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Adoption of the AT Annual Report for the Year Ending 30 June 2015

Recommendations

It is recommended that the Board:

- i. Receive the update from the Finance and Risk Committee
- ii. Authorise the Board Chairman and Chairman of the Finance and Risk Committee to sign the Letter of representation to Audit NZ
- iii. Adopt the Annual Report, including the following statements:
 - The Statement of Service Performance
 - The Statement of Accounting Policies
 - The Statements of Comprehensive Income, Financial Position, Cash Flow and supporting statements including the Notes to the Financial Statements
- iv. Authorise staff to make minor editorial changes to the contents of the Annual Report to reflect corrections and clarification requested by the Board and Auditor subject to final clearance by the Chair of Finance and Risk Committee.

Executive summary

The purpose of this report is to adopt the Annual Report for AT for the year ended 30 June 2015. The Service Performance compared to the Statement of Intent will be covered in the Open Session item and therefore has not been repeated here.

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Background

Audit New Zealand has advised that the Annual Report, as presented, will get a clear audit opinion. They have completed their audit work and with the appropriate exchange of documents a clear audit opinion will have an issue date of 25 August 2015. Before Audit NZ will issue the audit opinion they need assurance that the Annual Report is the report the Board will adopt, concurrently the Board seeks assurance that the Annual Report they adopt will have a clear audit opinion. In keeping with the process, Management have issued a letter of representation to the Board which mirrors the representations that the Board is asked to make to the Auditors. On receipt of the Letter of Representation from the Board to the Auditor, and adoption of the Annual Report, the Auditor will sign and date the Audit Report for inclusion in the printed copy of the Annual Report.

The FRC met on 30 July 2015 to consider the content of the Draft Annual Report and asked a number of questions of staff on the information and judgments exercised in the preparation of the financial and performance information. The FRC recommended adoption of the Annual Accounts subject to changes discussed at the meeting and gave management/audit discretion to make minor amendments.

The 30 July FRC resolved that:

That the Committee:

- i) Receives the Draft 2014/15 Financial Statements*
- ii) Receives the Draft AC Financial Pack*
- iii) Approves the release of the AC Financial Pack to AC on 31 July 2015*
- iv) Delegates minor editorial changes to Management*

(Lester Levy / Paul Lockey) Carried

At the time of writing Kensington Swan are reviewing the Draft Annual Report in order to provide certification of any AT HOP references contained in the report.

Strategic Context

The AT Annual Report is legislatively required to be adopted before 30 September 2015. An earlier completion date was taken at the request of AC to allow for the Group Annual Report to be adopted in order to comply with Group reporting requirements as an issuer of securities. This has been raised with the Board in previous reports.

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Next Steps





- Letter of Representation signed and delivered to Audit New Zealand and Auckland Council
- Signed Audit report is received
- Annual Report is forwarded for printing
- Annual Report is published onto the AT website
- Final Printed Annual Report is advertised as available and distributed

Attachments

Number	Description
1	Letter of Representation from Auckland Transport to the Board
2	Letter of Representation from the Board to Audit New Zealand
3	Letter of Representation from the Board to Auckland Council
4	Annual Report

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Document Ownership

Prepared by	Julian Michael Financial Reporting Manager	
	Stephen Smith Manager, Finance	
Recommended by	Richard Morris Chief Financial Officer	
	David Warburton Chief Executive	
Approved for Submission		

Glossary

Acronym	Description	Business Unit
AC	Auckland Council	Corporate
AT	Auckland Transport	Corporate
FRC	Finance and Risk Committee	Corporate



6 Henderson Valley Road, Henderson, Auckland 0612
Private Bag 92250, Auckland 1142, New Zealand
Ph 09 355 3553 Fax 09 355 3550

25 August 2015

Mr L Levy
Chairman
Auckland Transport
Private Bag 92250
Auckland 1142

Dear Lester

Letter of representation for the year ended 30 June 2015

This representation letter is provided in connection with your audit, carried out on behalf of the Auditor-General, of the financial statements and performance information of Auckland Transport for the year ended 30 June 2015.

