



# Waitaki

DISTRICT COUNCIL

*TE KAUNIHERA Ā ROHE O WAITAKI*

**I hereby give notice that the  
Performance, Audit and Risk Committee Meeting  
will be held on:**

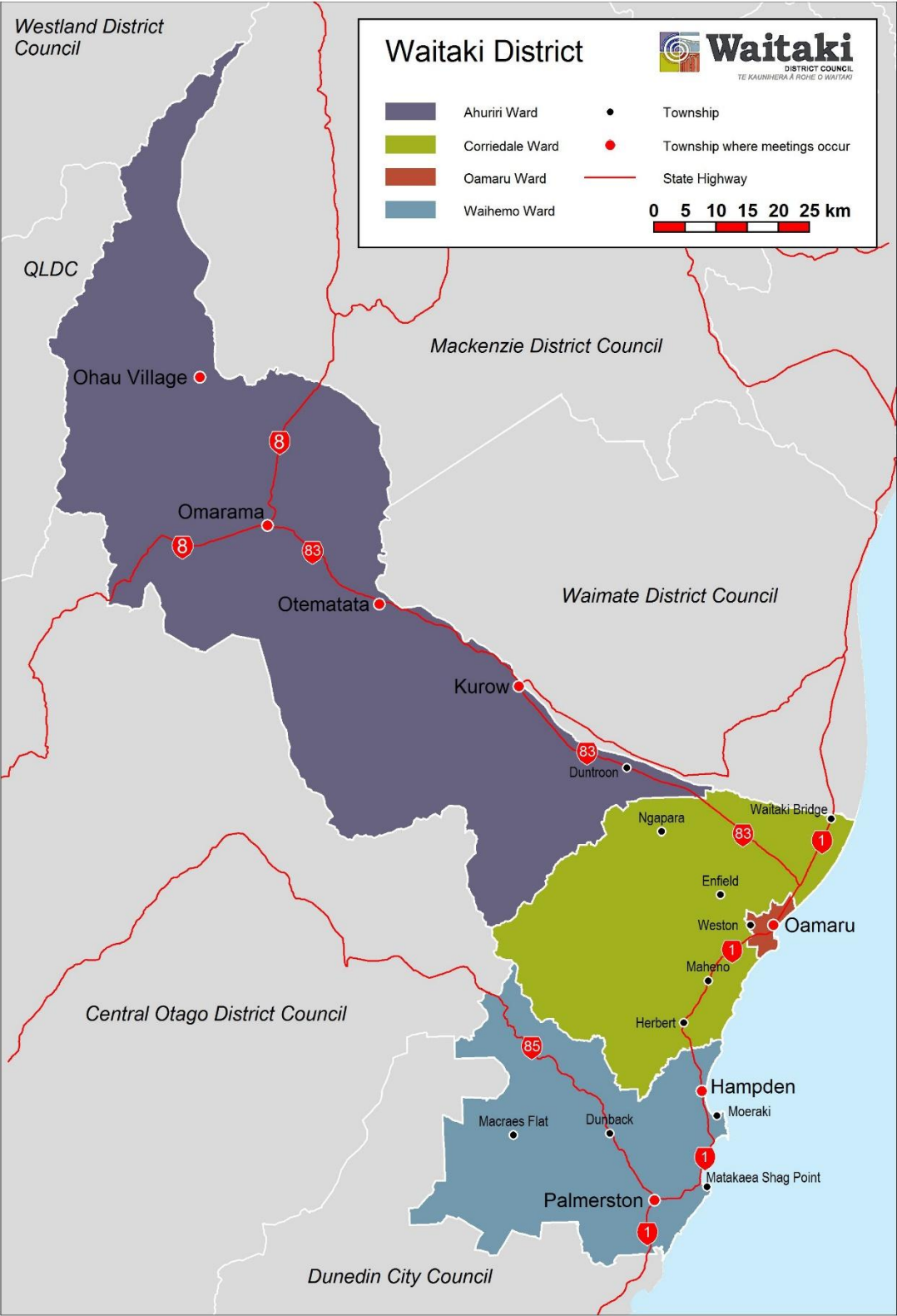
**Date:** Tuesday, 29 April 2025  
**Time:** 2:00 pm  
**Location:** Council Chamber, Third Floor  
Office of the Waitaki District Council  
20 Thames Street, Ōamaru

## Agenda

### **Performance, Audit and Risk Committee Meeting**

**29 April 2025**

**Alex Parmley  
Chief Executive**





## Agenda Items

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- 1 APOLOGIES**
- 2 DECLARATIONS OF INTEREST**

**3 CONFIRMATION OF PREVIOUS MEETING MINUTES**

**3.1 PUBLIC MINUTES OF THE PERFORMANCE, AUDIT AND RISK COMMITTEE MEETING  
HELD ON 25 MARCH 2025**

**Author:** Jenni Carden, Governance Support - Contactor

**Authoriser:** Alex Parmley, Chief Executive

**Attachments:** 1. Public minutes of the Performance, Audit and Risk Committee  
Meeting held on 25 March 2025

**RECOMMENDATION**

That the Performance, Audit and Risk Committee confirms the Public minutes of the Performance, Audit and Risk Committee Meeting held on 25 March 2025, as circulated, as a true and correct record of that meeting.

**DRAFT UNCONFIRMED MINUTES**

**OF THE PERFORMANCE, AUDIT AND RISK COMMITTEE MEETING  
HELD IN THE COUNCIL CHAMBER, THIRD FLOOR, OFFICE OF THE WAITAKI DISTRICT  
COUNCIL , 20 THAMES STREET, ŌAMARU  
ON TUESDAY, 25 MARCH 2025 AT 2:15 PM**

**PRESENT:** Simon Neale (Chair), Deputy Mayor Hana Halalele, Cr Tim Blackler, Cr Jeremy Holding, Cr John McCone, Cr Rebecca Ryan, Mayor Gary Kircher

**IN ATTENDANCE:**  
Alex Parmley (Chief Executive)  
Paul Hope (Director, Support Services)  
Joanne O'Neill (Director Strategy, Performance & Design)  
Roger Cook (Director, Natural & Built Environment)

**IN ATTENDANCE FOR SPECIFIC AGENDA ITEMS:**

Laura Spring (Strategy & Policy Advisor)  
Amanda Nicholls (Chief Financial Officer)

**Meeting Livestream Recording**

This meeting was livestreamed on Council's YouTube page. A direct link to that livestream location is provided below.

[Performance, Audit & Risk \(PAR\) Committee Meeting – 25 March 2025](#)

**MEETING OPEN**

The Chair declared the meeting open at 2.18pm and welcomed everyone present.

**1 APOLOGIES**

**RESOLVED PAR 2025/006**

Moved: Deputy Mayor Hana Halalele

Seconded: Cr John McCone

That the apology received from Cr Jim Hopkins be accepted.

**CARRIED**

**2 DECLARATIONS OF INTEREST**

There were no declarations of interest.

**3 CONFIRMATION OF PREVIOUS MEETING MINUTES**

**MOTION**

The Chair noted that the only item in the Public Excluded agenda is the minutes of 25 February 2025 meeting. A motion was put that the Committee consider these minutes in the public meeting.

**RESOLVED PAR 2025/007**

Moved: Cr John McCone  
Seconded: Deputy Mayor Hana Halalele

That the Performance, Audit and Risk Committee consider the Public Excluded minutes of the 25 February 2025 meeting as agenda item 3.3.

**CARRIED**

**3.1 PUBLIC MINUTES OF THE PERFORMANCE, AUDIT AND RISK COMMITTEE  
MEETING HELD ON 17 DECEMBER 2024**

**RESOLVED PAR 2025/008**

Moved: Cr Rebecca Ryan  
Seconded: Deputy Mayor Hana Halalele

That the Performance, Audit and Risk Committee confirms the Public minutes of the Performance, Audit and Risk Committee Meeting held on 17 December 2024, as circulated, as a true and correct record of that meeting.

**CARRIED**

**3.2 PUBLIC MINUTES OF THE PERFORMANCE, AUDIT AND RISK COMMITTEE  
MEETING HELD ON 25 FEBRUARY 2025**

**RESOLVED PAR 2025/009**

Moved: Mayor Gary Kircher  
Seconded: Cr Rebecca Ryan

That the Performance, Audit and Risk Committee confirms the Public minutes of the Performance, Audit and Risk Committee Meeting held on 25 February 2025, with minor grammatical adjustments from Cr Hopkins, as a true and correct record of that meeting.

**CARRIED**

**3.3 PUBLIC EXCLUDED MINUTES OF THE PERFORMANCE, AUDIT AND RISK  
COMMITTEE MEETING HELD ON 25 FEBRUARY 2025**

**RESOLVED PAR 2025/010**

Moved: Mayor Gary Kircher  
Seconded: Deputy Mayor Hana Halalele

That the Performance, Audit and Risk Committee confirms the Public Excluded minutes of the Performance, Audit and Risk Committee Meeting held on 25 February 2025, as circulated, as a true and correct record of that meeting.

**CARRIED**

## **4 DECISION REPORTS**

### **4.1 RISK MANAGEMENT UPDATE**

The report, as circulated, sought to provide the Committee an update on risk management activity throughout the organisation for Quarter 1, 2025. Additionally, the report aims to promote discussion about both the external and internal risk landscape currently being faced by Council.

Director Strategy, Performance & Design Joanne O'Neill spoke to the report. Chief Executive Alex Parmley, Strategy & Policy Advisor Laura Spring and Director, Natural & Built Environment Roger Cook responded to questions.

Discussion focused on the Staff Serious Harm incident, particularly the rating assessed and mitigants under review. Mr Neale complimented staff on the diligence and effort put into this rating assessment but also registered his concern with the high residual rating. He noted the future mitigants being implemented and committed to working with staff to ensure they had positive impacts for staff. Decreased and Increased risks were noted along with the new risk (Public Harm) reported.

### **RESOLVED PAR 2025/011**

Moved: Mayor Gary Kircher

Seconded: Cr John McCone

That the Performance, Audit and Risk Committee receives and notes the information.

**CARRIED**

## **5 MEMORANDUM REPORTS**

### **5.1 FINANCIAL SUMMARY (TO 31 JANUARY 2025)**

The report, as circulated, provides the Committee a high-level financial summary for the period ended 31 January 2025.

Chief Financial Officer Amanda Nicholls spoke to the report and responded to questions regarding reported variances to budget, forecast revenue, reduced gravel sales, personnel costs, and Consultants/Solicitor costs.

It was noted that the reported Personnel costs are inaccurate and in fact remain over budget due to a missing \$500k accrual which has been addressed.

### **RESOLVED PAR 2025/012**

Moved: Cr Rebecca Ryan

Seconded: Cr John McCone

That the Performance, Audit and Risk Committee receives and notes the information.

**CARRIED**

The Chair acknowledged that, because the Public Excluded Minutes of the previous meeting had been confirmed in the public session of the meeting, there was no requirement for Agenda Items 6, 7, 8, and 9 at this meeting.

## **10 MEETING CLOSE**

The Chair declared the meeting closed at 2.56pm.

TO BE CONFIRMED at the Performance, Audit and Risk Committee Meeting to be held on Tuesday, 29 April 2025.

.....  
CHAIRPERSON



## 4 DECISION REPORTS

### 4.1 TREASURY STRATEGY, FY 2024-2025 FOURTH QUARTER

**Author:** Amanda Nicholls, Chief Financial Officer

**Authoriser:** Paul Hope, Director Support Services

#### RECOMMENDATION

That the Performance, Audit and Risk Committee recommends:

That Council:

1. Adopts a Treasury Strategy for the fourth quarter of the 2024-25 financial year which includes:
  - a) Monitoring available cash and projecting future cash requirements
  - b) Liaising with the Local Government funding Agency (LGFA) to ensure Council's ability to function and deliver on behalf of its communities is not impeded by lack of funds
  - c) Obtaining advice and support from Bancorp Treasury Services on key projects in addition to ensuring compliance with policy limits
  - d) Investing funds considered surplus to immediate requirements based on current forecasts to best advantage to maximise returns.

#### DECISION OBJECTIVE

To report and discuss Council's proposed Treasury Strategy for the fourth quarter of the 2024-25 financial year, to review benefits arising from Council's membership of the Local Government Funding Agency (LGFA), and to consider the above recommendations.

#### SUMMARY

The Investment Policy adopted as part of the 2021-31 Long Term Plan sets out reporting and accountability requirements which include regular reporting of outcomes in the Treasury activity and the adoption of a quarterly Treasury Strategy.

A copy of the Bancorp Treasury Report for the quarter ended 31 December 2024 was presented as part of the Treasury Report for 31 December 2024 to the Performance, Audit and Risk (PAR) Committee Meeting on 25 February 2025. It provides helpful analysis of current market pressures and compares Council's borrowing rates against current market rates.

#### DECISION-MAKING EXPECTATIONS

Governance Decision-Making:	To adopt the proposed Treasury Strategy
Operational Decision-Making:	To implement the Treasury Strategy
Communications	Media Releases – contributed to by officers and Elected Members  Media/public enquiries regarding governance decision-making topics above can be addressed by governance

Media/public enquiries regarding operational decision-making topics above can be addressed by officers

## **SUMMARY OF DECISION-MAKING CRITERIA**

	<b>No/Moderate/Key</b>		<b>No/Moderate/Key</b>
Policy/Plan	Key	Environmental Considerations	No
Legal	Moderate	Cultural Considerations	No
Significance	Key	Social Considerations	No
Financial Criteria	Moderate	Economic Considerations	Moderate
Community Views	No	Community Board Views	No
Consultation	No	Publicity and Communication	No

## **BACKGROUND**

Council's primary income is derived from rates, received in quarterly instalments throughout the year. Another significant funding source is grant funding, which is typically received in the month following the related expenditure outflow (e.g. NZTA funding, Government grants and subsidies for specific capital projects). Other key income is fairly regular and predictable (user charges, property rental, regulatory charges, finance income).

Key operating and personnel costs are also relatively stable and consistent throughout the year, and these are generally covered by operating revenue and existing reserves.

Council's significant spend is on capital projects, largely focused on infrastructure and on one-off building developments. This expenditure can be irregular and is mostly funded by external borrowing. Council obtains its borrowing from the LGFA, at competitive rates.

To borrow from the LGFA, Council must abide by that agency's lending covenants. Council also sets its own thresholds in its Liability Management and Investment Policy, adopted every three years as part of the Long-Term Plan. Each quarter, a Treasury Report is provided outlining the Council's Treasury activity for the previous quarter, including compliance with the LGFA covenants and the Council's own thresholds set in its Liability Management and Investment Policy.

To maintain compliance and ensure that Council continues to operate sustainably, careful consideration of Council's Treasury Strategy is necessary, in terms of managing cashflow, debt levels, and considering investment options. This report provides an opportunity to discuss Council's proposed Treasury Strategy for the fourth quarter of the 2024-25 financial year.

## **CURRENT SITUATION – THE MARKET**

The Bancorp report provided to the 25<sup>th</sup> February 2025 PAR Committee Meeting provided analysis of current market conditions. Since that time, the Official Cash Rate (OCR) has reduced to 3.5% with the next review due in May 2025. The market has priced in a further cut based on the RBNZ pausing the cutting cycle in the 3 - 3.25% range. The current US tariffs however have created some uncertainty within markets.

Rapid changes in the OCR in the past two years have increased Council's borrowing costs markedly and have also seen bank deposit rates reach levels not seen since 2017. Elevated OCR levels have also resulted in increased interest rates now being applied to Council's lending to external entities. With the constant rate drops over the last six months, Council is now seeing its borrowing costs reduce to more reasonable levels.

## CURRENT SITUATION – INVESTMENTS

### Loans to external parties \$20.775M (at 31 March 2025, includes accrued and compounding interest)

- Observatory Village Charitable Trust – \$15.624M loan was repaid in full on 3 February 2025.
- North Otago Irrigation Company Limited (NOICL) – \$13.268M. Interest rates are set quarterly based on the 90-day bill rate plus a margin and are currently 6.00%. Annual principal repayments of \$266k, with a balloon payment in February 2031 of \$11.825M.
- Kurow-Duntroon Irrigation Company Limited – \$3.15M. Interest rate at 4.85% (reviewed July 2025) charged and paid quarterly. A new agreement was reached in December 2024 ceasing principal repayments, the loan matures 20 December 2034.
- Waitaki District Health Services Limited – \$2.030M. Interest rate 7.40% reset quarterly.
- Ōamaru Whitestone Civic Trust – \$0.411M. \$356.5k approved loan facility plus 2 Heritage loans, interest rate 7.59%, (\$54k Heritage loans interest free).
- Whalan Lodge Trust – original loan in April 2022 \$0.780M (loan \$0.750M plus compound interest \$30k) and \$11k accrued interest at interest rate of 5.51%. Interest compounded on the loan until it reached \$0.780M. Second loan in December 2023 \$0.609M and \$8k accrued interest at interest rate of 5.51%, interest paid from rates from 1 July 2024. Third loan in October 2024 \$100k drawn down (of a total available of \$200k) at interest rate of 5.51%.
- Corriedale Water Management Company Limited – \$17.5k. Interest-free providing initial set-up funding. This advance will be repaid as part of the final settlement when Council's waters assets are relinquished.
- Ōmārama Airfield Limited – \$0.410M interest rate 10.40% with interest compounding up to either \$100k or the date of practical completion. Council approved funding of up to \$0.550M, but this was contingent on no further drawdowns being made after 28 February 2024. 1 repayment has been made from section sales in November 2024.

### Bank / call account / term deposits

Council's cashflows are extremely cyclical and regular, with four months that may be regarded as "high cash balance" months – August, November, February, and May. These months are when quarterly rate instalments, water billing, and trade waste charges fall due for payment. In each of these months, and when other large inflows, like loan principal repayments, are received, officers must decide how best to deal with the resulting surplus funds, which effectively support Council activities through to the next "high cash balance" month. In making these decisions, officers consider:

- operational requirements; and
- loan repayment obligations; and
- term deposit opportunities.

