



Queenstown Lakes District Council
Management Letter
For the year ended 30 June 2025

17 December 2025

Katherine Harbrow
Queenstown Lakes District Council
Private Bag 50072
Queenstown 9348

Dear Katherine,

Management letter for the year ended 30 June 2025

In accordance with our normal practice, we enclose our comments on certain internal controls and accounting practices which came to our attention during our audit of the consolidated financial statements of the Queenstown Lakes District Council (the "Council" or "QLDC") and its subsidiaries (the "Group") for the year ended 30 June 2025. The matters raised in this report have been discussed and agreed with management of the Group and their comments have been included. Findings in respect of Queenstown Airport Corporation have been distributed and communicated separately.

We remind you that our audit was not designed to provide assurance as to the overall effectiveness of the controls operating within the Group, although we have reported to management any recommendations on controls that we identified during the course of our audit work. The matters being communicated are limited to those deficiencies that we have identified during the audit and that we have concluded are of sufficient importance to merit being reported. Recommendations for improvement should be assessed by you for their full commercial implications before they are implemented.

This correspondence is part of our ongoing discussions as auditor in accordance with our engagement letter dated 10 June 2025 and as required by the Auditor-General's Auditing Standards. This report includes only those matters that have come to our attention as a result of performing our audit procedures and which we believe are appropriate to communicate to management. The audit of the financial statements does not relieve management or the Council of their responsibilities. The ultimate responsibility for the financial statements and the design, implementation and maintenance of an appropriate internal control system to prevent and detect fraud or error rests with the Council.

We have prepared this report solely for the use of management and it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy without our prior written consent, we would not accept responsibility for any reliance that they might place on it.

We would like to take this opportunity to extend our appreciation to management and staff for their assistance and cooperation during the course of our audit.

If you would like to discuss any matters raised in this report please do not hesitate to contact us.

Yours faithfully



Heidi Rautjoki
Partner
for Deloitte Limited
On behalf of the Auditor-General

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1. Executive Summary

In performing our audit we have not identified any significant deficiencies or material weaknesses in internal controls relating to the prevention and detection of fraud and error which would impact upon our ability to provide our opinion on the financial statements for the year ended 30 June 2025. However, we did note a number of observations, which are summarised below. Refer to Section Two for a full description of the current year findings.

Current Period Improvement Points

Observation	Area	Rating	Ease of Fix
Improvement points			
Review of journal entries	General	Moderate	Medium
Cyclical Review of Council Policies	General	Moderate	Simple
Monitoring Fees in Advance	Liabilities	Low	Simple
Delegated Authority	General	Moderate	Simple
Sensitive Expenditure	Expenses	Low	Simple
Reasonableness of Doubtful Debts Provision	Assets	Moderate	Simple
Investment property review	Assets	Moderate	Simple
Vested asset review	Assets	Moderate	Simple
Collection of RFS data	SSP	Moderate	Medium
Reconciliation of underlying support	General	Low	Simple
Information technology improvement points			
Access Security – Configuration changes	IT	Low	Simple
Access Security- Authentication-Process Improvement only	IT	Low	Simple

2. Improvement points

2.1 Review of journal entries

Rating:	Moderate
Ease of Fix:	Medium
Observation:	<p>QLDC has a formalised review process for journals above \$10m (which have to be approved by the CFO).</p> <p>There is no formal review for the journals below that amount.</p> <p>QLDC has mitigating controls in place, which include regular reconciliations, higher level review of management accounts and segregation of duties within the Council. We do note however, that while there are mitigating controls in place, they are not granular and precise enough to fully mitigate the identified risk.</p>
Risk:	There is a risk that a lack of review over individual journal entries creates additional risks around potential error and fraud.
Recommendations:	We recommend that the Council considers the implementation of review controls over journal entries before they are approved for posting.
Management Response:	<p>When TechOne is upgraded to CIA in 2026, we will introduce an additional authorisation step in the journal workflow that requires them to be approved before being posted.</p> <p>To note, the posting of journals is now completed by the Financial Accounting function where the Management Accounting team request journals to be posted and are required to provide sufficient support for the journal to be posted.</p>

