

[21 March 2011 – DRAFT]

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WELLINGTON

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Your worship

## **Audit Proposal and Arrangements Letter: Audit of Long Term Plan for the period commencing 1 July 2012**

This letter outlines the following matters in relation to the audits of Wellington City Council (the Council) Long Term Plan (LTP) Statement of Proposal (SOP) and adopted LTP including:

- arrangements for the audits of the LTP SOP and the adopted LTP for the period commencing 1 July 2012;
- the areas of emphasis for the audits;
- the terms of the engagement that apply specifically to the audits (**Appendix 1**); and
- our estimate of the audit fees associated with the audits (**Appendix 2**).

### **1 Audit scope and objectives**

The general terms of our audit engagement and our respective responsibilities are contained in our audit engagement letter (which remains unchanged since that date), supplemented by the terms of the engagement that apply specifically to the audits of the LTP SOP and adopted LTP, and which are set out in **Appendix 1**.

Our audits include considering whether the Council has complied with significant legislation. The significant legislation associated with the LTP SOP and adopted LTP is contained within the Local Government Act 2002 (the Act) and the Local Government Act 2002 Amendment Act 2010 (the Amendment Act).

### **2 Areas of audit emphasis**

The Office of the Auditor-General (OAG) has taken the lead in developing our approach to the audits of LTP SOPs and adopted LTPs. Together with the OAG, we have sought to be open about our approach, areas of emphasis and audit expectations. In considering the matters below we would refer you to the OAG website ([www.oag.govt.nz](http://www.oag.govt.nz)) and its LTP link for the OAG's

newsletters updating the sector on our approach, as well as publishing key standard modules outlining our audit approach and process.

The focus of this work is to enable us to report within the context of Section 84(4) and Section 94(1) of the Act. Our approach will include a review of the Summary of the LTP SOP for its legislative compliance with sections 83(1)(a)(ii) and 89 of the Act and the consultation process in adoption of the final LTP. If requested, we can provide a separate opinion on the Summary of the LTP SOP.

As a result of our planning to date, we have identified the following areas of audit emphasis. Additional areas may be highlighted during the course of the audit. The areas of emphasis are presented in two sections – firstly those particular focus areas for the Council and secondly a summary of the areas where we must complete work to obtain the assurance we need to issue our opinion.

## **2.1 Council specific matters**

- Financial pressures/new priorities. The Council is working through a prioritisation process to balance spending on current and planned initiatives, against the imperative to limit increases in rates. Existing activities are under review and savings are being sought. We will review the impact of Council decisions on service levels and whether these are reflected appropriately in service level descriptions, and correspond to the financial budgets.
- Leaky homes costs. We will review the financial implications of the Council's decisions regarding the financial assistance package, and how this is presented in the Long Term Plan. The Council is currently considering the optimal mix of funding instruments to meet the projected costs.
- Earthquake related issues. After events in Christchurch the Council has been focussed on its own preparedness in light of lessons from the recent event. This may well have implications for capital investment and other decisions across the city.
- We will also maintain a watching brief over the impact of any other developments, such as changes to Council Controlled Organisations, and the development of shared services across the Wellington region.

## **2.2 General areas of emphasis**

Our specific reporting responsibilities will be addressed through completion of the audit modules detailed below and consideration of the Council's approach to the issues and risks addressed by each module.

The audit modules are structured around the two legs of the audit opinion (to which they primarily relate) required by sections 84(4) and 94 of the Act.

## **Theme – Underlying Information s84(4)(b)**

Module one – Asset and activity management

Module two – Levels of service

Module three – Linkages of information and consistency with other plans and policies

Module four – Assumptions

Module five – Generally Accepted Accounting Practice (GAAP)

## **Theme – Legislative Compliance s84(4)(a)**

Module six – Performance management

Module seven – Decision making and consultation

Module eight – Legislative compliance – document presentation

Module nine – Financial prudence

Module ten – The right debate

Further details of each of these modules is contained in section 4 below.

