

Audit Report

Independent Auditor's Report

To the readers of Far North District Council and Group's Annual Report For the year ended 30 June 2013

The Auditor General is the auditor of Far North District Council (the District Council) and group. The Auditor General has appointed me, Karen MacKenzie, using the staff and resources of Audit New Zealand to audit:

- the financial statements of the District Council and group that comprise:
 - the statement of financial position as at 30 June 2013 on page 36;
 - the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2013 on pages 35, 37 and 38; and
 - the notes to the financial statements that include accounting policies and other explanatory information about the financial statements on pages 25 to 34 and 39 to 81;
 - the performance information of the District Council on pages 84 to 90 and each group of activities carried out by the District Council on pages 100 to 216 and 218 to 219.
- the funding impact statements in relation to each group of activities of the District Council on pages 71 to 78;
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on 100 to 219; and
- the funding impact statement of the District Council on page 71;

In addition, the Auditor General has appointed me to report on whether the District 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:
 - reserve funds on pages 79 to 80;
 - remuneration paid to the elected members and certain employees of the District Council on pages 59 to 62;
 - employee staffing levels and remuneration on page 62; and
 - severance payments on page 64;
 - council controlled organisations on pages 220 to 226;
- a report on the activities undertaken by the District Council and group to establish and maintain processes to provide opportunities for Māori to contribute to the Council's decision making processes on page 217; and
- a statement of compliance signed by the mayor of the Council, and by the District Council and group's chief executive on page 20.

Opinion

Audited information

In our opinion:

- the financial statements of the District Council and group on pages 35 to 69:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the District 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 performance information of the District Council on pages 84 to 90, 100 to 216 and 218 to 219:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the District 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 District Council on pages 71 to 78, 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 District Council's long term plan.
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 100 to 219 fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the District Council's long term plan or annual plan.
- the funding impact statement of the District Council on page 70, 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 District Council's annual plan.

Compliance with the other requirements of schedule 10

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

Sweetwater Aquifer Scheme

Without modifying our audit opinion, we draw your attention to the disclosure in note 5a on page 125 about the costs incurred to date on the Sweetwater Aquifer Scheme (the Scheme). Up to 30 June 2013 the District Council spent \$2,258,000 in relation to the Scheme, resulting in assets with a carrying value of \$747,000 and operating expenditure of \$1,511,000. Up to a further \$250,000 is to be paid once the landowner has subdivided their property to enable title to the bore field property to be passed to the District Council.

We also draw your attention to the disclosure in note 26 on page 58 about the District Council's investigation into all aspects of the Scheme. That investigation will include a review of the District Council's decision-making and project management process relating to the Scheme, and its financial management of the Scheme.

Failure to meet statutory reporting deadline

In addition, we draw your attention to the fact that the Council did not adopt its annual report within the statutory time frame as set out in note 39 on page 80.

Our audit was completed on 27 February 2014. 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 performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

Audit Report

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 District 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 District 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 performance information 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 District 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 the statement of service provision that:
 - comply with generally accepted accounting practice in New Zealand;
 - fairly reflect the District Council and group's financial position, financial performance and cash flows;
 - fairly reflect its service performance, including achievements compared to forecast;
- 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 District 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 District Council's long term plan or annual plan; and
- 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 District Council's annual plan;
- 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. Other than this audit, which includes our report on the Other Requirements, we have no relationship with or interests in the District Council or any of its subsidiaries.

Karen MacKenzie
Audit New Zealand
On behalf of the Auditor General
Auckland, New Zealand

Statement of Compliance

Compliance

Council and management of the Far North District Council are responsible for preparing this report and financial statements and confirm that all statutory requirements of the Local Government Act 2002 have been complied with.

In our view this Annual Report fairly reflects the financial position, performance outcomes and operating results of the Council and its subsidiaries for the year ended 30 June 2013.

Responsibility

Council and management of the Far North District Council accept responsibility for the preparation of the annual financial statements and the Statement of Service Performance and the judgements used in them.

Council and management of the Far North District Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non financial reporting.

In the opinion of Council and the management of the Far North District Council, the annual financial statements and statements of service performance for the year ended 30 June 2013 fairly reflect the financial position, performance and operations of the Far North District Council and Group.



Hon John Carter QSO
MAYOR
27th February 2014



Colin Dale
CHIEF EXECUTIVE
27th February 2014

NB please refer to page 129 and Note 26 (page 58) for disclosures on the SweetH2O scheme