

Agenda Memorandum

Date 27 March 2017



**Memorandum to
Chairperson and Members
Executive, Audit and Risk Committee**

**Subject: Audit Proposal for the 2017, 2018 and
2019 Financial Years and the 2016/2017
Annual Report Audit Engagement Letter**

Approved by: M J Nield, Director – Corporate Services

B G Chamberlain, Chief Executive

Document: 1838099

Purpose

The purpose of this memorandum is to receive and consider the proposal to conduct the audit of the Council and the Taranaki Stadium Trust for the 2017, 2018 and 2019 financial years and the Audit Engagement Letter related to the audit of the Council's *2016/2017 Annual Report*.

Recommendations

That the Taranaki Regional Council:

1. receives, notes and approves the proposal to conduct the audit of the Council and the Taranaki Stadium Trust for the 2017, 2018 and 2019 financial years
2. receives the Audit Engagement Letter in relation to the preparation, audit and adoption of the Council's *2016/2017 Annual Report*
3. notes the content of the Audit Engagement Letter.

Background

The Controller and Auditor-General is responsible for the audit of the Council and its subsidiaries. The Office of the Auditor-General appoints audit service providers to undertake the audits. Deloitte has been appointed as the audit service provider for the Council for the next three years. Their proposal for these audits is attached.

The Council is commencing the process of preparing, auditing and adopting its *2016/2017 Annual Report*. The Council's auditors (Deloitte) are, similarly, preparing for the audit of the *Annual Report*.

Discussion

Deloitte have prepared a proposal for the audit of the Council and the Taranaki Stadium Trust for the next three years. The proposal is mainly around the fee for undertaking the audits. The number of hours remains unchanged from previous audits. The only increase in costs relates to anticipated staff cost increases. The audit arrangements with Deloitte have worked well historically. The process is efficient and effective. Accordingly, it is recommended that the audit proposal be accepted.

Deloitte have prepared an Audit Engagement Letter for the Council. As its name suggests, this letter outlines the basis under which the audit is to be undertaken, each party's responsibilities and the reporting to be undertaken. This is a standard document.

Council management have had the opportunity to review and comment on the Audit Engagement Letter. There are no issues of concern and, accordingly, it is recommended that the document be received.

Decision-making considerations

Part 6 (Planning, decision-making and accountability) of the *Local Government Act 2002* has been considered and documented in the preparation of this agenda item. The recommendations made in this item comply with the decision-making obligations of the *Act*.

Financial considerations—LTP/Annual Plan

This memorandum and the associated recommendations are consistent with the Council's adopted Long-Term Plan and estimates. Any financial information included in this memorandum has been prepared in accordance with generally accepted accounting practice.

Policy considerations

This memorandum and the associated recommendations are consistent with the policy documents and positions adopted by this Council under various legislative frameworks including, but not restricted to, the *Local Government Act 2002*, the *Resource Management Act 1991* and the *Biosecurity Act 1993*.

Legal considerations

This memorandum and the associated recommendations comply with the appropriate statutory requirements imposed upon the Council.

Appendices/Attachments

Document 1838095: Deloitte Audit Engagement Letter

Document 1838096: Deloitte Audit Proposal for 2017, 2018 and 2019



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20 March 2017

The Chairperson
Councillors
Taranaki Regional Council
Private Bag 713
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Dear David

AUDIT ENGAGEMENT LETTER

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

This letter outlines:

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

The objectives of the annual audit are:

- to provide an independent opinion on the Councillors' financial statements and performance information; and
- to report on other matters relevant to the Councillors' financial and other management systems that come to our attention, need improvement or are significant (for example, non-compliance with statutory obligations or a lack of probity).

We will carry out the audit in accordance with the Auditing Standards issued by the Auditor-General, which incorporate the International Standards on Auditing (New Zealand) (the Auditing Standards). They require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the Council's financial statements and performance information are free from material misstatements.

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20 March 2017
Taranaki Regional
Council
Page 2

Your responsibilities

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

- preparing the financial statements and performance information in accordance with legal requirements and financial reporting standards;
- having such internal control as you determine is necessary to enable you to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error; and
- providing us with:
 - access to all information of which the Council is aware that is relevant to preparing the financial statements and performance information such as records, documentation, and other matters;
 - additional information that we may request from the Council for the purpose of the audit;
 - unrestricted access to Councillors and employees that we consider necessary; and
 - written confirmation concerning representations made to us in connection with the audit.

