

# AGENDA:

Meeting of the  
**FINANCE & AUDIT COMMITTEE**

Wednesday 12 July 2017  
commencing at 5:00pm

*at:*

Clocktower Chambers  
Palmerston Street, Westport

## Finance & Audit Committee Members:

- His Worship the Mayor Garry Howard
- Cr J Cleine
- Cr D Hawes
- Cr S Roche (Chair)
- Cr R Nahr
- Cr P Rutherford

# Terms of Reference

## Finance & Audit Committee

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### Purpose

The Finance and Audit Committee will monitor and assess the following:

- The correct level of service is being delivered within the approved financial parameters.
- External financial funding is on track to be received within the budgeted financial year.
- Council's level of borrowing is financially sustainable and intergenerational equity requirements are achieved.
- Council's investments are growing as predicted and invested as per Treasury Management Policy and that all breaches of policy are reported and approved by Council.
- Rates are being collected and that debt recovery is under control.
- Monitoring of Council's fiscal prudence indicators.
- Both external and internal audit requirements are met.

### Delegated Powers

- The Finance and Audit Committee has authority to undertake the following functions and to make recommendations to Council as required:

### Financial and Performance Monitoring

- Monitoring financial performance to budgets
- Monitoring service level performance to key performance indicators
- Monitoring of Rates and General Debt collection

### External Reporting and Accountability

- Enquire of external auditors for any information that affects the quality and clarity of the Council's financial statements, and assess whether appropriate action has been taken by management.
- Satisfy itself that the financial statements are supported by appropriate management signoff on the statements and on the adequacy of the systems of internal control (ie letters of representation), and recommend signing of the financial statements by the Chief Executive and Mayor and adoption by Council.

### External Audit

- Confirm the terms of the appointment and engagement, including the nature and scope of the audit, timetable and fees, with the external auditor.
- Receive the external audit report(s) and review action to be taken by management on significant issues and audit recommendations raised
- Enquire of management and the independent auditor about significant business, political, financial and control risks or exposure to such risks. Internal Audit
- Review the internal audit coverage and annual work plans.

### Frequency of Meetings

Monthly

### Reporting To

Council

### Reporting Timeline

Monthly dashboard report

### Membership

Chair:

- Sharon Roche

Members:

- Garry Howard
- Robyn Nahr
- Phil Rutherford
- Dave Hawes
- Jamie Cleine

# FINANCE & AUDIT COMMITTEE MEETING

12 JULY 2017

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# FINANCE AND AUDIT COMMITTEE

12 JULY 2017

Agenda Item No 1

Prepared by - Dean Phibbs  
- Manager Corporate Services

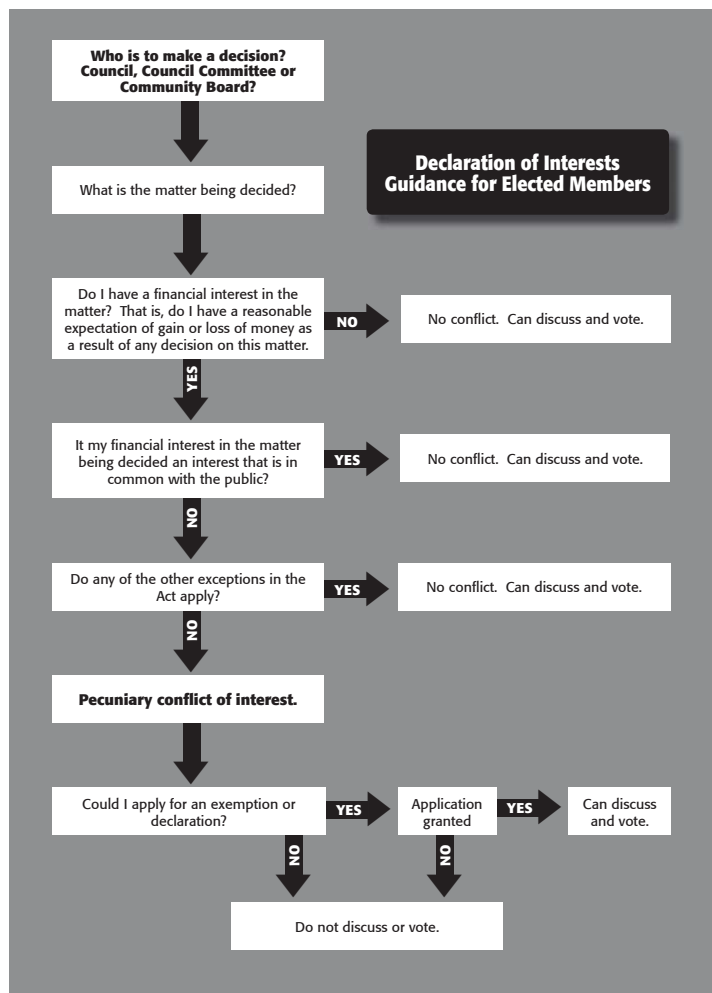
## MEMBERS INTEREST

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Councillors are encouraged to consider the items on the agenda and disclose whether they believe they have a financial or non-financial interest in any of the items in terms of Council's Code of Conduct.

Councillors are encouraged to advise the Personal Assistant, Corporate Services, of any changes required to their declared Members Interest Register.

The follow flowchart may assist Councillors in making that determination (Appendix A from Code of Conduct).



## DRAFT RECOMMENDATION

That Councillors disclose any financial or non-financial interest in any of the agenda items.

**FINANCE AND AUDIT COMMITTEE**

**12 JULY 2017**

**Agenda Item No 2**

**Prepared by - Dean Phibbs  
- Manager Corporate Services**

**CONFIRMATION OF MINUTES**

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Minutes of the meeting held 14 June 2017.

**DRAFT RECOMMENDATION**

**That the minutes from the meeting held 14 June 2017 are confirmed.**

**MEETING OF THE BULLER DISTRICT COUNCIL FINANCE AND AUDIT COMMITTEE, COMMENCED AT 5:30pm 14 JUNE 2017 AT CLOCKTOWER CHAMBERS, PALMERSTON STREET, WESTPORT**

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**PRESENT:**

Mayor G Howard, Councillor's S Roche (Chair), P Rutherford, J Cleine (via phone) and R Nahr.

**IN ATTENDANCE:**

Manager Corporate Services (D Phibbs), Financial Accountant (W Thompson), Management Accountant (L Brooks) and PA Corporate Services (M Wilson).

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**APOLOGIES:**

An apology was received from Councillor D Hawes.

**S Roche/J Cleine  
CARRIED UNANIMOUSLY**

**1. MEMBER'S INTEREST**

Nil

**2. MINUTES**

**RESOLVED** that the minutes of the 17 May 2017 meeting be accepted.

**P Rutherford/G Howard  
CARRIED UNANIMOUSLY**

**3. ACTION POINTS**

- 103a. Completed
- 103b. Change date to on-going
- 111. Change date to September 2017
- 135. Completed
- 136. Completed
- 137. Change date to September 2017
- 138. Change date to July 2017
- 139. Completed
- 140. Completed

**RESOLVED** that the report be received for information and discussion.

**S Roche/G Howard  
CARRIED UNANIMOUSLY**

**4. FINANCIAL PERFORMANCE**

W Thompson (Financial Accountant) gave an overview of the report and results to-date. A conservative approach has been taken with the full year predictions.

Revaluations will take place this year, which will affect the final result.

**RESOLVED** that the report be received for information and discussion.

**J Cleine/P Rutherford  
CARRIED UNANIMOUSLY**

**5. INVESTMENTS AND BORROWINGS**

**RESOLVED** that the report be received for information and discussion.

**P Rutherford/R Nahr  
CARRIED UNANIMOUSLY**

**6. DEBT RECOVERY REPORT**

**RESOLVED** that the report be received for information and discussion.

**G Howard/J Cleine  
CARRIED UNANIMOUSLY**

**(Councillor J Cleine left the meeting at 6:10pm)**

**7. SIGNIFICANT PROJECTS REPORT**

**RESOLVED** that the report be received for information and discussion.

**S Roche/R Nahr  
CARRIED UNANIMOUSLY**

**8. AUDIT MANAGEMENT ACTION POINTS**

**RESOLVED** that the report be received for information and discussion.

**G Howard/P Rutherford  
CARRIED UNANIMOUSLY**

**FINANCE WORK PLAN**

Reviewed.

- 
- There being no further business the meeting concluded at 6:20pm
  - **Next meeting:** Wednesday 12 July 2017, 5pm at Clocktower Chambers
- 

**Confirmed:** ..... **Date:** .....

**Name:** .....

## FINANCE AND AUDIT COMMITTEE

12 JULY 2017

Agenda Item No 3

Prepared by - Dean Phibbs  
- Manager Corporate Services

### ACTION POINT LIST

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### CURRENT ACTION POINTS

No.	Meeting of:	Action Point	Responsible?	Progress:	Date required by:
103(b)	17 Feb 2016	Shared Services: to be discussed with other West Coast Council's as part of the joint Level of Service review.	Andy Gowland-Douglas; Wendy Thompson	Continue working with other Council's.  To be in place by 1 July 2017.	On-going
111	11 May 2016	Leases and Licences to Occupy: Update register and provide report	Mike Duff	Sharon Roche to discuss with GM A&I.	September 2017
117	15 June 2016	Debt Recovery: clarify the Resource Management debt with Team Leader Planning.	Lynn Brooks	Progressing.  Team Leader Planning in communications and discussion with debtor.	July 2017
137	17 May 2017	WestReef Services: work with WestReef Services to tidy-up how H&S KPI's are measured to provide consistency to the reporting.	Wendy Thompson Robyn Nahr		September 2017
138	17 May 2017	Significant Projects Report: working party to agree how the significant projects are to be reported through the 'traffic lights'.	Garry Howard Sharon Roche Dean Phibbs Lynn Brooks Wendy Thompson		July 2017

### DRAFT RECOMMENDATION

That the report be received for information.



## FINANCE AND AUDIT COMMITTEE

12 JULY 2017

Agenda Item No 4

Prepared by - Wendy Thompson  
- Financial Accountant

Reviewed by - Dean Phibbs  
- Manager Corporate Services

### FINANCIAL PERFORMANCE: May 2017

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#### 1. Report Summary

To provide the Council with a financial performance update on the operational results to 31 May 2017.

#### 2. Recommendation/draft resolution

That this report be received for information and discussion.

#### 3. Operational Financial Performance

##### 3.1 Operational Performance Report - Summary of Results May 2017

	Actual YTD	Budget YTD	Projected Full Year	Budget Full Year	Projected Variance Full Year
Income	\$19,941,900	\$18,941,800	\$21,061,200	\$20,997,800	\$63,300 F
Expenditure	\$19,255,000	\$19,825,000	\$22,076,500	\$22,196,500	\$120,000 F
					<b>\$183,300 F</b>

### 3.2 Dashboard – Operational Financial Performance Indicators

Activity	Revenue	Expenditure	Comment
Democracy	●	●	
Property Amenities & Reserves	●	●	Timing variance – R&M offset by public toilets.
Economic Development, Tourism & Museum Support	●	●	
Community Services	●	●	Additional grant and lease income \$84,000.
Regulatory	●	●	Building and planning income under budgeted offset by cost savings.
Roading	●	●	Additional roading subsidy \$123,000.
Solid Waste	●	●	
Support	●	●	Salary & consultant savings offset by unbudgeted recruitment.
Wastewater	●	●	
Water	●	●	Reactive R&M & electricity overbudget offset by interest savings.
Airport	●	●	

## Operational Financial Report for the period ending 31 May 2017

	Year to Date										Note	Temporary or Permanent Variance	Explanation of Variances of 10% or greater	
	Actual	Budget	Variance to May		Full Year Prediction	Annual Budget	Variance Full Year Prediction	U/F	U/F	U/F				
<b>Income</b>														
Community Services	599,459	476,894	122,565	F	616,792	520,248	96,544	F			Permanent	Grant received for waterfront \$20,000, additional Harbour lease income \$88,000		
Democracy	43,783	31,009	12,774	F	43,828	33,828	10,000	F						
Tourism & Promotion	0	0	0	U	0	0	0							
Water Supply	2,565,617	2,564,093	1,524	F	2,608,432	2,588,436	19,996	F						
Airport	187,695	179,413	8,282	F	190,996	190,996	0							
Amenities & Reserves	740,159	680,009	60,150	F	803,894	753,108	50,786	F			Permanent	Prediction: NZTA contribution to toilet operating costs \$40,000		
Roading & Urban Development	1,985,142	1,983,609	1,533	F	2,319,058	2,319,058	0				Temporary	Additional roading subsidy allocated for emergency reinstatement \$123,000, offset by timing of roading programme and associated external contribution		
Environmental Services	738,968	855,284	(116,316)	U	803,658	917,658	(114,000)	U			Permanent	Building, planning & dog control income underbudget		
Solid Waste	805,038	790,386	14,652	F	800,724	800,724	0							
Support Services	60,459	66,033	(5,574)	U	72,036	72,036	0							
Council (General Rates & Investments)	9,805,985	8,870,261	935,724	F	10,356,109	10,356,109	0				Temporary	Timing of subvention payment \$917,000 higher than budgeted to 31 May 2017. Year end prediction depends on full year performance of Buller Holdings Ltd		
Wastewater	2,409,560	2,444,825	(35,265)	U	2,445,636	2,445,636	0							
<b>Total Income</b>	<b>19,941,866</b>	<b>18,941,816</b>	<b>1,000,050</b>	<b>F</b>	<b>21,061,163</b>	<b>20,997,837</b>	<b>63,326</b>	<b>F</b>						

