

Mayor and Councillors
COUNCIL

7 DECEMBER 2017

Meeting Status: **Public**

Purpose of Report: For Decision

REPORTS AND RECOMMENDATIONS FROM STANDING COMMITTEES AND COMMUNITY BOARDS

PURPOSE OF REPORT

- 1 This report presents reports and recommendations considered by Standing Committees and Community Boards from 6 November 2017 – 1 December 2017.

BACKGROUND

- 2 Meetings took place on the following dates:

Audit and Risk Committee	30 November 2017
Grants Allocation Committee (Waste Levy)	16 November 2017
Operations & Finance Committee	16 November 2017
Ōtaki Community Board	7 November 2017
Strategy & Policy Committee	23 November 2017
Waikanae Community Board	28 November 2017

- 3 In addition, the following meetings took place:

Kāpiti Coast Youth Council	6 November 2017
Kāpiti Coast Older Persons' Council	29 November 2017

Audit and Risk Committee

- 4 The Committee met on 30 November to discuss the following:
 - Health and Safety Review
 - Fraud Control Framework
 - Council's Insurance Programme for 2017-18
 - Regular Progress Update on Key 2014-15 Audit Findings
 - Audit Engagement Letter – 2018-2038 Long Term Plan
- 5 There was a verbal update on Ōtaki Gorge Road, Waterfall Road, Paekākāriki Hill Road and a presentation from PricewaterhouseCoopers on fraud awareness.
- 6 There was one recommendation for **adoption** (copy of the Audit Engagement Letter attached as Appendix 2):

That Council adopts the Audit Engagement Letter.

7 The following item was considered in Public Excluded session:

- Update on Statutory Compliance Issues, Investigations and the Status of Council Bylaws for 1 July 2017 to 1 September 2017

Grants Allocation Committee (Waste Levy)

8 The Committee met on 16 November to discuss the following:

- Recommendations on Waste Levy Grant Applications

Operations & Finance Committee

9 The Committee met on 16 November to discuss the following:

- Activity Report : 1 July to 30 September 2017
- Financial Report to 30 September 2017
- Emergency Awareness and Preparedness Education and Communications
- IANZ Accreditation 2017
- Waterfall Road Slip
- Contracts Under Delegated Authority

Ōtaki Community Board

10 The Community Board met on 7 November 2017 to discuss the following:

- Consideration of Applications for Funding

11 There was an update on the County Road safety and future proposal and on the Peka Peka to Ōtaki Expressway.

Strategy and Policy Committee

12 The Committee met on 23 November to discuss the following:

- Local Easter Sunday Shop Trading Policy

13 There was one recommendation for **adoption** (see Appendix 1 for relevant background information – SP-17-347):

That Council adopt the Local Easter Sunday Shop Trading Policy.

Waikanae Community Board

14 The Community Board met on 28 November 2017 to discuss the following:

- Consideration of Applications for Funding
- Draft Calendar of Waikanae Community Board Meetings 2018

15 There were presentations from Transpower on the proposal to remove trees at Waikanae Park and on the Waikanae Beach character assessment.

Kāpiti Coast Youth Council

16 The Youth Council met on 6 November 2017 to discuss the following:

- Councillor update
- Zeal update
- Zeal consultation report revisit
- Zeal storyboard
- Youth2U Dollars revamp
- Town Centre projects / place making
- Photo competition and other social media ideas
- Youth Council video
- Youth Council recruitment / Camp 2018
- Association of Youth Council Organisations of New Zealand
- Youth Council regional connections
- Youth Council Christmas Party
- Who's around in the summer

Kāpiti Coast Older Persons' Council

17 The Kāpiti Coast Older Persons' Council met on 29 November 2017 to consider the following:

- Chair's report
- Kāpiti Age Friendly follow up and update
- CWB update
- Home & Garden Show – Muriwai Court
- Proposal regarding rates rebate

18 There was an update on town centres from Michelle Parnell, and a presentation from Peter Hookham from the Rightway Driving Academy.

