

WĀHANGA 6

PART 6

Te arotake Audit

Audit Report



To the reader: Independent Auditor’s report on Marlborough District Council’s 2024-34 long-term plan

I am the Auditor-General’s appointed auditor for Marlborough District Council (the Council). The Local Government Act 2002 (the Act) requires the Council’s long-term plan (the plan) to include the information in Part 1 of Schedule 10 of the Act. Section 94 of the Act requires an audit report on the Council’s plan. Section 259C of the Act requires a report on disclosures made under certain regulations. I have carried out this work using the staff and resources of Audit New Zealand. We completed our report on 2 September 2024.

Qualified opinion

In our opinion, except for the possible effects of the matters described in the *Basis for qualified opinion* section of our report:

- the plan provides a reasonable basis for:
 - long-term, integrated decision-making and co-ordination of the Council’s resources; and
 - accountability of the Council to the community;
- the information and assumptions underlying the forecast information in the plan are reasonable; and

- the disclosures on pages 21 to 23 represent a complete list of the disclosures required by Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations) and accurately reflect the information drawn from the plan.

In accordance with clause 45 of Schedule 1AA of the Local Government Act 2002, the consultation document on the Council’s plan did not contain a report from the Auditor-General. The consultation document is therefore unaudited. Our opinion on the plan does not provide assurance on the consultation document or the information that supports it.

Our opinion on the plan also does not provide assurance that the forecasts in the plan will be achieved, because events do not always occur as expected and variations may be material. Nor does it guarantee the accuracy of the information in the plan.

Basis for qualified opinion

Three waters infrastructure assets renewals forecast

The Council could not provide evidence that it used a robust planning and budgeting process, including the use of best available renewals data, in preparing its three waters assets renewals forecast.

Our work on the reasonableness of the renewals forecast was therefore limited. There were no satisfactory audit procedures that we could adopt to determine any adjustments that may be required to the renewals forecast.

Inflation assumptions

As outlined on pages 249 and 250, the Council has adjusted its operating and capital costs over the 10 years of the plan using the consolidated Local Government Cost Index (LGCI) inflation forecast, produced in October 2023. An

interim 2024 LGCI inflation forecast, estimating increased levels of inflation and costs, was released in late July 2024. The Council has not considered the effect of this newer information on its inflation assumption.

Our work on the reasonableness of the inflation assumption was therefore limited. There were no satisfactory audit procedures that we could adopt to determine any adjustment required to the inflation assumption and the flow on effect this would have on the forecast financial information. However, as outlined on pages 251 and 252, a small variance in the inflation rate could have a significant effect on the Council's costs of maintaining existing levels of service and the cost of capital projects which could place pressure on rates. Debt could also increase unless capital projects are deferred.

We carried out our work in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. In meeting the requirements of this standard, we took into account particular elements of the Auditor-General's Auditing Standards and the International Standard on Assurance Engagements 3400 *The Examination of Prospective Financial Information* that were consistent with those requirements.

We assessed the evidence the Council has to support the information and disclosures in the plan and the application of its policies and strategies to the forecast information in the plan. To select appropriate procedures, we assessed the risk of material misstatement and the Council's systems and processes applying to the preparation of the plan.

Our procedures included assessing whether:

- the Council's financial strategy, and the associated financial policies, support prudent financial management by the Council;
- the Council's infrastructure strategy identifies the significant

infrastructure issues that the Council is likely to face during the next 30 years;

- the Council's forecasts to replace existing assets are consistent with its approach to replace its assets, and reasonably take into account the Council's knowledge of the assets' condition and performance;
- the information in the plan is based on materially complete and reliable information;
- the Council's key plans and policies are reflected consistently and appropriately in the development of the forecast information;
- the assumptions set out in the plan are based on the best information currently available to the Council and provide a reasonable and supportable basis for the preparation of the forecast information;
- the forecast financial information has been properly prepared on the basis of the underlying information and the assumptions adopted, and complies with generally accepted accounting practice in New Zealand;
- the rationale for the Council's activities is clearly presented and agreed levels of service are reflected throughout the plan;
- the levels of service and performance measures are reasonable estimates and reflect the main aspects of the Council's intended service delivery and performance; and
- the relationship between the levels of service, performance measures, and forecast financial information has been adequately explained in the plan.

We did not evaluate the security and controls over the electronic publication of the plan.

Emphasis of matter – uncertainty over the timing of Marlborough Sounds Roads repairs

Without further modifying our opinion, we draw attention to pages 254 and 255, which outlines that the Council assumed that the repairs of the Marlborough Sounds roads will be completed within the first six years of the plan. The Council is relying on a 71% funding contribution from NZ Transport Agency Waka Kotahi (the Agency) to complete this work as planned. The timing of this funding is highly uncertain and may result in delays, which could impact levels of service while the work is not completed. The timing of debt, debt servicing cost and rates as reflected in the plan may also need to change if the Agency funding is received later than planned.

Responsibilities of the Council and auditor

The Council is responsible for:

- meeting all legal requirements affecting its procedures, decisions, consultation, disclosures, and other actions relating to the preparation of the plan;
- presenting forecast financial information in accordance with generally accepted accounting practice in New Zealand; and
- having systems and processes in place to enable the preparation of a plan that is free from material misstatement.

We are responsible for expressing an independent opinion on the plan and the disclosures required by the Regulations, as required by sections 94 and 259C of the Act. We do not express an opinion on the merits of the plan's policy content.

Independence and quality management

We have complied with the Auditor-General's independence and other ethical requirements, which incorporate the requirements of Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1)* issued by the New Zealand Auditing and Assurance Standards Board. PES 1 is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

We have also complied with the Auditor-General's quality management requirements, which incorporate the requirements of Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements (PES 3)* issued by the New Zealand Auditing and Assurance Standards Board. PES 3 requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Other than our work in carrying out all legally required external audits and an assurance engagement completed under the Council debenture trust deed, we have no relationship with or interests in the Council or any of its subsidiaries.



Julian Tan, Audit New Zealand

On behalf of the Auditor-General, Christchurch, New Zealand



Photo courtesy of [MarlboroughNZ](#)