

Audit and Finance Working Party
Monday 6 May 2019 at 10.00am

AGENDA

Audit and Finance Working Party Agenda

Meeting to be held in the Whale Bay Room
36 Water Street, Whangārei
on Monday 6 May 2019, commencing at 10.00am

Please note: working parties and working groups carry NO formal decision-making delegations from council. The purpose of the working party/group is to carry out preparatory work and discussions prior to taking matters to the full council for formal consideration and decision-making. Working party/group meetings are open to the public to attend (unless there are specific grounds under LGOIMA for the public to be excluded).

MEMBERSHIP OF THE AUDIT AND FINANCE WORKING PARTY

Chairman, Councillor David Sinclair

Independent Financial Advisor, Councillor Bill Shepherd Councillor Joce Yeoman
Mr Geoff Copstick

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TITLE: **Record of Actions – 19 February 2019**

ID: A1185432

From: Judith Graham, Temp Corporate Excellence P/A

Executive summary

The purpose of this report is to present the Record of Actions of the last meeting (attached) held on 19 February 2019 for review by the meeting.

Attachments/Ngā tapirihanga

Attachment 1: Audit and Finance Working Party Record of Actions 19 February 2019 [!\[\]\(3e2231b1ad3ca8da8658228c00dd08e0_img.jpg\) !\[\]\(96a82dd1250f57fd139c5f3b80c9d977_img.jpg\)](#)

Authorised by Group Manager

Name: Dave Tams

Title: Group Manager, Corporate Excellence

Date:

Audit and Finance Working Party
19 February 2019

Audit & Finance Working Party Minutes

Meeting held in the Whale Bay Room
36 Water Street, Whangārei
on Tuesday 19 February 2019, commencing at 8.30am

Present: Cr Bill Shepherd (Acting Chair)
Cr Joce Yeoman
Geoff Copstick

In Attendance: **Full Meeting**
Cr Penny Smart
NRC Chief Executive
Finance Manager
PA, Corporate Excellence (minutes)

Part Meeting
GM, Corporate Excellence
Financial Accountant

The Acting Chair declared the meeting open at 8.40am

1.0 APOLOGIES

Cr David Sinclair
GM, Corporate Excellence

8.42am - Cr Penny Smart joined the meeting

2.0 DECLARATIONS OF CONFLICTS OF INTEREST

It was advised that committee members should make any declarations item-by-item as the meeting progressed.

3.0 PRESENTATION

3.1 Financial Update

Presented by: Simon Crabb, Finance Manager

- Council's managed funds made \$916k worth of gains in January, as per the preliminary report received from EriksensGlobal late last night
- Managed funds capital losses at the end of December 2018 \$1.1m
- Managed funds capital losses at the end of January 2019 \$226k
- Still require budgeted general funding of \$1.7m for the year
- It was noted that globally, allocation to cash is higher than it has been since the 1970s

Audit and Finance Working Party
19 February 2019

8.52am - GM, Corporate Excellence joined the meeting

Recruitment has been on hold (six non-vital positions) – some of these are now being released

8.54am - Financial Accountant joined the meeting

- The \$916k gains are in aggregate – some funds have performed better than others
- The market lift, as of this morning, is greater in February than in January
- Discussion took place regarding movement of monies between funds, and the splitting of funds
- Reserves will remain separate

9.02am - GM, Corporate Excellence left the meeting

4.0 REPORTS

4.1 External Audit Planning

Presented by: Simon Crabb, Finance Manager

- A schedule was presented to the committee – this is attached to these minutes

Agreed Action Points:

- | | |
|--|------------|
| 1. Schedule a council workshop ASAP to discuss plans for addressing the shortfall in general funding | PA, CorpEx |
| 2. Schedule a council workshop regarding the external audit prior to the August council agenda closing on 9 August | PA, CorpEx |
| 3. Schedule an Audit & Finance Working Party meeting for 12 September for the Deloitte Report / Clearance | PA, CorpEx |

The meeting closed at 9.15am

Deloitte.



