

**Memo from:** Sue Sheldon CNZM, Chair Audit and Risk Committee

**Memo to:** Audit and Risk Committee

**Date:** 22 January 2018

**Subject :** Scope of Audit and Risk Committee's review of 2018-2028 Long Term Plan and Consultation Document

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## **Introduction**

The purpose of this memo is to

- Clarify the scope of the Audit and Risk Committee's (the Committee's) role and responsibility with respect to it discharging its duties to provide oversight over the preparation of the Long Term Plan (LTP) (including the Consultation Document (CD)).
- Distinguish the scope of the Committee's responsibility from that of the Governing Body.
- Clarify the likely wording of the recommendation that will arise from the 12 February 2018 Committee meeting.

## **Background**

- The Council is currently producing its 2018-2028 LTP. It must adopt its LTP before the beginning of the first year to which it relates.<sup>1</sup> It must utilise a special consultative procedure to consult with its community on the content of that plan.<sup>2</sup>
- It will give effective to consultation through the preparation and adoption of the CD, which will be used as the basis for consultation.
- A special meeting of the Committee is scheduled to take place on 12 February. The sole agenda item is consideration of the draft CD. That meeting will be held in confidential; on the basis legal advice is being provided to the Committee.<sup>3</sup>
- The Governing Body will adopt the CD, together with supporting information on 21 February. This will be made available throughout the region for public consultation in late February 2018.
- Consultation will take place from the end of February. Feedback from consultation will be considered, and if appropriate included in the LTP. The LTP will be adopted by the Governing Body in June 2018.

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<sup>1</sup> Section 93 (3) Local Government Act 2002

<sup>2</sup> Section 93 (2) Local Government Act 2002

<sup>3</sup> Local Government Official Information and Meetings Act 1987 Section 7 (2) (g)

- The purpose of the CD is to provide an effective basis for public participation in local authority decision making relating to the content of the LTP by
  - Providing a fair representation of the matters that are proposed for inclusion in the long term plan, and presenting those in a way that
    - Explains the overall objectives of the proposals and how rates, debt and levels of service might be affected
    - Can be readily understood by interested or affected people.
  - Identifying and explaining to the people of the region, significant and other important issues and choices facing the council or region, and the consequences of those choices.
  - Informing discussions between the local authority and its communities about these matters.

### **Responsibility of the Governing Body**

- The Governing Body is responsible for adopting the CD and LTP.
- The Governing Body clearly has the responsibility for the merits of the content of the CD and LTP – in particular the key matters being consulted on.
- The Governing Body is also responsible and accountable for the following “compliance” aspects of the preparation of the CD and LTP:
  - meeting all legal requirements relating to its processes, decisions, consultation, disclosures and other actions relating to the preparation and publication of the CD and LTP
  - having systems and processes in place to provide the supporting information and analysis the Council needs to be able to prepare a CD and LTP that meets the purposes set out in the Act
  - ensure that any forecasts financial information has been prepared in accordance with generally accepted accounting practice in New Zealand.
- To discharge its responsibility and accountability for these ‘compliance’ aspects the Governing Body takes the advice of the Committee – to provide it with assurance that these responsibilities have been discharged.

### **Responsibility of the Audit and Risk Committee**

- The purpose of the Committee is to assist and advise the Governing Body in discharging its ‘compliance’ responsibilities with respect to the CD and LTP.
- Specifically the Committee’s role is to review the effectiveness of governance over, the risks and the design and operation of internal control over the preparation of the CD and LTP.<sup>4</sup>
- The Committee does not have any responsibility for setting or changing any policy in the LTP.

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<sup>4</sup> Audit and Risk Committee Terms of Reference

- As an example the Committee will be briefed on, and will enquire as to how Council has ensured it has complied with the prudent financial management provisions of the Local Government Act 2002.<sup>5</sup> In order for the Committee to form a view, it will need to understand the key matters on which Council intends to consult on, and how the options put forward to the community will impact on debt, rates and levels of service. However the committee does not have a view on the merits of the key matters themselves on which Council intends to consult.
- The committee will discharge its responsibilities by
  - receiving a report from Council officers about the draft CD ( supplemented by enquiry of relevant Council officers) that outlines with respect to the draft CD:
    - the status of key controls including key assumptions underpinning the CD
    - key risks and risk team sign off
    - results of legal review and legal sign off
    - financial control review and sign off
    - results of the Asset Management Plan review and sign off
    - results of treasury review and sign off.
  - receiving a report and briefing from the Office of the Auditor General as to audit progress, and an assessment of any outstanding audit issues.
- The committee will have a specific focus on key assumptions, risks and the management there of those risks. This will focus on
  - satisfying themselves that project risks have been managed appropriately
  - understand from a process perspective how key assumptions have been applied within the CD and LTP
  - satisfying themselves that the risks around application of the assumptions have been articulated appropriately
  - satisfying themselves that there are appropriate processes in place to provide the assurance that key assumptions and risks are complete, accurate and reasonable.

### **Recommendation from the Audit and Risk Committee**

- The Committee can make recommendations to the Governing Body. It is likely that the committee will resolve
  - that there are no significant outstanding audit issues relevant to the scope of the committees review of the 2018-2028 CD and supporting information. If there are significant outstanding issues, then this will be noted in the recommendation.
- The recommendation will note that the draft CD is still subject to
  - consideration by the Governing Body
  - final management review
  - any specific requirement of management to complete documentation prior to adoption by the Governing Body

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<sup>5</sup> Section 101 Local Government Act 2002

- receipt of the independent auditors report
- the resolution of any outstanding significant audit matters.