

**477th MEETING OF THE
CANTERBURY REGIONAL COUNCIL**

ADDITIONAL DOCUMENTS

COUNCIL MEETING

Thursday 19 October 2017 at 10.30 a.m.

200 Tuam Street, Christchurch

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7.1.2 Performance Audit & Risk Committee Report – Annual Report 2016/17

Council paper

Date of Meeting	19 October 2017
Portfolio Councillor	Rod Cullinane
Author	Louise McDonald, Committee Advisor
Endorsed by	Katherine Harbrow, Chief Financial Officer

Purpose

To provide two further attachments to item 7.1.2 the report from the Performance, Audit and Risk Committee in relation to the adoption of the Annual Report.

Key points

The Performance, Audit and Risk Committee report from the meeting held on 19 October 2017 includes a recommendation to adopt the Annual Report subject to the receipt of an unqualified audit.

Julian Tan of Audit New Zealand will be attending the Council meeting. After the Council has received the report from the Performance, Audit and Risk Committee, that includes the recommendation to adopt the Annual Report, two actions need to occur before the Council can adopt the audited Annual Plan:

1. Council provides Audit New Zealand with the representation letter for the year 30 June 2017 (draft letter attached).
2. Audit New Zealand provides the Council with the Independent Auditor's Report (draft letter attached)

The final versions of both letters will be available following the meeting.

Item 7.1.2

Performance, Audit & Risk
Committee report - Annual
Report - attachment 6

[On ECAN Letterhead]

[Date of signing the financial statements]

Julian Tan
Director
Audit New Zealand
PO Box 2
Christchurch 8140

Dear Julian

Representation letter for the year ended 30 June 2017

This representation letter is provided in connection with your audit, carried out on behalf of the Auditor-General, of the financial statements and statement of portfolio performance of Canterbury Regional Council for the year ended 30 June 2017 for the purpose of expressing an opinion about whether:

- the financial statements:
 - present fairly, in all material respects:
 - the financial position as at 30 June 2017; and
 - the financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Accounting Standards; and
- the funding impact statement presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's annual plan.
- the statement of portfolio performance:
 - presents fairly, in all material respects, the Regional Council's levels of service for each group of activities for the year ended 30 June 2017, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved; and
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
 - complies with generally accepted accounting practice; and

- the statement about capital expenditure for each group of activities presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Regional Council's annual plan; and
- the funding impact statement for each group of activities presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's long-term plan.

We understand that your audit was carried out in accordance with the Auditing Standards issued by the Auditor-General, which incorporate the International Standards on Auditing (New Zealand).

General responsibilities

To the best of our knowledge and belief:

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

We also acknowledge that we have responsibility for designing, implementing, and maintaining internal control (to the extent that is reasonably practical given the size of the Regional Council) to prevent and detect fraud.

Representations on the financial statements and the statement of portfolio performance

We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements and statement of portfolio performance, and that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

- we have fulfilled our responsibilities for preparing and presenting the financial statements and the statement of portfolio performance as required by the Local Government Act 2002 and, in particular, that:
 - the financial statements:
 - and present fairly, in all material respects:
 - the financial position of the Regional Council as at 30 June 2017; and

- the results of its operations and its cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards; and
- the statement of portfolio performance:
 - presents fairly, in all material respects, the Regional Council's levels of service for each group of activities for the year ended 30 June 2017, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved; and
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
 - complies with generally accepted accounting practice in New Zealand; and
- the funding impact statement presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's annual plan;
- the statement about capital expenditure for each group of activities presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Regional Council's Long-term plan;
- the funding impact statement for each group of activities presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's Long-term plan;
- we have complied with the requirements of Schedule 10 of the Act that apply to the annual report;
- we have made the disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence Regulations 2014);
- we believe the significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable;
- we have appropriately accounted for and disclosed related party relationships and transactions in the financial statements;
- we have adjusted or disclosed all events subsequent to the date of the financial statements and the statement of portfolio performance that require adjustment or disclosure;

- we are aware that you have not identified any misstatements to the financial statements and statement of portfolio performance during the course of your audit that have not been adjusted; and
- we have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements. Where applicable, such litigation and claims have been accounted for and disclosed in accordance with Public Benefit Entity Standards.

Representations about the provision of information

We confirm that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

- we have provided you with:
 - all information, such as records and documentation, and other matters that are relevant to preparing and presenting the financial statements and the statement of portfolio performance; and
 - unrestricted access to persons within the Regional Council from whom you determined it necessary to obtain audit evidence; and
- we have disclosed to you the results of our assessment of the risk that the financial statements and statement of portfolio performance may be materially misstated as a result of fraud;
- we have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Regional Council and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements and statement of portfolio performance; and
- we have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Regional Council's financial statements and statement of portfolio performance communicated by employees, former employees, analysts, regulators, or others;
- we have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements and the statement of portfolio performance, including possible non-compliance with laws for setting rates;
- we have provided you with all the other documents ("other information") which will accompany the financial statements and the performance information which are consistent with one another, and the other information does not contain any material misstatements; and
- we have disclosed the identity of the related parties, all of their relationships, and all of their transactions of which we are aware.

