

DRAFT 3 April 2014

Celia Wade-Brown  
The Mayor  
Wellington City Council  
101 Wakefield Street  
PO Box 2199  
Wellington 6140

Dear Celia

### **Audit for the year ending 30 June 2014**

I am writing to outline our arrangements for the audit of Wellington City Council (the City Council) for the year ending 30 June 2014. This letter has two main sections – an agreement to be signed, and details of the audit.

#### **Agreement to be signed**

On the next page is an agreement for you to sign. Your signature, on behalf of the Council, confirms that the details of the audit match the Council's understanding of the arrangements for this year's audit.

Please sign and return to me one copy of the agreement, along with a copy of the details of the audit.

#### **Details of the audit**

Here we set out the proposed arrangements for this year's audit. This includes:

- The City Council's business risks/issues and our audit response.
- Our approach to the audit of the City Council's information systems.
- Logistics (such as our audit team, timing, and fees).

#### **Additional information attached**

We also attach some additional information about the audit process. This is included in appendix two.

Please take the time to read this document thoroughly before returning the signed agreement. If there are additional matters that should be included, or any matters requiring clarification, please contact me.

Yours sincerely

Bede Kearney  
Director

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**Agreement to be signed**

*I acknowledge that the details of the audit set out here are in keeping with my understanding of the arrangements for the audit.*

Signed \_\_\_\_\_ Date \_\_\_\_\_  
Celia Wade-Brown  
Mayor

## Details of the audit

### 1 Introduction

This document sets out the arrangements for the audit of Wellington City Council (the City Council) for the year ending 30 June 2014. This includes:

- The City Council's business risks/issues and our audit response.
- Our approach to the audit of the Council's information systems.
- Logistics (such as our audit team, timing, and fees).

### 2 The City Council's business risks/issues and our audit response

Based on the planning work and discussions that we have completed to date, we have identified what we consider to be the main business risks and issues facing the City Council. Many of these risks and issues are relevant to the audit because they affect our ability to form an opinion on your financial statements. As part of the wider public sector audit, we are also required to be alert to issues of performance, authority, waste, and probity (as set out in the Audit Engagement Letter).

The table below sets out the business risks and issues that we have identified in line with these requirements. The left-hand column describes these risks and issues. In the right-hand column, we describe how we plan to respond to these during the audit.

City Council's business risk/issue	Our audit response
<b>Ongoing work to improve asset management information</b>	
<p>The City Council is currently reviewing its Asset Management Service Plans to make them more concise and more user-friendly. We understand the City Council aims to prepare draft Service Plans by June 2014 and these will provide a basis for the draft Long Term Plan (LTP) for 2015-2025.</p> <p>We also note that City Council is undertaking significant work to improve the quality of its data about the nature and condition of assets. This, combined with more advanced analytical tools, is expected to improve the quality of decision making and prioritisation of effort to maintain the City Council's asset performance.</p>	<p>We will keep up-to-date with the City Council's progress in completing the new Service Plans.</p> <p>We intend to review the plans as part of the upcoming audit of the City Council's 2015-25 LTP.</p>

City Council's business risk/issue	Our audit response
<b>Changes to the City Council's CCOs</b>	
<p>We understand that the City Council is currently reviewing the structure of its group to achieve the optimal outcomes for the city.</p> <p>The City Council has agreed that Positively Wellington Tourism and Positively Wellington Venues should be amalgamated. Other changes to governance arrangements within some CCOs have also been agreed to take effect from April 2014.</p>	<p>We will keep up-to-date with the City Council's plans for its CCOs and consider the impact of any approved changes on our 2013/14 audit approach.</p>
<b>Changes to information technology systems</b>	
<p>We understand that the City Council is considering replacing several of its core information systems, including the finance and payroll systems.</p> <p>The City Council is also currently undertaking a restructure of the IS department. As part of this restructure, the IS department has seen a significant turnover of key staff.</p> <p>We are also aware that the City Council is investigating options for shared IS service arrangements with other councils.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Keep up-to-date with the City Council's proposed changes and consider any potential impact on the 2013/14 audit;</li> <li>• We will review the procurement process for new IT systems and ensure that they are in line the City Council's internal policy and good practice; and</li> <li>• Consider the impact of the IS departmental restructure on the IS control environment as part of our audit of IS systems;</li> </ul> <p>The general approach to our review of existing IT systems is detailed in section 3 below.</p>
<b>Improving Wellington's resilience to natural disasters</b>	
<p>The Seddon Earthquakes in July 2013 reinforced the importance of efforts to improve Wellington's resilience to natural disasters.</p> <p>We understand that no significant damage was suffered by City Council properties due to the earthquakes. However, we understand that due to non-structural damage suffered, the walkway between the CAB and library buildings will have to be removed. Furthermore a \$50m project to strengthen the town hall has been approved.</p> <p>The City Council is also considering ways in which it can better influence the city's wider resilience to earthquake risk.</p>	<p>We will</p> <ul style="list-style-type: none"> <li>• Obtain an understanding of the governance arrangements for City Council's key projects associated with earthquake strengthening;</li> <li>• Review the City Council's assessment of earthquake strengthening costs on the valuation of its assets and how this has been disclosed in the financial statements; and</li> <li>• Consider the linkage between the City Council's initiatives in this area and its performance measures used to assess progress/impact.</li> </ul>

