

**Report to the Council
on the audit of**

Tauranga City Council

For the year ended 30 June 2024

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Key messages

We have completed the audit of Tauranga City Council (the City Council) for the year ended 30 June 2024. This report sets out our findings from the audit and draws attention to areas where the City Council is doing well and where we have made recommendations for improvement.

Audit report

We issued an unmodified audit report on 29 October 2024.

Matters identified during the audit

The City Council revalued its Land, Buildings and Roading assets as at 30 June 2024. The net movement in revaluation surplus was \$275,295,000 after adjustments for assets disposed of during the period. We concluded the valuations were reasonable and the resulting valuation movements were appropriately recognised in the financial statements.

The City Council has entered into some unique contractual arrangements in recent years to meet its business needs. We note that these arrangements can lead to unintended accounting consequences and we recommended external accounting advice is obtained as early as possible when developing the arrangements. This is expanded on in item 4.1 of this report.

Thank you

We would like to thank management and staff for being well prepared for this audit with a good draft set of financial statements and many supporting documents available at the start of the audit. We appreciated staff being very responsive to all requests for information throughout the audit.

We commend the council staff for their preparedness for this audit. Many documents were made available to us well in advance of our audit visit, which began on 2 September 2024. Additionally, staff were highly responsive and promptly provided any requested information throughout the audit process. This contributed to a smooth and effective audit process.



Leon Pieterse
Appointed Auditor
3 December 2024

1 Recommendations



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

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

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
Obtain independent external accounting advice as early as possible when considering unique contractual arrangements.	4.1	Necessary
Annual provision of the detailed contract information for recent infrastructure projects.	4.2	Necessary
Consider if CCOs can be assisted to meet their statutory deadlines.	5.1	Beneficial

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 2 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open recommendations prior to the final 2024 audit visit	-	8	-	8
Implemented or closed	-	(1)	-	(1)
New recommendations	-	2	1	3
Total	-	9	1	10

2 Our audit report

2.1 We issued an unmodified audit report



We issued an unmodified audit report on 29 October 2024. This means we were satisfied that the financial statements and statement of service performance present fairly the 's activity for the year and its financial position at the end of the year.

In forming our audit opinion, we considered the following matters. Refer to sections 3 and 4 for further detail on these matters.

2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. There were no significant misstatements identified during the audit that were not corrected.

2.3 Uncorrected disclosure deficiencies

There were no uncorrected disclosure deficiencies.

2.4 Uncorrected performance reporting misstatements

There were no uncorrected performance reporting misstatements.

2.5 Corrected misstatements

There were no corrected or not corrected misstatements to bring to your attention.

2.6 Corrected disclosure deficiencies

Detail of disclosure deficiency

A variety of minor misstatements identified related to the notes. These included updating commentary from the prior year; ensuring agreement to published budgets; ensuring correct calculations and agreement to source data.

2.7 Corrected performance reporting misstatements

Detail of misstatement
Some changes required to Financial Prudence disclosures to ensure compliance with DIA regulations and updating to align with the Long-Term Plan Amendment targets. Some changes in the performance measures in the Group of Activities section to ensure commentary included or updated.

2.8 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the City Council. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management on 21 August 2024 via our Dashboard digital portal. This included the dates we required the information to be provided to us.

We commend the council staff for their preparedness for this audit. Many documents were uploaded well in advance of our audit visit, which began on 2 September 2024. Additionally, staff were highly responsive and promptly provided any requested information throughout the audit process. This contributed to a smooth and effective audit process.

