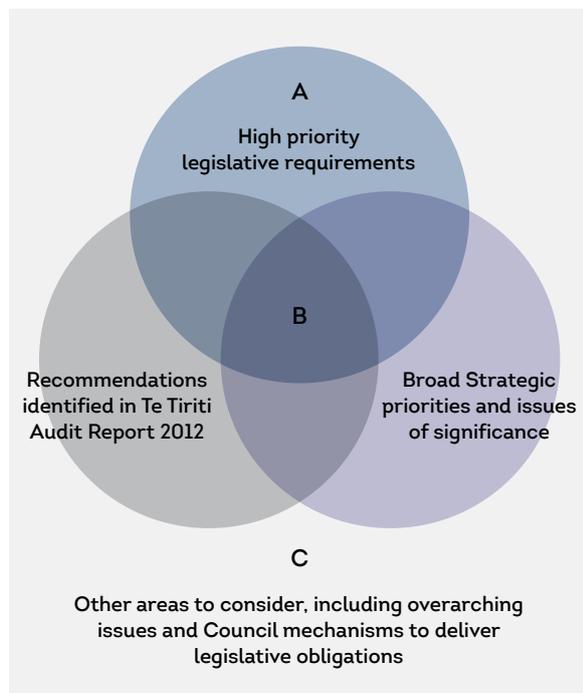
Policies and initiatives to support these strategic plans are in progress. A key initiative of Council is the progression of its "New Core" project. This is an enterprise transformation project which will bring together the 3000+ systems and processes from the legacy entities into single Council processes. A Māori information portal is also being developed to provide an

improved cross-organisational view of contacts within Iwi, consultation activities and matters of significance to Iwi. This will initially link with Council's CRM and GIS systems and longer term it is hoped it can link with other core systems such as rating and property databases.



Objective and scope of the audit

The objective of the audit was to execute the agreed detailed plan, enabling a re-assessment of the Council's performance in acting in accordance with statutory references to Te Tiriti and statutory responsibilities to Māori. The audit has been executed through the lens of Whaia te pae tawhiti kia tata, whaia te pae tata kia mau – to live with one eye on the work immediately before us and one eye on the distant future.



In determining the scope of the audit, we have leveraged our knowledge from the first audit, and the subsequent development of the monitoring and evaluation framework and workshops to:

- hold hui and kōrero with key stakeholders at the right times to understand what could be done differently to enable speedier and more effective implementation of audit recommendations, and to obtain buy-in and senior level commitment to the audit to support the cultural change required

- navigate through the complexity and layers of detail to understand actual progress made by Council – and where “deep dives” are required to validate performance
- identify the overarching issues impacting progress, the pan-Council mechanisms which are relied upon to deliver the change, as well as risks and opportunities to be managed in the audit
- prioritise the possible audit areas to ensure a sharply focused scope.

This understanding, and our kōrero with the IMSB, has informed the areas which needed to be considered to make sure the audit is focused on the areas that matter most:

- the **high priority legislative requirements**, for which there is a higher likelihood of non-compliance and which, if not met, would result in a high adverse impact for Māori
- the breadth and depth and coverage of **prior recommendations** identified in Te Tiriti o Waitangi Audit Detailed Report – March 2012
- the **IMSB's Strategic Priorities and Issues of Significance** – as a lens of focus
- the **overarching issues** that have impacted on Council's progress underpin effective compliance and need to be kept in mind; and the Council's **delivery mechanisms** that are heavily relied on to address compliance.

The diagram alongside shows how we have considered and overlaid these areas into three scope groups (A, B and C) in arriving at the prioritised audit scope, with supporting detail over the page. Special care has been taken in every aspect of this engagement to ensure the audit is planned in such a way as to achieve your long-term goal – embedding the recommendations from the first audit in Council processes to ensure the systematic achievement of Māori outcomes.

Overall comments

A key means for Council to respond to the first audit has been the development of a MRF to guide the Council's responsiveness to Māori. This guides the development of MRPs at individual Council departments and CCOs. This is an appropriate approach to adopt. While some progress has been made in developing these MRPs, Council has significant work to do to ensure that they are developed and implemented across the individual Council departments and CCOs, and at a consistently high level.

The Council has recently launched a key initiative, Te Toa Takitini, a newly formed Māori Responsiveness Leadership team, which will focus on transformation shifts to support the achievement of the key strategic goal

to "enable and support Mana Whenua and Mataawaka aspirations and provide opportunities for them to contribute to the future well-being of Auckland". This will be driven by the Council's Chief Executive.

