

## SECTION 9: Audit opinion | Arotake

# AUDIT NEW ZEALAND

## Mana Arotake Aotearoa

To the reader:

### Independent auditor's report on Waikato Regional Council's

#### 2018-28 Long-Term Plan

I am the Auditor-General's appointed auditor for Waikato Regional 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). Section 259C of the Act requires a report on disclosures made under certain regulations. We have carried out this work using the staff and resources of Audit New Zealand. We completed our report on 26 June 2018.

#### Opinion

In my opinion:

- 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 99 to 100 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.

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 the accuracy of the information in the plan.

#### Emphasis of matter – assumptions relating to the Hamilton to Auckland passenger rail service proceeding

Without modifying our opinion we draw your attention to the assumptions the Council has made on page 15 about funding the proposed Hamilton to Auckland passenger rail service.

The Council is planning to collect \$1.625 million in rates from year two of its long-term plan to fund its share of the start-up passenger rail service. The estimated cost of running the service is expected to be \$8.8 million. The Council has assumed that they will receive a subsidy from the New Zealand Transport Agency of \$5.7 million to fund 75% of the operating costs (after taking into consideration annual fare revenue expected of \$1.5 million). The Council has also assumed that before the service commences:

- KiwiRail will fund the purchase and refurbishment of the passenger carriages and locomotives to run the service; and
- Hamilton City Council, Waikato District Council and the New Zealand Transport Agency, along with KiwiRail will undertake the upgrades to the infrastructure at railway stations.

The Council has stated that the service will not proceed if it does not receive at least \$5.7 million from the New Zealand Transport Agency and the necessary upgrades to the railway stations and passenger carriages and locomotives are not completed. This means the Council will not collect the rates it has proposed and the Council will not be involved in providing a passenger rail start-up service to the community.

#### Basis of Opinion

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 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 during the next 30 years;
- 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.

#### 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.

I am 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. I do not express an opinion on the merits of the plan's policy content.

#### Independence

In carrying out our work, we complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of *Professional and Ethical Standard 1 (Revised)*; and
- quality control requirements, which incorporate the quality control requirements of *Professional and Ethical Standard 3 (Amended)*.

Other than our work in carrying out all legally required external audits, we have no relationship with or interests in the Council.



David Walker, Audit New Zealand

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