Northland Regional Council
Planning Report to the Council
for the year ended 30 June 2019



1 May 2019

Bill Shepherd
Chair, Northland Regional Council
Private Bag 9021
Whangarei 0148

Dear Mr Shepherd

**Report to the Council & Audit Working Party
for the year ended 30 June 2019**

In accordance with our normal practice, we include in the attached report all planning matters arising from our audit of the financial statements of Northland Regional Council ("Council") and its subsidiaries ("Group") for the year ended 30 June 2019 which we consider appropriate for the attention of the Audit Working Party ("the Committee").

We would be pleased to attend a meeting of Council or the Audit Working Party to discuss the contents of this report. In the interim should you require clarification on any matter in this report please do not hesitate to contact us.

This correspondence is part of our ongoing discussions as auditor in accordance with our engagement letter dated 24 January 2017 and as required by New Zealand auditing standards. The ultimate responsibility for the preparation of the financial statements rests with the Council.

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We have prepared this report solely for the use of the Council and it would be inappropriate for this report to be made available to third parties. If such a third party were to obtain a copy without our prior written consent, we would not accept responsibility for any reliance that they might place on it.

We would like to take this opportunity to extend our appreciation to management and staff for their assistance and cooperation during the course of our audit to date.

Yours faithfully

Peter Gulliver

**Appointed Auditor, for and on behalf of the Office of the
Auditor General**

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Executive summary

Audit scope



Our key audit objective is to obtain reasonable assurance to enable us to form and express an opinion on the financial statements, performance information, and other requirements of schedule 10 of the Local Government Act 2002 (as amended) that are to be included in the Council’s annual report for the year-ended 30 June 2019. The audit is to be completed in accordance with the terms of our contract with the Office of the Auditor-General (OAG), and our engagement letter with Council.

The annual Local Government audit brief issued by the OAG requires us to focus on additional matters as outlined in section 2.2; we are required to report to the OAG any issues identified in relation to the matters in this section.

Group audit considerations are covered in Appendix B.

Materiality levels are calculated on the basis of total expenses, in line with guidance issued by the OAG and relevant auditing standards. We anticipate materiality based on expected results for the year to be \$1,258,000. We will report to the Council on all unadjusted misstatements greater than \$62,900 and other misstatements where they are qualitatively material. At this stage of the audit our materiality is a preliminary assessment and we will update the Council at the conclusion of the audit where this assessment changes.

Areas of focus








The significant risks, and other key audit focus areas which we have identified as part of our overall audit strategy, are:

- 1. Asset valuations and assessment of carrying value
- 2. Governance and valuation of investment assets
- 3. Validity of fees and charges revenue
- 4. Rates setting– legislative compliance

Additional areas of focus:

- 1. Enhancements planned for FY19
- 2. Fraud
- 3. Performance, waste, and probity
- 4. Managing conflicts of interest and related party transactions
- 5. Legislative compliance
- 6. Financial prudence

Executive summary - continued

Internal controls 	Our audit approach requires us to obtain an understanding of an entity’s internal controls, sufficient to identify and assess the risks of material misstatement of the financial statements whether due to fraud or error.
Other communications 	Various matters are communicated in accordance with the requirements of the OAG’s auditing standards: <ul style="list-style-type: none">• Independence• Professional fees/relationships• Management override of controls• Group considerations
Transition plan and timetable 	This year’s plan and timetable are set out in section 5.
Our team 	Our audit engagement team is detailed in section 6.
Appendices 	Appendix A: Analysis of professional fees Appendix B: Group audit considerations

1. Audit scope

Purpose of report

This report has been prepared for Northland Regional Council’s Audit Working Party and the Council and is part of our ongoing discussions as auditor in accordance with our engagement letter dated 24 January 2017 and as required by OAG auditing standards. This report includes only those matters that have come to our attention as a result of performing our audit procedures to date and which we believe are appropriate to communicate to the Council. The ultimate responsibility for the preparation of the financial statements rests with the Council.

