



22 February 2017

The Executive Members
Ngāti Whātua Ōrākei Reserves Board
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Dear Executive Members

Ngāti Whātua Ōrākei Reserves Board Audit of your performance report

This letter outlines the terms of our engagement to ensure the extent of our respective responsibilities remains clearly understood.

Auditor's Responsibilities

Our audit of your statement of financial performance, statement of financial position, statement of cash flows, statement of accounting policies and the notes to the performance report will be conducted in accordance with International Standards on Auditing (New Zealand). Our audit of the entity information and the statement of service performance will be in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised) (ISAE (NZ)) 3000 (Revised). The objective of the audit is to express an opinion on whether your performance report as presented by the executive members, presents fairly, in all material respects, the entity information, service performance, financial position, financial performance and cash flows of your organisation.

Our report will be in the form recommended by the External Reporting Board's *Explanatory Guide Au9 Guidance on the Audit or Review of the Performance Report of Tier 3 Not-for-profit Public Benefit Entities*.

Executive Members' Responsibilities

We understand you intend to prepare a performance report in accordance with generally accepted accounting practice in New Zealand, in your case applying the Tier 3 framework known as Public Benefit Entity Simple Format Reporting – Accrual (Not for profit) issued by the New Zealand Accounting Standards Board.

We direct your attention to the fact that the responsibility for the preparation of the performance report, including adequate disclosure, remains that of the governing body of your organisation. The executive members acknowledge their responsibilities in relation to the performance report include:

- The preparation and fair presentation of a performance report that comprises:
 - The entity information;
 - The statement of service performance; and
 - The statement of financial performance, statement of financial position, statement of cash flows, statement of accounting policies and the notes to the performance report;
in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not for profit) issued by the New Zealand Accounting Standards Board;
- the selection and consistent application of appropriate accounting policies; and
- the security and controls over information on your organisation's website, including electronic presentation of the performance report.

THE POWER OF BEING UNDERSTOOD
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RSM Hayes Audit is a member of the RSM network and trades as RSM Hayes. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practises in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

The executive members are responsible for the establishment and maintenance of accounting records and a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting. The governing body are also responsible for the design and implementation of internal control to prevent and detect error, fraud and non-compliance with laws and regulations.

To allow us to perform our audit you agree to provide us with all access to all information which you are aware is relevant to the preparation of your performance report. You will also provide us any other information and explanations that we may request from either management or yourselves as necessary for the performance of our duties as auditors. This will include unrestricted access to all records, including minutes of the governing body and management meetings, as well as other documentation and relevant personnel within your organisation.

Once we have issued our report we have no further direct responsibility in relation to the performance report for that reporting period. However, we expect that you will inform us of any material event occurring between the date of our report and that of the Annual General Meeting or publication of the performance report which may affect the performance report. If you intend to publish or reproduce the performance, including our audit report, in printed form or electronically you agree to provide us with a draft of the document, and to obtain our approval before the document is finalised and distributed. Such instances include the published Annual Report, Prospectus and the loading of the performance report onto a website. Where our audit report is reproduced in any medium, the complete performance report, including notes, must also be presented.

Management representations

As required by International Standards on Auditing (New Zealand) and ISAE (NZ) 3000 (Revised), we will make specific inquiries of the executive members and others about the representations embodied in the performance report and the effectiveness of internal control over performance reporting. We will also request a representation letter covering matters material to the performance report from key management personnel and the executive members.

This will include representations on the adoption of the going concern assumption in the preparation of the performance report, including the key considerations made by the governing body as to its applicability. The results of our audit tests, the responses to our inquiries and the written representations of the governing body and management, comprise the evidential matter upon which we intend to rely in forming our opinion on the performance report. Such representations will be requested as of the date of approval of the performance report.

Scope of the audit

An audit includes examining a sample of evidence relevant to the amounts and disclosures in the performance report. An audit also includes assessing the significant estimates and judgements made in the preparation of the performance report, and whether the accounting policies are appropriate to your organisation's circumstances, consistently applied, and adequately disclosed.

This includes performing procedures to obtain evidence about and evaluating whether the statement of service performance's reported outcomes and outputs, and quantification of the outputs to the extent practicable, are relevant, reliable, comparable and understandable.

We will examine the accounting and internal control systems to ensure that they are adequate as a basis for the preparation of the performance report and to establish whether the organisation has kept proper accounting records. However, our audit is not designed to identify all significant weaknesses your organisation's systems, nor to express an opinion on the effectiveness of your organisations system of internal control.

