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## NOTICE OF MEETING

**Notice is hereby given of the Meeting of the  
Risk and Assurance Committee to be held in the  
Council Chamber, First Floor, Te Hinaki Civic  
Building, 101 Esk Street, Invercargill on  
Tuesday 23 May 2023 at 8.30 am**

Mr B Robertson (Chair)  
Mayor W S Clark  
Cr R I D Bond  
Cr T Campbell  
Cr G M Dermody  
Mr R Jackson  
Cr D J Ludlow  
Cr I R Pottinger  
Cr L F Soper

MICHAEL DAY  
CHIEF EXECUTIVE

# Risk and Assurance Committee - Public

23 May 2023 08:30 AM

Agenda Topic	Page
1. Apologies	
2. Declaration of Interest	
a. Members are reminded of the need to stand aside from decision-making when a conflict arises between their role as an elected representative and any private or other external interest they might have.	
b. Elected members are reminded to update their register of interests as soon as practicable, including amending the register at this meeting if necessary.	
3. Public Forum	
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## Public Excluded Session

Moved , seconded that the public be excluded from the following parts of the proceedings of this meeting, namely:

- a. *Minutes of the Public Excluded Session of the Risk and Assurance Committee Held on 21 March 2023*
- b. *Minutes of the Public Excluded Extraordinary Session of the Risk and Assurance Committee Held on 15 May 2023*
- c. *Annual Report 2022 – Audit New Zealand Management Report*
- d. *Terms of Reference*
- e. *Health, Safety and Wellbeing Update*
- f. *Internal Audit and Continuous Improvement Update*
- g. *Council Litigation Update*
- h. *Ombudsman Investigations*
- i. *Procurement Risk and Policy Compliance Report*

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution
a. <i>Minutes of the Public Excluded Session of the Risk and Assurance Committee Held on 21 March 2023</i>	<b>Section 7(2)(i)</b> Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	<b>Section 48(1)(a)</b> That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7
b. <i>Minutes of the Public Excluded Extraordinary Session of the Risk and Assurance Committee Held on 15 May 2023</i>	<b>Section 7(2)(i)</b> Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	<b>Section 48(1)(a)</b> That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Sections 6 and 7
c. <i>Annual Report 2022 – Audit New Zealand Management Report</i>	<b>Section 7(2)(h)</b> Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	<b>Section 48(1)(a)</b> That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7
d. <i>Terms of Reference</i>	<b>Section 7(2)(a)</b> Protect the privacy of natural persons, including that of deceased natural persons	<b>Section 48(1)(a)</b> That the public conduct of this item would be likely to result in the disclosure of information

	<b>Section 7(2)(h)</b> Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	for which good reason for withholding would exist under Section 7
e. <i>Health, Safety and Wellbeing Update</i>	<b>Section 7(2)(a)</b> Protect the privacy of natural persons, including that of deceased natural persons	<b>Section 48(1)(a)</b> That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7
f. <i>Internal Audit and Continuous Improvement Update</i>	<b>Section 7(2)(h)</b> Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	<b>Section 48(1)(a)</b> That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7
g. <i>Council Litigation Update</i>	<b>Section 7(2)(g)</b> 7(2)(g) Maintain Legal Professional Privilege	<b>Section 48(1)(a)</b> That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7
h. <i>Ombudsman Investigations</i>	<b>Section 7(2)(g)</b> 7(2)(g) Maintain Legal Professional Privilege	<b>Section 48(1)(a)</b> That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7
i. <i>Procurement Risk and Compliance Report</i>	<b>Section 72(b)(ii)</b> Would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information	<b>Section 48(1)(a)</b> That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7

**MINUTES OF RISK AND ASSURANCE COMMITTEE, HELD IN THE COUNCIL CHAMBERS,  
FIRST FLOOR, CIVIC ADMINISTRATION BUILDING, 101 ESK STREET, INVERCARGILL ON  
TUESDAY 21 MARCH 2023 AT 8.30AM**

<b>Present:</b>	Mr B Robertson (Chair) Mayor W S Clark Cr R I D Bond Cr G M Dermody Mr R Jackson Cr D J Ludlow Cr I R Pottinger Cr L F Soper
<b>In Attendance:</b>	Mrs P Coote – Kaikaunihera Māori – Awarua Mr M Day – Chief Executive Ms E Moogan – Group Manager – Infrastructure Services Mr S Gibling – Group Manager – Leisure and Recreation Mrs P Christie – Acting Group Manager – Finance and Assurance Mr A Cameron – Chief Risk Officer Mr J Shaw - Interim GM – Consents and Compliance Mr M Morris – Manager – Governance and Legal Mr P Patton – Manager – Quality Assurance Ms K Braithwaite – Digital and Communications Advisor Ms M Cassiere – Executive Governance Officer

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**1. Apology**

Cr Campbell.

Moved Cr Ludlow, seconded Cr Soper and **RESOLVED** that the apology be accepted.

**2. Declaration of Interest**

Nil.

**3. Public Forum**

Nil.

**4. Minutes of the Meeting of Risk and Assurance Committee held on Tuesday 20 December 2022**

A4196923

Moved Mr Robertson, seconded Mr Jackson and **RESOLVED** that the minutes of the Risk and Assurance Committee held on Tuesday 20 December 2022 be amended to reflect the typographical error in line six of the second paragraph of the Annual Report item,

being that the word should be read as 'nothing' and not as 'noting', and with this amendment, they be confirmed.

**5. Minutes of the Meeting of the Extraordinary Meeting of the Risk and Assurance Committee held on Tuesday 7 March 2023**

A4423395

Moved Cr Ludlow, seconded Cr Soper and **RESOLVED** that the minutes of the Extraordinary Meeting of the Risk and Assurance Committee held on Tuesday 7 March 2023 be confirmed.

**6. Internal Audit and Continuous Improvement Update**

A4429092

Mr Peter Patton spoke to the report. He noted that with regard to recommendation two and the potential postponement of reviews, the relevant group manager be requested to provide responses to any queries around them. He also noted that there were two additional reports to be received with regard to rates processing and the contract compliance review which was requested from the Infrastructure operations manager. The reports would go through to the Risk and Assurance Committee meeting in July.

In response to a query whether the fringe benefit tax issue was resolved, it was noted in the affirmative.

In response to a query whether the postponement of the major infrastructure project management review would largely affect the Infrastructure group, it was noted that the deferral was at the request of the group manager of Infrastructure.

In response to a query about how well resourced was the payroll team, it was noted that it was being managed, and that resources and systems were being looked at as well.

In response to a query as to when would the resources and systems be in place to alleviate the pressures, it was noted that it would be within the next six to eight months.

In response to a query whether elected members were supposed to receive payslips, it was noted in the affirmative and that payslips were emailed to the address provided by the elected member. It was discussed that payslips should be emailed only to the ICC email addresses and that this would be raised with the team.

In response to a query about the recommendations from the payroll review, it was noted that the recommendation was for further automation which the team were already doing. It was noted that there had been a proliferation of manual timesheets for staff and that they had been moved to a less paper-based timesheet. It was also noted that there were many variable workers within the workforce which had its own payroll complications and issues, and that the team were working through those as well.

It was also noted that in terms of documentation, this was the first internal audit report which suggested that too many checks were taking place, and as such, the team was trying to find the right balance.

In response to a query whether there was comfort around the clearance rate on the outstanding recommendations, it was noted that the main one related to having a credit card policy in place which was a work in progress. The other one was a cash handling policy and once both policies were in place that would clear up most of the outstanding recommendations from the sensitive expenditure and the cash handling petty cash reviews.

In response to a query about the progress on the outstanding recommendations around building services and building administration, it was noted that they were being progressed and it was about prioritising the workload with the resources in hand. It was also noted that there were no undue risks.

Moved Cr Soper, seconded Cr Dermody and **RESOLVED** that the Risk and Assurance Committee:

1. Receive the report "Internal Audit and Continuous Improvement Update", noting the progress made since the last report.
2. Approve the postponement of the Major Infrastructure Project Management and Complaints Handling and Request for Service Reviews to FY2023/24.
3. Note the Deloitte ICC Payroll Review Executive Summary.

## **7. Health, Safety and Wellbeing Update**

A4434263

Mr Peter Patton and Mr Andrew Cameron spoke to the report. Mr Patton noted that this would be the final time that he would present this report, and that the new Health and Safety manager would present it in the future. He also noted that a health and safety coordinator had been appointed and that this had been filled internally.

Queries were raised about the 30 near-miss incidents in six months and whether further details could be provided on near-miss incidents and what was done with such incidents. Queries were also raised whether this Committee should be worried about the near-miss incidents and whether they could have required first-aid if they had become an actual accident. In response to the queries, it was noted that an investigation would be undertaken about a near-miss incident. Under the Workplace Health and Safety Act there was information around near-misses which, depending on how they occurred, could be reportable.

In response to a query about the health and safety culture where fewer near-miss incidents meant fewer occurrences of worse events, it was noted that it would depend on the definition of a near-miss. An example was provided of the electrical cords lying on the floor of the Council chamber and noted that while it would be considered a near-miss as it was a breach of Council's approach to health and safety, it would not mean that anything has occurred.

In response to queries whether the right information was being reported and whether the focus was on outcome and not prevention, it was noted that the next agenda item discussed this point around where Council was in terms of maturity. It was noted that Council would need to start looking at what treatments were being put in place to prevent occurrences of such incidents rather than accepting a report with statistics.

In response to a query about information around the lack of wellbeing, mental health of the staff, and usage of Employee Assistance Programme in the report, it was noted that there was clear indications from staff for increased focus on wellbeing and the Executive Leadership Team (ELT) had recognised that and that they were doing more in that space, therefore there would be more information around that being reported in the future.

