



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, 26 August 2025
Time: 9:00 am
Location: Council Chamber, Third Floor
Office of the Waitaki District Council
20 Thames Street, Oamaru

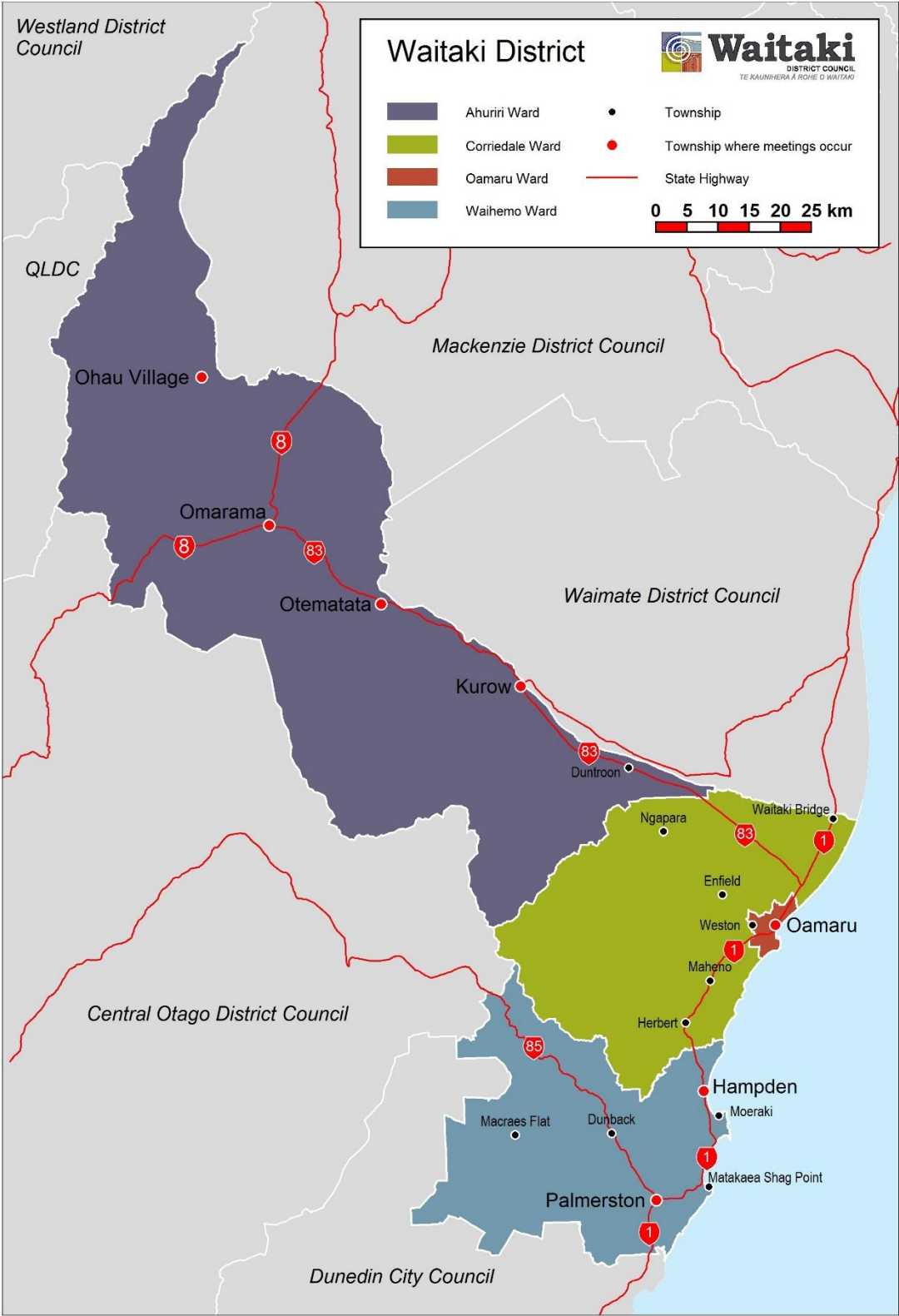
Agenda

Performance, Audit and Risk Committee Meeting

26 August 2025

**Alex Parmley
Chief Executive**

This meeting will be livestreamed at
<https://www.youtube.com/live/O6lnOWU0xnU?si=Qwu6SbCEqRiBQy4>.





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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 29 JULY 2025**

Author: Allyson Woock, Governance Services Officer

Attachments: 1. Public minutes of the Performance, Audit and Risk Committee
Meeting held on 29 July 2025

RECOMMENDATION

That the Performance, Audit and Risk Committee confirms the Public minutes of the Performance, Audit and Risk Committee Meeting held on 29 July 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, OAMARU
ON TUESDAY, 29 JULY 2025 AT 9:00 AM**

PRESENT: Simon Neale (Chair), Mayor Gary Kircher, Deputy Mayor Hana Halalele, Cr Tim Blackler, Cr Brent Cowles, Cr Jeremy Holding, Cr Jim Hopkins, Cr Rebecca Ryan

IN ATTENDANCE: Paul Hope (Support Services Director)
Joanne O'Neill (Strategy, Performance & Design Director)
Amanda Nicholls (Chief Financial Officer)
Peter Keegan (People & Capability Manager)
Arlene Goss (Governance Services Lead)
Allyson Woock (Governance Services Officer)
Jason Lilley (Website & Digital Content Creator)

MEETING LIVESTREAM RECORDING: This meeting was livestreamed on Council's YouTube channel, the recording of which can be found at the following link:
<https://www.youtube.com/live/zqiWLN-HTp0?si=qyGeY2ZeWycN86y7>.

MEETING OPEN

The Chair declared the meeting open at 9:01am and welcomed everyone present.

1 APOLOGIES

RESOLVED PAR 2025/040

Moved: Cr Tim Blackler
Seconded: Mayor Gary Kircher

That the apology received from Cr John McCone (for absence) be accepted.

CARRIED

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

3 CONFIRMATION OF PREVIOUS MEETING MINUTES

**3.1 PUBLIC MINUTES OF THE PERFORMANCE, AUDIT AND RISK COMMITTEE
MEETING HELD ON 24 JUNE 2025**

RESOLVED PAR 2025/041

Moved: Cr Jim Hopkins
Seconded: Cr Tim Blackler

That the Performance, Audit and Risk Committee confirms the public minutes of the Performance, Audit and Risk Committee Meeting held on 24 June 2025, as a true and correct record of that meeting, with minor corrections to grammar and punctuation.

CARRIED

4 DECISION REPORTS

4.1 TREASURY STRATEGY, FY 2025-2026 FIRST QUARTER

The circulated report discussed Council's proposed Treasury Strategy for the first quarter of the 2025-26 financial year, reviewed the benefits arising from Council's membership of the Local Government Funding Agency (LGFA), and considered the recommendations put forward by officers.

Chief Financial Officer Amanda Nicholls spoke to the report, noting it proposed continuing the same approach to the Treasury Strategy as previous quarters, aiming to maximise investment returns while keeping borrowing costs low. Ms Nicholls then responded to questions from committee members.

There was discussion regarding whether some of the funds sitting in Council's call account could be placed in a term deposit with higher yield. It was explained that the fund balances in the call account were kept as low as practical and only forecast to be there for a short-term period.

It was noted by the Chair that the report didn't accurately reflect the current market situation, as the OCR has been consistently decreasing since 2023, not only for the past six months as stated in the report. It was noted that the reference in the report to increased borrowing costs due to changes to the OCR over the past two years was therefore incorrect.

It was also noted that the future borrowing forecasts for the next nine years as presented in the report did not include water services capital expenditure. Following Council's decision regarding Southern Water Done Well, the forecasts are being reworked to include water services capital expenditure.

It was acknowledged work would need to be done to update the Treasury Strategy in light of reworked future borrowing forecasts, including reviewing the pros and cons of getting a credit rating and analysing borrowing limits and debt ratios. This would involve working with Bancorp.

It was suggested that Bancorp be invited to attend the next Council workshop on the Council's Water Services Delivery Plan.

RESOLVED PAR 2025/042

Moved: Member Jim Hopkins

Seconded: Deputy Mayor Hana Halalele

That the Performance, Audit and Risk Committee recommends:

That Council:

1. Adopts a Treasury Strategy for the first quarter of the 2025-26 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.

CARRIED

5 MEMORANDUM REPORTS

5.1 FINANCIAL REPORT FOR QUARTER 4 FY2025

The circulated report presented the projected financial results for the 12 months ended 30 June 2025 and included explanations for variances against budget.

Chief Financial Officer Amanda Nicholls spoke to the report, emphasising the results in the report were still draft as final year end accruals and adjustments are yet to be made, and the infrastructure revaluation has not yet been accounted for.

A question was raised regarding Council's borrowing costs being higher than budgeted despite total borrowings being less than budgeted. It was explained that the timing of the borrowing was a factor. While there was less borrowing over the financial year, there was more borrowed earlier in the year than budgeted. This earlier borrowing then incurred interest costs for a longer period. Ms Nicholls offered to distribute a breakdown of the borrowing costs by month to the committee members following the meeting.

There was discussion surrounding personnel costs, including the capitalisation of salaries, the variance in recruitment costs, backfilling for staff vacancies, and contextualising these within the Transformation Programme. It was noted by the Chair that salaries and wages had increased significantly since 2020. Following questions about staff levels, People & Capability Manager Peter Keegan provided a verbal update of current FTE figures. This confirmed the significantly higher numbers were correct and it would still be some time before the benefits of Transformation flowed through.