# Operational Financial Report for the period ending 31 May 2017

	Year to Date										Note	Temporary or Permanent Variance	Explanation of Variances of 10% or greater	
	Actual	Budget	Variance to May	U/F	Full Year Prediction	Annual Budget	Variance Full Year Prediction	U/F						
<b>Expenditure</b>														
Community Services	2,862,659	2,836,738	(25,921)	U	3,277,783	3,287,783	10,000	F						
Democracy	504,662	503,200	(1,462)	U	550,672	540,672	(10,000)	U						
Tourism & Promotion	396,015	422,376	26,361	F	460,746	460,746	0							
Water Supply	1,731,886	1,660,902	(70,984)	U	1,978,267	1,978,267	0						Temporary	Reactive R&M \$86,000 and electricity \$73,000, offset by interest underbudget \$101,000
Airport	303,644	267,035	(36,609)	U	319,820	289,820	(30,000)	U					Permanent	Salaries over budget due to staffing changes
Amenities & Reserves	1,826,598	2,013,920	187,322	F	2,143,734	2,208,734	65,000	F					Temporary	R&M expenditure & depreciation underbudget offset by additional public toilet costs
Roading & Urban Development	4,840,381	4,966,337	125,956	F	5,422,070	5,422,070	0						Temporary	Emergency reinstatement costs offset by timing of the scheduled roading programme
Environmental Services	1,186,655	1,301,542	114,887	F	1,362,310	1,437,310	75,000	F					Permanent	Net savings in a wide range of expenses including salaries
Solid Waste	803,335	836,149	32,814	F	952,465	952,465	0							"Underbudget salaries, consultant fees and other saving offset by unbudgeted recruitment costs, legal fees and timing of software licence renewals. Prediction: depreciation and infrastructure revaluation costs yet to process."
Support Services	2,922,142	3,112,838	190,696	F	3,414,420	3,424,420	10,000	F					Temporary	
Wastewater	1,877,040	1,903,935	26,895	F	2,194,260	2,194,260	0							
<b>Total Expenditure</b>	<b>19,255,017</b>	<b>19,824,972</b>	<b>569,955</b>	<b>F</b>	<b>22,076,547</b>	<b>22,196,547</b>	<b>120,000</b>	<b>F</b>						
<b>Net Variance</b>			<b>1,570,005</b>	<b>F</b>			<b>183,326</b>	<b>F</b>						

## FINANCE AND AUDIT COMMITTEE

12 JULY 2017

Agenda Item No 5

**Prepared by** - Wendy Thompson  
- Financial Accountant

**Reviewed by** - Dean Phibbs  
- Manager Corporate Services

### INVESTMENTS AND BORROWINGS: June 2017

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#### REPORT SUMMARY

This report summarises Councils cash investments and borrowings for the month ended June 2017, interest earned for the period from 1 July 2016 to 30 June 2017 and policy compliance.

#### RECOMMENDATION/DRAFT RESOLUTION

**That the report be received for information.**

#### ISSUES AND DISCUSSION

##### **Investments**

Investments have decreased by \$1.1 million in total from the last report circulated to the end of May 2017. This is mainly due to the effect of the rates billing cycle and monthly creditor payment obligations. The trading account closing balance is \$585,700 due to the receipt of \$314,600 received from NZTA on 30 June 2017.

##### **Interest Revenue**

Interest revenue to the end of June 2017 is \$1,101,000 compared to a budget of \$1,239,000. This variance will reduce by approximately \$70,000 once the Buller Holdings Ltd loan interest is processed and accrued into the 2016/17 financial year. Council will continue to reinvest term investment funds at the most favourable interest rate when deposits are up for renewal. There are often opportunities to take advantage of bank pricing differences to maximise returns even in time of low interest rates.

##### **Borrowings and Net Debt Position**

Total borrowings are stable at \$23,500,000, down slightly from the end of the 2015/16 financial year as the EECA loan is paid down.

Net debt (borrowings less term investments) has increased to \$6,400,000 from the \$5,300,000 balance in May due to the movement in investments.

## **CONSIDERATIONS**

### **1. Strategic impact**

- It is important that Council retains suitable cash holdings and credit facilities to ensure its activities and capital projects are able to be funded in a timely and affordable manner.

### **2. Significance assessment**

- The significance policy sets out the criteria and framework for a matter or transaction to be deemed significant. The content included in this report is not considered significant because the matters disclosed are of a routine nature, and not large in terms of total assets and total annual operations of council.

### **3. Values assessment**

- The Buller District Councils values are: One Team; Community Driven; We Care; Future Focussed; and Integrity.
- Treasury management functions and reporting align most strongly with the values of Future Focussed and Integrity.
- Consideration of current and future cash requirements and intergenerational equity are required when managing cash deposits and credit facilities.
- Public reporting of investments and borrowings encourages open and honest discussion and decision making.

### **4. Risk analysis**

- Risk is assessed by taking into account the likelihood of an event occurring and the result of that event.
- Cash flow management is an integral part of ensuring Council is able to deliver the services and projects it has committed to in successive Long Term and Annual Plans.
- This risk is mitigated by establishing policies and procedures, engaging staff to manage investment and borrowings and regular reporting to Council to ensure high level oversight.

### **5. Policy / legal considerations**

- The Local Government Act (2002) and associated regulations prescribe prudent financial management and nationwide benchmarks. The financial prudence benchmarks are now compulsory sections included in Council Long Term/ Annual Plans and Annual Reports.
- Council's Investment Policy and Treasury Policy govern the management of cash assets and borrowings.

### **6. Tangata whenua considerations**

- None identified

### **7. Views of those affected**

- Council's financial strategies, investment levels and borrowing projections are included in the Long Term Plan and Annual Plan consultation processes.

### **8. Costs**

- There are no extraordinary costs relating to investments and borrowings.

### **9. Benefits**

- The benefits of structured Treasury management include risk minimisation, prudent cash management and long term financial stability.

### **10. Media / publicity**

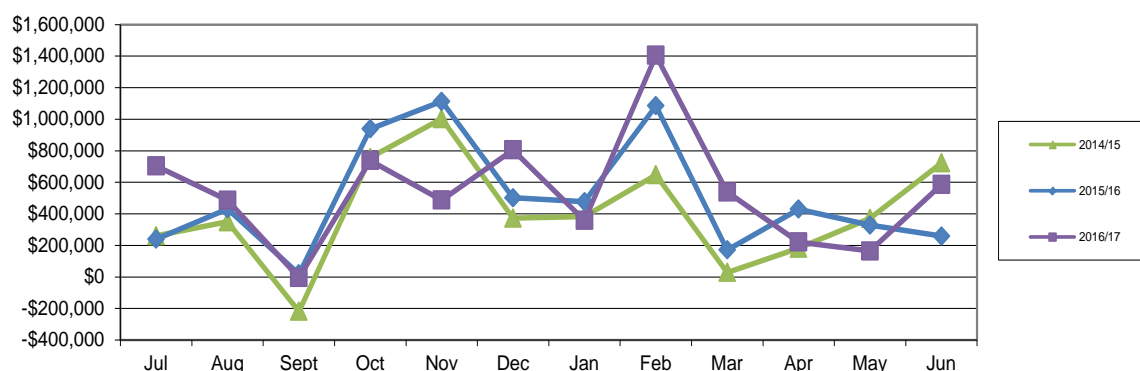
- None identified

## INVESTMENTS AND BORROWINGS REPORT

### 1. BANK BALANCE

	This Month 30 Jun-17	Last Month 31 Mar-17	Last Year 30 Jun-16
Council	\$585,661	\$164,823	\$258,418

### 2. MONTH END BANK BALANCE



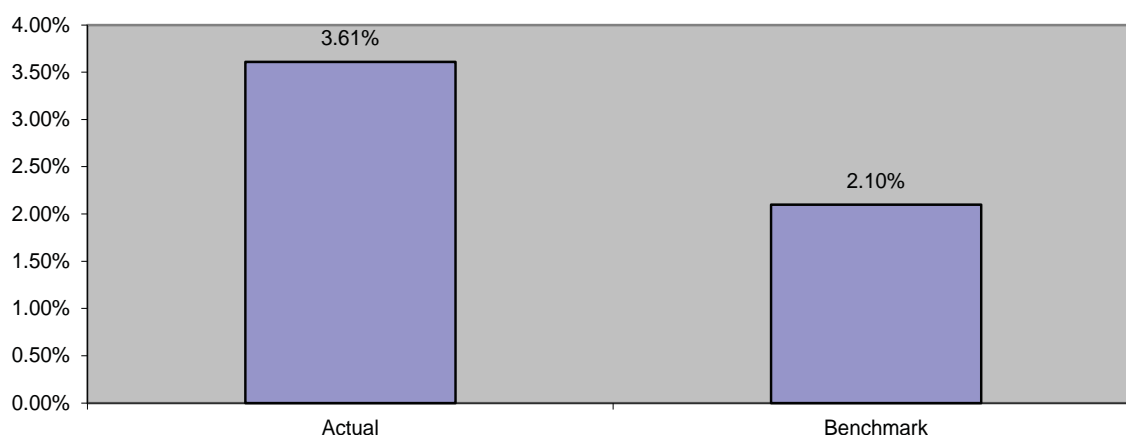
### 3. SUMMARY OF INVESTMENTS

	This Month 30 Jun-17	Last Month 31 Mar-17	Last Year 30 Jun-16
Term Deposits	17,098,148	18,198,148	15,783,518
Other Loans (includes loan to Holding Company)	2,537,348	2,538,598	2,494,843
<b>Total Investments</b>	<b>19,635,496</b>	<b>20,736,747</b>	<b>18,278,361</b>

### 4. SOURCE OF FUNDS

	This Month 30 Jun-17	Last Month 31 Mar-17	Last Year 30 Jun-16
Depreciation Funds	1,000,000	1,000,000	1,000,000
West Coast Package (Govt subsidy for halt to logging)	2,829,551	2,829,551	2,429,551
Harbour (profit from past harbour operations)	1,979,092	1,979,092	1,979,092
Freeholding Proceeds (sale of leasehold land)	2,840,838	2,840,838	2,840,838
Capital Sponsorship (deposits from V2010 sponsors)	5,034,038	5,034,038	5,034,038
Reserves Contribution Funds	1,314,630	1,314,630	0
Short Term Funds (rates income plus tds held pending debt reduction )	2,100,000	1,200,000	2,500,000
	<b>\$17,098,148</b>	<b>\$16,198,148</b>	<b>\$15,783,519</b>

## 5. INVESTMENTS PORTFOLIO PERFORMANCE (12 Month Average)



## 6. INTEREST REVENUE

	Actual YTD	Budget YTD	Budget Full Year
Interest Revenue	\$1,101,294	\$1,238,899	\$1,238,889

## 7. COMPLIANCE WITH INVESTMENT POLICY

All term deposits are held with New Zealand Registered banks with no more than \$10 million with any one institution. The terms and maturity dates of investments are spread to minimise Council's exposure to interest rate fluctuations while still aiming to optimise interest earned.

Council has approved the investment in NBS which sees us in breach of the Treasury Management Policy. This breach will continue as investments mature and are rolled over.