In addition, the Councillors are responsible:

- for the preparation of the summary financial statements and summary performance information in accordance with the applied criteria;
- to make the audited financial statements and summary performance information available to the intended users of that information without undue difficulty; and
- to include our audit report on the summary financial statements and summary performance information in any document that contains that information and that indicates that we have reported on them.

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

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

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

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

The Councillors has certain responsibilities relating to the preparation of the financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Annex 1. We assume that members of the Councillors are familiar with those responsibilities and, where necessary, have obtained advice about them.



20 March 2017
Taranaki Regional
Council
Page 3

Our responsibilities

Carrying out the audit

We are responsible for forming an independent opinion on whether the financial statements and performance information of the Council:

- comply with generally accepted accounting practice; and
- presents fairly, in all material respects its position and performance.

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

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

During the audit, we consider internal control relevant to the Councillors' preparation of the financial statements and performance information, but not for the purpose of expressing an opinion on the effectiveness of the Councillors' internal controls.

Please note that the audit does not relieve the Councillors of its responsibilities. The Auditor-General expects members of the Councillors to be familiar with those responsibilities and, where necessary, to have obtained advice about them.

However, we will communicate to you in writing any significant deficiencies in internal control relevant to the audit of the financial statements and performance information that we have identified during the audit.

During the audit, the audit team will maintain an alertness for issues of:

- effectiveness and efficiency – in particular, how the Councillors and the Council have carried out their activities;
- non-compliance with laws, regulations, and contractual requirements;
- waste – in particular, whether the Councillors obtained and applied the resources of the Council in an economical manner, and whether any resources are being wasted;
- a lack of probity – in particular, whether the Councillors and the Council have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector; and
- a lack of financial prudence.

Our independence

It is essential that the audit team and Deloitte Limited remain both economically and attitudinally independent of Taranaki Regional Council (the Council) (including management and the Councillors). 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.

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



20 March 2017
Taranaki Regional
Council
Page 4

Reporting

We will issue an audit report that will be attached to the financial statements and performance information. This report contains an opinion that provides readers with reasonable assurance on whether the financial statements and performance information have been prepared in accordance with legal requirements, are free from material misstatements, and comply with financial reporting standards. It may also contain comment on matters such as compliance with statutory obligations, and other matters that we consider may be of interest to the readers of the audit report. In addition, we will issue an audit report that will be attached to the summary financial statements and summary performance information. This audit report will contain an opinion that provides the same level of assurance as the audit report on the financial statements and performance information.

We will also issue a management letter that will be sent to the Councillors. This letter communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the Councillors (for example, internal control weaknesses, probity matters, or compliance with statutory obligations).

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

Next steps

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

Annex 2 contains some additional "other" responsibilities for the audit.

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

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

Yours sincerely

Date: 20 March 2017

Melissa Youngson
Partner
For Deloitte Limited
On behalf of the Auditor-General

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

Signature:

Name:

Title: Date:



20 March 2017
Taranaki Regional
Council
Page 5

Annex 1 – Respective specific responsibilities of the Councillors and the Appointed Auditor

Responsibilities for the financial statements and performance information	
<i>Responsibilities of the Councillors</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You are required by legislation to prepare financial statements and, where appropriate, other accountability statements that comply with generally accepted accounting practice in New Zealand and that present fairly, in all material respects the activities of the public entity during the year, and its financial position at the end of the year.</p> <p>You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.</p> <p>You are required by legislation to prepare the financial statements and performance information and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines.</p>	<p>We are responsible for carrying out an annual audit, on behalf of the Auditor-General, and to form an opinion on whether the public entity's financial statements and performance information have been prepared in accordance with legal requirements, comply with generally accepted accounting practice in New Zealand and presents fairly, in all material respects the position and performance of the public entity.</p> <p>We will also read other accompanying information to the financial statements and performance information to identify whether there are material inconsistencies with the audited financial statements and performance information.</p> <p>Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence a reader's overall understanding of the financial statements and performance information.</p> <p>If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion.</p> <p>An audit also involves evaluating:</p> <ul style="list-style-type: none"> - the appropriateness of accounting policies used and whether they have been consistently applied; - the reasonableness of the significant accounting estimates and judgements made by those charged with governance; - the adequacy of the disclosures in the financial statements and performance information; and - the overall presentation of the financial statements and performance information.