Interest rates for term deposits remain at good levels, despite the recent reduction in the OCR. They currently range from 1.95% for Council's call account and term deposits up to two months, to around 4.15% for six months and dropping to 4.1% for 12 months. Rates for longer terms have reduced in response to strong indications of a further drop in the OCR.

Council currently has \$5.0M on term deposit at 2.85% as at 31 March 2025 set to mature on 15 April 2025 and has \$8.76 M in the Call account earning 1.95%.

In addition to the Call account, Council holds funds in two other accounts effectively in "trust".

At 31 March 2025:

- \$394k was held as required by law in a separate account representing contract retentions held. Monies are transferred when retentions are released.

- \$61k was held representing ticket sales for upcoming events to be held at the Ōamaru Opera House. Revenue is recognised and transferred once the event has been held.

## **CURRENT SITUATION – BORROWINGS**

### Local Government Funding Agency (LGFA)

Council has borrowed a total of \$86M since joining the LGFA.

Three types of loan are used: Commercial Paper (CP); Floating Rate Notes (FRN); and Fixed Rate Bills (FRB). Maturity dates range from Apr 2025 to May 2030. The position as at 31 March 2025 is detailed in the table below.

Key: CP = Commercial Paper

FRN = Floating Rate Notes FRB = Fixed Rate Bills

<b>Type of security</b>	<b>Maturity</b>	<b>Interest rate</b>	<b>Principal \$</b>
LGFA CP	16-Apr-25	4.346%	13,500,000
LGFA FRB	15-Apr-25	0.73%	1,500,000
LGFA FRB	15-Apr-25	4.93%	2,500,000
LGFA FRN	15-Apr-25	5.21%	5,600,000
LGFA FRN	15-Apr-25	5.14%	2,000,000
LGFA FRB	15-Apr-26	0.84%	1,500,000
LGFA FRB	15-Apr-26	5.41%	1,000,000
LGFA FRB	15-Apr-26	6.22%	2,500,000
LGFA FRB	15-Apr-27	0.93%	2,000,000
LGFA FRB	15-Apr-27	4.17%	2,000,000
LGFA FRB	15-Apr-27	5.16%	1,500,000
LGFA FRB	15-Apr-27	5.66%	3,000,000
LGFA FRB	15-May-28	2.32%	3,000,000
LGFA FRB	15-May-28	4.26%	1,000,000
LGFA FRB	15-May-28	5.18%	2,000,000
LGFA FRB	15-May-28	5.74%	3,000,000
LGFA FRB	20-Apr-29	5.45%	11,400,000
LGFA FRB	15-May-30	5.21%	4,500,000
LGFA FRN	15-Apr-26	5.30%	2,000,000
LGFA FRN	15-Apr-26	5.29%	2,500,000
LGFA FRN	15-Apr-26	5.20%	2,000,000
LGFA FRN	15-Apr-26	5.41%	1,000,000
LGFA FRN	15-Apr-26	5.13%	4,500,000
LGFA FRN	15-Apr-27	5.39%	2,000,000
LGFA FRN	15-Apr-27	5.36%	2,000,000
LGFA FRN	15-Apr-28	5.40%	2,500,000

LGFA FRN	15-May-28	5.33%	2,000,000
LGFA FRN	20-Apr-29	5.59%	2,000,000
Balance 31 March 2025		<b>Total principal</b>	<b>\$86,000,000</b>
		<b>Accrued interest</b>	<b>\$1,093,692</b>
		<b>Total</b>	<b>\$87,093,692</b>

Expenditure is continuing on significant waters projects (including Weston mains replacement, Kakanui mains replacement, Ōamaru Rural mains replacement, South Hill Reservoir, and Waihemo Rural water mains replacement) as well as on the Waitaki Events Centre, Kakanui Bridge design work, ongoing District Plan costs, 20 Thames Street roof repairs, Forrester Gallery, and Project Reclaim.

The Loans maturing on 15 & 16 April 2025 of \$11.6M and \$13.5M will be paid down from funds on Term Deposit and the Call account with \$12m being refinanced on LGFA as follows:

\$5M on Fixed Rate at 4.69 % expiring 15 May 2030

\$5M on Fixed Rate at 4.89% expiring 15 May 2031

\$2M on 3-month Commercial Paper at 3.51% 15 July 2025

Interest rates available from the LGFA are slowly reducing. Council can currently borrow from the LGFA at around 4.69% fixed, 4.71% floating, and 3.51% on commercial paper for shorter terms.

### **Bank of New Zealand (BNZ)**

Council has a Customised Average Rate Loan (CARL) facility with the BNZ with a limit of \$1M, and an overdraft limit of \$0.250M (with interest rates currently of 7.40% and 11.45%), respectively). These facilities are only used infrequently when other avenues of funding have been exhausted, and only for very short periods of time, as both are much more expensive than funding from the LGFA. For longer-term requirements, the LGFA will always be the preferred funding source.

### **Future Borrowing Requirements**

The LGFA has proven extremely responsive to requests for funding assistance and will provide funds for very short periods of time if needed. Although obtaining new, and refinancing existing, loans from the LGFA requires more paperwork than simply processing a transfer from the CARL facility, LGFA debt will always be more reasonably priced.

Forecasts completed for the 2025-34 Long Term Plan predict that new borrowings of circa \$85 million are required over the nine years (this assumes the exclusion of 3 waters and all waters related debt from 1 July 2027).

### **Discussion**

This Treasury Strategy will continue to provide:

- flexibility in accessing and applying operational funding
- certainty of funding for capital projects
- certainty and savings in loan servicing and facility costs
- funds which, when not required for operational or capital funding purposes, can be used to generate investment revenue

### **SUMMARY OF OPTIONS CONSIDERED**

**Option 1** – Adopt the Treasury Strategy for the fourth quarter of the 2024-25 financial year as outlined in this report, using the expertise of external consultants in relation to the

structuring of external borrowing, restricting the use of the BNZ CARL facility, and investing funds considered surplus to immediate operational and capital expenditure requirements. **(Recommended)**

**Option 2** – Direct the Chief Executive to consider and develop an alternative Treasury Strategy.

## **ASSESSMENT OF PREFERRED OPTION**

Option 1 is preferred. It continues current practice and is regarded by officers as the most practical and viable option in light of Council's present funding circumstances and significant upcoming capital and other projects.

## **CONCLUSION**

Officers will continue to maximise, wherever possible, returns from Council's investments whilst minimising as much as practicable the costs of financing Council's ongoing funding requirements. This Treasury Strategy has been developed and has evolved to ensure that objective is met.

## **ADDITIONAL DECISION-MAKING CONSIDERATIONS**

### **Waitaki District Council Strategic Framework**

#### **Outcomes**

##### **Community Outcomes**

###### **Prosperous District**

- Attractive to new opportunities
- Supporting local businesses
- Fostering a diverse and resilient economy

###### **Strong Communities**

- Enabling safe, healthy communities
- Connected, inclusive communities
- Promoting a greater voice for Waitaki
- Celebrating our community identity

###### **Quality Services**

- Robust core infrastructure and services
- Community facilities and services we are proud of

###### **Valued Environment**

- Protecting our diverse landscapes and water bodies
- Meeting environmental and climate change challenges

#### **Policy and Plan Considerations**

To maintain compliance with LGFA borrowing covenants and Council's Liability Management and Investment Policy, careful consideration of Council's Treasury Strategy is necessary, in terms of managing cashflow, debt levels, and considering investment options.

#### **Financial Considerations**

To ensure that Council continues to operate sustainably, careful consideration of Council's Treasury Strategy is necessary, in terms of managing cashflow, debt levels, and considering investment options.



**Legal Considerations**

To maintain compliance with Council's financial obligations under the Local Government Act 2022, careful consideration of Council's Treasury Strategy is necessary.

## **5 MEMORANDUM REPORTS**

### **5.1 FINANCIAL SUMMARY (TO 28 FEBRUARY 2025)**

**Author:** Amanda Nicholls, Chief Financial Officer

**Authoriser:** Paul Hope, Director Support Services

#### **RECOMMENDATION**

That the Performance, Audit and Risk Committee receives and notes the information.

#### **PURPOSE**

This report presents a high-level financial summary for the period ended 28 February 2025.

#### **COMMENTARY**

This report does not replace the regular financial reporting that is provided at each quarter's end. Instead, it is intended to supplement that reporting and bridge the gap between the quarters.

While individual operating revenue and expense categories report variances from budget, the Council's overall operating result for the period, is a deficit of \$(9,167)K, versus the budgeted surplus of \$114K for the same period. This deterioration in operating results is due largely to timing variances of the grants not yet received for Forrester Gallery, as well as increased costs in the current year in relation to Project Reclaim, and higher Depreciation than forecast, as can be seen from the tables detailing actual income and expenditure.

#### **Income and Expenditure**

- Revenue from external grants is under budget by \$3.6 million as grants for the Forrester Gallery are still to be received (\$3.5 million for the Forrester Galley has been invoiced in Mar 2025, \$4million for the Events Centre has been accrued in income for Feb 2025 invoiced in Mar 2025 for work done Jan 2025)
- Finance Revenue is under budget, reflecting reducing interest rates, while Finance Costs are slightly over budget due to the timing of new borrowings, although interest rates from the LGFA are reducing.
- Revenue from development contributions (DCs) is under budget \$314K due to the decision to approve the timing of amounts charged to the Ōmarama Airfield Ltd in relation to the subdivision of airfield land. DCs will now be charged as sections in the subdivision are sold – effectively not losing income but deferring it.
- Depreciation is reported over budget by \$1.7 million, largely as a result of the larger-than-expected revaluation of waters infrastructure at June 2024. This variance will continue to grow until year end.
- Personnel costs are over budget by \$77k, as a result of a reduction in staffing levels which require unbudgeted final leave payouts etc.
- Project Reclaim costs are \$1.47 million over budget.

KEY FINANCIAL UPDATE AT 28 FEBRUARY 2025

REVENUE	ACTUAL YTD FEB 25 \$000	BUDGET YTD FEB 25 \$000
Rates	\$ 31,018	\$ 31,068
Grants	\$ 15,050	\$ 18,713
User charges and Property rental	\$ 3,734	\$ 4,084
Statutory charges	\$ 1,497	\$ 1,568
Other revenues — DCs, Petrol tax, and infringements	\$ 876	\$ 1,177
Investment income	\$ 1,748	\$ 1,907
	<b>\$ 53,923</b>	<b>\$ 58,517</b>

EXPENDITURE	ACTUAL YTD FEB 25 \$000	BUDGET YTD FEB 25 \$000
Employee costs	\$ 12,402	\$ 12,325
Depreciation	\$ 15,476	\$ 13,692
Contractors — Roading	\$ 4,532	\$ 4,862
Contractors — Waters	\$ 3,625	\$ 3,979
Contractors — Property	\$ 890	\$ 928
Contractors — Parks and Recreation	\$ 2,452	\$ 2,507
Contractors — Economic Development	\$ 298	\$ 717
Project Reclaim	\$ 8,036	\$ 6,620
Backfill for staff vacancies	\$ 119	\$ -
Consultants, Solicitors, Valuers = Professional services	\$ 1,725	\$ 1,503
Grants	\$ 805	\$ 763
Finance costs	\$ 2,615	\$ 2,480
Electricity	\$ 1,639	\$ 1,763
Insurance	\$ 1,428	\$ 1,406
Other expenses	\$ 7,048	\$ 4,858
	<b>\$ 63,090</b>	<b>\$ 58,403</b>
<b>OPERATING SURPLUS I (DEFICIT) - YEAR TO DATE</b>	<b>\$ (9,167)</b>	<b>\$ 114</b>

	ACTUAL YTD FEB 25 \$000	BUDGET YTD FEB 25 \$000
<b>CAPITAL EXPENDITURE</b>		
Roading	\$ 4,651	\$ 7,302
Waters	\$ 7,487	\$ 8,733
Property	\$ 1,309	\$ 6,030
Parks and Recreation	\$ 7,878	\$ 10,577
Information Systems	\$ 1,334	\$ 1,744
Vehicles	\$ 174	\$ 154
Other business units	\$ 264	\$ 332
Council — all business units		
	<b>\$ 23,097</b>	<b>\$ 34,872</b>

Capital Expenditure for the period is \$11.7 million behind budget. Property project delays around starting the Forrester Gallery and the HQ re-roof explain a significant portion of that variance. Good progress is now being made on the Events Centre project.

### Financial Position

	ACTUAL YTD FEB 25 \$000	BUDGET YTD FEB 25 \$000
<b>SUMMARY STATEMENT OF FINANCIAL POSITION</b>		
Property, Plant and Equipment (1)	\$ 1,268,120	\$ 1,287,525
Loans to other entities (2)	\$ 20,895	\$ 34,746
Cash and Cash Equivalents (3)	\$ 16,695	\$ 4,391
Receivables	\$ 11,616	\$ 6,240
		\$ -
Borrowings (4)	\$ 86,756	\$ 99,098
Accounts Payable	\$ 11,688	\$ 8,933
Employee Entitlements	\$ 2,105	\$ 2,313

Budget figures appearing in the table above represent the projected year-end position and so may not be directly comparable with the year-to-date position.

1. The budget for Property, Plant and Equipment includes not only the full year's capital expenditure, less Depreciation, but also the triennial revaluation of property, including parks and reserves, and the Ōamaru airport, and the annual revaluation of Roothing infrastructure, both to be processed in June 2025.
2. Loans to Other Entities are detailed as part of the Quarterly Treasury Report and the Treasury Strategy. The 2024-25 budget is based on repayment in June 2025 of \$1.5 million by Observatory Village per the loan agreement and regular quarterly payments of principal by NOIC and Kurow-Duntroon Irrigation Company. The Observatory Village Loan of \$15.6 million was fully repaid on 3 February 2025. The Kurow-Duntroon Irrigation Company renegotiated their loan to exclude repaying principal.
3. Cash and Cash Equivalents reflect the Observatory Loan Repayment on 3 February 2025 of \$15.6 million - with \$11 million in the Call Account and \$5 million on Term Deposit due to expire 15 Apr 2025.
4. Borrowings are detailed in the Quarterly Treasury Report and Treasury Strategy. The 2024-25 budget anticipated that Council would require further support from the LGFA up to year end to fund Waters and other capital projects and did not anticipate the early repayment of the Observatory Loan.



## **5.2 FINANCIAL REPORT FOR QUARTER 3 FY2025**

**Author:** Amanda Nicholls, Chief Financial Officer

**Authoriser:** Paul Hope, Director Support Services

### **RECOMMENDATION**

That the Performance, Audit and Risk Committee receives and notes the information.

### **PURPOSE**

This report presents financial results for the nine months ended 31 March 2025 and includes explanations for variances against budget.

### **SUMMARY**

Overall, the Council's net financial result for the first nine months of the 2025 financial year is behind budget. The operating deficit for the period is \$7.99m against a budgeted deficit of \$0.45m down on budget by \$7.5m.

Revenue at \$61.7m is \$5.1m behind budget due largely to Government Grant income associated with capital projects most notably the Waitaki Event Centre, Forrester Gallery and NZTA Subsidy.

A \$2.6m credit was issued in March on the \$4.0m invoiced in February to the Events Centre which at present is only contributing 50% of the project costs to date.

Expenditure at \$69.7m is over budget by \$2.4m. Most of this is represented by Depreciation (\$1.97m) and the costs of Project Reclaim (\$1.7m) being over budget.

An exemption has been requested from the ETS Levy on 20,296 tons (units) of waste from the Beach Road site taken to the Palmerston landfill this has not been accrued for in the accounts. The Council currently holds 7,531 units.

Overall, the balance sheet position is as expected, with the most significant variances being the result of opening balances as at 30 June 2024 differing from what was expected in the 2025 Enhanced Annual Plan, and the scheduled annual revaluation of Roading infrastructure and triennial revaluation of Property, including Parks and the Airport, still to be processed, along with the early repayment of the Observatory Village loan.

Borrowings have increased from their June 2024 level but, in light of Council's decision to defer circa \$20m capital projects from the 2025 financial year and the recent \$15.6m early loan repayment by Observatory Village to pay down debt, they are highly unlikely to reach the budgeted total by year end.

Capital expenditure for the period is slightly over budget. Decisions made by Council on 17 December have been incorporated in the budget figures.

### **STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE (P&L)**

The operating result of the Council for the third quarter of the 2025 financial year, along with the full 12 month forecast against budget and prior year, is set out below.