RECOMMENDATION

19 That Council receives Report Corp-17-374 (Reports and Recommendations from Standing Committees and Community Boards).

Report prepared by

Approved for submission

Approved for submission

Annette McLaughlin
Democracy Services
Advisor

Sarah Stevenson
Group Manager
Strategy and Planning

Wayne Maxwell
Group Manager
Corporate Services

ATTACHMENTS

Appendix 1 SP-17-347 – Local Easter Sunday Shop Trading Policy
Appendix 2 Audit Engagement Letter

Chairperson and Committee Members
STRATEGY AND POLICY COMMITTEE

23 NOVEMBER 2017

Meeting Status: **Public**

Purpose of Report: For Decision

LOCAL EASTER SUNDAY SHOP TRADING POLICY

PURPOSE OF REPORT

- 1 This report provides an overview of the feedback received on the Draft Local Easter Sunday Shop Trading Policy to inform the decision about whether to adopt the policy to enable Easter Sunday shop trading. The draft policy is provided as Appendix One.

DELEGATION

- 2 The Committee has the delegation to consider this matter under Section B.1 of the Governance Structure and Delegations: *'This Committee will deal with all strategy and policy decision-making that is not the responsibility of the Council. Key responsibilities will include:*
 - *Development and/or review of strategies, plans, policies and bylaws'.*

BACKGROUND

- 3 An amendment to the Shop Trading Hours Act 1990 enables councils to adopt a local policy to allow more shops to trade on Easter Sunday in their area.
- 4 There is no legal requirement to have a Local Easter Sunday Shop Trading Policy. Councils across the country are making individual decisions on this matter. If adopted, the policy can only enable trading and the Act does not allow a policy to:
 - permit shops to open only for some purposes; or
 - permit only some types of shops to open; or
 - specify times at which shops may or may not open; or
 - include any other conditions as the circumstances in which shops in the area may open.
- 5 The Ministry of Business, Innovation and Employment (MBIE) has responsibility for implementation of the Act. If a policy is adopted by the Council, Easter Sunday shop trading could come into effect for Easter 2018. If a policy is not adopted, only the few shops currently permitted by law to open would be open.
- 6 After receiving requests from the business community, the Council agreed to consult on a local policy for Easter Sunday trading. A full suite of engagement tools was used to promote the opportunity for the community to be an integral part of a decision about whether trading on Easter Sunday should be approved. The public was encouraged to submit through media advisories, Facebook posts, Council e-newsletters, and by public notice and radio.

- 7 Submissions on the proposed policy opened on 4 September 2017 and closed on 8 October 2017. The opportunity to submit on the proposal was well publicised and there was good public participation. Two hundred and thirty nine submissions were received. One of the submissions included a petition with three hundred and twenty six signatures.
- 8 Twelve submitters were heard by Council on 9 November 2017. The submitters spoke on behalf of businesses, churches, First Union and as individuals. The hearing provided an opportunity for further information and context to be offered and for Elected Members to ask questions for clarification.
- 9 Further background is provided in: SP-17-288 Proposed Local Easter Sunday Shop Trading Policy, and SP-17-348 Proposed Local Easter Sunday Shop Trading Policy Hearing, which includes copies of the submissions.

ISSUES AND OPTIONS

Submission Analysis

- 10 An analysis of the submissions received is as follows:

Submissions supporting the proposed policy

- 11 Seventy five submissions supported the adoption of a policy (thirty one per cent of the total submissions). Eight of these submissions were on behalf of organisations and are listed below:
 - Coastlands Shoppingtown;
 - Foodstuffs North Island;
 - Hospitality New Zealand;
 - Kapiti Chamber of Commerce;
 - Michael Hill;
 - Mitre 10 MEGA Kapiti;
 - Simply New Zealand Ltd, and
 - Retail NZ.
- 12 The main themes in the submissions supporting a policy were:
 - support for individual and business freedom of choice;
 - that the current situation is outdated and not appropriate in a secular, diverse society; and
 - that the policy would support tourism and Kāpiti as a visitor destination.
- 13 The table overleaf provides the themes identified in order of the frequency they appear in submissions. Note that most submissions covered more than one theme.

