

Report to the Council on the audit of
Taupo District Council's
Long Term Plan Consultation Document for the period
1 July 2018 to 30 June 2028

Report to the Council

We have completed the audit of the Taupo District Council (the District Council) Long Term Plan Consultation Document for the period 1 July 2018 to 30 June 2028. This report sets out our findings from the audit and draws attention to our detailed findings, and where appropriate makes recommendations for improvement.

Contents

- 1 Our audit opinion3
- 2 Audit scope and objective.....3
- 3 Control environment3
- 4 Areas of audit emphasis.....4
- 5 Other matters arising from our audit7
- 6 Publication of the LTP CD on the District Council’s website.....7
- 7 Audit of the final LTP.....7
- Appendix 1: Mandatory disclosures.....8

Key messages

We have completed the audit of the District Council's Long Term Plan Consultation Document (LTP CD) for the period 2018-28 and issued an unmodified opinion on 1 March 2018.

Issues identified during the audit

We have not identified any significant issues during the audit of the District Council's LTP CD. There are areas where we have made recommendations for improvement. Overall, the underlying information was very well prepared and provided a reasonable basis for presenting options to the community. All staff involved were also very accommodating which ensured a smooth audit process.

Future focus

As well as the opinion issued on the LTP CD we will also issue an opinion on the final Long Term Plan (LTP) that will be adopted before 1 July 2018.

The Council needs to ensure that there are systems in place to monitor its actual performance against budgets, levels of service and performance measures included in the LTP from 1 July 2018. These systems will assist with annual reporting, and also internal monitoring and reporting to the Council.

Thank you

We would like to thank the Council, management and staff for their assistance during the audit.



Clarence Susan
Audit Director
20 April 2018

1 Our audit opinion

1.1 We issued an unmodified audit opinion

We issued an unmodified audit opinion on the District Council's LTP CD on 1 March 2018.

This meant we were satisfied the District Council's LTP CD meets the statutory purpose and provides an effective basis for public participation in the Council's decisions about the proposed content of the 2018-28 LTP.

We found the underlying information and assumptions used to prepare the LTP CD provided a reasonable and supportable basis for the preparation of the LTP.

1.1 Unadjusted misstatements

The LTP CD is free from material misstatements, including omissions. However, in the course of the audit, we found certain misstatements that are individually and collectively not material to the LTP CD.

We have discussed any misstatements that we found with management. All misstatements were amended prior to the Council adopting the LTP CD.

2 Audit scope and objective

The scope of our audit engagement and our respective responsibilities are contained in our audit engagement letter dated 13 October 2017.

3 Control environment

Our approach to the audit was to identify, confirm and assess the District Council's key processes and controls over the underlying information and ultimate production of both the LTP CD and the LTP. The purpose of this assessment was to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit opinions.

Where possible and efficient, we relied on the District Council's systems and processes. Overall we assessed the control environment for the purposes of the development of the LTP CD to be effective.

4 Areas of audit emphasis

During the planning stage of the audit, and our review of the content of the LTP CD, we identified the following key risks and issues which were areas of emphasis during our audit. In this section of the report, we comment on our findings on those matters.

4.1.1 Asset Data Reliability

The 2015-25 LTP identified the need to collect further asset information to improve the reliability of asset data. Improvement programmes were also included in each of the Asset Management Plans. The District Council is now three years into the improvement programmes, and has shown considerable progress in understanding the assets it has. The additional information gained has resulted in the increase in the renewals programme which is further discussed in section four.

Looking forward to the period 2018-28, the District Council has identified the need to continue to collect more data and has included this as a project in the draft long term plan. A key focus going forward is also the collection of additional data information for parks and reserves and facilities; the District Council has identified the main gaps in the information held on facilities is condition information and strategic direction for both parks and reserves, and facilities. The District Council has identified this has resulted in limited knowledge of financials for years 11 to 30. The District Council will gather more information over the course of this strategy so it can improve its knowledge of its facilities and parks and reserves. This will enable it to plan for more effective long term management of this infrastructure in the future.

We are comfortable with the data included within the forecasting scenarios and that the level of accuracy and assumptions are clearly documented.

4.1.2 Population and demographic change

The District Council used the medium population projections published by Statistics NZ for the Taupo District to determine its assumptions over population and demographic changes.

This projection shows a limited structural change to the population for years 1 to 3, but with an increased aging structure by year 10 and until year 30. The District Council has identified that the aging population will put added pressures on specific services and may require different services, as well as affordability implications for those on fixed incomes.

The projections also show an increasing population for the first 20 years (from 37,200 in 2018 to 39,100 in 2038), at which point the population is forecast to decline (by 100 people from 2038 to 2043). This is slightly offset by the average household size which has been forecasted to decrease from 2.4 in 2018 to 2.2 by 2043. This decline has been considered by the District Council in ensuring that infrastructure for the growth up to 2038 is not over provided for.

4.1.3 Affordability – infrastructure assets for drinking water standards

A key issue for the District Council is the remaining water schemes for small communities. These schemes will require significant expenditure to comply with Drinking Water Standards New Zealand (DWSNZ) which will impose a significant burden on the smaller communities.

A key aspect of the 2018-28 consultation document is the consultation around the Acacia Bay water scheme. In order to comply with the DWSNZ requirements, an upgrade is required to the Acacia Bay water plant. This has brought forward the conversation with the community regarding the combination of the Taupo and Acacia Bay water schemes. For affordability, resilience and overall operational cost reasons Council's preferred option is to merge the two schemes in 2018/19 and then connect Acacia Bay to the Taupo water supply in 2022/23.

The District Council has also flagged with the community that consultation around funding for the water schemes will be occurring in the future, once further investigations around costs and implications has been completed by the District Council.

4.1.4 Maintaining infrastructure and Levels of Service

The District Council intends to maintain the level of service provided to the District whilst also maintaining its infrastructure. As noted above in section 4.1.1, asset data information has been improved since the previous Long Term Plan, with additional information gained on the three waters and transportation assets resulting in the increase in the renewals programme.

In order to maintain the level of service and infrastructure assets for the community, the renewals programme has increased. Furthermore, there are increases in levels of service, in particular in relation to the Civic Building and Water upgrades to comply with DWSNZ.

We believe that the District Council has clearly articulated the desired levels of service and the Infrastructure Strategy and Asset Management Plans are in line with the desired levels of service.

4.2 Content of the LTP CD

We were satisfied that the LTP CD included appropriate information to enable consultation with the public on key issues. Where areas of improvement were identified the District Council has appropriately addressed these in the consultation document.

4.3 Adopting and auditing the underlying information

The District Council prepared and adopted the underlying information necessary to support the LTP CD. Where areas of improvement were identified the District Council has

appropriately addressed these in the underlying information for all areas other than the performance framework which we comment on in section 4.3.1.

4.3.1 Performance Framework

We have reviewed the performance framework proposed by the District Council. We have noted several improvements to the framework from the 2015-25 LTP round, including the baseline information provided and targets being defined for years 1, 2, 3 and 4-10.

4.3.2 Infrastructure strategy

We have reviewed the Infrastructure Strategy and are satisfied that it provides an overview of Council's intentions regarding management of its infrastructure and significant works planned for the upcoming 30 years. The document meets the requirements of section 101B of the LGA 2002 and promotes accountability.

We have noted some opportunities where Council could further enhance the content of its Infrastructure Strategy in the future. The following matters represent good practice and will improve the usefulness of the infrastructure strategy document as a strategic asset management plan:

- extend the term of the strategy beyond the current 30 years given the life of many infrastructure assets is for more than that period;
- discussion about community and other stakeholder expectations and how current levels of satisfaction compare to those expectations (beyond the high level comments about levels of service already included in the strategy); and
- describing the current service delivery approach for each activity and any planned changes to how services will be delivered in the future; and
- stating how the asset management framework supports Council in achieving the strategic objectives described in the infrastructure strategy.

4.4 Project management, reporting deadlines and audit progress

The development of the LTP CD and LTP is a significant and complex project and a comprehensive project plan is required for a successful LTP process. We highlight that Council staff were very well prepared for the audit of the LTP CD and quality versions of the underlying information were available in a timely manner.

4.5 Self-assessment

The District Council provided a self-assessment in order to assist our audit planning. The self-assessment required the District Council to reflect on its most significant issues and consider the risks to the governance of the LTP project to the systems and processes it has

in place to Council's asset management, performance management, financial management and reporting. The self-assessment provided was completed to a sufficient quality to enable effective audit planning.

5 Other matters arising from our audit

We completed our planned work on the modules detailed in our audit engagement letter and did not identify any further matters that need to be brought to your attention.

6 Publication of the LTP CD on the District Council's website

If the District Council intends to publish the LTP CD electronically, please allow time for us to examine the final electronic file version of the audit report before its inclusion on your web site.

We need to ensure consistency with the paper-based documents that have been subject to audit. Changes may also be needed to parts of the audit opinion, for example page number references and the inclusion of additional information to readers of the electronic report.

7 Audit of the final LTP

The next step in the LTP audit process will be the audit of the final LTP. This is scheduled to be undertaken in line with the dates in our audit engagement letter dated 13 October 2017. To ensure our audit of the LTP is efficient we expect the District Council to prepare a schedule of changes to the financial forecasts, underlying information adopted for the CD that makes up the draft LTP and the performance framework that were the basis of the LTP CD. This will enable us to assess the extent of changes as a result of community consultation and tailor our audit work accordingly.

Under section 94(1) of the Act, our audit report on the final LTP forms part of the LTP, which the Council is required to adopt before 1 July 2018 (section 93(3)). Our agreed timeframes will enable us to issue our audit report in time for the Council meeting when the 2018-28 LTP is formally adopted.

We are responsible for reporting on whether the LTP meets the statutory purpose and provides a reasonable basis for integrated decision making by the Council and accountability to the community. We considered the quality of the underlying information and assumptions as part of the audit of the LTP CD so for the audit of the LTP we will focus on how these are reflected in the LTP. We will consider the effect of the decisions that come out of the consultation process and review the LTP to gain assurance that appropriate, material, consequential changes and disclosures have been made.

At the conclusion of the LTP audit, we will ask the Council to provide us with a signed representation letter on the LTP. The audit team will provide the letter template during the LTP audit.

Appendix 1: Mandatory disclosures

Area	Key messages
Our responsibilities in conducting the audit.	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the 2018-28 Long Term Plan Consultation Document (LTP CD) and reporting that opinion to you. This responsibility arises from section 93C(4) of the Local Government Act 2002.</p> <p>The audit of the LTP CD does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter dated 13 October 2017 contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (revised): <i>Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</i>, the International Standard on Assurance Engagements 3400: <i>The Examination of Prospective Financial Information</i>, and the Auditor-General's Auditing Standards.</p>
Auditor independence	<p>We confirm that, for the audit of the Taupo District Council's LTP CD for the period 1 July 2018 to 30 June 2028, we have maintained our independence in accordance with the requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.</p> <p>In addition to this report on the Council's consultation document and all legally required external audits, we have provided assurance reports on certain matters in respect of the Council's Debenture Trust Deed and the Planning and Procurement Processes for a new Headquarters Building. These assignments are compatible with those independence requirements. Other than these assignments, we have no relationship with or interests in the Council or any of its subsidiaries.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the District Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the District Council during or since the end of the financial year.</p>

Area	Key messages
Unresolved disagreements	We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the LTP CD. Management has not sought to influence our views on matters relevant to our audit opinion.