

Notice is hereby given that an ordinary meeting of the Horowhenua District Risk and Assurance Committee will be held on:

Date: Wednesday 1 October 2025
Time: 10:00 am
Meeting Room: Council Chambers
Venue: 126-148 Oxford St
Levin

Risk and Assurance Committee OPEN AGENDA

MEMBERSHIP

Chairperson	Cr Sam Jennings	
Deputy Chairperson	Cr Paul Olsen	
Members	Cr Alan Young	
	Cr Clint Grimstone	
	Cr Jonathan Procter	
	Mayor Bernie Wanden	
	Jenny Livschitz	Independent Member
	Sarah Everton	Independent Member

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Shannon Service Centre/Library, Plimmer Terrace, Shannon
and Te Takeretanga o Kura-hau-pō, Bath Street, Levin

Note: The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted. Should Members require further information relating to any reports, please contact the Chief Executive Officer or the Chairperson.

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KARAKIA TIMATANGA

Whakataka te hau ki te uru	Cease the winds from the west
Whakataka te hau ki te tonga	Cease the winds from the south
Kia mākinakina ki uta	Let the breeze blow over the land
Kia mātaratara ki tai	Let the breeze blow over the ocean
E hī ake ana te atakura	Let the red-tipped dawn come with a sharpened air.
He tio, he huka, he hau hū	A touch of frost, a promise of a glorious day.
Tīhei mauri ora!	

PROCEDURAL

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KARAKIA WHAKAMUTUNGA

Kia whakairia te tapu	Restrictions are moved aside
Kia wātea ai te ara	so the pathway is clear
Kia turuki whakataha ai, kia turuki whakataha ai	To return to everyday activities
Haumi e, hui e, taiki e!	Draw together, affirm!

Karakia

1 Apologies

2 Late Items

To consider, and if thought fit, to pass a resolution to permit the Council to consider any further items which do not appear on the Agenda of this meeting and/or the meeting to be held with the public excluded.

Such resolution is required to be made pursuant to Section 46A(7) of the Local Government Official Information and Meetings Act 1987, and the Chairperson must advise:

- (i) The reason why the item was not on the Agenda, and
- (ii) The reason why the discussion of this item cannot be delayed until a subsequent meeting.

3 Declarations of Interest

Members are reminded of their obligation to declare any conflicts of interest they might have in respect of the items on this Agenda.

4 Confirmation of Minutes

4.1 Meeting minutes Risk and Assurance Committee, 6 August 2025

4.2 Meeting minutes Public Excluded Meeting of the Risk and Assurance Committee, 6 August 2025

Recommendations

That the meeting minutes of Risk and Assurance Committee, 6 August 2025 be accepted as a true and correct record.

That the Public Excluded meeting minutes of Risk and Assurance Committee, 6 August 2025 be accepted as a true and correct record.

File No.: 25/572

5.1 Draft Annual Report 2024/25

Author(s)	Linthea Visser Strategic and Corporate Planner Kaiwhakamahere i ngā Rautaki me te Umanga
	Pei Shan Gan Financial Controller Kaiwhakahaere Tahua Pūtea
	Steve Tanner Senior Financial Accountant Kaikaute Matua
Approved by	Jacinta Straker Group Manager Organisation Performance Tumu Rangapū, Tutukinga Whakahaere
	Monique Davidson Chief Executive Officer Tumuaki

PURPOSE | TE PŪTAKE

1. This report presents the Draft Annual Report 2024/25 to the Risk and Assurance Committee (the Committee) to review, and to update the Committee on the progress of the audit process.
2. Council is required by the Local Government Act 2002 to adopt an Annual Report and Annual Report Summary by 31 October 2025. As this is an election year, the Annual Report will be presented to Council for adoption on 8 October 2025, at its last meeting prior to the Local Elections.

This matter relates to Ensuring Financial Discipline and Management

Ensure financial discipline and compliance with our financial strategy and benchmarks.

RECOMMENDATION | NGĀ TAUNAKITANGA

- A. That Report 25/572 Draft Annual Report 2024/25 be received and noted.

BACKGROUND | HE KŌRERO TŪĀPAPA

3. The Annual Report is a legislatively required communication tool to enable our community to understand how we have performed over the year and discharge Council's accountability obligation.
4. The report provides feedback to our communities on how we have performed during the year. It compares our actual results against the intended activities, levels of service and financial forecasts planned and budgeted in the Long-Term Plan 2024-2044 (Year 1 – 2024/25).
5. Some of the information included in the Annual Report, including performance measures and all financial information, must be audited before publication. Audit New Zealand (Audit NZ) is working on providing this assurance and audit clearance is expected to be provided before the Annual Report is presented to Council for adoption.
6. This year the Council sought approval from Audit NZ to complete their audit in time for Council to adopt the annual report prior to the election.

