

## To the reader:

### **Independent auditor's report on South Wairarapa District Council's consultation document for its proposed 2025-34 Long-term Plan**

I am the Auditor-General's appointed auditor for South Wairarapa District Council (the Council). The Local Government Act 2002 (the Act) requires the Council to prepare a consultation document when developing its long-term plan (plan). Section 93C of the Act sets out the content requirements of the consultation document and requires an audit report on the consultation document. I have done the work for this report using the staff and resources of Audit New Zealand. We completed our report on 5 March 2025.

#### **Adverse opinion**

In my opinion, because of the significance of the matter described in the Basis for adverse opinion section of the report, the consultation document does not provide an effective basis for public participation in the Council's decisions about the proposed content of its 2025-34 long-term plan. This is because the information and assumptions underlying the information in the consultation document are not reasonable.

#### **Basis for adverse opinion**

The Council assumes in the information underlying the Consultation Document, that it will remain responsible for water services and related assets and liabilities for the nine-year period of the plan. The Council also assumes that it will fund its planned water services activities and capital projects by increasing debt.

The assumptions in the underlying information are not viable because it would result in the Council exceeding its current Local Government Funding Agency debt limit, of 175% of revenue, by year three. Further, the Council has not been able to provide us support for borrowing more than 280% of revenue, which it proposes to do from year five of the plan. Also, the Council would breach its debt servicing benchmark by year four, and interest costs would exceed the covenant of 25% of rates revenue by year nine of the plan.

This means that the Council's plan that includes water services for the nine-year period is not credible. To make this plan credible, the Council would need to plan for debt within supportable limits, benchmarks, and covenants, and consider reducing levels of service, removing or deferring planned projects, increasing revenue, or securing other funding sources. None of these matters are addressed in the Consultation Document.

Because of the significance of the matters above, the consultation document does not provide an effective basis for public consultation about the proposed content of the long-term plan.

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 consultation document. To select appropriate procedures, we assessed the risk of material misstatement and the Council's systems and processes applying to the preparation of the consultation document.

We did not evaluate the security and controls over the publication of the consultation document.

## **Other Matters**

Without further modifying our opinion, we note the following matters.

### ***Mayor's Welcome***

We note that the Mayor's Welcome on page 7 refers to a difference in perspective between the Council and us, particularly about how future debt levels are presented. As explained in the basis for adverse opinion section of our report, the matters giving rise to the difference in perspective are more pervasive than how information is presented.

### ***Uncertainty over three waters infrastructure assets renewal forecast***

The Council's forecasting for its three waters assets is based on age. Because it is not based on condition information, there is a higher degree of uncertainty about how the Council has prioritised its investment needs.

## **Emphasis of Matter – uncertainty over water service delivery**

Without further modifying our opinion, we draw attention to the Mayor's Welcome on pages 7 and 8, which outlines that, at the same time as this consultation on the long-term plan, the Council is separately seeking feedback on how water services could be delivered in South Wairarapa to inform the Council's Water Services Delivery Plan. The Council's future decision on its Water Services Delivery Plan could impact the long-term plan. In addition, Parliament is considering the Local Government (Water Services) Bill which will operationalise the new way of delivering water services. There is therefore a high-level of uncertainty over the financial impacts that the Bill could have on the Council's long-term plan because the information is in draft and may change significantly when the legislation is passed.

## **Responsibilities of the Council and auditor**

The Council is responsible for:

- meeting all legal requirements relating to its procedures, decisions, consultation, disclosures, and other actions associated with preparing and publishing the consultation document and long-term plan, whether in printed or electronic form;
- having systems and processes in place to provide the supporting information and analysis the Council needs to be able to prepare a consultation document and long-term plan that meet the purposes set out in the Act; and
- ensuring that any forecast financial information being presented has been prepared in accordance with generally accepted accounting practice in New Zealand.

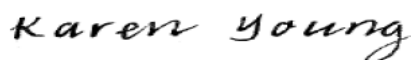
We are responsible for reporting on the consultation document, as required by section 93C of the Act. We do not express an opinion on the merits of any policy content of the consultation document.

## **Independence and quality control**

We have complied with the Auditor-General's independence and other ethical requirements, which incorporate the requirements of Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board. PES 1 is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We have also complied with the Auditor-General's quality management requirements, which incorporate the requirements of Professional and Ethical Standard 3 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements (PES 3) issued by the New Zealand Auditing and Assurance Standards Board. PES 3 requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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



Karen Young

Audit New Zealand

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