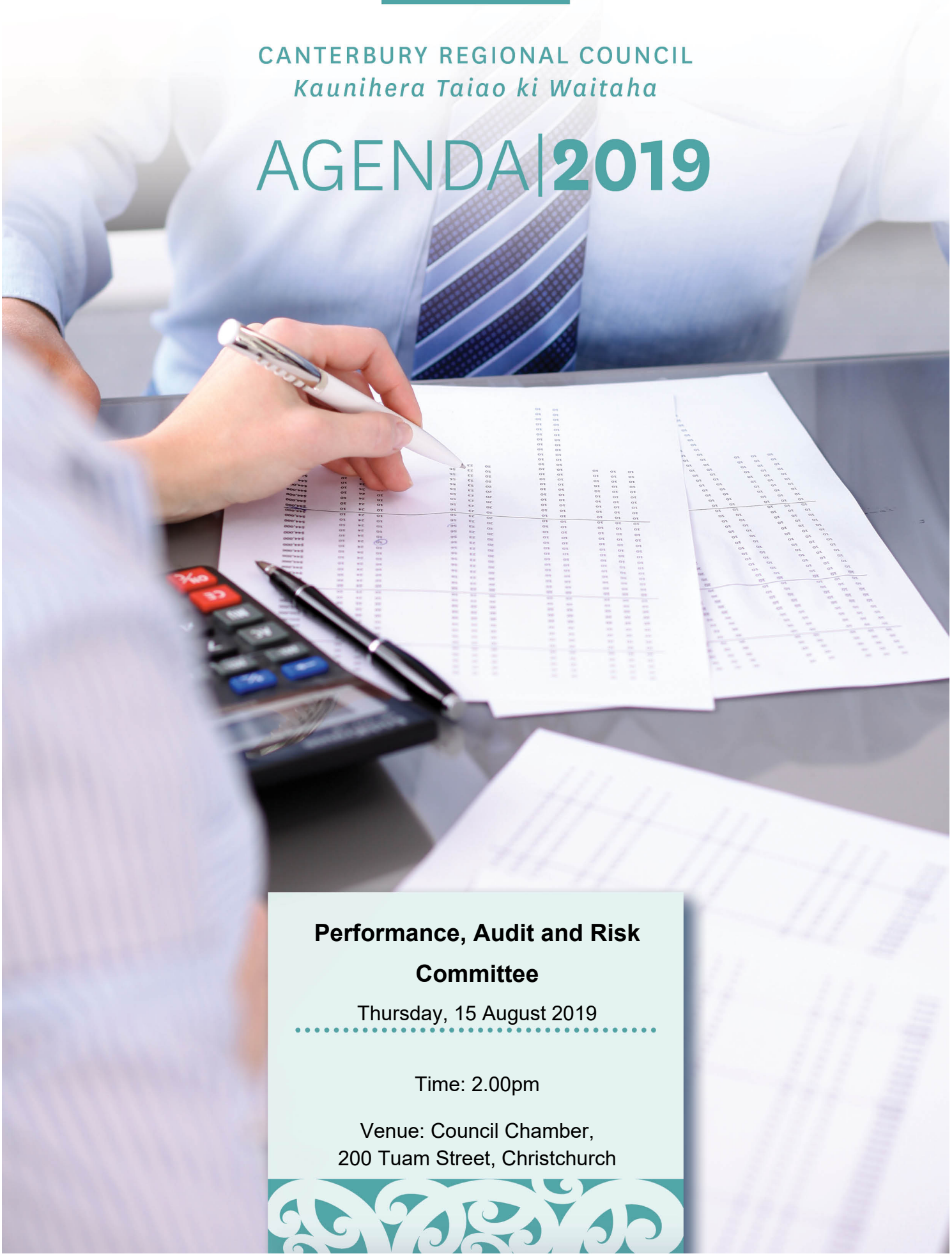
Environment Canterbury Regional Council
Kaunihera Taiao ki Waitaha

CANTERBURY REGIONAL COUNCIL
Kaunihera Taiao ki Waitaha

AGENDA|2019



Performance, Audit and Risk Committee

Thursday, 15 August 2019

Time: 2.00pm

Venue: Council Chamber,
200 Tuam Street, Christchurch

Performance, Audit and Risk Committee

Membership

Chair	John Sunckell
Deputy Chair	Peter Scott
Environment Canterbury Councillors:	Claire McKay
	Iaean Cranwell
	Steve Lowndes

Performance, Audit and Risk Committee

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1. Apologies

2. Conflict of Interest

3. Deputations and Petitions

4. Risk

4.1. Health and Safety

Performance, Audit and Risk Committee (PARC) Report

Date of meeting	15 August 2019
Author	Matthew Bennett Principal Health and Safety Advisor
Endorsed by	Danette Wereta Acting Director Finance and Corporate Services

Purpose

1. To provide a summary of information on Health and Safety matters to the Performance, Audit and Risk Committee.

Recommendations

That the Performance, Audit and Risk Committee:

1. **Receive the Health and Safety Governance Report.**

Summary

2. Progress on the Section Health and Safety Plans has been very positive with the majority of planned activities being completed. In the past the planning cycle begins with the financial year, however it has been realigned this year to start 1 November in order to occur at a time when there are fewer time demands.

3. Eighteen incidents have been reported since the last report (7 June 2019): Seven insignificant, six minor and five moderate events. Sixteen of these have been closed and two are overdue, both having been delayed to key people being on leave.

4. It is very sad to have to report on passing of one of the scientists in the Environmental Science and Hazards Team. By all accounts he was a very valuable member of the team and a much loved and wonderful person.

Attachments

1. Health and Safety 8 August 2019 [**4.1.1** - 5 pages]

Health and Safety Report: 8 June – 7 August 2019

Summary

- Progress on the Section H+S Plans has been very positive with the majority of planned activities being completed. In the past the planning cycle begins with the financial year, however it has been realigned this year to start 1 November in order to occur at a time when there are fewer time demands.
- **Eighteen incidents Have been reported since the last report** (7 June 2019): Seven insignificant, six minor and five moderate events. Sixteen of these have been closed and two are overdue, both having been delayed to key people being on leave.
- It has very sad to have to report on passing of one of the scientists in the Environmental Science and Hazards Team. By all accounts he was a very valuable member of the team and a much loved and wonderful person.

Health and Safety Strategy Work Programme

Strategy Update

Programme	Details	Stage
Visible Safety Leadership	Safety Tours by Directors and Senior Leaders	Underway
Information sharing	Improving the methods of sharing health and safety information and learnings	Design and Development
Safe Systems of Work	Development, reviewing and updating of safe systems of work for all tasks / activities that expose ECan workers to potential harm	Underway
External reviewing of high-risk work	Engage external consultants and experts to look a key work activities and measure against good practice and principles	Underway
Health & Safety Training for all Senior Leaders	Develop an H+S Training package for People Leaders – principles of H+S, Hazard / Risk Identification, Incident Management. HR add an H&S induction for new People Leaders.	Underway
Incident management and learning	Improve the quality of incident management and implementation of learnings	Design and Development
Improvement and corrective actions	Develop and utilise an effective method for improvement and corrective actions including alerting and escalation of actions and reporting on progress	Design and Development
Health & Safety data and information management	Design and implement an effective system for collecting, managing, analysing and reporting health & safety at all levels and across all of Environment Canterbury	Design and Development
Training and Competency Data	Develop a training management system that enables clear view of training requirements and currency	Design and Development
Review of H+S Policy and Management Structure	Undertake an internal desktop review of the health and safety policy and management structure against ISO 45001	Complete
Contractor Management	Develop a centralised database and supporting resources to enable effective contractor management in line with the contractor management protocol	Underway
Worksite Inspections	Inspection ECan worksites and activities as planned in the Section H+S Plans	Underway
H+S Staff Surveying	Designing of surveying method for collecting worker input on the performance and effectiveness of HSMS and Strategy. Survey results used do drive a feedback loop.	Design and Development
PPE Project	Implementation of the recommendations from the Review of PPE	Underway

The H+S Data and Information Management project is preparing to enter a testing phase and tracking to plan.

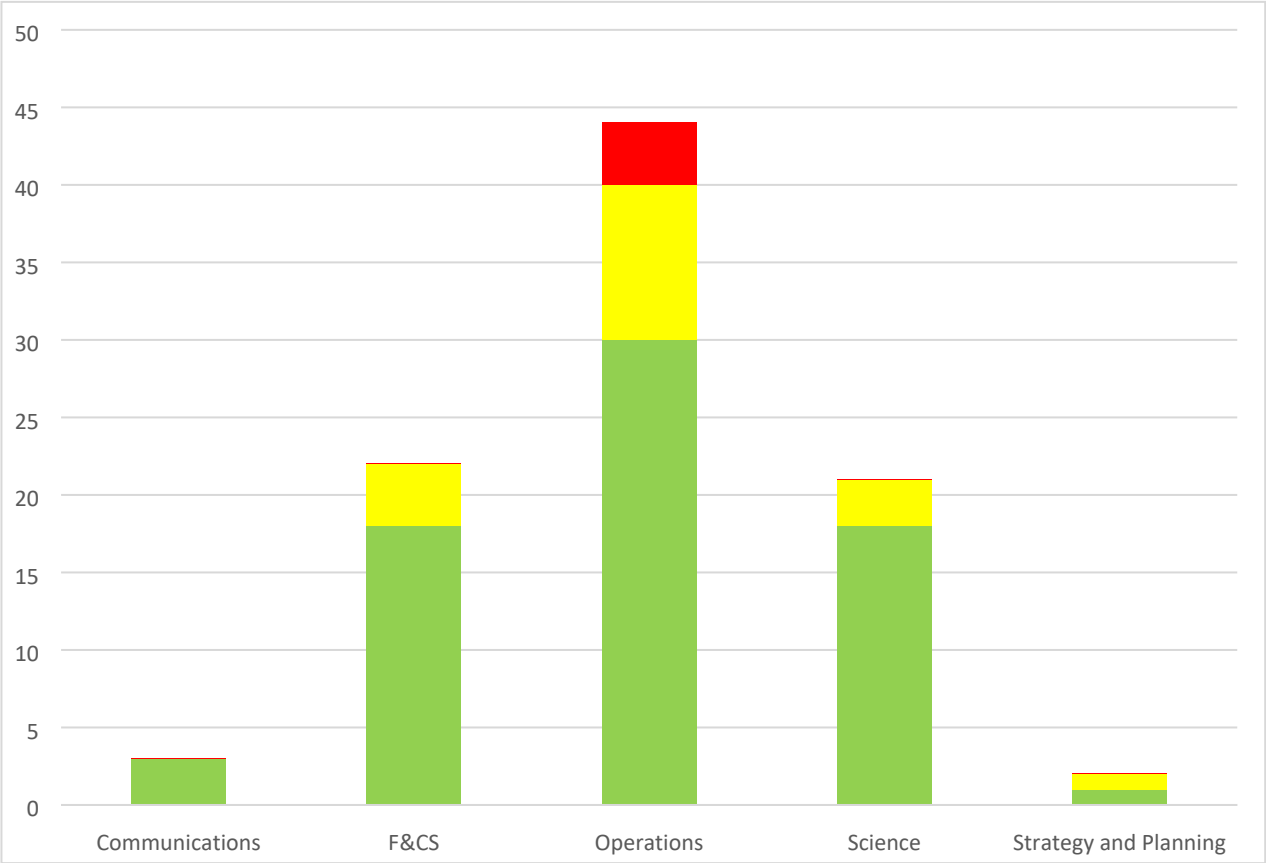
The roll out of a H+S for People Leaders training has begun, with the first of five sessions being run over August. Approximately 55 Senior and Team Leaders are enrolled on the course.

In addition to the work programme above, after feedback from across the business units H+S has taken on the oversight and provision of first aid kits. This will ensure that all workers have access to good quality supplies quickly, anytime the need arises.

Lead Indicators

Since the previous detailed risk profile report and number of sections have responded, developing and / or finalising standard operating procedures and adjusting schedules to ensure that planned activities are progressed / completed by the end of the H+S Section Plan cycle, resulting in a positive improvement in the overall risk profile.

Risk Profile by Section



= Identified risk activity with no documented procedure

= Procedure has been developed for the activity / task however has not been reviewed

= Procedure in place for Activity / Task that has been reviewed within past twelve months

Lag Indicators

Incidents from 6 June – 5 August 2019:

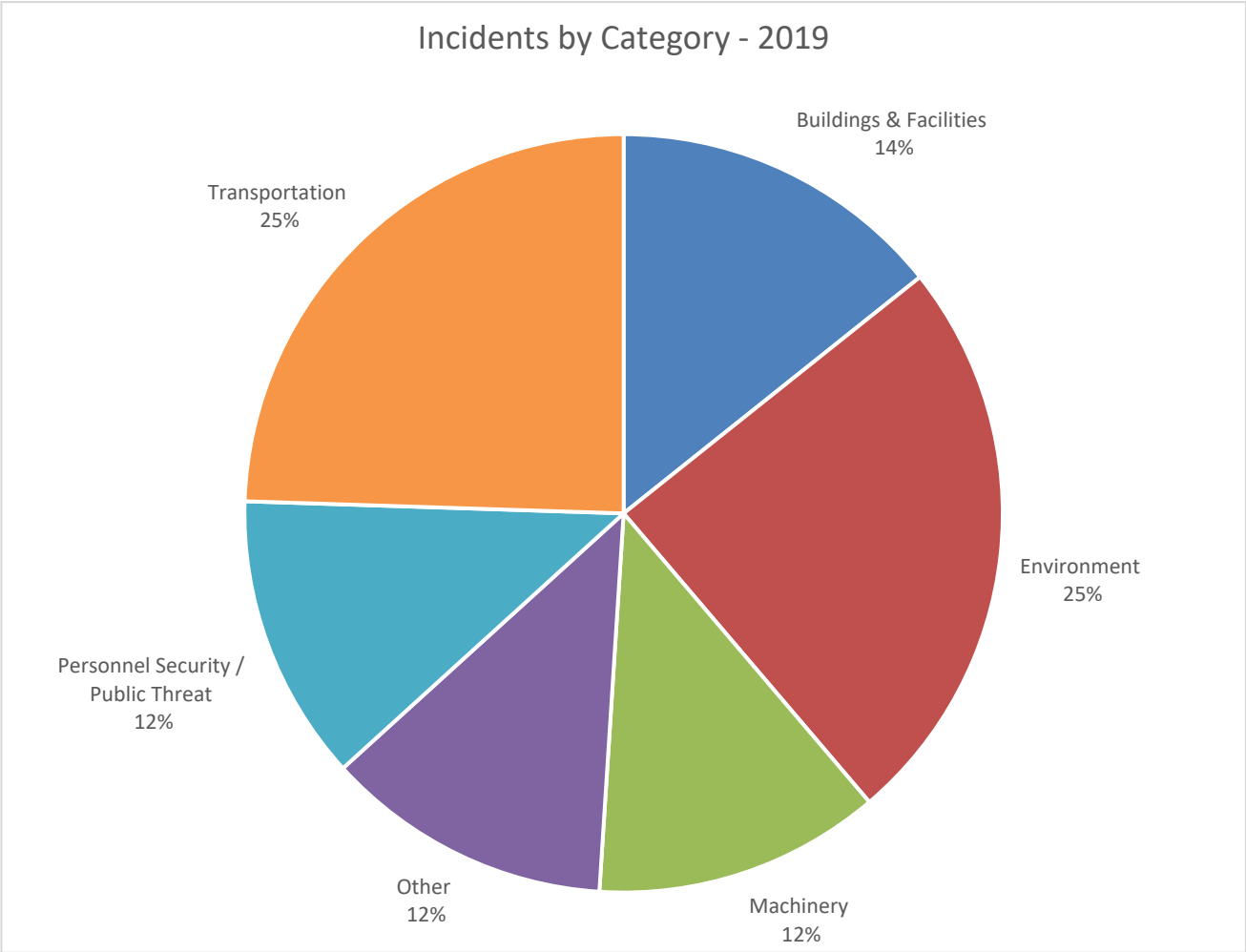
Title	Date	Group	Section	Risk Category	Risk sub-category	Status	Actual Harm
Stone Flick	30/07/2019	Operations	River Engineering	Transportation	Land - Truck (4WD)	Closed	Insignificant
Dog Threat	24/07/2019	Operations	Zone Delivery	Personnel Security / Public Threat	Off-site	Closed	Insignificant
Mata Lane Sprain	24/07/2019	Finance & Corporate Services	Finance	Buildings & Facilities	Non Ecan Property	Closed	Minor
Contractor Practices	17/07/2019	Contractor	Operations	Machinery	Heavy	Closed	Insignificant
Low Speed Judgement Error	13/07/2019	Operations	FS - Parks & Forests	Transportation	Land - Truck (4WD)	Closed	Insignificant
Fainting	27/06/2019	Science	Groundwater	Other	Fatigue	Closed	Minor
Slip on ice	27/06/2019	Science	Groundwater	Environment	Weather	Closed	Minor
Boat Ramp Slip	24/06/2019	Operations	River Engineering	Environment	Terrain	Closed	Moderate
Free running Winch	21/06/2019	Operations	FS - Parks & Forests	Machinery	Hand held	Closed	Minor
Smoko Trip	20/06/2019	Operations	FS - Depots	Buildings & Facilities	Ecan Property	Closed	Moderate
Motorbike Fall	18/06/2019	Operations	FS - Biosecurity	Transportation	Land - Motorbike	Overdue	Moderate
Truck Bash Plate	14/06/2019	Operations	River Engineering	Transportation	Land - Truck (4WD)	Overdue	Insignificant
Pedestrian Close Call	14/06/2019	Operations	River Engineering	Transportation	Land - Truck (4WD)	Closed	Insignificant
Threats to Cleaner	14/06/2019	Contractor	Operations	Personnel Security / Public Threat	Onsite	Closed	Insignificant
Threatening Customer	12/06/2019	Operations	Zone Delivery	Personnel Security / Public Threat	Onsite	Closed	Moderate
Pole Cutting Wrist Sprain	10/06/2019	Operations	FS - Depots	Other	Manual Handling	Closed	Moderate
Back Sprain	7/06/2019	Operations	FS - Depots	Environment	Physical task	Closed	Minor
Slip on Truck Deck	6/06/2019	Operations	FS - Biosecurity	Transportation	Land - Truck (4WD)	Overdue	Minor

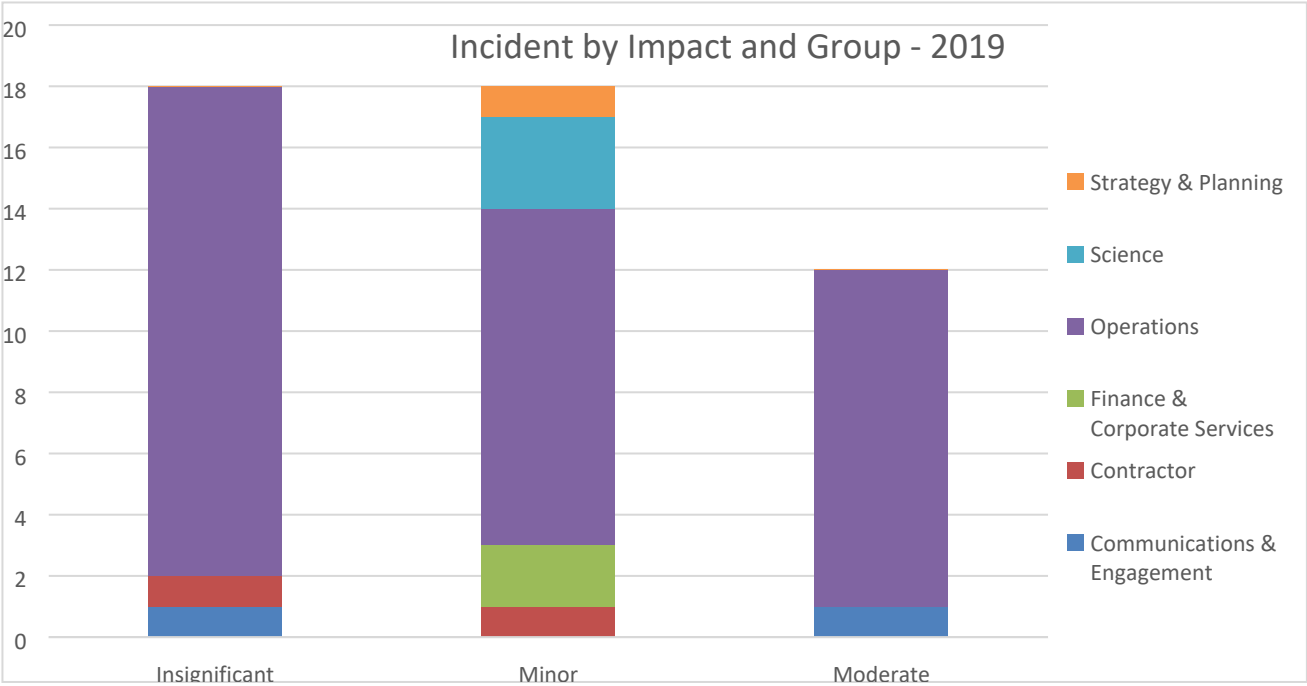
Year-to-date Summary

1 January 2019 – 7 June 2019

Incident by Impact and Group (Table)

	Insignificant	Minor	Moderate	Major & Catastrophic	Total (by Group)
Communications and Engagement	1		1		2
Finance and Corporate Services		2			2
Operations	13	13	10		36
Science		3			3
Strategy and Planning		1			1
Contractors	2	1			3
Non-Workplace					-
Visitor / Public					-
Total (by Impact)	16	20	11	-	47


Incidents by Category - 2019
Buildings & Facilities
14%
Transportation
25%
Environment
25%
Personnel Security /
Public Threat
12%
Other
12%
Machinery
12%


Incident by Impact and Group - 2019
20
18
16
14
12
10
8
6
4
2
0
Insignificant
Minor
Moderate
Strategy & Planning
Science
Operations
Finance &
Corporate Services
Contractor
Communications &
Engagement

5. Performance

5.1. Healthier Homes Canterbury Year End Report

Performance, Audit and Risk Committee (PARC) report

Date of meeting	15 August 2019
Author	Clare Pattison
Endorsed by	Sam Elder

Purpose

1. To provide an update on the performance of Healthier Homes Canterbury.

Recommendations

That the Performance, Audit and Risk Committee:

1. **Receives the performance update on Healthier Homes Canterbury.**

Next steps

2. The next update will be provided to the incoming council.

Attachments

1. HHC PARC report 30 June [**5.1.1** - 4 pages]

File reference	[SharePoint link for this paper]
Peer reviewers	[Names of two peer reviewers who have reviewed this paper]

Healthier Homes Canterbury Performance Update Year End June 2019

Activity

Application volumes and associated value of financial assistance approved are broadly on track (Figure 1). Our minimalist approach to promotion of the scheme appears to be appropriate at this stage. The increased gap between the actual amount approved and actual amount paid is largely due to a time lag between approval, installation and invoicing by suppliers. Higher volumes and the manual administration have had some impact in the winter months. We expect the gap resulting from that to reduce from September, when the software is in place.

