

# **Minutes of the Audit, Finance and Risk Committee, held at Environment Canterbury, Council Chamber, 200 Tuam Street, Christchurch on Wednesday, 21 February 2024 at 1.01pm.**

## **Present**

Committee Chair Grant Edge, Committee Deputy Chair John Sunckell, Councillors Tutehounuku Korako, Ian Mackenzie, Genevieve Robinson, and Vicky Southworth, and Independent Member Graeme McGlinn.

Ex-Officio: Chair Peter Scott.

## **In Attendance**

Councillors Joe Davies, Paul Dietsche, Claire McKay\*, and Nick Ward.

\*via audio/visual link.

Cr McKay joined the meeting online at 1.02pm during the mihi whakatau.

## **1. Karakia/Mihi Whakatau - Opening**

Cr Korako opened the meeting with a karakia and a mihi whakatau.

Secretarial Note: Cr Korako and the Committee acknowledged the passing of Green MP Efeso Collins, recognising his mahi and his advocacy for Auckland. The Committee passed its sympathies and well-wishes to his whanau and his colleagues in Parliament.

The Committee Chair advised that there may need to be a change to the order of the items of the agenda, and that agenda item 9.2.3 Legal Update would be taken at 2:30pm, with the remaining agenda items moved to accommodate this.

## **2. Apologies**

No apologies were received.

## **3. Conflicts of Interest**

There were no conflicts of interest reported.

## **4. Public Forum, Deputations, and Petitions**

There were no requests for public forum, deputations, and petitions.

## **5. Extraordinary and Urgent Business**

There was no extraordinary or urgent business.

## **6. Notices of Motion**

There were no notices of motion.

## **7. Minutes**

Refer to pages 10-17 of the agenda.

### **7.1. Unconfirmed Minutes - Audit, Finance and Risk Committee - 1 November 2023**

Refer to pages 10-17 of the agenda.

Staff recommendation adopted without change.

#### **Resolved AFRC/2024/01**

That the Audit, Finance and Risk Committee:

1. Confirms the minutes from the Audit, Finance and Risk Committee meeting held on 1 November 2023.

Cr Robinson/Graeme McGlinn  
CARRIED

## **8. Report Items**

Refer to pages 18-160 of the agenda.

### **8.1 Audit, Finance and Risk Committee Resolutions Status Report - February 2024**

Refer to pages 18-23 of the agenda.

Staff provided visibility on the status of previous resolutions made by the Audit, Finance and Risk Committee.

Staff recommendation adopted without change.

#### **Resolved AFRC/2024/02**

That the Audit, Finance and Risk Committee:

1. Notes the status of previous resolutions provided in the Audit, Finance and Risk Committee Resolutions Status Report February 2024.

Graeme McGlinn/Committee Deputy Chair Sunckell  
CARRIED

Cr Davies joined the meeting at 1.14pm during the presentation on agenda item 8.2.

Cr Robinson left the meeting at 1.25pm during questions of clarification on agenda item 8.2 and returned at 1.28pm during discussion on the motion, before voting occurred.

Chair Scott left the meeting at 1.28pm during discussion on the motion for agenda item 8.2, before voting occurred.

## 8.2 Bancorp Treasury Report

Refer to pages 24-33 of the agenda.

David Walker, Consultant, Bancorp Treasury Advisory joined the table and provided a report to the Committee on Environment Canterbury's financial investments, borrowings, and market comparisons to 31 December 2023.

Staff recommendation:

That the Audit, Finance and Risk Committee:

1. Receives the report from Bancorp Treasury Services to 31 December 2023.  
Cr Southworth/Cr Mackenzie

During discussion on the motion, it was discussed that the resolution be changed to include commentary on the Council's compliance with the covenants and policies in the report from Bancorp Treasury Services. The resolution was updated under Standing Order 23.4, which provides for the amendment of a motion, provided that the mover and seconder agree.

That the Audit, Finance and Risk Committee:

1. Receives the report from Bancorp Treasury Services to 31 December 2023 and noting the compliance with the covenants and policies therein.  
Cr Southworth/Cr Mackenzie

Substantive Motion:

### **Resolved AFRC/2024/03**

That the Audit, Finance and Risk Committee:

1. Receives the report from Bancorp Treasury Services to 31 December 2023 and noting the compliance with the covenants and policies therein.  
Cr Southworth/Cr Mackenzie  
CARRIED

Chair Scott returned to the meeting at 1.31pm during the presentation on agenda item 8.3.

Cr McKay left the meeting at 1.48pm during questions of clarification on agenda item 8.3.

## 8.3 Financial Reserves

Refer to pages 34 -61 of the agenda.

Staff updated the Committee on the current state of the Council's reserves and sought endorsement on an updated Reserves Policy for approval by the Council.

Secretarial Note: The Committee requested that it be noted that there were concerns over the number of categories of reserves and that currently the Council only holds 17% of the proposed reserves targets.

Staff recommendations adopted without change.

### **Resolved AFRC/2024/04**

That the Audit, Finance and Risk Committee:

1. Notes the update on the current state of the Council's reserves.
2. Notes the importance of maintaining Council Reserves at the appropriate level.
3. Notes that a review of the number and types of reserves maintained by the Council will be undertaken in 2024/25.
4. Recommends to the Canterbury Regional Council that they adopt the revised Reserves Policy February 2024 (Attachment 8.3.1).

Cr Mackenzie/Committee Deputy Chair Sunckell  
CARRIED

Cr Davies left the meeting at 1.58pm before discussion on agenda item 8.4.

## 8.4 Financial Health Report and Forecast

Refer to pages 62-65 of the agenda.

Staff provided an update on Environment Canterbury's financial health as at 31 December 2023 with a particular focus on the overall financial position.

Staff recommendation adopted without change.

### **Resolved AFRC/2024/05**

That the Audit, Finance and Risk Committee:

1. Receives the Financial Health Report for the period ending 31 December 2023.

Cr Robinson/ Committee Deputy Chair Sunckell  
CARRIED

## 8.5 Quarterly Performance Report (October - December 2023)

Refer to pages 66-105 of the agenda.

Staff provided an update on Environment Canterbury's non-financial (Levels of Service and Key Initiatives) and financial performance and results for Quarter Two 2023/24 (period ending 31 December 2023) and provided an update on the delivery of the Annual Plan Mahere ā Tau 2023/24.

Staff recommendations adopted without change.

### **Resolved AFRC/2024/06**

That the Audit, Finance and Risk Committee:

1. Receives the Organisational Performance Report for Quarter Two 2023/24.
2. Notes the status of the non-financial (Levels of Service and Key Initiatives) and financial performance and results for Quarter Two 2023/24 (period ending 31 December 2023).
3. Notes the key issues identified in the Report impacting the non-financial and financial performance for Quarter Two and the actions being implemented to address these issues.

