

NEW PLYMOUTH PIF GUARDIANS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

NEW PLYMOUTH PIF GUARDIANS LIMITED

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NEW PLYMOUTH PIF GUARDIANS LIMITED

COMPANY DIRECTORY

Directors:	Mark Butcher Kirsty Campbell Tracey Jones (<i>retired 30 June 2021</i>) David Rae (<i>retired 30 June 2021</i>) Michelle Tsui (<i>appointed 2 November 2020</i>)
Shareholder:	New Plymouth District Council
Registration details:	Company number 1102498
Registered office:	New Plymouth District Council Civic Chambers Liardet Street New Plymouth
Auditors:	Audit New Zealand on behalf of the Auditor-General
Fully Outsourced Agent:	Mercer New Zealand Limited (Mercer)
Bankers:	Westpac Banking Corporation PO Box 91 New Plymouth
Solicitors:	Simpson Grierson PO Box 2402 Wellington

NEW PLYMOUTH PIF GUARDIANS LIMITED
STATUTORY INFORMATION
FOR THE YEAR ENDED 30 JUNE 2021

NATURE OF INTEREST	COMPANY
Mark Butcher	
Chair	New Plymouth PIF Guardians Limited
Chair	Waikato Tainui Group Investment Committee
Chief Executive	New Zealand Local Government Funding Agency Limited
Nominating Committee member	Guardians of NZ Superannuation Fund
Director / Beneficial shareholding	Hakuba Capital Limited
Kirsty Campbell	
Director	New Plymouth PIF Guardians Limited
Director	Enviro-Mark Solutions Limited
Director	The New Zealand Home Loan Company Limited
Director and Chair of Compliance Committees	Salt Funds Management Limited and Salt Investment Funds Limited
Director / Beneficial shareholding	Ptarmigan Consulting Limited
Director / Beneficial shareholding	Clarity Advisory Limited
Investment Committee member	Findex Advice Services NZ Limited
Board Member	Public Trust
Tracey Jones	
Director	New Plymouth PIF Guardians Limited
Director / Chair Audit Committee	Harmony Corp Limited
Director	Harmony Share Sale Company Limited
Director	Tutanekai Investments Limited
Director	Cove Road Soapworks Limited
Director	RC Custodian Limited
Director / Beneficial shareholding	Kepa Investments Limited
Director / Beneficial shareholding	Sandat Consulting Limited
Director / Beneficial shareholding	Jones Family Office Partners Limited
Trustee	N'Godwi Trust
Chair	Nikko Asset Management NZ Limited
Chair and Trustee	Petal Foundation
David Rae	
Director	New Plymouth PIF Guardians Limited
Director	Galileo Green Energy GmbH
Director / Beneficial shareholding	David Rae Associates Limited
Director	Astronomy New Zealand Limited
Director	The New Zealand Refining Nominees Limited
Director	Gasnet Limited
Director	NZ International Commercial Pilot Academy Limited
Principal	MyFiduciary Limited
Investment Committee member	Te Puia Tapapa Limited Partnership
Investment Committee member	Public Trust
Trustee	The New Zealand Refining Company Pension Fund

NEW PLYMOUTH PIF GUARDIANS LIMITED

STATUTORY INFORMATION (continued) FOR THE YEAR ENDED 30 JUNE 2021

NATURE OF INTEREST	COMPANY
Michelle Tsui	
Director	New Plymouth PIF Guardians Limited
Trustee	Foundation North
Director	Foundation North Grants Limited
Director	ASB Community Trust Limited
Nominating Committee Member	Guardians of NZ Superannuation Fund
Employee	Willis Towers Watson

Shareholding by directors

The Directors do not hold any interest in the shares of New Plymouth PIF Guardians Limited (the Company, NPG).

Insurance arrangements

The Directors have resolved to and have entered into a Directors and Officers Combined Indemnity insurance policy to a level they consider appropriate, given the size of the Company, to provide investment advisory services.

Dividend recommendation

The Directors do not recommend the payment of a dividend in relation to the year ended 30 June 2021.

Changes in accounting policy

There were no changes in accounting policies during the year ended 30 June 2021.

Shares issued

The Company has 1,000 shares on issue as at 30 June 2021 (2019/20:1,000).