7. This request was approved and Audit NZ agreed to resource the Audit with the aim of providing an update to this committee on status of the audit by the 1st of October 2025 and an audit opinion by 8th October 2025.
8. The audit was scheduled to begin on the 25th of August 2025 with a full Audit team. Council Officers had worked extremely hard to ensure that a full draft of the financial statements, reviewed by the Executive Leadership Team would be ready for the Auditors' arrival. This also included key supporting workpapers requested by Audit NZ.
9. Audit NZ, as part of their service offering, provide model financial statements for Local Authorities, PBE tier 1, so Councils can refer to and ensure that their financial statements are fully compliant with current accounting standards and best practice disclosure methods. Unfortunately, this model was not released until 6th August 2025, with advice received from Audit NZ on its availability in an email to the Council on the 11th of August 2025, so Council made best efforts to update its financials for the first draft that was provided to Audit on 28th August 2025. As these models are produced only on a three-year cycle by Audit NZ, the new model differed greatly from the prior years' format, presentation and reporting requirements.
10. On Friday 23 August 2025, the Council was advised that due to Central Government audits requiring more resource, the Council audit would be delayed by a week and would start the week of 1st September; additionally for the full week of the 1st September, Audit NZ would have a significantly reduced audit team available. Council took the opportunity to complete further updates to the Council's financials based on the Audit NZ model financial statements, resulting in the first draft being made available to Audit NZ on 28th August 2025. Despite the frustration from the delayed commencement, Council officers and Audit NZ, committed to still work together closely to achieve the shared goal of adopting Annual Report on the 8th of October.

DISCUSSION | HE MATAPAKINGA

11. The draft Annual Report 2024/25 is attached as Appendix A and reflects the information provided to Audit NZ on 28 August 2025.
12. The Council and Audit NZ agreed it was more efficient to limit changes to the version provided to this Committee and instead wait for all changes identified during the audit to be made together for the final version for Council adoption.

Statement of Service Performance (SSPs)

13. As a result of feedback from Audit NZ, as well as correcting a calculation error (see 13.4) that we noticed since submitting the report, updates to SSPs will be made as follows:
 - 13.1. Water Supply: 'Safe Water Supply' - additional disclosures included regarding how Council monitors compliance, that WaiComply also assesses our results and what is required by Horizons Regional Council's One Plan.
 - 13.2. Wastewater: 'Safe disposal of Wastewater' – additional information around the abatement notice received in July 2024, and what Council did to address it.
 - 13.3. Land Transport: 'Good Response to Service Request' – updating the results (percentage and number of responses within 15 working days).
 - 13.4. Solid Waste: Number of complaints received relating to recycling and kerbside collection – included how the number of complaints per 1,000 bins and 800 bags were calculated and correcting the calculation errors previously made.

Financial Information

14. The following information and commentary are based on the attached Annual Report copy in Appendix A which includes the version of financial statements and notes as supplied to Audit NZ on 28th August 2025 at the commencement of the final stage of their audit process. Due to the amended timeframe for the delivery of Audit NZ's audit clearance, including the impact from the timing of the local elections, this version does not yet include any changes resulting from the audit assurance work performed by Audit NZ to date with regards to the financial statements and notes or the full updates to the disclosures following the review of the model financial statements.
- 14.1. As at 30 June 2025, Council delivered strong financial and operational results across its capital and operating programmes, while maintaining prudent debt levels below strategic limits.
- 14.2. The deficit is \$9.2m higher than budgeted and is mainly due to \$10.4m of non-cash fair value changes including a loss on our derivative financial instruments (\$2.3m), loss on disposal of property plant and equipment (\$3.1m) and an increase in our landfill provision (\$5m) which represents the future cost of the best practicable option for remedying the old landfill site in Hōkio.
- 14.3. Underlying Operating Result: Preliminary results show underlying net savings of \$800k, exceeding the \$300k–\$500k target. This reduces the need for net borrowings and strengthens Council's capacity to manage unplanned costs in 2025/26, supporting the goal of improving credit ratings.
- 14.4. Operating Income: Income was \$0.4m above plan, driven by higher consenting revenue and waste rebates, partly offset by lower Waka Kotahi funding and timing changes to CIP funding. Council also received \$2.2m in vested assets during the year. Surplus waste rebate levy funds (after costs) were transferred into a new reserve fund, which will be reported in the 2024/25 Annual Report.
- 14.5. Capital Expenditure: \$32m of the capital programme was completed against a forecast of \$31.2m and a full-year budget of \$44.5m. Approximately \$5m of committed projects will be carried forward into 2025/26, which Council approved in September. Despite these carry forwards, projections indicate a net reduction of \$4.7m in capital spend over the four-year period to 2027/28.
- 14.6. Borrowings: External net debt stood at \$174m (total gross \$240m) at year end, sourced entirely from the LGFA. Net debt to operating revenue was 198%, below the budgeted 229% and well under the 250% financial strategy limit, primarily due to a \$5m reduction in capital spend.
- 14.7. Overall, Council achieved a strong capital delivery result, delivered operating savings beyond target, and maintained debt within prudent limits—providing resilience heading into the 2025/26 year.