Issues with the report were highlighted which included that the responsibility of the health and safety of the workforce did not lie with governance but rather with the Chief Executive. Other issues highlighted included the over reliance on toolkits leading to overlooking of issues, due diligence visits by the ELT to understand how health and safety was managed, identification of risks and near-misses reported which should be removed. If they could not be removed then the training of staff to mitigate the risk or work around it, and the regularity of audits being undertaken to be physical and not system audits.

Comment was made around the word 'tolerance' as it pertained to health and safety. It was noted that in relation to the Health and Safety Employment Act, there was no mention of tolerance for risk. The Act mentions identification of risk and that the first step should be the removal of the risk. In the event that it would not be practicable to remove the risk, or work could not be completed without the risk or alternately the cost of removing the risk and replacing it was not viable, then there was another series of options to work through. Therefore, should there be a serious accident, Council would not be able to defend itself by saying that it was within or outside of Council's risk tolerance.

Discussion took place around whether risks were being correctly identified, officers' due diligence requirements, obligation on officers under the Act, that group managers had been trained to identify risks, technical risks which may require specialists to identify, and the importance of being compliant with WorkSafe best practices.

Discussion took place around the set of recommendations. It was decided that this set of recommendations be left on the table and the next agenda item be discussed prior to this set of recommendations being resolved.

Moved Mayor Clark, seconded Cr Dermody that the Risk and Assurance Committee:

1. Receives the report "Health, Safety and Wellbeing Update".
2. Note the current residual risk rating based on the occurrence of events as outside of Council's stated risk tolerance.
3. Note that a report is to be provided to the next meeting of this Committee outlining steps to be taken to bring the health and safety risk to within Council's tolerance.
4. Note the summary of work undertaken to date.
5. Note that a report will be provided to the Risk and Assurance Committee in May 2023 confirming the alignment of the risk matrix and assessment between health and safety and the risk framework to ensure consistency in approach.

Discussion took place around the amendment of recommendations 2 and 3.

Moved Mayor Clark, seconded Cr Dermody that the Risk and Assurance Committee

2. Note the incident reporting from employees and third party contractors is not acceptable in the report.



3. Note that a report is to be provided to the next meeting of this Committee outlining steps to improve the health and safety, culture and practice consistent with Health and Safety Employment Act requirements.

The substantive motion, set out below was put, and **RESOLVED** in the affirmative.

1. Receives the report "Health, Safety and Wellbeing Update".
2. Note the incident reporting from employees and third party contractors is not acceptable in the report.
3. Note that a report is to be provided to the next meeting of this Committee outlining steps to improve the health and safety, culture and practice consistent with Health and Safety Employment Act requirements.
4. Note the summary of work undertaken to date.

It was noted that the report include information around whether the Chief Executive had the required resources as well.

In response to a query about whether Council obligations had around health and safety towards the users of Council services, it was noted in the affirmative.

## **8. Health and Safety Progress**

A4434375

Mr Andrew Cameron and Mr Steve Gibling spoke to the report. Mr Cameron noted that discussion around accountability, risk appetite, and boundaries was important. He noted that with regard to the PRLaw advice, he agreed with the comments around monitoring and that it was important for everyone to hold themselves accountable. He also noted that unless there was agreement around responsibility, accountability could not be allocated, and that it was the key part of people recognising their role.

Mr Gibling spoke about the SafePlus report and noted that there has to be an improvement as an organisation. He said that there has been an action plan in place since mid-last year and that they had progressively worked on the report in how communication to and from staff could improve around Council's risks. He noted that ensuring the correct staffing levels to meet the challenges to manage health, safety, and wellbeing at the workplace was also important.

Moved Cr Soper, seconded Mr Jackson that the Risk and Assurance Committee:

1. Receive the report "Health and Safety Progress".
2. Note/adopt the Just Culture approach to health and safety and risk management generally.
3. Note that Invercargill City Council will review its health and safety documentation to reflect the roles, responsibilities and Just Culture approach set out in the report.
4. Note that the Health and Safety Policy and other documentation will be provided to the next Risk and Assurance meeting for noting as risk mitigation and statutory compliance monitoring.
5. Note the role of the Risk and Assurance Committee in:
  - a. Monitoring risks including against risk appetite; and
  - b. Improving risk maturity.

6. Note that the Committee will receive a review of recent health and safety incidents using a Just Culture lens to enable further work and focus on areas that may require attention.

Moved Mayor Clark, seconded Cr Pottinger that recommendation 5(a) be amended to read:

5. Note the role of the Risk and Assurance Committee in:
  - a. Monitoring risks; and

The motion, now put, was **RESOLVED**.

Note: Cr Soper and Mr Jackson voted against the motion.

The substantive motion, set out below was put, and **RESOLVED** in the affirmative:

1. Receive the report "Health and Safety Progress".
2. Note/adopt the Just Culture approach to health and safety and risk management generally.
3. Note that Invercargill City Council will review its health and safety documentation to reflect the roles, responsibilities and Just Culture approach set out in the report.
4. Note that the Health and Safety Policy and other documentation will be provided to the next Risk and Assurance meeting for noting as risk mitigation and statutory compliance monitoring.
5. Note the role of the Risk and Assurance Committee in:
  - a. Monitoring risks; and
  - b. Improving risk maturity.
6. Note that the Committee will receive a review of recent health and safety incidents using a Just Culture lens to enable further work and focus on areas that may require attention.

## **9. Risk Management Update March 2023**

A4434901

Mr Andrew Cameron and Mr Peter Patton spoke to the report. Mr Cameron noted that when reviews were done around controls and mitigations that were in place, their effectiveness should also be reviewed, since it was about whether the controls were effective. He noted that Council had an overriding low tolerance for breach of the Employment Health and Safety Act, and that discussion around risk management should be around whether a breach would be a concern, and how quickly did the Committee want staff to respond to these concerns to ensure Council was compliant with the Act.

Moved Mr Robertson, seconded Cr Soper and **RESOLVED** that the Risk and Assurance Committee:

1. Receive the report "Risk Management Update March 2023".
2. Note the current legislative compliance review of the Public Records Act and steps taken to reduce the risk of non-compliance.
3. Note that a programme of work will be provided to improve the monitoring of Council's non-financial risks.

## 10. Public Excluded Session

Moved Mr Robertson, seconded Cr Ludlow and **RESOLVED** that the public be excluded from the following parts of the proceedings of this meeting, namely:

- a. *Minutes of the Public Excluded Session of the Risk and Assurance Committee Held on 20 December 2022*
- b. *Council Litigation Update*
- c. *Ombudsman Investigations*
- d. *Procurement Risk and Policy Compliance Report*
- e. *Invercargill Central Limited Project Update*

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under Section 48(1) for the passing of this resolution</b>
a. <i>Minutes of the Public Excluded Session of the Risk and Assurance Committee Held on 20 December 2022</i>	<b>Section 7(2)(i)</b> Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	<b>Section 48(1)(a)</b> That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7
b. <i>Council Litigation Update</i>	<b>Section 6(a)</b> Maintenance of law including the right to a fair trial  <b>Section 7(2)(g)</b> 7(2)(g) Maintain Legal Professional Privilege	<b>Section 48(1)(a)</b> That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Sections 6 and 7
c. <i>Ombudsman Investigations</i>	<b>Section 7(2)(g)</b> Maintain Legal Professional Privilege	<b>Section 48(1)(a)</b> That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7
d. <i>Procurement Risk and Policy</i>	<b>Section 72(b)(ii)</b>	<b>Section 48(1)(a)</b>

Compliance Report	Would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information	That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7
e. <i>Invercargill Central Limited Project Update</i>	<b>Section 7(2)(i)</b> Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	<b>Section 48(1)(a)</b> That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7

There being no further business, the meeting finished at 11.30am.

**MINUTES OF THE EXTRAORDINARY MEETING OF THE RISK AND ASSURANCE COMMITTEE,  
HELD IN THE COUNCIL CHAMBERS, FIRST FLOOR, TE HINAKI CIVIC BUILDING, 101 ESK  
STREET, INVERCARGILL ON MONDAY 15 MAY 2023 AT 2.30 PM**

**Present:** Mr R Jackson (Deputy Chair)  
Mayor W S Clark  
Cr R I D Bond (via zoom)  
Cr T Campbell  
Cr G M Dermody  
Cr D J Ludlow  
Cr I R Pottinger  
Mr B Robertson (via zoom)  
Cr L F Soper

**In Attendance:** Cr P M Boyle  
Cr A H Crackett  
Cr P W Kett  
Cr B R Stewart  
Mr M Day – Chief Executive  
Ms E Moogan – Group Manager – Infrastructure  
Mr S Gibling – Group Manager – Leisure and Recreation  
Mrs P Christie – Acting Group Manager – Finance and Assurance  
Ms J Hutton – Interim GM – Customer, Communications and People  
Mr J Shaw – Interim GM – Consents and Compliance  
Mr A Cameron – Chief Risk Officer  
Mr M Morris – Manager – Governance and Legal  
Ms L Knight – Manager – Strategic Communications  
Mr G Caron – Digital and Communications Advisor  
Ms M Cassiere – Executive Governance Officer

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## **1. Apologies**

Cr Dermody and Mr Robertson for lateness.

Moved Mr Jackson, seconded Cr Campbell and **RESOLVED** that the apologies be accepted.

## **2. Voting**

Moved Mr Jackson, seconded Cr Campbell that all councillors including non-members of this Committee present at the meeting today, be allowed to vote.