Because of the test nature and other inherent limitations of an audit, together with the inherent limitations on the accuracy of any accounting or other systems, there is an unavoidable risk that even a significant error, fraud or irregularity may remain undiscovered. Accordingly, our examination should not be relied upon to disclose defalcations or other irregularities.

In addition to our report on the performance report, we will also report to you concerning any issues impacting on our independence as auditors, qualitative aspects of your financial reporting and any material weaknesses in the organisation's system of accounting and internal control which come to our notice. We will also raise any expected modifications to our audit report on the performance report with you in advance.

Any accounting or other services that we may provide from time to time at your request are distinct from our function as auditors.

Limitations

We will exercise reasonable care and skill in the provision of our services set out in this letter. However, in the unlikely event of a dispute you have agreed with us that the aggregate liability (including, without limitation, legal fees) of RSM Hayes Audit, associated entities and personnel will in no circumstances exceed three times our fee or \$50,000, whichever is the lower.

RSM Hayes Audit's aggregate liability will be limited to that proportion of the total damage for which it is responsible. The intention is that each party to this contract shall bear only that part of any loss or damage that is proportionate to the loss or damage directly caused by them. For the avoidance of doubt, in determining proportionality of loss or damage caused, account shall be taken of any loss or damage that is reasonably attributable to any third party. If we cannot agree on the proportion of loss or damage attributable to any third party, the matter shall be referred to arbitration in accordance with the Arbitration Act 1996.

This limitation of liability extends to both the engagement contained in this letter and any variation or addition to it, and to claims arising from breach of contract, negligence or in any other way. This provision shall survive the termination of this agreement for any reason.

Responsibility for other documents accompanying audited performance report

Professional standards require that we read any annual report and other documents that contain our audit opinion. The purpose of this procedure is to consider whether other information in the annual report, including the manner of its presentation, is materially inconsistent with information appearing in the performance report. We assume no obligation to perform procedures to verify such other information as part of our audit.

Third party use of our audit report

Our audit opinion is intended for the benefit of those to whom it is addressed. The audit will not be planned or conducted in contemplation of reliance by any third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly in connection with the specific transaction.

Ownership of and access to audit file

The working papers and files for this engagement created by us during the course of the audit, including electronic documents and files, are the sole property of RSM Hayes Audit and constitute confidential information. Requests by third parties for access to our working papers, including those made by parties entitled by law to compel us to provide such access, will be discussed with you and your consent obtained before access is given, other than by operation of law.

As with all chartered accountancy firms, our audit and accounting practices are subject to review by the Practice Review Board of the New Zealand Institute of Chartered Accountants, as well as the Financial Markets Authority. We are required to produce any document or other material in our possession or power and co-operate in the review process. The work we perform for you may be selected by the examiners for their review. If so, they are obliged to keep all information confidential.

Performance of our services

This engagement is with the partnership of RSM Hayes Audit ("the partnership"). The partnership is responsible for and will issue the audit report in relation to your entity. The partnership will also invoice you for the work undertaken.

However, RSM Hayes Audit Limited ("company") provides the audit team who deliver the specialist audit services to the partnership. The partnership will engage the company to complete the audit services in relation to your entity. Notwithstanding this internal arrangement, the partnership remains responsible for the provision of audit services to you, including the audit report.

National and international affiliations

RSM Hayes Audit is a member of RSM New Zealand and the RSM International network. We operate as a member of these associations, but are a separate legal entity.

Other members of RSM, together with their respective directors and employees, are not agents of our firm. None of RSM New Zealand, RSM International or their respective member firms have the authority to enter into obligations on our behalf.

During our dealings with you we may introduce you to another member firm, and if so you will need to enter into your own contractual arrangements directly with that firm. We do not accept any liability in respect of any work they may undertake for you.

We have sole responsibility for work that we undertake in accordance with this engagement letter and you agree that you will not bring any proceedings or make any claim whatsoever against RSM New Zealand, RSM International or any other RSM member firms in relation to the work that we perform for you.

Financial Advisers Act

RSM Hayes Audit is not an Authorised Financial Adviser as defined in section 51 of the Financial Advisers Act 2008. Any advice provided is merely a service provided as an incidental part of a non-financial service.

We recommend that any investment decisions are referred to an Authorised Financial Adviser.