Outline of audit process and where we are at

15. The Council officers working on the annual report, despite resourcing challenges with Audit NZ, have been diligent and committed to providing supporting data and analysis for information requests back to Audit NZ quickly. They have worked collaboratively with Audit NZ to find the best ways of ensuring they receive comfort over the Council's financial statements.
16. At the time of writing this report, Audit NZ are working through the review of the following technical issues identified as part of the audit:
- 16.1. Technical review of treatment of vested assets. This relates to some assets vested in 2024/25 that were supported by Section 224s issued in 2023/24. There was

approximately \$4.6m of assets that will likely need to be recognised as a prior period adjustment for 2023/24, as they relate to assets associated with 2023/24 resource consents. In addition, there will be a further \$444k that needs to be recognised as vested assets for 2024/25 that was not recorded in the first version of the financial statements.

- 16.2. Technical review of treatment of data integrity and improvement work completed on the Councils Plant & Equipment, Solid Waste, Operational Land & Buildings, and Restricted assets (Cemeteries, Parks & Reserves and Endowment) asset data during the 2024/25 financial year.

16.2.1. Plant & Equipment - Historically, plant and equipment assets and values reported in the financial statements were managed within an independent spreadsheet, rather than directly recorded within the asset register (CVR) and reconciled with the asset register. This historic approach introduced discrepancies between the general ledger (GL) and the CVR, particularly in relation to asset categorisation. Officers' analysis and reconciliation work has identified that the variance primarily arises from historic capital expenditure that was originally coded to projects that map to the plant asset class in the GL, but in substance related to building assets and should have been added as components to the existing building assets. As a result, \$4.216m "impairment" was reported to finish the improvement work.

16.2.2. Other assets (Operational Land & Buildings, and Restricted assets (Cemeteries, Parks & Reserves and Endowment) – A similar issue was identified to the Plant & Equipment mentioned above. Significant work on all land and buildings (including those categorised in cemeteries, parks and reserves and endowment properties) was completed during 2024/25 to ensure that the detailed asset register (CVR) was used and the spreadsheets were retired from use. As a result of the data cleansing and integrity exercise, \$2.02m (Parks and Reserves) and \$2.587m (Endowment properties) "impairment" was reported.

For both these items, as they are part of the programme of improving our systems and processes, the Council is proposing to record the adjustment in the 2023/24 year in these financial statements to align with generally accepted accounting practice.

17. For efficiency, the version of the financial statements and notes that are reflected in the attached Audit Report are the version that was provided to Audit NZ on 28th August 2025. The potential changes on the final Audit Report are currently being finalised with Audit NZ at the time of writing this report and are likely to be from the following considerations:

Note disclosure changes - with financial impact

- * Changes to reporting of Vested Assets (prior period adjustment)
- * A number of non material amendments resulting from various Audit New Zealand sampling checks

Note disclosure changes - no financial impact

- * Updates to the Cashflow Statement and associated notes
- * Change in format of note for Other Operating expenditure - Audit Fees
- * Update to Property Plant and Equipment note as a result of changes to Vested asset, Impairment/Historical adjustments and other assets related change.
- * Local water done well commentary to be added when commentary finalised across the participating Council's
- * Further enhancement of the Financial statements and notes from re-ordering, modelling of referencing of Accounting Practices to statements and notes and additional reporting standards referencing for some notes.

18. The final stage of the Audit of the Annual Report 2024/25 started on 1 September 2025 and is ongoing. At the meeting to which this paper is presented, an update on the audit process will be provided by Debbie Bradfield, our appointed auditor director from Audit NZ. There is some risk about the Audit Work not being completed in time for 8 October, due to lower levels of Audit resourcing, but Audit New Zealand remain committed to delivering the Audit on time.
19. As the audit is ongoing, the attachment to this report is presented in the designed version of the Draft Annual Report 2024/25 with the format of the financial reports and notes being the version given to Audit NZ at the commencement of the final stage of their audit process.

Confirmation of statutory compliance

In accordance with sections 76 – 79 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their advantages and disadvantages, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

ATTACHMENTS | NGĀ TĀPIRINGA KŌRERO

No.	Title	Page
A	Draft Annual Report 2024-25 v1 (<i>Under Separate Cover</i>)	