Chair Scott/Cr Robinson  
CARRIED

## 8.6 Annual Report 2022-23 Audit

Refer to pages 106-134 of the agenda.

Audit New Zealand provided the Committee with the Report to Council on the audit for the year ended 30 June 2023.

Staff recommendation adopted without change.

### **Resolved AFRC/2024/07**

That the Audit, Finance and Risk Committee:

1. Receives the Audit New Zealand Report to Council on the Annual Report for the year ended 30 June 2023.
2. Notes the recommendations and management responses which will be monitored as part of the Committee's outstanding actions and followed up by Audit New Zealand as part of the 2023/24 audit.

Committee Deputy Chair Sunckell/Graeme McGlinn  
CARRIED

## 8.7 Long Term Plan Consultation Document Audit

Refer to pages 135-136 of the agenda.

Audit New Zealand provided the Committee with a tabled Audit Report on the Long-Term Plan 2024-34 Consultation Document, which is attached as item 8.7.1. The Audit Engagement Letter is attached as item 8.7.2.

Staff recommendation adopted without change.

### **Resolved AFRC/2024/08**

That the Audit, Finance and Risk Committee:

1. Receives the Audit Report tabled by Audit New Zealand on Environment Canterbury's Long-Term Plan 2024-34 Consultation Document.

Chair Scott/Graeme McGlinn  
CARRIED

Agenda item 9 was taken at this time.

Committee Deputy Chair Sunckell left the meeting at 2.41pm before the vote on the motion for agenda item 9.

## 9. Resolution to go into Public Excluded

### **Resolved AFRC/2024/09**

That Wendy Pyne, General Manager Corporate Services, Tanja Smets, Manager Risk, Assurance & Security and Stefan Theron Senior Advisor - Audit Assurance, remain after the public have been excluded for the entire public excluded agenda, and that Philip Maw, Partner, Wynn Williams, and Lucy de Latour, Partner, Wynn Williams be permitted to remain for agenda item 9.2.3 as they have knowledge that is relevant to these items.

AND

That at 2.42pm the resolution to exclude the public set out on pages 161 to 162 of the agenda be adopted.

Cr Robinson/Graeme McGlinn  
CARRIED

The public were re-admitted to the meeting at 4.03pm.

## 8.8 Health, Safety & Wellbeing Update

Refer to pages 137-140 of the agenda.

Staff provided the Committee with an update in relation to Health, Safety and Wellbeing (HSW).

Staff recommendation adopted without change.

**Resolved AFRC/2024/016**

That the Audit, Finance and Risk Committee:

1. Receives the report on Health, Safety and Wellbeing.

Cr Southworth/Graeme McGlinn  
CARRIED

Cr Korako left the meeting at 4.19pm during questions of clarification on agenda item 8.9.

## **8.9 Protective Security Update**

Refer to pages 141-156 of the agenda.

Staff provided the Committee with an update on maturity against the Government's Protective Security Requirements Framework.

Staff recommendation adopted without change.

**Resolved AFRC/2024/017**

That the Audit, Finance and Risk Committee:

1. Notes the work underway to improve Environment Canterbury's maturity against the Protective Security Requirements' Framework.

Committee Deputy Chair Sunckell/Cr Robinson  
CARRIED

## **8.10 Committee Annual Workplan**

Refer to pages 157-159 of the agenda.

Staff provided the Committee with the proposed workplan for the 2024 calendar year.

Staff recommendation adopted without change.

**Resolved AFRC/2024/018**

That the Audit, Finance and Risk Committee:

1. Approves the Audit, Finance and Risk Committee workplan for the 2024 calendar year.

Committee Deputy Chair Sunckell /Graeme McGlinn  
CARRIED

Cr Mackenzie returned to the meeting at 4.24pm during the presentation on agenda item 8.11.

## 8.11 Report from the Chair

Refer to page 160 of the agenda.

The Chair raised matters of current interest and emerging issues of note to the Audit, Finance and Risk Committee.

Staff recommendation adopted without change.

### **Resolved AFRC/2024/019**

That the Audit, Finance and Risk Committee:

1. Receives the report from the Chair of the Audit, Finance and Risk Committee.  
Graeme McGlinn/Cr Robinson  
CARRIED

## 10. Next Meeting

The next meeting will be held on 16 May 2024.

## 11. Karakia Whakakapi - Closing

Committee Chair Edge closed the meeting with a karakia.

The meeting concluded at 4.26pm.

CONFIRMED 16 MAY 2024

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Chair Grant Edge  
Councillor, Environment Canterbury

# **Report to the Council on the audit of**

Canterbury Regional Council's  
long-term plan consultation  
document for the period  
1 July 2024 to 30 June 2034

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## Key messages

We have completed the audit of Canterbury Regional Council's (the Council) long-term plan consultation document (the CD) for the ten-year period commencing 1 July 2024 to 30 June 2034. This report sets out our findings from the audit, and where appropriate makes recommendations for improvement. In addition, this report also provides information on the next step in the audit process being the audit of the CD.

Overall, we concluded that the Council's consultation document met its primary purpose of providing an effective basis for public participation in decision-making on the content of the long-term plan (LTP). The consultation document included all the major matters that we had expected, including the preferred and alternative options to address those major matters. In our view, the consultation document, and the promotion of it using the Council's website and other means, should encourage the community to provide feedback on the Council's proposals.

### Audit report

We intend to issue an unmodified audit report dated 28 February 2024.

### Emphasis of Matters

Without modifying our opinion, we draw attention to the following disclosures.

#### ***Uncertainty over funding of Public Transport Futures Programme***

Without modifying our opinion, we draw attention to page 45, which outlines the high level of uncertainty over Waka Kotahi NZ Transport Agency's (the Agency's) expected funding of the Public Transport Futures programme. If the Agency does not provide funding or provides less funding than assumed, the public transport investment plans will either not proceed or will be reconsidered depending on the level of funding received, which will affect the proposed levels of service.

### Audit of the final LTP

Following the conclusion of the consultation period and the Council's hearing of submissions, we will review the final changes made to the LTP and issue a separate audit report on the LTP.

### Thank you

We would like to thank the Council, management and staff for their assistance received during the audit.

A handwritten signature in blue ink that reads "Yvonne Yang". The signature is written in a cursive, flowing style.

Yvonne Yang  
Appointed Auditor  
20 February 2024

# 1 Our audit report

## 1.1 We intend to issue an unmodified audit report

We intend to issue an unmodified audit report on the Council's consultation document on 28 February 2024. This means that:

- the consultation document provides an effective basis for participation in the Council's decisions about the proposed content of its 2024-34 LTP, because it:
  - fairly represents the matters proposed for inclusion in the LTP; and
  - identifies and explains the main issues and choices facing the Council and region, and the consequences of those choices; and
- the information and assumptions underlying the information in the consultation document are reasonable.

