



# AGENDA

## Audit and Risk Committee Meeting Monday, 26 January 2026

**Date** Monday, 26 January 2026

**Time** 11.15 am

**Location** Council Chambers  
Timaru District Council  
King George Place  
Timaru

**File Reference** 1817967

## **Timaru District Council**

**Notice is hereby given that a meeting of the Audit and Risk Committee will be held in the Council Chambers, Timaru District Council, King George Place, Timaru, on Monday 26 January 2026, at 11.15 am.**

### **Audit and Risk Committee Members**

Bruce Robertson (Chairperson), Scott Shannon (Deputy Chairperson), Janice Fredric, Michelle Pye, Stacey Scott, Graeme Wilson and Mayor Nigel Bowen

Quorum – no less than 3 members including at least one external member

### **Local Authorities (Members' Interests) Act 1968**

Committee members are reminded that if you have a pecuniary interest in any item on the agenda, then you must declare this interest and refrain from discussing or voting on this item, and are advised to withdraw from the meeting table.

Nigel Trainor  
**Chief Executive**

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- 1 Apologies**
- 2 Identification of Items of Urgent Business**
- 3 Identification of Matters of a Minor Nature**
- 4 Declaration of Conflicts of Interest**

## 5 Reports

### 5.1 Actions Register Update

**Author:** Jessica Kavanaugh, Democracy Services Lead

**Authoriser:** Stephen Doran, Acting Chief Executive

#### Recommendation

That the Audit and Risk Committee receives and notes the updates to the Actions Register.

#### Purpose of Report

- 1 The purpose of this report is to provide the Audit and Risk Committee with an update on the status of the action requests raised by members at previous Audit and Risk meetings.

#### Assessment of Significance

- 2 This matter is assessed to be of low significance under the Council's Significance and Engagement Policy as there is no impact on the service provision, no decision to transfer ownership or control of a strategic asset to or from Council, and no deviation from the Long Term Plan.

#### Discussion

- 3 The actions register is a record of actions requested by members. It includes a status and comments section to update the Audit and Risk Committee on the progress of each item.
- 4 There are currently 8 items on the actions register.
- 5 7 items are marked as in progress.
- 6 2 items are marked as completed and are proposed to be marked as removed at the next meeting.

#### Attachments

1. [Audit and Risk Actions Required](#) 

### Information Requested from the Audit and Risk Committee

Key ■ = Completed, for removal ■ = 60+ Days ■ = 90+ Days ■ = Removed

<b>Information Requested</b>	Meeting/briefing with FITCH and the Audit and Risk Committee			
<b>Date Raised:</b>	03 March 2025		<b>Status:</b>	Complete
<b>Issue Owner</b>	Chief Financial Officer	<b>Due Date:</b>		<b>Completed Date:</b>
<p><b>Background:</b> The committee requested a meeting/briefing with FITCH and the Audit and Risk Committee as part of a Audit and Risk Committee Meeting or a workshop. (this action was added after the request for an action register at the 23 June 2025 meeting).</p> <p>Update September 2025: Officers have liaised with FITCH who will present to the committee at the 1 December 2025 meeting.</p> <p>Update January 2025: Due to a change of meeting date, a new date was arranged for the Fitch workshop. Officers recommend this action can now be closed as the Fitch presented at a workshop held on 15 December 2025.</p>				

<b>Information Requested</b>	IT Strategy			
<b>Date Raised:</b>	03 March 2025		<b>Status:</b>	In progress
<b>Issue Owner</b>	Chief Information Officer	<b>Due Date:</b>		<b>Completed Date:</b>
<p><b>Background:</b> The committee confirmed the need for an IT Strategy to be developed. (this action was added after the request for an action register at the 23 June 2025 meeting).</p> <p>Update September 2025: Council's IT strategy is currently under development, and being workshopped with Senior Leadership. There are no further updates at this time.</p> <p>Update from Audit and Risk Meeting 15 September 2025: The Chief Information Officer confirmed this strategy will be presented to the 01 December 2025 Audit and Risk Committee.</p>				

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Update January 2026: The Final Strategy has not yet been received or signed off by the Senior Leadership. Once this has been received by Edge Consulting, the strategy will come to the Committee.

<b>Information Requested</b>	Policies that the Audit and Risk Committee are responsible for			
<b>Date Raised:</b>	23 June 2025		<b>Status:</b>	Complete
<b>Issue Owner</b>	General Manager Corporate	<b>Due Date:</b>		<b>Completed Date:</b> January 2026.

**Background:**

The committee requested a report to the Audit and Risk Committee to advise what policies they are responsible for and when they are coming up for review. It was requested this is presented at the 01 December 2025 Audit and Risk Meeting (this action was added at the 15 September 2025 meeting).

**January 2026 Update:**

<b>Policy</b>	<b>Review frequency</b>	<b>Next review is/was due</b>	<b>Audit and Risk Committee Role</b>
Accounting Policies	Annually	October 2026, as part of the Annual Report	Audit and Risk Committee (ARC) role in these policy reviews is to consider, advise and endorse.
Employees Conflict of Interest Policy	Three yearly	November 2025 (is currently under review)	Depending on the policy, elected members or the Chief Executive then approve the policy, taking into account ARC feedback and advice.
Fraud, Bribery and Corruption Control Policy	Two yearly	July 2025 (is currently under review)	
Fraud and Corruption Control Policy for Elected Members	Three yearly	February 2019 (is currently under review)	
Sensitive Expenditure Policy	Six yearly	December 2031	
Risk Management Policy	Three yearly	February 2027	Note: it is proposed that all listed policies (except the Accounting Policies) will be reviewed every six years

This action is recommended to be closed.

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<b>Information Requested</b>	Accounting Policies – Fair Value			
<b>Date Raised:</b>	23 June 2025		<b>Status:</b>	In progress
<b>Issue Owner</b>	Chief Financial Officer	<b>Due Date:</b>		<b>Completed Date:</b>
<p><b>Background:</b>            The committee requested confirmation from the accounting standards perspective that our current policy of asserting fair value historic cost from 2005 is still appropriate and consistent with being a public benefit entity. This was discussed under item 6.9 Accounting Policies 2025 Annual Report. (this action was added at the 15 September 2025 meeting).</p> <p>Update January 2026: The independent Auditors Report for the year ended 30 June 2025 issued by Audit New Zealand states that in their opinion financial statement comply with GAAP in accordance with Public Benefit Entity Reporting Standards. The standard states under clause 42 “An entity shall choose either the cost model in paragraph 43 or the revaluation model in paragraph 44 as its accounting policy and shall apply that policy to an entire class of property, plant and equipment.” TDC last revalued its building in 2002 and since then all building have been recorded at cost, therefore TDC needs to make a decision on whether we choose a cost model or revaluation model, given it has been 23 years since we completed a revalue. A paper will need to be developed prior to the next meeting on this subject.</p>				

<b>Information Requested</b>	Potential for Councillors to be included in the Health and Safety Walk arounds			
<b>Date Raised:</b>	03 March 2025		<b>Status:</b>	In Progress
<b>Issue Owner</b>	General Manager People and Capability	<b>Due Date:</b>		<b>Completed Date:</b>
<p><b>Background:</b>            The committee discussed as part of the Health and Safety Performance Report, the potential benefits of Councillors being apart of the safety walks undertaken by the Senior Leadership Team (this action was added after the request for an action register at the 23 June 2025 meeting).</p> <p>21/08/25 – There is a plan to include Councillors in safety walks following the 2025 election.</p> <p>Update from Audit and Risk Committee 15 September 2025: This action was moved from the Public Excluded action register to the public action register.</p> <p>Update January 2026: Health and Safety Induction for Elected Members is scheduled to occur on 17 February 2026. At this induction, the purpose of safety walks and what is required will be outlined. Elected Members will thereafter join the SLT safety walk roster.</p>				

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<b>Information Requested</b>	Insurance Renewal			
<b>Date Raised:</b>	03 March 2025		<b>Status:</b>	In Progress
<b>Issue Owner</b>	General Manager Assets and Infrastructure	<b>Due Date:</b>		<b>Completed Date:</b>
<p><b>Background:</b>            The committee requested as part of the Insurance Programme Update report:</p> <ul style="list-style-type: none"> <li>- Come back to the committee on the outcome of the Contract Works and the Fine Arts Policy and be built into the work forward programme</li> <li>- That the Insurance Strategy includes of risk mitigations</li> </ul> <p>As part of the 23 June 2025 meeting, the committee requested early in the new year to discuss with our Insurance Advisors (AON), including any internal work that has been done to discuss what strategies can be implemented as a workshop. Also to see the the Local Authority Protection Programme (LAPP) and Liabilities insurance at the next meeting.</p> <p>Update from Audit and Risk Committee 15 September 2025: This action was moved from the Public Excluded action register to the public action register.</p> <p>Update January 2026: If agreed by Audit and Risk Committee a workshop will be arranged this year. Preliminary arrangements are for March 2026.</p>				

<b>Information Requested</b>	Forward Internal Risk Development Plan			
<b>Date Raised:</b>	15 September 2025		<b>Status:</b>	In Progress
<b>Issue Owner</b>	General Manager Corporate	<b>Due Date:</b>		<b>Completed Date:</b>
<p><b>Background:</b>            The committee requested the forward internal risk development plan be reported on to the Committee. During the meeting it was advised the finalised Strategic Risk Register will be presented at the 01 December 2025 meeting.</p> <p>Update January 2026: This has been delayed due to staff availability. This will be presented at March Meeting.</p>				

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<p> </p>					
<b>Information Requested</b>	Risk Management				
<b>Date Raised:</b>	15 September 2025			<b>Status:</b>	In Progress
<b>Issue Owner</b>	General Manager Corporate	<b>Due Date:</b>		<b>Completed Date:</b>	
<p><b>Background:</b> The committee requested stronger discussion around the system of control to bring it back into the risk management framework in relationship to these risks, and to gain an understanding of the time flow how the Senior Leadership Team will work through and moderate the risk register.</p> <p>Update January 2026: This will be discussed at March meeting.</p>					

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## 5.2 Audit and Risk Committee Work Programme

**Author:** **Narayan Swamy, Assurance and Audit Officer**

**Authoriser:** **Stephen Doran, Acting Chief Executive**

### Recommendation

That the Audit and Risk Committee received and notes the Audit and Risk Committee Work Programme update.

### Purpose of Report

1 The purpose of this report is to outline the programme of work for the Audit and Risk Committee (ARC).

### Assessment of Significance

2 This matter has been assessed as having low significance under the Council's Significance and Engagement Policy as there is no impact on levels of service, strategic assets or rates and no deviation from the Long-Term Plan (LTP).

### Discussion

3 Below is the proposed ARC Work Programme which shows the items scheduled for each quarter. This information aims to provide an indication to the Committee of upcoming items.

4 This report has been split into the following areas: Standing agenda items, other agenda items, Audit and Assurance agenda items, and updated calendars for 2026 with any changes highlighted.

### Standing Agenda Items - 2026

1. Standing Agenda Items	Mar 26	Jun 26	Sep 26	Oct 26	Dec 26
Minutes and actions from the prior meeting	✓	✓	✓		✓
Risk Management quarterly report	✓	✓	✓		✓
Health and Safety update	✓	✓	✓		✓
Internal audit quarterly report	✓	✓	✓		✓
External auditors open findings	✓	✓	✓		✓
Issues Watch Register	✓	✓	✓		✓
Cyber Security Report	✓	✓	✓		✓
Continuous Improvement Update	✓	✓	✓		✓
Employee matters (as required)	✓	✓	✓		✓
Probity update (Report will be provided only if any probity matters arise)	✓	✓	✓		✓
Quarterly Sensitive Expenditure report	✓	✓	✓		✓
Auditor only time	✓	✓	✓		✓
Internal Auditor only time	✓	✓	✓		✓
CE only time	✓	✓	✓		✓

**Other Agenda Items - 2026**

2. Other Agenda Items	Mar 26	Jun 26	Sep 26	Oct 26	Dec 26
Operational Risk Register – all operational risks – Flowingly Report			✓		
Annual Legislative Compliance report – realigned with Annual Report Process			✓		
Insurance program update	✓ Renewal		✓ Endorse		
Annual Report to ARC on Conflicts of Interest	✓				
Credit rating review	✓				

**Audit and Assurance Agenda Items – 2026**

5 No workshops have been set yet for 2026, we would like to seek input from members of areas of interest for a workshop.

3. Audit and Assurance Agenda Items	Mar 26	Jun 26	Sep 26	Oct 26	Dec 26
Audit plan and engagement letters	✓				
Annual Plan update	✓	✓			✓
Draft Key Accounting Judgement – Accounting Policies	✓ 2025/26				
Adoption annual report				✓ 2025/26	
Adoption audit representation letters				✓ 2025/26	
Audit NZ Interim management report			✓ 2025/26		
Audit NZ Final management report					✓ 2025/26
Debenture Trust audit report					✓ 2025/26
Workshop					

**Attachments**

Nil

### 5.3 External Auditors Open Recommendations

**Author:** **Narayan Swamy, Assurance and Audit Officer**

**Authoriser:** **Stephen Doran, General Manager Corporate**

#### **Recommendation**

That the Audit and Risk Committee received and notes the Outstanding Recommendations Record update from External Auditors.

#### **Purpose of Report**

- 1 The purpose of this report is to provide the Audit and Risk Committee (ARC) with an update on outstanding recommendations made from external audits.

#### **Assessment of Significance**

- 2 Reporting on the Risk and Assurance activities is considered of low significance in terms of the Council's Significance and Engagement Policy as this matter is operational in nature. There is no impact on service provision or impact on the district as a whole.

#### **Discussion**

- 3 The Risk and Assurance Unit maintains a record of the recommendations arising from external audits and undertakes regular follow-ups with all business units to ensure recommendations have been actioned.
- 4 There are 16 new recommendations as per the final report dated 04 December 2025 which will be added for the March ARC meeting.
- 5 There are 24 open recommendations from the external auditors and 8 are closed as per the final report received on December 2025. The full details are in the attached record, which includes management comments.
- 6 The full Audit NZ Management Report is included in this agenda.