2.2 Cyclical Review of Company Policies

Rating:	Moderate
Ease of Fix:	Simple
Observation:	There are a number of policies that have not been updated in recent years (including the p-card, sensitive expenditure and risk management policy). We have also identified that there is no formal internal guidance surrounding the cyclical review of key policies.
Risk:	There is a risk that policies are not being revised in a timely manner and therefore are not updated to align with key legislative changes and changes within the economic and reporting environment.
Recommendations:	We recommend all policies that are older than 2 years are reviewed, and though there may be no change, that the policy has an updated issue date to reflect the review as well as a planned review date included in the policy.
Management Response:	A policy dashboard was implemented in July 2025 to enhance policy oversight. The Assurance and Risk Manager will monitor this through regular emails to policy owners and during quarterly workshops. Generally, policies are scheduled for review every three years to align with the Long-Term Plan (LTP) cycle; however, depending on materiality, some policies—such as the Risk Management Policy—are renewed every two years as recommended. The P-card and sensitive expenditure policies have since been reviewed and it is expected that a revised policy will be in place by next audit.

2.3 Monitoring Fees in Advance

Rating:	Low
Ease of Fix:	Simple
Observation:	The income in advance balance has two GL accounts relating to monitoring fees in advance. One of which is a credit balance and another which offsets the account to record the costs associated with each consent resulting in a net balance. This gives net value of income that is still considered to be received in advance, however, the amounts recorded could potentially relate to older consents as the existing balance while it nets off against the debit, is not journalled out of the general ledger.
Risk:	There is a risk that the income in advance balance continues to grow as expired consents are not removed.
Recommendations:	We recommend that costs should be written off directly against the consent income in advance or that expired consents should be removed. This is to ensure that balances within the GL do not continue to grow larger and be recorded on the balance sheet.
Management Response:	Agreed. This balance sheet account will be reviewed for historic balances that need to be released to the P&L

2.4 Delegated Authority

Rating:	Moderate
Ease of Fix:	Simple
Observation:	Through our controls testing we noted that a Claims Contract was approved by CE, Mike Theelen. The amount of the contract was greater than the CE's granted delegated authority limit of \$4m. Therefore, the delegation's approval level was not followed.
Risk:	There is a risk that payments and contracts could be approved outside of set delegated authority limits if this is not strictly adhered to or is not a system driven approval process.
Recommendations:	We recommend that the Council implement systems or further controls to ensure that amounts are not being approved above the delegated authority limits.
Management Response:	<p>Action plans developed for this risk include:</p> <ul style="list-style-type: none"> • New procurement form was developed and implemented, which include automatic selection of the appropriate procurement form based on amount, and therefore the correct approver based on financial delegation. • Contract Register cleaning database and management awareness. The procurement team plan to use old delegation registers from previous years to review contracts and delegation limits, ensuring that the correct approvals were sought at the time. This helps control contracts histories, and delegation authorities. • In procurement meetings and email correspondence with wider staff, mentioning that the delegations register needs to be consulted to ensure the correct delegated financial approval has been sought from the very beginning of the procurement process. Additionally, specific information is provided to ELT and SLT around the financial delegations.

2.5 Sensitive Expenditure

Rating:	Low
Ease of Fix:	Simple
Observation:	We identified an instance where an expense reimbursement for an elected member was not claimed in sufficient time per the Sensitive Expenditure Policy. The expense was incurred in FY2024 however was not submitted until FY2025. This expense was approved and reimbursed by the Council even though it was submitted after the one-month submission requirement.
Risk:	There is a risk that employees do not follow the Sensitive Expenditure Policy and expense claims are not made in a timely manner.
Recommendations:	We recommend that a reminder is circulated of the sensitive expenditure policy and the importance of timely expense claims.
Management Response:	<p>Action plans developed for this risk include:</p> <ul style="list-style-type: none"> • An additional control layer has been added to the elected member expense claim process, requiring claims to be submitted to the Governance team for approval before being processed by Payroll. • Reminders will be sent to elected members prior to the end of the financial year to ensure all outstanding expense claims are submitted. • For internal staff, a comprehensive information pack on sensitive expenditure requirements is provided by email when travel is confirmed.