City Council's business risk/issue	Our audit response
<b>City Council's increasing focus on economic growth initiatives</b>	
<p>The City Council's Priority Growth Agenda provides a high level plan to improve the City Council's impact on the economic development of the city.</p> <p>Eight key areas of focus have been identified each with a varying level of City Council direct or indirect involvement.</p>	<p>We will keep up to date with the City Council's strategy for economic development throughout the audit process. We will assess the impact of any significant investment projects or organisational changes which arise from this during 2013/14.</p>
<b>Review of the City Council's control environment</b>	
<p>As part of our audit we will review the City Council's control environment. This will involve reviewing both organisation-wide controls and controls over specific transactions.</p> <p>Furthermore, we will review the changes in governance structures which have occurred in 2012/13.</p> <p>Our review will focus on the following areas:</p> <ul style="list-style-type: none"> <li>• Organisational governance and management changes arising from the election and other restructuring activity;</li> <li>• Conflicts of Interest;</li> <li>• Procurement &amp; Contract Management;</li> <li>• Asset Management;</li> <li>• Project Management;</li> <li>• Financial Sustainability.</li> </ul>	<p>We will:</p> <ul style="list-style-type: none"> <li>• Consider the management controls in place for our areas of focus have been designed effectively and whether they have been operating as management intended;</li> <li>• Communicate any areas of concern to management, including suggestions on how the control environment can be improved;</li> <li>• Consider the impact of any control weaknesses identified on our audit approach.</li> </ul>
<b>Regional Governance changes</b>	
<p>The Local Government Commission is currently investigating options for merging the councils within the Greater Wellington region into one 'super council'. A public consultation process is underway and if sufficient support is given by the public to the concept, the merger could be put to a public referendum.</p>	<p>We will maintain an awareness of events in this area and any resulting impact on the City Council's financial and non-financial reporting.</p> <p>If any further audit work is required we will discuss with management in the first instance.</p>
<b>Long Term Plan 2015-2025</b>	
<p>In 2014/15, the City Council will be required to prepare its Long Term Plan for the 2015-2025 period. We will be required to audit this plan in 2015.</p> <p>We understand that the City Council is currently aiming to have a draft of the LTP prepared by December 2014.</p>	<p>We will keep up to date on the City Council's early preparatory work for the plan. We will consider if any of the required audit work on the LTP could be integrated with our 2013/14 audit.</p>

City Council's business risk/issue	Our audit response
<b>Changes to accounting standards</b>	
<p>New public benefit accounting standards are being introduced with effect from 1 July 2014. This means 30 June 2013 figures are required to be restated (to establish an opening balance sheet as at 1 July 2014) for the first financial statements prepared for the year ending 30 June 2015.</p> <p>WCC is a Tier 1 reporting entity which means is required to apply the full PBE accounting standards.</p>	<p>We will continue to work with the City Council's finance team to assess the impact of the new standards on the City Council and its financial reporting ahead of the preparation of its 2014/15 financial statements.</p>

We will also follow up on progress made by the City Council in its response to our previous recommendations.

Please tell us about any additional matters that we should be aware of as your auditor, and any specific significant business risks that we have not covered.

### 3 Our areas of interest for all Local Authorities

#### 3.1 Changes to Local Authorities' Legislative Environment

The legislative environment councils operate within continues to change. The Local Government Act 2002 amendment bill (No. 3) (the Bill) proposes some significant changes to aspects of the Local Government Act including:

- provisions intended to encourage and facilitate collaboration and other joint arrangements;
- alterations to consultation and decision-making processes, including the creation of a new significance and engagement policy, and changes to the special consultative procedure;
- establishment of a single Long-term plan (LTP) consultation document to replace the LTP Statement of Proposal and summary,;
- the requirement to prepare a 30 year infrastructure strategy; and
- changes to development contributions, including narrowing the assets that can be funded especially in relation to community infrastructure.