3 Matters raised in the Audit Plan



In our Audit Plan of 20 May 2024, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
Revaluation of assets – revaluation year	
<p>The City Council revalued Land and Buildings, and Roading assets as at 30 June 2024.</p> <p>The asset classes being revalued are a significant portion of the City Council’s assets.</p> <p>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.</p>	<p>For all asset classes revalued, we obtained confirmations from the valuers regarding their valuation methodology and compliance with the relevant valuation and accounting standards.</p> <p>We met with the valuers to discuss the valuation process. We also tested valuation assumptions and unit rates to recent contracts, as well as reviewing comparable sales information, where applicable.</p> <p>There was a \$275 million increase in asset carrying values due to revaluation movement at balance date, with \$233 million relating to roading assets and \$48 million relating to land and building assets. There was also a revaluation reserve decrease of \$7million for assets impaired during the year.</p> <p>We concluded the valuations complied with accounting and valuation standards and were appropriate for inclusion in the financial statements. The resulting valuation movements were appropriately recognised in the financial statements.</p>
Fair value assessment for assets – non-revaluation year	
<p>This year the following asset classes were not revalued:</p> <ul style="list-style-type: none"> • Three water assets. • Parks facility assets. • Airport Infrastructure. • Marine assets. • Library assets. • Heritage assets. <p>Fair value assessments will need to be completed for these classes of assets to confirm that there is no material</p>	<p>Fair value assessments were initially undertaken as at 31 March 2024 and updated again when the NZ Statistics index movements up to 30 June 2024 became available.</p> <p>The assessment did not indicate a significant movement in these asset classes.</p> <p>We reviewed the assessment provided by management. This included confirming the index information to source documentation and considering other information on price movements available to us.</p>

Audit risk/issue	Outcome
<p>difference between their carrying amount and their fair value.</p> <p>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 <i>Property, Plant and Equipment</i>.</p>	<p>We concluded the assessments completed by the City Council were reasonable and no other valuations were considered necessary in the current period.</p>
Revaluation of investment property	
<p>The fair value of the City Council investment properties needs to be revalued annually in accordance with the requirements of PBE IPSAS 16, <i>Investment Property</i>.</p> <p>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.</p> <p>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.</p>	<p>Investment property recorded a small revaluation decrease of \$1 million as at 30 June 2024. This was similar to the decreases in the value of residential land in Tauranga during the same period. This is relevant to the investment property portfolio as much of it is bare land next to residential areas, rather than commercial leased properties.</p> <p>We reviewed the valuation report and tested a sample of items to comparable sales information from both the valuer, and other sources available to us. We found the valuations of the selected properties had considered all relevant recent sales information and were appropriately valued within the range expected by the auditor.</p> <p>We concluded the valuation was appropriate and complied with accounting and valuation standards. We confirmed the resulting valuation movement was correctly recognised in the financial statements.</p>
Major capital projects	
<p>The City Council continues to have a significant ongoing capital programme.</p> <p>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.</p> <p>Management needs to ensure related project costs are correctly classified, and capitalised when the asset is complete or available for use. As some projects span extended periods of time, the costs</p>	<p>We reviewed the Work-In-Progress (WIP) class of assets and considered the project expenditure against budget to assess if the project had been completed during the current period. We specifically considered if there were any assets that had minimal expenditure during the current year – indicating they might be complete or discontinued. We identified eight projects that we considered complete and needing to be capitalised. Council noted there is a complex process to go through to ensure projects are capitalised as assets must be held at the appropriate component level and appropriate values and useful lives assigned correctly. After</p>

Audit risk/issue	Outcome
<p>need to be assessed each year to ensure they still meet the criteria for recognition as an asset and capital commitments related to contracts entered into before balance date are disclosed in the notes to the financial statements.</p>	<p>discussions with staff, one further asset was capitalised as the analysis had been undertaken on that project but the remaining seven are still being analysed and will be capitalised in the 30 June 2025 period. The total of these uncapitalised assets was \$9.2million and our assessment calculated there would be an immaterial impact on depreciation expense due to these assets not being properly capitalised and depreciated at 30 June 2024. We accepted the rational on the basis the total of Property Plant and Equipment on the face of the financial statements is materially correct.</p> <p>We also reviewed a sample of assets capitalised during the period and assessed the useful lives, and resulting depreciation rates, were appropriate. We did identify an issue with some existing useful lives and this matter is documented in Appendix One – Status of Previous Recommendations.</p> <p>Commitments were separately tested, which included assessing the progress for the longer-term projects and ensured an appropriate value for commitments outstanding at balance date was recorded.</p> <p>We concluded the accounting treatment for project costs was materially correct.</p>
Funding mechanism for new infrastructure projects	
<p>In the 2024/34 Long Term Plan the City Council agreed to make use of a funding mechanism that would not have an impact on the City Council’s debt limits. The City Council proposed to apply for this funding to progress its Transport System Plan and Tauriko West infrastructure development. The new infrastructure projects will be financed by an external party that charges levies. The City Council will administer the levies alongside its own rates. The City Council expects the private financing cost to be affordable and similar to that currently available to the City Council.</p> <p>We reviewed the draft agreements in conjunction with the draft financial</p>	<p>The City Council obtained funding from TSP Finance Ltd, a subsidiary of Crown Infrastructure Partners Ltd. Once the work for these projects is completed, a levy will be charged to the ratepayers to repay TSP Finance Ltd.</p> <p>The City Council obtained external expert advice on the accounting treatment for these transactions in previous financial periods and followed that advice, which resulted in the initial funding being treated as grants in the 30 June 2023 period.</p> <p>In the prior period we reviewed the City Council’s external advice and documents, and concluded the accounting treatment was reasonable.</p> <p>Levies relating to the prior period grants will become payable in the 30 June 2025 period. There</p>