2.6 Reasonableness of Doubtful Debts Provision

Rating:	Moderate
Ease of Fix:	Simple
Observation:	As the doubtful debts policy (i.e what debts to provide for) has been in place for a long period of time, we recommend that an exercise is undertaken to review the actual debt write offs that occur. This would then provide comfort that the current doubtful debt policy is appropriate or highlight if a change is required.
Risk:	There is a risk that the provision is outdated and not in line with the actual write off of debtor amounts.
Recommendations:	We recommend that the Council implement a periodic review for the reasonableness of the doubtful debts provision to ensure it is in line with the aging of debtors.
Management Response:	We are currently drafting a debt management policy and the reviewing / writing-off of aged debtors will be covered within this.

2.7 Investment Property Review

Rating:	Moderate
Ease of Fix:	Simple
Observation:	Our audit procedures over the 2025 Investment Property Valuation identified some changes that were required to be made to the valuation or to the general ledger. Examples of this were one property that had an impairment loss but this was not recorded in the financial statements due to being transferred to PPE during the year or significant movements in property value that were then revised by the valuer upon further questioning. We recommend that a detailed review is conducted over the valuation report to ensure that the values put forward by the valuer are correct and reflected in the general ledger.
Risk:	There is a risk that the valuation is incorrect or does not reflect an accurate position of the Council's Investment Property.
Recommendations:	We recommend that management and Council thoroughly review the valuation of Investment Property before implementing it in the financial statements.
Management Response:	We agree with the comments made and will ensure a thorough review of the valuation is completed before providing to the asset accountant for processing in the financial statements.

2.8 Vested asset review

Rating:	Moderate
Ease of Fix:	Simple
Observation:	Through our procedures we identified that there is a non commissioned assets list which contains assets that have not yet vested to Council. In the current year a review was undertaken to vest assets from this list that had met the conditions to vest, however, a further review of this list should be conducted to check all remaining assets on this list to delete them off the list if required. This would mean that going forward the non commissioned list would only include assets which are known to require vesting in future but do not yet meet the conditions to be vested.
Risk:	That the non commissioned assets list does not reflect the current status of the vested assets.
Recommendations:	We recommend that the remaining assets on this list are reviewed and removed where necessary.
Management Response:	QLDC has undertaken to conclude its thorough review of the non commissioned asset list to ensure that it fully reflects the current status of all QLDC vested assets. This review is ongoing and scheduled for completion before major asset revaluations recommence in early 2026.

2.9 Collection of SSP Data

Rating:	Moderate
Ease of Fix:	Medium
Observation:	Our audit procedures over the KPI measures relating to requests for service (RFS) have highlighted that there is a delay in receipt of all of the RFS information. This then means that there is a delay in processing this information into TechOne. This highlighted that there is not a process to identify when information may be missing relating to Statement of Service Performance measures.
Risk:	The risk is that the result that is reported against a KPI is not complete as it could be missing information that relate to the relevant period.
Recommendations:	We recommend that there is a process put in place to ensure that all KPI (such as RFS) data is captured in a timely manner and that this is monitored so that it is known how much data is still left to process.
Management Response:	RFS data collection and provision processes during audit have been enhanced to ensure consistency. QLDC is also working with contractors to improve their processes so RFS's can be closed in a timely fashion.

2.10 Reconciliation of underlying support

Rating:	Low
Ease of Fix:	Simple
Observation:	<p>Throughout the audit process we identified instances of information that was provided that did not reconcile to the general ledger or financial statements. Examples of this included:</p> <ul style="list-style-type: none"> • Extract of journal entries not reconciling to the general ledger; • The payroll information not reconciling to the employee remunerations band disclosure in the annual report; • The rates data not reconciling to the annual report.
Risk:	There is a risk that what is reported in the annual report is incorrect due to it not being based on underlying support. There is also not a process in place to review that underlying support matches disclosures to ensure they are accurate.
Recommendations:	We recommend that there is a review or reconciliation process implemented that ensures there is a check over supporting information and that it correctly reconciles to the annual report.
Management Response:	<p>We will ensure there are reconciliations provided for annual report figures where appropriate and ensure these are reviewed for accuracy prior to providing to audit.</p> <p>Payroll will provide a reconciliation to the general ledger and the payroll bands disclosure note this coming financial year.</p>