Reasons for Supporting a Policy	Number
Individual & business freedom of choice	36
Law outdated, not appropriate in a secular, diverse society/Long overdue/Should celebrate all religions or none	19
Would support tourism and visitor destination	17
Religion shouldn't decide when we trade/Don't foist your beliefs on others	15
People shop/I want to shop on Easter Sunday	9
Good for economy	9
Employees' right to not work is protected/Legislation provides safeguards/Employees should be protected/People want to work	9
The law is anomalous, confusing, unfair	7
Should have been Central Government decision/should standardise across the country	6
Retailers wish to open already	4
Would send the message that Kāpiti is open for business/would support hospitality businesses	5
Kāpiti has a shopping tradition	4
Would avoid the before and after Easter Sunday madness	3
It is a global market/Internet shopping is already available	2
Convenience for shoppers, including those who don't have time during the week	2
There have been no adverse effects for areas that already have a policy	1
Council should decide rather than have anarchy	1
Should allow Easter Sunday trading later in the day so that people can go to church	1

Submissions opposing the proposed policy

14 One hundred and sixty four submissions opposed the proposed policy (sixty nine per cent of the total submissions). Of those submissions, five were on behalf of a single organisation or on behalf of a collective of organisations. These are listed below:

- The Hub Community Church;
- A collective of twelve churches: Kapiti Anglican Parish; Rangiatea Church; Waikanae Baptist Church; Coast Community Church; Waikanae Café Church; Centre Church; 222 Foundation (Christian Missions Organisation); Kapiti Impact Church; Paraparaumu Baptist Church; Raumati Beach Church, Waikanae Anglican; and Connect Church
- Gus Evans Nurseries,
- First Union, which included a petition with three hundred and twenty six signatures; and
- Ōtaki-Waikanae Presbyterian Church

- 15 The strongest three themes found in the submissions opposing the adoption of a policy are:
- that having shops closed on Easter Sunday provides time for family, whānau and friends to spend together;
 - Easter Sunday is an important day on the Christian calendar for religious observance; and
 - that submitters are concerned about the wellbeing of retail staff.
- 16 The table below provides the themes identified in the order of frequency they appear in submissions. Note that most submissions covered more than one theme.

Reasons for Opposing a Policy	Number
Easter Sunday provides time for family/whānau and friends to spend together	84
Religious reasons	58
Concern for retail staff: their wellbeing; ability to say no; the power relationship/Protection for staff is inadequate	54
Shared day off, to relax, rest, and enjoy	49
Shops are open enough	44
It shouldn't be about money/Consumerism, it's about people/What makes Kapiti special is not shopping/Focus should be on Easter/Focus should be non-commercial activities/Too much focus on money	22
Society needs to slow down too/Health of society/Opportunity for Council to encourage community events/Opportunity for Council and public policy to encourage welfare of community	17
Tradition/old values	14
Concern for impact on employers, shop owners	11
Opens door to lose other days/ We should protect days off that we have	9
This is predominantly a Christian country/district	7
No economic gain from having a policy/People only have so much to spend	5
Don't want shops to open	5
Kāpiti does not have enough 'tourist' traffic to make Kāpiti a special case/Tourists come to enjoy nature not shops	4
Workers should be free to attend church with their families	4
Current rules work well/Enough shops are already open	5
Should have more days off to celebrate other traditions, cultures	1
Special events are planned for Easter, if a policy is adopted it should be delayed by at least five years	1

Options

17 The choice for Council is limited by legislation to the decision to either adopt the policy or not. The proposed policy has not been altered as a result of the consultation due to these limitations.

18 There has been strong feedback about this issue and the arguments for and against the adoption of the policy have been provided in the submission analysis above. A recommendation for each option is provided for consideration.

19 If a decision is made not to adopt a policy at this time, direction can be provided on the process to respond to any future requests. Any future requests to develop a Local Easter Sunday Shop Trading Policy could be considered as part of the Long Term Plan process.

Policy considerations

20 The opportunity to have the community debate on the adoption of a policy has supported the following Council Outcome:

- Democracy through community participation – create easy opportunities throughout the council decision making process for the community to contribute.