Currently it is uncertain whether the Bill will be enacted by June 2014. We will discuss the impending changes with Council and consider any implications on Council's operations and the preparation of the 2015-2025 LTP.

In addition to the Bill, in November 2013 the Department of Internal Affairs (DIA) announced the Non-financial Performance Measures Rules 2013 (the Rules). The Rules come into force under s261B of the LGA 2002, and mandate a total of 19 measures across water supply, wastewater, stormwater drainage, flood protection and roading and footpath activities. These measures will apply to the 2015-2025 LTP and be

reported on for the first time in the 2016 Annual Report. We will discuss with Council how it is planning to establish the systems necessary to capture this information. DIA continues to work on financial prudence measures applicable to local authorities, but as yet nothing has been promulgated.

### **3.2 Financial prudence regulations**

One element of the Government's Better Local Government programme was the introduction, by way of the 2012 amendments to the Local Government Act 2002, of regulations setting financial prudence benchmarks for local authorities. The Government's aim is that the regulations will encourage better local authority financial governance and management. The regulations were promulgated on 19 March 2014 and come into force on 1 May 2014.

There are be seven benchmarks (organised around three elements of financial prudence – affordability, sustainability and predictability) against which local authorities will be required to report.

The benchmarks are:

- rates affordability;
- debt affordability;
- balanced budget;
- essential services;
- debt servicing;
- debt control; and
- operations control.

It is intended that both annual and long-term plans will disclose planned performance against each benchmark and annual reports will disclose actual performance. Local authorities must make their first disclosure of actual performance in the 2013/14 annual reports. The financial prudence disclosures form part of the required disclosures of the annual report (and the LTP) and therefore are subject to audit.

The Regulations include schedules that set out in detail the format for the required disclosures, including tables and graphs. Local Authorities are permitted to provide additional information or make minor changes to the formats if they are required to more clearly present the information.

The Regulations contain definitions of how achievement or meeting the benchmarks is defined, that is, equal or greater than x.

The regulations also require disclosure for each of the four years' preceding the year of the annual report however a savings provision provides that there is no requirement to disclose the performance for a benchmark for any year preceding the 2013/14 financial year if it is not reasonably practicable for the data to be gathered by the local authority.

### **3.3 Local government (Financial Reporting) Regulations 2013**

These came into force on 1 February 2014. For the year ending 30 June 2014, the City Council will have to report information about its core assets as detailed in clause 4A of the regulations.

### **3.4 Other areas of interest for all Local Authorities**

As well as the risks and issues noted above, there are also a number of other concerns common to the Local Authorities sector. Refer to appendix one for details.

## **4 Our approach to the audit of the City Council's information systems**

The design and operation of an effective IS control environment is critical to ensuring the accuracy, integrity and availability of the City Council's information. Effective risk management procedures can prevent or mitigate risks in respect of this information.

The City Council is heavily dependent on its IT systems. The reliability of the IT systems, technology platforms, and associated controls is critical to maintaining the integrity of the City Council's data and ensuring continuity of services to its customers.

The integrity of the IT systems is fundamental to the timely reporting of a quality Annual Report.

We understand that a major restructure of the IS department is underway and this will be completed in 2014.

We will be completing a review of City Council's IT General Controls (ITGC), which will include:

- IT governance and Strategic planning;
- Assessment and management of IT risks ;
- Monitoring and evaluating internal controls;
- IT processes, organisation and relationships;
- Systems acquisition and project management;
- Security (network and applications);
- Business Continuity and IT Disaster recovery;
- Change management;
- Operations, Problems and Incident management

We will maintain an awareness of any planned or implemented change to systems and the impact these may have on City Council's processes and control environment. We will assess any impact such initiatives will have on our audit approach and requirements.

To assist the audit team in performing their testing our IS auditors will perform data analysis on selected business processes, such as journals, and will perform testing on automated IT application controls.

We will also follow up on progress made against matters raised by us in prior years.