Statutory information

The Shareholder has agreed that the requirements of section 211 (1) (a) and (e) to (h) of the Companies Act 1993 need not be reported against.

NEW PLYMOUTH PIF GUARDIANS LIMITED
STATEMENT OF SERVICE PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2021

PERFORMANCE TARGETS

The performance of NPG will be assessed against the terms in the Governance Deed, the Statement of Intent and industry benchmarks as detailed in the Statement of Investment Policies and Objectives. Below are the key performance measures.

Benchmarks for NPG Financial Performance

NPG is operated on a full cost recovery basis and is therefore budgeted to operate at a nil net cost. The sum below reflects its expected management costs, which are charged to New Plymouth District Council (the Council).

Financial Performance

Year Ended 30 June 2021	2020/21 Actual \$000	2020/21 Budget \$000
Revenue	232	291
Costs	232	291
Net profit	-	-
Net profit after tax to average shareholder funds	Nil	Nil

Benchmarks for PIF Performance

	FY2020/21 \$M Actual	FY2020/21 \$M Budget
Release Payment	9.1	* 8.8
Closing Balance of Fund		
Mercer Managed Assets	346.1	277.2
Tasmanian Land Company	0.1	1.5

**This excludes reimbursement of costs to council of \$0.2m.*

Total Portfolio Return

A prime focus for the Council is to ensure that returns from the PIF are at a level that meets its objectives for the fund. The total return on the portfolio (net of all costs) measured on a rolling five-year basis is currently a target of 3.3 per cent per annum plus NZ inflation (as measured by the Consumers Price Index).

Assessment: Actual return net of costs was 23.1% for the 12 month period to 30 June 2021. The total return of the portfolio for the past five years is 8.6% p.a. which is 3.3% above the rolling five-year target.

Actual returns for the past two years have been significantly affected by the impact of Covid-19 on global investment markets. The emergence of the pandemic early in 2020 had a negative impact on investment markets, resulting in reduced returns for the year ending 30 June 2020. Following this, investment markets recovered resulting in actual returns for the year ending 30 June 2021 being greater than forecast and in a more favourable position compared to prior to Covid-19.

NEW PLYMOUTH PIF GUARDIANS LIMITED

STATEMENT OF SERVICE PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2021

Market Comparison

The portfolio has two distinct categories of assets:

Listed Securities (Equities / fixed income / cash) comprising \$229.4m

The return on this proportion of the portfolio is targeted to be 0.50% per annum above the weighted average benchmark, before fees. NPG will measure and report on these securities quarterly, annually and on a rolling five year basis.

PERFORMANCE TARGETS (CONTINUED)

Assessment: The total gross return on Listed Securities for the 12 month period to 30 June 2021 was 24.3% which was 2.9% above the benchmark of 21.4%.

Unlisted Securities (Private Equity / Alternative Assets) comprising \$116.8m

These assets are illiquid, are largely not traded on markets and are valued infrequently. Therefore performance cannot be compared to benchmark returns on a short term basis. NPG will report on the performance of these securities annually.

Assessment: The return for the 12 month period to 30 June 2021 from private equity and alternative assets was 21.8%.

Reporting

Provide a quarterly report to the shareholder covering activities undertaken by the Company, and the performance of and significant issues relating to the Perpetual Investment Fund. The report will provide the information outlined in the Governance Deed.

Assessment: Quarterly reports have been provided throughout the year with information provided as per the Governance Deed.

Timely response

Provide investment advice within one month to the shareholder on any significant developments that may have an impact on either the income stream to the Council or the value of the Council's PIF.

Assessment: Information has been provided by the Directors in a timely manner throughout the year. Mercer provided monthly reports to the shareholder during the year.

NEW PLYMOUTH PIF GUARDIANS LIMITED
PERPETUAL INVESTMENT FUND
Summary of Investment Performance for the year ended 30 June 2021

Release payment target	2021		2020	
	Actual \$m	Budget \$m	Actual \$m	Budget \$m
Release payments	(9.1)	(8.8)	(8.8)	(8.8)

Closing Fund balance target	2021		2020	
	Actual \$m	Budget \$m	Actual \$m	Budget \$m
Mercer Managed Assets	346.1	277.2	290.8	306.3
Tasmanian Land Company	0.1	1.5	1.5	-

