

13 March 2026

Michelle Morss
Interim Chief Executive
Queenstown Lake District Council
Private Bag 50072
Queenstown 9348

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

Dear Michelle

Proposal to conduct the audit of Queenstown Lakes District Council and subsidiaries on behalf of the Auditor-General for the 2026, 2027 and 2028 financial year

1 Introduction

The Auditor-General proposes to appoint 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 years ending 30 June 2026, 2027 and 2028. 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 year ending 30 June 2026 and 30 June 2027 and reasons for any change;
- 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 are 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	Heidi Rautjoki
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	2025 budget	2025 actual (*)	2026	2027
Appointed Auditor	80	89	80	80
Review Partner	25	25	25	25
Audit Manager (**)	200	199	200	200
Other CA qualified staff	320	456	400	400
Non CA qualified staff	595	553	515	515
Total audit hours	1,220	1,322	1,220***	1,220***

(*) NOTE - actual hours have been adjusted to eliminate any hours that were due to auditor inefficiencies. The actual hours that remain are the reasonable hours that were attributable to the audit in that year.

(**) Please note this line also includes IT and specialist manager hours.

(***) This assessment does not include any additional hours associated with the creation of the new water entity, transfer of assets and any associated work. It also assumes that the water entity will not be operational and requiring an audit until 1 July 2027. If this changes, the hours and fee may require to be re-visited.

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 budgeted hours:	2026	2027
Total increase (decrease) in audit hours	0	0

6 Proposed audit fees

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

Structure of audit fees	2025 budget fees	2025 actual fees charged	2026	2027
	\$	\$	\$	\$
Net audit fee (excluding OAG Audit Standards and Quality Support charge and disbursements)	273,000	273,000	284,500	296,500
OAG Audit Standards and Quality Support charge	25,332	25,332	25,327*	25,327*
Total audit fee (excluding disbursements)	298,332	298,332	309,827	321,827
Estimated Disbursements	25,190	32,423	29,000	30,450
3% Technology Charge	5,460	5,460	8,535	8,895
Total billable audit fees and charges	328,982	336,215	347,362	361,172
GST	49,347	50,432	52,104	54,175
Total (including GST)	378,329	386,647	399,466	415,347

The proposed fees do not include the water service entity, which is assumed to only be operational and requiring an audit from 1 July 2027. Associated hours and fee will be proposed once there is more clarity and guidance on the impact of the establishment of the water service entity.

* Estimate

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.	2026	2027
Predicted staff salary cost movements	11,500	12,000
Total increase (decrease) in audit fees	11,500	12,000

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.
- This fee does not include any additional audit work required for changes resulting from the water service delivery plan.

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



Heidi Rautjoki
Deloitte Limited

I accept the audit fees for the audit of the 2026 and 2027 financial year as stated above.

Full name: _____

Position: _____

Authorised signature: _____

Date: _____

Entity name: _____

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:
Heidi Rautjoki
Deloitte Limited
481 Moray Place
PO Box 1245
Dunedin 9054