

4. Audit Report



AUDIT REPORT

TO THE READERS OF WAITOMO DISTRICT COUNCIL AND GROUP'S SUMMARY ANNUAL FINANCIAL STATEMENTS AND THE PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2010

We have audited the summary financial statements and performance information as set out in pages 13 to 52.

Unqualified opinion

In our opinion:

- the summary financial statements and performance information represent, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the information reported in the summary financial statements and performance information complies with FRS-43: *Summary Financial Statements* and is consistent with the full financial statements and performance information from which they are derived.

We expressed an unqualified audit opinion, and referred to serious financial difficulties being experience by one of the group's subsidiaries, in our report dated 8 October 2010, on:

- the full financial statements;
- the performance information; and
- the Council and group's compliance with the other requirements of Schedule 10 of the Local Government Act 2002 that are applicable to the annual report.

Serious Financial Difficulties

In forming our unqualified opinion, we considered the disclosure relating to going concern as set out in the statement of accounting policies on page 74 of the full financial statements and described on page 44 of the summary financial statements. The Council has noted that while the group financial statements have been prepared on a going concern basis, the going concern assumption of the Council's subsidiary, Inframax Construction Limited (Inframax) is dependent on two key factors:

- continued support from the lender; and
- Inframax's ability to meet its forecast performance.

At 30 June 2010 Inframax was in breach of its borrowing covenants. The Council has fully written off its investment in Inframax and is currently pursuing options to sell its investment.

The Council is forecasting dividend flows from Inframax in future years which if they don't occur will mean the Council will need to find alternative funding.

In addition to the challenges posed by Inframax being in serious financial difficulties the Council has noted other challenges that the Council is facing as follows:

- the impact of the reduction in the level of road renewals as disclosed on page 14 of the summary annual report;
- the impact of the reduction in service levels across a range of activities as disclosed on page 9 of the summary annual report; and
- the need to implement a sustainable approach to the operation and renewals of the Te Kuiti wastewater treatment plant as disclosed on page 15 of the summary annual report.

Basis of opinion

Our audit was conducted in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards. Other than in our capacity as auditor, we have no relationship with or interests in Waitomo District Council or any of its subsidiaries.

Deloitte.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary financial statements, performance information and the other requirements of Schedule 10 of the Local Government Act 2002 and we are responsible for expressing an opinion on those summary financial statements and performance information. These responsibilities arise from the Local Government Act 2002.



Bruno Dente,
Deloitte
On behalf of the Auditor-General
Hamilton, New Zealand
28 October 2010

Matters relating to the electronic presentation of the summary audited financial statements, performance information and the other requirements

This audit report relates to the summary financial statements and performance information of Waitomo District Council and group for the year ended 30 June 2010 included on the Waitomo District Council's website. The Council is responsible for the maintenance and integrity of the Waitomo District Council's website. We have not been engaged to report on the integrity of the Waitomo District Council's website. We accept no responsibility for any changes that may have occurred to the summary financial statements and performance information since they were initially presented on the website.

The audit report refers only to the summary financial statements and performance information named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the summary financial statements and performance information. 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 summary financial statements and performance information as well as the related audit report dated 28 October 2010 to confirm the information included in the audited summary financial statements and performance information presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.