



AGENDA

Audit and Risk Committee Meeting Monday, 2 March 2026

Date Monday, 2 March 2026

Time 9:00 am

Location Council Chambers
Timaru District Council
King George Place
Timaru

File Reference 1825420

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 2 March 2026, at 9:00 am.

Audit and Risk Committee Members

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

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

Order Of Business

1 Apologies 5

2 Identification of Items of Urgent Business..... 5

3 Identification of Matters of a Minor Nature 5

4 Declaration of Conflicts of Interest 5

5 Confirmation of Minutes 6

5.1 Minutes of the Audit and Risk Committee Meeting held on 26 January 2026..... 6

6 Reports 20

6.1 Actions Register Update 20

6.2 Audit and Risk Committee Work Programme 28

6.3 Internal Audit Activities 30

6.4 Risk Management Quarterly Report 31

6.5 External Auditors Open Recommendations..... 42

6.6 Sensitive Expenditure Quarterly Report 57

6.7 Proposed accounting policies 2026..... 58

6.8 Audit Confirmation 2026-28 and Audit Plan 2026 95

6.9 Annual Report Project Plan Outline 124

6.10 Land and Buildings valuation policy 126

6.11 Timaru District Council Group financial reporting 133

6.12 Draft Information Technology Strategy 141

6.13 Credit Rating Update 2026 146

7 Consideration of Urgent Business Items..... 160

8 Consideration of Minor Nature Matters..... 160

9 Exclusion of the Public..... 160

10.1 Public Excluded Minutes of the Audit and Risk Committee Meeting held on 26 January 2026 160

10.2 Public Excluded Actions Register Update..... 160

10.3 Cyber Security Report..... 160

10.4 Authority Altitude - Continuous Improvement Update 160

10.5 Issues Watch Register..... 160

10.6 Internal Audit Quarterly Report 160

10.7 Insurance Programme Update 160

10.8 Health and Safety Performance Report 160

10.9 Committee and Chief Executive only time (Agenda Placeholder) 160

10.10 Committee and Auditor only time (Agenda Placeholder)..... 160

10.11 Committee and Internal Auditor only time (Agenda Placeholder) 160

10 Public Excluded Reports..... 166

11 Readmittance of the Public..... 167

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

5 Confirmation of Minutes

5.1 Minutes of the Audit and Risk Committee Meeting held on 26 January 2026

Author: Meghan Taylor, Acting Democracy Services Lead

Recommendation

That the Minutes of the Audit and Risk Committee Meeting held on 26 January 2026 be confirmed as a true and correct record of that meeting and that the Chairperson's electronic signature be attached.

Attachments

- 1. Minutes of the Audit and Risk Committee Meeting held on 26 January 2026**



MINUTES

Audit and Risk Committee Meeting Monday, 26 January 2026

Ref: 1825420

**Minutes of Timaru District Council
Audit and Risk Committee Meeting
Held in the Council Chambers, Timaru District Council, King George Place, Timaru
on Monday, 26 January 2026 at 11.15 am**

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

In Attendance: **Officers:** Nigel Trainor (Chief Executive), Stephen Doran (General Manager Corporate), Paul Cooper (General Manager Regulatory), Justin Bagust (Chief Information Officer), Suzy Ratahi (General Manager Land Transport), Andrew Lester (General Manager Drainage and Water), Mike Wrigley (General Manager Recreation Facilities), Narayan Swamy (Assurance & Audit Officer), Sam Esterhuyse (Continuous Improvement Business Partner), Steph Forde (Corporate and Strategic Planner), Aaron Hakkaart (Planning Manager), Rosie Oliver (Programme Office Lead), Maddison Gourlay (Marketing and Communications Advisor), Meghan Taylor (Acting Democracy Services Lead)

Public: Jenna Hills, Rudie Tomlinson (AuditNZ)

1 Apologies

No apologies were received.

2 Identification of Items of Urgent Business

2.1 Audit NZ - Audit Terms of Engagement 2026-28

Resolution 2026/316

Moved: Mr Bruce Robertson

Seconded: Clr Michelle Pye

That the Audit and Risk Committee accept the tabled Audit NZ – Audit Terms of Engagement 2026-28 report as an Item of Urgent Business for consideration.

Carried

Attachments

1 Tabled Report - Audit NZ - Audit Terms of Engagement 2026-28

3 Identification of Matters of a Minor Nature

No matters of a minor nature were raised.

4 Declaration of Conflicts of Interest

No conflicts of interest were declared.

5 Reports

5.1 Actions Register Update

The Chairperson gave a brief overview of update on the status of the action requests raised by members at previous Audit and Risk meetings.

IT Strategy

The Chief Executive provided an update on the IT Strategy Action. Discussion included the delay in receiving the strategy, AI strategy, and how the simplifying of Local Government will need to be incorporated into the strategy and advised this will be presented in draft form to the next Audit and Risk Meeting on 02 March 2026.

Accounting Policies – Fair Value

Discussion included the need to make a decision on cost basis or revaluation basis before the Accounting Policies are reviewed. Further discussion included Asset Management, depreciation, and Rates Capping. The Chief Executive advised the Committee that a report will be presented to the next Audit and Risk Meeting on 02 March 2026.

Policies that the Audit and Risk Committee are responsible for

The change to 6 yearly reviews were questioned, it was noted these policies should be reviewed by the Committee each Triennium. The Group Manager Corporate advised the reasoning behind the change of the review period. The Committee requested a report with “A ,B,C” approach to on when policy renewals to be returned to the Committee. The Committee also requested an annual report with a list of policies, when they are due for renewal and when they were last reviewed.

Risk Management

Discussion included the need for a Risk Management workshop.

Resolution 2026/317

Moved: Clr Stacey Scott

Seconded: Clr Scott Shannon

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

Carried

5.2 Audit and Risk Committee Work Programme

The Assurance and Audit officer spoke to the report outlining the programme of work for the Audit and Risk Committee.

Discussion included the need for a risk workshop, and the need to establish what the risk appetite of the new Committee and Council is, defining strategic and operational risks with consideration to the impending legislative reforms.

The Audit and Risk Committee requested that a risk workshop be organised following the next Audit and Risk Committee Meeting on 02 March 2026.

Resolution 2026/318

Moved: Clr Stacey Scott

Seconded: Mr Bruce Robertson

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

Carried

5.3 External Auditors Open Recommendations

The Assurance and Audit officer spoke to the report to provide the Audit and Risk Committee with an update on outstanding recommendations made from external audits.

The Chairperson noted that the delegations were of interest.

The Group Manager Corporate advised the Committee on the open recommendation item relating to delegations. The Committee were advised that there is currently an operative delegations manual, however the Legal Services Manager is currently undertaking a full review of Council delegations.

Discussion included the number of external Auditor recommendations that are open and lack of oversight of software integration and IT roadmap to ensure the systems are able to improve the processes. Further discussion included culture and systemic issues, officer upskilling, system improvement, and the process of discussion and acceptance of the actions by Senior Leadership.

The open recommendation relating to Sensitive Expenditure was raised in regard to the process. It was advised that the updated Sensitive Expenditure Policy went live on 26 January 2026. The Committee requested officers provide the Committee with further information regarding the Sensitive Expenditure open recommendation in relation to the Chief Executive and Mayor Expenses, in order to determine if this is due to one sample, or if there is a greater issue.

Resolution 2026/319

Moved: Clr Michelle Pye

Seconded: Mayor Nigel Bowen

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

Carried

5.4 Internal Audit Activities

The Assurance and Audit officer spoke to the report to provide the Audit and Risk Committee with an update on the Internal Audit activities since the last meeting on 15 September 2025 and upcoming Internal Audit activities for 2025/26.

Discussion included the IT audit, the Committee advised officers to check in with four other Council's to obtain an alternative opinion on where those Council's determine their areas of significant IT risk are in order to obtain a broader overview of which areas to focus on during the IT internal Audit.

Resolution 2026/320

Moved: Clr Michelle Pye

Seconded: Ms Janice Fredric

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.

Carried

5.5 Sensitive Expenditure Quarterly Report

Group Manager Corporate spoke to the report to update the Audit and Risk Committee on sensitive expenditure for the period 1 July 2025 – 30 September 2025 and advised the committee there was one miscoding pertaining to Canva design software which was included in the report in error.

Discussion included how the process will change with the implementation of PCards, Credit Cards as a method of payment that doesn't necessarily correlate to sensitive expenditure, and the need to review what constitutes sensitive expenditure which is reported to the committee.

Resolution 2026/321

Moved: Mayor Nigel Bowen

Seconded: Clr Scott Shannon

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

Carried

The Chairperson of the Audit and Risk Committee rearranged the agenda to bring forward the following items, ensuring that all matters relating to Audit NZ were considered consecutively prior to Auditor and Committee only time.

- Item 5.9 – Continuous Improvement Update
- Item 5.10 – Update on Local Government Reforms

5.9 Continuous Improvement Update

Continuous Improvement Business Partner spoke to the report to provide the Committee with an update on the Continuous Improvement Work Programme and outline the next steps.

Discussion included the need to add the Civica Authority Altitude Upgrade to the report. The Chief Executive advised that reports and oversight of the project will also be provided to the Projects and Procurement Committee, the appointment of the Continuous Improvement Business Partner as the Project Manager and the need to establish a steering group to ensure the right processes and scope are in place.

The purpose and nature of the Continuous Improvement update to the Audit and Risk Committee was discussed. It was noted that going forward, the Committee would like the content of the report to be changed to the road map of continuous improvement and how systems integrate to improve processes and performance.

Further discussion on the Civica Altitude Authority Upgrade included how processes would change, new functionality and efficiencies, system consolidation, the improvement to the financial systems and the effect this will have on the Annual Report.

Resolution 2026/322

Moved: Ms Janice Fredric

Seconded: Clr Michelle Pye

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

Carried

5.10 Update on Local Government Reforms

Group Manager Corporate spoke to the report to update the Audit and Risk Committee members on significant reforms which includes Rates Capping, Simplifying Local Government, Development Levies and the Resource Management Act.

Discussion included the incorporation of the Government reforms into Council's risk framework, defining how these impact our risk profile, risks to delivery and levels of service, and the broader reform environment.

The Chairperson spoke to perspectives from other councils.

The Chief Executive spoke to the significant resource demands associated with the workload of preparing for reforms and the challenge of maintaining business-as-usual activity.

Political implications were discussed, with mayors showing differing views on potential boundary changes and an emphasis on the value of a collective council voice. The importance of the eventual voting mechanism and clarity on where decisions will sit within a democratic structure was highlighted.

The Committee agreed that "Legislative Reform" should be included as a key risk for the March Risk Workshop, with a focus on defining the risk, identifying controls, and assessing both risks and opportunities.

The Planning Manager provided an update on development levies, including the proposal to widen development levies compared to contributions and being able to operate across a whole network with discretionary sub-areas at a higher cost. It was advised that Development levies will also be open and available to Water Organisations.

Resolution 2026/323

Moved: Mr Bruce Robertson

Seconded: Clr Michelle Pye

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

Carried

The Committee adjourned at 12.43pm.

The Committee reconvened at 1.15pm.

5.6 Annual Report: Issues and Process Improvement

The General Manager Corporate spoke to the report to inform the Audit and Risk Committee of key lessons learned from the preparation and audit of the Council's 2024/25 Annual Report; and advise the proposed improvement actions to strengthen future annual reporting processes.

Discussion included the financial and wellbeing implications of the current process, Audit and Risk's involvement in the Annual Report process, agreed delivery dates, expectations of group information, the alignment of accounting policies to support disclosures, and the requirement of a project plan going forward.

Expectations of how and when the group information is required to be produced were noted. The Auditors were asked to provide the committee of how other Council's achieve good group discipline. The Committee were advised by Audit NZ that it is important for Timaru District Council to provide a detailed timeline and list of reminders to Timaru District Holdings Limited (TDHL). A standard Public Benefit template was also suggested for TDHL to input their financial reporting for the Annual Report.

It was highlighted that communication of issues to Governance prior to adoption needed improvement.

The Committee requested officers prepare a report to the 02 March 2026 Audit and Risk Committee meeting that includes; The project sponsor, a project plan, the actions required in the project plan, and how the Committee can provide support.

Resolution 2026/324

Moved: Mr Bruce Robertson

Seconded: Clr Michelle Pye

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.

Carried

5.7 Audit NZ Management Report - 2024/25 Annual Report

The General Manager Corporate spoke to the report regarding the Audit NZ Management Report for the 2024/25 Annual Report audit.

Rudie Tomlinson (Audit NZ) were asked to clarify why two separate reports are issued following the Annual Report audit. The Committee were advised that the Auditors are required to issue both reports. A high level report is issued to Governance and a detailed report of new and existing operational findings is issued to Officers. It was noted that Council Officers made a significant effort to close out some of the longstanding findings.

Discussion included the need for the Audit and Risk Committee to interrogate the financial statements in both the Draft Annual Report and the Final Annual Report prior to adoption by Council. It was highlighted that this should be factored into the planning of the annual Council Calendar.

The Committee request that Officers prepare a report for the High Level Management Report for Council and that the Chairperson is in attendance at the meeting.

Further discussion included the timing of the management reports and audit opinion and the appropriateness of the Long Term Plan measures in terms of feasibility and manageability.

Resolution 2026/325

Moved: Ms Janice Fredric

Seconded: Clr Scott Shannon

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.

Carried

5.8 Debenture Trust Audit Report

The Group Manager Corporate spoke to the report to inform the Audit and Risk Committee of the contents of the Audit Report prepared pursuant to the requirements of the Debenture Trust Deed.

Resolution 2026/326

Moved: Mr Bruce Robertson

Seconded: Mayor Nigel Bowen

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.

Carried

6 Consideration of Urgent Business Items

2.2 Audit NZ - Audit Terms of Engagement 2026-28

The General Manager Corporate took the tabled report, to provide the committee with the Audit Terms of Engagement for 2026-2028, as read.

The Chairperson gave an overview of the Audit Terms of Engagement Letters 2026-28 and noted that they show the extent and limitations of Audits expectations to Council.

The following was noted by Audit NZ: Timaru District Council is moving to a three Audit visit, the Audit Proposal Letter has been sent for moderation, the Audit Plan is in draft and following meetings with Council Officers in early February this will be issued prior to the March Audit and Risk Meeting.

Resolution 2026/327

Moved: Mr Bruce Robertson

Seconded: Mayor Nigel Bowen

That the Audit and Risk Committee:

1. Receives and notes the attached engagement letter from Audit New Zealand; and
2. Recommends that the mayor signs the acknowledgement of the terms of engagement.

Carried

7 Consideration of Minor Nature Matters

No matters of a minor nature were raised.

8 Exclusion of the Public

Resolution 2026/328

Moved: Mr Bruce Robertson

Seconded: Clr Stacey Scott

That the public be excluded from 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 at 2.05pm:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Plain English Reason
9.1 - Public Excluded Actions Register Update	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 official information for improper gain or improper advantage	To enable Council to carry out commercial activities To prevent use of the information for improper gain or advantage
9.2 - Issues Watch Register	s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege 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	To protect all communications between a legal adviser and clients from being disclosed without the permission of the client To enable Council to carry out commercial activities

<p>9.3 - Internal Audit Quarterly Report</p>	<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>
<p>9.4 - Cyber Security Report</p>	<p>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</p>	<p>To prevent use of the information for improper gain or advantage</p>
<p>9.5 - Health and Safety Performance Report</p>	<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 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>To protect a person’s privacy, including the privacy of deceased persons</p> <p>To protect commercially sensitive information</p>
<p>9.6 - Committee and Auditor only time (Agenda Placeholder)</p>	<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</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</p>

	<p>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>public interest for it to be provided</p> <p>To enable Council to carry out commercial activities</p>
<p>9.7 - Committee and Chief Executive only time (Agenda Placeholder)</p>	<p>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</p>	<p>To maintain the effective conduct of public affairs</p>
<p>9.8 - Committee and Internal Auditor only time (Agenda Placeholder)</p>	<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>

Carried

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**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)****10 Readmittance of the Public****Resolution 2026/329**

Moved: Clr Michelle Pye

Seconded: Clr Stacey Scott

That the meeting moves out of Closed Meeting into Open Meeting at 4.06pm.

Carried

The meeting closed at 4.07pm.

.....
Bruce Robertson

Chairperson

6 Reports

6.1 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 11 items on the actions register.
- 5 6 items are marked as ongoing.
- 6 4 items are marked as completed and are proposed to be marked as removed at the next meeting.
- 7 1 item is marked as removed and will be taken off the list 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

Information Requested	Meeting/briefing with FITCH and the Audit and Risk Committee			
Date Raised:	03 March 2025		Status:	Complete
Issue Owner	Chief Financial Officer	Due Date:		Completed Date: 15 December 2025
<p>Background: 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>				

Information Requested	IT Strategy			
Date Raised:	03 March 2025		Status:	Complete
Issue Owner	Chief Information Officer	Due Date:	2 March 2026	Completed Date: 2 March 2026
<p>Background: 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>				

1769738

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.

Update from Audit and Risk Meeting 27 January 2026: The Chief Executive advised the committee the strategy will be presented in draft form to the next Audit and Risk Meeting on 02 March 2026.

Update February 2026: A high level paper for discussion is included in this agenda.

Information Requested	Policies that the Audit and Risk Committee are responsible for			
Date Raised:	23 June 2025		Status:	In Progress
Issue Owner	General Manager Corporate	Due Date:		Completed Date:
<p>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).</p> <p>January 2026 Update:</p>				
Policy	Review frequency	Next review is/was due	Audit and Risk Committee (ARC) role in these policy reviews is to consider, advise and endorse. Depending on the policy, elected members or the Chief Executive then approve the policy, taking into account ARC feedback and advice. Note: it is proposed that all listed policies (except the Accounting Policies) will be reviewed every six years	
Accounting Policies	Annually	October 2026, as part of the Annual Report		
Employees Conflict of Interest Policy	Three yearly	November 2025 (is currently under review)		
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		

1769738

This action is recommended to be closed.
 Update from Audit and Risk Meeting 27 January 2026: The Committee requested this action item remain open and the Committee requested a report with “A ,B,C” approach to on when policy renewals to be returned to the Committee. The Committee also requested an annual report with a list of policies, when they are due for renewal and when they were last reviewed.

Update: This will be presented to the June A+R Meeting.

Information Requested	Accounting Policies – Fair Value			
Date Raised:	23 June 2025	Status:	In progress	
Issue Owner	Chief Financial Officer	Due Date:		Completed Date:
<p>Background: 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 ben 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> <p>Update from Audit and Risk Meeting 27 January 2026: The Chief Executive advised a decision on cost basis or revaluation basis is required before the Accounting Policies are reviewed, it was confirmed that a report will be presented to the next Audit and Risk Meeting on 02 March 2026.</p> <p>Update February 26: This work is still underway and was not able to be completed in the short period between the January and March Audit and Risk Meetings, this will be presented at the June Meeting.</p>				

1769738

Information Requested	Potential for Councillors to be included in the Health and Safety Walk arounds			
Date Raised:	03 March 2025		Status:	Completed
Issue Owner	General Manager People and Capability	Due Date:		Completed Date: February 2026
<p>Background: 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 Septmber 2025: This action was moved from the Public Excluded action register to the public action register.</p> <p>Update January 2026: Health and Safety Indiction 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> <p>Update February 2026: This training has been undertaken by a number of elected members and this item can be closed.</p>				

Information Requested	Insurance Renewal			
Date Raised:	03 March 2025		Status:	In Progress
Issue Owner	General Manager Assets and Infrastructure	Due Date:		Completed Date:
<p>Background: The committee requested as part of the Insurance Programme Update report:</p> <ul style="list-style-type: none"> - 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 - That the Insurance Strategy includes of risk mitigations <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>				

1769738

Update from Audit and Risk Committee 15 Septmber 2025: This action was moved from the Public Excluded action register to the public action register.

Update January 2026: If agreed by Audit and Risk Committee a workshop will be arranged this year. Preliminary arrangements are for March 2026.

February 26 Update: Following discussion with Chair it was decided that a workshop with risk and insurance would be held, but it would be unsuitable to try and combine this with a meeting day. A date in April is currently being investigated.

Information Requested	Forward Internal Risk Development Plan			
Date Raised:	15 September 2025		Status:	Completed
Issue Owner	General Manager Corporate	Due Date:		Completed Date: 2 March 2026
<p>Background: 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> <p>Update February 2026: This is included in this agenda.</p>				

Information Requested	Risk Management			
Date Raised:	15 September 2025		Status:	In Progress
Issue Owner	General Manager Corporate	Due Date:		Completed Date:
<p>Background: 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>				

1769738

Update January 2026: This will be discussed at March meeting.

Update from Audit and Risk Meeting 27 January 2026: A risk Workshop was requested following the 2 March 2026 meeting. Establish risk appetite, defining strategic and operational risks with consideration to the impending legislative reforms with a focus on defining the risk, identifying controls, and assessing both risks and opportunities.

February Update: Following discussion with Chair it was decided that a workshop with risk and insurance would be held, but it would be unsuitable to try and combine this with a meeting day. A date in April is currently being investigated.

Information Requested	External Auditors Open Recommendation - Sensitive Expenditure				
Date Raised:	26 January 2026			Status:	
Issue Owner	General Manager Corporate/ Chief Financial Officer	Due Date:	2 March 2026	Completed Date:	
Background: The Committee requested officers provide the Committee with further information regarding the Sensitive Expenditure open recommendation in relation to the Chief Executive and Mayor Expenses, in order to determine if this is due to one sample, or if there is a greater issue.					

