

11 December 2018

Andy Watson  
Rangitikei District Council  
Private Bag 1102  
Marton 4741

Dear Andy

**Audit Engagement Letter: Audit of the consultation document and Long-Term Plan for the period commencing 1 July 2018**

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all “public entities”, including Rangitikei District Council (the District Council), under section 14 of the Public Audit Act 2001. The Auditor-General has appointed me, Debbie Perera, using the staff and resources of Audit New Zealand, under section 32 and 33 of the Public Audit Act 2001, to carry out the audit of the Rangitikei District Council’s consultation document and Long-Term Plan (LTP).

This letter outlines:

- the terms of the audit engagement and the respective responsibilities of the governing body (the Council) and me as the appointed auditor;
- the audit scope and objectives;
- the approach taken to complete the audit;
- the areas of audit emphasis;
- the audit logistics; and
- the professional fees.

**1 Specific responsibilities of the council for preparing the consultation document and the Long-Term Plan**

Our audit will be carried out on the basis that the Council acknowledges that it has responsibility for preparing the consultation document and LTP, by applying its own assumptions, in accordance with the Local Government Act 2002 (the Act) (in particular, the requirements of Part 6 and Schedule 10), and in accordance with generally accepted accounting practice in New Zealand. We

assume that elected members are familiar with those responsibilities and, where necessary, have obtained advice about them.

For clarity we note the following statutory responsibilities as set out in the Act:

- Section 93 of the Act requires Council to have an LTP at all times, and Part 1 of Schedule 10 governs the content of the LTP.
- Section 111 aligns the financial information with generally accepted accounting practice.
- Section 83 (with reference to section 93A) sets out the special consultative procedures that the Council is required to follow to adopt the consultation document and LTP.
- Section 93C(4) requires an auditor's report on the consultation document and section 94 requires a separate opinion on the LTP.

Please note that the audit does not relieve the Council of any of its responsibilities.

Other general terms are set out in the relevant sections of this letter and Appendix 1.

## **2 Our audit scope**

The Act requires us to provide two separate reports as follows:

- On the consultation document, a report on:
  - whether the consultation document gives effect to the purpose specified in section 93B; and
  - the quality of the information and assumptions underlying the information in the consultation document.
- On the LTP, a report on:
  - whether the LTP gives effect to the purpose in section 93(6); and
  - the quality of the information and assumptions underlying the forecast information provided in the LTP.

We expect our work to assess the quality of underlying information and assumptions to be a single, continuous process during the entire LTP preparation period.

Our focus for the first limb of each opinion will be to assess whether each document meets its statutory purpose. Given the different purposes of each document, we will assess the answers to different questions for each opinion.

Our focus for the second limb of each opinion will be to obtain evidence about the quality of the information and assumptions underlying the information contained in the consultation document and LTP. How we obtain this information depends on our judgement, including our assessment of

the risks of material misstatement of the information and assumptions underlying the information contained in the consultation document and LTP, whether because of fraud or error.

Our audit opinions do not:

- provide a guarantee of absolute accuracy of the information in the relevant document;
- provide a guarantee that the District Council has complied with all relevant legal obligations;
- express an opinion on the merits of any policy content; or
- include an opinion on whether the forecasts will be achieved.

### **3 Our approach to this audit**

#### **3.1 The content of the consultation document**

The Act emphasises the discretion of the Council to decide what is appropriate to include in the consultation document and the associated consultation process. In deciding what to include in the consultation document, the Council must have regard to its significance and engagement policy, and the importance of other matters to the district and its communities.

We will need to understand how the Council has approached the task of applying its significance and engagement policy, and how it has considered the importance of other matters in deciding what to include in the consultation document. This will help inform our assessment of whether the consultation document achieves its statutory purpose.

#### **3.2 Adopting and auditing the underlying information**

Before adopting the consultation document, section 93G of the Act requires the Council to prepare and adopt the information that:

- is relied on by the content of the consultation document,
- is necessary to enable the Auditor-General to issue an audit report under section 93C(4), and
- provides the basis for the preparation of the LTP.

The information to be prepared and adopted needs to be enough to enable the District Council to prepare the consultation document.