Responsibilities

We are responsible for conducting an audit of Council’s group financial statements, performance information, and other requirements of Schedule 10 of the Local Government Act 2002 for the year ended 30 June 2019 in accordance with the OAG’s auditing standards. Our audit is performed pursuant to the requirements of the Local Government Act 2002, with the objective of forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Council. The audit of the financial statements does not relieve management or the Council of their responsibilities.

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the ‘quantitative’ materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the ‘qualitative’ materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work. For the 2019 financial statements, we have used the total expenditure per year one of the 2018-28 Long Term Plan as the benchmark for our quantitative materiality assessment as this benchmark is deemed to be a key driver of value, is a critical component of the financial statements and is a focus for users of those statements. We have applied 3% to this benchmark to determine a planning materiality of \$1,258,000. This percentage takes into account our knowledge of the Council, our assessment of audit risks and the reporting requirements for the financial statements. We will update our preliminary materiality assessment once actual total expenditure for the 2019 year is determined. The extent of our procedures is not based on materiality alone but also on local considerations of subsidiaries of the group, the quality of systems and controls in preventing material misstatement in the financial statements, and the level at which known and likely misstatements are tolerated by you in the preparation of the financial statements.

2. Areas of focus

Audit risk

Our audit scope and approach emphasises careful planning and risk assessment to respond promptly to the risk of material misstatement, including engagement risk, significant risk and fraud risk factors. This approach helps to minimise year-end surprises and enhances the effectiveness of our audit.

Rather than treating all business activities as if they present equal risk, our procedures are designed to focus more attention on significant risk areas.

The following tables summarise our preliminary assessment of:

- the significant risks of material misstatement for our audit whether due to fraud or error; and
- other matters of significance which have not been identified as significant audit risks.

We continually update our risk assessment as we perform our audit procedures, so our areas of audit focus may change. We will report to you on any significant changes to our assessment as part of our final report to the Council.

These areas of audit focus were identified as a result of:

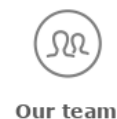
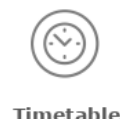
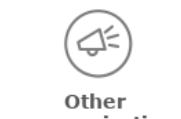
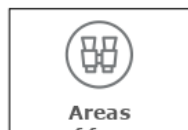
- the ongoing risk assessment process undertaken during the planning phase of the audit;
- our understanding of the risks faced by Northland Regional Council;
- discussions with management during the course of our audit;
- the significant risks and uncertainties previously reported in the annual report and financial statements;
- our assessment of materiality; and
- the changes that have occurred in the business and the environment it operates in since the last annual report and financial statements.

Based on our initial assessment, we will concentrate specific audit effort on the areas detailed below.

2.1 Key areas of focus

Audit risk and proposed audit response

Area of focus	Audit response
<p>Asset valuations and assessment of carrying values</p> <p>NRC recognises the following classes of asset at fair value:</p> <ul style="list-style-type: none"> • Infrastructure assets (only revalued every 3 years – FY17 being the last valuation hence only a desk top exercise is being performed in FY19); • Land and buildings; • Investment properties; • Emissions trading units; • Forestry assets; and <p>Determining the fair value of assets requires management and independent valuers to make a number of judgments around the appropriate valuation methodology and assumptions. Valuation outcomes are often sensitive to variations in the key assumptions.</p> <p>This gives rise to a risk around the valuation of these assets at year-end and the treatment of movements in fair value during the year.</p>	<p>As part of the audit process we will work with management and the relevant independent values to determine the methodology applied and to identify the critical assumptions influencing the valuation outcome.</p> <p>We will then test the critical assumptions and review the relative sensitivity of the valuations to a range of possible inputs.</p> <p>We understand that in the current year, NRC commenced the development of its Kensington and Kaipara Service Centre properties. These properties will be classified as investment property under PBE IPSAS 16 and recognised at fair value. The fact these properties are under construction at year end increases the complexity of the valuation process. We will engage with management and the valuer accordingly.</p> <p>Infrastructure Assets is the only class of assets not being revalued in FY19. NRC plans to engage independent third party valuation experts to determine (on a desk top basis) whether there has been any material movement in the fair value.</p>