Information Requested	Annual Report Project Plan 2025/26				
Date Raised:	26 January 2026			Status:	Complete
Issue Owner	General Manager Corporate	Due Date:	2 March 2026	Completed Date:	2 March 2026
Background: The Committee requested officers prepare a report to the 02 March 2026 Audit and Risk Committee meeting that includes; The project sponsor, a project plan, the actions required in the project plan, and how the Committee can provide support.					
February 2026 Update: A report is included in this agenda.					

1769738

Information Requested	Audit NZ Management Report - 2024/25 Annual Report				
Date Raised:	26 January 2026			Status:	In Progress
Issue Owner	General Manager Corporate	Due Date:	2 March 2026	Completed Date:	
<p>Background: The Committee request that Officers prepare a report for the High Level Management Report for Council and that the Chairperson is in attendance at the meeting.</p> <p>February 2026 Update: The management report was presented at the January 26 meeting. Audit requirements will be included in the standard reporting for updates from council. Will need clarification.</p>					

1769738

6.2 Audit and Risk Committee Work Programme

Author: Narayan Swamy, Assurance and Audit Officer

Authoriser: Stephen Doran, General Manager Corporate

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

6.3 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 26 January 2026 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 the 3-year Internal Audit Plan for 2026 – 2028 at its meeting on 26 January 2026. The endorsed planned audits for 2026 and their status are as follows:

Assignment	Status
Review of Customer Services Unit.	Completed and submitted for management comments.
Fleet Management Audit	In progress from 26 February 2026.
Investigation	In progress from 16 February 2026.

Attachments

Nil

6.4 Risk Management Quarterly Report

Author: Stephen Doran, General Manager Corporate

Authoriser: Nigel Trainor, Chief Executive

Recommendation

That the Audit and Risk Committee receive and note the Risk Management Quarterly Report.

Purpose of Report

- 1 The purpose of this report is to provide the Audit and Risk Committee (ARC) with update on the Council’s Strategic Risks and to provide the Committee with the Risk Management Maturity Improvement Plan and the current status of the plan.

Assessment of Significance

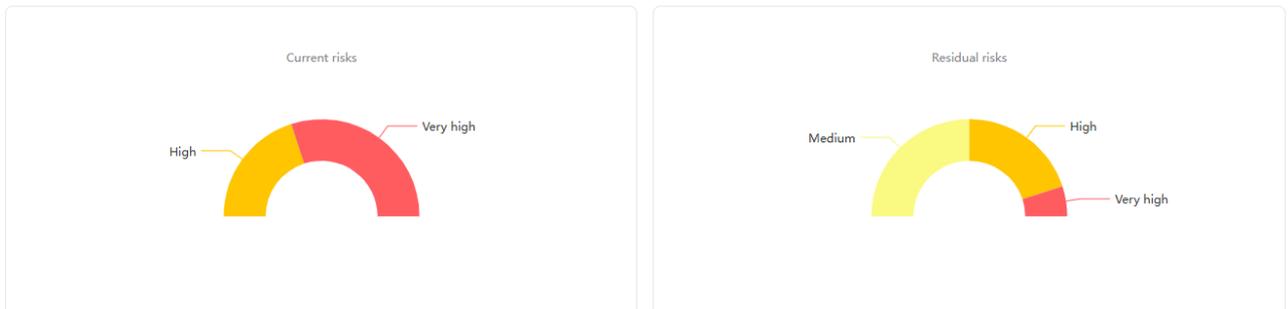
- 2 Reporting on the Risk activities is considered of low significance in terms of the Council’s Significance and Engagement Policy, as this matter is operational in nature. There is no impact on levels of service, strategic assets or rates and no decision being sought.

Discussion

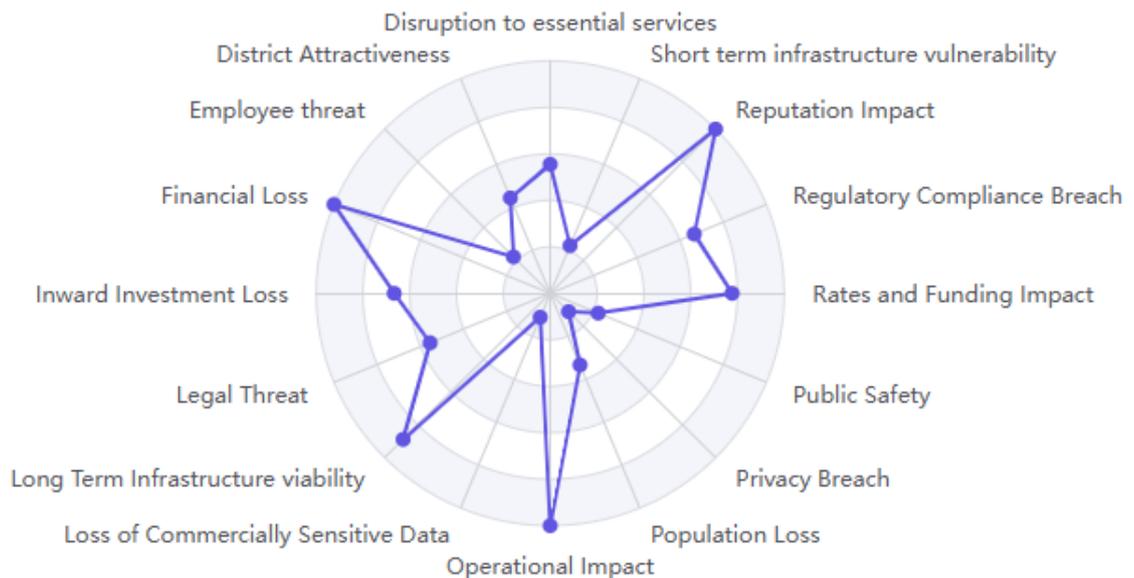
- 3 Council senior leadership team has reviewed and updated the list of strategic risks, which is attached as a draft as Attachment 1.
- 4 The strategic risks identified are:

R#	RISK	UNCONTROLLED	RESIDUAL
1	Cyber Security	Very High	Medium
2	Catastrophic Events	Very High	Medium
3	Water Reforms	High	High
4	Transport Funding Prioritisation	Very High	High
5	Revenue and Planning for Demand Changes	High	High
6	Pareora Water Consent	High	High
7	Legislative Reforms	Very High	Very High
8	Sustainable Platform	Very High	Medium
9	Industrial / Commercial Retrenchment	High	Medium
10	Climate Change	Very High	High

- 5 The majority of unmodified risks rate either high or very high and do not meet council’s stated tolerance level of medium. The controls in place moderate this somewhat, bringing a significant number of them into medium.
- 6 Note that all of these risks still remain above the council’s stated risk appetite level. However, much of this is driven by forces external to council and the high level of uncertainty in many of the risks.



- 7 In looking at the range of threats that these collectively pose comes out at the following:



Risk Management Improvement Plan

- 8 The risk and assurance team is continuing to work on council’s risk management maturity, including defining a more standardised list of threats and controls so that there is a common understanding of the sector and risks from different teams are reported in a more consistent manner.
- 9 The team is working on a new open source option for risk management reporting, which has been used to generate this report, this will allow better everyday management of operational risks and higher quality reporting.
- 10 At the moment this is based on the ‘out of the box’ reporting templates, which we will edit in line with the council’s framework and any feedback from the committee.

Attachments

- 1. **Draft Strategic Risk Register as at 17.2.26** [↓](#)

Risk assessment

None/Strategic Risks - 1.0

Risk matrix:

critical 5x5

Authors:

stephen.doran@timdc.govt.nz

Reviewers:

Status: in_progress

ETA:

Due date:

Created at: Feb. 17, 2026

Updated at: Feb. 17, 2026

Description:

Register of the main strategic risks at TDC

Associated Risk scenarios (10):

ID	NAME	THREATS	EXISTING CONTROLS	CURRENT RISK LEVEL	RESIDUAL RISK LEVEL	STATUS	SUGGESTED MEASURES	STRENGTH OF KNOWLEDGE
R.01	Cyber Security	Privacy Breach Loss of Commercially Sensitive Data Reputation Impact Financial Loss Operational Impact Legal Threat		Very High	Medium	Open	<ul style="list-style-type: none"> Quarterly Reporting to ARC NZ Audit (OAG) Continual internal review and assessment SAM for Compliance Framework External Cybersecurity Assessment 	High

ID	NAME	THREATS	EXISTING CONTROLS	CURRENT RISK LEVEL	RESIDUAL RISK LEVEL	STATUS	SUGGESTED MEASURES	STRENGTH OF KNOWLEDGE
R.02	Catastrophic Events	Regulatory Compliance Breach Public Safety Short term infrastructure vulnerability Long Term Infrastructure viability Reputation Impact Financial Loss Rates and Funding Impact Disruption to essential services Operational Impact Legal Threat		Very High	Medium	Open	<ul style="list-style-type: none"> • Emergency response simulations • Standing EOC Staffing at appropriate level • Stakeholder Communication • Resilience and Emergency Response Plans • Emergency response capabilities built into maintenance contracts • Classification of key lifelines and infrastructure • Real time and resilient communications platforms • Resilience into Asset Management Plans 	High
R.03	Water Reforms	Reputation Impact Financial Loss Rates and Funding Impact Operational Impact		High	High	Open	<ul style="list-style-type: none"> • Project Plan • Council and Board alignment • Transitional service level agreements • Communications and engagement • Classification and transfer of appropriate debt 	Low

ID	NAME	THREATS	EXISTING CONTROLS	CURRENT RISK LEVEL	RESIDUAL RISK LEVEL	STATUS	SUGGESTED MEASURES	STRENGTH OF KNOWLEDGE
R.04	Transport Funding Prioritisation	Regulatory Compliance Breach Short term infrastructure vulnerability Employee threat Long Term Infrastructure viability Reputation Impact Financial Loss Rates and Funding Impact Disruption to essential services Operational Impact		Very High	Medium	Open	<ul style="list-style-type: none"> • Legal Advice • Discretionary or contingency funds • Budget adjustment for inflation and market pricing • Asset Condition data and predictive modelling to optimise funding • Pilot programme participation or co-design opportunities • Asset Management Plans • Business Case Flexibility • Risk Based Prioritisation • Stakeholder Relationship Management • Policy Monitoring and Regulatory horizon scanning • Sector Advocacy • Alignment with NZTA Priorities 	High
R.05	Revenue and planning for demand changes	District Attractiveness Population Loss Long Term Infrastructure viability Reputation Impact Financial Loss Inward Investment Loss Rates and Funding Impact		High	High	Open	<ul style="list-style-type: none"> • Legal Advice • Asset Management Plans • Development and Growth Committee • Environmental scan to provide baseline information • District Plan 	--

ID	NAME	THREATS	EXISTING CONTROLS	CURRENT RISK LEVEL	RESIDUAL RISK LEVEL	STATUS	SUGGESTED MEASURES	STRENGTH OF KNOWLEDGE
R.06	Pareora water consent	Regulatory Compliance Breach Long Term Infrastructure viability Reputation Impact Inward Investment Loss Disruption to essential services Operational Impact Legal Threat		High	High	Open	<ul style="list-style-type: none"> • Legal Advice • Briefing to elected members to ensure understanding • Stakeholder Relationship Management • Robust application and body of evidence in place 	Medium
R.07	Legislative Reforms	District Attractiveness Regulatory Compliance Breach Employee threat Long Term Infrastructure viability Reputation Impact Financial Loss Inward Investment Loss Rates and Funding Impact Operational Impact Legal Threat		Very High	Very High	Open	<ul style="list-style-type: none"> • Legal Advice • Quarterly Reporting to ARC • Briefing to elected members to ensure understanding • Asset Management Plans • Project Plan • Continual internal review and assessment • Stakeholder Communication • Stakeholder Relationship Management • Policy Monitoring and Regulatory horizon scanning • Sector Advocacy • Environmental scan to provide baseline information 	Medium

ID	NAME	THREATS	EXISTING CONTROLS	CURRENT RISK LEVEL	RESIDUAL RISK LEVEL	STATUS	SUGGESTED MEASURES	STRENGTH OF KNOWLEDGE
R.08	Sustainable Platform	Regulatory Compliance Breach Long Term Infrastructure viability Reputation Impact Financial Loss Inward Investment Loss Rates and Funding Impact Disruption to essential services Operational Impact		Very High	Medium	Open	<ul style="list-style-type: none"> • Levels of Service Reviews • Asset Management Plans • Financial Strategy • Infrastructure Strategy • Compliance with delivery of service reviews (LGA s17a) • Interest Rate Hedging • Rating Review • Asset Valuation Reviews 	--
R.09	Industrial / Commercial Retrenchment	District Attractiveness Population Loss Long Term Infrastructure viability Financial Loss Inward Investment Loss Operational Impact		High	Medium	Open	<ul style="list-style-type: none"> • Quarterly Reporting to ARC • Asset Condition data and predictive modelling to optimise funding • Asset Management Plans • Continual internal review and assessment • Stakeholder Communication • Risk Based Prioritisation • Sector Advocacy • Environmental scan to provide baseline information • Economic Development Activities • Communications and engagement • Robust application and body of evidence in place • District Plan 	Medium

ID	NAME	THREATS	EXISTING CONTROLS	CURRENT RISK LEVEL	RESIDUAL RISK LEVEL	STATUS	SUGGESTED MEASURES	STRENGTH OF KNOWLEDGE
R.11	Climate Change	District Attractiveness Regulatory Compliance Breach Public Safety Population Loss Long Term Infrastructure viability Reputation Impact Financial Loss Inward Investment Loss Rates and Funding Impact Disruption to essential services Operational Impact Legal Threat		Very High	High	Open	<ul style="list-style-type: none"> • Legal Advice • Emergency response simulations • Quarterly Reporting to ARC • Briefing to elected members to ensure understanding • Asset Condition data and predictive modelling to optimise funding • Asset Management Plans • Financial Strategy • Continual internal review and assessment • Stakeholder Communication • Risk Based Prioritisation • Resilience and Emergency Response Plans • Stakeholder Relationship Management • Infrastructure Strategy • Council and Board alignment • Policy Monitoring and Regulatory horizon scanning • Sector Advocacy • Environmental scan to provide baseline information • Communications and engagement • Resilience into Asset Management Plans • District Plan 	Medium

Risk matrix view

Current

Probability

Very High: Very frequent event				R.04, R.08, R.01	R.02, R.07
High: Frequent event				R.05, R.03	R.11
Medium: Occasional event					R.09, R.06
Low: Unfrequent event					
Very Low: Very unfrequent event					
	Very Low: Very low impact	Low: Low impact	Medium: Medium impact	High: High impact	Very High: Very high impact

Impact

Residual

Probability	Very High: Very frequent event					R.07
	High: Frequent event			R.04	R.05, R.11, R.03	
	Medium: Occasional event			R.02	R.08, R.09	R.06
	Low: Unfrequent event				R.01	
	Very Low: Very unfrequent event					
		Very Low: Very low impact	Low: Low impact	Medium: Medium impact	High: High impact	Very High: Very high impact
				Impact		

Risk levels	Very Low	negligible risk
	Low	acceptable risk
	Medium	risk requiring mitigation within 2 years
	High	risk requiring mitigation within 6 months
	Very High	unacceptable risk

6.5 External Auditors Open Recommendations

Author: Narayan Swamy, Assurance and Audit Officer

Authoriser: Stephen Doran, General Manager Corporate

Recommendation

That the Audit and Risk Committee receives and notes the Outstanding Recommendations 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.
- 5 There are 32 open recommendations from the external auditors 16 new and 16 old. The full details are in the attached record, which includes management comments.

Attachments

1. External Auditors Open Recommendations  

External Auditors recommendations record

		Group	Responsible Officer	Target Date	Severity	Status Update
	Audit NZ Report 30/06/2025					
1	Error in water and sewer connection rates - 2025/26 Ensure that external advice is sought to confirm that the rates levied for the 2025/26 FY, complies with legislation.	Finance	CFO	30/06/26	High	December 25: This is being investigated further to determine outcome.
2	Completeness of Journals As part of the month end process, implement a procedure whereby a listing of journals posted within Authority is exported and matched to the journals that have been reviewed.	Finance	CFO		High	December 25: Will implement a journal listing from Authority monthly for review.
3	Non-compliance with the Revenue and Financing (R&F) Policy for funding sources of activities Ensure that external advice is sought to confirm compliance with the R&F policy going forward. Alternatively, see advice on amending the policy when it is due for consultation to ensure the policy is broad enough to cover any potential non-compliance risk.	Finance	CFO		Medium	December 25: As part of our rates review, this policy is being refreshed for the 27-37 Long Term Plan. This work is being undertaken with PJ & Associates.
4	Review of Fraud Policy Review the Fraud Policy in line with timelines set by the Council.	Corporate	GMC		Medium	December 25: The policy review commenced in July 2025, however, is not yet complete due to available resource. The review has been prioritised for presentation to ARC late 2025/ early 2026 as detailed in findings.
5	Internal borrowings Ensure where internal borrowings are required that these are in line and meet the definition set out in Schedule 10 section 27 of the Local Government Act 2002 (LGA). The Council should also ensure that there is an internal Borrowing and Interest Policy in place, specifically addressing repayment.	Finance	CFO		Medium	December 25: Include appropriate policy in the Revenue & Financing Policy. Ensure that the detailed practice to be applied is adequately documented, including internal process checks on compliance.

		Group	Responsible Officer	Target Date	Severity	Status Update
6	<p>Implement a contract management system</p> <p>It is recommended that the Council implement controls or alternatively put a contract management system in place to ensure all material contract details (i.e. contract values, terms and deliverables) are recorded. This will assist in ensuring that claims made against the contracts are collated in one place and verified that the total value within all the claims do not exceed the contract in place.</p>	Finance	CFO		Medium	December 25: This is to be included in our upgrade to Altitude project which has been approved by council. Awaiting a detailed timeline for completion.
7	<p>Contracts signed without the appropriate delegation</p> <p>Ensure individuals signing contracts for projects have the delegated authority to do so. Where the Chief Executive Officer (CEO) is provided the delegation from the Council, ensure that the CEO signs all contracts (noting the Council approved delegation to the CEO). If required, Council should provide the appropriate sub-delegation in the CEO's absence.</p>	Finance	CFO		Medium	December 25: Ensure that Council sufficiently delegates to Tiers below CE as and when required.
8	<p>Delegation Manual in place has not been approved by the Council</p> <p>We recommend that:</p> <ul style="list-style-type: none"> the Delegation Manual used by the Council be formally approved to ensure it reflects the delegations that the Council deems appropriate; and the use of unapproved manuals be restricted until the Council has approved the document; and where changes are made to the Delegation Manual, the changes in Esker should be independently reviewed to ensure the new delegation remains in line with the manual. 	Finance	CFO		Medium	December 25: This is currently being reviewed by our Legal Services Manager
9	<p>Invoices through with Esker vs Authority</p> <p>We recommend that all the invoices should go through Esker to ensure proper approval and documentation of the audit trail. Additionally, strengthen the internal control to identify invoices that are processed outside of Esker to prevent any unauthorised invoices being processed.</p>	Finance	CFO		Medium	December 25: This is to be included in our upgrade to Altitude project which has been approved by Council. Awaiting a detailed timeline for completion.

		Group	Responsible Officer	Target Date	Severity	Status Update
10	Depreciation Policy Ensure there is a policy in place to support depreciation rates, useful lives and depreciation method for assets at their component level (i.e., to a greater componentised degree than that disclosed in the Accounting Policy.	Finance	CFO		Medium	February 26: New assets are expected to be appropriately componentised. A full review of componentisation of existing assets is more likely to occur following the land & buildings review and the final establishment of the WCCO but is not yet formally planned. December 25: Depreciation rates have been progressively standardised to minimise the plethora of detailed rates which are inefficient and often inconsistent. It is intended however in 2026 to complete the review of asset classes, types & sub-types & their related depreciation rates.
11	Severance arrangements	Finance	CFO		Medium	December 25: This is noted and will be used to inform any future dealings in matters of this nature.
12	Key performance measures definitions Clearly define the terms and units of measurement for all key performance measures, ensuring they adhere to the SMART criteria. This will ensure that the performance targets are transparent, measurable, and easily understood by all stakeholders.	Finance	CFO		Medium	December 25: Targets are set in the council's Long-Term Plan; we will take this recommendation into the next target setting round to ensure better compliance.
13	Landfill provision Seek external advice or a peer review to confirm the accuracy and completeness of the Council's landfill provision calculations and model that is due to be updated.	Finance	CFO		Medium	February 26: It is unlikely that peer review would add value to this process. Using PWC as a "sounding board" for the methodological ideas is anticipated. The first stage of the review has been initiated with Waste Management. December 25: The underlying methodology will be reviewed in 2026 and the provision and associated asset valuation and calculation processes comprehensively reassessed and a new calculation worksheet prepared accordingly. Appropriate external advice will be sought as necessary.
14	Sensitive expenditure Retaining proof of prior approval Ensure compliance with sensitive expenditure policies in place. This includes obtaining prior approval for sensitive expenditure, following proper procedures per the policy and retention of supporting documents. Expenses Incurred We recommend adherence to the Council Credit Card Policy, limiting expenditure incurred on Council credit cards to actual Council expenditure. Consistency of sensitive expenditure coding	Finance	CFO		Medium	December 25: For training purposes this is now captured through a formal process. Need for better evidential trail for other approvals noted. All credit card holders have been advised to take caution or avoid linking TDC credit card details with applications also used for personal purposes. We agree with the recommendation to standardise GL for sensitive expenditure and are planning to implement this in 25/26 FY. We agree that the monitoring of sensitive expenditure should have a broader scope than credit cards to align with Policy. We expect that with implement a new GL this will be easier to comprehensively review going forward.