Publication of the financial statements and statement of portfolio performance and related audit report on a website

The Council accepts that it is responsible for the electronic presentation of the audited financial statements and statement of portfolio performance.

The electronic version of the audited financial statements and statement of portfolio performance and the related audit report presented on the website are the same as the final signed version of the audited financial statements and statement of portfolio performance and audit report.

We have clearly differentiated between audited and unaudited information on the website and understand the risk of potential misrepresentation without appropriate controls.

We have assessed the security controls over audited financial and performance information and the related audit report and are satisfied that procedures are adequate to ensure the integrity of the information provided.

Where the audit report on the full financial statements and statement of portfolio performance is provided on a website, the financial statements and statement of portfolio performance are also provided in full.

Going concern

We confirm that, to the best of our knowledge and belief, the Regional Council has adequate resources to continue operations at their current level for the foreseeable future. For this reason, the Council continues to adopt the going concern basis of accounting in preparing the financial statements and the statement of portfolio performance for the year ended 30 June 2017. We have reached this conclusion after making enquiries and having regard to circumstances that we consider likely to affect the Regional Council during the period of one year from the date of this letter, and to circumstances that we know will occur after that date which could affect the validity of the going concern assumption.

We consider that the financial statements and the statement of portfolio performance adequately disclose the circumstances, and any uncertainties, surrounding the adoption of the going concern basis of accounting by the Regional Council.

Throughout the year, the Regional Council has conformed with the requirements of its banking arrangements, debenture trust deeds, or negative pledge agreements, including those relating to its net tangible assets ratios.

Sign-off on these representations

These representations are made at your request, and to supplement information obtained by you from the records of the Regional Council and to confirm information given to you orally.

Yours sincerely

[Name]
[Mayor/Chair of Council]

[Name]
[Chief executive]

Item 7.1.2

Performance, Audit & Risk
Committee report - Annual
Report - attachment 7

Independent Auditor's Report

To the readers of Canterbury Regional Council's annual report for the year ended 30 June 2017

The Auditor-General is the auditor of Canterbury Regional Council (the Regional Council). The Auditor-General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand, to report on the information in the Regional Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the Regional Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the Regional Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 19 October 2017. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 45 to 71:
 - present fairly, in all material respects:
 - the Regional Council's financial position as at 30 June 2017;
 - the results of its operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards; and
- the funding impact statement on page 82 and 90, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's annual plan;
- the Statement of Portfolio Performance on pages 5 to 38:
 - presents fairly, in all material respects, the Regional Council's levels of service for each group of activities for the year ended 30 June 2017, including:

- the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
 - complies with generally accepted accounting practice in New Zealand; and
- the statement about capital expenditure for each group of activities on pages 82 and 90, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Regional Council's long-term plan; and
- the funding impact statement for each group of activities on pages 82 and 90, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's long-term plan.

Report on the disclosure requirements

We report that the Regional Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 45 to 90, which represent a complete list of required disclosures and accurately reflects the information drawn from the Regional Council's audited information and, where applicable, the Regional Council's long-term plan and annual plans.

Basis for opinion on the audited information

We carried out our 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. We describe our responsibilities under those standards further in the "Responsibilities of the auditor for the audited information" section of this report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the audited information.

Responsibilities of the Council for the audited information

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the Regional Council or there is no realistic alternative but to do so.

Responsibilities of the auditor for the audited information

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the Regional Council's annual plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Regional Council's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the Statement of Portfolio Performance, as a reasonable basis for assessing the levels of service achieved and reported by the Regional Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant

doubt on the Regional Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Regional Council to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on **pages 2 to 4 and pages 42 to 44**, but does not include the audited information and the disclosure requirements.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Regional Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit and our report on the disclosure requirements, we have completed an agreed-upon procedures engagement and reported on the Regional Council's annual return to the debenture trustee. These engagements are compatible with those independence requirements.

Other than the audit and our report on the disclosure requirements and these engagements, we have no relationship with or interests in the Regional Council.

Julian Tan
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

DRAFT

10. Late item

Council Report

Date of Meeting	19 October 2017
Councillor	Acting Chair
Author	Louise McDonald Committee Advisor

Late Item

Purpose

Approval is sought to submit the following report to the Council meeting on 19 October 2017:

Waitaki Consent review – a success story on collaboration

The reason, in terms of section 46A(7) of the Local Government Official Information and Meetings Act 1987, why the report was not included on the main agenda is that it was not available at the time the agenda was prepared.