We consider that local authorities will need to have thought comprehensively about how best to meet the requirements of the Act. Consistent with the guidance of the Society of Local Government Managers' (SOLGM), our view is that core building blocks of an LTP will be needed to support an effective consultation document. This will include, but not be limited to, draft financial and infrastructure strategies and the information that underlies them, including asset

management information, assumptions, defined levels of service, funding and financial policies, and a complete set of financial forecasts.

We will work with management to understand the information proposed to be adopted and assess whether it will enable us to issue an audit report under section 93C(4).

In addition, the time frames to consider and adopt the LTP after the consultation process will be tight. From a practical perspective, it will be important that the District Council is well advanced with the preparation of the full LTP when it issues the consultation document. Otherwise you may find it difficult to complete the work and adopt the full LTP before the statutory deadline. The same is true for the audit work. The more audit work that is able to be completed at the first stage of the process, the less pressure there will be on you and the audit team at the end of the process.

### **3.3 Control environment**

The Council is responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the District Council), supported by written policies and procedures, designed to prepare the consultation document and LTP, and to provide reasonable quality information and assumptions underlying the information contained in these documents.

Our approach to the audit will be to identify, confirm and assess the District Council's key processes and controls over the underlying information and the production of both the consultation document and the LTP. The purpose of this assessment is to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit opinions. Our assessment is not for the purpose of expressing an opinion on the effectiveness of the District Council's internal controls.

We will carry out a review of the control environment to help us understand the approach taken to develop the consultation document and LTP, develop expectations of what should be included in the consultation document and LTP, and identify areas of potential audit risk. This will involve discussions with elected representatives and selected staff throughout the District Council, review of publicly available information about the District Council, updating our knowledge of the District Council issues developed during recent years, and a review of Council minutes since the last audit review.

Our review of your self-assessment response (see below), and key controls relating to the underlying information and development of the LTP is useful to our initial assessment of audit risk and so the nature and extent of our overall audit work.

### **3.4 Project management, reporting deadlines, and audit progress**

The development of the consultation document and LTP is a significant and complex project and a comprehensive project plan is required for a successful LTP process. It is also essential that there is commitment throughout the organisation for the project, starting with the elected representatives. The involvement of senior management and elected representatives is important in deciding what to include in the consultation document.

The LTP has complex and inter-related information needs and draws together plans, policies, decisions and information from throughout the District Council and its community. We recognise that the District Council will be doing its LTP preparation over an extended period. A more efficient and cost effective audit can be achieved when audit work and feedback is provided in “real time” or on an “auditing as you go” basis as the underlying information is developed.

Consequently, we will discuss with you and your staff the District Council’s approach to preparing and completing the LTP. We expect that the District Council is approaching its preparation on a project basis and recognise that ideally our audit work should “shadow” that project timetable. The success of this “auditing as you go” approach will depend on the District Council’s project management of the overall LTP process which should include time for audit work at appropriate points in the process. We have agreed key milestones in section 6 and a detailed schedule of deliverables to be agreed is in Appendix 3].

### **3.5 Self-assessment**

To assist our audit planning we intend to use a self-assessment process to assist with our risk assessment process. The self-assessment requires you to reflect on your most significant issues and risks, governance of the LTP project, and the systems and processes you have in place (particularly to meet the purposes in the Act for the consultation document and the LTP), asset management, performance management and reporting, and financial management.

We have forwarded the self-assessment to you under a separate cover. We ask for your co-operation in completing this assessment for return to us by 12 January 2018.

The self-assessment is similar to those used with our audit of previous LTPs. The information provided through the self-assessment will be confirmed with you through discussion after its completion.

## **4 Our particular areas of audit emphasis**

### **4.1 Financial strategy and infrastructure strategy**

The Act requires a local authority to prepare two key strategies as part of the LTP: the financial strategy and the infrastructure strategy. The purpose of the financial strategy is to:

- facilitate prudent financial management by the local authority by providing a guide for the local authority to consider proposals for funding and expenditure against; and
- provide a context for consultation on the local authority’s proposals for funding and expenditure by making transparent the overall effects of those proposals on the local authority’s services, rates, debt, and investments

The purpose of the infrastructure strategy is to:

- identify significant infrastructure issues for the local authority during the period covered by the strategy; and

- identify the principal options for managing those issues and the implications of those options.

