

Performance Report

Porritt Glade Lifestyle Village For the
Year Ended 30 June 2022

Adopted: 31 May 2023

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Entity Information

Porritt Glade Lifestyle Village For the year ended 30 June 2022

Entity Structure

Porritt Glade Lifestyle Village is a Department of Kawerau District Council. The Porritt Glade Lifestyle Village is managed by the Kawerau District Council.

The financial statements of the Porritt Glade Lifestyle Village for the year ended to 30 June 2022. The financial statements are authorised for issue by Council on 31 May 2023.

Entity's Purpose or Mission

To aim to provide secure and low cost accommodation for independent aged people.

Entity's Operational Structure

Porritt Glade Lifestyle Village is a registered Retirement Village. It is operated by the Kawerau District Council.

Main Sources of Entity's Cash and Resources

Maintenance and License Fees - The residents pay a fee that covers the cost of a proportion of the outgoings incurred in the operation of the village. The initial License fee gives the resident the right to occupy a site.

Main Methods Used by Entity to Raise Funds

Services and Rating charges.

Physical Address

Porritt Drive, Kawerau

Solicitors

Holland Beckett
Tauranga

Auditor

Audit New Zealand
Wellington

Statement of Service Performance

Porritt Glade Lifestyle Village For the year ended 30 June 2022

Our Outcomes

To develop infrastructure and to build residential rental units as part of Kawerau District Council operations.

To build units that provide safe, secure and affordable accommodation and grounds for residents.

To allocate units to appropriate residents through License to Occupy Agreements.

Our Outputs

Output 1	2022 (actual)	2022 (budget)	2021 (actual)
<u>Dwelling Units Completed</u>			
To complete the construction of new units and infrastructure	18 units	18 units	12 units
<u>License to occupy Agreements</u>			
To sell License to Occupy Rights for completed units.	18 Licenses	18 Licenses	8 Licenses

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Statement of Financial Performance

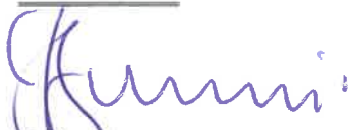
Porritt Glade Lifestyle Village
For the year ended 30 June 2022

\$ 2021		NOTES	\$ BUDGET	\$ 2022
	Revenue			
	<u>Revenue from providing goods or services</u>			
29,333	Fees, charges from residents		96,000	89,113
54,890	Rates Revenue		33,623	33,746
46,807	Amenity Fees	14	0	135,434
131,030	Total Revenue		129,623	258,293
131,030	Total Revenue from providing goods or services		129,623	258,293
155	Interest, dividends and other investment revenue	1	0	1,730
131,185	Total Revenue		129,623	260,023
	Expenses			
80,680	Costs related to providing goods or service		99,830	170,014
31,089	Financing Costs		13,993	11,882
47,359	Depreciation		15,800	96,685
159,128	Total Expenses	2	129,623	278,581
(27,943)	Surplus / (Deficit) for the Year		0	(18,558)

Statement of Financial Position

Porritt Glade Lifestyle Village For the year ended 30 June 2022

\$ 2021		NOTES	\$ 2022
ASSETS			
Current Assets			
629,155	Bank accounts and cash	3	135,920
1,920	Prepayments		4,956
372,523	License to Occupy Deposits held at Covenant Trustees		0
0	Deposits for building construction		357,534
1,003,598	Total Current Assets		498,410
Non-Current Assets			
Property, Plant and Equipment			
1,505,734	Land and Improvements	4	1,486,461
3,057,128	Buildings	4	4,553,074
4,562,862	Total Property, Plant and Equipment		6,039,535
4,562,862	Total Non-Current Assets		6,039,535
5,566,460	TOTAL ASSETS		6,537,945
LIABILITIES			
Current Liabilities			
205,846	Creditors and accrued expenses		59,354
2,672,233	Advance – Kawerau District Council	7	1,151,728
2,438,193	Residents Liability	8	5,467,759
372,523	Licence to Occupy Deposits Received		0
5,688,796	Total Current Liabilities		6,678,841
5,688,796	TOTAL LIABILITIES		6,678,841
(122,337)	NET ASSETS		(140,896)
ACCUMULATED FUNDS			
(122,337)	Accumulated surpluses or (deficits)	11	(140,896)
(122,337)	TOTAL ACCUMULATED FUNDS		(140,896)