Discussion took place around permitting non-members of the Committee to vote and the reason the agenda item was brought to this Committee and not to full Council. It was noted that the agenda item in question contained elements of risk which was why the item was brought to an Extraordinary meeting of this Committee. It was noted that the paper would also go to full Council as all papers ultimately go to full Council. It was

also noted that a motion could be passed to allow for non-members to vote and that Standing Orders allowed for the suspension of Standing Orders or parts of Standing Orders.

The motion, now put, was **RESOLVED**.

Note: Cr Pottinger voted against the motion.

Note: Mayor Clark abstained.

**3. Declaration of Interest**

Mayor Clark declared his interest and that he would remove himself from the room after providing a statement in public excluded session.

**4. Public Excluded Session**

Moved Mr Jackson, seconded Cr Soper and **RESOLVED** that the public be excluded from the following parts of the proceedings of this meeting, namely:

- a. Terms of Reference

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under Section 48(1) for the passing of this resolution</b>
a. Terms of Reference	<b>Section 7(2)(h)</b> To enable any local authority holding the information to carry out without prejudice or disadvantage, commercial activities	<b>Section 48(1)(a)</b> That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7

There being no further business, the meeting finished at 4.15 pm.

## JOINT PCBU DUTIES

<b>To:</b>	Risk and Assurance Committee
<b>Meeting Date:</b>	Tuesday 23 May 2023
<b>From:</b>	Andrew Cameron – Chief Risk Officer
<b>Approved:</b>	Michael Day – Chief Executive
<b>Approved Date:</b>	Thursday 18 May 2023
<b>Open Agenda:</b>	Yes
<b>Public Excluded Agenda:</b>	No

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### Purpose and Summary

To update the Risk and Assurance Committee (the Committee) on the overlapping duties that may arise for a person conducting a business or undertaking (PCBU).

Invercargill City Council (ICC) is a PCBU. The Health and Safety at Work Act (the Act) makes it clear that more than one PCBU may have a duty to a worker, so called overlapping duties.

ICC has a number of instances where it will have an overlapping duty, where it:

- has a shared workspace, for example a utilities operator working on ICC owned land;
- engages contractors, whether to work on its own land/workspace or another site; and
- allows a third party to use ICC land, for example functions or events (similar to a shared workspace).

As part of its obligations under the Act, ICC must ensure that it meets the requirements expected of it in all of these circumstances. In order to ensure that this occurs ICC must implement and / or ensure that its existing process and procedures satisfy the duties identified.

### Recommendations

That the Risk and Assurance Committee:

1. Receive the report "Joint PCBU Duties".
2. Notes the overlapping duties as a person conducting a business or undertaking that Invercargill City Council has in a range of activities.
3. Notes that the Risk and Assurance Committee will receive a further report on Invercargill City Council's current state of maturity regarding its obligations as an overlapping person conducting a business or undertaking under the Health and Safety at Work Act.
4. Notes that the Risk and Assurance Committee will receive reports of incidents involving overlapping duties as part of normal health and safety reporting.

## Background

Recent national events have highlighted the overlapping duties of PCBU's under the Act.

The Whaakari / White Island tragedy has highlighted the reach of overlapping duties. In this instance, a number of parties (12 remaining) from the owner of the island to booking agents and the Crown Research institute have been joined in proceedings alleging breaches of those duties.

Although having no clients on the island at the time of the eruption, a flight operator has pleaded guilty to charges even though it had contracted the services to a third party. The operator admitted that there was "inadequate shelter in the event of an eruption on the island ... there was no back-up plan for getting customers who travelled by helicopter off the island". The Court in its judgment commenting that it had a duty to ensure that such risk mitigations were in place.

Closer to home, Thames-Coromandel Council has been fined for "its failures to manage its shared risk" (overlapping duty) by failing to complete due diligence on an event operator. This incident highlights that even where, following a correct process, a third party may be better placed to manage the risk overlapping duties does not absolve either party from their obligations.

## Issues and Options

### Incidents

ICC has been contacted as part of a WorkSafe investigation into an incident that occurred at the Bluff Hill Climb portion of the Burt Munro event. Relevantly that investigation requested how ICC:

- identified, managed and controlled hazards and risks associated with the Burt Munro Hill Climb Challenge 2023, and that were in effect at the time of the incidents on the 9 February 2023.
- consulted, co-operated and co-ordinated activities with the organisers of the Burt Munro Challenge 2023, including, but not limited to SMC and MNZ, leading up to and including the 9 February 2023, to ensure risk of harm to spectators and members of the public was effectively managed.

These questions go to the core requirement under the Act that PCBUs, even where more than one PCBU has the same duty must:

- discharge that duty to the extent to which the person has the ability to influence and control the matter or would have had that ability but for an agreement or arrangement purporting to limit or remove that ability (the no contracting out part).

This gives rise to the expectation that as far as is reasonably practicable ICC will consult, cooperation and coordinate activities with all other PCBUs they share duties with so that all PCBUs can meet their joint responsibilities. This includes an assessment of the capacity of the party best placed to manage the risk to actually undertake those actions.

ICC has identified that it will comply with the requirements of the Act, in that it will as far as is reasonably practicable minimise the risk.



### Potential Control / Mitigation

As is noted above, the duty is to consult, cooperate and coordinate to ensure that risks are managed. WorkSafe guidance suggest that this duty is best met if ICC and other PCBUs:

- plan ahead, by thinking through every stage of the work, and recognising how the work could affect other businesses and the public;
- identify the health and safety risks that need managing;
- consult other businesses to agree how to control each risk;
- consult other businesses to decide which business, or businesses, are best placed to control each risk; and
- clearly define roles, responsibilities and actions, and explain these so everyone knows what to expect.

The question is who has most control, as this will have implications for who has responsibility. In this context, it is worth noting that the Act requires ICC:

- to eliminate risks to health and safety, so far as is reasonably practicable; and
- if it is not reasonably practicable to eliminate risks to health and safety, to minimise those risks so far as is reasonably practicable.

Appendix 1 gives some guidance in this regard.

An example of the checklist approach taken by the Ministry of Education to manage contractors in its workplace is below:

Health and Safety Capability	Verified by
Health and safety system in place	Third party accreditation that aligns with ISO AS / NZS 45001:2018; or AS / NZS 4801:2001. Health and Safety policy and procedures in place.
Site specific safety management	Examples of site specific safety plans (SSSPs) used for previous projects; and / or Health and Safety policy and procedures examples that will be relevant for the project involved.
Hazardous work and risk assessment management	Examples of task analysis (T/As) used for previous projects or JSAs, SWMs. Hazard identification and risk assessment process examples. Hazard reporting process in place and used.
Incident management	Incident register in place. Procedures for reporting and investigating incidents. Procedures for reviewing investigation findings and applying remedial measures.
Site inspection and monitoring	Evidence of site inspections undertaken with processes and checklist Evidence of site inspections on previous projects
Hazardous materials management	Evidence of hazardous substances register in use Policies and procedures for storage, handling and disposal

Health and Safety Capability	Verified by
Competency and training	Competency and training register in place and used Competencies and supporting training identified for specific risks (T/As) Examples and topics of toolbox talks or other site H&S briefings or meetings
Occupational health management	Health hazards identified and risks assessed Health monitoring used where required (e.g. noise level measurement)
Sub-contractor management (if required)	System used to induct subcontractors to the site SSSPs or T/As provided by subcontractors and aligned to site SSSP Consultation between PCBUs – site meetings, joint tool box talks, sharing information on hazards

ICC approaches this risk in different ways across the organisation, including checklists like those set out above. ICC has different levels of maturity in this space across the organisation. Better practice would result in a consistent approach across the organisation. This enables ICC to have process and procedures that more accurately reflect the risk appetite of the organisation.

ICC will assess its existing controls across the areas identified and report to this Committee on the effectiveness of those controls in managing the identified risks.

### Significance

Compliance with the Act is a significant risk for ICC. It is not however significant in terms of the Significance and Engagement Policy of ICC.

### Options

ICC needs to take steps to manage its overlapping duties under the Act.

### Community Views

Community consultation has not occurred.

### Implications and Risks

#### Strategic Consistency

Management of obligations under the Act to ensure the health and safety of workers and users of ICC facilities and events is consistent with ICC's strategy.

### **Financial Implications**

It is difficult to assess the cost, if any at this stage. Subject to a review of the existing process and procedures there may be an increased cost to ICC in the approval and management of contractors and events. Further reporting to this Committee will address this issue as required.

There is a cost to ICC responding to any breach of the obligations under the Act by it or any PCBU with an overlapping duty.

### **Legal Implications**

ICC must comply with its obligations under the Act.

### **Climate Change**

There are no climate change impacts of this decision.

### **Risk**

The risk of non-compliance with the Act, and to health and safety are discussed above.

### **Next Steps**

The Committee will receive updates on the changes as noted in the recommendations and reporting to enable it to undertake its role as required.

### **Attachments**

1. Appendix 1 – Overlapping Duties HSWA Quick Guide (A4565481)

# Overlapping Duties

Businesses that work together will likely share health and safety duties in relation to the same matter. These are known as overlapping duties.

## WHEN CAN DUTIES OVERLAP?

Duties can overlap in a shared workplace (eg a shopping centre or a port), where more than one business and its workers control and influence the work on site.

