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Monday, 18 July 2022

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*Te Hui o Te Kaunihera ā-Rohe o Heretaunga*  
**Hastings District Council**  
**Risk and Assurance Committee Meeting**

*Kaupapataka*

# Attachments Under Separate Cover

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*Te Rā Hui:*  
Meeting date: **Monday, 18 July 2022**

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*Te Wā:*  
Time: **1.00pm**

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*Te Wāhi:*  
Venue: **Council Chamber  
Ground Floor  
Civic Administration Building  
Lyndon Road East  
Hastings**

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# Audit plan

## Hastings District Council

For the year ending 30 June 2022

## Audit plan

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

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

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

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

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

Yours sincerely



Karen Young  
Appointed Auditor  
25 May 2022

## Audit risks and issues

### Focus areas



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

Audit risk/issue	Our audit response
<b>Reporting on mandatory performance measures</b>	
<p>In previous years, we have made recommendations to improve systems and processes for reporting against the DIA mandatory performance measures for the three waters and roading.</p> <p>Our recent audit opinions for were modified on certain performance information – the total number of complaints received – Water supply, Wastewater and Stormwater (2019/20 and 2020/21), and reliability of water loss percentage (2020/21).</p> <p>To ensure the integrity and efficiency of reporting, the District Council should ensure:</p> <ul style="list-style-type: none"> <li>• there is a clear understanding of what the measure is intended to measure;</li> <li>• ensures that it has the appropriate systems, processes and controls in place to accurately report and collate the data; and</li> <li>• consider what level of verification or independent review/quality assurance is appropriate</li> </ul>	<p>During the interim audit, we will:</p> <ul style="list-style-type: none"> <li>• review the systems, processes and controls in place to report and collate performance data;</li> <li>• consider how clearly these processes and key definitions are documented and whether they have been appropriately communicated to staff; and</li> <li>• consider whether the level of verification or independent review/quality assurance that the District Council is seeking is appropriate.</li> </ul> <p>During the final audit, we will:</p> <ul style="list-style-type: none"> <li>• for all the material performance measures, we will perform testing to confirm that the reported performance in the statement of service provision is fairly reflected;</li> <li>• review the reasons for any significant variation between the levels of service achieved and the intended level of service; and</li> <li>• consider the effectiveness of the overall performance story in communicating the District Council’s achievements for the year.</li> </ul>

Audit risk/issue	Our audit response
<b>Revaluation of three waters</b>	
<p>Public sector accounting standards require that revaluations be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The District Council’s policy is to revalue its three waters infrastructural assets every two years. Therefore, a full revaluation is required for the year ending 30 June 2022.</p>	<p>We will review the revaluation of the three waters infrastructural assets to:</p> <ul style="list-style-type: none"> <li>• assess the valuation process, including the competence, experience and independence of the person completing the valuation. We understand the assets are revalued internally by engineers, and peer reviewed by an external independent valuer;</li> <li>• review the valuation report to assess whether the requirements of PBE IPAS 17 <i>Property, Plant and Equipment</i> (including the appropriateness of the valuation basis) have been met;</li> <li>• ensure changes to useful lives have been appropriately taken up, and values and depreciation charges have been appropriately accounted for;</li> <li>• determine how unit rates for replacement costs have been determined. We will confirm the reasonableness of a sample of unit costs by reference to recent capital works undertaken by the District Council; and</li> <li>• assess the accounting entries, presentation and disclosure of information related to the valuation in the financial statements</li> </ul> <p>As part of the process, we will:</p> <ul style="list-style-type: none"> <li>• enquire into the processes employed by the District Council to ensure that the items revalued are complete, and any items excluded from the revaluation and reason for this;</li> <li>• review how the District Council satisfies itself that the revaluation is appropriate; and</li> <li>• discuss the results with, and obtain an assurance letter from the independent reviewer.</li> </ul>