21 The adoption of a Local Easter Sunday Shop Trading Policy could support the following Council Outcome:

- Thriving economy – support the unique character of the various geographic communities and communities of interest while encouraging greater district integration

22 A policy would also support the implementation of the Economic Development Strategies and compliment the Council's focus on being open for business.

23 Not adopting a policy could support the following Council Outcome:

Resilient community – maintain and improve community connections – physical, cultural, environmental and social.

Legal considerations

24 Legal advice was sought to ensure that the policy is fit for purpose.

Financial considerations

25 There are no financial implications from the adoption of a Local Easter Sunday Shop Trading Policy. The costs of preparing this policy were met from existing budgets and any enforcement is the responsibility of MBIE.

Tāngata whenua considerations

26 No tāngata whenua considerations for the development of this policy have been identified.

SIGNIFICANCE AND ENGAGEMENT

Significance policy

- 27 This matter has a low degree of significance under the Council's Significance and Engagement Policy. As noted in this report, parts of the community feel very strongly about this matter.

Consultation already undertaken

- 28 Church networks and the Chamber of Commerce were provided with early information about the policy development and consultation process. Consultation on this policy took place according to the statutory consultation procedure defined by the Local Government Act 2002.
- 29 A full Engagement and Communications Plan was developed and implemented to ensure that the public, and particularly business and church communities, had the opportunity to submit on the policy. The public were encouraged to submit through media advisories, Facebook posts, Council e-newsletters, and by public notice and radio.

Publicity

- 30 Submitters will be notified directly if they provided their contact details. The public will be notified of the outcome using the Council's suite of engagement tools.

RECOMMENDATIONS

- 31 The following two resolutions are provided as options for recommendation to Council:
- 32 That the Strategy and Policy Committee recommends that Council adopt the Local Easter Sunday Shop Trading Policy attached as Appendix One to SP-17-347.
- Or
- 33 That the Strategy and Policy Committee does not recommend the adoption of the Proposed Local Easter Sunday Shop Trading Policy, and directs that any future requests for a policy will next be considered as part of the 2021 Long Term Plan deliberations.

Report prepared by	Approved for submission	Approved for submission
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Sam Hutcheson

Alison Law

Sarah Stevenson

**Principal Policy
Advisor**

**Acting Group Manager,
Community Services**

**Group Manager,
Strategy and Planning**

Appendix One: Proposed Local Easter Sunday Shop Trading Policy

Appendix One

PROPOSED LOCAL EASTER SHOP TRADING POLICY 2017

31 AUGUST 2017

COPY

CONTENTS

1. Introduction
 2. Policy Objectives and Scope
 3. Strategic Alignment
 4. Definitions
 5. Policy
 6. Review
 7. References
- Schedule 1 Kāpiti Coast District Map

REVISION HISTORY <i>Revision</i>	<i>Policy Sponsor</i>	<i>Approval date and date of next scheduled review</i>	<i>Decision</i>
	Group Manager, Strategy & Planning		Council

1. INTRODUCTION

The purpose of this policy is to enable shops to trade on Easter Sunday if they wish. This policy is made under Part 2 (subpart 1) of the Shop Trading Hours Act 1990 (the Act). Easter Sunday is a significant day in the religious calendar for many New Zealanders. Some businesses will choose not to open and some workers will choose not to work on this day.

2. POLICY OBJECTIVES AND SCOPE

The objective of this policy is to enable Easter Sunday Trading and support a vibrant, diverse and thriving Kāpiti.

This policy applies to the whole of the Kāpiti Coast District (see Schedule 1 Map) and does not apply to the sale and supply of alcohol, which is regulated under the Sale and Supply of Alcohol Act 2012.

3. STRATEGIC ALIGNMENT

This policy supports the vision for the Kapiti Coast as vibrant, diverse and thriving and contributes to the following Council Outcomes:

- Thriving economy – support the unique character of the various geographic communities and communities of interest while encouraging greater district integration
- Democracy through community participation – create easy opportunities throughout the council decision making process for the community to contribute.