The Act expects close alignment between the two strategies and section 101B(5) allows for them to be combined into a single document.

Although the Act clearly sets the minimum requirements for these strategies, it does not define the only things that can be in a strategy. A good strategy should include what is needed to be a good quality strategic planning document. In the case of the infrastructure strategy the principles of ISO55000 should be considered, particularly where the District Council is seeking to prepare a best practice strategy.

While issues identified with the infrastructural and financial strategies were addressed at 2015-2025 CD stage to meet the minimum legislative requirements we recommend that the District Council complete reviews of these documents for the 2018-2028 CD/LTP to not only ensure compliance with legislative requirements but to improve the quality of the strategies. The OAG has included sector-wide strengths and weaknesses in the publication Matters arising from the 2015-25 local authority long-term plans, which is available from <http://www.oag.govt.nz/2015/ltps> which will provide some guidance.

Our focus when reviewing both strategies is to assess whether the District Council has met the purpose outlined in the Act and presented the strategies in a coherent and easily readable manner. Specifically, we will:

- confirm that the two strategies are appropriately aligned; and
- understand the impact of the financial forecasts included in the infrastructure strategy on the prudence of the financial strategy; and
- assess the reasonableness of the prepared forecasts by:
  - understanding how the District Council has applied the effect of its assumptions (for example, allowing for changing demographics) and levels of service on expenditure decisions, and outlined the implications of these decisions in the strategies;
  - reviewing the District Council's relationship between its renewal capital expenditure and depreciation expenditure forecasts; and
  - checking that the infrastructure strategy is appropriately inflated.

The District Council's financial modelling is a significant component of the underlying information that supports both the financial strategy and infrastructure strategy. We will place particular emphasis on the integrity and effectiveness of the financial modelling of all local authorities.

An additional role played by these strategies is to facilitate accountability to the community. It is critical that these strategies are presented in such a way that they are engaging and informative,

and support the presentation of issues, options and implications presented in the consultation document.

## 4.2 Assumptions

The quality of the District Council's financial forecasts is significantly affected by whether the assumptions on which they are based are defined and reasonable. The Act recognises this by requiring all local authorities to clearly outline all significant forecasting assumptions and risks underlying the financial estimates in the LTP (Schedule 10, clause 17). *Prospective Financial Statements* (PBE FRS 42) also requires the disclosure of significant assumptions.

We will review the District Council's list of significant forecasting assumptions and confirm that they are materially complete. We will also test the application of selected assumptions in the financial forecasts to check they have been reasonably applied. Finally, we will confirm that:

- all significant forecasting assumptions disclose the level of uncertainty associated with the assumption; and
- for all significant forecasting assumptions that involve a high level of uncertainty, the uncertainty and an estimate of the potential effects of the uncertainty on the financial forecasts are appropriately disclosed in the LTP.

We consider that the significant forecasting assumptions are crucial to the underlying information for the consultation document and will complete our review during our audit of the consultation document.

## 4.3 Quality of asset-related forecasting information

A significant portion of the District Council's operations relates to the management of its infrastructure: the roading network and the "three-waters" of water supply, sewerage, and stormwater drainage. These activities typically make up about 52% of operational expenditure and 92% of capital expenditure.

To prepare reasonable quality asset information, the District Council needs to have a comprehensive understanding of its critical assets and the cost of adequately maintaining and renewing them. An important consideration is how well the District Council understands the condition of its assets and how the assets are performing.

In reviewing the reasonableness of the District Council's asset-related forecasting information, we will:

- assess the District Council's asset management planning systems and processes;
- understand what changes the District Council proposes to its forecast levels of service;
- understand the District Council's assessment of the reliability of the asset-related information;

- consider how accurate recently prepared budgets have been; and
- assess how matters such as affordability have been incorporated into the asset-related forecasts prepared.

Depending on what we identify in completing the above, we may have to complete further detailed testing on the District Council's asset-related information.