## **5 Logistics**

### **5.1 Our audit team**

The key Audit New Zealand staff involved in the audit are:

Bede Kearney	Director
Scott Tobin	Engagement Quality Control Reviewer
David Kidman	Audit Manager
Matthew Geddes	Audit Supervisor
Robyn Dearlove	Information Systems Auditor

### **5.2 Important dates in the audit process**

Our proposed timetable is:

	<b>Date</b>
Interim audit begins	13 January 2014
Pre-final visit begins	19 May 2014
Draft interim management report to the Chief Executive	13 June 2014
Draft annual report (including service performance information) available for audit	28 July 2014
Final audit begins	28 July 2014
Final financial statements available <sup>1</sup> for audit	20 August 2014
Provisional clearance to ARMS	18 August 2014
Audit opinion issued	27 August 2014
Draft Chief Executive report issued (if required)	27 August 2014
Draft Governing Body report issued	27 August 2014
Summary Annual Report received	Within one month of our audit opinion
Summary Annual Report opinion issued	Within one week of receiving the report

### **5.3 Our interim audit visit**

We will carry out the interim audits during January 2014 and May 2014. During these visits, we will focus on updating our understanding of the City Council's internal control. This includes reviewing the control environment, risk assessment processes and relevant aspects of information systems controls. We will use the results of this assessment to determine how much we can rely on the information produced from your systems during our final audit.

<sup>1</sup> Financial statements incorporating all the amendments agreed to between Council and Audit New Zealand.

#### **5.4 Our final audit visit**

Our final audit is scheduled to start on 28 July 2014 and is expected to last 4 weeks. During this visit we will be auditing the balances, disclosures, and other information included in your financial statements.

#### **5.5 Professional fees**

Our audit fee for the year ending 30 June 2014 is contained within the Audit Proposal Letter which accompanies this letter.

# Appendix 1: Other areas of interest for all Local Authorities

Areas of interest	Our audit response
<b>Rates</b>	
<p>Rates are Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge.</p> <p>Due to concerns over rating practices across the local government sector as a whole, during the 2013 audit we focused on Council's compliance with rating legislation and regulations.</p>	<p>For 2014 we will again consider Council's compliance with aspects of the LGRA that materially impact on the financial statements. Principally this means a focus on the rates setting process – the consistency and completeness of the resolution and the Funding Impact Statement (FIS), and reviewing a sample of differentially set and/or targeted rates to assess whether the matters and factors used are consistent with the LGRA. We will also follow up any issues identified from our review of rates in 2013.</p> <p>We stress that our review of compliance with legislation is completed for the purposes of expressing our audit opinion. It is not, and should not be seen, as a comprehensive legal review. This is beyond the scope of the audit, and our expertise as auditors. The Council has responsibility for ensuring that it complies with applicable laws and regulations.</p>

<b>The City Council's 2015-2025 LTP</b>	
<p>During our 2013/14 audit we will liaise with Council over the preparation of the 2015-2025 Long-term plan (LTP). The key areas of audit focus that we would like to have early engagement with the City Council are:</p> <ul style="list-style-type: none"> <li>• financial strategy – a clear financial strategy that underpins Council's LTP is essential to ensure that the community is aware of the effect that the City Council's decisions have;</li> <li>• performance reporting – over the past few years Council has made improvements to the performance framework. It is important that these changes are included in the 2015-2025 LTP;</li> <li>• asset management plans – it is important for the City Council's AMP improvement programme timetable to align with the preparation of the LTP;</li> <li>• strategic decisions that Council has made that will have an impact on the LTP;</li> <li>• Council's overall project plan for the preparation of the LTP; and</li> <li>• proposed approach to carry-forwards in the capital programme, including any impact on the levels of service if projects are not completed on time and any potential for costs to increase.</li> </ul>	<p>We will engage and liaise with the City Council over its planning process as it is working on the preparation of the 2015-2025 LTP.</p>
<b>Property, plant and equipment – impairment assessment</b>	
<p>NZ IAS 36, <i>Impairment of Assets</i>, requires that an entity shall assess, at the end of each reporting period, whether there is any indication that an asset (including intangible assets) may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The standard also provides guidance on some indicators that an asset may be impaired.</p> <p>We expect the City Council to have completed an impairment assessment to determine whether any assets will need to be impaired. This assessment needs to be made at an early stage, to avoid the risk of this becoming a significant issue at a late stage in the audit.</p>	<p>We will review the City Council's assessment of whether there are any indicators of impairment, and the resulting accounting treatment if applicable.</p>

