



## Independent Auditor's Report

### To the readers of Hawke's Bay Regional Council and group's annual report for the year ended 30 June 2013

The Auditor-General is the auditor of Hawke's Bay Regional Council (the Regional Council) and group. The Auditor-General has appointed me, Mark Maloney, using the staff and resources of Audit New Zealand to audit:

- the financial statements of the Regional Council and group that comprise:
  - the balance sheet as at 30 June 2013 on page 86;
  - the comprehensive income statement, statement of changes in equity and statement of cash flows for the year ending 30 June 2013 on pages 84 to 85 and page 87;
  - the funding impact statement of the Regional Council on page 140;
  - the statements about budgeted and actual capital expenditure in relation to each group of activities of the Regional Council on pages 15 to 83; and
  - the notes to the financial statements that include accounting policies and other explanatory information about the financial statements on pages 88 to 139;
- the statement of service provision (referred to as statement of service performance for groups of activities) of the Regional Council on pages 15 to 83 and the funding impact statements in relation to each group of activities of the Regional Council on pages 140 to 144.

In addition, the Auditor-General has appointed me to report on whether the Regional Council and group's annual report complies with the Other Requirements of schedule 10 of the Local Government Act 2002, where applicable, by including:

- information about:
  - internal borrowing on page 124;
  - council-controlled organisations on pages 9 to 10;
  - reserve funds on pages 120 to 121;
  - each group of activities carried out by the Regional Council on pages 15 to 83;
  - remuneration paid to the elected members and certain employees of the Regional Council on pages 131 to 132;

- employee staffing levels and remuneration on page 132; and
- severance payments on page 132;
- a report on the activities undertaken by the Regional Council and group to establish and maintain processes to provide opportunities for Māori to contribute to the Council's decision-making processes on pages 7 to 8; and
- a statement of compliance signed by the chairperson of the Council, and by the Regional Council and group's chief executive on page 10.

## Opinion

### Audited information

In our opinion:

- the financial statements of the Regional Council and group on pages 84 to 139:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - the Regional Council and group's financial position as at 30 June 2013; and
    - the results of its operations and cash flows for the year ended on that date.
- the funding impact statement of the Regional Council on page 140, fairly reflects the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's annual plan.
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the Regional Council on pages 15 to 83, fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the Regional Council's long-term plan or annual plan.
- the statement of service performance for groups of activities of the Regional Council on pages 15 to 83:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects the Regional Council's levels of service for the year ended 30 June 2013, including:
    - the levels of service as measured against the intended levels of service adopted in the long-term plan; and
    - the reasons for any significant variances between the actual service and the expected service.

- the funding impact statements in relation to each group of activities of the Regional Council on pages 140 to 144, fairly reflects by each group of activities, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's long-term plan.

## Compliance with the other requirements of schedule 10

In our opinion, which is not an audit opinion, the Regional Council and group's annual report complies with the Other Requirements of schedule 10 that are applicable to the annual report.

Our audit was completed on 25 September 2013. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and we explain our independence.

## Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and statement of service performance for groups of activities. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Regional Council and group's preparation of the information we audited that fairly reflect the matters to which they relate. We consider internal control in order to design procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Regional Council and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of all disclosures in the information we audited;
- determining the appropriateness of the reported statement of service performance for groups of activities within the Council's framework for reporting performance; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited.

When reporting on whether the annual report complies with the Other Requirements of schedule 10 of the Local Government Act 2002, our procedures were limited to making sure the information required by schedule 10 was included in the annual report, where relevant, and identifying material inconsistencies, if any, with the information we audited. This work was carried out in accordance with International Standard on Auditing (New Zealand) 720; The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements. As a result we do not express an audit opinion on the Regional Council's compliance with the requirements of schedule 10.

We did not evaluate the security and controls over the electronic publication of the information we are required to audit and report on. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate evidence to provide a basis for our opinion.

## Responsibilities of the Council

The Council is responsible for preparing:

- financial statements and statement of service performance for groups of activities that:
  - comply with generally accepted accounting practice in New Zealand;
  - fairly reflect the Regional Council and group's financial position, financial performance and cash flows;
  - fairly reflect its service performance, including achievements compared to forecast;
- a funding impact statement that fairly reflects the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's annual plan;
- funding impact statements in relation to each group of activities that fairly reflects by each group of activities the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council's long-term plan;
- statements about budgeted and actual capital expenditure in relation to each group of activities that fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the Regional Council's long-term plan or annual plan; and
- the other information in accordance with the requirements of schedule 10 of the Local Government Act 2002.

The Council is responsible for such internal control as it determines is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Council is also responsible for the publication of the annual report, whether in printed or electronic form.

The Council's responsibilities arise under the Local Government Act 2002.

## Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the information we are required to audit, and whether the Council has complied with the Other Requirements of schedule 10, and reporting that opinion to you. Our responsibility arises under section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

## Independence

When carrying out this audit, which includes our report on the Other Requirements, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. We also performed an audit of an amendment to the Long Term Plan. Other than this engagement and the annual audit, which includes our report on the Other Requirements, we have no relationship with or interests in the Regional Council or any of its subsidiaries.



Mark Maloney  
Audit New Zealand  
On behalf of the Auditor-General  
Palmerston North, New Zealand