We have increased from 20 to 23 suppliers across Canterbury. We have 19 households awaiting heating audits and 35 have been completed. Opus is contracted to provide this service. EECA provides insulation audits as part of our MOU.

The 3-year agreement with Christchurch City Council to enable Christchurch households to have a free Home Performance Assessment (HPA) is in place. For this financial year the target was 700 households at a total cost of $105,000. The allocation was spread evenly over 6 HPA certified suppliers. The actual volumes were less than predicted volumes due to time constraints on delivery once all necessary legal agreements were in place. This will resolve in the next financial year. The only supplier to carry out Home Performance Assessments that met our criteria was Community Energy Action, with 56 completed by the end of financial year.

Applications continue to be received from across Canterbury, with the majority (63%) being received from Christchurch (Table 1). Christchurch applications are from across 65 suburbs.

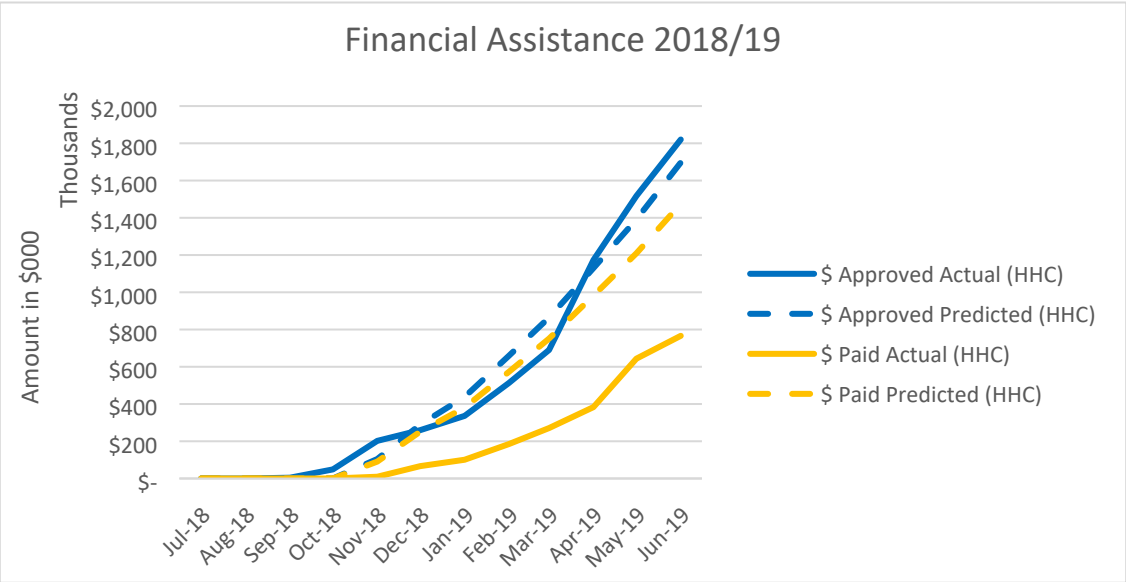


Figure 1: Cumulative value of financial assistance approved and paid

Table 1. Application statistics for Healthier Homes Canterbury to 30 June 2019.

Earliest application date:	24/09/2018
Most recent application date:	28/06/2019

Application status (current)	
Applied:	0
Awaiting TA:	16
Accepted:	0
TA Approved:	16
Declined[1]:	40
Cancelled:	0
On Hold:	23
PO Issued:	179
Installed:	53
Invoice Paid:	181
Withdrawn[2]	28
Total number applications:	**536**

Owner occupied and rentals	
Owner occupied:	460
Rental:	63
Not provided:	13
	536

Number of applications by district	
Kaikoura	0
Hurunui	1
Waimakariri	73
Christchurch City	340
Selwyn	22
Ashburton	35
Timaru	54
Mackenzie	1
Waimate	10
Waitaki	0

Financial Performance

The margin for households is set at 5.9% for the 2019/20 year. The margin will be reviewed annually based on borrowing costs, operating costs and uptake of the scheme. This will ensure the scheme remains self-financing.

The full installation amount plus interest will be recovered via the applicant's rates bills over nine years. Repayments for any installations completed by the end of May 2019 will commence 1 July 2019.

The scheme administration cost must be kept low to ensure that scheme interest rates remain favourable for rate payers. Costs are well below budget YTD (Figure 2); however, are expected to increase as application volumes increase and processing of repayments start.

Checks are in place to ensure that the total value of the financial assistance approved remains within budget.

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[1] Applications are declined if the district council advises the applicant rates history does not meet criteria.

[2] Applications are withdrawn if the applicant decides not to proceed after approval e.g. applicant now determines it is not affordable.

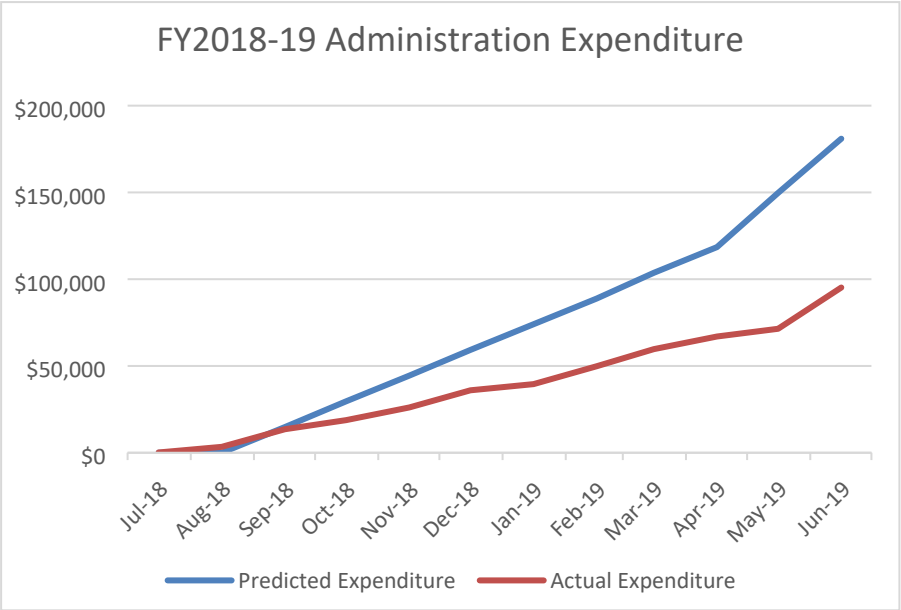

Figure 2: HHC Administration cost compared to predicted

Risk Summary

Risks associated with the scheme are being proactively managed, as outlined in Table 2.

No.	Identified risk	Risk	Mitigation measures
1	If our administration processes and systems are not well developed, then there is an increased risk of higher administrative costs and higher likelihood of financial or other processing errors.	Medium	Currently we have a software project in execution phase to reduce the risk of errors and to increase automation to lower administrative overheads. We also have additional administration staff in place. Process flowcharts have been developed for all key processes and peer reviewed by relevant staff.
2	If there is too much interest in the project, then we won't have the financial capacity to approve all the applications.	Medium	The level of marketing has been reduced to manage demand. We are working with customers to help identify other options e.g. subsidies. We also have the option to develop referral systems or use various criteria to prioritise some customers, however this is not in place currently.
3	If the processes with TAs for managing rates and LIM are not established, then we may not get as much money repaid	Medium	We have been working with TAs to ensure they are all up to speed with this, and have provided them up to date copies of process maps

No.	Identified risk	Risk	Mitigation measures
4	If increased operational costs of scheme result in the borrowing interest rate to new customers rising to prohibitive levels, then the scheme may cease to be viable.	Medium	A process has been implemented to routinely monitor operational costs and ensure that they stay at an acceptable level.
5	If rising global and NZ interest rates result in prohibitive borrowing interest rates to customers and actual interest costs exceeding budget, then the scheme may cease to be viable.	Medium	Fixed term borrowing and active treasury management.
6	If there is a lack of clarity about what products are included, then people might commit to work we cannot pay for.	Low	The website is plain English and outlines the options for customers. We have used FAQs to specify/clarify what we will allow in terms of ventilation and document our approach to LED lights and cylinder wraps.
7	If the installation quality is inferior, then ratepayers may not be satisfied with the service.	Low	We have used initial audit process coupled with ongoing random audit process to ensure quality standards are maintained. Service providers failing to meet the required standard will be removed from the project.
8	If the scheme does not reach budgeted uptake, then fewer borrowers may not be able to meet the fixed cost of the scheme.	Low	At present interest in the scheme is growing however customer uptake will continue to be regularly monitored.

Table 2: Healthier Homes Canterbury Risks

5.2. Operational Report June 2019

Performance, Audit and Risk Committee (PARC) report

Date of meeting	Thursday, 15 August 2019
Author	Tarsha Triplow Team Leader Corporate Reporting
Endorsed by	Katherine Harbrow Chief Financial Officer

Purpose

1. To report on operational performance by portfolio for the year ended 30 June 2019.

Recommendations

That the Performance, Audit and Risk Committee:

1. **Receives the Operational Performance report for the year ended 30 June 2019.**

Background

2. The Performance, Audit and Risk Committee (PARC) Operations Report includes service delivery and related financial performance information for the year ended 30 June 2019.

Overall Performance

3. At year end 69 of the 72 measured Levels of Service (LoS) performance targets (95.8%) were achieved with the exceptions of these targets;

    a. 9.2 Braided River Action Group (BRAG) was not achieved, a significant amount of work had been undertaken but not all large alpine rivers were completed by 30 June 2019.

    b. 25.2a Urban Development Capacity Assessment was not achieved, the target of inserting housing targets into the Canterbury Regional Policy Statement by December 2018 was not met, the future development strategy was adopted in June/July 2019 and will be inserted during the first quarter of 2019/20

    c. 24.3 Regional Land Transport Plan 2021-2032 – a report that outlines the opportunity for shifting road freight to rail or coastal shipping was not

submitted in the 2018/19 year, the final report will be submitted in the first quarter of 2019/20.

4. As at 30 June 2019, we had an operating deficit of $0.99 million compared to a budgeted deficit of $1.52 million, a favourable variance of $0.53 million. This deficit is lower than budgeted therefore this year there has been less than budgeted reserve use. Further explanation of financial performance is provided in the financial health report.

5. The variance is a result of spending $3.4 million more than budget and receiving $3.93 million more revenue than budget.

Performance against Levels of Service (LoS)

6. The 2018-28 Long-Term Plan contained 41 Levels of Service, 76 measures and 99 targets. Of these targets in the plan, 27 relate to activities expected to be delivered in future years, leaving 72 targets for 2018/19.

7. Targets achieved for the year were 69 out of 72. Those not achieved are explained in overall performance above.

Financial Performance

8. The performance of each portfolio is displayed in the attached report. The significant variances by Portfolio are:

    a. Regional Leadership – $0.99 million better than budgeted deficit, is due to receiving $1.4 million additional rates revenue due to growth in the capital valuation data during the year. User Pays revenue was under by $0.57 million in consents applications and monitoring. Additional grant revenue was received but this was offset by the equivalent expenditure.

    b. Freshwater Management - $0.32 million greater deficit than budgeted largely due to timing of grant revenue in the Environmental Infrastructure projects which will now be received in 2019/20. The CWMS “Fit for Future” a strategic direction project had an overspend of $0.4 million which was approved by Council during the year.

1. Ops BI Report Jun 19 [**5.2.1** - 13 pages]

File reference	[SharePoint link for this paper]
Peer reviewers	Danette Wereta, Acting Finance & Corporate Services

LEVELS OF SERVICE TARGETS 72

Achieved	On Track	Not On Track	Won't Achieve
69	0	0	3

	Revenue	Expenditure	Surplus/Deficit
Actuals	174.77	175.76	-0.99
Budget	170.84	172.36	-1.52
Variance	3.93	3.40	0.53
%Variance	2.30%	1.97%	

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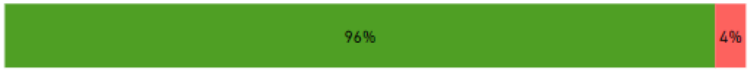
Reporting Period

7/1/2018 6/30/2019

Overall Level of Service Targets Status

Achieved May not be achieved On track to be achieved Will not be achieved

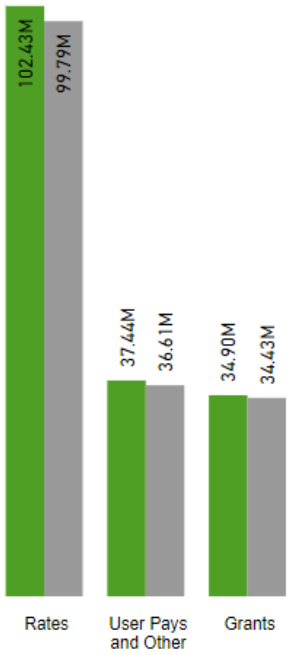


Level of Service By Portfolio

Achieved May not be achieved On track to be achieved Will not be achieved

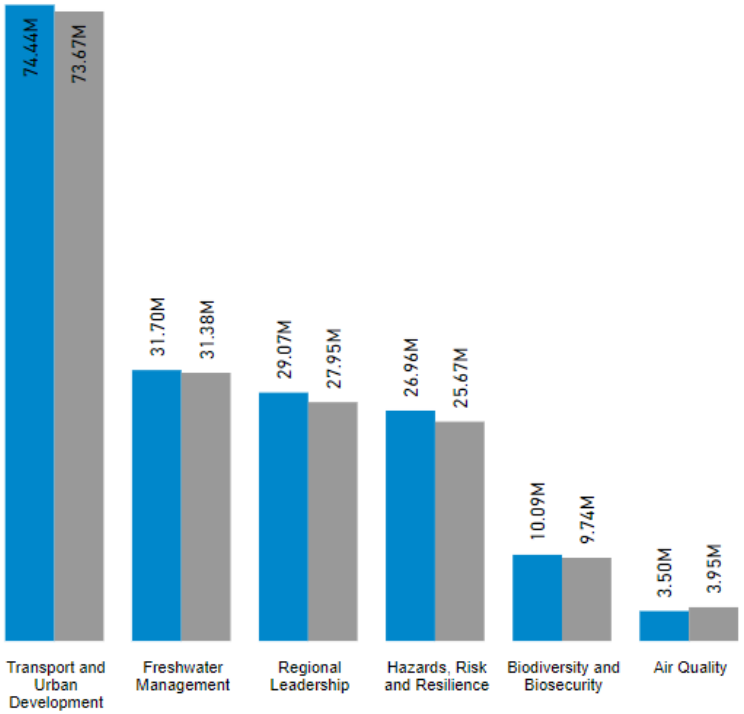
Revenue

YTD Actual Revenue YTD Budget Reve...



Expenditure

YTD Actual Expenditure YTD Budget Expenditure



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Reporting Period

7/1/2018 6/30/2019

Air Quality

Levels Of Service Targets

Achieved	On Track	Not On Track	Won't Achieve
5	0	0	0

Status : Levels Of Service Targets

Achieved May not be achieved Not Monitored On track to be achi... Will not be achi...

100%

Level of Service

2

Measures

5

Targets

5

Not Measured This Year

0

Comment On Service Delivery

This year has been very successful for the Air Quality portfolio. We continue to see improvements in air quality in all airsheds and the long-term trend across Canterbury is that air quality is generally good and getting better. The broad improvement in air quality has allowed us to focus our resources to specific areas, enabling savings in future years. Monitoring and reporting data from all airsheds has been completed, with good data capture rates for the year, and good progress towards evaluating the next round of instrument replacements. Several investigations were undertaken including a significant investigation in Timaru with the report due end of July. We have continued supporting households to transition to cleaner home heating. We have provided information on burner type, fuel type and burning technique via website and digital resources. The level of innovative design in the burners being authorised continues to shift the industry. We have also provided financial support for heat pumps, insulation, ventilation and burners. Healthier Homes Canterbury has had a high level of interest, with 528 applications received and $1.8million allocated to date through this new voluntary targetted rate scheme. Regarding non-domestic emissions we have worked with the community, councils and quarry operators regarding concerns about dust, resulting in improved monitoring of air quality at quarry boundaries. We have also started to pilot an innovative new approach to improve our ability to manage community concerns about odour.

Target

Watchlist

All targets were achieved in 2017/18.

Acronyms / Additional Notes / Metrics

CARP: Canterbury Air Regional Plan
LEB: Low Emission Burner
ULEB: Ultra Low Emission Burner

Emerging Issues

No emerging issues

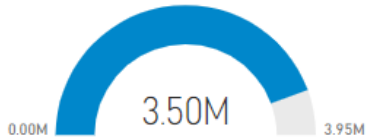
Environment Canterbury Regional Council
Kaunihera Taiao ki Waitaha

Reporting Period

7/1/2018 | 6/30/2019

Air Quality

YTD Actual Expenditure vs Full Year Budget

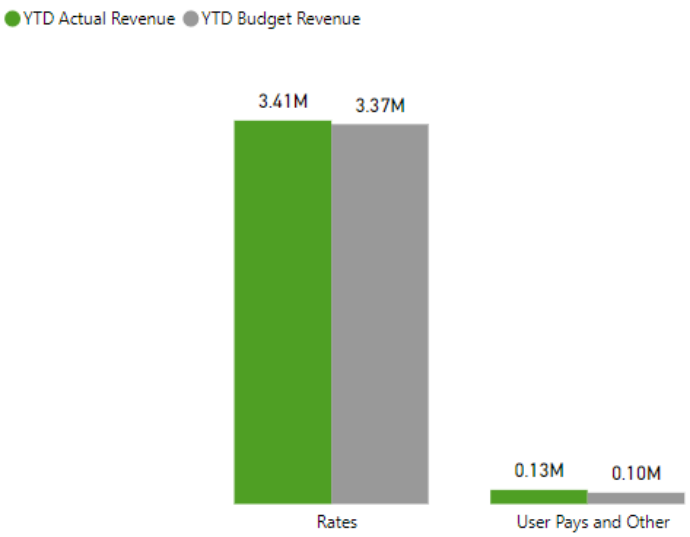


88.65%

YTD Actual/Full Year Budget %

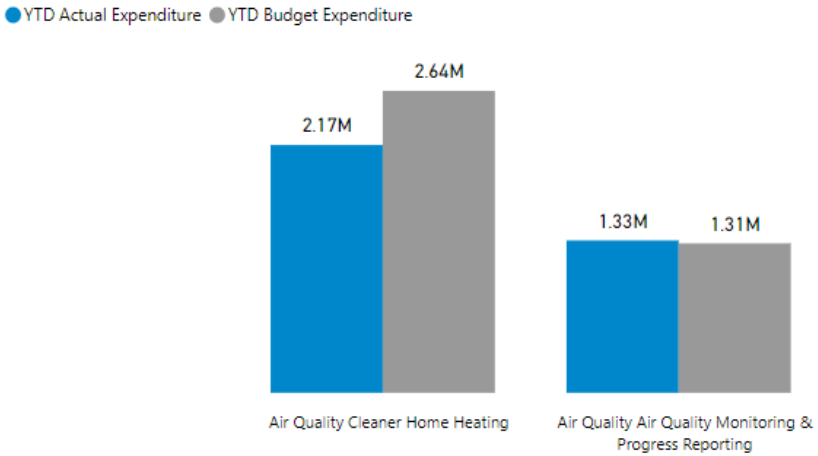
	Revenue	Expenditure	Surplus/Deficit
Actuals	3.53	3.50	0.03
Budget	3.47	3.95	-0.48
Variance	0.06	-0.45	0.51
%Variance	1.67%	-11.35%	

Revenue



Expenditure

The portfolio expenditure is under budget due to a reduced winter campaign in Rangiora, Kaiapoi, Christchurch. There is also a reduced uptake of subsidies this year. This could be because the major deadlines in the CARP have already passed.



Environment Canterbury Regional Council
Kaunihera Taiao ki Waitaha

Reporting Period

7/1/2018 6/30/2019

Level of Service

4

Measures

8

Targets

8

Not Measured This Year

0

Biodiversity and Biosecurity

Levels Of Service Targets

Achieved	On Track	Not On Track	Won't Achieve
7	0	0	1

Status : Levels Of Service Targets

Achieved | May not be achieved | Not Monitored | On track to be achi... | Will not be achi...

88% 13%

Comment On Service Delivery

The biodiversity, biosecurity and wetlands programmes progressed in accordance with seasonal expectations. CWMS zones undertook and completed biodiversity Immediate Steps projects. Operational delivery of the Regional Pest Management Plan and the Biosecurity Advisory Group changes are on track. We worked closely with (including contracting) the Department of Conservation on projects in braided rivers and weed and willow control around Te Waihora to focus resources and effort to achieve better outcomes. Wetland action plans progressed across 11 projects. There is an ongoing focus on aligning and prioritising biodiversity and biosecurity programmes. The Braided Rivers Action Group iworked with stakeholders to identify land ownership and management issues on the major alpine braided rivers and focused on the Ashley/Rakahuri, Ashburton/Hakatere, Waitaki and Rangitata Rivers this year. This work was not completed on all the large alpine rivers by year end due to the work exceeding the resourcing supplied by all partners. ECan braided river non-statutory planning focused on scoping proposed content and delivery approaches for the plans. Braided river operations work focussed on long term weed control surveys and implementing weed control programmes.

Emerging Issues

Work on the BRAG project has slowed due to a lack of project funding from all partners.

Target

Lead the Braided River Action Group (BRAG) project to establish the ownership of land within and on the margins of the large alpine-fed braided rivers by 30 June 2019.

Watchlist

The following target was not achieved in 2017/18:
Objectives in the Regional Pest Management Plan are met.

