AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Audit Plan

Tauranga City Council

For the year ending 30 June 2022

Audit Plan

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

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

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

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

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

Nāku noa, nā

Clarence Susan
Appointed Auditor
17 March 2022

Audit risks and issues

Focus areas

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

Audit risk/issue	Our audit response
The risk of management override	
Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it results in a risk of material misstatement due to fraud.	We will test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We will review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. For any significant transactions that are outside the normal course of business, or that otherwise appear to be unusual given our understanding of the entity and its environment and other information obtained during the audit, we will evaluate whether the business rationale (or the lack thereof) of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.
Revaluation of assets - revaluation year	
The City Council periodically revalues its asset classes. PBE IPSAS 17, *Property, Plant and Equipment*, requires that valuations are conducted with sufficient regularity to ensure that the carrying value does not differ materially from fair value. We understand that the City Council will revalue Roading network, other roading assets and Marine assets as at 30 June 2022.	Our audit procedures will include: • reviewing the information and instructions provided to the valuer; • assessing relevant controls that management has put in place for the valuation; • evaluating the qualifications, competence and expertise of the external valuer used;

Audit risk/issue	Our audit response
The asset classes being revalued are a significant portion of the Council's assets and there is a risk that errors in the process or calculation could result in a material misstatement. Due to the nature and value of the revaluations any bias or errors in the inputs used or calculations performed could result in a material misstatement in the value of asset classes being revalued.	• reviewing the method of valuing the assets and assessing if the applicable method used is in line with public sector accounting standards (PBE IPSAS 17, Property, Plant and Equipment), including the reasonableness of the assumptions and judgements made by the valuer and other inputs to the valuation; • assessing whether the resulting change in values are correctly incorporated into the financial statements and the assumptions and judgements relating to the valuation are adequately disclosed; and • we will review the City Council's significant variance threshold and assessment of fair value against carrying value for each asset class not scheduled to be revalued this year. We will consider the reasonableness of assumptions and judgements applied in making the assessments.

Other areas of focus include:

Audit risk/issue	Our audit response
Fair value assessment for assets - non-revaluation year	
The City Council periodically revalues certain asset classes, including land, buildings and infrastructure. PBE IPSAS 17, *Property, Plant and Equipment*, requires that valuations are conducted with sufficient regularity to ensure that the carrying value does not differ materially from fair value. A revaluation is not scheduled for this year. This year the following asset classes are not revalued: • Parks facilities assets; • Plant assets; • Airport buildings and improvements; • Three waters; and • Land and buildings. Fair value assessments will need to be completed for these classes of assets to confirm that there is no material difference between their carrying amount and their fair value. If a material movement between the carrying amount and the fair value of these classes of assets is identified they must be revalued for the City Council to comply with PBE IPSAS 17 *Property, Plant and Equipment*. For these assets that will not be revalued this year, we expect the City Council to perform a comprehensive analysis to determine whether there is a significant variance between the fair value, as at 30 June 2022, and the carrying value that would trigger the need for the City Council to revalue or impair its assets. The City Council should agree on a significant variance threshold, above which Council would complete a revaluation. We encourage the City Council to perform this assessment early so that if a revaluation is required, there is time to complete it without impacting on the annual report process.	We will review the City Council's significant variance threshold and assessment of fair value against carrying value for each asset class not scheduled to be revalued this year. We will consider the reasonableness of assumptions and judgements applied in making the assessments.