Audit risk/issue	Our audit response
<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 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; and</li> <li>• evaluating any unusual or one-off transactions, including those with related parties.</li> </ul>
<b>Fair value assessment of land and buildings, roading, parks and reserves, and other revalued assets</b>	
<p>The fair value of property, plant and equipment assets measured at fair value needs to be assessed at each reporting date to see if there has been a material movement in value. If there has been a material movement, then a revaluation of the relevant asset class is required. If the fair value movement is not material then a revaluation of that asset class is not required this year. When the fair value of a revalued asset differs materially from its carrying amount, a full revaluation of the asset class becomes necessary.</p> <p>Fair value assessment of the following asset classes are required this year:</p> <ul style="list-style-type: none"> <li>• Land and buildings (every three years) – last revalued 30 June 2021</li> <li>• Roothing (except land under roads) (every two years) – last revalued 30 June 2021</li> <li>• Parks and reserves (every two years) – last revalued 30 June 2021</li> <li>• Library collection (annually) – last revalued 30 June 2021</li> <li>• Heritage assets (every five years) – last revalued 30 June 2018</li> </ul>	<p>We will review management’s fair value assessments and the evidence to support that assessment, and if any assets require impairment. An example of where assets may require impairment include the assumptions for the assets future use/and or useful life has changed.</p> <p>The audit work includes reviewing management’s methodology for making this assessment, and the reasonability of key estimates and assumptions.</p>

Audit risk/issue	Our audit response
<b>Capital do-ability and carry forward of projects</b>	
<p>The District Council has an ambitious capital programme for the current year. There is a risk that the District Council will not be able to complete the capital programme for a number of different reasons including contractor and goods availability.</p> <p>This is a risk because it has the potential to impact on the District Council's ability to deliver the levels of service committed through the Long Term Plan and annual plan processes. It can also cause cost escalation issues if projects are not completed in a timely manner.</p>	<p>We will monitor the District Council's capital spend and assess whether this has any impact on the levels of services.</p>
<b>Accounting for central government funding</b>	
<p>The Government has announced a number of funding initiatives to support housing and infrastructure development, stimulate economic recovery following the impact of Covid-19 and to support Councils to transition through the Three Waters Reform. This included the following packages:</p> <ul style="list-style-type: none"> <li>• A \$3.8 billion Housing acceleration fund announced on 23 March 2021. \$1 billion of this has been set aside for investment in local infrastructure. While the majority of this funding is available to agencies other than local government, we would expect that this is likely to result in vested assets in the future.</li> <li>• \$2.5 billion known as the "better off" and "no worse off" package aimed at supporting local government transition through the three waters reforms. We understand that Councils are able to apply for their share of an initial \$500 million tranche currently available from this package.</li> <li>• \$2.6 billion shovel ready funding package aimed at supporting economic recovery following Covid-19.</li> <li>• \$761 million funding package provided to local authorities to maintain and improve three waters infrastructure.</li> </ul>	<p>The District Council should ensure that any funding agreements entered into with the Government in relation to these or other funding packages are properly accounted for and fairly reflected in the financial statements. We would recommend Council considers obtaining accounting advice in relation to the accounting.</p> <p>We will review the accounting of grants revenue to ensure it is in accordance with the obligations of the contracts and the relevant accounting standards.</p>