We understand that your audit was carried out in accordance with the Auditing Standards issued by the Auditor-General, which incorporate the International Standards on Auditing (New Zealand). We also understand that your examination was (to the extent that you deemed appropriate) for the objective of:

- 1 providing an independent opinion on whether Auckland Transport's financial statements
 - present fairly, in all material respects:
 - its financial position as at 30 June 2015; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Standards and



- 2 providing an independent opinion on whether the performance information of Auckland Transport presents fairly, in all material respects, Auckland Transport's achievements measured against the performance targets adopted for the year ended 30 June 2015; and
- 3 reporting on other matters relevant to Auckland Transport's financial and other management systems that come to your attention and are material (for example, compliance with statutory obligations or probity).

General responsibilities

We acknowledge the following responsibilities, and to the best of our knowledge and belief:

- the resources and activities under our control have been operating effectively and efficiently;
- we have complied with our statutory obligations including laws, regulations and contractual requirements;
- we have maintained proper accounting records as required by the Financial Reporting Act 1993;
- we have carried out our decisions and actions with due regard to minimising waste;
- we have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector (that is, we have carried out our decisions and actions with due regard to probity); and
- any decisions or actions have been taken with due regard to financial prudence.

We also acknowledge that we have responsibility for designing, implementing, and maintaining internal control (to the extent that is reasonably practical given the size of Auckland Transport to prevent and detect fraud.

Responsibilities for the financial statements and performance information

We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements and performance information, and that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

- we have fulfilled our responsibilities for preparing and presenting the financial statements and performance information as required by the Local Government Act 2002 and Financial Reporting Act 1993;
- we consider Auckland Transport's financial statements:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2015; and

- its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Standards;
- we consider the performance information of Auckland Transport presents fairly, in all material respects, the company's achievements measured against the performance targets adopted for the year ended 30 June 2015;
- we believe the significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable;
- we have appropriately accounted for and disclosed related party relationships and transactions in the financial statements and performance information;
- all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and performance information have been disclosed to you and have been accounted for and disclosed in accordance with generally accepted accounting practice;
- we have adjusted or disclosed all events subsequent to the date of the financial statements and performance information that require adjustment or disclosure;
- we believe that the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements and performance information as a whole. A list of the uncorrected misstatements is attached as Appendix 1 to this representation letter; and
- we believe the effects of uncorrected disclosure deficiencies, including both omitted and incomplete disclosures, are quantitatively and qualitatively immaterial, both individually and in aggregate, to the financial statements and performance information as a whole.

Responsibilities to provide information

We confirm that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

- we have provided you with:
 - all information, such as records and documentation, and other matters that are relevant to preparing and presenting the financial statements and performance information; and
 - unrestricted access to persons within Auckland Transport from whom you determined it necessary to obtain audit evidence;
- we have disclosed to you the results of our assessment of the risk that the financial statements and performance information may be materially misstated as a result of fraud;

- we have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects Auckland Transport and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements and performance information;
- we have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting Auckland Transport's financial statements and performance information communicated by employees, former employees, analysts, regulators, or others;
- we have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements and performance information; and
- we have disclosed the identity of the related parties, all of their relationships, and all of their transactions of which we are aware.
- We confirm that the revaluations are reasonable, appropriately reflect fair value and correctly accounted for and disclosed in the financial statements. Assets revalued include:
 - Opus International Consultants Limited: Train stations, wharves and buildings
 - TelferYoung (Auckland) Limited: Land and land-finance lease
 - Bayleys Valuations Limited: Land and buildings
 - Quotable Value Limited: Land and buildings
 - Beca Carter Hollings & Ferner Limited: Land and buildings

Going concern

We confirm that, to the best of our knowledge and belief, Auckland Transport has adequate resources to continue operations at their current level for the foreseeable future. For this reason, the Board continues to adopt the going concern assumption in preparing the financial statements and performance information for the year ended 30 June 2015. We have reached this conclusion after making enquiries and having regard to circumstances that we consider likely to affect Auckland Transport during the period of one year from 25 August 2015, and to circumstances that we know will occur after that date which could affect the validity of the going concern assumption.

We consider that the financial statements and performance information adequately disclose the circumstances, and any uncertainties, surrounding the adoption of the going concern assumption by Auckland Transport.

Throughout the year, the company has conformed with the requirements of its banking arrangements, debenture trust deeds, or negative pledge agreements, including those relating to its net tangible assets ratios.

