

Limited Independent Assurance Report

To Kaipara District Council and to Covenant Trustee Services Limited in respect of Kaipara District Council's Debenture Trust Deed for the year ended 30 June 2020

The Auditor-General is the auditor of Kaipara District Council ('the Council') pursuant to the Public Audit Act 2001. The Auditor-General has appointed me, Bryce Henderson, using the staff and resources of Deloitte Limited to carry out the audit of the annual financial statements and performance information of the Council. On behalf of the Auditor-General, I have also carried out this Limited Independent Assurance Engagement, using the staff and resources of Deloitte Limited, as referred to in the Debenture Trust Deed between Corporate Trust Limited (now known as Covenant Trustee Services Limited) (the 'Trustee') and Kaipara District Council (the 'Council') dated 13 September 2013 (the Trust Deed).

Council's Responsibilities

The Council is required to provide a copy of the annual report, which includes the audited financial statements and performance information of the Council and our audit opinion, to Covenant Trustee Services Limited (Trustee) under clause 10.2.1 the Trust Deed.

The Council is responsible for preparing Reporting Certificates to the Trustee in accordance with clause 10.2.4 of the Trust Deed. The Council is responsible for such internal control as is determined necessary to ensure compliance with the requirements of the Trust Deed and also to enable the preparation of Reporting Certificates that are free from material misstatement, whether due to fraud or error.

The Council is responsible for keeping the Register and ensuring that it is separately audited in accordance with clause 4.2.8 of the Trust Deed.

The Council is required to comply with the full requirements of the Trust Deed, including the continuing covenants and reporting requirements.

The Council is responsible for interpreting the clauses and definitions in the Trust Deed. We make no representations as to whether these interpretations of the Trust Deed are appropriate.

Trustee's Responsibilities

The Trustee monitors the Council's compliance under the terms of the Trust Deed. The terms of the Trust Deed were agreed by the Trustee and the Council. We are not a signatory to the Trust Deed and we were not consulted about the terms of the Trust Deed. We therefore take no responsibility for the adequacy of the terms of the Trust Deed for monitoring the Council.

The receipt of this Limited Independent Assurance Report (Report) and the audited financial statements and performance information of the Council, and any reliance on the audit opinion contained in our auditor's report attached to those audited financial statements and performance information, does not relieve the Trustee of its responsibilities under the Trust Deed and relevant legislation.

The Financial Markets Authority (FMA) issued a guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors"¹. This guidance note sets out the FMA's expectations about how Trustees will carry out their monitoring functions effectively. Where applicable, it is the Trustee's responsibility to meet the FMA's expectations as set out in the guidance note.

¹ Please refer to the FMA website for a copy of the guidance note titled "Monitoring by Securities Trustees and Statutory Supervisors" (2013).

Our Responsibilities

We conducted our Limited Independent Assurance Engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the External Reporting Board. A copy of this standard is available on the External Reporting Board's website. A Limited Independent Assurance Engagement is not an audit and the procedures that have been performed are less than for an audit. As a result, the level of assurance that has been obtained is substantially lower than the assurance that would have been obtained had an audit been performed.

This standard requires that we comply with ethical requirements and plan and perform our Limited Independent Assurance Engagement to obtain limited assurance about whether anything has come to our attention to indicate the Reporting Certificate prepared for the year ended 30 June 2020 has not been prepared in accordance with the requirements of the fourth schedule of the Trust Deed.

The procedures performed when carrying out the audit of the annual financial statements and performance information of the Council are not designed to assess whether the Council has complied with the Trust Deed or to make an evaluation of the Reporting Certificate the Council issued to the Trustee.

The scope of this Limited Independent Assurance Engagement is to report on certain matters stated in clause 10.2.6(a) of the Trust Deed based on information obtained as a byproduct of our engagement to perform the audit of the annual financial statements and performance information of the Council for the year ended 30 June 2020.

For the purpose of providing our Report, unless expressly stated, we have not performed any further procedures beyond those required to complete our engagement to perform the audit of the annual financial statements and performance information of the Council.

In the performance of our duties as auditors, unless expressly stated, we do not perform any work at the time the Reporting Certificate for the year ended 30 June 2020 is prepared by the Council. Accordingly, our statements contained in the Report in relation to the matters addressed in clause 10.2.6(a) of the Trust Deed must be viewed in that context.

Our responsibility under clause 10.2.6(a) of the Trust Deed is to:

- From our perusal of the Reporting Certificate dated 16th December 2020 given on behalf of the Council pursuant to clause 10.2.4 and, as far as matters that we will observe in the performance of our duties as auditors are concerned, report whether anything is brought to our attention to indicate that the statements made in such Reporting Certificate are not materially correct.

In meeting this responsibility we agreed the total amount of all categories of Stock in the Reporting Certificate dated 16th December 2020 with counterparties.

The Council reported statutory ratios at 30 June 2020 in the Reporting Certificate. Our procedures were limited to recalculating the ratios.

With reference to the other assertions made by the Chief Executive in the Reporting Certificate our procedures have been limited to talking to management and considering any issues which might have come to our attention as a byproduct of our engagement to perform the audit of the annual financial statements and performance information of the Council.

- Report whether, in performing our duties as auditors, we have:
 - become aware of any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee; and
 - disclosed any matter that, in our opinion, calls for further investigation by the Trustee in the interests of the stockholders.

In meeting this responsibility, our procedures have been limited to talking to management and considering any issues which might have come to our attention as a byproduct of our engagement to perform the audit of the annual financial statements and performance information of the Council.

- Report, as at the end of the financial year, from the audit procedures performed as part of our engagement to perform the audit of the annual financial statements and performance information of the Council, whether anything came to our attention to indicate that, in all material respects, principal money due and payable on the Stock and interest due and payable on the Stock, had not been paid.

We have not tested that each individual Stockholder has received all monies due and payable to them.

- Report whether the Council's agents have maintained the Register in accordance with the requirements of the Trust Deed.

The Council is responsible for maintaining the Register and ensuring it is separately audited in accordance with clause 4.2 of the Trust Deed.

The audit of the Register is a separate engagement in the same way the engagement to perform the audit of the annual financial statements and performance information is a separate engagement. Our procedures were limited to auditing the Register for the year ended 30 June 2020.

- Report as at 30 June 2020:
 - the amount of Stock and how much is Security Stock and Bearer Stock; and
 - the Principal Money owing or secured under the Stock distinguishing between Security Stock and other categories of Stock.

In meeting this responsibility, we have agreed the total of all categories of Stock with counterparties. We have not tested that each individual Stockholder has received all monies due and payable to them.

Limitations and Use of this Report

This Limited Independent Assurance Report has been prepared solely for the Council and the Trustee in accordance with the Trust Deed. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Council and the Trustee or for any purpose other than that for which it was prepared.

We report to you as accountants, not lawyers. Accordingly we are not aware of all the powers and duties of trustees which may exist in statute, regulation, case law, legal precedent or otherwise.

Other than as expressly stated, we have not undertaken any additional audit work after signing our audit report on the Council's financial statements and performance information. We explain the scope of our audit engagement in our audit report on the Council's financial statements and performance information for the year ended 30 June 2020.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the period and the procedures performed in respect of the Council's compliance with the Trust Deed are undertaken on a test basis (that is, we do not check every transaction), our Limited Independent Assurance Engagement cannot be relied on to detect all instances where the Council may not have complied with the requirements of the Trust Deed. Our Conclusion has been formed on the above basis.

Unqualified Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that:

- The statements made by the Council in the Reporting Certificate dated 16th December 2020 pursuant to clause 10.2.4 are materially incorrect (Reporting Certificate dated 16th December 2020 is given in appendix one).
- There are any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee;
- There are any matters that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders;
- In all material respects, that the Council has not paid all principal money due and payable on the Stock and all interest due and payable on the Stock.

Our Limited Independent Assurance Engagement was completed on 16th December 2020 and our conclusion is expressed as at that date.

The Register and Stock

We issued the Council with an audit report about the Register for the year ended 30 June 2020 on [date]. (A copy of the audit report about the Register is attached).

Based on the work described in this Report, as at 30 June 2020 the following balances are given:

○	Total stock of	12,581,500,000
	This is comprised of:	
○	Security stock of	12,481,500,000
○	Security stock (Local Government Funding Agency stock) of	100,000,000

Based on the work described in this Report, as at 30 June 2020 the following balances are given:

○	Total Principal Money owing and secured under the stock of	44,000,000
	This is comprised of:	
○	Security stock of	-
○	Security stock (Local Government Funding Agency stock) of	44,000,000

The Total Principal Money owing does not include derivative contracts held by the Council that are secured by Security Stock.

The Council is one of a group of guarantors of the Local Government Funding Agency. As at 30 June 2020, Kaipara District Council had 12,437,500k units of Security Stock on issue associated with the guarantee.

