

**Audit and Finance Working Party**  
**Thursday 12 September 2019 at 8.30am**

# **AGENDA**

## Audit and Finance Working Party Agenda

Meeting to be held in the Whale Bay Room  
36 Water Street, Whangārei  
on Thursday 12 September 2019, commencing at 8.30am

**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

Item	Page
<b>1.0 APOLOGIES</b>	
<b>2.0 DECLARATIONS OF CONFLICTS OF INTEREST</b>	
<b>3.0 REPORTS</b>	
<b>3.1 Confirmation of Minutes</b>	
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## Audit and Finance Working Party Record of Actions

Meeting held in the Whale Bay Room  
36 Water Street, Whangārei  
on Wednesday 7 August 2019, commencing at 12.00pm

### Present:

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

### In Attendance:

**Full Meeting**  
Simon Crabb  
Vincent McColl

The meeting commenced at 8.35am.

### Apologies (Item 1.0)

NRC Chief Executive

### DECLARATIONS OF CONFLICTS OF INTEREST (Item 2.0)

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

## 1. Review of the 2018/19 Year-end Financial Agenda Items (Item 3.1)

**Presented by:** Councillor David Sinclair and Simon Crabb

*Secretarial Note: 8.35 Phoned Dave Tams - GM Corporate Excellence to join the meeting.*

#### Agreed action points:

- Email out Monthly Investment Report from Jonathan Eriksen to Audit and Finance working party Councillors.
- Operating cost reserve (OCR) name to be changed to Opex Funding Reserve to save confusion.
- Review Terms of Reference regarding use of reserve funds.
- Discuss with Jonathan Eriksen, what the market looks like for the year ahead.
- Workshop – Council agenda best way forward MMH

- Item 3.1 attachment 4 – Other Expenditure paragraph 3 more detail to be noted
- Move forward and recommended actions noted on page 3.
  1. That the working party supports the content and recommendations in the attached draft agenda items.
  2. That the attached draft agenda items are finalised and presented to Council at the 20 August meeting.

**Moved (Sinclair/Shepherd & Yeoman)**

- The committee acknowledge difficulties in the year given the volatility in the financial market and thank the finance team for their role in helping steer Council through it.

**The meeting concluded at 1.00pm.**

**Deloitte.**



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



5 September 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 matters arising from our audit of the consolidated financial statements of Northland Regional Council (NRC or 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 Working Party"). These matters have been discussed with management of the Council and their comments have been included, where appropriate.

We look forward to the Working Party meeting on 12<sup>th</sup> September 2019 where we will have the opportunity to discuss 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 the Office of the Auditor General's 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.

Yours faithfully

Peter Gulliver  
**Partner  
for Deloitte Limited  
On behalf of the Auditor-General**

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# Executive Summary

## Status of the audit

Our audit of the consolidated financial statements is substantially complete, subject to the outstanding matters noted in the *Audit scope* section.

## Audit scope

We have performed an audit of Council and Group for the year ended 30 June 2019 in accordance with the Office of the Auditor General's (OAG) auditing standards. Our audit is performed pursuant to the requirements of the Local Government Act 2002 (the Act), with the objective of forming and expressing an opinion on the financial statements, performance information, and other requirements of Schedule 10.

## Areas of focus

The areas of focus, 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 required by the OAG:

1. Fraud
2. Performance, waste, and probity
3. Managing conflicts of interest and related party transactions
4. Legislative compliance
5. Financial prudence
6. Mooring and Marina Berth charges and expenses



# Executive Summary - continued


**Internal controls**



In performing our audit we have not identified any material weaknesses in internal controls which would impact upon our ability to provide our opinion on the financial statements.

We have identified a number of recommendations which will be communicated under separate cover in the management letter.


**Summary of unadjusted differences**



In performing our audit of Northland Regional Council for the year ended 30 June 2019 we have not identified any uncorrected misstatements or omitted disclosures that could, either individually or in aggregate, have a significant effect on the financial statements for the year ended 30 June 2019.

There are no unadjusted items relating to NRC.


**Other communications**



Various matters are communicated in accordance with the requirements of New Zealand auditing standards:

- Independence
- Professional fees / relationships
- Written representations
- Non-compliance with laws and regulations
- Accounting policies / financial reporting
- Related parties

**Appendices**



Appendix A: Analysis of professional fees



# Audit scope

## Purpose of report

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

## Responsibilities

We are responsible for conducting an audit of Council and Group for the year ended 30 June 2019 in accordance with the OAG’s auditing standards which incorporate the New Zealand auditing standards issued by the NZ Auditing and Assurance Standards Board. 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, performance information, and other requirements of Schedule 10 that have been prepared by management with the oversight of the Councillors. The audit of the financial statements does not relieve management or the Councillors of their responsibilities.