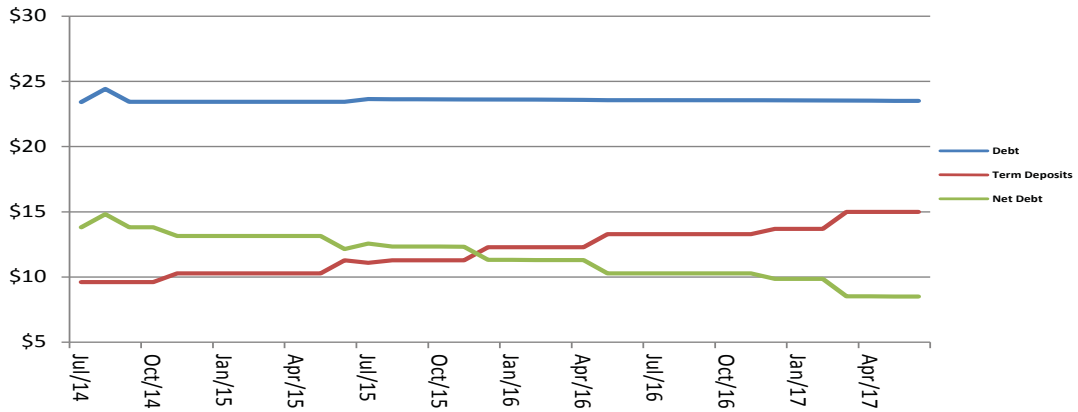
## 8. SUMMARY OF BORROWINGS

	This Month 30 Jun-17	Last Month 31 Mar-17	Last Year 30 Jun-16
<b>External Debt:</b>			
Westpac Loan Facility	3,433,860	3,433,860	3,433,860
LGFA Loan Facility	20,000,000	20,000,000	20,000,000
EECA Loan	66,241	66,241	145,824
	<b>\$23,500,101</b>	<b>\$23,500,101</b>	<b>\$23,579,684</b>
Weighted Average Interest Cost	4.60%	4.60%	4.60%
<b>Net Debt:</b>			
Total Borrowings	23,500,101	23,500,101	23,579,684
Less: Term Deposits	17,098,148	18,198,148	15,783,518
	<b>\$6,401,953</b>	<b>\$5,301,953</b>	<b>\$7,796,166</b>



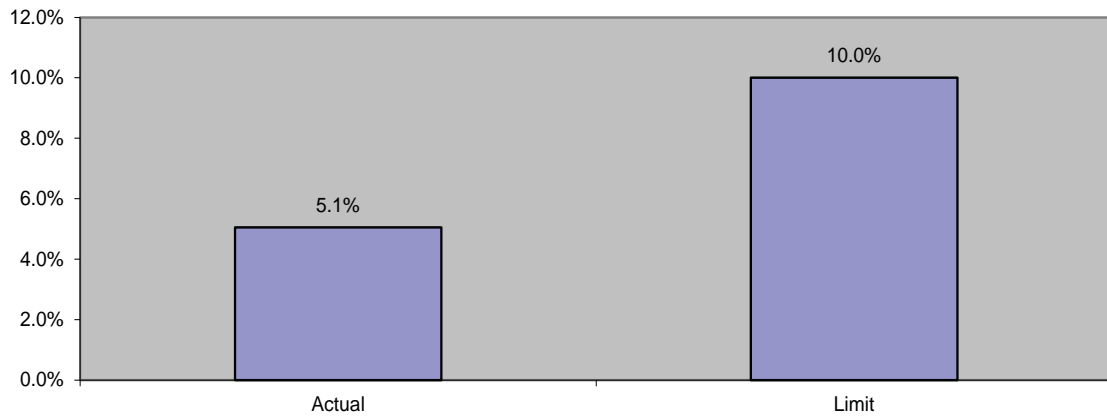
## 9. DEBT AND INVESTMENTS 3-YEAR TREND

\$ Millions

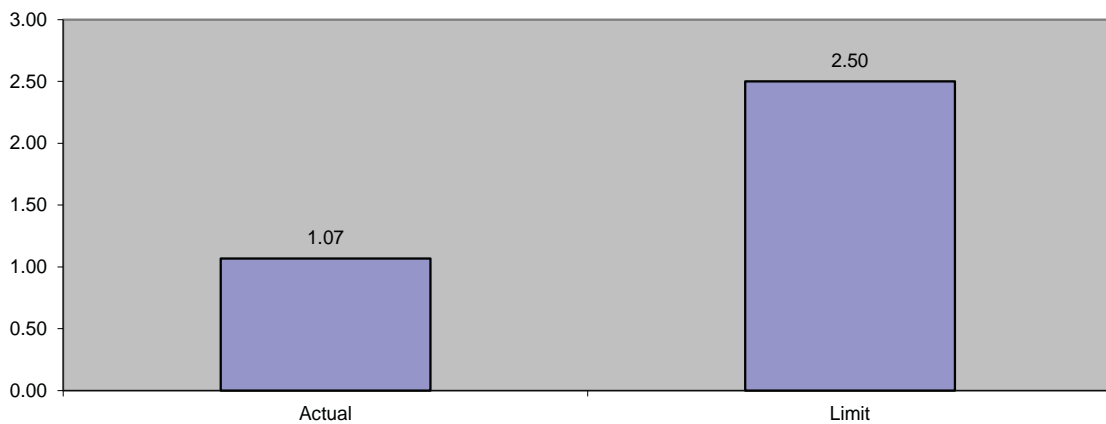


## 10. COMPLIANCE WITH TREASURY POLICY

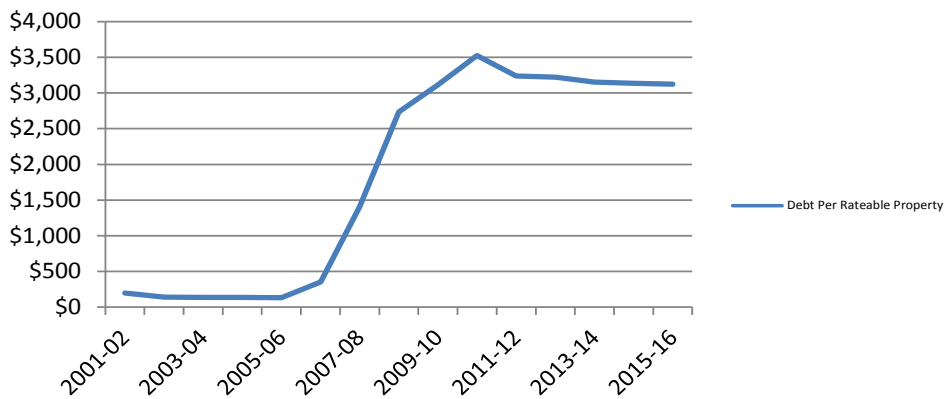
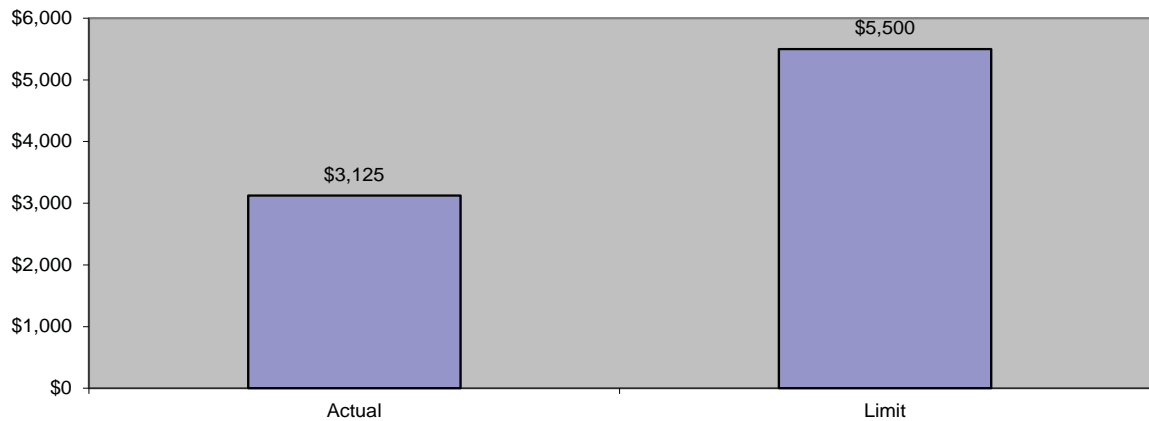
### 10.1 Interest Expense / Total Income



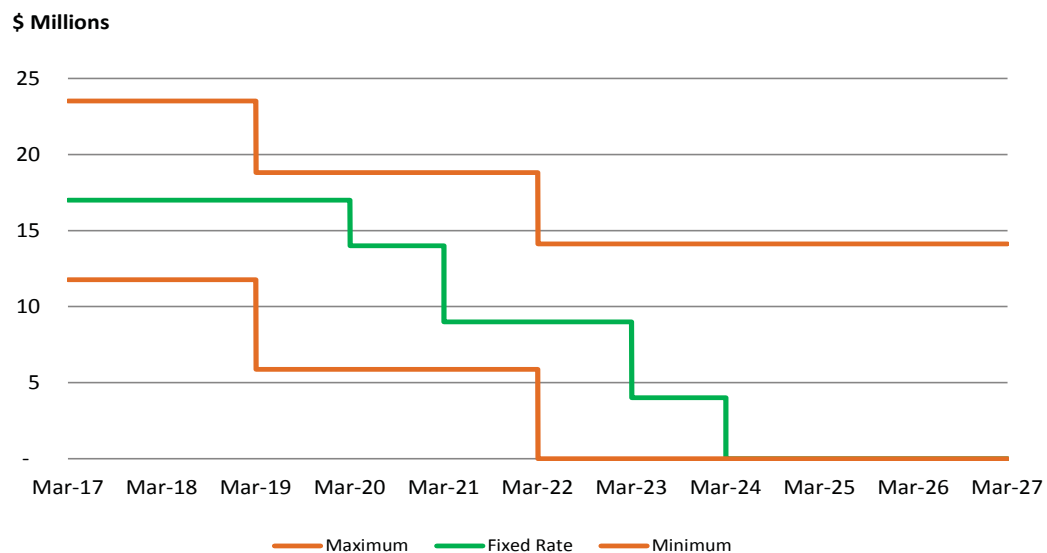
### 10.2 Gross Debt / Total Income



### 10.3 Gross Debt per Rateable Property



### 10.4 Fixed Rate Debt - Compliance with Treasury Policy



Current borrowings are in compliance with the limits specified in Council's Treasury Policy.

Investments are in breach of Council's Treasury Management Policy in respect that there is more than 10% of the portfolio invested in a Building Society. Council ratified this breach via resolution to obtain ongoing sponsorship proceeds for the NBS Theatre.

## FINANCE AND AUDIT COMMITTEE

12 JULY 2017

Agenda Item No 6

Prepared by - Lynn Brooks  
- Management Accountant

Reviewed by - Dean Phibbs  
- Manager Corporate Services

### SIGNIFICANT PROJECTS REPORT

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#### Report Summary

This report summarises significant projects and priorities of Council at 31 May 2017. It records both current and future work streams, and is for discussion and monitoring purposes. It should be read in conjunction with the attached detailed Appendix A.

#### Draft Recommendation

**That the report be received for information.**

#### Issues and Discussion

The report provides a high summary of some projects and priorities of Council by each of the following sectors:

- 1 Mayor, Councillors and Chief Executive
- 2 Community and Environment
- 3 Corporate Services
- 4 Operations
- 5 Significant Projects

This report does not include every task undertaken, such as low value routine roading contract work or other regular services provided by Council. Instead it highlights the high value projects at an aggregated level, and/or the non-routine projects.

Chief Executive and Council are to advise if there are other projects or priorities to be included in the next monthly report to Council.

The following table shows each section of the report as a high level overview. This is similar to other “traffic light” indicators used in Council documents such as the Annual Plan, Long Term Plan and other reports and is included for consistency with those formats.

Activity	Indicator	Comment
<b>Mayor, Councillors and Chief Executive</b>	●	Progress continues with the Little Wanganui/Tapawera/Wangapeka Road and a business case began in April 2017. Advocacy for the West Coast Regional Council projects (Westport Flood Protection, Carters Beach & Granity/Ngakawau sea erosion) continues.
<b>Community and Environment</b>	●	The current tasks are on plan and budget. Attention must be paid to the resources required to complete all bylaw reviews which are required in 2017/2018. Freedom Camping is a topical issue and all West Coast Councils are working on a joint solution toward this subject.
<b>Corporate Services</b>	●	The 2017/2018 Annual Plan work stream is on target. The Long Term Plan is in the planning phase. The Free Wifi project has progressed well.
<b>Assets and Infrastructure</b>	●	<b>Roading and Urban Development:</b> District Signage has progressed so the billboards can be installed however there will be a delay on the wayfinding signs. The riverside development has been reset for the next financial year as it will not be completed by the end of this year. Roothing contracts are being completed as planned, taking into account the weather conditions and that the work is typically scheduled in the later part of the financial year. Poor weather has delayed some planned projects and it is estimated the work will be 95% complete by end of year.
	●	<b>Water Supplies:</b> Inangahua bore water scheme is operational, with final costs incurred. The Westport water project is progressing with external advice being prepared for presentation to Council.
	●	<b>Wastewater:</b> Projects progressing as planned.
	●	<b>Stormwater:</b> Projects progressing as planned.
	●	<b>Solid Waste:</b> New litter bins purchased but cost is greater than budget.
	●	<b>Properties and Amenities:</b> Peel Street yard, site testing, analysis and risk assessment in progress.
<b>Significant Projects</b>	●	The District Plan Review continues to progress well along with the in-house Information Technology projects. The Rates Overhaul project is progressing after workshops continue.

Project on time and budget	●
Project delays or budget overruns	●

## Considerations

### 1. Strategic impact

The report helps to monitor the outcomes provided for the community against the strategic direction of Council. In particular, it reports on the effectiveness of the “consolidate and hold” position taken in the last Long Term Plan where it was agreed to minimise rates increases and limit new services or capital spending to those things that could be used as a springboard for district economic growth.

### 2. Significance Assessment

The Significance and Engagement Policy sets out the criteria and framework for a matter or a transaction to be deemed significant. The Significance and Engagement Policy is written in accordance with The Local Government Act 2002 (LGA 2002) section 76AA. This part of the Act sets the general approach to determine if a proposal or decision is significant requiring the Council to make judgements about the likely impact of that proposal or decision on:

The district;

- a) The persons who are likely to be particularly affected by, or interested in, the proposal or decision;
- b) The financial impact of the proposal or decision on the Council’s overall resources; and
- c) The capacity of the Council to perform its role and carry out its activities, now and in the future.

The content included in this report has been consulted on with the community through the Long Term Plan and Annual Plan process.