F. K. N. Tunui
MAYOR


R. B. George, CA, MBA
CHIEF EXECUTIVE OFFICER

Statement of Cash Flows

Porritt Glade Lifestyle Village
For the year ended 30 June 2022

Cash Basis

\$ 2021	NOTES	\$ 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was received from		
84,223	Receipts from providing goods or services	122,859
155	Interest, dividends and other investment receipts	1,730
2,485,000	Receipts from Occupation Right Agreements	3,165,000
2,569,378	Total Cash was received from	3,289,589
Cash was applied to		
(55,593)	Payments to suppliers and employees	(149,560)
(31,089)	Interest Payments	(11,882)
(86,682)	Total Cash was applied to	(161,442)
2,482,696	TOTAL CASH FLOWS FROM OPERATING ACTIVITIES	3,128,147
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES		
Cash was received from		
206,247	Proceeds from Council Advance	0
0	Other receipts	0
206,247	Total Cash was received from	0
Cash was applied to		
(2,059,788)	Payments to acquire property, plant and equipment	(2,100,877)
0	Payments to Council Advance	(1,520,505)
(2,059,788)	Total Cash was applied to	(3,621,382)
(1,853,541)	TOTAL CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES	(3,621,382)
629,155	Net increase/(Decrease) in Cash	(493,235)
Opening Cash Balance		
0	Bank accounts and cash	629,155
0	Total Opening Cash Balance	629,155
629,155	Closing Cash Balance	135,920
Bank Accounts and Cash		
629,155	BNZ Bank – 001 Account	135,920
629,155	Total Bank Accounts and Cash	135,920

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Statement of Accounting Policies

Porritt Glade Lifestyle Village For the year ended 30 June 2022

Statement of Compliance and Basis of Preparation

The Porritt Glade Lifestyle Village is a registered retirement under the Retirement Village Act 2002 and therefore is required to comply with the requirements of this legislation including financial reporting.

The Porritt Glade Lifestyle Village is eligible to apply Tier3 PBE Accounting Standards: PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting-Accrual on the basis that it does not have public accountability and had total annual expenses of equal or less than \$2,000,000 in the two previous reporting periods.

The entity has elected to report in accordance with PBE SFR-A (NFP). All transactions in the Performance Report are reported using the accrual basis of accounting.

The accounting principles recognised as appropriate for the measurement and reporting of the Statement of Financial Performance and Statement of Financial Position on a going concern basis are followed by the entity, unless otherwise stated in the Specific Accounting Policies.

The information is presented in New Zealand dollars. All values are rounded to the nearest dollar.

The Performance Report is prepared under the assumption that the entity will continue to operate in the foreseeable future. The entities began its activities in July 2019.

During the year the Entity incurred a net loss of \$18,558 (2021: \$27,943), and as at 30 June 2022 had net liabilities of \$140,896 (2021: \$122,337). The Entity has obtained financial support from the Kawerau District Council for a period of at least 12 months from the approval of these financial statements.

On the basis of this pledge of financial support Council has agreed that it is appropriate for these financial statements to be prepared on the going concern basis.

Specific Accounting Policies

a) Income Tax

The reporting entity is a Department of the Kawerau District Council and is wholly exempt from New Zealand income tax having fully complied with all statutory conditions for these exemptions.

b) Goods and Services Tax

The entity is not registered for GST. Therefore all amounts are stated inclusive of GST (if any). Any GST transactions are processed within the Kawerau District Council, of which Porritt Lifestyle Village is a department.

GST on infrastructure costs is claimable by the Kawerau District Council and as such these costs are stated in the financial statements net of GST. Any GST that is claimable is claimed by the Kawerau District Council and accounted for by the council, and therefore there is no specific GST balance payable or receivable at year end, instead this balance is reflected in the net balance payable to the Kawerau District Council.

c) Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on a basis consistent with those used last year.

d) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and revenue can be reliably measured. Revenue is measured at fair value of the consideration received.

Fees

Fees and subscriptions from members are recorded evenly over the period the item is provided, or where the value varies recorded proportionally on the basis of value in relation to total estimated value.

Rates

Rates revenue is from the General Rate and is rates revenue to fund the Retirement Village Activity of Council. The rates revenue is recorded as the portion of the general rates revenue that is earned.

Interest

Interest income is recorded as it is earned.

