

Report to the Council

on the audit of Manawatu District Council and Group

For the year ended 30 June 2025

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Our audit report

We intend issuing a modified audit report

We intend issuing a non-standard modified audit report on 30 October 2025.

We intend to issue except for limitation of scope audit opinion on the comparative statement of service performance measures in relation to the processing times for building consents and resource consents and performance measures relating to the number of complaints received in relation to its drinking water supply, wastewater system, and performance of the stormwater system (per 1,000 connections).

We are satisfied that except for the possible effects of the matters described above, the financial statements and statement of service performance present fairly the Manawatu District Council and group's activity for the year and its financial position at the end of the year.

We also intend to include emphasis of matters paragraph to draw the users' attention to the disclosure in Note 33 about the water services reform as there is uncertainty as Council's Water Services Delivery Plan is yet to be accepted by the Secretary for Local Government.

Finalisation of the audit report is subject to

- receiving signed financial statements and representation letter;
- completing final director and manager review; and
- completing our review of the final version of the annual report once received.

We will confirm completion of our procedures at the Council meeting on 30 October 2025.

Corrected and uncorrected misstatements

We have discussed any misstatements that we found with management, other than those which were clearly trivial.

Any misstatements that have not been corrected will be listed in representation letter. We are satisfied that these misstatements are individually and collectively immaterial.

Other reports issued

This report sets out all matters that we consider need to be considered by the Council in approving the financial statements and statement of service performance for signing. In addition to this report provided to the District Council, we will also provide a report to management outlining areas for control improvements.

Thank you

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



Debbie Perera
Appointed Auditor
28 October 2025

Focus areas from the Audit Plan

Focus area	Outcome
Revaluation of infrastructure assets	
The District Council revalued its roading as well as water, wastewater, and stormwater assets as at 30 June 2025. There is a risk that the valuation included in the financial statements does not appropriately reflect the fair value of these assets.	We have completed our testing of the valuation and engaged with the valuer. We are satisfied that the financial statements appropriately reflect the fair value of the assets.
Accounting for impairment, capitalisation of costs and recognition of completed assets	
The District Council manages a large capital programme. Accounting for capital projects, whether completed during the year or in progress at balance date, requires judgement which can have a significant impact on the financial statements.	We reviewed the accounting for costs incurred on capital projects. We are satisfied that asset additions and work in progress are appropriately reflected in the financial statements.
Statement of service performance – building and resource consents and total complaints received for water, wastewater and stormwater	
The audit opinion for the 30 June 2024 Annual Report was qualified in relation to the percentage of building and resource consent applications processed within statutory deadlines and the total number of complaints received for water supply, wastewater and stormwater.	We are pleased to note that Council has rectified all issues this year, and we were able to obtain assurance over the reported results for these performance measures in this year's annual report.
The risk of management override of internal controls	
There is an inherent risk in every organisation of fraud resulting from management override of internal controls.	We completed testing to address this risk and did not identify any matters that we need to bring to your attention.

Other matters identified during the audit



Matters identified	Outcome
Local Water Done Well programme	
The Local Government (Water Services Preliminary Arrangements) Act 2024 required the District Council to deliver a Water Services Delivery Plan (WSDP) to the Secretary of Local Government by 3 September 2025. The District Council delivered the WSDP to the Department of Internal Affairs and the Secretary for Local Government on 27th August 2025.	The District Council has included a note outlining the process and that there is uncertainty as the Secretary of Local Government is yet to approve the Water Services Delivery Plan. We have included an emphasis of matter in our opinion referring to these uncertainties.
Statement of Service Performance	
Auditors are required to carry out our audit of service performance information prepared by Councils in accordance with NZ AS 1 (Revised): The Audit of Service Performance Information. This standard was applied for the first time for the District Council's 2024/25 audit and is closely related to the accounting standard for service performance reporting (PBE FRS 48). The standard has implications for both the auditor and the District Council, as the preparer of service performance information. The changes required a shift towards clearer and more meaningful language aimed at enhancing the quality and reliability of service performance reporting.	We conducted our audit in line with the requirements of NZ AS 1 (Revised) and provided feedback to the District Council from the audit procedures performed. Those findings have been incorporated into the service performance reporting as appropriate. Overall, the presentation, structure and content of the service performance information in the annual report meets the requirements of the applicable financial reporting framework.

Matters identified	Outcome
Inconsistency of targeted rates applied for 2025/26	
Auditors are required to gain assurance that rates have been consistently and legally set in the rates resolution, annual plan and rating system as part of the reviewing compliance with the Local Government (Rating) Act 2002 for coming year. While there were no issues identified for the 2024/25 financial year, our review of the 2025/26 rates setting process identified an inconsistency with the Wastewater Disposal Targeted rate between the Annual plan and the Rates resolution.	The Annual plan reflects a targeted rate of \$841 per Separately Used or Inhabited Parts (SUIP) whereas the rates resolution reflects a targeted rate of \$741 per toilet or urinal. We understand that Council has rated the lower dollar amount, which reduces the risk of a rates challenge, however, there remains a risk of Council being challenged for those properties where there is more than one toilet or urinal within a SUIP. Council is yet to complete the of assessment of the potential dollar impact on this rate. We have suggested that Council obtains legal advice and any corrective action coming out of this be taken to avoid potential liability to the council.
Elected Members Remuneration	
Auditors are required to gain assurance that the elected members are remunerated in accordance with the remuneration per the Local Government Members Determination.	We noted that the Elected members were remunerated for an extra day during the 2024-25 financial period. The extra payment was made due to an error in splitting up the yearly allowance into workdays. The remuneration was divided by 260 (standard workdays in a year), however the 2024/25 year had 261 workdays. Accordingly, the elected members were paid more than their yearly allowance per 2024-25 Local Government Members determination. We recommend that Council considers what action, if any needs to be taken, this may involve seeking legal advice.