Audit risk/issue	Outcome
<p>statements and the external accounting advice the City Council received. We concluded the accounting treatment was reasonable.</p>	<p>was minimal impact from this funding arrangement in the current period, apart from the City Council drawing down all the available funding.</p> <p>We will assess any new agreements as they are entered into in the future.</p>
New City Council head office building	
<p>The City Council entered into an arrangement with a third party to build and manage a new head office building. Our understanding is that once completed, the City Council will lease the building from the third party.</p> <p>As part of the arrangement, the City Council has sold the land to the third party, but the settlement will be deferred until the building is complete.</p> <p>The City Council should obtain accounting advice on the sale and future lease agreement when preparing the financial statements.</p>	<p>The initial agreement, and the external advice on the accounting treatment related to it, were reviewed as part of the 30 June 2023 audit.</p> <p>We agreed with the initial accounting treatment recognised in the 2023 and 2024 period but there remain some accounting treatment matters to be resolved once the actual lease agreement is signed in the future.</p> <p>As the Council prepares to move into the new head office, anticipated towards the end of the 2024/25 financial year, it will become clearer how to accurately measure and report the lease financial information in the Council's financial statements measurement of the lease financial information to use in the Council's financial statements. One of the key issues to resolve is calculating the commencement of the lease, which differs from the inception of the lease under PBE IPSAS 13. This date is important when calculating the fair value of the lease.</p> <p>Council will need to reassess the accounting treatment once the building is occupied and provide us with the proposed accounting treatment early so we can resolve the accounting treatment early in the audit process.</p> <p>There was no issue in the current period.</p> <p>Management comment</p> <p><i>TCC obtained advice on this transaction previously which covers both pre and post occupancy. The advice states that TCC should obtain new advice when the lease standards change.</i></p>

Audit risk/issue	Outcome
The risk of management override of internal controls	
<p>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.</p>	<p>We undertook the following work to address this risk:</p> <ul style="list-style-type: none"> • reviewed accounting estimates for bias, including reviewing the prior year estimates for accuracy; • tested the appropriateness of a sample of journals selected for testing bases using a risk-based data analytical approach; and • reviewed any unusual or one-off transactions. <p>We have no areas of concern to bring to your attention.</p>
“Local Water Done Well” programme	
<p>In February 2024, the Government passed legislation that repealed the affordable waters reform legislation passed into law by the previous Government.</p> <p>The Government intends implementing its “Local Water Done Well” programme through the passing of two further bills through Parliament.</p> <p>The first and second bills are expected to be passed by mid-2024 and mid-2025, respectively.</p> <p>Until the content of the bills is known the impact on the City Council and on the 30 June 2024 annual report was unclear.</p> <p>The City Council had to ensure the annual report includes sufficient disclosure about the impact of the programme (to the extent that the impact is known).</p>	<p>The City Council included commentary on ‘Local Waters Done Well’ in the <i>Year in Review</i> section of the annual report.</p> <p>We considered the commentary to be appropriate and fairly disclosed the legislative requirements and the impacts on the City Council as currently understood.</p> <p>The Local Government (Water Services Preliminary Arrangements) Act 2024 was recently enacted on 2 September 2024 and established the Local Water Done Well framework and the preliminary arrangements for the new water services system.</p> <p>This includes:</p> <ul style="list-style-type: none"> • Requirements for councils to develop Water Services Delivery Plans (WSDP) by 3 September 2025; • Requirements that WSDPs outline future water services delivery arrangements, and for councils to commit to an implementation plan; • Requirements for Councils to include in their Plans baseline information about their water services operations, assets, revenue, expenditure, pricing, and projected capital

