The Audit Office
Te Mana Arotake



Final Report to the Audit and Risk Committee and Councillors

on the audit of
Waitomo District Council and Group

For the year ended 30 June 2026

2026

Introduction

We are pleased to present our final report to the Audit and Risk Committee Members and Councillors for the audit of Waitomo District Council and its subsidiaries for the year ending 30 June 2026.

Our role as your auditor is to give an independent opinion on your financial statements and service performance information.

The purpose of this report is to communicate significant matters arising from the audit and to assist the Audit and Risk Committee Members and Councillors in its oversight of Waitomo District Council's financial reporting and service performance reporting processes. We also recommend improvements we identify during the audit. A separate report has been presented to the Board of Directors of Inframax Construction Limited.

This report also sets out all matters that we consider need to be considered by Councillors before approving the annual report for signing.

This year's deliverables reflect the Audit Office (formerly the Office of the Auditor-General) new branding for audits conducted on behalf of the Auditor-General. The objective of this change is to provide a consistent and recognisable identity for Auditor-General audit services across New Zealand.

Yours sincerely



Matt Laing
for Deloitte Limited
Appointed Auditor

8 October 2026

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A snapshot

Auditor's report

We intend to issue an unmodified opinion on the financial statements and statement of service performance information for the year ended 30 June 2026 subject to resolution of outstanding matters described in this report.

Our audit report will also include an emphasis of matter related to upcoming changes in the local government reforms.

Outstanding matters

Our audit is nearly complete, subject to the following outstanding matters:

- Completion of substantive procedures relating to fixed asset additions, roading valuation, tax and journal entry testing;
- Final quality review of the annual report;
- Council to approve the annual report and summary financial statements post completion of changes;
- Completion of subsequent event procedures;
- Approval of representation letter for the annual report; and
- Approval of trustee certificate and representation letter

Uncorrected audit misstatements in the financial statements

No misstatements identified.

Materiality for the financial statements

$2.15M

Our audit procedures have been performed using a materiality set based on expenditure levels.

Audit focus areas

We identified

8

focus areas of most significance to the audit. Our response to these areas, as well as other matters than arose during the audit are described on the following pages.

Recommendations raised

This report contains

0

new recommendations. We have provided an update on prior year recommendations raised. See the Internal control deficiencies for further details.

Our audit report

We plan to issue an unmodified audit opinion on the financial statements, associated disclosures and the statement of service performance for the year ended 30 June 2026.

Our audit report will include an emphasis of matter paragraph on the local government reform programme. Although the reform is expected to affect local authorities across New Zealand, its timing and implementation remain uncertain.

Given the significance of the reform and the remaining uncertainty, Council has included appropriate disclosures in the financial statements.

Without modifying our opinion, we will draw attention to these disclosures in an emphasis of matter paragraph. This approach is consistent across local authorities in the sector.

Our audit findings

Summary of audit focus areas

This is a summary of the most significant audit focus areas from our 2026 audit.

Areas of audit focus	Description	Other considerations	Page
1 Valuation of infrastructural assets	Our procedures corroborated that the revaluation of roading and solid waste assets and management's fair value assessments for other infrastructure assets were supportable, no material issues have been identified to date.	SR, P	7
2 Local water done well	The Local Water Done Well reform remains a key focus for Council. At year-end, Council considered the planned transfer of water and wastewater assets to Waikato Waters Limited on 1 July 2026, including the related establishment fund. The subsequent event note outlines the expected impact of the transfer of the assets	-	8
3 Valuation of investment in Inframax Construction Limited	Our procedures confirmed that the revaluation of the Council's investment in Inframax Construction Limited was supportable, no material issues were identified.	-	9
4 Management's ability to override controls	Management override of controls is a significant fraud risk. Our testing to date of journal entries, accounting estimates, and significant judgements identified no evidence of management bias or control override resulting in a material misstatement.	SR, P	10
5 Revenue recognition	No material matters were noted with regards to revenue recognition.	-	11