Audit risk/issue	Our audit response
<b>Impact of three waters reform</b>	
<p>On 27 October 2021, the Local Government Minister announced the Government’s intention to proceed with the three waters service delivery reforms using a legislated “all in” approach. The Three Waters Reform involves the creation of four statutory water services entities to be responsible for the service delivery and infrastructure currently owned by local authorities, with effect from 1 July 2024. The Three Waters Reform programme is expected to result in significant changes to how water supply, wastewater and stormwater assets are owned and managed in the local government sector.</p> <p>There are still a number of uncertainties associated with the new three waters delivery model including the mechanism for how assets will be transferred to the newly established entities, and the control and governance of these entities and the accounting implications. Notwithstanding the current uncertainty the announcement once legislated will mean Council is no longer responsible for the delivery and infrastructure of three water services from 1 July 2024.</p> <p>The Council should ensure that sufficient disclosure about impact of the reform (to the extent that the impact is known) is included in the annual report.</p>	<p>Because the impact could be significant, but is uncertain, we are likely to include information in our audit report to draw a reader’s attention to Council’s disclosure about the Three Waters Reform programme.</p>
<b>Configuration and customisations costs for Software-as-a-service (SaaS)</b>	
<p>Entities can sometimes incur significant costs when implementing cloud computing arrangements. Until recently, there has been no specific guidance on this subject in IFRS accounting standards.</p> <p>The IFRS Interpretations Committee recently published decisions clarifying how arrangements in respect of a specific part of cloud technology, (SaaS), should be accounted for. The agenda decisions must be applied by for-profit entities. For PBEs, the agenda decisions can be referred to</p>	<p>This could be a challenging project for the District Council requiring an understanding of the SaaS arrangements in place. The Council should complete its own assessment of the arrangements and/or engage external accounting expertise to help with an assessment of the implications or review the Council’s assessment and any necessary adjustments to the financial statements.</p>

Audit risk/issue	Our audit response
<p>in determining the accounting treatment because the underlying intangible asset standards are consistent between IFRS and PBE IPSAS.</p> <p>The District Council should consider whether or not their accounting policy is consistent with the Committees decision and should consider whether costs relating to SaaS are correctly accounted for and appropriate disclosures are included in the financial statements of the District Council.</p> <p>The key issues are whether such costs:</p> <ul style="list-style-type: none"> <li>• shall be capitalised as an intangible asset and amortised; or</li> <li>• expensed when incurred; or</li> <li>• expensed over the term of the software as a service (SAAS) arrangement (including capitalising as a prepaid service if paid upfront).</li> </ul> <p>Changes to the classification of asset balances as a result of the IFRIC’s decision should be treated as a change in accounting policy and accounted for retrospectively. This would require a restatement of prior period amounts in accordance with PBE IPSAS 3 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>.</p>	<p>This could be a challenging project for the District Council requiring an understanding of the SaaS arrangements in place. The Council should complete its own assessment of the arrangements and/or engage external accounting expertise to help with an assessment of the implications or review the Council’s assessment and any necessary adjustments to the financial statements.</p>
<b>Covid-19 impact</b>	
<p>The long-term impact of Covid-19 in New Zealand, and how it might affect public entities, is unknown. However, aspects of the District Council’s operations continue to be impacted by Covid-19.</p> <p>These business risks may also have an impact for the financial statements and performance information, and public sector reporting and therefore an audit risk and impact.</p>	<p>We will be updating our understanding of:</p> <ul style="list-style-type: none"> <li>• the risks the District Council faces, and how these are being managed;</li> <li>• the Covid-19 planning and budgeting assumptions;</li> <li>• any Covid-19 response initiatives;</li> <li>• the effect of Covid-19 on the management control environment, strategy, strategic priorities, workforce capacity and capability, and operations;</li> </ul>

Audit risk/issue	Our audit response
	<ul style="list-style-type: none"> <li>• whether the internal control and reporting systems are in place and functioning effectively;</li> <li>• how, and how well, the above factors are being reflected in the District Council’s financial and performance reporting, including how performance is being assessed;</li> <li>• how the going concern status of the District Council is impacted and considerations that management has made with terms of the going concern assessment; and</li> <li>• any implications the above factors might have for the audit and audit risk.</li> </ul> <p>We will ask the District Council to update its 2019/20 Covid–19 risk assessment and will review this assessment to identify any potential risks for the audit and develop an audit response to address these risks</p>
Adoption of PBE FRS 48 Service performance reporting	
<p>PBE FRS 48 Service Performance Reporting replaced that part of PBE IPSAS 1 <i>Presentation of Financial Statements</i> that deals with service performance reporting requirements and is effective for annual reporting periods beginning on or after 1 January 2022, i.e. for the Council, it is for the year ended 30 June 2023.</p> <p>PBE FRS 48 imposes additional reporting obligations on entities. For example, paragraph 44 requires an entity to “disclose those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information reported in accordance with this Standard that are relevant to an understanding of the entity’s service performance information”. Paragraph 47 allows an entity to cross reference this disclosure to another document, such as the document that sets out the forecast service performance information. Most of these judgements are made at the time the LTP is adopted.</p>	<p>We will review Council’s assessment of the impact of FRS-48.</p>

