

**Chairperson and Subcommittee Members**  
AUDIT AND RISK SUBCOMMITTEE

11 FEBRUARY 2016

Meeting Status: **Public**

Purpose of Report: For Information

## **TIMETABLE FOR THE AUDIT OF THE 2015/16 ANNUAL REPORT**

### **PURPOSE OF REPORT**

- 1 This report updates the Audit and Risk Subcommittee on the proposed timetable for the audit of Council's Annual Report and Debenture Trust Deed for the year ended 30 June 2016.

### **DELEGATION**

- 2 The Audit and Risk Subcommittee has delegated authority to consider this report under the following delegation in the Governance Structure, Section C.4.
  6. Without limiting the generality of this delegation the Subcommittee has the following functions, duties and powers:
    - External Audit*
    - 6.12 *At the start of each audit, confirm the terms of the engagement, including the nature and scope of the audit, timetable and fees with the external auditor and a recommendation made to the Corporate Business Committee.*
    - 6.13 *Receive the external audit reports and review action to be taken by management on significant issues and audit recommendations raised within.*
    - 6.11 *Ensure any recommendation by management that the Office of the Auditor-General replace the external auditor is referred to and examined by the Audit and Risk Subcommittee and a recommendation is made to the Corporate Business Committee.*

### **BACKGROUND**

- 3 The Auditor-General is the auditor of all 'public entities', including Kapiti Coast District Council.
- 4 Under section 32 and 33 of the Public Audit Act 2001, the Auditor General has appointed Ernst & Young to carry out the annual audit of the Council's financial statements and performance information for the years ending 30 June 2014 to 30 June 2016.
- 5 Fees for the audit of public entities are set by the Auditor General under section 42 of the Public Audit Act 2001. Following agreement with Ernst & Young, the audit fee for the year ended 30 June 2016 is \$169,300 plus GST and all reasonable disbursements. This includes an overhead charge of \$11,500 payable by Ernst & Young to the Office of the Auditor General for a range of work that supports auditors.

- 6 In addition, Ernst & Young perform an annual audit of Council's Debenture Trust Deed. The agreed audit fee for the year ended 30 June 2016 is \$3,150 plus GST and reasonable disbursements.
- 7 The nature and scope of these audit engagements are set out in the Letters of Engagement as approved by Ernst & Young, Council and Council's Trustee, Foundation Corporate Trust. The latter only being applicable to the audit of the Debenture Trust Deed.

## CONSIDERATIONS

### Audit Approach

- 8 Following agreement with Ernst & Young, the audit of the Council's financial statements and performance information for the year ended 30 June 2016 will be completed in three separate stages. Stage one comprises an audit of the financial statements for an 11 month period, and the non-financial performance information for the nine months ended 31 March 2016. Stage two comprises an audit of property, plant and equipment and stage three comprises an audit of the remaining non-financial performance information and a full review of the draft 2015/16 Annual Report.
- 9 Stage one includes:
  - A substantive audit of the non-financial performance information for the nine months ended 31 March 2016. This is scheduled to take place from Monday 20 June 2016 to Friday 24 June 2016.
  - A substantive audit of the draft financial statements for the eleven months ended 31 May 2016 including a draft financial overview and a draft Annual Report Disclosure Statement (Prudence Benchmarks). This is scheduled to take place from Monday 27 June 2016 to Friday 8 July 2016.
- 10 Stage two includes:

A substantive audit of property, plant and equipment (PPE) for the year ended 30 June 2016. PPE is the largest and most complex asset category on the balance sheet and a separate audit stage is allocated to PPE in isolation from the other financial statement elements. This is scheduled to take place from Monday 11 July 2016 to Friday 15 July 2016.
- 11 Stage three includes:
  - The audit of the Debenture Trust Deed for the year ended 30 June 2016 which is scheduled to take place from Monday 22 August 2016 to Friday 26 August 2016.
  - An analytical review of the financial results for the month of June 2016 and a review of the draft financial statements for the year ended 30 June 2016 including a draft financial overview and a draft Annual Report Disclosure Statement (Prudence Benchmarks). This is scheduled to take place from Monday 22 August 2016 to Friday 2 September 2016.
  - A substantive audit of the non-financial performance information for the remaining quarter ended 30 June 2016. This is scheduled to take place from Monday 22 August 2016 to Friday 2 September 2016.

- A detailed review of the draft Annual Report, including the Mayor's introduction, message from the Chief Executive and the message from Tāngata Whenua. This is scheduled to take place from Monday 22 August 2016 to Friday 2 September 2016.

#### 2015/16 Annual Report Adoption Timetable

- 12 The table below sets out the scheduled dates of the Audit and Risk Subcommittee, Corporate Business Committee and Council meetings that are relevant to the audit and adoption on the 2015/16 Annual Report.
- 13 Under the current Council Governance structure and delegations report, only the Corporate Business Committee has the authority to consider and recommend to Council the adoption of the Annual Report. This function is not sub delegated to the Audit and Risk Subcommittee.
- 14 Agenda items relevant to the 2015/16 Annual Report have been outlined.

Meeting of...	Meeting Date	Agenda Items to include...
Audit and Risk Subcommittee	Thursday 4 August 2016	For Information: 1. <i>Draft Financial Statements for the year ended 30 June 2016.</i> 2. <i>Draft Financial Overview for the year ended 30 June 2016.</i> 3. <i>Draft Annual Report Disclosure Statement for the year ended 30 June 2016 (Mandatory Prudence Benchmarks).</i>
Corporate Business Committee	Thursday 11 August 2016	For Information: 1. <i>Finance Report for the year ended 30 June 2016</i> 2. <i>Investment and Borrowing Report for the year ended 30 June 2016</i>
Audit and Risk Subcommittee	Tuesday 15 September 2016	For Information: 1. <i>Ernst and Young's Closing Report to the Audit and Risk Subcommittee for the year ended 30 June 2016.</i> 2. <i>Ernst &amp; Young's Report on Control Findings for the year ended 30 June 2016.</i> 3. <i>Draft financial statements, draft financial overview and draft annual report disclosure statement for the year ended 30 June 2016.</i>
Corporate Business Committee	Thursday 22 September 2016	For Decision: <i>Review and recommend adoption of the 2015/16 Annual Report to Council.</i>
Council	Thursday 29 September 2016	For Decision <i>Review and adopt the 2015/16 Annual Report.</i>



## Financial Considerations

- 16 The total audit fees payable to Ernst & Young for the year ended 30 June 2016 are estimated to be \$172,450 plus GST and reasonable disbursements. This fee includes the audit of the 2015/16 Annual Report and Council's compliance with its Debenture Trust Deed for the year ended 30 June 2016. This fee estimate has been reflected in the 2015/16 Annual Plan.

## Legal Considerations

- 17 There are no legal considerations at this time.

## Policy Implications

- 18 There are no policy considerations at this stage.

## Tāngata Whenua Considerations

- 19 There are no tāngata whenua considerations.

## Publicity Considerations

- 20 There are no publicity considerations at this stage.

## **SIGNIFICANCE AND ENGAGEMENT**

- 21 This matter has a low level of significance under the Council Policy.

## **RECOMMENDATIONS**

- 22 That the Audit and Risk Subcommittee confirm the proposed timetable for audit of the Council's Annual Report and the Council's Debenture Trust Deed for the year ended 30 June 2016.

**Report prepared by:**

**Approved for submission by:**

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