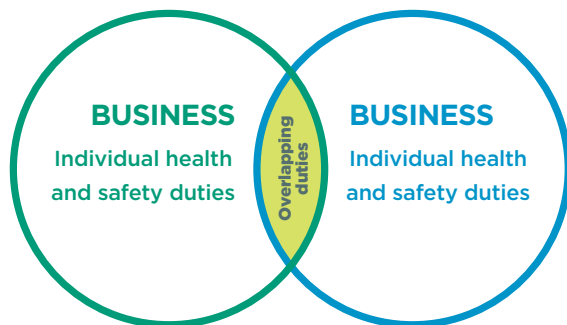


Figure 1: Overlapping duties in a shared workplace

### Example

A small coffee cart business operates inside Rusty's garden centre. Because the coffee cart operates on the same premises as the garden centre, the two businesses will have overlapping health and safety duties.

Duties can also overlap in a contracting chain, where contractors and subcontractors provide services to a head contractor or client and don't necessarily share the same workplace.

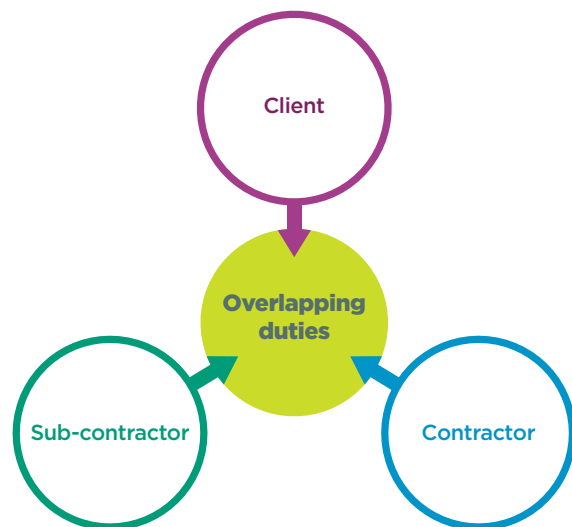


Figure 2: Overlapping duties when businesses don't share a workplace

### Example

An Otago farmer contracts a Tauranga-based logging company to harvest his woodlot located outside of Rotorua. The logging company sub-contracts another company to harvest and transport the logs. Even though the farmer, contractor and sub-contractor don't share the same workplace, they still have overlapping health and safety duties.

An example of a shared overlapping duty between multiple businesses that don't share a workplace is the duty to notify WorkSafe in the event of:

- > a death that occurs as a result of work
- > a notifiable illness or injury that occurs as a result of work
- > a notifiable incident that occurs as a result of work.

After consulting with each other the three parties decide the sub-contractor carrying out the work at the woodlot would be best placed to notify WorkSafe if a notifiable event occurs. The sub-contractor would then tell the other two parties if a notification had been made.

## CONSULTATION, COOPERATION AND COORDINATION

### CONSULTING, COOPERATING AND COORDINATING ACTIVITIES WITH OTHER BUSINESSES

Businesses must so far as is reasonably practicable consult, cooperate and coordinate activities with all other businesses they share overlapping duties with.

It is more likely that a business will successfully meet their duty to consult, cooperate and coordinate if they:

- > plan ahead, by thinking through every stage of the work, and recognising how the work could affect other businesses and the public
- > identify the health and safety risks that need managing
- > consult other businesses to agree how to control each risk
- > consult other businesses to decide which business, or businesses, are best placed to control each risk
- > clearly define roles, responsibilities and actions, and explain these so everyone knows what to expect.

For information on questions to ask during consultation see Table 2.

### THE BENEFITS OF BUSINESSES CONSULTING, COOPERATING AND COORDINATING WITH EACH OTHER ABOUT OVERLAPPING DUTIES

Consultation, cooperation and coordination will help to avoid unnecessary duplication of effort. It can help businesses reach a common understanding and establish clear roles, responsibilities and actions.

Consultation will also help to prevent any gaps in managing health and safety risks.

GAPS CAN HAPPEN WHEN:	BENEFITS OF CONSULTATION, COOPERATION AND COORDINATION INCLUDE:
> there is a lack of understanding about how each business's work activities may add to the health and safety risks in the workplace as a whole or in a chain of work activities	> ensuring businesses on a shared worksite or in a contracting chain work together to sort out any issues
> a business assumes another business is taking care of a particular health and safety issue	> ensuring everyone is aware of their roles and responsibilities around health and safety
> the business that is managing a risk is not the business in the best position to do so	> helping businesses work out who is in the best position to manage identified risks
> businesses do not know what other work is happening and when.	> helping to ensure working arrangements on shared work sites and in contracting chains run smoothly and efficiently, which can lead to productivity gains.

**Table 1:** Identifying gaps and the benefits of consultation, cooperation and coordination

**Example**

*Two businesses in a local shopping mall, a clothing store and a book store, have discovered leaks in their ceilings. The book store also needs an electrician to fix a faulty light. Both stores contact the shopping mall owner who contracts a plumber and an electrician to carry out the repairs. The mall owner arranges a meeting with all the businesses to create a plan for carrying out the work.*

Having a meeting before any work is carried out will ensure that all the businesses coordinate with each other on the repairs, rather than each store trying to get their repairs fixed individually. It will also ensure that each business is aware of their health and safety responsibilities towards each other and any overlapping duties.

## HOW CAN BUSINESSES CONSULT, COOPERATE AND COORDINATE WITH EACH OTHER?

Consulting, cooperating and coordinating can be as simple as getting the right people from each business together to exchange important health and safety information about the following:

TOPIC	QUESTIONS
<b>Work activities</b>	<p>What work activities will each business carry out? For example:</p> <ul style="list-style-type: none"> <li>&gt; What will each business do?</li> <li>&gt; How will they do it?</li> <li>&gt; When will they do it?</li> <li>&gt; Where will it be done?</li> <li>&gt; What plant (equipment, tools, vehicles) or substances may be used?</li> </ul> <p>Which workers will be involved in the work activity?</p> <p>What other people may be affected by the work activity (other than workers)?</p> <p>How could one business's work activities affect other businesses' work?</p> <p>Will one business's work activities introduce or increase the health and safety risks to other businesses (and other people) at the workplace or down a contracting chain?</p> <p>How could each business's work activities affect the work environment?</p>
<b>Health and safety risks</b>	<p>What do the workers in each business know about the health and safety risks associated with the work activities they carry out?</p> <p>How will each business and its workers manage (eliminate or minimise) risks associated with the work activities they carry out?</p>
<b>Ongoing communication on health and safety</b>	<p>How will workers communicate with the businesses, and have input on health and safety matters?</p> <p>What types of communication do the workers prefer to use?</p> <p>What information might one business need to provide to another business and its workers for health and safety purposes?</p> <p>How will businesses engage with workers and others (eg joint site meetings, shared newsletters)?</p> <p>What types of communication do the workers respond to best?</p> <p>How will the businesses coordinate their emergency procedures?</p> <p>Who will notify the regulator if a notifiable event occurs?</p> <p>What further consultation or communication will be required in monitoring health and safety measures, and identifying changes in the work or environment? (eg how will workers and businesses communicate with one another about a new risk, and determine the best response to that risk?)</p> <p>What facilities could be shared (eg first aid or sick rooms)?</p>

**Table 2:** Questions to ask during consultation

## WORKING TOGETHER

### WHAT DO BUSINESSES NEED TO DO WHEN WORKING WITH EACH OTHER?

Businesses can enter into reasonable agreements with each other to ensure risks are collectively managed. These agreements can be reflected in contracts and will avoid duplication of effort.

While a business can enter into reasonable agreements with other businesses, this does not mean they no longer hold any responsibility for their workers. They must still monitor the other business to ensure they follow through on what was agreed.

#### Example

*An agency contracts out housekeeping services to a local hotel. The agency has a duty to ensure the health and safety of their workers, so far as is reasonably practicable. This includes the duty to provide first aid facilities. The agency agrees with the hotel that if their workers need first aid while on site they can access the hotel's facilities.*

This is an example of a business entering into a reasonable agreement with another business to meet the duty to provide first aid to their workers. The agency would need to be satisfied the hotel can provide ongoing, adequate first aid facilities for their workers.

A business is not only responsible to the people they employ or contract. The business's responsibility extends to people they influence and direct, and other people at the workplace. It includes supporting those people to fulfil their health and safety duties, and not pass risk on, nor increase risk through their arrangements with them.

#### Example

*A construction company is building a new apartment complex on a vacant lot. A local courier company delivers packages daily to the site. The construction company meets with the courier to discuss safe access to the site and where to deliver the packages. The construction company and the courier agree that if risks arise from the building work in that area where the courier driver would normally access the site, then the construction company will advise the courier ahead of time and if necessary provide alternative safe access to the site. This way the construction company is not passing on or transferring risk to the courier.*

## ESTABLISHING EACH BUSINESS'S LEVEL OF RESPONSIBILITY TOWARDS HEALTH AND SAFETY DUTIES

Each business's responsibility to carry out their duties will most likely be different. This will depend on what ability the business has to influence and control the health and safety matter.

The more influence and control a business has over a health and safety matter, the more responsibility it is likely to have.

A business can have influence and control over health and safety matters through:

- > **Control over work activity:** A business in control of the work activity may be in the best position to control the health and safety risks.
- > **Control of the workplace:** A business who has control over the workplace, including plant and structures in the workplace, has some influence and control over health and safety matters relating to work carried out by another business.
- > **Control over workers:** A business has more influence and control over its own workers and contractors than those of another business.

A business with more influence and control (and the greatest share of the responsibilities) will usually be in the best position to manage the associated risks.

A business with less influence and control may fulfil their responsibilities by making arrangements with the business with more influence and control.

The size of the business or its financial resources (eg a large company versus a sole trader) does not equate to its ability to have influence and control over health and safety matters. This means the business with the most financial resources does not automatically have most of the responsibilities.

All businesses should:

- > discuss what work activities are being carried out
- > agree on the degree of influence and control each business has
- > agree on who will manage what and how it will be managed
- > monitor and check how things are going on an ongoing basis.