3. Information Technology Improvement Points

3.1 Access Security – Configuration changes

Rating:		Low
Ease of Fix:		Simple
Observation:	It was identified that 39 user accounts have access to develop and deploy configuration changes in the production environment.	
Risk:	This leads to the risk that they are able to by-pass the change management process.	
Recommendations:	<ol style="list-style-type: none"> 1. Enforce segregation of duties (SoD): users who develop or test configuration must not have standing rights to deploy to production. 2. Provide users a break glass account with restricted access to deploy changes, with logging enabled to ensure traceability 3. Periodic reconciliation: automatically match production configuration changes to approved change tickets 	
Management Response:	We understand the risk that has been highlighted. In practice it is a small group that develop and deploy configuration changes in the production environment (approx. 10). Due to the small size of the team, and the way the team specialises in certain parts of TechnologyOne configuration. Recommendations 1 and 2 will create inefficiencies. We commit to adopting recommendation 3	

3.2 Access Security- Authentication- Process Improvement only

Rating:	Low
Ease of Fix:	Simple
Observation:	The enforced Password Complexity settings for the Technology One application does not align with the settings outlined in the QLDC password policy document.
Risk:	The enforced password complexity settings for the Technology One application not aligning with the QLDC password policy creates a risk of weaker password protections. This misalignment could lead to passwords that are easier to compromise, increasing the likelihood of unauthorised access to the application and sensitive data.
Recommendations:	<p>1. Configure TechOne local authentication parameters to meet or exceed the organization’s password policy requirements:</p> <ul style="list-style-type: none"> Minimum length (already compliant) Minimum uppercase, lowercase, numeric, and special characters Enforce password history (e.g., last 10 passwords cannot be reused) <p>If TechOne’s native capabilities cannot fully enforce these rules, implement compensating controls, such as:</p> <ul style="list-style-type: none"> a) Federated authentication via SSO/IdP (e.g., Azure AD, Okta) with policy enforcement at the IdP level. b) Periodic password audits and exception reporting. <p>2. Secure Vendor Access</p> <ul style="list-style-type: none"> a) Require third-party vendors to connect via corporate VPN or a secure remote access solution (e.g., ZTNA, PAM gateway) before accessing TechOne. b) Implement multi-factor authentication (MFA) for all external/vendor accounts.
Management Response:	We have investigated and will commit to modifying the TechnologyOne local authentication password policy to be compliant with recommendation 1

4. Appendix A: Risk Assessment and Definitions

Deloitte assesses the risk associated with each finding based on our current understanding of the impact of the finding on the organisation, and the likelihood of the finding occurring. The risk is rated as below.

Risk Rating	Description
High	<p>May have a significant adverse impact on the organisation achieving its objectives. Compromise or disruption of the confidentiality, integrity or availability of one of the Group's key business functions could occur. This finding should be addressed immediately via business decisions and associated development activities.</p> <p>We rate findings as High Risk weighing the fact that vulnerabilities are easy to find, of high prevalence, easy/moderately easy to exploit and would have a high business impact. The rest of the findings and rating used should be read in the same context.</p>
Moderate	<p>May expose the organisation to some risk, but is not considered significant. This finding should be addressed as soon as possible to improve Group's security.</p> <p>We rate findings as Moderate Risk weighing the fact that vulnerabilities are easy to find, easy/moderately easy to exploit and would have a moderate business impact.</p>
Low	<p>Limited risk to the organisation or risks identified but for which management is taking appropriate action to mitigate. Included for management information purposes.</p>

Deloitte's estimation of the effort required to fix the finding raised is based on our previous experiences with resolving similar findings at similar organisations. This is intended as a guide only.

Queenstown Lakes District Council should undertake its own assessment to determine the actual level of effort required.

Ease of Fix Rating	Description
Complex	<p>The solution is complex and may involve substantial time to develop, implement and test, substantial monetary cost to resolve, or substantial changes to system design or business processes. Estimated timeframe for fix to be implemented is within six months.</p>
Medium	<p>There is a moderately complex fix for this finding, which may involve some time to develop, implement and test, some cost to resolve, or some changes to system design or business processes. Estimated timeframe for fix to be implemented is within three months.</p>
Simple	<p>There is a simple fix for this finding, which may involve minor system changes that require limited effort to implement or test, minor costs to resolve, or minor changes to system design or business processes. Estimated timeframe for fix to be implemented is within one month.</p>

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