## Outstanding matters

As at the date of preparing this report the following matters in respect of our audit are outstanding:

- Procedures relating to the final disclosures in the financial statements and annual report;
- Appropriate procedures relating to subsequent events up to the date of our audit opinion;
- Receipt of the signed management representation letter; and
- Adoption of the financial statements and annual report by Council.

							
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# Areas of focus

## Audit risks

Our audit procedures were focused on those areas of the Council’s activities that are considered to represent the significant risk areas which include:

- 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.

These areas of focus were identified as a result of:

- the risk assessment process undertaken during the planning phase of our engagement and presented to the Committee in our audit strategy documents dated 1 May 2019;
- our understanding of the risks faced by the 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 organisation and the environment it operates in since the last annual report and financial statements.

The identification of areas of focus included consideration of the significant qualitative aspects of the entity’s accounting practices, including judgements about accounting policies, accounting estimates and financial statement disclosures identified during the course of our audit of the financial statements.

On the following pages we provide a summary of our audit findings in relation to each of our areas of focus. These findings are based on our audit procedures performed for the year ended 30 June 2019.

## Areas of focus - continued

### Audit risks dashboard

Area of focus	Significant risk	Auditing Standard Fraud risk	Planned controls testing approach	Controls testing conclusion	Level of management judgement required	Consistency of judgements with Deloitte expectations
Asset valuations and assessment of carrying value	✗	✗	D+I	Satisfactory		
Governance and valuation of investment assets	✗	✗	D+I	Satisfactory		
Validity of fees and charges revenue	✓	✓	D+I	Satisfactory		
Rates setting – legislative compliance	✗	✗	D+I OE	Satisfactory		

Level of management judgement required



D+I: Testing of the design and implementation of key controls  
OE: Testing of the operating effectiveness of key controls



Consistency of judgements with Deloitte expectations

Overly prudent, likely to lead to future credit Overly optimistic, likely to lead to future debit.



## Areas of focus - continued

### Audit findings - continued

Area of focus	Audit response	Audit findings
<p><b>Asset valuations and assessment of carrying values</b></p> <p>The Council recognises the following classes of asset at fair value:</p> <ul style="list-style-type: none"> <li>• Infrastructure assets (only revalued every 3 years – FY17 being the last valuation hence only a desk top exercise is being performed in FY19);</li> <li>• Land and buildings;</li> <li>• Investment properties;</li> <li>• Emissions trading units; and</li> <li>• Forestry assets</li> </ul> <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>In order to address this risk, we:</p> <ul style="list-style-type: none"> <li>• Obtained the independent valuations of the relevant asset classes;</li> <li>• For infrastructure assets, reviewed the desk top reports from the valuers to identify any material fluctuations in value of assets not revalued in the current year;</li> <li>• Obtained representations directly from the independent valuers confirming their valuation methodology;</li> <li>• Reviewed the key underlying assumptions used by the independent valuers to determine whether these assumptions were reasonable and in line with NZ generally accepted accounting practice (NZ GAAP);</li> <li>• Held various discussions with the valuers as appropriate; and</li> <li>• Determined whether the revaluation transactions are correctly accounted for and disclosed in the financial statements in compliance with NZ GAAP.</li> </ul>	<p>We identified no material misstatement in respect of asset valuations.</p> <p>We have specifically reviewed and tested the assumptions for the following asset classes, which includes liaising with the valuers (as noted below);</p> <ul style="list-style-type: none"> <li>• Infrastructure assets desk top review (Aon)</li> <li>• Land and buildings (Telfer Young)</li> <li>• Investment properties (Telfer Young)</li> <li>• Forestry assets (Jensmax)</li> </ul> <p>ETU assets were assessed against a publically available market index.</p> <p>On the following page we have commented specifically on the valuation of the Kensington property being developed.</p>



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# Areas of focus - continued

## Audit findings - continued

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Asset valuations and assessment of carrying values – continued

Investment property valuations

We note that the Kensington property, which is subject to a development project, has been independently valued by Telfer Young for financial reporting purposes at \$3,900,000 as at 30 June 2019. After accounting for the project costs of \$739,000 incurred during the year this asset has therefore been written down by \$1,039,000 since 30 June 2018. The valuers have valued the property as a development property which is stated as its highest and best use, and that at this point the valuation represents land value, with an allowance made for the costs of demolishing and removing the current improvements. So no value is attributable to the improvements or project costs incurred to date.