2.1 Key areas of focus - continued

Audit risk and proposed audit response - continued

Area of focus	Audit response
<p>Governance and valuation of investment assets</p> <p>NRC has a significant portfolio of investment assets including property, funds under management and a controlling stake in Marsden Maritime Holdings which holds 50% of the region's port. The strategy around the use of this investment portfolio and the returns received are an important component of Council's funding of its activities. Council has recently reviewed its property portfolio and as a consequence a number of properties have moved between owner occupied properties, investment properties and being identified for disposal.</p> <p>This gives rise to risks around the robustness of governance processes around these investments, the valuation of the investments at year-end, and whether the appropriate accounting treatment has been applied in respect of those valuations, of movements in value and gains/losses on sale during the year, and in the classification of items held for sale at year-end.</p>	<p>We plan to address these risks through:</p> <ul style="list-style-type: none"> • Evaluating the governance processes and controls around investment assets. This will involve determining whether investment mandates and parameters are monitored as part of governance arrangements, including the risk/return strategy employed and the adequacy of reporting in this area • Ascertaining the quality of controls in place at the investment manager and custodian by obtaining internal control audit reports • Reviewing the accounting treatment applied to investment assets against relevant accounting standards • Reviewing the calculation of investment asset fair values at year-end • Reconcile and validate the cash movements in and out of the investment funds



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2.1 Key areas of focus - continued

Audit risk and proposed audit response - continued

Area of focus	Audit response
<p>Validity of fees and charges revenue</p> <p>There is a risk that fees and charges revenues may be misstated if they are calculated incorrectly or revenue is recognised incorrectly.</p> <p>We have identified this as our presumed risk of fraudulent revenue recognition as required by auditing standards.</p>	<p>We plan to test a sample of fees and charges revenue for accuracy and to review of the recognition policy and practice against relevant accounting standards to ensure the revenue is recognised at the right time.</p>

2.1 Key areas of focus

Audit risk and proposed audit response

Area of focus	Audit response
<p>Rates setting – Legislative Compliance</p> <p>Over recent years there have been a number of issues within the Local Government sector arising from rates not being set in accordance with the Local Government (Rating) Act 2002(LGRA). Compliance with the detail of the LGRA is critical: if the rate is not within the range of options and restrictions provided for in that Act, it may not be valid.</p> <p>Management and Council need to continue to ensure that the requirements of the LGRA are adhered to and that there is consistency between the rates resolution, the Funding Impact Statement for that year, and the Revenue and Financing Policy in the respective LTP or Annual Plan (AP).</p>	<p>We plan to undertake the following procedures:</p> <ul style="list-style-type: none">• Testing the controls around the rates setting process at Council;• Where applicable reviewing relevant legal documentation and correspondence with legal advisors;• Completing a 'rates questionnaire' compiled by the OAG, (similar to that completed in the prior year), to assist us in assessing legislative compliance in a broader sense with respect to rates. <p>We note that we are not legal experts and we recommend Council continue to have their legal advisor review the documentation supporting the setting of rates to confirm legislative compliance.</p>

2.2 Other areas of focus

Other matters including OAG audit brief requirements and proposed response

Enhancements planned for FY19

At the conclusion of the 2018 audit we discussed with Council some ideas on how we could improve the annual reporting and audit process. The comments below summarise the FY19 initiatives in this regard.

Simplification of annual report

As your auditor for the last two years, we have predominantly focused on assisting management to simplify and improve NRC’s financial statements (section 3 of the annual report) to enhance its readability.

In the current financial year, we will work with management to focus on improving the presentation of Council’s group of activities section and specifically the non financial performance measures (section 2 of the annual report). With 2019 being the first annual report prepared under the 2018-28 LTP this is an appropriate to revisit this area of Council’s accountability reporting.