4. DEFINITIONS

For the purposes of this policy, the meaning of a shop is the same as defined in section 2 of the Act:

‘a building, place, or part of a building or place, where goods are kept, sold, or offered for sale, by retail; and includes an auction mart, and a barrow, stall, or other subdivision of a market; but does not include:

- (a) a private home where the owner or occupier’s effects are being sold (by auction or otherwise); or
- (b) a building or place where the only business carried on is that of selling by auction agricultural products, pastoral products, and livestock, or any of them; or
- (c) a building or place where the only business carried on is that of selling goods to people who are dealers, and buy the goods to sell them again’

5. POLICY

The Policy of the Kapiti Coast District Council is as follows:

Shop trading is permitted on Easter Sundays throughout the whole of the Kapiti Coast District as defined by the map in Schedule 1

Individual retailers will choose whether to open on Easter Sunday. This policy does not require shops to open on Easter Sunday, nor does it require individuals to shop on Easter Sunday or require employees to work on Easter Sunday. The workers choice provision in Part 2 (subpart 2) of the Shop Trading Hours Act 1990 that outlines a shop employee's right to refuse to work on Easter Sunday supports this right.

6. *MONITORING*

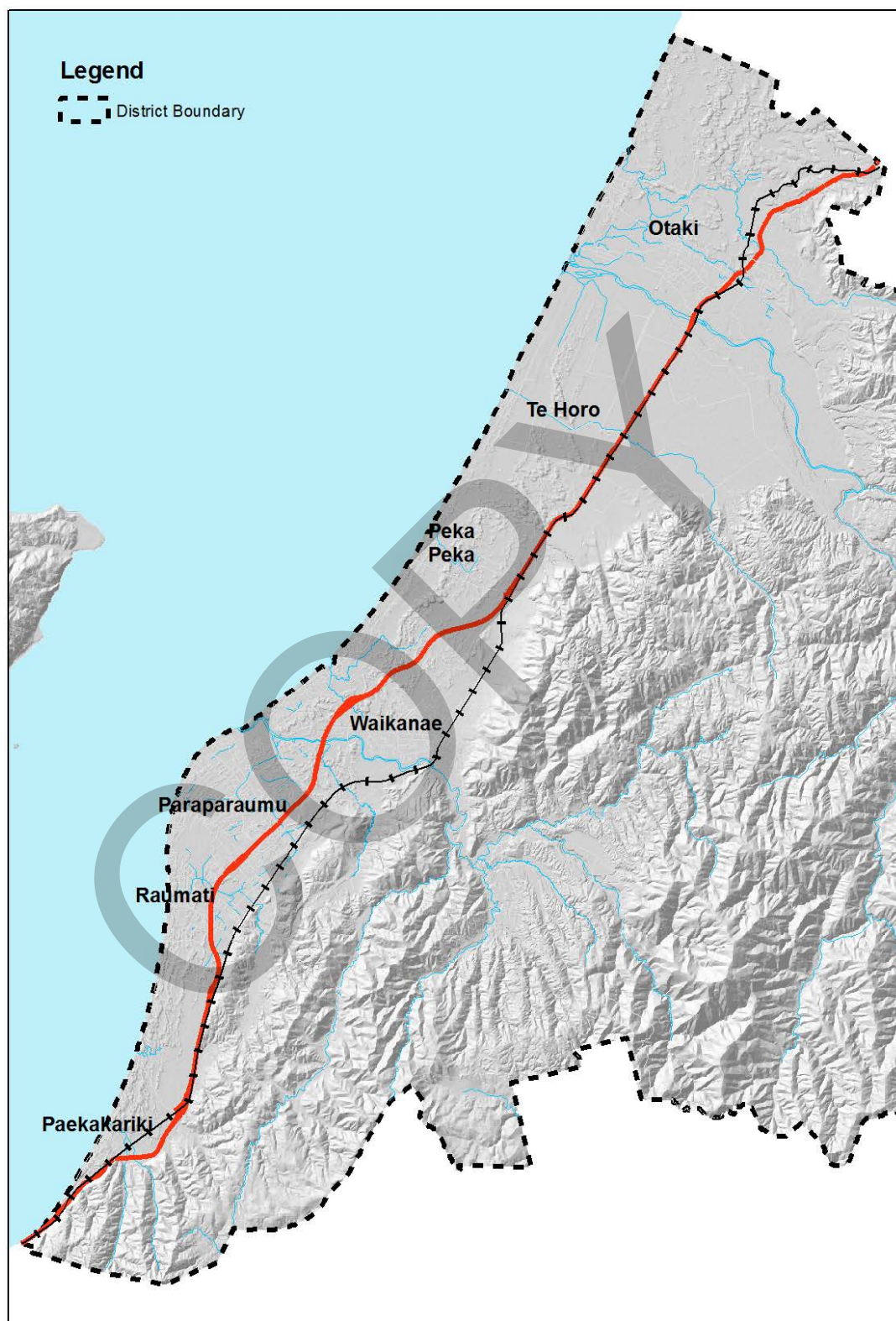
The Ministry of Business, Innovation and Employment is responsible for enforcement of breaches of shop trading hours on Easter Sundays and the imposition of penalties.