## WORKSAFE'S APPROACH TO OVERLAPPING DUTIES

### WHAT IS WORKSAFE'S APPROACH TO OVERLAPPING DUTIES AND CONTROLLING RISK?

WorkSafe expects businesses to be able to explain the steps they have taken to consult, cooperate and coordinate with each other about their overlapping duties, and their arrangements to control risks.

WorkSafe may then check to see that these arrangements are working well.

A business must control any overlaps and risks that are appropriate for them to control. The nature of that control will reflect how much influence and control the business has, and what is reasonably practicable in the circumstances. WorkSafe expects that arrangements, including monitoring arrangements, will be sensible and proportionate.

WorkSafe also expects businesses to use sound contractor management processes. Processes include, but are not limited to, choosing competent contractors, exchanging information, planning and monitoring carefully, and undertaking post-contract review.

A business at the top of a contracting chain should not push risk down the chain.



### CASE STUDY

A local Council has contracted Smoother Paths to carry out maintenance on a walking track in a council-owned park.

The Council organises a meeting with Smoother Paths to establish each business's health and safety duties.

The Council and Smoother Paths decide:

Smoother Paths:

- > has the most influence and control over the work on the walking track so they will be responsible for managing any risks to workers and the public created by the work. **Smoother Paths must ensure public safety during the day (eg place signs/barriers at the work site), and ensure the site is left safe at the end of the day.**

The Council:

- > has little control over the work or work site but does have control over the area surrounding the work site including any risks from other businesses working in the same area (eg gardeners or lawn mowing activities in the park). The Council has a responsibility to manage those risks. **The Council must place warning signs at the park entrances to warn park users about walking tracks that are under maintenance and ensure the work site is not interfered with overnight (as part of their usual security checks of the park area).**
- > as the client, the Council also has control over the timeframes and is therefore responsible for not setting unrealistic timeframes for completion which could encourage cutting corners.

#### Example

If the Council has an upcoming event at the park which would interfere with the work on the walking track then they would need to ensure that there is enough time for the work to be completed before the event or reschedule the work.

The Council and Smoother Paths must identify any overlapping duties they may have. They must consult, cooperate and coordinate with each other and agree on who is going to do what.

Scheduled catch ups are arranged between Smoother Paths and the Council to discuss managing ongoing risks and any new overlapping duties.



## KEY CONCEPTS IN THIS QUICK GUIDE

### WHAT AND WHO IS A PCBU?

A 'PCBU' refers to a person conducting a business or undertaking. A PCBU can be an individual such as a self-employed builder or a hairdresser, or an organisation (eg a company). For simplicity, this guide uses the term 'business' instead of 'person conducting a business or undertaking' (PCBU). Where 'business' is used, it's intended to also encompass undertakings.

### THE DIFFERENCE BETWEEN A PCBU AND A WORKER

There is a clear difference between a PCBU and a worker when the PCBU is a company or organisation. However, when an individual is a PCBU (ie self-employed) the difference may be less clear.

When a person is self-employed, decides how their work is done, and creates and controls risks, they are considered to be a PCBU. However, if a self-employed person is working for another PCBU and that PCBU decides what they do, and how and when they do it, then they are considered to be a worker of that PCBU.

### WHAT DOES REASONABLY PRACTICABLE MEAN?

Certain health and safety duties need to be managed so far as is reasonably practicable. Reasonably practicable means doing what is reasonable in your circumstances to ensure health and safety (eg what a reasonable person in your position would be expected to know and do). You first do what is reasonable to eliminate the risk. If the risk can't be eliminated, then you must minimise it.

### HOW DO YOU DECIDE WHAT IS REASONABLY PRACTICABLE IN YOUR CIRCUMSTANCES?

When thinking about what 'so far as is reasonably practicable' means, ask the following questions:

- 1 **How likely is the hazard or risk?**  
The more likely a risk is to occur, the more you should do to eliminate or minimise the risk.
- 2 **How severe is the harm that might result?**  
More should be done to eliminate the risk if death or serious injury is a possible or likely result. The greater the potential harm, the greater the action required.
- 3 **What do you know, or ought reasonably to know, about the hazard or risk and the ways of eliminating or minimising it?**  
You are expected to find out if there are any ways (control measures) to eliminate or minimise the risk. Doing hazard identification and risk assessments with input from workers, other PCBUs in the industry and health and safety representatives', and looking at health and safety records and processes of other businesses, will help inform decisions.
- 4 **What is the availability of the control measures, and how suitable are they for the specific risk?**  
How a risk is eliminated or minimised will depend on the situation, type of work, work environment etc. This is where you will need to ask for worker input and then apply judgement to figure out the most effective actions to take.
- 5 **Finally, what are the costs of the control measure and is the cost grossly disproportionate to the risk?**  
After assessing the answers to questions 1-4, consider the costs associated with the ways to eliminate or minimise risks including whether they are grossly disproportionate to the risk.

You must give your workers opportunities to contribute before you make decisions about the ways to eliminate or minimise the risks.

For more information see the *Reasonably Practicable* fact sheet on the WorkSafe website: [www.worksafe.govt.nz](http://www.worksafe.govt.nz)

## ANNUAL REPORT 2023 – AUDIT NEW ZEALAND DRAFT AUDIT PLAN

**To:** Risk and Assurance Committee

**Meeting Date:** Tuesday 23 May 2023

**From:** Patricia Christie – Acting Group Manager – Finance and Assurance

**Approved:** Michael Day - Chief Executive

**Approved Date:** Thursday 18 May 2023

**Open Agenda:** Yes

**Public Excluded Agenda:** No

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### Purpose and Summary

The purpose of this report is to provide the Committee and Council with the Draft 2023 Annual Report Audit Plan provided by Audit New Zealand and to provide an update on the 2023 Annual Report preparation and audit arrangements.

### Recommendations

That the Risk and Assurance Committee:

1. Receive the report 'Annual Report 2023 – Audit New Zealand Draft Audit Plan'.
2. Note that:
  - a. That a detailed plan is being developed by staff in conjunction with Audit New Zealand which will allow the 2023 Annual Report to be available to Audit New Zealand at the beginning of their audit on 18 September and result in the Annual Report being adopted on 31 October 2023 (the statutory deadline).
  - b. There will be ongoing communication with Audit New Zealand around timing and progress on preparatory tasks.
  - c. A fair value assessment of Property Plant and Equipment has been prepared and is currently being reviewed by the audit team. The likely outcome of this assessment is that we will need to revalue our Roading assets to ensure that as a whole the Council's Property Plant and Equipment is reflected at fair value at 30 June 2023.
  - d. That there is a new accounting standard PBE FRS 48 Service Performance Information, in relation to non-financial performance measures that will need to be considered in the preparation of the Annual Report.
  - e. That the audit fee proposal for 2023 – 25 is still to be received and it has been highlighted that a significant increase is likely.

3. Recommend that the Mayor sign the audit engagement letter (A4578020) provided by Audit New Zealand for the 2023 audit.

## Background

The Council Annual Report covers both the financial and non-financial (level of service) performance of Council and its subsidiaries. The statutory deadline for completion of the Council group audit is 31 October 2023.

The Office of the Auditor General appoints Council's auditor and for the 2023 audit Mr Chris Genet of Audit New Zealand has been appointed.

For 2023 there are three key documents that we are expecting from Audit New Zealand, the:

- Audit Plan (Attachment 1)
- Audit Fee Proposal
- Audit Engagement Letter (Attachment 2)

## Issues

### Annual Report 2023 – Audit Plan

Attachment 1 contains the audit plan for the year end audit.

The key risks and issues for the audit identified are:

- Fair value of property plant and equipment.
- Treatment of the Council loan to Invercargill Central Limited (ICL) and the appropriate valuation at ICC Group of the equity investment in ICL.
- Disclosure of known impacts of the Affordable Water Reforms.
- First time adoption of PBE FRS 48 Service Performance Reporting.
- Valuation of Investment Property.

The proposed key dates for the audit are:

Fair value assessment	8 – 12 May
Interim audit (4 staff)	6 – 16 June
Final audit begins (up to 8 - 10 audit staff in any one week)	18 September
Audit opinion issued	31 October
Draft report to the Council issued	31 October

The audit plan also notes that a new auditing standard is in effect for the 2023 audit which will result in additional work required on the audit compared to previous years. The impact is expected to be in the following areas:

- Identifying and understanding information technology (IT) applications and other aspects of our IT environment.
- Evaluating the design and implementation of general IT controls that address risks from the use of IT.
- Updating of documentation in relation to IT risk.
- Strengthened documentation requirements relating to the exercise of professional scepticism. There is greater emphasis on demonstrating a questioning mind and critical assessment of audit evidence gathered when performing risk assessment procedures.

The audit plan acknowledges that the year end audit does put a significant strain on Council resources. It is currently expected that there will be up to 8-10 auditors engaged on the Council audit for the bulk of September – October audit period. To put this in context the Council finance team currently has only 8 accountants.

Following feedback Council staff have recommended that a greater level of on-site auditing is undertaken this year.

Supporting the audit team during the year end audit will take the majority of the finance team's time, our initial planning is looking at how capacity can be created within the team. This has included bringing some of the year end testing forward to the interim audit in early June, which Audit New Zealand have been able to accommodate.

### **Audit Engagement Letter**

Attachment 2 is a copy of the audit engagement letter for the 2023-2025 audits to be signed by the Mayor.

The engagement is in standard form setting out the role and responsibilities of both Audit New Zealand and Council in relation to the engagement.

### **Audit Fees**

Council's audit fee is set for a three year period with the 2023 Annual Report being the start of the next period.