In their report the valuers comment that they have also assessed the property using a residual development approach, which assumes a completed development. Accordingly the valuers have capitalised assessed market rents to arrive at an “as if complete” value, from which are deducted leasing costs (including incentives), construction costs, holding costs, a contingency and an allowance for profit and risk. This approach calculates a land value which is less than the \$3,900,000 which implies a negative project value. Whilst the project is in its early stages, and there are a number of assumptions required around leasing outcomes, construction costs and development margin, this valuation outcome does raise questions that should be considered by Council, particularly in light of the CBRE “as if complete” valuation for the same property which was performed for project feasibility reasons.

Valuation of such assets is an exercise in professional judgement based on various assumptions and other considerations. Our recommendation is that Council seeks to engage with the two valuers to understand the key assumptions driving each of their valuations and the extent to which differences can be reconciled. At this point the Council have correctly recognised the Telfer Young valuation prepared for financial reporting purposes.

## Areas of focus - continued

### Audit findings - continued

Area of focus	Audit response	Audit findings
<p><b>Governance and valuation of investment assets</b></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.</p> <p>The strategy around the use of the funds under management investment portfolio and the returns received are an important component of Council's funding of its activities.</p> <p>This gives rise to risks around the robustness of governance processes around these investments, the valuation of the investments at year-end.</p>	<p>We addressed these risks through:</p> <ul style="list-style-type: none"> <li>Evaluating the governance processes and controls around investment assets. This involved 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</li> <li>Ascertaining the quality of controls in place at the investment manager and custodian by obtaining and reviewing internal control audit reports</li> <li>Reviewing the accounting treatment applied to investment assets against relevant accounting standards</li> </ul>	<p>During our audit of the financial assets held in various investment funds we compare the allocation of assets to the benchmarks in the Statement of Investment Policy and Objectives (SIPO). The SIPO for each fund governs the make-up of the fund, benchmark asset allocations, and minimum / maximum holdings for particular asset fund types.</p> <p>We note that Council's fund manager reports this information on a quarterly basis. As at 30 June 2019 one asset class, being Australasian Private Equity is currently sitting at 16.8% (\$2.5m) of the Community Investment Fund asset allocations. The allocation for this asset class in the relevant SIPO is 0-10%. We note the Investment Committee has approved this allocation whilst assets are being rebalanced.</p>



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# Areas of focus - continued

## Audit findings - continued

Area of focus	Audit response	Audit findings
<p><b>Fees and charges revenue</b></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 tested a sample of fees and charges revenue for accuracy and ensured that revenue is recognised at the right time.</p>	<p>We identified no material misstatement in respect of fees and charges revenue</p>

## Areas of focus - continued

### Audit findings

Area of focus	Audit response	Audit findings
<p><b>Rates setting – legislative compliance</b></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 addressed this issue by:</p> <ul style="list-style-type: none"> <li>• Testing the controls around the rates setting process at Council;</li> <li>• Where applicable reviewing relevant legal documentation and correspondence with legal advisors;</li> <li>• 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.</li> </ul>	<p>We identified no material misstatement during our testing on rates.</p> <p>We note that Council uses Simpson Grierson to review its rating documentation prior to its adoption. This is a good process that should be continued.</p>



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## Other areas of focus

### OAG and other audit brief requirements - Audit findings

Area of focus	Audit response	Audit findings
<b>Fraud</b>  The primary responsibility for the prevention and detection of fraud rests with management and 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.	Throughout the audit process we remained alert for issues that indicate fraud.  Specifically our work involved: <ul style="list-style-type: none"> <li>• 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;</li> <li>• 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;</li> <li>• Remaining alert for the existence of any confidentially clauses in employment contracts that may prevent disclosure of information and thus reduce the level of transparency of spending of public monies; and</li> <li>• 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.</li> </ul>	In the current year, NRC rolled out a fraud awareness e-learning. The aim of this is to educate employees on the red flags of fraud and remain alert to any irregular behaviour which should be reported.  We do not have any further matters to report with respect to actual or suspected fraud, or Council's policy framework in this area.