In the 2015 LTP it was identified that there is a lack of a quality assurance over data being input into the asset management system by contractors which meant that there was a risk of what was being input into the system may not be complete or accurate due to a higher risk of input errors being undetected.

We had also noted in our review of the 2015 road and 3 waters AMPs that there had been improvements and our expectation that this would have continued to improve.

#### **4.4 The District Council's -specific matters**

##### **4.4.1 Affordability and maintaining levels of service**

In the last LTP, a significant issue facing the Council was the declining population and ensuring rates remain affordable while continuing to deliver the current levels of service. While there has been population growth in parts of the district in other areas the provision of reticulated water and wastewater schemes to small communities remains a concern.

We will review the progress the District Council has made in investigating alternate cost effective proposals for water and wastewater solutions for small communities as their resource consents come up for renewal and the impact on the 2018-2028 LTP. Where increased growth has occurred we will also review to see how the District Council is addressing the impact of the growth on those communities, levels of service and District Council infrastructure.

##### **4.4.2 Town Rejuvenation projects**

There were a number of significant town centre rejuvenation projects proposed or being consulted on in the 2015 LTP and in subsequent annual plans.

We will review the progress on and any potential impact on the 2018-2028 CD/LTP from the Bulls Community centre project. We will also look at the ongoing consultation and investigation of costings and external funding opportunities to assist with proposed the Marton Civic Centre and heritage site. We will review the supporting information and assumptions that support the consultation options and any relevant disclosures.

We note that any decisions not to proceed may have implications for the current Marton Council buildings which have been assessed as earthquake prone and will need to be strengthened/rebuilt if the proposed project does not proceed.



#### **4.4.3 Infrastructure projects**

While major wastewater, water and storm water upgrades were planned for 2017/18 we will follow up with Council management as to whether these are on track and the physical works have commenced. We are aware that consent conditions were being secured with Horizons Regional Council (Regional Council). The Regional Council was working closely with the District Council to ensure the most cost effective solutions for the planned upgrades to water, wastewater and storm water facilities.

We will review for any implications for the CD/LTP and impact to on levels of service and updates to costings on the underlying information from the three waters upgrades.

### **5 Other matters**

#### **5.1 Our independence**

It is essential that the audit team and Audit New Zealand remain both economically and attitudinally independent of the District Council (including being independent of management personnel and the Council). This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with integrity, objectivity and independence.

#### **5.2 Publication of the consultation document and adopted LTP on the District Council's website**

The District Council is responsible for the electronic presentation of the consultation document and LTP on its website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the presented data. Please ensure that your project plan allows time for us to examine the final electronic file version of the respective documents, including our audit report, before their inclusion on the website.

We need to do this to ensure consistency with the paper-based documents that have been subject to audit.

### **6 Audit logistics**

#### **6.1 Audit timing**

The key dates in the audit timetable are as follows:

Self-assessment provided to the District Council	11/12/2017
Self-assessment returned to audit team for consideration	12/01/2017

First interim visit (initial assessment)	To confirm site visits with council management as underlying information is available.
Proposed consultation document available	25/01/2018
Audit opinion on consultation document required	22/02/2018
Draft management report on consultation document engagement	8/03/2018
Finalised management report on consultation document engagement	22/03/2018
Proposed LTP for adoption available	TBC
Audit opinion on adopted LTP required	TBC
Draft management report on LTP engagement	TBC
Finalised management report on LTP engagement	TBC

Should we encounter any significant problems or delays during the audit, we will inform you immediately.

We have an electronic audit management system. This means that our auditors will complete most their work on their laptops.

Therefore, we would appreciate it if the following could be made available during our audit:

- A suitable workspace for computer use (in keeping with the health and safety requirements discussed in **Appendix 1**).
- Electronic copies of key documents.

As noted in section 3.4, our audit work needs to be done as you develop your underlying information and prepare your consultation document and LTP, to ensure the timely completion of our audit.

To ensure that we meet agreed deadlines, it is essential that the dates agreed are adhered to.