20 March 2017
Taranaki Regional
Council
Page 6

Responsibilities for the financial statements and performance information	
<i>Responsibilities of the Councillors</i>	<i>Responsibilities of the Appointed Auditor</i>
	<p>We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> - the adoption of the going concern assumption is appropriate; - all material transactions have been recorded and are reflected in the financial statements and performance information; - all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to us; and - uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information. <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p>

Responsibilities for the accounting records	
<i>Responsibilities of the Councillors</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> - correctly record and explain the transactions of the public entity; - enable you to monitor the resources, activities, and entities under its control; - enable the public entity's financial position to be determined with reasonable accuracy at any time; - enable you to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and - are in keeping with the requirements of the Commissioner of Inland Revenue. 	<p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p>

Responsibilities for accounting and internal control systems	
<i>Responsibilities of the Councillors</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the public entity), supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of financial and, where applicable, and performance information.</p>	<p>The annual audit is not designed to identify all significant weaknesses in your accounting and internal control systems. We will review the accounting and internal control systems only to the extent required to express an opinion on the financial statements and performance information.</p> <p>We will report to you separately, any significant weaknesses in the accounting and internal control systems that come to our notice and that we consider may be relevant to you. Any such report will provide constructive recommendations to assist you to address those weaknesses.</p>



20 March 2017
 Taranaki Regional
 Council
 Page 7

Responsibilities for preventing and detecting fraud and error	
<i>Responsibilities of the Councillors</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>The responsibility for the prevention and detection of fraud and error rests with you through the implementation and continued operation of adequate internal control systems (appropriate to the size of the public entity) supported by written policies and procedures.</p> <p>We expect you to formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with. Fraud also includes bribery and corruption.</p> <p>We expect you to consider reporting all instances of actual, suspected or alleged fraud to the appropriate law enforcement agency, which will decide whether proceedings for a criminal offence should be instituted. We expect you to immediately inform us of any suspected fraud where you, and/or any individuals within the Council with delegated authority have a reasonable basis that suspected fraud has occurred, regardless of the amount involved.</p>	<p>We design our audit to obtain reasonable, but not absolute, assurance of detecting fraud or error that would have a material effect on the financial statements and performance information. We will review the accounting and internal control systems only to the extent required for them to express an opinion on the financial statements and performance information, but we will:</p> <ul style="list-style-type: none"> - assess the effectiveness of internal control systems and procedures for preventing and detecting fraud and error; and - report to you the significant weaknesses in internal control systems and procedures for monitoring the prevention and detection of fraud and error that come to our notice and that we consider could be relevant to you. <p>We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected or alleged fraud.</p> <p>As part of the audit, you will be asked for written confirmation that you have disclosed all known instances of actual, suspected or alleged fraud to us.</p> <p>If we become aware of the possible existence of fraud, whether through applying audit procedures, advice from you, or management, or by any other means, we will communicate this to you with the expectation that you will consider whether it is appropriate to report the fraud to the appropriate law enforcement agency. In the event that you do not report the fraud to the appropriate law enforcement agency, the Auditor-General will consider doing so, if it is appropriate for the purposes of protecting the interests of the public.</p>



20 March 2017
Taranaki Regional
Council
Page 8

Responsibilities for compliance with laws and regulations	
<i>Responsibilities of the Councillors</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You are responsible for ensuring that the public entity has systems, policies, and procedures (appropriate to the size of the public entity) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of the public entity are complied with. Such systems, policies, and procedures should be documented.</p>	<p>We will assess whether you have systems, policies, and procedures to ensure compliance with those legislative, regulatory, and contractual requirements that are relevant to the audit. We will either perform specific audit tests to assess whether you have complied with statutory requirements that are relevant to the audit or will maintain an awareness for possible non-compliance that may be relevant to the audit.</p> <p>The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance.</p> <p>We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws, regulations, and contractual requirements that we consider may be relevant.</p>