7. *REVIEW*

This policy is required to be reviewed at least every five years from the date of adoption.

8. *REFERENCES*

Shop Trading Hours Act 1990

Schedule 1 Kapiti Coast District



Building a better
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4 October 2017

Ref: 60433304/19450023

The Councillors
Kapiti Coast District Council
Private Bag 60601
Paraparaumu 5254

Dear Councillors

AUDIT ENGAGEMENT LETTER: AUDIT OF THE CONSULTATION DOCUMENT AND LONG-TERM PLAN FOR THE PERIOD COMMENCING 1 JULY 2018

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all "public entities", including Kapiti Coast District Council (the Council), under section 14 of the Public Audit Act 2001. The Auditor-General has appointed me, David Borrie, using the staff and resources of Ernst & Young, under section 32 and 33 of the Public Audit Act 2001, to carry out the audit of the Council's consultation document and long-term plan (LTP).

This letter outlines:

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

1. SPECIFIC RESPONSIBILITIES OF THE COUNCIL FOR THE PREPARATION OF THE CONSULTATION DOCUMENT AND THE LONG-TERM PLAN

Our audit will be carried out on the basis that the Council acknowledges that it has responsibility for preparing the consultation document and LTP, by applying the Council's own assumptions, in accordance with the Local Government Act 2002 (the Act) (in particular the requirements of Part 6 and Schedule 10), and in accordance with generally accepted accounting practice in New Zealand. We assume that elected members are familiar with those responsibilities and, where necessary, have obtained advice about them.

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

- section 93 of the Act requires the Council to have an LTP at all times. Part 1 of Schedule 10 governs the content of the LTP;
- section 111 aligns the financial information with generally accepted accounting practice;
- section 83 (with reference to section 93A) sets out the special consultative procedures required to be followed by the Council to adopt the consultation document and LTP; and
- Section 93C(4) requires an auditor's report on the consultation document and section 94 requires a separate opinion on the LTP.

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

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

2. OUR AUDIT SCOPE

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

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

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

Our focus for the first limb of each opinion will be to assess whether each document meets its statutory purpose. Given the different purposes of each document, we will be assessing the answers to different questions for each opinion.

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

Our audit opinions do not:

- provide a guarantee of absolute accuracy of the information in the relevant document;

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

3. OUR APPROACH TO THIS AUDIT

3.1 The content of the consultation document

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

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

3.2 Adopting and auditing the underlying information

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

- is relied on by the content of the consultation document,
- is necessary to enable the Auditor-General to issue an audit report under s93C(4), and
- provides the basis for the preparation of the LTP.

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

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

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

In addition, the timeframes to consider and adopt the LTP after the consultation process will be tight. From a practical perspective, it will be important that the Council is well advanced with the preparation of the full LTP when it issues the consultation document. Otherwise you may find it difficult to complete the

work and adopt the full LTP before the statutory deadline. The same is true for the audit work. The more audit work that is able to be completed at the first stage of the process, the less pressure there will be on you and the audit team at the end of the process.