The audit fee proposal is still being prepared and we expect to receive a draft audit fee from which to begin negotiations in late May early June. The initial feedback to the sector from the Office of the Auditor General (who agrees the fee) is that there will be significant increases. The initial reasons given for the increase include inflation and increased work required as part of the audit as a result of changes in audit standards.

An update will be provided to the Committee on the audit fee once received from Audit New Zealand.

### **Next Steps**

Officers will continue with the detailed planning for the 2023 Audit and preparation for the interim audit in June 2023 in order to meet the deadlines and expectations of Audit New Zealand and to ensure momentum is maintained on the Long Term Plans

The audit fee proposal will be received from Audit New Zealand and the Office of the Auditor General for consideration of the committee at its next meeting.

### **Attachments**

1. Annual Report 2023 –Audit New Zealand Audit Plan (A4575570)
2. 2023 – 25 Audit Engagement Letter (A4578020)

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

# Audit plan

## Invercargill City Council and Group

For the year ending 30 June 2023

## Audit plan

I am pleased to present our audit plan for the audit of Invercargill City Council (the City Council) and group for the year ending 30 June 2023. The purpose of this audit plan is to discuss:

Risks and Issues.....	2
Group audit.....	8
Our audit process.....	10
Reporting protocols .....	17
Audit logistics.....	18
Expectations.....	20

We have developed the contents of this plan through discussions with the Chair of the Finance, Audit and Risk Committee, the Chief Executive and other members of senior management.

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.

Yours sincerely



Chris Genet  
Director  
12 May 2023

## 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.

Risks and issues	Our audit response
<b>Carrying value of property, plant and equipment (PPE)</b>	
<p>The City Council periodically revalues its PPE. <i>PBE IPSAS 17, Property, Plant and Equipment</i>, requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ from fair value.</p> <p>The City Council revalued all asset classes which apply the revaluation model last year. Due to a qualification in relation to the 2021 closing carrying values of PPE a qualification was included in last year's audit report. This was in relation to the comparative balances and resulting 2022 revaluation increase. We expect the qualification will again be required but will solely refer to the 2022 revaluation increase.</p> <p>For assets measured using the revaluation model which are not planned to be revalued this year, we expect the City Council will demonstrate that the carrying value of the asset class is not materially different to its fair value. This will need to be considered for both the City Council and group financial statements.</p> <p>The carrying value of PPE is an audit risk due to the significance of the carrying values to the financial statements, and the complexity of judgements involved. Of specific risk is the current inflationary pressures and their impact on estimating replacement costs.</p> <p>We encourage the City Council to perform this assessment early so that if a revaluation is required, there is sufficient time to engage a valuer.</p>	<p>For asset revaluations, our audit procedures will include reviewing valuation reports, and assessing the valuation methodology, source information, and key assumptions applied. We will also confirm valuations comply with the requirements of applicable accounting standards, and that valuation changes have been accounted for correctly.</p> <p>For assessments of the carrying value of asset classes, and impairment assessments, our audit procedures will include:</p> <ul style="list-style-type: none"> <li>• reviewing management's assessment methods for appropriateness;</li> <li>• assessing compliance with applicable financial reporting standards; and</li> <li>• evaluating the reliability of underlying data and reasonableness of assumptions applied in the assessments.</li> </ul> <p>We will also confirm disclosures are appropriate and fairly represented in the financial statements.</p>

Risks and issues	Our audit response
<b>Group accounting and consolidation</b>	
<p>The City Council has a complex group structure, which consists of entities with varied functions and includes entities with both public benefit and for-profit objectives.</p> <p>Inconsistency in how balances are accounted for occur from differences in accounting standards which apply to for-profit entities and public benefit entities, and entities within the group choosing to apply different accounting policies.</p> <p>The most significant of these differences in the City Council group include (but are not limited to);</p> <ul style="list-style-type: none"> <li>different accounting policy choices by the City Council and Invercargill City Holdings Limited Group (and its subsidiaries) in relation to the revaluation of land and buildings; and</li> <li>different requirements regarding impairment of assets between public benefit and for-profit standards. In 2022, this resulted in the impairment of Invercargill Central Limited recognised in Invercargill City Holdings Limited Group's financial statements being reversed in the City Council's financial statements.</li> </ul> <p>Where valuation policies are different, the City Council needs to consider these in assessing the group's carrying value of its fixed assets. In certain circumstances this will require valuations to be obtained and recognised by the City Council in the group financial statements.</p> <p>The City Council should continue to identify and assess different accounting treatments and adjust for them in their group financial statements. This is to ensure consistency of reporting and compliance with public benefit entity accounting standards.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> <li>discussing with you group accounting issues, including whether these result in different accounting outcomes for different entities in the group;</li> <li>discussing with you any changes in group structure, and any resulting accounting implications;</li> <li>issuing instructions to component auditors and obtaining and assessing their responses, this includes relevant responses which indicate whether a subsidiary entity accounts for items differently to the City Council;</li> <li>reviewing the group consolidation for accuracy, including identifying that accounting differences have been adjusted for, and appropriate elimination entries have been made where entities in the group transact with each other; and</li> <li>reviewing assessment of the carrying value of group fixed assets, and as necessary reviewing revaluations of fixed assets.</li> </ul> <p>We will also confirm disclosures are appropriate and fairly represented in the financial statements.</p>
<b>Affordable waters reform</b>	
<p>Legislation passed in December 2022 established four publicly owned water services entities to carry out responsibilities for the delivery of three waters services and related assets and liabilities</p>	<p>We will review identified impacts, and disclosures made regarding the reform proposal.</p>



Risks and issues	Our audit response
<p>currently controlled by local authorities. A water services Bill to enable the transfer of these assets and liabilities to the water services entities, is currently before Parliament.</p> <p>On 13 April 2023, the Government announced further proposed amendments to the number of water services entities and to stagger their establishment dates, with all the water services entities to be established by 1 July 2026. The timing of the transfer of assets and liabilities is therefore uncertain until amendments to existing legislation is passed.</p> <p>Given the significance of the reforms, we expect the City Council will disclose any known impacts and any related uncertainties in the annual report.</p>	<p>We will monitor the progress of the legislation and discuss related impacts with you.</p> <p>As the impact could be significant, but is uncertain, we will include an emphasis of matter paragraph in the audit report drawing the readers' attention to the uncertainty and significance of the reforms.</p>
First time adoption of PBE FRS 48 <i>Service Performance Reporting</i>	
<p>The City Council is required to adopt <i>PBE FRS 48 Service Performance Reporting</i> for the first time this year. The standard replaces the performance reporting elements included in <i>PBE IPSAS 1 Presentation of Financial Statements</i>.</p> <p><i>PBE FRS 48</i> requires service performance information to provide contextual information on why a public organisation exists, what it intends to achieve in broad terms, and what was done during the reporting period towards its broader aims and objectives.</p> <p>It also imposes additional reporting obligations on reporting entities. These include:</p> <ul style="list-style-type: none"> <li>disclosing those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information;</li> <li>requirements to enhance comparability of service performance reporting, including the need for comparative information, and disclosure requirements for the correction of material prior period errors; and</li> <li>requiring linkages between financial information and service performance information. This is to convey a coherent</li> </ul>	<p>Our response to this audit risk includes:</p> <ul style="list-style-type: none"> <li>obtaining the City Council's impact assessment, reviewing and critiquing this for compliance with the new requirements;</li> <li>reviewing the appropriateness of the performance framework;</li> <li>documenting and updating our understanding of systems of internal control over performance information;</li> <li>verifying a selection of material performance measures; and</li> <li>reviewing disclosures made in the annual report and assessing their compliance with <i>PBE FRS 48</i>.</li> </ul>

Risks and issues	Our audit response
<p>picture about the performance of the entity and link this to the costs of goods and/or services an entity delivers.</p> <p>We expect the City Council to prepare an impact assessment against the new standard to facilitate a smooth transition. We welcome the opportunity to review and comment on the assessment.</p>	
<b>Investment property</b>	
<p>The City Council holds a significant investment property portfolio, this includes industrial, commercial and residential leased properties, in addition to a small amount of vacant land.</p> <p>The fair value of the City Council's investment properties need to be valued annually in accordance with the requirements of PBE IPSAS 16, <i>Investment Property</i>.</p> <p>The City Council will also need to monitor changes in the use of its property as these can cause changes in accounting classification.</p> <p>Investment property is an area of audit risk, due to the expert judgements required, estimation uncertainty, and the assumptions used to determine fair value and accounting classification.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> <li>• reviewing the valuation report, and assessing the valuation methodology, source information, and key assumptions applied;</li> <li>• confirming the valuation complies with the requirements of applicable accounting standards;</li> <li>• confirming valuation changes have been accounted for correctly;</li> <li>• assessing whether properties are appropriately classified (where they have had a change in use); and</li> <li>• reviewing whether disclosure included in the financial statements is fairly reflected and compliant with applicable accounting standards.</li> </ul>
<b>The risk of management override of internal controls</b>	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are 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. Auditing standards require us to treat this as a significant risk on every audit.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> <li>• testing the appropriateness of selected journal entries;</li> <li>• reviewing accounting estimates for indications of bias;</li> <li>• evaluating significant transactions that are outside the normal course of business or those that appear to be unusual given our understanding of the Council and its environment;</li> <li>• reviewing the appropriateness of any changes in the Council's accounting policies;</li> </ul>

Risks and issues	Our audit response
	<ul style="list-style-type: none"> <li>evaluating any unusual or one-off transactions, including those with related parties; and</li> <li>incorporating and executing an unpredictable procedure.</li> </ul>

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, with assistance from management. In this regard, we will discuss the following questions with you:

- What role does the Council 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, is the Council satisfied that it 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 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? 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](https://oag.parliament.nz/reports/fraud-reports).