Areas of audit focus	Description	Other considerations	Page
6 Statement of service performance	Service performance measures and disclosures were materially supported and aligned with PBE FRS 48 *Service Performance Reporting.*	-	12
7 Effectiveness, efficiency, waste, probity and financial prudence	Effectiveness, efficiency, waste, probity and financial prudence remain an area of audit focus for public sector entities, with our procedures identifying no matters of concern in Council's expenditure, procurement or governance practices.	-	13
8 Government reforms and regulatory changes	Government reforms and regulatory changes remain a key focus. Council has appropriately disclosed the uncertainty surrounding the timing and impact of sector-wide reforms, which we have highlighted in an emphasis of matter paragraph in our audit report.	A	14

Legend

M: uncorrected misstatements identified
P: audit work still in progress
SR: Significant risk
R (#): recommendation raised (number of recommendations) as outlined in the 'control findings' section.
A: impact on audit opinion

Audit focus areas and our findings

1. Valuation of infrastructural assets

Infrastructure assets continue to represent a key audit focus due to the magnitude of the balance and the involvement of judgement over the valuation process. During the year the council revalued its roading and solid waste assets and performed a fair value assessment of other infrastructural assets.

Risk description

Council holds a significant portfolio of infrastructure assets at fair value. During the year, an independent expert revalued roading and solid waste assets, while management engaged independent experts to assess the remaining asset classes to determine whether their carrying values continued to approximate fair value at 30 June 2026.

Valuation of infrastructure assets is a significant audit risk involving considerable judgement and both qualitative and quantitative factors, including input from internal and external specialists.

The fair value assessment of infrastructure assets remains subject to scrutiny because of the significant assumptions and judgements involved. A robust assessment is therefore required to determine whether a full revaluation is necessary and whether carrying values continue to approximate fair value.

Action taken

For the roading and solid waste assets revalued during the year, we reviewed AECOM's independent valuation report, assessed the valuer's competence and independence, and held discussions with the valuer. We challenged the key assumptions and judgements and tested that the valuation was appropriately recognised and disclosed in accordance with PBE IPSAS.

We assessed the fair value of water assets and land and buildings by reviewing QV and AECOM's annual assessments, supporting evidence, key assumptions and judgements, and impairment indicators for asset classes not revalued during the year. We concur with management's conclusion that the carrying values continued to approximate fair value and that a full revaluation was not required.

Our findings

Roading and solid waste assets increased by $9.3m to $562.3m during the year. This increase reflects movements in valuation cost indices from the prior valuation.

We identified no material valuation issues through our work performed.

2. Local waters done well

The establishment of Waikato Waters Limited and the planned transfer of water and wastewater assets represent a significant organisational and financial change for Council. We considered the disclosures as part of our audit.

Risk description

The council has completed the key decision-making and planning phases of the Local Water Done Well reform and is a founding shareholder in Waikato Waters Limited. Under the participation agreement, the councils will collectively fund the company's establishment costs until it can secure its own borrowing through the Local Government Funding Agency.

WDC is responsible for 5% of the establishment funding, payable in four equal instalments between August 2025 and April 2026. These contributions are intended to be temporary and will be repaid to Council once Waikato Waters Limited obtains LGFA financing.

While water and wastewater assets remain under Council ownership and operational management until 30 June 2026, the assets and associated liabilities transferred to Waikato Waters Limited on 1 July 2026. Based on the work performed to date, Council has made progress in preparing for the transition. We will continue to monitor the accounting treatment and implementation of the transfer as part of our ongoing audit procedures next year.

Action taken

As part of our audit process, we:

- Held discussions with management regarding the accounting implications of the Local Water Done Well reform, including the impact of the transfer of water and wastewater assets and liabilities to Waikato Waters Limited on 1 July 2026, and considered these matters within our audit approach where relevant. The water assets that will be transferred over have been tested as part of our fair value assessment procedures outline in the section above.
- Reviewed the accounting considerations of the establishment fund receivable from Waikato Waters Limited which is $1m at year end.
- Ensured that the financial statement disclosures required in relation to the transition and associated accounting impacts was appropriate to the user of the financial statements.