Year on year comparison of ratings across the top ten themes

Consistent with the first audit, the audit findings are categorised into ten broad themes, which align to the fundamental structures within which a typical framework for internal control should operate. The top ten themes and their priority ratings across the first and second audit are listed below:

Internal control framework	Top ten themes	2012 rating	Status of in-scope recommendations			2014 rating
Legislation	Knowledge of obligations	Significant	0	2	1	Significant
Policy	Policies	Significant	7	3	2	Significant
Process	Processes, systems, data	High	2	6	0	High
Control	Roles and responsibilities	High	1	4	0	High
	Decision making	High	0	2	0	High
	Consultation and engagement	Significant	0	2	0	Significant
	Capacity	Significant	0	2	0	Significant
	Training and awareness	High	1	3	0	High
	Communication	High	0	1	0	High
Monitoring	Monitoring	High	0	3	0	High

Status	Definition	Description
	Not started	No substantial work has commenced
	In progress	Substantial work has commenced
	Complete	All actions to address all aspects of the previous findings are complete

Essentially, it is difficult to assign a rating different to that originally assigned given that few actions from the first audit have been completed at the time of the second audit. However, we do recognise that in some instances substantial work is underway and it is important to acknowledge a number of positive aspects, relative to the first audit.

Audit process

- There is a good level of awareness of the audit, including its purpose and importance.
- Executive and senior support for the audit process is good, particularly their interest and support in securing a clear and readily implementable work programme, that dovetails into existing projects and initiatives, with no delays.
- Council staff, at all levels, have made themselves available for questions and information, at times with relatively short notice.
- Council staff have engaged transparently, openly saying where they could do better and sharing examples of good practice.

Overall, Council have demonstrated good support of the audit process, which supports their intent to create a good internal control environment enabling Māori Responsiveness.

Audit outcomes

- There has been a positive shift in the theme “knowledge of obligations”. Council has identified its legislative obligations and undertaken widespread training to strengthen awareness.
- The MRF, which incorporates the MRPs, provides the framework for ensuring that obligations at a department (including Local Board Services) and CCO level are identified, and policies and processes to ensure compliance developed. This framework, together with the related recommendations for improvement detailed in this report, serves as an enabler for Council to adopt a more mature approach, which has Māori requirements embedded within day-to-day business as usual processes, and Māori statutory requirements which are clearly communicated and understood

throughout the Council. In turn, improving Council’s ability to meet its statutory obligations and therefore enhance overall Māori outcomes.

- There are a number of instances where good practice is occurring. This is by design, rather than due to the institutional knowledge held by certain individuals as was the case in the past. These good practices are not yet fully embedded processes.
- There are some good project examples of engaging Mana Whenua at a staff level which are also being used to raise profile/educate at local board member level. For example, engaging with specific Iwi and associated Iwi organisations over recent treaty settlement legislation (including Ngati Whatua o Orakei, Ngati Manuhiri and the Tamaki Collective).
- Engagement with Mana Whenua on a day-to-day operational basis also continues to improve, including engagement with Mana Whenua regarding specific Cultural Impact Assessments, as well as providing reporting to specific Iwi groups.

Overall, there is good top down awareness of the need to engage with Mana Whenua directly.

Areas for continued focus include

- In some areas, where progress has been made at policy or strategy level, the underlying detailed processes, roles, responsibilities, systems and data to ensure the objectives and intended outcomes will be met are still a work in progress.
- In other areas, the policies, processes and controls, needed to actively support Te Tiriti principles and ensure compliance with the range of statutes relating to local government, in which there are references to Te Tiriti principles and responsibilities to Māori, are under development.
- Engagement with Mana Whenua and Mataawaka continues to be a work in progress. Engagement with Mana Whenua is more advanced than engagement with Mataawaka.

Scope part B:

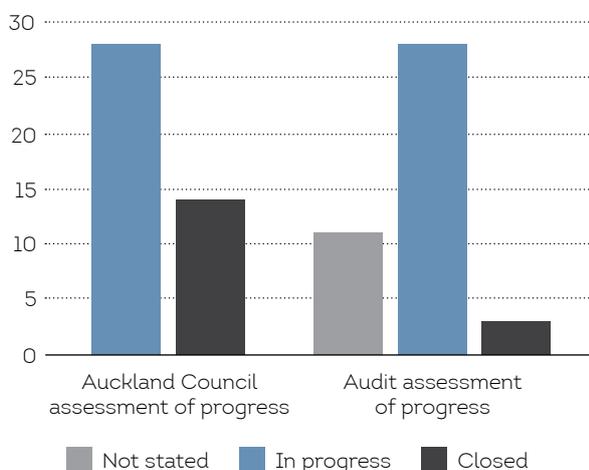
Prioritised areas for follow up



Scope part B: Prioritised areas for follow up

Council's view of the status of implementation of the recommendations at the time of the audit was that fourteen of the 42 follow up areas in scope were closed, with twenty eight in progress. Given the recommendations formed the basis for a three year work program, this would lead us to believe that completion dates have been weighted towards the end of the three years. In order to meet the timeframes set, activities should have commenced earlier in the three year period, with an improved level of monitoring to ensure planned activities progressed to time. We also draw your attention to the fact that there are a number of areas where funds have been allocated and unspent.