In issuing our audit report, we considered the uncorrected misstatements noted below and the matters discussed in sections 2 and 3 of this report.

Without modifying our opinion, we draw attention to the disclosures on page 45. Refer to page 3 for details.

## 1.2 Uncorrected misstatements

The forecast information underlying the consultation document is free from material misstatements, including omissions. During the audit, we discussed with management any misstatements that we found, other than those that were clearly trivial. The misstatements that have not been corrected are listed below. We are satisfied that these misstatements, individually or in aggregate, were immaterial to the forecast information underlying the consultation document.

## 1.3 Corrected misstatements and disclosure deficiencies

Appendix 1 sets out the corrected misstatements and disclosure deficiencies we found during the audit.

## 1.4 Quality and timeliness of information provided for audit

Management provided us with the requested information in a timely manner. However, the financial forecasts and supplementary information we received for audit could be improved. Please refer to the discussion in section 3.3 of this report.

We reviewed five draft versions of consultation document and four draft versions of the supplementary information.

We also raised a number of adjustments required as noted in section 1.3 and in Appendix 1 of this report. These adjustments are proposed to highlight the issues and provide a more balanced contextual information to enhance the readability of the consultation document and underlying supporting information. We hope these changes allowed the community to participate in the consultation process more effectively.

The items mentioned above meant a significant amount of time had been spent performing the financial model review and checking the different versions of the consultation document received for audit. Furthermore, while the change to core services approach and the re-set of the performance measures is viewed as an improvement initiated from management, they required us to perform additional work to understand and review the changes.

We will analyse our actual costs against our proposed fee assumption (section 7 of the audit engagement letter) once we complete the LTP audit. If there is a cost overrun incurred, we will discuss with management.

## 2 Risks and issues

During the planning stage of the audit and following our review of the Council's LTP self-assessment, we identified the key risks and issues to focus on during our audit. These key risks and issues, and the outcome of our audit procedures to address them, are set out the table below:

| Significant issues  | Our audit response and conclusion   |
|---|---|
| <b>Proposed rate increase</b>   |   |
| <p>The Council has included three options in each of the core services in the consultation document.</p> <p>The Council's preferred option has on average 24.2% to provide additional service.</p>  | <p>In response to this risk, we:</p> <ul style="list-style-type: none"> <li>Reviewed the proposed increase in rates and how this flows through the financial forecast.</li> <li>Reviewed the proposed projects associated with the funding increase.</li> <li>Agreed material projects to signed agreements.</li> <li>Checked that the appropriate performance measures are in place for these activities.</li> </ul> <p>It was noted that rate increases in year 1 and year 2 have exceeded the set quantified limit on rates increases of 10% a year. Our review has not highlighted any other matters to bring to your attention.</p>                      |
| <b>Climate change</b>   |   |
| <p>The Council is one of the first councils in New Zealand to declare climate emergency. Therefore, it is one of the Council's priorities to have a good understanding of the risks and adaptation of the risk. A number of capital work around stop banks and riverbanks have been incorporated in the infrastructure budget. As the result of climate emergency declaration back in May 2019 the Council has added climate change in its infrastructure strategy.</p> | <p>Our focus in regard to climate change are the understanding and correct application of the underlying assumption, as well as adequacy of information and disclosures relating to climate change.</p> <p>The Council has included climate change consideration in all the three core services.</p> <p>We have assessed the reasonableness of the local authority's climate change assumption and its application on the financial and service performance forecasts. In particular, we are comfortable with:</p> <ul style="list-style-type: none"> <li>The Council's climate change assumption affecting on its flood protection assets and the</li> </ul> |

| Significant issues  | Our audit response and conclusion  |
|---|--|
|   | <p>corresponding adaption costs in its infrastructure strategy.</p> <p>The cost estimated for the significant projects (such as PT futures) in response to Council's emission reduction/climate change initiatives.</p>  |
| <b>Healthy waterways</b>  |  |
| <p>By 31 December 2024, the Regional Council will need to notify new or amended regional plans that implement the new National Policy Statement for Freshwater Management (NPS-FM). These will be progressed using the new freshwater planning process.</p> | <p>In response to this issue, we reviewed:</p> <ul style="list-style-type: none"> <li>• The Council's plan on complying with NPS-FM by December 2024.</li> <li>• The financial forecast to check that Healthy Waterways has been included and budgeted for as per the plan.</li> <li>• The Council's role in relation to Healthy waterways as part of performance measures review and gained assurance that appropriate performance measures have been set up for each milestone.</li> <li>• Financial prudence of the funding strategy.</li> </ul> <p>Our review has highlighted the following:</p> <ul style="list-style-type: none"> <li>• The Council intends to borrow an additional \$110.7 million debt over the life of the LTP period, with principal loan repayments amounting to \$77.9 million through to the end of the 10-year plan. This borrowing is estimated to incur interest expenditure of \$28.1 million which is on an assumed interest rate of 6%.</li> <li>• In the three years preceding the 2024-2034 LTP, the Council has borrowed \$19.4 million with principal repayments of \$3.2 million.</li> </ul> <p>We are satisfied that appropriate disclosure has been added subsequently to the consultation document.</p> |
| <b>Waka Kotahi (NZTA) Funding</b>   |  |
| <p>The Greater Christchurch Public Transport Futures Programme (PT Futures) is a ten-year</p>   | <p>As part of the Public Transport Futures program, the Council plans to implement a</p>   |

| Significant issues  | Our audit response and conclusion  |
|---|--|
| <p>plan aimed at enhancing the public transport network in Greater Christchurch. It addresses three key issues identified during the business case process: reliability and journey time comparable to private vehicles, support for growth areas and key destinations, and improving the public transport experience. The program aims to increase service frequency, accessibility, and the use of low-emission fleets.</p> <p>As part of this initiative, the Council plans to enhance routes 7, 1, 5, Orbiter (where needed), 3, and 9 by 2027, as outlined in the 2024-34 LTP. The proposed improvements, costing \$142.3 million over ten years, will be co-funded by New Zealand Transport Agency Waka Kotahi, with additional support from rates.</p> | <p>frequency uplift on routes 7, 1, 5, Orbiter (where required), 3, and 9 by 2027, and as outlined in the 2024-34 LTP.</p> <p>We have reviewed the business case draft, financial forecast/model and assumptions made to assess if these are reasonable and supportable:</p> <ul style="list-style-type: none"> <li>• We are satisfied that the business case is reasonable and supportable.</li> <li>• We reviewed the assumptions made and agreed that Waka Kotahi funding and the funding assistance rate application is consistent with our understanding, and it correlates with the cost correctly, and factored in the model.</li> <li>• We traced the application of the material assumptions into the forecasting model and confirmed appropriate flow to the underlying information.</li> <li>• We have reviewed the reasonableness of the costs/budget by obtaining the variations/quotes from their bus operators and we compared it with the figures reflected in the budget.</li> </ul> <p>We propose an emphasis of matter paragraph is included in audit opinion. The paragraph will draw readers attention to the high level of uncertainty over NZTA expected funding of the PT Futures. If NZTA does not provide funding or provides less funding than assumed, the public transport investment plans will either not proceed or will be reconsidered depending on the level of funding received, which will affect the proposed levels of service.</p> |

## 3 Other matters

Overall, we were satisfied that the LTP consultation document included appropriate information to enable consultation with the public on the key issues.