## **7 Professional fees**

Our audit fee, covering both the consultation document and the LTP for the period commencing 1 July 2018, is \$79,000 (excluding GST and disbursements) as outlined in Appendix 2

The proposed fee is based on the following assumptions:

- Information required to conduct the audit is complete and provided in accordance with the agreed timelines, including the draft consultation document and the full draft financial strategy and draft infrastructure strategy that supports it.
- There will be an appropriate level of assistance from your staff.
- All documentation (consultation document, LTP and all other underlying documentation) provided will be subject to appropriate levels of quality review before submission for audit.
- The consultation document and LTP will include all relevant disclosures.
- We will review, at most, two drafts of each of the consultation document and LTP during our audit.
- We will also review one printer’s proof copy of the consultation document and LTP and one copy of the electronic version of the consultation document and LTP (for publication on your website).
- There are no significant changes in the structure or level of operations of the District Council.
- The local authority is preparing forecast financial statements for the “District Council parent” only, rather than including consolidated forecast financial statements for the District Council and any controlled entities in the adopted LTP.

If the scope and/or amount of work changes significantly (such as a change in direction during the development of the consultation document or between the development of the consultation document and the LTP), we will discuss the issues with you at the time.

If information is not available for the visits as agreed, or the systems and controls the District Council uses to prepare the underlying information and assumptions cannot be relied on, we will seek to recover all additional costs incurred as a result. We will endeavour to inform you as soon as possible should such a situation arise.

This fee is exclusive of any subsequent amendments the Council might make to the adopted LTP under section 93D.

We wish to interim bill as work progresses. We propose the following billing arrangements:

	\$
January	\$30,000
February	\$30,000
June	\$29,000
<b>Total</b>	<b>\$79,0000</b>

## 8 Personnel

Our personnel involved in the management of the audit are:

Debbie Perera	Director
Kristina Dalit	SAAS
Fiona Elkington	Manager
Yui-teng Chan	Senior Auditor

We have endeavoured to maintain staff continuity as far as possible.

## 9 Agreement

Please sign and return the attached copy of this letter to indicate that:

- it is in accordance with your understanding of the arrangements for this audit of the consultation document and LTP for the period commencing 1 July 2018; and
- you accept the terms of the engagement set out in this letter that apply specifically to the audit of the consultation document and LTP and supplement the existing audit engagement letter dated 13 June 2017.

If there are any matters requiring further clarification please do not hesitate to contact me.

Yours sincerely



Debbie Perera  
Director

cc Ross McNeill, Chief Executive  
Michael Hodder, Community & Regulatory Services Group Manager

*I acknowledge that this letter is in accordance with my understanding of the arrangements of the audit engagement. I also acknowledge the terms of the engagement that apply specifically to the audit of the consultation document and LTP, and which supplements the existing audit engagement letter dated 13 June 2017.*

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Andy Watson  
Mayor

# Appendix 1: Terms of the engagement that apply specifically to the audit of the consultation document and LTP

## Objectives

The objectives of the audit of the consultation document and LTP are:

- to provide independent opinions on the consultation document (under section 93C(4) of the Act) and on the LTP (under section 94(1) of the Act) about:
  - whether each document gives effect to the relevant statutory purpose; and
  - the quality of the information and assumptions underlying the information included in each document; and
- to report on matters relevant to the District Council's planning systems that come to our attention.

Our audit involves performing procedures that examine, on a test basis, evidence supporting assumptions, amounts and other disclosures in the consultation document and LTP, and evaluating the overall adequacy of the presentation of information.

We also review other information associated with the consultation document and LTP to identify whether there are material inconsistencies with the audited consultation document and LTP.

## Provision of a management report to the Council

At a minimum, we will report to the Council at the conclusion of the engagement. The management report communicates matters which come to our attention during the engagement and that we think are relevant to the Council. For example, we will report:

- any weaknesses in the District Council's systems; and
- uncorrected misstatements noted during the audit.

Please note that the Auditor-General may refer to matters that are identified in the audit of consultation documents and LTPs in a report to Parliament if it is in the public interest, in keeping with section 20 of the Public Audit Act 2001.