# Group audit



The City Council group comprises:

- Invercargill City Council;
- Invercargill City Holdings Limited and group (ICHL);
- Invercargill City Charitable Trust;
- Invercargill Community Recreation and Sport Trust;
- Southland Regional Heritage Committee;
- Invercargill Venues and Events Management;
- Southland Regional Development Agency Limited (trading as Great South);
- WasteNet Southland; and
- Emergency Management Southland.

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 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
ICHL group	<p>This will be audited by the same Appointed Auditor using the Audit New Zealand audit team.</p> <p>A separate ICHL group audit plan will be issued to the Board of ICHL outlining the key auditing and accounting risks.</p> <p>The ICHL group risks relevant to the City Council group are included within our risks and issues section outlined above. Specifically, these relate to:</p> <ul style="list-style-type: none"> <li>• <b>Carrying value of PPE</b> – of most significance to the ICHL group is the assessment of whether the carrying value of the network assets of Electricity Invercargill Limited are materially similar to their fair value.</li> <li>• <b>Group consolidation and accounting</b> – of significance is the carrying value of Invercargill Central Limited's assets. Specifically, the need for an Investment Property valuation, and the assessment for impairment of the carrying value of the joint venture. Also, of focus will be whether there are any changes in structure of the ICHL group, and consideration of any resulting accounting implications.</li> <li>• <b>Management override</b> – this risk is the same as is outlined in the risks and issues section above.</li> </ul> <p>The audit work on this component will be a full financial statement and performance report audit.</p>

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 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

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

### Understand your business and environment

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

### Assess audit risk

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.

### Evaluate internal controls

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.

### Finalise the audit approach

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.

### Gather audit evidence

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

### Conclude and report

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

## **New auditing standard**

ISA (NZ) 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*, is effective for the audit of your financial statements for the first time this year. The standard sets out how auditors identify and assess the risks of material misstatement in financial statements. The standard requires the auditor to understand the entity, its environment, and its internal controls and use that knowledge to identify and assess risks. There are changes to how this is done compared to the previous standard.

There will be additional work required on your audit compared to previous years. In your case, the impact will be in the following areas:

- A greater emphasis on identifying and understanding the information technology (IT) applications and the other aspects of your IT environment that are subject to risks arising from the use of IT.
- Evaluating the design and implementation of the general IT controls that address the risks arising from the use of IT.
- Considering the new inherent risk factors and updating our risk assessment documentation where relevant to address these risk factors.
- Revisions to the matters we consider in evaluating your system of internal control.
- Strengthened documentation requirements relating to the exercise of professional scepticism. There is a greater emphasis on demonstrating a questioning mind and a critical assessment of audit evidence gathered when performing our risk assessment procedures.

## **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 bringing forward the timing of 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. This will be focused on:

- fair value assessment of PPE;
- impairment assessments for PPE; and
- year-to-date transactions for revenue and operating expenditure.

Completion of these tests earlier in the year should allow for more timely identification and resolution of errors.



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 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 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 group financial statements at \$98.3 million based on a combination of current year's forecast of total PPE for the City Council and last year's total PPE for the City Council's subsidiaries.

We have set the City Council's **overall materiality** for the City Council financial statements at \$87.4 million based on current year's forecast of total PPE.

Overall materiality group	\$98.3 million
Overall materiality Council	\$87.4 million
Specific materiality group	\$3.1 million
Specific materiality Council	\$2.6 million
Clearly trivial threshold group	\$155,000
Clearly trivial threshold Council	\$130,000

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 PPE.

For this audit we have set a lower, **specific materiality** for the group of \$3.1 million for all items not related to the fair value of PPE. For the City Council we have set a lower, **specific materiality** of \$2.6 million for all items not related to the fair value of PPE.

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 other than those that are **clearly trivial**. We consider misstatements of less than \$155,000 for the group and \$130,000 for the City Council 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 Council 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 the 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
<b>Roading</b>	
The average quality of ride on a sealed local road network, measured by smooth travel exposure.	8% of result
The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number.	5% of result
<b>Water supply</b>	
<p>The extent to which the local authority's drinking water supply complies with:</p> <ul style="list-style-type: none"> <li>a) part 4 of the drinking-water standards (bacteria compliance criteria), and</li> <li>b) part 5 of the drinking-water standards (protozoal compliance criteria).</li> </ul>	Quantitative materiality is not applicable, the reported result is to be consistent with supporting qualitative information.
<p>The total number of complaints received by the local authority about any of the following:</p> <ul style="list-style-type: none"> <li>(a) drinking water clarity;</li> <li>(b) drinking water taste;</li> <li>(c) drinking water odour;</li> <li>(d) drinking water pressure or flow;</li> <li>(e) continuity of supply; and</li> <li>(f) the local authority's response to any of these issues</li> </ul> <p>expressed per 1000 connections to the local authority's networked reticulation system.</p>	5% of result
<b>Wastewater</b>	
The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system.	8% of result
<p>Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of:</p> <ul style="list-style-type: none"> <li>a) abatement notices;</li> <li>b) infringement notices;</li> <li>c) enforcement orders; and</li> <li>d) convictions</li> </ul> <p>received by the territorial authority in relation to those resource consents.</p>	Quantitative materiality is not applicable, the reported result is to be consistent with supporting qualitative information.

Material measure	Materiality
<p>The total number of complaints received by the TA about any of the following:</p> <p>(a) sewage odour;</p> <p>(b) sewerage system faults;</p> <p>(c) sewerage system blockages; and</p> <p>(d) the TA's response to issues with its sewerage system expressed per 1000 connections to the TA's sewerage system.</p>	8%
<b>Stormwater</b>	
<p>Compliance with the TA's resource consents for discharge from its stormwater system, measured by the number of:</p> <p>(a) abatement notices;</p> <p>(b) infringement notices;</p> <p>(c) enforcement orders; and</p> <p>(d) convictions</p> <p>received by the TA in relation to those resource consents.</p>	Quantitative materiality is not applied. The reported result is to be consistent with supporting qualitative information.
<p>The number of complaints received by the TA about the performance of its stormwater system, expressed per 1000 properties connected to the TA's stormwater system.</p>	8%

### 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:

- the 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 the City Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by the 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 the City Council or by one or more of its members, office holders, or employees.

## Reporting protocols

### Communication with management and the Council



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

### Reports to the Council



We will provide a draft of all reports to management for discussion/clearance purposes. In the interests of timely reporting, we ask management to provide their comments on the draft within 10 working days. Once management comments are received the report will be finalised and provided to the Council.

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:

Chris Genet

Appointed Auditor

Chantelle Gernetzky

Engagement Quality Review Director

Jenna Hills

Audit 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



Our proposed timetable is:

Review of the fair value assessment	8 May 2023
Interim audit begins	6 June 2023
Draft annual report available for audit (including notes to the financial statements, statement of service performance and including any Chair and Chief Executive's overview or reports) with actual year-end figures	11 September 2023
Final audit begins	18 September
Final financial statements available, incorporating all the amendments agreed to between us	26 October 2023
Audit opinion issued	31 October 2023

Draft final report to the Council issued

By 30 November 2023

## **AuditDashboard**

In 2022, we used AuditDashboard, our online portal, to transfer files between your employees and Audit New Zealand. Overall, the use of AuditDashboard was beneficial to ensure the smooth flow of information between the Council and audit team. We will again use AuditDashboard for transferring files as part of the audit.

## **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 recent 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 enable audit work to be completed off-site and fully obtain the benefits detailed above, you will need to ensure that you can provide supporting documents electronically.

During the previous audit, we were able to perform some of our audit work remotely. Based on our experience we found that the Council have some systems and processes in place but these will only facilitate a portion of the any off-site work.

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 2023 audit.



## 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.

## 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.



AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

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12 May 2023

Level 3, 335 Lincoln Road  
Addington  
PO Box 2, Christchurch 8140

Nobby Clark  
Mayor  
Invercargill City Council  
Private Bag 90104  
Invercargill 9840

Tēnā koe Mayor Clark

### **Audit engagement letter**

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all “public entities”, including the Invercargill City Council (the City Council) and group, under section 14 of the Public Audit Act 2001 (the Act). The group comprises of:

- Invercargill City Holdings Limited Group
- Invercargill City Charitable Trust
- Southland Regional Development Agency Limited (trading as Great South)
- Invercargill Venue and Events Management Limited
- Southland Regional Heritage Committee
- WasteNet Southland
- Emergency Management Southland

The Auditor-General has appointed me, Chris Genet, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audits of the City Council and group’s financial statements and statement of service performance. We will be carrying out these annual audits on the Auditor-General’s behalf, for the years ending 30 June 2023, 2024, and 2025.

This letter outlines:

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

The objectives of the annual audit are:

- to provide an independent opinion on the City Council and group financial statements and statement of service performance; and
- to report on other matters that come to our attention as part of the annual audit (typically those matters will relate to issues of financial management and accountability).

We will carry out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board (collectively the Auditing Standards). The Auditing Standards require that we comply with ethical requirements, and plan and perform the annual audit to obtain reasonable assurance about whether the City Council and group's financial statements and statement of service performance are free from material misstatement. The Auditing Standards also require that we remain alert to issues of concern to the Auditor-General. Such issues tend to relate to matters of financial management and accountability.