3.3 Control environment

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

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

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

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

3.4. Project management, reporting deadlines and audit progress

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

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

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

3.5 Self-assessment

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

We have forwarded the self-assessment to you under a separate cover. We ask for your co-operation in completing this assessment for return to us by 3 November 2017.

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

4. OUR PARTICULAR AREAS OF AUDIT EMPHASIS

4.1 Financial strategy and infrastructure strategy

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

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

The purpose of the infrastructure strategy is to:

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

The Act expects close alignment between the two strategies and section 101B(5) allows for them to be combined into a single document.

While the Act clearly sets the minimum requirements for these strategies, it does not define the only things that can be in a strategy. A good strategy should include what is needed to be a good quality strategic planning document. In the case of the infrastructure strategy the principles of ISO55000 should be considered, particularly where the Council is seeking to prepare a best practice strategy.

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

- Confirm that the two strategies are appropriately aligned.
- Understand the impact of the financial forecasts included in the infrastructure strategy on the prudence of the financial strategy.
- Assess the reasonableness of the forecasts prepared. We will do this by:
 - understanding how the Council has applied the impact of its assumptions (for example, allowing for changing demographics) and levels of service on expenditure decisions, and outlined the implications of these decisions in the strategies.
 - reviewing the Council's relationship between its renewal capital expenditure and depreciation expenditure forecasts.
 - checking that the infrastructure strategy is appropriately inflated.

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

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

4.2 Assumptions

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

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

- all significant forecasting assumptions disclose the level of uncertainty associated with the assumption; and

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

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

4.3 Quality of asset-related forecasting information

A significant portion of the Council's operations relates to the management of its infrastructure: the roading network, the "three-waters" of water supply, sewerage, and stormwater drainage. These activities typically make up a significant portion of operational and capital expenditure.

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

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

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

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

5. OTHER MATTERS

5.1 Our Independence

It is essential that the audit team and Ernst & Young remain both economically and attitudinally independent of the Council (including being independent of management personnel and the Council). This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with integrity, objectivity and independence.

5.2 Publication of the consultation document and adopted LTP on the Council's website

The Council is responsible for the electronic presentation of the consultation document and LTP on its website. This includes ensuring that there are enough security and controls over information on the

website to maintain the integrity of the data presented. Please ensure your project plan allows time for us to examine the final electronic file version of the respective documents, including our audit report, before their inclusion on the website.

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

6. AUDIT LOGISTICS

6.1 Audit timing

Audit timetable key dates are as follows:

Self-assessment provided to Council	2 October 2017
Self-assessment returned to audit team for consideration	3 November 2017
First interim visit (3 weeks)	13 November 2017
Proposed consultation document available	16 February 2018
Second visit (3 weeks)	19 February 2017
Audit opinion on consultation document required	22 March 2018
Draft management report on consultation document engagement	22 March 2018
Finalised management report on consultation document engagement	31 March 2018
Proposed LTP for adoption available and audit visits	TBC
Audit opinion on adopted LTP required	TBC
Draft management report on LTP engagement	TBC
Finalised management report on LTP engagement	TBC

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

We have an electronic audit management system. This means that our auditors will complete the majority of their work on their laptops.

We would therefore appreciate it if the following could be made available during our audit:

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

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

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

7. PROFESSIONAL FEES

Our audit fee, covering both the consultation document and the LTP for the period commencing 1 July 2018, is \$118,650 (excluding GST and disbursements) as outlined in **Appendix 2**.

The proposed fee is based on the following assumptions:

- Information required to conduct the audit is complete and provided in accordance with the agreed timelines, including the draft consultation document and the full draft financial strategy and draft infrastructure strategy that supports it;
- There will be an appropriate level of assistance from your staff;
- All documentation (consultation document, LTP and all other underlying documentation) provided will be subject to appropriate levels of quality review before submission for audit;
- The consultation document and LTP will include all relevant disclosures;
- We will review, at most, two drafts of each of the consultation document and LTP during our audit;
- We will also review one printer's proof copy of the consultation document and LTP and one copy of the electronic version of the consultation document and LTP (for publication on your website);
- There are no significant changes in the structure or level of operations of the Council; and
- The local authority is preparing forecast financial statements for the 'Council parent' only, rather than including consolidated forecast financial statements for the Council and any controlled entities in the adopted LTP.