Responsibilities to establish and maintain appropriate standards of conduct and personal integrity	
<i>Responsibilities of the Councillors</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You should at all times take all practicable steps to ensure that your members and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a "Code of Conduct" and, where applicable, support the "Code of Conduct" with policies and procedures.</p> <p>The expected standards of conduct and personal integrity should be determined by reference to accepted "Codes of Conduct" that apply to the public sector.</p>	<p>We will have regard to whether you maintain high standards of conduct and personal integrity. Specifically, we will be alert for significant instances where members and employees of the public entity may not have acted in accordance with the standards of conduct and personal integrity expected of them.</p> <p>The way in which we will report instances that come to our attention will depend on significance. We will report to you and to the Auditor-General all significant departures from expected standards of conduct and personal integrity.</p> <p>The Auditor-General, on receiving a report from us, may, at their discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.</p>



20 March 2017
Taranaki Regional
Council
Page 9

Responsibilities for conflicts of interest and related parties	
<i>Responsibilities of the Councillors</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You should have policies and procedures to ensure that your members and employees carry out their duties free from bias.</p> <p>You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.</p>	<p>To help determine whether your members and employees have carried out their duties free from bias, we will review information provided by you that identifies related parties, and will be alert for other material related-party transactions. We will check that you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.</p>

Responsibilities for publishing the audited financial statements on a website	
<i>Responsibilities of the Councillors</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You are responsible for the electronic presentation of the financial statements and performance information on the public entity's website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented.</p> <p>If you intend to publish or reproduce the financial statements and performance information, together with the audit report, on a website, you must, before publication, provide us with a draft version of the documents to read and must obtain our approval to include the audit report with the information you intend publishing on the website.</p> <p>If the audit report is reproduced in any medium, you should present the complete financial statements, including notes and accounting policies as well as any other accountability statements.</p> <p>If you intend to post any new material not previously read by us, you must advise us before posting the new material.</p>	<p>We will perform procedures to satisfy ourselves that the information you intend including on your website is consistent with the audited financial statements and performance information, and that the audit report will not be inappropriately associated with any information that has not been audited.</p> <p>Examining the controls over the electronic presentation of audited financial statements and performance information, and the associated audit report, on your website is beyond the scope of the annual audit.</p> <p>We will review the material on initial posting, and on notification from you that new material has been posted on the website. We do not carry out ongoing monitoring of the material on your website.</p>



20 March 2017
Taranaki Regional
Council
Page 10

Annex 2 – Other responsibilities

To meet the reporting deadlines, we are dependent on receiving the public entity's financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements, comply with generally accepted accounting practice and present fairly, in all material respects the activities and position of the public entity, and are supported by proper accounting records and complete evidential documentation.

We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non-receipt or condition of the financial statements and performance information, or for some other reason beyond our control, as soon as possible after that.

The work papers that we produce in carrying out the audit are the property of the Auditor-General. Workpapers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.

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



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20 March 2017

Ref.: EN/LCA/02-0009

David MacLeod
Chairman - Council
Taranaki Regional Council
Private Bag 713
STRATFORD

Copy: Director Auditor Appointments
Office of the Auditor-General
PO Box 3928
Wellington

Dear David

Proposal to conduct the audit of Taranaki Regional Council and subsidiaries on behalf of the Auditor-General for the 2017, 2018 and 2019 financial years

1 Introduction

The Auditor-General proposes to appoint me to carry out the audit of your organisation for the next three years. As required by the Office of the Auditor-General (OAG), I set out below information relating to the audit for the three financial years ending 30 June 2017, 2018 and 2019. The purpose of this proposal is to provide information on:

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

2 Statutory basis for the audit and how audit fees are set

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

Fees for audits of public entities are set by the Auditor-General under section 42 of the Public Audit Act 2001. However, your Council and I have the opportunity to reach

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20 March 2017
Taranaki Regional
Council
Page 2

agreement first and recommend those fees for approval. The Auditor-General, with assistance from the OAG, will set audit fees directly only if we fail to reach agreement.

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

3 Entities covered by this proposal

This proposal covers the audits of the following entities:

- Taranaki Regional Council
- Taranaki Stadium Trust

Port Taranaki Limited is under a separate audit proposal.

4 Key members of the audit team

Appointed Auditor	Melissa Youngson
Quality Control Reviewer	Mike Hawken
Audit Manager	Alecia Wright

5 Estimated audit hours

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

Taranaki Regional Council

Audit team member	2016 budget	2016 actual	2017	2018	2019
Appointed Auditor	44	45	44	44	44
Review Partner	7	7	7	7	7
Audit Manager	101	98	101	101	101
Other CA qualified staff	168	180	168	168	168
Non CA qualified staff	248	217	248	248	248
Total audit hours	568	547	568	568	568

Please note: Actual hours for 2016 were lower than budgeted due to a change in staffing mix with more senior/experienced staff performing the audit than budgeted. As a result the work was completed more efficiently and in less hours. The actual rates for these staff are higher than that of the average rate included in this proposal. We propose the staff mix for 2017-19 to be more consistent with previous budgets.