		Group	Responsible Officer	Target Date	Severity	Status Update
	We recommend that the Council uses standardised GL codes to record expenses classified as "sensitive expenditure". This will improve the system and process for analysing, monitoring and reporting, especially as it relates to key management personnel and councillors and will also provide a better audit trail.					
15	<p>Sensitive Expenditure Policy Enhancement</p> <p>We understand that prices for hotel accommodation and flights fluctuate and as such setting specific limits is not possible. Consider including justification from either the person incurring the expense or the approver as to why they believe the expenditure is moderate and reasonable in accordance with the Sensitive Expenditure Policy.</p>	Finance	CFO		Medium	<p>February 26: We believe that the process is independent from the traveller so that there is no undue risk that the expenditure will breach the policy. Additional work attempting to prove this would be not good value for the investment in time required.</p> <p>December 25: Our travel is procured via a travel agent unless there are specific arrangements as part of a conference. Whether that actual room was available at a cheaper rate at that time would be difficult to judge as likely it was during a busy time.</p> <p>With the LGNZ conference elected members are invited to various functions and dinners that would be considered work, so we feel this spend would be appropriate."</p>
16	<p>Communication with Timaru District Holdings Limited (TDHL)</p> <p>The Council should communicate more effectively with TDHL to confirm, for example, the value of related party transactions. This would also apply to the furnishing of complete information on a timely basis, to allow the Council to complete its consolidation within the agreed timeframe.</p> <p>We strongly recommend that the Council documents what information it requires from TDHL to allow it to complete its consolidation in a timely manner. The Council should provide a detailed reporting template to TDHL setting out all information, including format and due dates, that would allow the Council to complete its consolidation within the timeline agreed with Audit New Zealand.</p>	Finance	CFO		Medium	<p>February 26: See also Point 27: Proposals addressing the relationship and the provision of information from subsidiary entities has been prepared for review by ARC and eventually approval by Council</p> <p>December 25: Council provided detailed requirements to TDHL with sufficient time for them to prepare the requisite information on a Group basis, in advance of the year-end, which Audit NZ have seen. This included the request that the requisite information be audited at TDHL level.</p> <p>It is intended to provide a detailed template to subsidiaries for the 2026 year, agreed by Council to ensure that they comply. It is also intended to reprioritise their year-end deliverables so that the Group-structured accounts are their first priority rather than statutory accounts and that these be agreed and signed off by their respective Boards.</p> <p>It is anticipated that the generation of statutory accounts providing only the minimum required information be changed to provide information in line with the Group accounts.</p> <p>Group accounting policy will be modified as possible to allow subsidiary results to be included unchanged with any required differences due to differing requirements specifically identified and noted, however where congruity is possible either subsidiary or Group accounting policies will be changed as necessary.</p> <p>Group accounting policies will be specifically agreed by Council for application to all Group entities following review by ARC, albeit with caveats for any necessary changes.</p> <p>Information requirements will be sent out by the CE rather than the CFO or other Finance staff to emphasise that compliance is not optional.</p>

		Group	Responsible Officer	Target Date	Severity	Status Update
Audit NZ Report 30/06/2024						
17	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</p> <p>Noted – this will be reconciled once the new delegations have been approved.</p> <p>AUDIT NZ updated comment 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>
18	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>December25: 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</p> <p>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>AUDIT NZ updated December25: 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>
19	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>February 26: All assets, and particularly all material assets, will be covered by the physical asset checks over time but not all can be reviewed in one year.</p> <p>December25: As at May 2025 physical asset checks were undertaken for the Art Gallery, Library, Airport & Parks "statues & 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>August 25: 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>-May 25: Physical asset checks are being undertaken for the Art Gallery, Library, Airport & Parks "statues & monuments"</p> <p>-Feb 25: 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.</p> <p>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>AUDIT NZ updated</p> <p>December 25: We note that the revised process still do not cover all assets.</p>
20	<p>FAR reconciliations</p> <p>Introduce a regular reconciliation process between the asset management systems and the FAR.</p>	Finance	CFO	30/06/25	Necessary	<p>-February 26: While formal reconciliations are undertaken at year-end, work continues throughout the year addressing any particular issues identified and working with operations managers responsible for asset management systems and plans. This will continue to be a work-in-progress for some time yet.</p> <p>-December25: 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>-August 25: AR reconciliation completed for June 2025. To be implemented quarterly with WIP capitalisation.</p> <p>- May 25: 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>-Feb 25: Quarterly reconciliations are now being completed however the process is still being finalised refined and therefore this item should remain open.</p> <p>We plan to perform quarterly reconciliations following the WIP review process.</p> <p>AUDIT NZ updated comment</p> <p>It is noted that the FAR reconciliations are performed at year-end only.</p>
21						
22	<p>Publication of council-controlled organisations (CCO) information:</p> <p>Ensure that the CCO information, required by the Local Government Act 2002 (LGA), is published on the Council's website within the stipulated timeframe.</p>	Corporate Communication	GMCC	31/12/24	Necessary	<p>-February 26: A full review will be undertaken this year to ensure that all the requisite reports have been published and that those for 2026 are subsequently published.</p> <p>-December 25:</p> <p>A process is now in place to ensure this is done in a timely manner.</p>

					<p>November 24: 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: https://www.timaru.govt.nz/council/publications/reports/other-reports</p> <p>-August 24: Completed -May 24: To be completed in next quarter. -Dec 23: 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>- Sep 23/Nov 23: 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. - 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>AUDIT NZ updated comment No progress No change in status from previous report.</p> <p>Previous comments 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. -December24: Open -December25: In progress Section 67(4) of the Local Government Act 2002 (LGA) states that the local authority must publish the annual report of its CCO's "within 1 month of receiving it and must maintain the report on that site for a period of no less than 7 years". 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>	
23	<p>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.</p>	Finance	CFO	30/06/25	Necessary	<p>February 26: The rolling program has not been stopped, but details might be changed depending on circumstances: for 2026 it is necessary to review GST processes, while we are planning for a PAYE review though the date for that has not yet been set. Additionally, an updated Group Tax Risk Governance Framework and a Group Tax Risk Management Plan are being prepared for review at the June 26 ARC meeting for subsequent approval by Council.</p>

						<p>December 25: 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>August 25: 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>May 25: 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>Feb 25: 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 & 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>AUDIT NZ updated comment</p> <p>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>
24	<p>Revenue classification</p> <p>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.</p>	Finance	CFO	30/06/25	Necessary	<p>December 25: Will be reviewed again prior to year end.</p> <p>August 25: Final audit to be completed Oct 2025, at which time confirmation of closure will be provided.</p> <p>May 25: Will be reviewed again prior to year end.</p> <p>Feb 25: Planned</p> <p>Noted and planned for 2025.</p> <p>AUDIT NZ updated comment</p> <p>December 25: Noted that there were fees and charges specific GL codes included within other revenue and vice versa such as social housing.</p>
25	<p>Fully depreciated assets</p> <p>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.</p>	Finance	CFO	30/06/25	Necessary	<p>February 26: Some fully depreciated assets will always continue to be utilised. While their useful life might be extended no addition value will be attributed to them beyond their original cost or their previous revaluation. Audit have attributed a value of \$15m to fully depreciated assets however by definition such asset now have a value of Nil and we do not currently revalue P,P&E assets other than Water & Roading.</p> <p>This point should now be closed.</p> <p>December 25: 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</p>

						<p>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 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.</p> <p>-August 25: Final audit to be completed Oct 2025, at which time confirmation of closure will be provided.</p> <p>-May 25: 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.</p> <p>-Feb 25: 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.</p> <p>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.</p> <p>AUDIT NZ updated comment December 25: Noted that FAR still contains many fully depreciated assets (about \$15 million).</p>
26	<p>Approval for sale of assets We recommend that the Council implement a standardised approval process for asset disposals that includes written authorisation.</p>	Finance	CFO	30/06/25	Necessary	<p>-February 26: This recommendation has been fully enacted, and this point should therefore be closed. No process or policy guarantees 100% compliance but any exceptions which do not adhere to this process will be investigated in detail.</p> <p>-December 25: Assets disposal from CVR requires specific agreement from the appropriate manager with sufficient delegated authority for the disposal. This should now be 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: 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>AUDIT NZ updated comment December 25: Most of the disposals in the FY were as a result of a review of the waters assets. There 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>
27	Consolidation process	Finance	CFO	30/06/25	Necessary	<p>-February 26: Proposals addressing the relationship and the provision of information from subsidiary entities has been prepared for review by ARC and eventually approval by Council.</p>

	<p>Review the consolidation model to ensure that any flaws in the model are rectified before the preparation of the FY25 financial statements.</p> <p>Consider establishing an automated process for the consolidation model, which can limit the number of errors and manual updates.</p> <p>Consider establishing “standing journals”.</p> <p>Ensure sufficient quality checks and reviews are performed over the consolidation model while preparing the FY25 financial statements.</p> <p>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.</p>					<p>December 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 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>AUDIT NZ updated comment</p> <p>December 25: There are still errors identified in the consolidation workings.</p>
28	<p>Sensitive expenditure not in line with good practice</p> <p>Ensure expense reimbursements are approved on a one-up basis.</p> <p>Update corporate policies to include a claimable amount for breakfast.</p>	Finance	CFO	30/06/25	Necessary	<p>February 26: We are currently investigating this issue.</p> <p>December25:</p> <p>See comments regarding sensitive expenditure above in Points 14 & 15. The policy has been updated to clarify that breakfast can be claimed for. Policy and practice has been reinforced to ensure one-up approval is a requirement of the approval process and any identified exceptions to this will be analysed and reviewed in detail.</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. 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>AUDIT NZ updated comment</p> <p>December 25: 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>
29	<p>Legislative compliance</p> <p>Breach of legislation – hearing fees</p> <p>Seek legal advice and/or ask the Remuneration Authority for a ruling on the appropriateness of Council’s resolution and the next steps required.</p>	Finance	CFO	30/06/25	Necessary	<p>December 25: 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>AUDIT NZ updated comment Overpayment still occurred in August 2025.</p>
30	<p>Annual report preparation:</p> <ul style="list-style-type: none"> • Ensure that the annual report is complete and ready for audit upon the date agreed in the Audit Proposal letter. • Establish a robust quality review process over the financial and non-financial information presented to audit. 	Corporate Communications & Finance	GMCC & CFO	<p>31 Dec 23 31 Mar 23 31 Dec 23 30 Oct 25</p>	<p>Necessary</p> <p>February 2026: Council had Reestablished a formal project plan for the annual report process that covers the full year including the interim audit and rectification/preparation processes which is agreed by SLT and presented to ARC should help avoid some of the issues, particularly the point about the “lack of planning” “quality review process” issues.</p> <p>- December 25: We agree that the annual report should be ready and that a robust quality review process should be in place.</p> <p>-August 25: 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>-May 25: 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>-February 25: 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>-November24: 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 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>-August 24: Interim Audit was completed; team is working to finish Annual Report / Audit on time this year.</p> <p>- May 24: Interim and Annual Audit now underway, team is using dashboard to manage requests in a timely manner.</p> <p>-Dec 23: 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>-Nov 23: 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>AUDIT NZ updated comments</p>

						<p>December 25: 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>Previous comments</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>December24: In progress</p>
Audit NZ Report 2021/2022						
31	<p>Implement the revaluation improvements recommendations: Take steps to implement the revaluation improvement points raised in 2019/20.</p> <p>1.Ensure that all assets in the three waters asset class are assessed as part of the valuation exercise. 2. Ensure that up-to-date unit rates are used for the valuation. 3. Implement the recommendations for improvement, detailed in the valuation report, ahead of the next valuation.</p>	Finance	CFO	31 Dec 25	Necessary	<p>December 25: 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>August 25: Final audit to be completed Oct 2025, at which time confirmation of closure will be provided.</p> <p>May 25: The revaluations for 2025 are being undertaken as at this time for the year-end reporting.</p> <p>February 25: Working on the process as part of this annual audit. We have begun the revaluation process for both Water and Rooding.</p> <p>November24: A comprehensive Water assets revaluation is due for 2025 so we will ensure that these points are specifically included in that process.</p> <p>August24: Still work in progress.</p> <p>May 24: Still work in progress.</p> <p>Sep 23/Nov 23: 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>AUDIT NZ updated comment</p> <p>In progress December24: Open December 25: 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>
Waka Kotahi - Investment Audit Report (Aug 21)						
32	<p>Develop a clear and consistent audit trail to support claims for funding assistance.</p>	Infrastructure	Land Transport Manager	30-Jun-24	Medium	<p>November 25: 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</p>

					<p>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>-August 25: 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>-May 25: 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>- February 25: 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>- November 24: 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>-August24: Work in Progress</p> <p>- May 24: 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 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.</p>
33	<p>Audit NZ Report 2022/2023 Capitalisation dates of additions: Capitalise assets within a month of their completion rather than all on 30 June.</p>	Finance	CFO	1 st July 2024	Necessary <p>-February 26: Q1 and Q2, 26 WIP is currently with the Managers and following their analyses and responses capitalisations will be undertaken for those quarters dated 30.09.25 and 31.12.25. It is not currently intended to do this substantial task monthly as the difference between monthly and quarterly will be immaterial but require the same input as quarterly. We are not aware of any "inconsistencies" and Audit have not specifically advised what they consider to be inconsistencies.</p> <p>-December 25: Majority of categories now up to date, water assets still a couple of months behind.</p> <p>-August 25: Final audit to be completed Oct 2025, at which time confirmation of closure will be provided.</p> <p>-May 25: Majority of categories now up to date, water assets still a couple of months behind.</p> <p>- February 25: Continuing to monitor.</p> <p>-November24: 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>August24: Quarterly capitalisation procedure will be implemented from 2024-2025 financial year.</p> <p>May 24: 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>AUDIT NZ updated comment December25: WIP is now reviewed quarterly, however, there are still inconsistencies in the capitalisation dates.</p>
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6.6 Sensitive Expenditure Quarterly Report

Author: Matthew O'Brien, Finance Manager / Financial Accountant

Authoriser: Andrea Rankin, Chief Financial Officer

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 October – 31 December 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 Councils financial system from relevant cost centres and expenditure codes where sensitive expenditure is highly likely to be coded to. In line with external auditors recommendation the sensitive expenditure quarterly review has been extended to pick up not only credit card transactions but has also captured items processed through accounts payable and staff expense claims by analysing relevant resource accounts such as meals and entertainment, catering, subscriptions, travel, accommodation, organisational development (COSI) and training.
- 5 The list of the transactions for the three month period from 1 October – 31 December 2025 was generated and reviewed. All transactions were approved within the appropriate delegations and budgets which meets the principles set out in the Sensitive Expenditure Policy.
- 6 The Finance Manager and Chief Financial Officer have reviewed the transactions and are comfortable that there are no significant transactions that require separate reporting.

Attachments

Nil

6.7 Proposed accounting policies 2026**Author:** John Liddiard, Projects Accountant**Authoriser:** Andrea Rankin, Chief Financial Officer**Recommendation**

That the Audit and Risk Committee:

1. Agree the proposed accounting policies subject to audit and identified policy reviews.
2. Recommend that Council adopt the proposed accounting policies subject to audit and identified policy reviews.

Purpose of Report

- 1 The purpose of the report is to present the proposed Group accounting policies to be applied in the 2025/2026 financial year and to recommend these to Council.

Assessment of Significance

- 2 This matter has low significance in terms of Council's Significance and Engagement Policy. This has been determined by the low level of direct impact the decisions are likely to have on Council's operations and on the community and therefore community engagement on the contents of this report is not recommended.

Discussion

- 3 Accounting policies are agreed annually for Timaru District Council Group, which includes Timaru District Council (TDC), Timaru District Holdings Limited (TDHL) and Venture Timaru Limited (VT) They also encapsulate the financial reporting for Downlands Water Services (DWS), a joint operation, and how the Group reports equity investments in associate companies Alpine Energy Limited (AEL) and PrimePort Timaru Limited (PPT).
- 4 The policies prescribe the agreed approach to the financial reporting of the Group for significant areas of reporting, particularly relating to the application of New Zealand Generally Accepted Accounting Principles (GAAP) and the related financial reporting standards as promulgated by the External Reporting Board (XRB). XRB accounting standards are statutory reporting requirements in addition to, and expanding on, principles and practices laid out in the Local Government Act 2002 (LGA) and the Companies Act 1993.
- 5 While the primary focus has been on the preparation of the annual report the policies apply to all financial reporting within the Group, particularly that of TDC, including for planning and management reporting. The policies and their application are included in the audit of the annual report and any other audited reports such as the long-term plan. The policies however do not prescribe every accounting practice in the Group in detail.
- 6 While the Group has agreed policies which are applied for Group reporting, entities within the Group have their own separate policies dependent on their specific circumstances. Those for Council are congruent with the Group policies and often are described interchangeably. Those for TDHL and VT are set to meet their requirements under the Companies Act. Where there is

a material difference between the individual entity policies and practice and the Group requirements the entity reporting is adjusted to comply with Group reporting requirements for Group reporting. Where possible individual Group entities are encouraged to adopt Group policies to reduce the need for such adjustments.

- 7 Timaru District Council and its Group are classified as “Tier 1 Public Sector” entities and are therefore expected to meet all the related requirements of that status. TDHL and VT are part of the Group however individually TDHL is classified as a “Tier 2 For Profit” entity and VT is classified as a “Tier 3 Public Sector” entity.
- 8 Changes to the policies may result from changes to accounting standards or statutory requirements; internal review and reconsideration of the application of standards including changes in the perception of best practice and methodological review; and from specific advice from audit processes. If an accounting policy change has a material impact on financial reporting a prior period adjustment might be necessary, which restates the financial reporting from prior years.
- 9 Not all accounting policies are now published in the annual report with those of less materiality or significance being excluded by agreement with NZ Audit each year, however the unpublished policies still apply.
- 10 Previously the accounting policies were presented to the Audit and Risk Committee and subsequently to Council as part of the year-end process, frequently after they had been reviewed by Audit NZ. This did not give adequate time to consider any potential changes or queries regarding the policies. Consequently the policies are being presented now to allow the Committee and Council to raise any issues, however they cannot be completely finalised until any final internal reviews have been completed and until audited and any disagreements with Audit NZ’s interpretation or approach considered and discussed.
- 11 A number of substantive areas of the policy are under review and while the default position is the policy applied in the previous and prior years it might be possible that the following might change (these have been italicised in the body of the policy document).
- 12 Policy elements which will probably not be published have been “greyed out”.
- 13 Significant changes from 2025 are:
 - 13.1 The paragraph relating to “Financial Statements Reclassification” regarding the remediation of prior period printing error corrections has been removed.
 - 13.2 Reference to Aorangi Stadium Trust has now been removed.
 - 13.3 References to new or amended standards adopted last year have been removed as they are now part of ongoing policy and practice, specifically the “2024 Omnibus Amendments to PBE Standards (amendments to PBE IPSAS 1)”.
 - 13.4 Changes to “Public Benefit Entities Conceptual Frameworks (Amendments to Chapter 3 Qualitative Characteristics and Chapter 5 Elements in General Purpose Financial Reports)” promulgated by the XRB were stated to be “not yet adopted” in 2025 however these have now effectively been adopted. As suggested by the title these are clarifications of how the various financial reporting elements, such as liabilities or equity are conceptualised. This is no direct effect on the Group reporting however, as intended, assist in clarifying the underlying basis for classifications.
 - 13.5 The policy for “Assets Held for Sale” was not published in 2025 but is likely to be required in 2026.

- 13.6 The “Land”, “Buildings and Building Improvements” and “Airport Improvements” valuation policies were not published in 2025 however it is anticipated that due to the materiality of these assets that they will be published in 2026, however this is to be finally determined in the context of the final annual report presentation.
- 13.7 The statement regarding the changes in the application of depreciation to “Statues and Monuments” included in 2024 and 2025 has been removed as this is now established policy.
- 14 Issues to be finalised or under review (italicised in the policy document):
- 14.1 The issue regarding the potential revaluation of Land and Buildings is under consideration however it is currently being assumed that the status quo will remain for 2026.
- 14.2 Property assets are currently included in Property, Plant and Equipment which should be reclassified as “Investment Properties”. This exercise is expected to follow the comprehensive reconciliation and detailed identification of property assets in the asset register and agreeing the status of these with Property. Following completion of this there will be a consequential reduction in the value of Land and Buildings in Property, Plant and Equipment. Investment Properties are revalued annually so the value of Investment Properties will increase substantially. Some of these however may be transferred to “Assets Held for Sale” based on the sales program.
- 14.3 It is being assumed that a full revaluation of Water assets will be undertaken in 2026.
- 14.4 The review, clarification and delineation of asset useful lives has been an ongoing exercise of a number of years with progressive improvements in rationalising useful lives and reporting these. It is unlikely that any changes in 2026 will significantly impact on depreciation costs however continuing this process will assist in facilitating ongoing management of the asset register.
- 14.5 The Landfill Post-Closure Waste Containment Facility asset and provision valuation and calculations are being comprehensively reviewed both conceptually and regarding their practical calculation. It is likely that there will be substantial changes in both the methodology and consequent valuations of both the asset and provision required.
- 14.6 The Artworks collection is expected to be externally valued in 2026, following the preceding two years of internal valuation. This valuation is still expected to be included as a note rather than in the surplus and deficit however due to the high cost of auditing it for inclusion in the Statement of Financial Position at fair value.
- 14.7 There are a number of intangible assets (which would be accounted for under “Other Intangible Assets”) and “contra-assets” held by Council especially relating to land rights, particularly various easements which have not yet been fully identified, consequently there is limited valuation of these. It is not currently anticipated that this will be rectified prior to 30 June.
- 15 There have been substantial improvements in the process for setting and improving the Group accounting policies, including:
- 15.1 Recognising that the policies are for the Group not solely for Council;
- 15.2 Identifying changes in accounting standards that will or may affect the policy approach;

- 15.3 Removing policies that were not translated into practice and changing practice to comply with policies;
 - 15.4 Annually reviewing policies with the aim of establishing best practice;
 - 15.5 Not relying solely on advice from Audit NZ or the practice of other equivalent organisations to determine the policy approach;
 - 15.6 Being prepared to challenge historical approaches where they may no longer be fit for purpose.
- 16 This latest process change is to bring the policy setting forward to allow more substantive assessment, review and debate as may be considered necessary.