Maintenance Fees

The residents pay a fee, which covers the cost of a proportion of the outgoings, which the Operator incurs in the operation of the village. The Maintenance Fees are recognised as revenue when they are earned.

Amenity Fees

The Occupation Right Agreement (ORA) conferring the right to occupancy are considered leases under PBE IPSAS 13 – Leases. The amenities fee is calculated as a percentage of the ORA amount and accrues monthly, for a set period, based on the terms of the individual contracts and treated as lease income over the period. The ORA accrues amenity fees at the rate of 3% per annum for a maximum of 10 years.

The amenities fee is recognised on a straight-line basis in the Statement of Financial Performance over the average expected length of stay of residents.

The amenities fee is payable by the resident at the time of repayment (to the resident) of the refundable ORA amount due. At year end, the amenities fee receivable that has yet to be recognised in the Statement of Financial Performance as amenities fee revenue is recognised as deferred amenities fee on the Statement of Financial Position.

The timing of the recognition of amenities fee is a critical accounting estimate and judgement. The management fee is recognised on a straight-line bases in the Statement Financial Performance of over the average expected length of stay of residents. The current assessments are as follows:

Expected average length of stay	30 June 2021	30 June 2022
Independent living units	10 years	10 years

There is uncertainty regarding how long resident stays, as they have complete autonomy to terminate their ORA when and for such reasons as they see fit. As the village is new, there is limited data to determine the length of stay. At 30 June 2022, an increase in the average expected length of stay of residents by one year is estimated to reduce amenities fee revenue by \$12,325 (2021: \$4,260) and a decrease of one year would increase amenities fee revenue by \$15,033 (2021: \$5,195).

e) Expenditure

Administrative Expenses includes overhead cost allocations which are indirect costs. Indirect costs are charged using appropriate cost drivers such as actual usage and staff numbers. Financing costs are an indirect cost. All other costs are direct costs which are directly attributable to the Village.

f) Refundable Occupation Right Agreements

Occupation right agreements (ORA) conferring the right to occupancy are considered leases under PBE IPSAS 13 – Leases. A new resident is charged a refundable security deposit on being issued the right to occupy which is refunded to the resident on termination, after the subtraction of the capital deduction. The Operator (Council) has a legal right to set off any amounts owing to the Operator by a resident against that resident's deposit, including amenities fee, loans receivable, service fees and village fees. As the agreement can be cancelled by the resident with one month's notice, the liability is considered to have a demand feature and is therefore shown at face value and classified in full as a current liability.

The right of residents to occupy the properties of the Operator (Council) are protected by the Statutory Supervisor restricting the ability of the Operator to fully control these assets without undergoing a consultation process with all affected parties. Residents do not have a right to participate in capital gains.

g) Property, Plant and Equipment

Recognition and Measurement

Items of Property, Plant and Equipment are initially measured at cost, except those acquired through non exchange transactions which are instead measured at fair value as their deemed cost at initial recognition.

All of the entities items of Property, Plant and Equipment are subsequently measured in accordance with the cost model.

Cost include expenditure that is directly attributable to the acquisition of the asset.

When an item of Property, Plant and Equipment is disposed of, any gain or loss is recognised in the income statement and is calculated as the difference between the sale price and the carrying value of the item.

Depreciation

Depreciation is calculated on a either a straight line or diminishing value basis over the estimated useful life of the asset as indicated below, except for land. Land is not depreciated.

The following estimated depreciation rates have been used:

Land Improvements - 1% to 8.33%

Buildings Structures - 2% SL and Building Fitouts - 3.33% SL

Depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted if there is a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset.

An item of property, plant and equipment or investment property is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Financial Performance in the year the asset is derecognised.

h) Accounting Estimates and Judgements

The preparation of Financial Statements requires management to make judgements, estimates and assumptions. Estimates and judgements 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.

i) Refundable Occupation Right Agreement Receivables

Occupation right agreement receivables are recognised once an occupation right agreement settles and the funds are held by the Statutory Supervisor. The receivable is recorded at its nominal value and collection terms are based on the specific terms of the individual occupation right agreements.

j) Bank Accounts and Cash

Bank accounts and cash in the Statement of Cash Flows comprise cash balances and bank balances (including short term deposits) with original maturities of 90 days or less.

k) Trade and Other Payables

Trade and other payables are recognised when the entity has an obligation which can be reliably measured at balance date as a result of a past event and it is probable that the company will be required to settle the obligation.