### **3 Audit approach**

Where possible we plan to place reliance on the Council's systems and processes in approaching our audit work. This is typically the most efficient approach to completing the majority of the audit work required.

The nature and extent of audit testing to be performed will depend on our assessment of the effectiveness of the Council's processes and controls for the preparation of the LTP. Particular areas of focus are detailed in section 2.1 above, and other subsequent sections below.

Where we decide that we can place reliance on controls, and it is the most efficient approach to adopt, we will test those controls to ensure that they are operating effectively.

Where the controls over the planning systems and processes applied in the preparation of the LTP cannot be relied on, this will add to the resource required to complete the audit and may impact on overall timing. Where additional resource is required to complete extended levels of testing this is likely to increase the overall cost of the audit.

If controls cannot be relied on, we will also need to consider whether it is possible or practical to gain audit assurance to an acceptable level by performing solely substantive audit procedures. In circumstances where this is not possible, this may impact on the audit opinion.

In addition to our audit work on the LTP SOP as a whole, we anticipate performing substantive tests on a risk based selection of the Council's Groups of Activities. The focus of this work is on disclosure, including:

- activity based assumptions;
- clarity of disclosure of financial information; and
- specific disclosure requirements of the Act and the Amendment Act.

We will endeavour to keep you informed of our progress throughout the course of our audit.

### **3.1 Project management, reporting deadlines and audit progress**

A successful LTP process is heavily reliant on effective planning of the LTP project. The development of an LTP is a significant and complex project requiring a comprehensive project plan. It is also essential that there is a commitment from throughout the organisation for the project, from top to bottom, starting with the elected representatives.

The LTP draws together plans, policies, decisions and information from across the Council's organisation and its community. The plan has complex and inter-related information needs. We recognise that the Council will be undertaking its LTP preparation over an extended period and anticipate our audit approach will require a series of visits leading up to each reporting deadline. A more efficient audit can be achieved when audit work and feedback is provided in 'real time' or on an 'auditing as you go' basis as the LTP is developed.

Consequently we will discuss with you and your staff the Council's approach to preparation and completion of the plan. We expect that the Council approaches its plan on a project basis and recognise that our audit work should 'shadow' that project timetable. As a result of this discussion we will agree dates for audit visits and deadlines with you and your staff. The success of this 'auditing as you go' approach will largely depend on the Council's project management of the LTP process.

The Council will need to ensure that time is allowed in your project planning for the audit, including the OAG-based hot reviews – the hot reviews will largely focus on, but not be limited to, the draft LTP SOP.

### **3.2 Control environment**

Our primary approach is to identify, confirm and assess the Council's key processes and controls over information gathering, budgeting, development of the performance framework, review of policies and ultimate production of the LTP SOP and adopted LTP.

In order to assist in understanding the audit environment, develop expectations of what should be included in the LTP, and identify areas of potential audit risk, we will undertake a review of the control environment. This will be performed through discussions with staff throughout the Council,

review of media releases, our knowledge of the Council issues developed over recent years and a review of the Council minutes since the last audit review. The OAG audit methodology provides us with various tools to assist in completing the management control environment assessment.

We will be placing additional emphasis on meeting with a selection of Councillors during the course of our audit planning to provide assurance that we understand the focus and direction of the Council from the perspective of all involved in developing the LTP.

Our review of your self-assessment response (detailed in section 3.3 below) and key controls relating to the underlying information and development of the LTP is critical to our initial assessment of audit risk and the nature and extent of our overall audit work.

### **3.3 Self assessment**

We will shortly be forwarding under a separate cover a 'Self Assessment' form. We ask for your co-operation in completing this assessment for return to us.

The self assessment requires each council to reflect on its systems which support working with outcomes, performance management and reporting information, and financial management provisions of the Act, and to identify where each council would like to improve.

We also intend to use the information obtained through the self assessment to assist us to understand how the Council is implementing the requirement of section 14(1)(h). The statutory principle is whether the Council has 'taken a sustainable development approach'. We will not be forming an assessment of whether the Council is sustainable.