<b>Financial reporting disclosures</b>	
Schedule 10 of the Local Government Act and the Local Government (Financial Reporting) Regulations 2011 detail disclosures to be included in the Annual Report. Council should review these requirements to ensure all disclosures have been included in the annual report.	We will check that all the disclosures required by schedule 10 of the Local Government Act and the Local Government (Financial Reporting) Regulations 2011 have been appropriately included in the City Council's annual report.
<b>Funding impact statements (FIS)</b>	
The City Council's annual report will identify and explain any significant financial and service performance variances from those planned. While the FIS incorporates two years' comparative information, we expect the primary focus of variance explanations at the Group of Activities level and whole of Council will be against the 2012-2022 LTP.	We will consider the extent to which the City Council's activities are on track against the 2012-2022 LTP. We will assess the reasonableness and completeness of the variance analysis and explanations in the annual report.  We will also consider the implications and impact, of any significant variations from the LTP's planned performance, on the financial strategy.
<b>Shared services</b>	
Local authorities are continually exploring opportunities for delivering enhanced and more efficient services. Among the range of options increasingly discussed are shared services, often with other local authorities.	Please advise us of any such arrangements the City Council is considering.  We will discuss with the City Council any proposals for shared services and any other alternative forms of service delivery. Our objective will be to gain an understanding of the proposals and their potential impact on the organisation and its services and activities.
<b>Weathertightness</b>	
Exposure to liabilities from leaky home claims remains a significant issue for the local government sector. While solutions are being sought at a political level to limit or cap the extent of individual parties' liabilities, at this stage nothing has been resolved.	We will consider the information obtained by the Council to determine its financial exposure to weathertightness claims. We will consider the adequacy and appropriateness of the City Council's accounting treatment and related disclosures in the financial statements.
<b>Development contributions</b>	
Development contributions (and financial contributions, which are levied under the Resource Management Act) are an important funding tool for many local authorities.  Development contributions can be contentious. There is a risk that developers may challenge Council's compliance with legal requirements.  Council may also face the risk of needing to repay contributions if developments do not proceed. To manage this, the City Council needs adequate records.	We will review the City Council's controls to check that all development contributions are charged in accordance with the policy. We will also confirm whether the use and application of funds received is appropriate and has been correctly accounted for.

<b>Possible LTP amendments</b>	
<p>Every proposed amendment must be audited. An amendment arises where Council proposes:</p> <ul style="list-style-type: none"> <li>• a significant change to services levels [section 97 (1)(a)]; or</li> <li>• to transfer ownership of a strategic asset [section 97(1)(b)]; or</li> <li>• a significant change to the revenue and financing policy [section 103(4)].</li> </ul>	<p>We will remain alert for possible amendments throughout the year. We will maintain contact with management and discuss potential amendments as they arise.</p> <p>We also plan to review the City Council's 2013/14 annual plan, to ensure we understand the nature and extent of any changes being proposed.</p> <p>As part of this review we will assess the annual plan's compliance with legislative requirements.</p>
<b>Council's governance role over Council Controlled Organisations (CCOs)</b>	
<p>CCOs are responsible for meeting the accountability requirements of the Local Government Act 2002 (LGA), including preparing Statements of Intent (SOIs) with appropriate involvement from their parent Local Authorities.</p> <p>Local Authorities are responsible for the effective oversight of their CCOs. This includes monitoring their CCOs' performance and reviewing and commenting on draft SOIs of their CCOs within the timeframe in the LGA and ongoing monitoring of performance.</p> <p>Local Authorities also need to ensure that they have articulated the rationale for their investment in their CCOs</p>	<p>We will consider whether the City Council has appropriate arrangements in place for effectively fulfilling its oversight responsibilities relating to CCOs including establishing the rationale for their investment in their CCOs and the monitoring of the CCOs' performance.</p> <p>We will also establish whether statutory timeframes for preparing 2013/14 SOIs have been met for all CCOs.</p>

<b>Conflicts of interest</b>	
<p>Conflicts of interest are an area of concern from two perspectives; probity and the potential for a conflict of interest that is not well managed to create significant legal and reputation risks. During 2007 the Office of the Auditor-General (OAG) published two sets of guidance for entities in this area.</p> <p><i>Managing conflicts of interest: guidance for public entities</i>, explains how to understand conflicts of interest in the public sector, and how to identify, disclose, and manage them. It also considers both the legal and ethical dimensions of conflicts of interest.</p> <p><i>Guidance for members of local authorities about the law on conflicts of interest</i> provides more specific guidance for councillors. This is an updated version of previously published guidance about the legal requirements that apply to council members in formal decision-making at meetings of their authority.</p> <p>The Local Authorities (Members' Interests) Act 1968 controls the making of contracts between councillors and the City Council and prevents councillors from participating in Council matters in which they have a pecuniary interest.</p>	<p>While it is primarily the responsibility of the Council to identify and manage conflicts of interest, in the course of our usual audit work we will remain alert for conflicts of interest.</p> <p>If we identify particular risks related to the management of conflicts of interest, we may carry out further work to review the Council's systems and processes.</p> <p>It is important that both the City Council and councillors identify and manage compliance with the Local Authorities (Members' Interests) Act 1968.</p>
<b>Treaty settlements and co-management</b>	
<p>The Government aims to settle all historical Treaty of Waitangi claims by 2014. One part of cultural redress provided by the Crown to claimant groups is the establishment of future relationships and arrangements ("co-management") with government agencies, such as local authorities, that play significant roles in the areas with which the claimant group has traditional and cultural associations.</p>	<p>We are monitoring these types of arrangements and the implications across all Local Authorities.</p> <p>We ask you to advise us if you become aware of new settlements or co-management arrangements that may impact on your local authority.</p>