	<p>expenditure, as well as necessary financing arrangements, as a first step towards future economic regulation;</p> <ul style="list-style-type: none"> • Streamlined consultation and decision-making processes for setting up future water services delivery arrangements; • Interim changes to the Water Services Act, which mean the Te Mana o te Wai hierarchy of obligations in the National Policy Statement for Freshwater Management will not apply when Taumata Arowai sets wastewater standards. <p>A further Local Government Water Services Bill is planned to be introduced to Parliament in December 2024 which will set out a range of changes to the water services delivery system and to the water services regulatory system.</p> <p>Also announced as part of these reforms, Council owned water providers will be able to borrow up to 500% of their annual operating revenues from the LGFA.</p> <p>We will maintain a watching brief over further developments in this area.</p>
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4 Other matters



During the audit, we identified the following matters to bring to your attention.

4.1 Technical accounting advice

The City Council has entered into some complex contractual arrangements in recent years. These may include asset sales that incorporate deferred settlement or transactions structured in stages that require future events to occur before the next stage will be triggered. Recently the City Council was one of the first to utilise a new funding arrangement provided through central government that incorporated levies from ratepayers as noted in the above table in Funding mechanism for new infrastructure projects.

The City Council has entered into these arrangements to effectively meet its and the communities business needs. We note that these arrangements can lead to unintended accounting consequences.

Recommendation

Obtain independent external accounting advice as early as possible when considering unique contractual arrangements to ensure the accounting outcome aligns with the City Council's intentions.

Management comment

TCC will seek independent accounting advice for significant transactions of a complex nature if deemed prudent to do so.

4.2 Analysis of cost information for infrastructure assets

Valuations of most infrastructure assets use the depreciated replacement cost method, and this has a significant impact on the carrying value of the City Council's assets. It takes considerable time to audit these valuations as we seek to ensure the unit rates used as the basis of the valuation are appropriate and reasonable for financial reporting purposes.

On 11 September 2024 we wrote to the Chief Financial Officer requesting the analysis of recent cost information used to develop unit rates for estimating replacement costs in the valuations. This information included:

- Recent contract information;
- Sizable renewal programme information; and
- Vested asset information.

We acknowledge the provision of the above for the roading assets on 1 October 2024.

We reiterate that such information will be requested every year that a material class of infrastructure assets is revalued on the depreciated replaced cost method. This is typically transportation and three waters assets. As the City Council is currently in the process of constructing several buildings, we would also be interested in similar data for the next revaluation of building assets also.

This information will also be important for developing expectations fair value movements between planned revaluation cycles.

Recommendation

Annual provision of the detailed contract information for recent infrastructure projects.

Management comment

TCC fulfilled the request for the 2024 year from Audit for valuing infrastructure assets and will continue to do so for future valuations.

5 Public sector audit



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

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

We also consider if there is any indication of issues relevant to the audit with:

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

We did not identify any issues that need to be brought to your attention.

5.1 Legislative compliance

We note that four of the Council Controlled Organisations (CCOs) that the City Council is the parent of, did not meet their statutory deadline to obtain audited annual reports by 30 September 2024.

We understand the two newest entities (Te Manawataki o Te Papa Limited and Te Manawataki o Te Papa Charitable Trust) are still waiting for the Office of the Auditor General to appoint an auditor to them. The other two CCOs, the Tauranga Art Gallery Trust and Tourism Bay of Plenty, are expected to provide audited annual reports to the City Council in November 2024.

While the City Council is not responsible for the CCOs meeting the statutory deadline, there may be opportunities to assist the CCOs in meeting their statutory deadlines.

Recommendation

Consider if CCOs can be assisted to meet their statutory deadlines.

Management comment

Council will continue to offer support to CCOs as part of the preparation of the group accounts, however TCC has no influence on Auditing firms and their ability to resource audits to meet deadlines, nor appoint Auditors for our two new CCO's.

6 Group audit



The group comprises:

- Tauranga City Council (parent entity);
- Bay Venues Limited (BVL) – subsidiary 100% controlled by the parent and a significant component of the group;
- Tauranga Art Gallery Trust – subsidiary 100% controlled by the parent and a non-significant component of the group;
- Western Bay of Plenty Tourism and Visitors Trust trading as Tourism Bay of Plenty – associate 50% controlled with Western Bay of Plenty District Council and a non-significant component of the group;
- BOPLASS Limited – investment of 11% and a non-significant component of the group;
- Te Manawataki o Te Papa Charitable Trust – subsidiary 50% owned by parent and a non-significant component of the group; and
- Te Manawataki o Te Papa Limited – subsidiary 100% owned by the parent and a non-significant component of the group.