Audit risk/issue	Our audit response
Software as an Accounting Service (SaaS)	
Entities can sometimes incur significant costs when implementing cloud computing arrangements. Until recently, there has been no specific guidance on this subject in IFRS or IPSAS accounting standards. The IFRS Interpretations Committee recently published decisions clarifying how arrangements in respect of a specific part of cloud technology, (SaaS), should be accounted for. The agenda decisions must be applied by for-profit entities. For PBEs, the agenda decisions can be referred to in determining the accounting treatment because the underlying intangible asset standards are consistent between IFRS and PBE IPSAS. The City Council should consider whether or not their accounting policy is consistent with the Committees decision and should consider whether costs relating to SaaS are correctly accounted for and appropriate disclosures are included in the financial statements of the City Council. The key issues are whether such costs: • shall be capitalised as an intangible asset and amortised; or • expensed when incurred; or • expensed over the term of the software as a service (SAAS) arrangement (including capitalising as a prepaid service if paid upfront). Changes to the classification of asset balances as a result of the IFRIC's decision should be treated as a change in accounting policy and accounted for retrospectively. This would require a restatement of prior period amounts in accordance with PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors*.	This could be a challenging project for the City Council requiring an understanding of the SaaS arrangements in place. The City Council should complete its own assessment of the arrangements and/or engage external accounting expertise to help with an assessment of the implications or review the City Council's assessment and any necessary adjustments to the financial statements. If the City Council adopts the decision and amends their accounting policy any significant changes to the way SaaS is accounted for would be able to be adjusted for retrospectively as a change in accounting policy.

Audit risk/issue	Our audit response
Major capital projects	
The City Council continues to have a significant ongoing capital programme. A number of capital projects are either underway or about to commence. Accounting for capital projects, whether completed during the year or in progress at balance date, requires assumptions and judgements to be made that can have a significant impact on the financial statements. Management and the Council/Commissioners are responsible for managing the financial statement risks associated with capital projects. This includes ensuring: • project costs are reviewed to ensure these are appropriately classified as capital or operational in nature including additional covid related payments to contractors; • work in progress (WIP) balances for projects already completed or available for use are transferred to the appropriate class of asset in a timely manner and depreciated accordingly from the date of capitalisation; • WIP balances on projects that span an extended period of time are assessed regularly for impairment over the period of the project. Costs no longer meeting criteria for recognition as an asset should be expensed in a timely manner; • asset components are identified at an appropriate level, and appropriate useful lives are assigned to these components on completion; • the value and remaining useful life (RUL) of existing assets remains appropriate given replacement projects underway; and • capital commitments related to contracts entered into before balance date are disclosed in the notes to the financial statements.	We will review the accounting for costs incurred on capital projects, including: • the correct classification of costs as either capital or operational in nature; • appropriate capitalisation point for completed assets, including transfers from work in progress; • the reasonableness of depreciation rates and useful lives applied to asset components; and • the disclosures included within the financial statements, including those relating to capital commitments.

Audit risk/issue	Our audit response
Rates	
Rates are the City Council's primary funding source. 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. The City Council should ensure it has appropriate processes in place, including seeking legal advice where appropriate, to ensure compliance of its rates and rating processes with legislation.	For 2021/22 we will again consider the City Council's compliance with aspects of the LGRA that potentially materially impact on the financial statements. Principally this means a focus on the rates setting process – the consistency and completeness of the resolution and the Funding Impact Statement (FIS). We will also review selected differentially set and/or targeted rates to assess whether the matters and factors used are consistent with the LGRA. We stress that 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 City Council is responsible for ensuring that it complies with applicable laws and regulations.
Revaluation of investment property	
The fair value of the City Council investment properties needs to be assessed annually in accordance with the requirements of PBE IPSAS 16, *Investment Property*, as the City Council has adopted the fair value model for these assets. Given the volatility in the property market there is potential for large valuation movements year on year, which need to be accounted for within the Statement of Comprehensive Income. Due to the nature and value of the revaluations, any bias or errors in the inputs used or calculations performed could result in a material misstatement in the value of the investment property.	We will: • assess relevant controls that management has put in place for the valuation; • obtain an understanding of the underlying data; • evaluate the qualifications, competence and expertise of the external valuer used; and • review the method of valuing the investment properties and assess if the applicable method used is in line with the financial reporting framework, including the reasonableness of the assumptions used.