#### **Attachments**

1. **External Audit Open findings December 2025** 

## External Auditors recommendations record

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
	<b>Audit NZ Report 30/06/2024</b>					
1	Delegations register information not matching There is only one delegation register with the correct information that can be relied upon as the "one source of truth"; and that the register is updated in an appropriate timeframe to reflect any changes in staff movement.	Finance	CFO	30/06/25	Necessary	<p>-December 25: There is a project underway to improve the delegations register and put a formal process in place to ensure it is updated.</p> <p>-August 25: Final audit to be completed Oct 2025, at which time confirmation of closure will be provided.</p> <p>-May 25: Completed. Uploaded as Audit NZ Dashboard Item</p> <p>-Feb 25: Still to be completed Noted – this will be reconciled once the new delegations have been approved.</p> <p><b>AUDIT NZ updated comment</b> December 25: Multiple delegation listings were again provided to Audit New Zealand. We also noted that the delegations recorded within Esker is inconsistent with the "Delegation Manual July 2024", approved by Council.</p>
2	Separation of duties risk (creditors master file changes) Potentially remove the CFO's ability to make changes to the creditors Masterfile. Alternatively consider removing the CFO's ability to review and sign off the master file changes report.	Finance	CFO	30/06/25	Necessary	<p>-December 25: Will remove access to this for the Finance Manager.</p> <p>-August 25: Final audit to be completed Oct 2025, at which time confirmation of closure will be provided.</p> <p>-May 25: Recommended for close.</p> <p>-Feb 25: Completed We are happy to make this change according to best practice and will make a request for the CFO's access to the Creditor Masterfile to be amended to "view only". Request has been made and access changed to read/view only has been applied for the CFO role as of 26 November 24.</p> <p><b>AUDIT NZ updated</b> December 25: We noted that the CFO ability has been amended. However, the Finance Manager now has the ability to make changes to the Masterfile and is also the reviewer.</p>
3	Review of the manual journals Ensure that the Excel listings for all manually reviewed journals include a date field. A listing from Authority containing manual journals processed, should also be reconciled, or checked to the reviewed Excel listing. This will allow for accurate tracking and verification.	Finance	CFO	30/06/25	Necessary	<p>-December 25: Closed</p> <p>-August 25: Final audit to be completed Oct 2025, at which time confirmation of closure will be provided.</p> <p>-May 25: Recommended for close.</p> <p>-Feb 25: Completed Process as of July 2024: The signed and dated hard copy of the Excel journal template sheet is attached to a hardcopy of the posted Authority Journal. These are then again peer reviewed before being filed.</p>

4	Asset stock count / existence Implement a periodic physical verification of a sample of assets, especially high value or critical ones to ensure assets recorded in the FAR actually exist.	Finance	CFO	30/06/25	Necessary	<p><b>December 25:</b> As at May 2025 physical asset checks were undertaken for the Art Gallery, Library, Airport &amp; Parks "statues &amp; monuments". From the 2024-year physical asset checks have been undertaken. It is not feasible to check all assets annually, so it is planned that all assets be reviewed over a 5-year rolling period. The program for intended asset checks for 2026 to 2028 are currently under consideration.</p> <p><b>August 25:</b> Library, Airport - undertaken by Amrita and Tyler - file note available to be provided. Art Gallery by Cara Fitzgerald. Statues and monuments by John Liddiard</p> <p><b>May 25:</b> Physical asset checks are being undertaken for the Art Gallery, Library, Airport &amp; Parks "statues &amp; monuments"</p> <p><b>Feb 25:</b> Asset classes and locations for physical asset checks have been designated for 2025. This process is now embedded, and it is recommended that it now be closed. The PPE process documentation is being updated for the 2025 interim audit to reflect this process. We initiated a program of physical asset checks in 2024, based on asset classes, which will continue in future. This is now an ongoing process which will roll out over all asset classes over future periods.</p> <p><b>AUDIT NZ updated</b> December 25: We note that the revised process still do not cover all assets.</p>
5	FAR reconciliations Introduce a regular reconciliation process between the asset management systems and the FAR.	Finance	CFO	30/06/25	Necessary	<p><b>December 25:</b> FAR reconciliation completed for June 2025. To be implemented quarterly with work in progress (WIP) capitalisation. A number of Asset Management Systems are still being developed in concert with financial reporting requirements which will include full reconciliation, depending on materiality. A number of the AMSs will eventually be the FAR replacing that in the current Authority CVR FAR (as has already occurred with Water)</p> <p><b>August 25:</b> AR reconciliation completed for June 2025. To be implemented quarterly with WIP capitalisation.</p> <p><b>May 25:</b> Work is continuing to update Asset Management databases in a number of areas and so these reconciliations are still developing. Finance are working with asset managers through that process.</p> <p><b>Feb 25:</b> Quarterly reconciliations are now being completed however the process is still being finalised refined and therefore this item should remain open. We plan to perform quarterly reconciliations following the WIP review process.</p> <p><b>AUDIT NZ updated comment</b> It is noted that the FAR reconciliations are performed at year-end only.</p>
6	Trade receivables aging Implement a process to ensure an aging listing and other details are able to be generated at 30 June.	Finance	CFO	30/06/25	Necessary	<p><b>December 25: Closed</b></p> <p><b>August 25:</b> Final audit to be completed Oct 2025, at which time confirmation of closure will be provided.</p> <p><b>May 25:</b> Recommended for close.</p> <p><b>Feb 25:</b> The aged listing is now being undertaken. It is recommended that this item now be closed. Aged listings from Bookable are available each month. We will ensure these are saved each</p>

					month going forward.
7	Publication of council-controlled organisations (CCO) information: Ensure that the CCO information, required by the Local Government Act 2002 (LGA), is published on the Council's website within the stipulated timeframe.	Corporate Communication	GMCC	31/12/24	<p>Necessary</p> <p><b>December 25:</b> A process is now in place to ensure this is done in a timely manner.</p> <p><b>November 24:</b> We have made improvements to the website to be more clear as to where CCO and associate annual reports are housed. All current CCO and associate reports are on the website here: <a href="https://www.timaru.govt.nz/council/publications/reports/other-reports">https://www.timaru.govt.nz/council/publications/reports/other-reports</a></p> <p><b>August 24:</b> Completed</p> <p><b>May 24:</b> To be completed in next quarter.</p> <p><b>Dec 23:</b> The Annual Report was adopted 14 November 2023. The Report was loaded on the Council website on 14 December 2023. Following changes in staff, the process for this has been reviewed and compliance is anticipated from 2024.</p> <p><b>Sep 23/Nov 23:</b> Management note copies of all CCO information are held on the TDC website. The first three years have an individual page for Venture Timaru, then previous years are available by searching the reports and documents from the agendas when these were presented to Council, or the relevant Committee. For TDHL, information is available on the TDC website from back to 2015/16 financial year. All was added within statutory timeframes and are available to view by the public.</p> <p>- A review of this process has led to CCO information and documents now being published on the Council's website within stipulated timeframes.</p> <p><b>AUDIT NZ updated comment</b> No progress No change in status from previous report.</p> <p><b>Previous comments</b> During 2022/23 there were further organisational restructures and changing personnel, the previously centralised function to publish these to Council website within statutory timeframes has again been overlooked.</p> <p>-December 24: Open</p> <p><b>December 25:</b> <b>In progress</b> Section 67(4) of the Local Government Act 2002 (LGA) states that the local authority must publish the annual report of its CCO's "<i>within 1 month of receiving it and must maintain the report on that site for a period of no less than 7 years</i>". We note on the Council's website, as at 11 November, only the 2023/24 Annual Reports are published for all of the CCO's. The requirement is that all reports received after the 2019/20 financial year should be published within one month and retained for seven years.</p>

8	FBT compliance processes Implement a process to record these benefits for staff, ensuring they are correctly treated as being exempt from FBT; and develop a procedures manual for the calculation of FBT to be used when the usual FBT preparer is unavailable.	Finance	CFO	30/06/25	Necessary	<p><b>December 25:</b> A review of where staff related benefits were being coded has been undertaken and it is anticipated that standardisation of this will be completed during FY 2026 with a review of the costs for the year also being completed. A full review of vehicle usage has been completed and improved processes established for monitoring this.</p> <p>We have completed the review of coding however that is now being implemented in FY 2026. The rolling review program has been operating since 2024 with a review of GST and then FBT and that of Payroll taxes in 2026.</p> <p><b>August 25:</b> We have completed the review of coding however that is now being implemented in 2025. There will be one code for COSI costs and one code for all other costs with a monthly review and analysis to determine if FBT might apply</p> <p><b>May 25:</b> A review of where staff related benefits were being coded has been undertaken and it is anticipated that standardisation of this will be completed during 2025 with a review of the costs for the year also being completed. A full review of vehicle usage has been completed and improved processes established for monitoring this.</p> <p><b>Feb 25:</b> FBT process continue to be worked on particularly focused on vehicles. It is anticipated that the coding for personal expenditures will be finalised in Q3 2025 and Q1 &amp; Q2 transactions reviewed. The guidance on preparation of the FBT is being embedded into the calculation spreadsheet.</p> <p>Agreed and planned for 2025.</p> <p><b>AUDIT NZ updated comment</b> Noted that PWC's recommendation is to re-start the Rolling Review programme during FY26 to ensure it is proactively identifying and managing tax risk and meeting Inland Revenue's requirements.</p>
9	Revenue classification Ensure that different types of revenue are correctly classified, for example, fees and charges are being correctly coded to fees and charges and not other revenue.	Finance	CFO	30/06/25	Necessary	<p><b>December 25:</b> Will be reviewed again prior to year end.</p> <p><b>August 25:</b> Final audit to be completed Oct 2025, at which time confirmation of closure will be provided.</p> <p><b>May 25:</b> Will be reviewed again prior to year end.</p> <p><b>Feb 25:</b> Planned</p> <p>Noted and planned for 2025.</p> <p><b>AUDIT NZ updated comment</b> December 25: Noted that there were fees and charges specific GL codes included within other revenue and vice versa such as social housing.</p>
10	Fully depreciated assets Conduct regular reviews of the useful lives of assets. This practice will ensure that the useful lives align with the anticipated consumption of economic benefits derived from these assets.	Finance	CFO	30/06/25	Necessary	<p><b>December 25:</b> A full review of useful lives has been undertaken and those assets with a nil value assessed as to whether they are still being utilised. Useful life extensions are limited to 12 months for fully depreciated assets and no additional value attributed to them, except for Water assets. A review of initial Water useful lives will be undertaken in 2026 to minimise the extensions of life. Once depreciation has been fully charged on assets then it is generally not good practice to assign further value to those assets as this artificially increases the net</p>

						comprehensive income in one year then operating expenses in the succeeding years, distorting practical asset management processes and frequently the value of assets is immaterial at that level. <b>-August 25:</b> Final audit to be completed Oct 2025, at which time confirmation of closure will be provided. <b>-May 25:</b> A full review of useful lives has been undertaken and those assets with a nil value assessed as to whether they are still being utilised. Useful life extensions are limited to 12 months for fully depreciated assets and no additional value attributed to them.  <b>-Feb 25:</b> The useful lives of Water and Roading assets will be comprehensively reviewed as part of the respective revaluations. Other assets are generically reviewed as part of the year-end asset processes. A review of useful lives was conducted in 2024 and is intended to be undertaken semi-annually, as well as greater standardisation of useful lives for equivalent assets. Assets may be utilised beyond their assessed useful lives and unless material it is not justified to increase the useful life but rather recognise that there is a degree of uncertainty surrounding the assessment of specific assets' useful lives. <b>AUDIT NZ updated comment</b> <b>December 25:</b> Noted that FAR still contains many fully depreciated assets (about \$15 million ).
11	Combined bank accounts in the GL Each bank account should be recorded in a separate general ledger account. This will facilitate proper reconciliations on an individual account basis.	Finance	CFO	30/06/25	Necessary	<b>-December 25: Closed</b> <b>-August 25:</b> Final audit to be completed Oct 2025, at which time confirmation of closure will be provided. <b>-May 25:</b> Completed <b>-Feb 25:</b> Will be completed before interim audit. We will move and separate these.
12	Uncalled capital in subsidiary Perform a detailed reconciliation of shares issued over the years to support the value and number of shares issued and uncalled.	Finance	CFO	30/06/25	Necessary	<b>-December 25: Closed</b> <b>-August 25:</b> Final audit to be completed Oct 2025, at which time confirmation of closure will be provided. <b>-May 25:</b> Completed Evidence provided. <b>-Feb 25:</b> Reconciliation to be conducted for the 2025 interim audit. This is something that has not been previously requested, including in 2024, however we will provide this reconciliation in future.
13	Assessment of year-end WIP Ensure that all costs in the WIP account at year end are costs that are capital in nature. Regularly perform a review of costs entered into WIP to ensure staff are capitalising appropriate costs in a timely manner. Perform a regular review of projects included in WIP to identify amounts that should be expensed due to contracts cancelled, delayed or significantly over budget (impairment required).	Finance	CFO	30/06/25	Necessary	<b>-December 25: Closed</b>  <b>-August 25:</b> Final audit to be completed Oct 2025, at which time confirmation of closure will be provided.  <b>-May 25:</b> As noted previously WIP is reviewed in detail quarterly. Costs are expensed where this is deemed appropriate.  <b>-Feb 25:</b> Recommended WIP processes are now being conducted as part of the quarterly review of WIP. This will be highlighted as an extra check during the quarterly reviews of WIP.
14	Approval for sale of assets	Finance	CFO	30/06/25	Necessary	<b>-December 25:</b> Assets disposal from CVR requires specific agreement from the appropriate manager with sufficient delegated authority for the disposal. This should now be closed.