### 3. Values assessment

The Buller District Council values are: One Team; Community Driven; We Care; Integrity; and Future Focussed. This report presents the significant projects which are important for the community and the future of the district. Reporting on the significant projects provides an opportunity to review if the areas of focus align with our values.

### 4. Risk Analysis

Risk is assessed by taking into account the likelihood of an event occurring and the result of that event.

Significant projects are perceived to have some greater than usual potential to place Council at risk as the costs involved can be significant, or the project may have greater technical and legal issues. This risk is mitigated by engaging suitably qualified staff to monitor and regularly report on the projects therefore acting on any issues that arise early on, and to ensure the project progress is well understood by staff and governance.

### 5. Policy/Legal Considerations

The Local Government Act 2002 governs the activities of Council and sets out the requirement for consultation on the Annual Plan and Long Term Plan to agree the budgets and activities to be funded.

This report assists with two key purposes of that Act (refer to section 3) stating the purpose of the Act is to promote the accountability of local authorities to their communities; and provide for local authorities to play a broad role in meeting the current and future needs of their communities for good-quality local infrastructure, local public services, and performance of regulatory functions.

**6. Tangata Whenua Consultation Considerations**

The contents of the report are not a matter requiring consultation with tangata whenua or community groups.

**7. Views of those affected**

There is no need to consult with the public or affected parties due to the information being previously consulted upon through Annual Plan processes.

The community will have interest in the progress of the projects and priorities included in the report because new spending affects annual rates charges, and the effectiveness of advocacy has the potential to improve community wellbeing.

**8. Costs**

There are no extraordinary costs for the items included in this report, as these projects have been budgeted for in the annual plan. Some of the significant projects have no monetary cost to council as they are for advocacy.

**9. Benefits**

The benefits of reporting on reviewing the significant projects and priorities are understanding the timelines, budgets, resourcing and opportunities that exist for Council.

Reporting on the significant projects and priorities allows Council to compare the activities of Council against the core strategy of Council.

**10. Media/Publicity**

There are many media or publicity opportunities with the content of this report.

## Significant Projects Report

Indicator	Project Description	Project Manager	Carry Over (over)/under	2016/17 Budget	Total Budget	Actual Cost to May 2017	Project status	Scope, Design, etc	Quote, Tender, etc	Planned Start Date	Planned Completion	Date of completion	Comments / Issues
	<b>MAYOR, COUNCILLORS &amp; CEO</b>												
●	Little Wanganui/ Tapawera/ Wangapeka Road Advocacy	GH + CEO	0.00	0.00			In progress			Nov-15			Better Business Case underway in April 2017. Ongoing.
●	Integrated Family Health Unit Advocacy	GH + CEO	0.00	0.00						Nov-16			Site selection confirmed. Continuing Advocacy.
●	Future of Westport Port	CCTO Committee	0.00	0.00			under continual review			Dec-15			AP, LTP Strategy, CCTO Committee and BHL. Updates to be provided.
●	Reefton Historic Power Generation Project	GH	0.00	0.00						Dec-17			Advocacy with Greg Topp. Active discussions continuing.
●	Ultra Fast Broadband Advocacy	GH + CEO + IT	0.00	0.00			In progress			Nov-15			Government Announcement with WC Projects 2019. Now with Chorus. Progressing with MDC, Creative Developments and BEL.
●	Shared Services Projects with Other Coast Councils	CEO	0.00	0.00			ongoing						Ongoing - Roading, Various IT Projects, Internal Audits, Civil Defence & Local Govt Commission, Economic Development, Policy Development.
●	Housing for Elderly - Advocacy	GH	0.00	0.00						Jun-16	Jun-17		Housing stock & ownership structure i.e. Trust
●	Westport Gateway Sign	GH	-21,314.00	25,000.00	3,686.00	1,769.00	In progress			Nov-15	May-17		Lighting to be completed by end of financial year.
●	Carters Beach Sea Erosion Advocacy	GH + CEO	0.00	0.00						Aug-17			Community Meetings Held. Advocacy role only, Project sits with WCRC.
●	Ngakawau/Grantly Sea Erosion Advocacy - Facilitation	GH + LB	0.00	0.00						Aug-17			Community Meetings Held. Advocacy role only, Project sits with WCRC.
●	Charleston/Cape Foulwind Cycleway	GH	0.00	0.00									MOU completed. Continue advocacy.
●	Kawatiri Sculpture Symposium	GH + PH	0.00	0.00			near complete			May-16	Dec-17		Sculptures installed and near completed, awaiting plaques.
●	Westport Flood Mitigation	GH	0.00	0.00			ongoing						WCRC project, BDC role is advocacy, WCRC Submissions closed 17 February.
●	Holcim Exit	GH	0.00	0.00									Exit Plan.
●	17A Review - Local Government Act 2002	CEO	0.00	0.00			underway				Jul-17		Required to review cost effectiveness of current arrangements for meeting community needs. Refer to February Council meeting agenda for more information.
	Other Mayor, Councillors and CEO Projects	GH	0.00	0.00									
			-21,314.00	25,000.00	\$3,686.00	\$1,769.00							
	<b>COMMUNITY &amp; ENVIRONMENT</b>												
●	Alcohol Policy	CS + RT	0.00	0.00			In progress						Awaiting evidence from stakeholder groups to feed into policy development & legal outcomes Recommended this be put in the priority list for the Risk and Policy committee.
●	By-Law Reviews (all require review)	RT	0.00	0.00									To do: two in 2017, all the rest by 2018, NOTE this will be a large workload
●	Freedom Camping	CEO	0.00	0.00			In progress			Feb-17	Oct-17		Joint compliance and monitoring between all West Coast Councils.
●	Other Community & Environment	CS	0.00	0.00									
			\$0.00	\$0.00	\$0.00	\$0.00							

## Significant Projects Report

Indicator	Project Description	Project Manager	Carry Over (over)/under	2016/17 Budget	Total Budget	Actual Cost to May 2017	Project status	Scope, Design, etc	Quote, Tender, etc	Planned Start Date	Planned Completion	Date of completion	Comments / Issues
	<b>CORPORATE SERVICES</b>												
●	2017/18 Annual Plan	DP	0.00				Completed			Nov-16	Jun-17		Annual Plan subsequently adopted at the June 2017 Council meeting.
●	Free WiFi Proposal for Palmerston Street in 4 Locations + Airport	GH + RW	4,000.00	0.00	4,000.00	3,611.00	Completed						Sites installed. Seeking sponsors who will have advertising on the splash page for an annual fee to offset running costs.
●	Review of Costings for Water Schemes	CEO + Finance Team	0.00	0.00	0.00	0.00							To be completed as further information provided from Assets & Infrastructure Team
●	Fire & Emergency NZ Transition	DP	0.00	0.00	0.00	0.00	In progress			Apr-16	Dec-17		Information sharing with NZ Fire Service underway and decisions for rural fire asset transfers to be completed.
●	Long Term Plan 2018-2028	DP	0.00	0.00	0.00	0.00	Planning Stage			May-17	Jun-18		Strategic Workshops to be held commencing May/June
●	Other Corporate Services Projects	DP	0.00	0.00	0.00	0.00							
			<b>-\$4,000.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$3,611.00</b>							
	<b>SIGNIFICANT PROJECTS</b>												
●	District Plan Review	RT	-7,712.00	20,000.00	12,288.00	1,545.00	In progress			Nov-14	TBA		Hearings Committee has heard submissions. Are deliberating on those and will report to Council, who may accept or reject the proposed plan changes.
●	Rates Review Project Phase II	DP	67,617.00	0.00	67,617.00	15,560.00	In progress			Apr-16	Jun-18		Committee workshops have developed a proposed model for consultation and a workplan is agreed.
●	IT/Information Technology Projects (inhouse)	HS	237,330.00	163,833.00	401,163.00	222,059.00	In progress				Jun-17		IM Project at selection stage. Major System update occurred in Feb 2017. Telephony upgrade will be completed by end of year. Hardware updates continuing.
●	Other Significant Projects												
			<b>\$297,235.00</b>	<b>\$183,833.00</b>	<b>\$481,068.00</b>	<b>\$239,154.00</b>							



Significant Projects Report

Indicator	Project Description	Project Manager	Carry Over (over)/under	2016/17 Budget	Total Budget	Actual Cost to May 2017	Project Status	Scope, Design, etc	Quote, Tender, etc	Planned Start Date	Planned Completion	Date of completion	Comments / Issues
	<b>ASSETS &amp; INFRASTRUCTURE</b>												
●	Punakaiki Water Intake Easement	MD	6,018.00	0.00	6,018.00	10,313.00	In Progress						Situation under further review.
●	South Granity Water Admin (Tank Supply)	CEO	0.00	0.00	0.00		In Progress						Situation under further review.
●	Little Wanganui Water and Sewerage Easements	MD	0.00	0.00	0.00		In Progress			Jun-17			Work underway to resolve this
●	Karamea Highway Special Purpose Road Advocacy	MD, GH	0.00	0.00	0.00		In Progress						Business case being prepared in conjunction with NZTA
●	Punakaiki Camp Lease & Erosion Protection	TR/MD	0.00	0.00	0.00		Advocacy Role Only						This is a WCRC project and BDC's role is advocacy only.
●	Punakaiki Dickson Parade Status and Freedom Camping Issues	MDG + RT	0.00	0.00	0.00		In Progress						Temporary Road Closure following WCRC completion of new seawall. Detailed risk assessment before reopening.
●	Westport Tunnel Piping/Bracing	MD	65,960.00	650,000.00	715,960.00	99,305.00	In Progress						Feasibility study in progress to determine methodology, cost, and schedule. Study due in time for June Council meeting.
●	Inangahua Water Treatment System	MD	222,740.00	0.00	222,740.00	219,692.00	In Progress						Water system completed. Fencing to be completed. Claim for DWS Funding to be received.
●	Waimangaroa Water Treatment System	MD	567,200.00	0.00	567,200.00	9,111.00	In Progress						Bore site has been identified, preparations for test drilling underway.
●	Ngakawau Hector Water Treatment System	MD	552,725.00	0.00	552,725.00	4,680.00	In Progress						Situation under further review.
●	District Signage (Seal Loop)	MD + GH	75,000.00	50,000.00	125,000.00	21,920.00	In Progress						Resource Consent application approved. Installation in progress, target completion July. Wayfinding signs on hold.
●	Riverside Development \$150k and Waterfront \$100k		250,000.00	250,000.00	500,000.00	0.00							Rebudgeted after 2017/2018 Annual Plan workshop discussions.
●	Punakaiki Building Project		0.00	100,000.00	100,000.00	4,777.00	On Hold						Draft Community Needs Assessment report received by BDC. Copy referred to DOC for consideration in the Dolomite Point spatial planning. On hold until DOC confirm whether Community Facility will be incorporated in their planning work.
●	Reefton Community Centre	RB	253,207.00	537,400.00	790,607.00	818,288.00	Near Completed						Project completed, expect final costs to come in within \$28k of budget. Final costs are still to be paid (after 90 days practical completion as per contract).
●	Roading - Local Roads Sealed Road Resurfacing	TM	0.00	470,000.00	470,000.00	480,610.00	In Progress		Mar-17	May-17			Works program is weather dependent. Work materially completed.
●	Derby Street Pavement, Footpath, Water, Sewerage	TR/SM	0.00	676,643.00	676,643.00	728,049.00	In Progress			Jun-17			All works underway.
●	Roading - Local & Special Purpose Roads Other Projects	TR/SM	0.00	818,744.00	818,744.00	550,030.00	In Progress				Throughout the year		Dependent on weather conditions, therefore starts March of each year.
●	Earthquake Strengthening of Buildings	RB	110,000.00	50,000.00	160,000.00	66,790.00	Completed 3 of 4						Includes Westreef Depot, Victoria Square Building, Reefton Service Centre and Carnegie Library. Carnegie deferred until next year.
●	Costing Water Schemes - (Depreciation Funding)	MD	0.00	0.00	0.00	0.00							The mains replacement continues in line with annual budget and work plan to replace a certain number of lengths per annum.
●	Replacement of Westport Water Mains from Treatment Plant to Town	MD	0.00	0.00	0.00	0.00	In Progress						
●	Footpaths - Urban Development	TR	63,296.00	197,730.00	261,026.00	123,567.00	In Progress			April- June			Footpath work plan for 2017/18 FY currently under development.
●	Peel Street Yard	MD	0.00	0.00	0.00	0.00	In Progress						Site testing analysis and risk assessment currently in progress. Concept study for options to follow in 2017/18 FY.
●	Springs Junction Toilet Facility	MD	0.00	0.00	0.00	248,056.00	Completed						Project completed, MFF funding and claim approved. District Promotion Signage included in the project.
●	Maintenance Programme - Rural Wards to be Communicated	MD	0.00	0.00	0.00	0.00				Jul-17			Communication on road and stormwater maintenance for rural wards requested as part of 2017/18 Annual Plan.
			\$2,166,146.00	\$3,800,517.00	\$5,966,663.00	\$3,381,188.00							

## **FINANCE AND AUDIT COMMITTEE**

**12 JULY 2017**

**Agenda Item No 7**

**Prepared by** - Dean Phibbs  
- Manager Corporate Services

### **AUDIT NEW ZEALAND AGREEMENTS: 30 JUNE 2017 AUDIT**

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#### **Report Summary**

Audit New Zealand send Council correspondence to sign which enables the annual audit to be carried out. The Audit Proposal Letter sets out amongst other things the statutory basis for the audit how fees are set and proposed fees for the next 3 years for Council and the Westport Airport Authority.

The Audit Arrangement Letter details business risks and issues of the audit, areas of focus and interest for the audit and the logistics of the audit.

Finally the Audit Engagement Letter explains the terms, nature and limitations of the audit, the responsibilities of Council and the auditor and the objectives of the audit.

Each of the letters has an agreement which must be signed by the chairperson of the Finance & Audit Committee and returned to Audit New Zealand before the audit can commence.

#### **Recommendation/Draft Resolution**

That the Finance and Audit Committee recommend to Council that the Audit Proposal, Arrangement and Engagement Agreements for Buller District Council and the Westport Airport Authority be approved and signed on behalf of Council by the Chairperson of Council Finance and Audit Committee.

#### **Issues & Discussion**

For the 2017 Annual Report audit to commence and Council's Annual Report to comply with the Local Government Act 2002, agreement on the 2017 audit is required to be finalised.

## Considerations

- 1. Strategic impact**  
Engagement of an auditor is a key component of Councils ability to report annually on its performance and the key projects that it has agreed with the community in the Long Term Plan and have assurance that the information provided in the annual report accurately reflects that performance.
- 2. Significance assessment**  
The matter is not considered significant as set out in the Significance and Engagement Policy adopted by Council in the 2015 – 2025 Long Term Plan.
- 3. Risk analysis**  
If the agreements are not signed then there is a risk that the audit would not commence or be completed to enable Council to adopt the 2017 Annual Report within the statutory deadline.
- 4. Policy / legal considerations**  
The Local Government Act 2002 sets out Council obligations with regard to the annual report and its adoption.
- 5. Tangata whenua considerations**  
There is no need to consult with iwi on this matter.
- 6. Views of those affected**  
There is no need to consult with or notify the community or the ratepayer regarding this issue.
- 7. Costs**  
Costs of the audit fees proposed in the correspondence are provided for in budgets approved by Council.
- 8. Benefits**  
Audit of the Annual Report provides assurance to ratepayers, the community and users of this report that the information contained in the report is accurate and can be relied upon.
- 9. Media / publicity**  
There are no media or publicity opportunities.

16 June 2017

Sharon Roche  
Chair, Finance and Audit Committee  
Buller District Council  
PO Box 21  
Westport 7866

Copy: Murray Powell  
Director Auditor Appointments  
Office of the Auditor-General  
PO Box 3928  
Wellington  
Ref: EN/LCA/3-003, EN/AIR-0021

Dear Sharon

**Proposal to conduct the audit of Buller District Council and Westport Airport Authority on behalf of the Auditor-General for the 2017, 2018 and 2019 financial years**

**1 Introduction**

The Auditor-General has appointed me to carry out the audit of your organisation for the next three years. As required by the Office of the Auditor-General (OAG), I set out below information relating to the audit for the three financial years ending June 2017, 2018 and 2019. The purpose of this proposal is to provide information on:

- the statutory basis for the audit and how audit fees are set;
- the entities covered by this proposal;
- key members of the audit team;
- the hours we plan to spend on the audit and reasons for any change in hours;
- our proposed fees for the audit for the financial years ending 30 June 2017, 2018 and 2019 and reasons for any change;
- assumptions relating to the proposed audit fees, including what we expect of your organisation;
- what the OAG overhead charge provides;
- certification required by the Auditor-General; and
- our commitment to conduct the audit in accordance with the Auditor-General's Auditing Standards.

## 1 Statutory basis for the audit and how audit fees are set

The audit of your organisation is carried out under Section 15 of the Public Audit Act 2001, which states that “the Auditor-General must from time to time audit the financial statements, accounts, and other information that a public entity is required to have audited”.

Fees for audits of public entities are set by the Auditor-General under section 42 of the Public Audit Act 2001. However, your Council and I have the opportunity to reach agreement first and recommend those fees for approval. The Auditor-General, with assistance from the OAG, will set audit fees directly only if we fail to reach agreement.

Our proposed audit fees are set out in this letter and include an estimate of the reasonable cost of disbursements (including travel and accommodation where necessary).

## 2 Entities covered by this proposal

This proposal covers the audits of the following entities:

- Buller District Council; and
- Westport Airport Authority.

## 3 Key members of the audit team

Appointed Auditor	Jacques Coetzee
Quality Control Reviewer*	Debbie Perera
Audit Manager	Andrew Timlin

\* In accordance with internal policy a Quality Control Reviewer has been assigned to the engagement. This arrangement will be temporary and the associated cost of this is absorbed by Audit New Zealand and is not reflected in the proposed fee below.

## 4 Estimated audit hours

We estimate that the following hours will be required to carry out the audits (compared to budgeted and actual data from the previous financial year):

### Buller District Council

Audit team member	2016 budget	2016 actual	2017	2018	2019
Appointed Auditor	47	62	50	50	50
Audit Manager	80	80	85	85	85
Other CA qualified staff	-	290	240	240	240
Non CA qualified staff	495	330	265	265	265
Sector specialist support	8	7	7	7	7
Information systems	15	10	10	10	10

<b>Audit team member</b>	<b>2016 budget</b>	<b>2016 actual</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Tax	3	1	2	2	2
<b>Total audit hours</b>	<b>648</b>	<b>780</b>	<b>659</b>	<b>659</b>	<b>659</b>

#### **Westport Airport Authority**

<b>Audit team member</b>	<b>2016 budget</b>	<b>2016 actual</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Appointed Auditor	3	4	3	3	3
Audit Manager	10	3	10	10	10
Other staff	44	55	44	44	44
<b>Total audit hours</b>	<b>57</b>	<b>62</b>	<b>57</b>	<b>57</b>	<b>57</b>

### **4.1 Reasons for changes in audit hours**

The major reasons for the changes in hours for your organisation's audit are:

#### **Buller District Council**

We are proposing a small increase in the number of hours for the 2017 audit. The 2017 hours of 659, is an increase of 11 hours, compared to the 2016 audit hours of 648. We then propose to maintain the 2017 hours for the 2018 and 2019 audits.

The main reason for the increase in hours is due to the additional audit work relating to changes in the Local Government sector, specifically the introduction of financial prudence reporting and mandatory non-financial performance measures. These requirements were brought in during the previous audit proposal period (2014-2016) and no allowance was made for this work at that time. On assessing the work required in the coming years and factoring in the operations of the Council, we have revised the structure of the team, to reflect the expected work required, resulting in the change of hours as reflected above.

We note that the hours above do not include the impact of reviewing Council's revaluation of its property, plant and equipment. These are performed on a cyclical basis and in the years that significant asset classes are revalued (i.e. infrastructure assets or land and building assets), we propose an additional 25 hours of audit effort. We estimate the cost of this additional work to be \$3,500 in the years where revaluations are performed.

#### **Westport Airport Authority**

We are not proposing any change to the audit hours for Westport Airport Authority, unless there is a significant change in the Airport's operations. If this occurs, we will discuss the impact on the audit at that time.

## 5 Proposed audit fees

Our proposed fees for the next three audits (compared to budgeted and actual data from the previous financial year) are:

### Buller District Council

Structure of audit fees	2016 budget	2016 actual	2017	2018	2019
	\$	\$	\$	\$	\$
Net audit fee (excluding OAG overhead and disbursements)	99,203	99,203	101,290	102,399	103,526
OAG overhead charge	9,460	9,460	9,740	9,938	10,136
<b>Total audit fee (excluding disbursements)</b>	<b>108,663</b>	<b>108,663</b>	<b>111,030</b>	<b>112,337</b>	<b>113,662</b>
Estimated disbursements	11,000	8,530	9,000	9,000	9,000
<b>Total billable audit fees and charges</b>	<b>119,663</b>	<b>117,193</b>	<b>120,030</b>	<b>121,337</b>	<b>122,662</b>
GST	17,949	17,579	18,005	18,201	18,399
<b>Total (including GST)</b>	<b>137,612</b>	<b>134,772</b>	<b>138,035</b>	<b>139,538</b>	<b>141,061</b>

### Westport Airport Authority

Structure of audit fees	2016 budget	2016 actual	2017	2018	2019
	\$	\$	\$	\$	\$
Net audit fee (excluding OAG overhead and disbursements)	8,723	8,723	8,506	8,606	8,749
OAG overhead charge	456	456	470	484	498
<b>Total audit fee (excluding disbursements)</b>	<b>9,179</b>	<b>9,179</b>	<b>8,976</b>	<b>9,090</b>	<b>9,247</b>
Estimated disbursements	-	-	-	-	-
<b>Total billable audit fees and charges</b>	<b>9,179</b>	<b>9,179</b>	<b>8,976</b>	<b>9,090</b>	<b>9,247</b>
GST	1,377	1,377	1,346	1,364	1,387
<b>Total (including GST)</b>	<b>10,556</b>	<b>10,556</b>	<b>10,322</b>	<b>10,454</b>	<b>10,634</b>

The audit fees allow for the audit team to carry out specific tasks identified in the OAG Sector Brief and for the OAG overhead charge. We have also estimated the reasonable cost of disbursements (including travel and accommodation where necessary). Disbursement costs are indicative only and will be charged on an actual and reasonable basis.

## 5.1 Reasons for changes in audit fees

The main changes in cost components for future audits are:

### **Buller District Council**

The proposed movement in fee in 2017 from 2016 is an increase of \$2,367.

In section 5.1 above, we outlined that the reason for the increase in hours is due to recently introduced mandatory reporting requirements and our associated audit of these. We estimate the cost relating to these additional hours to be approximately \$1,320, or 55% of the proposed fee movement in 2017. The remaining movement in the 2017 fee, of \$1,047, represents our expected staff cost increases.

The fee movements in 2018 and 2019 of \$1,307 and \$1,325 respectively, reflect our expected staff cost increases.

We have not included the work required to review periodic revaluations of the District Council's property, plant and equipment in the proposed fees above. In the years that revaluations occur, we propose an additional fee of approximately \$3,500 to review these.

### **Westport Airport Authority**

As per 5.1 above, there is no increase in the total audit hours for the audits of Westport Airport Authority. Due to changes in the OAG overhead charge calculation, the audit fees for the 2017 and 2018 years are less than the 2016 audit fee.

The movements in the fee from 2017 to 2019 reflect the expected increase in our staff costs over these three years. The annual increases are approximately 1.2% for the next three years.

## 6 Assumptions relating to our audit fee

Our proposed audit fees are based on the following assumptions:

- You will provide to us in a timely manner the complete information required by us to conduct the audit.
- Your staff will provide us with an appropriate level of assistance.
- Your organisation's annual report and financial statements (including Statements of Service Performance) will be subject to appropriate levels of quality review before being submitted to us for audit.
- Your organisation's financial statements will include all relevant disclosures.
- We will review up to two sets of draft annual reports, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report (for publication on your website).
- There are no significant changes to the structure and/or scale of operations of the entities covered by this proposal (other than as already advised to us).



- There are no significant changes to mandatory accounting standards or the financial reporting framework that require additional work.
- There are no significant changes to mandatory auditing standards that require additional work other than items specifically identified in the tables above.
- There are no significant changes to the agreed audit arrangements (set out in an annual letter we will send you) that change the scope of, or disbursements related to, this audit.

If the scope and/or amount of work changes significantly, we will discuss the issues with you and the OAG at the time.

## **7 What the OAG overhead charge provides**

Parliament has indicated that it expects the full cost of annual audits under the Public Audit Act (including an OAG overhead charge) to be funded by public entities.

The OAG overhead charge partially funds a range of work that supports auditors and entities, including:

- development and maintenance of auditing standards;
- technical support for auditors on specific accounting and auditing issues;
- ongoing auditor training on specific public sector issues;
- preparation of sector briefs to ensure a consistent approach to annual audits;
- development and maintenance of strategic audit plans; and
- carrying out quality assurance reviews of all auditors, and their audits and staff on a regular (generally, three-year) cycle.

Appointed Auditors are required to return the OAG overhead charge portion of the audit fee, to the OAG.

## **8 Certifications required by the Auditor-General**

We certify that:

- the undertakings, methodology, and quality control procedures that we have declared to the OAG continue to apply;
- our professional indemnity insurance policy covers this engagement; and
- the audit will be conducted in accordance with the terms and conditions of engagement set out in the audit engagement agreement and schedules.

## 9 Conclusion

As the Appointed Auditor, I am committed to providing you and the Auditor-General with the highest level of professional service. I intend to work with you, the OAG, and the Auditor-General in a partnership environment to resolve any issues that may arise.

If you require any further information, please do not hesitate to contact me.

Please counter-sign this letter (below) to confirm that you, and the governing body of your organisation, agree with its contents. This letter will then form the basis for a recommendation to the Auditor-General on the audit fee that should be set. The schedules of audit hours and fees will also be incorporated into my audit engagement agreement with the Auditor-General to carry out the audit of your organisation as the agent of the Auditor-General.

Yours sincerely



Jacques Coetzee  
Associate Director  
Audit New Zealand

---

I accept the audit fees for the audit of the three financial years as stated above.

Full name: Sharon Roche Position: Chair, Finance and Audit Committee

Authorised signature: \_\_\_\_\_ Date: \_\_\_\_\_

Entity names: Buller District Council and Westport Airport Authority

### **Actions to take when agreement has been reached:**

- 1 Make a copy of this signed proposal and keep it for your file.
- 2 Send the original to: Jacques Coetzee  
Audit New Zealand  
PO Box 99  
Wellington 6140

335 Lincoln Road, Addington  
PO Box 2, Christchurch 8140

www.auditnz.govt.nz  
Fax: 03 961 3059

16 June 2017

Sharon Roche  
Chair, Finance and Audit Committee  
Buller District Council  
PO Box 21  
Westport 7866

Dear Sharon

### **Audit for the year ending 30 June 2017**

I am writing to outline our arrangements for the audit of Buller District Council for the year ending 30 June 2017. This letter also covers our arrangements for the audit of Westport Airport Authority.

This letter has two main sections – an agreement to be signed, and details of the audit.

#### **Agreement to be signed**

On the next page is an agreement that you need to sign. Your signature confirms that the details of the audit match your understanding of the arrangements for this year's audit.

Please sign and return one copy of the agreement, along with a copy of the details of the audit.

#### **Details of the audit**

Here we set out the proposed arrangements for this year's audit. These include:

- business risks/issues and our audit response;
- areas of interest for all local authorities; and
- logistics (such as our audit team, timing, and fees).

#### **Additional information attached**

We have attached an appendix for your information on additional information about the audit.

Please take the time to read this document thoroughly before returning the signed agreement. If there are additional matters that should be included, or any matters requiring clarification, please contact me.

Yours sincerely



Jacques Coetzee  
Associate Director

---

**Agreement to be signed**

*I acknowledge that the details of the audit set out here are in keeping with my understanding of the arrangements for the audit.*

Signed \_\_\_\_\_ Date \_\_\_\_\_  
Sharon Roche  
Chair, Finance and Audit Committee

## Details of the audit

### 1 Introduction

This document sets out the arrangements for the audits of Buller District Council (the District Council) and Westport Airport Authority for the year ending 30 June 2017. These arrangements include:

- business risks/issues and our audit response;
- areas of interest for all local authorities; and
- logistics (such as our audit team, timing, and fees).

### 2 Your business risks/issues and our audit response

Based on the planning work and discussions that we have completed to date, we have identified what we consider to be the main business risks and issues facing the District Council. Many of these risks and issues are relevant to the audit because they affect our ability to form an opinion on your financial statements. As part of the wider public sector audit, we are also required to be alert to issues of effectiveness and efficiency, waste and a lack of probity or financial prudence (as set out in the Audit Engagement Letter dated 16 June 2017).

The table below sets out the business risks and issues that we have identified in line with these requirements. The left-hand column describes these risks and issues. In the right-hand column, we describe how we plan to respond to these during the audit.

Your business issues	Our audit response
<b>Valuation of infrastructure assets</b>	
<p>The District Council periodically revalues its infrastructure asset classes. Accounting standard, PBE IPSAS 17, Property, Plant and Equipment, requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.</p> <p>While a revaluation of infrastructure assets was performed as at 30 June 2014, the District Council still needs to formally review whether the carrying amount is materially different from fair value. It is important that you make this assessment at an early stage, to avoid the risk of this becoming a significant issue at a late stage of the audit.</p>	<p>We will review the District Council's assessment as to whether there is any significant difference between the carrying amount and fair value of its infrastructure asset classes and consequently whether any asset classes need to be revalued in 2017.</p> <p>This assessment can be prepared in advance of the year end so as to avoid any delays in the preparation of the annual report at the final audit.</p>

Your business issues	Our audit response
<b>Mandatory Performance Measures</b>	
<p>The Non-Financial Performances Measures Rules 2013 promulgated by the Department of Internal Affairs specify a set of standard performance measures for local authorities.</p> <p>The measures were included in the District Council's 2015-25 long term plan, and must be reported against in the 2016 annual report.</p> <p>As part of our 2016 audit we reviewed the systems the District Council has in place to report against these measures. We noted the District Council was unable to report against some of the measures and made recommendations on how these systems could be improved.</p>	<p>We will assess the District Council's reporting against these mandatory measures as part of our overall audit of the performance framework.</p> <p>We will review the progress the District Council has made in implementing our recommendations.</p>
<b>Management override of controls</b>	
<p>Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities.</p> <p>Professional auditing standards require us to consider the risk of fraud in all audits we perform due to the unpredictable way in which such override could occur.</p> <p>One area considered high risk is the processing of journals.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• assess the District Council's control environment including the review and approval functions to ensure that there are appropriate segregation of duties in the controls that we intend to rely on;</li> <li>• inspect journals recorded on a sample basis and ensure that journals were authorised and valid; and</li> <li>• update our understanding of the system for preparing, entering and reviewing journals into the FMIS.</li> </ul>
<b>Audit of Council's debenture trust deed</b>	
<p>As the District Council's appointed auditor, we will perform a separate engagement to issue a limited assurance report to the trustees of its debenture trust deed. This requirement is included in the District Council's trust deed.</p> <p>We are required to issue our report to the trustees within 30 days of signing the annual report.</p>	<p>We will agree separate terms for this limited assurance engagement of the debenture trust deed.</p> <p>We will liaise with the District Council to allow us adequate time to issue our audit report to the trustees within 30 days of adopting its annual report.</p> <p>As part of our audit, we will enquire into the maintenance of the District Council's register of securities and the audit of the register itself by the register's external auditor.</p>

Your business issues	Our audit response
<b>Group issues – Buller Holdings Limited</b>	
<p>In planning our audit of the District Council and its wider group, we consider issues that potentially impact the District Council and group's financial statements, wider annual report and ultimately our group audit opinion. These group issues have been communicated to the Buller Holdings governing body through our audit planning letters issued to Buller Holdings. These include:</p> <ul style="list-style-type: none"> <li>• Financial viability of Westport Harbour due to the loss of its major customer – Holcim.</li> <li>• Financial viability and continued support required for Buller Recreation Limited.</li> </ul> <p>We are aware that the District Council are conscious of these issues and are working closely with the Buller Holdings board in the future planning and decisions relating to these entities.</p> <p>Buller District Council will also need to consider the carrying value of its investment in Buller Holdings Limited as at 30 June 2017. This will require an impairment assessment as to whether the carrying value remains appropriate or due to factors within the group, the investment needs to be impaired.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the Buller District Council and wider group's future intentions of Westport Harbour Limited and Buller Recreation Limited;</li> <li>• consider the operating results of the above companies and the application of the going concern assumption. In order for this to be satisfied, it may be appropriate for the directors of these entities to request letters of support from Buller Holdings Limited (and their ultimate parent Buller District Council) to satisfy the going concern assumption. The directors of these companies will also need to consider the request for ongoing support in their capacity as directors and the responsibilities on them under the Companies Act; and</li> <li>• review Buller District Council's impairment assessment of its investment in Buller Holdings Limited. We request that this assessment be performed in advance of the final audit commencing.</li> </ul>
<b>Westport Airport Authority</b>	
<p>We have not identified any specific areas of risk for the 2017 audit of the Westport Airport Authority. We will perform audit procedures on the financial and non-financial results for the year including focus on the following areas:</p> <ul style="list-style-type: none"> <li>• Revenue from the Passenger Services Agreement with Sounds Air.</li> <li>• Actual capital and maintenance costs compared with annual budgets and any long term asset management plans.</li> <li>• Reporting against targets set out in the 2016/17 Statement of Intent.</li> </ul>	<p>In addition to reviewing the transactions of the Airport Authority for the year, we will review the performance of the airport against its targets for the year, including the delivery of the Passenger Services Agreement with Sounds Air.</p> <p>We will also review the Airport Authority's compliance with its obligations as a Council Controlled Organisation in accordance with the Local Government Act.</p>

We will also follow up on progress made by the District Council in its response to our previous recommendations.

Please tell us about any additional matters that we should be aware of as your auditor, and any specific significant business risks that we have not covered.

### 3 Areas of interest for all local authorities

As well as the risks and issues noted above, there are also a number of other areas of interest common to the Local Government sector. The table below outlines our areas of interest for this year's audit. The left-hand column describes each matter and why we are interested in it. In the right-hand column, we describe how we plan to address each matter during the audit.

Areas of interest	Our audit response
<b>Elected members – remuneration and allowances</b>	
<p>The Local Government Act gives the Remuneration Authority responsibility for setting the remuneration of local government elected members. The Authority also has the role of approving a Local Authority's policy on allowances and expenses.</p> <p>The District Council's annual report must disclose the total remuneration received by or payable to each member of the local authority in the reporting period (Schedule 10, clause 18, Local Government Act 2002). A local authority must disclose remuneration paid or payable to each member from both the local authority and any council organisation of the local authority.</p>	<p>We will assess the District Council's compliance with the requirement to disclose the remuneration of each member of the local authority in the annual report against the relevant Local Government Elected Members Determination and any amendment to that Determination.</p> <p>We will also confirm the payments are within the Determination set by the Authority.</p>
<b>Rating processes</b>	
<p>The basis on which local authorities fund their operating and capital expenditure through rates is set out in the Local Government Act 2002 and the Local Government (Rating) Act 2002 (LGRA).</p> <p>Compliance with the LGRA in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge.</p>	<p>For 2017 we will again consider the District Council's compliance with aspects of the LGRA that materially impact on the financial statements. Principally this means a focus on the rates setting process – the consistency and completeness of the resolution and the Funding Impact Statement (FIS), and reviewing a sample of differentially set and/or targeted rates to assess whether the matters and factors used consistent with the LGRA.</p> <p>The Council should note that our procedures will not be a full check of the Council's decisions and compliance with its legal obligations.</p>
<b>Legislative reporting disclosures</b>	
<p>Schedule 10 of the Local Government Act and the Local Government (Financial Reporting) Regulations 2014 detail disclosures to be included within the Annual Report. The District Council should review these requirements to ensure all disclosures have been included in the annual report.</p>	<p>We will carry out our procedures to obtain comfort that all the disclosures required by schedule 10 of the Local Government Act and the Local Government (Financial Reporting) Regulations 2014 have been appropriately included in the District Council's annual report.</p>



Areas of interest	Our audit response
<b>Control environment – probity and transparency</b>	
<p>Under our audit mandate, we are required to be alert for and review matters of effectiveness and efficiency, waste, and a lack of probity or financial prudence. These matters could include the following:</p> <ul style="list-style-type: none"> <li>• Situations where those in governance or management roles have conflicts of interest.</li> <li>• The payment of unusually high or unjustifiable fees to those in a governance role.</li> <li>• Excessive or unusual ex gratia payments made to employees.</li> </ul> <p>Frequent overriding of policies for sensitive expenditure.</p>	<p>In the course of our usual audit work, we will remain alert for matters of performance, waste and probity. Specifically, we will:</p> <ul style="list-style-type: none"> <li>• Remain alert for conflicts of interest. It is important that both the District Council and councillors identify and manage compliance with the Local Government (Members' Interests) Act 1968.</li> <li>• Confirm that the District Council has complied with the relevant Local Government Elected Members Determination and disclosed the remuneration of each member in the annual report.</li> <li>• Review a sample of severance payments made by the District Council and confirm that these payments are appropriately disclosed in the annual report.</li> </ul> <p>Review a sample of sensitive expenditure transactions for compliance with the District Council's internal policies.</p>
<b>Asset management plans</b>	
<p>Asset Management Plans (AMPs) play an integral part in the ongoing management of the District Council's significant infrastructural assets. These assets deliver the quality-of-life services that are critical to the community.</p>	<p>We will review the District Council's progress in relation to the continuing development of its AMPs in line with the improvement plans.</p> <p>We will consider the District Council's assessment as to whether improved knowledge of its asset base has had any significant impact on the assessed asset lives and depreciation rates. If appropriate, the depreciation rates in the Fixed Asset Register should be updated to reflect better knowledge of the assets and their useful lives.</p>
<b>Conflicts of interest</b>	
<p>Conflicts of interest are an area of concern from two perspectives; probity and the potential for a conflict of interest that is not well managed to create significant legal and reputation risks. The Office of the Auditor-General (OAG) published two sets of guidance for entities in this area:</p> <ul style="list-style-type: none"> <li>• Managing conflicts of interest: guidance for public entities, explains how to understand conflicts of interest in the public sector, and how to</li> </ul>	<p>While it is primarily the responsibility of the District Council to identify and manage conflicts of interest, in the course of our usual audit work we will remain alert for conflicts of interest.</p> <p>If we identify particular risks related to the management of conflicts of interest, we may carry out further work to review the District Council's systems and processes.</p>

Areas of interest	Our audit response
<p>identify, disclose and manage them. It also considers both the legal and ethical dimensions of conflicts of interest.</p> <ul style="list-style-type: none"> <li>Guidance for members of local authorities about the law on conflicts of interest provides more specific guidance for councillors.</li> </ul> <p>The Local Authorities (Members' Interests) Act 1968 controls the making of contracts between councillors and the District Council and prevents councillors from participating in District Council matters in which they have an interest.</p>	

#### 4 Matters of particular interest to the Auditor-General

The Office of the Auditor-General (OAG) completes a work programme with an annual theme.

The 2017/18 OAG area of interest or theme is “Water”. This is of special interest as it is a significant natural resource that New Zealanders rely on, for long-term health, economic, environmental, social and cultural well-being. The OAG’s Water theme allows the OAG to provide an independent view on the extent to which this is happening and the opportunities and risks arising.

Potential topics being considered include:

- providing safe and reliable drinking water;
- improving the quality of our rivers, lakes and other water bodies;
- dealing with competing demands for a limited resource – water demand management approaches and allocation;
- addressing the effect of climate change – flood risk, sea level rise, and drought; and
- managing the coastal and marine environment – for example aquaculture, managing the Exclusive Economic Zone, and planning for and managing climate change effects on coastal areas.

We will keep you informed if there are any areas of work for us to specifically cover during our audit as part of this theme.

## 5 Logistics

### 5.1 Our audit team

The Audit New Zealand staff involved in the audit are:

Jacques Coetzee	Appointed Auditor
Debbie Perera	Engagement Quality Control Director
Andrew Timlin	Audit Manager
Timothy Shue (Buller District Council)	Audit Supervisor
Julien Jesson (Westport Airport Authority)	Audit Supervisor

### 5.2 Important dates in the audit process

Our proposed timetable is:

	<b>Date</b>
Interim audit	Completed
Draft interim management report issued	16 June 2017
Final audit begins	25 September 2017
Final financial statements available <sup>1</sup> for audit	13 October 2017
Verbal audit clearance given	20 October 2017
Summary financial statements available for audit	20 October 2017
Audit opinion issued	25 October 2017
Draft final detailed management report issued	25 October 2017
Summary financial statements opinion issued	6 November 2017

### 5.3 Our interim audit visit

We performed the interim audit in March 2017. During this visit, our focus was on updating our understanding of the District Council's internal control. This included review of the control environment, risk assessment processes and relevant aspects of information systems controls. We will use the results of this assessment to determine the extent to which we can rely on the information produced from your systems during our final audit.

### 5.4 Our final audit visit

Our final audit is scheduled to start on 25 September 2017 and is expected to last three weeks. During this visit we will be auditing the balances, disclosures, and other information included in your financial statements.

### 5.5 Professional fees

Our audit fee estimate for the year ending 30 June 2017 is \$111,030 plus disbursements (GST exclusive). This is as proposed in the Audit Proposal Letter dated 16 June 2017.

The fee is an estimate and assumes that the expectations discussed in Appendix 1 will be met. If this does not occur, or the scope of the audit changes, we will discuss this further with you.

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<sup>1</sup> Financial statements incorporating all the amendments agreed to between Buller District Council and Audit New Zealand.

We propose to bill as follows:

	<b>Amount</b>
June	\$40,000
September	\$40,000
October	\$31,030
	<u><b>\$111,030</b></u>

### **Westport Airport**

Our audit of the Westport Airport Authority is scheduled to commence in mid-September. As a Council Controlled Organisation, the Authority has a 30 September statutory deadline. We will liaise with Council's finance staff to obtain the information required to complete the audit.

Our audit fee estimate for the year ending 30 June 2017 is \$8,976. This is as proposed in the Buller District Council Audit Proposal Letter dated 16 June 2017. We will invoice in full for the audit of Authority in September 2017 on the completion of the audit.

To ensure we can complete the audit within the proposed time frame (see section 4.2) and agreed fee, it is critical that you make appropriate supporting documentation available to us on a timely basis. If this is not the case, it is likely to result in cost overruns, which we will seek to recover from you.

# Appendix 1: Additional information about the audit

## Our reporting protocols

### Management reports

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

### Reporting of misstatements

We will include details of all uncorrected misstatements in our management report. Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of the District Council's financial statements.

During the audit, we will provide details of any such misstatements we identify to an appropriate level of management. We will ask for each misstatement to be corrected in the District Council's financial statements. Where management does not wish to correct a misstatement we will seek written representations from representatives of the District Council's governing body that specify the reasons why the corrections will not be made.

## Our expectations of you to enable an efficient audit

To enable us to carry out our audit efficiently within the proposed audit fee, we expect that:

- the District Council will provide us with access to all relevant records and provide information in a timely manner;
- your staff will provide an appropriate level of assistance;
- the financial statements will be available at the start of the final audit, include all relevant disclosures, and be fully supported by a detailed workpaper file; and
- the annual report and financial statements (including the statement of service performance) will be subjected to appropriate levels of quality review before submission for audit.

Our audit fee is based on the assumption that we will review no more than two sets of the draft annual report, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report for publication on the District Council's website.

## How we consider your compliance with statutory authority

As part of the Auditor-General's mandate, we carry out an audit of compliance with statutory authority. Our audit is limited to obtaining assurance that you have complied with certain laws and regulations that may directly affect the District Council's financial statements or general accountability. Our audit does not cover all of the District Council's requirements to comply with statutory authority.

Our approach to this aspect of the audit will mainly involve assessing the systems and procedures that are in place to ensure compliance with certain laws and regulations that we consider to be significant. We will also complete our own checklists covering the key requirements of significant legislation. In addition, we will remain alert for any instances of non-compliance that come to our attention. We will evaluate the relevance of any such non-compliance to our audit.

335 Lincoln Road, Addington  
PO Box 2, Christchurch 8140

www.auditnz.govt.nz  
Fax: 03 961 3059

16 June 2017

Sharon Roche  
Chair, Finance and Audit Committee  
Buller District Council  
PO Box 21  
Westport 7866

Dear Sharon

### **Audit engagement letter**

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all "public entities", including Buller District Council, under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Jacques Coetzee, using the staff and resources of Audit New Zealand, under section 32 and 33 of the Act, to carry out the annual audits of Buller District Council and group's financial statements and performance information. We will be carrying out these annual audits on the Auditor-General's behalf, for the years ending 30 June 2017 to 30 June 2019.

This letter outlines:

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

The objectives of the annual audit are:

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

We will carry out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board (collectively the Auditing Standards). The Auditing Standards require that we comply with ethical requirements, and plan and perform the annual audit to obtain reasonable assurance about whether Buller District Council and group's financial statements and performance information are free from material misstatement. The Auditing Standards also require that we

remain alert to issues of concern to the Auditor-General. Such issues tend to relate to matters of financial management and accountability.

## Your responsibilities

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

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

In addition, the Council is responsible:

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

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

- the resources, activities, and entities under its control have been operating effectively and efficiently;
- it has complied with its statutory obligations including laws, regulations, and contractual requirements;



- it has carried out its decisions and actions with due regard to minimising waste;
- it has met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector in that it has carried out its decisions and actions with due regard to probity; and
- its decisions and actions have been taken with due regard to financial prudence.

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

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

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

## **Our responsibilities**

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

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

- present fairly, in all material respects:
  - its financial position; and
  - its financial performance and cash flows for the financial year;
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.

We are also responsible for forming an independent opinion on whether the performance information of Buller District Council and group:

- presents fairly, in all material respects, the performance for the financial year, and
- complies with generally accepted accounting practice in New Zealand.

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

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

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

During the audit, the audit team will:

- be alert for issues of effectiveness and efficiency – in particular, how the Council and the District Council have carried out their activities;
- consider laws and regulations relevant to the audit;
- be alert for issues of waste – in particular, whether the Council obtained and applied the resources of the District Council in an economical manner, and whether any resources are being wasted;
- be alert for issues of a lack of probity – in particular, whether the Council and the District Council have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector; and
- be alert for issues of a lack of financial prudence.

### ***Our independence***

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

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

### ***Reporting***

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

will contain an opinion that provides the same level of assurance as the audit report on the full financial statements and full performance information.

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

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

### **Next steps**

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

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

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

Yours sincerely



Jacques Coetzee  
Associate Director  
On behalf of the Auditor-General

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

Signed \_\_\_\_\_ Date \_\_\_\_\_  
Sharon Roche  
Chair, Finance and Audit Committee

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

Responsibilities of the Council	Responsibility of the Appointed Auditor
<b>Responsibilities for the financial statements and performance information</b>	
<p>You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards.</p> <p>You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.</p> <p>You are required by legislation to prepare the financial statements and performance information and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, we are dependent on receiving the financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.</p>	<p>We are responsible for carrying out an annual audit, on behalf of the Auditor-General. We are responsible for forming an independent opinion on whether the financial statements:</p> <ul style="list-style-type: none"> <li>• present fairly, in all material respects: <ul style="list-style-type: none"> <li>○ the financial position; and</li> <li>○ the financial performance and cash flows for the financial year;</li> </ul> </li> <li>• comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.</li> </ul> <p>We are also responsible for forming an independent opinion on whether the performance information:</p> <ul style="list-style-type: none"> <li>• presents fairly, in all material respects, the performance for the financial year; and</li> <li>• complies with generally accepted accounting practice in New Zealand.</li> </ul> <p>We will also read the other information accompanying the financial statements and performance information and consider whether there are material inconsistencies with the audited financial statements and performance information.</p> <p>Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence the audit report addressee's overall understanding of the financial statements and performance information.</p> <p>If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>avoid the need for them to be referred to in the audit opinion.</p> <p>An audit also involves evaluating:</p> <ul style="list-style-type: none"> <li>• the appropriateness of accounting policies used and whether they have been consistently applied;</li> <li>• the reasonableness of the significant accounting estimates and judgements made by those charged with governance;</li> <li>• the appropriateness of the content and measures in any performance information;</li> <li>• the adequacy of the disclosures in the financial statements and performance information; and</li> <li>• the overall presentation of the financial statements and performance information.</li> </ul> <p>We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> <li>• the adoption of the going concern basis of accounting is appropriate;</li> <li>• all material transactions have been recorded and are reflected in the financial statements and performance information;</li> <li>• all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to us; and</li> <li>• uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information.</li> </ul> <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p> <p>We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non-receipt or condition of the financial statements and performance information, or for some other reason beyond our control, as soon as possible after that.</p> <p>The work papers that we produce in carrying out the audit are the property of the Auditor-General. Work papers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
<b>Responsibilities for the accounting records</b>	
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> <li>• correctly record and explain the transactions of Buller District Council and group;</li> <li>• enable you to monitor the resources, activities, and entities under your control;</li> <li>• enable Buller District Council and group's financial position to be determined with reasonable accuracy at any time;</li> <li>• enable you to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and</li> <li>• are in keeping with the requirements of the Commissioner of Inland Revenue.</li> </ul>	<p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p>
<b>Responsibilities for accounting and internal control systems</b>	
<p>You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of Buller District Council and group), supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of financial and performance information reporting.</p>	<p>The annual audit is not designed to identify all significant weaknesses in your accounting and internal control systems. We will review the accounting and internal control systems only to the extent required to express an opinion on the financial statements and performance information.</p> <p>We will report to you separately, on any significant weaknesses in the accounting and internal control systems that come to our notice and that we consider may be relevant to you. Any such report will provide constructive recommendations to assist you to address those weaknesses.</p>
<b>Responsibilities for preventing and detecting fraud and error</b>	
<p>The responsibility for the prevention and detection of fraud and error rests with you, through the implementation and continued operation of adequate internal control systems (appropriate to the size of Buller District Council and group) supported by written policies and procedures.</p> <p>We expect you to formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with. Fraud also includes bribery and corruption.</p>	<p>We design our audit to obtain reasonable, but not absolute, assurance of detecting fraud or error that would have a material effect on the financial statements and performance information. We will review the accounting and internal control systems only to the extent required for them to express an opinion on the financial statements and performance information, but we will:</p> <ul style="list-style-type: none"> <li>• obtain an understanding of internal control and assess its ability for preventing and detecting material fraud and error; and</li> </ul>

<b>Responsibilities of the Council</b>	<b>Responsibility of the Appointed Auditor</b>
<p>We expect you to consider reporting all instances of actual, suspected, or alleged fraud to the appropriate law enforcement agency, which will decide whether proceedings for a criminal offence should be instituted. We expect you to immediately inform us of any suspected fraud where you, and/or any individuals within Buller District Council and group with delegated authority have a reasonable basis that suspected fraud has occurred - regardless of the amount involved.</p>	<ul style="list-style-type: none"> <li>• report to you any significant weaknesses in internal control that come to our attention.</li> </ul> <p>We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected, or alleged fraud.</p> <p>As part of the audit, you will be asked for written confirmation that you have disclosed all known instances of actual, suspected, or alleged fraud to us.</p> <p>If we become aware of the possible existence of fraud, whether through applying audit procedures, advice from you, or management, or by any other means, we will communicate this to you with the expectation that you will consider whether it is appropriate to report the fraud to the appropriate law enforcement agency. In the event that you do not report the fraud to the appropriate law enforcement agency, the Auditor-General will consider doing so, if it is appropriate for the purposes of protecting the interests of the public.</p>
<b>Responsibilities for compliance with laws and regulations</b>	
<p>You are responsible for ensuring that Buller District Council and group has systems, policies, and procedures (appropriate to the size of Buller District Council and group) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of Buller District Council and group are complied with. Such systems, policies, and procedures should be documented.</p>	<p>We will obtain an understanding of the systems, policies, and procedures put in place for the purpose of ensuring compliance with those legislative and regulatory requirements that are relevant to the audit. Our consideration of specific laws and regulations will depend on a number of factors, including:</p> <ul style="list-style-type: none"> <li>• the relevance of the law or regulation to the audit;</li> <li>• our assessment of the risk of non-compliance; and</li> <li>• the impact of non-compliance for the addressee of the audit report.</li> </ul> <p>The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance.</p> <p>We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws and regulations.</p>

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



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

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

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015 we need to make arrangements with you to keep our audit staff safe while they are working at your premises. We expect you to provide a work environment for our audit staff that is without risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

**FINANCE AND AUDIT COMMITTEE**

**12 JULY 2017**

**Agenda Item No 8**

**Prepared by - Wendy Thompson  
- Financial Accountant**

**Reviewed by - Dean Phibbs  
- Manager Corporate Services**

**2016/2017 ANNUAL REPORT TIMETABLE**

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**RECOMMENDATION/DRAFT RESOLUTION:**

**That the report be received for information.**

2016/17 Annual Report Timetable

Date required	Action or Item	Corporate Services, CEO & Support	Assets & Infrastructure	Community Services & Regulatory	Councillors, Audit NZ, GHD & CCOs	Date completed	Checked
15-May	Contact Valuers for infrastructure revaluations	Wendy/Lynn	Martin			Completed	
15-May	Investment properties	Wendy				Completed	
23-May	Draft Interim Audit Report Issued				Audit NZ	Received 05-07-17	
29-May	Any Financial Reporting changes scope completed if applicable	Dean/Wendy					
30-Jun	Write to Domain Boards advising annual accounts deadlines	Jenny Collins				Completed	
30-Jun	Reefton Service Centre & Theatre stocktake	Kim Loughnan		Debbie Crackett		Reefton ✓	
30-Jun	Bank & Lawyer confirmation letters sent out	Mary			Audit NZ		
30-Jun	Debtor invoicing to 30 June completed and updated	Melissa/Jo Customer Services	Water meter readings	Joy/Gail, Julie Tracy		Completed	
30-Jun	May 2016 Manager reports circulated to Managers	Wendy				Completed	
3-Jul	Write to all subsidiaries advising reporting deadlines	Dean					
18-Jul	30 June invoices to Melissa for payment on 20 <sup>th</sup> month	All Managers	All Managers	All Managers			
18-Jul	Invoices or estimates for work completed to 30 <sup>th</sup> June 2013 for accruals to Wendy. Advise Wendy if you are waiting for any invoices/ finalisation of contracts.	All Managers	All Managers	All Managers			
18-Jul	Discuss accruals with Mike & Tony Rob.	Wendy	Mike & Tony				
18-Jul	As Built's to be given to Marty by 18 July to enable Marty to capture information into AssetFinda		Engineers				
31-Jul	Roading expenditure to Ops for analysis	Lynn					
31-Jul	Infrastructure asset information to valuers (GHD) for revaluation	Lynn	Martin/Sam				
31-Jul	Other Fixed Assets - Final capture in FAR	Jo					
31-Jul	Review misallocation within GL	Jo/Wendy/Lynn					
31-Jul	Run depreciation	Jo					
31-Jul	Vested assets identified and cost allocation clarified	Lynn	Martin	Rachel			
7-Aug	Narrative and Statement of Service Performance KPI's circulated to Managers	Mary					
7-Aug	List of Accounts requiring explanation	Wendy					
7-Aug	List of assets to Team Leaders/ Managers for Impairment	Lynn					
10-Aug	All infrastructure additions reconciled to GL & misallocations corrected	Lynn	Martin & Tony Rob				
10-Aug	Vested assets Identified	Wendy	Martin & Tony Rob				
17-Aug	Narrative and Statement of Service Performance KPI's to be completed by Managers/ Team leaders	Dean	Mike	Craig			
17-Aug	Explanation for all adverse variances on KPI's	Dean	Mike	Craig			
17-Aug	Managers/ Team Leaders to advise if any impairments required	All cost centres	All cost centres	All cost centres			
21-Aug	Airport financials completed	Wendy					
21-Aug	BHT financials completed	Wendy					
23-Aug	Narrative and Statement of Service Performance KPI's typed up and sent to Managers for checking. All corrections to be sent back to Mary	Mary and Dean	Mike	Craig			
24-Aug	QA Airport financials & BHT financials and workpapers	Dean/Lynn					
24-Aug	Completion of financial statement workpapers - balance sheet and P&L including Note Disclosure (using format of substantiation file)	Wendy					
24-Aug	Financial Statement workpapers - Rates Reconciliation and Adjustments, Rates write-offs	Jayar/Wendy					
24-Aug	Financial Statement workpapers - Bad debt provisions	Jayar with QA by Wendy					
24-Aug	Financial Statement workpapers - Employee provisions - LSL, gratuities	Wendy with QA by Dean					
24-Aug	Financial Statement workpapers - Landfill Provision	Wendy with QA by Dean					
24-Aug	Financial Statement workpapers - Borrowings & Derivatives	Wendy with QA by Dean					
24-Aug	Financial Statement workpapers - Vested assets	Lynn with QA by Dean					
24-Aug	Financial Statement workpapers - V2010 projects	Lynn with QA by Dean					
24-Aug	Financial Statement workpapers - Related party	Wendy with QA by Dean					
24-Aug	Financial Statement workpapers - Bonds	Wendy with QA by Dean					
24-Aug	Financial Statement workpapers - Investment – interest accrual	Wendy with QA by Dean					
24-Aug	Financial Statement workpapers - Assets –Infrastructure	Lynn with QA by Dean					
24-Aug	Financial Statement workpapers - Assets – PPE	Lynn with QA by Dean					
24-Aug	Financial Statement workpapers - Asset, Goodwill Impairment	Dean/Wendy with QA by Dean					
24-Aug	Depreciation – infrastructure asset adjustment, funded to Cap works reserve	Wendy with QA by Dean					
24-Aug	Financial Statement workpapers - Loan asset adjustments	Dean					
24-Aug	Financial Statement workpapers - Investment property revaluations	Wendy with QA by Dean					

2016/17 Annual Report Timetable

Date required	Action or Item	Corporate Services, CEO & Support	Assets & Infrastructure	Community Services & Regulatory	Councillors, Audit NZ, GHD & CCOs	Date completed	Checked
24-Aug	Financial Statement workpapers - Holding Company dividends	Wendy with QA by Dean					
24-Aug	Financial Statement workpapers - Transit claims	Wendy with QA by Dean					
24-Aug	Financial Statement workpapers - Financial Instruments	Wendy with QA by Dean					
24-Aug	Financial Statement workpapers - Tax	Wendy/ PWC					
24-Aug	Financial Statement workpapers - Cashflow	Wendy with QA by Dean					
24-Aug	Financial Statement workpapers - Measurements against policies	Wendy with QA by Dean					
28-Aug	Allocation of overheads	Wendy with QA by Dean					
28-Aug	Adjust Dog control opening balance	Wendy/Jo					
28-Aug	All Domain Board accounts completed and audited	Jenny with QA by Dean					
28-Aug	Preliminary Westreef, BRL, WHL,BHL accounts supplied to BDC				Robyn		
1-Sep	Draft Infrastructure Valuation Report issued				GHD		
1-Sep	Annual Accounts for all CCO and CCTO's supplied -BHT				Campbells		
1-Sep	Airport & BHT financials to audit	Wendy			Audit		
7-Sep	BHT and Airport Audit				Audit		
7-Sep	Formatting of Annual Report, narrations completed	Mary/Dean					
8-Sep	Undertake final variance analysis & update narrative	Dean/Andy	Mike	Craig			
8-Sep	Verify with Managers	Dean/Andy	Mike	Craig			
8-Sep	Final Westreef, BRL, WHL Holding Company accounts supplied to BDC				Stephen		
13-Sep	Proofing of Annual Report starts	Dean/Wendy/Andy	Mike	Craig			
13-Sep	Compile Annual report financials	Dean/ Wendy					
14-Sep	Infrastructure 3x Waters Extract the reports from AssetFinda & balance to GL	Lynn	Marty				
14-Sep	Infrastructure 3x Waters Finalise WIP and carry-forwards	Lynn	Marty				
14-Sep	Infrastructure 3x Waters Journals including revaluation	Lynn					
14-Sep	Infrastructure 3x Waters Updates PPE notes	Lynn					
14-Sep	Infrastructure Roading Extract the reports from excel & balance to GL	Lynn	Sam/ Tony R				
14-Sep	Infrastructure Roading Finalise WIP and carry-forwards	Lynn	Sam/ Tony R				
14-Sep	Infrastructure Roading Journals including revaluation	Lynn					
14-Sep	Infrastructure Roading Update PPE notes	Lynn					
18-Sep	Draft Financial Statements completed	Wendy/ Mary					
18-Sep	Annual Report Commentary draft finalised	Dean					
21-Sep	Final financial statement for other entities – Airport & BHT	Wendy					
21-Sep	Annual Report Commentary draft vetted by Managers and Andy	Dean/Andy	Steve	Craig			
22-Sep	Draft financial statements available for audit	Wendy					
25-Sep	Draft financials and Annual Report to Audit	Dean					
25 Sept to 13 Oct	Final Audit - Audit NZ Staff on site - review & testing of Annual Report content	Corporate Services	Operations	Community Services & Regulatory	Audit		
2-Oct	Complete Consolidated Financial Statements & PP&E Notes	Wendy/Lynn					
12-Oct	Final Financial Statements completed	Wendy/Mary					
12-Oct	Final documents and numbers in Annual Report	Mary					
13-Oct	Final financial statements available to audit	Wendy/ Mary					
20-Oct	Summary Financial Statements available for audit	Wendy					
20-Oct	Annual Report completed and ready for distribution	Mary					
20-Oct	Verbal clearance given				Audit NZ		
20-Oct	Representation Letter signed for Audit	Andy			Mayor		
25-Oct	Audit opinion on Financial Statements issued				Audit NZ		
25-Oct	Adopt Annual Report				Council		
6-Nov	Audit opinion on Summary Financial Statements issued				Audit NZ		
25-Nov	Summary Annual Report to be published in Messenger	Mary/ Dean/Andy					

**FINANCE AND AUDIT COMMITTEE**

**12 JULY 2017**

**Agenda Item No 9**

**Prepared by - Dean Phibbs  
- Manager Corporate Services**

**AUDIT MANAGEMENT ACTION POINTS**

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**RECOMMENDATION/DRAFT RESOLUTION:**

**That the report be received for information and discussion.**

## OUTSTANDING AUDIT MANAGEMENT ACTION POINTS: 2015

No.	Subject	Detail	Responsible	Status	Comments	Planned Completion Date
1	Infrastructure asset valuations.	Improve quality of Roading data in RAMM use for next valuation. Recommendations in GHD report used.	Management Accountant	In progress	Asset data condition and performance processes were identified in the AMP as an improvement plan item. Council will assess options to effect an appropriate regime during 2015/16. This process will strengthen lifecycle management and asset valuations.	June 2017
2	Transfer of asset revaluation reserve for assets disposed of, be transferred to accumulated funds.	No transfer is made.	Management Accountant	In progress	Methodology to enable this to occur will be finalized and reserve adjustments processed in the 2015/16 financial year.  Will be completed during an revaluation year which is scheduled June	June 2017
4	Internal audit.	No formal internal audit reviews were performed in 2014/2015.	Manager Corporate Services	In progress	Resources have been fully deployed on the Rates Overhaul and LTP this year. An internal assessment of the QV use codes was carried out after year end and in 2015/16 a full internet audit of rates processes will be undertaken with a formal audit report produced.  To be incorporated with Shared Services Project.	June 2017
6	Rates review.	Complete a review of Council's rates. Wholesale changes are needed in rates as there are antiquated differentials and many fixed amount targeted rates.	Manager Corporate Services	In progress	Confirmed this is still in progress. The new system will not be implemented until 2017/2018 at the earliest.	June 2017

# FINANCE WORK PLAN

	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
<b>Internal Reporting</b>												
<b>F&amp;A Reports</b>												
- BDC Quarterly Financials					Quarterly			Half yearly			Three quarterly	
- BDC Operational												
- BDC Treasury												
- BDC Debtors												
- BDC Capital												
- BDC Significant Projects												
- BHL Quarterly Financials												
<b>Council Reports</b>												
- Budget Carry Overs			2017 Carryovers									
<b>Rates Overhaul Project</b>												
- Rates Overhaul	Database integrity checks	Stmt of Proposal + Consultation Doc	Community meetings + Advertising	Consultation	Consultation	Consultation	Deliberations	Amendments to rating model	Finalise & adopt for inclusion in LTP			
<b>2018-2028 Long Term Plan</b>												
- Long Term Plan	Community & strategic workshops + engagement	Adopt draft vision					Workshop	Workshop	Workshop + Adopt Draft LTP	Consultation	Roadshows + Hearings	Adopt Final Plan
<b>2016/17 Annual Report</b>												
- BDC Annual Report			Audit	Adopt	Publish Summary & report				Systems Audit			
- BHL Annual Report		Audit	Group Figures	Annual Report								
<b>Other Operational Projects</b>												
- Insurance											Negotiations	Finalise