Our auditor’s report covers the group as a whole. Our audit approach ensured we obtained sufficient information to enable us to give an opinion on the group.

The following matters have been identified as the main audit risks and issues for Bay Venues Limited as the only significant component of Tauranga City Council.

Audit risk/issue	Outcome
Management Override of Internal Controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls.</p> <p>Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>We completed the following procedures:</p> <ul style="list-style-type: none"> • testing the appropriateness of selected journal entries; • reviewing accounting estimates for indications of bias; and • evaluating any unusual or one-off transactions, including those with related parties.

Audit risk/issue	Outcome
<p>Auditing standards require us to treat this as a risk on every audit.</p>	<p>We did not identify any issues regarding management override of internal controls, we did however raise recommendations as a result of our testing.</p>
Completeness of Revenue	
<p>The revenue from user fees is made up of a large number of lower value transactions that in total form a significant component of total revenue.</p> <p>Any weaknesses in the process and controls over user fee transactions could result in errors or omissions in the recognition and completeness of revenue.</p>	<p>We performed testing over user fee revenue, which included understanding the controls in place, performing trend analysis, data analytical reviews, tests of detail and obtained corroborative evidence to support explanations for significant variances.</p> <p>We did not identify any material omissions in revenue. We are satisfied revenue is complete.</p>

Audit risk/issue	Outcome
Revaluation of Plant and Equipment	
<p>The Company periodically revalues its assets. PBE IPSAS 17, Property, Plant and Equipment, requires that valuations are conducted with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.</p> <p>This year the Company has revalued its Land and Buildings asset class after performing a fair value assessment and noting a potential material difference between carrying value and fair value.</p> <p>The Company then completed a revaluation of the land, buildings and improvements as at 30 June 2024.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • 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; • 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; and • 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. <p>We concluded that the revaluation had been carried out appropriately, is accounted for correctly, and is fairly stated in the financial statements including the associated disclosures. We also conclude that the revaluation method aligns with PBE IPSAS 17, Property, Plant and Equipment.</p>
Potential change in reporting tier	
<p>The Company in the prior years reported under the “Public Benefit Entity Reporting Standards Reduced Disclosure Regime” (also known as Tier 2 reporting).</p>	<p>Our audit response to this risk included:</p> <ul style="list-style-type: none"> • evaluated that the Company exceeded expenditure of \$33million for the year ended 30 June 2024 and noted a tier change was required; • reviewed the additional disclosures in the annual report to ensure compliance with PBE Tier 1 standards; and

Audit risk/issue	Outcome
<p>In the current financial year, the Company's expenditure was over \$33 million. This was the second year in a row the Company's expenditure was over \$33 million. This resulted in the Company changing its reporting tier from "Public Benefit Entity Reporting Standards Reduced Disclosure Regime" (also known as Tier 2 reporting) to "Public Benefit Entity Reporting Standards" known as Tier 1. This resulted in additional disclosures in the annual report.</p> <p>In the prior year and as highlighted in the audit plan, we encouraged that the Company consider the additional disclosure requirements early on so that they are well prepared and in compliance with the new reporting tier come the financial year end.</p>	<p>we ensured all relevant requirements under the PBE Tier 1 standards are met and adequately disclosed.</p>

We have not identified any of the following during our audit for the year ended 30 June 2024:

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

7 Useful publications



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

Description	Where to find it
Performance reporting	
Performance reporting is an essential part of the public sector's accountability to New Zealanders. Performance reporting is important, but it can also be difficult. This guide is to help those in the public sector who are responsible for preparing performance reports to find and use the many resources the OAG have made available.	On the Office of the Auditor-General's website under publications. Link: A guide to our resources to support better performance reporting
Public organisations are responsible for reporting their performance to Parliament and the public in a way that meaningfully reflects their organisation's aspirations and achievements. The Auditor-General published a discussion paper that explores five areas for improvement in performance reporting.	On the Office of the Auditor-General's website under publications. Link: The problems, progress, and potential of performance reporting
The Office of the Auditor-General, the Treasury and Audit New Zealand have jointly prepared good practice guidance on reporting about performance. The guidance provides good practice examples from public organisations in central government. Those working in other sectors may also find this useful.	On Audit New Zealand's website under good practice. Link: Good practice in reporting about performance – Office of the Auditor-General New Zealand (oag.parliament.nz)
Public accountability	
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 explores how well New Zealand's public accountability system is working in practice.	On the Office of the Auditor-General's website under publications. Link: Building a stronger public accountability system for New Zealanders
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 the Office of the Auditor-General's website under publications. Link: Getting it right: Managing conflicts of interest involving council employees