	We recommend that the Council implement a standardised approval process for asset disposals that includes written authorisation.					<p>-August 25: Final audit to be completed Oct 2025, at which time confirmation of closure will be provided.</p> <p>-May 25: Assets disposal from CVR requires specific agreement from the appropriate manager with sufficient delegated authority for the particular disposal. This can be reviewed as part of the year-end process for 2025 which will provide the proof that this process is in place.</p> <p>-Feb 25: Asset documentation amended for 2025 interim audit. Process to be promulgated to Council formally in Q3 2025 as part of the quarterly review. Quarterly review of disposals to be undertaken to ensure that it is complied with.</p> <p>There are different types of disposals, however as a general principle we would agree that the relevant authorised manager should sign off on disposals. We will see to it that this is implemented going forward.</p> <p><b>AUDIT NZ updated comment</b></p> <p><b>December 25:</b> Most of the disposals in the FY were as a result of a review of the waters assets. These were no sales of assets, purely disposals (write-offs) of assets no longer in use. Remaining asset sales were not reviewed due to being immaterial.</p>
15	Impairment assessment for investment in subsidiaries and associates Complete the assessment of whether or not impairment indicators exist, at an individual assets and investment in subsidiaries and associates' level.	Finance	CFO	30/06/25	Necessary	<p><b>December 25: Closed</b></p> <p>-August 25: A high-level assessment has been completed for this year with the expectation that the review of associates would be done by TDHL. The process still needs an internal audit review.</p> <p>-May 25: The review process has not yet gone to ARC</p> <p>-Feb 25: Current practical processes as documented to be reviewed for ARC agreement. We review the impairment of investments in subsidiaries &amp; associates at least annually. We do not get external assessment advice under normal circumstances. We start with a high-level assessment and then would only do a more detailed assessment if there were negative indicators. Perhaps we should get ARC to explicitly sign off on our process and if they think that we need to do more we can do so. The impairment indicators as set out in our process were sourced from the standards and extant practice.</p>
16	Consolidation process Review the consolidation model to ensure that any flaws in the model are rectified before the preparation of the FY25 financial statements. Consider establishing an automated process for the consolidation model, which can limit the number of errors and manual updates. Consider establishing "standing journals". Ensure sufficient quality checks and reviews are performed over the consolidation model while preparing the FY25 financial statements. Key members of the management team and potentially the Audit and Risk Committee should perform an internal quality review of the draft annual report and evidence this review, before it is provided to the auditors for the annual audit.	Finance	CFO	30/06/25	Necessary	<p><b>December 25:</b> The proposed new Group fund in Authority has not yet been established, however it is intended that any Template journals have specific journal requests prepared as if they are being entered into GL.</p> <p>-August 25: Final audit to be completed Oct 2025, at which time confirmation of closure will be provided.</p> <p>-May 25: The proposed new Group fund in Authority has not yet been established, however it is intended that any Template journals have specific journal requests prepared as if these are being entered into the GL.</p> <p>-Feb 25: A new Group "fund" is to be established in Authority for Group transactions and the reporting Template updated accordingly for the 2025 year-end process. The current Excel model and system that we operate does not allow for consolidations to be done automatically within it. We are investigating whether to set up a separate fund within Authority so that journals can be passed through it.</p> <p><b>AUDIT NZ updated comment</b></p> <p><b>December 25:</b> There are still errors identified in the consolidation workings.</p>

17	Sensitive expenditure not in line with good practice Ensure expense reimbursements are approved on a one-up basis. Update corporate policies to include a claimable amount for breakfast.	Finance	CFO	30/06/25	Necessary	<p><b>December 25:</b> See comments regarding sensitive expenditure above.</p> <p>-August 25: Policy included in the Sept 25 ARC meeting for endorsement.</p> <p>-May 25: Policy being brought to ARC meeting June 25 for discussion.</p> <p>-Feb 25: Policy is being reviewed.</p> <p>Approval is essential for all expenses processed through the newly implemented AP system. Audit and Risk Committee Chair's expenses will be no exception.</p> <p>The transaction that was referred to in regard to the GM – Corporate and Communications happened prior to him being appointed as a GM. This went via the correct approval process. Policy will be reviewed and updated to include a breakfast expense amount.</p> <p><b>AUDIT NZ updated comment</b> <b>December 25:</b> From our audit review, we identified several samples where the expenditures are not on an one-up approval basis, including limited to no support to verify approval of expenditure by the CEO and Mayor.</p>
18	Legislative compliance Breach of legislation – hearing fees Seek legal advice and/or ask the Remuneration Authority for a ruling on the appropriateness of Council's resolution and the next steps required.	Finance	CFO	30/06/25	Necessary	<p><b>December 25:</b> No further update.</p> <p>-May 25: Currently audit dashboard query assigned to GM Corporate and Communications.</p> <p>-Feb 25: Awaiting feedback.</p> <p>Remuneration Authority were not interested in the matter. Legal advice sought and advice from Chair Audit and Risk is being sought as to possible next steps.</p> <p><b>AUDIT NZ updated comment</b> Overpayment still occurred in August 2025.</p>
19	High annual leave balances: Strengthen processes to review and monitor staff annual leave balances and continue to work with and implement leave management plans for staff with excessively high annual leave balances.	People & Capability	GM People & Capability	31-Dec-22 31-Mar-23 31-Dec-23	Necessary	<p><b>December 25: Closed</b></p> <p>-August 25: Regular reporting on leave balances continues to be distributed to Group Managers and People and Capability. The People and Capability team are actively engaging with Group Managers to ensure that plans are in place for those Officers. The total number of Officers with over 240 hours of leave entitlement has increased from 12 to 71, this is due to all accrued leave being transferred into annual leave on 1 July.</p> <p>-May 25: P&amp;C continue to support where required. GM's provided quarterly statistics to work with staff to reduce balances. Slight reduction observed.</p> <p>-February 25: Slight reduction in high leave balances. Leave reporting quarterly continues. GM's working with staff to reduce balances. Supported by P&amp;C where required.</p> <p>-November 24: Leave reporting quarterly continues. GM's working with staff to reduce balances. Supported by P&amp;C where required. The updated process is now implemented but full documentation of the process is to be completed.</p> <p>-Aug 24: Leave reporting provided quarterly. Leaders expected to proactively engage with team members to reduce leave balances in excess of 5 weeks. Letters setting expectations</p>

						being issued where required and guidance given on when to escalate to a managed leave programme.
						<p>- <b>May 24:</b> Regular leave reporting is provided to people leaders who are actively working to reduce team members leave before 30 June 2024.</p> <p>- <b>Jan 24:</b> Undertaking regular reporting to managers to increase oversight and management of leave balances. The most recent leave report was sent January 2024.</p> <p>- Payroll is undertaking quarterly leave reporting which will be sent to GMs to discuss with affected parties. (Currently running this report). Due to the nature of the system, this is a manual checking process and takes some time. The report will include the employee leave balance, accrued leave, long service and special leave, Christmas leave, and the monetary value based on ordinary earnings.</p> <p>- <b>Sep 23/Nov 23:</b> Planned quarterly reporting to SLT on the annual leave balances.</p> <p>- We continue to monitor this area and work with employees to reduce balances. The impacts of Covid-19 have heightened the issue. Managers receive reporting on employees with high balances and work with individual employees to put plans in place.</p> <p>- Engagement &amp; Culture continue to develop plans on how to address this issue.</p> <p><b>AUDIT NZ updated comment</b> Some progress However, noted there are still few employees with high annual leave balances.</p> <p><b>Previous comments</b> No progress No Change in Status from previous report. December24: Open</p>
20	Annual report preparation: <ul style="list-style-type: none"> <li>Ensure that the annual report is complete and ready for audit upon the date agreed in the Audit Proposal letter.</li> <li>Establish a robust quality review process over the financial and non-financial information presented to audit.</li> </ul>	Corporate Communications & Finance	GMCC & CFO	<b>21-Dec-22</b> <b>31-Mar-23</b> <b>21-Dec-23</b> 30 Oct 25	Necessary	<p>- <b>December 25:</b> We agree that the annual report should be ready and that a robust quality review process should be in place.</p> <p>- <b>August 25:</b> The Annual Plan was adopted prior to year end and work is well progressed on the Annual Report. The team working on the report has been in regular contact with Audit NZ to pre-empt any issues. **SUGGEST CLOSURE**</p> <p>- <b>May 25:</b> The annual plan has not required Audit and is on track to be adopted by year end. A project plan is in place to deliver the Annual Report to the expectations of the new Audit Team. A templated approach to the document should make this a more straightforward process.</p> <p>- <b>February 25:</b> We are in ongoing dialogue to ensure that a robust project plan is in place for 24/25. This can stay open for final review following adoption of 24/25 AR. Interim audit has been loaded onto dashboard early, and we are working through it currently. There is a significant dependency on the Annual Plan not requiring Audit.</p> <p>- <b>November 24:</b> Annual Report 2023/24 was adopted by council on 31 October 2024, and although challenging and requiring significant work on both Audit New Zealand and TDC side and concerns over quality of information gained an unmodified opinion. A debrief and</p>

						<p>improvement process will be followed in January guided by audit feedback to ensure that we continue to improve processes and have a robust project plan in place for 24/25.</p> <p>- <b>August 24:</b> Interim Audit was completed; team is working to finish Annual Report / Audit on time this year.</p> <p>- <b>May 24:</b> Interim and Annual Audit now underway, team is using dashboard to manage requests in a timely manner.</p> <p>- <b>Dec 23:</b> The Annual Report 2022/23 was approved by Council (Resolution 2023/76) November 2023. Regular communication between Audit NZ and TDC is in place to reduce the number of issues or any delays from either organisation.</p> <p>- <b>Nov 23:</b> The Annual report 2022/23 will be presented to the Council on 14 Nov 2023.</p> <p>- A detailed project plan has been developed to ensure the 2021/22 annual report is complete and ready for Audit. In addition, a Project Steering Group meets weekly and there are regular status updates to the Senior Leadership Team. Microsoft Teams is being used to manage internal information and Audit Dashboard for communication with Audit NZ.</p> <p>- Regular review of both financial and non-financial information is also being undertaken. Further Quality Assurances processes will be in place for the 2022 Annual Report.</p> <p>- The revised timing of the 2021/22 Audit led to pressures of multiple deliverables being required at the same time. A lesson learned session will be held with Audit NZ.</p> <p><b>AUDIT NZ updated comments</b></p> <p><b>December 25:</b> Limited progress on this, there are still numerous errors that are not currently properly flown throughout the document. We note there appears to be a lack of process in place to identify all potential aspects of the annual report such as contingencies and assets held for sale.</p> <p>Some progress</p> <p>The draft annual report provided to the audit team was not fully complete and due to time constraints, not subject to a full quality review process. The financial and non-financial information presented to audit, still contained misstatements.</p> <p><b>Previous comments</b></p> <p>Some progress:</p> <p>However, the draft annual report provided to the audit team was subject to a quality review process. However, financial and non-financial information presented to audit, still contained many misstatements.</p> <p><b>December 24: In progress</b></p>
	<b>Audit NZ Report 2021/2022</b>					
21	Implement the revaluation improvements recommendations: Take steps to implement the revaluation improvement points raised in 2019/20.	Finance	CFO	31 Dec 25	Necessary	<p>- <b>December 25:</b> The revaluation improvements suggested in 2019/20 have been implemented or superseded. There will always be possible improvements. This is an ongoing process.</p> <p>- <b>August 25:</b> Final audit to be completed Oct 2025, at which time confirmation of closure will be provided.</p> <p>- <b>May 25:</b> The revaluations for 2025 are being undertaken as at this time for the year-end reporting.</p> <p>- <b>February 25:</b> Working on the process as part of this annual audit. We have begun the revaluation process for both Water and Roading.</p>

						<p>-<b>November 24:</b> A comprehensive Water assets revaluation is due for 2025 so we will ensure that these points are specifically included in that process.</p> <p>-<b>August 24:</b> Still work in progress.</p> <p>- <b>May 24:</b> Still work in progress.</p> <p>- <b>Sep 23/Nov 23:</b> As noted in the Outstanding Risk Register presented to the Audit and Risk Committee on 3 July 2023, this is part of a program of work to prepare for a full valuation. The action has a proposed due date of 31 December 2025.</p> <p><b>AUDIT NZ updated comment</b> In progress December 24: Open <b>December 25:</b> The Council has addressed a number of matters raised by the valuer in 2022. The valuer of the roading assets raised some more recommendations in 2025.</p>
<b>Waka Kotahi - Investment Audit Report (Aug 21)</b>						
22	Develop a clear and consistent audit trail to support claims for funding assistance.	Infrastructure	Land Transport Manager	30-Jun-24	Medium	<p>-<b>November 25:</b> The September 2025 Procedural Investment Audit noted an improvement in the transparency of reconciliation between the General Ledger (GL) and NZTA funding assistance claims. This improvement was supported by a worksheet developed by the Finance team. As noted in the audit: "Claims for funding assistance for the five-year period were reconciled against the General Ledger (GL) and Transport Investment Online (TIO) submissions. The 2024/25 claim was straightforward, but earlier years lacked a clear audit trail, a recurring issue from prior audits. "The audit also identified further actions required to strengthen the process, recommending the following: "Develops a worksheet that directly links its general ledger to funding assistance claims. Additionally, GL printouts and any supporting worksheets should be dated to reflect the print run time". The General Manager Land Transport will continue to work with the Finance team, subject to their resourcing and availability, to further embed these improvements and address the remaining audit recommendations.</p> <p>-<b>August 25:</b> Alignment between NZTA work categories, Council general ledger codes, and Council work orders is now essentially complete, with only minor refinements outstanding. These refinements are expected to be addressed in the course of the 2025/26 financial year. The upcoming NZTA Investment Audit in September will provide independent confirmation of progress, and it is anticipated this action can be closed out following that audit.</p> <p>-<b>May 25:</b> As above. Proposed changes to the financial system will further support direct alignment. Likely we will be able to close out new financial year.</p> <p>- <b>February 25:</b> Works to tidy alignment between NZTA Work Category/Council GL and Council Work Orders are practically complete. Some minor changes to tasking and budget allocations outstanding that will be resolved 25/26 financial year.</p> <p>- <b>November 24:</b> Work is still ongoing in this area, the Finance team are working on moving the final few Work Orders that need moved to the correct NZTA work category which will ensure complete clear line of sight.</p> <p>-<b>August 24:</b> Work in Progress</p> <p>- <b>May 24:</b> Work is ongoing in this area; there are a number of reports and spreadsheets coming from the finance team which are bridging this gap. The budget codes and headers</p>

						submitted in the Long-Term Plan are much more simple to follow which will provide for further transparency over the life of the coming LTP. Work is being undertaken in conjunction with the Finance team to improve the reporting out of the finance system. This will remove the need for a bespoke system/report.
23	<b>Audit NZ Report 2022/2023</b> Capitalisation dates of additions: Capitalise assets within a month of their completion rather than all on 30 June.	Finance	CFO	1 <sup>st</sup> July 2024	Necessary	<p>-<b>December 25:</b> Majority of categories now up to date, water assets still a couple of months behind.</p> <p>-<b>August 25:</b> Final audit to be completed Oct 2025, at which time confirmation of closure will be provided.</p> <p>-<b>May 25:</b> Majority of categories now up to date, water assets still a couple of months behind.</p> <p>- <b>February 25:</b> Continuing to monitor.</p> <p>-<b>November 24:</b> Assets are now capitalised at the date of acquisition or completion, unless there are exceptional reasons to do otherwise. This item should be closed.</p> <p>-<b>August 24:</b> Quarterly capitalisation procedure will be implemented from 2024-2025 financial year.</p> <p>- <b>May 24:</b> This has made some progress this year with assets being capitalised earlier than year end. Will capitalise more regularly and will use the period close off date December 24: In progress</p> <p><b>AUDIT NZ updated comment</b> <b>December 25:</b> WIP is now reviewed quarterly, however, there are still inconsistencies in the capitalisation dates.</p>
24	Useful lives alignment with accounting policy: Ensure the useful lives are consistent with the accounting policy.	Finance	CFO	1 <sup>st</sup> July 2024	Necessary	<p>-<b>December 25:</b> Closed</p> <p>-<b>August 25:</b> Final audit to be completed Oct 2025, at which time confirmation of closure will be provided.</p> <p>-<b>May 25:</b> All useful lives are being reviewed to ensure that they comply with accounting policy.</p> <p>-<b>February 25:</b> Continuing to review.</p> <p>-<b>November 24:</b> Useful lives are consistently in line with accounting policy with the only exceptions being occasional errors. This item should be closed.</p> <p>-<b>August 24:</b> Reviewed</p> <p>- <b>May 24:</b> Reviewed Yes, we will review for consistency</p> <p><b>AUDIT NZ updated comment</b> <b>December 24:</b> Open, We noted that there are still assets with useful lives that are not consistent with the Accounting Policy.</p>

#### **5.4 Internal Audit Activities**

**Author:** **Narayan Swamy, Assurance and Audit Officer**

**Authoriser:** **Stephen Doran, General Manager Corporate**

#### **Recommendation**

That the Audit and Risk Committee receives and notes:

1. The Internal Audit Activities Report; and
2. The update of completed and upcoming Internal Audit activities for 2025/26.