Attachments

1. **Proposed 2026 accounting policies** [↓](#) 

Proposed accounting policies for the 2025/26 financial reports**Statement of Accounting Policies****REPORTING ENTITY**

Timaru District Council (the Council) is a territorial local authority governed by the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The financial statements of Timaru District Council include the Council's 82% share of Downlands Water Supply, which has been assessed as a joint arrangement.

The Group consists of the ultimate parent, Timaru District Council (including Downlands Water Supply), and its subsidiaries: Timaru District Holdings Limited (100% owned) and Venture Timaru Limited (100% owned).

Timaru District Holdings Limited's share of its associate companies PrimePort Timaru Limited (50% owned) and Alpine Energy Limited (47.5% owned) are equity accounted into the Group financial statements.

All of these entities are domiciled and operate in New Zealand.

The Council and Group provide infrastructure, local public services and regulatory functions to the community. The Council does not operate to make a financial return.

The reporting date of the Council, controlled entities and the joint arrangement is 30 June as is that of PrimePort Timaru Limited, however the reporting date for Alpine Energy Limited is 31 March.

The Council has designated itself and the Group as public benefit entities (PBEs) for the purpose of complying with generally accepted accounting practice (GAAP).

The financial statements of the Council and Group are for the year ended 30 June 2026.

The financial statements were authorised for issue by the Council on *[to be confirmed]*.

BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the year.

Statement of compliance

The financial statements of the Council and Group have been prepared in accordance with the requirements of the LGA and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R), which include the requirement to comply with New Zealand Generally Accepted Accounting Principles (NZ GAAP), which are primarily based on reporting standards as promulgated by the External Reporting Board (XRB) and the NZ Accounting Standards Board (NZASB).

The financial statements have been prepared in accordance with and comply with PBE Accounting Standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000), other than the remuneration and severance details in Note 4 and related party transactions in Note 27, which are rounded to the nearest dollar. Contingencies in Note 25 are as stated in the Note.

Changes in accounting policies and disclosures**Changes in accounting policies**

There have been no significant changes in accounting policy.

New or amended standards adopted.

[Public Benefit Entities Conceptual Frameworks \(Amendments to Chapter 3 Qualitative Characteristics and Chapter 5 Elements in General Purpose Financial Reports\)](#)

[Amendments to Chapter 3: Qualitative Characteristics relate to clarification of the role of prudence in the context of faithful representation and amendments to the guidance on materiality.](#)

[Amendments to Chapter 5: Elements in General Purpose Financial Reports \(GPFRs\) relating to the following definitions: an asset with reference to past events; a resource with a rights-based approach; a liability and the transfer of resources; a liability with reference to past events; the unit of account; and binding arrangements that are equally unperformed. The amendment also gives emphasis to consideration of the following elements: recognition criteria; relevance; existence uncertainty; low probability of an inflow or outflow of economic benefits; and faithful representation.](#)

[No significant changes are anticipated resulting from these amendments.](#)

Standards issued and not yet effective and not adopted early

There are no standards and amendments issued but not yet effective.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies which do not relate to a specific note are outlined below.

Basis of consolidation

The consolidated financial statements are prepared by adding together like items of assets, liabilities, equity, revenue, expenses and cash flows of entities in the Group on a line-by-line basis. Intra-Group balances, transactions, revenues and expenses are eliminated on consolidation.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. The consolidation of an

entity begins from the date when the Council obtains control of the entity and ceases when the Council loses control of the entity.

Control over an entity is determined when the Council or Group has exposure or rights, to variable benefits from its involvement with the entity and has the ability to affect the nature or amount of those benefits through its power over the other entity. The Council considers all relevant facts and circumstances in assessing whether it has power over another entity, for example, the ability to appoint or remove a majority of the entity's governance and management, binding arrangements the Council enters into, Group voting rights, and pre-determination mechanisms. The Council reassesses whether or not it controls another entity if facts and circumstances change.

The Council and Group will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If the consideration transferred is lower than the net fair value of the Council or Group's interest in the identifiable assets acquired and liabilities assumed, the difference will be recognized immediately in the surplus or deficit.

Where a member of the Group does not materially comply with Group accounting policies appropriate adjustments are made on consolidation.

Foreign currency transactions

Foreign currency transactions (including those subject to forward foreign exchange contracts) are translated into New Zealand Dollars (the functional currency) using the spot exchange rate at the dates of the transactions. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation at year-end exchange rates or monetary assets and liabilities denominated in foreign currencies are recognised in surplus or deficit.

Goods and Services Tax

Items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from or payable to, the IRD is included as part of receivables or payables in the statement of Financial Position.

The net GST paid to or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Budget figures

The Budget figures presented in this report are those approved by the Council in its 2024-2034 long term plan unless stated otherwise. The budget figures have been prepared in accordance with GAAP, using accounting policies that are consistent with those adopted by the Council in preparing these financial statements.

Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Assumptions regarding investments in other financial assets, including subsidiaries and other entities (see Notes 12 and 13).
- Estimating the fair value of property, plant and equipment (see Note 15).
- Estimating the landfill aftercare provision (see Note 24).
- Estimating the fair values of debt (see Note 22).
- Estimating the fair values of financial instruments (see Notes 11 and 12).
- Estimating the retirement and long service leave obligations (see Note 23)

Critical judgments in applying accounting policies

Management has exercised the following critical judgments in applying accounting policies:

- Valuation methodology for property, plant and equipment, cultural and heritage assets and intangible assets (see Notes 15, 16 and 17)
- Donated or vested land and buildings with use or return conditions (see Notes 3, 15 and 16)

Summary revenue and expenditure for groups of activities

The cost of service for each significant activity of the Council has been derived using the following cost allocation principles:

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers, and floor area.

There have been no changes to the cost allocation methodology during the year.

Revenue

Revenue is measured at fair value.

The specific accounting policies for significant revenue items are explained below:

Rates revenue

The following policies for rates have been applied:

- General rates, targeted rates (excluding water-by-meter), and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivable and subsequent recognition of interest revenue.
- Rates arising from late payment penalties are recognised as revenue when rates become overdue.
- Rates remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its Rates Remission Policy.
- Rates collected on behalf of Environment Canterbury (Ecan) are not recognised in the financial statements, as the Council is acting as an agent for Ecan.

Development and financial contributions

Development and financial contributions are recognised as revenue when the Council provides, or can provide, the service for which the contribution was charged. Otherwise, development and financial contributions are recognised as liabilities until such time as the Council provides, or can provide, the service.

Waka Kotahi (NZ Transport Agency) roading grants

The Council receives funding assistance from Waka Kotahi, which subsidises part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Other government grants

The Council receives funding assistance from government agencies subsidising costs, including expense and capital costs, for various projects. Such grants or subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Other grants received

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

Building and resource consent revenue

Fees and charges for building and resource consent services are recognised on the issuance of the consent at the rate applicable at the time of application.

Entrance fees

Entrance fees are fees charged to users of the Council's local facilities and is recognised upon entry to such facilities.

Landfill fees

Fees for disposing of waste at the Council's landfill sites are recognised upon waste being disposed by users.

Provision of commercially based services

Revenue derived through the provision of services to third parties in a commercial manner is recognised in proportion to the stage of completion at balance date. Generally, this is determined by the proportion of costs incurred to date bearing to the estimated total costs of providing the service.

Sales of goods

Revenue from the sale of goods is recognised when a product is sold to the customer.

Infringement fees and fines

Infringement fees and fines mostly relate to traffic and parking infringements and are recognised when the infringement notice is issued. The revenue recognised is determined based on the probability of collecting fines, which is estimated by considering the collection history of fines over the preceding 2-year period.

Vested, found, abandoned or donated physical assets

For assets received for no or nominal consideration, the asset is recognised at its fair value when the Council obtains control of the asset. The fair value of the asset is recognised as revenue, unless there is a use or return condition attached to the asset. A determination is made at recognition as to whether the revenue will be included in the calculation of the surplus or treated as comprehensive revenue.

The fair value of vested, found, abandoned or donated assets is usually determined by reference to an external market or the cost of constructing the asset. For assets received from property developments, the fair value is based on construction price information provided by the property developer, adjusted to current costs.

Following the assessment of initial fair value an additional consideration is made for potential impairment of the asset.

For long-lived assets that must be used for a specific use (for example, land that must be used as a recreation reserve), the Council immediately recognises the fair value of

the asset as revenue. A liability is recognised only if the Council expects that it will need to return the asset or pass the asset to another party.

Donated and bequeathed financial assets

Donated and bequeathed financial assets are recognised as revenue unless provided for a specified purpose. A liability is recorded if provided for a specified purpose and the liability is released to revenue as the funds are spent for the nominated purpose.

Crown suspensory loans

The Council considers that suspensory loans from the Crown are, in substance, a grant with conditions, and so recognises funds received as a liability and releases the liability to revenue on a straight-line basis over the 20-year term of the agreement.

Interest and dividends

Interest revenue is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established. Dividends are recognised in surplus or deficit unless the dividend clearly represents a recovery of part of the cost of the investment.

Agency revenue

Where revenue is derived by acting as an agent for another party, the revenue that is recognised is the commission or fee on the transaction.

Personnel costs

Salaries and wages

Salaries and wages are recognised as an expense as employees provide services.

Defined contribution superannuation schemes

Employer contributions to defined contribution superannuation schemes, including KiwiSaver and the Government Superannuation Fund, are expensed in the surplus or deficit as incurred.

Finance costs

Borrowing costs are recognised as an expense in the financial year in which they are incurred.

Other expenses

Grant expenses

The Council's grants awarded have no substantive conditions attached.

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as an expense when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as an expense when approved by the Council and the approval has been communicated to the applicant.

Operating leases

An operating lease is a lease that does not substantially transfer all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

Tax

Income tax expense includes components relating to current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

Current tax and deferred tax are measured using tax rates and laws that are effective at balance date.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to items recognised in other comprehensive revenue and expense or directly in equity.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

Statement of cashflowsCashflow statement

Operating activities include cash received from all revenue sources of the Council and Group, and cash expenditure payments made for the supply of goods and services. Agency transactions such as collection of regional council rates are not recognised as receipts and payments in the Statement of Cash Flows.

Investing activities are those activities relating to the acquisition and disposal of current securities not included in cash and cash equivalents and non-current securities and any non-current assets.

Financing activities are those activities relating to the changes in equity and debt structure of the Council.

Receivables

Short-term receivables are recorded at the amount due, less an allowance for expected credit losses (ECL).

The Council and Group apply the simplified model of recognising lifetime ECL for short-term receivables.

In measuring ECLs, receivables have been grouped into rates receivable and other receivables and assessed on a collective basis as they possess shared credit risk characteristics. They have then been grouped based on the days past due. A provision matrix is then established based on historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Rates receivable

The Council does not provide for ECLs on rates receivable. Council has various powers under the Local Government (Rating) Act 2002 (LG(R)A 2002) to recover any outstanding debts. These powers allow the Council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgment, then the Council can apply to the Registrar of the High Court to have the judgment enforced by sale or lease of the rating unit. Ratepayers can apply for payment plan options in special circumstances.

Rates are "written-off":

- when remitted in accordance with the Council's rates remission policy; and
- in accordance with the write-off criteria of sections 90A (where rates cannot be reasonably recovered) and 90B (in relation to Māori freehold land) of the Local Government (Rating) Act 2002.

Other receivables

Other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the debtor being in liquidation or the receivable being more than one year overdue.

Inventories

Inventories are held for distribution or for use in the provision of goods and services. The measurement of inventories depends on whether the inventories are held for commercial or non-commercial (distribution at no charge or for a nominal charge) distribution or use. Inventories are measured as follows:

- Non-commercial: measured at cost, adjusted for any loss of service potential.
- Commercial: measured at the lower of cost and net realisable value.

Cost is allocated using the first-in-first-out (FIFO) method, which assumes the inventories that were purchased first are distributed or used first.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Any write-down from cost to net realisable value or for the loss of service potential is recognised in surplus or deficit in the year of the write-down.

Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs are recognised in surplus or deficit.

Any increases in fair value, less costs to sell, are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale, including those that are part of a disposal group.

When land held for development and future resale is transferred from investment property or property, plant, and equipment, to assets held for sale, the fair value of the land at the date of the transfer is its deemed cost.

Costs directly attributable to the developed land are expensed.

Derivative financial instruments

Derivative financial instruments are used to manage exposure to foreign exchange risks arising from the Council and Group's operational activities and interest rate risks arising

from the Council and Group's financing activities. The Council and Group do not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged.

The associated gains or losses on derivatives that are not hedge accounted are recognised in surplus or deficit.

The full fair value of a hedge accounted derivative is classified as non-current if the remaining maturity of the hedged item is more than 12 months, and as current if the remaining maturity of the hedged item is less than 12 months.

The full fair value of a non-hedge accounted foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date.

Hedge accounting

The Council and Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of highly probable forecast transactions (cash flow hedge).

The Council and Group have elected to not adopt the hedge accounting requirements of PBE IPSAS 41 as permitted under the transitional provisions of PBE IPSAS 41, which was substantively adopted for the year ended 30 June 2022. This means the Council and Group continues to apply the hedge accounting requirements of PBE IPSAS 29 Financial Instruments: Recognition and Measurement.

The Council and Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Council and Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge

The gain or loss from remeasuring the hedging instrument at fair value, along with the changes in the fair value on the hedged item attributable to the hedged risk, is recognised in surplus or deficit. Fair value hedge accounting is applied only for hedging fixed interest risk on borrowings.

If the hedge relationship no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to surplus or deficit over the period to maturity.

Cash flow hedge

The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised in other comprehensive revenue and expense, and the ineffective portion of the gain or loss on the hedging instrument is recognised in surplus or deficit as part of “finance costs”.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive revenue and expense are reclassified into surplus or deficit in the same period or periods during which the asset acquired or liability assumed affects the surplus or deficit. If it is expected that all or a portion of a loss recognised in other comprehensive revenue and expense will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified to surplus or deficit.

When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated gains and losses that were recognised in other comprehensive revenue and expense will be included in the initial cost or carrying amount of the asset or liability.

If a hedging instrument expires or is sold, terminated, exercised, or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective will remain separately recognised in equity until the forecast transaction occurs.

When a forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective is reclassified from equity to surplus or deficit.

Hedge ineffectiveness

Hedge ineffectiveness in a hedge relationship can arise from:

- differences in the timing of cash flows of the hedged items and hedging instruments.
- changes to the forecasted amount of cash flows of hedged items and hedging instruments.
- the counterparties’ credit risk affecting fair value movements of hedging instruments and hedged items.

Other financial assets

Other financial assets (other than shares in subsidiaries) are initially recognised at fair value. They are then classified as, and subsequently measured under, the following categories:

- amortised cost;
- fair value through other comprehensive revenue and expense (FVTOCRE); and
- fair value through surplus and deficit (FVTSD).

Transaction costs are included in the value of the financial asset at initial recognition unless they have been designated at FVTSD, in which case they are recognised in surplus or deficit.

The classification of a financial asset depends on its cash flow characteristics and the Council and Group's management model for managing them.

A financial asset is classified and subsequently measured at amortised cost if it gives rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal outstanding and is held within a management model whose objective is to collect the contractual cash flows of the asset.

A financial asset is classified and subsequently measured at FVTOCRE if it gives rise to cash flows that are SPPI and held within a management model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Financial assets that do not meet the criteria to be measured at amortised cost or FVTOCRE are subsequently measured at FVTSD. The Council and Group may elect at initial recognition to designate an equity investment not held for trading as subsequently measured at FVTOCRE.

Subsequent measurement of financial assets at amortised cost

Financial assets classified at amortised cost are subsequently measured at amortised cost using the effective interest method, less any expected credit losses (ECL). Where applicable, interest accrued is added to the investment balance. Instruments in this category include term deposits, community loans, and loans to subsidiaries and associates.

Subsequent measurement of financial assets at FVTOCRE

Financial assets in this category that are debt instruments are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense, except ECL and foreign exchange gains and losses are recognised in surplus or deficit. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified to surplus and deficit.

Financial assets in this category that are equity instruments designated as FVTOCRE are subsequently measured at fair value with fair value gains and losses recognised in other comprehensive revenue and expense. There is no assessment for impairment when fair value falls below the cost of the investment. When sold, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is transferred to accumulated funds within equity. The Council and Group designate into this category all equity investments that are not held for trading as they are strategic investments that are intended to be held for the medium to long-term which currently include Timaru

District Holdings Limited, Venture Timaru Limited, Civic Financial Services Limited and Opuha Water Limited.

Subsequent measurement of financial assets at FVTSD

Financial assets in this category are subsequently measured at fair value with fair value gains and losses recognised in surplus or deficit.

Interest revenue and dividends recognised from these financial assets are separately presented within revenue.

Expected credit loss allowance (ECL)

The Council and Group recognise an allowance for ECLs for all debt instruments not classified as FVTSD. ECLs are the probability-weighted estimate of credit losses, measured at the present value of cash shortfalls, which is the difference between the cash flows due to the Council and Group in accordance with the contract and the cash flows it expects to receive. ECLs are discounted at the effective interest rate of the financial asset.

ECLs are recognised in two stages: ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL), however, if there has been a significant increase in credit risk since initial recognition, the loss allowance is based on losses possible for the remaining life of the financial asset (a Lifetime ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Council and Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Council and Group's historical experience and informed credit assessment and including forward-looking information.

The Council and Group consider a financial asset to be in default when the financial asset is more than 90 days past due. The Council and Group may determine a default occurs prior to this if internal or external information indicates the entity is unlikely to pay its credit obligations in full.

Council measure ECLs on loan commitments at the date the commitment becomes irrevocable. If the ECL measured exceeds the gross carrying amount of the financial asset, the ECL is recognised as a provision.

Term deposits

Term Deposits are classified as Loans and Receivables and measured at amortised cost.

Investments in debt and quoted equity securities

Investments in debt and quoted equity securities are financial instruments classified as held for trading and are measured at fair value at balance sheet date. Any resultant gains or losses are recognised in the surplus or deficit for the period.

Investments in subsidiaries

Investments in subsidiaries are included in the parent entity at cost.

Other financial assets, including unquoted equity investments

Other financial assets held by Council and Group are stated at the lower of cost or net realisable value, with any resultant gain or loss being recognised directly in other comprehensive revenue or expense, except for impairment losses. When these assets are derecognised, the cumulative gain or loss is recognised through the surplus or deficit.

Impairment

Financial assets are potentially impaired if the obligation is unlikely to be fully met. An assessment is made regarding each asset based on the assessed credit risk of the investment and when there was objective evidence of impairment. For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment; and for debt investments, significant financial difficulties of the debtor, probability the debtor would enter into bankruptcy, receivership or liquidation, and default in payments were indicators the asset is impaired.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Council and Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Council and Group's historical experience and informed credit assessment and including forward-looking information.

The Council and Group consider a financial asset to be in default when the financial asset is more than 90 days past due. The Council and Group may determine a default occurs prior to this if internal or external information indicates the entity is unlikely to pay its credit obligations in full.

Investments in Associates

An associate is an entity over which the Council or a member of the Group has significant influence and that is neither a subsidiary nor an interest in a joint arrangement. The Council or Group's associate investment is accounted for in the Group financial statements using the equity method. The investment in an associate is initially recognised at cost and the carrying amount in the Group financial statements is increased or decreased to recognise the Group's share of the surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment in the Group financial statements.

If the share of deficits of an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further deficits. After the Group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made

payments on behalf of the associate. If the associate subsequently reports surpluses, the Group will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

Where the Group transacts with an associate, surpluses or deficits are eliminated to the extent of the Group's interest in the associate.

The investment in the associate is carried at cost in the Council's parent entity financial statements.

Investment in joint operations

A joint arrangement is a binding arrangement that confers enforceable rights and obligations on the parties to the arrangement that is subject to joint control. Joint control is the agreed sharing of control where decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as a joint operation or a joint venture. The classification depends on the rights and obligations of each party under the joint arrangement. The legal form, terms of the binding agreement, and other facts and circumstances relevant to determining the classification of the joint arrangement are reviewed to determine the classification.

For joint operations, the Council and Group recognises a direct right to the assets, liabilities, revenues and expense of joint operations and the share of any jointly held or incurred assets, liabilities, revenue, and expenses. Assets, liabilities, revenues, and expenses relating to Council and Group's interest in a joint operation are accounted for in line with the Council and Group accounting policies and included in the relevant line items of the Council and Group financial statements.

The Council has a joint arrangement with the Waimate District Council and Mackenzie District Council for the Downlands Rural Water Scheme. The Downlands Rural Water Scheme is a joint operation rather than a joint venture because the three Councils jointly own their specified share of the whole scheme and have rights to the assets and obligations for the liabilities relating to the arrangement, due to the structure of the arrangement not being through a separate vehicle. The Council's share in the joint arrangement equates to 82%, with Waimate District Council's share being 14% and Mackenzie District Council's 4%.