Our findings

The water assets remain under the control of council as at 30 June 2026. The council disclosed as a subsequent event note in the financial statements the impact of the transfer of the water assets.

3. Valuation of investment in Inframax Construction Limited

The valuation of investment in 100% of shares in Inframax Construction Limited represent a key audit focus due to the magnitude of the balance and the involvement of judgement over the valuation process. During the year the Council engaged an independence expert to perform an indicative valuation of the shares in Inframax.

Risk description

Council owns 100% of Inframax Construction Limited ("Inframax") and holds the investment for strategic purposes. Under its accounting policy, Council measures the investment at fair value through other comprehensive revenue and expense.

Because the investment is measured at fair value, Council must assess its fair value at each reporting date.

Action taken

We:

- Asked management whether the intention or purpose of the investment had changed.
- Reviewed management's internal assessment for indicators of significant changes in fair value.

Management engaged an independent expert, EY, to prepare an indicative valuation. In assessing that valuation, we:

- Obtained EY's valuation report.
- Assessed EY's independence and competence, and reviewed the valuation methodology in its final report.
- Engaged our internal specialists to assess the appropriateness of the valuation approach and earnings multiples.
- Evaluated and challenged the key assumptions underlying the valuation.
- Confirmed that the valuation movement was correctly recognised and disclosed in the consolidated financial statements in accordance with Public Benefit Entity Standards.

Our findings

Our work identified no significant matters.

Because of the timing of the valuation, income tax payable was not included in the net cash/(debt) adjustment used to derive the equity value of Council's 100% shareholding in Inframax from the enterprise value. The resulting difference is immaterial this year; however, we recommend including the tax impact in future valuations.

4. Management's ability to override controls

No instances of management override of controls or fraudulent financial reporting were identified.

Risk description

ISA (NZ) 240 *The auditor's responsibility to consider fraud in an audit of financial statements* requires us to presume there are risks of fraud in management's ability to override controls.

We are required to design and perform audit procedures to respond to the risk of management's override of controls.

Management's override of controls is identified as a fraud risk because it represents those controls in which manipulation of the financial results could occur.

It has a potential impact to the wider financial statements and is therefore a significant risk for our audit.

Action taken

We have:

- Obtained an understanding and evaluated the financial reporting process and controls over journal entries and other adjustments made to the financial statements.
- Tested the appropriateness of a sample of journal entries and made enquiries regarding inappropriate or unusual activities.
- Reviewed accounting estimates for potential management bias that could result in material misstatement due to fraud, including assessing whether the judgements and decisions made, while individually reasonable, indicated any evidence of bias.
- Performed a retrospective review of management's judgements and assumptions relating to significant estimates.
- Obtained an understanding of the business rationale for significant, including the Council's considerations relating to transactions associated with Local Water Done Well during the current year.

Our findings

No significant matters were noted through our work performed.

5. Revenue recognition

Council derives revenue largely from rates which are subject to specific legislative requirements. We rebut the presumed fraud risk; our audit procedures focus on understanding the rates-setting process and performing procedures to ensure there is no material misstatement.

Risk description

Revenue is a presumed fraud risk under auditing standards; however, based on our understanding of Council's revenue streams, processes and controls, we concluded that the presumed fraud risk associated with revenue recognition had been appropriately rebutted.

Separate to the presumed risk of fraud, revenue derived by Council, is subject to complex regulatory requirements. Failure to comply with the Local Government (Rating) Act 2002 (LGRA) can lead to non-compliance of laws and regulations.

Management and Council need to ensure that the requirements of the LGRA are all adhered to and that there is consistency between the rates resolution, the funding Impact Statement for that year, and the Revenue and Financing Policy in the respective Long-Term Plan or Annual Plan.

Action taken

We assessed revenue recognition by evaluating the design and implementation of relevant controls, testing the completeness and accuracy of information used to recognise revenue, and performing analytical procedures on key revenue streams.

We also considered changes to revenue recognition policies, completed the Audit Office rates questionnaire*, reviewed rates-setting documentation, and assessed compliance with the Local Government (Rating) Act 2002.