	2025 9 months Actual \$000	2025 9 months Budget \$000	Variance from YTD Budget \$000 %		2025 12 Months Forecast \$000	2025 Annual Plan Budget \$000	2024 12 Months Actual \$000
<b>Revenue</b>							
Rates Revenue	35,048	34,712	336	1.0%	47,053	46,602	41,280
User Charges	2,072	2,647	(575)	-21.7%	3,178	4,060	3,456
Property Rental	2,486	2,177	309	14.2%	3,486	3,053	2,716
Regulatory Charges	1,666	1,799	(133)	-7.4%	2,178	2,352	2,270
Development and RMA Contributions	777	1,112	(335)	-30.1%	1,036	1,483	1,121
Government Grants and Subsidies	11,435	18,521	(7,086)	-38.3%	16,526	28,526	11,524
Other Grants and Donations	5,612	3,380	2,232	66.0%	6,948	5,088	709
Finance Revenue	1,743	2,230	(487)	-21.8%	2,235	2,860	2,365
Petrol Tax	129	153	(24)	-15.7%	140	204	176
Infringements and Fines	78	59	19	32.2%	102	77	100
Dividends received	643	-	643	0.0%	350	350	200
Assets vested in Council	-	-	-	0.0%	-	-	572
<b>Total Revenue</b>	<b>61,689</b>	<b>66,790</b>	<b>(5,101)</b>	<b>-7.6%</b>	<b>83,233</b>	<b>94,655</b>	<b>66,489</b>
<b>Expenses</b>							
Personnel costs	13,930	13,773	157	1.1%	18,355	18,148	18,164
Depreciation and amortisation	17,374	15,403	1,971	12.8%	23,167	20,538	20,554
Finance Costs	2,953	2,789	164	5.9%	3,939	3,720	2,965
Other expenses	35,516	35,336	180	0.5%	44,111	43,887	39,564
Non-Trading Losses / (Gains)	(23)	-	(23)	0.0%	1,310	1,310	3,532
<b>Total Expenses</b>	<b>69,750</b>	<b>67,301</b>	<b>2,449</b>	<b>3.6%</b>	<b>90,881</b>	<b>87,603</b>	<b>84,779</b>
Share of joint venture's surplus / (deficit)	-	-	-	0.0%	-	100	(52)
Interest on LGFA Borrower Notes	62	57	5	8.8%	123	113	57
<b>Surplus / (Deficit) before Tax</b>	<b>(7,999)</b>	<b>(454)</b>	<b>(7,545)</b>	<b>1661.9%</b>	<b>(7,525)</b>	<b>7,265</b>	<b>(18,285)</b>
<b>Other Comprehensive Revenue and Expense</b>							
Gain/(Loss) on revaluation							
- of Infrastructural Assets	-	-	-	0.0%	19,635	19,635	97,984
- on revaluation of Properties	-	-	-	0.0%	9,520	9,520	-
Other Comprehensive Revenue	-	-	-		-	-	-
<b>Total Other Comprehensive Revenue and Expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>	<b>29,155</b>	<b>29,155</b>	<b>97,984</b>
<b>Total Comprehensive Revenue and Expense</b>	<b>(\$7,999)</b>	<b>(\$454)</b>	<b>(\$7,545)</b>	<b>1661.9%</b>	<b>\$21,630</b>	<b>\$36,420</b>	<b>\$79,699</b>

Key variances to 2025 Annual Plan budget for the year to date are:

- A number of aspects of the March period have still to be finalised so the result reported here is provided as an indication of financial performance with accruals made on a best estimate basis from information at hand.
- Government Grants and Subsidies are under budget as noted above.
- Finance revenue is under budget. Rates charged for loans to external parties based on LGFA rates are reduced as LGFA rates are decreasing along with the Observatory Village loan being repaid at the beginning of February 2025. Borrowing costs however are over budget due to the timing of new borrowing undertaken in October and December.
- Personnel costs have come in slightly over budget at \$157K. Remuneration increases were higher than allowed for in the budget and the deferral of capital projects resulted in lower recoveries. The situation has improved from the last quarter with Holiday pay decreasing due to the Xmas New Year shut down period, but this will likely reaccumulate gradually over the next 3 months to June 2025.
- Depreciation costs are higher than anticipated due to the revaluations of Waters and Roding infrastructure recognised at 30 June 2024. This trend will continue through the year.
- Other expenses are close to budget. The largest single contributor, Project Reclaim, has cost \$8.6m to date compared with a budget of \$6.9m (for the full year). A closure report on Project Reclaim including a review of cost versus budget will be produced once the waste levy issue is resolved.

It is likely that inflationary pressures will continue to affect Council's operations until year end.

**STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)**

The financial position of the Council at 31 March 2025 is set out below.

	<b>2025 Actual \$000</b>	<b>2025 Budget \$000</b>	<b>2024 Actual \$000</b>
<b>Public Equity</b>			
Ratepayers' Equity	310,208	310,208	310,208
Revaluation Reserves	915,269	919,470	915,276
Operating Reserves	(11,960)	(5,463)	(4,366)
Other Reserves	17,088	14,205	17,836
<b>Total Public Equity</b>	<b>\$1,230,605</b>	<b>\$1,238,420</b>	<b>\$1,238,954</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	1,272,268	1,287,525	1,260,208
Intangible Assets	2,099	2,744	2,400
Forestry	918	952	918
Financial Assets			
- Investments in CCOs	4,703	4,703	4,703
- Investment in Joint Venture	1,677	1,880	1,677
- Investments in other entities	2,014	1,553	1,502
- Loans to other entities	18,015	32,415	34,648
	1,301,694	1,331,772	1,306,056
<b>Current Assets</b>			
Cash and Cash Equivalents	11,099	4,391	6,422
Receivables	10,816	6,240	5,230
Prepayments	1,238	1,400	1,366
Inventory	118	122	118
Financial Assets			
- Term deposits	5,019	2,000	2,018
- Investments in other entities	303	634	303
- Loans to other entities	2,759	2,331	1,853
Assets held for Sale	-	-	1,195
	31,352	17,118	18,505
<b>Total Assets</b>	<b>1,333,046</b>	<b>1,348,890</b>	<b>1,324,561</b>
<b>Non-Current Liabilities</b>			
Borrowings	59,900	66,000	51,900
Provisions	83	115	83
Employee Entitlements	124	95	122
	60,107	66,210	52,105
<b>Current Liabilities</b>			
Trade and Other Payables	12,952	8,933	11,446
Employee Entitlements	1,971	2,218	2,097
Borrowings	27,194	33,098	19,741
Provisions	217	11	218
	42,334	44,260	33,502
<b>Total Liabilities</b>	<b>102,441</b>	<b>110,470</b>	<b>85,607</b>
<b>Net Assets</b>	<b>\$1,230,605</b>	<b>\$1,238,420</b>	<b>\$1,238,954</b>

As always, it must be appreciated that budget figures reported are for the position at 30 June 2025 and so comparing the current position with that budgeted at year end may not always be helpful or meaningful.

Key variances to budget are:

- Property, plant, and equipment is lower than budgeted as the forecast revaluations of Rooding and of Property, Parks, and the Ōamaru Airport will not be recognised until year end.
- External Borrowings amount to \$86m plus accrued interest. Although debt was expected to rise due to the effects of capital projects and Project Reclaim, the deferral of capital projects noted below and the full repayment of the loan to Observatory Village in February 2025 mean it will not reach the budgeted level of \$99m.
- \$13.1M of LGFA loans will be repaid from the funds received from the repayment of the Observatory Village loan of \$15.6M on 15 April 2025. These funds currently make up the amounts sitting in the Call account and Term deposit and explain the reduction in Loans to other entities.

## **CAPITAL EXPENDITURE**

The capital expenditure summarised by department for the third quarter of the 2025 financial year is set out below:

	Mar -25 Actual \$000	Mar -25 Budget \$000	Variance from YTD Budget	
			\$000	%
Rooding	6,163	8,198	- 2,035	-24.82%
Water	7,038	8,435	- 1,397	-16.56%
Sewer	1,044	1,543	- 499	-32.34%
Property	2,413	6,986	- 4,573	-65.46%
Parks	10,578	12,494	- 1,916	-15.34%
IT	1,411	2,205	- 794	-36.01%
Vehicles	224	230	- 6	-2.61%
Other	272	375	- 103	-27.47%
	<b>29,143</b>	<b>40,466</b>	<b>- 11,323</b>	<b>-27.98%</b>

Generally, capital expenditure is behind budget. Capital expenditure budgets have been amended to take into account decisions made by Council on 17 December.

Progress has been made on projects in the Waters activity. All other activities, even Parks & Recreation (Waitaki Events Centre), have seen actual expenditure falling below budget largely due to timing differences. The largest projects impacted in this way are the Kakanui bridge and the Forrester Gallery; however, significant progress is expected over the next few months.

### **Carry Forwards and other budget changes**

When approving the \$14m carry forward projects from the 30 June 2024 financial year to the current financial year, Council requested a list of projects that were not expected to be completed in the current year, to “offset” the approved carry forwards, to ensure that debt position remains at or below what was budgeted as at 30 June 2025.

Based on a report provided to the 17 December 2024 Council meeting highlighting projects that met those criteria, Council resolved to remove or defer a significant number, valued at approximately \$20m, until later years. The budget figures provided above take those deferrals/cancellations into account.



### 5.3 TREASURY REPORT TO 31 MARCH 2025

**Author:** Amanda Nicholls, Chief Financial Officer

**Authoriser:** Paul Hope, Director Support Services

**Attachments:** 1. Bancorp - Waitaki DC Dashboard 31 March 2025 [↓](#)

#### RECOMMENDATION

That the Performance, Audit and Risk Committee receives and notes the information.

#### PURPOSE

To provide members of the Committee with an overview of the Treasury function for the third quarter ended 31 March 2025 of the 2024-25 financial year, and the Bancorp Quarterly Treasury Dashboard Report for the same period (Attachment 1).

#### BACKGROUND

Council is engaged in activities involving the holding, spending, borrowing, and lending of substantial sums of money. This quarterly report summarises Council's cash reserves, its lending to external parties, and its borrowings so that Committee members are fully informed and up to date.

#### SUMMARISED RESULTS

Overall, Council is in a stable financial position. Loans to external parties are now earning interest at rates exceeding those that Council pays, and interest rates paid on borrowings continue to be lower than could be obtained from the bank. Borrowings are projected to finish the year under budget due to unplanned loan repayments from our lending to external parties and timing changes of capital projects that influences cashflow requirements.

The Council's net position (interest-earning investments against external borrowings) is -\$48.2m compared with budget -\$55.8m. The overall return on investments (finance revenue) at 6.19% is running just under budget of 6.86% and comfortably exceeds the 4.52% effective interest rate on borrowings. This is the result of using LGFA rates as the base for on-lending to external parties.

Detailed analysis on the various balances below is discussed in more detail in the following pages.

	2025 YTD Actual \$000	2025 Budget \$000	2024 Actual \$000	Variance from Budget	
				\$000	%
Cash and Cash Equivalents	11,099	4,391	6,422	6,708	152.8%
Financial Assets					
- Term deposits	5,019	2,000	2,018	3,019	100.0%
- Investments in other entities	1,980	2,187	1,980	(207)	-9.5%
- Loans to other entities	20,774	34,746	36,501	(13,972)	-40.2%
<b>Total Cash and Investments</b>	<b>38,872</b>	<b>43,324</b>	<b>46,921</b>	<b>(4,452)</b>	<b>-10.3%</b>
Finance revenue	1,805	2,973	2,422	(1,168)	-39.3%
Effective interest rate	6.19%	6.86%	5.16%		
<b>Total Borrowings</b>	<b>87,094</b>	<b>99,098</b>	<b>71,641</b>	<b>(12,004)</b>	<b>-12.1%</b>
Finance costs	2,953	3,720	2,965	(767)	-20.6%
Effective interest rate	4.52%	3.75%	4.14%		
<b>Net position</b>	<b>(48,222)</b>	<b>(55,774)</b>	<b>(24,720)</b>	<b>7,552</b>	<b>-13.5%</b>

**1 – Cash and term deposits – position at 31 March 2025**

Type of account	Maturity	Interest rate	Balance \$000	Budget \$000
BNZ current accounts	N/A	-	1,944	144
BNZ retentions account	N/A	1.95%	394	300
BNZ Call account	N/A	1.95%	8,760	940
BNZ deposit		2.85%	5,000	2,000
Accrued interest			19	-
<b>Total Cash Resources</b>			<b>\$16,118</b>	<b>\$3,384</b>
<i>Reported as</i>				
<b>Cash and Cash Equivalents</b>			<b>11,099</b>	<b>1,384</b>
<b>Term Deposits</b>			<b>5,019</b>	<b>2,000</b>
<b>Total Cash Resources</b>			<b>\$16,118</b>	<b>\$3,384</b>

Deposits with original terms of 90 days or less are considered part of Cash and Cash Equivalents while those with longer maturity dates are categorised as Term Deposits. Interest accrued on bank accounts is added to those balances for financial reporting purposes.

The BNZ retentions account ensures the Council is compliant with legislation requiring funds held as retentions under construction contracts on behalf of contractors to be held separately from normal operational accounts.

Interest earned on cash and term deposit balances for the year to date is shown in the table below.

	Actual YTD \$000	Budget \$000
Interest on bank deposits	45	75

Interest rates available on the call account have reduced from 1.95% to 1.45% during the third quarter, term deposits rates range from 2.3% to 3.7% for 30-90 Days and from 4.15% to 4.1% for terms between 6 and 9 months. Funds are held in the call account to ensure their availability when needed to make payments to suppliers and contractors. There has been less use of term deposits during the year to date than was envisaged, the focus instead being on restraining borrowings from the LGFA. Therefore, bank interest is unlikely to achieve the level projected in the Annual Plan.

**2 – Investments in other entities**

Investments in other entities include shares in Lower Waitaki Irrigation Limited and Civic Financial Services Limited. Council's shareholdings in these entities are minor holdings only and Council has little effective involvement in the operations of either business.

The remainder of this category relates to LGFA Borrower Notes. As a condition of borrowing, Council currently holds \$2,171,627 in borrower notes and this holding will increase as more is borrowed from the LGFA. Interest is paid at varying rates linked to rates paid on the related borrowings, and is payable on maturity, which occurs when the associated borrowing matures. Interest accrued on the borrower notes amounts to \$134,126, with \$61,602 compounded in the nine months to March 2025. Because of the nature of this particular investment, revenue from this source must be reported separately in Council's Annual Report.



### 3 – Loans and advances to other entities

The council has loans to community groups and other entities as detailed below. Interest is charged and paid either monthly or quarterly on all loans.

Entity	31/03/2025 Actual \$000	2025 year-end Budget \$000	30/06/24 Actual \$000
Observatory Village Group	-	14,121	15,624
North Otago Irrigation Company Limited	13,268	13,260	13,526
Kurow-Duntroon Irrigation Company Limited	3,150	3,137	3,156
Waitaki District Health Services Limited	2,030	1,950	1,950
Whalan Lodge Trust	1,488	1,390	1,387
Ōamaru Whitestone Civic Trust	411	403	425
Ōmārama Airfield Limited	410	467	419
Corriedale Water Management Company Limited	18	18	18
<b>Total loans and advances to other entities</b>	<b>20,775</b>	<b>34,746</b>	<b>36,501</b>

#### Observatory Retirement Village Trust –

- All loan balances were repaid in full 3 February 2025 (refer to Council report on 25 February 2025)
- Total interest earned to repayment date was \$503,469

#### North Otago Irrigation Company Limited –

- Interest rate from 1 July 2024 8.025% from 1 Sept 2024 7.7255% from 1 January 2025 6.565% from 1 April 2025 6.00%
- Interest earned for the period is \$803000.
- Principal repayments of \$66,670 per quarter during the current financial year.
- Principal repayments also occur when shares in the company are sold

#### Kurow-Duntroon Irrigation Company Limited –

- Interest rate reduced during the period to 4.85%
- Interest earned for the period is \$153,476.
- Interest is charged and paid quarterly.

#### Waitaki District Health Services Limited –

- Interest rate 7.4%
- Interest earned for the period is \$113,835
- New loan agreement yet to be signed; initial principal repayment required has still to be made. Expect some form of principal repayment during this financial year.

#### Whalan Lodge Trust –

- Advances provided to date over three approved facilities, plus compounding interest are as follows:

1. Advance1                      \$780,000 capped at \$780,000

2. Advance 2 \$608,000 capped at \$608,000
3. Stand-by Facility \$100,000 capped at \$200,000
4. \$1,488,000

- Interest rate 5.51% on advances 1 and 2 and 5.1% on the stand-by facility.
- Interest compounded to the first loan this year \$2,643 takes it to its maximum limit
- Interest now invoiced quarterly
- The second loan is being serviced from rates
- Total interest earned on these loans for the period is \$59,521

Ōamaru Whitestone Civic Trust –

- Balance includes interest-bearing and interest-free components
- Interest rate on interest-bearing part matches Council's internal loan rates set quarterly
- Interest earned for the period is \$20,312
- Approved loan facility with Council of up to \$356,500 plus further Heritage Fund facilities.

Ōmārama Airfield Limited –

- Advances provided to date \$410,430 including compounding interest which ceased 31 Dec 2024
- Interest rate is 10.40%
- Interest compounded to the loan to date this year totals \$33,447 worth \$7505 of interest charged on Development Contributions
- Full repayment due November 2025, two years after initial drawdown.
- Made 1 repayment of \$31k in Nov 24 from section sales.

#### 4 – Finance Revenue

This consists of income reported by source for the quarter, against full year budgeted and full year for the prior year. As noted, bank interest is unlikely to reach the level projected in the budget, and interest rates on loans that are set quarterly based on rates charged by the LGFA are expected to trend downwards over the rest of the year.

Entity	2025 Actual \$000	2025 Budget \$000	2024 Actual \$000
Bank / call account / term deposit interest	108	413	281
Observatory Village Group	504	931	893
North Otago Irrigation Company Limited	803	1,087	772
Kurow-Duntroon Irrigation Company Limited	154	242	244
Waitaki District Health Services Limited	114	152	153
Whalan Lodge Trust	60	80	34
Ōamaru Whitestone Civic Trust	21	20	22
Ōmārama Airfield Limited	41	48	23
<b>Total loans and advances to other entities</b>	<b>1,805</b>	<b>2,859</b>	<b>2,365</b>

## 5 – External Borrowings

Key: CP = Commercial Paper

FRN = Floating Rate Notes FRB = Fixed Rate Bills

Type of security	Maturity	Interest rate	Principal \$
LGFA CP	16-Apr-25	4.346%	13,500,000
LGFA FRB	15-Apr-25	0.73%	1,500,000
LGFA FRB	15-Apr-25	4.93%	2,500,000
LGFA FRN	15-Apr-25	5.21%	5,600,000
LGFA FRN	15-Apr-25	5.14%	2,000,000
LGFA FRB	15-Apr-26	0.84%	1,500,000
LGFA FRB	15-Apr-26	5.41%	1,000,000
LGFA FRB	15-Apr-26	6.22%	2,500,000
LGFA FRB	15-Apr-27	0.93%	2,000,000
LGFA FRB	15-Apr-27	4.17%	2,000,000
LGFA FRB	15-Apr-27	5.16%	1,500,000
LGFA FRB	15-Apr-27	5.66%	3,000,000
LGFA FRB	15-May-28	2.32%	3,000,000
LGFA FRB	15-May-28	4.26%	1,000,000
LGFA FRB	15-May-28	5.18%	2,000,000
LGFA FRB	15-May-28	5.74%	3,000,000
LGFA FRB	20-Apr-29	5.45%	11,400,000
LGFA FRB	15-May-30	5.21%	4,500,000
LGFA FRN	15-Apr-26	5.30%	2,000,000
LGFA FRN	15-Apr-26	5.29%	2,500,000
LGFA FRN	15-Apr-26	5.20%	2,000,000
LGFA FRN	15-Apr-26	5.41%	1,000,000
LGFA FRN	15-Apr-26	5.13%	4,500,000
LGFA FRN	15-Apr-27	5.39%	2,000,000
LGFA FRN	15-Apr-27	5.36%	2,000,000
LGFA FRN	15-Apr-28	5.40%	2,500,000
LGFA FRN	15-May-28	5.33%	2,000,000
LGFA FRN	20-Apr-29	5.59%	2,000,000

Balance 31 March 2025	Total principal	\$86,000,000
	Accrued interest	\$1,093,692
	Total	\$87,093,692

Comparable rates – BNZ CARL facility = 7.40%, BNZ Overdraft = 6.55% - 0% margin

Council has utilised LGFA funding for the purposes outlined in the table below.