Provisions are measured based on a best estimate of the expenditure required to settle the obligation at balance date. Movements in the best estimate are recorded in the Statement of Financial Performance.

l) Loans

Loans are recorded when the amount borrowed has been received and measured at cost. Interest expense is recognised on an accruals basis.

m) Equity

Accumulated revenue and expense is the entities accumulated surplus or deficit since its formation.

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Notes to the Performance Report

Porritt Glade Lifestyle Village For the year ended 30 June 2022

\$ 2021		\$ 2022
1. Revenue		
Revenue from providing goods or services		
29,333	Fees, Charges from Residents	89,113
54,890	Rates Revenue	33,746
46,807	Amenities Fee	135,434
131,030	Total Revenue from providing goods or services	258,293
Interest, dividends and other investment revenue		
155	Interest Received	1,730
155	Total interest, dividends and other investment revenue	1,730
131,185	Total Revenue	260,023
2. Expenses		
Costs related to providing goods or services		
6,000	Accounting Fees	0
10,500	Administration Expenses	37,020
8,000	Audit Fees	16,213
6,555	Insurance	12,802
7,311	Legal Expenses	12,804
38,366	Total Costs related to providing goods or services	78,839
Costs related to providing goods or services (residents)		
14,080	Rates	32,131
16,770	Repairs and Maintenance	46,439
11,282	Statutory Supervision Expenses	11,745
181	Sundry Expenses	860
42,314	Total Costs related to providing goods or services (residents)	91,175
Other Expenses		
47,359	Depreciation	96,685
31,089	Interest Expense	11,882
78,488	Total Other Expenses	108,567
159,128	Total Expenses	278,581
3. Bank Accounts and Cash		
629,155	BNZ Bank – 001 Account	135,920
629,155	Total Bank Accounts and Cash	135,920

\$ 2021		\$ 2022
4. Property, Plant and Equipment		
Cost or Valuation		
<u>Land</u>		
829,531	As at 1 July	829,531
0	Additions	0
0	Disposals or Sales	0
829,531	Total Land	829,531
<u>Land Improvements</u>		
632,665	As at 1 July	702,100
69,435	Additions	0
0	Disposals or Sales	0
702,100	Total Land Improvements	702,100
<u>Buildings</u>		
0	As at 1 July	3,087,098
3,087,098	Additions	1,573,358
0	Disposals or Sales	0
3,087,098	Total Buildings	4,660,456
4,618,729	Total Cost or Valuation	6,192,087
Accumulated Depreciation		
<u>Land Improvements</u>		
8,508	As at 1 July	25,897
17,389	Depreciation	19,273
0	Disposals or Sales	0
25,897	Total Land Improvements	45,170
<u>Buildings</u>		
0	As at 1 July	29,970
29,970	Depreciation	77,412
29,970	Total Buildings	107,382
55,867	Total Accumulated Depreciation	152,552
<u>Book Value at 30 June</u>		
829,531	Land	829,531
676,203	Land Improvements	656,930
3,057,128	Buildings	4,553,074
4,562,862	Total Book Value at 30 June	6,039,535

Land and Buildings are presented in the Statement of Financial Position at cost.

The nature of Land Improvements includes Roothing, Stormwater, Water and Wastewater and fencing which are land development costs.

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\$ 2021		\$ 2022
5. Commitments		
Commitment to purchase property, plant and equipment		
1,519,500	Current (less than twelve months)	3,021,466
0	Non Current (later than twelve months)	0
1,519,500	Total Commitment to purchase property, plant and equipment	3,021,466

Commitments of \$3,021,466 at 30 June 2022 relate to a signed construction agreement for 11 residential units (5 Duplex's & 1 single unit) with Generation Homes. The signed agreement is for 11 units costing (10 x \$301,000 and 1 x \$369,000) with the commitment value being the construction cost less the deposits paid prior to 30 June 2022. The 11 units are expected to be completed by 30 June 2023.

Commitments at 30 June 2021 of \$1,519,500 relate to a signed construction agreement for 6 residential units. These were completed during the year ended 30 June 2022.

6. Related Parties		
Advances		
2,672,233	Advance from Kawerau District Council (The Porritt Glade Lifestyle Village is a department of the Kawerau District Council)	1,151,728
2,672,233	Total Advances	1,151,728

7. Advances & Loans		
<u>Advance from Kawerau District Council</u>		
The advance from Kawerau District Council of \$1,151,728 (2021: \$2,672,233) is unsecured. . It is an interdepartmental advance within the Kawerau District Council. The advance is to fund the construction of the remaining units, until Occupational Right Agreement licences are issued for the new units. Interest is charged at 0.9% per annum to the Department.		