Audit risk/issue	Our audit response
Three waters reforms	
The Three Waters Reform programme is expected to result in structural changes to how water supply, wastewater and stormwater assets are owned and managed in the local government sector. This could have a significant impact on the structure of the Group and Watercare Services Limited. On 27 October 2021, the Local Government Minister announced that central government will proceed with the three waters service delivery reforms using a legislated "all in" approach. The three waters reform involves the creation of four statutory water services entities to be responsible for the service delivery and infrastructure currently owned by local authorities, with effect from 1 July 2024. There is still a number of uncertainties associated with the new three waters delivery model including the mechanism for how assets will be transferred to the newly established entities, and the control and governance of these entities. Notwithstanding the current uncertainty the announcement once legislated will mean Council is no longer responsible for the delivery and infrastructure of three water services from 1 July 2024. The Council should ensure that sufficient disclosure about impact of the reform (to the extent that the impact is known) is included in the annual report.	Because the impact could be significant, but is uncertain, we are likely to include information in our audit report to draw a reader's attention to Council's disclosure about the Three Waters Reform programme.

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

Fraud risk

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

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

- What role do the Council/Commissioners play in relation to fraud? How do you monitor management's exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, are the Council/Commissioners satisfied that they had appropriate input into this process?
- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the Council/Commissioners and management to keep you informed of instances of fraud, either actual, suspected, or alleged?
- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to the Council/Commissioners? Has appropriate action been taken on any lessons learned?

Our responsibility

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement resulting from fraud. Our approach to obtaining this assurance is to:

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls in mitigating the risks;
- perform substantive audit procedures; and
- remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at oag.parliament.nz/reports/fraud-reports.

Group audit

The group comprises:

- Tauranga City Council;
- Bay Venues Limited (BVL) (subsidiary – 100% controlled by parent, non - significant component);
- Tauranga Art Gallery Trust (subsidiary – 100% control by parent, non-significant component);
- Western Bay of Plenty Tourism and Visitors Trust trading as Tourism Bay of Plenty (associate – 50% controlled with Western Bay of Plenty District Council, non-significant component); and
- Boplass Limited (investment - 11%, non-significant component)

Our auditor's report covers the group as a whole. Our audit approach is developed to ensure we have sufficient information to give an opinion on the group. In designing our group audit approach, we considered the structure of the group and identified the entities which are included in the group financial statements.

Each business activity/entity is referred to as a component. We have assessed the risks of material misstatement and have identified our approach for each component. The table below shows the work planned for each significant component.

Significant component	Work to be performed
None	

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

We will report any significant internal control deficiencies to the Council/Commissioners and management of the group. This will include any deficiencies identified by the group engagement team or brought to our attention by the component auditor. We will communicate deficiencies related to:

- group-wide internal controls; or
- internal controls at each component.

We will also communicate any fraud identified by the group engagement team or brought to our attention by the component auditor.

Our audit process

Initial planning activities include verifying compliance with independence requirements and building the audit team.

We use our extensive sector and business knowledge to make sure we have a broad and deep understanding of Tauranga City Council, your business, and the environment you operate in.

We use our knowledge of the business, the sector and the environment to identify and assess the risks that could lead to a material misstatement in the financial statements and performance information.

We update our understanding of internal controls relevant to the audit. This includes reviewing the control environment, risk assessment process, and relevant aspects of information systems controls. Most of this work is done during the initial audit visits. We evaluate internal controls relevant to the audit for the whole financial year, so we consider internal controls relevant to the audit at all visits.

We use the results of the internal control evaluation to determine how much we can rely on the information produced from your systems during our final audit.

During the final audit we audit the balances, disclosures, and other information included in the City Council's financial statements and performance information.

We will issue our audit report on the financial statements and performance information. We will also report to the Council/Commissioners covering any relevant matters that come to our attention.

Enhancing year-end processes

The year-end financial statement close process and the preparation of the annual report requires a large number of resources to be committed to complete it effectively. This diverts the attention of your staff away from the current financial year and focuses them on past events. We want the audit process to run smoothly and we will work with management to achieve this through forward the timing of audit procedures. At this stage we are anticipating a separate visit for our revaluation review, please refer to the "Timetable" on page 21 of this report.

Bringing forward audit procedures

Substantive audit procedures are traditionally performed after the year-end. Where possible, we will aim to bring audit procedures earlier in the year. Completion of these tests earlier in the year should allow for more timely identification and resolution of errors.