Publication of the financial statements and performance information and related audit report on a website

The Board accepts that it is responsible for the electronic presentation of the audited financial statements and performance information.

The electronic version of the audited financial statements and performance information and the related audit report presented on the website are the same as the final signed version of the audited financial statements and performance information and audit report.

We have clearly differentiated between audited and unaudited information on the website and understand the risk of potential misrepresentation without appropriate controls.

We have assessed the security controls over the audited financial statements and performance information and the related audit report and are satisfied that procedures are adequate to ensure the integrity of the information provided.

Where the audit report on the full financial statements and performance information is provided on a website, the financial statements and performance information are also provided in full.

Sign-off on these representations

The representations in this letter are made at your request, and to supplement information obtained by you from the records of Auckland Transport and to confirm information given to you orally.

Yours sincerely

David Warburton
Chief Executive Officer

Richard Morris
Chief Financial Officer

Appendix 1: Uncorrected misstatements

Note	Statement of comprehensive income		Statement of financial position	
	Dr \$000	Cr \$000	Dr \$000	Cr \$000
1	Depreciation expense \$2,232			Accumulated depreciation \$2,232
2		Gain on foreign exchange forward contract-revenue \$1,366	Cash flow hedges reserve- Other comprehensive revenue and expense \$1,366	

Explanation for uncorrected misstatements

- 1 Roothing renewals depreciation and other asset classes - Estimated calculation of error to recognise depreciation on roading renewed assets and other asset classes not depreciated during the year.
- 2 One foreign exchange forward contract is likely ineffective and as a result cannot be hedge accounted. This is the worst case estimate if the foreign forward contract is ineffective.



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Private Bag 92250, Auckland 1142, New Zealand
Ph 09 355 3553 Fax 09 355 3550

25 August 2015

David Walker
Director
Audit New Zealand
PO Box 1165
Auckland 1140

Dear David

Letter of representation for the year ended 30 June 2015

This representation letter is provided in connection with your audit, carried out on behalf of the Auditor-General, of the financial statements and performance information of Auckland Transport for the year ended 30 June 2015.

We understand that your audit was carried out in accordance with the Auditing Standards issued by the Auditor-General, which incorporate the International Standards on Auditing (New Zealand). We also understand that your examination was (to the extent that you deemed appropriate) for the objective of:

- 1 providing an independent opinion on whether Auckland Transport's financial statements
 - present fairly, in all material respects:
 - its financial position as at 30 June 2015; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Standards and



- 2 providing an independent opinion on whether the performance information of Auckland Transport presents fairly, in all material respects, Auckland Transport's achievements measured against the performance targets adopted for the year ended 30 June 2015; and
- 3 reporting on other matters relevant to Auckland Transport's financial and other management systems that come to your attention and are material (for example, compliance with statutory obligations or probity).

General responsibilities

We acknowledge the following responsibilities, and to the best of our knowledge and belief:

- the resources and activities under our control have been operating effectively and efficiently;
- we have complied with our statutory obligations including laws, regulations and contractual requirements;
- we have maintained proper accounting records as required by the Financial Reporting Act 1993;
- we have carried out our decisions and actions with due regard to minimising waste;
- we have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector (that is, we have carried out our decisions and actions with due regard to probity); and
- any decisions or actions have been taken with due regard to financial prudence.

We also acknowledge that we have responsibility for designing, implementing, and maintaining internal control (to the extent that is reasonably practical given the size of Auckland Transport to prevent and detect fraud.

Responsibilities for the financial statements and performance information

We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements and performance information, and that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

- we have fulfilled our responsibilities for preparing and presenting the financial statements and performance information as required by the Local Government Act 2002 and Financial Reporting Act 1993;
- we consider Auckland Transport's financial statements:
 - present fairly, in all material respects:
its financial position as at 30 June 2015; and

its financial performance and cash flows for the year then ended; and

- comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Standards;
- we consider the performance information of Auckland Transport presents fairly, in all material respects, the company's achievements measured against the performance targets adopted for the year ended 30 June 2015;
- we believe the significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable;
- we have appropriately accounted for and disclosed related party relationships and transactions in the financial statements and performance information;
- all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and performance information have been disclosed to you and have been accounted for and disclosed in accordance with generally accepted accounting practice;
- we have adjusted or disclosed all events subsequent to the date of the financial statements and performance information that require adjustment or disclosure;
- we believe that the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements and performance information as a whole. A list of the uncorrected misstatements is attached as Appendix 1 to this representation letter; and
- we believe the effects of uncorrected disclosure deficiencies, including both omitted and incomplete disclosures, are quantitatively and qualitatively immaterial, both individually and in aggregate, to the financial statements and performance information as a whole.

