



Auditing the 2021-31 Long Term Plan

Greater Wellington Regional Council 17 November
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AUDIT NEW ZEALAND
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What we are going to cover

- Our audit role
- The areas of audit focus for 2021-31 LTPs
- Key components of your LTP
- The audit context, including the hot review process

Previous GWRC LTP findings

Observations from CD process - 2018

- Being clear on what the key questions were for consultation.
- Delays in receiving supporting information
- Varying quality of CD and various versions

Our audit role

Issue audit opinions on the CD and the LTP

- Are they fit for purpose, and
- Are the underlying information and assumptions reasonable (and applied appropriately)

Audit focus for 2021-31



1. Climate change

Climate change

We expect 2021-31 LTPs to

- Acknowledge and disclose
 - climate change risks,
 - Impacts, and
 - responses
- Need to be better than in 2018-28 (and earlier)
- Particular focus on councils that declared a climate change emergency

Climate change

GWRC – Reflecting the objectives of the Climate Change committee

- accelerating the decarbonisation of public transport;
- corporate activities carbon neutral by 2030 ;
- developing climate resilient public infrastructure;
- regenerating native forests, wetlands and biodiversity, including phasing out grazing on regional park land;
- encouraging sustainable farming and land use;
- restoring the quality of coastal and freshwater and coastal restoration; and
- coordinating the region's economic strategy to transition towards a low emissions economy.

Audit focus for 2021-31



2. Covid-19

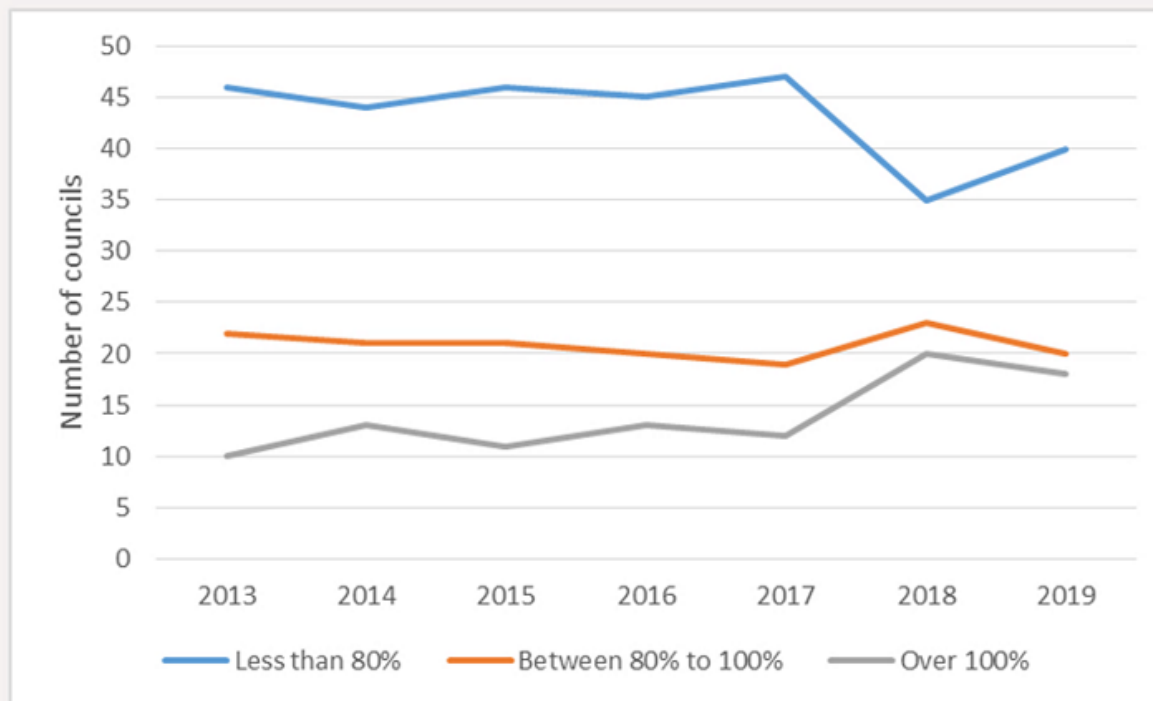
Covid 19

- Impact and setting the scene
- Changes to projects / timelines
- Links to levels of service