This testing will be completed during interim audits. This requires us to have the right information available during this visit to enable us to complete this work.

We will work with management to facilitate getting the information required at the right time. We will communicate with management if information is not available as agreed, including any impact on the year-end audit.

Materiality

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

- influence readers' overall understanding of the financial statements and service performance information; and
- influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

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

The Council/Commissioners and management need to consider materiality in preparing the financial statements and service performance information and make their own assessment of materiality from a preparer's perspective. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer's perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities. Management and the Council/Commissioners should not rely on our

materiality assessment as a basis for owning and making judgements about the integrity of the financial statements and service performance information.

Financial statements materiality

For planning purposes, we have set **overall materiality** for the financial statements at $424,800,000 (parent) based on 2022 budgeted total property plant and equipment. This is subject to change once the actual results for the current year are available. For this audit we are only applying this overall materiality to the fair value of property, plant and equipment.

	$'000
Group overall materiality	459,250
Group specific materiality	9,100
Group clearly trivial threshold	455

For this audit, we have set a lower, **specific materiality** at $8.4m (parent) for all items not related to the fair value of property, plant and equipment. A lower specific materiality is also determined separately for some items due to their sensitive nature. For example, a lower specific materiality is determined and applied for related party and key management personnel disclosures.

	$'000
Parent overall materiality	424,800
Parent specific materiality	8,400
Parent clearly trivial threshold	420

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

We will report all uncorrected misstatements to the Council/Commissioners other than those that are **clearly trivial**. We consider misstatements less than $420,000 (parent) to be clearly trivial unless there are qualitative considerations that heighten its significance. We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement, we will seek written representations from management and the Council/Commissioners on the reasons why the corrections will not be made.

Misstatements

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

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

Materiality for service performance information

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

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

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

Material measure	Materiality
Mean elapsed working days to granting building consent application	5% of actual reported result
The extent to which Council's drinking water supply complies with: a) part 4 of the drinking-water standards (bacteria compliance criteria); and b) part 5 of the drinking-water standards (protozoal compliance criteria).	None applied as the result will be either Achieved or Not Achieved
Number of complaints / 1000 connections in relation to water quality (clarity; taste; odour), water pressure or flow, continuity of supply or in relation to Council's response to these issues.	8% of actual reported result
The number of dry weather sewage overflows from Council's sewerage system per 1000 connections.	8% of actual reported result
Compliance with Council's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices; b) infringement notices; c) enforcement orders; and d) convictions, received by Council in relation those resource consents.	5% of actual reported result
The number of complaints / 1000 connections received by Council about: sewage odour, system faults, blockages and response to issues.	5% of actual reported result
The number of habitable floors that were affected by flooding events per 1000 properties.	5% of actual reported result

Material measure	Materiality
Number of complaints received about the performance of the stormwater network per 1000 properties.	5% of actual reported result
Average speed across key parts of the transport network* (freeflow speed = 59km/hr). Duration of peak across the transport network – 360 min	5% of actual reported result

Professional judgement and professional scepticism

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term "opinion" reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

Exercising professional scepticism means that we will not accept everything we are told at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

How we consider compliance with laws and regulations

As part of the Auditor-General's mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach involves first assessing the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance on our audit.

Wider public sector considerations

A public sector audit also examines whether:

- Tauranga City Council carries out its activities effectively and efficiently;

- waste is occurring or likely to occur as a result of any act or failure to act by Tauranga City Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by Tauranga City Council or by one or more of its members, office holders, or employees; and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by Tauranga City Council or by one or more of its members, office holders, or employees.

Reporting protocols

Communication with management and the Commissioners

We will meet with management and the Commissioners throughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are “no surprises”.

We understand that Marin Gabric is our key contact for the audit. We will regularly update Marin on progress throughout the audit, and any issues or delays encountered. We expect this information will be shared with management and the Commissioners as appropriate. Any areas of material concern will be raised with Paul Davidson and Kathryn Sharplin in the first instance.