#### **Purpose of Report**

1. To provide the Audit and Risk Committee (ARC) with an update on the Internal Audit (IA) activities since the last meeting on 15 September 2025 and upcoming IA activities for 2025/26.

#### **Assessment of Significance**

2. Reporting on the Risk and Assurance activities is considered of low significance in terms of the Council's Significance and Engagement Policy as this matter is operational in nature. There is no impact on service provision or impact on the district as a whole.

#### **Discussion**

3. ARC endorsed year 1 of the 3 year Internal Audit Plan for 2026 – 2028 at its meeting on 15 September 2025. Years 2 and 3 of the 3 year Internal Audit Plan are addressed later in the agenda under the Public Excluded Report Internal Audit Quarterly Update.
4. The endorsed planned audits for 2026 and their status are as follows:

Assignment	Status
Operational Audit of Timaru Wastewater Treatment Plant	The audit is completed, and the report is included in the Internal Audit Quarterly Report in Public Excluded.
Review of Land Information Memorandum (LIM) process.	The audit is completed, and the report is included in the Internal Audit Quarterly Report in Public Excluded.
Review of Customer Services Unit.	In Progress from 24 November 2025.
Fleet Management Audit	To be conducted after completion of Customer Service Unit audit in 2026.
IT	TBC by Chief Information Officer.
Payroll	To be conducted after Fleet Audit.
Internal Audit 3 Year Plan and Completed Internal Audits	The Proposed Plan and completed last 3 years audit are included in the Internal Audit Quarterly report in Public Excluded.
Fraud Awareness Week 17 <sup>th</sup> - 21 <sup>st</sup> November 2025.	Emails were sent to all staff members on two days during the week to emphasise the importance of fraud awareness and each person's role in preventing fraud. Additionally, emails specifically addressing leadership responsibilities were sent to the Senior Leadership Team to highlight their part in fraud prevention. For one week, computer screen savers featuring policy reminders and general fraud guidance were displayed to all staff.

## Attachments

Nil

## 5.5 Sensitive Expenditure Quarterly Report

**Author:** Andrea Rankin, Chief Financial Officer  
**Authoriser:** Nigel Trainor, Chief Executive

### Recommendation

That the Audit and Risk Committee receives and notes the Sensitive Expenditure report.

### Purpose of Report

- 1 To update the Audit and Risk Committee on sensitive expenditure for the period 1 July 2025 – 30 September 2025.

### Assessment of Significance

- 2 This matter is of low significance under the Council's Significance and Engagement Policy. It will be a regular report to the Committee to report on any expenditure of a sensitive nature as per the Sensitive Expenditure Policy.

### Discussion

- 3 This report provides summarised details of expenditure of a potentially sensitive nature.
- 4 Information has been extracted from Council's financial system from relevant cost centres and expenditure codes where sensitive expenditure is highly likely to be coded to.
- 5 The list of the transactions for the three month period from 1 July 2025 – 30 September 2025 is outlined in Attachment 1. All transactions were approved within the appropriate delegations and budgets.
- 6 The Senior Leadership Team have reviewed and are comfortable that there are no significant transactions.

### Attachments

1. [Summary of Sensitive Expenditure Transactions Q1 - 1 July 2025 - 30 September 2025](#) 

Summary of Sensitive Expenditure 01 July 2025 to 30 September 2025

## 5.6 Annual Report: Issues and Process Improvement

**Author:** Stephen Doran, General Manager Corporate

**Authoriser:** Nigel Trainor, Chief Executive

### Recommendation

That Audit and Risk Committee:

1. Note the lessons learned from the preparation of the 2024/25 Annual Report; and
2. Endorse the proposed improvement actions outlined in this paper.

### Purpose of Report

- 1 The purpose of this paper is to:
  - Inform the Audit and Risk Committee (ARC) of key lessons learned from the preparation and audit of the Council's 2024/25 Annual Report; and
  - Seek ARC's endorsement of proposed improvement actions to strengthen future annual reporting processes.
- 2 This paper draws on matters raised in Audit New Zealand's Report to Management on the Audit of Timaru District Council and Group and management's own reflections on the annual reporting process.

### Assessment of Significance

- 3 The annual report is a statutory requirement and a significant layer of assurance of performance for the public, and while it is a critical document it can be considered low significance in regards to the Council's Significance and Engagement Policy.

### Discussion

- 4 The Timaru District Council has successfully signed off its past two annual reports within statutory deadlines and with an unmodified audit opinion, primarily due to the hard work of officers and a positive relationship with Auditors.
- 5 Audit New Zealand has, over several years, identified recurring issues associated with the preparation of the document, which has meant that getting to this point has been more challenging for staff than strictly necessary.
- 6 While individual errors are typically corrected during audit, similar themes continue to re-emerge, particularly in relation to:
  - 6.1 Readiness of the Annual Report at audit commencement
  - 6.2 Quality assurance over financial and non-financial information
  - 6.3 Group consolidation and related party disclosures

- 7 The preparation of the 2024/25 Annual Report highlighted that these matters remain relevant and that further process improvements are required to reduce audit risk, improve efficiency, and strengthen reporting quality.
- 8 These issues are negative from an efficiency standpoint, but also carry a real operational cost to council through staff time required for rework, plus risk to staff wellbeing from the hours required to get the document over the line.
- 9 While the Annual Report itself is compiled by a relatively small number of staff, there is no single or simple point of failure in its preparation.
- 10 While there were some resourcing issues unique to 2024/25, which are detailed later, the issues encountered are largely the result of wider, upstream and systemic factors that occur throughout the financial year and across multiple parts of the organisation.
- 11 These factors have a cumulative, knock-on effect on the timeliness, quality, and readiness of the Annual Report at the point of compilation.
- 12 To ensure a more timely and efficient delivery of the annual report, the organisation needs to make a choice between updating the processes prior to year end to make the collation of the annual report more straightforward or continuing with the ‘brute force’ option of tidying things up at year end but with the allocation of additional resource.
- 13 This information is based on the Audit NZ Management report and inputs from the Chief Financial Officer and Corporate General Manager.

### **Key issues**

#### **ANNUAL REPORT READINESS AT POINT OF FINAL AUDIT**

- 14 Primarily due to incompleteness of data which is detailed later, the Annual Report was not “audit-ready” at the agreed commencement of audit and required amendments throughout the audit.
- 15 Presentation errors and omissions were identified that required correction during the audit process, with some changes not consistently flowed through all sections of the document. While some corrections will be expected to be found during the audit process, there was a higher number than would be considered sustainable.
- 16 The direct effect of this is increased audit effort and rework, extended timeframes for finalisation, heightened risk of inconsistent public reporting.
- 17 A clear distinction is required between a “draft” Annual Report and one that is ready for audit. Readiness needs to be formally assessed prior to submission.

#### **QUALITY ASSURANCE AND REVIEW**

- 18 While multiple reviews occur, there is no formalised or documented quality assurance framework covering both financial and non-financial information. Reviews are heavily reliant on individual expertise rather than structured processes.
- 19 This was compounded by the frequency of reviews based on the issues noted above.
- 20 This led to inconsistencies between financial statements, notes, and narrative sections, errors that could have been identified internally are instead raised during audit, reduced confidence in the effectiveness of internal review controls.

21 Effective quality assurance requires structured review stages, clear accountability, and documented sign-off, rather than informal or ad hoc checks. A more formal process with defined delivery dates and shared expectations needs to be agreed in consultation with Audit New Zealand.

## GROUP CONSOLIDATION AND SUBSIDIARY INFORMATION

22 Errors continue to be identified in consolidation workings and related party disclosures. There were also delays and inconsistencies in information received from subsidiaries, impacting the timeliness of group reporting. There is a fundamental disagreement as to what information subsidiaries should be providing the parent and whose job it is to parse this information into the format the council requires for its report.

23 Delays in the receipt of associate financial information weaken the group consolidation process and increase reliance on estimates. As PP&E is a component of associate net assets, late information heightens the risk of misstatement in group PP&E-related balances, including depreciation and impairment, and may impact the accuracy of the investment in associate's balance.

24 The main downstream effect of this is that it causes a delay in completing the main group accounts, which then requires manual adjustments during the audit period.

25 Group reporting requires clearer expectations, standardised templates, and stronger governance over the timing and quality of information received from subsidiaries. Delays in receiving this information resulted in an incomplete "draft report" ready for audit.

26 As Council Controlled Organisation (CCO) accounts aren't signed off until the end of September, this will always pose a challenge with consolidation and reconciliation with drafts received by CCOs and their final audited accounts. This underlines the importance of a high quality draft to be provided to council in a timely manner, which should be set out in our expectations of the CCOs and suitable templates of information required should be supplied to the CCO.

## TIMELINESS AND CONSISTENCY OF CAPITALISATION OF CAPITAL WORKS

27 A significant amount of capital works are still capitalised at year end rather than progressively throughout the year. As a result, Property, Plant & Equipment (PP&E) additions are largely recognised through manual, bulk journals supported by retrospective analysis rather than contemporaneous, transaction-level records.

28 This approach increases the risk of error in the recognition, measurement, and depreciation of PP&E, including: Incorrect capitalisation of costs that do not meet the criteria for recognition as assets; Assets being recognised in the wrong accounting period or not depreciated from the date they are available for use; Inconsistent treatment of work in progress versus completed assets and; Reduced reliability of subsidiary PP&E information used in group consolidation.

29 The concentration of judgement and manual processing at year end heightens the risk of material misstatement and extends the time required to complete the year-end close and audit.

30 Capital expenditure is not consistently tracked and capitalised on a project-by-project basis during the year. This reflects the limited integration between project, procurement, and fixed

asset records, Reliance on year-end processes and spreadsheets to identify and capitalise eligible costs and inconsistent capitalisation practices across subsidiaries.

- 31 The current controls we have in place that rely on year-end management review of capital works schedules and the reconciliation of capital expenditure to general ledger balances are retrospective in nature and not suitable for mitigating the risks arising from late and bulk capitalisation of capital works.
- 32 More robust processes to capitalise capital works progressively throughout the year, would reduce reliance on year-end estimates and manual adjustments, improve the accuracy of PP&E balances, and support a more efficient year-end close.

### **POLICY AND DOCUMENTATION GAPS**

- 33 Some accounting and governance policies lack sufficient detail or are not fully aligned with current practice (e.g. depreciation support, internal borrowings, delegation documentation).
- 34 This causes an increased judgement and compliance risk, greater likelihood of audit challenge and inconsistent application across the organisation.
- 35 This underlines the need for up-to-date, well-documented policies to support consistent financial reporting and defensible disclosures.

### **2024/25 SPECIFIC LEARNINGS AND IMPROVEMENTS**

- 36 There was a relatively new team working on aspects of the Annual Report 2024/25 who were not experienced in some of the quirks in local government finance and reporting. We have identified some training requirements through this process, which will be put in place prior to 2025/26.
- 37 There was a lack of resource on the corporate side of the production of the document due to staff being tied up in election preparation and post-election inductions, as well key staff being seconded to other roles during critical periods of the document's creation. This resulted in an unsustainable amount of work being undertaken by the corporate planner. While some of these issues will not be repeated a full needs analysis will be undertaken prior to 2025/26.
- 38 Some work undertaken during interim audit caused a degree of delay in final audit due to the capitalisation issues detailed above. For example, the presentation of accounting policies was updated as part of the notes associated with them, as opposed to a summary at the beginning of the section. This was a change between the interim and final document aimed at meeting best practice but was the cause of some complexity.

### **Recommendations**

Recommendation Area	Specific Actions Proposed	Rationale/Expected Benefit
Annual Report Readiness	<ul style="list-style-type: none"> <li>• Formally assess readiness before audit submission</li> <li>• Distinguish between "draft" and "audit-ready" versions and set appropriate standard for the latter.</li> </ul>	Reduce audit risk, improve efficiency, and strengthen reporting quality

Recommendation Area	Specific Actions Proposed	Rationale/Expected Benefit
<b>Quality Assurance and Review</b>	<ul style="list-style-type: none"> <li>Develop a formalised quality assurance framework and procedure with better document version control.</li> <li>Implement structured review stages and documented sign-off for major version by both GMs to ensure consistency.</li> <li>Investigate use of AI tools to flag inconsistencies across sections of the document.</li> </ul>	Increase consistency, reduce errors, and boost confidence in internal controls.
<b>Group Consolidation &amp; Subsidiary Info</b>	<ul style="list-style-type: none"> <li>Standardise templates for subsidiary reporting</li> <li>Clarify expectations and governance over information timing/format/quality.</li> </ul>	Improve timeliness and accuracy of group reporting, reduce reliance on estimates
<b>Capital Works Capitalisation</b>	<ul style="list-style-type: none"> <li>Capitalise capital works progressively throughout the year.</li> <li>Better integrate project, procurement, and asset records</li> </ul>	Reduce manual year-end adjustments, improve accuracy of PP&E balances, and support efficient year-end close
<b>Policy and Documentation</b>	<ul style="list-style-type: none"> <li>Update and align accounting/governance policies with current practice</li> <li>Ensure documentation supports disclosures</li> </ul>	Lower compliance risk, ensure consistent financial reporting, and defensible disclosures
<b>Resourcing and Training</b>	<ul style="list-style-type: none"> <li>Conduct needs analysis for project resource needs and staffing</li> <li>Provide targeted training for new team members</li> </ul>	Lower overall staff cost, better staff wellbeing.

## Review

39 It is envisaged that a document regarding the performance of all of council against these recommendations and the delivery of the Annual Report 2025/26 will be presented to the Audit and Risk Committee at its December 2026 Meeting.

## Attachments

Nil

**5.7 Audit NZ Management Report - 2024/25 Annual Report**

**Author:** **Stephen Doran, General Manager Corporate**  
**Andrea Rankin, Chief Financial Officer**

**Authoriser:** **Nigel Trainor, Chief Executive**

**Recommendation**

That the Audit and Risk Committee:

1. Receives and notes Audit NZ Management report for the 2024/25 Annual Report; and
2. Notes that recommendations identified by Audit NZ are added to the 'External Auditors Open Recommendations' to be reported against from the next Audit and Risk Committee Meeting.

**Purpose of Report**

- 1 To provide the committee with the Audit NZ Management Report for the 2024/25 Annual Report audit, and provide the opportunity for a representative from Audit New Zealand to speak to the report and answer any questions.