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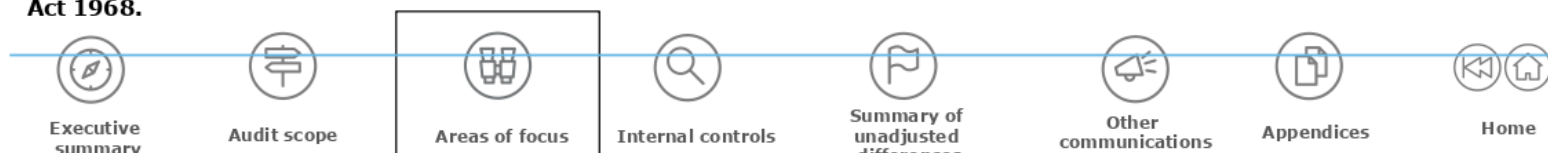
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## Other areas of focus - continued

### OAG and other audit brief requirements - Audit findings

Area of focus	Audit response	Audit findings
<b>Performance, waste and probity</b>  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.	Our audit approach included a specific programme of work covering the following aspects: <ul style="list-style-type: none"> <li>• Confirming Council has the appropriate policy framework for areas such as delegated authorities, fraud, conflicts of interest etc.</li> <li>• Looking at how Council approaches the risks around bribery and corruption.</li> <li>• Testing certain areas of sensitive expenditure to ensure spending is appropriate and authorised in accordance with policy and best practice.</li> <li>• Reviewing areas such as credit card expenditure, fuel card expenditure, mobile phone expenditure.</li> </ul>	We do not have any matters to report with respect to performance, waste, and probity.

Area of focus	Audit response	Audit findings
<b>Managing conflicts of interest and related party transactions</b>  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.  <b>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.</b>	Our audit procedures on related party disclosures included searching public records for potential related party relationships (such as the Companies Office website). We also ensured any entries in the interests register were individually assessed, and those which met the definition of a related party transaction during the year were disclosed in the Annual Report. This included remuneration disclosures relating to Councillors and key management personnel.	We do not have any matters to report with respect to conflicts of interest and related party transactions.



## Other areas of focus - continued

### OAG and other audit brief requirements - Audit findings

Area of focus	Audit response	Audit findings
<p><b>Legislative compliance and more specifically legality of rates</b></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"> <li>• the Local Government Act 2002</li> <li>• the Local Government (Financial Reporting and Prudence) Regulations 2014</li> <li>• the Non-Financial Performance Measures Rules 2013</li> <li>• the Local Government Borrowing Act 2011</li> <li>• the Local Government (Rating) Act 2002</li> <li>• the Local Government Official Information and Meetings Act 1987</li> <li>• the Local Authorities (Members' Interests) Act 1978</li> </ul>	<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 focuses on the Local Government Act 2002 and the Local Government (Rating) Act 2002.</p>	<p>We do not have any matters to report with respect to legislative compliance.</p>

Area of focus	Audit response	Audit findings
<p><b>Financial prudence</b></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 included reviewing the disclosures and re-computing key ratios to determine whether Council was in compliance with these regulations.</p>	<p>We do not have any matters to report with respect to the financial prudence disclosures.</p>



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## Other areas of focus - continued

### Other Matters - Audit findings

Area of focus	Audit response	Audit findings
<p><b>Mooring and Marina Berth charges and expenses</b></p> <p>The Council collects marine biosecurity charges from owners that have boats held at the Marina. The revenue collected is then specifically allocated to marine pest management.</p>	<p>The Audit Working Party asked us to review the expenses to ensure that they are proportionate to the rates received for marine biosecurity purposes.</p> <p>Accordingly, we obtained a breakdown of expenditure incurred during the year and selected a sample of items to test their validity.</p>	<p>From our sample selected we did not identify any items that were inappropriately classified as mooring and marina berth related expenses.</p> <p>We note that the proportion of expenses funded by the charges during FY19 is 59% as compared to the budgeted 65%. This is because the cost of the marine biosecurity expenses have increased in response to new incursions while the user charges have increased in line with inflation. This increases the proportion of expenses funded by sources other than user charges.</p>



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# 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.

We remind you that our audit was not designed to express an opinion on the effectiveness of the controls operating within the Council, although we will be reporting to management under separate cover any recommendations on controls that we identified during the course of our audit work. The matters being communicated are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported. Recommendations for improvement should be assessed by you for their full commercial implications before they are implemented.