We intend meeting on a weekly basis with key finance team members to discuss matters relevant to the audit.

Reports to the Commissioners

We will provide a draft of all reports to management (and the Commissioners) 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 Commissioners.

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

Audit logistics

Our team

Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge. Each member of the audit team has received tailored training to develop their expertise.

Our senior audit team members are:

Clarence Susan	Appointed Auditor
Athol Graham	Engagement Quality Review Director
Anton Labuschagne	Audit Manager
Robyn Dearlove	Manager Information Systems Audit and Assurance
Becca Gray	Assistant Manager

The Engagement Quality Review (EQR) Director forms an important part of our internal quality assurance process to maintain and enhance the quality of your audit. The EQR Director is an experienced Audit Director who has sufficient and appropriate experience to objectively evaluate the judgements made by the audit team. They are independent from the day to day audit field work, and so can provide an independent challenge to the audit team on their judgements. The EQR will work with your Appointed Auditor and the audit team, but will not have direct contact with you.

Timetable

Due to the ongoing impact of the Covid-19 pandemic on delayed prior year audits and the acute shortage of auditors, there may be some flow on effects that impact the original timeframes below. Where this arises, we will discuss a revised timetable with you.

Our proposed timetable is:

First interim audit begins	30 May 2022
Asset note and revaluations available for audit	30 May 2022
Second interim audit begins	27 June 2022
Draft Annual Report available for audit (including notes to the financial statements) with actual year-end figures	2 September 2022
Final audit fieldwork begins	5 September 2022
Debenture trust deed available for audit	2 September 2022
Tauranga City Council and group tax position provided to audit	16 September 2022
Annual Report, incorporating all the amendments agreed to between us, including any Chair and Chief Executive's overview or reports	10 October 2022
Verbal audit clearance given	24 October 2022
Adoption of Annual Report	31 October 2022
Audit opinion issued	31 October 2022
Draft Report to the Commissioners issued for management comments	7 November 2022
Summary audit opinion issued	28 November 2022
Report to the Commissioners including management comments issued	28 November 2022

AuditDashboard

In 2021, we used AuditDashboard, our online portal, to transfer files between your employees and Audit New Zealand. Overall, the use of AuditDashboard was well received and turned out to be an essential tool in completing our audit engagement remotely.

We will use AuditDashboard for transferring files as part of the audit for the current year engagement.

Working remotely

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

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

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

Staging and sending the information we request for audit over an agreed period of time as opposed to having all the information requested ready for our arrival at one agreed date.

Less time spent on travel, so we will have more time focus on auditing what matters and raising issues earlier.

Reduction in disbursements as we will incur less travel and overnight costs.

Less auditor time on site which allows you to get on with your work and enables planned focused conversations when these take place.

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

ensure that you can assess your systems remotely.

store supporting documents electronically and be able to easily retrieve these.

During the previous audit, we were able to perform the majority of our audit work remotely. Based on our experience we found that Tauranga City Council has appropriate systems and processes in place to facilitate any future off-site work by us.

We recognise different organisations are positioned differently to enable off-site audit work. We will be discussing and agreeing off-site working expectations in conjunction with our information requests with you as part of your 2022 audit. This will include our continued use of AuditDashboard to manage our information requests.

Expectations

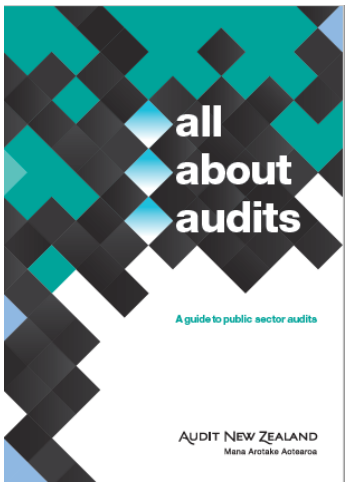
For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

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

We expect that:

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

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



Health and safety

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required. We also expect management to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

Appendix 1: Useful publications

Based on our knowledge of the Council, we have set out below some publications that the Mayor, Councillors, members of the Audit and Risk Subcommittee and management may find useful.