We discuss our findings and related recommendations following our review of the significant forecasting assumptions, financial strategy, infrastructure strategy, and the asset management plans.

### 3.1 Significant forecasting assumptions

We focused on identifying the significant forecasting assumptions and ensuring they were complete. We then assessed which of these assumptions were material from an audit perspective and ensured that these assumptions were appropriate, adequately disclosed, and consistent with the underlying information.

We concluded that overall, the forecasting assumptions are appropriate, complete, adequately disclosed, and comply with relevant legislation. In addition, the underlying information has been prepared using the material assumptions disclosed in the plan.

### 3.2 Achieving a balanced budget

The Council forecasts a deficit of \$10.2 million for the year 2025 due to a \$12.9 million operating expenditure related to regulatory framework planning, to be fully funded through borrowings.

An average of \$11 million annual debt is to be raised in the subsequent years in relation to the same activities, this will result in a total of \$110.7 million over the 10-year period. The consultation document has disclosed that the Regional Council considers this is financially prudent and the surplus will be achieved from the financial year ending 30 June 2026 and onwards.

Under S100(2) of the Local Government Authority (LGA), a local authority is required to pass a resolution stating it is financially prudent to forecast an unbalanced budget (or specifically projected operating revenues that are less than projected operating expenses).

We recommend the Council to pass a resolution to clearly outline that it is financially prudent to have an unbalanced budget on or prior to the adoption of LTP.

#### **Management comment:**

*Management is aware that, if after consultation and the Councils deliberations, the deficits remain, a resolution will need to be passed prior to adoption of the LTP that indicates Council consider the deficits to be prudent financial management. Council was briefed on the deficits for the first two years of the LTP in November and indicated comfort with the reasons for these deficits.*

### 3.3 Improvement in the budgeting and financial reporting process for long-term plans

We obtained understanding of the Council's budgeting and LTP financial reporting systems through discussions with the relevant staff members and corroboration of verbal representations to supporting documentation where appropriate.

The financial model is divided into two parts: the budgeting process in TM1 and the production of the financial statements through the Breeze system.

After our review, we have identified several recommendations that we believe will enhance the Council's efficiency in executing and reviewing the LTP. Additionally, these recommendations will contribute to a more effective audit process.

| Issues   | Recommendations   |
|--|---|
| <p>Currently, there is no master TM1 detail that breaks down cost codes at GL account level for each core service. This includes both P/L items as well as balance sheet items such as capital expenditures and borrowings.</p> <p>As a result, we had to manually format the data and combine reports with varying formats to create a 'master formatted TM1 detailed report'. This report is essential for our financial model review and reconciliation with the supporting document ( such as financial statements). This process consumed a considerable amount of time on top of our regular audit work, and it also required the finance team to generate different reports for our use.</p> <p>For additional details, please refer to Appendix 2.</p> | <p>To implement a report functionality for generating a detailed master data report that covers all essential fields required for the financial model review.</p> |
| <p>At present, corroboration between business partnership financials and the corresponding section and program managers assumptions and intent is difficult as no systems links from TM1 data to Assumptions spreadsheets/word documents exists. The lack of alignment may lead to inadequate audit trails for the changes that have been implemented and approved within the working budget.</p>  | <p>To improve the functionality in TM1 to link budget data to managers supporting information.</p>  |
| <p>We have observed that a significant portion of budgeting continues to rely on budget spreadsheets. These spreadsheets are then manually entered into TM1. There is no built-in spreadsheet import/upload function in TM1 to prevent redundancy of effort and potential data corruption.</p>   | <p>To implement spreadsheet import functionality and support evidence upload functionality.</p>   |

| Issues   | Recommendations  |
|--|--|
| We have observed that not all significant forecasting assumptions are integrated into TM1. These assumptions pertain to individual core services rather than being applied at the group level. | To incorporate all significant forecasting assumptions in TM1.           |
| During our process walkthrough, we observed that the assumptions maintenance schedule is editable. There are no restrictions on who can modify the schedule.                                   | To restrict ability to edit the assumptions maintenance schedule in TM1. |

**Management comment:**

*Management agrees that the systems with which the Long-term Plan is produced could be further streamlined and improved. The opportunity exists for existing systems to be upgraded to current versions which Environment Canterbury is reflecting in its Digital roadmaps.*

### 3.4 Infrastructure Strategy (IS)

Overall, we are satisfied that the IS serves its intended purpose. The supporting underlying information is deemed reasonable, and the document fulfils its legislative requirements. It aligns with our knowledge of asset management planning at the Regional Council.

However, to further enhance the IS and align it with best practice, we recommend the follow:

- 1 Improve affordability discussion by:
  - Including discussion on affordability for current and future generation.
  - Explaining how the options chosen is deemed as financial sustainable.
- 2 Improve the discussion on Level of Service (LoS) by:
  - Providing an explanation or summary of the intended LoS.
  - Clarifying how it is linked to the associated cost implications for both operating and capital expenditures (as shown in Table 8.5).
  - Specifying the Council's intent regarding levels of service over the strategy period, with a particular focus on the next 10 years (whether LoS will increase, decrease, or remain the same).

Additionally, we note that the IS and asset management plan has not gone through a peer review in the current (2024-2034) and last LTP (2021-2031). Given the flood protection

assets are critical infrastructure, we recommend conducting an IS peer review during the next LTP process.

**Management comment:**

*Management note the recommendations for improvement in the content of the 30-year Infrastructure Strategy and will consider implementing these as part of the LTP 2027-37.*

### **3.5 Asset Management Plan**

Similar to the previous LTP, the asset management plan is not updated at consultation document stage. Following discussions with the Council, the asset management plan is updated before the adoption of the LTP. The rationale behind this decision stems from the fact that asset planning relevant to the consultation stage is already incorporated into the infrastructure strategy, including financial forecasts. Most of the content in the asset management plan remains relevant and is not subject to significant alterations.