To achieve this, our proposed approach is to work with Kyla Carlier (Corporate Planning Manager) on

- Identifying material information that is most important to users;
- Changing the layout to improve clarity and understandability;
- Removing irrelevant information
- Look at more user friendly (info-graphic) presentation of performance information

Interaction with the finance team throughout the year

To improve the communications we have with the management team during the year we have formalised a process which incorporates:

- Review of Council meeting minutes on a quarterly basis to identify any matters of audit interest;
- Obtaining and reviewing a copy of the quarterly reporting pack (incorporating management accounts); and
- Quarterly catch up phone calls with management to enable relevant issues to be discussed and accounting outcomes agreed.

These enhancements have provided additional structure to ensure any accounting, audit and relevant business related matters are identified, discussed and agreed with management during the year.

2.2 Other areas of focus - continued

Other matters including OAG audit brief requirements and proposed response

Area of focus	Audit response
<p>Fraud</p> <p>The primary responsibility for the prevention and detection of fraud rests with management of the Council, including designing, implementing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditor, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.</p> <p>ISA (NZ) 240 <i>The auditor's responsibility to consider fraud in an audit of financial statements</i> requires us to obtain an understanding of how those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud and the internal control that management has established to mitigate these risks.</p>	<p>Throughout the financial year we remain alert for issues that indicate fraud. Any concerns will be raised with management for clarification in the first instance. The Council should be aware that Deloitte is required to inform the OAG immediately where any fraud is discovered.</p> <p>Specifically our work will involve:</p> <ul style="list-style-type: none"> • formal inquiries of the Council, management and others within the entity regarding the risks of fraud within the Council including the processes in place to mitigate those risks; • Documenting systems and internal controls used by the Council to prevent and detect fraud. In this area we will raise any weaknesses with management and the Council as applicable; • Remaining alert for the existence of any confidentiality clauses in employment contracts that may prevent disclosure of information and thus reduce the level of transparency of spending of public monies; and • Reviewing the current fraud policy to ensure it follows OAG guidance and ensure management and employees are aware of the fraud policy and its content



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2.2 Other areas of focus - continued

Other matters including OAG audit brief requirements and proposed response

Area of focus	Audit response
<p>Performance, waste and probity</p> <p>Ensuring that Parliament's expectations are met with respect to use of rate payer funds is a key feature of any audit in the public sector.</p>	<p>Our audit approach will include a specific programme of work covering the following aspects:</p> <ul style="list-style-type: none"> • Confirming NRC has the appropriate policy framework for areas such as delegated authorities, fraud, conflicts of interest etc. • Looking at how Council approaches the risks around bribery and corruption. • Testing certain areas of sensitive expenditure to ensure spending is appropriate and authorised in accordance with policy and best practice. • Reviewing areas such as credit card expenditure, fuel card expenditure, mobile phone expenditure.

Area of focus	Audit response
<p>Managing conflicts of interest and related party transactions</p> <p>Councils are required to ensure that there are appropriate procedures in place to identify and manage conflicts of interest and that related party disclosures in the financial statements are complete.</p> <p>This is particularly important in an election period to ensure that Councillors who are standing for re-election and other candidates don't breach the \$25,000 threshold for related party transactions set out in the Local Authorities (Members' Interests) Act 1968.</p>	<p>Our audit procedures on related party disclosures include searching public records for potential related party relationships (such as the Companies Office website). We also ensure any entries in the interests register were individually assessed, and those which met the definition of a related party transaction during the year are disclosed in the Annual Report. This includes remuneration disclosures relating to the Councillors and key management personnel.</p>



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Audit scope



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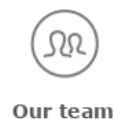
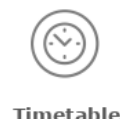
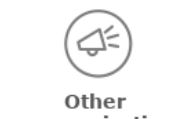
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2.2 Other areas of focus - continued

Other matters including OAG audit brief requirements and proposed response

Area of focus	Audit response
<p>Legislative compliance</p> <p>The Council is subject to significant regulatory and legislative compliance requirements. The Council needs to have adequate systems in place to monitor compliance with legislation along with any changes occurring in the applicable legislation.</p> <p>The key pieces of legislation that Council needs to be compliant with, as it pertains to the Annual Report include:</p> <ul style="list-style-type: none"> • the Local Government Act 2002 • the Local Government (Financial Reporting and Prudence) Regulations 2014 • the Non-Financial Performance Measures Rules 2013 • the Local Government Borrowing Act 2011 • the Local Government (Rating) Act 2002 • the Local Government Official Information and Meetings Act 1987 • the Local Authorities (Members' Interests) Act 1978 	<p>Our audit procedures look at Council's processes for ensuring legislative compliance. Including specifically testing compliance with legislation that materially impacts on the financial statements. This includes the Local Government Act 2002 and the Local Government (Rating) Act 2002.</p>

Area of focus	Audit response
<p>Financial prudence</p> <p>Councils are required to include appropriate benchmarking reporting in the Annual Report as required by the Local Government (Financial Reporting and Prudence) Regulations 2014.</p>	<p>Our audit procedures will include review of the disclosures and re-computation of key ratios to determine whether Council is in compliance with these regulations.</p>



3. Internal controls

Objective

Our audit approach requires us to obtain an understanding of an entity’s internal controls, sufficient to identify and assess the risks of material misstatement of the financial statements whether due to fraud or error.

Obtaining an understanding of internal control relevant to the audit

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

We plan to perform audit procedures on the following areas of internal control:

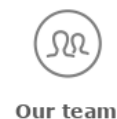
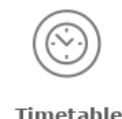
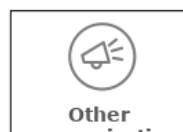
- Understanding the control environment, including understanding IT processes and controls
- Testing the design and implementation of key controls
- Testing the operating effectiveness of controls where applicable

Our audit is not designed to provide assurance as to the overall effectiveness of the controls operating within the Council, although we will report to management any recommendations on controls that we may have identified during the course of our audit work.

4. Other communications

The following matters are communicated in accordance with the requirements of the OAG's and New Zealand auditing standards:

Independence	We confirm that we have maintained our independence in accordance with the independence requirements of the OAG and <i>Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners</i> issued by the NZ Auditing and Assurance Standards Board and, in our professional judgement, we are independent and the objectivity of the audit engagement partner and audit staff are not compromised.
Professional fees/relationships	<p>A summary of all proposed fees for the year ended 30 June 2019 for audit and non-audit services provided by Deloitte Limited and network firms to the date of this report are detailed in Appendix A.</p> <p>In addition to our audit and our report on the disclosure requirements, we have carried out engagements in the areas of a limited assurance report pursuant to the Regional Council's Trust Deed and the audit of the Regional Council's maintenance of the Register of Security Stock. No other relationships or matters exist between the firm, network firms and the Council that, in our professional judgment, may reasonably be thought to bear on independence. Any services other than the audit have been approved by the OAG as not compromising our independence as auditor.</p>
Management override of controls	<p>We are required to design and perform audit procedures to respond to the risk of management's override of controls which will include:</p> <ul style="list-style-type: none"> • having understood and evaluated the financial reporting process and the controls over journal entries and other adjustments made in the preparation of the financial statements, test the appropriateness of a sample of such entries and adjustments and make enquiries about inappropriate or unusual activities relating to the processing of journal entries and other adjustments; • a review of accounting estimates for biases that could result in material misstatement due to fraud, including whether the judgements and decisions made in making the estimates included in the financial statements, even if individually reasonable, indicate a possible bias on the part of management. We will also perform a retrospective review of management's judgements and assumptions relating to significant estimates reflected in last year's financial statements; and • obtain an understanding of the business rationale of significant transactions that we become aware of that are outside the normal course of business or that otherwise appear to be unusual given our understanding of the entity and its environment.