Property, plant and equipment

Property, plant, and equipment consist of:

Operational assets, which include all assets not specifically included elsewhere utilised by the Council and Group to deliver services both directly and indirectly. Assets held for sale are not included with operational assets even if there is a continued use until sale.

Infrastructure assets, which are the fixed utility systems owned by the Council and Group and each asset class encompasses all items that are required for the network to function including: sewer, stormwater and water systems; roads, bridges, lighting, and

land under roads; footpaths; and unoccupied land held specifically for infrastructure purposes.

Infrastructure assets composed of multiple components may be treated as being conglomerated individual assets where part of an interconnected network, where separate parts of the network or facility composed of multiple individuated assets for asset management purposes are jointly treated as single assets notwithstanding other practice and policy specifications.

Restricted assets are assets owned by the Council and Group that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions. Restricted assets may be operational or relating to infrastructure.

Unless specifically stated, acquisitions are initially valued at cost. Prior to 1 July 2005 a number of valuations were undertaken for several asset classes, separately outlined, which have become the opening cost value for that class, some of which have subsequently been revalued at fair value.

Revaluations

For asset classes where revaluations are performed regularly, assets are revalued with sufficient regularity to ensure that their carrying value does not differ materially from fair value which is defined as no greater than 10% cumulatively based on an annual assessment of fair value, however it may be determined that a revaluation is required despite not exceeding 10%; and at least every three years, with revaluation movements accounted for on a class by class basis. Revaluations are conducted by an independent valuer at least triennially, by valuations derived directly from external markets or independently derived costs (including actual costs). Internal valuations are prepared utilising the best available cost or market information.

The net revaluation results for infrastructure assets are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in surplus or deficit will be recognised first in surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

The net revaluation results for assets that are valued annually are included in the calculation of the surplus or deficit for the year.

Land

Land, other than airport land, has been stated at deemed cost, which is the fair value as assessed by I Fairbrother ANZIV of QV Valuations at 1 July 2005.

Airport land has been stated at deemed cost, which is the fair value as assessed by B Dench ANZIV of QV Valuations at 1 July 2005.

Buildings and Building Improvements

Buildings and Building Improvements have been stated at deemed cost less depreciation and impairment losses, which is fair value as valued by I Fairbrother ANZIV of QV Valuations as at 1 July 2005.

Buildings acquired and Building Improvements following that date are included at cost except where they are acquired for no or nominal consideration when they are valued at fair value less assessed impairment.

Airport Improvements

Airport improvements, including the runway, have been stated at deemed cost less depreciation and impairment losses, which is optimised depreciated replacement cost as valued by B Dench ANZIV of QV Valuations as at 1 July 2005.

Improvements following that date are included at cost.

Plant and Equipment

Plant and equipment for parks and pools is stated at deemed cost less depreciation and impairment losses, which is the optimised depreciated replacement cost as assessed by Maunsell Limited, Valuers, at 1 July 2005.

Acquisitions following that date are included at cost except where they are acquired for no or nominal consideration when they are valued at fair value less assessed impairment.

Other plant and equipment (including motor vehicles) are at cost less depreciation and impairment losses.

Furniture and Office Equipment

Furniture and office equipment have been stated at cost less depreciation and impairment losses.

Wastewater, Stormwater, Water

Wastewater, Stormwater and Water assets are stated at their fair value using standard unit rates as per the depreciated replacement cost methodology, however acquisitions subsequent to 30 June 2022 are valued at cost, until future revaluations are performed.

The assets were revalued on 30 June 2026 by Timaru District Council officers and peer reviewed by [to be confirmed].

Wastewater, Stormwater and Water infrastructural assets are valued using the depreciated replacement cost method. There are a number of estimates and assumptions exercised when valuing infrastructural assets using this method, including:

- The replacement costs where appropriate reflect optimisation due to over-design or surplus capacity.

- Estimating the replacement cost of the asset: the replacement cost of an asset is based on recent construction contracts in the region for modern equivalent assets, from which unit rates are determined. Unit rates have been applied to components of the network based on size, material, depth, and location.

If recent contract cost information is considered out of date, it is indexed using Statistics New Zealand's Capital Goods Price Index for civil constructions to convert them to current dollar value at the valuation date.

Estimates of the remaining useful life over which the asset will be depreciated which can be affected by the local condition, for example, pipe material or wall thickness.

If useful lives do not reflect the actual consumption of the benefits of the asset, then the Council and Group could be over- or under-estimating the annual depreciation charge recognised as an expense in the statement of comprehensive revenue and expense. To minimise this risk, infrastructural asset useful lives have been determined with reference to the New Zealand Infrastructure Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group and have been adjusted for local conditions based on past experience.

Acquisitions are measured at their fair value using standard unit rates.

Roads, Bridges, Footpaths, Street Furniture and Lighting

Roading assets were revalued as at 30 June 2025 by Mark Gordon MBA, BE (Hons), CPEng, CMEngNZ of IAM Consulting (M Gordon) Limited.

Acquisitions subsequent to a revaluation are valued at cost until a future valuation.

Road pavements, bridges, footpaths, drainage, street lighting and a range of other assets used for delivering roading services are valued using the depreciated replacement cost method. There are a number of estimates and assumptions made when valuing infrastructural assets using this method, including:

- The unit rates used in estimating the replacement cost value of the asset which reflect commercial costs for provision of modern equivalent assets by contract and assume realistic quantities of assets within contracts to ensure cost effective allowances and rates. Where appropriate, replacement value also reflects optimisation due to over-design or surplus capacity.
- Unit rates have been applied to components of the road network based on the type of asset, its size, and material type. Rates are derived from TDC unit rate information for recent contract-based construction and maintenance work and recent valuation information from similar local authority infrastructure, indexed to the valuation date using Statistics New Zealand's Capital Goods Price Indices for Transport Ways. Where detailed asset component information is not available, estimations are made on an aggregate basis.
- Estimates of the remaining useful life over which the asset will be depreciated can be affected by local conditions, for example, traffic use or climatic conditions. If useful lives do not reflect the actual consumption of the benefits of the asset, then the

Council could be over- or under-estimating the annual depreciation charge recognised as an expense in the statement of comprehensive revenue and expense. To minimise this risk, infrastructural asset useful lives have been determined with reference to the New Zealand Infrastructure Valuation and Depreciation Guidelines, issued by the National Asset Management Steering Group (NAMS) of IPWEA NZ, and have been adjusted for local conditions based on past experience.

Land Under Roads

Land under roads was valued based on the fair value of adjacent “undeveloped land value” effective 1 July 2005 by Maunsell Limited, Valuers. Subsequent acquisitions are stated at cost less impairment losses.

Acquisitions following that date are included at cost except where they are acquired for no or nominal consideration when they are valued at fair value less assessed impairment. Land Under Roads is no longer revalued.

Additions

The cost of an item of property, plant, and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and Group and the cost of the item can be measured reliably and is greater than \$1,500, subject to individual asset assessment and with specified exceptions. Unless each individual asset exceeds the cost threshold, bulk purchases which exceed the specified cost threshold do not constitute an asset purchase and are either expensed immediately or treated as inventory, as appropriate.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and Group and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in surplus or deficit as they are incurred.

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Leased assets

Leases in which substantially all of the risks and rewards of ownership are transferred are classified as finance leases. At inception, finance leases are recognised as assets and

liabilities on the statement of financial position at the lower of the fair value of the leased property and the present value of the minimum lease payments. Any additional direct costs of the lessee are added to the amount recognised as an asset. Subsequently, assets leased under a finance lease are depreciated as if these assets are owned.

Where the value of an individual leased asset is assessed as being outside of the asset capitalisation parameters the lease is treated as an operating lease (see Note 6: Other Expenses) in accordance with the asset capitalisation materiality specifications.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant, and equipment other than specified asset classes or types, including land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. Where the value and utilisation of an asset is contingent on another asset, its useful life will normally be set to not exceed the useful life of the asset upon which it is contingent. The useful lives of major classes of assets have been estimated as follows:

Airport runways (seal)	20 years
Airport runways (basecourse)	80 to 100 years
Bridges	25 to 100 years
Buildings, building improvements and land improvements	3 to 100 years
Landfill waste containment facility (post-closure)	100 years
Computers and electronic equipment	5 to 10 years
Footpaths	20 to 80 years
Furniture and office equipment	10 years
General plant and equipment	10 to 20 years
Land	Indefinite (No depreciation)
Land under roads	Indefinite (No depreciation)
Lighting	10 to 40 years

Pavement base	30 to 200 years
Pavement surface	5 to 80 years
Playground equipment and undersurfacing	10 to 30 years
Roading (other)	10 to 100 years
Wastewater treatment and reticulation: plant and facilities	5 to 120 years
Stormwater treatment and reticulation: plant and facilities	15 to 120 years
Traffic services	3 to 30 years
Unsealed road base	Indefinite (no depreciation)
Water treatment and reticulation: plant and facilities	5 to 230 years

Landfill assets

Physical landfill assets include earthworks, buildings and plant and machinery which are stated at cost less any accumulated depreciation or impairment. Unless specifically included under another asset class, landfill assets are depreciated based on the utilised capacity of the landfill. The physical landfill assets have been reviewed for fair value on the same basis as equivalent asset types.

A provision is made over the life of the landfill for post-closure costs. The post-closure waste containment facility includes the value generated by the provisioning process representing the future economic benefits of this provision. This asset is amortised based on the utilised capacity of the landfill following its reassessment biennially, contingent on the revised estimation of the concomitant provision (see Note 24: Provisions).

Impairment of property, plant, and equipment

Property, plant, and equipment and cultural and heritage assets are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable amount. For revalued assets included in comprehensive revenue and expense where a revaluation reserve has been generated, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in surplus or deficit.

For assets where there is no revaluation reserve, the total impairment loss is recognised in the surplus or deficit.

Where it is anticipated that an impairment will be rectified, the provision for that impairment is also recognised in the surplus or deficit and subsequently, when rectified, reversed through the surplus or deficit.

The reversal of an impairment loss on an asset included in comprehensive revenue and expense credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. To the extent that an impairment loss for that class of asset was previously recognised in surplus or deficit, a reversal of the impairment loss is also recognised in surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in surplus or deficit.

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash-generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, a restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

Cultural and heritage assets

Cultural and heritage assets have a unique nature or are specifically related to the retention of cultural knowledge; assets built or made as unique works of art; or intended primarily for educational purposes or combinations of these. They may include any of the traditional and cultural elements for the District.

Cultural and heritage assets are capitalised regardless of their acquisition value.

This asset type includes statues and monuments, artworks, museum collections and the library collections.

Changes in the valuation of cultural and heritage assets are included in the surplus/(deficit).

Heritage buildings which are in operational use are included in the buildings asset class.

The general principles applying to property, plant and equipment apply to cultural and heritage assets.

Statues and Monuments

Individually recognised statues and monuments are stated at deemed cost or acquisition cost less impairment losses. Valued at optimised depreciated replacement cost as at 1 July 2005 by Maunsell Limited (Valuers), subsequent acquisitions are stated at cost less impairment losses. Statues & Monuments are not subject to depreciation.

Library Collections

Library collections, excluding permanent retentions, are valued annually at depreciated replacement cost calculated in accordance with guidelines outlined in "Valuation Guide for Cultural and Heritage Assets", published by the Treasury Accounting Policy Team, November 2002 and the Library Collection Valuation Guidelines prepared by the New Zealand Library Association, May 1992.

Elements of the library collection which are retained for permanent retention are not included in the valuation as they are not readily measurable on a replacement cost basis and are not depreciated. Additions to the collection for permanent retention are valued at cost, or fair value if donated.

The costs relating to the use of electronic books (eBooks) are immediately expensed.

Artworks

Artworks are stated at deemed cost being the assessed fair value at 1 July 2005 based on the 1 April 1992 insurance value by the Art Gallery Director, with subsequent acquisitions from 1 April 1992 at cost.

The art collection is valued annually at fair value based on the estimated current market value, by the Council's Art Gallery Director, in accordance with guidelines outlined in "Valuation Guide for Cultural and Heritage Assets", published by the Treasury Accounting Policy Team, November 2002. The collection is valued externally triennially *which has been undertaken as at 30 June 2026*. The assessed value is included as a note but not used as a basis for the valuation of Artworks in the Statement of Financial Position.

Museum collections

Museum collections, primarily held by the South Canterbury Museum, are not valued.

The useful lives of major classes of cultural and heritage assets are as follows:

Art works	Indefinite (No depreciation)
Library collection: permanent retention	Indefinite (No depreciation)
Library collection: current	8 years
Museum collection	Indefinite (No depreciation)
Statues and monuments	Indefinite (No depreciation)

Intangible assets

Software acquisition and development

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software, except that annual licenses are recognised as an expense when they are incurred, as are Software as a Service (SaaS) costs.

Costs that are directly attributable to the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs relating to the introduction and utilisation of software, costs associated with maintaining computer software and costs associated with development and maintenance of the Council's website, are recognised as an expense when incurred.

Other intangible assets

Other intangible assets are amortised based on the particular characteristics of the asset.

Carbon credits (New Zealand Emissions Trading Scheme "New Zealand Units" (NZUs))

Carbon credits are not acquired or held for trading purposes and are expected to be utilised as part of the annual operational requirements of the Council, except that carbon credits which were received from the Crown relating to legacy forests were recognised as non-current intangible assets valued at fair value at acquisition. Carbon credits are treated as a current intangible asset and valued through surplus/deficit at cost or fair value. They are initially valued at cost and subsequently valued at fair value as at balance date based on the market value at balance date. Carbon credits have an indefinite life and therefore are not amortised.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its estimated useful life. Amortisation begins when the asset is available for

use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in surplus or deficit.

Intangible assets are capitalised regardless of their initial acquisition value.

The useful lives of major classes of intangible assets are as follows:

Carbon credits	Indefinite (not amortised)
<i>Computer software</i>	<i>3 to 5 years</i>
Other intangible assets	3 to 50 years

Impairment of intangible assets

Intangible assets, including those which have an indefinite useful life, or are not yet available for use which are not subject to amortisation, are tested annually for impairment.

For further details, refer to the policy for impairment of property, plant, and equipment as the same approach applies to the impairment of intangible assets.

Forestry assets

Standing forestry assets are independently revalued annually at fair value less estimated costs to sell for one growth cycle. Potential future carbon credit liabilities which may occur in the event of permanent deforestation are not included in the valuation.

Gains or losses arising on initial recognition of forestry assets at fair value less costs to sell and from a change in fair value less costs to sell are recognised in surplus or deficit.

Forestry maintenance costs are recognised in surplus or deficit when incurred.

Forests are not depreciated and any permanent diminution in value is included in the valuation.

The generation of carbon credits from the forestry holdings are separately identified and valued as current intangible assets as required however currently no carbon credits are being generated as the forests are all pre-1990.

Note 22: Investment property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Properties leased to third parties under operating leases are generally classified as investment property unless:

- The occupants provide services that are integral to the operation of the company's business;
- The property is being held for future delivery of service.

Land where there are infrastructure services in place or there is a firm commitment to provide such infrastructure is classified as investment property. Buildings that are held for currently undetermined future use, or that are vacant but held to be leased out under one or more operating leases, are classified as investment properties.

The classification of properties is done at the lowest possible level, therefore where part of a property is occupied by a party other than Council, consideration is given to whether that portion of the building could be classified as an investment property. Classification as an investment property will be indicated if the section of the building could be separately sold or leased under a finance lease.

If the section of the property occupied by a party other than Council is unable to be sold or leased separately from the rest of the building, the building is assessed as a whole and will usually only be classified as an investment property if the Council occupies an insignificant portion of the total building.

Investment property is measured initially at its cost, including transaction costs or if acquired through a non-exchange transaction, measured at fair value at the date of acquisition.

After initial recognition, all investment property is measured at fair value at each reporting date.

Gains or losses arising from a change in the fair value of investment property are recognised in surplus or deficit.

Payables and deferred revenue

Short-term creditors and other payables are measured at the amount payable.

Payables are generally non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of payables approximates their fair value.

Deferred revenue represents receipts the conditions of which have not yet been fulfilled but which are expected to be recognised as revenue within 12 months.

Borrowings and other financial liabilities

Borrowings on normal commercial terms are initially recognised at the amount borrowed plus transaction costs. Interest due on the borrowings is subsequently accrued and added to the borrowings balance.

Borrowings are classified as current liabilities unless the Council or Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Finance leases

A finance lease transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the start of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item and the present value of the minimum lease payments.

The finance charge is charged to surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no reasonable certainty as to whether the Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Employee entitlements

Short-term employee entitlements

Employee benefits that are expected to be settled wholly within twelve months after the end of the year in which the employee provides the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date and annual leave earned to, but not yet, taken at balance date.

A liability and an expense are recognised for bonuses where the Council or Group has a contractual obligation or where there is a past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

Long-term employee entitlements

Employee benefits that are not expected to be settled wholly before twelve months after the end of the reporting period in which the employee provides the related service, such as retirement and long service leave, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to employees, based on years of service, years to entitlement, the likelihood that employees will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows.

Unrecognised employee entitlements

Outstanding sick leave entitlements are not recognised as a liability as there is no settlement obligation related to the entitlement.

Presentation of employee entitlements

Annual leave and vested long service leave are classified as a current liability. Non-vested retirement and long service leave expected to be settled within 12 months of balance date are also classified as a current liability. All other recognised employee entitlements are classified as a non-current liability.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when:

- there is a present obligation (either legal or constructive) as a result of a past event;
- it is probable that an outflow of future economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Where material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation and discounted using market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash flows.

Provision for landfill post-closure costs

A provision for post-closure costs is recognised, at the inception of the landfill, for post-closure remediation and monitoring costs.

The provision is measured based on the present value of the future cashflows expected to be incurred, considering future events including new legal requirements, known improvements in technology, costs associated with landfill post-closure and adjusted for anticipated inflation.

The value provided for landfill post-closure is capitalised as an asset as it relates to future economic benefits. This asset is amortised based on the expected utilisation of the capacity the landfill and is reviewed annually based on actual capacity usage and relevant movements in any revision of the post-closure costs.

The discount rates and projected inflation rates used are those published by the New Zealand Treasury.

Provisions for climate change related obligations and remediation

No provisions are currently made for potential events, obligations, compensation or remediation related to climate change or climate change induced or related events. While the effects of climate change are directly related to past events and there will be financial consequences and implications relating to future events, no estimate has been made for the amount of the potential or likely obligations.

Equity

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- retained earnings;
- restricted reserves;
- designated reserves;
- asset revaluation reserves.

Restricted reserves

Restricted reserves are a component of equity representing a particular use to which equity has been assigned.

Restricted reserves are those subject to specific conditions accepted as binding by the Council and which may not be revised by the Council without reference to the Courts or a third party, however these do not represent cash funds specifically maintained for such purposes. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met. Donations or bequeathed financial assets treated as liabilities, which are for a specified purpose, are not identified as restricted reserves but are also restricted in their use.

They also include reserves maintained for targeted rates charged for a specific purpose.

Utilisation of a reserve does not alter revenue or expenses reported in the surplus or deficit.

Designated reserves

Designated reserves are maintained for self-funded activities which Council determines require particular focus. A separate account is maintained for each reserve to identify that the funds are held and used for the specific purpose intended, however these do not represent cash funds maintained specifically for such purposes. Transfers from these reserves may be made only for their identified purposes or when identified conditions are met however Council may change designated reserves without reference to the Courts or a third party.

Utilisation of a reserve does not alter revenue or expenses reported in the surplus or deficit.

Asset revaluation reserves

These reserves relate to the revaluation of particular property, plant, and equipment classes to fair value.

Related party transactionsIntra-Group and internal transactions

All transactions occurring within the Group are eliminated on consolidation however within each Group entity they will be reflected within the appropriate categorisation. Intra-entity transactions are not generally eliminated within that entity as the transactions allocate costs and revenue within the entity to reflect an accurate economic picture however they will eliminate against each other within the net surplus or deficit.

Events after balance date

Events which are deemed to actually or potentially have a material impact on the Council or Group but which occur after balance date are disclosed, including why they have been assessed as being of significant materiality.

Summary of anticipated 2026 Note numbering based on 2025:

The Note list is not included in Note 1 in the AR, but as guidance for cross-referencing.

Not all Notes in the financial reports have specific accounting policies.

Not all accounting policies will be included in the AR in part or in full.

Note 1: Statement of Accounting Policies

Note 2: Summary revenue and expenditure for groups of activities

Note 3: Revenue

Note 4: Personnel costs

Note 5: Finance costs

Note 6: Other expenses

Note 7: Tax

Note 8: Cash and cash equivalents

Note 9: Note to statement of cashflows

Note 10: Receivables

Note 11: Derivative financial instruments

Note 12: Other financial assets

Note 13: Investments in associates

Note 14: Investment in joint operations

Note 15: Property, plant and equipment

Note 16: Cultural and heritage assets

Note 17: Intangible assets

Note 18: Depreciation and amortisation expense by group of activity

Note 19: Capital commitments

Note 20: Investment property

Note 21: Payables and deferred revenue

Note 22: Borrowings

Note 23: Employee entitlements

Note 24: Provisions

Note 25: Contingencies

Note 26: Equity

Note 27: Related party transactions

Note 28: Explanations of major variances against budget

Note 29: Financial instruments

Note 30: Capital management

Note 31: Local Water Well Done

Note 32: Events after balance date

6.8 Audit Confirmation 2026-28 and Audit Plan 2026**Author:** Stephen Doran, General Manager Corporate**Authoriser:** Nigel Trainor, Chief Executive**Recommendation**

That the Audit and Risk Committee Receives and Notes the Proposal to conduct the audit of Timaru District Council and Audit Plan 2026-28

Purpose of Report

- 1 This report is to table the Audit confirmation for 2026-28 and the Audit New Zealand Audit Plan 2026 to the Audit and Risk Committee for discussion.

