

23 July 2024



Dear 

LOCAL GOVERNMENT OFFICIAL INFORMATION AND MEETINGS ACT Request: 2024-33

Thank you for your email of Sunday 14 July 2024 to the Carterton District Council requesting the following information:

“Could you please send me a copy of the advice received from Audit New Zealand on or about 5 July identifying a number of points requiring attention from the CDC in respect to the Long Term Plan currently under development. I also request urgency for the supply of this information as I wish to have read and understood the issues raised before the planned Council workshop on the LTP on 18 July.”

Your request has been considered under the Local Government Official Information and Meeting Act 1987 (the Act). As requested, a copy of the advice received from Audit New Zealand on 8 July 2024, attached as **Appendix A**. The workshop is scheduled for Wednesday 24 July 2024.

Please note, the Council proactively publishes LGOIMA responses on our website. As such, we may publish this response on our website after five working days. Your name and contact details will be removed.

Thank you again for your email. You have the right to ask an Ombudsman to review this decision. You can do this by writing to info@ombudsman.parliament.nz or Office of the Ombudsman, PO Box 10152, Wellington 6143.

Yours sincerely

A handwritten signature in blue ink that reads "Geoff Hamilton".

Geoff Hamilton
Chief Executive
Carterton District Council

Geoff Hamilton

From: Karen Young <Karen.Young@auditnz.parliament.nz>
Sent: Monday, 8 July 2024 2:32 pm
To: Geoff Hamilton; Karon Ashforth
Subject: Audit opinion and other

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Hi Geoff, Karon

May we please meet with you to discuss – today to 3.30 or after 5pm, or Tuesday (anytime):

1. Opinion Review Committee, rationale and decision on audit opinion

- Opinion Review Committee met this morning and decided that we will be issuing a disclaimer of audit opinion. The reason is the impact of the depreciation error (currently unquantified/we don't know what the amount is) is likely to have a pervasive impact on the content of the LTP, including the prospective financial statements and various disclosures as well as potentially impacting the Financial Strategy and possibly the Infrastructure Strategy.
- Actual wording in audit opinion is being worked on– we need the information below especially 2) and 4), and the updated LTP documents
- Options other than to receive disclaimer of audit opinion ie Postpone adoption of LTP - Get to the bottom of and fix the depreciation error in the LTP and have it audited by 30 September 2024 at the latest (CDC's statutory deadline). Council(lors) have a choice to make on Wednesday – they can defer the LTP as they still have three months to fix this, or they can accept the qualification. In making a decision Council will need to receive:
 - clear advice as to what is needed to be done to fix this and whether that is realistic within the 3 months (and have it audited) to 30 September 2024
 - the draft opinion itself, and whether the Council(lors) are willing to accept the opinion

2. Error in depreciation expense

- We need Council's intended disclosures as to the issue itself, and how they intend to fix it i.e. The Council's disclosure in the LTP on the error (is it possible to quantify and what does the error have an impact on – we envisage this may include depreciation expense, accumulated depreciation, depreciation reserves, rates, FIS, Financial Prudence Benchmarks etc.), and when the Council is going to fix or address the error/misstatement/issue (e.g. LTP amendment alongside annual plan) and the expected timeframe.
- What is Council doing currently to quantify the error/misstatement
- LTP Part 2 page 47: Depreciation and funding of depreciation – confirmation that the Council's practice (what is in LTP) is consistent with what it has disclosed ie

["In this Long-Term Plan, the Council will fully fund the depreciation expense, but we have decided not to fully fund all depreciation on a number of specific assets \(not fully allow for revenue to match the expense\):](#)

- Roads and footpaths – by the value of the subsidies received from NZTA,
- Events Centre building and fitout – the loan is currently being repaid; depreciation will be funded when the loan is paid off
- Three waters assets – year one at 50%, year two at 75% and from years three to ten depreciation is fully funded
- Wastewater Treatment Reservoirs and any assets that are loan funded currently being repaid

This recognises that either we do not need to build up the full amount of funds for future replacement, or it would not be fair on the current generation of ratepayers.”

- We note that in LTP Part 1 page 70 under Sources of funds for future replacement of assets it states (which is not fully consistent with LTP Part 2 page 47):

This policy will consider:

- the Council has, over the term of the Ten-Year Plan, set revenue levels sufficient to fully fund depreciation of its assets from Year three and in year one fund 50% of depreciation and in year two 75% and to fully fund loan repayments, with the exception of roading (partially funded by NZTA through subsidy on cap expenditure)

Please ensure the words are aligned throughout LTP document.

Other areas which we have been working with the Council on – we are assuming that Council will let us know what it is going to do on 3. – 5. If they are not adequately addressed, there maybe further audit opinion impacts. Please let us know thank you.

3. Performance framework – update to, and performance measures in LTP for:

- Waste services / waste management services – two performance measures in 2022/23 Annual Report which the Council can use for LTP
- Building and regulatory – Maintain BCA (Buildings Consent Accreditation) performance measure
- Transportation – performance measure(s) for pavement rehab and unseal roads
- Performance targets where the target is significantly higher than previous actual performance – explain in LTP why Council are comfortable with the targets it has set
- Potential negative effects (please set this out for each of the activities or a statement that there are none etc.)

4. Financial strategy

The infrastructure strategy (pages 27 to 30 of part 2), there does not appear to be a need for such a substantial build up of reserves. By and large, other than in the transportation space (where they are broadly consistent), the medium-term forecasts show that capital investment in infrastructure will be at a lower level than in the current 10 years, when the build-up in reserves has happened. Therefore, all things being equal, the investment being built up is unlikely to be needed in the future.

Please let us know and be transparent in the LTP as to what the Council is going to use its reserves for – i.e. set out on what and when (approximately) is the Council going to use the reserves.

5. Population growth assumption

- Per the assumptions, population goes up by around 1,600 in 10 years and the number of rateable properties is approx. 80.
- That is an average 20 people per household.
- If the household size is on average 2.5 people, we do not understand why the increase is not much higher (say around 640 properties).
- From our perspective, if the Council's assumptions are accurate, *where are all the new people coming to the district going to live?*

Please let us know and be transparent in the LTP as to how it is going to manage growth.

6. **Updated LTP document (preferably with all changes tracked and/or highlighted)** – We'll need a copy of this on Tuesday please. The Council(lors) will need to adopt the final (updated) LTP document – they will need to be made aware of all the changes to the LTP document since the previous version they have been provided with. The Council(lors) will need to adopt the LTP inclusive of the LTP audit opinion.

Talk to you soon.

Kind regards

Karen

Karen Young

Director

Audit New Zealand | Mana Arotake Aotearoa

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