**Assessment of Significance**

- 2 This matter is considered to be of low significance when assessed against Council's Significance and Engagement Policy. The management report issued by Audit New Zealand (Audit NZ) provides guidance on a range of audit issues connected to the audit of Council's Annual Report 2024/25. The management report does not affect Council's direction, governance and management of its strategic assets, levels of service or rates. For these reasons the item is considered to be of low significance

**Discussion**

- 3 Audit New Zealand issued an unmodified opinion on the Annual Report 2024/25 on 31 October 2025.
- 4 Included was matter of emphasis regarding the uncertainty around the course of action of the Commerce Commission in response to its finding of the breach in price regulation measures by Alpine Energy Limited. This matter was not taken into account in the impairment assessment of the group's investment in associates.
- 5 There are 16 new improvement recommendations in the report, all of which are considered necessary, and which will be added to the External Auditors Open Recommendations. These will be allocated to the appropriate General Managers for action as part of the standard open recommendations reporting.
- 6 Of the 23 previous recommendations, eight have been closed, 10 are marked in progress with management updates provided, and five are marked open.
- 7 A report on issues and proposed Annual Report process improvements will be presented in this agenda.

**Attachments**

1. **Audit NZ Management Report - Annual Report 2024/25**  

# **Report to the Council**

## on the audit of Timaru District Council and Group

For the year ended 30 June 2025

**AUDIT NEW ZEALAND**  
Mana Arotake Aotearoa



## Our audit report

### We issued an unmodified audit report

We issued an unmodified audit report on 31 October 2025. We are satisfied that the financial statements and statement of council activities present fairly Timaru District Council (the Council) and Group's activity for the year and its financial position at the end of the year.

### Corrected and uncorrected misstatements

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

The financial misstatements and disclosure deficiencies that have not been corrected are listed in the representation letter. We are satisfied that these misstatements are individually and collectively immaterial.

We also identified financial and performance misstatements that were corrected by management.

We identified opportunities to improve the presentation of information in your annual report and the related note disclosure. These recommendations have been appropriately considered by management and are reflected in the final version of the annual report.

A list of corrected misstatements is available on request.

### Thank you

We would like to thank the Council, management, and staff for the positive attitude and assistance they provided during the audit. We look forward to working with the team next year.



Rudie Tomlinson  
Appointed Auditor  
4 November 2025



## Focus areas from the audit plan

Focus area	Outcome
<b>Valuation of Infrastructure assets</b>	
The Council revalued its roading 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 reviewed the valuation report and completed our testing of the valuation. We are satisfied that the financial statements appropriately reflect fair value.
<b>Fair value assessment of infrastructure assets (non-revaluation year)</b>	
Where assets recorded at fair value have not been revalued, there is a risk that the carrying amount is materially different from fair value requiring a revaluation.	We completed our testing of management's assessment of carrying value compared to fair value. We are satisfied that the movement is not material, and that the financial statements appropriately reflect the fair value of these assets.
<b>Accounting for impairment, capitalisation of costs and recognition of completed assets</b>	
The Council manages a significant capital programme. Assets are required to be assessed for indicators of impairment at each reporting date. In addition, work in progress values on projects that span an extended period of time should be assessed regularly for impairment over the period of the project.	We reviewed the process used by management to assess assets for impairment, including work in progress, to be reasonable and compliant with the financial reporting standards.  We reviewed the accounting for costs incurred on capital projects. We are satisfied that capitalised costs and work in progress are appropriately reflected in the financial statements.
<b>Mixed group entities</b>	
The Council has a complex group structure, which consists of entities with varied functions and includes entities with both public benefit and for-profit objectives. Different accounting standards apply, requiring appropriate adjustments in preparing the group financial statements.	We evaluated management's response to the potential risks and are satisfied that the group financial statements are fairly stated.



Focus area	Outcome
<b>Restructuring</b>	
The Council consulted on a restructure during the financial year. A final decision was announced on 09 July 2025.	We have reviewed the appropriateness of disclosures and provisions made, relating to the restructure and are satisfied that these are appropriate.
<b>The risk of management override of internal controls</b>	
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
<b>Local Water Done Well programme</b>  The Local Government (Water Services Preliminary Arrangements) Act 2024 established a variety of requirements that Council needs to meet. A further Local Government Water Services Bill is expected to be introduced to Parliament before December 2025, detailing changes to the water services delivery and regulatory systems.	The Council's water services delivery plan was accepted by the Secretary for Local Government on 28 October 2025.  The Council has made adequate disclosure of developments and uncertainties relating to the local water done well programme.



## Financial statements and service performance information

### Judgements made in significant accounting estimates

Judgement areas	Misstated	Cautious	Balanced	Optimistic	Misstated
Valuation of roading assets (\$773 million)				■	
Landfill provisions (\$12 million)		■			
Fair value of property, plant and equipment – three waters (\$795 million)			■		

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

### Commentary

#### Valuation of roading assets

The main driver for a change in value for these assets, which are valued on an optimised depreciated replacement costs basis, is a change in construction costs. The valuation considered recent costs the Council has incurred constructing roading assets.

#### Fair value of property plant and equipment – three waters

These assets are valued on an Optimised Depreciated Replacement Cost basis. We agreed with the Council's assessment of the potential movement in fair value and that valuations of these assets were not required.

#### Landfill provisions

The provision is based on the cashflow estimated in the whole of life model. The model estimates the useful life of the landfill including relevant after care and closure costs that can be expected for each year of the landfill life. We identified some errors in the provision model which were corrected during the audit.



## Quality and timeliness of information provided for audit

The 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	⚠️ Attention	The draft financial statements were provided in a timely manner. However, corrections and changes were required to ensure compliance with accounting standards, especially where standards had been amended. There are certain areas of the financial statements that can be improved, which we will discuss with management.
Quality supporting financial information is prepared and available on a timely basis	🟡 Acceptable	The process this year has generally improved. In particular, the use of AuditDashboard assisted with the smooth flow of documents and information between the Council and audit staff. The quality of the financial information could be improved which will help reduce the number of misstatements and disclosure matters requiring correction.
Accounting records and supporting documentation reconcile to the financial statements	🟡 Acceptable	Accounting records did not always reconcile to key areas in the financial statements. Examples include funding impact statements, related party disclosures and property, plant and equipment listings.
Accounting records support the accounting treatment applied by management	🟢 Good	
Management prepares accounting papers for unusual or more complex transactions and estimates	🟡 Acceptable	These are often prepared after auditor queries. As an example, accounting papers supporting treatment in cases where inconsistencies in accounting policies have been identified, could have been prepared with more detail.



Expectation	Grading	Reason
Governors challenge the process and the outcomes of management's judgements	🟡 Acceptable	We encourage councillors to be more proactively involved in assessing the judgements made by management and or its experts.
Service performance reporting prepared by management complies with accounting standards	❗ Attention	Corrections were required to ensure the annual report correctly reflected the long-term plan and legislative requirements.
Quality supporting service performance information is prepared and available on a timely basis	🟡 Acceptable	Several changes within the service performance information were required to ensure this is in line with internal consistency and also compliance with legislation.
Reported service performance agrees to supporting records	❗ Attention	There were multiple misstatements raised for performance information reported within the statements of council activities. These included reported performance that was not supported by evidence, i.e., the reported result was not consistent with supporting records.
Issues raised in our previous reports are addressed in a timely manner	🟡 Acceptable	Some previous recommendations were addressed, but others remain outstanding.

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.



## Commentary

Our audit fee is based on reviewing two sets of draft financial statements and one printer's proof version. We will seek cost recovery for the additional time incurred as a result of:

- reviewing seven versions of the annual report;
- first time application of ISA (NZ) 600 (revised);
- reviewing the accounting and disclosures relating to the organisational restructure;
- obtaining key supporting information, required for the audit, and working with management to identify, understand and correct these where they did not reconcile to the financial statements or general ledger. This related mostly to supporting documentation for property, plant and equipment disclosures (including capital work in progress, depreciation and vested assets). We agree with management that the current FMIS (Authority) and chart of accounts, contributed significantly to some of these issues;
- reviewing and discussing misstatements with management. Where misstatements were raised these were sometimes not appropriately corrected, or during the correction process, other disclosures where no corrections were requested, were changed, leading to multiple versions and reviews; and
- reviewing a set of proforma financial statements, drafted prior to year end, which was set to be used as the basis for the 2025 financial statements. Between the audit review of the proformas in May and the draft financial statements provided for audit in September, the format of all notes within the proformas was amended.



## 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 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. 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 Council's financial statements and the statement of council activities 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 a limited assurance engagement relating to the Council's Debenture Trust Deed. This engagement is compatible with the Auditor-General's independence requirements.

Other than the audit, and our report on the disclosure requirements, we have no relationship with, or interests in, the Council and Group.

#### Fees

The audit fee for the year is \$289,461, (excluding disbursements) as detailed in our audit proposal letter.

Other fees charged in the period are \$8,800, for the annual limited assurance engagement relating to the Council's Debenture Trust Deed, and \$71,135 for recoveries for the prior year statutory audits.

#### 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 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 the Council during or since the end of the financial year.

We note that the Council's Appointed Auditor's spouse was a Partner of a national chartered accounting firm that provides virtual Chief Financial Officer services to a Council's subsidiary company. Audit New Zealand has applied sufficient appropriate safeguards to reduce threats to auditor independence to an acceptable level.





[www.auditnz.parliament.nz](http://www.auditnz.parliament.nz)



## 5.8 Debenture Trust Audit Report

**Author:** Andrea Rankin, Chief Financial Officer  
**Authoriser:** Stephen Doran, Acting Chief Executive

### Recommendation

That the Audit and Risk Committee:

1. Receive and note the Debenture Trust Audit Report; and
2. Receive the content in the Audit New Zealand Report on the Debenture Trust; and
3. Note that Audit New Zealand have issued an unqualified opinion.

### Purpose of Report

- 1 The purpose of this report is for the Audit and Risk Management Committee to be informed of the contents of the Audit Report prepared pursuant to the requirements of the Debenture Trust Deed.

### Assessment of Significance

- 2 This report is of low significance. The decision does not trigger high on any of the Significance and Engagement Policy criteria and therefore the item is not considered significant under Council's Significance and Engagement Policy.

### Discussion

- 3 Timaru District Council (Council) is a Principal Shareholder and borrower under the New Zealand Local Government Funding Agency Limited (LGFA) multi-issuer facility. As a shareholder of the LGFA, the Council is required to have a Debenture Trust Deed to be able to participate as a borrower and a shareholder and therefore take advantage of the lower interest rate margins LGFA offer.
- 4 A Debenture Trust Deed is a deed between a local authority and a trustee, under which a local authority grants a security interest in its rates and rates revenue to the trustee to hold on behalf of holders of "stock" issued under the debenture Trust Deed.
- 5 The local authority can then issue "stock" to creditors which has the benefit of the security granted to the trustee.
- 6 Council also uses the Debenture Trust Deed to provide security for its borrowings from banks.
- 7 Covenant Trustee Services Limited (the Trustee) are the debenture trustee in terms of the facility.
- 8 The Debenture Trust Deed between Covenant Trustee Services and Timaru District Council is dated 15 May 1998 and referred to as the "Trust Deed".
- 9 Council is required to provide a certificate and an audit report.
- 10 Preparation of the reporting certificate to the Trustee follows on from the adoption of the Timaru District Council Annual Report 2024/25.

- 11 Audit New Zealand is responsible for the preparation of the Audit Report under clause 9.2(a) of the Trust Deed.
- 12 The contents of the Audit Report are prescribed in clause 9.3(a) and 9.3(b) of the Trust Deed.
- 13 The Council has provided the Trustees of the Debenture Trust the following reports:
  - 13.1 An Audit Report under clause 9.2(a) (Attachment 1) which also contains our Reporting Certificate under clause 9.2(d) and a report on the register clause 5.6 undertaken by PWC.
- 14 The contents of the certificate are dependent on the information contained in Council's annual report and in the Audit Report prepared by Audit New Zealand contained therein.
- 15 The Audit Report from Audit New Zealand is a Limited Independent Assurance Report and is therefore limited in scope and users. The limitation on scope is due to the principal assurance review being undertaken by PricewaterhouseCoopers on the ComputerShare register.
- 16 The limitation on users is due to Audit New Zealand only addressing the report to Council and Trustee and are the parties who can rely upon its contents.

**Attachments**

1. **Debenture Trust Deed 2025 independent assurance report final** 

### **Independent Assurance Report**

**To Timaru District Council and to Covenant Trustee Services Limited  
in respect of Timaru District Council's Debenture Trust Deed  
for the year ended 30 June 2025**

The Auditor-General is the auditor of Timaru District Council (the Council) pursuant to the Public Audit Act 2001. The Auditor-General has appointed me, Rudie Tomlinson, using the staff and resources of Audit New Zealand to undertake a limited assurance engagement, on his behalf, as required by clause 9.3 of the Debenture Trust Deed dated 15 May 1998 and its subsequent amendments (the Trust Deed), for the year ended 30 June 2025.

#### **Councillors responsibilities**

The Council is required to provide a copy of the annual report, which includes the audited financial statements and performance information of the Council and our audit opinion, to the Covenant Trustee Services Limited (Trustee) under clause 9.2(a) and 9.3 of the Trust Deed.

The Council is responsible for preparing Reporting Certificates to the Trustee in accordance with clause 9.2(d) of the Trust Deed. The Council is responsible for such internal control as is determined necessary to ensure compliance with the requirements of the Trust Deed and also to enable the preparation of Reporting Certificates that are free from material misstatement, whether due to fraud or error.

The Council is responsible for keeping the Register and ensuring that it is separately audited in accordance with clause 5.6 of the Trust Deed.

The Council is required to comply with the full requirements of the Trust Deed, including the continuing covenants and reporting requirements.

The Council is responsible for interpreting the clauses and definitions in the Trust Deed. We make no representations as to whether these interpretations of the Trust Deed are appropriate.

#### **Trustee's responsibilities**

The Trustee monitors the Council's compliance under the terms of the Trust Deed. The terms of the Trust Deed were agreed by the Trustee and the Council. We are not a signatory to the Trust Deed and we were not consulted about the terms of the Trust Deed. We therefore take no responsibility for the adequacy of the terms of the Trust Deed for monitoring the Council.

The receipt of this limited assurance report (Report) and the audited financial statements and performance information of the Council, and any reliance on the audit opinion contained in our auditor's report attached to those audited financial statements and performance information, does not relieve the Trustee of its responsibilities under the Trust Deed and relevant legislation.

The Financial Markets Authority (FMA) issued a guidance note titled “Monitoring by Securities Trustees and Statutory Supervisors”. This guidance note sets out the FMA’s expectations about how Trustees will carry out their monitoring functions effectively. Where applicable, it is the Trustee’s responsibility to meet the FMA’s expectations as set out in the guidance note.

### **Auditor’s responsibilities**

Our responsibility is to express a limited assurance conclusion based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the New Zealand Auditing and Assurance Standards Board. A copy of this standard is available on the External Reporting Board’s website.