## Materiality

Consistent with the annual audit, the audit engagement for the consultation document and LTP adheres to the principles and concepts of materiality during the 10-year period of the LTP and beyond (where relevant).

Materiality is one of the main factors affecting our judgement on the areas to be tested and the nature and extent of our tests and procedures performed during the audit. In planning and performing the audit, we aim to obtain assurance that the consultation document and LTP, and the information and assumptions underlying the information contained in these documents, do not have material misstatements caused by either fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence a reader's overall understanding of the forecast financial statements and performance information.

Consequently, if we find material misstatements that are not corrected, we will refer to them in the audit opinion. Our preference is for any material misstatement to be corrected, avoiding the need to refer to misstatements in our opinion.

## **The standards applied when conducting the audit of the consultation document and adopted LTP**

Our audit is carried out in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. In meeting the requirements of this standard, we took into account particular elements of the Auditor-General's Auditing Standards and International Standard on Assurance Engagements 3400: *The Examination of Prospective Financial Information* that were consistent with those requirements.

## **Responsibilities**

### **General responsibilities**

The general responsibilities of the Council for preparing and completing the consultation document and LTP are consistent with those for the annual report, as set out in the audit engagement letter dated 13 June 2017 – but noting that the consultation document and LTP include forecast information.

These responsibilities include those set out in Appendices 1 and 2 of that audit engagement letter as detailed below:

- Appendix 1: Respective specific responsibilities of the Council and the Appointed Auditor:
  - Responsibilities for compliance with laws and regulations.
  - Responsibilities to establish and maintain appropriate standards of conduct and personal integrity.

### **Specific responsibilities**

The Council is responsible for:

- maintaining accounting and other records that:

- correctly record and explain the forecast transactions of the District Council;
  - enable the Council to monitor the resources, activities and entities under its control;
  - enable the District Council's forecast financial position to be determined with reasonable accuracy at any time; and
  - enable the District Council to prepare forecast financial statements and performance information that comply with legislation.
- providing us with:
    - access to all information and assumptions relevant to preparing the consultation document and LTP, such as records, documentation and other matters;
    - additional information that we may request from the District Council for the purpose of the audit;
    - unrestricted access to Council members and employees that we consider necessary; and
    - written confirmation concerning representations made to us in connection with the audit.

### **Health and safety of audit staff**

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015, we need to make arrangements with you to keep our audit staff safe while they are working at your premises. We expect you to provide a safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.



## Appendix 2: Team mix and hours for the audit of the consultation document and LTP for the 10-year period commencing on 1 July 2018

	Total hours
Appointed Auditor	40
Engagement Quality Review Director	
Sector Specialists	
Audit Manager	80
Other CA staff	160
Staff not yet CA qualified	120
Other Expert or Specialist Assistance: IS etc	34
Totals	434

### Fee calculations

	\$
Net fee	79,000
OAG overhead contribution*	<b>NIL</b>
<b>Total fee (including overhead contribution)</b>	79,000
GST	11,850
<b>Audit fee for the LTP for the period commencing 1 July 2018</b>	90,850

\* No OAG overhead is charged in relation to the audit of the LTP.

We will charge disbursements, including travel, on an actual and reasonable basis.

## Appendix 3: Audit’s 2018 LTP information and documentation requirements<sup>1</sup>

Information required	Relevance to our audit	Timing considerations	Agreed deliverables	Agreed date
<b>Audit planning phase</b>				
The District Council’s timetable	So we can understand and assess the District Council’s planning processes and plan our workflows.	As soon as possible son we can populate key sign-off dates and deliverables into the audit arrangements letter.  We also need this information to plan our resourcing of the audit given the major impact of LTP audits on our organisation.		
Signed audit arrangements letter	To agree expectations, fee and timeframes.	Once timing and deliverables are agreed.		
Description of the District Council’s higher level planning processes (from self-assessment plus discussions)	So we can assess the robustness of the District Council’s overall LTP preparations processes.	Initial phase of Audit’s engagement with the District Council.		

<sup>1</sup> Amend as appropriate for each LTP audit.