### **Your responsibilities**

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

- preparing the financial statements and statement of service performance in accordance with any applicable legal requirements and financial reporting standards;
- having such internal control as determined necessary to enable the preparation of financial statements and statement of service performance that are free from material misstatement, whether due to fraud or error; and
- providing us with:
  - access to all information relevant to preparing the financial statements and statement of service performance such as records, documentation, and other information;
  - all other information, in addition to the financial statements and statement of service performance, to be included in the annual report;
  - additional information that we may request from the City Council and group for the purpose of the audit;
  - unrestricted access to Council and group's members and employees that we consider necessary; and
  - written confirmation concerning representations made to us in connection with the audit; and
- for the preparation of the summary financial statements and summary statement of service performance;

- for making the audited summary financial statements and summary statement of service performance readily available to the intended users of that information; and
- for including our audit report on the summary financial statements and summary statement of service performance in any document that contains that information and that indicates that we have reported on that information.

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

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

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

The Council has certain responsibilities relating to the preparation of the financial statements and statement of service performance and in respect of financial management and accountability matters. These specific responsibilities are set out in Appendix 1. Appendix 2 contains some additional responsibilities relating to the health and safety of audit staff. We expect members of the Council to be familiar with those responsibilities and, where necessary, have obtained advice about them.

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

## **Our responsibilities**

### ***Carrying out the audit***

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

- present fairly, in all material respects:

- its financial position; and
  - its financial performance and cash flows for the financial year; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.

We are also responsible for forming an independent opinion on whether the statement of service performance of the City Council:

- presents fairly, in all material respects, the performance for the financial year, including:
  - its levels of service achieved as compared with the intended levels of service; and
  - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
- complies with generally accepted accounting practice in New Zealand.

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

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

During the audit, we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City Council and group's internal controls. However, we will communicate to you in writing about any significant deficiencies in internal control relevant to the audit of the financial statements and statement of service performance that we identify during the audit.

During the audit, the audit team will:

- be alert for issues of effectiveness and efficiency – in particular, how the City Council and group have carried out their activities;
- consider laws and regulations relevant to the audit;

- be alert for issues of waste – in particular, whether the Council obtained and applied the resources of the City Council and group in an economical manner, and whether any resources are being wasted;
- be alert for issues of a lack of probity – in particular, whether the City Council and group have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector; and
- be alert for issues of a lack of financial prudence.

### ***Our independence***

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

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

### ***Reporting***

We will issue an independent audit report that will be attached to the financial statements and statement of service performance. This report contains our opinion on the fair presentation of the financial statements and statement of service performance and whether they comply with the applicable reporting requirements. The audit report may also include comment on other financial management and accountability matters that we consider may be of interest to the addressee of the audit report.

In addition, we will issue an audit report that will be attached to the summary financial statements and summary statement of service performance. This audit report will contain an opinion that provides the same level of assurance as the audit report on the full financial statements and full statement of service performance.

We will also issue a report to the Council. This report communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the City Council and group. Typically, those matters will relate to issues of financial management and accountability. We may also provide other reports to the Council from time to time. We will inform the Council of any other reports we have issued.

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



### Next steps

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

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

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

Nāku noa, nā



Chris Genet  
Appointed Auditor  
On behalf of the Auditor-General

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

Signature: \_\_\_\_\_ Date: \_\_\_\_\_  
Name: Nobby Clark  
Title: Mayor

## Appendix 1: Respective specific responsibilities of the Council and the Appointed Auditor

Responsibilities of the Council	Responsibility of the Appointed Auditor
<b>Responsibilities for the financial statements and statement of service performance</b>	
<p>You are required by legislation to prepare financial statements and statement of service performance in accordance with legal requirements and financial reporting standards.</p> <p>You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and statement of service performance.</p> <p>You are required by legislation to prepare the financial statements and statement of service performance and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, we are dependent on receiving the financial statements and statement of service performance ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and statement of service performance have been prepared in accordance with legal requirements and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.</p>	<p>We are responsible for carrying out an annual audit, on behalf of the Auditor-General. We are responsible for forming an independent opinion on whether the financial statements:</p> <ul style="list-style-type: none"> <li>• present fairly, in all material respects: <ul style="list-style-type: none"> <li>○ the financial position; and</li> <li>○ the financial performance and cash flows for the financial year; and</li> </ul> </li> <li>• comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.</li> </ul> <p>We are also responsible for forming an independent opinion on whether the statement of service performance:</p> <ul style="list-style-type: none"> <li>• presents fairly, in all material respects, the performance for the financial year, including: <ul style="list-style-type: none"> <li>○ its levels of service achieved as compared with the intended levels of service; and</li> <li>○ the reasons for any significant variation between the levels of service achieved and the intended levels of service; and</li> </ul> </li> <li>• complies with generally accepted accounting practice in New Zealand.</li> </ul> <p>We will also read the other information accompanying the financial statements and statement of service performance and consider whether there are material inconsistencies with the audited financial statements and statement of service performance.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and statement of service performance do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence the audit report addressee's overall understanding of the financial statements and statement of service performance.</p> <p>If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion.</p> <p>An audit also involves evaluating:</p> <ul style="list-style-type: none"> <li>the appropriateness of accounting policies used and whether they have been consistently applied;</li> <li>the reasonableness of the significant accounting estimates and judgements made by those charged with governance;</li> <li>the appropriateness of the content and measures in any statement of service performance;</li> <li>the adequacy of the disclosures in the financial statements and statement of service performance; and</li> <li>the overall presentation of the financial statements and statement of service performance.</li> </ul> <p>We will ask you for written confirmation of representations made about the financial statements and statement of service performance. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> <li>the adoption of the going concern basis of accounting is appropriate;</li> <li>all material transactions have been recorded and are reflected in the financial statements and statement of service performance;</li> </ul>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<ul style="list-style-type: none"> <li>all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to us; and</li> <li>uncorrected misstatements noted during the audit are immaterial to the financial statements and statement of service performance.</li> </ul> <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p> <p>We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non-receipt or condition of the financial statements and statement of service performance, or for some other reason beyond our control, as soon as possible after that.</p> <p>The work papers that we produce in carrying out the audit are the property of the Auditor-General. Work papers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.</p>
Responsibilities for the accounting records	
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> <li>correctly record and explain the transactions of the City Council and group;</li> <li>enable you to monitor the resources, activities, and entities under your control;</li> <li>enable the City Council and group's financial position to be determined with reasonable accuracy at any time;</li> <li>enable you to prepare financial statements and statement of service performance that comply with legislation (and that allow the financial statements and statement of service performance to be readily and properly audited); and</li> <li>are in keeping with the requirements of the Commissioner of Inland Revenue.</li> </ul>	<p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and statement of service performance.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and statement of service performance and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p>

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

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>If we become aware of the possible existence of fraud, whether through applying audit procedures, advice from you, or management, or by any other means, we will communicate this to you with the expectation that you will consider whether it is appropriate to report the fraud to the appropriate law enforcement agency. In the event that you do not report the fraud to the appropriate law enforcement agency, the Auditor-General will consider doing so, if it is appropriate for the purposes of protecting the interests of the public.</p>
Responsibilities for compliance with laws and regulations	
<p>You are responsible for ensuring that the City Council and group has systems, policies, and procedures (appropriate to the size of the City Council and group) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of the City Council and group are complied with. Such systems, policies, and procedures should be documented.</p>	<p>We will obtain an understanding of the systems, policies, and procedures put in place for the purpose of ensuring compliance with those legislative and regulatory requirements that are relevant to the audit. Our consideration of specific laws and regulations will depend on a number of factors, including:</p> <ul style="list-style-type: none"> <li>• the relevance of the law or regulation to the audit;</li> <li>• our assessment of the risk of non-compliance; and</li> <li>• the impact of non-compliance for the addressee of the audit report.</li> </ul> <p>The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance.</p> <p>We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws and regulations.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
<b>Responsibilities to establish and maintain appropriate standards of conduct and personal integrity</b>	
<p>You should at all times take all practicable steps to ensure that your members and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a “Code of Conduct” and, where applicable, support the “Code of Conduct” with policies and procedures.</p> <p>The expected standards of conduct and personal integrity should be determined by reference to accepted “Codes of Conduct” that apply to the public sector.</p>	<p>We will have regard to whether you maintain high standards of conduct and personal integrity – particularly in matters relating to financial management and accountability. Specifically, we will be alert for significant instances where members and employees of the City Council and group may not have acted in accordance with the standards of conduct and personal integrity expected of them.</p> <p>The way in which we will report instances that come to our attention will depend on significance. We will report to you and to the Auditor-General all significant departures from expected standards of conduct and personal integrity that come to our attention during the audit.</p> <p>The Auditor-General, on receiving a report from us, may, at his discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.</p>
<b>Responsibilities for conflicts of interest and related parties</b>	
<p>You should have policies and procedures to ensure that your members and employees carry out their duties free from bias.</p> <p>You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and statement of service performance in accordance with generally accepted accounting practice.</p>	<p>To help determine whether your members and employees have carried out their duties free from bias, we will review information provided by you that identifies related parties, and will be alert for other material related-party transactions. Depending on the circumstances, we may enquire whether you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and statement of service performance.</p>



Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities for publishing the audited financial statements on a website	
<p>You are responsible for the electronic presentation of the financial statements and statement of service performance on the public entity's website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented.</p> <p>If the audit report is reproduced in any medium, you should present the complete financial statements, including notes, accounting policies, and any other accountability statements.</p>	<p>Examining the controls over the electronic presentation of audited financial statements and statement of service performance, and the associated audit report, on your website is beyond the scope of the annual audit.</p>

## **Appendix 2: Health and safety of audit staff**

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 you to keep our audit staff safe while they are working at your premises. We expect you to provide a safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you 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.