Assessment of Significance

- 2 While audit is a key part of ensuring public accountability of Council, this report itself is operational and so would be considered low with regards to the Council's Significance and Engagement Policy.

Discussion

- 3 The Office of the Auditor General has confirmed that Audit New Zealand will be appointed as the auditor of Timaru District Council and its subsidiaries for the 2026, 2027 and 2028 financial years.
- 4 The attachments outline the fees proposal for the 2026 audit as well as the the key focus and risk areas for the Audit, and timings for the upcoming Interim and Final Audits.

Attachments

1. **Proposal to conduct the audit of Timaru District Council and subsidiaries on behalf of the Auditor-General for the 2026, 2027 and 2028 financial years** [↓](#) 
2. **Audit Plan - Timaru District Council and Group for the year ending 30 June 2026** [↓](#) 



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

13 February 2026

Level 1, 399 Moray Place
PO Box 232, Dunedin 9054

Nigel Bowen
Mayor
Timaru District Council
PO Box 522
Timaru 7940

Ref: EN/LCA/3-0043/C109
Copy: Director Auditor Appointments
Office of the Auditor-General
PO Box 3928
Wellington 60140

Dear Nigel

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

1 Introduction

The Auditor-General proposes to appoint me to carry out the audit of your organisation for the next three years. As required by the Office of the Auditor-General (OAG), I set out below information relating to the audit for the three financial years ending 30 June 2026, 2027 and 2028. The purpose of this proposal is to provide information on:

- the statutory basis for the audit and how audit fees are set;
- the entities covered by this proposal;
- key members of the audit team;
- the hours we plan to spend on the audit and reasons for any change in hours;
- our proposed fee for the audit for the financial year ending 30 June 2026 and reasons for any change. ***Given the ongoing changes in the sector, we will agree the fees for the financial years ending 30 June 2027 and 30 June 2028 at a future date;***
- assumptions relating to the proposed audit fees, including what we expect of your organisation;
- what the OAG Audit Standards and Quality Support (ASQS) fee provides;
- certification required by the Auditor-General; and
- our commitment to conduct the audit in accordance with the Auditor-General's Auditing Standards.

2 Statutory basis for the audit and how audit fees are set

The audit of your organisation is carried out under section 15 of the Public Audit Act 2001, which states that “the Auditor-General must from time to time audit the financial statements, accounts, and other information that a public entity is required to have audited”.

Fees for audits of public entities are set by the Auditor-General under section 42 of the Public Audit Act 2001. The Auditor-General has asked auditors to ensure that the audit hours included in their proposals reflect the time that is required to complete a quality public sector audit efficiently, and that the fees proposed are reasonable.

Your Audit and Risk Committee and I have the opportunity to reach agreement first and recommend those fees for approval. The Auditor-General, with assistance from the OAG, will set audit fees directly only if we fail to reach agreement.

There is much that Timaru District Council can itself do to ensure the efficiency and effectiveness of the audit. This includes being well prepared for audit, having good systems and controls, and ensuring staff are available to assist the auditors as they carry out their audit work.

Our proposed audit fees are set out in this letter and include an estimate of the reasonable cost of disbursements (including travel and accommodation where necessary).

3 Entities covered by this proposal

This proposal covers the audit of Timaru District Council.

Separate audit proposals will be agreed for each of the council-controlled organisations, trusts and any other entities that make up the group, where an audit is required.

Any additional reviews or agreed upon procedures that we are requested to complete will also be covered by a separate fee proposal or engagement letter.

4 Key members of the audit team

Appointed Auditor Rudie Tomlinson

Audit Manager Monique Kruger

In accordance with normal professional practice, the key members of the audit team named in this proposal are subject to change. For example, a change made to comply with the Auditor-General’s independence requirements.

5 Estimated audit hours

We have prepared a one-year fee budget with the budgeted fees for the two outer years of this proposal to be prepared and negotiated with you following completion of the 2026 audit.

We estimate that the following hours will be required to carry out this year’s audit (compared to the budgeted and actual data from the previous financial year):

Audit team member	2025 budget	2025 actual	2026
Appointed Auditor	103	110	120
Audit Manager	130	282	170
Audit staff	873	1934	1145
Information Systems	44	16	15
Total audit hours*	1150	2342	1450

* Note – Total audit hours include the cost of one revaluation only relating to property, plant and equipment.

5.1 Reasons for changes in audit hours

The major reasons for the changes in hours for your organisation’s audit are:

Reasons for changes in audit hours compared to previous period <i>budgeted</i> hours:	2026
Changes in unavoidable travel time *	115
Ongoing Timaru District Council delivery challenges**	185
Total increase in hours	300

* Note –Actual travel time incurred in 2025 was 119 hours.

** Note – Actual inefficiency hours recovered in 2025 were 306.

6 Proposed audit fees

Our proposed fees for this year’s audit (compared to budgeted and actual data from the previous financial year) is:

Structure of audit fees	2025 budget fees	2025 actual fees charged (*)	2026
	\$	\$	\$
Net audit fee (excluding OAG ASQS charge and disbursements)	263,458	263,458	317,033
OAG ASQS charge	28,271	28,271	30,102
Additional audit fee	-	81,970	-
Discount	(2,268)	(2,268)	-
Total audit fee (excluding disbursements)	289,461	371,431	347,135
Estimated disbursements	7,570	16,494	15,000
Total billable audit fees including ASQS and disbursements	297,031	387,925	362,135

* Note – 2025 actual audit fees charged were \$371,431 (excluding disbursements), compared to our 2025 audit costs of \$462,092 (excluding disbursements).

The audit fees allow for the audit team to carry out specific tasks identified in the OAG Sector Brief and for the OAG ASQS fees.

We have also estimated the reasonable cost of disbursements (including travel and accommodation where necessary). Disbursement costs are indicative only and will be charged on an actual and reasonable basis.

6.1 Reasons for changes in audit fees

The Auditor-General has agreed to allow fee increases to a level that reflects the real cost of the audit. We are estimating a 3% movement in charge out rates. In table 5.1 we showed the factors that have resulted in a change of audit hours. The cost impacts of those changes are shown in the table below.

Reasons for increased or decreased audit fees compared to previous period <i>budgeted</i> fees.	2026
Increase in OAG ASQS charge	1,831
Expected movement in charge out rates	7,904

Reasons for increased or decreased audit fees compared to previous period <i>budgeted</i> fees.	2026
Changes in unavoidable travel time	7,769
Ongoing Timaru District Council delivery challenges	37,902
Unwinding of 2025 discount	2,268
Total increase in audit fees	57,674

Assumptions relating to our audit fee

You are responsible for the production of your financial statements and anything else that must be audited. Our proposed audit fees are based on the assumption that:

- you will provide to us, in accordance with the agreed timetable, the complete information required by us to conduct the audit;
- your staff will provide us with an appropriate level of assistance;
- your organisation's annual report (including financial statements and statements of service performance) will be subject to appropriate levels of quality review by you before being submitted to us for audit;
- your organisation's financial statements will include all relevant disclosures;
- we will review up to two sets of draft annual reports, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report (for publication on your website). Noting that a significant portion of our cost recovery in 2025 was due to the numerous annual report versions and insufficient quality control within the document;
- there are no significant changes to the structure and/or scale of operations of the entities covered by this proposal (other than as already advised to us);
- there are no significant changes to the accounting standards or the financial reporting framework that require additional work;
- there are no significant changes to auditing standards that require additional work; and
- there are no significant changes to the agreed audit arrangements that change the scope of, timing of, or disbursements related to, this audit.

Our fee specifically excludes the following:

- Costs associated with the audit of any additional or "out of cycle" revaluations of property, plant and equipment.

- Costs associated with review and/or audit of any greenhouse gas emissions or climate change disclosures contained in audited information.
- Costs associated with the impact of changes resulting from the Government's Local Water Done Well programme.
- Changes to the annual report or financial statements resulting from regulatory or legislative changes.

If the scope and/or amount of work changes significantly, we will discuss the issues and any implications for our audit costs and your audit fees with you and the OAG at the time.

7 What the OAG ASQS fees provides

Parliament has indicated that it expects the cost of annual audits under the Public Audit Act (including an OAG ASQS fees) to be funded by public entities.

The OAG ASQS fees partially fund a range of work that supports auditors and entities, including:

- development and maintenance of auditing standards;
- technical support for auditors on specific accounting and auditing issues;
- ongoing auditor training on specific public sector issues;
- preparation of sector briefs to ensure a consistent approach to annual audits;
- development and maintenance of strategic audit plans; and
- carrying out quality assurance reviews of all auditors, and their audits and staff on a regular (generally, three-year) cycle.

Appointed Auditors are required to return the OAG ASQS fees portion of the total audit fee, to the OAG.

8 Certifications required by the Auditor-General

We certify that:

- the undertakings, methodology, and quality control procedures that we have declared to the OAG continue to apply;
- our professional indemnity insurance policy covers this engagement; and
- the audit will be conducted in accordance with the terms and conditions of engagement set out in the audit engagement agreement and schedules.

9 Conclusion

As the Appointed Auditor, I am committed to providing you and the Auditor-General with the highest level of professional service. I intend to work with you, the OAG, and the Auditor-General in a partnership environment to resolve any issues that may arise.

If you require any further information, please do not hesitate to contact me.

Please counter-sign this letter (below) to confirm that you, and the governing body of your organisation, agree with its contents. This letter will then form the basis for a recommendation to the Auditor-General on the audit fee that should be set. The schedules of audit hours and fees will also be incorporated into my audit engagement agreement with the Auditor-General to carry out the audit of your organisation as the agent of the Auditor-General.

Yours sincerely



Rudie Tomlinson
Appointed Auditor
Audit New Zealand

I accept the audit fees for the financial year ending 30 June 2026 as stated above.

Full name: Nigel Bowen Position: Mayor

Authorised signature: _____ Date: _____

Entity name: Timaru District Council

Actions to take when agreement has been reached:

- 1 Make a copy of this signed proposal and keep it for your file.
- 2 Email a PDF copy of the signed letter to: rudie.tomlinson@auditnz.parliament.nz



Executive Summary

I am pleased to present our audit plan for the audit of Timaru District Council (the Council) and group (the group) for the year ending 30 June 2026. Our role as your auditor is to give an independent opinion on the financial statements and service performance information. We also recommend improvements we identified during the audit.

The contents of this plan provide a basis for discussion with you. We are happy to elaborate further on the matters raised. If there are additional matters that you think we should include or any matters requiring clarification, please discuss these with me.

Yours sincerely

Rudie Tomlinson
Appointed Auditor
13 February 2026

Contents

Focus areas: Risks and issues.....	2
Group audit.....	8
Materiality	10
Expectations	13
Our team.....	16
Our audit process.....	17



Focus areas: Risks and issues

Based on the planning work and discussions we have completed to date; we set out the main audit risks and issues in the table below. These will be the focus areas during the audit. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

Risk/issue	Our audit response
Valuation of infrastructure assets	
<p>The Council revalues its infrastructure assets whenever there is expected to be a material movement in the fair value of those assets. We understand that the Council intends to revalue its water assets as at May 2026.</p> <p>The reasonableness of the valuation depends on the valuation method applied, the completeness and accuracy of the source data, and the appropriateness of key assumptions. Some valuations are inherently complex and involve the use of numerous data sources and key assumptions that can have significant impacts on valuations and the future depreciation expense.</p> <p>One of the key assumptions in a depreciated replacement cost valuation is the unit rate adopted for significant components. When developing the unit rates, the Council should have a documented methodology and database of cost information to support the unit rate applied in the valuation.</p> <p>The Council should ensure the scope of the valuation work is sufficient and the reasons for the movement in the valuation are documented and justified.</p> <p>As a minimum, the reasons for the movement should identify and explain movements at an asset component level since the last valuation due to changes in source data (for example, lengths and volumes), unit rates and any other significant adjustments.</p>	<p>We will:</p> <ul style="list-style-type: none"> • review the valuation report to assess the objectivity and competence of the valuer and whether the requirements of accounting standard, PBE IPSAS 17, <i>Property, Plant and Equipment</i>, have been met; • assess relevant quality controls that support the integrity of the underlying data and assumptions schedules used in the valuation; • obtain an understanding of and test the underlying source data used in the valuation; • review the methodology used to develop unit rates and test those rates back to the Council’s analysis of recent contract costs; • engage with the valuers as necessary when assessing the reasonableness of the assumptions and methodology used and the reasons for movements in key asset components; • review the accounting entries and the fixed asset register to ensure the values are correctly updated; and • review the appropriateness of the disclosure, including any narrative.



Risk/issue	Our audit response
<p>Valuations prepared by a firm external to the Council should be subject to quality reviews by the valuation firm and suitably experienced members of the Council’s management team. When a valuation is completed internally this should be peer reviewed by a suitably experienced and qualified person, for example an external valuation firm would be considered appropriate.</p>	
<p>Fair value assessment of infrastructure assets (non-revaluation year)</p>	
<p>For those assets carried under the valuation model that the Council does not plan to revalue, the Council needs to perform a fair value movement assessment (assessment) to determine whether there could be a material difference between the fair value and the carrying value.</p> <p>An assessment should:</p> <ul style="list-style-type: none"> • factor in local cost information; • utilise relevant and reliable price movement indicators; and • involve consultation with valuers, where necessary. <p>If the fair value movement of the assets, individually or in combination with other asset classes, is likely to be material, the Council will need to complete a full revaluation. If specified criteria are met, the Council may be able to undertake an index-based- revaluation.</p>	<p>We will review the reasonableness of the Council’s assessment including the appropriateness of the assumptions used in the assessment.</p>
<p>Impairment, cost capitalisation and timing of completed asset recognition</p>	
<p>Impairment of property, plant and equipment (PPE)</p> <p>Assets are required to be assessed for indicators of impairment at each reporting date. In addition, work in progress (WIP) values on projects that</p>	<p>We will:</p> <ul style="list-style-type: none"> • review the processes used by management to assess impairment, including all significant WIP balances; • review the age analysis of all material WIP balances;



Risk/issue	Our audit response
<p>span an extended period of time should be assessed regularly for impairment over the period of the project.</p> <p>Capitalisation of costs</p> <p>The Council should ensure appropriate policies and processes are in place to identify and capitalise only those costs that are capital in nature. This includes both direct and indirect capital costs.</p> <p>Completed projects</p> <p>The Council also needs to ensure that, as phases of a project are completed, and assets become operational, WIP is capitalised in a timely manner. This will ensure that the fixed asset register is up to date and that depreciation on these assets starts when the asset is complete and ready for use.</p> <p>The Council had a significant WIP balance at 30 June 2025. We are aware of three major projects currently underway. It is important that an ageing of WIP balances are analysed regularly to consider whether any balances should be written off or impaired.</p>	<ul style="list-style-type: none"> • update our understanding of the Council policy and processes to identify and capitalise both direct and indirect capital costs; and • review management’s processes to ensure that the capitalisation of WIP costs is performed in a timely manner.
<p>Contract management</p>	
<p>The Council is currently undertaking a number of significant capital projects. These include the Theatre Royal, Laneway and Museum, Aorangi Stadium and Claremont Water Treatment Plant Renewal projects. For any capital project it is essential that financial and reputational risks are well understood and appropriately managed. Delivery risk relating to timing of completion and financial risk relating to budget are key risks that should be on management’s radar.</p>	<p>We will:</p> <ul style="list-style-type: none"> • for the theatre and stadium projects, review any reports issued by the independent project manager to ensure there is no indication of changes to the risk profile, specifically as it relates to budget and delivery timeframes; and • for Claremont, utilise the services of our Specialist Audit and Assurance Services team to:



Risk/issue	Our audit response
<p>We understand that the Theatre and Stadium projects are well underway. Management’s view is that risks are appropriately managed, as an external project manager has been appointed.</p> <p>For the Claremont renewal project, we understand that the selection of a preferred contractor is still underway. From discussions with management we have noted that this project contains several complexities.</p>	<ul style="list-style-type: none"> ○ assess whether the governance, project management and procurement practices applied to the project are consistent with good practice; and ○ agree whether or not additional further reviews at selected future milestones are required.
Local Water Done Well	
<p>We note that Council adopted a standalone council-controlled organisation (CCO) model of delivery of three waters in a Council meeting on 22 July 2025. The Water Services Delivery Plan giving effect to this was approved by the Secretary for Local Government on 28 October 2025.</p> <p>The Council will need to decide on the appropriate accounting and reporting response to the changes in the management of their water assets under the Government’s Local Water Done Well (LWDW) programme. The response will depend on the nature and timing of the changes and the agreements in place or expected to be in place.</p> <p>The Council will need to consider how to account for the transfer of net assets to the water services entity and how to account for its interest in that entity. A further factor to consider will be the treatment of Council’s 82% interest in the Downlands Water Scheme. The accounting implications will be more complicated if the CCO shareholders do not include all the Joint Operation partners.</p> <p>The appropriate accounting is going to be determined by the founding documents such as the constitution and the shareholder’s agreements, as well as other facts and circumstances specific to the Council’s arrangements.</p>	<p>We will review the Council’s proposed response to the accounting and reporting implications of the LWDW programme including any advice obtained about the accounting and reporting implications.</p> <p>We will also continue to discuss with Council its and the CCO’s implementation plan. We understand that the Office of the Auditor-General will provide guidance on accounting implications for Councils that have chosen to establish CCOs. We will share this with Council once received.</p>



Risk/issue	Our audit response
<p>Given the potential accounting and reporting changes we strongly recommend that the Council considers obtaining professional advice to help develop the response to the accounting and reporting implications of the agreements. Councils and CCOs will also need to develop an implementation plan to ensure the appropriate policies, processes and controls are established.</p>	
<p>The risk of management override of internal controls</p>	
<p>There is an inherent risk of fraud in every organisation due to management override of internal controls. Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • testing the appropriateness of selected journal entries; • reviewing accounting estimates for indications of bias; and • evaluating any unusual or one-off transactions, including those with related parties.



Other areas of interest across the local government sector

There are a number of sector wide issues significant to most local authorities. These include areas of interest that are not necessarily significant to the Council but are areas we monitor as part of our responsibility to consider the broader risks affecting local authorities. We have reviewed the specific areas of interest for the 2024/25 year and have not identified any areas of focus over and above those already covered in this plan. Should any additional areas be identified during the year we will notify the Council separately. Wider public sector areas of interest are set out below.

Mutual Liability Riskpool Scheme

Although Riskpool is in wind down, member councils have an ongoing obligation to contribute to it should a call be made in respect of any historical claims (to the extent those claims are not covered by reinsurance), and to fund the ongoing operation of the scheme.

In August 2023, Riskpool indicated that member councils might have to provide further contributions to cover identified shortfalls whereby claims exceed reinsurance recoveries. This led to relevant councils recognising a provision or including disclosure of the situation and what it meant in their 2022/23 financial statements.

In November 2023, Riskpool made a call on member councils to fund quantified shortfalls. We understand that another call was made in August 2025. Riskpool reserves the right to make further calls for additional funding if needed. Riskpool has advised member councils that any future calls for funding will depend primarily on two factors:

- the outcome of ongoing domestic litigation; and
- the position taken by Riskpool's reinsurers in relation to coverage.

The Council will need to consider its disclosures in this regard and should specifically consider whether further information is available to allow the Council to reliably measure a provision for unpaid calls.



Group audit

Our audit approach for the group is designed to obtain sufficient assurance on the group's financial statements and service performance information. The assessed the risks of material misstatement and our approach for each component of the group is detailed below.

We will report any significant internal control deficiencies to the Council and management of the group, and in particular, deficiencies related to:

- group-wide internal controls; or
- internal controls at each component.

Deficiencies reported may be identified by the group engagement team or brought to our attention by a component auditor.

We will also communicate any fraud identified by the group engagement team or brought to our attention by a component auditor.

Component	Our audit approach
Timaru District Holdings Limited	<p>The component auditor is Dereck Ollsson of Audit New Zealand. The audit work on this component will be a full financial statements audit.</p> <p>We will issue group audit instructions to the component auditor that will specify information that we require for the group audit.</p> <p>We will specifically request from the component auditor, confirmation of any material consolidation adjustments required at the Council level, to address differences arising from for-profit vs not-for-profit accounting or the application of differing accounting policies.</p> <p>The areas of audit focus relevant to this component are:</p> <ul style="list-style-type: none"> • “Mixed group” consolidation adjustments – the group includes for-profit and not-for-profit entities. Accordingly there are differences in the financial reporting standards within the group. • The carrying value of the investment in associates.

This table shows the work we have planned for each component where we are asking component auditors to perform work for the group audit.



Component	Our audit approach
Venture Timaru Limited (100% owned) Downlands Water Supply (82% share) accounted for as a joint operation	We have completed our audit planning and have determined that Venture Timaru Limited and Downlands Water Supply are not significant components of the group. As such, we will perform analytical procedures at the group level to identify unexpected movements or significant changes from the prior year.

