

Independent Auditor's Report

To the Readers of Christchurch City Council's Amended 2015–25 Long-Term Plan

I am the Auditor-General's appointed auditor for Christchurch City Council (the Council). I use the staff and resources of Audit New Zealand to audit information that the Council is required to have audited.

The Council adopted its 2015–25 long-term plan (the plan) on 26 June 2015. We issued a qualified opinion on that plan in our report dated 26 June 2015. We also drew attention to the high level of uncertainty over the assumptions and underlying information relating to assets, including the estimated costs to repair and rebuild those assets, on which the plan was based.

The Council has since consulted on proposed amendments to the plan. The amendments to the plan involved rescheduling the Council's projected capital expenditure programme and a reduction and timing of the capital release programme. These resulted in changes to the Council's financial strategy, including the forecast expenditure over the remaining nine years of the plan for renewing, replacing, and building new facilities and infrastructure and how that will be funded.

Following the consultation process on the proposed amendments, the Council has decided to amend its plan. The amended plan replaces the plan adopted on 26 June 2015.

The amended plan must contain a report from the auditor that either confirms or amends the previous audit report.

We considered the impact of the proposed amendments on our previous audit report. We completed our audit on 23 June 2016 and our report is below.

Report amending our previous audit report of 26 June 2015

Our previous audit report on the plan adopted by the Council on 26 June 2015 is affected by the amendments to the plan. It is no longer necessary for us to draw readers' attention to uncertainties over the assumptions and underlying information noted above. In our view, there is no longer a high degree of uncertainty because the Council has settled its insurance claim, and has better information about the delivery and funding of its infrastructure asset repair programme.

Other than this, our previous audit report on the plan, including the qualification about property, plant and equipment assets, is not affected by the amendments to the plan. Our previous audit report on the plan, without the text that drew attention to the high level of uncertainty about the estimated costs to repair and rebuild the Council's assets, is attached.

Basis of this report

Our audit focused only on the amendments and their effects on the plan. We did not repeat the audit that we carried out on the plan when it was originally adopted.

We carried out our audit in accordance with the Auditor-General's Auditing Standards and the:

- International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information;
- International Standard on Assurance Engagements 3400: The Examination of Prospective Financial Information; and
- Ethical requirements in those standards.

We did not evaluate the security and controls over the electronic publication of the amended plan. This report does not provide assurance that the forecasts in the amended plan will be achieved, because events do not always occur as expected and variations may be material. Nor does it guarantee complete accuracy of the information in the amended plan.

Responsibilities of the Council and auditor

The Council is responsible for:

- meeting all legal requirements affecting its procedures, decisions, consultation, disclosures and other actions relating to amending the plan;
- presenting forecast financial information relating to the amendments in accordance with generally accepted accounting practice in New Zealand; and
- having systems and processes in place to enable the amended plan to be free from material misstatement.

We are responsible for reporting on whether the amendments to the plan affects our previous audit report on the plan as originally adopted. We do not express an opinion on the merits of the amended plan's policy content.

Independence

In carrying out our audit, we complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 (Revised); and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended).

Other than carrying out all legally required external audits and related assurance engagements, we have no relationship with or interests in the Council or any of its subsidiaries.



Julian Tan, Audit New Zealand

On behalf of the Auditor-General
Christchurch, New Zealand

Independent Auditor's Report (continued)

ATTACHMENT – PREVIOUS AUDIT REPORT WITHOUT THE TEXT THAT DREW ATTENTION TO THE HIGH LEVEL OF UNCERTAINTY ABOUT THE ESTIMATED COSTS TO REPAIR AND REBUILD THE COUNCIL'S ASSETS.

To the reader:

Independent auditor's report on Christchurch City Council's 2015–25 Long-Term Plan

I am the Auditor-General's appointed auditor for Christchurch City Council (the Council). Section 94 of the Local Government Act 2002 (the Act) requires an audit report on the Council's 2015-25 long-term plan (the plan). I have carried out this audit using the staff and resources of Audit New Zealand. I completed the audit on 26 June 2015.

Every three years a local authority is required to prepare a long-term plan. Due to the significant damage caused by the series of earthquakes from 2010 and the resulting uncertainties over the extent of the damage and the estimated cost of the rebuild, the Council faces unique circumstances in which to prepare its plan.

Opinion

In my opinion, and recognising the unique circumstances facing the Council:

- the plan provides a reasonable basis for:
 - long-term, integrated decision-making and coordination of the Council's resources; and
 - accountability of the Council to the community;
- the disclosures on pages 41 to 53 represent a complete list of the disclosures required by Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014 and accurately reflect the information drawn from the Council's audited information;

- except for property, plant and equipment assets (the assets), where the Council:
 - does not have the necessary underlying asset information; and
 - is unable to comply with generally accepted accounting practice in the valuation of its assets damaged by the earthquakes;

the information and assumptions underlying the forecast information in the plan are reasonable.

This opinion does not provide assurance that the forecasts in the plan will be achieved, because events do not always occur as expected and variations may be material. Nor does it guarantee complete accuracy of the information in the plan.

Basis of Opinion

I carried out my work in accordance with the Auditor-General's Auditing Standards, the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical Information*, the International Standard on Assurance Engagements 3400: *The Examination of Prospective Financial Information*, and the ethical requirements in those standards.

I assessed the evidence the Council has to support the information and disclosures in the plan and the application of its policies and strategies to the forecast information in the plan. To select appropriate audit procedures, I assessed the risk of material misstatement and the Council's systems and processes applying to the preparation of the plan.

My audit procedures included assessing whether:

- the Council's financial strategy, and the associated financial policies, support prudent financial management by the Council;

- the Council’s infrastructure strategy identifies the significant infrastructure issues that the Council is likely to face over the next 30 years;
- the information in the plan is based on materially complete and reliable asset and activity information;
- the Council’s key plans and policies have been consistently applied in the development of the forecast information;
- the assumptions set out within the plan are based on the best information currently available to the Council and provide a reasonable and supportable basis for the preparation of the forecast information;
- the forecast financial information has been properly prepared on the basis of the underlying information and the assumptions adopted and complies with generally accepted accounting practice in New Zealand;
- the rationale for the Council’s activities is clearly presented and agreed levels of service are reflected throughout the plan;
- the levels of service and performance measures are reasonable estimates and reflect the main aspects of the Council’s intended service delivery and performance; and
- the relationship between the levels of service, performance measures and forecast financial information has been adequately explained within the plan.

I did not evaluate the security and controls over the electronic publication of the plan.

Responsibilities of the Council and Auditor

The Council is responsible for:

- meeting all legal requirements affecting its procedures, decisions, consultation, disclosures and other actions relating to the preparation of the plan;

- presenting forecast financial information in accordance with generally accepted accounting practice in New Zealand; and
- having systems and processes in place to enable the preparation of a plan that is free from material misstatement.

The Council is also responsible for the publication of the plan, whether in printed or electronic form.

I am responsible for expressing an independent opinion on aspects of the plan, as required by sections 94 and 259C of the Act. I do not express an opinion on the merits of the plan’s policy content.

Independence

I have followed the independence requirements of the Auditor-General, which incorporate those of the External Reporting Board.

In addition to this audit, I reported on the Council’s consultation document, reported on the statutory annual report, provided a report to the Council’s debenture trustee, and completed audit and assurance engagements for subsidiary companies in compliance with regulatory requirements. These engagements are compatible with those independence requirements.

Other than this audit and these engagements, I have no relationship with or interests in the Council or any of its subsidiaries.

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