A limited assurance engagement is not an audit and the procedures that have been performed are substantially less than for an audit where reasonable assurance is provided. As a result, the level of assurance that has been obtained is substantially lower than the assurance that would have been obtained had an audit been performed.

The procedures performed when carrying out the audit of the annual financial statements and performance information of the Council are not designed to assess whether the Council has complied with the Trust Deed or to make an evaluation of the Reporting Certificate(s) the Council issued to the Trustee.

The scope of this limited assurance engagement is to report on certain matters stated in clause 9.3 of the Trust Deed based on information obtained as a byproduct of our engagement to perform the audit of the annual financial statements and performance information of the Council for the year ended 30 June 2025.

For the purpose of providing our Report, unless expressly stated, we have not performed any further procedures beyond those required to complete our engagement to perform the audit of the annual financial statements and performance information of the Council.

In the performance of our duties as auditors, unless expressly stated, we do not perform any work at the time the Reporting Certificate for the year ended 30 June 2025 is prepared by the Council. Accordingly, our statements contained in the Report in relation to the matters addressed in clause 9.3 of the Trust Deed must be viewed in that context.

Our responsibility under clause 9.3 of the Trust Deed is to:

- from our perusal of the Reporting Certificate dated 03 July 2025 given on behalf of the Council pursuant to clause 9.2(d) and, as far as matters that we will observe in the performance of our duties as auditors are concerned, report whether anything is brought to our attention to indicate that the statements made in such Reporting Certificate are not materially correct.

In meeting this responsibility we agreed the total amount of all categories of Stock in the Reporting Certificate dated 03 July 2025 with Computershare Investor Services and the Local Government Funding Agency.

With reference to the other assertions made by the Chief Executive in the Reporting Certificate our procedures have been limited to talking to management and considering any issues which might have come to our attention as a byproduct of our engagement to perform the audit of the annual financial statements and performance information of the Council; and

- report whether, in performing our duties as auditors, we have:
  - become aware of any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee; and
  - disclosed any matter that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders.

In meeting this responsibility, our procedures have been limited to talking to management and considering any issues which might have come to our attention as a byproduct of our engagement to perform the audit of the annual financial statements and performance information of the Council; and

- report, as at the end of the financial year, from the audit procedures performed as part of our engagement to perform the audit of the annual financial statements and performance information of the Council, whether anything came to our attention to indicate that, in all material respects, principal money due and payable on the Stock and interest due and payable on the Stock, had not been paid.

We have not tested that each individual Stockholder has received all monies due and payable to them;

- report whether the Council's agents have maintained the Register in accordance with the requirements of the Trust Deed.

The Council is responsible for maintaining the Register and ensuring it is separately audited in accordance with clause 5.6.

The audit of the Register is a separate engagement in the same way the engagement to perform the audit of the annual financial statements and performance information is a separate engagement. Our procedures were limited to asking the Council for a copy of the audit report about the Register; and

- report as at 30 June 2025:
  - the amount of Stock and how much is Security Stock and Bearer Stock; and
  - the Principal Money owing or secured under the Stock distinguishing between Security Stock and other categories of Stock.

In meeting this responsibility, we have agreed the total of all categories of Stock with Computershare Investor Services and the Local Government Funding Agency. We have not tested that each individual Stockholder has received all monies due and payable to them.

### **Inherent limitations**

We report to you as accountants, not lawyers. Accordingly we are not aware of all the powers and duties of trustees which may exist in statute, regulation, case law, legal precedent or otherwise.

Because of the inherent limitations in evidence gathering procedures, it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement are not performed continuously throughout the period and the procedures performed in respect of the Council's compliance with the Trust Deed are undertaken on a test basis (that is, we do not check every transaction), our Report cannot be relied on to detect all instances where the Council may not have complied with the requirements of the Trust Deed. Our conclusion has been formed on the above basis.

### **Restricted use**

This Report has been prepared solely for the Council and the Trustee in accordance with the requirements of clauses 9.3 of the Trust Deed. We disclaim any assumption of responsibility for any reliance on this report to any persons other than the Council and the Trustee or for any purpose other than that for which it was prepared.

### **Limited assurance conclusion**

Based on our work described in this report, nothing has come to our attention that causes us to believe that:

- the statements made by the Council in the Reporting Certificate dated 03 July 2025 pursuant to clause 9.2(d) are materially incorrect (Reporting Certificate dated 3 July 2025 is given in Appendix 1);
- there are any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee;
- there are any matters that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders; and

- in all material respects, that the Council has not paid all principal money due and payable on the Stock and all interest due and payable on the Stock.

Our limited assurance engagement was completed on 13 November 2025 and our conclusion is expressed as at that date.

### **The Register and Stock**

The Council has provided us with a copy of the audit report about the Register(s). Please refer to Appendix 2 for a copy of the audit report about the Register(s).

Based on the work described in this Report, as at 30 June 2025 the following balances are given:

Total Stock of	\$288,789,943
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This is comprised of:

o Security Stock of	\$38,000,000
o Bearer Stock of	Nil
o Other Stock of	Nil
o Security Stock (Local Government Funding Agency Stock) of	\$250,789,943

Based on the work described in this Report, as at 30 June 2025 the following balances are given:

Total Principal Money owing and secured under the stock of	\$250,789,943
--	---------------

This is comprised of:

o Security stock of	Nil
o Bearer Stock of	Nil
o Other Stock of	Nil
o Security Stock (Local Government Funding Agency stock) of	\$250,789,943

The Council is one of a group of guarantors of the Local Government Funding Agency. As at 30 June 2025 the Council had 26,337,930,000 units of Security Stock on issue associated with the guarantee.

The difference between Security Stock on issue associated with the guarantee and total borrowings of the Local Government Funding Agency at 30 June 2025 is as follows:

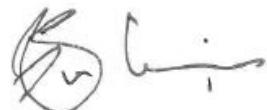
<b>000s</b>	
26,337,930	Units of Security Stock on issue associated with the guarantee
149,814	Accrued interest
(1,300,000)	Treasury Stock held by the Local Government Funding Agency
341,756	Treasury Stock lent to the market via repurchase agreements by the Local Government Funding Agency
25,529,500	Total borrowings of the Local Government Funding Agency at 30 June 2025

### **Independence and quality control**

We complied with the Auditor-General's:

- independence and other ethical requirements, which incorporate the independence and ethical requirements of Professional and Ethical Standard 1 issued by the New Zealand Auditing and Assurance Standards Board; and
- quality control requirements, which incorporate the quality control requirements of Professional and Ethical Standard 3 (Amended) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to this engagement we performed the annual audit of the Council's annual financial statements and performance information, and consultation document and long-term plan. Other than these engagements, we have no relationship with or interests in the Council or any of its subsidiaries or the Trustee.



Rudie Tomlinson  
Audit New Zealand  
On behalf of the Auditor-General  
Dunedin, Audit New Zealand

## Appendix 1: Copy of the reporting certificate dated 3 July 2025

### REPORTING CERTIFICATE

I, Nigel Trainor the Chief Executive of Timaru District Council (the "Council") hereby certify to the best of my knowledge and belief for the purposes of the Debenture Trust Deed dated 15 May 1998 (the "Trust Deed").

1. Since the date on which the last Reporting Certificate was given:
  - (a) all interest due on the Stock has been paid;
  - (b) all Stock which has fallen due for repayment has been repaid;
  - (c) No Event of Default has occurred and remains unremedied.
2. As at 30 June 2025 the total amount of Stock issued and outstanding under the Trust Deed (showing separately the respective nominal amounts) is as follows:

(i)	Debenture Stock of comprising: First Ranking Debenture Stock of and Second Ranking Debenture Stock of	\$Nil
(ii)	Security Stock (issued with a fixed nominal amount) of comprising: First Ranking Security Stock of and Second Ranking Security Stock of	\$38,000,000
	together with:	
(iii)	Security Stock (issued with a floating nominal amount), which as at 30 June 2025 (being no more than 5 business days before the date of this certificate) amount to:	\$38,000,000 \$Nil \$26,588,719,850 (plus accrued interest)

3. The Council has complied with the Act in connection with the Trust Deed, the Register and Paying Agreement, and any borrowing documentation which the Council has entered into under, in accordance with or secured by this Deed, except for completing this reporting certificate after the due date.
4. For the purposes of the Trustee's registration on the Personal Property Securities Register of a financing statement in respect of the security created by the Trust Deed, the following details are correct at the date of this Certificate:

#### Council Details:

Council Name: Timaru District Council

#### Contact Address:

Address: King George Place, PO Box 522  
City/Town: Timaru

Telephone: 03 687 7200  
Facsimile: 03 687 7205

E-mail Address: [enquiry@timdc.govt.nz](mailto:enquiry@timdc.govt.nz)

#### Person acting on behalf of organisation:

Full Name: Andrea Rankin (Chief Financial Officer)  
Address: PO Box 522  
City/Town: Timaru  
Telephone: 03 687 7200  
Facsimile: 03 687 7205  
E-mail Address: [andrea.rankin@timdc.govt.nz](mailto:andrea.rankin@timdc.govt.nz)

5. On the basis of such information as to the financial position and prospects of the Council as is generally received by me in my capacity as Chief Executive (including reports from the Council's financial managers), I am not aware of any reason why the Council will not be able to meet its liabilities in relation to Stock and interest thereon which are anticipated to fall due or to become payable during the twelve months from the date of this Certificate.
6. For the purposes of paragraph 5 of this Certificate, I have considered in particular:
  - (a) The liability of the Council under the Security Stock Certificate(s) issued with a floating nominal amount;
  - (b) The likelihood of the liabilities secured by those Security Stock Certificates being called on; and
  - (c) The ability of the Council to recover or recoup from other parties in relation to any payments that the Council would be required to make in respect of those Security Stock Certificates.
7. Since the date on which the last Reporting Certificate containing this certification was given the Council has complied in all material respects with all the material provisions, covenants and obligations under the Trust Deed, and I am not aware of any reason why in the period of twelve months from the date of this Certificate the Council will not so comply with such provisions, covenants and obligations.

This Certificate is given by me as Chief Executive Officer of the Council in good faith on behalf of the Council and I shall have no personal liability in connection with the issuing of this Certificate.

**Dated:** 3 July 2025



Nigel Trainor  
Timaru District Council

## Appendix 2: Copy of the audit report about the Register



### Independent assurance report

To the Directors of Computershare Investor Services Limited

### Assurance Report Pursuant to section 218 of the Financial Markets Conduct Act 2013 and Regulations 108 and 110 of the Financial Markets Conduct Regulations 2014

#### Opinion

We have undertaken a reasonable assurance engagement in respect of the compliance, in all material respects, of the registers of security holders (the "Registers") maintained by Computershare Investor Services Limited (the "Company") with section 217 of the Financial Markets Conduct Act 2013 for the year ended 30 June 2025.

In our opinion, with respect to the Registers maintained by the Company, the Company has complied, in all material respects, with section 217 of the Financial Markets Conduct Act 2013 for the year ended 30 June 2025.

#### Basis for Opinion

We have conducted our engagement in accordance with Standard on Assurance Engagements (SAE) 3100 (Revised) *Compliance Engagements* ("SAE 3100 (Revised)"), issued by the New Zealand Auditing and Assurance Standards Board.

We believe the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Directors' Responsibilities

The Directors are responsible on behalf of the Company for:

- maintaining the registers of security holders that comply with section 217 of the Financial Markets Conduct Act 2013 for the year ended 30 June 2025.
- identification of risks that threaten compliance with the requirements of section 217 of the Financial Markets Conduct Act 2013 being met, and controls which will mitigate those risks and monitor ongoing compliance.

#### Our Independence and Quality Management

We have complied with the Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* or other professional requirements, or requirements in law or Regulation, that are at least as demanding, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply Professional and Ethical Standard 3 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, which requires our firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Our firm is independent of the Company. Our firm carries out other services for the Company in the area of other register compliance assurance engagements. In addition, PricewaterhouseCoopers Australia is the auditor of the Company. The provision of these other services has not impaired our independence as independent assurance practitioner of the Company.

**Assurance Practitioner's Responsibilities**

Our responsibility is to express an opinion on whether, with respect to the registers of security holders maintained, the Company has complied, in all material respects, with section 217 of the Financial Markets Conduct Act 2013 and report our opinion to you. SAE 3100 (Revised) requires that we plan and perform our procedures to obtain reasonable assurance about whether the Company has complied, in all material respects, with section 217 of the Financial Markets Conduct Act 2013.

An assurance engagement to report on the Company's compliance with section 217 of the Financial Markets Conduct Act 2013 involves performing procedures to obtain evidence about the compliance activity and controls implemented. The procedures selected depend on our judgement, including the identification and assessment of risks of material non-compliance.

**Inherent Limitations**

Because of the inherent limitations of an assurance engagement, together with the internal control structure, it is possible that fraud, error, or non-compliance may occur and not be detected. A reasonable assurance engagement throughout the specified period does not provide assurance on whether compliance with section 217 of the Financial Markets Conduct Act 2013 will continue in the future.

**Restriction on Distribution and Use of our Report**

This report has been prepared for the Directors, as a body, in accordance with section 218 of the Financial Markets Conduct Act 2013 and Regulation 110 of the Financial Markets Conduct Regulations 2014 and is provided solely to assist you in establishing that compliance requirements have been met.

Under the terms of our engagement our report may be provided on a confidential basis to the users of the Company's Registry Management services. Notwithstanding the Act or the Regulations, we do not accept or assume a duty of care or other legal responsibility to those users.

Our report should not be used for any other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than the Directors, or for any purpose other than that for which it was prepared. In addition, we disclaim any responsibility for reliance on this report other than for the purpose for which it was prepared.

*PricewaterhouseCoopers*

PricewaterhouseCoopers  
14 August 2025

Auckland

## 5.9 Continuous Improvement Update

**Author:** Sam Esterhuyse, Continuous Improvement Business Partner  
**Authoriser:** Justin Bagust, Chief Information Officer

### Recommendation

That the Audit and Risk Committee receives and notes the Continuous Improvement Update report.

### Purpose of Report

1 The purpose of this report is to provide the Committee with an update on the Continuous Improvement Work Programme and outline the next steps.

### Assessment of Significance

2 Reporting on Continuous Improvement activities is considered of low significance in terms of the Council's Significance and Engagement Policy as this matter is operational in nature. The matters raised in this report do not affect strategic assets or rates.

### Discussion

#### 3 Financial Planning, Reporting and Budgeting (MagiQ)

- 3.1 This software is designed to standardise the finance operating model, while delivering improved financial analysis to better enable Council Officers to make informed key business decisions.
- 3.2 Budget planning and monitoring expenses can be effectively managed through the system, and it has a comprehensive reporting tool that tracks and analyses financial requirements.
- 3.3 Several key financial activities are currently being managed through Magiq, including the Annual Report, Funding Impact Statement, and Forecast. Magiq is also being used to generate monthly reports that provide Managers with Opex and Capex information. Preparations for the 2026/2027 Annual Plan is scheduled to commence in the coming months.
- 3.4 MagiQ has transitioned to business as usual where enhancements are being done to the system.

