



**INDEPENDENT AUDITOR'S REPORT
TO THE READERS OF
WAITOMO DISTRICT COUNCIL'S
LONG-TERM PLAN
FOR THE TEN YEARS COMMENCING 1 JULY 2012**

The Auditor-General is the auditor of Waitomo District Council (the District Council). The Auditor-General has appointed me, Bruno Dente, using the staff and resources of Deloitte, to report on the Long Term Plan (LTP), on her behalf. We have audited the District Council's LTP dated 29 June 2012 for the ten years commencing 1 July 2012.

The Auditor-General is required by section 94(1) of the Local Government Act 2002 (the Act) to report on:

- the extent to which the LTP complies with the requirements of the Act; and
- the quality of information and assumptions underlying the forecast information provided in the LTP.

Opinion

Overall Opinion

In our opinion the District Council's LTP dated 29 June 2012 provides a reasonable basis for long term integrated decision-making by the District Council and for participation in decision-making by the public and subsequent accountability to the community about the activities of the District Council.

In forming our overall opinion, we considered the specific matters outlined in section 94(1) of the Act which we report on as follows.

Opinion on Specific Matters Required by the Act

In our view :

the District Council has complied with the requirements of the Act in all material respects demonstrating good practice for a council of its size and scale within the context of its environment; and

the underlying information and assumptions used to prepare the LTP provide a reasonable and supportable basis for the preparation of the forecast information.

Actual results are likely to be different from the forecast information since anticipated events frequently do not occur as expected and the variation may be material. Accordingly, we express no opinion as to whether the forecasts will be achieved.

Our report was completed on 29 June 2012. This is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Council and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 : *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). We have examined the forecast financial information in accordance with the International Standard on Assurance Engagements 3400: *The Examination of Prospective Financial Information*.

Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain all the information and explanations we considered necessary to obtain reasonable assurance that the LTP does not contain material misstatements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves performing procedures to obtain audit evidence about the forecast information and disclosures in the LTP. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the information in the LTP. In making those risk assessments we consider internal control relevant to the preparation of the District Council's LTP. We consider internal control in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Council's internal control.

Our audit procedures also include assessing whether:

- the LTP provides the community with sufficient and balanced information about the strategic and other key issues, and implications it faces and provides for participation by the public in decision making processes;
- the District Council's financial strategy, supported by financial policies is financially prudent, and has been clearly communicated to the community in the LTP;
- the presentation of the LTP complies with the legislative requirements of the Act;
- the decision-making and consultation processes underlying the development of the LTP are compliant with the decision-making and consultation requirements of the Act;
- the information in the LTP is based on materially complete and reliable asset or activity information;
- the agreed levels of service are fairly reflected throughout the LTP;
- the District Council's key plans and policies have been consistently applied in the development of the forecast information;
- the assumptions set out within the LTP are based on best information currently available to the District Council and provide a reasonable and supportable basis for the preparation of the forecast information;
- the forecast information has been properly prepared on the basis of the underlying information and the assumptions adopted and the financial information complies with generally accepted accounting practice in New Zealand;
- the rationale for the activities is clearly presented;

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- the levels of service and performance measures are reasonable estimates and reflect the key aspects of the District Council's service delivery and performance; and
- the relationship of the levels of service, performance measures and forecast financial information has been adequately explained within the LTP.

We do not guarantee complete accuracy of the information in the LTP. Our procedures included examining on a test basis, evidence supporting assumptions, amounts and other disclosures in the LTP and determining compliance with the requirements of the Act. We evaluated the overall adequacy of the presentation of information. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Council

The Council is responsible for preparing a LTP under the Act, by applying the Council's assumptions and presenting the financial information in accordance with generally accepted accounting practice in New Zealand. The Council is also responsible for such internal control as it determines is necessary to enable the preparation of a LTP that is free from material misstatement

The Council's responsibilities arise from Section 93 of the Act.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the LTP and reporting that opinion to you based on our audit. This responsibility arises from section 15 of the Public Audit Act 2001 and section 94(1) of the Act.

It is not our responsibility to express an opinion on the merits of any policy content within the LTP.

Independence

When reporting on the LTP we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than this report and in conducting the audit of the LTP Statement of Proposal and the annual audit, we have no relationship with or interests in the District Council or any of its subsidiaries.