Responsibilities to provide information

We confirm that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

- we have provided you with:
 - all information, such as records and documentation, and other matters that are relevant to preparing and presenting the financial statements and performance information; and
 - unrestricted access to persons within Auckland Transport from whom you determined it necessary to obtain audit evidence;
- we have disclosed to you the results of our assessment of the risk that the financial statements and performance information may be materially misstated as a result of fraud;

- we have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects Auckland Transport and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements and performance information;
- we have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting Auckland Transport's financial statements and performance information communicated by employees, former employees, analysts, regulators, or others;
- we have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements and performance information; and
- we have disclosed the identity of the related parties, all of their relationships, and all of their transactions of which we are aware.
- We confirm that the revaluations are reasonable, appropriately reflect fair value and correctly accounted for and disclosed in the financial statements. Assets revalued include:
 - Opus International Consultants Limited: Train stations, wharves and buildings
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 - Bayleys Valuations Limited: Land and buildings
 - Quotable Value Limited: Land and buildings
 - Beca Carter Hollings & Ferner Limited: Land and buildings

Going concern

We confirm that, to the best of our knowledge and belief, Auckland Transport has adequate resources to continue operations at their current level for the foreseeable future. For this reason, the Board continues to adopt the going concern assumption in preparing the financial statements and performance information for the year ended 30 June 2015. We have reached this conclusion after making enquiries and having regard to circumstances that we consider likely to affect Auckland Transport during the period of one year from 25 August 2015, and to circumstances that we know will occur after that date which could affect the validity of the going concern assumption.

We consider that the financial statements and performance information adequately disclose the circumstances, and any uncertainties, surrounding the adoption of the going concern assumption by Auckland Transport.

Throughout the year, the company has conformed with the requirements of its banking arrangements, debenture trust deeds, or negative pledge agreements, including those relating to its net tangible assets ratios.

Publication of the financial statements and performance information and related audit report on a website

The Board accepts that it is responsible for the electronic presentation of the audited financial statements and performance information.

The electronic version of the audited financial statements and performance information and the related audit report presented on the website are the same as the final signed version of the audited financial statements and performance information and audit report.

We have clearly differentiated between audited and unaudited information on the website and understand the risk of potential misrepresentation without appropriate controls.

We have assessed the security controls over the audited financial statements and performance information and the related audit report and are satisfied that procedures are adequate to ensure the integrity of the information provided.

Where the audit report on the full financial statements and performance information is provided on a website, the financial statements and performance information are also provided in full.

Sign-off on these representations

The representations in this letter are made at your request, and to supplement information obtained by you from the records of Auckland Transport and to confirm information given to you orally.

Yours sincerely

L Levy

Board Chairperson

P Lockey

Finance and Risk Committee Chairperson

Appendix 1: Uncorrected misstatements

Note	Statement of comprehensive income		Statement of financial position	
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2		Gain on foreign exchange forward contract-revenue \$1,366	Cash flow hedges reserve- Other comprehensive revenue and expense \$1,366	

Explanation for uncorrected misstatements

- 1 Roothing renewals depreciation and other asset classes - Estimated calculation of error to recognise depreciation on roading renewed assets and other asset classes not depreciated during the year.
- 2 One foreign exchange forward contract is likely ineffective and as a result cannot be hedge accounted. This is the worst case estimate if the foreign forward contract is ineffective.



6 Henderson Valley Road, Henderson, Auckland 0612
Private Bag 92250, Auckland 1142, New Zealand
Ph 09 355 3553 Fax 09 355 3550

25 August 2015

Sue Tindal
Chief Financial Officer
Auckland Council
Private Bag 92300
Victoria Street West
Auckland 1142

Dear Sue

Letter of representation for the year ended 30 June 2015

This representation letter is provided in connection with the preparation of the Auckland Council Group Annual Report ('Annual Report') for the year ended 30 June 2015.