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

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

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

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

October 2017	\$28,000
November 2017	\$45,000
February 2018	\$32,000
May 2018	<u>\$13,650</u>
Total	\$118,650

8. PERSONNEL

Our personnel involved in the management of the audit are:

David Borrie	Appointed Auditor
Marcus Henry	Engagement Quality Control Review Partner
Zaryab Hyder	Audit Senior Manager
Shabib Shahul	Audit Senior

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

9. AGREEMENT

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

- it is in accordance with your understanding of the arrangements for this audit of the consultation document and LTP for the period commencing 1 July 2018; and
- you accept the terms of the engagement set out in this letter that apply specifically to the audit of the consultation document and LTP and supplement the existing audit engagement letter dated 5 April 2017.

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

Yours sincerely

David Borrie
Partner
Ernst & Young
On behalf of the Auditor-General

cc Patrick Dougherty, Chief Executive
Wayne Maxwell, Group Manager, Corporate Services

I acknowledge that this letter is in accordance with my understanding of the arrangements of the audit engagement. I also acknowledge the terms of the engagement that apply specifically to the audit of the consultation document and LTP, and which supplements the existing audit engagement letter dated 5 April 2017.

Signed: _____

Date: _____

K (Guru) Gurunathan
Mayor

DRAFT

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

Objectives

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

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

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

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

Provision of a management report to the Council

We will report to the Council at a minimum at the conclusion of the engagement. The management report communicates matters which come to our attention during the engagement and which we think are relevant to the Council. For example we will report:

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

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

Materiality

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

Materiality is one of the main factors affecting our judgement on the areas to be tested and the nature and extent of our tests and procedures performed during the audit. In planning and performing the audit, we aim to obtain assurance that the consultation document and LTP, and the information and

assumptions underlying the information contained in these documents, do not have material misstatements caused by either fraud or error.

Material misstatements are differences or omissions of amounts or and disclosures that, in our judgement, are likely to influence a reader's overall understanding of the forecast financial statements and performance information.

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

The standards applied when conducting the audit of the consultation document and adopted LTP

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

Responsibilities

General Responsibilities

The general responsibilities of the Council for preparing and completing the consultation document and LTP are consistent with those for the annual report, as set out in the audit engagement letter dated 5 April 2017 – but noting that the consultation document and LTP include forecast information.

These responsibilities include those set out in Appendices 1 and 2 of that audit engagement letter as detailed below:

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

Specific Responsibilities

The Council is responsible for:

- Maintaining accounting and other records that:
 - correctly record and explain the forecast transactions of the Council;
 - enable the Council to monitor the resources, activities and entities under its control;
 - enable the Council's forecast financial position to be determined with reasonable accuracy at any time; and

- enable the Council to prepare forecast financial statements and performance information that comply with legislation.
- Providing us with:
 - access to all information and assumptions relevant to preparing the consultation document and LTP, such as records, documentation and other matters;
 - additional information that we may request from the Council for the purpose of the audit;
 - unrestricted access to Council members and employees that we consider necessary; and
 - written confirmation concerning representations made to us in connection with the audit.

Health and safety of audit staff

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

Appendix 2: Team mix and hours for the audit of the consultation document and LTP for the 20-year period commencing on 1 July 2018

	Total Hours
Appointed Auditor	80
Engagement Quality Review Director	20
Audit Manager	110
Other CA staff	190
Staff not yet CA qualified	245
Totals	645

FEE CALCULATIONS

	\$
Net fee	118,650
OAG overhead contribution*	NIL
Total fee (including overhead contribution)	<hr/> 118,650
GST	17,797.5
Audit fee for the LTP for the period commencing 1 July 2018	<hr/> <hr/> 136,447.5

* No OAG overhead is charged in relation to the audit of the LTP.

We will charge disbursements, including travel, on an actual and reasonable basis.