DRAFT



Materiality

Materiality refers to information that, if omitted, misstated, or obscured, could reasonably be expected to:

- influence readers’ overall understanding of the financial statements and service performance information; and
- influence readers’ in making decisions about the stewardship and allocation of resources or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

It is a matter of judgement whether information is material considering the surrounding circumstances and its impact. Qualitative considerations are just as important as quantitative considerations.

The Council and management needs to make their own assessment of materiality from a preparer’s perspective. The Council and management should not rely on our materiality assessment as a basis for making its own judgements about the integrity of the financial statements and service performance information.

Financial statements materiality

Overall group performance materiality – used for asset revaluations	\$124,187,000
Overall parent performance materiality – used for asset revaluations	\$114,870,000
Specific group performance materiality – used for all other items	\$2,765,000
Specific parent performance materiality – used for all other items	\$2,695,000
Group clearly trivial threshold	\$197,500
Parent clearly trivial threshold	\$140,000

The materiality calculations above have been based on prior year actual numbers and are subject to change once the actual results for the current year are available.



We design our audit procedures to detect misstatements at a lower level than overall materiality. This takes account of the risk of cumulative misstatements and provides a safety net against the risk of undetected misstatements.

We will report all uncorrected misstatements to the Council other than those that are **clearly trivial** with no relevant qualitative considerations. Where management does not wish to correct a misstatement, we will seek written representations from the Council on the reasons why the corrections will not be made.

Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader’s overall understanding of your financial statements and service performance information. We assess the effects of any detected and uncorrected misstatements, individually and in aggregate, against materiality and qualitative considerations.

Materiality for service performance information

At an overall level, we assess whether the service performance information is suitable, given your purpose and the nature of your activities, and whether the reporting allows for an informed assessment of the council’s performance. In doing this, we consider whether the information is relevant, complete, reliable, neutral, and understandable.

We set materiality for service performance information at an individual measure level based on what we expect would influence readers’ overall understanding, decision-making, or assessment of council’s performance. We normally express this materiality as a percentage of the reported result.

Outlined below are the measures we assessed as material and our materiality for planning purposes. We will reassess this during the audit.

Material measure	Materiality
<p>Water supply – drinking water safety</p> <p>The extent to which the Council’s drinking water supply complies with the following parts of the drinking water quality assurance rules:</p> <ul style="list-style-type: none"> • 4.10.1 T3 Bacterial Rules; and • 4.10.2 T3 Protozoal Rules. 	<p>Quantitative materiality is not applicable, the reported result is to be consistent with supporting qualitative information.</p>
<p>Water supply – resident satisfaction</p> <p>The percentage of residents satisfied with condition and maintenance of water supply services.</p>	<p>8% of result</p>



Material measure	Materiality
<p>Wastewater – resource consents</p> <p>Compliance with the Council’s resource consents for discharge from its sewerage system measured by the number of:</p> <ul style="list-style-type: none"> • abatement notices; • infringement notices; • enforcement orders; and • convictions; <p>received by the Council in relation those resource consents.</p>	8% of result
<p>Wastewater – resident satisfaction</p> <p>The percentage of residents satisfied with condition and maintenance of wastewater services.</p>	8% of result
<p>Roading asset quality – road condition</p> <p>The average quality of ride on a sealed local road network, measured by smooth travel exposure.</p>	8% of result
<p>Roading – resident satisfaction</p> <p>The percentage of residents satisfied with the safety of the road network.</p>	8% of result



Expectations

For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet. Our respective responsibilities are set out in our audit engagement letter. Your responsibilities, with appropriate assistance from management, include:

- preparing the financial statements and performance information in accordance with legal requirements and financial reporting standards;
- providing us with access to all relevant records and providing information in a timely manner;
- providing access to staff, who will provide an appropriate level of assistance;
- providing draft financial statements and performance information, including all relevant disclosures, in accordance with the agreed timetable;
- maintaining accounting and other records supporting the information in the financial statements and providing us with access to those records; and
- subjecting the annual report, financial statements, and service performance information to appropriate levels of quality review before they are provided to us.

Our responsibilities include carrying out the audit, maintaining our independence, and providing you with an audit report.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the

audit. We will use AuditDashboard to make these requests and for transferring files as part of the audit.

Draft financial statements and performance information

We expect that we will need to perform a detailed review of three versions of the annual report:

- A good quality draft set of financial statements and performance information (including notes) that is reasonably complete, received before or at the start of the final audit visit.
- A final set of financial statements and performance information incorporating all changes identified during the audit, received at the end of the audit.
- A final signed annual report or printers proof version.

We do not intend performing a detailed check of additional versions. If this becomes necessary, we will discuss this with you first and there will be an additional cost.

Year-end processes

The year-end financial statement close process and the preparation of the annual report require significant time and effort to complete them effectively. We want the audit process to run smoothly, and we will work with management to achieve this through bringing forward the timing of audit procedures.



Bringing forward audit procedures

A lot of audit work is traditionally performed after the financial year-end. Where possible, we will aim to bring audit procedures earlier in the year. This will be focused on:

- year-to-date transactions for revenue, operating expenditure and payroll;
- review of pro forma financial statements and notes; and
- valuations and fair value assessments of PPE.

Completion of these tests earlier in the year enables more timely identification and resolution of errors and reduces the time your management needs to support the audit process at year-end, when the annual report is being prepared.

We will work with management to ensure the required information is available at the right time. We will communicate with management if information is not available as agreed, including any impact on the year-end audit.



Timetable

Our proposed timetable is:

Draft pro forma and service performance information available for audit (including notes)	30 March 2026
Interim audit begins	13 April 2026
Review of valuation report/Fair value assessment	TBC
Draft financial statements and service performance information available for audit (including notes) with actual year-end figures including valuation adjustments	31 August 2026
Final audit begins	14 September 2026
Final financial statements and service performance information available, incorporating all agreed amendments	26 October 2026
Report to the Council issued	30 October 2026
Audit opinion issued	30 October 2026

Reporting

Communication with the Council and management

We will meet with the Council and management throughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are “no surprises”.

Reports to the Council

At the end of the audit, we will report to the Council on:

- our findings on the audit risks identified in this plan;
- any other significant matters found during our audit, including significant deficiencies in internal controls;
- the level of prudence in key judgements made by management in preparing the financial statements; and
- the quality and timeliness of information provided for audit by management.

At our discretion, we may also provide an interim report to the Council and separate reports to management on less significant findings arising from our audit. We will advise the Council if we issue a report to management.



Our team

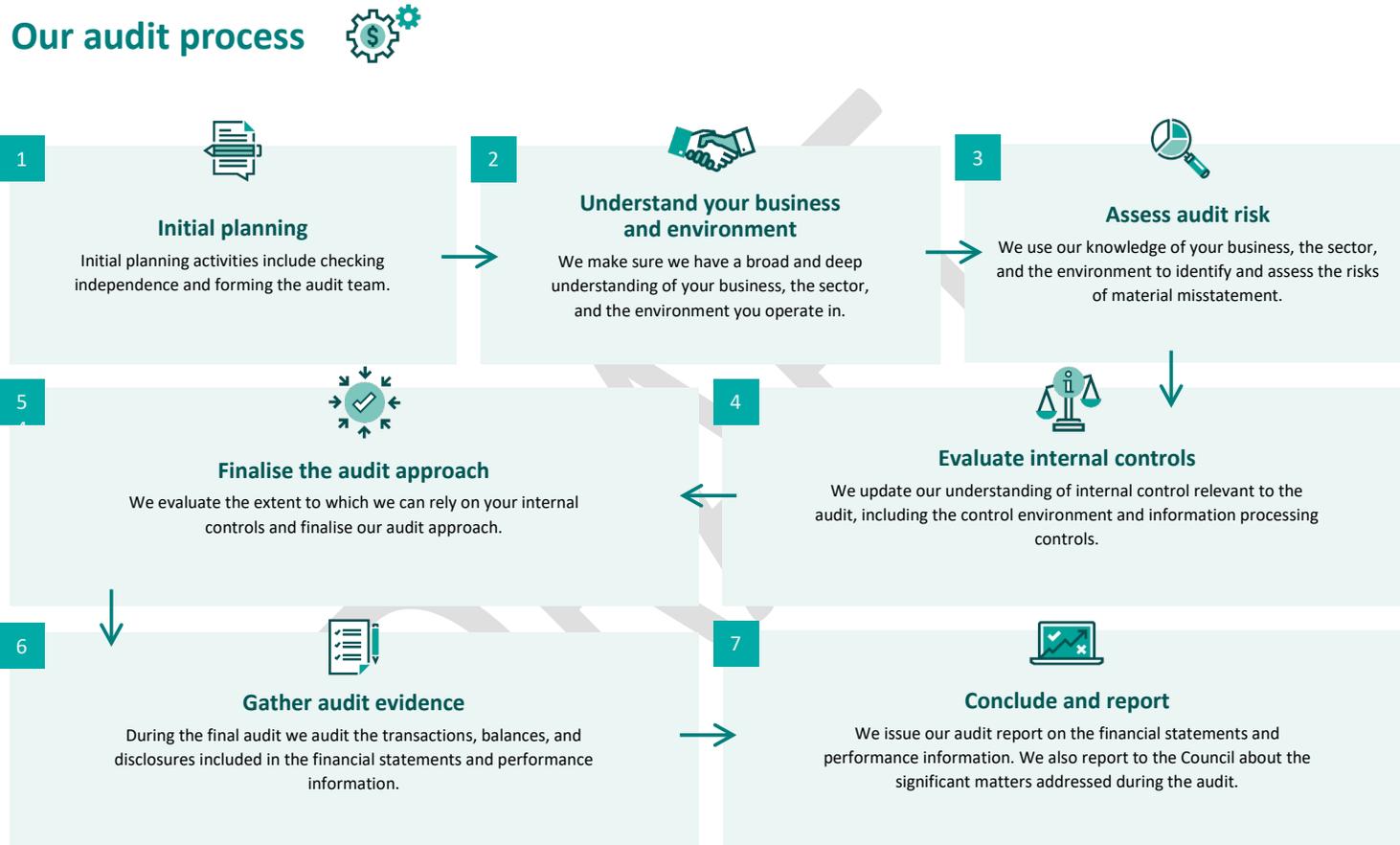
Our engagement team is selected to ensure we have the right subject-matter expertise and sector knowledge. Each member of the audit team has received tailored training to develop their expertise.

Our senior audit team members are:

Rudie Tomlinson	Appointed Auditor
Monique Kruger	Audit Manager

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Fraud risks

Misstatements in the financial statements and Performance Information can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. Our consideration of fraud risk covers both misstatements resulting from fraudulent reporting and misstatements resulting from misappropriation of assets.

Your responsibility

The primary responsibility for the prevention and detection of fraud and error rests with the Council, with assistance from management.

Our responsibility

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and service performance information are free from material misstatement, including any resulting from fraud. Our approach to obtaining this assurance is to:

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls in mitigating the risks;
- perform audit testing to address the risks identified; and
- remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at oag.parliament.nz/reports/fraud-reports.

Professional judgement and professional scepticism

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mindset that leads to a questioning approach when considering information and forming conclusions. It means not accepting information at face value, being alert for inconsistencies or anomalies, and considering the possibility of fraud or error.

Exercising professional scepticism means that we will not accept everything you tell us at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgments and assumptions and weigh them against alternative possibilities.

It also means we do not assume that what was true last year remains true this year. Because of this, the audit team will ask management some of the same questions we asked last year. Circumstances can change, information can become outdated, and our audit evidence needs to be current.



Wider public sector considerations

A public sector audit also examines whether:

- A public entity carries out its activities effectively and efficiently;
- waste is occurring or likely to occur because of any act or failure to act by a public entity;
- there is any sign or appearance of a lack of probity because of any act or omission by a public entity or by one or more of its members, office holders, or employees; and
- there is any sign or appearance of a lack of financial prudence because of any act or omission by a public entity or by one or more of its members, office holders, or employees.



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6.9 Annual Report Project Plan Outline

Author: Steph Forde, Corporate and Strategic Planner

Authoriser: Stephen Doran, General Manager Corporate

Recommendation

That the Audit and Risk Committee:

1. Endorses the Annual Report Project Plan outline.
2. Notes that it will receive a draft Annual Report for the 7 September meeting, and a final draft for endorsement at the 19 October meeting.

Purpose of Report

- 1 To provide Audit & Risk Committee (ARC) with governance-level oversight of the programme, key milestones, and principal delivery risks for preparation, audit and adoption of the Timaru District Council Annual Report for the year ended 30 June 2026, in advance of statutory adoption by 31 October 2026.

Assessment of Significance

- 2 While an important statutory document, it is looking at year previous so would be considered of low significance with regards to the council's significance and engagement policy.

Discussion

- 3 This is a high-level summary of the project plan for the Annual Report 2025/26, which covers the preparation of the Financial Statement (FS) and Notes, Service Performance Information (SPI), narrative Annual Report content and Audit Process through to ARC endorsement and Council Adoption by 31 October.
- 4 This plan is provided for ARC oversight and is backed by a detailed internal delivery schedule.
- 5 The following officers have overall responsibility for the document:
 - 5.1 **Project Sponsor:** General Manager Corporate
 - 5.2 **Financial Statements Lead:** Chief Financial Officer
 - 5.3 **Service Performance Lead:** Corporate and Strategic Planner
 - 5.4 **Narrative and Publication Lead:** Corporate and Strategic Planner
 - 5.5 **Audit Liaison:** CFO & GM Corporate

- 6 In line with the proposed audit plan, and for sign off by the statutory deadlines, the key milestones for the report are the following:

Date	Milestone
30 March 2026	Pro forma FS and SPI available for audit
13 April 2026	Interim audit commences
31 August 2026	Draft Annual Report (including FS & SPI) available for audit
7 September 2026	Draft Annual Report tabled at ARC
14 September 2026	Final audit commences
19 October 2026	ARC AR Endorsement to Council
30 October 2026	Audit Opinion Issued
31 October	Statutory Deadline

Risk and Focus Areas

- 7 **Audit quality and version control** – auditors expect a limited number of high-quality drafts; poor document discipline increases delay and cost.
- 8 **CCO Information delivery** – ensuring there is agreement on the timing and format of delivery of information from Council Controlled Organisations.
- 9 **Infrastructure valuations and WIP** – water asset valuation, fair value assessments, impairment and capitalisation judgements are significant audit focus areas.
- 10 **Local Water Done Well (LWDW)** – accounting and disclosure implications remain complex and timing-sensitive.
- 11 **Service performance evidence** – individual performance measures are audited for suitability, completeness and consistency.
- 12 **Timing risk** – late audit adjustments may compress ARC and Council decision windows.
- 13 **Group accounts** – timeliness of information from Council Controlled and Trading Organisations.

Assurance to ARC

- 14 ARC will receive a draft Annual Report on 7 September 2026 for early visibility.
- 15 A final near-complete version will be considered on 19 October 2026 for endorsement to Council.
- 16 Any late audit changes will be transparently tracked and reported.

Attachments

Nil

6.10 Land and Buildings valuation policy**Author:** John Liddiard, Projects Accountant**Authoriser:** Andrea Rankin, Chief Financial Officer**Recommendation**

That the Audit and Risk Committee:

1. Note the history of the Property, Plant and Equipment Land and Buildings valuation accounting policy.
2. Endorse that no Property, Plant and equipment Land and Buildings revaluation be done for the 2025/2026 financial year.
3. Endorse that the full list of investment properties be comprehensively updated for the 2025/2026 financial year.

Purpose of Report

- 1 The purpose of this report is to advise the Audit & Risk Committee of the history and evolution of the current accounting policy on the valuation of Land & Buildings and of the process underway for an improved identification and analysis of Timaru District Council (“the Council”) Land and Buildings.

Assessment of Significance

- 2 This matter has low significance in terms of Council’s Significance and Engagement Policy. This has been determined by the low level of direct impact the decisions are likely to have on Council’s operations and on the community and therefore community engagement on the contents of this report is not recommended.

Discussion

- 3 The predecessors of Timaru District Council owned land and buildings throughout their existence prior to the formation of the current Council structure. The Council has subsequently acquired additional land & buildings although some has also been disposed of.
- 4 The 2024/2025 Annual Report stated that the Council’s net land and buildings, relating to Property, Plant and Equipment, as at 30 June 2025 value was \$154,850K with the depreciation expense at \$3,132K.
- 5 The valuation basis for Land & Buildings is currently that a deemed cost was established in 2005 and subsequent additions have been at cost. Buildings are depreciated, usually over a 99 year timeframe on a straight-line basis.
- 6 The reason that a “deemed cost” was used in 2005 was the move to the NZ IFRS standards from the previous NZ-set Generally Accepted Accounting Principles with Statements of Standard Accounting Practice, then Financial Reporting Standards, set by the Financial Reporting Standards Board.

- 7 This process was changed around 2007 with the introduction of NZ International Financial Reporting Standards (IFRS) as global efforts were made to standardise financial reporting. Council moved to reporting on this new basis in the 2006/2007 financial year.
- 8 The valuation policy up to 2005/2006 included the triennial revaluation of land and buildings however in 2006/2007 this was amended to using an established “deemed cost” assessed as at 1 July 2005 with subsequent acquisitions at cost, with buildings being depreciated, usually over 99 years. This policy is still in place as at 2024/2025 and is the one proposed for 2025/2026.
- 9 When a decision is made to revalue land and buildings this will be a change in accounting policy which will require a prior period adjustment as it will be material.
- 10 Extracts regarding the policy have been included as attachments.
- 11 The possibility of revaluing land and buildings has been discussed over recent years, and it is included in the asset classes which were expected to move to being revalued. Of those originally identified only Water assets and Roading assets have moved to being revalued regularly.
- 12 Work has been undertaken over the last 2 years aimed at ensuring that there is a detailed comprehensive register of land and buildings, although this was disrupted somewhat with the changes in the Property Department, however substantial progress has been made.
- 13 The next step is the reconciliation of the land and building assets identified in the CVR (“Capital Value Register”) asset register, which is part of the Civica Authority financial reporting and management system. An initial review completed prior to 30 June 2025 removed property assets which were known to be incorrect, although they were often held at nil or very low values.
- 14 The process of specifically and more effectively identifying the property assets held in the asset register will be completed this financial year and this will allow us to identify any assets held in the asset register which shouldn’t be there; any owned but not held in the asset register; and to rigorously tidy any and all of these up.
- 15 Also planned to be completed this year is a review of all property assets which are currently held as Property, Plant and Equipment property assets but which perhaps should be treated as “Investment Properties”. It is likely that a number of properties which were formally treated as P,P&E will need to be reclassified as Investment Properties. The definition of investment properties is found in “PBE IPSAS 16: Investment Property”.
- 16 In 2024/2025 the auditors requested that we expand our accounting policy relating to investment properties and the definition of investment properties in this expanded policy (which is in line with the standard) now reads:

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation.

Properties leased to third parties under operating leases are generally classified as investment property unless:

- *The occupants provide services that are integral to the operation of the company’s business;*
- *The property is being held for future delivery of service.*

Land where there are infrastructure services in place or there is a firm commitment to provide such infrastructure is classified as investment property. Buildings that are held for currently undetermined future use, or that are vacant but held to be leased out under one or more operating leases, are classified as investment properties.

The classification of properties is done at the lowest possible level, therefore where part of a property is occupied by a party other than Council, consideration is given to whether that portion of the building could be classified as an investment property. Classification as an investment property will be indicated if the section of the building could be separately sold or leased under a finance lease.

If the section of the property occupied by a party other than Council is unable to be sold or leased separately from the rest of the building, the building is assessed as a whole and will usually only be classified as an investment property if the Council occupies an insignificant portion of the total building.

- 17 Any properties reclassified as investment properties will be removed from P,P&E and include in the Investment Properties asset. Investment properties are revalued annually.
- 18 It is possible that this will result in a material movement which might require a prior period adjustment.
- 19 Once all of the proposed actions are taken then Council will be better able to assess the potential impact of changing the policy on the revaluation of land & buildings.

Attachments

1. **2005/2006 land & buildings valuation accounting policy**  
2. **2006/2007 land & buildings IFRS valuation accounting policy**  
3. **2007/2008 land & buildings valuation accounting policy**  
4. **2024/2025 land & buildings valuation accounting policy**  

2005/2006 Land & Buildings accounting policies (per Annual Report)

Up to 2005/2006 there was no “Basis or Preparation” statement as was subsequently introduced from 2006/2007 under the new NZ IFRS financial reporting requirements.

Stated Land & Buildings valuation policy:

(a) Valuation

(i) Land

Parent

Land, other than airport land, has been valued at Fair Market Value by I Fairbrother ANZIV of QV Valuations as at 1 July 2005.

Airport land has been valued at Fair Market Value by Maunsell Ltd as at 1 July 2005.

Acquisitions subsequent to 1 July 2005 are valued at actual cost of acquisitions.

Land valuations are carried out by independent qualified valuers at three yearly intervals.

Subsidiary

Valued by GR Sellers FNZIV of Fright Aubrey Limited as at 30 June 2005.

(ii) Buildings

Parent

Buildings, other than airport improvements, have been valued at Fair Market Value by I Fairbrother ANZIV of QV Valuations as at 1 July 2005.

Airport improvements have been valued at Optimised Depreciated Replacement Cost by Maunsell Ltd as at 1 July 2005.

Acquisitions subsequent to 1 July 2005 are valued at actual cost of acquisitions.

Subsidiary

Stated at historic cost less provision for depreciation.