Audit risk/issue	Our audit response
Although it is not yet applicable, we encourage the Council and management to assess the impact of adopting PBE FRS 48 and consider what disclosure changes will be required in future annual reports.	

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 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 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 group comprises:

- Hastings District Council
- Hastings District Council Holdings Limited (exempted CCO), which in turn is the parent of two other exempted CCOs, Hastings District Properties Limited and Hawke's Bay Opera House Limited
- Te Mata Trust Park Board (exempted CCO)
- Hawke's Bay Airport Limited (Associate)
- Hawke's Bay Museums Trust
- Hawke's Bay Disaster Relief Trust (exempted CCO)
- Hawke's Bay Regional Sports Park Trust

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 have considered the structure of the group and identified that none of the business activities/entities are considered to be a significant component.

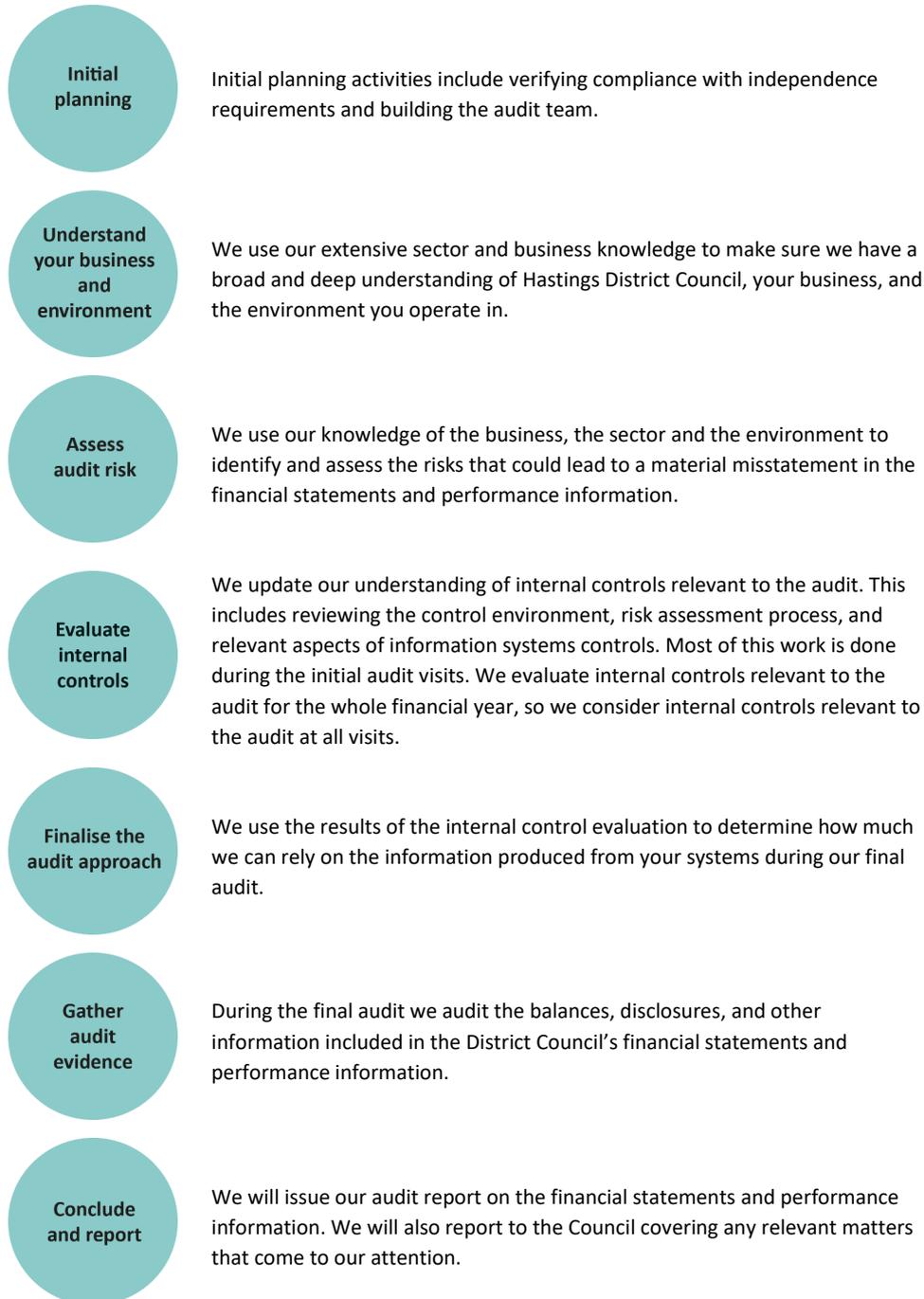
For non-significant components, we will perform analytical procedures at the group level to identify unexpected movements.