#### 4 Community Funding Project

- 4.1 Smartygrants is an online platform for all Timaru District Council (Council) community funding applications designed to reduce administration time and costs. It offers visibility of past, current, and draft applications, while improving transparency, accounting, and audit trails.
- 4.2 A close out report has been created and attached to this report.

**5 Flowingly**

- 5.1 Flowingly is used as a process management platform designed to help organisations automate, manage, and optimise workflows and processes. It provides tools to create, track, and streamline processes.
- 5.2 Processes are currently being created and reviewed in Flowingly to ensure they are streamlined, efficient, and aligned with best practices. This work aims to enhance consistency, improve collaboration across teams, and support ongoing process optimisation across Council operations.
- 5.3 The risk module is designed for risk recording, management and visualisation. It is being developed to support the recording, management, and visualisation of risks. A 'Report a Risk' form has been created capturing key details such as the risk category, title, impact, source and mitigation measures. User testing is currently underway. In addition, Power BI reporting has been developed and is now undergoing enhancements to ensure it includes all required data, providing clear visibility and insights into risks.

**6 Pulse HRIS**

- 6.1 Pulse HRIS is a Human Resource (HR) system designed to streamline and integrate various HR functions. It offers a comprehensive suite of modules that cater to the entire employee lifecycle, enhancing efficiency in HR operations.
- 6.2 The system is currently under development and being built in phases. The Performance module has commenced mid-November 2025. The Performance module provides a structured framework for setting, tracking, and reviewing employee objectives to ensure individual goals align with organisational priorities. User acceptance testing is currently underway.

**7 OneReg**

- 7.1 OneReg is a digital compliance platform designed to streamline regulatory and safety reporting processes within the aviation sector. It provides organisations with a centralised system to manage compliance obligations, track safety requirements, and ensure adherence to industry standards.
- 7.2 OneReg is now online and actively in use. It incorporates all essential requirements and a wide range of general operational processes that were previously managed on paper. Training is being standardised within OneReg through online training modules, read-and-sign acknowledgements, and practical sign-offs. In addition, registers and maintenance checks, such as the Access Card Register and Staff Details Forms, are now managed and tracked directly within the system.

**8 Civica Authority Altitude**

- 8.1 Civica's Authority (and its cloud version, Authority Altitude) is an enterprise/local government management system that includes a wide set of modules and features designed for councils. Council has used Civica Authority for over 14 years as its core enterprise platform, supporting critical functions including finance, reporting, regulatory services, rates, assets and infrastructure and customer & community engagement.
- 8.2 Council currently operates Authority on-premise, which means the application and database servers are installed and managed within our Information Communication Technology (ICT) environment. Under this model, the Council is responsible for

maintaining the physical infrastructure and systems, including backups, patching, disaster recovery planning, and scheduled upgrade projects.

8.3 Recently, Civica Authority has evolved its platform by introducing Authority Altitude, a cloud-based Software-as-a-Service (SaaS) solution. In contrast to on-premise systems, where all hardware and software are hosted internally, cloud-based services are managed by the vendor. This approach reduces infrastructure overhead, streamlines upgrades, and enables continuous delivery of new features, ensuring the system remains up to date with minimal effort from internal IT teams.

8.4 A business case for the migration from Civica Authority 7.1 to Authority Altitude was prepared and submitted to Council, where it was approved at the most recent meeting.

## 9 **Payble**

9.1 Payble helps councils improve how they manage receivables by offering flexible billing options such as instalments and recurring payments, while also enhancing customer engagement around upcoming or overdue bills. This initiative aims to support our community by providing more flexible and convenient options for paying rates, helping to reduce financial pressure and improve accessibility.

9.2 The project commenced in November and is now underway, with the planned go-live date scheduled for end of February 2026.

## Attachments

1. **Smartygrants Project Status Report - Close out - October 2025**  
2. **Continuous Improvement - Project Summary - November 2025**  



## Close Out Report – SmartyGrants

Reporting Period:	October 2025
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<b>Department</b>	Corporate
<b>Project Name</b>	SmartyGrants
<b>Project Sponsor</b>	Stephen Doran
<b>Project Manager</b>	Sam Esterhuyse
<b>Project Description</b>	Smartygrants is an online platform for all Timaru District Council community funding applications designed to reduce administration time and costs. It offers visibility of past, current, and draft applications, while improving transparency, accounting, and audit trails.

<b>Overall Project Status</b>	Completed
<b>Estimated Completion Date</b>	June 2025
<b>Total Est. Cost</b>	\$ 13,235 (Annual Subscription) \$ 0.00 (Implementation Cost)

### 1. Key Project Tasks & Milestones Table

Key Project Tasks & Milestones		Original Completion Date	Forecast Completion Date	Milestones/Deliverables
1	Project Initiation	February 2025	February 2025	Project Charter / Governance and roles confirmed
2	Requirements & Planning	February 2025	February 2025	Requirements specs signed off / Process map design completed
3	System config & Design	March 2025	March 2025	System design and config completed
4	Testing	June 2025	June 2025	UAT Sign off / Testing Complete
5	Training & Change Management	June 2025	June 2025	Training completed / change management plan completed
6	Go-Live Preparation	June 2025	June 2025	Data migration sign off/Go-Live readiness confirmed
7	Go-Live	June 2025	June 2025	Successful go-live/post implementation review
8	Project Closure	September 2025	September 2025	Project closed and benefits realisation completed.

### 2. Project Objectives

The key objectives of Smartygrants are:

- Replace manual and paper-based grant application processes with a digital platform.
- Improve accessibility for applicants and streamline internal review workflows.
- Enhance reporting and data analysis for informed decision-making.



## Close Out Report – SmartyGrants

- Improve transparency and auditability of grant approvals.
- Reduce administrative overhead and processing time.

### 3. Project Spend to Date

Description	Budget	Cost to Date	Est Cost to Complete	Total Est Cost	Variance (\$)	% Spent to date
Total	\$13,235	\$13,235	\$13,235	\$13,235	-	100%

### 4. Benefits Realisation

Benefit	Description	Status
Process efficiency	Reduced manual processing and paperwork. Time spent on application checking reduced from 16 hours to 2 hours per round.	Realised
Transparency	Applicants can track their applications online.	Realised
Improved reporting	Automated reporting through Power BI dashboards.	Realised
Reduced processing time	Faster review and approval turnaround.	Realised
Internal tracking and reporting	Enhanced visibility of application progress and performance metrics within the system, enabling better monitoring and data-driven decision-making. Analytics show applications started but not submitted, allowing proactive user support.	Realised
Staff satisfaction	Improved ease of use and reduced administrative burden. Feedback has been mostly positive, with only two requests for more support.	Realised
Broader business use	Other areas of the business, such as LTU for Events traffic management, are exploring the use of SmartyGrants.	In progress

### 5. Overall Project Status Commentary

Progress this Period



## Close Out Report – SmartyGrants

<ul style="list-style-type: none"><li>• Six rounds have been completed with 41 applications received via SmartyGrants. Feedback has been positive, and the system's analytics have helped track incomplete applications and provide support.</li></ul>
<b>Planned Work for Next Period</b>
<ul style="list-style-type: none"><li>• A survey will be sent to applicants to identify areas for improvement</li></ul>

**Critical Issues / Risks Requiring Action or Help**

- N/A

### 6. Project Closure Statement

SmartGrants has successfully achieved its objectives and delivered a modern, efficient, and transparent application grant management system. All deliverables have been completed and accepted. The system is operational, and all ongoing support responsibilities have been transitioned to business-as-usual.

Project Status Summary Report								
Reporting Period: November 2025								Colour Key
Project	Schedule	Financials	Scope	Resources	Stakeholders	Overall	Forecast Completion Date	Overall Commentary
MagiQ	Yellow	Green	Green	Green	Green	Green	Oct 2025	This project has transitioned to business as usual with enhancements being made
Smartygrants	Green	Green	Green	Green	Green	Green	Jul 2025	This project has been completed
Flowingly Processes	Green	Green	Green	Green	Green	Green	Sept 2025	This project has been completed
Flowingly Risk	Yellow	Green	Green	Green	Green	Green	Mar 2026	This project is in progress
Pulse HRIS	Green	Green	Green	Green	Green	Green	Mar 2026	This project is in progress
OneReg	Green	Green	Green	Green	Green	Green	Dec 2025	This project is in progress
Altitude	Green	Green	Green	Green	Green	Green	TBC	This project has not started yet
Payble	Green	Green	Green	Green	Green	Green	Feb 2026	This project is in progress
Progress this Period								
MagiQ	Key financial activities such as the Annual Report, Funding Impact Statement, Forecast, and monthly Opex/Capex reports are being managed through Magiq. Preparations for the 2026/2027 Annual Plan will begin in the coming months.							
Smartygrants	Smartygrants is live, and applications have been successfully submitted.							
Flowingly Processes	Processes in Flowingly are being developed and reviewed to improve efficiency, consistency, and collaboration, supporting ongoing process optimisation across Council operations.							
Flowingly Risks	The risk module, designed for recording, managing, and visualising risks, is in development. A 'Report a Risk' captures key details, and user testing is underway. Power BI reporting has been developed and is being enhanced to provide comprehensive visibility and insights into risks.							

Pulse HRIS	The Learning & Development module has been completed, and user test is underway.				
OneReg	The OneReg platform is now live and fully operational, replacing paper-based processes. It standardises training through online modules and acknowledgements, while registers and maintenance checks are now managed and tracked within the system.				
Altitude	Discussions regarding timeframes and project commencement dates are currently underway.				
Payble	The project has commenced, and workshops are now underway to initiate the build phase.				
Risks Watch List					
	Risk		Status	Description	Action/Mitigation

**5.10 Update on Local Government Reforms**

**Author:** Stephen Doran, General Manager Corporate

**Authoriser:** Nigel Trainor, Chief Executive

**Recommendation**

That the Audit and Risk Committee receives and notes this update on local government reforms.

**Purpose of Report**

- 1 This paper updates Audit and Risk Committee members on significant reforms proposed for local government to facilitate discussion on the matter with officers.

**Assessment of Significance**

- 2 Although local government reform is significant in its long-term effects, this report itself can be considered low significance under the significance and engagement policy as it only gives a high level overview for discussion.

**Discussion**

- 3 The current coalition government has announced several significant changes to Local Government that are likely to be enacted over the proceeding few years.
- 4 These measures vary in their size and intent, but the combined effect will see the largest change to councils since the amalgamations in 1989 that brought this council into being.
- 5 A high level overview of the reforms, and some of their effects follows.

**Systems Improvement**

- 6 The aim of this reform is to reduce pressure on council rates by refocusing the purpose of local government, better measuring and publicising council performance, prioritising core services in council spending, strengthening council accountability and transparency, and providing regulatory relief to councils. The reform is achieved through amendments to the Local Government Act 2002.
- 7 The reform returns councils legislative purpose to meeting community needs for defined service delivery, from promoting the four well-beings which had been implemented in 2019 reforms.
- 8 This reform is the most advanced, with draft legislation now awaiting its second reading after having exited select committee on 24 November 2025.
- 9 The Bill redefines the purpose of local government, by amending s 10 of the Local Government Act 2002 from:

**10 Purpose of local government**

- (1) The purpose of local government is—

- (a) to enable democratic local decision-making and action by, and on behalf of, communities; and
- (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.

To:

**10 Purpose of local government**

- (1) The purpose of local government is—

- (a) to enable democratic local decision-making and action by, and on behalf of, communities; and
- (b) to meet the current and future needs of communities for good-quality, cost-effective, and local—
  - (i) infrastructure; and
  - (ii) public services; and
  - (iii) performance of regulatory functions; and
- (c) to support local economic growth and development by fulfilling the purpose set out in paragraph (b).

10 The definition of “community outcomes” has similarly been changed from promoting the well-beings to meeting communities’ needs for good quality, cost effective infrastructure, public services and regulatory functions. Cost effective is proposed for definition:

**Cost** effective, in relation to the delivery of infrastructure and public services, and the performance of regulatory functions, means ensuring that the public receives value for money by—

- (a) using resources effectively, economically, and without waste; and
- (b) taking into account the total costs and benefits of any decision or action

11 The above, in conjunction with the new term of “core services” and its definition, indicates that the bill will focus Council very specifically on simply delivering defined services, efficiently and effectively. However, the select committee report is clear that the general power of competency remains, and the definition of core services “are not intended to capture all statutory responsibilities of a local authority, but [are] to help a council prioritise its responsibilities”.<sup>1</sup> This is reflected in the Select Committee’s proposal to delete the original bill’s inclusion at cl 11A(1) that “The following services are the core services of a local authority”.

12 Core services are proposed to be listed as follows:

**11A Core services to be considered in performing role**

- (1) In performing its role, a local authority must have particular regard to the contribution that the following core services make to its communities:
  - (a) network infrastructure;
  - (b) public transport services;
  - (c) waste management and minimisation;
  - (d) civil defence emergency management;
  - (e) libraries, museums, reserves, and other community and recreational facilities.

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<sup>1</sup> Select Committee’s commentary to the Local Government (Systems Improvements) Amendment Bill at page 2

- 13 There will also be new provisions for standard code of conduct for elected members and standing orders, as well as new powers for elected members to access documents and information from council.
- 14 From a Council perspective this will have a significant effect on our next long term planning process, which is where we decide what the focus areas should be for council funding and investments.
- 15 However, it is reasonably clear that the government is signalling that councils should be focused on providing the basic level of services to meet current demands effectively, while also being able to provide for growth, and that council must meet those demands before other areas of spend.
- 16 While the core services wording is somewhat more defined than the wellbeing there is still significant latitude in there, particularly when it comes to the final point around community and recreational facilities.
- 17 Where councils want to continue to provide services beyond these core ones, it will also be important to look beyond rates as a funding mechanism. While the latitude provided above suggests the messaging of this legislation is probably stronger than the effects themselves, councillors will have to heed this change particularly when it comes to the decision making required under other reforms such as rates capping, water reform and the wider structural designs.