Acronyms / Additional Notes / Metrics

CWMS: Canterbury Water Management Strategy

Environment Canterbury Regional Council
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Reporting Period

7/1/2018 | 6/30/2019

Biodiversity and Biosecurity

YTD Actual Expenditure vs Full Year Budget

103.59%

YTD Actual/Full Year Budget %

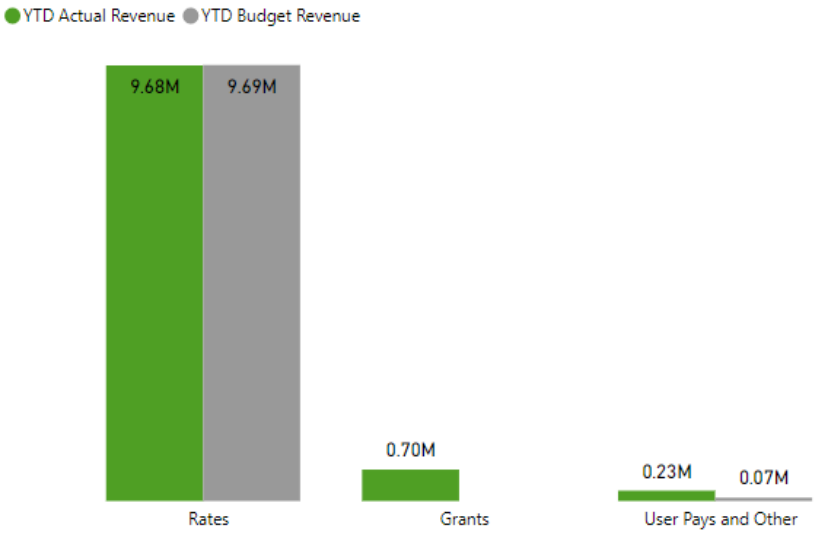
	Revenue	Expenditure	Surplus/Deficit
Actuals	10.61	10.09	0.52
Budget	9.76	9.74	0.03
Variance	0.85	0.35	0.50
%Variance	8.66%	3.59%	

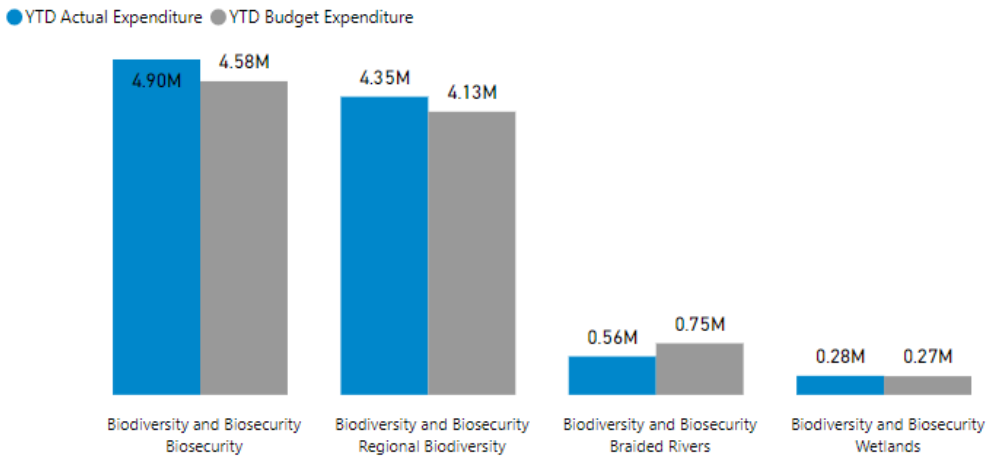
Revenue

Revenue is above year end forecast due to unbudgeted grant funding being received from the Ministry for Primary Industries to fund the Wilding Conifer Project for Canterbury over the next two years.

Expenditure

Expenditure is within budget across the biodiversity and biosecurity portfolio. Within the various areas, the majority of work in the regional biodiversity work programme is complete and will meet year end financial commitments. The Biosecurity work programme has increased revenue from the Ministry for Primary Industry for wilding pine control and a similar increase in expenditure to carry out the wilding pine control work. Rabbit and gorse and broom compliance inspections have an under spend largely due to the release of the RHDV1 K5 virus and the decision to direct resources to higher priority projects. These include a new innovative framework for creating smarter ways of working, in this case focussed on Nassella tussock. The Braided Rivers programme is underspent due to savings required in the current financial year reprioritising work. Wetlands work progressed and is on budget at year end.





Environment Canterbury Regional Council
Kaunihera Taiao ki Waitaha

Reporting Period

7/1/2018 6/30/2019

Level of Service

6

Measures

10

Targets

13

Not Measured This Year

0

Freshwater Management

Levels Of Service Targets

Achieved	On Track	Not On Track	Won't Achieve
13	0	0	0

Comment On Service Delivery

Plan Change 7 (including Waimakariri, OTOP and Omnibus provisions) was notified on 20 July 2019. Plan Change 1 to the Hurunui and Waiau River Regional Plan was notified previously completing annual requirements within schedule and budget. The CWMS Fit for the Future project was completed with final advice approved by the Mayoral Forum in May 2019. Zone Committee meetings have been held throughout the region and all Annual Reports completed and presented to Council. Regional Water Infrastructure Support programme remains on track.
The Ground and Surface Water monitoring programmes on track, but busy with putting water quality and quantity data into useable formats for interpreting and reporting and responding to results of the summer recreation programmes. The Water Use Data projects in Regional Delivery have required additional internal/external labour to process data and manage incoming alerts for water use. CWMS Targets Progress report is on schedule for completion.
The majority of works for the Whakaora Te Waihora programme in 2018/2019 have been delivered noting that planting of the constructed wetlands will now be occurring in 2019/20. Possibilities of 'value add' additions to the project are being explored with funding partners given savings achieved in the engineering and earthworks phase.
Zone Delivery continue to focus on a range of Land and Water implementation projects including for example ensuring Coes Ford/Silverstream catchment farmers are operating at GMP in Selwyn Waihora; industry liaison on Plan Change 5; initiatives in Kaikoura; and further work on mahinga kai & cultural values with those farmers requiring consent. Land purchase for one of the key environmental infrastructure projects in Selwyn has been settled. Updates to the FEP Auditors programme continues to be upgraded. Additional labour has been required for water use compliance monitoring programme to manage the flow of information through the season and manage exceptions.

Emerging Issues

Status : Levels Of Service Targets

Achieved May not be achieved Not Monitored On track to be achi... Will not be achi...

100%

Target

Hurunui- Waiau-2018/19.

Watchlist

The following target was not achieved in 2017/18:
Orari-Temuka-Opihi-Pareora and Waimakariri ZIPA scheduled for Year 3 LTP (2017/18).

Acronyms / Additional Notes / Metrics

CWMS: Canterbury Water Management Strategy
FEP: Farm Environment Plan
GMP - Good Management Practice
OTOP - Orari Temuka Opihi Pareora water zone

ZIP - Zone Implementation Programme Plan
ZIPA - Zone Implementation Plan Addendum

Environment Canterbury Regional Council
Kaunihera Taiao ki Waitaha

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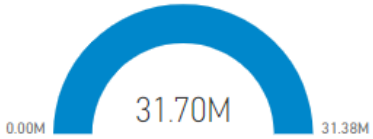
7/1/2018 6/30/2019

Freshwater Management

YTD Actual Expenditure vs Full Year Budget



101.02%

YTD Actual/Full Year Budget %

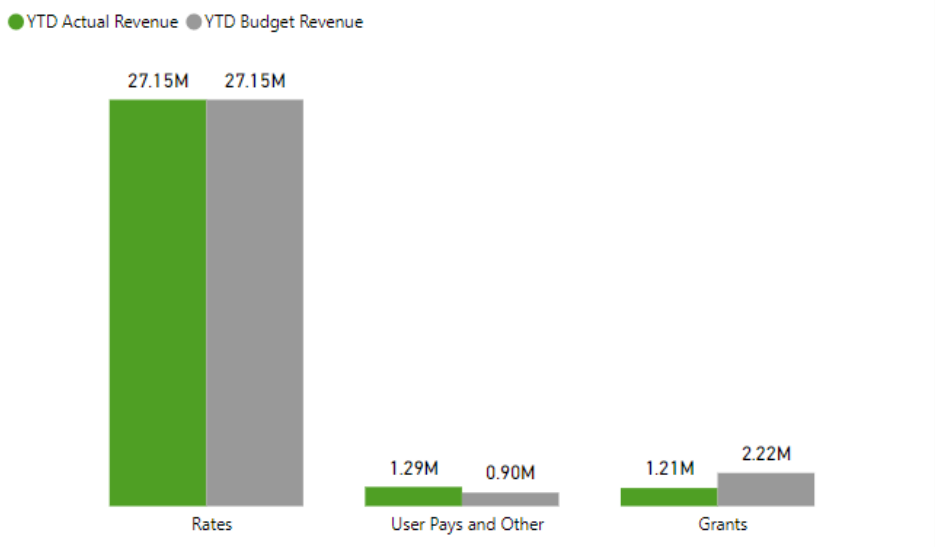
	Revenue	Expenditure	Surplus/Deficit
Actuals	29.65	31.70	-2.06
Budget	30.27	31.38	-1.11
Variance	-0.63	0.32	-0.95
%Variance	-2.07%	1.02%	

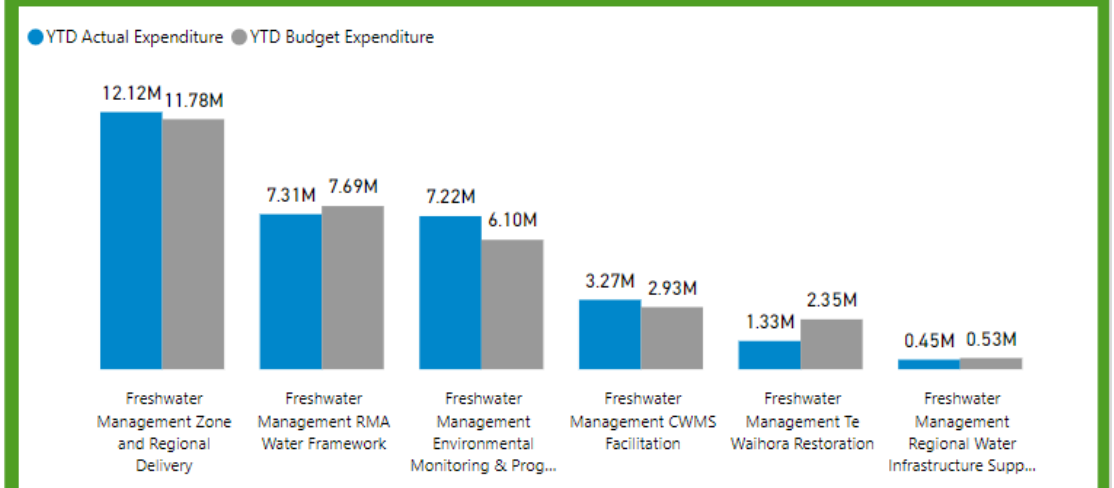
Revenue

Income for the different projects is received from co-funders following progress reporting. Revenue is under budget due to the timing of these grants payments and the timing of project delivery for the Whakaora Te Ahuriri / Ahuriri Lagoon Restoration project, the Wainono project as well as the Selwyn Environmental Infrastructure project.

Expenditure

The Portfolio expenditure is within budget. Overall the Zone Delivery budget has experienced a very small variance but includes a significant underspend for science for zone delivery. Additional zone delivery expenditure was invested in ongoing requirement for advice and support regarding plan implementation across zones and major zone-based projects. A variance in science for environmental monitoring and reporting occurred largely due to extra work for repairs to flood damaged sites and delivery of the recreational monitoring programme. Expenditure on region-wide projects such as fish screening, braided rivers, review of monitoring networks has also been incurred. Water Use Data as anticipated is overspent due to the need for additional external labour to manage incoming water use data. There will be a large carry-over of funds for the Whakaora Te Ahuriri project to the 2019/2020 year given the planting phase for wetland construction will occur in the 2019/20 financial year to allow for initial engineering and earthworks phase to occur, and adequate growing time for plants. RMA Planning Framework and Regional Water Infrastructure Support are within budget, with CWMS Facilitation variance previously recorded due to the CWMS Fit for the Future expenditure.





Environment Canterbury Regional Council
Kaunihera Taiao ki Waitaha

Reporting Period

7/1/2018 6/30/2019

Level of Service

13

Measures

20

Targets

20

Not Measured This Year

0

Hazards, Risk and Resilience

Levels Of Service Targets

Achieved	On Track	Not On Track	Won't Achieve
20	0	0	0

Comment On Service Delivery

This year has seen significant progress towards the management of natural hazard risk and resilience building in our communities. A highlight is completion of the 10-year $40 million project to protect an estimated $8 billion of community assets from the Waimakariri River, and enhance the Regional Park. We have delivered the Hurunui/Kaikoura Earthquake Waste Recovery project, the Rural Waste Pilot project, and progressed HAIL projects. Advice has been provided on the Coastal Environment Plan and coastal hazards issues, particularly to district councils undertaking district plan reviews and plan change processes. Of particular note, we produced a coastal hazard screening assessment report for Selwyn (to inform coastal planning provisions for the District Plan review) and a Coastal Hazard Awareness Layer for Timaru District Council (to help identify areas prone to coastal hazards in the next 100 years). We also delivered a 5-yearly update on Food Safety of Fish & Shellfish in Otautahi Christchurch. The Halswell/Hurutini river scheme review is in final stages of review, showing that climate change will have a significant effect on the scheme. Staff have delivered 21 climate change-related education or information events, including for zone committees, councils, schools, youth workshops and community events. A process to ensure that climate change is robustly factored in to relevant Council decisions is now being piloted within the organisation. We have continued to convene and support the Regional Climate Change Working Group and to advocate for urgent action on climate change, including being the first council in New Zealand to declare a Climate Change Emergency. The first report of Council's greenhouse gas emissions (for 2017) demonstrated leadership in reducing organisational emissions. CDEM Group have progressed planning for an AF8 event and implemented systems which mean the ECC is better prepared to respond to emergencies.

Emerging Issues

No emerging issues

Status : Levels Of Service Targets

Achieved | May not be achieved | Not Monitored | On track to be achi... | Will not be achi...

100%

Target

Watchlist

All targets were achieved in 2017/18.

Acronyms / Additional Notes / Metrics

OTOP: Orari Temuka Opihi Pareora
FENZ: Fire and Emergency New Zealand
JESP: Justice and Emergency Services Precinct
CDEM Group: Canterbury Civil Defence and Emergency Management Group
LINZ: Land Information New Zealand
LiDAR: Light Detection and Ranging
HAIL: Hazardous Activities and Industries List
AF8: Alpine Fault 8 event
ECC: Emergency Control Centre

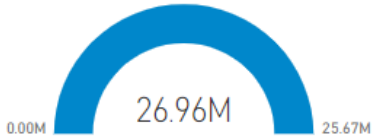
Environment Canterbury Regional Council
Kaunihera Taiao ki Waitaha

Reporting Period

7/1/2018 6/30/2019

Hazards, Risk and Resilience

YTD Actual Expenditure vs Full Year Budget



105.03%

YTD Actual/Full Year Budget %

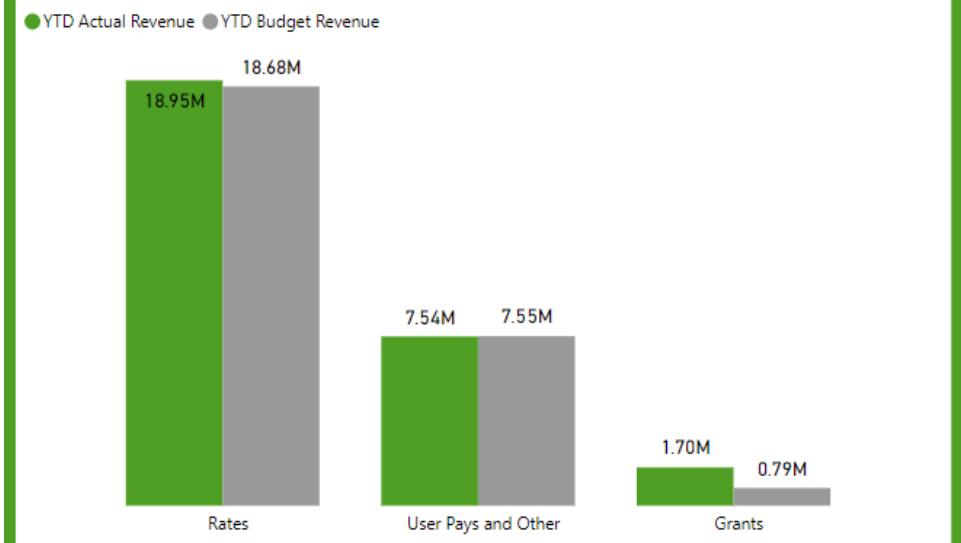
	Revenue	Expenditure	Surplus/Deficit
Actuals	28.19	26.96	1.23
Budget	27.01	25.67	1.35
Variance	1.17	1.29	-0.12
%Variance	4.34%	5.03%	

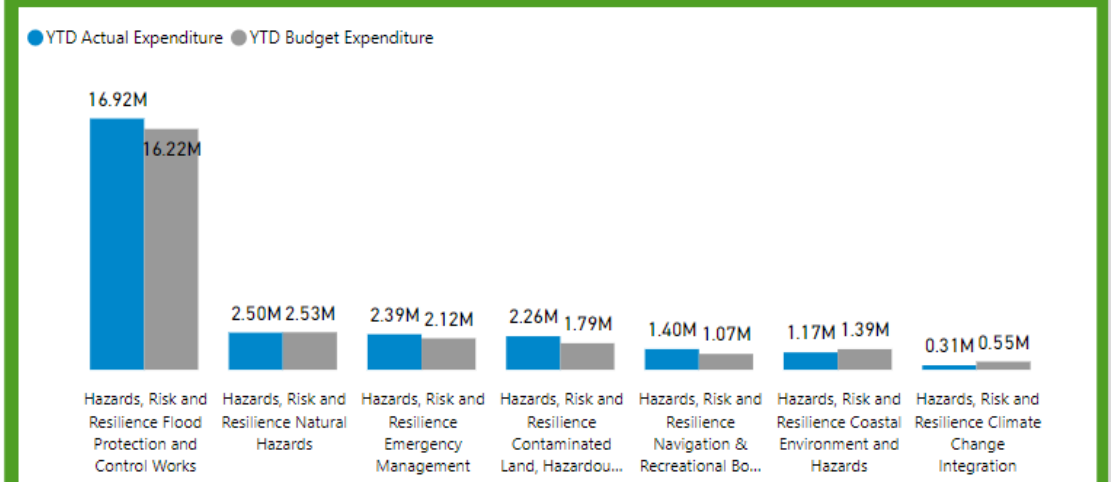
Revenue

The Contaminated Land, Hazardous Substances & Waste programme received more revenue than budgeted due to grant funds receieved from central government to fund the Kaikoura earthquake waste recovery project. Other unbudgeted revenue included a Lower Waitaki grant and CDEM reimbursements. The Coastal Environment and Hazards programme was below budget due to fewer oil spills than anticipated in our cost recoverable marine pollution enforcement work.

Expenditure

In the Flood Protection & Control Works programme there was a Council-approved overspend primarily due to responding to flood damage in central Canterbury. In the Contaminated Land, Hazardous Substances and Waste programme there was an overspend primarily due to the Hurunui-Kaikoura Earthquake Recovery Waste Project. In the Natural Hazards programme there was an underspend primarily due to reduced expenditure on forecasting and records. In both the Climate Change Integration and Coastal Environment programmes there were also underspends due to work anticipated but not yet conducted.





Environment Canterbury Regional Council
Kaunihera Taiao ki Waitaha

Reporting Period

7/1/2018 | 6/30/2019

Regional Leadership

Levels Of Service Targets

Achieved	On Track	Not On Track	Won't Achieve
16	0	0	0

Status : Levels Of Service Targets

Achieved | May not be achieved | Not Monitored | On track to be achi... | Will not be achi...

100%

Level of Service

8

Measures

14

Targets

16

Not Measured This Year

0

Comment On Service Delivery

In 2019 we completed a representation review, with the Local Government Commission confirming a 14-member Council to be elected from seven constituencies. Preparations are well underway for the local body elections in October 2019 which will return Environment Canterbury to a fully democratically elected Council.
Our relationships with mana whenua, communities, government and local government agencies, businesses, industry sectors and groups throughout Canterbury remain very strong.
We have strong and positive relationships with central government, providing policy advice to influence central government thinking and direction.
In June 2019 Council adopted our Annual Plan for 2019/20 and the review of our Fees & Charges Policy and Revenue & Financing Policy.
We have strong relationships with the planning sections of district and city councils across the region and provide support to ensure district and city plans give effect to the Regional Policy Statement.
There are more than 24,000 regional resource consents in Canterbury and, consistent with the Ministry for the Environment's Best Practice Guidelines, we take a prioritised and risk-management approach to monitoring them. We have also responded to around 4,000 possible pollution reports this year.
We continue to work to improve our systems for governing, monitoring, managing and sharing data. Data collection and management informs all our decision making.

Target

Watchlist

The following targets were not achieved in 2017/18:

Target dates for statutory plan public notification are met.
A reduction in the number of resource consent applications where further information is required (s92 requests) is achieved through pre-application meetings.
A median of 24 days or less of total elapsed time is achieved.

Emerging Issues

No emerging issues

Acronyms / Additional Notes / Metrics

CWMS: Canterbury Water Management Strategy
LAWA: Land Air Water Aotearoa
MBIE: Ministry of Business, Innovation and Employment
CREDS: Canterbury Regional Economic Development Strategy
OTOP: Orari Temuka Opihi Pareora

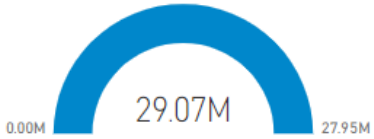
Environment Canterbury Regional Council
Kaunihera Taiao ki Waitaha

Reporting Period

7/1/2018 6/30/2019

Regional Leadership

YTD Actual Expenditure vs Full Year Budget



104.01%

YTD Actual/Full Year Budget %

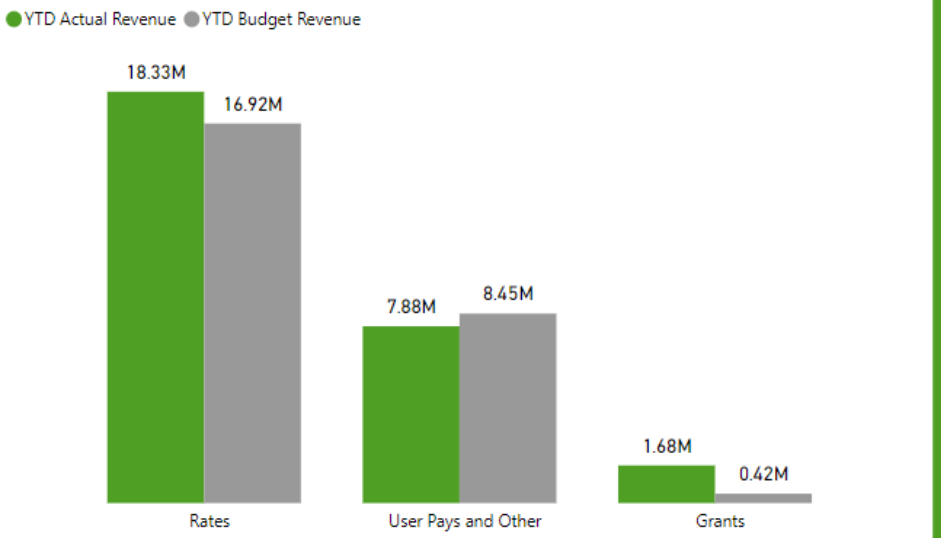
	Revenue	Expenditure	Surplus/Deficit
Actuals	27.89	29.07	-1.18
Budget	25.78	27.95	-2.17
Variance	2.11	1.12	0.99
%Variance	8.18%	4.01%	

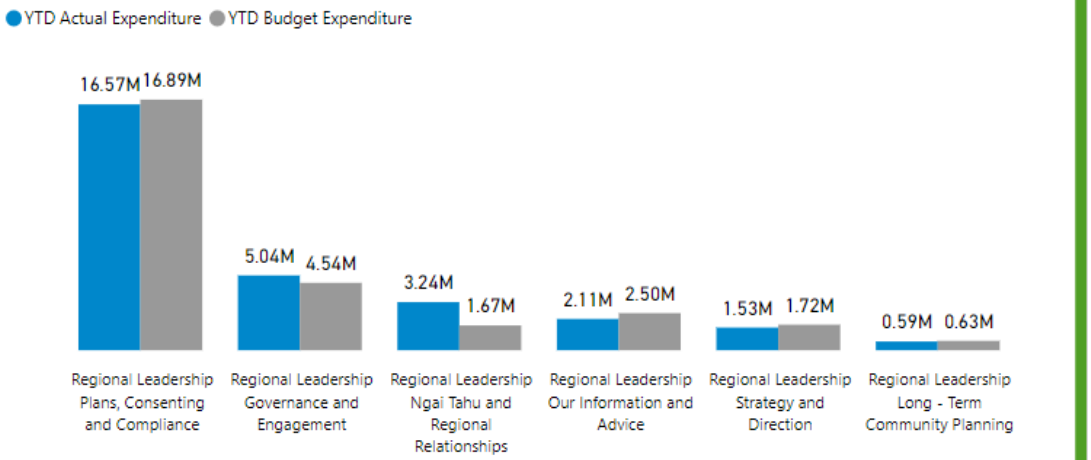
Revenue

Additional grant revenue has been received from MBIE for CREDs projects. This is expected to balance out with expenditure over the remainder of the year as CREDs projects are delivered. Revenue for consent application processing is lower than budgeted due to a lower than anticipated number of resource consent applications. Revenue from rates is higher than antcipated. This is because Regional Leadership receives a large proportion of the unbudgeted Council rates revenue received as a result of growth in the Valuation Database over the last year.