Electronic communication

To comply with the Unsolicited Electronic Messages Act 2007, we are required to obtain your permission to send you electronic messages including, but not limited to, information about our services and invitations to special client events that we regularly hold. Please complete the following to indicate whether you wish to opt in to our electronic mailing list:

I authorise RSM Hayes Audit to send me electronic messages

Please do not send me electronic messages

Fees

Our fees, which will be billed as work progresses, are based on the time required by the individuals assigned to the engagement plus disbursements. Individual hourly rates vary according to the degree of responsibility involved and the experience and skill required. The fee for the audit of your performance report for the year will be agreed with you annually and will be detailed in our audit arrangements letter. Our fee will be billed periodically as work progresses, and payment is due no later than 20 days from the invoice date. We reserve the right to charge interest on overdue amounts at a maximum rate of 15% per annum. We also reserve the right to on charge all collection costs applicable to the recovery of the account, should payment not be received.

Fees for future audits will be discussed with you and agreed before the work commences.

Our fee estimates, which will be contained in our annual arrangement letter, will be based on the following assumptions:

- Draft performance report (including entity and service performance information) will be prepared in a format based on your stated accounting policies and will be supported by competent and complete working papers detailing the make-up of the balances with reference to supporting source documentation;
- During the course of the audit we will adhere to three trial balance amendments from the trial balance given to us at the commencement of the audit. Any further amendments may incur additional fees.

- We will be provided with an opportunity to assess the suitability of the outcomes and outputs to be reported ahead of audit fieldwork commencing. This is important as we anticipate conducting an integrated audit of both your financial and non-financial information in order to deliver the most effective use of audit time.
- We will receive full co-operation and all information required from your team within the time frames agreed; and
- We have been provided with all relevant information to make our fee estimate.

We want you to receive the maximum value for our professional services and to perceive that our fees are reasonable and fair. However, in seeking to provide you with such value, we find there are various matters that can cause us to perform work in excess of that contemplated by our fee estimate. The following explains the matters that arise most frequently:

- We generally form our fee estimates on the expectation that the accounting records are in good order so that our work can be completed based upon our normal testing and other procedures. However, should we find numerous errors, incomplete records, or disorganised bookkeeping methods, we will have to perform additional work to ensure that the necessary corrections have been made and are properly reflected in the performance report.
- To minimise your costs, we plan the means by which your personnel can facilitate the audit (e.g. what schedules they will prepare, how to prepare them, the supporting documents that need to be provided, etc). We also discuss matters such as availability of your key personnel, deadlines and working conditions. Indeed, the information concerning these matters that you furnish to us is a key element in our fee estimate. Therefore, if your personnel are unable, for whatever reasons, to provide these materials on a timely basis, it may substantially increase the work we must do to complete the engagement within the established deadlines. Further, in some circumstances, this may require a staff withdrawal, as discussed in the following paragraph.
- A staff withdrawal consists of removing one or all of our staff because the condition of the records, or the inability of personnel to provide agreed upon materials within the established timetable makes it impractical for us to perform our work in a timely, efficient manner, as established in our proposed timetable. Sometimes, a complete staff withdrawal is necessary to permit an orderly audit approach. A staff withdrawal is not necessarily an adverse reflection on personnel. However, it often involves additional time and costs, as we must reschedule our personnel, incurring additional start-up costs, etc.
- Even though we communicate frequently with clients and plan our engagement with management and their staff, unforeseen events can occur. Examples include: accounting problems, litigation, changes in the business or business environment, contractual or other difficulties with suppliers or customers, etc. When those circumstances occur, additional time is needed to complete our engagement in accordance with professional standards.

Again, we emphasise that we strive to give you optimum value for our professional services. Fee estimates are provided based upon the facts and circumstances that you describe to us. However, unlike the sale of products, the performance of professional services is affected by many variables, such as the above, which may cause fee estimates to change.

Improving our services

RSM Hayes Audit is committed to achieving and maintaining the highest quality of service. If at any time you wish to discuss with us how our services to you may be improved, or if you are in any way dissatisfied with the service you are receiving, please contact Audit Partner, Elaine Yong or Craig Fisher, the Chairman of RSM New Zealand. We undertake to look into any complaint carefully and promptly.

Conclusion

This letter supersedes any previous engagement letter. Once agreed, this letter will remain effective from the date of signature until it is replaced. You or we may vary or terminate this arrangement at any time without penalty. Notice of variation or termination must be given in writing.

We look forward to a constructive relationship with your team and we trust that they will make available to us all records, documentation and other information requested in connection with our audit.

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for our audit of the performance report.

If you would like to discuss any aspect of this letter please contact, Elaine Yong or Mwauluka Mubano on (09) 367 1656.

Yours faithfully

RSM

Client Acknowledgement

We agree that this letter properly describes the terms of engagement for the audit of our performance report.

Signed


Ngāti-Whātua Ōrākei Reserves Board


Sharon Haskie
Executive Member

Dated


7 May 2018