The difference between Security Stock on issue associated with the guarantee and total borrowings of the Local Government Funding Agency at 30 June 2020 is as follows:

12,437,500k	units of Security Stock on issue associated with the guarantee
75,735k	accrued interest
(800,000)k	Treasury Stock held by the Local Government Funding Agency
194,268k	Treasury Stock lent to the market via repurchase agreements by the Local Government Funding Agency
11,907,503k	Total borrowings of the Local Government Funding Agency at 30 June 2020

Independence and quality control

When carrying out the engagement, we complied with the Auditor-General's:

- Independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board; and
- Quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

Other than this engagement, the audit of the financial statements and performance information of the Council and an audit on the Council's maintenance of the Register in accordance with clause 4.2.8 of the Trust Deed, we have carried our engagements in the areas of providing a whistle blower hotline service to Council, fraud awareness training and fraud investigation assistance which is compatible with those independence requirements. Other than these engagements we have no relationship with or interest in the District Council.



Bryce Henderson

for Deloitte Limited

On behalf of the Auditor-General

Auckland, New Zealand

FOURTH SCHEDULE
REPORTING CERTIFICATE

I, Louise Miller the Chief Executive of Kaipara District Council (the **Council**) hereby certify to the best of my knowledge and belief for the purposes of the Debenture Trust Deed dated **13 September 2013** (the **Trust Deed**):

1. Since the date on which the last Reporting Certificate containing this certification was given (30 June 2019):

(a) all interest due on the Stock has been paid;

(b) all Stock which has fallen due for repayment has been repaid;

(c) No Enforcement Event has occurred and remains unremedied.
2. As at the end of the financial year of the Council the total amount of Stock issued and outstanding under the Trust Deed (showing separately any relevant ‘Total Facility’ amounts) is as follows:

(i)	Debenture Stock of:	\$ Nil
	<i>Included in the figure reported at 2(i) is:</i>	
	Commercial Paper of:	\$ Nil
(ii)	Security Stock: Amount Issued	\$ 12,581,500,000
	Principal Outstanding	\$ 44,000,000
(iii)	Bearer Stock of:	\$ Nil
3. The Council has complied with the Act in connection with the Trust Deed, the Registrar and Paying Agreement, and any borrowing documentation which the Council has entered into under, in accordance with or secured by the Trust Deed.
4. On the basis of such information as to the financial position and prospects of the Council as is generally received by me in my capacity as Chief Executive (including reports from the Council's financial managers), I am not aware of any reason why the Council will not be able to meet its liabilities in relation to Stock and interest thereon

which are anticipated to fall due or to become payable during the twelve months from the date of this Certificate.

5. Since the date on which the last Reporting Certificate containing this certification was given (30 June 2019) the Council has complied in all material respects with all the material provisions, covenants and obligations under the Trust Deed, (except as per reporting certificate) and I am not aware of any reason why in the period of twelve months from the date of this Certificate the Council will not so comply with such provisions, covenants and obligations.
6. As at 30 June 2020:
- (a) the financial ratios and borrowing limits set out in the policies of the Council referred to in sections 102(2)(b) and 102(2)(c) of the Act were those described in the schedule to this Reporting Certificate as "Statutory Financial Ratios"; and
 - (b) the Council was in compliance with the financial ratios and borrowing limits referred to in paragraph [6](a) above (with exception of those reported in the reporting certificate).

This Certificate is given by me as Chief Executive of the Council in good faith on behalf of the Council and I shall have no personal liability in connection with the issuing of this Certificate.

Terms used, but not defined, in this Certificate have the meaning given to them in the Trust Deed.

Dated: 16 December 2020



Chief Executive
Kaipara District Council

Kaipara District Council Reporting Certificate

As at 30 June 2020

This reporting certificate uses the ratios included in the Treasury Policy adopted on 28 February 2018.

Debt Ratios and limits:

Ratio	KDC Policy	LGFA Covenants	KDC as at 30 June 2020	Compliance
Net debt as a percentage of total revenue	<170%	<175%	69%	Yes
Net interest as a percentage of total revenue	<15%	<20%	4%	Yes
Net interest as a percentage of annual rates income	<20%	<25%	6%	Yes
Liquidity	>110%	>110%	123%	Yes

KDC Policy

Liquidity/funding Maturity Profile:

Maturity Profile to apply once debt reaches \$25m

	Actual \$million	Minimum cover to Maximum cover	Actual %	Compliance
0 to 3 years	35	15% to 60%	83%	No
3 to 5 years	5	15% to 60%	9%	No
5 years plus	4	10% to 60%	7%	No
Total 30 June 2020	44			

Council borrowed two tranches of \$15 million and \$10 million with maturity date of 15 May 2021, this existing funding maturity is now due within the period of 0 to 3 years, breaching Council's funding and liquidity position. Council is working together with PWC to refinance the borrowing ahead of 15 May 2021.