While it is considered good practice to update the asset management plan at consultation document stage, this is not a legislation requirement. We have communicated this to management, and their position is that the risk of material misstatement due to not updating the asset management plan at this stage is relatively low.

Given that the Regional Council only have flood protection as their infrastructure assets and the infrastructure strategy appropriately reflected their up-to-date plan, we consider this matter to be closed.

### **3.6 Audit of the final long-term plan**

Following the conclusion of the consultation period and the Council's hearing of submissions, we will review the final changes made to the draft LTP and issue a separate audit report on the final LTP.

To ensure our audit of the final LTP is efficient, we expect the Council to prepare and provide us with a schedule of changes to the financial forecasts and other underlying information that were the basis for the consultation document.

## Appendix 1: Corrected misstatements and disclosure deficiencies

### Corrected misstatements and disclosure deficiencies

#### Consultation Document

- A reference should be made in this section stating that the supporting documentation goes along with the CD. This is in accordance with LGA section 93(3)-point c which may include, for example, providing links or references to the relevant documents.
- The table of contents is to be categorised based on core services approach.
- The explanations are to be given the funding mismatch for each core service.
- The disclosure in relation to NZTA funding uncertainty and alternative plan if the funding is not received.
- Explain the reasons why the Council considers Year 1 operating deficit is financially prudent and Year 2 describes how the Council plans to achieve a balanced budget from the next year.

#### For ERP - Regulatory Framework

- Present a discussion on how much borrowing the Council intends to raise and repay them, along with the corresponding interest charge over the 10-year period.
- Following the comments around the consistency with the previous LTP and annual plans, please present on how much borrowing that has been raised and repaid in the past three years as a comparison.
- Note the investment in the integrated regulatory framework is classified as operating expenditure under the current accounting standard.

## Appendix 2: Improvement in the budgeting and financial reporting process for long-term plan – Report Functionality

### Audit Process – Formatting the financial model

- 1 The TM1 detailed report is presented down to cost codes/project, showing categories of expenses and revenue under each core services. However, it does not include fields for "debt funding" and "reserves allocated" to enable us to analyse within one report the level of funding down at project level. Adding these fields helped us assess debt level on project basis versus the operating results on a 10-year forecast. This also provided us more information to assess the financial prudence based on the cost required each year to fulfil the work programme committed.
- 2 Furthermore, we obtained a separate TM1 P/L SQL import file ('SQL import') from the Systems Accountant that is used for import to Breeze. The SQL import data was useful as it included more detail at a GL account code level for every cost codes, which is far more comprehensive than the TM1 detail mentioned above.
- 3 This TM1 P/L SQL import file only contained the cost code, and amounts. We had to combine both reports previously combined above to associate the G/L accounts per cost codes for each core service. Furthermore, we had to further add fields to identify the FS mapping of these GL accounts at cost code level. Combining and formatting these reports further allowed us to further analyse the data and test the model. This also assisted us in our analytical review.
- 4 After associating the related core service for each project code from item #3, this allowed us to identify expenses unmapped to core services. We raised this later and Finance updated their funding income statements.

## Appendix 3: Disclosures

| Area   | Key messages   |
|--|--|
| Our responsibilities in conducting the audit | <p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the consultation document and reporting that opinion to you. This responsibility arises from section 93C(4) of the Local Government Act 2002.</p> <p>The audit of the consultation document does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>  |
| Auditing standards                           | <p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>   |
| Auditor independence                         | <p>We are independent of the 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: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to our audit of the Council's consultation document and all legally required external audits, we completed an assurance engagement pursuant to the Council's debenture trust deed. These engagements are compatible with those independence requirements. Other than these assignments, we have no relationship with or interests in the Council.</p> |
| Other relationships                          | <p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Council during or since the audit.</p>  |

## AUDIT NEW ZEALAND

Mana Arotake Aotearoa

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20 February 2024

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

Peter Scott  
Canterbury Regional Council  
PO Box 34  
Christchurch 8140

Dear Peter

**Audit Engagement Letter: audit of the consultation document and long-term plan for the period commencing 1 July 2024**

This audit engagement letter is sent to you on behalf of the Auditor-General, who is the auditor of all “public entities”, including Canterbury Regional Council (the Regional Council), under section 14 of the Public Audit Act 2001. The Auditor-General has appointed me, Yvonne Yang, using the staff and resources of Audit New Zealand, under section 32 and 33 of the Public Audit Act 2001, to carry out the audit of the Regional Council’s consultation document and long-term plan (LTP).

This letter outlines:

- the terms of the audit engagement and the respective responsibilities of the Regional Council and me as the Appointed Auditor;
- the audit scope and objectives;
- the approach taken to complete the audit;
- the areas of audit emphasis;
- the audit logistics; and
- the professional fees.

**1 Specific responsibilities of the Regional Council for preparing the consultation document and the long-term plan**

Our audit will be carried out on the basis that the Regional Council acknowledges that it has responsibility for preparing the consultation document and LTP, by applying the Regional Council’s own assumptions, in accordance with the Local Government Act 2002 (the Act) (in particular, the requirements of Part 6 and schedule 10) and in accordance with generally accepted accounting practice in New Zealand. We assume that elected members are

familiar with those responsibilities and, where necessary, have obtained advice about them.

For clarity, we note the following statutory responsibilities as set out in the Act:

- Section 93 of the Act requires the Regional Council to have an LTP at all times, and Part 1 of schedule 10 prescribes the information that must be included in the LTP.
- Section 111 requires all information that is required to be included in the LTP to be prepared in accordance with applicable generally accepted accounting practice standards.
- Section 83 (with reference to section 93A) sets out the special consultative procedure that the Regional Council is required to follow to adopt the consultation document and LTP.
- Section 93C(4) requires an auditor's report on the consultation document, and section 94 requires a separate opinion on the LTP.

Please note that the audit does not relieve the Regional Council of any of its responsibilities.

Other general terms are set out in the relevant sections of this letter and Appendix 1.

## **2 Our audit scope**

The Act requires us to provide two separate reports, as follows:

- On the consultation document, a report on:
  - whether the consultation document gives effect to the purpose specified in section 93B; and
  - the quality of the information and assumptions underlying the information in the consultation document.
- On the LTP, a report on:
  - whether the LTP gives effect to the purpose in section 93(6); and
  - the quality of the information and assumptions underlying the forecast information provided in the LTP.

We expect our work to assess the quality of underlying information and assumptions to be a single, continuous process during the entire LTP preparation period.

Our focus for the first limb of each report will be to assess whether the consultation document and the LTP meet their respective statutory purposes. Given the different

purposes of each document, we will assess the answers to different questions for each report.

Our focus for the second limb of each report will be to obtain evidence about the quality of the information and assumptions underlying the information contained in the consultation document and LTP. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the information and assumptions underlying the information contained in the consultation document and LTP, whether because of fraud or error.