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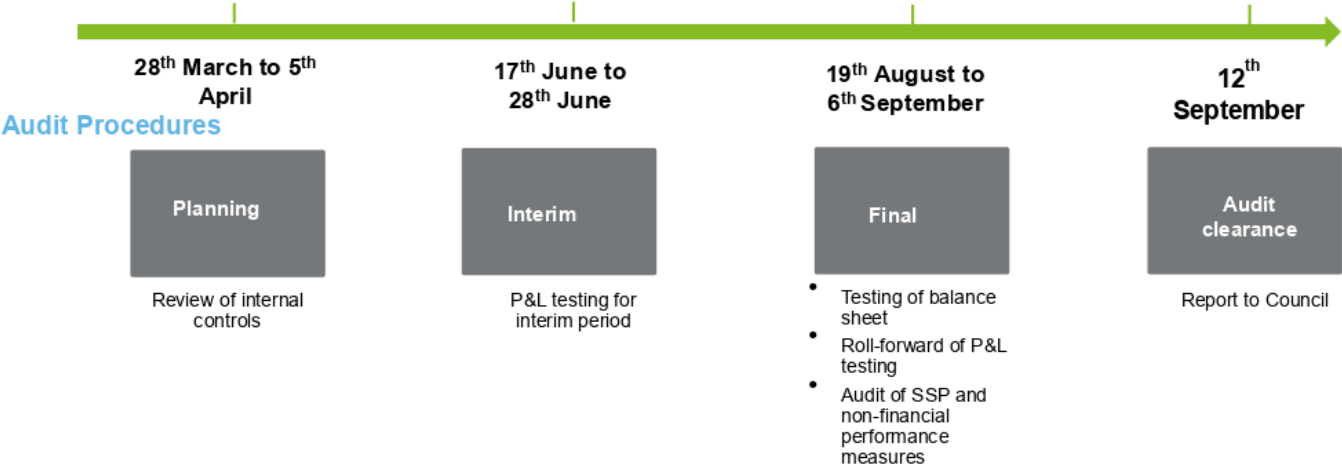
4. Other communications - continued

The following matters are communicated in accordance with the requirements of the OAG’s and New Zealand auditing standards:

<p>Group considerations</p> <ul style="list-style-type: none">• Planning our work• Assessing other auditors	<p>In planning to use the work of other auditors we will issue them with referral instructions setting out how we will obtain assurance as to the adequacy of their procedures so as to enable us to reach an opinion on the Group’s consolidated accounts. For an overview of the type of work to be performed on the financial information of the components and an overview of the nature of our planned involvement in the work to be performed by the component auditors on the financial information of significant components, refer to Appendix B.</p> <p>As part of our referral instructions we will request component auditors to confirm to us their objectivity and independence. We will also consider whether they are competent and have adequate resources to undertake the work requested. We will obtain assurance over the work of component auditors as to the adequacy of their procedures insofar as they relate to our group audit, in a variety of ways, including:</p> <ul style="list-style-type: none">• obtaining audit reports, summary memoranda and/or questionnaires;• requesting details of any matters identified at a local level which will be relevant to our report to you;• discussing key issues arising; and/or visiting them to review their working papers; and• where necessary we may request other auditors to carry out additional procedures in order to enable us to issue the Group audit opinion.
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5. Timetable

Our expectations of NRC largely revolve around setting and adhering to a timetable such as that which is set out below. As auditors we are only able to effectively and efficiently perform our role with management’s full co-operation which includes being proactive around advising us of relevant issues and providing complete and accurate information to support the annual report. In the coming months we will prepare a detailed audit requirements listing which will set out the specific information (including timing thereof) required from NRC. In this way we will have a jointly prepared project plan for the audit with key milestones for all stakeholders.