MAINTAIN PIF WITHIN STRATEGIC ASSET ALLOCATION (SAA) TARGET

Asset Allocation %	Allowable Range	Actual as at 30 June 2021	SAA 2021 target	As at 30 June 2020
Global equities				
- Developed Market equities	25 - 55%	42.2%	40.0%	43.8%
- Emerging markets equities	0 - 10%	6.2%	5.0%	5.0%
Private equity	10 - 25%	17.5%	17.5%	14.1%
Alternative assets	10 - 25%	17.5%	17.5%	18.3%
Total Growth Assets	60 - 95%	83.4%	80.0%	81.2%
Fixed income				
Cash	5 - 25%	12.7%	15.0%	13.0%
	0 - 20%	3.9%	5.0%	5.8%
Total Income Assets	5 - 40%	16.6%	20.0%	18.8%
Total	100%	100%	100%	100%

The fund was within the SAA ranges at all times for the twelve month period to 30 June 2021. This table reflects the Mercer Managed Assets only.

NEW PLYMOUTH PIF GUARDIANS LIMITED
PERPETUAL INVESTMENT FUND
Annual Performance Summary for the year ended 30 June 2021

NPG is a Council Controlled Organisation which monitors and directs the investment of the Council's Perpetual Investment Fund managed by Mercer in accordance with The Statement of Investment Policy and Objectives.

Service Performance Indicators

	Achieved 2021	Achieved 2020
Manage the PIF as per agreement	YES	YES
Provide timely advice as requested	YES	YES
Provide regular quarterly reports to the Council	YES	YES
Operate within financial budget	YES	YES
Provide Statement of Intent to the Council	YES	YES
Provide six monthly report to the Council and public	YES	YES
Provide prior year annual report to public within 90 days of the year end *	NO	NO

*Due to Covid-19 the statutory deadlines for the year ended 30 June 2020 were extended to 30 November 2020 and for the year ended 30 June 2021 they were extended to 30 November 2021

NEW PLYMOUTH PIF GUARDIANS LIMITED
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020/21 Actual \$	2020/21 Budget \$	2019/20 Actual \$
Revenue				
Advisory management fees (<i>non-exchange</i>)	3a	231,893	290,000	211,476
Interest revenue (<i>exchange</i>)		18	1,000	173
Total revenue		231,911	291,000	211,649
Expenses				
Directors fees	4	168,000	180,000	151,065
Other expenses	5	63,911	111,000	60,584
Total expenses		231,911	291,000	211,649
Surplus/(deficit) before tax		-	-	-
Income tax expense		-	-	-
Surplus/(deficit) after tax		-	-	-
Other comprehensive revenue and expense		-	-	-
Total comprehensive revenue and expense		-	-	-
<i>Attributable to New Plymouth District Council – 100%</i>		-	-	-

Explanations of major variances against budget are included in note 2.

The accompanying notes form part of these financial statements.

NEW PLYMOUTH PIF GUARDIANS LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021

	2020/21 Actual \$	2020/21 Budget \$	2019/20 Actual \$
Balance at 1 July	-	-	-
Total comprehensive revenue and expense	-	-	-
Balance at 30 June	-	-	-

The accompanying notes form part of these financial statements.

NEW PLYMOUTH PIF GUARDIANS LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	2020/21 Actual \$	2019/20 Actual \$
Current assets			
Cash and cash equivalents	6	39,246	41,438
Related party receivable from the Council	3b	20,880	20,247
Prepayments		7,217	6,433
Tax receivable		1,909	1,905
GST receivable		1,063	350
Total current assets / Total assets		70,315	70,373
Current liabilities			
Creditors and other payables	7	30,315	30,373
Related party advance from the Council	3c	40,000	40,000
Total current liabilities		70,315	70,373
Total Current & Non-Current liabilities		70,315	70,373
NET ASSETS		-	-
Equity			
Accumulated funds		-	-
Share capital	8	-	-
TOTAL EQUITY		-	-

The accompanying notes form part of these financial statements.

Chair



Date 2 November 2021

Director



Date 2 November 2021

NEW PLYMOUTH PIF GUARDIANS LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020/21 Actual \$	2019/20 Actual \$
Cash flows from operating activities			
Receipts from NPDC		231,260	225,097
Interest received		14	124
Payments to suppliers, employees and directors		(232,753)	(218,262)
Goods and services tax (net)		(713)	88
Net cash from operating activities		(2,192)	7,047
Cash flows from financing activities		-	-
Cash flows from investing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(2,192)	7,047
Cash and cash equivalents at 1 July		41,438	34,391
Cash and cash equivalents at 30 June	6	39,246	41,438

The accompanying notes form part of these financial statements.

