

PART 5

# Statement of Compliance and Audit Report




# Statement of Compliance

## Responsibility

Council and management of Marlborough District Council accept responsibility for the presentation of the annual report, including the Financial Statements and the Statement of Service Performance including the judgments used in them.

Council and management of Marlborough District Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting and the Statement of Service Performance.

In the opinion of Council and management of Marlborough District Council, the annual report for the year ended 30 June 2023 fairly reflect the financial position and operations and service performance achievements of the Marlborough District Council and Group, except for the value of the three waters infrastructure assets where the valuation is still to be finalised.



MARK WHEELER  
**CHIEF EXECUTIVE**  
14 December 2023



NADINE TAYLOR  
**MAYOR**  
14 December 2023

## Independent Auditor's Report

### To the readers of Marlborough District Council's annual report for the year ended 30 June 2023

The Auditor-General is the auditor of Marlborough District Council (the District Council) and its subsidiaries and controlled entities (the Group). The Auditor-General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand, to report on the information in the District Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the District Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the District Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 14 December 2023. This is the date on which we give our report.

## Opinion on the audited information

### ***Qualified opinion on the financial statements***

In our opinion, except for the possible effects of the matters described in the *Basis for our opinion on the audited information* section of our report, the financial statements on pages 126 to 192:

- present fairly, in all material respects:
  - the District Council and Group's financial position as at 30 June 2023;
  - the results of the operations and cash flows for the year ended on that date; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.

### ***Unmodified opinion on the audited information excluding the financial statements***

In our opinion:

- the funding impact statement on page 193, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's annual plan;
- the statement of service provision on pages 32 to 124:
  - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2023, including:
    - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
    - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
  - complies with generally accepted accounting practice in New Zealand; and
- the statement about capital expenditure for each group of activities on pages 38 to 124, presents fairly, in all material respects, the actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's long-term plan and annual plan; and

- the funding impact statement for each group of activities on pages 38 to 124, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council’s long-term plan and annual plan.

## Report on the disclosure requirements

We report that the District Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 24 to 26, which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council and Group’s audited information and, where applicable, the District Council’s long-term plan and annual plans.

The basis for our opinion is explained below and we draw attention to uncertainty over the water services reform programme. In addition, we outline the responsibilities of the Council and our responsibilities relating to the audited information, we comment on other information, and we explain our independence.

## Basis for our opinion on the audited information

### ***Financial statements: Our work was limited with respect to the carrying value of the District Council’s revalued three waters infrastructure assets and their associated revaluation reserves***

The District Council revalued its water supply, wastewater, and stormwater infrastructure assets (three waters infrastructure assets) as at 30 June 2022 to fair value using optimised depreciated replacement cost.

In the prior year, we concluded that there was evidence that the methodology applied by the District Council in the revaluation of its three waters infrastructure assets at 30 June 2022 may have resulted in the valuation being based on unit rates that did not appropriately reflect the current contract rates incurred by the District Council for renewal of the three waters infrastructure assets. The scope of our audit was limited, and it was impracticable to determine the amount of any adjustment required.

This matter remains unresolved as at 30 June 2023, as disclosed in note 10.3 to the financial statements.

As a result, our audit opinion on the 30 June 2023 financial statements is qualified because we are unable to obtain sufficient appropriate audit evidence to determine if the carrying values of the three waters infrastructure assets and their associated revaluation reserves as at 30 June 2023 are materially correctly stated. Our audit opinion on the 30 June 2022 financial statements was qualified for the same reason.

We carried out our audit in accordance with the Auditor-General’s Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. We describe our responsibilities under those standards further in the *Responsibilities of the auditor for the audited information* section of this report.

We have fulfilled our responsibilities in accordance with the Auditor-General’s Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the audited information.

## Emphasis of matter – Uncertainty over the water services reform programme

Without modifying our opinion, we draw attention to note 31 to the financial statements which outlines developments in the water services reform programme.

The Water Services Entities Act 2022, as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023 and the Water Services Legislation Act 2023 on 31 August 2023, establishes ten publicly owned water services entities to carry out responsibilities for the delivery of three waters services and related assets and liabilities currently controlled by local authorities.

On 14 December 2023, the Government announced its intention to introduce and pass legislation early next year to repeal and replace the 'Three Waters' legislation. The effect of this announcement on the Council is uncertain until such legislation is passed.

## **Responsibilities of the Council for the audited information**

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the District Council and the Group or there is no realistic alternative but to do so.

## **Responsibilities of the auditor for the audited information**

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the District Council's long-term plan and annual plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Council and Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the statement of service provision, as a reasonable basis for assessing the levels of service achieved and reported by the District Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the District Council and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence

obtained up to the date of our auditor's report. However, future events or conditions may cause the District Council and the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure, and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the audited information of the entities or business activities within the Group to express an opinion on the consolidated audited information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

## Other information

The Council is responsible for the other information included in the annual report. The other information is defined as all information in the annual report other than the audited information and the disclosure requirements and our auditor's report thereon.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information, and we do not express any form of audit opinion or assurance conclusion thereon.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Independence

We are independent of the District Council and Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence 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.

In addition to the audit and our report on the disclosure requirements, we have performed a limited assurance engagement related to the District Council's debenture trust deed. This limited assurance engagement is compatible with those independence requirements.

Other than these engagements, we have no relationship with, or interests in, the District Council or its subsidiaries and controlled entities.



Julian Tan  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch, New Zealand