A comparison of the status reported in the Treaty Audit Workplan tabled at the 14 August 2014 Finance and Performance Committee and the status as determined through the audit, is as follows:



It is not uncommon for actions to be reinstated as a result of a follow up audit. This reinstatement is based on the independent auditor's judgement of whether the agreed actions have been completed, and are sufficient to address the associated compliance risk. The detailed actions required to enable the recommendations to be closed have been updated as part of the report preparation process, and are included in the detailed findings section of this report.

The detailed breakdown of the status of the 42 recommendations selected for follow up is as follows:

Top ten themes in 2012	2012 rating
Knowledge of obligations	Significant
Policies	Significant
Processes, systems & data	High
Roles and responsibilities	High
Decision making	High
Consultation and engagement	Significant
Capacity	Significant
Training and awareness	High
Communication	High
Monitoring	High



Related recommendations 2012	% of recommendations followed up	Recommendations followed up	Status of in-scope recommendations			2014 rating
			0	2	1	
1 - 3	100%	1, 2, 3	0	2	1	Significant
4 - 24	57%	6, 8, 9, 10, 12, 13, 14, 16, 18, 22, 23, 24	7	3	2	Significant
25 - 36	67%	25, 26, 29, 30, 31, 33, 34, 35	2	6	0	High
37 - 45	56%	38, 39, 40, 41, 44	1	4	0	High
46 - 48	67%	46, 47	0	2	0	High
49 - 55	33%	52, 54	0	2	0	Significant
56 - 58	66%	57, 58	0	2	0	Significant
59 - 62	100%	59, 60, 61, 62	1	3	0	High
63 - 64	50%	63	0	1	0	High
65 - 67	100%	65, 66, 67	0	3	0	High

Status	Definition	Description
	Not started	No substantial work has commenced
	In progress	Substantial work has commenced
	Complete	All actions to address all aspects of the previous findings are complete

Recommendations

1. The detailed actions required have been reframed in light of the progress made to date, and have been included in the detailed report findings section.
2. Those aspects of the work programme not reframed as part of the audit should be expanded upon in line with the detailed report findings to enable the effectiveness of the refreshed monitoring framework, the recommendations in relation to which are set out in part C of the scope.



Scope part C:

Overarching issues and delivery mechanisms



Scope part C: Overarching issues and delivery mechanisms

The IMSB has regularly expressed its frustration at the slow progress made by Council, evidenced by the fact that only one third of agreed actions were reported to have been completed at the commencement of the audit. In seeking to understand the root cause of the slow progress, we have assessed key delivery mechanisms that Council and the IMSB rely on to drive progress and create a control environment for compliance into the future.

The key finding is that the Council's framework for monitoring the progress made is not sufficiently effective as a result of:

- diminished linkage between the audit recommendations and the agreed actions, because of the lack of involvement of internal audit to provide advice on what would comprise an appropriate agreed action. This has also meant that the focus has been on dealing with particular issues rather than the controls which prevent those issues from arising in the first place
- ownership of the Māori Responsiveness work programme resting with Te Waka Angamua ("TWA"), rather than the clear accountability and responsibility being allocated to the executive responsible for the area. While it is clear that senior leadership will be accountable going forward, it has taken time to get to this positive position
- CCOs not being formally provided with the actions which they were required to implement from the first audit, or, if they were provided with the actions, the process for implementing them was not operationalised within the organisation. Council has also not clearly articulated their expectations of the CCOs with respect to compliance, and has not provided details of the Council's legislative framework to enable the CCOs' compliance efforts
- the short turn around provided to the IMSB to validate the progress being made at each reporting period, and the lack of transparency created by having two sets of progress

reporting: one for Council that has more detailed progress information, and one for the IMSB with abbreviated progress information.

Further findings include:

- Council has developed a MRF to support how compliance will be achieved in each part of the organisation (ie. through MRPs). This is a key step in ensuring a consistent and robust approach to compliance. At the time of our audit, the pilot is in progress and covers Auckland Council Properties Limited, Libraries and one unit of Infrastructure and Environmental Services (CLAW). Parks have also completed their MRP independent of the pilot exercise. On successful completion of the pilot, the intent is for this to be rolled out to all Council departments and CCOs (starting with Auckland Tourism, Events and Economic Development, People and Capability, and Chief Planning Office).

Recommendation

Some of these issues will be dealt with as a matter of course through the revised format of this report which will seek to ensure a clear understanding of:

- the control weakness and an agreed position on the most effective recommended action
- the project or initiative that the recommendation will form part of
- any additional resourcing and funding required
- the person in the business responsible for completing the action
- the executive sponsor they report to
- agreed timelines.

To further enable progress, the key performance indicators of action owners should be amended to incorporate progress made against expectations.

In addition, the responsibility for monitoring the work programme completion should move from TWA to internal audit, an independent

function comprising risk and controls experts, well versed in how to undertake substantive follow up activity and with a direct reporting line to the Audit and Risk Committee, a body charged with oversight of risk, control and compliance matters. This would significantly enhance the quality and robustness of the progress information reported to the IMSB, and would free valuable time of TWA to advise and coach the business to achieve the higher level of performance that is being sought by Council.

The implementation of the MRF should be accelerated through the development of a formal project plan, including timelines which have been agreed with the business owners, and progress monitored at the Māori Responsiveness Executive Leadership Group.

The quality of the MRPs should be subject to review: by legal; to ensure the completeness of the obligations identified, internal audit; to ensure the controls to ensure compliance are well designed, and TWA to ensure the Māori perspective is considered.

Council should clearly articulate its expectations of CCOs and these should be incorporated into the project plan for the MRF roll out mentioned above.





Scope part A:

New legislation within Te Tiriti scope



Scope part A: New legislation within Te Tiriti scope

Four new findings have arisen in the area of new legislation. These findings are not dissimilar to the recommendations subject to follow up and have also been categorised within the ten themes, with some individual findings relating to many of the areas identified.

We have two general observations in the area of new legislation:

- there are a number of instances where there is no history of the legislation being invoked, and hence the need for a policy and process is questionable. In these instances, the process for refreshing the MRF, including the legal framework on which it is based should include an appropriate escalation process to ensure ad-hoc requirements to apply the legislation are appropriately catered for. As a result, these areas have not been subject to further work:
 - Local Government Rating Act 2002: Part 4 – Section 93 (Limitation on trustee liability)
 - Land Transport Management Act 2003 Section 22 (Funding for Māori roadways)
- there are a number of areas of legislation where Council is waiting for either Iwi, or another body, to provide information before further progress can be made. These areas have also not been subject to further audit work:
 - Resource Management Act 1991: Section 165W (Preferential rights of Iwi)
 - Waitakere Ranges Heritage Act 2008: Part 2 – Sections 29 and 30 (Deed of acknowledgement).

Recommendations

1. The detailed actions required have been included in the detailed report findings section.

Basis of findings and definition of audit in the context of Te Tiriti audit

The findings are based on meetings held with a sample of key stakeholders, reviews of a sample of relevant documentation and results of limited detailed testing which was conducted on a sample basis, where appropriate.

We draw your attention to the meaning of the word audit, in the context of “Te Tiriti audit”. Our engagement does not constitute a statutory audit, the objective of which is the expression of an opinion on the financial statements, or an assurance engagement, the objective of which is the expression of an opinion on management’s assertions. Accordingly, we will not express such an opinion at the conclusion of our work. Our deliverables are intended solely for the IMSB and management and the Audit and Risk Committee of Council for internal purposes only.

Detailed findings

The next sections of this report set out the summary of recommendations, detailed findings, including recommendations, and Council’s proposed response and implementation plan for the way forward arising from this audit.

The priority rating table below was used to assess each area of findings identified during both the first audit, and this audit, so as to provide a consistent basis for the assessment.

Next steps

The Finance and Performance Committee meeting will receive this report on 21 May 2015. This report, together with any amendments to the Council’s proposed response, will be adopted by the Governing Body meeting on either 28 May 2015 or 28 June 2015.



Rating	Definitions
Significant	A significant weakness or gap which is almost certain to compromise Māori legislative rights and should therefore be addressed as a matter of some urgency. Issues of this nature relate to fundamental weaknesses in the core building blocks of a robust control framework, or critical elements required to give effect to Te Tiriti principles.
High	A serious weakness or gap in process or control which is likely to compromise Māori legislative rights and should therefore be addressed as a matter of importance.
Moderate	A moderate weakness or gap in process or control which may compromise Māori legislative rights and should therefore be addressed as a medium term priority.
Minor	A minor weakness which is unlikely to compromise Māori legislative rights however may improve or refine a process.