NEW PLYMOUTH PIF GUARDIANS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

The Company is a wholly owned subsidiary of the New Plymouth District Council (the Council, NPDC) and is a Council-Controlled Organisation as defined in section 6 of the Local Government Act 2002. The Company is incorporated and domiciled in New Zealand.

Rather than making a financial return, the primary objective of the Company is to provide advisory services to the Council in relation to the Council's Perpetual Investment Fund (PIF) and other equity investments, when requested. Accordingly, the Company designates itself as a Public Benefit Entity (PBE) and applies Tier 2 PBE Accounting Standards. These standards are based on International Public Sector Accounting Standards (IPSAS), with amendments for the New Zealand environment.

The financial statements of the Company are for the year ended 30 June 2021. The financial statements were authorised for issue by the Board on 2 November 2021.

STATEMENT OF COMPLIANCE

These financial statements have been prepared:

- In line with New Zealand Generally Accepted Accounting Practice (NZ GAAP), the Local Government Act 2002 (LGA).
- In line with PBE Accounting Standards with reduced disclosure requirements (Tier 2). The Company qualifies as Tier 3 but elects to report under Tier 2 reporting on the basis that it is not publicly accountable and it is not considered large under the PBE accounting standards.
- On a going concern basis and the accounting policies have been applied consistently throughout the period.
- On a historical cost basis.
- In New Zealand dollars (functional and reporting currency), rounded to the nearest dollar.

There have been no new or revised accounting standards, interpretations and amendments effective during the period which have a material impact on the Company's accounting policies or disclosures.

SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

Revenue

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised in the period which the Company provides the related services.

Interest Income

Interest income is recognised using the effective interest method.

Goods and services tax (GST)

All items in the financial statements are stated exclusive of GST, except billed receivables and payables which include GST. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to the Inland Revenue Department (IRD) is included as part of the receivables or payables in the Statement of Financial Position.

NEW PLYMOUTH PIF GUARDIANS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

The net GST paid to, or received from the IRD, including GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of cash flows.

Budget figures

The budget figures are those approved by the Directors in the Statement of Intent at the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

Rounding differences

Some totals in the financial statements may not add to the sum of their parts due to rounding cents to the dollar.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing these financial statements, the Company has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the actual results. Estimates and assumptions are continually evaluated, and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There have been no estimates and/or assumptions that have a significant risk of causing a material adjustment to the value of assets and liabilities, with the next financial year.

2 MAJOR BUDGET VARIATIONS

	2020/21 Actual \$	2020/21 Budget \$	Variance \$	Comments
Management fees	231,893	290,000	(58,107)	Management fee revenue is charged at a level required to fully offset expenditure incurred by the Company. Due to variances in actual expenditure against budgeted amounts, as discussed below, management fees required for the year were less than budgeted.
Directors fees	168,000	180,000	(12,000)	In response to the Covid-19 pandemic, the directors volunteered to reduce their fees by 20 per cent from 1 May 2020 to 31 October 2020.
Consulting and other expenses	15,370	50,000	(34,630)	Consultants were underutilised during the financial year relative to the budget.

NEW PLYMOUTH PIF GUARDIANS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 RELATED PARTIES

Accounting policy

Debtors and other receivables are recorded at face value less any provision for impairment.

As the sole shareholder, the Council is deemed to be a related party of the Company.

(a) Transactions between the Company and the Council during the financial year

For the year ended 30 June 2021, transactions between the two parties consisted of:

- Accounting and governance services provided by the Council to the Company of \$34,000 (2019/20: \$33,000).
- Advisory services provided to the Council by the Company of \$231,893 (2019/20: \$211,476).
- The amount payable for NPDC services at 30 June 2021 was \$8,500 (2019/20: \$8,250).

No debts between the parties were written off or forgiven and no transactions between the parties took place at nil or nominal value.

(b) Related party receivable from the Council

The related party receivable from the Council is non-interest bearing. As such, the carrying value approximates its fair value. The total balance of \$20,880 (not past due) is all non-exchange revenue (2019/20: \$20,247 not past due).

