

REPORT 2
 (1215/52/01/1M)

**STATUS REPORT ON AUDIT NEW ZEALAND AUDIT
 ARRANGEMENTS, PROGRESS AND
 RECOMMENDATIONS**

1. Purpose of Report

To update the Subcommittee on Audit New Zealand audit arrangements and progress in implementing the recommendations contained in the audit management letters presented to the Subcommittee.

2. Recommendations

It is recommended that the Subcommittee:

1. *Receive the information.*
2. *Note the progress made in implementing the recommendations.*
3. *Review and approve the draft Audit Approach letter for NZ IFRS prepared by Audit New Zealand and agree that it be issued in final form.*

3. Summary of Movements in Recommendations since the last report

Report	Date	Opening balance	New issues	Implemented issues	Outstanding issues
A: 2006/07 LTCCP Audit		2	-	2	-
Total		2	-	2	-

As the Subcommittee is aware this is the first year of financial reporting in accordance with NZ IFRS. As outlined in the Planned Audit Approach letter from Audit New Zealand, tabled at the March 2007 Subcommittee meeting, the auditors are required to complete some additional audit work in relation to the transition to NZ IFRS. The audit approach letter for this work, setting out specific arrangements for the audit of the provisional NZ IFRS opening balance sheet, provisional NZ IFRS accounting policies and the financial results for the year ending 30 June 2006 restated under NZ IFRS, is included as Appendix Two. Audit New Zealand Director Rudie Tomlinson will be in attendance at the June Subcommittee meeting to introduce and discuss this letter.

*Contact Officer: Helen Rogers
Financial Controller*

Appendix One

Implementation of Audit New Zealand's Management Letter Recommendations as at February 2007

A 2006/07 LTCCP Audit (Letter Dated 18 October 2006)

Ref	Issue	Responsibility	Current Status	Original Due Date	Implemented or Due Date
	<p>Performance Framework While we are satisfied that Council's LTCCP included a reasonable performance framework, we still believe there is room for improvement in the proposed levels of service and performance measures themselves. Our main concerns in relation to the performance framework were as follows:</p> <ul style="list-style-type: none"> • Weaknesses in aspects of the logic flow in the performance framework (lack of linkage between rationale for the service, service levels and performance measures); • Clarity of service levels; and • Completeness of performance measures. 	Brian Hannah	Our overall approach is to describe / measure our work in terms of outcomes. In general we have eliminated measures / descriptions of inputs or outputs. This is because, when read critically, they do not provide a basis to assess actual levels of service – that is, they do not provide a basis for the public to know the end state – often these do not provide an assessment of quality. Having eliminated these we believe we are ahead of the current practice across the sector.	Ongoing improvement will form part of 2007/08 Annual Plan process.	Implemented
	<p>Asset Management Planning The overall assessment of the Wastewater AMP was 'marginal'. There were weaknesses in the linkages between the AMP and the draft plan. In particular:</p> <ul style="list-style-type: none"> • the financial forecasts specified within the asset management plans do not flow into the prospective financial statements disclosed in the LTCCP. We accept that this is due to timing differences between 	Maria Archer	<p>AMPs are formally reviewed by an independent expert, and approved by Council as part of the LTCCP/Annual Plan process.</p> <p>The issues identified relate to timing differences between the finalisation of AMPs and the LTCCP. The final LTCCP included updated information in respect of asset valuations and performance measures that was not available at the time the AMPs were finalised. The timing of these processes has now been aligned.</p>	As part of 2007/08 Annual Plan process	Implemented

Ref	Issue	Responsibility	Current Status	Original Due Date	Implemented or Due Date
	<p>when the revaluation information in the AMP was being updated.</p> <ul style="list-style-type: none"> Some targets remain to be set against the level of service measures, and there is not always consistency between the levels of service set out in the AMP and the performance measures used in the draft LTCCP. Again due to timing differences the revised performance measures have not yet been updated in the AMP. <p>Additionally, the AMPs should be subject to formal peer review and a more formal, structured approach to improvement planning. The AMPs, and associated activity management plans, should be approved by Council to formally recognise their status in the planning framework.</p>				

APPENDIX TWO

**AUDIT ARRANGEMENTS LETTER FOR THE AUDIT OF
THE PROVISIONAL NZ IFRS ACCOUNTING POLICIES,
NZ IFRS OPENING BALANCE SHEET, AND FINANCIAL
RESULTS FOR THE YEAR ENDED 30 JUNE 2006
RESTATED UNDER NZ IFRS**

Supporting Information

1) Strategic Fit / Strategic Outcome

The report supports Council's overall vision of Creative Wellington – Innovation Capital by ensuring that legislative compliance with GAAP (NZ IFRS) is appropriately managed.

2) LTCCP/Annual Plan reference and long term financial impact

The report has no specific Annual Plan reference. There is no long term financial impact arising from the report.

3) Treaty of Waitangi considerations

There are no specific Treaty of Waitangi considerations.

4) Decision-Making

There are no significant decisions required by the paper.

5) Consultation

a) General Consultation

There are no parties significantly affected by this paper.

b) Consultation with Maori

Maori are not significantly affected by this paper.

6) Legal Implications

This report has no specific legal implications.

7) Consistency with existing policy

This report is consistent with existing policy.