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6 May 2021

Garry Webber
Mayor
Western Bay of Plenty District Council
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Tēnā koe Garry

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

Our audit proposal letter dated 6 May 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 6 May 2020.

1 Background to the fee increases

In our audit proposal letter dated 6 May 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.

Team mix and hours for the years ending 30 June 2021 and 30 June 2022

Audit team member	2020 budget	2020 actual	2021 proposed	2022 proposed
Appointed Auditor	60	78	60	60
EQR Director	12	16	12	12
Audit Manager	90	144	90	90
Other CA qualified staff	220	527	220	220
Non CA qualified staff	350	348	358	358
Other specialists				
Sector specialist support	8	8	8	8
Information Systems	45	35	25	25
Tax	2	1	2	2
Total audit hours	787	1157	775	775

2 Proposed audit fee for the years ending 30 June 2021 and 30 June 2022

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

Structure of audit fees	2020 budget	2020 actual	2021 proposed	2022 proposed
	\$	\$	\$	\$
Net audit fee (excluding OAG ASQS fee and disbursements)	128,418	205,833	137,741	147,063
OAG Audit Standards and Quality Support (ASQS) fee	10,694	10,694	11,470	12,246
Total audit fee (excluding disbursements)	139,112	216,527	149,211	159,309
Estimated disbursements	3,000	1,551	3,000	3,000
Cost absorbed by Audit New Zealand		(78,856)		
Total billable audit fees and charges (excluding GST)	142,112	139,222	152,211	162,309

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 the increase in audit fee

The main changes in cost components for future audits are:

Reasons for increased audit fee compared to previous period <i>budgeted</i> fees:	2021	2022
Other changes Please refer to previous Audit Proposal Letter dated 6 May 2020	10,102	10,095
Total increase (decrease) in audit fees	10,102	10,095

3 Assumptions relating to our audit fee

Our proposed audit fee is based on the assumptions included in our audit proposal letter dated 6 May 2020.

4 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 Western Bay of Plenty District Council, agree with its contents. Please return a signed copy to

confirmationsnorthern@auditnz.parliament.nz and cc met clarence.susan@auditnz.parliament.nz

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 contract with the Auditor-General to carry out the audit of Western Bay of Plenty District Council as the agent of the Auditor-General.

Nāku noa, nā



Clarence Susan
Appointed Auditor
Audit New Zealand

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

Full name: Garry Webber Position: Mayor

Authorised signature: _____ Date: _____

Entity name: Western Bay of Plenty District Council