



*Christchurch City Council
The Audit of the 2006/16 LTCCP*

13 February 2006

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Mana Arotake Aotearoa



Outline

- Auditors Reporting Responsibility
- Audit Approach
- Key Focus Areas
- Timetable

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Our Reporting Responsibility

LGA 2002 s84(4) & 94(1)

- The **extent to which** the council has complied with the Act's requirements in respect of the plan;
- The **quality** of the information and assumptions underlying the forecast information; and
- The **extent to which** forecast information and performance measures provide an appropriate framework for meaningful assessment of actual levels of service provision.

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Audit report for draft LTCCP (SOP)

- We have translated the 3 LGA reporting requirements into 5 specific aspects:
 - legislative compliance;
 - underlying information;
 - assumptions;
 - GAAP; and
 - performance framework.
- Also includes 'overall opinion' section against the s93(6) LTCCP purposes.

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Audit Report for Final LTCCP

- Issue a separate audit report
- Covers five aspects
- Includes ‘overall opinion’

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Guiding Principles

- Taking a flexible approach recognising Councils’ context while maximising adherence to:
 - professional standards & good auditing practice
 - the intent of the Act.
- Major focus on draft LTCCP:
 - key for public consultation
 - systems and controls used in preparing.
- Expect draft and final LTCCPs to be based on best information and best estimates.

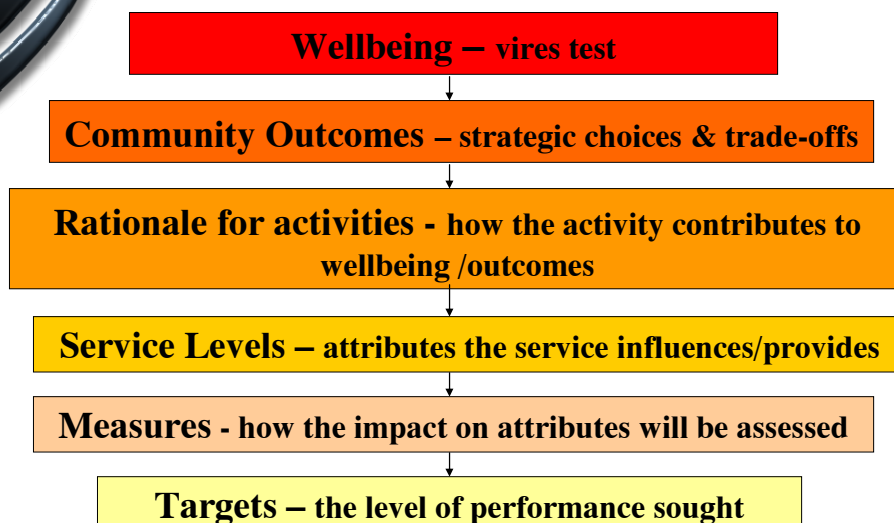
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Our Audit Approach

- Our primary objective will be to ensure LTCCPs reflect best knowledge about the next 10 years.
- Our methodology:
 - complies with international standards for auditing prospective information;
 - relies on good knowledge of Council and sound auditor judgement.
- The major focus of our audit effort will be on the draft LTCCP (SOP).

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Performance Framework



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Assumptions

- A forecasting assumption in the context of an LTCCP is any variable (a rate, value or model, event or occurrence) that underlies a financial estimate that is outside the control of the Council.
- Examples of forecasting assumptions include:
 - future interest rates;
 - future population growth;
 - useful lives of assets; and
 - future price changes (inflation).
 - LTNZ Subsidy Rates

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Our Expectations in Relation to LTCCP Assumptions

- We expect assumptions to be:
 - reasonable;
 - supportable;
 - consistent with other assumptions; and
 - applied consistently throughout the 10 year period.

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Underlying Information

Review key sources of information

- The Budgeting Process
- Asset Management Plans

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GAAP

- The audit of the LTCCP links with the move to NZ IFRS;
- All Councils are expected to adopt NZ IFRS one year early, i.e. 2007 Annual report; and
- Accounting policies in the LTCCP must comply with NZ IFRS:
 - opening balances (1/7/06); and
 - forecasts for 10 years.

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Legislative Compliance

In the context of the LTCCP audit, two aspects:

- Process
 - Community outcomes
 - Draft LTCCP – audit adoption
 - Consultation
 - Adoption of Final LTCCP
- Content
 - Schedule 10 of LGA 2002
 - GAAP

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Balanced Budget and Prudent Financial Management The legislative requirements?

- | | |
|------|---|
| S101 | Establishes general requirement to manage financial matters prudently, and in a manner that promotes the current and future interests of the community. |
| S102 | Requires councils to adopt certain funding and financial policies to provide predictability and certainty about sources/levels of funding. |
| S100 | Requires a council to set operating revenues at a level sufficient to meet operating expenses (i.e. balanced budget). |

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Audit of Draft LTCCP

- Agreed timeframes for preparation
- Audit key aspects as available
- “Hot Review” for national consistency
- Finalised document for review
- Audit Report issued
- Council adopts the audited document

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Timetable for Audit Clearance

- | | | |
|---|---|-------------|
| • Complete draft LTCCP document received | - | 27 February |
| • To OAG for “Hot Review” clearance | - | 2 March |
| • Audit feedback/clearance | - | 8 March |
| • Council to consider and confirm draft LTCCP | - | 9 March |
| • Audit Report signed | - | 9 March |
| • Council to adopt audited draft LTCCP | - | 9 March |

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QUESTIONS?

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