<b>Elected members – remuneration and allowance</b>	
<p>The Local Government Act gives the Remuneration Authority responsibility for setting the remuneration of local government elected members. The Authority also has the role of approving a Local Authority's policy on allowances and expenses.</p> <p>Council's annual report must disclose the total remuneration received by or payable to each member of the local authority in the reporting period.<sup>2</sup> A local authority must disclose remuneration paid or payable to each member from both the local authority and any council organisation of the local authority.</p>	<p>We will assess the City Council's compliance with the requirement to disclose the remuneration of each member of the local authority in the annual report against the relevant Local Government Elected Members Determination and any amendment to that Determination.</p>
<b>Public Private Partnerships</b>	
<p>Public Private Partnerships (PPPs) are used to procure public infrastructure when they represent good value for money and are in the public interest. Projects should only proceed as a PPP if this provides better value compared with what the same project could achieve under a more traditional procurement method.</p>	<p>We will discuss with the City Council if any PPPs have been entered into or if the City Council intends to enter into any PPPs.</p>

<sup>2</sup> Schedule 10, clause 18, Local Government Act 2002.

## **Appendix 2: Additional information about the audit**

### **Our reporting protocols**

#### **Management reports**

We will provide a draft of all management reports to management for discussion/clearance purposes. In the interests of timely reporting, we ask management to provide their comments on the draft within 10 working days. Once management comments are received the report will be finalised and provided to the Council.

#### **Reporting of misstatements**

We will include details of all uncorrected misstatements in our management report. Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of the City Council's financial statements.

During the audit, we will provide details of any such misstatements we identify to an appropriate level of management. We will ask for each misstatement to be corrected in the City Council's financial statements. Where management does not wish to correct a misstatement we will seek written representations from representatives of the governing body that specify the reasons why the corrections will not be made.

### **Our expectations of you to enable an efficient audit**

To enable us to carry out our audit efficiently within the proposed audit fee, we expect that:

- the City Council will provide us with access to all relevant records and provide information in a timely manner;
- your staff will provide an appropriate level of assistance;
- the financial statements will be available at the start of the final audit, include all relevant disclosures, and be fully supported by a detailed workpaper file; and
- the annual report and financial statements (including the statement of service performance) will be subjected to appropriate levels of quality review before submission for audit.

Our audit fee is based on the assumption that we will review no more than two sets of the draft annual report, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report for publication on the City Council's website.

### **Using the City Council's risk and assurance team**

Our approach will be to continue to liaise with risk and assurance to ensure appropriate co-ordination of effort. In keeping with the applicable auditing standard, ISA (NZ) 610, *Using the Work of Internal Auditors*, we will make a preliminary assessment of the internal audit function in terms of organisational status, scope, technical competence, and professional care.

If we determine from our preliminary assessment that the internal audit function could be used for external audit purposes then we will consider the internal audit work proposed or completed. We will then determine the extent to which we can use the internal audit work to supplement our audit work.

### **How we consider your compliance with statutory authority**

As part of the Auditor-General's mandate, we carry out an audit of compliance with statutory authority. Our audit is limited to obtaining assurance that you have complied with certain laws and regulations that may directly affect the City Council's financial statements or general accountability. Our audit does not cover all of the City Council's requirements to comply with statutory authority.

Our approach to this aspect of the audit will mainly involve assessing the systems and procedures that are in place to ensure compliance with certain laws and regulations that we consider to be significant. We will also complete our own checklists covering the key requirements of significant legislation. In addition, we will remain alert for any instances of non-compliance that come to our attention. We will evaluate the relevance of any such non-compliance to our audit.