## Internal controls assessment

In performing our audit of Council for the year ended 30 June 2019 we have not identified any significant deficiencies in internal controls which would impact upon our ability to provide our opinion on the financial statements for the year ended 30 June 2019; however, we did note a number of minor control observations and expect to issue a Management Letter with our recommendations shortly.

							
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## Summary of unadjusted differences

### Unadjusted differences

For the consolidated financial statements our materiality was \$1,258,000 (prior year: \$1,100,000), however we have accumulated any misstatements greater than \$50,000 as requested by the Audit Working Party.

In performing our audit of Northland Regional Council for the year ended 30 June 2019 we have not identified any uncorrected misstatements that management believe could, either individually or in aggregate, have a material effect on the consolidated financial statements. The following unadjusted items are noted:

Unadjusted misstatements identified	Assets Dr/(Cr) (\$ '000)	Liabilities Dr/(Cr) (\$ '000)	Equity Dr/(Cr) (\$ '000)	Profit or loss Dr/(Cr) (\$ '000)
<b>Current year:</b>				
<b>Council:</b> No items noted				
<b>Group:</b> No items noted				
<b>Prior year:</b>				
The following item was reported by MMHL's auditors. To record claims for remedial damages to the revetment walls that were damaged during the construction of the new boat ramp  We note this was disclosed as a contingent liability whereas MMHL's auditors thought a provision was more appropriate.		(128)	128	
<b>Total</b>		(128)	128	



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# Summary of unadjusted differences - continued

Omitted disclosures assessed by management as not being material

In performing our audit of Northland Regional Council for the year ended 30 June 2019, no material uncorrected disclosure deficiencies were detected in the financial statements.



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## Other communications

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

<b>Independence</b>	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.
<b>Professional fees/ Relationships</b>	<p>A summary of all fees charged during the year ended 30 June 2019 for audit and non-audit services provided by Deloitte Limited to the Council are detailed in Appendix A.</p> <p>In addition to our audit 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. We have also provided fraud awareness training and a cyber governance maturity assessment which are compatible with those independence requirements. 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.</p>
<b>Written Representation</b>	A copy of the representation letter to be signed on behalf of the Council has been circulated separately.
<b>Non-compliance with laws and regulations</b>	In performing our audit of Northland Regional Council for the year ended 30 June 2019 we did not become aware of any instances of non-compliance with applicable laws and regulations that may have an impact on the determination of material amounts and disclosures in the financial statements.
<b>Related parties</b>	In performing our audit of Council for the financial year ended 30 June 2019 no significant related party matters other than those reflected in the financial statements came to our attention that, in our professional judgement, need to be communicated to the Council.



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# Other communications

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

Accounting policies / Financial reporting	<p>There were no material changes in accounting policies during the year ended 30 June 2019.</p> <p><i>New Accounting Standards Impacting Marsden Maritime Holdings Limited</i></p> <p>We note that from 1 July 2019 Marsden Maritime Holdings Limited (MMHL) will adopt IFRS 16, Leases, which means that the financial impact of previously off balance sheet operating leases is bought onto the balance sheet with the recognition of a Right of Use (ROU) asset and a Lease Liability. From an earnings perspective this means lease expenses are replaced with depreciation of the ROU asset, and interest associated with the lease liability.</p> <p>MMHL has not disclosed the impact on its balance sheet in their 30 June 2019 financial statements. MMHL have disclosed that the impact on reported profit during FY20 will not be material.</p> <p>NRC prepares its financial statements using Public Benefit Entity financial reporting standards (PBE standards). There is currently no equivalent standard to IFRS 16 in the PBE standards. This means that in preparing the consolidated financial statements for 2020, NRC will need to ensure the impact of IFRS 16 on MMHL is backed out.</p> <p>We recommend management engage with MMHL early in the new financial year to determine the mechanism for doing this and the records that will be available to support the adjustments. We will also need to audit this adjustment and will likely need access to MMHL to do this.</p>
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# 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. 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
<b>Total audit related and other assurance fees</b>	<b>123,500</b>	<b>206,625</b>
Cyber governance maturity assessment	10,000	-
Online fraud and corruption e-learning	8,000	-
<b>Total fees</b>	<b><u>141,500</u></b>	<b><u>206,625</u></b>



Executive  
summary



Audit scope



Areas of focus



Internal controls



Summary of  
unadjusted  
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