Expenditure

For Ngai Tahu and Regional Relationships, there was considerable additional expenditure associated with the delivery of CREDs projects. This additional expenditure was offset by grant revenue received from MBIE. Savings in the Strategy and Direction programme are due to a decision to reduce spending on special projects as part of cost savings for this financial year.





Environment Canterbury Regional Council
Kaunihera Taiao ki Waitaha

Reporting Period

7/1/2018 6/30/2019

Level of Service

4

Measures

9

Targets

10

Not Measured This Year

0

Transport and Urban Development

Levels Of Service Targets

Achieved	On Track	Not On Track	Won't Achieve
8	0	0	2

Comment On Service Delivery

Public Transport patronage for the 2018/19 year was up 0.8% compared to the 2017/18 year. The Greater Christchurch Public Transport Joint Committee developed and consulted on the new Regional Public Transport Plan, which was adopted in December. The Joint Committee partners also developed the Future Public Transport Programme Business Case, and the next stage of this work will follow in 2019/20. Interim solutions to respond to Employment Relations Act changes were delivered successfully with operators in May, resulting in no disruption to services. Work continues on permanent solutions, which need to be implemented by May 2020. A second stage of consultation for the Waimakariri service review is taking place in July, following on from a large response of almost 800 submissions in the first consultation. Environment Canterbury contributed to the work of the Greater Christchurch Partnership to produce a future development strategy that satisfied the requirements of the National Policy Statement on Urban Development Capacity. This strategy considers how best to accommodate future housing and business growth needs in Greater Christchurch. Our Council adopted this strategy in June 2019. We also contributed to various regeneration plans and proposals under the Greater Christchurch Regeneration Act, including providing a formal submission of view on the draft Otakaro Avon River Corridor Regeneration Plan. Environment Canterbury has supported the work of the Canterbury Regional Transport Committee (RTC) and the South Island RTC Chairs Group throughout the year, including quarterly monitoring reports, leading the development of a report on South Island freight mode optimisation and progressing a Canterbury transport resilience stocktake. We have led the development of improved transport models to provide a more robust evidence base for integrated transport and land use planning, and to underpin transport business cases under development by Greater Christchurch partners.

Emerging Issues

Status : Levels Of Service Targets

Achieved | May not be achieved | Not Monitored | On track to be achi... | Will not be achi...

Target

A report which outlines the opportunity for shifting road freight to rail or coastal shipping, is submitted to Regional Transport Committee prior to finalising the Regional Land Transport Plan 2021-2031.

The Canterbury Regional Policy Statement is amended to include targets by December 2018, informed by an urban development capacity assessment that is undertaken in accordance with the National Policy Statement on Urban Development Capacity.

Watchlist

All targets were achieved in 2017/18.

Acronyms / Additional Notes / Metrics

GCPC: Greater Christchurch Partnership Committee
HBDCA: Housing and Business Development Capacity Assessment
NPS-UDC: National Policy Statement on Urban Development Capacity
RLTP: Regional Land Transport Plan
RPTP: Regional Public Transport
PlanRTC: Regional Transport Committee

Environment Canterbury Regional Council
Kaunihera Taiao ki Waitaha

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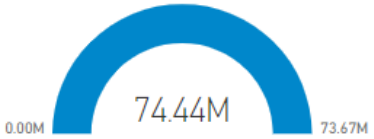
Transport and Urban Development

YTD Actual Expenditure vs Full Year Budget



101.04%

YTD Actual/Full Year Budget %

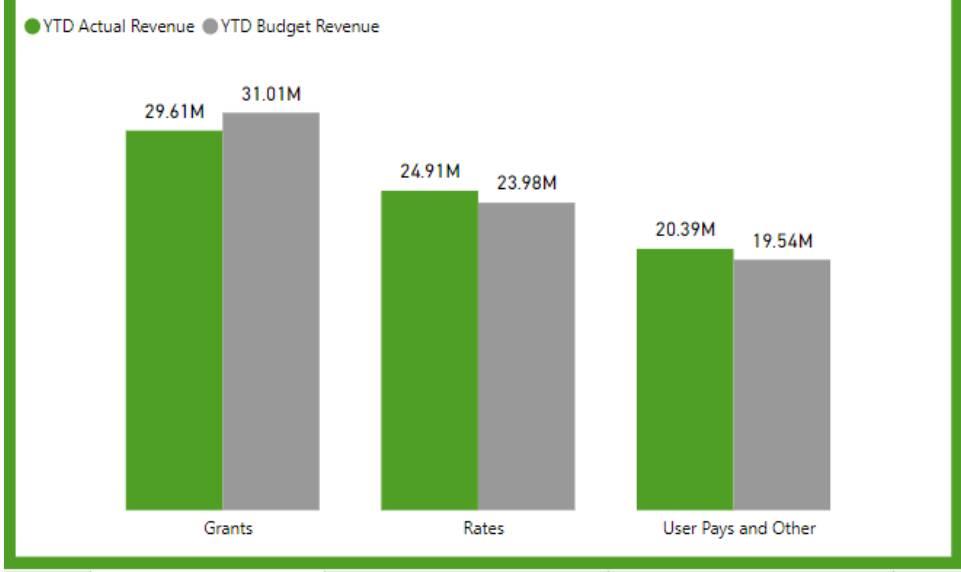
	Revenue	Expenditure	Surplus/Deficit
Actuals	74.91	74.44	0.47
Budget	74.53	73.67	0.86
Variance	0.38	0.77	-0.39
%Variance	0.50%	1.04%	

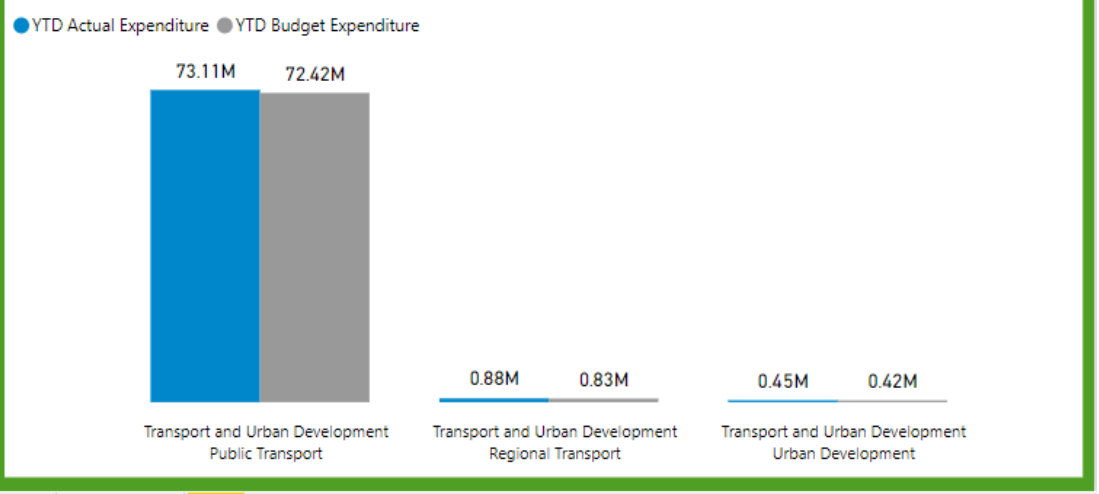
Revenue

Revenue overall was within budget thresholds. Increased grant funding for bus contracts and Total Mobility and higher than expected income from rates has assisted in an increase in revenue of $324,000 which is helping to off-set expenditure increases.

Expenditure

Expenditure for the year was within budget thresholds overall with an overspend of $720,000 in total, $690,000 of this relating to Public Transport. Bus contracts continue to be above budget expectations by $1.6m as a result of higher than expected indexing. Total Mobility is overspent by $265,000 due to increased usage. Reduced expenditure in other categories helped to reduce the impact on overall budget outcomes.





5.3. Financial Health Report June 2019

Performance, Audit and Risk Committee (PARC) report

Date of meeting	Thursday 15 August 2019
Author	Tarsha Triplow, Team Leader Corporate Reporting
Endorsed by	Katherine Harbrow, CFO

Purpose

1. To report on the financial results for the year ended 30 June 2019.

Recommendations

That the Performance, Audit and Risk Committee:

1. **receives the monthly Financial Health report for the year ended 30 June 2019.**
2. **receives the Bancorp Quarterly Treasury report**

Background

2. Monthly financial results are reported to the Performance, Audit and Risk Committee as part of our prudent financial management responsibilities.

3. The financial results for the year ended 30 June 2019 have been prepared and are now presented to the Performance, Audit and Risk Committee for review.

Financial Performance

Surplus/Deficit

4. As at 30 June, we had an operating deficit of $0.99 million compared to a budgeted deficit of $1.52 million, a variance of $0.53 million.

5. The variance is a result of spending $3.4 million more than budget and receiving $3.93 million more revenue than budget.

Revenue

6. Rates revenue is above budget by $2.6 million due to growth in the rating capital valuation data. User pays and other revenue is $0.8 million over budget mainly due to unbudgeted Canterbury Regional Economic Development Strategy (CREDS) revenue which is offset in goods and services expenditure.

Expenditure

7. Goods and services are slightly over budget by $0.4 million.

8. Overheads are over budget by $3 million, from BIS expenditure driving key projects, costs for training new staff due to staff turnover and new consenting requirements (e.g. Farm land use consents -consents and compliance). introduction of new Regional Pest Management Plan in biosecurity), improvements in health and safety and staff not cost recovering fully in user pays areas.

9. Labour is $0.3 million under budget due to staff changes and vacancies.

Cashflow, Debtors and Debt

Treasury Performance

10. Total cash at bank (including investments) was $16.7 million as at 30 June 2019 and includes a balance on Metrocards of $3.6 million. ECan's cash balance is therefore $13.1 million compared to a policy of $12.8 million.

11. The Bancorp Quarterly Treasury Report is attached. ECan had a minor policy breach in its debt and hedging profiles. The breach was incurred by not entering into a 7-year interest rate swap for $5 million on 1 April with a rate of 2.01%. It was decided that, with interest rates falling, it would be advantageous for ECan not to transact the swap during the June 2019 quarter and to continue operating slightly out of policy. By the end of the June 2019 quarter, the rate for this swap has fallen to 1.64%, a positive difference of approximately $130,000 in the interest cost savings over the life of the hypothetical swap.

Debtors and Debt

12. Of our outstanding debtors of $5.2 million (excluding rates), $4.4 million relates to the current month. Our debtor balances exceeding 90 days is $0.2 million, our attached financial health report provides the stages of debt recovery for these outstanding balances. The year-end rates debtor amount is $8 million owed by various Canterbury Councils.

Capital Expenditure

13. Capital works are $5 million below budget (24%) for the year, this is due to the underspend in Public Transport capital projects ($2.7m), BIS projects ($1.5m) and Asset Services ($1.8m) mostly for the Kainga depot. There was an overspend in Harbourmasters' Office of $0.9m for the Automatic Identification System.

Reserves

14. The draft year-end reserve balances are noted in the following table. The main increase is due to the revaluation of land and buildings this financial year.

DRAFT Reserves Balances as at 30 June 2019			
	Opening Reserve	Closing reserve	Movement
	1/07/2018	30/06/2019	
	000's	000's	000's
General Reserve	1,123	-1,596	-2,720
AFS Reserve	919	1,005	86
Asset Replacement Reserve	7,281	9,354	2,073
Contracts Reserve	330	269	-61
Other Reserves	3,463	3,597	134
Biodiversity Reserve	37	39	2
Catchment Rating	10,377	8,402	-1,976
Civil Defence Reserve	-720	-561	158
Clean Heat Reserve	1,536	1,542	6
Healthier Homes Canterbury	-61	-233	-173
Energy Efficiency Reserve	355	142	-213
Passenger Transport Reserve	4,137	4,786	649
Pest Rating Districts Reserve	1,542	1,891	349
Regional Park Reserve	-358	-316	42
Air Quality Reserve	-356	82	439
	29,604	28,402	-1,203
Asset Revaluation Reserve	744,116	779,951	35,834
Waimakariri Loan	-19,810	-21,945	-2,136
Capital Reserve	153,369	161,000	7,632
	877,675	919,006	41,330
Total Reserves	907,280	947,407	40,127

Attachments

1. FH BI Report Jun 19 [**5.3.1** - 3 pages]
2. Bancorp Ecan report June 19 [**5.3.2** - 14 pages]

Peer reviewers	Mark Smith, TL Business Partnership Tanya Clifford, Corporate Reporting Accountant / Internal Audit

Environment Canterbury Regional Council
Kaunihera Taiao ki Waitaha

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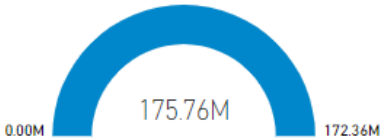
FINANCIAL HEALTH REPORT

YTD Actual Expenditure Tracking Against Full Year Budget



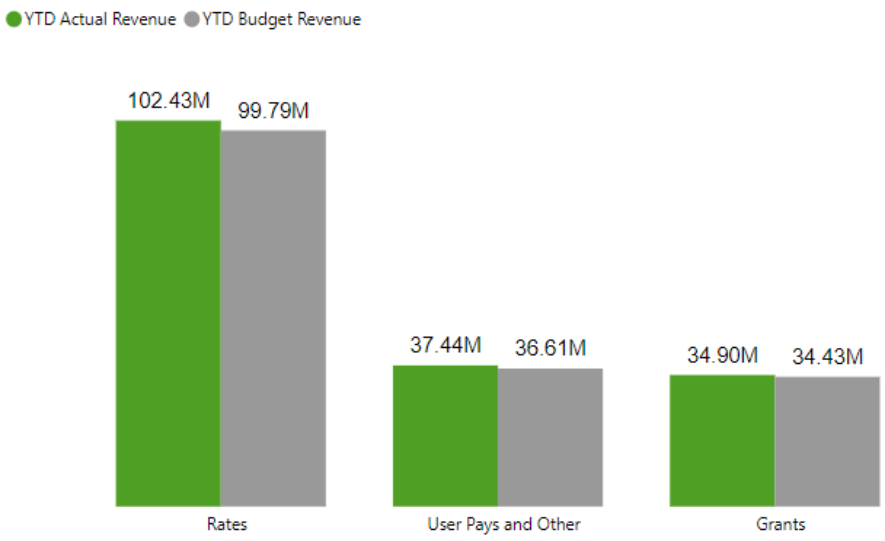
	Revenue	Expenditure	Surplus/Deficit
Actuals	174.77	175.76	-0.99
Budget	170.84	172.36	-1.52
Variance	3.93	3.40	0.53
%Variance	2.30%	1.97%	

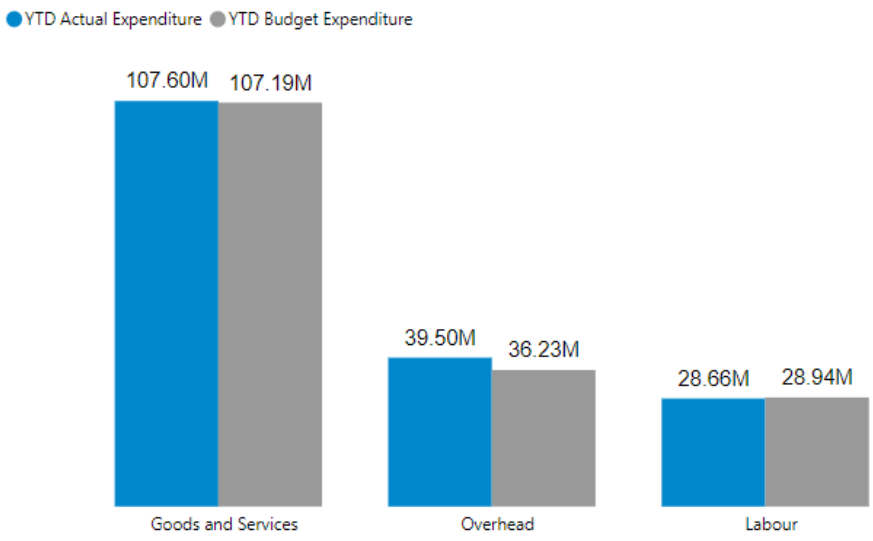
Revenue

Revenue is $3.9M, 2.3% over budget. This is due to additional rates revenue of $2.6M from new rates struck during the year. Grant revenue is above budget due to the CREDS and Biodiversity programmes. User Pays is over due to increased transport patronage and fares.

Expenditure

Expenditure is over budget by $3.4M, which is 2% of budget. Overheads are over budget by $3.3M due to additional spend on key BIS initiatives, lower Consent and Zone delivery labour productivity. Good & Services is slightly over budget $350K and labour is slightly under spent by $280K.





Environment Canterbury Regional Council
Kaunihera Taiao ki Waitaha

Cash and Bank

as at 6/30/2019

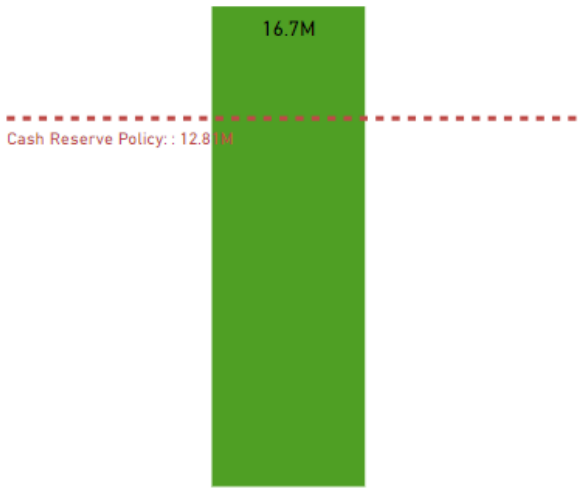
16.70M

Cash	2.41M
Metrocard	3.62M
Investment	10.68M

Investment Details ($000)

$	Maturity	Days	Rate
1000	23/08/2019	365	3.56%
600	17/09/2019	365	3.56%
1300	22/11/2019	270	3.35%
900	4/12/2019	180	3.29%
1200	30/12/2019	213	3.26%

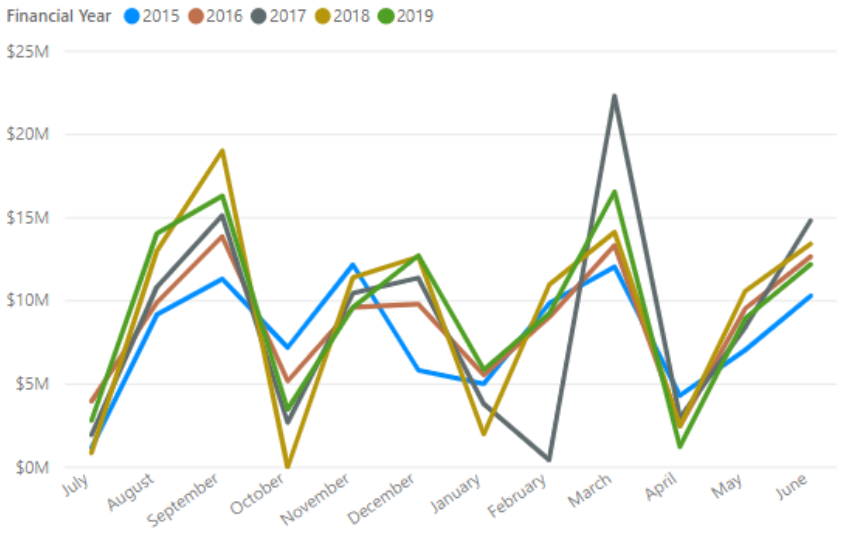
Total Actual Cash & Bank



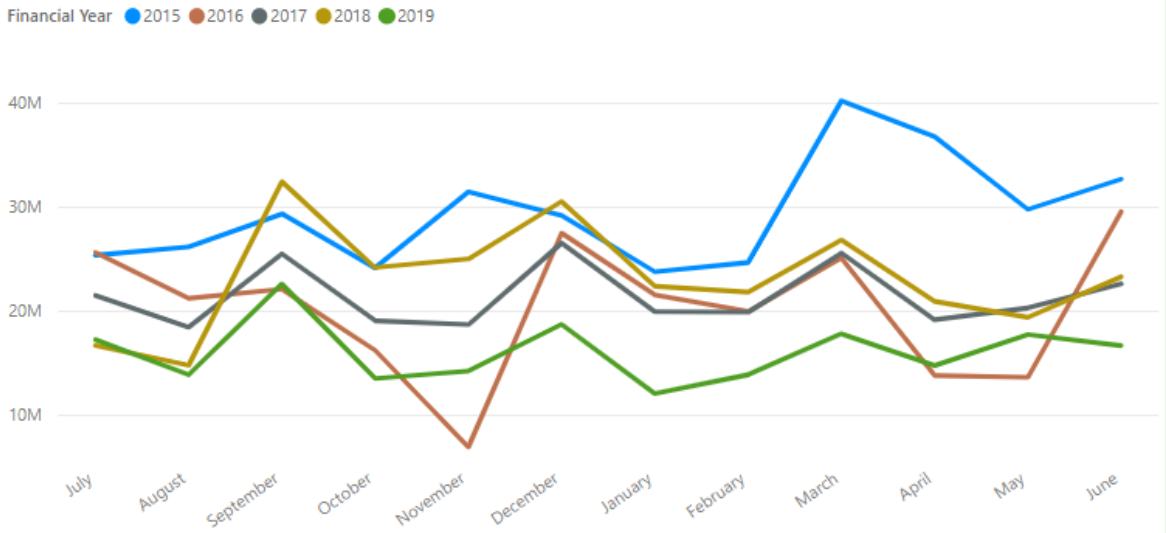
Financial Position

Cash and Bank	17M
Other Current Asset	20M
Non Current Asset	969M
Current Liabilities	-19M
Non Current Liabilities	-39M
Net Assets	947M