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 that we identify.

## Our audit process



**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 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 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 group materiality** for the financial statements at \$223,300,000 based on budgeted property plant and equipment. This is subject to change once the actual results for the current year are available. For this audit we are only applying this overall group materiality to the fair value of property, plant and equipment.

Overall group materiality	\$223,230,000
Specific group materiality	\$3,700,000
Group clearly trivial threshold	\$185,000
Overall parent materiality	\$221,000,000
Specific parent materiality	\$3,500,000
Parent clearly trivial threshold	\$175,000

For this audit we have set a lower, **specific group materiality** of \$3,700,000 for all items not related to the fair value of property, plant and equipment.

We have set **overall parent materiality** for the financial statements at \$221,000,000 based on budgeted property plant and equipment. This is subject to change once the actual results for the current year are available. For this audit we are only applying this overall parent materiality to the

fair value of property, plant and equipment. We have set a lower, **specific materiality** of \$3,500,000 for all items not related to the fair value of property, plant and equipment.

We also set a lower, **specific materiality** for some items due to their sensitivity. For example, we apply a lower specific materiality to related party and key management personnel disclosures.

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 \$185,000 to be clearly trivial for the **group** financial statements and misstatements of less than \$175,000 to be clearly trivial for the **parent** financial statements unless there are qualitative considerations that heighten its significance. We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from management and the Council 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 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 District 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 District 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 % of the reported result (unless it makes a difference as to whether the measure is achieved or not)
<b>Stormwater</b>	
<p><b>Customer satisfaction</b></p> <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%
<b>Wastewater</b>	
<p><b>Dry weather sewerage overflows</b></p> <p>The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system.</p>	8%
<p><b>Discharge compliance/ management of environmental impacts</b></p> <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</li> <li>d) convictions</li> </ul> <p>received by the territorial authority in relation to those resource consents.</p>	0%  The result is either correct or not
<p><b>Response times</b></p> <p>Where the Council attends to sewerage overflows resulting from a blockage or fault in the Council's sewerage system the following median response times are measured:</p> <ul style="list-style-type: none"> <li>b) Resolution time: From the time that the Council receives notification to the time that service personnel confirm resolution of the blockage.</li> </ul>	8%
<p><b>No. of complaints</b></p> <p>Total number of complaints received by the Council about any of the following:</p> <ul style="list-style-type: none"> <li>• Sewage odour</li> <li>• Sewerage system faults</li> <li>• Sewerage system blockages</li> <li>• The Council's response to issues with its sewerage system</li> </ul>	5%

Material measure	Materiality % of the reported result (unless it makes a difference as to whether the measure is achieved or not)
<b>Water</b>	
<p><b>Safety of drinking water</b></p> <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)</li> <li>b) part 5 of the drinking-water standards (protozoal compliance criteria)</li> </ul>	0%
<p><b>Maintenance of the reticulation network</b></p> <p>The percentage of real water loss from the local authorities networked reticulation system (including a description of the methodology used to calculate this).</p>	8%
<p><b>Customer satisfaction</b></p> <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</li> <li>f) The local authorities response to any of these issues</li> </ul> <p>Expressed per 1000 connections to the local authorities networked reticulation system.</p>	5%
<p><b>Demand Management</b></p> <p>The average consumption of drinking water per day per resident within the territorial authority district.</p>	8%
<p><b>Fault response times</b></p> <p>Where the local authority attends a call-out in response to a fault or unplanned interruption to its network reticulation system, the following median response times are measured: b) resolution of urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption.</p>	8%

Material measure	Materiality % of the reported result (unless it makes a difference as to whether the measure is achieved or not)
<b>Roading</b>	
<b>Road Safety</b> 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%
<b>Condition of the sealed road network</b> The average quality or ride on a sealed local road network, measured by smooth travel exposure.	10%
<b>Safe, healthy and liveable communities</b>	
<b>Building and resource consents - processing times</b> Percentage of building consent applications processed in accordance with statutory timeframes. Percentage of non-notified resource consents processed within statutory timeframes.	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:

- District 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 District Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by District 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 District 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 Council



We will provide a draft of all reports to management (and Council) for discussion/clearance purposes. Once management comments are received the report will be finalised and provided to 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:

Karen Young	Appointed Auditor
Megan Wassilieff	Audit Manager
Hannah Corpuz	Assistant Manager
Alan Clifford	Director, Information Systems Audit and Assurance
Robyn Dearlove	Manager, Information Systems Audit and Assurance
Jason Biggins	Tax Director

In our Audit Proposal Letter dated 5 May 2020 we included an Engagement Quality Review (EQR) Director on the audit team. Following a recent amendment to the auditing standards that apply and consideration of the risk profile for your audit, and have determined that an EQR is no longer needed. We can assure you that this change will not diminish the quality of our audit.

**Timetable**



Our proposed timetable is:

	<b>Date in 2022</b>
Interim audit begins	23 May
Draft financial statements available for audit (including notes to the financial statements) with actual year-end figures	21 October
Final audit begins	31 October
Final financial statements available, incorporating all the amendments agreed to between us	To be agreed
Verbal audit clearance given	To be agreed
Annual report available, including any Chair and Chief Executive’s overview or reports	To be agreed
Audit opinion issued	To be agreed
Draft report to Council issued	To be agreed

There is the possibility that, due to Covid-19, there may be disruptions that will require changes to the timetable proposed above. Where this arises, we will discuss a revised timetable with you.

**AuditDashboard**

In 2021, we used AuditDashboard, our online portal, to transfer files between your employees and Audit New Zealand. Overall, the use of AuditDashboard worked well for both the District Council and us.

We will again use AuditDashboard for transferring audits 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 the last two years.

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

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

- Staging and sending the information we request for audit over an agreed period of time as opposed to having all the information requested ready for our arrival at one agreed date.
- Less time spent on travel, so we will have more time focus on auditing what matters and raising issues earlier.
- Reduction in disbursements as we will incur less travel and overnight costs.
- Less auditor time on site which allows you to get on with your work and enables planned focused conversations when these take place.

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

- ensure that you can assess your systems remotely; and
- store supporting documents electronically and be able to easily retrieve these.

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

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

## Expectations



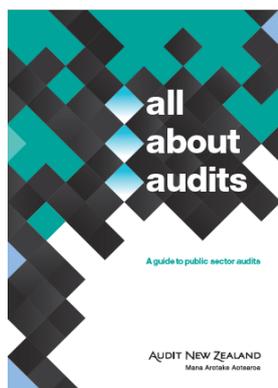
For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

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

We expect that:

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

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



### Health and safety



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

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

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

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

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