KDC Policy

Debt Interest Rate Policy Parameters:

	Minimum to Maximum Fixed	Actual %	Compliance
Less than 12 months	50% to 95%	76% Fixed	Yes
12-36 months	40% to 90%	55% Fixed	Yes
37 to 60 months	30% to 80%	48% Fixed	Yes
Greater than 60 months	Nil to 50%	30% Fixed	Yes

PWC now provides monthly treasury advice on debt to ensure Council meets or is working towards meeting its debt policy.

INDEPENDENT ASSURANCE REPORT

TO THE COUNCILLORS OF KAIPARA DISTRICT COUNCIL IN RESPECT OF THE REGISTER OF STOCK FOR THE YEAR ENDED 30 JUNE 2020

The Auditor-General is the auditor of Kaipara District Council ('the Council') pursuant to the Public Audit Act 2001. The Auditor-General has appointed me, Bryce Henderson, using the staff and resources of Deloitte Limited to carry out the audit of the annual financial statements and the performance information of the Council on his behalf.

On 13 September 2013, the Council entered into a Debenture Trust Deed ('the Trust Deed') with Corporate Trust Limited (now known as Covenant Trustee Services Limited) ('the Trustee'). The Council is required to maintain a Register of Stock ('the Register') in accordance with Clause 4 of the Trust Deed. Due to our existing appointment, the Auditor-General has also appointed me, Bryce Henderson, using the staff and resources of Deloitte Limited to conclude on whether the Register has been maintained in accordance with Clause 4 of the Trust Deed for the year ended 30 June 2020.

Unqualified Conclusion

It is our conclusion that the Register of the Council has been maintained and complies, in all material respects, with Clause 4 of the Trust Deed for the year ended 30 June 2020.

Our work was completed on 16th December 2020. This is the date at which our conclusion is expressed.

The limitations and use of this report are explained below. In addition, we explain the responsibilities of the Councillors of the Council ('the Councillors') and our responsibilities, and we explain our independence.

Limitations and Use of this Report

This independent assurance report has been prepared solely for the Councillors in accordance with Clause 4.2.8 of the Trust Deed. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Councillors or for any purpose other than that for which it was prepared, even though we understand that the Council may provide our report to their Trustee.

This assurance report may only be provided to the Trustee for their information in connection with their role as Trustee and we do not accept any duty, liability or responsibility to the Trustee in relation to this assurance report.

This assurance report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. We accept or assume no duty, responsibility or liability to any other party in connection with the assurance report or this engagement, including without limitation, liability for negligence in relation to the conclusion expressed in this assurance report.

Responsibilities of the Councillors

The Councillors are responsible for maintaining the Register in accordance with the requirements of Clause 4 of the Trust Deed. This responsibility includes the design, implementation and maintenance of internal controls relevant to the compliance Clause 4 of the Trust Deed.

Our responsibilities

We are responsible for expressing an independent conclusion on whether the Register that is being maintained by the Council complies in all material respects, with the requirements of Clause 4 of the Trust Deed, and reporting that conclusion to you based on our work.

We have carried out our engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial*

Information. In addition we also used elements of SAE 3100 (Revised): *Compliance Engagements* to help form our conclusion on whether the Register complies, in all material respects, with Clause 4 of the Trust Deed. Both of these standards have been issued by the External Reporting Board and copies are available on the External Reporting Board's website.

Our procedures included examining, on a test basis, evidence relevant to ascertaining whether the Register, in all material respects, contained the information referred to in Clause 4 of the Trust Deed. Any review of internal control systems was performed only to the extent required to enable us to express a conclusion on compliance with Clause 4 of the Trust Deed. Our procedures were not designed to identify all significant weaknesses in internal controls.

Because of the inherent limitations of internal control and the use of selective testing, the fact that much of the evidence available to us is persuasive rather than conclusive and the use of judgement in gathering and evaluating evidence and forming conclusions based on that evidence, it is possible that fraud, error or non-compliance may have occurred and not been detected. As the procedures performed for this engagement were not performed continuously throughout the period our assurance engagement cannot be relied on to detect all instances where the Council may not have complied with Clause 4 of the Trust Deed with respect to the maintenance of the Register.

Our Independence and Quality Control

When carrying out this engagement, we complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

Other than this engagement, the audit of the annual financial statements and performance information of the Council and providing a limited assurance report in our capacity as auditor pursuant to clause 10.2.6(a) of the Trust Deed, we have also provided a whistle blower hotline service to Council, fraud awareness training and fraud investigation assistance which are compatible with those independent requirements. Other than these engagements we have no relationship with or interest in the Council.



Bryce Henderson
for Deloitte Limited
On behalf of the Auditor-General
Auckland, New Zealand
16 December 2020