Description	Where to find it
Establishing a new “public entity”	
<p>This document is for people making policy decisions about establishing a new public entity. It sets out questions to help you consider what accountability requirements a new public entity should have.</p>	<p>On the Office of the Auditor-General’s website under publications.</p> <p>Link: Accountability requirements to consider when establishing a new “public entity”</p>
Sensitive expenditure	
<p>The Auditor-General’s good practice guide on sensitive expenditure provides practical guidance on specific types of sensitive expenditure, outlines the principles for making decisions about sensitive expenditure, and emphasises the importance of senior leaders “setting the tone from the top.” It also describes how organisations can take a good-practice approach to policies and procedures for managing sensitive expenditure.</p>	<p>On the Office of the Auditor-General’s website under good practice.</p> <p>Link: Sensitive expenditure</p>
Conflicts of interest	
<p>The Auditor-General has published guidance on conflicts of interest. A conflict of interest is when your duties or responsibilities to a public organisation could be affected by some other interest or duty that you have.</p> <p>The material includes a printable A3 poster, an animated video on predetermination and bias, gifts and hospitality, and personal dealings with a tenderer. There is also an interactive quiz.</p> <p>These can all be used as training resources for your own employees.</p>	<p>On the Office of the Auditor-General’s website under 2019 publications.</p> <p>Link: Conflicts of interest</p>
The Auditor-General’s report on the results of recent audits	
<p>The OAG publishes a report on the results of each cycle of annual audits for the sector.</p>	<p>On the OAG’s website under publications.</p> <p>Links: Insights into local government: 2023</p>

Description	Where to find it
Procurement	
<p>Value for money is an important measure of public sector performance that helps public organisations to strike the right balance between what is spent and what is achieved. In this article, the Auditor-General describes the public sector’s challenge with defining, assessing, the reporting on value for money.</p>	<p>On the Office of the Auditor-General’s website under publications.</p> <p>Link: Value for money – a simply complex problem</p>
<p>The OAG are continuing their multi-year work programme on procurement.</p> <p>They have published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened.</p> <p>Whilst this is focused on local government, many of the questions are relevant to all types of public sector entities.</p>	<p>On the OAG’s website under publications.</p> <p>Links: Local government procurement</p>

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Necessary		
Network password strengths below currently acceptable practice		
Strengthen network login passwords to current acceptable practices.	2023/24 interim	<p>Raised in the interim report</p> <p>Management comment</p> <p><i>As part of Digital’s Security programme, an initiative is planned to address password complexity over the next approximate 6 months.</i></p>
Improve removal of network access when staff and contractors leave		
Review and improve the process for removing all users access to IT systems (staff and contractors).	2023/24 interim	<p>Raised in the interim report</p> <p>Management comment</p> <p><i>All contractors who are given access to TCC systems are recorded in our new HR system Success Factors. Processes exist for the removal of any users who leaves TCC; however, this relies on managers following/triggering processes to notify Digital Services. Processes are in place to mitigate these risks.</i></p>

Useful lives of property plant and equipment		
Establish a process to ensure assets are accurately classified and assigned appropriate useful lives when capitalised.	2022/23	<p>In progress</p> <p>We did not identify any misclassified assets, but we did identify some inappropriate useful lives.</p> <p>We identified two issues with roading assets;</p> <ol style="list-style-type: none"> 1. roading formations were incorrectly allocated 46-50 years of useful life when they should have indefinite lives; and 2. footpaths were given useful lives of 138 years when 45 years would be more appropriate.
Recommendation	First raised	Status
		<p>We understand the error arose when bringing in the 2022 data and we calculated the impact on depreciation as not material. Council staff have been advised of the need to correct this.</p> <p>Management comment</p> <p><i>Asset useful lives are reviewed and monitored on a regular basis. All the new Roding asset life's will be loaded in the 2025 year and will reflect the asset life's as provided by the valuer in the latest revaluation as at June 2024.</i></p>
Monitoring of bee card usage		
<p>Include the issuing, cancelling and use of the Bee card in the sensitive expenditure policy.</p> <p>Establish a monitoring system to confirm the cards are only used for their intended purpose.</p>	2022/23	<p>In progress</p> <p>The Sensitive Expenditure policy was updated on 11 April 2024 and now includes appropriate guidance on the use of the Bee card. We are advised a system had been established with quarterly monitoring of Bee Card transactions. The first review was due over the transactions for the April 2024 to June 2024 period in July but has not occurred to date.</p>