Our audit reports do not:

- provide a guarantee of absolute accuracy of the information in the relevant document;
- provide a guarantee that the Regional Council has complied with all relevant legal obligations;
- express an opinion on the merits of any policy content; or
- include an opinion on whether the forecasts will be achieved.

### **3 Our approach to this audit**

#### **3.1 The content of the consultation document**

The Act emphasises the discretion of the Regional Council to decide what is appropriate to include in the consultation document and the associated consultation process. In deciding what to include in the consultation document, the Regional Council must have regard to its significance and engagement policy, and the importance of other matters to the region and its communities.

We will need to understand how the Regional Council has approached the task of applying its significance and engagement policy, and how it has weighed the importance of other matters in deciding what to include in the consultation document. This will help inform our assessment of whether the consultation document achieves its statutory purpose.

#### **3.2 Adopting and auditing the underlying information**

Before adopting the consultation document, section 93G of the Act requires the Regional Council to prepare and adopt the information that:

- is relied on by the content of the consultation document;
- is necessary to enable the Auditor-General to issue an audit report under section 93C(4); and
- provides the basis for the preparation of the LTP.

The information to be prepared and adopted needs to be enough to enable the Regional Council to prepare the consultation document.

We consider that local authorities will need to have thought comprehensively about how best to meet the requirements of the Act. Consistent with the guidance of Taituarā, Local Government Professionals Aotearoa, our view is that core building blocks of an LTP will be needed to support an effective consultation document. This will include, but not be limited to, draft financial and infrastructure strategies and the information that underlies them, including asset management information, assumptions, defined levels of service, funding and financial policies, and a complete set of financial forecasts.

We will work with management to understand the information proposed to be adopted and assess whether it will enable us to issue an audit report under section 93C(4).

From a practical perspective, it will be important that the Regional Council is well advanced with the preparation of the full LTP when it issues the consultation document. Otherwise, you may find it difficult to complete the work and adopt the full LTP before your deadline. The same is true for the audit work. The more audit work that can be completed at the first stage of the process, the less pressure there will be on you and the audit team at the end of the process.

### **3.3 Control environment**

The Regional Council is responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the Council), supported by written policies and procedures, designed to prepare the consultation document and LTP, and to provide reasonable quality information and assumptions underlying the information contained in these documents.

Our approach to the audit will be to identify, confirm, and assess the Regional Council's key processes and controls over the underlying information and the production of both the consultation document and the LTP. The purpose of this assessment is to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit reports. Our assessment is not for the purpose of expressing an opinion on the effectiveness of the Regional Council's internal controls.

We will carry out a review of the control environment to help us understand the approach taken to develop the consultation document and LTP, develop expectations of what should be included in the consultation document and LTP, and identify areas of potential audit risk. This will involve discussions with elected representatives and selected staff throughout the Council, review of publicly available information about the Council, updating our knowledge of Regional Council issues developed during recent years, and a review of Regional Council minutes since the last audit review.

Our review of your self-assessment response (see below) and key controls relating to the underlying information and development of the LTP is useful to our initial assessment of audit risk and so the nature and extent of our overall audit work.

### **3.4 Project management, reporting deadlines, and audit progress**

The development of the consultation document and LTP is a significant and complex project, and a comprehensive project plan is required for a successful LTP process. It is also essential that there is commitment throughout the organisation for the project, starting with the elected representatives. The involvement of senior management and elected representatives is important in deciding what to include in the consultation document.

The LTP has complex and inter-related information needs and draws together plans, policies, decisions, and information from throughout the Regional Council and its community. We recognise that the Regional Council will be doing its LTP preparation over an extended period. A more efficient and cost-effective audit can be achieved when audit work and feedback is provided in “real time” or on an “auditing as you go” basis as the underlying information is developed.

Consequently, we will discuss with you and your staff the Regional Council’s approach to preparing and completing the LTP. We expect that the Regional Council is approaching its preparation on a project basis and recognise that our audit work should “shadow” that project timetable. The success of this “auditing as you go” approach will depend on the Regional Council’s project management of the overall LTP process, which should include time for audit work at appropriate points in the process.

### **3.5 Self-assessment**

To assist our audit planning, we intend to use a self-assessment process to assist with our risk assessment process. The self-assessment requires you to reflect on your most significant issues and risks, governance of the LTP project, and the systems and processes you have in place (particularly to meet the purposes in the Act for the consultation document and the LTP), asset management, performance management and reporting, and financial management.

We received the completed self-assessment from you under a separate cover.

The self-assessment is like those used with our audit of previous LTPs. The information provided through the self-assessment will be confirmed with you through discussion after its completion.

## **4 Our particular areas of audit emphasis**

### **4.1 Financial strategy and infrastructure strategy**

The Act requires a local authority to prepare two key strategies as part of the LTP: the financial strategy and the infrastructure strategy.

The purpose of the financial strategy is to:

- facilitate prudent financial management by the local authority by providing a guide for the local authority to consider proposals for funding and expenditure against; and
- provide a context for consultation on the local authority's proposals for funding and expenditure by making transparent the overall effects of those proposals on the local authority's services, rates, debt, and investments.

The purpose of the infrastructure strategy is to:

- identify significant infrastructure issues for the local authority during the period covered by the strategy; and
- identify the principal options for managing those issues and the implications of those options.

For the two strategies to be effective, they must be closely aligned. Section 101B(5) allows for them to be combined into a single document.

Although the Act clearly sets the minimum requirements for these strategies, it does not define the only things that can be in a strategy. A good strategy should include what is needed to be a good quality strategic planning document. In the case of the infrastructure strategy, the principles of ISO 55000 should be considered, particularly where the Regional Council is seeking to prepare a best practice strategy.

Our focus when reviewing both strategies is to assess whether the Regional Council has met the purpose outlined in the Act and presented the strategies in a coherent and easily readable manner. Specifically, we will:

- confirm that the two strategies are appropriately aligned;
- understand the effect of the financial forecasts included in the infrastructure strategy on the prudence of the financial strategy; and
- assess the reasonableness of the prepared forecasts by:
  - understanding how the Regional Council has applied the effect of its assumptions (for example, allowing for changing demographics, the implications of the changing climate, the condition and performance of critical assets) and levels of service on expenditure decisions and outlined the implications of these decisions in the strategies;
  - reviewing the Regional Council's relationship between its renewal capital expenditure and depreciation expenditure forecasts; and
  - checking that the infrastructure strategy is appropriately inflated.

The Regional Council's financial modelling is a significant component of the underlying information that supports both the financial strategy and infrastructure strategy. We will place particular emphasis on the integrity and effectiveness of the financial modelling of all local authorities.