We are aware that the primary source of information for the preparation of the Annual Report is from information provided by ourselves, either through the year end financial close process or through the collection of additional supplementary information (primarily through the 'Reporting Pack').

The purpose of this letter is to provide you with the assurance that Auckland Transport's financial statements and additional supplementary information provided for the preparation of the Annual Report:

- comply with generally accepted accounting practices, including NZ PBE IPSAS; and
- fairly reflect the financial position as at 30 June 2015, financial performance and cash flows of Auckland Transport for the year ended 30 June 2015.



We also confirm that:

- the financial statements and additional supplementary information provided in the Reporting Pack have not changed from the version provided on the 31 July 2015; and
- we are in the position to recommend the Board to sign the financial statements of Auckland Transport in the August Board meeting.

General responsibilities for Auckland Transport

We acknowledge responsibility for ensuring that:

- the resources, activities, and entities under our control have been operating effectively and efficiently;
- we have complied with our statutory obligations including laws, regulations and contractual requirements;
- we have carried out our decisions and actions with due regard to minimising waste;
- we have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector (that is, we have carried out our decisions and actions with due regard to probity); and
- any decisions or actions have been taken with due regard to financial prudence.

We also acknowledge that we have responsibility for designing, implementing, and maintaining internal control (to the extent that is reasonably practical) to prevent and detect fraud.

Nothing has come to our attention to indicate that these responsibilities have not been met.

Responsibilities for the financial statements and the statement of service performance included in the Reporting Pack

We confirm that all transactions have been recorded in the accounting records and are reflected in the financial statements and supplementary disclosure information provided for Auckland Transport.

To the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

- we have fulfilled our responsibilities for preparing and presenting the financial statements as required by the Local Government Act 2002 and the Local Government (Auckland Council) Act 2009; and
- the financial statements comply with generally accepted accounting practice and fairly reflect the financial position of Auckland Transport as at 30 June 2015 and of the results of its operations and its cash flows for the year then ended; and

- we believe the significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable;
- we have appropriately accounted for and disclosed related party relationships and transactions;
- all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and have been accounted for and disclosed in accordance with generally accepted accounting practice, including NZ PBE IPSAS;
- we have adjusted or disclosed all events subsequent to the date of the financial statements that require adjustment or disclosure;
- the effects of identified uncorrected misstatements are immaterial, both individually and in aggregate, to the financial and supplementary information included in the Reporting Pack . A list of identified uncorrected misstatements is attached as Appendix 1 to this representation letter.
- the effects of uncorrected disclosure deficiencies, including both omitted and incomplete disclosures, are quantitatively and qualitatively immaterial, individually and in aggregate, to the financial and supplementary information included in the Reporting Pack . A list of identified uncorrected disclosure deficiencies is attached as Appendix 2 to this representation letter.

Responsibilities to provide information

We confirm that, to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves:

- we have provided you with all information, such as records and documentation, and other matters that are relevant to preparing and presenting the financial statements for Auckland Transport; and
- we have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- we have disclosed to you the identity of the related parties, all of their relationships, and all of their transactions of which we are aware.

Compliance with business requirements

For the year to date, Auckland Transport has conformed with the requirements of its banking arrangements, debenture trust deeds, or negative pledge agreements, including those relating to its net tangible assets ratios.

Sign-off on these representations

These representations are made at your request to support information provided from the records of Auckland Transport or expressly requested in the preparation of the Annual Report.

Yours sincerely

Lester Levy
Chairperson

David Warburton
Chief Executive Officer

Appendix 1: Uncorrected misstatements

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Explanation for uncorrected misstatements

- 1 Roothing renewals depreciation and other asset classes - Estimated calculation of error to recognise depreciation on roading renewed assets and other asset classes not depreciated during the year.
- 2 One foreign exchange forward contract is likely ineffective and as a result cannot be hedge accounted. This is the worst case estimate if the foreign forward contract is ineffective.

Appendix 2: Uncorrected disclosure deficiencies

Detail of disclosure deficiency	Explanation of why not corrected