It is appropriate that the Council receive the report at this meeting.

Recommendation

That the report be received and considered at the Council meeting on 19 October 2017.

- 1. Waitaki Consent Review – a success story on collaboration**

Legal compliance and risk assessment

Section 46(A) of the Local Government and Official Information Act:

7. *An item that is not on the agenda for a meeting may be dealt with at the meeting if—*
 - (a) *the local authority by resolution so decides; and*
 - (b) *the presiding member explains at the meeting at a time when it is open to the public,—*
 - (i) *the reason why the item is not on the agenda; and*
 - (ii) *the reason why the discussion of the item cannot be delayed until a subsequent meeting*

10.1 Waitaki Consent Review – a success story on collaboration

Council report

Meeting date	19 October 2017
Portfolio Councillor	Peter Skelton
Authors	Bianca Sullivan, Principal Consents Advisor Anna Puentener, Executive Officer
Endorsed by	Bill Bayfield Chief Executive

Purpose

1. To inform Council about the successful implementation of the amended flow regime for the Waitaki River enabled by Plan Change 3 (PC3) to the Waitaki Catchment Water Allocation Regional Plan (Waitaki Plan).

Value proposition

2. The implementation of an amended flow regime in the Lower Waitaki was enabled through a community-supported consent review process that achieved outcomes for the environment and increased reliability for consent holders. All parties benefitted from the combined plan change and review, which contributed to the success of the process.

Recommendations

That the Council:

1. **note that Plan Change 3 to the Waitaki Plan has been implemented in a short time, within budget and with good results**

Context

1. The Waitaki Plan was made operative in June 2006. It set an environmental flow and allocation regime for the Lower Waitaki River which was unable to be implemented in full, providing considerable uncertainty for consent holders. The environmental flow and allocation regime was amended by PC3 in response to a request by the Lower Waitaki-South Coastal Canterbury Zone Committee. In August 2016, PC3 to the Waitaki Plan was adopted by the Council.
2. The Zone Committee was concerned that the Waitaki Plan did not give certainty about reliability of water supply for holders of water permits who abstract water from

the Lower Waitaki River. Following discussions, Meridian Energy Limited (MEL) gave an undertaking that they would provide the requisite water over the Waitaki Dam for downstream requirements. In return, PC3 provides for a guaranteed renewal option for MEL's hydroelectricity scheme resource consents.

3. The Committee worked with consent holders and the community to develop an alternate flow regime that gives additional certainty to consent holders, and also provides a number of other benefits. Water is reserved for enhancement of mahinga kai and the associated values of Te Rūnanga o Arowhenua, Te Rūnanga o Waihao and Te Rūnanga o Moeraki. Water is also reserved for augmentation flows into Wainono Lagoon.

Factors influencing success

4. Several factors enabled the consent review process to be successful and proceed in an efficient and cost-effective manner:
 - the revised plan rules set the framework for the review
 - it occurred soon after the plan change became operative
 - it addressed outcomes that the community desired and therefore had support and buy-in from all affected parties
 - strong relationships with a small number of people enabled tactical conversations to occur and good progress to be made
 - the collaborative process that was required to implement the review successfully had already been set up through the CWMS.

The process

5. Since PC3 became operative, Environment Canterbury, the Waitaki Irrigators Collective (WIC) and MEL worked together to agree how the amended flow regime would operate on a day-to-day basis and developed conditions for consent holders to reflect this.
6. The three parties, MEL, WIC and Environment Canterbury, agreed on a process based on mutual respect and transparency. Regular meetings and frank discussions took place as the parties developed sets of consent conditions to implement PC3.

The result

7. In summary, 75 consents were reviewed to implement the new flow and level regime, comprising MEL's Waitaki Dam consent and 74 consents to abstract water from the Lower Waitaki River.
8. The process was undertaken smoothly and there were no concerns raised in response to the review notices. We had estimated the cost of the review at approximately \$1000 per consent and the final cost was just under that. This excludes MEL's consent which cost more due to additional hydrologist input. MEL

provided \$10,000 toward the reviews, which covered the cost of its consent review and contributed toward the costs of the remaining reviews.

9. This process is a great example of what can be achieved when there is a strong planning framework, strong relationships, transparent communication, and common interest at the forefront of discussions.
10. Councillor Peter Skelton, who was instrumental in this Plan Change, attended the Zone Committee meeting yesterday (18 October 2017) to congratulate them on the success of this Plan Change.

Financial implications

11. There are no financial implications associated with the recommendations of this paper.

Legal compliance and risk assessment

12. There are no legal compliance or risks associated with the recommendations of this paper.

Significance and engagement

13. There are no significance and engagement issues associated with the recommendations of this paper.

Communication

14. The story will be shared with other Zone Committees, and rural media.

Additional information

File reference	
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