An additional role played by these strategies is to facilitate accountability to the community. It is critical that these strategies are presented in such a way that they are engaging and informative, and support the presentation of issues, options, and implications presented in the consultation document.

## 4.2 Assumptions

The quality of the Regional Council's financial forecasts is significantly affected by whether the assumptions on which they are based are defined and reasonable. The Act recognises this by requiring all local authorities to clearly outline all significant forecasting assumptions and risks underlying the financial estimates in the LTP (schedule 10, clause 17). *Prospective Financial Statements* (PBE FRS 42) also requires the disclosure of significant assumptions.

We will review the Regional Council's list of significant forecasting assumptions and confirm that they are materially complete. We will also test the application of selected assumptions in the financial forecasts to check they have been reasonably applied. Finally, we will confirm that:

- all significant forecasting assumptions disclose the level of uncertainty associated with the assumption; and
- for all significant forecasting assumptions that involve a high level of uncertainty, the uncertainty and an estimate of the potential effects of the uncertainty on the financial forecasts are appropriately disclosed in the LTP.

We consider that the significant forecasting assumptions are crucial to the underlying information for the consultation document and will complete our review during our audit of the consultation document.

### Climate change assumption

We will continue to focus on the assumptions that the Regional Council has made about climate change and the adequacy of other information and disclosures relating to climate change.

We will review the Regional Council's climate change assumptions to determine whether they are reasonable and supportable. We will assess the quality of the supporting information the Regional Council is using in developing its assumptions and disclosures included in the LTP, the consultation document (if relevant), and the adopted underlying information.

We do expect the Regional Council to reflect information on the impacts of climate change identified in the last three years in its climate change assumptions and work plans outlined in the LTP.

#### **4.3 Quality of asset-related forecasting information**

A significant portion of the Regional Council's operations relates to the management of its infrastructure: the flood protection and control works. These activities typically make up about 6.4% of operational expenditure and 71% of capital expenditure.

To prepare reasonable quality asset information, the Regional Council needs to have a comprehensive understanding of its critical assets and the cost of adequately maintaining and renewing them. An important consideration is how well the Regional Council understands the condition of its assets and how the assets are performing.

In reviewing the reasonableness of the Regional Council's asset-related forecasting information, we will:

- assess the Regional Council's type asset management planning systems and processes;
- understand what changes the Regional Council proposes to its forecast levels of service;
- understand the Regional Council's assessment of the reliability of the asset-related information;
- consider how accurate recently prepared budgets have been; and
- assess how matters such as affordability have been incorporated into the asset-related forecasts prepared.

Depending on what we identify in completing the above, we may have to complete further detailed testing on the Regional Council's asset-related information.

#### **4.4 Council-specific matters**

The key issue for the Regional Council is the climate change and cost of delivering their services.

The Regional Council's infrastructure strategy continues the strong emphasis on climate change and provides links to Regional Council's strategic direction.

The Regional Council have developed a long-term financial and environmental goal. This goal is to invest in activities that deliver agreed climate change outcomes and is part of the Investing for the Future programme.

For the cost of delivering the Regional Council's core services, it is expected that this would be the basis of the consultation, which will be based on packages of work across our three core services with associated rates rises for the community to choose from.

## **5 Other matters**

### **5.1 Our independence**

It is essential that the audit team and Audit New Zealand remain both economically and attitudinally independent of the Regional Council (including being independent of management personnel and 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 integrity, objectivity, and independence.

### **5.2 Publication of the consultation document and adopted long-term plan on the Regional Council's website**

The Regional Council is responsible for the electronic presentation of the consultation document and LTP on its website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the presented data. Please ensure that your project plan allows time for us to examine the final electronic file version of the respective documents, including our audit report, before their inclusion on the website.

We need to do this to ensure consistency with the paper-based documents that have been subject to audit.

## **6 Audit logistics**

### **6.1 Audit timing**

The key dates in the audit timetable are as follows:

|   |                                |
|---|--------------------------------|
| Self-assessment provided to Council                                     | 20 September 2023              |
| Self-assessment returned to audit team for consideration                | 30 November 2023               |
| Interim audit visit to review draft consultation document and draft LTP | 10 January 2024                |
| Proposed consultation document available                                | 10 January 2024                |
| Audit report on consultation document required                          | 28 February 2024               |
| Draft report to governors on consultation document engagement           | No later than 28 February 2024 |

|   |             |
|---|-------------|
| Proposed LTP for adoption available             | 24 May 2024 |
| Audit report on adopted LTP required            | TBD         |
| Draft report to governors on LTP engagement     | TBD         |
| Finalised report to governors on LTP engagement | TBD         |

Should we encounter any significant problems or delays during the audit, we will inform you immediately.

We have an electronic audit management system. This means that our auditors will complete most of their work on their laptops. Therefore, we would appreciate it if the following could be made available during our audit:

- a suitable workspace for computer use (in keeping with the health and safety requirements discussed in Appendix 1); and
- electronic copies of key documents.

As noted in section 3.4, our audit work needs to be done as you develop your underlying information and prepare your consultation document and LTP, to ensure the timely completion of our audit.

To ensure that we meet agreed deadlines, it is essential that the dates agreed are adhered to.

## 7 Professional fees

Our audit fee, covering both the consultation document and the LTP for the period commencing 1 July 2024, is **\$104,800 (excluding GST and disbursements)**.

In the unlikely event the actual hours to carry out the audit of the consultation document and LTP results in the above audit fee being more than \$210 per hour, the fee will be reduced to a maximum \$210 per hour.

For the 2018 LTP, our actual hours were 788 hours. These hours are likely to include some inefficiencies on our part, as well as inefficiencies caused by the Regional Council. The audit fee we charged was \$79,000, which was an effective hourly rate of \$100. For context, in 2018 the average effective charge out rate for an audit of this complexity should have been \$163 - \$211 per hour.

For the 2021 LTP, our actual hours were 889 hours. These hours are likely to include some inefficiencies on our part, as well as inefficiencies caused by the Regional Council. The audit fee we charged was \$103,568 (incl. recovery of \$18,368), which was an effective hourly rate of \$116. For context, in 2021 the average effective charge out rate for an audit of this complexity should have been \$180 - \$233 per hour.

We cannot continue to spend significant amounts of time on the audit that is not compensated. Over time, we need to increase our audit fees to fairly reflect the costs of performing an efficient audit. The Office of the Auditor-General has provided the estimated fee level for this year's LTP audit. The fee has taken into account the number of hours it took to complete the audits of the past two LTPs. During the LTP audit and following the completion of the audit we will discuss with you the hours and fees, so we both have helpful information for setting audit fees for the next LTP audit in 2027.

The proposed 2024 fee is an increase of 1.2% compared to the 2021 actual fee charged of \$103,568 (incl. recovery of \$18,368) or an increase of 23% to the 2021 budgeted fee of \$85,200.

