

30 June 2021

Level 6, 280 Queen Street, Auckland 1010  
PO Box 1165, Auckland 1140

The Honourable John Carter  
Mayor  
Far North District Council  
Private Bag 752  
Kaikohe 0440

Dear John

## **Proposed audit fees for the 30 June 2021 and 30 June 2022 financial years**

Our audit proposal letter dated 8 July 2020 for the three financial years ending 30 June 2022 only included audit fees for the 30 June 2020 financial year and said we would agree the fees for the 30 June 2021 and 30 June 2022 audits at a future date.

The purpose of this letter is to provide information on:

- the hours we plan to spend on the audits and the reasons for any change in hours; and
- our proposed audit fee for each financial year, and the reasons for the proposed change in fee.

Please read this letter in conjunction with our audit proposal letter dated 8 July 2020.

### **1 Background to the fee increases**

In our audit proposal letter dated 8 July 2020, we set out the statutory basis for our audit and how fees are set.

We also referred to a letter that the Auditor-General had sent to Councils in April 2020 setting out his thoughts on the matter of Council audit fees. He reflected that for a number of years there has been a significant and growing under recovery of audit fees across much of the local government sector, for a range of reasons. He advised that audit fees will, in the future, need to be increased to reflect the real costs.

The Auditor-General has now agreed to allow us to discuss with you an approach to increasing audit fees to better reflect those real costs.

## 2 Team mix and hours for the year ending 30 June 2021 and 30 June 2022

| Audit team member               | 2020 budget  | 2020 actual  | 2021 proposed | 2022 proposed |
|---------------------------------|--------------|--------------|---------------|---------------|
| Appointed Auditor               | 75           | 102          | 75            | 75            |
| EQR Director                    | 15           | 12           | 15            | 15            |
| Audit Manager                   | 131          | 174          | 131           | 131           |
| Other staff                     | 727          | 1,330        | 727           | 727           |
| Other specialists:              |              |              |               |               |
| • Sector specialist support     | 10           | 0            | 10            | 10            |
| • Information systems           | 54           | 52           | 54            | 54            |
| • Specialist assurance services | 8            | 0            | 8             | 8             |
| • Tax                           | 2            | 1            | 2             | 2             |
| • Hedge Accounting              | 12           | 4.5          | 12            | 12            |
| <b>Total audit hours</b>        | <b>1,034</b> | <b>1,676</b> | <b>1,034</b>  | <b>1,034</b>  |

## 3 Proposed audit fee for the year ending 30 June 2021 and 30 June 2022

Our proposed fee for your audits (compared to budgeted and actual data from the previous financial year) are:

| Structure of audit fees                                      | 2020 budget<br>\$ | 2020 actual<br>\$ | 2021 proposed<br>\$ | 2022 proposed<br>\$ |
|--|-------------------|-------------------|---------------------|---------------------|
| Net audit fee (excluding OAG ASQS fee and disbursements)     | 162,466           | 254,062           | 177,088             | 187,823             |
| OAG Audit Standards and Quality Support (ASQS) fee           | 14,017            | 14,017            | 15,279              | 16,654              |
| Adjustment to fee/ balance written off                       | -                 | (91,596)          | -                   | -                   |
| <b>Total audit fee (excluding disbursements)</b>             | <b>176,483</b>    | <b>176,483</b>    | <b>192,367</b>      | <b>204,477</b>      |
| Estimated disbursements                                      | 20,000            | 21,922            | 24,000              | 24,000              |
| <b>Total billable audit fees and charges (excluding GST)</b> | <b>196,483</b>    | <b>198,405</b>    | <b>216,367</b>      | <b>228,477</b>      |

The audit fees allow for the audit team to carry out specific tasks identified in the OAG Sector Brief and for the OAG Audit Standards and Quality Support fee.

We have also estimated the reasonable cost of disbursements (including travel and accommodation where necessary). Disbursement costs are indicative only and will be charged on an actual and reasonable basis.

***Reasons for increase in audit fee***

The main changes in cost components for future audits are:

| Reasons for increased audit fee compared to previous period<br><i>budgeted fees:</i>  | 2021   | 2022   |
|---|--------|--------|
| The time required to complete the audit was adjusted in the prior year and is reflective of the work required to complete the audit. The audit fee increase however was limited due to the impact of Covid-19. The audit fee is therefore adjusted to be reflective of the time spent on the audit. | 15,884 | 12,110 |

**4 Assumptions relating to our audit fee**

Our proposed audit fee is based on the assumptions included in our audit proposal letter dated 8 July 2020.

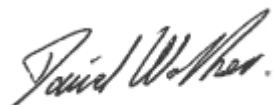
**5 Conclusion**

As the Appointed Auditor, I am committed to providing you and the Auditor-General with the highest level of professional service. I intend to work with you, the OAG, and the Auditor-General in a partnership environment to resolve any issues that may arise.

If you require any further information, please contact me.

Please counter-sign this letter (below) to confirm that you, and the governing body of Far North District Council, agree with its contents. This letter will then form the basis for a recommendation to the Auditor-General on the audit fee that should be set. The schedules of audit hours and fees will also be incorporated into my audit engagement agreement with the Auditor-General to carry out the audit of Far North District Council as the agent of the Auditor-General.

Yours sincerely



David Walker  
Appointed Auditor  
Audit New Zealand

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I accept the audit fees for the audit of the financial years as stated above.

|                       |                                   |           |              |
|-----------------------|-----------------------------------|-----------|--------------|
| Full name:            | <u>The Honourable John Carter</u> | Position: | <u>Mayor</u> |
| Authorised signature: | <u></u>                           | Date:     | <u></u>      |
| Entity name:          | <u>Far North District Council</u> |           |              |

- 1 Make a copy of this signed proposal and keep it for your file.
- 2 Send the original to:  
David Walker  
Audit New Zealand  
PO Box 1165  
Auckland 1140