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Corporate Plan Output: Audit	

The purpose of this report is to seek approval to renegotiate an audit contract with Audit New Zealand for a further three years.

Advice has been received from the Office of the Auditor General that the negotiated three year contract with Audit New Zealand to provide audit arrangements for Christchurch City Council expires at the completion of the 1998/99 audit. The Office of the Controller & Auditor General is now seeking an indication from the Council as to whether it wishes to:

- participate in a tender process to select an audit service provider with the possibility of an extension for a further three years; or
- negotiate a contract with Audit New Zealand, Christchurch, for a further three audits.

The Controller and Auditor General has statutory responsibility for the audit of local authorities. However, the actual work is contracted out to other service providers. One of those service providers is Audit New Zealand which is a wholly-owned but independent arm of the Auditor-General’s Office. Other possible providers would be major chartered accountancy firms.

**CHRISTCHURCH CITY COUNCIL AUDIT**

The audit of the Christchurch City Council is a very complex task which involves not only auditing the multi-functioned operation of the Council but also the accounts of its direct associates and subsidiaries including Christchurch City Holdings Limited. The consolidated accounting required is complex and the co-ordination of the task is significant.

Audit New Zealand have provided a very competent and value-added auditing process and there is considerable benefit from the knowledge which that organisation has built up over a long period of time. The staff have considerable concern at the steep learning curve which would be necessary for another audit provider to take over this role. The audit for next year is likely to be a complex one, particularly in view of the implementation of new computer systems and significant restructuring likely to take place with the change in structures relating to Works Operations and Plant & Building Services.

In 1996, when Audit New Zealand were reappointed to this audit they were able to demonstrate in the negotiations which took place significant decreases in the audit fee charged. Currently the audit fee for the City Council is \$150,000. While it may not be possible to significantly reduce the fee in future years, the Controller and Auditor General’s office is responsible for negotiating such a fee which would be fixed for the next three years.

Audit New Zealand have a very strong policy on auditor independence including a requirement for auditors who have worked on the same tasks for more than six years to not be eligible to act again in any capacity in relation to that audit for a further three years. It is clear that these policies are designed to ensure that the credibility of the audit is maintained and there can no be suggestion of any lack of independence.

The staff are strongly of the opinion that Audit New Zealand provides good value for money and a highly professional approach to their work. For this reason the reappointment of Audit New Zealand for a further three year term is supported.

**Recommendation:** That the Office of the Auditor-General be advised that this Council wishes to negotiate a contract with Audit New Zealand for a further three audits.

**Chairman's**

**Recommendation:** That the above recommendation be adopted.