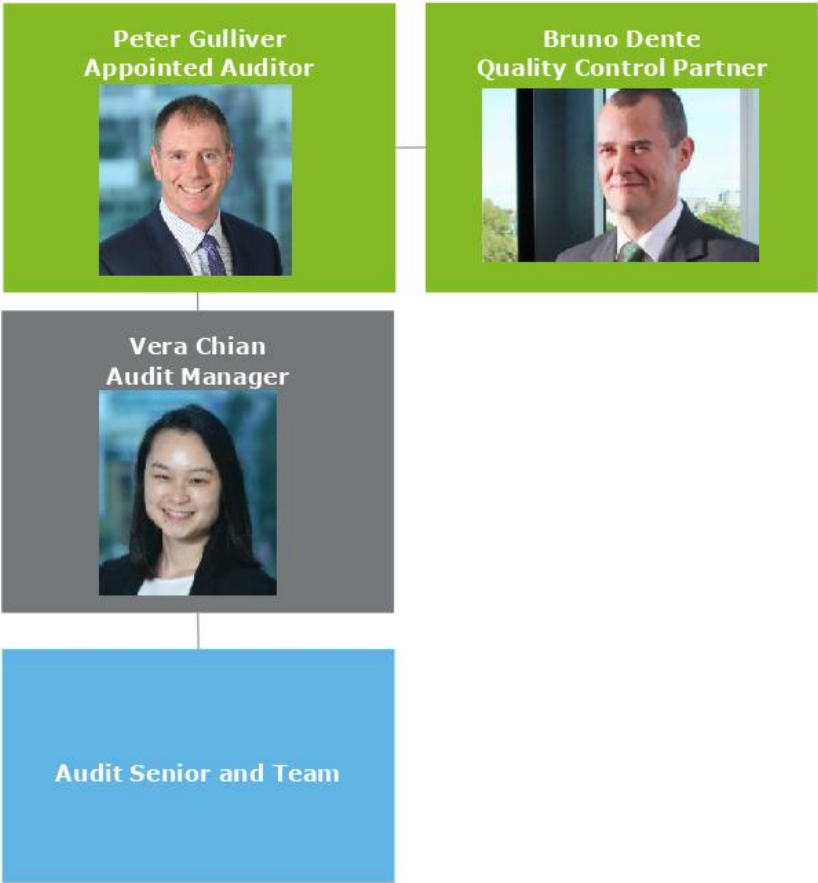


Key Reporting Deliverables



6. Our team

We have set out below our audit engagement team for 2019:



Appendices

Appendix A: Analysis of professional fees
Appendix B: Group audit considerations



Executive
summary



Audit scope



Areas
of focus



Internal
control



Other
considerations



Timetable



Our team



Appendices



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Appendix A: Analysis of professional fees

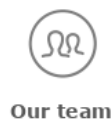
We summarise below our agreed audit fees and fees for other services performed during the current financial year to date. The fees below are exclusive of GST and disbursements.

Professional fees	2019 (CY) (\$)	2018 (CY) (\$)
Fees payable for the audit of the Council's annual report and summary financial statements	117,500	115,000
Audit of long term plan	-	76,125
Other assurance engagements relating to the Debenture Trust Deed and audit of the Register of Security Stock	6,000	5,500
Payroll review – extension of audit procedures	-	10,000
Total audit related and other assurance fees	123,500	206,625
Total fees	<u>123,500</u>	<u>206,625</u>

Appendix B: Group audit considerations

A summary of the nature of work to be performed on group entities and details of component auditors is provided in the table below.

Company	Factors	Scope	Deloitte Limited office / component auditor
Northland Regional Council	Ultimate parent of the group and statutory entity requiring audited financial statements to comply with Local Government Act (2002)	Audit	Deloitte Auckland
Northland Inc. Limited	Subsidiary of NRC and CCO requiring separate statutory audit opinion to comply with Local Government Act (2002)	Audit	
Regional Software Holdings Limited	Associate of NRC and CCO. Not considered financially significant based on investment of \$863k against total group assets of \$312m (2018 amounts)	Analytical procedures	
Marsden Maritime Holdings Limited	Subsidiary of NRC listed on the NZX. Considered financially significant based on contribution of \$14m revenue to total group revenue of \$54m (2018 amounts). Additionally, the identified area of audit focus in respect of investment properties is relevant to this entity	Audit of consolidated financial information of MMHL	EY Auckland
Northport Limited	Joint venture between Marsden Maritime Holdings Limited and Port of Tauranga. Financially significant based on \$9.2m contribution to MMHL's \$9.4m net surplus after tax (2018 amounts)		
North Tugz Limited	Part of MMHL group – to be assessed based on significance to that group		





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