

Chairperson and Subcommittee Members
AUDIT AND RISK SUBCOMMITTEE

6 AUGUST 2015

Meeting Status: **Public**

Purpose of Report: For Noting

**DRAFT FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2015**

PURPOSE OF REPORT

1. The purpose of this report is to seek the agreement of the Audit and Risk Subcommittee on the proposed format and disclosures for the Council's 2014/15 financial statements.

DELEGATION

2. The Audit & Risk Subcommittee has delegated authority to consider this report under the following delegation in the Governance Structure, Section C.3.7
External Reporting
7.5 *Consider the appropriateness of the Council's existing accounting policies and principles and any proposed changes.*

BACKGROUND

3. Section 98 of the Local Government Act (LGA) 2002 requires the Council to prepare and adopt an Annual Report containing specified disclosures within four months of the end of the financial year. Section 111 of the LGA 2002 requires Council to comply with the generally accepted accounting practice (GAAP) in preparing the Annual Report.
4. The 2014/15 Annual Report will be presented to Council for adoption on 15 October 2015. A number of changes have been made to the format and disclosure of the financial statements, which comprise a substantial portion of the 2014/15 Annual Report.
5. In order to achieve the timeframe for adopting the Annual Report, a draft template for the proposed format and disclosures of the financial statements has been prepared for the Subcommittee's review. The draft template is attached as Appendix 1 to this report.
6. The following points should be noted with regard to the draft template:
 - it is currently being reviewed by Ernst and Young as part of their financial statement audit for the year ending 30 June 2015 and their comments and recommendations will be incorporated into the final set of financial statements that will be presented to the Subcommittee at its next meeting on 29 September 2015;
 - it reflects all of the key changes required by the transition to Public Benefit Entity Accounting Standards that were reported to the Subcommittee at its meeting on 5 May 2015;
 - it reflects the draft financial results only, for the year ended 30 June 2015 and changes may still be required to the results following further review by Finance and, as noted above, the completion of the audit by Ernst & Young.

ISSUES AND OPTIONS

Draft financial position

7. The Council finished the 2014/15 financial year with an operating deficit of \$1.50 million, which is \$1.33 million favourable to the Annual Plan budget. The current draft financial statements reflect the position with Ernst and Young having nearly completed their substantive audit of the 11 month period ended 31 May 2015.

Proposed format and disclosures

8. Wherever possible the financial statements have been prepared using plain English. However given the complexity of Council operations and the requirements of the accounting standards, some of the content is inevitably of a technical nature. Accordingly a draft 2015 Financial Overview, accompanying this report to ensure transparency of the financial statements is attached as Appendix 2. The final 2015 Financial Overview will be presented to the Subcommittee at its meeting of 29 September 2015.
9. Model Financial Statements, released by Audit New Zealand at the start of July may provide additional disclosure options for the Council. While the Model Financial Statements acknowledge the change in accounting standards applied, the key financial statements do not separately disclose exchange/non-exchange transactions. Council Officers are working with Ernst & Young to determine the best approach.
10. The Annual Report Disclosure Statement for the year ending 30 June 2015 presents Council's financial performance in relation to various benchmarks to enable assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings. The draft 2015 Disclosure Statement is attached as Appendix 3 to this report, and the final 2015 Disclosure Statement will be presented to the Subcommittee at its meeting on 29 September 2015.

CONSIDERATIONS

Policy considerations

11. There are no policy considerations.

Legal considerations

12. There are no legal considerations.

Financial considerations

13. There are no financial considerations.

Tāngata whenua considerations

14. There are no tāngata whenua considerations.

SIGNIFICANCE AND ENGAGEMENT

Degree of significance

15. This matter has a low level of significance under Council policy.

Consultation already undertaken

16. Due to the nature of the decision being made, no consultation process is required to be undertaken. As noted, the Council's auditors have provided advice on the reporting requirements.

Publicity

17. There are no publicity issues to be considered at this stage.

RECOMMENDATIONS

That the Audit and Risk Subcommittee:

18. Note the proposed format and disclosures for the draft 2014/15 financial statements.
19. Note that the draft 2014/15 financial statements template is currently being reviewed by Ernst & Young and that their comments and recommendations will be reflected in the final financial statements to be presented to the Audit and Risk Subcommittee at its meeting on 29 September 2015.
20. Note that the draft 2014/15 financial statements may be subject to change following further review by Finance and the completion of the audit by Ernst & Young.
21. Note that the draft 2015 Financial Overview will be reviewed by Ernst & Young and that their comments and recommendations will be reflected in the final 2015 Financial Overview to be presented to the Subcommittee at its meeting on 29 September 2015.
22. Note that the draft 2015 Disclosure Statement will be reviewed by Ernst & Young and that their comments and recommendations will be reflected in the final 2015 Disclosure Statement to be presented to the Audit and Risk Subcommittee at its meeting on 29 September 2015.

Report prepared by

Approved for submission

Approved for submission

**Mark de Haast
Financial Controller**

**Wayne Maxwell
Group Manager Corporate
Services**

**Stephen McArthur
Group Manager Strategy
and Planning**

Appendix 1 – Draft Financial Statements for the year ended 30 June 2015

Appendix 2 – Draft Financial Overview for the year ended 30 June 2015

Appendix 3 – Draft Disclosure Statement for the year ended 30 June 2015