Description	Where to find it
Consulting matters: Observations on the 2021-31 consultation documents	
This report provides our observations on the 2021-31 long-term plan consultation documents. Councils, as a whole, have realistically confronted the challenges they face and, for the most part, produced clear consultation documents. This is no small achievement at the best of times. In the middle of a pandemic and in a sector focused on significant reforms, this is even more significant. Areas covered: • Preparing long-term plans in a challenging environment. • The audit reports we issued on the consultation documents. • Engaging effectively with communities. • The types of issues councils consulted on in the 2021-31 consultation documents.	On OAG's website under 2021 publications Link: Summary of Consulting matters: Our observations on the 2021-31 (oag.parliament.nz)
Local government risk management practices	
The Covid-19 pandemic is a stark reminder for all organisations about the need for appropriate risk management practices. In our audit work, we often see instances where councils do not have effective risk management. This report discusses the current state of local government risk management practices and what councils should be doing to improve their risk management.	On OAG's website under 2021 publications Link: risk management practices
Managing conflicts of interest involving council employees	
This article discusses findings across four councils on how conflicts of interest of council employees, including the Chief Executive and staff, are managed.	On OAG's website under 2021 publications. Link: council employees
The Auditor-General's report on the results of recent audits of local government	
The OAG publishes a report on the results of each cycle of annual audits for the sector.	On the OAG's website under publications. Link: 2019/20 audits

Description	Where to find it
What good looks like: Lessons for public organisations	
A presentation to our central government Audit and Risk Committee Chairs' Forum. The presentation contained important findings from our recent work, including our performance audits, inquiries, and good practice guidance. We also highlighted areas that we will be focusing on over the next six months, including our Covid-19-related work.	On OAG's website under 2021 publications Link: what-good-looks-like
The problems, progress, and potential of performance reporting	
Performance reporting is a fundamental part of providing effective public accountability. This discussion paper explores five areas for improvement: • ensuring that performance information is focused on the issues that matter to New Zealanders; • ensuring that performance information is tailored to different audiences to make it more accessible; • better integrating and aligning performance information so it is clear how the activities of public organisations contribute to outcomes; • improving monitoring and scrutiny of the performance information that is produced to encourage continuous improvement; and • building demand for good quality performance information, strengthening system leadership, and investing in the capability to do it well.	On OAG's website under 2021 publications Link: performance-reporting
Building a stronger public accountability system for New Zealanders	
Public accountability is about public organisations demonstrating to Parliament and the public their competence, reliability, and honesty in their use of public money and other public resources. This discussion paper looks at how well New Zealand's public accountability system is working in practice	On OAG's website under 2021 publications Link: public-accountability
The Government's preparedness to implement the sustainable development goals	
In 2015, all United Nations members signed up to Transforming our world: the 2030 Agenda for Sustainable Development (the 2030 Agenda). It sets out 17 sustainable development goals to be achieved by 2030. We looked at what arrangements are in place and how the Government is encouraging stakeholders and the public to engage with efforts to achieve the sustainable development goals by 2030.	On OAG's website under 2021 publications Link: sdgs

Description	Where to find it
Client updates	
As part of our response to the Covid-19 situation, we developed online client updates to replace the in-person sessions that were cancelled. This year's material is accessible via video presentations on our website. The themes respond to challenges that our clients now face, such as planning for unexpected events or dealing with additional reporting requirements related to Covid-19 and climate change.	On our website under publications and resources. Link: Client updates
Procurement	
The OAG are continuing their multi-year work programme on procurement. They have published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened.	On the OAG's website under publications. Links: Strategic suppliers: Understanding and managing the risks of service disruption Getting the best from panels of suppliers Local government procurement
Good practice	
The OAG has made it easier to find good practice guidance, including resources on: • audit committees; • conflicts of interest; • discouraging fraud; • good governance; • service performance reporting; • procurement; • sensitive expenditure; and • severance payments.	On the OAG's website under good practice. Link: Good practice

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

PO Box 621,Tauranga 3144
Phone: 04 496 3099
www.auditnz.parliament.nz