** The completion of the 'rates questionnaire' is not a legal exercise but aims to provide us with some indication of the rates setting processes being used by the Council. We remind Council that the overall responsibility for the compliance of rates rests with the Councillors.*

Our findings

No significant matters were noted through our work performed.

6. Statement of Service Performance

Service performance reporting remains a key area of focus given the requirements of PBE FRS 48 *Service performance reporting.* We assessed the appropriateness of Council's performance framework and the reliability of selected performance measures through the LTP process and have reviewed the supporting disclosures included in the annual report.

Risk description

The Council's Annual Report is required to include an audited Statement of Service Performance (SSP) which reports against the performance framework included in the Annual Plan/Long-Term Plan. This is line with the requirements of *PBE FRS 48 Service Performance Reporting ('PBE FRS 48').*

The SSP is an important part of Council's annual performance reporting, and it is important it adequately "tells the performance story" for each group of activities.

Our audit opinion considers whether the service performance information:

- Is based on appropriately identified elements (outcomes, impacts, outputs), performance measures, targets/results; and
- Fairly reflects actual service performance for the year (i.e. not just reports against forecast).

Action taken

We have:

- Reviewed Council's Service Performance Framework and assessed its alignment with legislative requirements.
- Identified and tested material performance measures using both qualitative and quantitative risk assessments.
- Performed analytical reviews of reported performance measures and considered the treatment of new measures and comparative information under PBE FRS 48.
- Evaluated selected controls and supporting evidence over the collection and reporting of service performance information.
- Considered the work of experts where relevant, including for drinking water quality measures.
- Reviewed the annual report narrative and disclosures to assess whether they provided an appropriate and balanced explanation of Council's performance and key judgements.

Our findings

No significant matters were noted through our work performed.

7. Effectiveness, efficiency, waste and probity

Waste and probity remain areas of audit focus as Council is expected to demonstrate appropriate stewardship of public funds and compliance with established good practice. Our audit procedures considered whether expenditure and other activities were undertaken transparently, with proper authority, and in a manner consistent with principles of probity, financial prudence, and value for money.

Risk description

Good practice involves the establishment of policies and controls to ensure that relevant focus areas have been made transparent and are appropriate in all aspects. This includes that expenses have a justifiable business purpose; have been made with integrity; are moderate and conservative; have regard to the circumstances; have been made transparently; and are appropriate in all respects including being made with proper authority.

A copy of these guides, including recently updated guidance on sensitive expenditure, are accessible here: https://oag.parliament.nz/good-practice/good-practice-guides

Action taken

We remained alert throughout the audit for matters relating to effectiveness and efficiency, waste, probity, and financial prudence.

We assessed Council's policies and procedures over expenditure and procurement and tested a sample of transactions, with a particular focus on sensitive expenditure, senior management remuneration, travel and expenses, significant procurement activities, and related party transactions.

Our findings

No significant matters were noted through our work performed.

8. Government reviews and proposals

The local government sector continues to experience significant change as regulatory reforms and policy developments evolve. We considered the potential impacts of these changes on Council and its reporting obligations and continued to monitor developments throughout the audit, including matters highlighted through the emphasis of matter included in the audit opinion.



Risk description

The sector continues to face new and changing regulatory requirements and government proposals. This ongoing change makes long-term planning difficult for councils because regulatory settings remain uncertain and implementation may have significant cost implications.



Action taken

As part of our audit, we:

- Continued discussions with management about the impact of these initiatives on the Group and incorporated relevant implications into our audit approach.
- Maintained regular communication with the Audit Office about matters arising from these initiatives and areas requiring further consideration.
- Reviewed the disclosures included within the Annual Report and ensured they are in accordance with Public Benefit Entity Standards.



Our findings

Significant changes to local government are being considered by central government, creating ongoing uncertainty. We have therefore included an emphasis of matter paragraph in our audit report.

Other findings

Matter	Description or finding
Financial statements and service performance information	We have evaluated the appropriateness of the reporting entity's accounting policies, accounting estimates and financial statement disclosures. Overall, we believe that these are appropriate.
Control deficiencies identified	No new significant control deficiencies have been identified. We provided an update on control deficiencies identified in prior years, refer to the 'Internal control deficiencies' section for further detail.
Minor fraud related matters	As part of our audit procedures relating to fraud and error, we were notified by management of three instances of fraudulent conduct during the current period. Two incidents involved the misappropriation of transfer station cash takings by external contractors, while the third involved an employee's non-compliance with organisational policies, delegated authority requirements, and procurement controls. We obtained an understanding of the nature and circumstances of each incident, including management's investigation processes and the actions taken in response. Based on our review, we considered management's investigations and remediation measures to be appropriate in each case. We are satisfied that management has addressed the underlying control issues and any associated risk of material misstatement arising from these incidents.

Financial statements and service performance information

Judgements made in significant accounting estimates (Council only)

Judgement areas	Misstated	Cautious	Balanced	Optimistic	Misstated
Roading and Solid Waste valuation ($562m)					
Fair value of infrastructure assets ($98m)					
Depreciation ($10.9m)					
Impairment losses ($2.3m)					
Valuation of investment in Inframax ($21m)					
Expected credit losses ($707k)					

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

Internal control deficiencies (Council only)

As part of our audit, we noted no new internal control deficiencies. All prior year internal control deficiencies have been resolved. For further information refer to Appendix 3.

We have also obtained a current year update on the steps taken by management to remediate the prior year IT Findings and Process Improvements raised. The current year update has been included in Appendix 4.

Status of control observations	Control observations at a glance			
	High	Medium	Low	Total
New audit recommendations raised through the annual audit	–	–	–	–
Prior year repeated findings raised again during the audit	–	–	–	–
Prior year findings resolved	–	–	5	5

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Appendix 1: Uncorrected Misstatements (Group)

Uncorrected financial misstatements

Description	Line items affected	Revenue $000's Dr (Cr)	Expenses $000's Dr (Cr)	Assets $000's Dr (Cr)	Liabilities $000's Dr (Cr)	Equity $000's Dr (Cr)
Prior period misstatements						
None noted.						
Current period misstatements						
None noted.						
Total						

Uncorrected disclosure deficiencies

Detail of disclosure deficiency	Management's explanation for not correcting
None noted.	

Uncorrected service performance reporting misstatements

Detail of misstatement	Management's explanation for not correcting
None noted.	

Appendix 2: Other communications

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 statement of service 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 information does not relieve management or the Councillors of their responsibilities. Our audit engagement letter contains a detailed explanation of the responsibilities of the auditor and the Councillors.

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 information. The Councillors and management are responsible for implementing and maintaining a system of internal control for detecting these matters.

Independence

We confirm that, for the audit of the Waitomo District Council and Group's financial statements and statement of service performance information for the year ended 30 June 2026, we have maintained our independence in accordance with the requirements of the Auditor-General standards, which incorporate the independence requirements of the External Reporting Board.

Other than the audit of the financial statements, long term plan and assurance services related to trustee reporting, we have no relationship with, or interests in, the Council and its subsidiaries.

Fees

The total audit fee for the year is $239.7k (GST exclusive and inclusive of estimated disbursements), as detailed in our Audit Proposal Letter. The trustee reporting fees charged in the period are $8.6k. No other fees have been charged in this period.

Appendix 3: Internal controls

In performing our audit of the financial statement and service performance information we considered internal controls in order to determine our audit procedures for the purpose of expressing our opinion on the financial statements and statement of service performance.

We do not provide assurance specifically on internal controls and we are not obligated to search for these matters beyond those that come to our attention in the normal course of planning and performing the audit.

We are required to report significant deficiencies in internal control that we observe. We may also report other deficiencies or observations that we believe warrant your attention but may not report all identified matters if we do not believe they are significant or noteworthy.

Deficiencies in internal control are significant based on our judgement regarding whether they are sufficiently important to merit [those charged with governance's] attention. This judgement considers the likelihood of material misstatements, the susceptibility to loss or fraud, and the cause and frequency of exceptions and other considerations. We rate each control observation using the following criteria.

High	Deficiency/weakness in internal control (either individually or in combination with other deficiencies that requires immediate attention as it has potential to have a serious adverse effect on the council (including the integrity of its financial and non-financial reporting).
Medium	Weakness that could adversely affect the entity if not addressed or reduce the efficiency of the Council's operations.
Low	Weakness that results in controls falling short of best practice or public sector expectations for a council of this size and complexity.

Appendix 4: IT Findings and Process Improvements

Deloitte reviewed the general IT control (GITC) environment supporting the external audit of Waitomo District Council in the prior year and reported findings and process improvement recommendations to the Committee. This appendix summarises Management's progress in addressing those findings.

Observation	Issue and Impact/Implication	Deloitte Recommendation	Current year update
Enhance User Access Management Procedures User Provisioning - No formal policy or process exists relating to user provisioning. The new user form is not fit for purpose and does not include a requirement for direct approval from the starters line manager. Further, it was noted that access is typically mirrored/copied from existing users and not explicitly defined upon request. User De-Provisioning - No formal policy or process exists relating to user de-provisioning for MagiQ. Terminated users have their access removed via an informal process, relying on a notification from HR leading to confusion between HR and IT regarding termination date and access revocation. We noted that in our sample testing, a users' network access was not disabled until 8 days after their termination. User Access Reviews - Full user access reviews to validate the appropriateness of all user privileges are not performed on a periodic basis on the MagiQ application.	Without a reliable process to provision/de-provision user access or perform regular access reviews, users may inherit or retain privileges that are no longer valid or are beyond a user's current need. This could lead to unauthorised access to systems and data, resulting in risks to the completeness, accuracy, and validity of financial information. Additionally, there is an increased risk of inappropriate access when access is mirrored/copied from other users; due to the fact that as users move within the company additional privileges are granted which may cause future conflicts when mirrored.	We recommend the following: **User Provisioning/ De-Provisioning** •All new user requests, modified user requests, and termination requests, should follow established access management procedures, where requests are formally logged and monitored. •Management reviews the process to ensure access is not mirrored for new users, and explicit roles are requested for each new user. **User Access Reviews** •Management should establish formal periodic reviews of all user accounts. This should include the following checks: a. User permissions are appropriate for job functions. b. Business users do not have administrative-level permissions within the applications. If this access is required, overarching monitoring controls should exist to review the logged activity for these accounts.	**Completed** Feb 25: A monthly report is setup to be generated and sent to Chief Financial Officer, Financial Accountant, Chief Information Officer and Customer and Information Manager reviewing the general access users have to different modules. The CFO reviews the Finance level of access of the users. An onboarding/offboarding process review with a wider organisational team has started to refine and clarify these processes. May 25: The review of the onboarding/offboarding process is continuing. An online HR module (Elmo) is in the early stages of implementation which will assist with managing the onboarding/offboarding process. Aug 25: Elmo will be live in the coming weeks, the onboarding/off boarding function is still work in progress. User access reports are reviewed by CFO and IM.

Observation	Issue and Impact/Implication	Deloitte Recommendation	Current year update
Enhance Third Party Vendor Risk Management Waitomo District Council are significantly reliant on their third-party provider, MagiQ Software to host and manage the MagiQ Cloud application and its underlying infrastructure (database and operating systems). Despite significant reliance on third parties to perform control activities on behalf of Waitomo District Council; key third-party risks are not documented or monitored via an internal risk register. Without understanding of key risks, Waitomo District Council are unable to make an informed risk decision around assurance or controls to address third party risk. Additionally, MagiQ does not issue a service auditor report, such as an ISAE3402, providing assurance over internal controls.	Where Third Party Risk Monitoring is not appropriately managed there is a risk that the internal controls performed by the Vendor do not adequately address Waitomo District Council's business and IT risks. Waitomo is heavily reliant on MagiQ software to host and manage key aspects of the MagiQ application, where a failure of internal controls will directly impact the integrity of Waitomo's environment including financial and security data. Without adequate oversight over the controls performed by third parties on behalf of Waitomo, Waitomo will not identify potential weaknesses or gaps that will directly impact the systems they rely on.	We recommend the following: •Management review and document third-party risks via an internal risk register. When deemed necessary, management document mitigating controls or procedures against these key risks and monitor residual risk per their risk appetite. •If necessary, management should obtain independent assurance (e.g., ISAE3402 Type 2 Reports) over third-party internal control environments, including the hosting of key applications storing Waitomo's Financial and User data. If necessary, when independent assurance cannot be obtained, management should perform internal review processes or direct assurance activities over third-party internal control environments in line with established service level agreements.	**Completed** Feb 25: A request has been sent to our enterprise system software provider (MagiQ) to provide WDC with their Risk Management Procedure documentation. Aug 25: Policy supplied- MAGIQ Software Backup and Restoration Policy 2025 (Confidential)

Observation	Issue and Impact/Implication	Deloitte Recommendation	Current year update
Uplift Change Management Processes **No Formalised Change Management Policy** Waitomo District Council currently lacks a formal change policy within its operational procedures. Informal approvals are typically granted via email directly to vendors, and any change documentation, such as user acceptance testing information, is retained in emails. **Monitoring of Vendor Database Changes** Waitomo District Council does not have any oversight and monitoring controls to review changes applied to the database in relation to associated application changes.	Where policies and procedures are not formally signed-off and communicated to the business by management there is an elevated risk that users do not follow good security practises. With no formal change management process followed, unauthorised changes could be made to the system without management's approval. This could lead to potential downtime if untested changes are implemented to production.	We recommend the following: •Management develop a formal change request policy to establish clear guidelines and approval procedures for changes their processes and systems. This policy will help ensure that all changes are thoroughly documented, reviewed, and approved in a structured manner, enhancing transparency and accountability within the organization. •Furthermore, Waitomo should implement oversight controls for reviewing database changes that are associated with requested application changes. This could include requiring documentation from vendors describing the nature of the change and potential impact to the system.	Feb 25: A Change Management Process documents has been developed and will be critiqued and approved by the end of March 2025. Aug 25: Draft document in progress.
Align password parameters to WDC's password policy During our testing, we observed that the password parameter settings in the MAGIQ Application did not align with WDC's password policy. The password policy specifies a minimum password length of 14 characters, whereas the network and, consequently, the MagiQ application are configured with a minimum password length of only 8 characters. Since MagiQ relies on Windows Active Directory credentials for single sign-on access, the minimum password length is not being correctly enforced at the network level.	Weaknesses in password controls increase the risk of an unauthorised user gaining access to systems and/or data either by repeated attempts at password guessing or through inappropriate access privileges.	We recommend management consider reviewing the password policy on the network and enforce password configurations in line with the organisations password policy.	**Completed.**

Observation	Issue and Impact/Implication	Deloitte Recommendation	Current year update
Large number of vendor support staff have access to the database (New) Upon review of authentication controls for the WDC production database, we found that a large number of MagiQ support staff (45 users) have SSH access, which potentially allows them to directly alter the database schema.	Where third party users have inappropriate access to the database, there is an increased likelihood of theft, damage, copying, viewing or public disclosure of sensitive information. This could result in disruption of business processes, legal or financial penalties and could expose WDC to the risk of reputational losses arising from the erosion of customer and/or vendor confidence.	We recommend that management should conduct a thorough periodic review of user access with MagiQ Software to limit the number of accounts with SSH access to the WDC production database. This review should ensure that access is granted only to those users who require it for their roles, thereby minimizing the risk of unauthorized alterations to the database schema.	**Completed.** Feb 25: WDC staff will review the access that MagiQ support team has to fix issues raised. Aug 25: The number of MagiQ support team with access has been reduced to 3 from 20.

The Audit Office
Te Mana Arotake

The Audit Office
PO Box 3928, Wellington 6140

Telephone: (04) 917 1500

Website: www.ao.parliament.nz

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