Information required	Relevance to our audit	Timing considerations	Agreed deliverables	Agreed date
Description of the state of progress in updating the District Council's AMPs and in particular a description of the significant issues/ changes that have arisen since 2015	So we can understand the state of the District Council's knowledge about its assets and the robustness of the forecasts that flow from the AMPs.	Initial phase of Audit's engagement with the District Council as the AMPs drive the large and critical service components of the LTP.		
Description of the District Council's processes for preparing its forecasts (including its QA process) for non-asset based activity forecasts	So we can assess the robustness of the District Council's overall financial forecasting processes.	Initial phase of Audit's engagement with the District Council as our audit approach is built on our assessment of the robustness of the District Council's forecasting processes.  If they are not sufficiently robust then there will likely be issues for our audit opinion.		
Financial model	We need to understand the functionality and controls in the model which applies the key forecasting assumptions to the raw forecasts from the planning and budgeting and the AMPs.	This could be done at an early stage, potentially even before we commence our work on the consultation document (CD) phase of the audit.		

Information required	Relevance to our audit	Timing considerations	Agreed deliverables	Agreed date
<b>CD audit phase</b>				
Underlying assumptions	Key assumptions drive the LTP and are important to our assessment and understanding of the District Council's forecasts.	Early advice on the nature (completeness) of assumptions as part of the initial phase of Audit's engagement with the District Council.  Support for the assumptions actually applied is required as part of our audit of the CD.		
Financial Strategy (FS)	To assess how well the FS communicates the District Council's financial strategy in terms of: <ul style="list-style-type: none"> <li>• <b>The financial position</b> the District Council is starting in and what position it is aiming to be in at the end of the LTP period.</li> <li>• <b>The funding approach</b> and implications to achieve the position on key elements of the District Council's financial strategy – particularly investments, debt and rates?</li> </ul>	As with the infrastructure strategy, we expect the FS to be available relatively early in the process as it provides the high level, long-term context for the District Council's financial policies and forecasts.		

Information required	Relevance to our audit	Timing considerations	Agreed deliverables	Agreed date
	<ul style="list-style-type: none"> <li>• How the District Council has <b>taken into account current and future ratepayers</b> when considering the funding of services and asset purchases.</li> </ul> <p>We also assess the financial prudence (including balanced budget) of the financial strategy.</p>			
Infrastructure Strategy (IS)	<p>To assess the IS which provides a long-term perspective on the District Councils infrastructure which is:</p> <ul style="list-style-type: none"> <li>• <b>Visionary</b> – tells the story about where the District Council is, where it expects to be, and how it intends to get there.</li> <li>• <b>Realistic</b> – includes assumptions and disclosures that are relevant and achievable.</li> </ul>	<p>As with the FS, we expect the IS to be available relatively early in the process as it provides the high level, long-term context for the District Council’s infrastructural assets which contribute the majority of the District Council’s forecast expenditure and deliver core services to the community.</p>		

Information required	Relevance to our audit	Timing considerations	Agreed deliverables	Agreed date
	<ul style="list-style-type: none"> <li>• <b>Relational</b> – creates the right debate and is credible because it connects to financial strategy and other relevant influences.</li> </ul>			
AMPs	<p>The AMPs identify the key issues that drive the District Council’s IS and also provide the financial forecasts for the asset based activities. They also provide the underlying information for a large portion of the District Council’s financial forecasts.</p> <p>Also provides the underlying information on which the 30 year forecasts in the FS are built.</p>	As with the FS, we expect the updated AMPs to be available relatively early in the process. We use the information in and from the AMPs to understand the key issues facing the District Council and also to assess the proposed levels of service and financial forecasts in both the IS and the LTP.		
Full financial forecasts	<p>We need these so we can:</p> <ul style="list-style-type: none"> <li>• understand the overall <b>financial context</b> for the CD; and</li> <li>• assess the <b>robustness of the financial forecasts</b> in the LTP.</li> </ul>	We require the financial model, populated with full financial forecasts, at least by the 23/01/2018 before sign-off on our CD audit.		