Financial statements and service performance information

Judgements made in significant accounting estimates

Judgement areas	Misstated 	Cautious 	Balanced 	Optimistic 	Misstated
Three-waters infrastructure valuation (\$357.2M)					
Roading network valuation (\$670.2M)					
Operational and Restricted Land & Buildings & improvements (\$120M)					
Useful economic lives of property, plant and equipment and intangible assets (\$25.19M)					

These are our views on the level of prudence in key judgements in this year’s financial statements, relating to accounting estimates.

Commentary

The judgements made in accounting policies are based on information provided by independent values, management projections, historical experience and various factors that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an on-going basis. Overall, we found the judgements made in significant accounting estimates to be balanced.

Quality and timeliness of information provided for audit

The District Council's responsibilities include understanding whether management produce quality information, and whether there are

adequate resources, skills, and expertise applied in the reporting process. Our expectations were informed by the FMA's *Audit Quality Monitoring Report* (expectations for directors) and *Guidance and expectations for keeping proper accounting records*.

Expectation	Grading	Reason
Financial statements prepared by management comply with accounting standards	🟢 Good	We did not identify any significant audit findings with the financial statements' compliance with accounting standards.
Quality supporting financial information is prepared and available on a timely basis	🟢 Good	The Finance team performed well to deliver the annual report and supporting information in a timely manner, effectively using AuditDashboard to provide documentation within agreed timeframes.
Accounting records and supporting documentation reconcile to the financial statements	🟡 Acceptable	We only identified two misstatements requiring adjustment to the financial statements and few minor disclosure misstatements were brought to managements attention.
Accounting records support the accounting treatment applied by management	🟡 Acceptable	As part of the Property, Plant & Equipment (PP&E) disclosure review, we expected the accumulated depreciation for revalued assets classes to be nil, however accumulated depreciation balances were still being carried. While the net book values remain unchanged, the PP&E note was restated to adjust the cost and accumulated depreciation for the respective asset classes subject to revaluation. Additionally, movement in derivative financial liabilities was incorrectly taken through Other comprehensive income, rather than through surplus and deficit. This was subsequently rectified upon the issue being raised.

Expectation	Grading	Reason
Management prepares accounting papers for unusual or more complex transactions and estimates	🟢 Good	Management has engaged the services of external valuers to revalue their operational and infrastructure assets. These supporting information and calculations were prepared and submitted to us on a timely basis. We did not identify significant issues with the treatment of managements' complex transactions and estimates.
Governors challenge the process and the outcomes of management's judgements	🟢 Good	The District Council through the Audit and Risk Committee provides a robust assessment of management's judgments in the preparation of the financial statements and statement of service performance.
Service performance reporting prepared by management complies with accounting standards	🟡 Acceptable	The service performance reporting generally complied with accounting standards. There were changes made throughout the audit to ensure compliance with PBE FRS 48 and fix minor disclosure misstatements.
Quality supporting service performance information is prepared and available on a timely basis	🟢 Good	Appropriate supporting information was received.
Reported service performance agrees to supporting records	🟢 Good	The changes made were largely to do with additional information rather than deficiencies in the underlying records.
Issues raised in our previous reports are addressed in a timely manner	🟢 Good	We are pleased to note that the concerns raised for a number of years that led to qualified opinions around performance measure relating to building & resource consents and number of complaints received in relation to its drinking water supply, wastewater system, and performance of the stormwater system (per 1,000 connections) have now been resolved.

Grading	Explanation
 Good	The quality and timeliness of the information was of a good standard with no significant deficiencies.
 Acceptable	Quality and timeliness were of an acceptable standard but with some minor deficiencies and room for improvement.
 Attention	There were numerous and/or significant deficiencies and/or delivery was significantly late.

Appendix 1

Disclosures



Our responsibilities in conducting the audit

We carried out this audit on behalf of the Controller and Auditor General. We are responsible for expressing an independent opinion on the financial statements and performance information. This responsibility arises from section 15 of the Public Audit Act 2001.

The audit of the financial statements and statement of service performance does not relieve management or the Council of their responsibilities. Our audit engagement letter contains a detailed explanation of the responsibilities of the auditor and the Council.

Auditing standards

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 and statement of service performance. The Council and management are responsible for implementing and maintaining a system of internal control for detecting these matters.

Auditor independence

We confirm that, for the audit of the Manawatu District Council and statement of service performance for the year ended 30 June 2025, we have maintained our independence in accordance with the requirements

of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to the audit, we have carried out engagements in the areas of the District Council's debenture trust deed, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the District Council or its subsidiaries. Where staff have declared a potential independence issue due to relationships, they have we have ensured that they have been ringfenced from the issue. Another appropriate audit team member is assigned to ensure that the threat is eliminated or reduced to an acceptable level.

Fees

The audit fee for the year is \$280,041 excluding disbursements and GST, as detailed in our Audit Proposal Letter. Other fees charged in the period are \$6,300 excluding GST, for the annual assurance engagement over the District Council's Debenture Trust Deed.

Other relationships

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 Manawatu District Council that is significant to the audit.

We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with Manawatu District Council during or since the end of the financial year.

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

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