Purpose and timing of LGFA borrowing	Amount \$
<b>November 2020</b> – Hamnak pipeline/other waters projects (replaced BNZ CARL)	15,000,000
<b>July 2021</b> – Ōamaru water reservoir, de-sludge sewer ponds	5,000,000
<b>April 2022</b> – Refinance WDHSL / Observatory Village loan \$4.6M	5,000,000
<b>August 2022</b> – 3 Waters and other capital projects	4,000,000
<b>October 2022</b> – new loan to WDHSL, emergency roading works	5,000,000
<b>December 2022</b> – road sealing programme; 3 Waters projects	4,000,000
<b>May 2023</b> – Capital expenditure in April/May	4,000,000
<b>July 2023</b> – Capital expenditure in June/July/August	4,000,000
<b>October 2023</b> – Capital requirements, lending commitments	5,000,000
<b>November 2023</b> – Capital expenditure, Project Reclaim brought forward	10,000,000
<b>April 2024</b> – capital expenditure, Project Reclaim	11,000,000
<b>July 2024</b> – Project Reclaim	5,000,000
<b>November 2024</b> – capital expenditure, Project Reclaim	9,000,000
<b>Total</b>	<b>\$86,000,000</b>

### Departmental Borrowing

Of the \$86m total borrowings, around \$50m is related to 3 waters, \$13m is related to property, and \$2m is related to roading capital work. The remaining \$21m is split relatively equally between solid waste (Project Reclaim), parks and recreation, and other borrowing (Digital Services etc.).

### Borrowing Forecast

The Observatory Village fully repaid its loan on 3 February 2025 which allowed the Council to repay \$13.1 million of the \$25.1 million of LGFA loans which matured on 15 April and re-finance \$12 million which was seen as the most prudent approach.

### 6 – Borrowing Costs

	2025 9 months Actual \$000	2025 full-year Actual \$000	2024 Actual \$000
LGFA borrowing	2,951	3,718	2,963
BNZ CARL facility	1	2	2
<b>Total Borrowing cost</b>	<b>2,952</b>	<b>3,720</b>	<b>2,965</b>

- Borrowing costs are slightly above budget, due to timing of recent borrowings. Interest rates are declining as the market takes stock of recent OCR changes and anticipates upcoming ones. Considering both this factor and the potential to significantly reduce debt as outlined above, borrowing costs are expected to be much lower than budget by June 2025.
- The BNZ CARL facility is a stand-by facility of \$1m which is used instead of the overdraft however the overdraft rate is now lower than the CARL facility. It has had only minimal use during this financial year to date.



# Quarterly Treasury Dashboard

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**31 March 2025**

STRICTLY PRIVATE AND CONFIDENTIAL





# Economic Commentary (as at 9 April)

## Global

2

	10 Year Government Bond Rates					
	US	NZ	Australia	UK	Germany	China
31-Dec-24	4.60%	4.51%	4.36%	4.57%	2.36%	1.67%
31-Mar-25	4.06%	4.43%	4.28%	4.64%	2.72%	1.79%
Change	-0.54%	-0.08%	-0.08%	+0.07%	+0.36%	+0.12%

The key themes for the first quarter of 2025 have been Trump/US-centric. The beginning of 2025 saw US economic data cool; notably, key indicators such as retail sales and non-farm payrolls printed below market expectations. As a result, the markets appear to be reassessing the US market’s growth outlook, with markets now pricing an increased possibility of a recession (Goldman Sachs now sees a 35.0% chance versus 20.0% previously). Accordingly, the market is now pricing in 3 US Federal Reserve rate cuts throughout the remainder of 2025. Markets continue to expect that further rate cuts in Europe and Australia will occur throughout the year.

Tariffs have been the paramount economic disruptor, with a general ‘risk off’ sentiment across financial markets. As a result, equities posted significant losses (S&P down 19.0% and the Nasdaq down 23.0%), the USD-index fell from a high of 109.9 to currently be at 103.0. Furthermore, the US 10-year Treasury yield has fallen from 4.80% to currently be at 4.29%. Trump’s 2<sup>nd</sup> April “Liberation Day” implemented reciprocal tariffs on countries around the world, starting with a baseline 10.0% tariff, of which New Zealand and Australian exports will be subject to, but there was a clear discrimination amongst some countries, such as China, who saw their tariffs increase by 34.0% to 69.0%. One sobering estimate by Bloomberg Economics implied that the 69.0% tariff rate on goods from China could lead to a 90.0% decrease in US exports by 2030.

While we have some clarity around tariff levels, this is likely only the first move in what is likely to be a long-winded trade war. It appears inevitable that other nations will respond with tariffs and countermeasures of their own. While we can’t be certain of much, and there is still a lot to eventuate, the resulting economic landscape is unlikely to be favourable for global growth.

## New Zealand

	OCR	90 day	2 year swap	3 year swap	5 year swap	7 year swap	10 year swap
31-Dec-24	4.25%	4.17%	3.38%	3.38%	3.52%	3.72%	3.93%
31-Mar-25	3.75%	3.59%	3.32%	3.39%	3.58%	3.76%	3.99%
Change	-0.50%	-0.58%	-0.06%	+0.01%	+0.06%	+0.04%	+0.06%

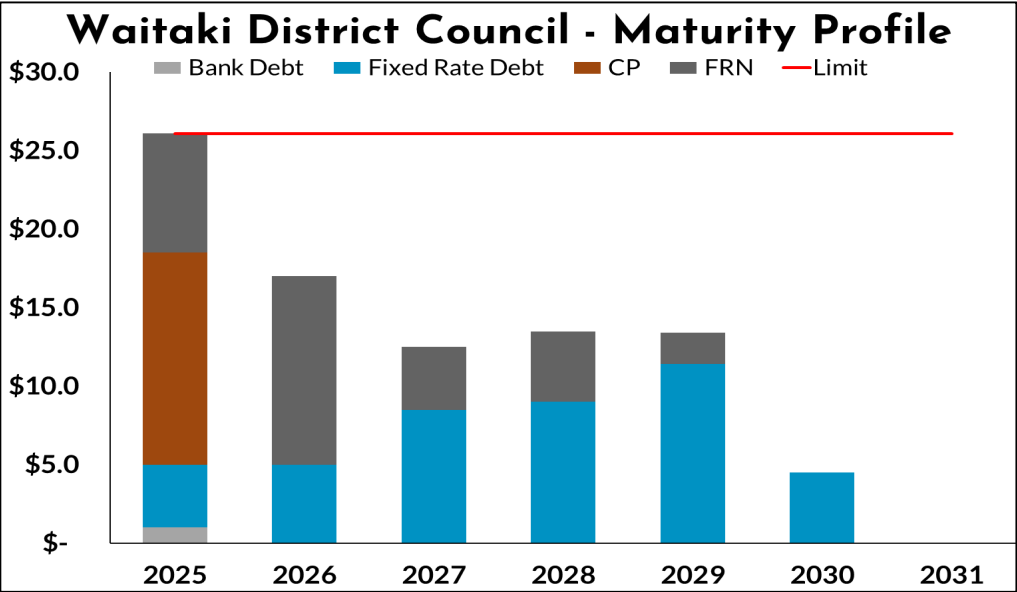
New Zealand GDP rose from a low base, increasing by 0.7% in the December 2024 quarter, greater than market expectations of a 0.4% increase, although over the December year GDP fell by 1.1%. The positive quarterly figure meant New Zealand emerged from its technical recession. Inflation appears to be under control as headline CPI remained at 2.2% in Q4 2024, well within the Reserve Bank’s 1.0-3.0% target range. Markets continue to price further OCR cuts at each of the next two meetings and then cut one more time in the second half of 2025, with the likelihood that the RBNZ will pause the cutting cycle at either 3.00% or 3.25% and then become data-dependent.

As a trading nation New Zealand is particularly exposed to a concerning global trade backdrop. While Trump’s 10% tariff on NZ goods appears to be manageable, what will be important are the indirect impacts from key trading partners in South East Asia, such as China and Vietnam, whom now have ~50.0% tariffs on exports into the US. The expanded impacts of a trade war could potentially hinder the domestic recovery.

Swap rates in New Zealand have fallen sharply following the tariffs announcement in early April, with the 2, 5 and 10 year rates down to 3.20%, 3.47% and 3.91%, respectively. These rates represent new lows for 2025.



# Liquidity and Funding



Debt  
**\$86.0m**  
External Council Drawn Debt

LGFA  
**\$86.0m**  
Funds Drawn from LGFA

Bank facility headroom + term deposits + cash in bank  
**\$16.0m**

Liquidity Ratio (must be > 110%)  
**118.60%**  
Definition: (Cash Reserves + Lines of Credit + Drawn Debt)/Drawn Debt

Weighted average cost of funds  
**4.46%**  
All up weighted average cost of funds including margin.

## Policy Compliance

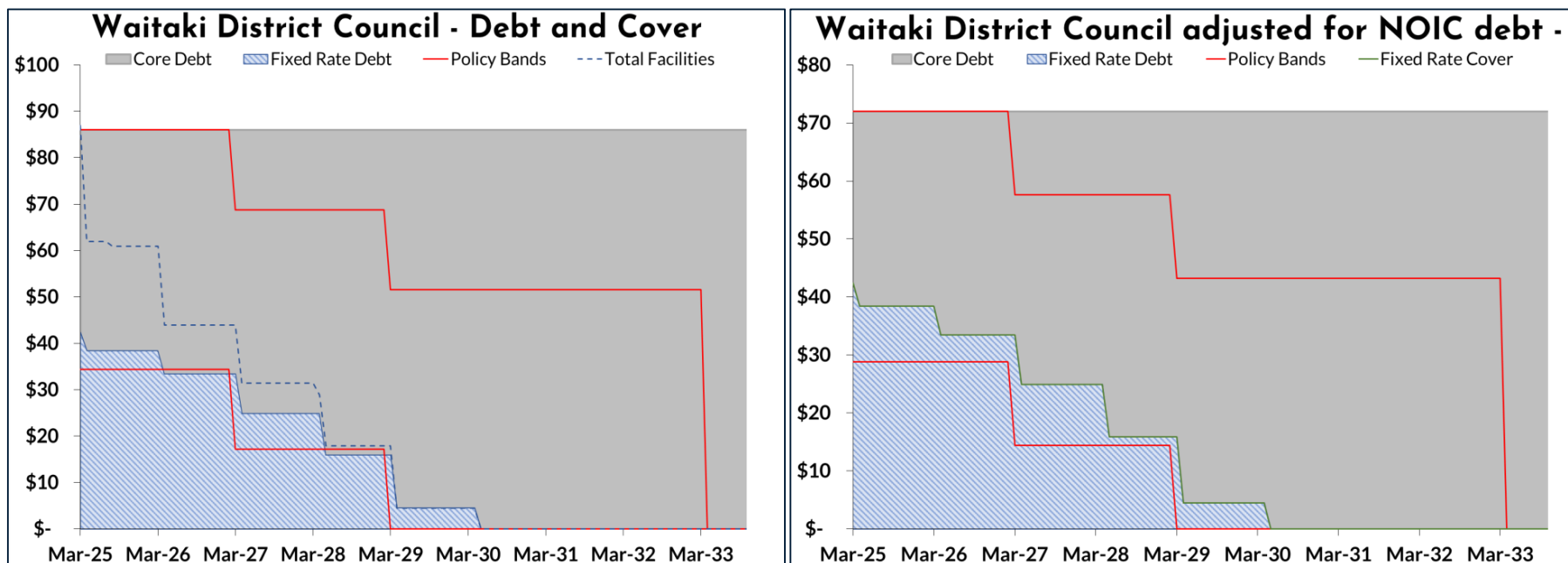
Policy Compliance	Compliant	Flag
Have all transactions been transacted in compliance with policy?	Yes	
Is fixed interest rate cover within policy control limits? (using the adjusted for NOIC profile)	Yes	
Is the funding maturity profile within policy control limits?	Yes	
Is liquidity within policy control limits?	Yes	
Are all counterparty exposures within policy control limits?	Yes	





# Interest Rate Risk Management

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## Current Position

Two scenarios are shown in the above graphs:

- The top left graph shows WDC's gross debt position; the graph on the top right lowers the gross debt position down by \$14m to reflect the on-lending to NOIC. Adjusting the debt level corrects the representation of WDC debt exposed to interest rate risk.
- The graphs show that WDC is running at Treasury Policy minimums, meaning that it is getting the full benefit of the lower rates, allowed within its policy parameters.
- Based on the current level of debt WDC will not be compelled to enter further fixed rate cover for policy requirements until Q2 of 2025 (which is being rectified in the 15 April LGFA tender).
- Depending on WDC's approach to Water, debt levels could change significantly, meaning that Treasury Policy Management is focused on meeting policy minimums and having the ability to repay debt. While we had previously indicated that 2025 would see the lows in this interest rate cycle, we now believe that US tariffs and resulting economic dislocation will see interests fall through 2025 and into the early part of 2026



# LGFA Borrowing Rates

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Listed below are the credit spreads and interest rates applicable to the Waitaki District Council as an unrated guarantor of the LGFA as of 31 March 2025 for Commercial Paper ("CP"), Floating Rate Notes ("FRN") and Fixed Rate Bonds ("FRB").

Maturity	Margin	FRN (or CP Rate)	FRB
3 month CP	0.20%	3.81%	N/A
6 month CP	0.20%	3.69%	N/A
April 2025	0.48%	4.09%	4.25%
April 2026	0.61%	4.22%	4.01%
April 2027	0.72%	4.33%	4.14%
May 2028	0.88%	4.49%	4.40%
April 2029	0.94%	4.55%	4.58%
May 2030	1.04%	4.65%	4.75%
May 2031	1.10%	4.71%	4.96%
May-2032	1.16%	4.77%	5.09%
April 2033	1.23%	4.84%	5.25%
May 2035	1.29%	4.90%	5.45%
April 2037	1.37%	4.98%	5.65%



# Funding

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As of 31 March 2025, WDC had \$86.0 million of debt sourced from the LGFA using Commercial Paper, FRNs, and FRBs. WDC also has a bank facility with BNZ Bank for \$1.0 million that is maturing on 31 August 2025. This facility is presently not being utilised.

Instrument	Maturity	Yield	Margin	Amount
LGFA FRB	15-Apr-25	0.73%	N/A	\$1,500,000
LGFA FRN	15-Apr-25	4.61%	0.49%	\$2,000,000
LGFA FRB	15-Apr-25	4.93%	N/A	\$2,500,000
LGFA FRN	15-Apr-25	4.68%	0.56%	\$5,600,000
LGFA CP	16-Apr-25	4.41%	N/A	\$13,500,000
LGFA FRB	15-Apr-26	0.84%	N/A	\$1,500,000
LGFA FRN	15-Apr-26	4.67%	0.55%	\$2,000,000
LGFA FRN	15-Apr-26	4.88%	0.76%	\$1,000,000
LGFA FRB	15-Apr-26	5.55%	N/A	\$1,000,000
LGFA FRN	15-Apr-26	4.77%	0.65%	\$2,000,000
LGFA FRB	15-Apr-26	6.22%	N/A	\$2,500,000
LGFA FRN	15-Apr-26	4.76%	0.64%	\$2,500,000
LGFA FRN	15-Apr-26	4.77%	0.65%	\$4,500,000
LGFA FRB	15-Apr-27	0.93%	N/A	\$2,000,000
LGFA FRB	15-Apr-27	4.17%	N/A	\$2,000,000
LGFA FRB	15-Apr-27	5.16%	N/A	\$1,500,000
LGFA FRN	15-Apr-27	4.86%	0.74%	\$2,000,000
LGFA FRB	15-Apr-27	5.66%	N/A	\$3,000,000
LGFA FRN	15-Apr-27	4.83%	0.71%	\$2,000,000
LGFA FRN	15-Apr-28	4.87%	0.75%	\$2,500,000
LGFA FRB	15-May-28	2.32%	N/A	\$3,000,000
LGFA FRB	15-May-28	4.26%	N/A	\$1,000,000
LGFA FRB	15-May-28	5.18%	N/A	\$2,000,000
LGFA FRB	15-May-28	5.74%	N/A	\$3,000,000
LGFA FRN	15-May-28	4.69%	0.88%	\$2,000,000
LGFA FRN	20-Apr-29	5.06%	1.00%	\$2,000,000
LGFA FRB	20-Apr-29	5.45%	N/A	\$11,400,000



#### Disclaimer

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## GET IN TOUCH

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#### 5.4 AUDIT NEW ZEALAND 30 JUNE 2025 AUDIT PLAN

**Author:** Amanda Nicholls, Chief Financial Officer

**Authoriser:** Paul Hope, Director Support Services

**Attachments:** 1. Audit Plan [↓](#)

#### RECOMMENDATION

That Performance, Audit and Risk Committee receives and notes the information.

#### PURPOSE

To consider Audit New Zealand's Audit Plan for the audit of Council's 30 June 2025 Annual Report and agrees its contents in discussion with the Appointed Auditor.

#### BACKGROUND

Council is legislatively required to have an independent audit completed on its Annual Report each year. The Audit Plan provided by Audit New Zealand (attachment 1), as Council's appointed audit service provider, outlines their plan for their audit this year. Note the audit fee and hours were negotiated in the prior year for a two-year period covering the 2024 and 2025 audits.

The Appointed Auditor, Dereck Ollsson, will be in attendance to discuss the Audit Plan and speak to the areas of focus highlighted in the Plan. There will be an opportunity to ask questions.