## Water Reform

- 18 The water reforms now enacted<sup>2</sup>, set out new economically regulated and financially ringfenced delivery models for water, wastewater and stormwater services, either through an in-house unit or a “Water Organisation”. A note on terminology: The Local Government (Preliminary Arrangements) Act 2024 used the term Water Services Council Controlled Organisation, or WSCCO, to describe the new water companies. The Local Government (Water Services) Act 2025 no longer uses the WSCCO term and instead defines these new water companies as “Water Organisations”. Both a Water Organisation, and a Territorial Authority delivering water services are defined as “Water Services Providers” and have a raft of new regulatory obligations managing service delivery.
- 19 TDC has opted for water and wastewater service delivery via a new Water Organisation, preferably multi-council owned. Stormwater will be managed in-house under a contractual arrangement.<sup>3</sup>
- 20 While the Water Organisation will have its own challenges, one of the main challenges for council from a corporate perspective is what changes it will need to make to continue to support council core functions without the overhead funding from water services. To ensure affordability of these services more collaboration across the sector may have to be sought.
- 21 From a development perspective Council will also have to ensure that the Water Organisation is an enabler for growth in the local area, rather than a bottleneck, particularly considering

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<sup>2</sup> Local Government (Preliminary Arrangements) Act 2024, and the Local Government (Water Services) Act 2025

<sup>3</sup> The reasoning in brief for retaining water inhouse is the amount of mixed use assets (parks) the service encompasses, the need to focus on establishing a new complex Water Organisation, and a useful review date (27 August 2028 for a Stormwater Network Risk Management Plan). See Council report for 22 July 2025 at para 35 to 43.

that the current water Asset Management Plan currently has little to no planned growth capex.

- 22 In order to gain funding for growth through the new development levy regime (detailed below) it is vital that council builds the evidentiary base to include an appropriate level of growth capex it in its infrastructure asset management plans, particularly for water services prior to them being corporatised and entering a new level of regulation.
- 23 Managing the tension of ensuring affordability and investment in a regulated environment will require a high level of engagement between the governance of the Water Organisation and its owners (The Council) and it's important to ensure that these principles are enshrined in the company from the beginning.
- 24 The council is expected to have its Water Organisation, in whatever ultimate form, in place and operational by 1 July 2027.

### **Simplifying Local Government**

- 25 This is a significant reform in which there are many unknown aspects, as at a high level the government is at this stage, is consulting on a proposal to enable council governors to design the detail of the reforms themselves. Consultation closes 20 February 2026.
- 26 Central government has proposed that the region's mayors become the governance board for Canterbury Regional Council (called a Combined Territories Board, or CTB) which, as well as overseeing regional operations, will produce a Regional Reorganisation Plan (RRP) within two years. The consultation document suggests that the RRP's will:
  - 26.1 Map all council functions in the region
  - 26.2 recommend the best delivery model for each of the functions across the region (e.g., shared services, joint council-controlled companies, or amalgamations)
  - 26.3 require mandatory consultation with communities, iwi, hapū, Māori, and stakeholders in the region
  - 26.4 be approved by the Minister of Local Government if they meet statutory criteria (not by referendum)
- 27 The CTB will be tasked with designing in the RRP the best way for councils in the region to deliver cost-effective and efficient services and functions in this region.
- 28 Central government intends to review Regional Council functions to inform the RRP.
- 29 At its core this will involve a mapping of functions, and options assessment for new service delivery models exercise, and could involve a range of measures from amalgamations to shared services.
- 30 As the reform is ostensibly to be planned out by mayors at a regional level, it is yet to be seen what role territorial authorities will play in the design of the resulting bodies, and how much influence and engagement the public and elected members will have in the process.
- 31 This is still a proposal at the moment and much of the risk will be held in the detail of the resulting legislation and how prescriptive it is about what has to be delivered.
- 32 Indications are that the Bill for this proposal will be introduced to Parliament in mid-2026 and passed in 2027. Elections to the new bodies would then follow in October 2028 if following current cycle.

## Rates Capping

- 33 The government has proposed that from 2029 councils' annual increases in rates will be capped at 2 to 4% per annum.
- 34 Transition would start 2027 with mandatory considerations and reporting on rates impacts on LTPs, financial performance, wages / salaries, rates as a percentage of local house prices, and estimates of local infrastructure deficits.
- 35 It is important to note that fees and charges, including water charges are not covered by the cap.
- 36 To meet the rates cap in future will require council to significantly increase its efficiency and reduce its operating costs, it will also have to move to a higher cost recovery model on unregulated fees such as those charged for building and planning services as well as for council recreational and community facilities.
- 37 As a council with rates at a lower dollar level than many of its peers, careful consideration will have to be given to how the transition period until 2029 is navigated so as not to put the council at a disadvantage when it comes to development investments compared to its neighbours.
- 38 No draft legislation has been provided, and there are many unknowns with the proposal. Submissions are due 4 February 2026.

## Development Levies

- 39 There are several growth and development focused proposals as well, including development levies, which are mooted as a new funding tool for growth infrastructure, which will replace development contributions and (in this council's case) Financial Contributions. Development agreements remain available.
- 40 A useful example of the difference between a contribution and a levy is that levies may be used for a leviable service anywhere in the levy area, "even if the development that was subject to the levy does not benefit from the service". Reserve levies can even be used out of district in certain circumstances.
- 41 Draft legislation has been provided, and the Bill is intended to be introduced May 2026, and passed in the first quarter of 2027. The levy, which is proposed to be the method for growth capex funding by July 2028, will operate at an area level with growth infrastructure programme costs for that area aggregated and typically collected on a per growth unit basis from that area. A development levies policy is required to be created following a special consultive procedure.
- 42 Councils will be required to set a levy area for each service they are levying. The leviable services are water, wastewater, stormwater, transport, reserves and community infrastructure.
- 43 "Community infrastructure" is defined<sup>4</sup>:
  - (a) community centres or halls:

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<sup>4</sup>Referring to the definition of core services in the Systems Improvement Bill and specifically "libraries, museums, reserves, and other community and recreational facilities", the development levies draft legislation definition of community infrastructure suggests what "community and recreational facilities" are core services.

- (b) libraries:
- (c) public toilets:
- (d) sports fields and sports facilities:
- (e) swimming pools and swimming facilities:
- (f) improvements to public recreational outdoor spaces, including playgrounds, but only if the improvements are for recreational purposes:
- (g) the land on which any of the above assets are or will be situated

44 Future Development Strategies (FDS) are identified as a tool to drive these area level assessments.

45 The aim is that this would enable a nationally consistent mechanism to ensure 'growth pays for growth' and may reduce the barrier of councils not being able to fund the infrastructure required to enable growth. The Commerce Commission has been in principle identified by Cabinet as the regulator of the levy<sup>5</sup>, with the similarity of its economic oversight of water services cited as one of the reasons for taking this role.

46 While the aim is for these costs to still be carried by the developer as part of a development, as infrastructure planning can have a long (30 - 50 year) planning horizon there will be instances when upgrades need to occur and the full costs have yet to be recovered.

47 Council will likely also have to act as a facilitator where developments have more than one developer to ensure there is no first mover disadvantage on breaking ground on a new area, although the development levies policy makes provisions to transfer future levies to first-mover developers.

48 In council areas with reasonably loose charging mechanisms for developer contributions, this may drive the cost of a section higher, albeit it could be tempered by the simplicity of a nationally consistent system allowing for more predictable costs.

49 The draft legislation also makes important changes to the Council's infrastructure strategy, with this addition to s 101B of the Local Government Act 2002:

- (4B) The infrastructure strategy of a territorial authority must include a statement describing the planned provision of assets, and the intended sequencing of the planned provision of assets, to meet the authority's legislative obligations to provide for urban growth.

50 Submissions on this matter close on 20 February 2026, with an indication that the bill will be introduced in May 2026.

### **Planning and Resource Management Act Reform**

51 The Government has proposed the repeal of the Resource Management Act and its replacement with two new laws. These are:

- 51.1 Planning Act focused on controlling land use and development
- 51.2 Natural Environment Act focused on the use, protection and enhancement of the natural environment

52 The key features of the reform are:

- Fewer effects managed

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<sup>5</sup> <https://www.beehive.govt.nz/release/going-housing-growth-reforming-infrastructure-funding>

- Many currently considered effects will be removed from scope, including internal site matters, retail distribution effects, visual amenity, competition impacts and the financial viability of a project.
- Fewer consents
  - Fewer activity categories, with low-impact activities no longer requiring consent.
- More proportionate conditions
  - All consent conditions must be necessary and proportionate, reducing red tape.
- Fewer plans
  - More than 100 existing plans will be reduced to 17 regional combined plans that bring together spatial, land use and natural environment planning in one place, making it easier for New Zealanders to know what they can do with their property.
- Spatial planning
  - 30-year regional spatial plans to identify growth areas, infrastructure corridors and areas requiring protection.
- Faster plan-making
  - plan development time will fall from an average of 6 to 7 years to around 2 years for a regional combined plan.
- Standardised zones
  - a major reduction from 1,175 bespoke zones to a nationally consistent set decided by central government.
- National standards:
  - a comprehensive suite of national standards for common activities to reduce costs and speed up consenting.
- Regulatory relief
  - when imposing significant restrictions, such as heritage protections and significant natural areas, councils must provide practical relief mechanisms.
- Clearer consultation requirements
  - clarity about who must be consulted and when, including iwi.
- Faster conflict resolution
  - a new Planning Tribunal to resolve straightforward disputes quickly and at low cost.
- Clear environmental limits
  - clear limits to support community decision making, improve efficient resource use and reduce unnecessary application costs.
- Better, more consistent enforcement
  - centralised oversight to ensure consistent and effective enforcement across the country.

- 53 We would expect that the council's current draft District Plan would be the foundation for the Timaru District Specific parts of any Regional Spatial plan, with amendments made to ensure it is consistent with national zoning rules and requirements.
- 54 The Government is aiming to have both pieces of legislation passed by the end of 2026 and fully operational by 2029.

#### **National Instruments for direction of current RMA system**

- 55 While the RMA replacement work is underway, the Government has also released a series of reforms for the current Resource Management system, which will influence and set the tone during the transition period. These all came into effect on 15 January 2026.
- 56 These currently consist of:
  - 56.1 Granny flat standards making it easier to consent small residential dwellings.
  - 56.2 Direction on approaching natural hazard assessments for new development.
  - 56.3 Amendments to the Highly Productive Land NPS, exempting urban rezoning and development on LUC 3 land from NPS-HPL restrictions, extending mapping timeframes, and reducing restrictions for quarrying and mining on HPL.
  - 56.4 Targeted amendments to the Coastal Policy Statement to enable infrastructure to be located in the coastal environment.
  - 56.5 Targeted amendments to the NPS for Indigenous Biodiversity to enable quarrying and mining to occur in significant natural areas.
  - 56.6 Targeted amendments to reduce restrictions for quarrying and mining in natural inland wetlands.
  - 56.7 A new policy National Policy Statement for Infrastructure 2025, to manage and enable infrastructure development. It is worth noting that policy 10 of this NPS specifically requires Council's to engage with infrastructure providers to understand their existing and planned infrastructure activities and medium and long-term plans.
  - 56.8 Amendments to the NPS for Renewable Electricity Generation to enable increase in renewable electricity generation.
  - 56.9 Amendments to the NPS for Electricity Networks to enable electricity network investment.
- 57 National policy statements such as these are reasonably common and in recent times were usually more restrictive in nature, the new statements enable a degree of liberalisation of the rules and can be seen as more development friendly in nature.

#### **Important to note**

- 58 Many of these reforms are at the proposal stage, so could change following feedback. TDC is providing consultations responses where it is requested by Elected Members and where we have been enabled to do so.
- 59 Most of the reforms won't be legislated and enacted until after the 2026 General Election, and although single term Governments are historically unlikely, a change in Government could see these reforms further amended or scrapped.

**Attachments**

**Nil**

**6 Consideration of Urgent Business Items****7 Consideration of Minor Nature Matters****8 Exclusion of the Public****Recommendation**

That the public be excluded from—

- \*(a)the whole of the proceedings of this meeting; or
- \*(b)the following parts of the proceedings of this meeting, namely,—

**9.1 Public Excluded Actions Register Update****9.2 Issues Watch Register****9.3 Internal Audit Quarterly Report****9.4 Cyber Security Report****9.5 Health and Safety Performance Report****9.6 Committee and Auditor only time (Agenda Placeholder)****9.7 Committee and Chief Executive only time (Agenda Placeholder)****9.8 Committee and Internal Auditor only time (Agenda Placeholder)**

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Plain English Reason
<b>9.1 - Public Excluded Actions Register Update</b>	s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities  s7(2)(j) - The withholding of the information is necessary to prevent the disclosure or use of	To enable Council to carry out commercial activities  To prevent use of the information for improper gain or advantage

	official information for improper gain or improper advantage	
<b>9.2 - Issues Watch Register</b>	<p>s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>To protect all communications between a legal adviser and clients from being disclosed without the permission of the client</p> <p>To enable Council to carry out commercial activities</p>
<b>9.3 - Internal Audit Quarterly Report</b>	<p>s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>s7(2)(f)(ii) - The withholding of the information is necessary to maintain the effective conduct of public affairs through the protection of such members, officers, employees, and persons from improper pressure or harassment</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>To protect commercially sensitive information</p> <p>To protect the effective conduct of public affairs</p> <p>To enable Council to carry out commercial activities</p>
<b>9.4 - Cyber Security Report</b>	s7(2)(j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage	To prevent use of the information for improper gain or advantage
<b>9.5 - Health and Safety Performance Report</b>	<p>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>s7(2)(b)(ii) - The withholding of the information is necessary to</p>	<p>To protect a person's privacy, including the privacy of deceased persons</p> <p>To protect commercially sensitive information</p>

	protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information	
<b>9.6 - Committee and Auditor only time (Agenda Placeholder)</b>	<p>s7(2)(c)(i) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source and is in the public interest that such information should continue to be supplied</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>To protect information that is subject to an obligation of confidence and/or that was required by law to be provided; and to ensure that the supply of such information is not affected in the future, when it is in the public interest for it to be provided</p> <p>To enable Council to carry out commercial activities</p>
<b>9.7 - Committee and Chief Executive only time (Agenda Placeholder)</b>	s7(2)(f)(i) - The withholding of the information is necessary to maintain the effective conduct of public affairs through free and frank expressions of opinion by or between or to members or officers or employees of any local authority in the course of their duty	To maintain the effective conduct of public affairs
<b>9.8 - Committee and Internal Auditor only time (Agenda Placeholder)</b>	<p>s7(2)(c)(i) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from</p>	<p>To protect information that is subject to an obligation of confidence and/or that was required by law to be provided; and to ensure that the supply of such information is not affected in the future, when it is in the public interest for it to be provided</p> <p>To enable Council to carry out commercial activities</p>

	<p>the same source and is in the public interest that such information should continue to be supplied</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	
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\*I also move that [name of person or persons] be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of [specify]. This knowledge, which will be of assistance in relation to the matter to be discussed, is relevant to that matter because [specify].

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\*Delete if inapplicable.

**Note**

Section 48(4) of the Local Government Official Information and Meetings Act 1987 provides as follows:

- “(4)Every resolution to exclude the public shall be put at a time when the meeting is open to the public, and the text of that resolution (or copies thereof)—
  - (a)shall be available to any member of the public who is present; and
  - (b)shall form part of the minutes of the local authority.”

**9      Public Excluded Reports**

**10      Readmittance of the Public**