Acknowledgement

We would like to extend our appreciation for the assistance provided by the Chief Executive, Council Liaison Group, management and Council staff in the completion of our work.

Yours faithfully

Wayne Tainui
Partner
PwC

Lara Hillier
Partner
PwC

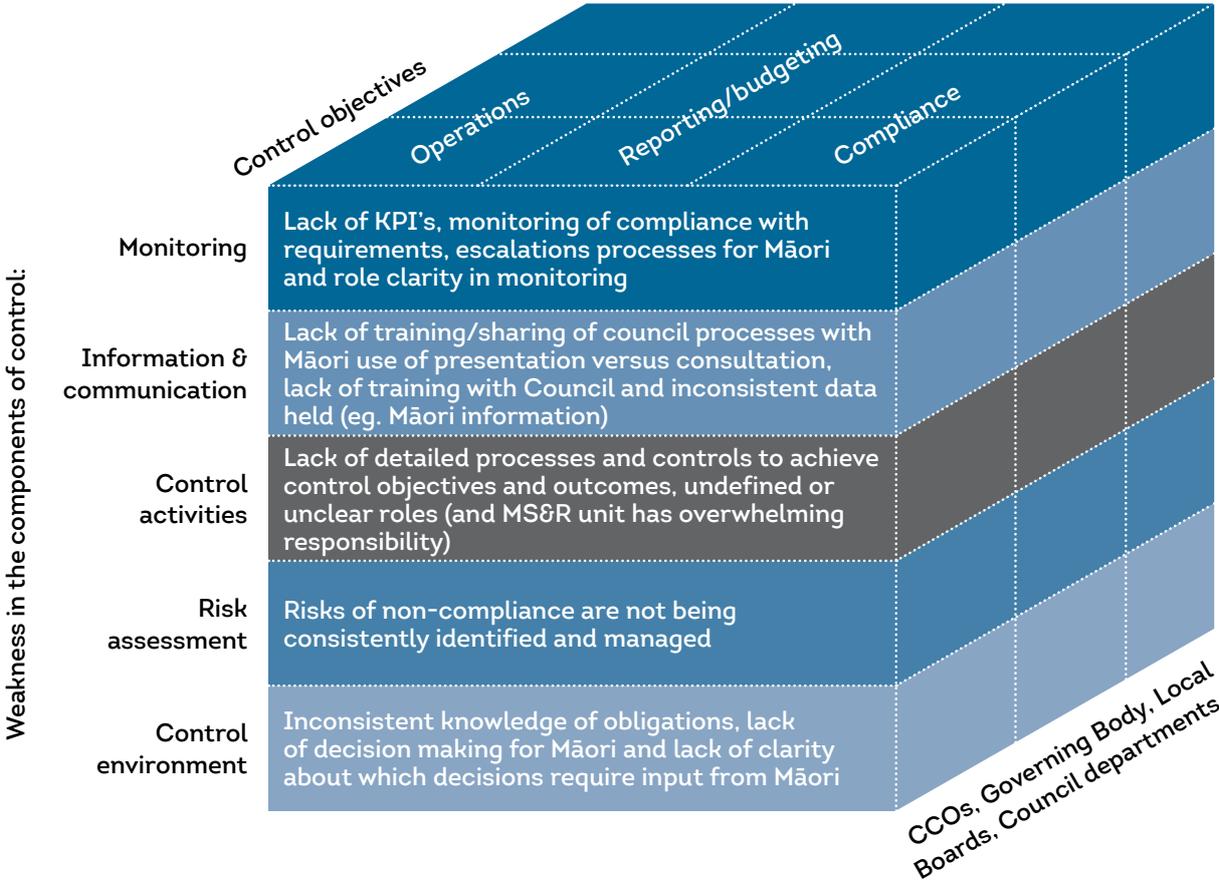
Management comment from the Chief Executive of Council

We acknowledge the findings of the audit, both in terms of the positive aspects highlighted, and the progress still to be made. We are committed to moving forward with the agreed actions and will have a firm work programme in place by 1 July 2015.

Steven Town
Chief Executive Officer

Interlinking nature of control weaknesses

A summary of the interlinking nature of control weaknesses is demonstrated (through examples) using the COSO¹ internal control model below:



1 COSO stands for Committee of Sponsoring Organisations, a voluntary private organisation that created the COSO model, and set the global standard for the definition of internal control



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