The information provided through the self-assessment will be confirmed with you through discussion subsequent to its completion. Please contact us if we can provide clarification to assist the Council with completing it.

## **4 Our audit approach to the 10 modules**

### **4.1 Module one – Asset and Activity Management**

This is the first of the five modules covering the theme – underlying information. This part of the audit will focus predominantly on examination of the detail of a selection of Groups of Activities that have been identified on a risk basis through the audit planning process. The remaining activity areas will be examined on an overview basis.

The modules comprising this theme of the methodology are highly interrelated reflecting the integrated nature of the LTP.

The asset and activity management module focuses on assessing the control environment that has been established by the Council around the development and recording of the asset and activity information underlying the groups of activities. The extent of detailed review of asset and activity management

plans and also the amount of testing required of the flow of data from these plans into the financial model and the LTP document, will be based on our risk assessments and on the robustness of the control environment. Work may be able to be reduced if controls are found to be of a sufficiently reliable standard.

#### **4.2 Module two – Levels of service**

This module is principally focused on identifying levels of service, as they are reflected in the performance management framework and disclosed in the LTP SOP and confirming their consistent application in the development of the underlying information on which the LTP is based.

This module is closely related to the requirements of Module 6 – Performance management although the focus here is on confirming consistency between the narrative description of levels of service and the financial provisions to deliver the described level of service. Our focus in module 6 is on the structure of the performance framework around those levels of service.

#### **4.3 Module three – Linkages of information and consistency with other plans and policies**

The focus of this module is on confirming that the other plans and policies of the Council have been accurately applied in the development of the LTP. The purpose of this work is to ensure that the LTP (particularly through the financial forecasts) is consistent with the commitments that the Council has made through its adopted plans and policies.

Our consideration through this module will not be limited to checking the flow of numerical data from other Council plans to the LTP but will also consider the consistency of policies and strategies reflected in the narrative of these plans with the LTP.

We will also consider compliance with the requirements of the Amendment Act and the associated financial regulations with respect to the presentation of the Council's financial information in the group of activity statements.

#### **4.4 Module four – Assumptions**

In developing an LTP the Council has to make assumptions about the future and take positions on various issues.

Clause 11 of Schedule 10 of the Act sets out the requirements for disclosing assumptions underlying the financial and non-financial estimates made in developing the LTP. The disclosure of assumptions allows the reader of the LTP to make their own judgement as to the assumptions' quality and reliability.

Our expectation is that the Council will consider the applicability of assumptions that are broader than just financial in nature. There are many other assumptions of a more complex and strategic nature dealing with the uncertainties surrounding environmental, social, economic and cultural changes in the future that the Council also needs to consider. Many of these more complex and strategic assumptions will relate to issues or events that may

arise much further into the future than the term of the LTP but for which preparatory steps may be needed in the current LTP timeframe.

Our audit will focus on evaluating the appropriateness and completeness of the forecasting assumptions and risks identified by the Council for the development of the LTP. We will also consider the application of the adopted forecasting assumptions and risk classifications to the development of the underlying information in the LTP.

#### **4.5 Module five – Generally Accepted Accounting Practice (GAAP)**

Our focus in this module is confirming that the prospective financial statements comply with the requirements of GAAP and in particular the requirements of FRS-42: Prospective Financial Statements.

Also a critical part of developing GAAP compliant based forecasts is incorporating the most recent developments of NZ IFRS as it relates to the Council over the life of the LTP.

#### **4.6 Module six - Performance management**

The Council is required to provide services that meet the needs of its community in an efficient and effective way (LGA, section 14(1)(a)(ii)). To demonstrate accountability for delivery of these services the Council needs to provide sufficient and robust performance information in the LTP to show:

- the services that will be carried out and why;
- the service levels required to meet the needs of their communities or other duties and intentions of the Council; and
- the planned level of service intended to be delivered.