The annual audit is an important part of the Council's financial calendar. An efficient and effective audit can add value to the organisation and provide independent assurance that the financial results are presented fairly. The resulting audit opinion informs the reader about the reliability of the information contained in the Council's Annual Report.

Audit New Zealand has highlighted its key areas of focus are valuation of infrastructure assets, fair value assessment of infrastructure assets (non-revaluation year), the group consolidation, the wind up of Waitaki District Health Services Limited, the change in payroll system, and the risk of override of internal controls. Officers concur with Audit New Zealand's focus areas.

The previous year's audit went reasonably smoothly, and officers feel that we are well placed to complete a smooth audit process again this year.

The audit team has worked with officers to agree the audit timeframes. The interim audit is currently underway, and the final audit will commence on 22 September 2025.

It is noted that the auditors intend to issue their audit opinion to meet the 31 October 2024 legislative deadline. An Extraordinary or Additional Council Meeting will be scheduled, most likely for 31 October 2025, so that the new Council can consider and adopt the 30 June 2025 Annual Report.

Officers are not aware of any significant issues outstanding from previous audits and expect to meet our legislative deadline this year.

# Audit plan

## Waitaki District Council

For the year ending 30 June 2025

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa



### Executive Summary

I am pleased to present our audit plan for the audit of Waitaki District Council (the District Council) and group for the year ending 30 June 2025. Our role as your auditor is to give an independent opinion on the financial statements and Performance Information. Our work improves the performance of, and the public’s trust in, the public sector. We also recommend improvements to the internal controls relevant to the audit.

The contents of this plan should provide a good basis for discussion when we meet with you. We will be happy to elaborate further on the matters raised. If there are additional matters that you think we should include, or any matters requiring clarification, please discuss these with me.

Nāku noa, nā



Dereck Ollsson  
Appointed Auditor  
14 April 2025

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## Focus areas: risks and issues



Based on the planning work and discussions that we have completed to date, we set out in the table below the main risks and issues relevant to the audit. These will be the main focus areas during the audit.

Many of these risks and issues are relevant to the audit because they affect our ability to form an opinion on your financial statements and statement of service performance. As part of the wider public sector audit, we are also required to be alert to issues of effectiveness and efficiency, waste and a lack of probity or financial prudence.

Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

Risk/issue	Our audit response
<b>Valuation of infrastructure assets</b>	
<p>The District Council revalue its infrastructure assets whenever there is expected to be a material movement in the fair value of those assets. We understand that the District Council intends to revalue its Land and Building and Roding assets as at 30 June 2025.</p> <p>The reasonableness of the valuation depends on the valuation method applied, the completeness and accuracy of the source data, and the appropriateness of key assumptions. Some valuations are inherently complex and involve the use of numerous data sources and key assumptions that can have significant impacts on valuations and the future depreciation expense.</p> <p>The District Council will need to collate information about the underlying assumptions and data to support the valuations. One of the key assumptions in a depreciated replacement cost valuation is the unit rate adopted for significant components. When developing the unit rates, the District Council should have a documented methodology and database of cost information to support the unit rate applied in the valuation.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• review the valuation report to assess the objectivity and competence of the valuer and whether the requirements of accounting standard, PBE IPSAS 17, <i>Property, Plant and Equipment</i>, have been met;</li> <li>• assess relevant quality controls that support the integrity of the underlying data and assumptions schedules used in the valuation;</li> <li>• obtain an understanding of and test the underlying source data used in the valuation;</li> <li>• review the methodology used to develop unit rates and test those rates back to the District Council's analysis of recent contract costs;</li> <li>• engage with the valuers as part of assessing the reasonableness of the assumptions used as well as the reasons for movements in key asset components;</li> </ul>





Risk/issue	Our audit response
<p>The District Council should ensure the scope of the valuation work is sufficient and the reasons for the movement in the valuation are documented and justified.</p> <p>As a minimum, the reasons for the movement should identify and explain movements at an asset component level since the last valuation due to changes in source data (for example, lengths and volumes), unit rates and any other significant adjustments.</p> <p>Valuations prepared by a firm external to the District Council should be subject to quality reviews by the valuation firm and suitably experienced members of the District Council's management team. When a valuation is completed internally this should be peer reviewed by a suitably experienced and qualified person, for example an external valuation firm would be considered appropriate.</p>	<ul style="list-style-type: none"> <li>• review the accounting entries and the fixed asset register to ensure the values are correctly updated; and</li> <li>• review the appropriateness of the disclosure, including any narrative.</li> </ul>
<b>Fair value assessment of infrastructure assets (non-revaluation year)</b>	
<p>For those assets that the District Council does not plan to revalue, the District Council needs to perform a fair value movement assessment (assessment) to determine whether there could be a material difference between the fair value and the carrying value.</p> <p>An assessment should:</p> <ul style="list-style-type: none"> <li>• factor in local cost information;</li> <li>• utilise relevant and reliable price movement indicators; and</li> <li>• involve consultation with valuers, where necessary.</li> </ul>	<p>We will review the reasonableness of the District Council's assessment including the appropriateness of the assumptions used in the assessment.</p>



Risk/issue	Our audit response
<p>If the fair value movement of the assets, individually or in combination with other asset classes, is likely to be material, the District Council will need to complete a full revaluation. If specified criteria are met, the District Council may be able to undertake an index-based revaluation.</p>	
<b>Group consolidation</b>	
<p>The only key components within the group are Waitaki District Health Services Limited Group and Whitestone Contracting Limited. The major business and accounting issues for the group are:</p> <ul style="list-style-type: none"> <li>the valuation and impairment assessment of key group assets; and</li> <li>alignment of group entity results with the District Council's reporting requirements before they are consolidated into the group. This is required as the District Council applies the public benefit entity accounting framework, whilst Whitestone Contracting Limited applies the for-profit accounting framework.</li> </ul> <p>It is important that the District Council has identified and adjusted for any required changes, prior to the audit to aid in the development of the consolidated accounts.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>consider any accounting and auditing issues that may arise within the wider District Council group in planning and executing the respective audits of the group entities;</li> <li>review the consolidation workings to gain assurance that it is prepared in accordance with accounting standards including specifically, that there is full elimination of all inter-entity transactions;</li> <li>review whether the accounting policies and other financial information are prepared on a consistent basis across the group and appropriately disclosed; and</li> <li>consider audit risks in relation to key components of the group, assess the responses from the key components to those risks, and communicate our findings in our report to the Council.</li> </ul>
<b>Waitaki District Health Services Limited Group (WDHSL)</b>	
<p>The proposal to disestablish Waitaki District Health Services Limited (WDHSL) was approved. The company will be disestablished by 30 June 2025.</p> <p>The proposed accounting treatment for the windup of WDHSL, and the consequential changes to the District Council's group consolidation arrangements for Waitaki District Health Services Trust, Observatory Village</p>	<p>We will continue to discuss with you progress of the disestablishment of WDHSL and its implications for the audit.</p> <p>We will also review and provide comment on the group's accounting impact assessment (when it is relevant to perform one). We will then develop relevant and more detailed audit responses to the risks and consider and discuss with you any impacts on our audit opinion.</p>



Risk/issue	Our audit response
Group incorporates Observatory Village Lifecare Limited, Observatory Village Care Limited and the Observatory Village Charitable Trust to ensure that they are in line with accounting standards.	
<b>Change in systems – Payroll accounting for payroll software as a service</b>	
<p>The District Council's new payroll system went live in the 2024/25 year. We understand that management implemented processes to manage the transition of payroll information between the old and new system.</p> <p>It is also important for the District Council to evaluate and confirm that the accounting treatment of its transition costs are suitable. This assessment encompasses not only determining whether the capitalisation or expensing of associated costs is appropriate but also evaluating payroll software as a service.</p>	<p>It is important the control environment is maintained throughout the transition process. We will enquire as to any changes to the previous payroll processes and remain alert for any changes to the control environment. For the purposes of the 2024/25 audit, we will need to be able to confirm the District Council has put appropriate processes in place to ensure the payroll information for the 2024/25 financial year is fairly stated following the transition.</p> <p>We will review the appropriateness of the accounting treatment associated with the system changes, including whether costs are capital or operational in nature and are accounted for in the correct accounting period.</p>
<b>The risk of management override of internal controls</b>	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> <li>• testing the appropriateness of selected journal entries;</li> <li>• reviewing accounting estimates for indications of bias; and</li> <li>• evaluating any unusual or one-off transactions, including those with related parties.</li> </ul>



## Other areas of interest across the local government sector

There are a number of sector wide issues significant to most local authorities. These include areas of interest that are not necessarily significant to the District Council but are areas we monitor as part of our responsibility to consider the broader risks affecting local authorities. We have reviewed the specific areas of interest for the 2024/25 year and have not identified any areas of focus over and above those already covered in this plan. Should any additional areas be identified during the year we will notify the District Council separately. Wider public sector areas of interest are set out on page 16.

### Amendments to PBE IPSAS 1 regarding the disclosure of audit fees

The amendments to PBE IPSAS 1 have expanded and clarified the disclosure expectations for audit fees. These changes are applicable to reporting periods beginning on or after 1 January 2024, which means they will apply to the 2025 annual report.

The enhanced disclosure requirements introduce a requirement to disclose the fees incurred for services received from audit or review firms using specific categories. Under each category of other non-audit or review services, entities reporting under Tier 1 are required to provide a description of each type of service received and the corresponding fees incurred for the reporting period.

The amendments also clarify that for the purpose of these disclosures, the fees for services received from the audit or review firm are based on the amount of fees expensed during the reporting period. This includes any disbursements incurred in connection with the services.

### Mutual Liability Riskpool Scheme

Although Riskpool is in wind down, member councils have an ongoing obligation to contribute to it should a call be made in respect of any historical claims (to the extent those claims are not covered by reinsurance), and to fund the ongoing operation of the scheme.

In August 2023, Riskpool indicated that member councils might have to provide further contributions to cover identified shortfalls whereby claims exceed reinsurance recoveries. This led to relevant councils recognising a provision or including disclosure of the situation and what it meant in their 2022/23 financial statements.

In November 2023, Riskpool made a call on member councils to fund quantified shortfalls. The amount to be funded by member councils was \$12.9 million. Riskpool reserves the right to make further calls for additional funding if needed. As of September 2024, we are not aware of any further calls being made.

The District Council will need to consider its disclosures in this regard and should specifically consider whether further information is available to allow the District Council to reliably measure a provision for unpaid calls.



## Dealing with the “Local Water Done Well” water reforms in the 2025 annual report

Local Water Done Well is being implemented in stages:

- Stage 1 – repealing the affordable water reforms (completed in February 2024).
- Stage 2 – passing the Local Government (Water Services Preliminary Arrangements) Act 2024 (completed in September 2024).
- Stage 3 – introducing the Local Government Water Services Bill, which will establish the enduring settings for the new water services system (expected to be passed by mid-2025).

Depending on the status of the water reforms and the District Council’s response to those, we recommend the District Council provide a high-level summary of the reforms at the time of reporting. This should include that the District Council must prepare, consult on aspects of, and adopt a water services delivery plan. Where the District Council’s intentions are well developed and formalised via council resolution, the District Council may wish to describe the anticipated or proposed model or arrangement for delivering water services, and planned timing of implementation.

We will communicate any changes in expectations to you when we have a better understanding of water service delivery plans and their possible effects on the audited information contained in the annual report.

## Benchmark reporting

As part of the local government reform programme, the Department of Internal Affairs (DIA) is set to benchmark council performance. The DIA will publish a yearly report on key financial and delivery outcomes, of which the first report is to be released mid-2025. The report is expected to include several council performance metrics, including rates, council debt, capital expenditure, balanced budget, and road condition. Legislation is expected to be amended to allow future benchmarking reports to include comparison of contractors and consultant expenditure, alongside other metrics.

We wish to signal to the District Council that where information used in the DIA’s benchmarking process is drawn from the annual report, this may create additional areas of focus for both the District Council and the audit team during the audit process. Should any additional areas be identified, we will notify the District Council separately.



## Fraud risk

Misstatements in the financial statements and Performance Information can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. Our consideration of fraud risk covers both misstatements resulting from fraudulent reporting and misstatements resulting from misappropriation of assets.

### *Your responsibility*

The primary responsibility for the prevention and detection of fraud and error rests with the governing body, with assistance from management. In this regard, we will discuss the following questions with you:

- How does the governing body see its role in relation to fraud? How do you monitor management's exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, is the governing body satisfied that it had appropriate input into this process?
- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the governing body and management to keep you informed of instances of fraud, either actual, suspected, or alleged?
- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to the governing body? Has appropriate action been taken on any lessons learned?

### *Our responsibility*

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and Performance Information are free from material misstatement, including any resulting from fraud. Our approach to obtaining this assurance is to:

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls in mitigating the risks;
- perform audit testing to address the risks identified; and
- remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at [oag.parliament.nz/reports/fraud-reports](https://oag.parliament.nz/reports/fraud-reports).



### **Legislative compliance**

As part of the Auditor-General's mandate, we consider compliance with laws and regulations that directly affect your financial statements. Our audit does not cover all of your requirements to comply with laws and regulations.

#### **Mandatory disclosures**

The annual report must contain the disclosures required under certain legislation, including:

- the Local Government Act;
- the Local Government (Financial Reporting and Prudence) Regulations 2014; and
- the Non-Financial Performance Measures Rules 2024.

The District Council should continue to review the legislative disclosure requirements and check that these are accurate and complete.

#### **Integrity self-assessment survey**

In December 2024, the Office of the Auditor-General (OAG) published the second edition of the integrity framework for the public sector, followed in January 2025 by a guide on monitoring integrity in public organisations. The OAG's 2024-25 Annual Plan highlighted as a priority supporting strong organisational integrity practices. Aligned with that priority, we are conducting an integrity self-assessment survey (the survey) as part of the 2024-25 annual audits across 51 local authorities and 22 central government organisations. The survey aims to understand how these organisations establish a culture of integrity and raise awareness about its importance. The District Council is one of the organisations being surveyed.

The survey results will be shared with the entity and will serve as a baseline for possible future audit work. A summary report will also be compiled from the findings across all surveyed organisations. This will be shared with the Council.



Materiality

In performing our audit, we apply materiality. Materiality refers to information that if omitted, misstated, or obscured could reasonably be expected to:

- influence readers’ overall understanding of the financial statements (and service performance information); and
- influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

It is a matter of judgement whether information is material. We consider the nature (qualitative) and amount (quantitative) of each item judged in the surrounding circumstances and its impact. Qualitative considerations are of equal significance as quantitative considerations. Qualitative considerations are of primary importance in in the context of disclosures for transparency and accountability reasons, and in evaluating any non-compliance with laws and regulations.

The governing body and management need to make their own assessment of materiality from a preparer’s perspective. Management and the governing body should not rely on our materiality assessment as a basis for owning and making judgements about the integrity of the financial statements and service performance information.

Financial statements materiality

For planning purposes we have set **overall group materiality** for the financial statements at \$115,960,000 based on prior year’s total property, plant and equipment.

Overall materiality	\$115,960,000
Specific materiality	\$2,750,000
Clearly trivial threshold	\$137,500

For this audit we have set a lower, **specific group materiality** of \$2,750,000 for all items not related to the fair value of property, plant and equipment.

For planning purposes, we have set **overall parent materiality** for the financial statements at \$112,900,000 based on prior year’s total property, plant and equipment.

Overall materiality	\$112,900,000
Specific materiality	\$2,100,000
Clearly trivial threshold	\$105,000

For this audit we have set a lower, **specific materiality** of \$2,100,000 for all items not related to the fair value of property, plant and equipment. A lower specific materiality is also determined separately for some items due to their sensitive nature. For example, a lower specific materiality is determined and applied for related party and key management personnel disclosures.

The materialities are subject to change once the actual results for the current year are available.





We design our audit procedures to detect misstatements at a lower level than overall materiality. This takes account of the risk of cumulative misstatements and provides a safety net against the risk of undetected misstatements.

We will report all uncorrected misstatements to the Council other than those that are **clearly trivial**. We will ask for each of these misstatements to be corrected. Where management does not wish to correct a misstatement we will seek written representations from the governing body on the reasons why the corrections will not be made.

### Audit of service performance information

Our audit work will be undertaken under Auditing Standard 1 (Revised), *The Audit of Service Performance Information* (issued by the External Reporting Board July 2023). This standard is closely related to the accounting standard for service performance reporting (PBE FRS 48). The new Standard is broadly similar to the existing Standard on auditing service performance information but may result in a few changes in our audit work, including our approach to determining which performance measures are material, or how we link the work we do on some performance measures to the work we do in related financial statement areas.

#### Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements and Service Performance Information. The effects of any detected and uncorrected misstatements, individually and in aggregate, are assessed against materiality and qualitative considerations.

Of particular note are specific requirements relating to the measurement bases or evaluation methods used to measure or evaluate performance measures and/or descriptions. Auditors are required to assess if these are appropriate and meaningful, if they are available to intended users, and whether the service performance information is prepared, in all material respects, in accordance with these. In respect of availability to intended users, we will be looking for adequate disclosure in the annual report on the basis of measurement/evaluation methods for performance measures and/or descriptions, where this is not self-evident.

### Materiality for service performance information

At an overall level, we assess whether the service performance information is suitable, given your purpose and the nature of your activities, and whether the reporting allows for an informed assessment of the District Council's performance. In doing this we consider whether the information is relevant, complete, reliable, neutral, and understandable.

We set materiality for service performance information at an individual measure level based on what we expect would influence readers' overall understanding, decision making, or assessment of the District Council's performance. Because of the variety of measurement bases applied, we normally express this materiality as a percentage of the reported result.

We have identified the following measures as material and assessed materiality for planning purposes. We will reassess this during the audit.



Material measure	Materiality
<b>Water supply</b>	
The extent to which the local authority's drinking water supply complies with: <ul style="list-style-type: none"> <li>a. Part 4 of the drinking water standards (bacteria compliance criteria); and</li> <li>b. Part 5 of the drinking water standards (protozoal compliance criteria).</li> </ul>	Quantitative materiality is not applicable. The reported result is to be qualitatively consistent with supporting information.
The percentage of real water loss from the local authority's networked reticulation system (including a description of the methodology used to calculate this).	8% of result.
<b>Wastewater</b>	
The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system.	8% of result.

Material measure	Materiality
Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: <ul style="list-style-type: none"> <li>a. abatement notices;</li> <li>b. infringement notices;</li> <li>c. enforcement orders; and</li> <li>d. convictions,</li> </ul> received by the territorial authority in relation to those resource consents.	The reported result is to be qualitatively consistent with supporting information.  If a compliance event is disclosed, materiality is 8% of result.
<b>Roading</b>	
The percentage of the sealed local road network that is resurfaced.	8% of result.
Residents satisfied or very satisfied with the condition of Waitaki's non-state highway sealed roads.  Residents satisfied or very satisfied with the condition of Waitaki's non-state highway unsealed roads.	8% of result.



## Group audit



Our audit report covers the group as a whole. We developed our audit approach for the group to obtain sufficient information to give an opinion on the group financial statements and Service Performance Information. We have assessed the risks of material misstatement and have identified our approach for each component.

We will report any significant internal control deficiencies to Council and management of the group.

This will include any deficiencies identified by the group engagement team or brought to our attention by a component auditor. We will communicate deficiencies related to:

- group-wide internal controls; or
- internal controls at each component.

We will also communicate any fraud identified by the group engagement team or brought to our attention by a component auditor.

### New group audit standard

ISA (NZ) 600 (Revised) - *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*, is effective for the audit of your group financial statements for the first time this year.

This standard has more focus on group auditors identifying and assessing the risks of material misstatement in the group financial statements. Because the emphasis is on considering risks of material misstatement, the previous concept of a “significant component” has been removed. Additionally, the requirements for robust communication between the group auditor and component auditors have been strengthened. There are also enhanced documentation and professional scepticism requirements.

The requirements in the revised standard will result in more work for the group audit team, particularly as a result of the enhanced responsibilities for direction, supervision, and review of the work of component auditors. The time required to complete the group audit will increase. Some of this additional time will occur mainly in the first year of implementation, and some will be required on an ongoing basis. We will discuss the implications of this with you separately.

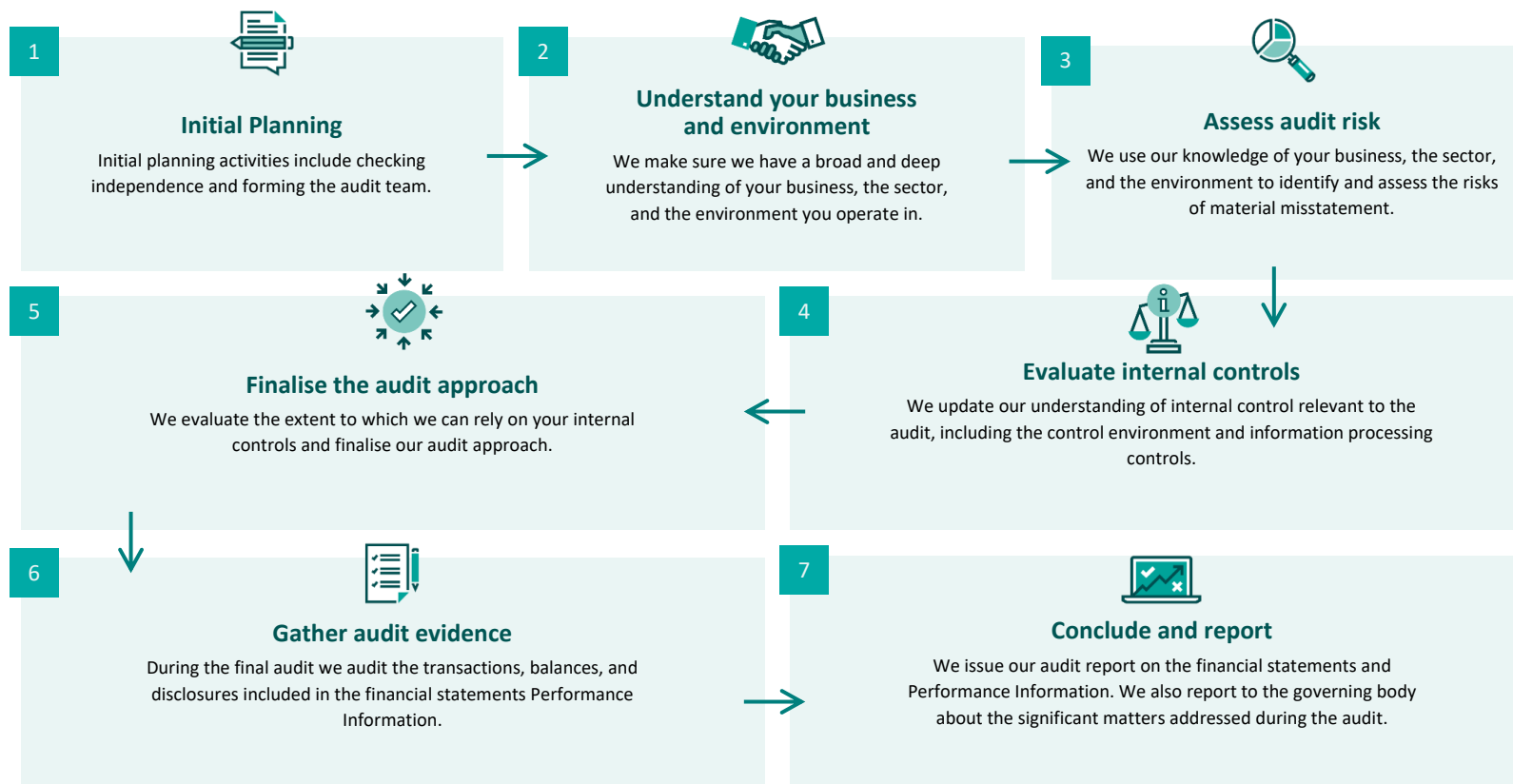


Component	Our audit approach
Whitestone Contracting	<p>The component auditor is Philip Sinclair of Crowe New Zealand Audit Partnership. The audit work on this component will be a full financial statement and service performance report audit.</p> <p>We will issue group instructions to the component auditor specifying the information we will need from them for the group audit.</p> <p>The significant audit risks relevant to this component are:</p> <ul style="list-style-type: none"> <li>• management override of internal controls;</li> <li>• revenue recognition; and</li> <li>• valuation of property, plant and equipment.</li> </ul>
Waitaki District Health Services Limited Group	<p>The component auditor is Nathan Breckell of Grant Thornton New Zealand Limited. The audit work on this component will be a full financial statement and service performance report audit.</p> <p>We will issue group instructions to the component auditor specifying the information we will need from them for the group audit.</p> <p>The significant audit risks relevant to this component are:</p> <ul style="list-style-type: none"> <li>• management override of internal controls;</li> <li>• Valuation of investment property/Property, Plant and Equipment (OV Group); and</li> <li>• accounting treatment for the disestablishment of Waitaki District Health Services Limited.</li> </ul>

This table shows the work we have planned for each component. In addition to this, we will perform analytical procedures for other components.



## Our audit process



## Bringing forward audit procedures

Substantive audit procedures are traditionally performed after the yearend. Where possible, we will aim to bring audit procedures earlier in the year. This will be focused on reviewing your fair value assessments, property, plant and equipment key item testing, sensitive expenditure review and payroll FTE testing. Completion of these tests earlier in the year should allow for more timely identification and resolution of errors.

We will work with management to understand the best audit procedures to bring forward. We will communicate with management if information is not available as agreed, including any impact on the year end audit.

## Professional judgement and professional scepticism

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated.

The term “opinion” reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence.

Professional scepticism is fundamentally a mind-set resulting in a questioning approach when considering information and in forming conclusions.

Exercising professional scepticism means that we will not accept everything you tell us at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

## Wider public sector considerations

A public sector audit also examines whether:

- Waitaki District Council (the District Council) and group carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act by Waitaki District Council (the District Council) and group;
- there is any sign or appearance of a lack of probity as a result of any act or omission by Waitaki District Council (the District Council) and group by one or more of its members, office holders, or employees; and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by Waitaki District Council (the District Council) and group or by one or more of its members, office holders, or employees.



## Reporting protocols and expectations



### Communication with management and the Council

We will meet with management and the Council throughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are “no surprises”.

### Reports to the Council

We will provide a draft of all reports to management (and the Council) for discussion/clearance purposes. In the interests of timely reporting, we ask management to provide their comments on the draft within 10 working days. Once management comments are received the report will be finalised and provided to the Council.

At the end of the audit, we will report to the Council our views on:

- the level of prudence in key judgements made by management in preparing the financial statements; and
- the quality and timeliness of information provided for audit by management.

We will also follow up on your progress in responding to our previous recommendations.



## Expectations

For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet. Our respective responsibilities are set out in our audit engagement letter.

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, financial statements and Service Performance Information will be subjected to appropriate levels of quality review before being provided to us.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit.

## Health and safety

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required. We also expect management to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.





Audit logistics and next steps



Our team

Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge. Each member of the audit team has received tailored training to develop their expertise.

Our senior audit team members are:

Dereck Ollsson	Appointed Auditor
Laura Song	Audit Manager
Lutho Ntlabati	Audit Supervisor

Timetable

Our proposed timetable is:

Interim audit begins	21 April 2025
Draft interim report to the Council issued	19 May 2025
Draft parent financial statements available for audit (including notes) with actual year-end figures	On or before 19 September 2025
Final audit begins	22 September 2025
Draft group financial statements available for audit with actual year-end figures	6 October 2025

Final financial statements available, incorporating all agreed amendments	20 October 2025
Annual report available, including any Chair and Chief Executive’s overview or reports	24 October 2025
Audit opinion issued (subject to client delivery)	31 October 2025
Draft report to the Council issued	28 November 2025



## **AuditDashboard**

We will again use AuditDashboard for transferring files as part of the audit.

## **Working remotely**

Covid-19 restrictions, such as lockdowns, and resultant changes to our own and our client's work locations, including increasing numbers working from home have meant we changed how we worked with our clients.

Lockdowns meant that our clients and our auditors did not always have access to their premises and information and had to work remotely. This confirmed that aspects of our audit work can be done efficiently off-site. We plan to continue to perform aspects of your audit remotely as there are some benefits to you and us of having our team off-site for parts of the audit.

During the previous audit, we were able to perform our audit work remotely. Based on our experience we found that Waitaki District Council (the District Council) and group has good systems and processes in place to facilitate any future off-site work by us.

We recognise different organisations are positioned differently to enable off-site audit work. We will be discussing and agreeing off-site working expectations in conjunction with our information requests with you.



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## 5.5 AUDIT NEW ZEALAND REPORT TO COUNCIL ON THE 30 JUNE 2024 AUDIT

**Author:** Amanda Nicholls, Chief Financial Officer

**Authoriser:** Paul Hope, Director Support Services

**Attachments:** 1. Report to the Council on the audit of WDC Final [↓](#)

### RECOMMENDATION

That Performance, Audit and Risk Committee receives and notes the information.

### PURPOSE

To consider Audit New Zealand's Report to the Council on the audit of Council's 30 June 2024 Annual Report and understands its contents in discussion with the Appointed Auditor.

### BACKGROUND

Council is legislatively required to have an independent audit completed on its Annual Report each year. The Report to Council on the audit of Council's 30 June 2024 annual report, provided by Audit New Zealand (attachment 1), outlines their findings from the prior year audit.

The Appointed Auditor, Dereck Ollsson, will be in attendance to discuss the Report to Council, and speak to his key findings and areas where Council is doing well or where there is opportunity for improvement. There will be an opportunity to ask questions.

The audit of the 30 June 2024 annual report took place in September and October last year. Audit New Zealand provided their audit opinion on 5 November 2024.

Audit New Zealand has highlighted the qualification received around the 2023 (comparative figures only) revaluation movements, and their key recommendations for improvement are around revaluations, group consolidation, and systems and controls for a number of waters and roading performance measures.

Officers largely concur with the findings and recommendations, and improvements are being made as required and as resourcing allows. Officers are not aware of any significant issues outstanding from previous audits and expect to meet our legislative deadline this year.

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

# Report to the Council on the audit of

Waitaki District Council

For the year ended 30 June 2024

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## Key messages

We have completed the audit for the year ended 30 June 2024. This report sets out our findings from the audit and draws attention to areas where Waitaki District Council (the council) is doing well and where we have made recommendations for improvement.

### Audit opinion

We issued a qualified “except for” audit opinion dated 5 November 2024. Our work was limited in respect of the comparative year asset revaluation movement recognised in the other comprehensive revenue and expense section of the statement of comprehensive revenue and expense, and the statement of changes in equity. The asset revaluation movement of \$107.8 million that has been recognised in the other comprehensive revenue and expense section of the statement of comprehensive revenue and expense and the statement of changes in equity for the year ended 30 June 2023, reported as comparative information.

### Areas of audit focus and matters identified during the audit

Our audit plan outlined the areas of focus identified for the audit. We discuss these matters and the outcome of our procedures in section 3 of this report. In addition, we identified one other matter during the course of our audit, which is outlined in section 2, 4 and 5 of this report.

The matters of most significance were:

- **Revaluation of property, plant and equipment** - This year the council revalued its three waters and roading asset classes. The asset classes increased on revaluation by \$105.5 million and \$2.3 million respectively. The valuations were consistent with relevant cost and market information we obtained. We reviewed the revaluation process including source data collection, methodology of the valuation reports and reasonableness of assumptions and concluded the valuations were appropriate for inclusion in the financial statements. For asset classes which were not revalued we agreed with management’s assessment that no further revaluations were required.
- **Smooth Travel exposure** - The council is required to report against the performance measures set out in the Non-Financial Performance Measure Rules 2013 made by the Secretary for Local Government. These mandatory performance measures include a measure on the average quality of ride on the local sealed road network as measured by smooth travel exposure. This measure is important because road smoothness is indicative of the quality of service provided to the community. We reviewed the coverage of the traffic counts work and methodology used for determining the estimate. We evaluated whether these provides a reasonable basis for determining council’s current performance. Overall, we were able to obtain sufficient assurance over the estimates this year. We made a recommendation regarding the traffic count estimates. Further details of this matter are provided in sections 4.2 of this report.

Our report also makes three new recommendations for improvement. These recommendations are summarised in section 1.1 below and detailed in sections 2, 4 and 5 of this report.

**Thank you**

We would like to thank the council, management and staff for assistance provided during the audit.



Dereck Ollsson  
Appointed Auditor  
15 April 2025



## 1 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommended improvements.

Explanation	Priority
<b>Needs to be addressed <i>urgently</i></b> These recommendations relate to a significant deficiency that exposes the council to significant risk or for any other reason need to be addressed without delay.	Urgent
<b>Address at the earliest reasonable opportunity, <i>generally within six months</i></b> These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.	Necessary
<b>Address, <i>generally within six to 12 months</i></b> These recommendations relate to areas where the council is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.	Beneficial

### 1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
<b>Quality and timeliness of information provided for audit</b> <ul style="list-style-type: none"> <li>Implement the recommendations made in previous and current year.</li> </ul>	2.6	Necessary
<b>Develop a methodology for traffic counts estimates</b> <ul style="list-style-type: none"> <li>Develop and document a methodology for determining the traffic counts estimates.</li> <li>Ensure that traffic count estimates are supported by robust and verifiable processes.</li> </ul>	4.2	Necessary
<b>Improvements to the sensitive expenditure policy</b> <ul style="list-style-type: none"> <li>Review and update the sensitive expenditure policies to include all good practice aspects suggested in the Auditor-General's sensitive expenditure guidelines.</li> </ul>	5.1	Necessary

Recommendation	Reference	Priority
<ul style="list-style-type: none"> <li>Provide the training necessary to all relevant staff and those charged with governance to ensure full acceptance and implementation of the new policy and practices.</li> <li>Review sensitive expenditure incurred to ensure it is compliant with the adopted policies and expectations of the public sector.</li> </ul>		

## 1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 1 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open recommendations	-	9	3	12
Implemented or closed recommendations	-	6	1	7
<b>Total</b>	-	<b>15</b>	<b>4</b>	<b>19</b>

## 2 Our audit report

### We issued a qualified audit report



We issued a qualified “except for” audit report on 5 November 2024, for the year ended 30 June 2024. Our qualification relates to the comparative year asset revaluation movement, recognised in the other comprehensive revenue and expense section of the statement of comprehensive revenue and expense, and the statement of changes in equity. We discuss this matter further in 2.1 below.

In our opinion, except for the possible effects of the above matter, the financial statements and statement of performance are presented fairly in all material respects and comply with generally accepted accounting practice.

In forming our audit opinion, we considered the matters set out in sections 3, 4 and 5 below.

### 2.1 Financial statements qualification

Our audit opinion on the 30 June 2024 financial statements was qualified because of the possible effects of the qualification in our audit opinion on the 30 June 2023 financial statements on the comparability of the current period’s figures.

Our audit opinion on the 30 June 2022 financial statements was qualified because we considered that the collective carrying value of the council’s water supply scheme, sewerage scheme, drainage scheme and roading and bridges assets at 30 June 2022 materially differed from their fair value.

Our audit opinion on the 30 June 2023 financial statements was also qualified. Although we were able to obtain sufficient assurance that the relevant assets were materially fairly stated as at 30 June 2023, we were unable to obtain sufficient audit evidence to support the asset revaluation movement for the year ended 30 June 2023, that was recognised in the other comprehensive revenue and expense section of the statement of comprehensive revenue and expense and the statement of changes in equity.

Our audit opinion on the 30 June 2024 financial statements remains qualified in respect of the asset revaluation movement of \$107.8 million that has been recognised in the other comprehensive revenue and expense section of the statement of comprehensive revenue and expense and the statement of changes in equity for the year ended 30 June 2023, reported as comparative information.

### 2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial.

The misstatements that have not been corrected are listed along with management's reasons for not adjusting these misstatements. We are satisfied that these misstatements are individually and collectively immaterial.

The uncorrected misstatements had the net effect of decreasing net surplus by \$515,000 and the associated non-current assets by the same amount.

Current year misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Investment in other entities: Civic Financial Services Ltd	1	112,000			
Investment in other entities: Lower Waitaki Irrigation Co Ltd	1	403,000			
Non-trading Loss/ (Gains)	1				(515,000)
<b>Total parent</b>		<b>515,000</b>	<b>-</b>	<b>-</b>	<b>(515,000)</b>

#### **Explanation of uncorrected misstatements**

- 1 Investments in other entities is not measured at fair value and does not comply with the accounting standards or the council's accounting policy.

#### **2.3 Corrected misstatements**

There were no significant misstatements that required correction.

#### **2.4 Corrected disclosure deficiencies**

During the audit, we also identified many disclosure deficiencies and misstatements which were corrected following our discussions with management. The significant corrected disclosure misstatements are listed in Appendix 2.

#### **2.5 Corrected performance reporting misstatements**

The significant corrected performance reporting misstatements are listed in Appendix 2.

## 2.6 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the council. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management in the 2024 calendar year. This included the dates we required the information to be provided to us.

Supporting documentation and information was provided through Audit Dashboard, a tool which provided an efficient means for both requests, and the provision of information and documentation. We received draft financial statements at the commencement of our audit, this was not complete. A list of corrected misstatements can be found in Appendix 2 of this report. In addition, some key supporting information required for the audit did not reconcile to the financial statements or general ledger, and the updated information was not always provided in a timely manner. This related mostly to supporting documentation for the group consolidation.

The main issue during the audit was verifying the consolidated figures. Many of the elimination figures in the lead sheet and worksheet were hardcoded, making it difficult to trace their source or confirm their accuracy. The lack of transparency in the consolidation process made it challenging to complete our audit with confidence. We also encountered difficulties in verifying group eliminations due to limited information-sharing between the council and its subsidiaries in the past three years.

To address these ongoing issues, we recommend that the council fully implement the recommendations made in the previous and current year:

- improve the clarity of the consolidation workings;
- strengthen oversight of subsidiary audits will help ensure that financial reports are prepared in a timely and accurate manner;
- improve communication between the council and subsidiary entities will enhance transparency in eliminations and other consolidation adjustments;
- provide subsidiaries with clear and detailed group accounting policies and instructions will help ensure consistency in financial reporting; and
- perform reviews of group financial information to confirm compliance with the group policies.

By taking these steps, the council can improve its consolidation process and enhance the accuracy and reliability of its consolidated financial statements.

For several reasons, the audit of the council's annual report was unable to be completed within the statutory deadline. Both the council and Audit New Zealand mutually agreed to defer the completion of the audit beyond the statutory deadline, with the audit completed on 5 November 2024. This matter is disclosed in note 35 of the financial statements.

Overall, we appreciate the finance team's efforts and assistance and the constructive attitude adopted towards working with us. We look forward to working with the team during the next audit.

### 3 Matters raised in the audit plan



In our audit plan of 13 June 2024, we identified the following matters as the main audit risks and issues.

Audit risk/issue	Our audit response
<b>The risk of management override of internal controls</b>	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls.</p> <p>Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>To address this risk, during the audit we:</p> <ul style="list-style-type: none"> <li>• tested the appropriateness of selected journal entries;</li> <li>• reviewed accounting estimates for indications of bias;</li> <li>• evaluated any unusual or one-off transactions, including those with related parties; and</li> <li>• evaluated significant transactions that are outside the normal course of business or those that appear to be unusual given our understanding of Council and its environment.</li> </ul> <p>We found no indications of management override that would result in a material misstatement in the financial statements due to fraud.</p>
<b>Fair value of property, plant, and equipment</b>	
<p>The council periodically revalue its property, plant and equipment. PBE IPSAS 17, <i>Property, Plant and Equipment</i> requires that valuations be carried out with sufficient regularity to ensure that the carrying amount does not differ from fair value.</p> <p>The three waters assets were last revalued to fair value at 30 June 2021, and the roading network was last revalued to fair value at 30 June 2023. Both three waters assets and roading network are scheduled for revaluation this year.</p> <p>The carrying value of property, plant and equipment is an audit risk due to the significance of the carrying values to the financial statements, and the complexity of judgements involved.</p>	<p>The council valued its three waters, roading and bridges infrastructure assets this year.</p> <p>The three waters and roading valuations were valued externally on a depreciated replacement cost basis.</p> <p>We reviewed the revaluation processes including source data collection, methodology of the valuation reports and reasonableness of assumptions and concluded the valuations were appropriate for inclusion in the financial statements. We also obtained confirmation the asset valuations comply with relevant accounting and valuation standards.</p> <p>We confirmed that the assumptions and methodology applied were appropriate and that the valuation complies with relevant accounting and valuation standards.</p>

Audit risk/issue	Our audit response
<p>Of specific risk is the current inflationary pressures and their impact on estimating replacement costs.</p>	<p>We have assessed the council's:</p> <ul style="list-style-type: none"> <li>• roading infrastructure assets valuation is performed appropriately with no material concern. Therefore, our audit procedures over this year's revaluations have been able to verify that the closing balances of roading and bridge assets are materially correct; and</li> <li>• three waters infrastructure assets valuation is performed appropriately with no material concern. Therefore, our audit procedures over this year's revaluations have been able to verify that the closing balances of the three waters assets are materially correct.</li> </ul> <p>For the 2024 financial year, the audit opinion has been qualified based on the comparative information relative to the asset revaluation movement recognised for the year ended 30 June 2023.</p>
<p><b>Fair value assessment of Property, Plant and Equipment (PPE) (non-revaluation year)</b></p>	
<p>The land, buildings and improvements were last revalued to fair value at 30 June 2022, and are not scheduled for revaluation this year but are subject to fair value assessment to determine if there's material fair value movements.</p>	<p>For classes of PPE which were not valued in 2024, we considered whether the carrying value in the financial statements was materially different from the fair value.</p> <p>We:</p> <ul style="list-style-type: none"> <li>• reviewed the council's fair value assessment for land, buildings and improvements classified as operational assets;</li> <li>• noted that this class of assets is inclusive of Park Assets (incl. the Aquatic Centre) and the Omarama Airfield; and</li> <li>• recalculated the potential fair value movements using reliable external sources including Stats NZ Capital Goods Price Index's and QV's House Price Index. We considered the uncertainty of our estimation and calculated the increase in cost indices required to cause material fair value movements.</li> </ul>

Audit risk/issue	Our audit response
	<p>We concluded the expected fair value of the relevant asset classes were not materially different to their carrying value.</p> <p>Overall, we agreed with the council's assessment, and concluded that no further asset revaluations were required.</p>
<b>Group consolidation</b>	
<p>The only significant components within the group are Waitaki District Health Services Limited (WDHSL) and Whitestone Contracting Limited (WCL). The significant business and accounting issues for the group are:</p> <ul style="list-style-type: none"> <li>the valuation and impairment assessment of key group assets; and</li> <li>alignment of group entity results with the council's reporting requirements before they are consolidated into the group. This is required as the council applies the public benefit entity accounting framework, whilst Whitestone Contracting Limited applies the for-profit accounting framework.</li> </ul> <p>It is important that the council has identified and adjusted for any required changes, prior to the audit to aid in the development of the consolidated accounts.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>considered any accounting and auditing issues that may arise within the wider council group in planning and executing the respective audits of the group entities;</li> <li>kept in contact with the component auditor relating to the accounting issues identified and noted relating to the subsidiary financial statements;</li> <li>reviewed the consolidation workings to gain assurance that it is prepared in accordance with accounting standards including specifically, that there is full elimination of all inter-entity transactions; and</li> <li>reviewed and confirmed that the accounting policies and other financial information are prepared on a consistent basis across the group and appropriately disclosed.</li> </ul> <p>As noted in 2.6, we have recommended changes to the consolidation process, to make the audit more cost effective and efficient.</p>
<b>"Local Water Done Well" programme</b>	
<p>In February 2024, the Government passed legislation that repealed the affordable waters reform legislation passed into law by the previous Government.</p> <p>The Government intends implementing its "Local Water Done Well" programme through the passing of two further bills through Parliament.</p>	<p>We reviewed the council's assessment of the impact of the legislative change and concluded that the impact of the change was fairly stated in the annual report.</p>



Audit risk/issue	Our audit response
<p>The first bill will set out provisions relating to council service delivery plans and transitional economic regulation.</p> <p>It will also provide for streamlining the establishment of CCOs to deliver water, should Council's desire to do so.</p> <p>A second bill will set out provisions relating to long-term requirements for financial sustainability, provide for a complete economic regulation regime, and a new range of structural and financing tools, including a new type of financially independent council-controlled organisation.</p> <p>The first and second bills are expected to be passed by mid-2024 and mid-2025, respectively.</p> <p>Until the content of the bills is known, the impact on the council and on the 30 June 2024 annual report, is unclear.</p> <p>The council should ensure the annual report includes sufficient disclosure about the impact of the programme (to the extent that the impact is known).</p>	
Audit opinion matters	
<p>Our prior year audit opinion was qualified because of the carrying value of the roading and three waters infrastructure assets as at 30 June 2022 (comparative information) and the associated assets valuation movements for the year ended 30 June 2023.</p> <p>There will be an impact on the current year opinion in so far as it relates to the comparative information reported – the asset valuation movements for the year ended 30 June 2023, which has been recognised in the other comprehensive revenue and expense section of the statement of comprehensive revenue and expense, and the statement of changes in equity.</p>	<p>We consulted with our Professional Practices Group (PPG) to ensure the opinion wording is appropriate and have obtained their approved audit opinion.</p>

Audit risk/issue	Our audit response
<b>Transfer of Oamaru Hospital to Health New Zealand – Te Whatu Ora</b>	
<p>We are aware that the council is currently in negotiation with Health New Zealand – Te Whatu Ora (TWO) to transfer the hospital services, including all its personnel to TWO.</p> <p>The Oamaru Hospital is currently a subsidiary of Waitaki District Health Services Limited Group (WDHSL Group), which is ultimately owned by the council.</p> <p>At this stage, there has not been any formal agreement being reached between the council and the TWO. However, the transfer may have material impact on the Group structure and financial position.</p>	<p>The sale of Oamaru Hospital business to Health New Zealand was disclosed in the council's annual report as discontinued operations.</p> <p>We have reviewed the disclosure and ensured the same disclosures are made in the group and subsidiary's financial statements.</p> <p>We have no issues to report in relation to this matter.</p>

## 4 Other matters identified during the audit



We discuss below the other audit findings and recommendation from our audit.

### 4.1 Control environment

Each year we consider the council's control environment and assess the internal controls in place to prevent fraud and ensure reliable and accurate financial and non-financial reporting. This work is completed for the purpose of planning the most effective and efficient audit approach and also to provide reasonable assurance as to the reliability and accuracy of financial and non-financial reporting.

Many of the control environment areas are subject to ongoing development.

Areas of concern over key internal control processes, specifically in the area of PPE, have been raised in prior years.

We urge the council to develop a planned programme for implementing our recommendations.

Details of progress against prior year recommendations are recorded in Appendix 1 below.

### 4.2 Council methodology for traffic counts estimates

The council engaged WSP to prepare the estimates for the 2023 financial year and prepared the estimates internally for the 2024 financial year. The WSP contract for road roughness surveys and traffic count estimates expired and was not renewed. Historically, WSP has been the council's RAMM provider until the council appointed a RAMM expert in 2022. The council aims to rely less on external providers and complete more work in-house to save costs.

The service provider has a methodology for determining estimated traffic counts and updated estimates for 1,987 carriageways during the 2023 financial year, covering 85.2% of the network. The council developed the estimates based on the last actual count data for each carriageway. However, during our interactions with asset management team, we noted that the process followed by the council was less robust. Estimates for 341 carriageways were prepared by the council in the 2024 financial year, covering 14.6% of the network.

With the council moving away from using an external expert, the audit has concerns with regards to the appropriateness of the traffic counts estimates for the future financial years and whether the council's process will remain reasonable in the absence of robust processes.

We recommend the council:

- develop and document a methodology for determining the traffic counts estimates; and
- ensure that traffic count estimates are supported by robust and verifiable processes.

**Management comment**

*A Traffic Count Strategy/Procedure document is planned to be completed by the end of the calendar year. This will include a robust and verifiable methodology for estimate creation.*

## 5 Public sector audit



The council is accountable to local community and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the council said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the council has fairly reflected the results of its activities in its financial statements and non-financial information.

We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the council carrying out its activities effectively and efficiently;
- waste being incurred as a result of any act or failure to act by the council;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the council or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by the council or by one or more of its members, office holders, or employees.

We raise one matter below in relation to non-compliance with the council's sensitive expenditure policy, there are no other matters to report in relation to the areas above.

### 5.1 Improvements to the sensitive expenditure policy

The council's Sensitive Expenditure Policy was last reviewed in May 2021 and is due for renewal in March 2024. We note that the review will take place over the next 12 months.

We reviewed the current Sensitive Expenditure Policy against the Office of the Auditor-General's good practice guide, *Controlling sensitive expenditure: Guide for public organisations*.

We consider the management control systems which ensure that sensitive expenditure policies exist, and are adhered to, are adequate. However, we have identified a number of areas that could be improved in the sensitive expenditure policy:

- outlining clear approval processes that are specific about who approves what, including arrangements for when the usual approver is unavailable;
- explaining what is meant by "actual and reasonable", when these terms are used, and specifying dollar limits and defined boundaries, where practicable, of what is "reasonable";

- specifying the monitoring and reporting regime and, where applicable, any internal audit checks that may be applied;
- specifying the process for amending the policies and procedures;
- including a policy for internet purchases using credit cards;
- including policies about which meals will be paid for when travelling and the value of meals they will pay for;
- outlining the use of taxi charge cards and the expectation that they are issued in an individual's name to support transparency;
- including clear guidance on what constitutes appropriate entertainment expenditure in New Zealand and when travelling locally, regionally and internationally;
- specifying limits on the cost per head in relation to meals and alcohol charged to the council as entertainment expenditure;
- ensuring the policies are clear that staff cannot use purchasing privileges on behalf of any third party, such as family members or friends, and that staff should pay in full and must not use the organisation as a source of credit; and
- ensuring the policies are clear in relation to Koha and gifts.

We recommend the council:

- review and update its sensitive expenditure policies to include all good practice aspects suggested in the Auditor-General Office's sensitive expenditure guidelines;
- provide the training necessary to all relevant staff and those charged with governance to ensure full acceptance and implementation of the new policy and practices; and
- review sensitive expenditure incurred to ensure it is compliant with the adopted policies and expectations of the public sector.

**Management comment**

*The Sensitive Expenditure Policy will be revised and training provided to staff as soon as possible. In the meantime, the current Policy still applies including the requirement for one-up approval and strict rules regarding spending limits and for business purposes only.*

## 6 Group audit summary

### 6.1 Group composition

The group comprises the Waitaki District Council and the following entities:

- Whitestone Contracting Limited
- Tourism Waitaki Limited
- Omarama Airfield Limited
- Waitaki Whitestone Geopark Trust
- Waitaki District Health Services Limited and Group:
  - Waitaki District Health Services Limited
  - Waitaki District Health Services Trust
  - Observatory Village Charitable Trust and Group:
    - Observatory Village Charitable Trust
    - Observatory Village Lifecare Limited
    - Observatory Village Care Limited

We have not identified any of the following during our audit for the year ended 30 June 2024:

- Instances where our review of the work of component auditors gave rise to a concern about the quality of that auditor's work.
- Significant limitations on the group audit.
- Material fraud or suspected fraud involving group management, component management, employees with significant roles in group-wide controls, or others where the fraud resulted in a material misstatement of the group financial statements.

### 6.2 Key matters identified during the group audit

Audit New Zealand is the Appointed Auditor for all material components within the group, except for WCL, which is audited by Crowe Horwath New Zealand Audit Partnership (Crowe) on behalf of the Audit-General and Waitaki District Health Services Limited Group, which is audited by Grant Thornton on behalf of the Auditor-General.

We comment below on the significant matters arising from the audit of the subsidiaries that were considered as part of our group audit:

**Waitaki District Health Services Limited and group**

Waitaki District Health Services Limited (WDHSL) has been making losses for some time and continues to be dependent on financial assistance from the council. The financial statements of the WDHSL have been prepared on a going concern basis. The component auditors included an Emphasis of Matter (EOM) paragraph in the audit opinion in relation to the uncertainty over the future of the company and its control entities.

We consulted with our Professional Practices Group (PPG) regarding the impact of the going concern emphasis of matter at the component level (WDHSL) on the council group level. It was confirmed that an EOM at the council group level is not required.

WDHSL have sold its hospital and associated health services business on 30 June 2024. This has been disclosed in the council's annual report as discontinued operations. WDHSL obtained independent technical advice from Deloitte which was reviewed by the component auditors, and no misstatement noted.

Grant Thornton did not raise any significant issues other than the EOM described above.

**Whitestone Contracting Limited (WCL)**

WCL is profitable. Complex transactions that require significant judgement include the fair value and impairment assessment of the company's land and buildings and revenue recognition. Crowe Horwath New Zealand Audit Partnership (Crowe) issued an unmodified audit opinion on 29 August 2024. This means that Crowe were satisfied that the financial statements present fairly the group's activity for the year and its financial position at the end of the year.

Crowe did not raise any significant issues.



## 7 Useful publications



Based on our knowledge of the Local Authority, we have included some publications that the council and management may find useful.

Description	Where to find it
<b>Local government risk management practices</b>	
The Covid-19 pandemic is a stark reminder for all organisations about the need for appropriate risk management practices. In our audit work, we often see instances where councils do not have effective risk management. This report discusses the current state of local government risk management practices and what councils should be doing to improve their risk management.	On the Office of the Auditor-General's website under publications.  Link: <a href="#">Observations on local government risk management practices</a>
<b>Public accountability</b>	
Public accountability is about public organisations demonstrating to Parliament and the public their competence, reliability, and honesty in their use of public money and other public resources. This discussion paper explores how well New Zealand's public accountability system is working in practice.	On the Office of the Auditor-General's website under publications.  Link: <a href="#">Building a stronger public accountability system for New Zealanders</a>
<b>Model financial statements</b>	
Our model financial statements reflect best practice we have seen. They are a resource to assist in improving financial reporting. This includes: <ul style="list-style-type: none"> <li>• significant accounting policies are alongside the notes to which they relate;</li> <li>• simplifying accounting policy language;</li> <li>• enhancing estimates and judgement disclosures; and</li> <li>• including colour, contents pages and subheadings to assist the reader in navigating the financial statements.</li> </ul>	Link: <a href="#">Model Financial Statements</a>
<b>Tax matters</b>	
As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.	On Audit New Zealand's website under good practice.  Link: <a href="#">Tax Matters</a>

Description	Where to find it
<b>Client substantiation file</b>	
<p>When you are fully prepared for an audit, it helps to minimise the disruption for your staff and make sure that we can complete the audit efficiently and effectively.</p> <p>We have put together a collection of resources called the Client Substantiation File to help you prepare the information you will need to provide to us so we can complete the audit work that needs to be done. This is essentially a toolbox to help you collate documentation that the auditor will ask for.</p>	<p>On Audit New Zealand's website under good practice.</p> <p>Link: <a href="#">Client Substantiation File</a></p>
<b>Good practice</b>	
<p>The Office of the Auditor-General's website contains a range of good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> <li>• audit committees;</li> <li>• conflicts of interest;</li> <li>• discouraging fraud;</li> <li>• good governance;</li> <li>• service performance reporting;</li> <li>• procurement;</li> <li>• sensitive expenditure; and</li> <li>• severance payments.</li> </ul>	<p>On the Office of the Auditor-General's website under good practice.</p> <p>Link: <a href="#">Good practice</a></p>

## Appendix 1: Status of previous recommendations

### Open recommendations

Recommendation	First raised	Status
<b>Necessary</b>		
<p><b>Water loss – not consistent with water loss guidance</b></p> <p>The council's current disclosure on water loss performance measures is inconsistent with Water New Zealand's water loss guidelines. The council should investigate this issue and update the future reported results accordingly.</p>	2023	<p><b>In progress</b></p> <p>The water loss methodology was updated to outline the general steps followed in determining water losses. The methodology should be reviewed to confirm its alignment with the detailed technical guide on water loss issued in 2023, which superseded the 2010 version. Some updates were noted on the prior year's issues raised, but they have not been fully resolved.</p> <p>We have not identified any further issues with water losses during the audit.</p>
<p><b>Roading assets to be recorded in RAMM</b></p> <p>Ensure that all roading assets are recorded in RAMM as the RAMM database is used as the basis for the revaluation.</p>	2023	<p><b>Open</b></p> <p>No change from the prior year.</p> <p>We carried out reconciliation of the quantity of roading assets in RAMM to the valuation quantity and identified:</p> <ul style="list-style-type: none"> <li>Land unit rate is incorrect.</li> <li>Ten footpaths assets omitted from the valuation.</li> <li>Seven bridge culverts omitted from the valuation.</li> </ul> <p>The overall effect of these changes is a \$400,000 decrease in valuation of roading assets.</p>
<p><b>Roading valuation report</b></p> <p>Ensure that reports commissioned from external experts are well understood and challenged at appropriate levels to ensure accuracy, before the report is accepted.</p> <p>Ensure appropriate depth of technical accounting knowledge at the Performance, Audit and Risk Committee (PARC) level to appropriately challenge content and management assertions.</p>	2023	<p><b>Open</b></p> <p>We have assessed that the valuation of the council's roading infrastructure assets has been performed appropriately, with no material concerns. Immaterial errors were noted on the valuation report which were subsequently corrected by the valuer.</p>

Recommendation	First raised	Status
<p><b>Completeness and categorisation of the three waters customer relation management (CRM) complaints</b></p> <p>We recommend timely review and reconciliation of the complaints between CRM and Hansen's work orders to ensure these are appropriately categorised.</p>	2022	<p><b>Open</b></p> <p>Customer satisfaction with water services was not selected as material performance measure for the 2024 audit. We will confirm this as part of our 2025 audit.</p>
<p><b>Tolerance for the variance between invoice and purchase order (PO)</b></p> <p>We recommend a tolerance for the variance between the invoice amount and original PO be set at an appropriate level, and that the tolerance includes both a dollar and percentage limit.</p>	2022	<p><b>Open</b></p> <p>There is no change in the tolerance variance in the policy.</p> <p>Upon reviewing the expenditure system description, we observe that the tolerance remains set at 15%.</p>
<p><b>Useful lives of three waters pipe assets</b></p> <p>We recommend that in the next valuation, useful lives are appropriately set in comparison with industry averages.</p>	2021	<p><b>In progress</b></p> <p>The three waters assets were revalued during the 2024 financial year and we did not identify any material issues in relation to the useful lives of the three waters pipe assets. One exception noted is that the council has adopted a useful life of 120 years for asbestos cement pipes, which is still higher than the industry average.</p>
<p><b>Understatement of depreciation</b></p> <p>We recommend capitalising assets at the date they are ready for use or calculating and processing a depreciation adjustment to accurately reflect depreciation from the date the asset is ready for use.</p>	2021	<p><b>Open</b></p> <p>No change from the prior year.</p> <p>Based on the sample testing conducted, assets subject to depreciation are not being capitalised at the date they are put into use.</p>
<p><b>Legislative non-compliance - council to make CCOs documents publicly available</b></p> <p>Implement a process to ensure compliance with legislative requirements surrounding the publishing of council-controlled organisation documents.</p>	2020	<p><b>In progress</b></p> <p>We noted the following areas of non-compliance:</p> <ul style="list-style-type: none"> <li>Breach of Section 64B(3): <i>Letters of Expectations</i>, were provided for the four CCOs during the 2024 financial year, but were not published on the council's website.</li> <li>Breach of Section 67(4): The CCOs' annual reports were not published on the council's website as of 30 October 2024.</li> </ul>

Recommendation	First raised	Status
		We will confirm this as part of our 2025 audit as we expect that the council will publish its summary annual report on time.
<b>Service performance reporting – unexplained water losses</b>  The council should further investigate what is causing water losses, and what efforts are being implemented to solve this.	2019	<b>In progress</b>  Although the reported percentage of real water loss from the council's networked reticulation system has reduced this year, the water losses remain significant. This is particularly concerning for Kurow, where a 49% loss was reported in the 2023/24 financial year.
<b>Beneficial</b>		
<b>Policies for review</b>  We recommend that the council reviews, and revises if required, policies in line with the council's policy review schedule.	2021	<b>In progress</b>  The current Fraud, Bribery and Corruption Prevention Policy was approved by Council in September 2020 and was due to be revised in September 2022, the review has not been completed.
<b>Seismic assessment report</b>  We recommend that a full seismic assessment report is obtained over all buildings owned by the council showing what percentage each building has achieved under the new building standards.	2021	<b>Open</b>  No assessment carried out yet.
<b>Revenue</b>  Include standard terms or conditions on non-rates invoices. Without these it makes it more difficult to charge interest penalties or debt collection costs when required.	2016	<b>Open</b>  No detailed tests were performed this year. Instead, we conducted substantive analytical procedures in 2024. We will confirm this as part of our 2025 audit.

**Implemented or closed recommendations**

Recommendation	First raised	Status
<b>Necessary</b>		
<b>Journals</b> <p>We note that there is no independent approval/review required for journals. The council believe there are adequate compensating controls and review processes in place and has accepted the risk.</p> <p>We will complete sample testing over the financial year's journal population as part of our final audit.</p>	2009	<b>Closed</b> <p>We conducted sample testing of the journals and noted that the CFO now reviews and approves all journals prepared by the finance team.</p>
<b>Missing journals</b> <p>The council should, in conjunction with its service provider, investigate the reason why three journals were unable to be located. Controls and/or procedures should then be implemented to ensure this does not recur in future.</p>	2020	<b>Closed</b> <p>The issue has been resolved, and we did not identify any missing journals this year.</p>
<b>Control environment</b> <p>Weaknesses in key internal control processes, specifically in the areas of expenditure, journals and PPE have been raised in prior years. We urge the council to develop a planned programme for implementing our recommendations relating to these matters.</p>	2022	<b>Closed</b> <p>The weaknesses in key internal control processes have been addressed over the past two years.</p>
<b>Consolidation</b> <p>We recommend that all adjustments and eliminating journal entries be provided separately and that these are appropriately referenced to the adjustments column of the consolidation workings. This will significantly increase the efficiency of our audit.</p>	2021	<b>Closed</b> <p>This has been superseded by the recommendation 2.6 above.</p>
<b>Group consolidation</b> <p>Develop and implement an appropriate process to ensure the group consolidation is accurate and complies with relevant accounting standards. This should include sufficiently detailed group instructions that will allow all necessary information for the group consolidation process to be obtained.</p>	2023	<b>Closed</b> <p>This has been superseded by the recommendation 2.6 above.</p>

Recommendation	First raised	Status
<b>PBE IPSAS 30 Disclosure requirements</b>  The disclosure in the annual report should be expanded to provide detailed information to the users of the financial statements about the effective interest rate as well as the maturity of these loans.	2023	<b>Closed</b>  The disclosure has improved this year.
<b>Beneficial</b>		
<b>Legislative compliance system</b>  Actively monitor compliance with legislative requirements by establishing a formalised mechanism to do so.	2018	<b>Closed</b>  During our audit procedures, we did not identify any instances of non-compliance with the Rating Act or the Member's Interest Act.

## Appendix 2: Corrected misstatements

### Corrected disclosure deficiencies

During the audit, we identified some disclosure misstatements. These were discussed with management and were corrected.

The misstatements included, but are not limited to, the following:

Detail of disclosure deficiency
<b>Statement of accounting policies</b> Updated disclosure of Standards issued and not yet effective, and not early adopted.
<b>Note 2: Operating revenue (Grants)</b> Added the accounting policy for revenue from other grants and donations. Corrected better-off funding and other government grants and subsidies balances for 2024.
<b>Note 4: Personnel costs</b> Corrected the salary bands. Corrected the prior year amount for remuneration of Councillors/Directors/Trustees to agree to prior year accounts. Corrected casual and part-time employees FTE number.
<b>Note 10: Property, plant, and equipment</b> Updated the full replacement value of the three waters assets.
<b>Note 16: Trade and other receivables</b> Corrected the disclosures for rates receivables.
<b>Note 26: Financial Instruments</b> Updated the disclosure to include a sensitivity analysis table. Corrected group borrowings amount.
<b>Note 27: Contingencies</b> Updated the disclosed number of local authority guarantors.
<b>Note 28: Commitments</b> Corrected the overstated South Hill Reservoir commitment. Corrected the Waihemo Rural reticulation renewal - South Roads Limited commitment.
<b>Note 30: Elected Members' Interest</b> Removed the disclosures for Deputy Mayor Hana Halalele.



Detail of disclosure deficiency
<b>Financial disclosures (council only)</b> Corrected rates increases affordability benchmark for 2023-24. Updated the disclosures of operations control benchmark.
<b>Consolidation</b> Corrected consolidated amount for employee entitlements. Corrected consolidated amount for contract revenue. Corrected consolidated amount for other expense. Corrected consolidated amount for investment in subsidiaries. Corrected the consolidated amount for maturity profile of lending disclosures. Added Waitaki District Health Service Limited Group going concern disclosures to the consolidated financial statements.
<b>Statement of cash flow</b> Corrected receipts from other revenue and payment to suppliers consolidated amount.

In addition to the above, there were other adjustments and amendments within the various versions of the draft financial statements. We have not reported these as corrected misstatements. Rather they tended to be minor edits of a presentation and disclosure nature, such as enhanced wording in a policy or note that we agreed with management.

### Corrected performance reporting misstatements

We identified performance reporting misstatements that were corrected. Changes were required to ensure accurate, complete, and non-biased reporting of results. There were also minor edits in presentation that we agreed with management.

Detail of misstatement
<b>Wastewater</b> Corrected the number of residential properties connected to the council's wastewater network.
<b>Water</b> Corrected compliance results for bacteria and protozoa in Duntroon water supply.

## Appendix 3: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the council of their responsibilities.</p> <p>Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Local Authority in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>Other than the audit, we have no relationship with, or interests in, the council or its subsidiaries.</p>
Fees	<p>The audit fee for the year is \$291,606 (including Office of the Auditor-General Audit Standards and Quality Support Charge), as detailed in our audit proposal letter.</p> <p>Other fees charged in the period are \$8,000 in relation to a limited assurance engagement over the council's Debenture Trust Deed.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the council or its subsidiaries that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the council or its subsidiaries during or since the end of the financial year.</p>



AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

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## 5.6 HEALTH AND SAFETY UPDATE

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### RECOMMENDATION

That the Performance, Audit and Risk Committee note the incidents reported between 1 January and 30 March 2025.

### PURPOSE

A total of 25 incidents were reported during the period 1 January to 30 March. Of these, all were aligned to Council's defined critical health and safety risks. This reflects the diverse operational risks faced by the organisation — particularly in areas involving public interaction, field-based work, and aquatic safety.

While no fatalities or serious harm events occurred, the incidents included:

- One critical near miss involving working at height,
- Sixteen incidents involving occupational violence or aggression, including a credible suicide threat,
- Three aquatic rescues involving swimmers in distress,
- Four slips/falls on the Alps to Ocean trail, and
- One electrical incident.

Each incident has been responded to with remedial actions and/or policy or process reviews. The frequency and nature of incidents underscore the ongoing importance of hazard identification, staff support, and operational readiness.

### SUMMARY

#### Summary of Incidents by Critical Risk

5. Critical Risk	6. Number of Incidents	7. Incident Summary
8. Working at Height	9. 1	10. Critical near miss; staff stuck at top of new water reservoir.
11. Vehicle and Machinery Operation	12. 0	13. No incidents reported.
14. Traffic Management and Roadside Work	15. 0	16. No incidents reported.
17. Lone and Remote Work	18. 0	19. No incidents reported.
20. Confined Space Entry	21. 0	22. No incidents reported.
23. Exposure to Hazardous Substances	24. 0	25. No incidents reported.
26. Biological Exposure	27. 0	28. No incidents reported.
29. Fire and Emergency Evacuation	30. 0	31. No incidents reported.
32. Electrical Hazards	33. 1	34. Minor electrocution incident in the Gallery wall; fault identified and repaired.
35. Use of Chainsaws and Power Tools	36. 0	37. No incidents reported.

38. Water-Related Risks	39. 3	40. Three aquatic rescues involving distressed patrons at the Aquatic Centre.
41. Occupational Violence and Aggression	42. 16	43. Includes public threats, verbal abuse, impersonation, and physical altercations across multiple sites.
44. Psychosocial Harm	45. 0	46. No incidents reported.
47. Working Near or With the Public	48. 4	49. Rider falls on Alps to Ocean trail.

### Key Themes and Learnings

- **Violence and Aggression:** The majority of incidents (62%) were related to aggression or abuse towards staff. These occurred across multiple departments including regulatory services, the library, and customer service. Responses included police involvement, situational safety training, and process adjustments (e.g. meeting protocols and slipway hire terms).
- **High-Risk Near Miss:** The working at height incident highlights the importance of pre-task risk analysis. A Job Safety Analysis (JSA) should be standard for all elevated work.
- **Community Interface:** Several incidents involved challenging public behaviour. This reinforces the need for strong procedures around de-escalation, follow-up support, and safe work design, particularly during public consultation and enforcement activities.
- **Emergency Preparedness:** A credible suicide threat prompted a lockdown at HQ and highlighted the value of well-rehearsed procedures. Annual lockdown drills are now scheduled.

### Next Steps and Recommendations

1. **Reinforce JSA Requirements** for all high-risk field tasks, especially involving height or confined spaces.
2. **Refresh De-escalation Training** and protocols for all front-line and regulatory staff.
3. **Review Public Interaction Risk Controls**, particularly around community engagement processes and site security.
4. **Continue Monitoring Psychosocial Risk** during ongoing transformation, with proactive communication and access to support services.
5. **Promote Incident Reporting** to maintain a strong safety culture, especially in under-reported areas like manual handling or contractor management.

### Appendix 1 – Top 14 Critical Risks

50. #	51. Critical Risk	52. Description
53. 1	54. Working at Height	55. Risk of falling from one level to another during inspections, maintenance, or parks operations.
56. 2	57. Vehicle and Machinery Operation	58. Use of council vehicles and machinery (e.g. mowers, loaders). Risk of collision, rollover, or being struck.
59. 3	60. Traffic Management and Roadside Work	61. Work near or on live traffic routes (e.g. roading, signage). Risk of being struck by vehicles.
62. 4	63. Lone and Remote Work	64. Isolated work away from immediate support. Risks include delayed emergency response or injury without assistance.

65.	5	66. Confined Space Entry	67. Entry into tanks, pits, or manholes with limited ventilation or exit. Risks include toxic atmosphere or entrapment.
68.	6	69. Exposure to Hazardous Substances	70. Contact with chemicals like chlorine, pesticides, or solvents. Risk of burns, poisoning, or respiratory harm.
71.	7	72. Biological Exposure	73. Contact with wastewater, animals, or insects. Risk of infection, disease, or allergic reaction.
74.	8	75. Fire and Emergency Evacuation	76. Fires or emergency incidents at Council premises requiring timely evacuation. Risk of injury or smoke inhalation.
77.	9	78. Electrical Hazards	79. Working on or near live electrical systems. Risk of electrocution or electrical burns.
80.	10	81. Use of Chainsaws and Power Tools	82. Use of sharp or high-speed equipment. Risk of serious injury, including lacerations and amputations.
83.	11	84. Water-Related Risks	85. Risk of drowning or near-drowning in pools, reservoirs, or waterways. Includes aquatic centre, three waters, and fieldwork near water.
86.	12	87. Occupational Violence and Aggression	88. Verbal abuse, threats, or physical aggression from the public, particularly in regulatory or front-line roles.
89.	13	90. Psychosocial Harm	91. Mental or emotional harm due to stress, workload, organisational change, or bullying.
92.	14	93. Working Near or With the Public	94. Risk of unpredictable behaviour or confrontations during inspections, meetings, or public engagement.

**6 MEETING CLOSE**