

Report of the Auditor General

To the reader

Independent auditor's report on Rotorua District Council's 2015/25 Long-Term Plan

I am the Auditor-General's appointed auditor for Rotorua District Council (the Council). Section 94 of the Local Government Act 2002 (the Act) requires an audit report on the Council's long-term plan (the plan). I have carried out this audit using the staff and resources of Audit New Zealand. We completed the audit on 22 July 2015.

Opinion

In my opinion, and recognising the unique circumstances facing the Council:

- the plan provides a reasonable basis for:
 - long-term, integrated decision-making and coordination 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 243 to 245 represent a complete list of the disclosures required by Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014 and accurately reflect the information drawn from the Council's audited information.

This opinion 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 complete accuracy of the information in the plan.

Without modifying our opinion, we draw your attention to the following matters:

Uncertainties over the limit being imposed on all capital expenditure

As set out on page 8 and 9 of the plan, the Council has decided to set a funding envelope for the life of this plan that funds only 85% of the planned capital expenditure programme that the Council set out in its consultation document.

In order to achieve this reduced level of capital expenditure over the period of the plan without affecting levels of service the Council is required to find savings and efficiencies totalling \$56.4 million. On page 84 of the plan the Council broadly outlines how it plans to reduce its capital expenditure, but at this stage has not identified any specific proposals to achieve the total level of savings required.

To the extent that the Council is not able to achieve these savings, the Council will need to reduce its capital expenditure programme or borrow to fund the shortfall with the potential to impact on the future rates requirement. This risk is highlighted by the Council on pages 84 and 238 of the plan, which sets out the financial strategy and significant assumptions.

Breach of the Local Government Act 2002

As disclosed on page 245 of the plan, the Council failed to adopt the plan before the commencement of the first year to which it relates. This is a breach of section 93(3) of the Local Government Act 2002.

In drawing your attention to these issues, we are not commenting on the merits of the policy content that they reflect. We consider the disclosures in the plan to be adequate.

Basis of Opinion

We carried out our work in accordance with the Auditor-General's Auditing Standards, relevant international standards and the ethical requirements in those standards.

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 audit procedures, we assessed the risk of material misstatement and the Council's systems and processes applying to the preparation of the plan.

Our audit 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 over the next 30 years;
- the information in the plan is based on materially complete and reliable asset and activity information;
- the Council's key plans and policies have been consistently applied in the development of the forecast information;
- the assumptions set out within 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 within the plan.

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

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.

The Council is also responsible for the publication of the long term plan, whether in printed or electronic form.

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

Independence

We have followed the independence requirements of the Auditor-General, which incorporate those of the External Reporting Board. Other than our work in carrying out all legally required external audits, we have no relationship with or interests in the Council or any of its subsidiaries.



Clarence Susan, Audit New Zealand
On behalf of the Auditor-General,
Tauranga, New Zealand