The forecast service performance information comprises the levels of service, the performance measures and the performance targets. These should be set within the broader context of social, economic, environmental, and cultural well-being, outcomes and the Council's strategic objectives and duties. Together these elements comprise the performance framework.

Effective performance reporting expresses useful, appropriate performance information in a structured, systematic and logical way, allowing the reader to readily understand and link the achievement of performance targets with the overall aims of the Council.

Our focus will be on assessing whether the Council has a comprehensive, systematic approach to performance management. We will also assess the performance management framework, considering the key elements of the framework - the linkages, context and logical flow and the consistency with which the framework has been applied across groups of activities. We will also consider the quality of the forecast service performance information particularly whether it will provide an appropriate basis for understanding and measuring the performance achievements of the Council in the future.

#### **4.7 Module seven – Decision making and consultation**

This section of the audit will assess the quality and effectiveness of the Council's decision-making and consultation processes in the years leading up to the LTP as well as those decisions proposed within the LTP SOP itself. It will also require evaluation of decision making and consultation processes against the requirements set out in the Act.

Our audit will focus predominantly on the decision making and consultation processes employed by the Council. If necessary a sample of decisions and consultation processes may be reviewed in making our assessment.

#### **4.8 Module eight - Document presentation**

This component of the methodology focuses on the legislative compliance of the LTP SOP document. This relates primarily to the public face of the document and focuses on the elements that the Act requires to be present within an LTP and the logical linkages that should be made between elements of the LTP to enhance the readability of the document.

Our expectation is that the Council will have a specific quality assurance check to confirm the compliance of the SOP and adopted LTP SOP summary.

#### **4.9 Module nine – Financial prudence**

The focus of this module is on evaluating the Council's financial strategy and assessing whether that strategy, as presented in the LTP SOP, is financially prudent and transparent. This module is focused on the financial management principles and requirements that are set out in sections 101 and 100 of the Act and the financial strategy disclosure requirements of the Amendment Act (section 101A).

Clearly describing your financial strategy is an important part of the right debate. In order that consultation processes are effective it is important that the reader of the LTP SOP is able to understand the strategy being employed by the Council. This should not require the reader to have expertise in the analysis of financial statements.

Although there is an inherent complexity in developing and applying a financial strategy, at the broadest level, we would expect the Council to be able to describe its strategy in terms of the following questions:

- What position are we aiming for the Council to be in at the end of the LTP period?
- Why do we want the Council to look like this in the future?

Our focus in working through this module is on developing an understanding of the Council's answer to the above questions and to evaluate whether that strategy is prudent and is being presented (in accordance with the requirements of section 101A) in an accurate and transparent way to the readers of the LTP. It is not the auditor's role to 'second guess' policy decisions



of the Council. Our focus will be on assessing the impacts of the Council's policy with respect to financial prudence.

#### 4.10 Module ten – The right debate

The role of the LTP Statement of Proposal (SOP) and the SOP summary in particular is to facilitate the occurrence of the 'right debate' in the community. In order for this 'debate' to occur, and for it to be focused on the 'right' issues, the LTP SOP document must provide the community with sufficient and balanced information about the **strategic and other key issues, choices and implications** facing them. If this occurs it will allow the community to effectively evaluate the issues and therefore participate in the decision-making process led by the Council.

The SOP summary prepared under s89(a) is required to be a 'fair representation of the **major matters** in the statement of proposal.' It has a pivotal role in ensuring that the right debate occurs, as it is the primary consultation document for the community. Therefore, it is essential that the summary is not only a fair reflection of the overall content of the LTP SOP document, but also that it makes the **strategic and other key issues, choices and implications** reflected in the LTP SOP accessible to the community.

Our focus will be on assessing whether:

- the LTP SOP and the SOP summary documents achieve an appropriate standard of readability and clarity for a moderately informed reader?
- the issues that the Council has focused on and presented in the SOP are complete? Have the LTP SOP and the SOP summary addressed the **strategic and other key issues, choices** that the community needs/wants to address and have the **implications of options** been fully disclosed?