Rates Revenue Tracking Against Previous Years



Cash and Bank Balance Tracking Against Previous Years



Total Outstanding Debts (Excluding Rates)

Period Ending : 30/06/2019

$5,238,429

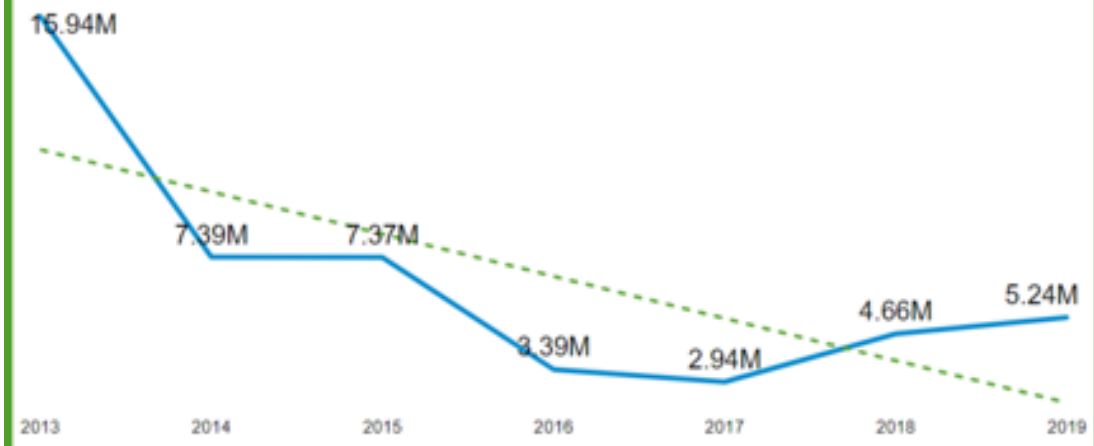
Environment Canterbury Regional Council
Kaunihera Taiao ki Waitaha

OVER 90 DAYS DEBT MANAGEMENT

Total	Reminder	Payment Arrangement	Objection/ Query	Collection Agency	Others*
0.24M	0.04M	0.01M	0.02M	0.07M	0.09M

*Others includes Debt recovery, Liens, Court Action/Infringements

Amount by Year (Excluding Rates)



Notes

$4.42M of the $5.24M debt is current. Only $0.24M is over 90 days, which is at different stages of debt management as shown above.

Overall, debt has been steadily reducing year on year since 2012/13.

Over 90 Days Debts by Category (Excluding Rates)

Total Debts by Category (Excluding Rates)

Amount by Aging (Excluding Rates)

CONFIDENTIAL

TREASURY REPORT

FOR

FOR THE QUARTER ENDING 30 JUNE 2019

BANCORP

BANCORP TREASURY SERVICES LIMITED

AUCKLAND • WELLINGTON • CHRISTCHURCH

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This document has been prepared by Bancorp Treasury Services Limited ("BTSL"). Whilst all reasonable care has been taken to ensure the facts stated are accurate and the opinions given are fair and reasonable, neither BTSL nor any of its directors, officers or employees shall in any way be responsible for the contents. No liability is assumed by BTSL, its directors, officers or employees for action taken or not taken on the basis of this document.

1. MARKET ENVIRONMENT

1.1 GLOBAL MARKETS OVERVIEW (FOR THE JUNE 2019 QUARTER)

An escalation in trade tensions between the US and China during the June quarter led to increasing rhetoric from central banks about global downside risks, worries about lack of wage and price inflation and strong signals of further interest rate cuts, augmented by suggestions of a possible return to using other monetary easing tools. Increased tensions in the Middle East and data showing further weakness in manufacturing activity in the main industrialised economies reinforced these central bank fears.

At the G20 summit at the end of June, US President, Donald Trump, and Chinese President, Xi Jinping, agreed to a truce on their trade dispute and to resume talks. As a sign of good will, the US promised to indefinitely defer more tariffs on Chinese imports and to allow US firms to sell high tech equipment to Huawei (but not goods related to national security), while China promised to buy large amounts of US agricultural products and, the next day, announced a relaxing of some restrictions on foreign investment.

The Federal Reserve's ("Fed") Open Market Committee ("FOMC") left the Fed Funds target range rate at 2.25% to 2.50% at its June meeting, as expected. However, the tone of the post-meeting statement was less dovish than expected. FOMC members' interest rate consensus (the dot plot) shows the Fed Funds rate to be 0.50% lower at the end of 2020 and 0.20% lower at the end of 2021 than projected in March. Also, consensus for the long run (neutral) Fed Funds rate fell from 2.80% in March to 2.50%.

European Central Bank ("ECB") President, Mario Draghi, signalled that the ECB is close to another round of policy easing through cutting interest rates or expanding its bond buying programme, or a combination of both. Draghi is worried about "*lingering softness*" in forward looking Eurozone data and warned that "*in the absence of improvement … additional stimulus will be required.*"

Bond yields fell dramatically over the June quarter. The benchmark US 10 year Treasury bond yield ended the March quarter at 2.41%. It flirted with the psychologically important 2.00% level in the June quarter, falling to a low of 1.97%, its lowest since November 2016, and ended the June quarter at 2.01%. German and French 10 year government bond yields hit record lows in June but recorded lesser falls than US Treasuries.

The Reserve Bank of Australia ("RBA") cut its cash rate by 25 basis points to 1.25% in June. Subsequent speeches by RBA Governor, Philip Lowe, and the minutes of the RBA's June meeting sent a very clear signal, viz. that "*it was more likely than not that a further easing in monetary policy would be appropriate in the period ahead.*"

1.2 New Zealand Market Overview (For the June 2019 Quarter)

	OCR	90 day	2 year swap	3 year swap	5 year swap	7 year swap	10 year swap
31-Mar-19	1.75%	1.85%	1.63%	1.64%	1.77%	1.93%	2.16%
30-Jun-19	1.50%	1.64%	1.35%	1.36%	1.44%	1.58%	1.79%
Change	-0.25%	-0.21%	-0.28%	-0.28%	-0.33%	-0.35%	-0.37%

The New Zealand CPI rose 0.1% over the March quarter, the same as in December and below consensus and RBNZ expectations. Annual CPI fell from 1.9% in December to 1.5% in March. Lower petrol prices over the March quarter swamped the annual rise in the tobacco tax and higher food prices. The Reserve Bank of New Zealand's ("RBNZ") underlying measures also reported lower inflation. The Factor Model rose 1.7% over the March year, from 1.9% over the December year, and the Sectoral Factor Model rose 1.7% over the March year, the same as December, both well below its 2.0% target.

The New Zealand unemployment rate fell from 4.3% in the December quarter to 4.2% in the March quarter, outperforming market expectations but the rest of the labour market data disappointed. Over the quarter, the participation rate, i.e. the number of people employed, fell as did the number of jobs filled.

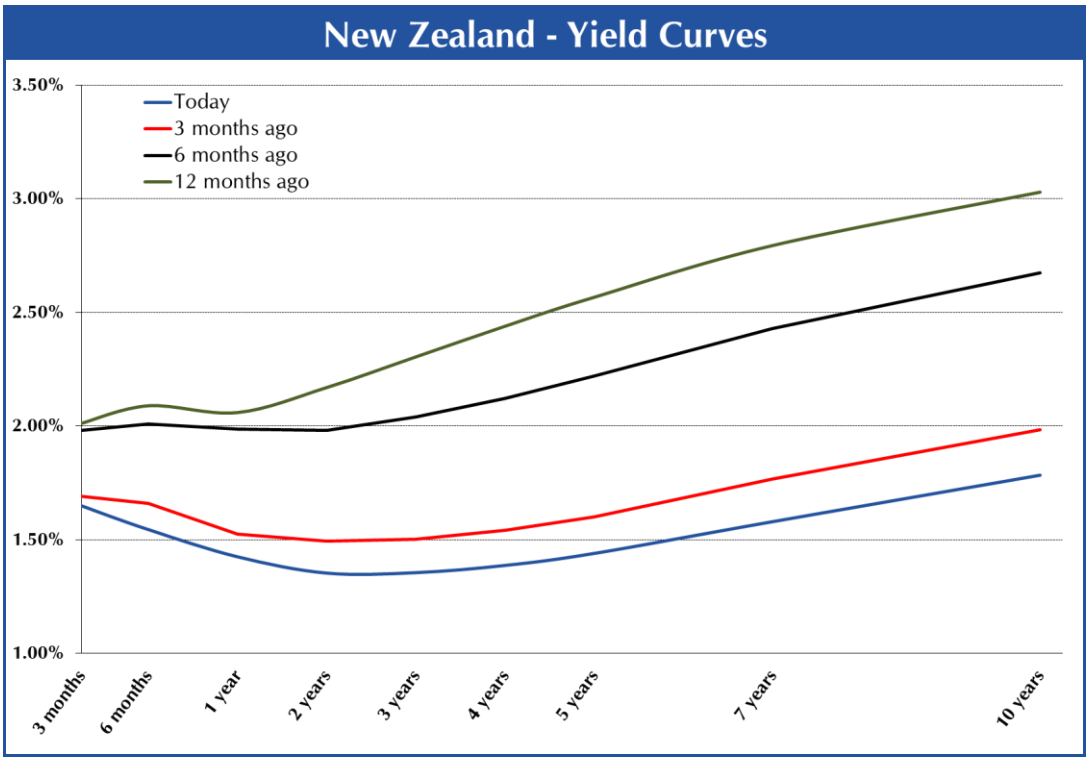
New Zealand's GDP rose 0.6% in the March quarter, matching the previous quarter, and was up 2.5% from the March 2018 quarter. The result beat expectations and was impressive given the slowdown of the global economy, the underperformance of the primary sector (due to dry conditions) and the services sector (which accounts for two thirds of the New Zealand economy) posting its weakest result since 2012. However, growth is expected to slow over the June quarter, particularly as the escalation in the US-China trade dispute only happened after the March quarter end.

The RBNZ's newly formed Monetary Policy Committee ("MPC") cut the Official Cash Rate ("OCR") from 1.75% to 1.50% in May in response to weaker than expected inflation, employment and wages data. The MPC's final decision came down to "*holding the OCR and committing to a downward bias, versus cutting the OCR now*." The MPC unanimously decided on a pre-emptive OCR cut.

The MPC held the OCR at 1.50% at its meeting in late June and declared that "*more support from monetary policy was likely to be necessary*" and that it is keenly watching "*the employment and inflation outlook*" in deciding when to next cut the OCR. Just so there was no ambiguity about the MPC's statement, it repeated that "*a lower OCR may be needed over time*."

Market pricing implies two more (0.25%) OCR cuts within the next year. The MPC and markets will be closely analysing CPI and labour market data due for release in July ahead of the next MPC meeting and *Monetary Policy Statement* on 7 August.

Pushed down by increased market expectation for more OCR cuts (and interest rate cuts by other developed central banks) and falling global bond yields, New Zealand swap rates consistently fell to fresh record lows over the June quarter, extending their fall over the past year as shown in the following graph.

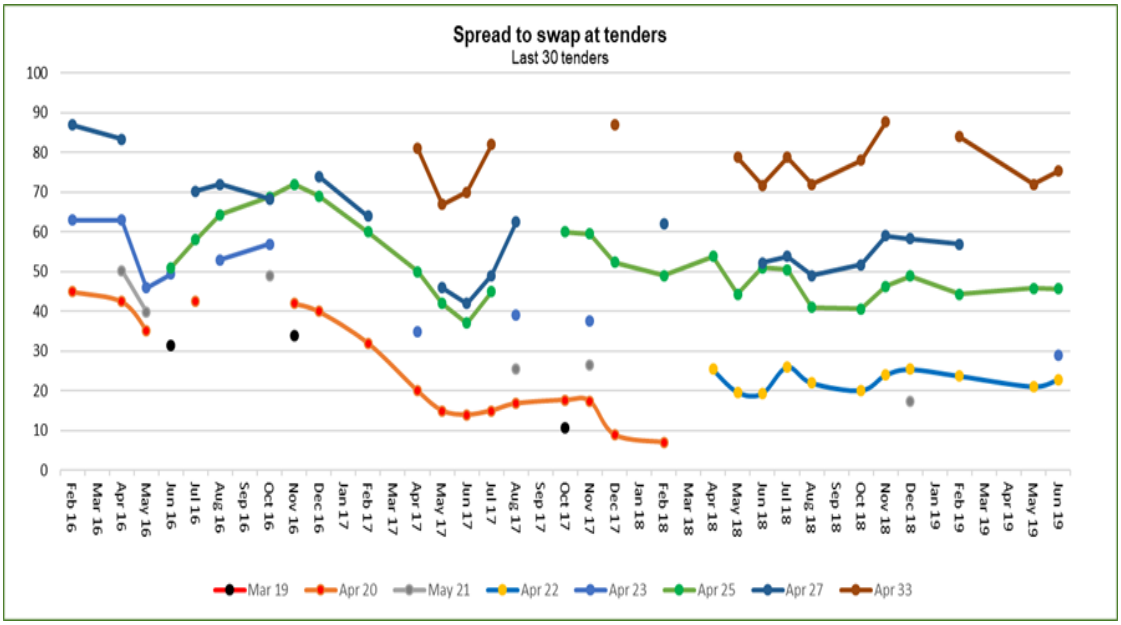


1.3 Local Authority Sector

Listed below are the credit spreads and applicable interest rates for Floating Rate Notes ("FRN") and Fixed Rate Bonds ("FRB"), at which Environment Canterbury ("Ecan") could source debt from the Local Government Funding Agency ("LGFA"). These rates are based on an implied long term credit rating of 'AA-', which the LGFA uses to price Ecan debt.

Maturity	Credit Spread	FRN Rate	FRB Yield
April 2020	0.28%	1.88%	1.72%
May 2021	0.32%	1.93%	1.64%
April 2022	0.40%	2.00%	1.75%
April 2023	0.52%	2.12%	1.80%
April 2024	0.57%	2.17%	1.91%
April 2025	0.32%	2.22%	2.05%
April 2027	0.75%	2.45%	2.31%
April 2033	0.92%	2.52%	2.83%

The chart below illustrates the credit spreads (measured over the applicable swap rate) for all current LGFA debt dating back to 2016.



2. ENVIRONMENT CANTERBURY INVESTMENT PORTFOLIOS

2.1 INTRODUCTION

Ecan has two financial market investment portfolios, as follows.

- Financial Market Investment Portfolio ("FMIP") that is used for longer term investment purposes. As at 30 June 2019, the nominal value of the FMIP was $5.0 million.
- Working Capital Fund ("WCF") that is used for cash management purposes. As at 30 June 2019, there were no investments held in the WCF.

2.2 BENCHMARKING – FMIP

For the purposes of measuring the performance of the FMIP, its weighted average yield on 30 June 2019 is measured against the average of the yields of the 90 Day Bank Bill rate and the S&P/NZX Corporate 'A' Grade Index on 30 June 2019.

The 90 Day Bank Bill rate closed on 30 June 2019 at 1.85% and the S&P/NZX 'A' Grade Corporate Index yield at 1.96%, producing an average of 2.005%. The running yield of the FMIP on 30 June 2019 was 3.38%, compared to 3.52% on 31 March 2019. The decrease was a result of the lower Term Deposit ("TD") rates that were offered by the banks during the June 2019 quarter.

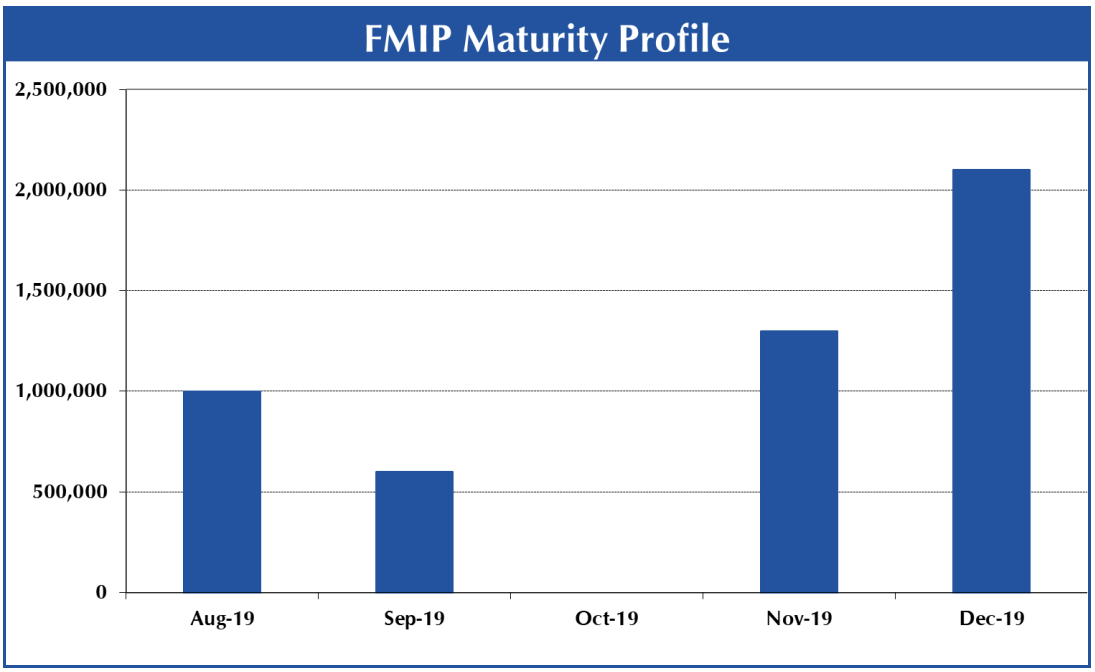
2.3 PORTFOLIO ACTIVITY – FMIP

The FMIP consists entirely of bank TDs. During the June 2019 quarter, there were two maturities that were reinvested at rates of 3.29% for 180 days and 3.26% for 213 days. The table below details the investments held in the FMIP as at 30 June 2019.

Bank	Instrument	Rating	Maturity	Term	Rate	Nominal
BNZ	Term Deposit	A-1+	23-Aug-19	365 days	3.56%	$1,000,000
BNZ	Term Deposit	A-1+	17-Sep-19	365 days	3.56%	$600,000
Kiwibank	Term Deposit	A-1	22-Nov-19	270 days	3.35%	$1,300,000
BNZ	Term Deposit	A-1	4-Dec-19	180 days	3.29%	$900,000
BNZ	Term Deposit	A-1	30-Dec-19	213 days	3.26%	$1,200,000
TOTAL						**$5,000,000**

2.4 Maturity Profile - FMIP

The maturity profile of the FMIP ranges from August 2019 to December 2019 and is depicted in the following graph.



2.5 Counterparty Exposures - Financial Market Investment Portfolio

Ecan manages its FMIP within the Authorised Investment Criteria matrix that is contained in Appendix 1 of this report.

As at 30 June 2019, FMIP investments were held solely in TDs, with $3.70 million or 74% of the portfolio invested with BNZ, which has a S&P Global Ratings ("S&P") short term rating of 'A-1+' and $1.30 million or 26% of the portfolio invested with Kiwibank, which has a S&P short term rating of 'A-1'.

2.6 Policy Compliance for the Financial Market Investment Portfolio

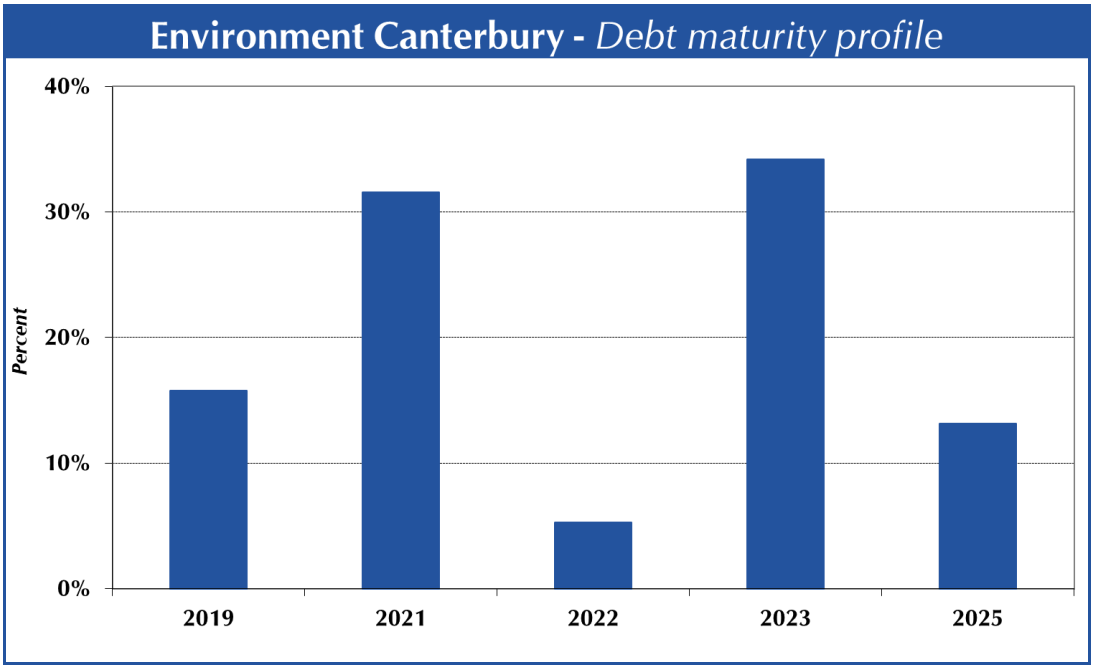
Policy	*Yes/No*
Have all transactions been entered into in accordance with the policy?	*Yes*
Are the investments complying with maximum percentage limits for counterparties?	*Yes*
Are all investments complying with the credit rating criteria?	*Yes*
Are all investments complying with approved financial market investment instruments criteria?	*Yes*
Are all investments complying with the authorised asset class criteria?	*Yes*
Are all investments complying with the portfolio limits for each asset class?	*Yes*

3. DEBT AND HEDGING

As at 30 June 2019, Ecan had $38.0 million of debt sourced from the LGFA, in eight separate tranches. Details of Ecan's debt are as follows:

Instrument	Maturity	Rate	Amount
LGFA CP	10-Dec-19	1.685%	$6,000,000
LGFA FRB	15-May-21	2.97%	$2,000,000
LGFA FRN	15-May-21	2.25%	$3,000,000
LGFA FRB	15-Dec-21	3.875%	$7,000,000
LGFA FRN	14-Apr-22	2.2957%	$2,000,000
LGFA FRN	15Apr-23	2.61%	$10,000,000
LGFA FRB	17-Dec-23	4.19%	$3,000,000
LGFA FRB	15-Dec-25	4.43%	$5,000,000
			$38,000,000

Ecan's funding risk management criteria are contained in Section 2.4 of the *Liability Management Policy* ("LMP") that states *"To avoid a concentration of debt maturity dates the Council will where practical aim to have no more than 50% of debt subject to refinancing in any 12 month period."* As at 30 June 2019, Ecan was compliant with these criteria. The maturity profile of Ecan's debt is depicted in the following graph.



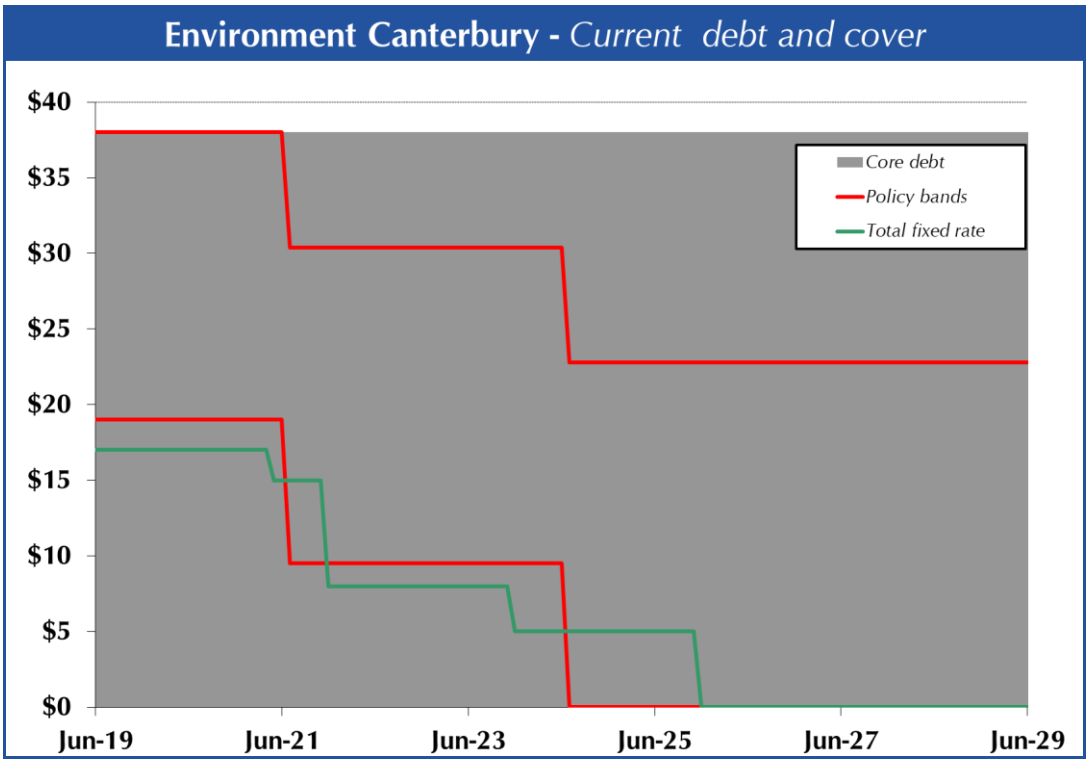
The liquidity risk management requirement, also contained in Section 2.4 of the LMP, states *"The Council will maintain access to committed lines of not less than 110% of projected external debt or $6.0 million whichever is the greater. If Council establishes a Debenture Trust Deed to enable it to issue debt securities and joins the Local Government Funding Agency ("LGFA") this requirement shall be reduced to 105% or $6.0 million whichever is the greater."*

The interpretation of Section 2.4 is that cash and TDs constitute committed lines. This is consistent with how the LGFA interprets committed lines and liquidity. Ecan is compliant with this requirement given its TD investments.

Ecan's interest rate risk management parameters which apply to its debt are detailed in Appendix 5 of the LMP and are as follows:

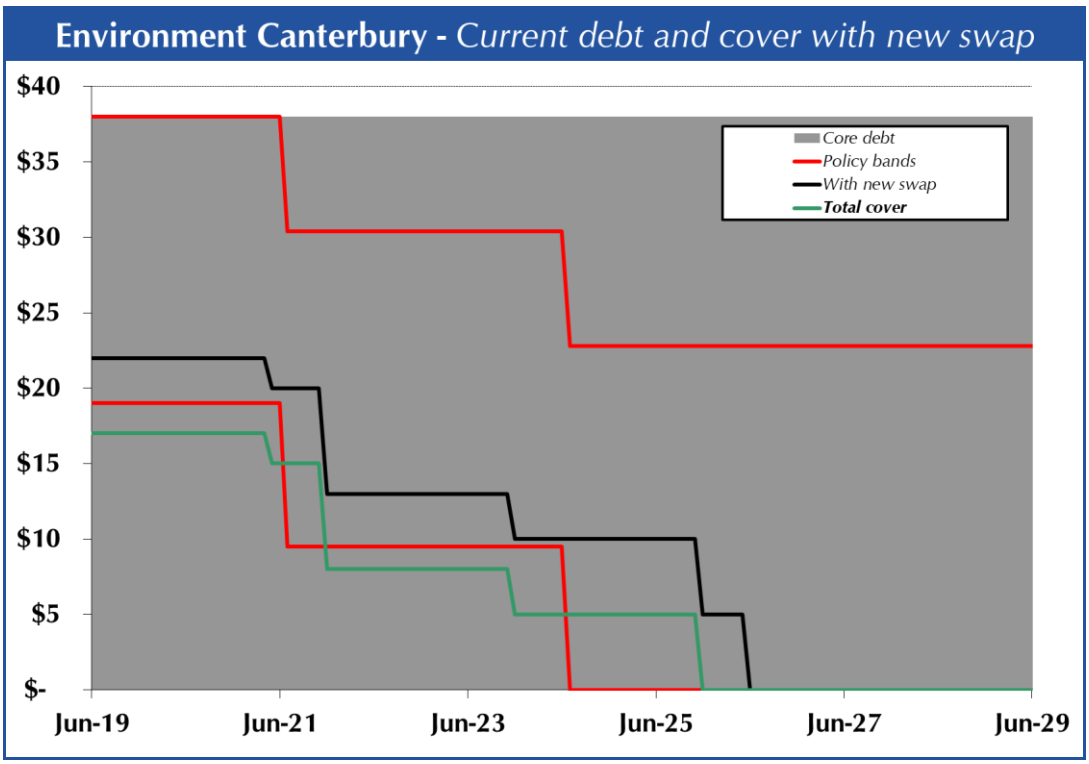
Fixed Rate Hedging Percentages		
Term	**Minimum Fixed Rate Amount**	**Maximum Fixed Rate Amount**
0 - 2 years	50%	100%
2 – 5 years	25%	80%
5 – 10 years	0%	60%

Ecan's current debt and hedging profiles are depicted in the graph below. At 30 June 2019, Ecan had relatively minor policy breaches in the 0-2 years and 2-5 years timeframes.



The policy breach could have been rectified by entering into a 7 year interest rate swap ("swap") for $5.0 million on 1 April at the prevailing rate of 2.01% (although we note that swap dealing lines had not been established at that time). It was decided that, with interest rates falling, it would be advantageous for Ecan not to transact the swap during the June 2019 quarter and to continue operating slightly out of policy.

By the end of the June 2019 quarter, the rate for this swap has fallen to 1.64%, a difference of approximately $130,000 in the interest cost over the life of the hypothetical swap. Since the end of the June 2019 quarter, interest rates have fallen further. At the time of writing, the 7 year swap rate was at 1.50%. The debt and cover profiles incorporating the 7 year swap for $5.0 million, commencing June 2019, is depicted in the following graph, with the black line showing the effect of the new swap.



Ecan's cost of funds as a 30 June 2019 was 3.04%, down from 3.29% at the end of March 2019. The cost of funds was positively impacted by the decision not to transact the swap during the June 2019 quarter. Ecan's cost of funds is the third lowest for a local government entity in New Zealand that Bancorp Treasury is aware of.

APPENDIX 1: AUTHORISED INVESTMENT CRITERIA – FINANCIAL MARKET INVESTMENT PORTFOLIO

Authorised Asset Classes	Overall Portfolio Limit as a Percentage of the Total Portfolio	Approved Financial Market Investment Instruments (must be denominated in NZ dollars)	Credit Rating Criteria – Standard and Poor's (or Moody's or Fitch equivalents)	Limit for each issuer subject to overall portfolio limit for issuer class
New Zealand Government	100%	• Government Stock • Treasury Bills	Not Applicable Not Applicable	Unlimited
Rated Local Authorities	70%	• Commercial Paper • Bonds/MTNs/FRNs	Short term S&P rating of A1 or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA or better	$2.0 million $1.0 million $2.0 million $3.0 million
Unrated Local Authorities	50%	• Commercial Paper • Bonds/MTNs/FRNs	Not Applicable Not Applicable	$2.0 million $1.0 million
New Zealand Registered Banks	100%	• Call/Term Deposits/Bank Bills/Commercial Paper • Bonds/MTNs/FRNs	Short term S&P rating of A1 or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA or better	$7.5 million* $1.0 million $2.0 million $3.0 million
State Owned Enterprises	50%	• Commercial Paper • Bonds/MTNs/FRNs	Short term S&P rating of A1 or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA or better	$2.0 million $1.0 million $2.0 million $3.0 million
Corporates **	50%	• Commercial Paper • Bonds/MTNs/FRNs	Short term S&P rating of A1 or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA or better	$2.0 million $1.0 million $2.0 million $3.0 million
Financials **	30%	• Commercial Paper • Bonds/MTNs/FRNs	Short term S&P rating of A1 or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA or better	$2.0 million $1.0 million $2.0 million $3.0 million

* *Short term investments in any one New Zealand Registered Bank shall not exceed 70% of the portfolio or $7.5 million whichever is the greater.*

** *The combined holding of Corporates and Financials shall not exceed 70% of the portfolio.*

APPENDIX 2: AUTHORISED INVESTMENT CRITERIA – WORKING CAPITAL FUND

Authorised Asset Classes	Overall Portfolio Limit as a Percentage of the Total Portfolio	Approved Financial Market Investment Instruments (must be denominated in NZ dollars)	Credit Rating Criteria – S&P (or Moody's or Fitch equivalents)	Limit for each issuer subject to overall portfolio limit for issuer class
New Zealand Government	100%	Treasury Bills	Not Applicable	Unlimited
Rated Local Authorities	70%	Commercial Paper	Short term S&P rating of A1 or better	$3.0 million
Unrated Local Authorities	50%	Commercial Paper	Not Applicable	$2.0 million
New Zealand Registered Banks	100%	Call/Term Deposits, Bank Bills, Commercial Paper	Short term S&P rating of A1 or better	$15.0 million*
State Owned Enterprises	50%	Commercial Paper	Short term S&P rating of A1 or better	$3.0 million
Corporates **	50%	Commercial Paper	Short term S&P rating of A1 or better	$3.0 million
Financials **	30%	Commercial Paper	Short term S&P rating of A1 or better	$3.0 million

* *Short term investments in any one New Zealand Registered Bank shall not exceed 70% of the portfolio or $15.0 million whichever is the greater.*

** *The combined holding of Corporates and Financials shall not exceed 70% of the portfolio.*

6. Audit

6.1. Office of the Auditor General (OAG) 2019/20 Annual Plan

Performance, Audit and Risk Committee (PARC) report

Date of meeting	15 August 2019
Author	Katherine Harbrow
Endorsed by	Miles McConway

Purpose

1. To receive the Office of the Auditor-General Annual Plan 2019/20 which was published on 24 June 2019.

Recommendations

That the Performance, Audit and Risk Committee:

1. **receives the Office of the Auditor-General Annual Plan 2019/20**
2. **Notes the theme-based emphasis in the Annual Plan on completing the water management theme, the three-year procurement work programme and improving the lives of New Zealanders theme.**
3. **Notes the emphasis in the Annual Plan on Ethics and integrity, risk management and influencing improved performance and accountability.**

Background

2. The Office of the Auditor-General produces an Annual Plan each year.
3. The Auditor – General's role is to help Parliament in its scrutiny of executive government to ensure that public entities are effective, efficient and accountable.
4. The Auditor- General appoints our auditor, who currently is Audit NZ.
5. The Auditor- General will use our auditor to collect information about the challenges, emerging issues, and trends across the public sector, alongside the monitoring of risk and independent analysis of public sector performance.

Cost, compliance and communication

Financial implications

6. There is no cost to council from this report. There may be auditor requests for information on the emphasis areas during the 2019/20 Annual Report.

Risk assessment and legal compliance

7. The emphasis areas have been consulted on in the past. Council has mitigated this risk by including an audit on contract efficiencies into the 2018/19 Annual Internal audit programme. There was also an internal audit undertaken on procurement practices in 2015. The learnings from these internal audits have been implemented.

Significance and engagement

8. There is no significance or engagement required on this report.

Consistency with council policy

9. There is no change to council policy required from this report.

Communication

10. There is no communication required

Next steps

11. No next steps

Attachments

1. Office of the Auditor-General Annual Plan 2019/20

File reference	[SharePoint link for this paper]
Peer reviewers	Rachel Walton, Team Leader: Systems, Support and Design Nicholas Hill, Risk and Continuous Improvement Manager Tarsha Triplow, Team Leader Corporate Reporting Danette Wereta, Business and Customer Services Manager Cecilia Ellis, Senior Strategy Advisor

B.28AP(19)

Annual plan 2019/20

Annual plan 2019/20

Prepared in accordance with section 36(1) of the Public Audit Act 2001

June 2019

ISSN 1178-8488

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Auditor-General's overview

Tēnā koutou katoa.

I am pleased to present my Office's Annual plan 2019/20. This plan sets out the work that my Office intends to carry out in 2019/20 and indicates the work that we are considering for the following two years.

Our job is to help Parliament to hold public organisations to account for their use of public money. We aim to improve trust in government, including the public sector, and to promote value in public spending.

This is no small task.

To ensure that our resources are targeted at the areas where we can have the maximum effect, we carefully consider and consult widely on the preparation of our Annual plan. As part of this process, we presented a draft of this plan in April and have actively sought feedback on it from a range of stakeholders, including Parliament.

I have been very pleased with the level of engagement we have had and the helpful feedback we have received from Parliament, public organisations, auditors and the broader public. All of the feedback has been useful to refine our thinking and will be used as part of the detailed scoping of the work we do.

Overall, there was strong support for the plan. Completing our work on water, progressing our procurement work, and starting our work on initiatives aimed at improving the lives of New Zealanders were endorsed. There was also particular support for two other areas we have indicated in the plan – building a work plan around ethics and integrity, and providing new and updated best practice materials to help organisations to do the right thing.

The plan highlights our ongoing work on researching what public accountability means in the 21st century and how current accountability mechanisms compare to that. It also highlights our ongoing reporting on sectors and following up on how well our recommendations are being implemented.

The core work of the Office, consuming nearly 90% of our resources, continues to be our annual audits of nearly 3500 public organisations. While we briefly summarise this work in the plan, it is the annual audit that fundamentally supports the integrity of the financial and performance reporting of public organisations. All our work is built on this very solid foundation. We spend considerable time in ensuring that New Zealanders can rely on the independence and the quality of all the work we do.

I thank everyone who has taken time to consider this plan and provide feedback on it. I also want to acknowledge the work my staff have done to prepare the plan and support the finalisation of it.

I am confident that we have developed a plan that will have a significant and positive effect on the trust and confidence New Zealanders have in their public sector. I look forward to reporting the outcome of our work to Parliament and New Zealanders over the coming year.

Nāku noa, nā

John Ryan
Controller and Auditor-General

24 June 2019

About us

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Why is there an Auditor-General?

Parliament authorises all government spending and gives statutory powers to public entities. Public entities are accountable to Parliament (and their communities in the case of local government) for how they use the resources and powers that Parliament gives them. Parliament seeks independent assurance from the Controller and Auditor-General (the Auditor-General) that public entities are using these resources and powers, and are accountable for their performance in the way Parliament intended.

The Auditor-General's role is to help Parliament in its scrutiny of executive government, to ensure that public entities are effective, efficient, and accountable. To be effective and credible in this role, the Auditor-General is independent of the Government and operates in an apolitical manner. The Auditor-General is an Officer of Parliament and does not comment on the policies of the Government or of local authorities.

The Auditor-General reports findings and makes recommendations so that those with responsibility for making improvements can take action. The Auditor-General does not have the power to enforce the recommendations from his work. Rather, the Auditor-General influences improvement through the independent and objective nature of the work, the scrutiny by Parliament that it supports, and effective working relationships between the Auditor-General's Office and public entities.

Consulting with members of Parliament on our proposed work programme is one way in which the Auditor-General supports Parliament's scrutiny of executive government. To preserve independence however, the Auditor-General makes the final decisions about the work programme.

Annual audits

The Auditor-General is responsible for auditing every public organisation in New Zealand that is required to publicly report (about 3500), many of which are funded by rates or taxes. Each year, our auditors carry out audits in every part of the public sector. This includes, for example, every government department, district health board, state school, university and polytechnic, local authority, and every State-owned enterprise.

Our annual audits make up nearly 90% of our work. Appendix 1 provides a summary of the number and type of public organisations in our audit portfolio at June 2019. The number of public organisations that we audit has declined by about 300 during the past four years. This is mainly because of the removal of legislative requirements for many subsidiaries of Crown entities and some

companies to report separately, and so there is no need for a separate audit of these mainly small public organisations.

Each year, our auditors also expect to carry out audits of:

- the financial statements of the Government;
- the Government of Niue, its subsidiaries, and other associated entities;
- the Government of Tokelau and related entities; and
- organisations the Auditor-General has agreed to audit under section 19 of the Public Audit Act 2001.

Our public accountability system places responsibility on public organisations to account annually for their performance. They do this mainly through publishing their annual reports, which include financial information and, where relevant, performance information. The Auditor-General's work gives assurance to Parliament, public organisations, and the public that public organisations' financial statements and performance information fairly reflect the results of their activities.

The Auditor-General can also consider whether public entities are carrying out their work effectively and efficiently, and whether they act with due probity, comply with legislation, and are financially prudent.

Our annual audits of public organisations give us direct interaction with, and insight into, how the public sector is operating. The information we gather from our annual audits gives us a unique view of the challenges, emerging issues, and trends throughout the public sector. We use this information to advise select committees in their work in holding public organisations to account as part of Parliament's scrutiny of executive government. We also use this information to help us plan our work programme. It helps us to understand the environment public sector organisations are working in, and to determine where we can best focus our efforts to improve public sector performance and accountability.

Each year, we consolidate the results of our annual audits in central and local government and other sectors and publish the key findings in our regular suite of sector reports. The sector-based reports we plan to complete in 2019/20 are described in Part 3.

Controller function

In conjunction with our annual audits of government departments, we carry out appropriation audits. These are designed to ensure that government spending is within the authority of Parliament. To increase the profile and emphasise the significance of this function, in 2018/19 we launched a separate Controller report. This report summarised our Controller work and highlighted two appropriation breaches for the six months ended 31 December 2018. Our Controller function is a core part of the Controller and Auditor-General's role as "public watchdog." We intend to continue to publish 6-monthly reports on our Controller function work.

Performance audits, inquiries, and other work

The Auditor-General also carries out in-depth performance audits on public sector efficiency and effectiveness, inquiries into how a public organisation uses its resources, and studies on other matters affecting the public sector.

Performance audits are a key part of our work programme. We also monitor public organisations' progress in implementing the recommendations from our previous performance audits and include this work in our work programme.

Inquiries are not included in our work programme because, in contrast to our planned work, our inquiries work typically reacts to matters of current concern and is therefore largely unpredictable. We make decisions about whether issues warrant investigation as matters of concern arise.

Our inquiries work is an important mechanism for improving Parliament and New Zealanders' trust and confidence in the public sector. Inquiries are often complex and involve matters of high public interest. We recently reported on procurement of work by Westland District Council at Franz Josef to address concerns about the Council's decision-making processes that involved significant public expenditure, and we carried out additional assurance work to address concerns about the Waikato Institute of Technology's use of public resources. While not formal inquiries, there is also other work we carry out into matters of public interest – for example, publishing letters on the Greater Wellington Regional Council's changes to the regional bus system, and on the Kāpiti Coast District Council's intention to borrow money in order to set up investment funds.

Reporting to Parliament

Each year, we publish reports on the results of our annual audits, performance audits, major inquiries, and other work. Through this reporting to Parliament and other stakeholders, we are able to consider matters in greater depth than we can during an annual audit, and examine ways that public organisations can perform better.

We also:

- advise Parliament and select committees in order to support annual reviews and Estimates examinations;
- carry out and report on our responsibility under the Local Government (Auckland Council) Act 2009 to review the service performance of Auckland Council; and
- consider enquiries from ratepayers, taxpayers, and members of Parliament.

Our international work

Each year, we make a significant contribution to the international auditing community. We aim to strengthen public sector accountability and promote good governance by sharing our knowledge, skills, and expertise with other audit bodies throughout the world.

For example, the Auditor-General of New Zealand is currently the Secretary-General of the Pacific Association of Supreme Audit Institutions (PASAI). We also take part in international efforts to develop accounting and auditing guidance and standards, and we are active members of the Global Audit Leadership Forum (GALF) and the International Organisation of Supreme Audit Institutions (INTOSAI).

The Auditor-General is also the Auditor-General of Niue and Tokelau under their respective accountability arrangements.

Our multi-year work programme

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What we aim for through our work

The ultimate outcome that we seek from our work is that Parliament and New Zealanders can have trust and confidence in the public sector. To contribute to that outcome, we aim to achieve the following impacts:

- Parliament provides effective scrutiny of the public sector;
- New Zealanders are better informed about the performance and accountability of the public sector; and
- the public sector improves its performance and accountability.

How we plan our work

The processes we use to plan our work programme enable us to identify and prioritise work that we consider will best contribute to achieving our impacts, and to our ultimate outcome. We have very limited resources and so we must ensure that we target our work for maximum effect, in terms of both what we do and when we do it.