Audit focus for 2021-31

3. Capital expenditure do-ability

Capital expenditure do-ability



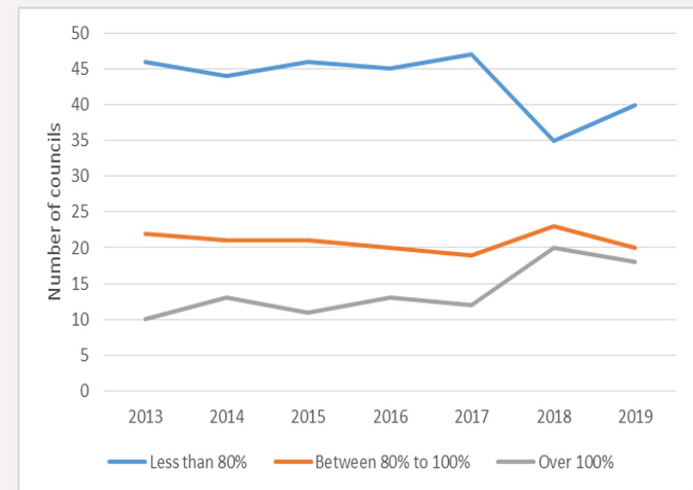
Capital Expenditure - delivery

Do-ability of forecast programme

- Eliminate poor planning and optimistic budgeting.
- We will develop an expectation from actual versus forecast in the past three years.
- If outside of expectations, will need support for this.
- Council will need a clear description about why considered reasonable

Could lead to a modification of the audit opinion if not reasonable.

Capital expenditure do-ability



Audit focus for 2021-31

4. Condition and performance of critical assets

Condition and Performance of Critical assets

Council needs to understand:

- What it considers to be its critical assets
- Condition and performance of critical assets
- Renewals profile (LTP forecasts should relate to assets' needs)
- If a Council doesn't have good asset information, how can we give a clear audit opinion?

5. Three waters reform

3 waters reform

Bulk water - BAU for the LTP

- Reflect only the direct impact of MoU related funding package
- We expect councils to continue to manage and maintain the assets

Audit focus for 2021-31

6. Consultation document

Purpose – S93B - To provide an effective basis for public participation relating to the content of a long-term plan

Consultation Document – our approach

As auditors we provide an opinion on whether

- the consultation document meets this purpose, and
- it will prompt the right debate within the community.

To do this we effectively are asking 5 questions...

Role of the Consultation Document

A Consultation Document must:

- Tell the right story
- Join all the dots
- Make the choices clear
- Be easy to understand

Consultation Document: Underlying information

- S93G – adopt underlying information BEFORE the CD
- Councils are given discretion
- SOLGM suggests - “adopt much of the information in Sch. 10.” As a minimum
 - Community outcome information
 - Group of activities information
 - The full financial and 30 year infrastructure strategy
 - Forecast financial statements and other disclosure
 - The full revenue and financing policy & local board funding policy
- Set out where public can go for further information

Audit focus for 2021-31



7. The LTP document

Key LTP components

- Infrastructure strategy
- Financial strategy
- Assumptions
- The LTP document itself

Infrastructure strategy

To be more effective Infrastructure Strategies could improve in the following areas:

- the condition of **critical assets** and what this means for the management of infrastructure assets;
- integration and/or consistency with the **financial strategy**;
- **describe levels of service** in a way that outlines the link between assets and the services they support; and
- address the **main issues and risks** across all of the council's infrastructure assets.

Financial Strategy

Financial strategy guidance from prior years still stands as useful:

Financial strategy guidance

	Principal criteria
1	Does the strategy adequately explain/summarise the intended level of service (including consideration of the renewal profiles evident within asset management plans) and associated cost implications for both operating and capital expenditure?
2	Does the strategy adequately explain/summarise the intended revenue flows (all key funding flows including rates, development contributions, and other key revenue items), the use of debt (including internal borrowings), and associated funding implications?
3	Does the financial strategy clearly set out a strategic "destination"/end point? If the strategy is designed to achieve a particular financial position with implications for the community, are these made clear?

Financial Strategy – other things to consider

- Impacts of changing demographics – ageing, growing or declining
- Impacts of economic development initiatives or external impacts on commercial activity and employment on infrastructure demands
- Adequacy of alignment of accounting concepts with actual asset lifecycles
- Impact of assumptions and uncertainty

Financial & Infrastructural Strategies



- The Infrastructure Strategy informs the Financial Strategy
- The same assumptions applied to the LTP must be applied in both strategies

Assumptions – Schedule 10 clause

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The LTP ... must clearly identify:

- (a) All significant forecasting assumptions and risks*
- (b) Must cover life cycle of significant assets and source of funds for future replacement*
- (c) Where there is a high level of uncertainty – explain the uncertainty and estimate the potential effects of the uncertainty on the financial forecasts.*

Assumptions

The key assumptions expected to underpin all LTPs are:

- the life cycle of significant assets;
- sources of funds for future replacement of significant assets;
- projected growth;
- potential demographic changes,
- potential climate change impacts; and
- future price changes (inflation).

Long Term Plan - our approach

Our focus over the Long Term Plan is to determine whether it meets the purpose and is of appropriate quality:

Our approach is to:

- Gain an understanding of the changes arising as a result of the consultation process and assess the appropriateness of the changes throughout the LTP
- Review the reasonableness of the LTP, including certain disclosures contained within it.
- Confirm whether the prospective financial information complies with the requirements of GAAP.

The audit environment

2021-31 LTP audits starting late (Covid-19 impacts)

- The 30 June deadline has not moved
- Our peak pressure point - clearing CD audits for consultation
- Efficient processes by both parties needed
- Good communication critical

Any Questions?