## 5 Audit reporting

### 5.1 The LTP SOP

At the completion of our audit work covering the 10 modules and the specific risks and focus areas relevant to the Council, we will issue our audit report under section 84(4) of the Act. The report will address:

- the extent to which the LTP SOP and adopted LTP comply with the requirements of the Act; and
- the quality of the information and assumptions underlying the forecast information provided in the LTP SOP and adopted LTP.

### 5.2 The adopted LTP

Consistent with section 94 of the Act, we are required to also report on the adopted LTP subsequent to your consultation on the LTP SOP. Our focus will

be to assess the Council's consultation process on the LTP SOP including the LTP SOP summary. The extent of our work will be dependent on:

- the audit conclusions reached on the LTP SOP;
- the audit conclusions reached on the LTP SOP summary; and
- the impact of consultation on the adopted LTP.

## **6 Other matters**

### **6.1 Publication of the LTP Statement of Proposal and adopted LTP on the Council's website**

If you intend to publish the LTP SOP and/or adopted LTP electronically, the Office of the Auditor-General requires us to examine the final electronic file version of the audit report prior to its inclusion, and as soon as possible after its inclusion on your website to ensure consistency with the paper-based documents that have been subject to audit. Potential changes to parts of the audit opinion, for example for page number references, and the inclusion of additional information to readers of the electronic report will be required.

To ensure that we meet these obligations we would appreciate you advising us as soon as possible if you intend your financial statements to be published electronically.

## **7 Audit logistics**

We have an electronic audit management system. This means that our auditors will complete the majority of their work on their laptops.

We would therefore appreciate it if the following could be made available during our audit:

- a suitable workspace for computer use; and
- electronic copies of key documents where possible.

As noted in section 3.1, our audit work needs to be undertaken as the development of your LTP occurs to ensure the timely completion of our audit opinion. Hence we wish to discuss actual timing as specified in your project plan and agree timings for proposed audit visits and delivery.

To ensure we meet agreed deadlines, it is essential that the dates agreed are adhered to.

## **8 Professional fees**

Our audit fee, covering both the LTP SOP and the adopted LTP for the period commencing 1 July 2012, is \$145,000 plus disbursements (GST exclusive) as outlined in Appendix 2. This fee is unchanged from our previous LTCCP audit in 2009.

We propose the above fee on the following assumptions:

- Information required to conduct the audit is complete and provided in accordance with the agreed timelines;
- There will be an appropriate level of assistance from your staff;
- All documentation (LTP SOP, adopted LTP and all other underlying documentation) provided will be subject to appropriate levels of internal quality review before submission for audit;
- The LTP SOP and adopted LTP will include all relevant disclosures;
- We will review up to three sets of draft LTP SOP and adopted LTP, one printer's proof copy of the LTP SOP and adopted LTP and one copy of the electronic version of the LTP SOP and adopted LTP (for publication on your website);
- There are no significant changes in the structure or level of operations of the Council to the extent it impacts on the Council;
- As permitted by clause 8(2) of Schedule 10 of the Act, the Council is preparing LTP forecast financial statements for the 'Council parent' only rather than including consolidated forecast financial statements for the Council and any controlled entities.

If the scope and/or amount of work changes significantly, we will discuss the issues with you at the time.

If information is not available for the visits as agreed, we will seek to recover all additional costs incurred as a result. We will endeavour to inform you as soon as possible should such a situation arise.

This fee is exclusive of:

- any subsequent amendments, under section 84(2), the Council may make to the adopted LTP;
- the issuing of an audit opinion on the Council's LTP SOP summary.

We wish to interim bill as work progresses. We will provide a schedule to finance.

## **9 Personnel**

Our personnel involved in the management of the audit are:

Andy Burns	Director
Scott Tobin	Professional Standards Review Director
David Kidman	Manager
Martin Kan	Audit Supervisor

We have endeavoured to maintain staff continuity as far as possible.

