

Chairperson and Subcommittee Members
AUDIT AND RISK SUBCOMMITTEE

12 FEBRUARY 2015

Meeting Status: **Public**

Purpose of Report: For Information

TIMETABLE FOR THE AUDIT OF THE 2014/15 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 2015.

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 2015 is \$165,860 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 2015 is \$3,150 plus 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 2015 will be completed in two separate stages. Stage one comprises an audit of the financial statements for an 11 month period and stage two comprises an audit of the non-financial performance information and a full review of the draft 2014/15 Annual Report.
- 9 Stage one includes:

A substantive audit of the draft financial statements for the eleven months ended 31 May 2015 including a draft financial overview and a draft Annual Report Disclosure Statement (Prudence Benchmarks). This is scheduled to take place from Monday 29 June 2015 to Friday 10 July 2015.
- 10 Stage two includes:
 - An analytical review of the financial results for the month of June 2015 and a review of the draft financial statements for the year ended 30 June 2015 including a draft financial overview and a draft Annual Report Disclosure Statement (Prudence Benchmarks). This is scheduled to take place from Monday 24 August 2015 to Friday 4 September 2015.
 - A substantive audit of the non-financial performance information for the year ended 30 June 2015. This is scheduled to take place from Monday 24 August 2015 to Friday 4 September 2015.
 - The audit of the Debenture Trust Deed for the year ended 30 June 2015 is scheduled to take place from Monday 24 August 2015 to Friday 28 August 2015.
 - 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 24 August 2015 to Friday 11 September 2015.

2014/15 Annual Report Adoption Timetable

- 11 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 2014/15 Annual Report. Agenda items relevant to the 2014/15 Annual Report have been outlined.

Meeting of...	Meeting Date	Agenda Items to include...
Audit and Risk Subcommittee	Thursday 6 August 2015	For Information: <ol style="list-style-type: none"> 1. <i>Draft Financial Statements for the year ended 30 June 2015.</i> 2. <i>Draft Financial Overview for the year ended 30 June 2015.</i> 3. <i>Draft Annual Report Disclosure Statement for the year ended 30 June 2015 (Mandatory Prudence Benchmarks).</i>
Corporate Business Committee	Thursday 13 August 2015	For Information: <ol style="list-style-type: none"> 1. <i>Finance Report for the year ended 30 June 2015</i> 2. <i>Investment and Borrowing Report for the year ended 30 June 2015</i>
Audit and Risk Subcommittee	Tuesday 29 September 2015	For Information: <ol style="list-style-type: none"> 1. <i>Ernst and Young's Closing Report to the Audit and Risk Subcommittee for the year ended 30 June 2015.</i> 2. <i>Ernst & Young's Report on Control Findings for the year ended 30 June 2015.</i> 3. <i>Draft Annual Report for the year ended 30 June 2014/15.</i>
Corporate Business Committee	Thursday 8 October 2015	For Decision: <i>Review and recommend adoption of the 2014/15 Annual Report to Council.</i>
Council	Thursday 15 October 2015	For Decision <i>Review and adopt the 2014/15 Annual Report.</i>

- 12 The table below summarises the combined timings of both the audit process and the Council meetings at which the audit outputs are tabled for information and or decision-making purposes, which will result in the adoption of the Annual Report.

Summary table of audit processes and related Council meetings

	w/c Mon	29 Jun	6 Jul	13 Jul	20 Jul	27 Jul	3 Aug	10 Aug	17 Aug	24 Aug	31 Aug	7 Sep	14 Sep	21 Sep	28 Sep	5 Oct	12 Oct
Ernst & Young Audit																	
Stage 1																	
Substantive audit and draft Prudence Benchmarks		■															
Stage 2																	
Analytical review and draft review of financial statements										■							
Substantive audit of non-financial performance information										■							
Audit of Debenture Trust Deed										■							
Detailed review of draft Annual Report										■							
Council Meetings																	
Audit and Risk Subcommittee							■								■		
Corporate Business Committee								■								■	
Council																	■

Financial Considerations

- 13 The total audit fees payable to Ernst & Young for the year ended 30 June 2015 are estimated to be \$169,010 plus GST and reasonable disbursements. This fee includes the audit of the 2014/15 Annual Report and Council's compliance with its Debenture Trust Deed for the year ended 30 June 2015. This fee estimate has been reflected in the 2014/15 Annual Plan.

Legal Considerations

- 14 There are no legal considerations at this time.

Policy Implications

- 15 There are no policy considerations at this stage.

Tāngata Whenua Considerations

- 16 There are no tāngata whenua considerations.

Publicity Considerations

- 17 There are no publicity considerations at this stage.

SIGNIFICANCE AND ENGAGEMENT

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

RECOMMENDATIONS

- 19 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 2015.

Report prepared by:

Approved for submission by:

Mark de Haast
Financial Controller

Wayne Maxwell
Group Manager Corporate Services

Approved for submission by:

Stephen McArthur
Group Manager Strategy and Planning