

6 May 2025

Level 14, Shortland & Fort, 88
Shortland Street, CBD,
Auckland

Susan O'Regan
Mayor
Waipā District Council
101 Bank Street
Te Awamutu
New Zealand

By email: susan.o'regan@waipadc.govt.nz

Dear Susan

Audit of the 2025–34 Consultation Document: Pre-adoption meeting update

We are writing to provide the Council with an update on the audit opinion ahead of the consultation document adoption meeting on 8 May 2025. We are planning to issue an adverse opinion on the Waipā District Council's consultation document.

1. Consultation document audit opinion

- We have completed the audit of the consultation document (CD).
- As you are aware there have been some delays in arriving at this point and we would like to refer to the paper dated 7 March 2025 presented to the ARC chair ahead of the 10 March ARC meeting where we set out the matters that were of concern at that time.
- The preliminary conclusion around the adverse audit opinion relating to the misalignment of the long-term plan (LTP) modelling and the preferred option for Local Waters Done Well (LWDW) was communicated on 2 April 2025 and we noted that unless Council 'fix' the LTP to contain best available information at the time, the audit opinion would likely be adverse. We also acknowledged the timing and legal challenges faced by Council as a result of the Government's legislative and policy changes.
- The following additional conclusions were subsequently reached by the audit team:
 - Growth applied in the financial model is found to be overly optimistic and the audit team was unable to substantiate the full extent of the revenue predicted, especially in years four to nine. This impacts rates revenue and development contribution revenue.
 - Renewals for water services and wastewater in the LTP-modelling have been found materially inconsistent with the underlying asset information. Water services budgets specifically are materially overstated.

- Two areas were considered as potential emphasis of matter paragraphs in the audit report:
 - the capital delivery assumption over the nine years being highly uncertain; and
 - the unbalanced budget for years one to three.
- The audit team concluded that would these matters, including the waters matter, have been addressed by Council in preparation for this LTP round, there probably would have been relevant issues exposed or identified for community consultation. The audit team therefore concluded that the CD does not provide an effective basis for public participation in the Council's decision-making process about the content of its LTP.
- On 6 May the opinion review committee (ORC) confirmed the adverse opinion. The ORC found the assumptions underlying the plan unreasonable because Council's preferred option is to establish a separate CCO, which will see drinking water and wastewater activities and assets and any associated debt being transferred out of the Council from 1 July 2026 while in the information that supports the consultation document, the Council has assumed it will retain water services.
- After careful consideration the ORC included the growth matters in the adverse opinion due to the pervasive nature of the assumptions which impact rate increases, development contribution revenue, assets, debt, operating and capital expenditure in the forecast underlying information supporting the consultation document.
- The ORC decided not to include a paragraph noting the water renewals matter as the overall adverse opinion is stating that water services and wastewater services should not be in the plan at all. The fact that the modelling is unsupportable becomes a moot point. In a similar fashion the capital delivery uncertainty and the unbalanced budget references have been left out of the draft audit opinion.
- Please note there is a minor difference in NZTA funding forecast that will be shared with you in the Letter or Representation, in accordance with the OAG expectation that all NZTA variances be disclosed.
- We plan to issue a draft Report to Council to management containing our findings and related recommendations upon completion of the CD audit. Once we have confirmed the findings and recommendations with management, we will issue the final report to the Council.

2. Impacts

- Council continues with consultation as planned – no impact due to the opinion.
- Audit opinion will most likely carry over to the LTP phase unless action is taken.
- Possible community and/or media reaction.

3. Next steps

- LTP audit to commence 16 June in parallel with Council closing off the consultation process. This is to work towards adoption 17 July which will enable Council to strike the rates in July.

We again impress upon Council the importance of internal quality reviews and consistency checks before information is presented to audit.

- Audit cost recovery for the CD-phase of the audit to be concluded.

Yours sincerely

A handwritten signature in black ink, appearing to read 'René van Zyl', with a stylized, cursive script.

René van Zyl
Appointed Auditor

Copy: Bruce Robertson
Chair of the Audit and Risk Committee

Steph O'Sullivan
Chief Executive Officer

Kirsty Downey
Acting Deputy Chief Executive, Group Manager Strategy