## 10 Audit timing

Key audit timetable dates are as follows, are to be agreed:

Self Assessment provided	To be agreed
Self Assessment returned to Audit team for assessment	To be agreed
First interim visit (initial assessment)	To be agreed
Second interim visit (refer project plan for key dates and number of visits)	To be agreed
Proposed LTP SOP available	To be agreed
Summary available	To be agreed
Audit Opinion on LTP SOP required	To be agreed
Proposed LTP for adoption available	To be agreed
Audit Opinion on adopted LTP required	To be agreed

Should we encounter any significant problems or delays during the audit, we will inform you immediately.

## 11 Agreement

Please sign and return the attached copy of this letter to indicate that:

- it is in accordance with your understanding of the arrangements for this audit of the LTP for the period commencing 1 July 2012; and
- you acknowledge the terms of the engagement (as set out on Appendix 1 to this letter) that apply specifically to the audit of the LTP SOP and adopted LTP and which supplements the existing audit engagement letter.

If there are any matters requiring further clarification please contact me.

Yours sincerely

Andy Burns  
Director

I acknowledge that this letter is in accordance with my understanding of the arrangements of the audit engagement. I also acknowledge the terms of the

engagement that apply specifically to the audit of the LTP, and which supplements the existing audit engagement letter.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

Garry Poole  
Chief Executive

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

Celia Wade-Brown  
Mayor

# Appendix 1: Terms of the engagement that apply specifically to the audit of LTP

## Background

This supplement to the existing engagement letter is issued on behalf of the Auditor-General. The Auditor-General is the statutory auditor of the Wellington City Council (the Council). The Auditor-General has appointed me, Andy Burns, using the staff and resources of Audit New Zealand, to carry out the audit of the Long Term Plan Statement of Proposal and adopted Long Term Plan (hereinafter referred as the LTP SOP and the adopted LTP) for the period commencing 1 July 2012.

The purpose of this supplement to the existing engagement letter is to outline the terms of the engagement that apply specifically to the audit of the Council LTP SOP and adopted LTP for the period commencing 1 July 2012. This supplement should be read in conjunction with the existing audit engagement letter, which otherwise remains unchanged.

## Objectives

The objectives of the audit of the LTP SOP and adopted LTP are:

- to provide independent opinions on the LTP SOP (under s 84(4) of the Act) and on the adopted LTP (under s 94(1) of the Act) about the activities of the Council in respect of:
  - the extent to which the LTP SOP and adopted LTP comply with the requirements of the Act; and
  - the quality of the information and assumptions underlying the forecast information provided in the LTP SOP and adopted LTP.
- to report on matters relevant to the Council's planning systems, which come to our attention and are relevant to the Council.

Our audit involves performing procedures that examine, on a test basis, evidence supporting assumptions, amounts and other disclosures in the LTP SOP and adopted LTP, determining compliance with the requirements of the Act, and evaluating the overall adequacy of the presentation of information.

We also review other information associated with the LTP SOP and adopted LTP to identify whether there are material inconsistencies with the audited LTP SOP and adopted LTP. In particular, we will need to review the LTP SOP summary for its representation of the major matters in the LTP SOP to enable general consultation with the community.

## Reports arising from the audit of the LTP

Consistent with the objectives above, the reports arising from the audit of the LTP SOP and adopted LTP are:

- the audit report attached to the LTP SOP;

- the audit report attached to the adopted LTP; and
- a management report provided to the Council.

### **The auditor's report on the LTP**

We will be providing an overall report on whether the LTP SOP and adopted LTP provide a reasonable basis for long term integrated decision-making by the Council and for participation in decision making by the public and subsequent accountability to the community. Each of the main audit reports arising from the audit of the LTP SOP and adopted LTP then provide an independent opinion to readers on specific matters required by sections 84(4) and 94(1) of the Act. These specific matters are:

- the extent to which the LTP SOP complies with the requirements of the Act; and
- the quality of the information and assumptions underlying the forecast information provided in the LTP SOP.

