
REPORT 1
(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 content of the 2006/07 financial statements audit management letter (attached in Appendix One).*
3. *Note the draft Audit Engagement letter prepared by Audit New Zealand (attached in Appendix Two)*
4. *Note that the draft Planned Audit Approach letter is currently being prepared by Audit New Zealand and will be tabled at the Subcommittee's 3 March meeting.*
5. *Note that the draft Letter of Undertaking is currently being prepared by Audit New Zealand and will be provided to the Subcommittee's June meeting.*

3. Summary of Movements in Recommendations since the last report

Since the last Subcommittee meeting in August, the 2006/07 financial statements audit management letter has been issued. There were no significant issues arising from the audit. Two matters were raised for the Subcommittee's attention:

- During the period Audit New Zealand performed a review of the Council's legislative compliance framework. No instances of non-compliance with significant legislative requirements were identified. Audit New Zealand recommended that a documented process be put in place to provide staff with guidance on handling legislative breaches; and an explicit statement be included in the annual declaration to indicate whether legislation has or has not been complied with. Council Officers will review the sign off declaration process for the 2007/08 audit.
- Audit New Zealand conducted a review of Asset Management Plans (AMPs) and assessed asset management practice at the Council as good. City Housing and Wellington Convention Centre AMPs were selected for detailed review. Nine recommendations for strengthening arrangements further are included within the report, and will be considered by the Council during AMP development for 08/09 and beyond.

4. Audit Arrangements for the audit of the financial statements for the year ending 30 June 2008

The Council has received the following draft letters from Audit New Zealand in relation to future audit arrangements:

- **Audit Engagement Letter (AEL)**
The AEL outlines the terms of the audit engagement and the respective responsibilities of the auditor and the Council. The AEL remains effective across financial years, unless there is a change in the audit terms or a replacement Approved Auditor or Mayor. The new letter (attached in Appendix Two) reflects the appointment of Andy Burns as Approved Auditor.
- **Planned Audit Approach Letter**
The Planned Audit Approach letter covers the audit arrangements for the year ending 30 June 2008. A new Planned Audit Approach letter is issued annually to reflect the areas of audit focus and audit logistics specifically relating to that financial year.

The AEL is attached in draft form for the Sub-Committee's review. Audit New Zealand Director Andy Burns will be in attendance at the March Subcommittee meeting to introduce and discuss this letter and the Planned Audit Approach letter.

We are also anticipating the receipt of a new Letter of Undertaking (LOU). The LOU is a three year contract which covers the periods ending 30 June 2008, 2009 and 2010. This contract outlines the proposed audit hours and fees for the three year period. At the time of writing this report, the Council has not yet received a draft LOU and we understand that it is currently being reviewed by the Office of the Auditor-General.

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Appendix One

AUDIT NEW ZEALAND MANAGEMENT REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

APPENDIX TWO

**AUDIT ENGAGEMENT LETTER FOR THE YEAR ENDING
30 JUNE 2008**

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.