Deputy Mayor Hana Halalele requested there be narrative around personnel costs in future reports to provide better context on the reasons for the increases.

Mayor Gary Kircher requested a report come back to the PAR Committee with updated financials on the transformation programme to understand costs and resources to date, including the use of carry forward project funding that might have been allocated by the previous Council for transformation.

Cr Rebecca Ryan left the meeting at 9:49am.

Mayor Gary Kircher left the meeting at 9:49am.

Mayor Gary Kircher returned to the meeting at 9:50am.

Cr Brent Cowles joined the meeting online via Zoom at 9:50am.

Cr Rebecca Ryan returned to the meeting at 9:51am.

RESOLVED PAR 2025/043

Moved: Mayor Gary Kircher

Seconded: Cr Jim Hopkins

1. That the Performance, Audit and Risk Committee receives and notes the information.
2. That officers bring a report to the Performance, Audit and Risk Committee detailing costs and resources allocated to the Transformation Programme.

CARRIED

5.2 TREASURY REPORT TO 30 JUNE 2025

The circulated report provided members of the committee with an overview of the Treasury function for the fourth quarter ended 30 June 2025, and the Bancorp Quarterly Treasury Dashboard Report for the same period.

The report was taken as read with no discussion, as questions had already been addressed through discussion on agenda item 5.1.

RESOLVED PAR 2025/044

Moved: Cr Tim Blackler

Seconded: Cr Rebecca Ryan

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

CARRIED

5.3 HEALTH AND SAFETY UPDATE

The circulated report provided an update on the incidents reported during the period 31 March to 30 June 2025.

People & Capability Manager Peter Keegan spoke to the report and responded to questions seeking further detail about the incidents that were reported.

In response to a question regarding the airport not being included in the health and safety update despite being deemed high risk, Mr Keegan confirmed that there had been no incidents at the airport in the reporting period.

Concern was expressed regarding the increasing trend of violence and aggression towards Council staff and at Council facilities, especially where other members of the public are present and may be at risk of harm. A question was raised regarding how this will be managed now that customers are being redirected from the Council HQ building to the library and swimming pool for services, where there could be more people present.

Mr Keegan responded that this consideration was being factored into the design of a permanent kiosk solution at the library, and would inform staff training going forward. Support Services Director Paul Hope added that there was also a focus on the safety of staff who are out and about in the district and potentially isolated.

RESOLVED PAR 2025/045

Moved: Cr Jim Hopkins

Seconded: Deputy Mayor Hana Halalele

That the Performance, Audit and Risk Committee note the incidents reported between 31 March and 30 June 2025.

CARRIED

6 RESOLUTION TO EXCLUDE THE PUBLIC

RESOLVED PAR 2025/046

Moved: Cr Tim Blackler

Seconded: Cr Jim Hopkins

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
7.1 - Accounts Payable as at 30 June 2025	<p>s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>s7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>s7(2)(i) - the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
7.2 - Accounts Receivable as at 30 June 2025	<p>s7(2)(a) - the withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>s7(2)(i) - the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

CARRIED

7 PUBLIC EXCLUDED SECTION

The Public Excluded section of the meeting commenced at 10:05am.

8 RESOLUTION TO RETURN TO THE PUBLIC MEETING

RESOLVED PAR 2025/047

Moved: Cr Tim Blackler

Seconded: Cr Rebecca Ryan

That the Performance, Audit and Risk Committee resumes in open meeting and decisions made in the Public Excluded section of the meeting are confirmed and made public as and when required and considered.

CARRIED

9 MEETING CLOSE

The Chair declared the meeting closed at 10:31am.

TO BE CONFIRMED at the Performance, Audit and Risk Committee Meeting to be held on Tuesday, 26 August 2025.

.....

CHAIRPERSON

4 MEMORANDUM REPORTS

4.1 AUDIT REPORT ON THE FINDINGS FROM THE LTP AUDIT

Author: Amanda Nicholls, Chief Financial Officer

Authoriser: Paul Hope, Director Support Services

Attachments: 1. Waitaki DC CD LTP RTG Final 19.08.25 [↓](#) 

RECOMMENDATION

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

PURPOSE

To receive and note the contents of Audit New Zealand's report to the Council on their Long-Term Plan and Consultation Document for the period 1 July 2025 to 30 June 2034.

SUMMARY

It is a legal requirement that Audit New Zealand completes an audit of Council's Consultation Document (CD) and Long-Term Plan (LTP).

The audit of the CD was scheduled to take place from 11 November 2024, and the audit report required for the Council meeting on 17 December 2024. However, there were delays in the audit starting so the audit resumed after Christmas and the audit report was ultimately provided on 3 February 2025.

The audit of the LTP was scheduled to begin on 26 May 2025 and be adopted on or before 30 June 2025. The audit commenced a week early on 19 May and was signed off on the legislative deadline of 30 June 2025.

The audit fee was set at \$102,100, which covered both stages of the audit. The auditors are currently seeking additional audit fees to cover their overruns on this audit – refer to separate paper in this Committee meeting.

The attached report from Audit New Zealand outlines their conclusions made on the LTP and CD, and the key findings and recommendations from their work performed. The Appointed Auditor, Dereck Ollsson will be in attendance to speak to his report.

There are no significant matters to bring to Council's attention, that Council is not already aware of.

KEY FINDINGS IN THE REPORT FROM AUDIT NEW ZEALAND

Audit opinions

The Council received a modified audit opinion on its CD, due to the accounting treatment relating to the transfer of net assets to the water services entity. The transfer of net assets from the three waters department were shown below the net profit within other comprehensive income and the auditors felt that they should be disclosed above the net profit. This was adjusted for in the final LTP after further work was completed in this area.

There were also two emphasis of matters paragraphs in the audit opinion regarding the unbalanced budget and the uncertainty associated with the Council's water services delivery.

The Council received an unmodified audit opinion on its LTP. There were two emphasis of matter paragraphs, drawing attention to the uncertainties over water services delivery and third-party funding on the Network Waitaki Events Centre (NWECC).

Key matters identified

- ✓ The Council's **underlying information and assumptions** used to prepare the LTP provided a reasonable and supportable basis for the preparation of the LTP.
- ✓ The auditors have acknowledged Council's consultation process on its **future water services delivery** and that the LTP is based on the Council's preferred option of the Southern Waters Done Well multi-owned Council Controlled Organisation (CCO) with Clutha, Gore and Central Otago District Councils.

As noted above, the auditors have drawn attention to the uncertainty of this in their audit opinion.

NOTE - Due to Council's 8 July 2025 decision to exit Southern Waters Done Well, the LTP finances will need to be re-visited and if necessary, an LTP amendment prepared after the Water Services Delivery Plan (WSDP) is considered by the Department of Internal Affairs (DIA) after 3 September 2025.

- ✓ In line with its contractual arrangements for the project, Council has budgeted to receive a further \$4 million in **external funding to assist with the development of the NWECC**. The auditors have highlighted that this is currently uncertain because the funding has not yet been contractually agreed. Council is well aware of this and has good processes in place to monitor the situation and maintains active communication with the Trust.
- ✓ The auditors have discussed the need for **quality and timely information** to complete their audit. There were inefficiencies on both sides, largely due to the significant amount of change and uncertainty within Council during this time, and late changes made which created re-work, the auditors are seeking additional fees. This is discussed in a separate paper.
- ✓ The auditors were satisfied with the **financial strategy and balanced budget** approach reached in the LTP. They were satisfied that the financial strategy is fit for purpose, supported by reasonable underlying information, and is compliant with the relevant requirements of the Local Government Act.
- ✓ The auditors are uncomfortable with the **accounting treatment for intangible asset recognition** and amortisation. Given Council's significant forecast investment in developing its digital services and the transformed approach regarding the support services areas of Council (e.g. Project Management Office), Council has budgeted to capitalise any staff time delivering in these areas. The auditors question whether this will meet the recognition criteria for intangible assets under IPSAS 31. Officers are confident that Council's approach will meet the recognition criteria.
- ✓ Overall, the auditors are satisfied that the final **infrastructure strategy** is fit for purpose. The supporting information is reasonable, and the strategy meets the legislative intent and expectations for such a document. However, they have recommended that the Council continue to improve the content of the IS going forward.

It is officers' intention that it be a live document that is continually improved and updated with the most accurate information at the time.

- ✓ The auditors considered the reasonableness of Council's **capital expenditure delivery assumption** with reference to the Council's track record of delivery, and size of its proposed capital programme. They recommended that the uncertainty rating be increased from "low" to "high", and were comfortable that the capital expenditure budgets were reassessed for timing (deferred) and the total capital expenditure was reduced.

NOTE – this will be a key area of consideration in any LTP amendment audit. If Council was to increase its capital expenditure budgets in its WSDP / LTP, the auditors would re-consider the reasonableness of the capital expenditure delivery assumption.

- ✓ Overall, the auditors concluded the **performance framework** is appropriate in the LTP and is compliant with relevant legislation and reporting standards.
However, they reviewed issues raised in their recent audits in relation to performance reporting, and again raised concerns over:
 - Council's methodology for traffic count estimates in terms of the road smoothness performance measure, and
 - Council's methodology and disclosure regarding its water loss performance measure.These areas remain a continued area of focus each year for Council officers.

There are no further audit matters to bring to your attention.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Report to the Council on the audit of

Waitaki District Council's
long-term plan and
consultation document
for the period 1 July 2025 to
30 June 2034

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Key messages

We have now completed the audit of Waitaki District Council's (the Council) consultation document (CD) and the audit for the long-term plan (LTP), covering the period 1 July 2025 to 30 June 2034. The Council adopted its CD on 3 February 2025 and its LTP on 30 June 2025. This report sets out our findings.

Audit opinions

CD Stage

We issued a modified opinion on the Council's CD on 3 February 2025. This means that, except for the accounting treatment relating to the transfer of net assets to the water services entity, in our view, the CD met its statutory purpose and provided an effective basis for public participation in the Council's decisions on the proposed content of the 2025-2034 LTP.

We also included two emphasis of matter paragraphs, drawing attention to the disclosures in the CD outlining the balanced budget requirement and the uncertainty associated with the Council's water services delivery.

LTP stage

We issued an unmodified audit report on the Council's LTP on 30 June 2025. This means we are satisfied the Council's LTP meets the statutory purpose. We found the underlying information and assumptions used to prepare the LTP provided a reasonable and supportable basis for the preparation of the LTP.

Without modifying our audit opinion, we included two emphasis of matter paragraphs, drawing attention to the uncertainties over water services delivery and third-party funding on the Network Waitaki Events Centre (NWECC).

Matters identified during the final audit of the plan

Council's underlying information

We reviewed the Council's underlying information at the CD stage and concluded that it was reasonable, except for the accounting treatment of the net assets to be transferred to the water services entity. At the final LTP stage, we considered new information that had become available, including significant changes to the financial statements and updates to some of the key assumptions. We confirm that the Council has taken this new information into account in preparing its final LTP.

We have also reviewed the resulting changes to the infrastructure strategy, financial strategy, key assumptions, and service performance framework. The linkages between these documents are clear and consistent. Our conclusions reached at the CD stage remain broadly consistent at the final LTP stage and the issues that gave rise to the qualification at the CD stage were resolved.

Water services delivery consultation process

Under the “Southern Water Done Well” heading, Council has consulted on the water services delivery model (comprising of Water Supply, Wastewater and Stormwater). The consultation period was from 9 May to 9 June 2025. The LTP is based on the Council’s preferred option of a multi-owned Council Controlled Organisation (CCO) with Clutha, Gore and Central Otago District Councils. This will be contingent on the approval of all participating councils.

The Council will finalise its decision and prepare a Water Services Delivery Plan (WSDP) for submission to the Department of Internal Affairs (DIA), by 3 September 2025.

Other areas of audit interest

Our audit engagement letter outlined the areas of emphasis identified for the audit. We discuss these matters in section 3 of this report.

Thank you

We would like to thank the Council, management and staff for their assistance and engagement during the audit.



Dereck Ollsson
Audit Director
19 August 2025

1 Our audit report

1.1 We issued a modified audit report on the CD

We issued a modified opinion on the CD dated 3 February 2025.

This means that, except for the accounting treatment relating to the transfer of the net assets to the water services entity, in our view:

- the CD provided an effective basis for public participation in the Council's decisions about the proposed content of its 2025-34 LTP, because it:
 - fairly represented the matters proposed for inclusion in the LTP; and
 - identified and explained the main issues and choices facing the Council and district, and the consequences of those choices; and
- the information and assumptions underlying the information in the CD were reasonable.

We also included two emphasis of matter paragraphs, drawing attention to the disclosures in the CD outlining the balanced budget requirement and the uncertainty associated with the Council's water services delivery.

1.2 We issued an unmodified audit report on the LTP

We issued an unmodified audit opinion on the LTP, dated 30 June 2025.

This means that we were satisfied:

- the LTP provided a reasonable basis for:
 - long-term, integrated decision-making and co-ordination of the Council's resources; and
 - accountability of the Council to the community; and
- the information and assumptions underlying the forecast information in the LTP are reasonable; and
- the disclosures on the relevant pages in the LTP represented a complete list of the disclosures required by Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations), and accurately reflected the information drawn from the LTP.

Without modifying our audit opinion, we included two emphasis of matter paragraphs, drawing attention to disclosure in the plan outlining on the uncertainty over water service delivery and uncertainty over third party funding on the NWEF.

Uncertainty over water service delivery

Pages 65 and 185 outline that the Council has consulted on the future delivery model for water services and is planning to establish a multi-owned council-controlled organisation with Clutha, Gore, and Central Otago District Councils from 1 July 2027. The plan reflects this proposal.

There is uncertainty about the future of water service delivery as the proposal is subject to the decisions by all the councils that are party to the proposal, and the proposal needs to be accepted by the Secretary for Local Government. There is also uncertainty about the financial impact of these decisions because details of the exact arrangements are still being considered.

Uncertainty over third party funding

Page 186 to 187 outlines that the Council is assuming around \$4 million in external funding to assist with the development of the NWEF. This is currently uncertain because the level of funding has not yet been contractually agreed. If the funding is not raised or is at a level that is different from that assumed in the plan, the Council intends to consult with ratepayers before deciding whether to include additional funding.

We discuss these matters further in sections 2.1.1 and 2.2 below.

1.3 Uncorrected misstatements

The forecast information underlying the LTP is free from material misstatements, including omissions. During the audit, we discussed with management any misstatements that we found, other than those that were clearly trivial.

Misstatements that remained uncorrected are presented in Appendix 1. Management elected not to adjust these on the basis of materiality. We are satisfied these uncorrected misstatements are immaterial both individually and in aggregate.

1.4 Audit scope and objective

The scope of our audit engagement and our respective responsibilities are contained in our combined audit proposal and engagement letter dated 17 December 2024.

1.5 Quality and timeliness of information

The development of the CD and LTP is a significant and complex project. A comprehensive project plan is essential for delivering a successful LTP.

We provided the Council with a list of required documents and due dates via the Audit Dashboard, while our audit information requests were generally responded to within expected timeframes. However, the quality of information we received was not consistently of the standard we would expect. Initial responses often required follow-up to obtain further detail, such as breakdowns, supporting calculations, or clarification. We also experienced delays in receiving some requested information as management processed changes and updated the underlying information. In addition, several matters required extended time to work through, including:

- review of the infrastructure strategy again at the final LTP audit to determine if the recommended updates had been made;
- multiple and significant changes to the financial model and related assumptions, including the treatment of inflation (BERL October 2024 adjustors), funding assumptions for the Network Waitaki Events Centre and the Forrester Gallery extension, NZ Transport Agency Waka Kotahi (NZTA) funding, and internal charge allocations;
- the accounting treatment of the three waters asset transfer, which was revised during the audit to reflect a relative contribution of net assets basis;
- the accounting treatment of the proposed improvements recognised as intangible assets and amortisation;
- the impact of updated Drinking Water Quality Assurance Rules (DWQAR) and Non-Financial Performance Measures Rules 2024; and
- the need to assess the service performance framework, due to the restructuring of the group of activities under the Council's transformation programme.

We reviewed seven versions of the financial models and nine versions of the LTP throughout the audit. This resulted in repeated rework, particularly as significant updates occurred late in the audit process. The final model was received on 26 June 2025 and the final LTP document on 27 June 2025.

Despite these challenges, we appreciated management's responsiveness to our audit feedback and willingness to update the documents accordingly.

Given the additional audit effort required, particularly in responding to late and significant changes, we intend to recover the costs associated with the extra time incurred. A separate letter will be issued outlining the basis for this recovery once we have consulted the Office of the Auditor-General (OAG), and we will discuss and agree on a fair recovery amount with you.

Management comment

We agree that the development of the CD and LTP is a significant and complex project. It was made more difficult this time as it was being developed in a period of significant change and uncertainty within the sector and Council itself.

Council officers provided the list of required documents and consider it part of a normal audit process that this then required follow-up to obtain further detail or to make changes as required. Officers feel that the items noted above were not complex, and clear detailed supporting information was provided to support each matter.

2 Audit opinion matters addressed

2.1 Uncertainty over water service delivery

To inform the Government's local Water Done Well reform programme, section 8 of the Local Government (Water Services Preliminary Arrangements) Act 2024 (the WSPA Act) requires councils to prepare a water services delivery plan and submit it to DIA by 3 September 2025.

The WSPA Act does not refer to the 2025-34 LTPs, other than to allow territorial authorities to combine consultation on their water services delivery plans with consultation on their LTPs. The Council has opted to do so. Since the adoption of the CD, the Council has undertaken further consultation on the proposed delivery of its three waters services under the Southern Water Done Well consultation.

Under the water services delivery plan, the Council is proposing to transfer the ownership, maintenance, and delivery of their water supply, stormwater, and wastewater infrastructure and services, as well as the debt of these activities, to a new company (CCO). The Council's preference is for the CCO to be a regional entity, setup in collaboration with Clutha District Council, Gore District Council and Central Otago District Council, and for it to commence operations from 1 July 2027.

This matter was included in the LTP CD as one of the key consultation topics. We are satisfied this matter and its associated impacts were adequately discussed in the CD. However, we issued a qualified opinion at the CD stage due to the accounting treatment of the net assets to be transferred to the CCO.

Since the adoption of the CD, the Council has revised the accounting treatment and the assumption of the shareholding. The updated assumption is that shareholdings in the CCO are based on the relative contributions of net assets whereas the assumption at the CD stage assumed equal shareholding. From 1 July 2027, the Council's financial statements derecognise the net assets related to three waters and recognise an investment in the CCO. We consider this accounting treatment to be compliant with GAAP. There is no longer an impact on the net surplus/(deficit) which affects the balanced budget benchmark in the LTP.

We assessed that the financial impacts to be materially reasonable and considered that the assumptions and uncertainties surrounding the three waters delivery model have been sufficiently disclosed in the LTP. These disclosures are summarised in the "Water Disclosure" section, which includes the assumed delivery model, transition arrangements, legislative context, uncertainties regarding future charges and expenses, debt implications, equity impacts, capital expenditure, and the final value of net assets to be transferred.

Based on our additional audit work and discussions with management, we conclude that the LTP contains appropriate disclosure highlighting the impact of the uncertainty of Council's decision and financial and operational information that is not yet available, and the need for further consultation with DIA.

These factors may have a material impact and could require future amendments to the LTP. As outlined in section 1.2 above, we have included an emphasis of matter in our audit opinion, to draw the reader's attention to this disclosure.

Management comment

We concur that there is uncertainty over the future of our water services delivery. This was a key consultation topic, and Council has ensured that the assumptions and uncertainties surrounding the three waters delivery model have been sufficiently disclosed in the LTP.

2.2 Third party funding for the Network Waitaki Events Centre (NWECC)

The estimated capital cost of the NWECC project recognised in the LTP is \$19.5 million over years 1 and 2. Estimated funding from grants and subsidises in year 1 is \$8 million.

Construction has already commenced on the six-court stadium, which also includes meeting rooms, offices, and performance spaces capable of hosting conferences and other activities. We accept that the risk of cost overruns is low, given that the project is being delivered under a fixed-price contract. Of the total estimated project cost of \$32 million, we understand that 53% is expected to be funded from external sources. At the time of adopting the LTP, Council had received or confirmed \$13 million out of the \$17 million of the external funding required. However, there are currently no formal contractual commitments in place for the remaining \$4 million of funding sources, which creates a level of funding risk. As outlined in the LTP, the Council has committed up to \$15 million toward the project. Should the external funding not eventuate, we understand the Council has the capacity to raise additional debt and would consult with ratepayers on any subsequent funding decisions.

We have included an emphasis of matter in our audit report to highlight the uncertainty associated with the unconfirmed external funding, including \$4 million that cannot be confirmed at this time.

Management comment

Council acknowledges the uncertainty over third party funding for the NWECC. There are appropriate processes in place to monitor this risk, and active engagement with the Fundraising Trust.

2.3 Financial strategy - unbalanced budget requirement

In our audit report on the Council's adoption of its CD, we included an emphasis of matter regarding the "balanced budget" requirement under section 100 of the Local Government Act 2002. At CD stage, the financial forecasts projected operating costs to exceed operating revenues in each year of the plan. A formal Council resolution was passed before Council adopts its CD, recording Council's view about why the operating deficit is prudent.

The Council anticipated that cost savings would help reduce the budget deficit by the time the final LTP was adopted, although there was a high level of uncertainty around the extent to which these savings would impact the unbalanced budget.

At the final LTP stage, we have reassessed this matter and concluded that an emphasis of matter is no longer required in our audit report. Further details are provided in section 3.1 of this report.

2.4 Intangible assets recognition and amortisation

In its financial forecasts, the Council has capitalised as intangible assets internal and salary costs relating to improvements to its information technology system. The proposed improvements include the digitisation of asset records, aerial mapping services, online access to property files, and the migration of IT services to the cloud. The Council could not provide sufficient evidence to support the capitalisation of these costs as intangible assets based on the criteria set out in the accounting standard, PBE IPSAS 31, *Intangible Assets*. Key elements of this standard include the requirements of identifiability, control over the resource, and the existence of future economic benefits.

A specific area of concern was whether the “identifiability” criterion was met. We were unable to obtain sufficient detail about the planned IT projects to demonstrate that the assets:

- were separable (that is, capable of being separated or divided from the entity and sold, transferred, licensed, rented, or exchanged—either individually or with a related contract); or
- arose from binding arrangements (such as contractual or legal rights), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

As a result, the Council made adjustments to its financial model, reducing the intangible asset balance by \$16 million - of which \$14 million related to the reversal of amortisation expense.

We also note that the Council’s depreciation and amortisation are calculated within a single schedule, making it difficult to separately identify amortisation from total depreciation and limiting the clarity of classification. Given that some capitalised asset costs remain in the LTP, we consider that a classification and timing misstatement remains - between personnel expenses and amortisation. However, after taking into account other financial model adjustments, we accepted that the estimated annual impact of the misstatement is not material. These estimated differences are included in Appendix 1 as uncorrected misstatements.

We recommend that the Council seek accounting advice to determine whether any IT related costs meet the recognition criteria for intangible assets under IPSAS 31, and to ensure appropriate accounting treatment and disclosures in future financial statements.

We will revisit the accounting treatment of capitalised intangible costs as part of our audit of the Council's 30 June 2025 annual report.

Management comment

Waitaki District Council is undergoing a transformation program, and significant investment is required in its information technology systems to achieve this. This includes a large variety of new or replacement systems such as asset management systems, document management systems, Geographic Information System (GIS), a unified integration platform, building services consent software, partnership collaboration portal, the digitisation of property files, and replacements of various other back-office systems, and so on. Where possible Council will utilise staff time and overhead costs in developing these assets, as this typically results in a more cost effective and catered product. It is felt that the current treatment meets the recognition criteria for intangible assets under IPSAS 31.

3 Areas of audit emphasis

During the planning stage of the audit and our review of the content of the LTP, we identified the following key risks and issues which were areas of emphasis during our audit. In this section of the report, we comment on our findings on those matters.

3.1 Financial strategy and infrastructure strategy

3.1.1 Financial strategy

We gained an understanding of the Council's financial strategy and evaluated its compliance with the requirements of sections 100 and 101A of the Local Government Act 2002 (LGA) including the balanced budget requirements.

The Council's financial strategy aims to ensure sustainable service delivery and financial management. Council balances affordability with community expectations and the equitable distribution of costs over and beyond our long-term planning timeframes. The strategy also aims to maintain its current level of service and balancing the need to meet legislative requirements.

An emphasis of matter in the audit report regarding an unbalanced budget is triggered when:

- the financial forecasts show a deficit in at least three years of the LTP; and
- the unbalanced budget could have a negative impact on debt and rates for future generations.

Since the adoption of the CD, the projected unbalanced budgets have improved. However, in 2027, projected operating revenue remains insufficient to cover that year's operating expenses, resulting in a forecast deficit of \$14 million. The Council has passed a resolution confirming it is prudent not to balance the budget at this time.

In considering the prudence of the strategy, we considered the following matters:

- Transformation programme: The Council is focused on streamlining processes to improve consistency, efficiency, and effectiveness. This includes enhanced staff collaboration and partnerships with other organisations. The LTP was prepared using a zero-based budgeting approach, and cost savings from the transformation programme have not yet been factored into the forecasts.
- Borrowing capacity: The Council has borrowing headroom within the Local Government Funding Agency (LGFA) debt limits. The transfer of three waters debt, estimated at approximately \$71 million, will be repaid, reducing the need for additional borrowing to fund capital expenditure.

- Rate increases: Rates are expected to rise more significantly in years 1 and 2 of the LTP, with increases of 9.4% and 7.0%. In year 3, a one-off decrease of 17.7% is expected due to the separation of water charges. From year 4 onwards, annual rate increases are forecast to remain below 4%.
- Capital projects: There are no growth-related capital projects included in the LTP. Discretionary projects include the Network Waitaki Events Centre and the Forrester Gallery extension.
- Depreciation funding: Council has decided not to fully fund depreciation for assets that are not planned for replacement and/or where external funding sources (such as NZTA or other third parties) are expected to contribute.
- Other funding sources for debt repayment: These include a \$15.6 million early repayment from Observatory Village Limited in February 2025, proceeds from planned property sales, and repayments of loan advances from other entities.

Overall, we were satisfied that the financial strategy is fit for purpose, supported by reasonable underlying information, and compliant with the relevant requirements of the Local Government Act.

Management comment

This Financial Strategy has been developed in a period of significant change and uncertainty, coupled with a high degree of cost pressures. Throughout the preparation of the Financial Strategy and LTP budgets, Council has sought to maintain its current levels of service while balancing financial sustainability and affordability for the community. It is reassuring that the auditors are satisfied with the Strategy.

3.1.2 Infrastructure strategy

We developed an understanding of the Council's infrastructure strategy and evaluated its compliance with the requirements of the Local Government Act 2002. We also gained an understanding as to how Council proposes to fund renewals and its proposed overall approach to manage the assets included in the infrastructure strategy.

The infrastructure strategy outlines the Council's proposed operational and capital expenditure for roading over the next 30 years, and for three waters activities for the first two years only. From year 3 onward, three waters infrastructure is excluded, as the Council anticipates these responsibilities will be transferred to a CCO. The strategy identifies key infrastructure challenges facing the Waitaki District and sets out the Council's planned responses, along with their potential implications. The Council remains focused on upgrading drinking water and wastewater systems to meet regulatory standards and on maintaining the road network through an ongoing renewals programme. We compared the level of forecasted renewals, to theoretical renewals profiles and depreciation and are satisfied at an overall level that the renewals proposed, are sufficient to renew assets as they reach the end of their useful lives.

We had recommended some improvements to the content of the strategy at the CD stage. The key recommendation was to ensure significant decisions about capital expenditure are explicitly covered in the strategy and for each decision, the principal options the local authority expects to have to consider (as required by section 101B(4)(b)(i) and (iii) of the Local Government Act 2002) - this has been addressed by the Council. In response, the Council revised the strategy in the final LTP. The updated version includes a more comprehensive list of key decisions and aligns with the Council's strategic direction.

The strategy is now clearer in articulating what decisions the Council has made. However, it remains unclear whether alternative options were presented to the public during consultation or what the public's views were on the preferred options. This did not impact our audit opinion on the LTP, however we recommend the Council to improve the content of the infrastructure strategy going forward.

Overall, we are satisfied that the final infrastructure strategy is fit for purpose. The supporting information is reasonable, and the strategy meets the legislative intent and our expectations for such a document. It is consistent with our understanding of the Council's asset management planning processes.

Management comment

The formation of the Infrastructure Strategy took a different direction in this iteration than in the past. The intent was to use the Infrastructure Strategy to articulate the key risks Council needs to respond to with its investment in infrastructure. This approach differs from previously where the investment was decided on a prevailing 'status quo' direction without significant investigation of future risks. The approach taken has meant that the Infrastructure Strategy was created from scratch using staff resource rather than an external consultancy using Council documents to form the strategy.

The central theme of the Infrastructure Strategy is one of right sizing investment according to the anticipated service level requirements of the future community amidst changing government regulation and expectations.

The consultation document reflected a number of the key risks and our responses to those risks with infrastructure. This included elements such as:

- *addressing financial capacity and affordability through discussion on collaborating with other councils to deliver key services;*
- *discussing issues of growth and demand for infrastructure through a consultation on water metering;*
- *responding to climate change and resilience through articulating options for keeping or abandoning infrastructure when under threat; and*
- *understanding how we best meet community needs and expectations through our review of properties and community halls.*

These questions on specific issues generated discussion on the broader risks facing Council and acted as proxy for a broader discussion of the issue. Based on officers' assessment, the integration of the Infrastructure Strategy into the consultation document was sound, presenting options to the community. There are several areas where decisions have not yet been made on the consulted material. In these instances, those decisions have not been integrated into the Infrastructure Strategy. This is an element of improvement for future iterations, and it is intended to be a "live" document that Council will continue to develop and improve over time.

The Infrastructure Strategy does have an improvement plan, which focused on several gaps in areas such as asset management, climate change and compliance and reform.

3.2 Assumptions

We reviewed the Council's significant forecasting assumptions and confirmed that they are materially complete. We also reviewed assumptions assessed as material to check that they have been reasonably applied.

We have confirmed that all significant forecasting assumptions disclose an appropriate level of uncertainty.

Overall, we have concluded assumptions are reasonable and supportable and appropriately disclosed in underlying information and the LTP. In addition to the three waters services delivery in section 2.1, we comment further on relevant assumptions below.

3.2.1 Capital expenditure delivery assumption

The Council has an assumption on the delivery of its capital programme. We considered the reasonableness of the assumption with reference to the Council's track record of delivery, and size of its proposed capital programme.

As recommended from the consultation stage, council has updated its uncertainty rating from "low" to "high" within the LTP for the assumption on the capital initiatives being delivered on time and within budget.

Since the adoption of the CD, the capital expenditure budgets have been reassessed for timing (deferred) and the total capital expenditure has been reduced. We assessed that the assumption was reasonable and the uncertainty level over the assumption remained appropriate.

3.2.2 Climate change assumption

The Council have outlined the potential impacts of climate change for the core infrastructure assets in its infrastructure strategy. Climate change may mean that the lifespan of our assets is shorter than planned, or that maintenance costs increase. It may also mean that repairs are needed more frequently or that materials deteriorate more quickly. The Council noted that some of the impacts are already clear, for example, sea-level rise, coastal erosion and rising temperatures among others.

The Council has identified and budgeted for a number of capital projects that will help mitigate the effects of climate change in the region. The impact of climate change has been factored into the Council's infrastructure strategy and asset management plans, as well as being a significant forecasting assumption. These key likely impacts have been factored into the planning for the Council's infrastructure assets.

We concluded that the assumptions for climate change, are appropriately included in the infrastructure strategy, AMPs and appropriately set out in the supporting documentation to the CD and LTP.

3.2.3 Other significant forecasting assumptions

We also reviewed how other significant assumptions were developed, including those relating to the revaluation of property, plant and equipment, inflation, interest rates, and depreciation. As noted in section 1.5 above, the NZTA funding and inflation factors were updated to reflect the latest available estimates. We are satisfied that these assumptions are reasonable and have been appropriately applied in the financial forecasts.

We are satisfied that the Council has appropriate systems and processes to determine these assumptions and they are reasonable, supportable, and are appropriately applied in the financial forecasts.

Management comment

It is reassuring that the auditors have concluded that Council's assumptions are reasonable and supportable and appropriately disclosed. In preparing the CD and LTP, Council was conscious that it was being prepared in a time of significant change and uncertainty, so required clear and concise information about its assumptions and the level of uncertainty of these.

3.3 Performance framework

Appropriate forecast performance information including targets, need to be well selected to provide a meaningful picture of the Council's activities and levels of service, and the significant dimensions of them. As part of our review of the LTP, we assessed the adequacy of the Council's overall performance framework.

Notwithstanding the changed classification of the GOAs, the performance framework in the 2025-34 LTP is a continuation of the framework included within the previous LTP. This includes at least maintaining the levels of service throughout the LTP period. In assessing the adequacy of the framework, we note the following matters:

- all mandatory performance measures required under the Non-Financial Performance Measures Rules 2024, have been included in the framework and are described consistently with the rules. This includes the subsequent amendment of the DWQAR to reflect the current regulatory regime as noted in section 1.5 above;

- targets are consistent with levels of service from asset management plans and the infrastructure strategy, that is:
 - the recent track record of performance for measures is consistent with future targets set in the LTP;
 - there are no significant changes in levels of service proposed from the previous LTP (which would indicate changes in targets should be amended to reflect changes promised in service levels); and
 - there are appropriate linkages and consistency between asset management planning and the performance framework; and
- there is an appropriate spread of measures for each group of activities covering the dimensions of performance we would expect to be covered (for example, quality and quantity of a service).

In addition, we confirmed that the requirements of clauses 1, 2, and 4 of schedule 10 of the Local Government Act 2002 and the relevant GAAP, have been covered in the LTP. No issues were identified.

We also reviewed issues raised in our recent audits in relation to performance reporting. The status of these issues will be updated again as part of our attest audit for 30 June 2025. This includes:

- A mandatory measure includes “the average quality of ride on a sealed local road network, measured by smooth travel exposure”. We recommended the Council to develop a methodology for traffic count estimates. This is yet to be addressed.
- A mandatory measure includes the reporting of water loss. We recommended that the Council’s current disclosure on water loss performance measures to be consistent with the Water New Zealand’s water loss guidelines. We understand that the Council has updated its methodology. We also recommended that the methodology be reviewed to confirm its alignment with the detailed technical guide on water loss issued in 2023, which superseded the 2010 version. We understand that there has been some progress, but this is yet to be fully resolved.

New performance measures were introduced in the LTP, and we have confirmed that the Council has appropriate systems in place to report against these measures.

Overall, we concluded the performance framework is appropriate in the LTP and is compliant with relevant legislation and reporting standards.

Management comment

It is reassuring that the auditors have concluded that Council’s performance framework is appropriate in the LTP and is compliant with relevant legislation and reporting standards. Council is aware of the matters raised in regards to the road smoothness and water loss performance measures, and will work with the auditors to address these as part of the audit of the 30 June 2025 annual report.

4 Other matters arising

4.1 Waitaki District Health Services Limited (WDHSL) – Council controlled organisations (CCO)

On 30 June 2024, WDHSL sold its hospital and associated health services business to Health New Zealand. Since 1 July 2024, WDHSL exists to hold the hospital buildings and receive lease income.

Council resolved, and has been undertaking steps, to wind up WDSHL by 30 June 2025. However, there are matters arising which has delayed the process. Council has assessed that it is not sensible to wind up WDHSL until these are resolved.

Given the uncertainty of the wind up of the entity and property transfer to Council, we accepted that the assets have not been recognised the LTP.

WDHSL has remained as a CCO as at 1 July 2025, and is therefore listed as CCO in section 3 of the LTP. Given the limited activities of the CCO, we assessed it was reasonable that there are no key activities or performance measures, other than maintaining the hospital buildings.

Appendix 1: Uncorrected misstatements

The misstatements that have not been corrected are listed below.

Consultation document and underlying information

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Expenditure			\$331million							
Equity			(\$331million)							

The Council has recognised a loss on sale of assets (three waters) in *Other Comprehensive Income*. This is a deviation from generally accepted accounting practice and PBE IPSAS 17: *Property, Plant and Equipment*, which requires a gain or loss arising from the derecognition of an item of property, plant and equipment to be included in surplus or deficit when the item is derecognised. This has a material impact on the balanced budget benchmark for 2028. We issued a modified audit opinion on this matter.

The Council's explanation for not correcting the misstatements

The Council advised that more guidance and clarity regarding the accounting treatment of this transaction will be forthcoming from the sector before adopting the LTP. Council will update the disclosure at the LTP stage.

Long-term plan

	Note	2026 LTP Yr1 \$000	2027 LTP Yr2 \$000	2028 LTP Yr3 \$000	2029 LTP Yr4 \$000	2030 LTP Yr5 \$000	2031 LTP Yr6 \$000	2032 LTP Yr7 \$000	2033 LTP Yr8 \$000	2034 LTP Yr9 \$000
Revenue	1	595	597	583	601	603	105	107	109	110
Expenditure	1, 2, 3	1,001	1,754	1,661	1,789	1,782	1,359	651	645	608
Operating surplus										
Current assets										
Current liabilities										
Non-current assets	2, 3	(406)	(1,157)	(1,078)	(1,187)	(1,179)	(1,254)	(554)	(536)	(498)

Noncurrent liabilities										
Equity										

Unadjusted audit differences include:

- 1 Non-trading losses/(gains) disclosed as negative expenses. We expect to disclose as revenue. This includes the sale of properties of \$500k per year for the first 5 years of the LTP, as noted in section 3.4.1 above.
- 2 Depreciation for certain revalued assets was not correctly calculated in the year of revaluation.
- 3 There is insufficient evidence to recognise capitalised net overheads and staffing costs as intangible assets. The overstatement is transferred to property, plant and equipment (PPE), and therefore, we expect these costs to be expensed.

The Council's explanation for not correcting the misstatements

The Council considers the misstatement to be immaterial for matters 1 and 2.

The Council considers that such costs can be capitalised for matter 3, as it represents Council's IT investments to modernise its systems.

Appendix 2: Mandatory 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 consultation document and long-term plan and reporting those opinions to you. This responsibility arises from section 93C(4), section 94(1) and section 259C of the Local Government Act 2002.</p> <p>The audit of the consultation document and long-term plan does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter dated 17 December 2024, contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Assurance and Auditing standards	<p>We carried out our work in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): <i>Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</i>. In meeting the requirements of this standard, we considered particular elements of the Auditor-General's Auditing Standards and the International Standard on Assurance Engagements 3400, <i>The Examination of Prospective Financial Information</i>, that were consistent with those requirements.</p> <p>Our work cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity, or inefficiency that are immaterial to the forecast information in the LTP, and the information and assumptions underlying the forecast information contained in the LTP. 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 Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>Other than our work in carrying out all legally required external audits, we have no relationship with or interests in the Council.</p>
Fees	<p>The audit fee for the year is \$102,100 (excludes GST and disbursements), as detailed in our Audit Engagement Letter. As discussed in section 1.5, we plan to seek approval from the Office of the Auditor-General to negotiate an additional fee recovery when we have completed the final LTP audit.</p>

Area	Key messages
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 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 during or since the audit.</p>
Unresolved disagreements	<p>We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the consultation document. Management has not sought to influence our views on matters relevant to our audit opinion.</p>



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4.2 AUDIT COSTS AND LTP FEE RECOVERY

Author: Amanda Nicholls, Chief Financial Officer

Authoriser: Paul Hope, Director Support Services

Attachments: 1. Fee Recovery – WDC  
2. WDC 2025 LTP Audit Fee Recovery  

RECOMMENDATION

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

PURPOSE

To receive and note Audit New Zealand's request for additional fee recoveries for their audit of Council's Consultation Document and Long-Term Plan.

To note historic audit fees for both the audit of the Long-Term Plan and the annual reports each year.

SUMMARY

Audit New Zealand recently completed the audit of Council's Consultation Document and Long-Term Plan (LTP).

The agreed audit fee from the outset of the audit was \$102,100.

The auditors are now seeking to recover a further \$88,182 for costs that have arisen to carry out additional unforeseen audit work. They note that this represents approximately 25% of their cost overrun and Audit New Zealand is absorbing the balance.

Refer to attachment 1 Fee Recovery – WDC, where the Office of the Auditor-General has agreed to Audit New Zealand negotiating with Council for up to the \$88,182 increase in fee.

Council's Chief Executive and Chief Financial Officer met with Council's Appointed Auditor from Audit New Zealand on Monday 11 August 2025, to discuss the request and negotiate a fee recovery. Agreement could not be reached.

The Appointed Auditor has discussed the matter further with the Office of the Auditor-General who has requested that all parties undertake further negotiation.

The Appointed Auditor has also provided a detailed breakdown on the areas of overspend. Refer to attachment 2 – WDC 2025 LTP audit fee recovery.

At the time of writing this report, this meeting had not been held. A verbal update will be provided on the status of negotiations.

The Appointed Auditor, Dereck Ollsson, will also be in attendance at this meeting to discuss the matter further.

AUDIT FEE OVERVIEW AND HISTORIC AUDIT COSTS

LTP audit

The audit fee for this year's LTP was set at \$102,100.

This is an increase of 23% from the previous LTP audit fee of \$83,000 in 2021. Although there was a further \$56,000 of audit fee overruns incurred in 2021, bringing the actual amount paid for the 2021 LTP audit to \$139,000.

The audit fee for the 2015 LTP was \$73,000, and for the 2018 LTP it was \$87,000.

At the time of agreeing to the audit engagement for this year's LTP, it was felt that the increased audit fee was more than sufficient to cover the work required.

The auditor has outlined the following matters that arose during this year's LTP audit, that they needed to carry out additional unforeseen audit work for:

- Impact of the Waka Kotahi NZTA indicative funding announcement.
- We received 11 drafts of the LTP which required review each time.
- Changes to significant assumptions related to the 3 Waters CCO.
- The financial model, financial strategy and some of the assumptions were significantly changed from CD to LTP.
- We reviewed 7 versions of the financial model.
- Sales of property accounting treatment and opening balance sheet issues.
- Funding assumptions for the event centre and the art gallery funding.
- Large number of misstatements identified.

Officers acknowledge that the development of the CD and LTP is a significant and complex project. It was made more difficult this time as it was developed in a period of significant change and uncertainty within the sector and Council itself. This did create inefficiencies and re-work for both parties.

Council officers provided the list of required documents requested by Audit New Zealand, at the outset, and consider it part of a normal audit process that this then required follow-up to obtain further detail or to make changes as required. Much of the points raised above are considered to be these types of matters.

Officers feel that the items noted above were not complex or time consuming to review, and clear detailed supporting information was provided to support each matter.

Officers will continue to actively negotiate the audit fee overrun with the Appointed Auditor. But ultimately feel that the level of fee requested is too high.

Annual Audit

In terms of the audit fees incurred for the audit of Council's Annual Report each year, the following table outlines the last 10 years total audit fees initially set and additional fee overruns:

Year	Total audit fee	Discount	Total audit fee after discount	Increase from prior year	Additional fee / overruns
2015	110,000	-	110,000	7.18%	
2016	112,000	-	112,000	1.79%	
2017	117,000	-	117,000	4.27%	
2018	117,000	-	117,000	0.00%	7,000
2019	133,000	-	133,000	12.03%	11,000
2020	157,000	-	157,000	15.29%	38,000
2021	171,000	-	171,000	8.19%	34,000
2022	179,000	-	179,000	4.47%	20,000
2023	294,630	- 65,630	229,000	21.83%	64,000
2024	324,007	- 65,630	258,377	11.37%	-
2025	348,850	- 32,401	316,449	18.35%	-

Council successfully negotiated a discount on its audit fees in the 2023, 2024 and 2025 financial years, to lessen the impact of Audit New Zealand's proposed 65% audit fee increase from \$179,000 in 2022 to \$294,630 in 2023.

Even with the discounts the increases in audit fees have been significant in recent years.

Officers would like to advise Council that the audit fee for the 30 June 2025 annual report audit will be \$316,449. This represents material cost to Council and significant burden on ratepayers.



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29 July 2025

Dereck Ollsson
Audit New Zealand

By email: dereck.ollsson@auditnz.parliament.nz

Tēnā koe Dereck

VARIATION OF AUDIT FEE: Waitaki District Council

Thank you for your email of 24 July 2025 seeking the agreement of this Office before negotiating with Waitaki District Council for an increase in the audit fee for the 2025 Long Term Plan (LTP). You state that the request arises from the need to do additional audit work, in the following areas:

- Impact of the Waka Kotahi NZTA indicative funding announcement.
- You received 11 drafts of the LTP which required review each time.
- Changes to significant assumptions related to the 3 Waters CCO.
- The financial model, financial strategy and some of the assumptions were significantly changed from CD to LTP.
- You reviewed 7 versions of financial model.
- Sales of property accounting and opening balance sheet issue.
- Funding assumptions for the event centre and the art gallery funding.
- Large number of misstatements identified.

I confirm that your request is within the criteria for fee variation set out in section 5.6 of your Terms and Conditions of Engagement to conduct the audit. This Office, therefore, agrees to you negotiating with Waitaki District Council for an increase of up to \$88,182 plus GST in the fee for the audit of the 2025 LTP. I note that you are seeking to recover approximately 25% of your cost overrun and are absorbing the balance.

You should present a copy of this approval to the organisation as evidence that you are acting within the terms of your contract for the audit.

Nāku noa, nā

Amin Khan
Manager, Auditor Appointments

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2025 LTP audit – Waitaki DC

Reason for overrun	Additional hours	Additional fees	Additional commentary
We carried out the initial planning work in 2024, then council decided to defer the audit.	27	\$4,548	Unrecovered costs incurred before council decided to defer the audit.
Additional work was performed during the LTP stage to address changes in capital expenditure related to NZTA's indicative funding. This required repeating some work late in the audit process.	4	\$680	Some of the projects planned for 2025 have been deferred to the Long-Term Plan (LTP) years. However, the Annual Plan was not updated to reflect the removal of these deferred projects. As a result, the total project cost exceeds the available NZTA funding. We had to revisit the NZTA funding assumptions during the LTP stage.
Our fee assumed two drafts of the LTP would be reviewed, whereas we reviewed 9 sets.	51.95	\$9,242	We received 11 drafts in total, we reviewed 9 versions. Our audit process for each draft included the following steps: <ul style="list-style-type: none"> - identifying the changes made; - reviewing and agreeing on the changes; - for changes arising from the misstatement schedule, comparing them against the schedule and updating it accordingly; - investigating any unexpected changes to understand the reasons behind them and assessing their impact on other sections of the LTP; and - carrying any new misstatements to the misstatement schedule. All 9 drafts we reviewed contained unexpected changes, which required us to repeat the process above, 9 times. The initial draft LTP did not include all the information required to be included in an LTP, such as the financial model which was still not final.
There were also changes to significant assumptions, such as the 3 water CCO assumption related accounting, which required audit rework and further checking of this section of the LTP document.	17.6	\$4,348	Council's assumption that their water services will be delivered through a Council Controlled Organisation (CCO) from 1 July 2027 was incorrectly accounted for during the CD stage of our audit. The council decided during the final week of the LTP stage to change the accounting treatment to comply with GAAP, after it was initially agreed that they won't change the treatment. We carried out work to check the accounting treatment is correct and complies with GAAP. We also reviewed the assumptions made in relation to the water CCO

			and the related disclosures. ORCs were required during the CD stage relating to the incorrect treatment of the accounting transaction as well as the balanced budget assumption that resulted in a qualified opinion and again during the LTP stage to due to the communicated change.
Information required to conduct the audit was not available <i>and/or</i> complete and provided in accordance with the agreed timelines. This includes <i>e.g., the full draft financial strategy, draft infrastructure strategy and key underlying assumptions and information that supports the LTP.</i>	189.15	\$35,214	<p>The financial model, financial strategy and some of the assumptions were significantly changed between CD and LTP stages. Audit of multiple financial models (7) and significant changes were made throughout the audit to the financial model and related assumptions, including the treatment of inflation (BERL October 2024 adjustors – refer below), the Forrester Gallery extension, NZTA funding, and internal charge allocations, to name a few changes amongst others. We also checked for internal consistency between the financial model, financial strategy, and infrastructure strategy where unexpected changes were identified.</p> <p>The draft financial model was received with client comments that noted – “<i>the budgets have been built in our previous organisation structure and groups of activities. WDC is currently undergoing a significant restructure and has set a new org. structure and will develop new GoAs. The budgets will be re-allocated under the new org. structure in the new year. So, these budgets are very much in draft and under the "old" way</i>” This impacted our work on the model and assumptions as all the work done during the CD stage had to be redone during the LTP stage as the models were completely different (based on new structures). Normally one would only audit the movement and agreed changes between CD stage and LTP stage based on outcome of consultation, but in this case, it was a start from the scratch, and the client recognised that throughout our communications. Additional resources (a whole new team) were required as a result of that.</p>
<i>Sales of property accounting</i> was not subject to appropriate levels of quality review before submission for audit. This resulted in rework and delays in our audit work.	1.7	\$381	Sales of property accounting and opening balance sheet issue.

Proposed approaches to funding (primarily externally funded) water and wastewater assets/major capital projects/ maintaining existing levels of service did not reconcile with the Council's <i>[key assumptions/financial /infrastructure strategy and /or were not reasonable]</i> , which required late changes to the strategies/funding assumptions and calculations and subsequent flow on effects throughout the LTP document.	8.8	\$2,783	Funding assumptions for the event centre. Also, the art gallery funding assumption became material at the LTP stage, and we had to carry out additional work on this. We were unable to obtain sufficient support for the funding assumption. As a result, we performed alternative procedures and assessed the impact on the audit opinion. Consequently, an Emphasis of Matter (EOM) paragraph was included.
All other client driven issues specific to the council.	85.7	\$30,986	<p>Hours include work on:</p> <ul style="list-style-type: none"> Intangible assets issues and multiple ORCs as a result. Additional SAAS hours relating to issues regarding infrastructure strategy. The infrastructure strategy did not contain the key information required under the Act: <ul style="list-style-type: none"> The council has not identified the decisions it must make which it considers to be significant. The council has not identified options for addressing the decisions it must make. <p>SAAS had to review the revised infrastructure strategy again at LTP stage and concluded that the IS was improved.</p> <ul style="list-style-type: none"> Large number of misstatements identified. <ul style="list-style-type: none"> CD stage – 34 misstatements LTP stage – over 150 misstatements <p>Each misstatement contains multiple individual misstatements.</p> <p>Some misstatements required us to provide technical advice to the client – e.g. prudence requirements, rating base disclosures, grant disclosures, etc.</p>
TOTAL HOURS ATTRIBUTABLE TO CLIENT FOR ADDITIONAL WORK REQUIRED	358.9	\$88,182	

4.3 AUDIT REPORT ON THE FINDINGS FROM THE FY25 INTERIM AUDIT

Author: Amanda Nicholls, Chief Financial Officer

Authoriser: Paul Hope, Director Support Services

Attachments: 1. Waitaki DC Report to Governors – Interim Final [!\[\]\(83f22ed94ec5517769dd76d702c6bfd8_img.jpg\)](#) [!\[\]\(58518edde73d42d67a35a8ed26134c7b_img.jpg\)](#)

RECOMMENDATION

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

PURPOSE

To receive and note the contents of Audit New Zealand's report to the Council on their interim audit of the Council for the 2025 financial year.

SUMMARY

Audit New Zealand breaks its annual audit into two stages. The first stage is the interim audit, and the second stage is the final audit where they concentrate on the annual report. At the interim audit stage, they consider the Council's control environment including financial and non-financial systems, processes and controls. They also brought forward their audit work on key projects relating to the Network Waitaki Events Centre and Coastal Landfill Site Remediation work.

Audit New Zealand have provided the attached *Report to the Council on the interim audit of Waitaki District Council for the year ending 30 June 2025, dated 30 July 2025* (Attachment 1).

In their report the auditors note that overall, they assessed the control environment as effective for the purposes of their audit.

The auditors also reviewed the status of previous recommendations that are outstanding from their previous audits. They have no urgent recommendations. The other outstanding recommendations are as follows and will be followed up during the final audit process:

- Update the following policies: sensitive expenditure policy, risk management policy, fraud policy, conflict of interest policy, code of conduct policy.
- Include standard terms and conditions on non-rates invoices, specifically regarding interest penalties or debt collection costs when required.
- Set a tolerance for the variance between invoice and purchase order by dollar and percentage.
- Improve the consolidation process.
- Develop a methodology for traffic counts estimates.
- Record all roading assets in the RAMM.
- Review and challenge reports from external experts (roading valuation report) before accepting it.
- Complete timely review and reconciliations of the complaints between CRMs and Hansen's work orders (waters customer relation management).
- Water loss performance disclosure is not consistent with Water NZ' water loss guidance.
- Set useful lives of 3 waters pipe assets in line with industry averages.
- Capitalise assets at the date that they are ready for use.
- Investigate what is causing water losses and implement processes to solve this.
- Obtain a full seismic assessment report over all Council buildings.

- Make CCO documents publicly available in line with legislative requirements.

Officers are making progress on the recommendations and expect that many will be resolved by the time of the final audit. However, there are some recommendations that will not be fully addressed, such as the water loss matters.

There are no further audit matters to bring to your attention.

NEXT STEPS

The final audit is set to take place beginning 22 September 2025. The 30 June 2025 annual report along with all supporting documents, will be completed and available to the auditors, on that day.

The audit will take place offsite, similar to prior years. The auditors will have read-only access to Council's financial system which allows them to obtain any listings or supporting invoices as they need them, which creates a smoother audit process for both parties.

The key areas of focus for the final audit are:

- Valuation of infrastructure assets (land and buildings, roading)
- Fair value assessment of infrastructure in a non-revaluation year (3 waters)
- Group consolidation
- Waitaki District Health Services Limited wind-up
- Change in payroll system
- Risk of management override of controls
- Amendment to PBE IPSAS 1 regarding the disclosure of audit fees
- Mutual Liability Riskpool Scheme
- "Local water done well" water reforms
- Benchmark reporting
- Fraud risk
- Legislative compliance

The legislative deadline to adopt the audited annual report is 31 October 2025. There is a Council meeting booked in that morning to adopt the annual report.

Officers will keep the PAR committee informed of any potential matters during the course of the audit process.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Report to the Council on the interim audit of

Waitaki District Council

For the year ending 30 June 2025

Contents

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Key messages

We have substantially completed our interim audit for the Waitaki District Council (the District Council) for the year ending 30 June 2025. We have not identified any new issues from the interim audit work we performed.

Audit progress to date

The purpose of our interim audit was to update our understanding of the District Council's financial and non-financial systems and control environment and gain an understanding of the issues facing the District Council.

We had planned to bring forward audit procedures which would traditionally be performed after the year-end. This involved early review of fair value assessments, property, plant and equipment key item testing, other expenditure testing, sensitive expenditure review and payroll starters and leavers and FTE testing. However, we could not perform all the planned interim testing as we were unable to resolve some of the audit queries relating to the other expenditure transaction listing and FTE report within the time the audit team was resourced to perform the interim audit.

We have brought forward audit work on key (high value) invoices for two key projects relating to the Waitaki Events Centre and the Coastal Landfill Site Remediation Project. No issues were identified from our interim review of these high value invoices.

Control environment

We carried out a high-level assessment of the Council's control environment and tested the relevant key financial and non-financial systems. This work has been completed for the purpose of planning the most effective and efficient audit approach, to enable us to express an audit opinion on the Council's financial statements and the service performance information for the year ending 30 June 2025.

We assessed the overall control environment as effective for the purpose of our audit.

Status of prior year recommendations

We followed up on the matters raised in the 2024 Report to the Council. An update on prior year recommendations is included in Appendix 1. This focuses on matters covered during our interim audit visit. The status of the remaining prior year recommendations will be followed up and reported on at the completion of our 30 June 2025 audit.

Thank you

We would like to thank the finance team, as well as all other management and staff involved in the audit, for their engagement and assistance during the interim audit.



Dereck Ollsson
Appointed Auditor
30 July 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 recommendations.

Explanation	Priority
Needs to be addressed <i>urgently</i> 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
Address at the earliest reasonable opportunity, <i>generally within six months</i> 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
Address, <i>generally within six to 12 months</i> 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 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 year's recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open recommendations	-	1	1	2
Matters that will be followed up during our final audit visit	-	11	2	13
Total	-	12	3	15

2 Assessment of internal control



The Council, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal control relevant to preparing the financial statements and the service performance information.

We review internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances. Our findings related to our normal audit work, and may not include all weaknesses for internal controls relevant to the audit.

2.1 Control environment

The control environment reflects the overall attitudes, awareness, and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting and performance estimates and its external reporting philosophy and is the context in which the accounting system and control procedures operate. Management, with the oversight of [those charged with governance], need to establish and maintain a culture of honesty and ethical behaviour through implementation of policies, procedures and monitoring controls. This provides the basis to ensure that the other components of internal control can be effective.

We have performed a high-level assessment of the control environment, risk management process, and monitoring of controls relevant to financial and service performance reporting. We considered the overall attitude, awareness, and actions of the District Council and management to establish and maintain effective management procedures and internal controls.

We assessed the overall control environment as effective for the planning purpose of our audit.

2.2 Internal controls

Internal controls are the policies and processes that are designed to provide reasonable assurance as to the reliability and accuracy of financial and non-financial reporting. These internal controls are designed, implemented and maintained by the District Council and management.

We reviewed the internal controls, in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems.

In performing our control environment assessment, we considered the “design effectiveness” of internal controls which is important to minimising the risk of either fraud or misstatement occurring.

For an update on the progress of previously identified weaknesses in internal controls, please refer to Appendix 1.

3 Service performance information

Our work to date indicates that a substantive audit approach is appropriate for the audit of the Council's service performance reporting. We have not identified any findings relating to the selected material performance measures.

4 Useful publications



Based on our knowledge of District Council, we have included some publications that the District Council and management may find useful.

Description	Where to find it
Performance reporting	
Public organisations are responsible for reporting their performance to Parliament and the public in a way that meaningfully reflects their organisation's aspirations and achievements. The Auditor-General published a discussion paper that explores five areas for improvement in performance reporting.	On the Office of the Auditor-General's website under publications. Link: The problems, progress, and potential of performance reporting
The Office of the Auditor-General, the Treasury and Audit New Zealand have jointly prepared good practice guidance on reporting about performance. The guidance provides good practice examples from public organisations in central government. Those working in other sectors may also find this useful.	On Audit New Zealand's website under good practice. Link: Good practice in reporting about performance — Office of the Auditor-General New Zealand (oag.parliament.nz)
Public accountability	
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: Building a stronger public accountability system for New Zealanders
Managing conflicts of interest involving council employees	
This article discusses findings across four councils on how conflicts of interest of council employees, including the chief executive and staff, are managed.	On the Office of the Auditor-General's website under publications. Link: Getting it right: Managing conflicts of interest involving council employees

Description	Where to find it
Sensitive expenditure	
The Auditor-General's good practice guide on sensitive expenditure provides practical guidance on specific types of sensitive expenditure, outlines the principles for making decisions about sensitive expenditure, and emphasises the importance of senior leaders "setting the tone from the top". It also describes how organisations can take a good-practice approach to policies and procedures for managing sensitive expenditure.	On the Office of the Auditor-General's website under good practice. Link: Sensitive expenditure
Conflicts of interest	
<p>The Auditor-General has published guidance on conflicts of interest. A conflict of interest is when your duties or responsibilities to a public organisation could be affected by some other interest or duty that you have.</p> <p>The material includes a printable A3 poster, an animated video on predetermination and bias, gifts and hospitality, and personal dealings with a tenderer. There is also an interactive quiz.</p> <p>These can all be used as training resources for your own employees.</p>	On the Office of the Auditor-General's website under 2019 publications. Link: Conflicts of interest
Severance payments	
Because severance payments are discretionary and sometimes large, they are likely to come under scrutiny. The Auditor-General has released updated good practice guidance on severance payments. The guide is intended to help public sector employers when considering making a severance payment to a departing employee. It encourages public organisations to take a principled and practical approach to these situations. The update to the 2012 good practice guidance reflects recent case law and changes in accounting standards.	On the Office of the Auditor-General's website under 2019 publications. Link: Severance payments

Description	Where to find it
Good practice	
<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"> • audit committees; • conflicts of interest; • discouraging fraud; • good governance; • service performance reporting; • procurement; • sensitive expenditure; and • severance payments. 	<p>On the Office of the Auditor-General's website under good practice.</p> <p>Link: Good practice</p>
Procurement	
<p>The Office of the Auditor-General are continuing their multi-year work programme on procurement.</p> <p>They have published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened.</p> <p>Whilst this is focused on local government, many of the questions are relevant to all types of public sector entities.</p>	<p>On the Office of the Auditor-General's website under publications.</p> <p>Links: Strategic suppliers: Understanding and managing the risks of service disruption</p> <p>Getting the best from panels of suppliers</p> <p>Local government procurement</p>

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Necessary		
Improvements to the sensitive expenditure policy <ul style="list-style-type: none"> Review and update the 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. Review sensitive expenditure incurred to ensure it is compliant with the adopted policies and expectations of the public sector. 	2024	Open – in progress <p>The review of the sensitive expenditure policy has not been completed.</p>
Beneficial		
Policies for review <ul style="list-style-type: none"> We recommend that the council reviews, and revises if required, policies in line with the council's policy review schedule. 	2021	Open – in progress <ul style="list-style-type: none"> Risk Management Policy (dated 27 May 2022) - We have confirmed that the revised Risk Management Policy was adopted by Council on 25 February 2025. <p>The review for the following policies have not been completed:</p> <ul style="list-style-type: none"> Fraud policy was approved in September 2020 and was due to be reviewed in September 2022. Conflict of interest policy - Approved by the chief executive on 27 May 2020 (next review date: 27 May 2022).

Recommendation	First raised	Status
		<ul style="list-style-type: none"> Code of Conduct Policy - Approved by the chief executive on 7 November 2018 (next review date not stated on the policy). Sensitive Expenditure Policy - date of next review is 1 March 2024.

Matters that will be followed up during our final audit visit

Recommendation	First raised
Necessary	
Improvement to the group consolidation process Implement the recommendations made in previous years.	2024
Develop a methodology for traffic counts estimates <ul style="list-style-type: none"> develop a methodology for determining the traffic counts estimates. Ensure that traffic count estimates are supported by robust and verifiable processes.	2024
Water loss – not consistent with water loss guidance 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.	2023
Roading assets to be recorded in RAMM Ensure that all roading assets are recorded in RAMM as the RAMM database is used as the basis for the revaluation.	2023
Roading valuation report Ensure that reports commissioned from external experts are well understood and challenged at appropriate levels to ensure accuracy, before the report is accepted. Ensure appropriate depth of technical accounting knowledge at the Performance, Audit and Risk Committee (PARC) level to appropriately challenge content and management assertions.	2023
Completeness and categorisation of the three waters customer relation management (CRM) complaints We recommend timely review and reconciliation of the complaints between CRM and Hansen's work orders to ensure these are appropriately categorised.	2022

Recommendation	First raised
Tolerance for the variance between invoice and purchase order (PO) 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.	2022
Useful lives of three waters pipe assets We recommend that in the next valuation, useful lives are appropriately set in comparison with industry averages.	2021
Understatement of depreciation 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.	2021
Legislative non-compliance - Council to make CCOs documents publicly available Implement a process to ensure compliance with legislative requirements surrounding the publishing of council-controlled organisation documents.	2020
Beneficial	
Service performance reporting – unexplained water losses The Council should further investigate what is causing water losses, and what efforts are being implemented to solve this.	2019
Seismic assessment report 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
Revenue 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

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carry 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. 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 carry out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity, or inefficiency that are immaterial to your financial statements. The District Council and management are responsible for implementing and maintaining systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the District Council 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>To date, other than the audit, we have no relationship with, or interests in, the District Council.</p>
Fees	<p>The audit fee for the year is \$349,850 as detailed in our Audit Proposal Letter.</p> <p>To date, no other fees have been charged in this period.</p>
Other relationships	<p>To date, 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 District Council that is significant to the audit.</p> <p>We are not aware of any situations to date where a staff member of Audit New Zealand has accepted a position of employment with the District Council during or since the end of the financial year.</p>



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4.4 VERBAL UPDATE ON ANNUAL REPORT INCLUDING VALUATIONS

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

A verbal update will be given.

5 RESOLUTION TO EXCLUDE THE PUBLIC

RECOMMENDATION

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
6.1 - Public Excluded minutes of the Performance, Audit and Risk Committee Meeting held on 29 July 2025	s6(a) - the making available of the information would be likely to prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

6 PUBLIC EXCLUDED SECTION

7 RESOLUTION TO RETURN TO THE PUBLIC MEETING

RECOMMENDATION

That the Performance, Audit and Risk Committee resumes in open meeting and decisions made in public excluded session are confirmed and made public as and when required and considered.

8 RELEASE OF PUBLIC EXCLUDED INFORMATION

9 MEETING CLOSE