8. Liability to Residents		
1,739,500	Residents liability – refundable Occupational Right Agreements -	3,955,000
698,693	Residents liability – refundable amenities fee	1,512,759
2,438,193	Total refundable occupational rights agreements	5,467,759

Refundable Occupational Right Agreements and Amenity fees are liabilities for liquidity purposes as the entity does not have an unconditional right to defer these. A terminating resident occupational license deposit is repaid once the license has been assigned to an incoming resident.

It is expected that the new residents deposits will generally exceed the repaid residents deposits and will represent a positive cash flow for Council

9. Residents Liability - Refundable Occupation Right Agreements		
0	Balance at Beginning of Period	1,739,500
0	Less Amounts Repaid on Termination	0
1,739,500	Plus Amount Received on New ORA Issued	2,215,500
1,739,500	Total Occupation Right Agreements	3,955,000

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2021

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2022

10. Residents Liability – Refundable Amenities Fee

0	Balance at Beginning of Period	698,793
745,500	Amounts Received for new Occupation Right Agreements Licenses	949,500
(46,707)	Amenities Fees for the Year	(135,534)
0	Gain (Loss) from Termination of Occupation Right Agreements RA	0
698,793	Total Refundable Amenities Fee	1,512,759

11. Accumulated Funds

(94,394)	Opening Balance	(122,337)
(27,943)	Accumulated surpluses or (deficits)	((18,558)
(122,337)	Total Accumulated Funds	(140,896)

12. Contingencies

There are no contingencies as at 30 June 2022 (2021: nil).

13. Events after balance date

After 30 June 2022, Council's contractors commenced the construction of the final 11 units with completion expected by 28 February 2023. All but 3 units have been committed to.

14. Variation from Budget – Amenities Fee

At the time of preparing the budget, the accounting treatment for Occupation Right Agreements was not known, and they were budgeted as a disposal of asset. This meant no amount was budgeted for "Amenities Fee".

15. Non-compliance with Financial Reporting Timeframe

The Retirement Villages Act 2003 requires all operators of retirement villages to prepare an audited annual report for the village's operations within 5 months of the end of the financial year. The audit opinion for Porritt Glade Lifestyle Village was provided on the 31 May 2023.

This was due to an audit shortage in New Zealand and the consequential effects of COVID-19 including lockdowns

Independent Auditor's Report

To the members of Porritt Glade Lifestyle Village's financial statements for the year ended 30 June 2022

The Auditor-General is the auditor of Porritt Glade Lifestyle Village (the retirement village). The Kawerau District Council (Council) is the Operator for the retirement village under the Retirement Villages Act of 2003. The Auditor-General has appointed me, René van Zyl, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the retirement village on his behalf.

Opinion

We have audited the financial statements of the retirement village on pages 5 to 15, that comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of cash flows and statement of accounting policies for the year ended on that date and the notes to the performance report that include other explanatory information.

In our opinion the financial statements of the retirement village:

- present fairly, in all material respects:
 - its financial position as at 30 June 2022; 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 Simple Format Reporting - Accrual (Public Sector).

Our audit was completed late

Our audit was completed on 31 May 2023. This is the date at which our opinion is expressed. We acknowledge that our audit was completed later than required by the Retirement Villages Act 2003. This was due to an auditor shortage in New Zealand and the consequential effects of Covid-19, including lockdowns.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Council as operator and our responsibilities relating to the financial statements, 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 Council as operator for the financial statements

The Council is responsible on behalf of the retirement village for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

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

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

The Council's responsibilities arise from the Retirement Villages Act 2003.

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, 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.

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

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, 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 retirement village's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the retirement village'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, 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 retirement village to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Council 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 Council is responsible for the other information. The other information comprises the information included on pages 3 to 4, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the financial statements 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, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements 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 retirement village 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.

In addition to our audit of the retirement village, we have completed statutory audits in relation to the Council's annual report and long-term plan and performed a limited assurance engagement related to on the Council's debenture trust deed, which are compatible with those independence requirements. Other than these engagements, we have no relationship with or interests in the retirement village or Kawerau District Council.



René van Zyl
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand