

Report to the Council on the audit of  
**Thames-Coromandel District Council's**  
Long-Term Plan for the period  
1 July 2018 to 30 June 2028

# Report to the Council

We have completed the audit of Thames-Coromandel District Council’s (the Council) Long-Term Plan (LTP) 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 opinion .....3
- 2 Audit scope and objective.....3
- 3 Control environment .....3
- 4 Project management .....4
- 5 Areas of audit emphasis.....4
- 6 Outstanding matters arising from our audit of the CD.....6
- 7 Publication of the LTP on the Council’s website .....7
- Appendix 1: Mandatory disclosures.....8

## Key messages

We have completed the audit of the Council's LTP for the period 2018-28 and issued an unmodified opinion on 26 June 2018.

The compilation of the LTP is a significant undertaking. The Council had an effective control environment and good quality review processes for the development of the underlying information which informed the preparation of the LTP.

The Council produced a LTP that fulfilled its primary purpose of providing 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 Council should ensure 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 internal monitoring and reporting to the Council, as well as annual reporting.

We note that the management report on the Consultation Document (CD) had not been tabled prior to the adoption of the LTP and we encourage Council to ensure management has made the audit management reports available as soon as possible.

### Issues identified during the audit

No issues were identified that need to be brought to your attention as a result of the LTP audit.

### Thank you

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



Athol Graham  
Audit Director  
10 July 2018

---

## **1 Our audit opinion**

### **1.1 We issued an unmodified audit opinion**

We issued an unmodified audit opinion on the Council's LTP on 26 June 2018.

This meant we were satisfied the Council's LTP meets the statutory purpose. The primary purpose is to provide 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.

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

### **1.1 Unadjusted misstatements**

The LTP 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.

We have discussed any misstatements that we found with management.

All misstatements were amended prior to the Council adopting the LTP.

## **2 Audit scope and objective**

The scope of our audit engagement and our respective responsibilities are contained in our Audit Engagement Letter dated 1 December 2017.

## **3 Control environment**

Our approach to the audit was to identify, confirm and assess the Council's key processes and controls over the underlying information and ultimate production of 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.

Our conclusions reached from the CD audit and included in our report dated 23 April 2018 remain unchanged for the LTP audit. These are:

- the control environment, project planning and quality assurance process are sound;
- the budgeting/planning process is thorough;

- the financial model in place is adequate for the purposes of the CD and LTP; and
- the asset management planning undertaken by the Council is adequate for forecasting future costs for both operational and capital spending.

Due to the nature of the CD and LTP, not all controls were able to be tested for audit purposes, and in those instances we adopted a substantive audit approach. No significant issues were noted during our audit.

## **4 Project management**

As noted in our earlier report dated 23 April 2018, the development of the CD and LTP was a significant and complex project and a comprehensive project plan was required for a successful process.

The Council was well prepared for the audit of the CD and LTP by following a good project plan. This ensured that key deadlines were met in a timely manner, including incorporating all the Council adopted changes within the LTP.

## **5 Areas of audit emphasis**

During the planning stage of the audit, and our review of the content of the LTP, 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.

### **5.1 Key Consultation Matters**

#### **5.1.1 Sub-regional aquatic facility**

The Council consulted on options for building a major new pool complex in the district. This included considering different funding options.

The Council's preferred option involved the building of a Sub-Regional Aquatic Centre at a cost of \$21.1 million to construct in years four to six of the plan.

Following the Council's hearings and deliberations meetings, the Council resolved to continue investigations into a replacement of the Thames Centennial Pool and more broadly consider delivery and funding for public pool facilities in other parts of the district.

No significant changes were required to the underlying information as a result of the consultation. The outcome of the ongoing investigations will further inform the annual plans and next LTP.

## **5.1.2 Extending road maintenance level of service on currently unmaintained roads**

The Council consulted on options regarding the provision of some maintenance to 24 Council-owned roads, or parts of those roads, in the district which the Council does not currently maintain.

Following the Council's hearings and deliberations meetings, the Council's preferred option was not adopted. This was to upgrade and maintain only the structures on Council-owned roads. As a result of the consultation process, the Council adopted the option to upgrade and maintain a total of 29 Council-owned roads to a standard which will attract ongoing NZTA maintenance subsidy. This resulted in an increase in capital expenditure of \$18.5 million for upgrading the roads, which will be fully debt funded by the Council. In addition to the upgrade of the roads there will be ongoing maintenance costs.

## **5.2 Other matters**

### **5.2.1 Legislative Compliance issues**

The Council is responsible for the preparation of the LTP document, which includes ensuring compliance with the relevant legislation. During our review of the LTP we noted the following legislative matters and remind the Council to ensure management has the necessary processes in place to assert compliance with the relevant legislation.

#### **Financial prudence benchmarks**

We reviewed the disclosure and calculation of the financial prudence benchmark graphs presented in the LTP against the requirements of the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations).

We noted several instances where the graphs were not presented in the way required to meet the legislative requirements, and we requested the Council review the calculations to ensure they complied with the Regulations.

The Council made all our recommended changes prior to adopting the LTP.

#### **Funding Impact Statement and Rates resolution (Rates implications)**

Rates setting has been a focus area for the sector in recent years with a number of legal challenges being made across the country.

Courts will generally interpret coercive powers such as rates and the associated legal duties quite strictly. Compliance with the detail of the Local Government Rating Act is vital: if the rate is not within the range of options and restrictions provided for in that Act, it may not be valid. In addition, the requirement for there to be consistency between the rates resolution, the Funding Impact Statement (FIS) for that year, and the Revenue and

Financing Policy in the LTP is fundamental because this is the thread that links community consultation to the rate people are being made to pay.

We continue to see errors from time to time in the sector when reviewing these documents and there have been a number of instances where poor quality review process could or has resulted in invalid rates setting processes. We continue to encourage Councils to ensure the necessary quality review processes are applied to its rates setting processes.

Council had the draft FIS and rates resolution externally reviewed to address the risk of error. As part of the audit we also reviewed these documents and the legal advice received. We concluded the documents were appropriate for our audit purposes, noting that we are not lawyers and do not provide assurance that all your legal requirements have been met.

### **5.2.1. Issues considered during planning**

During the planning stage of the audit we identified the following additional areas of audit emphasis:

- Library pre-consultation;
- Coastal management;
- Development contribution policy; and
- Drinking water standards upgrades project.

We noted in our report dated 23 April 2018 that these matters had been appropriately incorporated into the underlying information used for developing the CD. There were no significant changes as a result of the consultation process and no significant changes have been made to the underlying information in this regard, except for an increase in the Coastal Hazard Risk Assessment budget to \$2.6 million, which will be spread over the three year period 2018/19 to 2020/21.

## **6 Outstanding matters arising from our audit of the CD**

We note that the management report on the CD had not been tabled prior to the adoption of the LTP and we encourage the Council to ensure management has made the audit management reports available as soon as possible.

Our CD management report dated 23 April 2018 included three recommendations regarding the:

- Historical rates reductions;
- Financial strategy; and
- Infrastructure strategy.

---

These recommendations were around longer term improvements to the Council's documents and will be considered as part of the next LTP development process.

## **7 Publication of the LTP on the Council's website**

As the Council intends to publish the LTP electronically, please allow time for us to examine the final electronic file version of the audit report before its inclusion on your website.

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.

## 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 LTP 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 does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter dated 1 December 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 Council's LTP 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 plan and all legally required external audits, we have provided an assurance report on certain matters in respect of the Council's Debenture Trust Deed. This assignment is compatible with those independence requirements. Other than this assignment, we have no relationship with or interests in the Council.</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 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 Council during or since the end of the financial year.</p>
Unresolved disagreements	<p>We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the LTP. Management has not sought to influence our views on matters relevant to our audit opinion.</p>