We draw on information from a range of sources to help inform our work. We use the information our auditors collect about the challenges, emerging issues, and trends across the public sector, alongside our ongoing monitoring of risks and our independent analysis of public sector performance and issues. Also, our central and local government advisory groups help us to better understand the common themes and issues across the central and local government sectors. In addition, we draw on our previous work and knowledge – for example, our reflections reports, themes from our inquiry reports, performance audit reports, and follow-up reports on progress in implementing the Auditor-General's recommendations.

How we manage risks to achieving our work programme

We recognise that there are risks to achieving our work programme, including:

- that we do not have sufficient capacity or capability to do the work;
- that we do not achieve the right balance in quality, timeliness, and cost of our work; and
- that we do not achieve the impacts we are aiming for.

Our planning helps to mitigate these risks. Additional funding has also been provided as part of Budget 2019 to increase our resources in key delivery areas. Our business plans are well aligned with our strategic priorities and are supported by our Organisation Development Plan. The focus we have placed on building our capability and increasing our resources helps to ensure that we are in the best possible position to complete our work.

Also, there is flexibility in our work programme to respond to changes. Our work is planned to be achieved based on what we know at present. If new information or risks come to light, the Auditor-General may decide to change some of our planned work.

Outcomes for Māori

The public sector has a key role to play in ensuring a successful and effective relationship between the Crown and Māori. Being effective for Māori is an important aspect of public sector performance that we consider when planning our work.

The effectiveness of the public sector in improving outcomes for Māori is included in many aspects of our work programme. For example, our work on the public sector accountability system will consider Māori approaches to accountability and what learnings there are to help achieve a more relevant public sector accountability system for New Zealand. We are interested in how public sector reforms will strengthen accountability for the Treaty partnership between Māori and the Crown.

Improving outcomes for Māori is a significant component of our work under the theme, *Improving the lives of New Zealanders*. For example, Māori are more likely to be the victims of many crimes, including family violence. In 2019/20 we plan to start examining performance in achieving reductions in family violence. This work will assess how effectively agencies are consulting and involving Māori in different initiatives and programmes. In addition, our work in 2020/21 on the effectiveness of Whānau Ora will look at how well programmes and initiatives are delivering better outcomes for whānau. As we further identify and scope topics under this theme, a fundamental consideration will be outcomes for Māori.

The content of our work programme

Appendix 2 provides a summary of the work we plan to complete in 2019/20 in the context of a multi-year overview of our work. In that Appendix, the work is grouped in categories, which we describe below.

1. Theme-based work

Applying a theme across aspects of our work enables us to increase the impact of our work, and to more effectively use our unique role to influence improvements in public sector performance and accountability.

In any given year, our theme-based work includes both work that we are completing from previous years' themes and work that we are starting under a new theme. In 2019/20, we plan to:

- complete several reports about our *Water management* theme;
- complete work from the first year of our three-year *Procurement* work programme;
- start the second year of work on our three-year *Procurement* work programme; and
- start work on our *Improving the lives of New Zealanders* theme.

In Part 3, we explain more about our *Procurement* theme. We also outline our *Improving the lives of New Zealanders* theme and the work we plan to carry out. We are still exploring and scoping work under this latter theme. We expect that future themes will emerge from our work during 2019/20.

2. Issues of ongoing interest

Alongside our theme-based work, we carry out work on issues that we consider warrant scrutiny, or where we are required to carry out ongoing work. In 2019/20, we intend to carry out work on:

- **Ethics and integrity**

  Through our work, we have observed examples where public entities have not had the right culture, leadership, or systems in place to ensure the high levels of integrity and ethical behaviour that Parliament and the public expect. There have also been a number of high-profile instances of fraud in the public sector. Unethical behaviour, dishonesty, and corruption erode New Zealanders' trust and confidence in our public sector, and can affect New Zealand's international reputation. We therefore consider that public sector ethics and integrity is a critical issue for us to focus on now and in future years.

  We plan to carry out work to better understand and describe the public sector ethics and integrity landscape, examining what expectations, advice, and support are available to public entities to ensure that they put in place an appropriate ethical culture, and controls for preventing and detecting wrongdoing.

  We anticipate that our work will involve greater collaboration with other integrity agencies where appropriate – for example, the Serious Fraud Office and the State Services Commission.

- **Review of service performance – Auckland Council**

  Section 104 of the Local Government (Auckland Council) Act 2009 requires the Auditor-General to review the service performance of the Auckland Council and each of its council-controlled organisations from time to time. In 2019/20, we intend to examine how effectively and efficiently Auckland Council is building its resilience and preparedness to respond to disasters, working in partnership with other agencies, local iwi, and communities to reduce disaster risks and prepare for disaster response.

  - **Our ongoing focus on Auckland matters**

    Alongside the work required by legislation, we have an ongoing interest in examining issues affecting Auckland because of its significance to New Zealand. About 33% of New Zealand's population lives in the Auckland region, and nearly 600,000 more people are expected to be living in the Auckland region within the next 20 years. The Auckland population is one of the most diverse in the world. A large proportion of central government capital and social investment is in Auckland to address transport and housing issues. We intend to carry out work on the Auckland City Rail Link in 2019/20 and the Tāmaki regeneration programme in 2020/21 as part of our *Procurement* themed work. We are also considering an examination of public housing provision in Auckland.

- **Risk management in local government**

  Historically, reviews have found that some councils have weak practices for risk management. Through our audit work, we have also identified that there is room for councils to improve their management of risk.

  Starting in 2019/20, we intend to further examine how councils approach risk management. We will examine information about councils' understanding of risk, the approaches they use to manage risk, including the role of councils' audit and risk committees, and how councils communicate risk to their communities.

  Our stocktake will inform potential future areas of work. We want to identify where we can best add value, given the work of others (for example, Local Government New Zealand and the New Zealand Society of Local Government Managers) in supporting councils to improve their management of risk.

- **Inland Revenue Department's Business Transformation programme**

  Building on our previous work in 2015/16 and 2017/18, we are interested in knowing whether the public spending on Inland Revenue's Business Transformation programme is delivering the intended benefits. The Business Transformation programme is significant because of the large amount of public funds being spent (which is estimated to be in excess of $1.3 billion), the critical role that Inland Revenue carries out in collecting Crown revenue, and the effect that the tax system has on New Zealanders and businesses. We had planned to carry out this work in 2020/21. We now plan to carry it out in 2019/20 so that we can provide more timely assurance and relevant advice to Parliament and Inland Revenue.

- **The Treasury's 2020 Statement on New Zealand's Long-term Fiscal Position**

  The long-term financial sustainability of government is critical for New Zealanders' inter-generational well-being. The choices that governments make about public spending, tax, and borrowing, and the balance between them, affect New Zealand's economic, social, and environmental outcomes and the Government's long-term resilience.

- At least every four years, the Treasury is required to prepare a statement on the Government's long-term fiscal position. It is an important part of the good financial management of government. We intend to review the Treasury's next long-term fiscal statement. We are interested in understanding and commenting on:
  - the approach that the Treasury takes;
  - the Treasury's long-term fiscal model and how it is used; and
  - the links between the long-term fiscal model and the information presented in the Statement on New Zealand's Long-term Fiscal Position.

- **Controller function**

  Our Controller function is a core part of the Controller and Auditor-General's role as "public watchdog" and provides assurance to Parliament and New Zealanders that the Government has spent public money in line with Parliament's authority. We will continue to publish six-monthly updates about our Controller work.

We provide more detail about our planned work on these issues in Part 3.

3. Regular reports

Each year, we publish a suite of reports on the results of our work across different sectors. Using information from our audits, including our understanding of the entities and their control systems, our sector reports discuss key issues and trends, systemic issues, and opportunities for improvement within sectors.

We prepare reports on some sectors every year – for example, we report on the results of the local government and central government audits. We also report on the results of our annual audit of the Financial Statements of the Government and on the Controller function. Reports on other sectors are prepared periodically. We decide which other sectors to report on based on matters arising in particular sectors or the theme we have chosen to focus on.

4. Sharing good practice

To improve their performance, public entities need to understand what is expected of them and have access to good practice guidance that is relevant to the New Zealand context. Public entities tell us that they would welcome more good practice guidance. As the auditor of every public entity, we are well positioned to guide public entities on what "good" looks like. Improving the performance of individual public entities will help contribute to improvement in the performance of the entire public sector.

In 2019/20, we intend to be more active in sharing good practice with public entities. We will update our good practice guidance material, and implement a range of approaches to share good practice more. We will regularly host meetings and other events to share our good practice guidance and examples of activities being done well or that others can learn from. We will also point entities to other organisations that do similar activities "better" or "well". We plan to work more with other agencies who prepare good practice on similar topics to ensure that we maximise our influence and help public entities improve.

5. Influencing improved performance and accountability

How effective the public sector accountability system is in providing assurance that public entities are meeting their required responsibilities and standards is critical to New Zealanders' trust and confidence in government.

Our increased focus on influencing improvements in the public sector accountability system will continue in 2019/20 and beyond. Following publication of our *Annual Plan 2018/19*, reforms to different aspects of New Zealand's performance and accountability systems were proposed by the central agencies. In response, we reassessed the work we had planned to carry out and undertook

other work to influence positive change in the future public management system. Appendix 2 describes the work we completed in 2018/19 and the work we intend to complete in 2019/20.

In 2019/20, building on our previous work, we intend to examine the state of the public sector accountability system. We want to influence and support future public sector management reforms to strengthen the accountability system.

Our work will also include an assessment of the state of public sector performance reporting. We want to assist public entities to improve their performance frameworks and reporting practices. We will consider this in the context of the increasing focus on outcomes.

3 Performance audits and other work we intend to complete in 2019/20

1. Theme-based work

Procurement

Our 2018 report *Introducing our work on procurement* described our three-year focus on procurement and summarised what we see as the main issues and opportunities for improving procurement practice in the public sector. The report drew from our audit work across the entire public sector, from our procurement guidance, and from work by others.

Procurement is particularly important in developing effective public services. Through our work, we want to promote good practice procurement of goods and services and a focus on achieving value for money for New Zealanders. This can be challenging as the public sector moves towards contracting for outcomes.

We aim to:

- improve procurement practice in the public sector, focusing on procurement outcomes;
- support a principled approach to procurement;
- strengthen public sector accountability for procurement;
- influence public organisations to achieve better value for money from procurement; and
- improve trust and confidence in public sector procurement, including how public sector procurement takes into account the Crown's Treaty obligations.

First year of work on procurement

As our first year of procurement-related work has progressed, we have deliberately increased our engagement with public sector agencies about procurement matters and have shared examples of good practice. We have drawn on our annual audits and procurement-related inquiries work for good practice examples to share. We have:

- put additional focus in our annual audit work on the administration of grants by the Ministry for Business, Innovation and Employment (MBIE)[1];
- put more focus on the management and monitoring of the Provincial Growth Fund in our annual audit work on MBIE, the Ministry of Transport, and the Ministry for Primary Industries;
- completed our survey on the public sector's use of panels of suppliers;
- carried out the field work for our work on MBIE's functional leadership for procurement, and expect to report our findings in the first quarter of 2019/20; and

1 We reported to Parliament on this in our MBIE 2017/18 annual review briefing.

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- carried out preliminary scoping for our proposed work in 2019/20, including considering the public sector's management of contracts for the delivery of critical or significant services to New Zealanders.

Our procurement work in 2019/20 and 2020/21

Our proposed work for 2019/20 and 2020/21 is described below. We have planned our work based on our knowledge of priorities at this time. We might make changes to the work proposed for 2019/20 and 2020/21 if new information or risks come to light. For example, we will monitor progress with implementation of the firearms buy-back scheme and report our findings in a timely way. Currently, we plan to report on this in 2020/21, with work likely to start in 2019/20.

***Procurement* work – 2019/20**	
MBIE procurement functional leadership: Enabling effective and efficient procurement across the State sector	In 2015/16, the total value of local and central government procurement was about $42 billion, which represented about 17% of GDP. The Ministry for Business, Innovation and Employment (MBIE) is a functional leader for government procurement and has a critical role in enabling effective and efficient procurement across the State sector through collaboration. Functional leadership is aimed at maximising the benefits and reducing the overall costs to the Government of common business activities that may not be achieved through an agency-by-agency approach. We have combined the two performance audits proposed in our *Annual Plan 2018/19* on MBIE's functional leadership role. Our audit examines how well MBIE's functional leadership drives efficiencies and improves services and service delivery. Our audit also examines how well MBIE develops procurement workforce expertise and capability in central government. This audit is under way, and we anticipate that our report will be published near the end of the first quarter of 2019/20.
Effectiveness of panels of suppliers	Based on our analysis of the results from our 2018/19 survey[2], we plan to identify aspects of the effectiveness of panels of suppliers that warrant further examination. Potential aspects for examination include: • Are public entities following good procurement practice in establishing and operating panels of suppliers? • Do public entities have the capabilities needed to use panels of suppliers effectively? • Is the use of panels of suppliers by public entities realising the expected benefits?

2 We have reported a summary of the survey to participants. We are considering further reporting on the issues raised by the survey.

Contracts for significant services	In parts of the public sector, there is a dependence on suppliers for the delivery of significant services. Some of these services are critical to the health, well-being, and security of New Zealanders. We intend to review how the public sector manages the risks to contracts for significant services. Our work will highlight good practice and recommend areas where there is room to strengthen the management of such contracts.
Auckland City Rail Link: Project governance	City Rail Link Limited is a Crown entity jointly funded and owned by Auckland Council and the Government to deliver the city rail link project. The project consists of a 3.45km twin-tunnel underground rail link up to 42 metres below the city centre, changing the downtown Britomart Transport Centre into a two-way through-station that better connects the Auckland rail network. It also includes two new stations, redevelopment of Mt Eden station, and various other work to maximise the benefits of the project and the efficiency of the rail network. The project is expected to be completed in 2024 at a cost of about $4.4 billion. The expected benefits from completing the project include reduced travelling time and congestion, improved reliability, and other wider economic benefits. Problems with procurement often stem from poor governance arrangements. We plan to focus on how well the governance arrangements are supporting the effective and efficient delivery of the city rail link. We are interested in City Rail Link Limited as an example of a collaboration between local and central government to deliver major infrastructure, and any lessons learned for the use of joint local/central government arrangements to deliver significant projects.
Provincial Growth Fund: Management, monitoring, and evaluation of the Fund	The Provincial Growth Fund (the Fund) was launched in 2018. It represents a significant investment ($3 billion) of public funding over three years to lift productivity potential in New Zealand's regions. We carried out some preliminary work on this topic during our 2017/18 examination of MBIE's management of the Fund, and we will continue to follow up on the recommendations we made then. Because of the size, scope, complexity, and ambition of the Fund, we are extending this work to broader and more in-depth annual audit and review work on the management and monitoring of the Fund, including MBIE's reporting on the effectiveness of the Fund. This work will cover the three agencies most involved: MBIE, the Ministry for Primary Industries, and the Ministry of Transport. We aim to provide further recommendations to improve how the Fund operates. We plan to continue this work during the next 2-3 years, reporting regularly during the annual audit and the parliamentary Estimates and annual review processes. During this time, we will also consider further audit work focused on the effectiveness of the Fund.

Procurement workforce capacity and capability in local government	Local authorities have a vital role in providing infrastructure, facilities, and services for their communities. This often means contracting with third parties for a wide variety of goods and services (for example, construction, technology, waste collection, and public transport). We have been investigating how local authorities manage and support their procurement functions to understand the drivers of good procurement practice. We now plan to look in detail at a few examples of where local authorities have changed their procurement approach to achieve better procurement outcomes. We intend to share our findings to support improved procurement practices and to encourage greater collaboration between local authorities and other public sector agencies.
Partnerships with the private sector to deliver public sector outcomes – how effective are they?	A range of collaborative procurement methods are used in New Zealand to deliver key infrastructure and other large-scale projects. One such method has been public private partnerships (PPPs), which have been used in the transport, education, and justice sectors in recent years. We propose to investigate further how collaborative procurement methods, including PPPs, are being used. We will select some significant procurements to examine how they are being managed and whether they are achieving the expected benefits. We will aim to share lessons that are applicable to high-value, collaborative contracting.
Procurement of assets to support effective health care	There are a number of asset-related issues in the health sector, and we will take this opportunity to influence improvements in this important area. District health boards (DHBs) currently own more than $6 billion worth of assets, such as hospitals, clinical equipment, and information technology, which the Ministry of Health estimates have a replacement value of approximately $16 billion. New Zealand's health care system can be effective only with the right assets to support effective healthcare. Some DHB facilities (including hospitals) will be unable to meet future service demand in some areas, and much of the existing building portfolio will need updating or replacing in the near to medium term. The significant investment required in assets increases risk, which must be managed through effective strategy, planning, governance, procurement, contract management, project management, and relationship management. We will examine how well the health sector plans for the procurement of essential assets to support effective healthcare, and identify what improvements are needed for procurement to better support effective healthcare. We recognise recent developments in the health sector, including establishing a (health sector) National Asset Management Plan and an intent to establish the New Zealand Infrastructure Commission (Te Waihanga) and a health infrastructure unit within the Ministry of Health. We will keep in touch with how these developments influence investment and procurement in the health sector, with a view to carrying out some work in 2019/20. With these and other changes pending, we will keep the focus, timing, and scope of our proposed audit work under review.

How well does the NZTA procurement model manage long-term procurement risks to ensure future value and sustainable procurement?	Procurement to maintain the state highway network is important to all New Zealanders. The network is over 11,000km long and extends the length and breadth of the country. It plays a strategic role in linking our towns and communities, with about 50% of all road usage through the state highway network. A significant proportion of investment in transport infrastructure is spent on state highway maintenance contracts. In 2013, the New Zealand Transport Agency (NZTA) introduced the Network Outcomes Contract model. The design principles of the new contract model were for fewer, bigger, and longer maintenance contracts. In 2014, we followed up our 2011 performance audit on maintenance of the state highway network and noted that there was a risk that the new Network Outcomes Contract model could reduce competition in the maintenance and renewals market, and that this could have adverse long-term effects on the procurement environment. Given the significance of the state highway network, and the risk we identified in our 2014 report, we plan to carry out a performance audit to examine how effectively and efficiently NZTA is maintaining state highways through the use of Network Outcomes Contracts.
KiwiBuild: Implementation	The KiwiBuild programme has three core aims: • to increase home ownership in New Zealand; • to increase the supply of affordable homes in parts of New Zealand where there is a shortage; and • to use government procurement to foster innovation and reduce the cost of building new homes. We plan to assess the implementation of KiwiBuild, including the systems and processes for managing KiwiBuild. This work will form the basis for future work.
Defence procurement: Effectiveness of integrated capability delivery	Defence spending represents approximately 1% of GDP and includes a $20 billion programme of capital investment to 2030. We propose to undertake a programme of audit work between now and 2023 examining how effectively a defence capability is acquired and brought into service. This will involve an assessment of the P-8A Poseidon project scope, leading up to and including the Foreign Military Sales process. In subsequent years, we plan to look at the broader capability (including infrastructure) needed to support the introduction into service of the P-8A Poseidon. This will include the necessary estate regeneration to support relocation of 5 Squadron from Whenuapai to Ohakea and also include capability and development requirements (including simulators). This is a high-value ($2.346 billion initial capital cost), long-term procurement project (that extends out to 2023), with multiple interdependencies and risks. Through our work, we hope to effect positive change and identify good practice that will be shared with other organisations that manage large and complex procurement acquisitions.

Review of *Defence Major Projects Report 2018* and *Defence Major Projects Report 2019*	Since 2010, the Ministry of Defence and the New Zealand Defence Force have produced a major projects report annually, setting out the status of the management of major defence acquisitions. We have reviewed these reports to provide independent assurance on the project information being disclosed. We plan to carry out a review of the information describing the progress of projects in the *Defence Major Projects Report 2019*. (At the time of printing, we were waiting on Defence before finalising our review for 2018.)

***Procurement* work – 2020/21**	
Government Chief Digital Officer (GCDO): Information and Communication Technology (ICT) procurement functional leadership	The Government is considering how to give effect to digital transformation, and this could result in changes to the GCDO's digital, data, and technology leadership roles. We have an ongoing interest in ICT procurement and will consider examining ICT procurement when the Government's current review is completed and any changes made to the GCDO's role have been embedded. We are still scoping this work.
Managing contracts to achieve better outcomes	Public entities contract with a range of other entities, including non-government organisations (NGOs) to deliver public services. Increasingly, these arrangements with NGOs and other entities are focused on outcomes. We are considering an audit that examines contracting for outcomes. Our intention is to identify good practice and risks that agencies can learn from. We are particularly interested in contracts for outcomes that support Māori. We are still scoping this work.
Auckland City Rail Link: Procurement model and delivery	We propose to examine City Rail Link Limited's use of an alliance model to deliver aspects of the city rail link, including the main stations and tunnels. The balance between risk transfer and the public sector paying a fair price is critical, given the size and nature of this project. We are still scoping this work.
Tāmaki regeneration programme	Tāmaki Redevelopment Company Limited Group (TRC) has the lead on the urban regeneration programme in Tāmaki for its shareholders – the Government and Auckland Council. TRC's subsidiary, Tāmaki Regeneration Limited, took on ownership and management of 2800 Housing New Zealand homes, for redevelopment into about 7500 homes. The Group's role and business model is now very complex, with challenging regeneration goals over the next 15-20 years. HLC (2017) Limited, a wholly-owned subsidiary of Housing New Zealand Corporation, is now also involved in the building development aspect of the regeneration project. We will carry out work to consider whether the intended or desired results of the Tāmaki regeneration programme in terms of housing volumes, quality, and social outcomes are being achieved, and what the lessons are for addressing regeneration in other localities. We are still scoping this work.

Provincial Growth Fund: Benefits realisation	The Provincial Growth Fund represents a significant investment of public funding over three years to lift productivity potential in New Zealand's regions. In 2020/21, we will continue the work we began in 2018/19 looking at the systems and processes for managing and monitoring the Fund. We will also consider further audit work focused on the effectiveness of the Fund in delivering expected benefits.
KiwiBuild: Benefits realisation	We plan to examine how well the KiwiBuild programme is achieving its aims. We will take into account any change in context, such as the planned reset of KiwiBuild including targets for building new houses and the Government's building programme, when we decide the scope and focus of this work.
Effectiveness of the firearms buy-back scheme	We intend to examine the effectiveness of the firearms buy-back scheme. The scheme is subject to recent legislative changes and any associated changes to regulations. We have been monitoring the design of the scheme and plan to begin scoping this work when the parameters of the scheme have been finalised.
Defence procurement	Building on our previous defence work, we propose to continue our programme of work examining the procurement of defence capability in the context of Defence's $20 billion programme of capital investment (topic to be determined).

Improving the lives of New Zealanders

Alongside the second year of our work on *Procurement*, we will start work based on the theme of *Improving the lives of New Zealanders*.