(c) Advance from the Council

During the 2015/16 financial year the Council advanced the Company \$60,000 to be repaid at a future date. The Company repaid \$20,000 during 2017/18. The cash flow funding does not incur interest on the principal.

(d) Directors

The Company's Chair, Mark Butcher is the Chief Executive Officer of New Zealand Local Government Funding Agency Limited (LGFA). During the year, the Council borrowed funds from the LGFA and also holds loan balances from prior periods.

All transactions occurred within a normal supplier or client/recipient relationship and on terms and conditions no more or less favourable than those it is reasonable to expect the Company would have adopted in dealing with either party at arm's length in the same circumstances.

NEW PLYMOUTH PIF GUARDIANS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4 REMUNERATION

Key management personnel comprises the Board of Directors.

	2020/21	2019/20
	Actual \$	Actual \$
<i>Directors fees</i>		
M Butcher	46,666	48,732
K Campbell	32,667	34,111
T Jones	32,667	34,111
D Rae	32,667	34,111
M Tsui (<i>part-year</i>)	23,333	-
Total directors fees	168,000	151,065
Full time equivalents	5	4

Due to the difficulty in determining the full-time equivalents for directors, the full-time equivalent figure is taken as the number of directors.

5 OTHER EXPENSES

	2020/21	2019/20
	Actual \$	Actual \$
Audit fees for financial statements (Audit New Zealand)	10,362	10,060
Directors travel and expenses	4,179	5,501
Consulting costs and other professional services fees	2,187	5,000
Overheads and other general expenses	13,183	7,023
NPDC services - accounting	30,000	30,000
NPDC services - governance	4,000	3,000
Total other expenses	63,911	60,584

6 CASH AND CASH EQUIVALENTS

Accounting policy

Cash and cash equivalents includes cash on hand and deposits held at call with banks with original maturities of three months or less.

	2020/21	2019/20
	Actual \$	Actual \$
Bank account - current	39,246	41,438
Total cash and cash equivalents	39,246	41,438

NEW PLYMOUTH PIF GUARDIANS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 CREDITORS AND OTHER PAYABLES

Accounting policy

Creditors and other payables are non-interest bearing and are normally settled on 30 day terms. Therefore, the carrying value of creditors and other payables approximates their fair value. All amounts in creditors and other payables are assessed as exchange as these balances arose from transactions carried out on normal business terms.

	2020/21	2019/20
	Actual	Actual
	\$	\$
Related party payable to the Council	19,953	20,313
Audit fee accrual	10,362	10,060
Total creditors and other payables	30,315	30,373

Related party payables to the Council includes Directors fees of \$11,453 (2019/20: \$9,635).

8 SHARE CAPITAL

Share capital comprises 1,000 shares (2019/20: 1,000), all of which are issued but not fully paid (at \$0 per share) (2019/20: 1,000 at \$0 per share).

9 CAPITAL COMMITMENTS

There are no capital commitments at 30 June 2021 (2019/20: nil).

10 CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or contingent liabilities at 30 June 2021 (2019/20: nil).

11 FINANCIAL INSTRUMENTS

	2020/21	2019/20
	Actual	Actual
	\$	\$
<i>Cash and receivables</i>		
Cash and cash equivalents	39,246	41,438
Debtors and other receivables	20,880	20,247
Total cash and receivables	60,126	61,685
<i>Financial liabilities</i>		
Creditors and other payables	30,315	30,373
Related party advance	40,000	40,000
Total financial liabilities	70,315	70,373

12 EVENTS AFTER BALANCE DATE

There are no significant events after balance date (2019/20: nil).

Independent Auditor's Report

To the readers of New Plymouth PIF Guardians Limited's financial statements and performance information for the year ended 30 June 2021

The Auditor-General is the auditor of New Plymouth PIF Guardians Limited (the company). The Auditor-General has appointed me, Debbie Perera, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 10 to 17, that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company on pages 6 to 7.

In our opinion:

- the financial statements of the company on pages 10 to 17:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2021; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime; and
- the performance information of the company on pages 6 to 7 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2021.

Our audit was completed on 2 November 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they

could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the performance information, our procedures were limited to checking that the information agreed to the company's statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the company's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 3 to 5, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the company.



Debbie Perera
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand