

**Audit, Finance & Risk Committee**  
**12 September 2024**  
**Report for Agenda Item | Rīpoata moto e Rāraki take [6]**

**Department: Assurance, Finance & Risk**

**Title | Taitara: Deloitte Planning report for 2023/24 Audit**

**Purpose of the Report | Te Take mō te Pūroko**

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The purpose of this report is to communicate all planning matters arising from the audit of the financial statement of Queenstown Lakes District Council (QLDC) and its controlled entities for the year ending 30 June 2024.

**Recommendation | Kā Tūtohuka**

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That the Audit, Finance & Risk Committee:

1. **Note** the contents of this report.

**Prepared by:**



**Name:** Charlotte Wallis  
**Title:** Business Planning Project Manager

**20 August 2024**

**Reviewed and Authorised by:**



**Name:** Stewart Burns  
**Title:** General Manager, Audit, Risk and Finance

**22 August 2024**

**Context | Horopaki**

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2. Deloitte conducted audit planning activities in June including an interim audit which was completed remotely from Christchurch in preparation for the final visit in October/November.
3. The audit planning document is an opportunity for the auditors and the Committee to discuss the proposed audit approach and associated focus areas for the upcoming audit.

## Analysis and Advice | Tatāritaka me kā Tohutohu

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### 4. Advice

The report is for noting only, however by noting this report the committee gives the public confidence that the controls used to treat the risk are effective in the reporting period.

## Consultation Process | Hātepe Matapaki

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### Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

5. This matter is of low significance, as determined by reference to the Council's Significance and Engagement Policy 2021 because the report provides a basis for communication between the Committee and its professional advisors, and as such no wider consultation is required.

6. The persons who are affected by or interested in this matter are the Committee members.

### Māori Consultation | Iwi Rūnaka

7. The report provides a basis for communication between the Committee and its professional advisors, and as such no wider consultation is required.

## Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

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8. This matter relates to the Regulatory/Legal/Compliance risk category. It is associated with RISK10030 Audit of annual report or long-term plan identifies non-compliance/corrective actions within the QLDC Risk Register. This risk has been assessed as having a moderate residual risk rating.

9. The approval of the recommended option will allow Council to implement additional controls for this risk. This will be achieved by addressing the controls used to treat the risk are effective in the reporting period.

## Financial Implications | Kā Riteka ā-Pūtea

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10. As the planning of the annual external audit process is an administrative matter, there are no budget or cost implications arising from this report.

## Council Effects and Views | Kā Whakaaweawe me kā Tirohaka a te Kaunihera

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11. The following Council policies, strategies and bylaws were considered:

- Risk Management Policy

12. The recommended option is consistent with the principles set out in the named Risk Management Policy.

13. This matter is not included in the Long Term Plan/Annual Plan as the Annual Report is a separate legislative reporting requirement

#### Legal Considerations and Statutory Responsibilities | Ka Ture Whaiwhakaaro me kā Takohaka Waeture

14. This report achieves the purpose of the Local Government Act 2002 ensuring that the audit process is conducted appropriately, and good quality annual reporting is provided by Council to the public.

#### Local Government Act 2002 Purpose Provisions | Te Whakatureture 2002 o te Kāwanataka ā-Kīaka

15. Section 10 of the Local Government Act 2002 states the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future. The annual audit is a mandatory requirement for all local authorities.

16. The recommended option:

- Is consistent with the Council's plans and policies; and
- Would not significantly alter the intended level of service provision for any significant activity undertaken by or on behalf of the Council or transfer the ownership or control of a strategic asset to or from the Council.

#### Attachments | Kā Tāpirihaka

A	Deloitte Planning report for 2023/24 Audit (provided separately to the agenda)
B	Audit Proposal Letter (for information only)



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30 August 2024

Mike Theelan  
Chief Executive  
Queenstown Lakes District Council  
Private Bag 50072  
Queenstown 9348

Copy:                   Manager Auditor Appointments  
Office of the Auditor-General  
PO Box 3928  
Wellington

Dear Mike

**Proposal to conduct the audit of Queenstown Lakes District Council and subsidiaries on behalf of the Auditor-General for the 2024 financial year**

**1 Introduction**

The Auditor-General has appointed me to carry out the audit of your organisation for the year. As required by the Office of the Auditor-General (OAG), I set out below information relating to the audit for the financial year ending 30 June 2024. The purpose of this proposal is to provide information on:

- the statutory basis for the audit and how audit fees are set;
- the entities covered by this proposal;
- key members of the audit team;
- the hours we plan to spend on the audit and reasons for any change in hours;
- our proposed fees for the audit for the financial years ending 30 June 2024 and reasons for any change;
- proposed fees for subsequent years (financial year ending 30 June 2025) will be determined subsequent to the 30 June 2024 audit;
- assumptions relating to the proposed audit fees, including what we expect of your organisation;
- what the OAG Audit Standards and Quality Support charge provides;
- certification required by the Auditor-General; and
- our commitment to conduct the audit in accordance with the Auditor-General's Auditing Standards.

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## 2 Statutory basis for the audit and how audit fees are set

The audit of your organisation is carried out under Section 15 of the Public Audit Act 2001, which states that “the Auditor-General must from time to time audit the financial statements, accounts, and other information that a public entity is required to have audited”.

Fees for audits of public entities are set by the Auditor-General under section 42 of the Public Audit Act 2001. However, your Council and I have the opportunity to reach agreement first and recommend those fees for approval. The Auditor-General, with assistance from the OAG, will set audit fees directly only if we fail to reach agreement.

Our proposed audit fees are set out in this letter and include an estimate of the reasonable cost of disbursements (including travel and accommodation where necessary).

## 3 Entities covered by this proposal

This proposal covers the audits of the following entities:

- Queenstown Lakes District Council

The following entities is covered by a separate proposal/contract which will be agreed directly with the Board of Directors

- Queenstown Airport Corporation Limited

## 4 Key members of the audit team

Appointed Auditor	Mike Hawken
Quality Control Reviewer	Nicole Dring
Audit Manager	Hannah Kennedy

## 5 Estimated audit hours

We estimate that the following hours will be required to carry out the audits (compared to budgeted and actual data from the previous financial year):

Audit team member	2023 budget	2023 actual (*)	2024
Appointed Auditor	90	77	90
Review Partner	25	19	25
Audit Manager	225	139	225
Other CA qualified staff	290	303	290
Non CA qualified staff	570	661	570
<b>Total audit hours</b>	<b>1,200</b>	<b>1,199</b>	<b>1,200</b>

## 5.1 Reasons for changes in audit hours

The major reasons for the changes in hours for your organisation's audit are:

Reasons for increased or decreased audit hours compared to previous period <u>budgeted</u> hours:	2024
<b>Total increase (decrease) in audit hours</b>	

## 6 Proposed audit fees

Our proposed fees for the next year audit (compared to budgeted and actual data from the previous financial year) are:

Structure of audit fees	2023 budget fees	2023 actual fees charged (*)	2024
	\$	\$	\$
Net audit fee (excluding OAG Audit Standards and Quality Support charge and disbursements)	243,400	243,400	260,000
OAG Audit Standards and Quality Support charge	22,824	22,824	23,844
<b>Total audit fee (excluding disbursements)</b>	<b>266,224</b>	<b>266,224</b>	<b>283,844</b>
Estimated Disbursements (incl 2% technology charge)	20,000	37,577	40,000*
<b>Total billable audit fees and charges</b>	<b>286,224</b>	<b>303,801</b>	<b>323,844</b>
GST	42,934	45,570	48,577
<b>Total (including GST)</b>	<b>329,158</b>	<b>349,371</b>	<b>372,421</b>

The audit fees allow for the audit team to carry out specific tasks identified in the OAG Sector Brief and for the OAG Audit Standards and Quality Support charge. We have also estimated the reasonable cost of disbursements (including travel and accommodation where necessary). Disbursement costs are indicative only and will be charged on an actual and reasonable basis.

### 6.1 Reasons for changes in audit fees

In table 5.1 we showed the factors that have resulted in a change of audit hours. The cost impacts of those changes are shown in the table below.

Reasons for increased or decreased audit fees compared to previous period <u>budgeted</u> fees.	2024
Predicted staff salary cost movements	16,600
<b>Total increase (decrease) in audit fees</b>	<b>16,600</b>

## 7 Assumptions relating to our audit fee

You are responsible for the production of your financial statements and anything else that must be audited. Our proposed audit fees are based on the assumption that:

- You will provide to us, in accordance with the agreed timetable, the complete information required by us to conduct the audit.
- Your staff will provide us with an appropriate level of assistance.
- Your organisation's annual report and financial statements (including Statements of Service Performance) will be subject to appropriate levels of quality review by you before being submitted to us for audit.
- Your organisation's financial statements will include all relevant disclosures.
- We will review up to two sets of draft annual reports, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report (for publication on your website).
- There are no significant changes to the structure and/or scale of operations of the entities covered by this proposal (other than as already advised to us).
- There are no significant changes to mandatory accounting standards or the financial reporting framework that require additional work (other than as specified in tables 5.1 and 6.1
- There are no significant changes to mandatory auditing standards that require additional work other than items specifically identified in the tables above.
- There are no significant changes to the agreed audit arrangements (set out in an annual letter we will send you) that change the scope of, timing of, or disbursements related to, this audit.
- This fee excludes any additional audit procedures required in relation to climate change.

If the scope and/or amount of work changes significantly, we will discuss the issues and any implications for our audit costs and your audit fees with you and the OAG at the time.

## 8 What the OAG Audit Standards and Quality Support charge provides

Parliament has indicated that it expects the full cost of annual audits under the Public Audit Act (including an OAG Audit Standards and Quality Support charge) to be funded by public entities.

The OAG Audit Standards and Quality Support charge partially funds a range of work that supports auditors and entities, including:

- development and maintenance of auditing standards;
- technical support for auditors on specific accounting and auditing issues;
- ongoing auditor training on specific public sector issues;
- preparation of sector briefs to ensure a consistent approach to annual audits;
- development and maintenance of strategic audit plans; and

- carrying out quality assurance reviews of all auditors, and their audits and staff on a regular (generally, three-year) cycle.

Appointed Auditors are required to return the OAG Audit Standards and Quality Support charge portion of the audit fee, to the OAG.

## 9 Certifications required by the Auditor-General

We certify that:

- the undertakings, methodology, and quality control procedures that we have declared to the OAG continue to apply;
- our professional indemnity insurance policy covers this engagement; and
- the audit will be conducted in accordance with the terms and conditions of engagement set out in the audit engagement agreement and schedules.

## 10 Conclusion

As the Appointed Auditor, I am committed to providing you and the Auditor-General with the highest level of professional service. I intend to work with you, the OAG, and the Auditor-General in a partnership environment to resolve any issues that may arise.

If you require any further information, please do not hesitate to contact me.

Please counter-sign this letter (below) to confirm that you, and the governing body of your organisation, agree with its contents. This letter will then form the basis for a recommendation to the Auditor-General on the audit fee that should be set. The schedules of audit hours and fees will also be incorporated into my audit engagement agreement with the Auditor-General to carry out the audit of your organisation as the agent of the Auditor-General.

Yours sincerely




**Mike Hawken**  
Deloitte Limited

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I accept the audit fees for the audit of the 2024 financial year as stated above.

Full name:	<u>Stewart Burns</u>	Position:	<u>General Manager Assurance, Finance &amp; Risk</u>
Authorised signature:	<u></u>	Date:	<u>02/09/2024</u>
Entity name:	<u>Queenstown Lakes District Council</u>		

**Actions to take when agreement has been reached:**

- 1 Make a copy of this signed proposal and keep it for your file.
- 2 Send the original to:  
Mike Hawken  
Deloitte Limited  
481 Moray Place  
PO Box 1245  
Dunedin 9054