Bruno Dente
Deloitte
On behalf of the Auditor-General
Hamilton, New Zealand

This audit report relates to the Long Term Plan (LTP) of Waitomo District Council for a ten year period commencing 1 July 2012 on Waitomo District Council's website. The Council is responsible for the maintenance and integrity of the Council's website. We have not been engaged to report on the integrity of the Council's website. We accept no responsibility for any changes that may have occurred to the LTP since the initial presentation on the website. The audit report refers only to the LTP named above. It does not provide an opinion on any other information which may have been hyperlinked to/from this document. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited LTP and related audit report dated 29 June 2012 to confirm the information included in the audited LTP presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Message from the Mayor and Chief Executive

We are pleased to present the 2012-22 Long Term Plan (LTP) which contains strategies and plans for the ten year period July 2012 to June 2022.

The LTP will continue a journey that Council embarked on a few years ago to consolidate delivery of services on a financially sustainable basis. While significant progress has been made on this fundamental issue, the challenge is by no means over. But we have been working hard to ensure a healthy financial future for our District. For example, the forecast public debt position at the commencement of 2012-2022 planning period of \$42.5 million represents a significant reduction on the debt position that was forecast in the 2009-2019 LTP of \$53.1 million for the 2012 Financial Year.

In fact, debt reduction is one of the key focuses of this Council. A debt reduction strategy has been developed to advance this goal. The strategy aims to reduce Council's public debt over the life of the Plan by \$8.2 million (or -19%), from \$42.5 million (projected for the 2011/12 financial year) to \$34.3 million.

The other important focus areas for Council in developing this Plan have been:

- Keeping rates affordable and maintaining equity and fairness in rates charged
- Ensuring assets are maintained in a sustainable manner
- Promoting the Waitomo District; and
- Enhancing community development

In most activities the intention is to maintain service levels, strive towards operational efficiency and carry out capital renewals as per good asset management practices. There are no plans for any development over and above what is essential in the 10 years covered by the LTP.

Having said that, there is definitely more emphasis placed on community and economic development. Our vision for the Waitomo District is **"Creating a better future with vibrant communities and thriving business."** We would like to facilitate better economic outcomes for our District. To this end we have partnered with the Hamilton and Waikato Regional Tourism Organisation and have decided on the introduction of a District Economic Development Board which will assist in stimulating economic development within the District.

We are also focussed on developing our communities and our youth in particular. Establishment of the Youth Council is a recent example of this initiative.

As we all know, everything comes at a cost. The services Council provides are funded through a variety of sources and over the life of this LTP, rates provide an average of 54.9% of the total required funding. Council recognises and understands the concerns of the District's ratepayers' in respect to the ability to pay for services and also that rates affordability is exacerbated in these tough economic times.

Consequently, in developing this LTP Council has constantly tried to 'strike the right balance' between rates affordability, its goal to achieve robust financial health and the wishes of our residents. Council has endeavoured to keep the income from rates steady as well as creating predictability about the level of rates required. The average rate increase in Year 1 of this LTP is 5.4% with average annual rate increases of 5.3% over the life of this LTP. There is a bit of a financial hump to overcome in the first three years which is mainly due to our investment in a capital works programme particularly in the Water and Sewerage groups of activities. These are essential works and cannot be deferred.

The other contributors are progress in the community development area and servicing the debt raised to support our investment in Inframax Construction Ltd. However, from year four onwards Council has forecast a more balanced work programme that keeps the rates requirement steady at modest levels.

A recent development for the Local Government sector has been the announcements made by the Minister for Local Government about reforms in the sector. The reforms are aimed at providing better clarity around the role of Councils, stronger governance, improved efficiency and more responsible financial management, though there isn't a lot of clarity yet around this. It is Council's view that the proposals mirror the direction already established at a local level and the changes are welcomed. Most of the changes talked about around financial sustainability and focus on core services is a path Waitomo District has been on since 2007. These reforms will serve to support our commitment in these areas.

The LTP is a 10 year Plan that has tried to understand and pre-empt the key influences and drivers moving forward. We have tried to provide some real solutions for a thriving and sustainable future.

We would like to thank everyone who participated in the consultation process. Your views are important and we were pleased to receive your inputs. We have made changes in this final Plan based on your views.



Brian Hanna
MAYOR



Chris Ryan
CHIEF EXECUTIVE