The ultimate objective of public expenditure is achieving positive change in the lives of New Zealanders. Achieving positive change means better outcomes for New Zealanders, through improvements to our society, the economy, and the environment. We propose to focus on outcomes that are important for New Zealanders' quality of life, their communities, environment, and living standards.

Through our work, we intend to examine how well public entities are achieving outcomes for New Zealanders. For 2019/20, we will focus on two topics as part of our theme-based work on *Improving the lives of New Zealanders*:

- performance in achieving reductions in family violence; and
- progress towards implementation of the sustainable development goals.

We provide more information about our proposed work in the table below.

Work under this theme for 2020/21 and 2021/22 is still being scoped. However, we expect that our work on performance in achieving reductions in family violence will be ongoing. We also intend to look at the effectiveness of Whānau Ora in achieving better outcomes for whānau. Other topics will be confirmed following further planning over the next year. We intend to examine whether key

outcomes are achieved for New Zealanders in a way that delivers value for money from the public resources used. The areas we are considering include:

- reducing disparities in social outcomes between demographic groups;
- reducing poverty; and
- improving resilience of infrastructure to natural hazards.

Improving the lives of New Zealanders – 2019/20	
Performance in achieving reductions in family violence	Family violence affects half a million New Zealanders every year, is a driver of violent crime overall, and is implicated in both youth crime and youth suicide. Rates of violence are highest among some of our most vulnerable communities. Addressing family violence places a heavy burden on multiple government agencies and numerous government-funded service providers. Most of that work is on crisis response, offender management, and mitigating life-long effects of violence. Responsibility for addressing family violence rests with a number of government agencies. A cross-government joint venture has been set up to develop new ways of working across government and with iwi and communities, to reduce family violence through an integrated response. We acknowledge that the cross-government joint venture has only recently been set up, but we consider that we can add value by reviewing the programme in its early stages. Our audit will examine how well family violence is being reduced through national and regional initiatives to address it, and what changes could be implemented to improve the effectiveness of work under way. We expect to report at different stages of our work, with the first of these reports to be completed in 2019/20.
Progress towards implementing the United Nations' sustainable development goals	In 2015, all United Nations members adopted the 2030 Agenda for Sustainable Development with its 17 sustainable development goals (SDGs). The SDGs are an important indicator of progress that countries have made towards significant improvement to the well-being of their people, covering a number of areas including poverty reduction, education, employment, and the environment. In July 2019, the Government intends to publish its first report on progress towards implementing the 17 SDGs. We will carry out a performance audit of how effectively agencies have co-ordinated activities so far towards implementing the 17 SDGs by 2030. We expect our findings to promote: • improvements in how government agencies are measuring and reporting outcomes; • improved collaboration between government agencies in working towards implementing the SDGs; and • improved engagement with private sector organisations, academic institutions, NGOs, and communities in working towards implementing the SDGs.

Improving the lives of New Zealanders – 2020/21	
Performance in achieving reductions in family violence	We expect the second of our reports on performance in achieving reductions in family violence to be completed in 2020/21.
Effectiveness of Whānau Ora in achieving better outcomes for whānau	The purpose of Whānau Ora is to achieve improved well-being for whānau using a whānau-centred, aspirational, and self-determining approach. Since 2015, Whānau Ora outcomes have been commissioned through three non-Government agencies (called commissioning agencies). Te Puni Kōkiri has also been working with other government agencies to encourage the adoption of the Whānau Ora approach across the public sector. Our audit will examine how effectively the Whānau Ora approach has been used to help whānau achieve positive changes to their lives. We will also consider how lessons learnt from our 2015 performance audit about Whānau Ora have been addressed.

Concluding work from previous years' theme-based work

In 2019/20, we intend to complete the work under our *Water management* theme:

- Clean-up of significant water bodies;
- Progress on freshwater quality management since 2011; and
- Reflections report on *Water management* theme.

2. Issues of ongoing interest

Issues of ongoing interest – 2019/20	
Ethics and integrity landscape	New Zealand consistently rates highly on the Transparency International Corruption Perceptions Index as being one of the least corrupt countries in the world. Despite that, there is a risk that fraud and corruption in New Zealand might be more pervasive than is generally acknowledged. There have been a number of high-profile cases of wrongdoing in the public sector in recent years, and the Serious Fraud Office estimates that, based on international comparisons, up to 5% of government funding (or approximately $5 billion) could have been used or obtained fraudulently in 2017. Preventing and detecting fraud and corruption is key to ensuring that Parliament and New Zealanders' trust and confidence in the public sector is maintained. It is the responsibility of public entities, governors, and leaders to promote high ethical standards and integrity across the public sector, and to put systems and policies in place to prevent and detect fraud and unethical behaviours of all kinds. We intend to undertake some work to better understand and describe the public sector landscape, examining what expectations, advice and support is available to public entities to ensure that they put in place an appropriate ethical culture, framework, and controls for preventing and detecting wrongdoing and unethical behaviour. From our landscape work, we will identify further areas of work to influence improved ethical standards and integrity across the public sector, and will provide increased guidance for public entities in tackling fraud and other unethical behaviour.

Auckland Council review of service performance: Disaster resilience and preparedness	We intend to examine how effectively and efficiently Auckland Council is building its resilience and preparedness to respond to disasters, working in partnership with other agencies, local iwi, and communities to reduce disaster risks and prepare for disaster response.
Local government risk management: Stocktake of approach and reporting results	We intend to examine the risk-management practices of councils. We will consider the risk-management practices of a sample of councils. We are interested in identifying examples of good practice to share with councils, and identifying what would support councils to improve their management of risk, including how to strengthen the operation of audit and risk committees where required. The long-term effect we are seeking is improving risk management by councils, acknowledging the different maturity levels appropriate for different councils.
Inland Revenue Department: Benefits from the Business Transformation programme	Inland Revenue's Business Transformation programme is significant because of the large amount of public funds being spent and because of the critical role Inland Revenue carries out in collecting Crown revenue. We are interested in knowing whether the public spending on the Business Transformation programme is delivering the intended benefits from Stages 1 and 2. We intend to provide assurance to the public and Parliament about the benefits achieved. We also intend to assess how well placed Inland Revenue is to measure and report on the intended benefits from the future stages of the programme. We propose to examine how well Inland Revenue has established indicators and systems for assessing and reporting on the benefits derived from the Business Transformation programme to itself, its customers, the Crown, and others.
Commentary on the Treasury's 2020 Statement on New Zealand's Long-term Fiscal Position	At least every four years, the Treasury is required to produce a statement on the long-term fiscal position of the Government. The long-term fiscal statement provides long-term financial projections covering a period of at least 40 years. It identifies and analyses a range of options to address the long-term fiscal position but, importantly, does not make recommendations. There have been four long-term fiscal statements produced to date – in 2006, 2009, 2013, and 2016. The Treasury plans to publish the next long-term fiscal statement in March 2020. As we did in 2013 and 2016, we intend to review the next long-term fiscal statement produced by the Treasury, which we expect will have a greater inter-generational well-being focus than in previous statements. We are interested in understanding and commenting on: • the approach that the Treasury takes; • the Treasury's long-term fiscal model and how it is used; and • the links between the long-term fiscal model and the information presented in the long-term fiscal statement.
Controller updates	We will publish six-monthly updates about our Controller work.

Future work on issues of ongoing interest

Topics for our future work are still being considered.

3. Regular reports

Work on sector-based reporting – 2019/20	
Sector reports	We plan to prepare the following suite of sector reports: • Central government: Results of the 2018/19 audits; • Summary of results of the 2018/19 central government audits for Chief Executives; • Results of the 2018 school audits; • Results of the 2018 audits of tertiary education institutions; • Results of the 2017/18 district health board audits; • Results of the 2018/19 district health board audits; and • Local government: Results of the 2018/19 audits.

Future work on regular reports

We will report on the results of the local government and central government audits. We will also report on the results of our annual audit of the Financial Statements of the Government and on the Controller function. Future reports on other sectors are still being considered.

4. Sharing good practice

Work on sharing good practice – 2019/20	
Updating good practice guidance	Our ongoing programme of updating our existing good practice guidance will continue. We intend to update the following good practice guides: • *Managing conflicts of interest: Guidance for public entities*; • *Guidance for members of local authorities about the Local Authorities (Members' Interests) Act 1968*; • *Charging fees for public sector goods and services*; and • *Controlling sensitive expenditure: Guidelines for public entities*.
Reporting on the progress of public entities in implementing the Auditor-General's recommendations from previous reports	We will follow up on whether the recommendations from some of our earlier reports have been implemented and whether improvements have been made in the areas we identified as needing attention. The reports we intend to follow up on are: • *Using information to improve social housing services*; and • *Accident Compensation Corporation: Using a case management approach to rehabilitation*. We will report on the progress we find and share good practice where we find it.

Future work on sharing good practice

At this stage, our proposed topics are:

- for 2020/21:
  We intend to update the following good practice guides:
  - *Procurement guidance for public entities*; and
  - *Public sector purchases, grants, and gifts: Managing funding arrangements with external parties*,

  and report on the progress of public entities in implementing the Auditor-General's recommendations from previous reports (programme of follow-up work to be determined); and

- for 2021/22:
  - continue our programme of updating good practice guidance; and
  - report on the progress of public entities in implementing the Auditor-General's recommendations from previous reports (programme of follow-up work to be determined).

5. Influencing improved performance and accountability

Work on influencing improved performance and accountability – 2019/20	
Landscape of the public accountability system: First and second reports	In 2019/20, we will publish our first and second reports about the future of public accountability. The first report summarises what existing literature can tell us about public accountability, how it evolves over time, and what this might mean for our system of public accountability and the role of public audit within that system. The second report will assess the current system of public accountability, discuss how well the system is positioned to meet these challenges, and explore the implications for the role of the Auditor-General. The objective of this work is to influence and support future public sector management reforms to strengthen the public accountability system.
Making performance reporting more effective	Drawing on our previous work, and the results from our annual audits, we propose to assess the state of performance reporting across the public sector. We will consider recent work to develop a living standards framework, the accompanying indicators, and how performance reporting could reflect contributions to the well-being of New Zealanders more generally. We will also look at how well public entities provide meaningful information to the public about efficiency, productivity, and value for money of their services. The objective of this work is to support entities to improve their own performance indicators and reporting practices, and assist them in adapting performance frameworks to take account of the Government's emphasis on well-being.

Future work on influencing improved performance and accountability

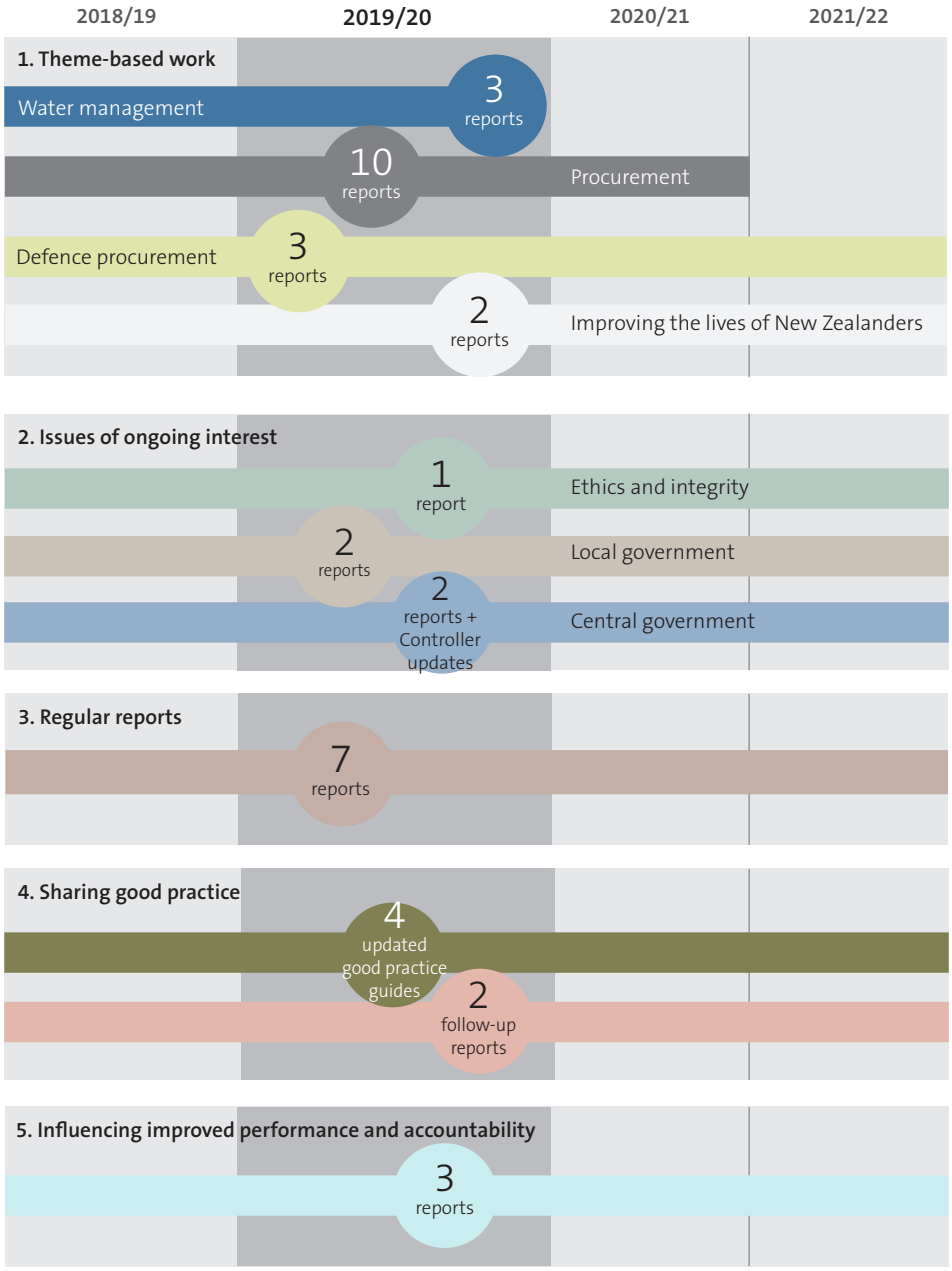
Topics for our future work are still being considered.

Appendix 1
Summary of the public entities we audit, at June 2019

Entity categories	Entities	Subsidiaries and related entities	Total
Central government entities			
Government departments	39	17	**56**
Crown research institutes	7	7	**14**
District health boards	20	20	**40**
Tertiary education institutions	27	42	**69**
Other Crown entities	63	23	**86**
Other central government entities	99	20	**119**
State-owned enterprises and mixed-ownership model companies	17	26	**43**
Rural education activities programmes	14	-	**14**
Schools	2426	47	**2473**
Local government entities			
Local authorities	78	-	**78**
Council-controlled organisations	-	154	**154**
Exempt council-controlled organisations	-	23	**23**
Other local government entities	-	44	**44**
Electricity lines, airport, and port companies			
Electricity lines companies	20	19	**39**
Airport companies	18	4	**22**
Port companies	12	9	**21**
Other public entities			
Fish and game councils	15	-	**15**
Licensing and community trusts	18	14	**32**
Administering bodies and boards	36	-	**36**
Cemetery trusts	91	-	**91**
Total	**3000**	**469**	**3469**

Appendix 2
Overview of our multi-year work programme

The work we intend to complete in 2019/20 in the context of our multi-year work programme is shown in this Appendix.



		Work we completed in 2018/19	Work we intend to complete in 2019/20	Work we propose for 2020/21	Work we propose for 2021/22
1. Theme-based work	Information	• *Reflecting on our work about information*			
	Water management	• *Managing the supply of and demand for drinking water* • *Sea Change – Tai Timu Tai Pari: Creating a marine spatial plan for the Hauraki Gulf* • *Managing stormwater systems to reduce the risk of flooding* • *Using different processes to protect marine environments*	• Clean-up of significant water bodies • Progress on freshwater quality management since 2011 • Reflections report on *Water management* theme		
	Procurement	• *Introducing our work about procurement* • *Management of MBIE's grant programmes* • Panels of suppliers survey	• MBIE procurement functional leadership: Enabling effective and efficient procurement across the State sector • Effectiveness of panels of suppliers • Contracts for significant services • Auckland City Rail Link: Project governance • Provincial Growth Fund: Management, monitoring, and evaluation of the Fund • Procurement workforce capacity and capability in local government • Partnerships with the private sector to deliver public sector outcomes – how effective are they? • Procurement of assets to support effective health care • How well does the NZTA procurement model manage long-term procurement risks to ensure future value and sustainable procurement? • KiwiBuild: Implementation	• GCDO ICT procurement functional leadership • Managing contracts to achieve better outcomes • Auckland City Rail Link: Procurement model and delivery • Tāmaki regeneration programme • Provincial Growth Fund: Benefits realisation • KiwiBuild: Benefits realisation • Effectiveness of the firearms buy-back scheme	• Reflections report on *Procurement* theme
	Defence procurement	• Review of *Defence Major Projects Report 2017*	• Defence procurement: Effectiveness of integrated capability delivery • Review of *Defence Major Projects Report 2018* • Review of *Defence Major Projects Report 2019*	• Defence procurement (topic to be determined)	• Defence procurement (topic to be determined)
	Improving the lives of New Zealanders		• Performance in achieving reductions in family violence • Progress towards implementing the UN sustainable development goals	• Performance in achieving reductions in family violence • Effectiveness of Whānau Ora in achieving better outcomes for whānau • Programme of work examining how well the public sector achieves better outcomes for New Zealanders (topics are indicative only): – reducing disparities in social outcomes between demographic groups – reducing poverty – improving resilience of infrastructure to natural hazards.	
2. Issues of ongoing interest	Ethics and integrity	• *Summary of fraud findings 2017/18*	• Ethics and integrity landscape	• Promoting high ethical standards and integrity across the public sector (work to be determined)	
	Local Government	• Auckland Council review of service performance: *Effectiveness of Auckland Council's post-implementation review process*	• Auckland Council review of service performance: Disaster resilience and preparedness • Local government risk management: Stocktake of approach and reporting results	• Auckland Council review of service performance (topic to be determined) • Influence improved risk management across local government (work to be determined)	• Auckland Council review of service performance (topic to be determined)
	Central Government	• *Controller update: July to December 2018*	• Inland Revenue Department: Benefits from the Business Transformation programme • Commentary on the Treasury's 2020 Statement on New Zealand's Long-term Fiscal Position • Controller updates	• Work on other issues of interest arising (issues and work to be determined) • Controller updates	• Controller updates
3. Regular reports		• *Central government: Results of the 2017/18 audits* • Summary of results of the 2017/18 central government audits for Chief Executives • *Results of the 2017 school audits* • *Tertiary education institutions: Results of the 2017 audits* • *Our 2018 work about local government* • *Long-term plans: Our audits of councils' consultation documents* • *Matters arising from our audits of the 2018-28 long-term plans*	• Central government: Results of the 2018/19 audits • Summary of results of the 2018/19 central government audits for Chief Executives • Results of the 2018 school audits • Results of the 2018 audits of tertiary education institutions • Results of the 2017/18 district health board audits • Results of the 2018/19 district health board audits • Local government: Results of the 2018/19 audits	• Central government: Results of the 2019/20 audits • Summary of results of the 2019/20 central government audits for Chief Executives • Results of the 2019 school audits • Results of the 2019 audits of tertiary education institutions • Results of the 2019/20 district health board audits • Local government: Results of the 2019/20 audits	• Central government: Results of the 2020/21 audits • Summary of results of the 2020/21 central government audits for Chief Executives • Results of the 2020 school audits • Results of the 2020 audits of tertiary education institutions • Results of the 2020/21 district health board audits • Local government: Results of the 2020/21 audits • Matters arising from our audits of the 2021-31 local authority long-term plans and consultation documents
4. Sharing good practice		• Update *Severance payments: A guide for the public sector* • *Accident Compensation Corporation: How it deals with complaints – Progress in responding to the Auditor-General's recommendations*	• Update *Managing conflicts of interest: Guidance for public entities* • Update *Guidance for members of local authorities about the Local Authorities (Members' Interests) Act 1968* • Update *Charging fees for public sector goods and services* • Update *Controlling sensitive expenditure: Guidelines for public entities*	• Update *Procurement guidance for public entities* • Update *Public sector purchases, grants, and gifts: Managing funding arrangements with external parties*	• Continued programme of updating good practice guidance
5. Influencing improved performance and accountability		• *Submission on the Treasury's Public Finance System Strategy* • *Submission on the State Services Commission's review of the State Sector Act 1988* • *Submission on the Treasury's proposal to establish an Independent Fiscal Institution* • *Submission on establishing an independent infrastructure body* • *Submission to the Taskforce for the Review of Tomorrow's Schools* • *Submission on safeguarding the future of our financial system: The role of the Reserve Bank and how it should be governed* • *Comments on local government funding and financing issues paper* (released by the Productivity Commission) • *Timeliness of reporting by public entities* • *Tertiary education institutions: Changes to the requirements for performance reporting in annual reports* • *Submission on proposal to create a NZ Institute of Skills and Technology* • *Submission to the Public Inquiry into the Earthquake Commission*	• Report on the progress of public entities in implementing the Auditor-General's recommendations from previous reports: – *Using information to improve social housing services* – *Accident Compensation Corporation: Using a case management approach to rehabilitation* • Landscape of the public accountability system: First report • Landscape of the public accountability system: Second report • Making performance reporting more effective	• Reporting on the progress of public entities in implementing the Auditor-General's recommendations from previous reports (programme of follow-up work to be determined) • Influencing improvements in the public sector accountability system (work to be determined)	• Report on the progress of public entities in implementing the Auditor-General's recommendations from previous reports (programme of follow-up work to be determined)

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7. Public Excluded

Performance, Audit and Risk Committee (PARC) Report

Author	Vivienne Ong, Committee Advisor
Endorsed by	Catherine Schache, General Counsel

Meeting with the public excluded

1. That the public be excluded from the following part of the proceedings of this meeting, namely:
   - 1.1 Public Transport Level of Service and NZTA Audit
   - 1.2 Public Transport Financial Update

2. The general subject of the matters to be considered while the public is excluded, the reason for passing this resolution 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
1.1 Public Transport Level of Service and NZTA Audit 1.2 Public Transport Financial Update	That good reason exists for not discussing the matter with the public present and is not outweighed by the public interest.	Section 48(1)(a)

This resolution is made in reliance on section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceeding of the meeting in public are as follows:

1.1 & 1.2 *Would likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information – 7(2)(b)(ii)*

Enable the Council holding the information to carry out, without prejudice or disadvantage, commercial activities; or – Section 7(2)(h)

Enable the Council holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) – Section 7(2)(i)

That appropriate officers remain to provide advice to the Committee.

8. Notices of Motion

9. Extraordinary and Urgent Business

10. Questions

11. Next Meeting

12. Closure