The audit opinion does not:

- provide a guarantee of absolute accuracy in the LTP SOP and adopted LTP;
- express an opinion on the merits of any policy content within the LTP SOP and adopted LTP;
- include an opinion as to whether the forecasts will be achieved.

### **Provision of a management report to the Council**

Consistent with our objectives, we will issue a report to the Council on the conclusion of the engagement. The report communicates matters which come to our attention during the engagement and, which, in our opinion, are relevant to the Council. For example we will report:

- any legislative breaches noted;
- any weaknesses in the Council's systems that come to our notice and we consider of relevance to the Council; and
- non-trivial uncorrected misstatements noted during the audit.

### **Materiality**

Consistent with the annual attest audit, the audit engagement for the LTP SOP and adopted LTP adheres to the principles and concepts of materiality across the 10-year period of the LTP.

Consequently, if we find material misstatements that are not corrected, we will refer to them in the audit opinion. Our preference is for any material misstatement to be corrected, avoiding the need to refer to misstatements in our opinion.

## **The auditing standards applied when conducting the audit of the LTP SOP and adopted LTP**

We will ensure that the audit is carried out in accordance with the International Standard on Assurance Engagements 3000 (revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards. The financial forecast information is examined in accordance with the International Standard on Assurance Engagements 3400: The Examination of Prospective Financial Information.

### **Responsibilities**

#### ***General Responsibilities***

The general responsibilities of the Council with regards to the preparation and completion of the LTP SOP and adopted LTP are consistent with those existing for the annual report as set out in the audit engagement letter – with appropriate allowance for recognising that the LTP deals with forecast information.

#### ***Specific Responsibilities***

The Council is responsible for preparing the LTP SOP and adopted LTP under the Act, by applying the Council's assumptions and in accordance with generally accepted accounting practice in New Zealand. The Council's responsibilities arise from section 93 of the Act. We assume that members of the Council are familiar with those responsibilities and, where necessary, have obtained advice about them.

For clarity we do note the following statutory responsibilities as set out in the Act:

- section 93 of the Act requires the Council to have a LTP, at all times. Part 1 of Schedule 10 governs the content of the LTP. Section 111 aligns the financial information with generally accepted accounting practice;
- section 84 sets out the special consultative procedures required to be followed by the Council to adopt the LTP;
- section 84(1) aligns the consultation for the adoption of the LTP with the special consultative procedure set out in section 83, which includes a requirement to produce a LTP SOP as well as a summary (consistent with section 89); and
- Section 84(4) requires an auditor's report on the LTP SOP and section 94 requires a separate opinion on the adopted LTP.

### **Statutory reporting deadlines**

We note that the adoption deadline for the LTP is 30 June 2012. It is imperative that we work together on a basis consistent with your project plan for the development of the LTP to ensure completion of all statutory requirements within the timeframes set by the Council, consistent with this statutory deadline.



We envisage that the audit work for the LTP SOP and adopted LTP will be conducted as these are developed, rather than once the LTP SOP and adopted LTP are completed. While there is some audit work which can only be conducted on the conclusion of these reports, the majority of fieldwork will need to be completed as the LTP SOP and adopted LTP are developed.

## Appendix 2: Team mix and hours for the audit of the LTP for the 10-year period commencing on 1 July 2012

	Total Hours
Approved Auditor	105
Sector Specialist	10
Audit Manager	230
Other CA staff	300
Staff not yet CA qualified	161
<b>Total</b>	<b>806</b>

### Fee calculations

	\$
<b>Net fee</b>	<b>145,000</b>
Estimated disbursements*	500
Total fee (including disbursements)	<u>145,500</u>
GST	<u>21,825</u>
Audit fee for the LTP for the period commencing 1 July 2012	<u><u>167,325</u></u>

\* Our estimate of disbursements, including travel, is \$500. Should actual and reasonable disbursements exceed that estimate for reasons beyond our control, we may, subject to the Auditor-General's approval, seek to recover those additional costs.