		<p>Management comment</p> <p><i>A change in the team monitoring this matter has been made so reviews will be undertaken from 1 July 2024 (first quarter report/review is underway).</i></p>
Deposits held		
Appropriate processes are established to track deposits held, including reconciliations and lists of all deposits held	2021/22	<p>In progress</p> <p>A list of all deposits held is still not available but the movements in the general ledger have been reconciled since 2023.</p> <p>We continue to recommend a listing similar to a creditor listing be prepared, as this enables the aging of deposits to be monitored and assists council in refunding deposits or following up on old deposits.</p> <p>Management comment</p> <p><i>Whilst TCC is operating two accounting systems it is not currently possible to provide a single listing of Deposits Held. Council refined their processes 18+ months ago to manually monitor accounts and these have been provided to audit over the last two years.</i></p>
Assets in use with no book value		
Review the useful lives for all assets that remain in use beyond their recorded useful lives.	2020/21	<p>Outstanding</p> <p>Our testing identified 104 assets held at nil value at balance date. This indicates useful lives may be inappropriate, which in turn impacts depreciation expense.</p> <p>Management comment</p> <p><i>TCC will continue to review assets useful lives as part of Council's annual impairment process and adjust those lives appropriately.</i></p>

Recommendation	First raised	Status
Performance measures		
<p>We recommended:</p> <ul style="list-style-type: none"> • sufficient details and clearer descriptions are provided in the report for each event to help the data processor and reviewer make informed judgments on whether the event has met the criteria of the performance measure per DIA guidance; • record and use the number of connections as per 30 June for three waters related performance result calculation; • regularly review the event report and adjust types of events accordingly. This is to ensure three-waters issues have been correctly differentiated and classified; and; • regularly review the event report and ensure all private nature related events are removed from year-end population. 	2019/20	<p>Outstanding</p> <p>We again found misclassified complaints in the customer management system that impacted the fault response time and wastewater overflow performance measure results.</p> <p>Management comment</p> <p><i>The last 3 recommendations will be taken on board by the Corporate Planning and 3 waters teams to help ensure the correct data is being identified and reported on. They will be actioned during the quarterly monitoring reports and for the Annual Report for 2024/25.</i></p> <p><i>Regarding the first recommendation - Providing sufficient details and clearer descriptions is a work in progress. There are restrictions with our reporting system and one of those is that job notes are not displayed. That makes it difficult for both us and the auditor. There is a project in its infancy which will hopefully see this rectified however this isn't a quick fix, and any changes would likely be around 18 months away.</i></p>

Implemented or closed recommendations

Recommendation	First raised	Status
<p>Classification of property plant and equipment assets.</p> <p>Assign assets to classes of similar nature, rather than on a functional basis unless the intention is to revalue all the assets in the class at the same time.</p>	2021/22	<p>Closed.</p> <p>No issues were identified with the overall classification of assets this year.</p>

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General’s Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity, or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the City Council in accordance with the independence requirements of the Auditor-General’s Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to the audit, we have carried out engagements in the areas of the Debenture Trust Deed, which is compatible with those independence requirements. Other than the audit and the debenture trust deed engagement, we have no relationship with or interests in the City Council or its subsidiaries.</p>
Fees	<p>The audit fee for the year is \$385,781, excluding the audit of any Council Controlled Organisations, as detailed in our Audit Proposal Letter of 5 July 2023.</p> <p>Other fees charged during the period are \$143,200 for the audit of the consultation document and long-term plan and \$11,800, for the Debenture Trust Deed audit.</p>

Area	Key messages
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the City Council or its subsidiaries that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the City Council or its subsidiaries during or since the end of the financial year.</p>

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