Taranaki Stadium Trust

Audit team member	2016 budget	2016 actual	2017	2018	2019
Appointed Auditor	3	3	3	3	3
Review Partner	1.5	1	1.5	1.5	1.5
Audit Manager	5	4	5	5	5
Audit staff	24	22	24	24	24
Total audit hours	33.5	30	33.5	33.5	33.5

5.1 Reasons for changes in audit hours

We propose no changes in audit hours from that previously budgeted.

6 Proposed audit fees

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

Taranaki Regional Council

Structure of audit fees	2016 budget	2016 actual	2017	2018	2019
	\$	\$	\$	\$	\$
Net audit fee (excluding OAG overhead and disbursements)	97,280	97,280	100,198	103,204	106,300
OAG overhead charge	8,300	8,300	8,400	8,560	8,730
Total audit fee (excluding disbursements)	105,580	105,580	108,598	11,764	115,030
Estimated Disbursements	9,000	9,000	9,000	9,000	9,000
Total billable audit fees and charges	114,580	114,580	117,598	120,764	124,030
GST	17,187	17,187	17,640	18,115	18,605
Total (including GST)	131,767	131,767	35,238	138,879	142,635

**Taranaki Stadium Trust**

Structure of audit fees	2016 budget	2016 actual	2017	2018	2019
	\$	\$	\$	\$	\$
Net audit fee (excluding OAG overhead and disbursements)	5,098	5,098	5,251	5,409	5,571
OAG overhead charge	268	268	268	268	268
Total audit fee (excluding disbursements)	5,366	5,366	5,519	5,677	5,839
Estimated Disbursements	-	-	-	-	-
Total billable audit fees and charges	5,366	5,366	5,519	5,677	5,839
GST	805	805	828	852	876
Total (including GST)	6,171	6,171	6,347	6,529	6,715

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

6.1 Reasons for changes in audit fees

The main changes in cost components for future audits are:

Taranaki Regional Council

Reasons for increased or decreased audit fees compared to previous period <u>budgeted</u> fees.	2017	2018	2019
Predicted salary and wage cost increase	2,918	3,006	3,096
Total increase (decrease) in audit fees	2,918	3,006	3,096

Taranaki Stadium Trust

Reasons for increased or decreased audit fees compared to previous period <u>budgeted</u> fees.	2017	2018	2019
Predicted salary and wage cost increase	153	158	162
Total increase (decrease) in audit fees	153	158	162

7 Assumptions relating to our audit fee

Our proposed audit fees are based on the following assumptions that:

- You will provide to us in a timely manner the complete information required by us to conduct the audit.
- Your staff will provide us with an appropriate level of assistance.



20 March 2017
Taranaki Regional
Council
Page 5

- Your organisation's annual report and financial statements (including Statements of Service Performance) will be subject to appropriate levels of quality review before being submitted to us for audit.
- Your organisation's financial statements will include all relevant disclosures.
- We will review up to two sets of draft annual reports, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report (for publication on your website).
- There are no significant changes to the structure and/or scale of operations of the entities covered by this proposal (other than as already advised to us).
- There are no significant changes to mandatory accounting standards or the financial reporting framework that require additional work.
- There are no significant changes to mandatory auditing standards that require additional work other than items specifically identified in the tables above.
- There are no significant changes to the agreed audit arrangements (set out in an annual letter we will send you) that change the scope of, or disbursements related to, this audit.

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

8 What the OAG overhead charge provides

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

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

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

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

9 Certifications required by the Auditor-General

We certify that:

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



20 March 2017
Taranaki Regional
Council
Page 6

10 Conclusion

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

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

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

Yours sincerely

Melissa Youngson
Partner
For Deloitte Limited
On behalf of the Auditor-General

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

Full name: _____ Position: _____

Authorised signature: _____ Date: _____

Entity name: _____

Actions to take when agreement has been reached:

- 1 Make a copy of this signed proposal and keep it for your file.
- 2 Send the original to: Melissa Youngson
PO Box 17
HAMILTON 3240