Information required	Relevance to our audit	Timing considerations	Agreed deliverables	Agreed date
Funding and Financial policies	To assess their alignment with the FS and their prudence.	As with the FS, we expect these to be available relatively early in the process as they provide the framework for the District Council's financial forecasts.		
Draft performance framework	<p>We are required to form a view about whether the District Council has complied with its performance reporting obligations as set out in the Local Government Act 2002.</p> <p>We assess whether the forecast performance report:</p> <ul style="list-style-type: none"> <li>• constitutes an adequate performance reporting framework;</li> <li>• provides an adequate basis for presenting fairly, in all material respects, the performance of the District Council; and</li> </ul>	<p>We need a clear understanding of the proposed levels of service (and, in particular, significant proposed changes) in the LTP before we complete our audit of the CD. However, a complete draft performance framework is not required at this stage.</p> <p>It would be helpful, however, to at least have a reasonable understanding of the proposed structure and format of the performance framework at this stage.</p> <p>We will need to have substantially completed our work on the performance framework by the time the Council completes its consideration of submissions.</p>		

Information required	Relevance to our audit	Timing considerations	Agreed deliverables	Agreed date
	<ul style="list-style-type: none"> <li>complies with generally accepted accounting practice.</li> </ul> <p>For key performance measures we also assess whether the District Council has adequate systems and controls in place to appropriately record and report its performance.</p>			
Significance and engagement policy	We need to understand how the Council has approached the task of applying its significance and engagement policy, and how it has considered the importance of other matters in deciding what to include in the consultation document. This will help inform our assessment of whether the CD achieves its statutory purpose.	We expect this to be available relatively early in the process as it provides the basis for the Council determining the significant issues it wishes to consult on with its community.		



Information required	Relevance to our audit	Timing considerations	Agreed deliverables	Agreed date
Draft Consultation Document (CD)	<p>Our audit opinion on the CD provides assurance to the community:</p> <ul style="list-style-type: none"> <li>• that the CD gives effect to the purpose set out in section 93B; and</li> <li>• on the quality of the information and assumptions underlying the information provided in the consultation document.</li> </ul>	<p>At the commencement of our fieldwork we will need a clear understanding of what the Council has identified as the key consultation issues. Where appropriate this should also cover those choices for the community to consider which the Council has identified.</p> <p>We will need a good complete draft CD at least we suggest two, weeks before we sign off on the CD audit.</p>		
Final version of (CD)	Our audit opinion on the final version of the CD must be included in the document that goes out for consultation.	The Local Government Act 2002 does not specify that the Council needs to make a formal resolution to adopt the (audited) CD. However, the Council must approve the CD before we can issue our audit opinion.		

Information required	Relevance to our audit	Timing considerations	Agreed deliverables	Agreed date
<b>LTP audit phase</b>				
Draft LTP (pre-consultation version)	We need to review a complete draft as soon as possible to avoid last minute issues.	<p>While the LTP document is not a pre-requisite for us to complete our CD audit, ideally we would have cleared much of the draft LTP document at the CD audit phase.</p> <p>In June there will be a compressed timeframe within which most local authorities will be finalising their LTPs after their consultation. This will put significant pressure on our staff resources. Therefore we will need to have substantially cleared all aspects of our audit work on the draft LTP document prior to the final, post-consultation, version being prepared.</p>		
A schedule of all changes arising from consultation, along with a description of how and where these have impacted the LTP	So we can follow the changes arising from consultation through the final version of the LTP.	<p>After the Council has confirmed the changes arising from consultation (if any) and management has flowed these changes through the document.</p> <p>We will need at least one week (depending on the extent of changes) between receiving this schedule of changes and the final LTP and our sign off on the LTP audit. As noted above, our audit sign off needs to be before the Council formally adopts the LTP.</p>		

<b>Information required</b>	<b>Relevance to our audit</b>	<b>Timing considerations</b>	<b>Agreed deliverables</b>	<b>Agreed date</b>
Supporting information for changes and how they have impacted the LTP	So we can assess the reasonableness of the changes.	After the Council has confirmed its changes and management has updated the document to fully reflect the effect of these changes.		
Final version of LTP	So we can issue our audit opinion for inclusion as part of the document.	Our audit opinion is issued after the Council has finalised the content of the LTP document but before the Council formally adopts the LTP.		