The proposed fee is based on the following assumptions:

- Information required to conduct the audit is complete and provided in accordance with the agreed timelines. This includes the draft consultation document and the full draft financial strategy, draft infrastructure strategy and key underlying assumptions and information that supports the draft consultation document.
- There will be an appropriate level of assistance from your staff.
- All documentation (consultation document, LTP, and all other underlying documentation) provided will be subject to appropriate levels of quality review before submission for audit.
- The consultation document and LTP will include all relevant disclosures.
- We will review, at most, two drafts of each of the consultation document and LTP during our audit.
- We will also review one printer's proof copy of the consultation document and LTP and one copy of the electronic version of the consultation document and LTP (for publication on your website).
- There are no significant changes in the structure or level of operations of the Regional Council impacting on the audit, such as the establishment of a CCO to deliver core functions or a major restructuring of groups of activities.

If the scope and/or amount of work changes significantly (such as a change in direction during the development of the consultation document or between the development of the consultation document and the LTP), we will discuss the issues with you at the time.

If information is not available for the visits as agreed, or the systems and controls the Regional Council use to prepare the underlying information and assumptions cannot be relied on, we will seek to recover additional costs incurred as a result. We will endeavour to inform you as soon as possible should such a situation arise.

This fee is exclusive of any subsequent amendments the Regional Council might make to the adopted LTP under section 93D.

We wish to interim bill as work progresses. We propose the following billing arrangements:

|               | \$        |
|---------------|-----------|
| January 2024  | 60,000    |
| February 2024 | 11,800    |
| May 2024      | 16,500    |
| June 2024     | 16,500    |
|               | <hr/>     |
|               | \$104,800 |
|               | <hr/>     |

## **8 Personnel**

Our personnel involved in the management of the audit are:

|                     |                                    |
|---------------------|------------------------------------|
| Yvonne Yang         | Director                           |
| Chantelle Gernetzky | Engagement Quality Review Director |
| Laura Song          | Audit Manager                      |
| Kerstine Vergara    | Audit Supervisor                   |

We have endeavoured to maintain staff continuity as far as possible.

## 9 Agreement

Please sign and return the attached copy of this letter to indicate that:

- it is in accordance with your understanding of the arrangements for this audit of the consultation document and LTP for the period commencing 1 July 2024; and
- you accept the terms of the engagement set out in this letter that apply specifically to the audit of the consultation document and LTP and supplement the existing audit engagement letter dated 30 May 2023.

If there are any matters requiring further clarification, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in blue ink that reads "Yvonne Yang". The signature is written in a cursive, flowing style.

Yvonne Yang  
Director

cc Grant Edge, Chair of Audit, Finance and Risk Committee  
Giles Southwell, Director Corporate and Public Transport Services

*I acknowledge that this letter is in accordance with my understanding of the arrangements of the audit engagement. I also acknowledge the terms of the engagement that apply specifically to the audit of the consultation document and LTP, and that supplement the existing audit engagement letter dated 30 May 2023.*

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Peter Scott  
Chair

## **Appendix 1: Terms of the engagement that apply specifically to the audit of the consultation document and LTP**

### **Objectives**

The objectives of the audit of the consultation document and LTP are:

- to provide independent reports on the consultation document (under section 93C(4) of the Act) and on the LTP (under section 94(1) of the Act) about:
  - whether each document gives effect to the relevant statutory purpose; and
  - the quality of the information and assumptions underlying the information included in each document; and
- to report on matters relevant to the Regional Council's planning systems that come to our attention.

Our audit involves performing procedures that examine, on a test basis, evidence supporting assumptions, amounts, and other disclosures in the consultation document and LTP, and evaluating the overall adequacy of the presentation of information.

We also review other information associated with the consultation document and LTP to identify whether there are material inconsistencies with the audited consultation document and LTP.

### **Provision of a report to the governors of the Regional Council**

At a minimum, we will report to the governors of the Regional Council at the conclusion of the engagement. The report communicates matters that come to our attention during the engagement and that we think are relevant to the Council. For example, we will report:

- any weaknesses in the Regional Council's systems; and
- uncorrected misstatements noted during the audit.

Please note that the Auditor-General may refer to matters that are identified in the audit of consultation documents and LTPs in a report to Parliament if it is in the public interest, in keeping with section 20 of the Public Audit Act 2001.

### **Materiality**

Consistent with the annual audit, the audit engagement for the consultation document and LTP adheres to the principles and concepts of materiality during the 10-year period of the LTP and beyond (where relevant).

Materiality is one of the main factors affecting our judgement on the areas to be tested and the nature and extent of our tests and procedures performed during the audit. In planning and performing the audit, we aim to obtain assurance that the consultation document and LTP, and the information and assumptions underlying the information contained in these documents, 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 a reader's overall understanding of the consultation document and LTP.

Consequently, if we find material misstatements that are not corrected, we will refer to them in the audit report. Our preference is for any material misstatement to be corrected, avoiding the need to refer to misstatements.

### **The standards applied when conducting the audit of the consultation document and adopted long-term plan**

Our audit is carried out in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. In meeting the requirements of this standard, we consider particular elements of the Auditor-General's Auditing Standards and International Standard on Assurance Engagements 3400: *The Examination of Prospective Financial Information* that are consistent with those requirements.

## **Responsibilities**

### **General responsibilities**

The general responsibilities of the Regional Council for preparing and completing the consultation document and LTP are consistent with those for the annual report, as set out in the audit engagement letter dated 30 May 2023, but noting that the consultation document and LTP include forecast information.

These responsibilities include those set out in Appendix 1 of that audit engagement letter as detailed below:

- Appendix 1: Respective specific responsibilities of the Regional Council and the Appointed Auditor:
  - responsibilities for compliance with laws and regulations; and
  - responsibilities to establish and maintain appropriate standards of conduct and personal integrity.

## Specific responsibilities

The Regional Council is responsible for:

- maintaining accounting and other records that:
  - correctly record and explain the forecast transactions of the Council;
  - enable the Regional Council to monitor the resources, activities, and entities under its control;
  - enable the Regional Council's forecast financial position to be determined with reasonable accuracy at any time; and
  - enable the Regional Council to prepare forecast financial statements and performance information that comply with legislation; and
- providing us with:
  - access to all information and assumptions relevant to preparing the consultation document and LTP, such as records, documentation, and other matters;
  - additional information that we may request from the Regional Council for the purpose of the audit;
  - unrestricted access to Regional Council members and employees that we consider necessary; and
  - written confirmation of representations made to us in connection with the audit.

## Health and safety of audit staff

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015, we need to make arrangements with you to keep our audit staff safe while they are working at your premises.

We expect you to provide a safe work environment for our audit staff 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.