2006/2007 change in accounting policies to NZ IFRS and new Land & Buildings valuation policy (per Annual Report)

New “Basis of Preparation” statement included from 2006/2007:

BASIS OF PREPARATION

The financial statements of Timaru District Council have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 10, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

This is the first set of financial statements prepared using NZ IFRS and comparatives for the year ended 30 June 2006 have been restated to NZ IFRS accordingly. Reconciliations of equity and net surplus/(deficit) for the year ended 30 June 2006 under NZ IFRS to the balances reported in the 30 June 2006 financial statements are detailed in note 2.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing an opening NZ IFRS statement of financial position as at 1 July 2005 for the purposes of the transition to NZ IFRS.

Stated Land & Building valuation policy:

Council Land

Land, other than airport land, has been stated at its deemed cost, which is fair value as valued by I Fairbrother ANZIV of QV Valuations as at 1 July 2005.

Airport land has been stated at its deemed cost, which is fair value as valued by B Dench ANZIV of QV Valuations as at 1 July 2005.

Acquisitions subsequent to 1 July 2005 are at cost.

Port Related Land

Port related land is valued as at 30 June 2007 by GR Sellers FNZIV, FNZPI, a registered valuer with Fright Aubrey Limited. The valuation is based on fair value which is equivalent to freehold land value.

Council Buildings and Building improvements

Buildings and Building Improvements, have been stated at their deemed cost, which is fair value as valued by I Fairbrother ANZIV of QV Valuations as at 1 July 2005.

Acquisitions subsequent to 1 July 2005 are at cost.

Port related Buildings and Roading

Port related buildings and roading are at cost less provision for depreciation.

2006/2007 accounting policies following change to NZ IFRS and new ongoing Land & Buildings valuation policy (per Annual Report)

“Basis of Preparation” statement as included from 2005/2006:

BASIS OF PREPARATION

The financial statements of Timaru District Council have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 10, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared on an historical cost basis, except for the revaluation of Port operational land, investment properties, biological assets and financial instruments (including derivative instruments).

The financial statements are presented in New Zealand dollars and all rounded to the nearest thousand dollars (\$'000). The functional currency of Timaru District Council is New Zealand dollars.

Stated Land & Buildings valuation policy:

Council Land

Land, other than airport land, has been stated at its deemed cost, which is fair value as valued by I Fairbrother ANZIV of QV Valuations as at 1 July 2005.

Airport land has been stated at its deemed cost, which is fair value as valued by B Dench ANZIV of QV Valuations as at 1 July 2005.

Acquisitions subsequent to 1 July 2005 are at cost.

Port Related Land

Port related land is valued as at 30 June 2008 by GR Sellers FNZIV, FNZPI, a registered valuer with Fright Aubrey Limited. The valuation is based on fair value which is equivalent to freehold land value.

Council Buildings and Building improvements

Buildings and Building Improvements, have been stated at their deemed cost, which is fair value as valued by I Fairbrother ANZIV of QV Valuations as at 1 July 2005.

Acquisitions subsequent to 1 July 2005 are at cost.

Port related Buildings and Roading

Port related buildings and roading are at cost less provision for depreciation.

2024/2025 accounting policies and prior year Land & Buildings valuation policy (per Annual Report)

“Basis of Preparation” statement included in 2024/25 Annual Report (excluding one-off statement on prior period reclassifications) – note however that the structure of the Notes has changed substantially since 2007/2008 with substantially greater elucidation of the policy and practice applied (see attached 2007/2008 Annual Report for comparison):

BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the year.

Statement of compliance

The financial statements and statements of Council activities, of the Council and Group have been prepared in accordance with the requirements of the LGA and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R), which include the requirement to comply with New Zealand Generally Accepted Accounting Principles (NZ GAAP), which are primarily based on reporting standards as promulgated by the External Reporting Board (XRB) and the NZ Accounting Standards Board (NZASB).

The financial statements and statements of Council activities have been prepared in accordance with and comply with PBE Accounting Standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars, and all values are rounded to the nearest thousand dollars (\$000), other than the remuneration and severance details in Note 4, contingencies in Note 25, related party transactions in Note 27, which are rounded to the nearest dollar.

Stated Land & Buildings valuation policy (not published in 2024/2025 Annual Report):

Land

Land, other than airport land, has been stated at deemed cost, which is the fair value as assessed by I Fairbrother ANZIV of QV Valuations at 1 July 2005.

Airport land has been stated at deemed cost, which is the fair value as assessed by B Dench ANZIV of QV Valuations at 1 July 2005.

Buildings and Building Improvements

Buildings and Building Improvements have been stated at deemed cost less depreciation and impairment losses, which is fair value as valued by I Fairbrother ANZIV of QV Valuations as at 1 July 2005.

Buildings acquired and Building Improvements following that date are included at cost except where they are acquired for no or nominal consideration when they are valued at fair value less assessed impairment.

6.11 Timaru District Council Group financial reporting**Author: John Liddiard, Projects Accountant****Authoriser: Andrea Rankin, Chief Financial Officer****Recommendation**

That the Audit and Risk Committee:

1. Recommend to Council that with effect from the 2025/2026 financial year members of the Timaru District Council Group be required to provide Group financial and non-financial reporting requirements requested by the Chief Financial Officer, within the timeframe necessary to meet the deadlines for completing the Group Annual Report.
2. That the auditors for the members of the Group be instructed to audit the Group information provided by the Group members prior to its provision to the Group Finance function.

Purpose of Report

- 1 The purpose of this report is to advise the Audit and Risk Committee of the requirements for provision of Group financial and non-financial information required for the completion of the Group Annual Report and to request that the Committee recommend to Council the establishment of the requirement for members of the Timaru District Council Group to comply with requests for necessary information from the Chief Financial Officer.

Assessment of Significance

- 2 This matter has low significance in terms of Council's Significance and Engagement Policy. This has been determined by the low level of direct impact the decisions are likely to have on Council's operations and on the community and therefore community engagement on the contents of this report is not recommended.

Discussion

- 3 The Timaru District Council Group ("the Group") consolidated reporting has been identified both internally and by Audit NZ as a significant issue during the preparation of the Annual Report with related reporting delays and auditing issues.
- 4 The Group currently includes Timaru District Council ("Council"); Timaru District Holdings Limited (TDHL); and Venture Timaru (VT).
- 5 Group financial reporting requires that these entities be fully consolidated, requiring a line by line combination of revenue, expenses, assets and liabilities after the elimination of inter-company transactions and intra-Group equity. These requirements are set out in requisite accounting standards, particularly "Public Benefit Entity International Public Sector Accounting Standard 35: Consolidated Financial Statements" (PBE IPSAS 35). Consolidated Group financial reports are expected to comply with all Generally Accepted Accounting Principles (GAAP) as stipulated in the promulgated accounting standards and as interpreted in

accordance with previous decisions and methodologies, accepted practice and generally the judgment of the preparers of the statements.

- 6 There may also be non-financial reporting requirements, usually for inclusion in the Notes to the Accounts, but which also needs to be prepared on a consolidated Group basis.
- 7 The external auditors assess the information reported against the requirements and expectations of the accounting standards and work under their own set of “auditing and assurance standards”, which provide guidance as to how to test the reported information. Auditors often form their own opinions as to what they consider appropriate practice and this can occasionally lead to disagreements between the auditors and those preparing and publishing information and sometimes between different auditors over time.
- 8 Council and its Group are classified as “Tier 1 Public Sector” entities and are therefore expected to meet all the related requirements of that status. TDHL and VT are part of that Group however individually TDHL is classified as a “Tier 2 For Profit” entity and VT is classified as a “Tier 3 Public Sector” entity.
- 9 The individual statutory financial reporting of TDHL and VT does not in itself comply with the Group financial reporting and therefore additional information and analysis may be required from them as a consequence of different reporting requirements.
- 10 TDHL also has equity interests in two associate companies: PrimePort Timaru Limited (50% shareholding) and Alpine Energy Limited (47.5% shareholding). These are equity accounted in the financial reports of TDHL so are not fully consolidated, but rather the TDHL interest is reported separately as an investment and as the TDHL share of associate net income.
- 11 The financial reporting for VT has been separately undertaken since prior to 2020. That for TDHL had previously been undertaken within the auspices of the Council Finance team however this was changed in 2020 with the decision made to separate the TDHL management and operational functions out of Council. Consequently the accounting for TDHL has been their responsibility since the 2020/21 financial year with their accounting and financial reporting currently being the responsibility of KPMG.
- 12 Although not specifically labelled as such the Council Finance team is also effectively the Group Finance team as all Group financial reporting is undertaken by that team. The expectation is however that the Group members prepare their own reporting which is both provided to the Finance team for Group reporting as well as separately used for the preparation of individual statutory reporting. For practical purposes the Council and group reporting are treated as synonymous.
- 13 Prior to 2021, Council accounting policies were set without significant consideration of Group reporting implications and the primary focus of both reporting and auditing was on the Council reporting. It is not apparent that any significant attempt was made to reconcile the subsidiary annual reports to Council accounting policies, which were, in effect, also treated as Group accounting policies.
- 14 Issues around congruency were exacerbated by the restructuring which occurred prior to 2020, followed by the resignation of the Chief Financial Officer (CFO) in August 2020. The newly appointed Senior Accountant, who had wider Group reporting experience, initiated a review of accounting policies, however that was unable to be given high priority as the interim CFO was focused on delivering the 2019/20 financial reports and there was minimal capacity to deliver that report.

- 15 From the 2021 year however a greater degree of focus was applied to Council policies and it was explicitly recognised that these were also de facto Group policies and a more rigorous annual review has been applied to the policies, progressively refining them within the context of both promulgated accounting standards and the “model accounts” issued by Audit NZ.
- 16 As part of this process a number of specific material differences have been identified between the existing accounting policies applied by TDHL and those applied by TDC. The most significant of these do not relate to differences in reporting requirements from the standards, but to differences in the application of acceptable measurement and reporting alternatives, particularly relating to the valuation of land and buildings.
- 17 Other reporting differences exist due to the differing requirements between the individual subsidiaries and the greater level of disclosure required by the Group.
- 18 Some additional differences have occurred due to timing issues between the reporting of the subsidiary annual reports and the consolidation and reporting of the Group annual report.
- 19 Previously although Audit NZ are also the auditor for TDHL as well as for Council and the Group the auditing standards did not require a group perspective when subsidiaries were being audited, however changes in the auditing standards have required that this be done with effect from the 2024/25 financial year. Request in earlier years to take a Group reporting approach were not agreed to either by subsidiaries or their auditors.
- 20 Each subsidiary has a separate audit arrangement and there is no Group coordination of the audit process and no Group auditing requirement for consistency across the Group is in place.
- 21 Since 2022, when the need for the subsidiaries to either comply with Group accounting policy or prepare reconciliations to Group accounting policy, has become more of an issue, attempts have been made under successive Chief Financial Officers to obtain the required information from the subsidiaries. Only Aorangi Stadium Trust (AST) consistently delivered the information required for Group consolidation within the requested timeframes and with the full range of requested information, however the financial reports for AST were being prepared by the Council Senior Accountant, who was also initiating the Group information requests.
- 22 Most recently for the 2024/25 financial year a specific set of requirements was separately sent to each Group subsidiary “TDC Group financial reporting 2025”. There were discussions held with TDHL specifically in the months preceding year-end regarding reporting and reconciliation requirements and the full list was emailed on 7 July 2025 (attached). Requirements were also discussed with the VT accountant however VT is largely immaterial except for grant income, so it is much more straightforward for them to comply in a short timeframe. Unfortunately, the requirements requested were not met in the requisite timeframe and subsequent queries and requests needed to be sent and some elements, such as the 2025 audit report, have not been delivered.
- 23 It is anticipated that a similar set of requirements to those in 2024/2025 will also be requested in 2025/2026 with the planned addition of a template to complete, mirroring the Group reporting presentation.
- 24 The priority for delivery of year-end information should first be the Group requirements followed by the statutory reporting.

Attachments

1. **2024/2025 Group reporting requirements request** [!\[\]\(b879816d0518df0cecb3419aa9bc6ec4_img.jpg\) !\[\]\(325d56e4a57bccf429a35552a9393978_img.jpg\)](#)

TDC Group financial reporting requirements and principles 2024/25**1> Overview**

CCOs and CCTOs are entities over which the Council has control either through shares or appointment of directors/trustees and together with the Council these comprise the Timaru District Council Group (the "Group").

Good practice requires that the Group maintain overall coordination and policy control over the constituent elements of the Group while delegating operational management control.

The Group Annual report presents the outcomes, particularly financial, for the year of the whole Group and therefore the provision of information relating to the Group Annual Report requires that all information be readily available for review, analysis, presentation and compliance with Group reporting and audit requirements as determined by the Group in conjunction with the Group auditors.

Note that this is not intended as a comprehensive or definitive statement of requirements and other requirements may be necessary to be provided, including non-financial information.

The deadline for delivery of draft subsidiary, Group formatted, accounts for 2024/25 is 29 August 2025, followed by the completed audited accounts by end-September.

2> Accounting policies

- a. CCOs/CCTOs should comply with Group accounting policies except where there are specific standards or statutory reporting which require otherwise.
- b. The financial statements of the Group are prepared in accordance with the requirements of the Local Government Act and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R) and comply with Public Benefit Entity standards Tier 1. All subsidiaries are required to deliver a set of audited accounts which comply with statutory requirements applying to the Group, Group GAAP accounting standards and Group policies.
- c. Where differences need to exist for individual entity statutory reporting purposes then detailed reconciliations between the Group reporting and the statutory reporting will be necessary.
- d. Where associates' accounting policies differ from Group policy there should be an explicit reconciliation from the associates' treatment to the Group policy, including a detailed analysis of each element of variation from Group policy, prepared by the subsidiary and included in their audit process.

- e. Group accounting policies have not materially changed from those applicable in 2023/24 and reference may be made to those for guidance if necessary (enclosed).
- f. A full set of CCO/CCTO accounting policies should be provided to the Group to support the identification of differences. Wherever possible Group policy will encompass all reporting requirements.

3> Group reporting requirements

- a. A full set of audited financial statements must be provided by the requisite deadline which is structured in line with Group reporting, including the Note structure.
- b. Non-financial information to be provided for the Group Annual Report in line with Group, including statutory, requirements.
- c. The summary of results and activities required for reporting under the “Financial Involvement in Council Controlled Organisations” section of the group Annual report should also be provided by the deadline.

4> Impairment reviews

- a. An explicit impairment review must be undertaken of assets held by the subsidiary, including financial assets and the value of holdings in other entities, and provided to the Group.

5> Statutory Annual Report presentation:

- a. CCO/CCTO accounts are public documents and reflect on the TDC Group, therefore the statutory Annual Report of the CCO/CCTO should generally conform to the standard of presentation of the Group Annual Report, including, where relevant, each section/Note and presented in an equivalent manner. This may result in exceeding minimum statutory reporting requirements.
- b. The full audited statutory Annual Report, including financial statements, of the subsidiary should be delivered to the Group within the specified timeframe.

6> Financial Statement structure, information and audit

- a. The financial statements should be structured in the same manner as the Timaru District Council Group statements as advised by the Council CFO.
- b. Each Group Note should be assessed for whether it is relevant to the CCO/CCTO and included as a separate Note where that is true.
- c. Where information and particular Notes are not relevant to a CCO/CCTO then a “nil return” should be provided to the Group advising of that.

- d. As outlined above, the financial information for inclusion in the Group financial statements should be audited and the information to be provided to the Group audited in the context of the Group information required.

7> Subsidiary audits

- a. Audit of the reporting of the subsidiary should include auditing of the financial statements on a Group basis as well as statutory reporting.
- b. Auditors will need to be instructed to audit the accounts on a Group basis, particularly as previously this was only done on a statutory basis.

8> Tax reporting and calculations

- a. Detailed tax calculations should be provided to the Group as part of the finalisation of the CCO/CCTO Group report and a full tax note should be included in CCO/CCTO financial reporting, even if no net tax is payable. It is recognised that tax liabilities will be assessed based on the particular entity and the calculation provided for Group reporting purposes will need to be reconciled between the financial outcomes as prepared under Group requirements and actual tax liabilities. This reconciliation will need to be included in the information provided for the Group Tax Note.
- b. Any tax advice received during the year should be provided to the Group.

9> Related party transactions

- a. Related party transactions should be provided to enable Group offsetting. Any grants and financing transactions with/from Council should be disclosed in detail. This should include a detailed analysis of remuneration paid to TDC elected members including both councillors & community board members. Related Party transactions with Council should be agreed with the Council Financial Controller prior to finalisation of the subsidiary financial statements.

10> Additional detailed information

- a. Audit requirements for the CCO's/CCTO's potentially impact on the Group position and therefore the Group should be aware of any audit issues raised at CCO/CCTO level. CCO's/CCTO's should provide their audit management reports to the Group once received.

Appendix A:

Notes potentially required by CCOs/CCTOs based on prior year Group Note structure (please refer to the 2024 Group Annual Report).

1. Note 3 (2024: Note 3): Revenue
2. Note 4 (2024: Note 4): Personnel costs
3. Note 5 (2024: Note 5): Finance costs
4. Note 6 (2024: Note 6): Other expenses
5. Note 7 (2024: Note 7): Tax
6. Note 8 (2024: Note 8): Cash & cash equivalents
7. Note 9a (2024: Note 9a): Reconciliation of net surplus/(deficit) after tax to net cash flow from operating activities
8. Note 9b (2024: Note 9b): Changes in liabilities arising from financing activities
9. Note 10 (2024: Note 10): Receivables
10. Note 12 (2024: Note 12): Assets for sale
11. Note 13 (2024: Note 13): Derivative financial instruments
12. Note 14 (2024: Note 14): Other financial assets
13. Note 15 (2024: Note 15): Investments in associates
14. Note 17 (2024: Note 17): Property, plant and equipment
15. Note 19 (2024: Note 19): Intangible assets
16. Note 22 (2024: Note 22): Investment property
17. Note 23 (2024: Note 23): Payables and deferred revenue
18. Note 24 (2024: Note 24): Borrowings and other financial liabilities
19. Note 25 (2024: Note 25): Employee entitlements
20. Note 26 (2024: Note 26): Provisions
21. Note 27 (2024: Note 27): Contingencies
22. Note 28 (2024: Note 28): Equity
23. Note 29 (2024: Note 29): Related parties
24. Note 31 (2024: Note 31): Financial instruments
25. Note 34 (2024: Note 34): Events after balance date

6.12 Draft Information Technology Strategy**Author:** Justin Bagust, Chief Information Officer**Authoriser:** Nigel Trainor, Chief Executive**Recommendation**

That the Audit and Risk Committee receives and notes the Draft Information Technology Strategy.

Purpose of Report

- 1 To update the Audit and Risk Committee (ARC) on the Draft Information Technology Strategy and give the Committee the opportunity to provide feedback on the Strategy.

Assessment of Significance

- 2 The content of this report is deemed to have a low level of significance when considered against the Significance and Engagement Policy as it reflects normal operational activity within Timaru District Council (Council).

Discussion

- 3 A request was made in previous ARC Meetings for Information Technology to show the current Draft Information Technology Strategy.
- 4 The existing strategy has been updated and reviewed to better reflect the current environment and challenges facing local councils. – See attachment 1

Attachments

1. **Draft ISSP** [↓](#) 

Digital Strategy: Context and Case for Change

Why transformation is critical for Council's future

Current Environment

- Rising community expectations for digital services
- Increasing regulatory and security requirements
- Ageing systems and technical debt
- Growing cost pressures
- Workforce capability challenges

Key Risks if We Do Nothing

- Service disruption and outages
- Cyber security incidents
- Loss of public trust
- Inefficient operations
- Inability to support growth

Strategic Imperative

- Digital capability is now core infrastructure
- Technology underpins every council service
- Sustainable delivery requires modern platforms
- Investment must be coordinated and disciplined

Digital Strategy: Our Approach

How we will deliver sustainable digital services

Strategic Objective

- All Council Services Online
- Customer-centred service design
- Secure and resilient systems
- Enabled and capable workforce

Strategic Enablers

- Governance and risk management
- Strategic partnerships
- Data and analytics capability
- Financial stewardship
- Workforce development

Four Strategic Pillars

- Customer Focus
- Enable Our People
- Deliver Value
- Data Security

Delivery Principles

- Customer-first design
- Security by design
- Phased investment
- Strong business ownership
- Continuous improvement

Digital Strategy: Outcomes and Governance

What success looks like and how it will be managed

Expected Outcomes

- Improved customer satisfaction
- Increased digital uptake
- Reduced operational costs
- Stronger cyber resilience
- Better data-driven decisions

Governance and Reporting

- Executive sponsorship
- Quarterly reporting
- Risk and assurance reviews
- Architecture standards
- Audit and compliance oversight

Investment Approach

- Multi-year roadmap
- Business case prioritisation
- Benefits realisation tracking
- Lifecycle funding
- Cost optimisation

SLT Role

- Endorse strategic direction
- Support sustainable investment
- Monitor risk and performance
- Champion digital transformation
- Ensure accountability

6.13 Credit Rating Update 2026

Author: Andrea Rankin, Chief Financial Officer
John Liddiard, Projects Accountant

Authoriser: Nigel Trainor, Chief Executive

Recommendation

That the Audit and Risk Committee receives and notes the 2026 Credit Rating Update report.

Purpose of Report

- 1 To update the Audit and Risk Committee of Fitch Ratings' (Fitch) most recent credit rating review and to reaffirm Timaru District Council's (Council) long term credit rating of AA- with a Stable Outlook.

Assessment of Significance

- 2 This matter is of low significance under the Council's Significance and Engagement Policy. The credit rating is an annual rating received from Fitch Ratings and Council continues to maintain its 'AA-' Outlook Stable rating. However, it is noted that the credit rating received from Fitch is of significant interest to a range of stakeholders.

Discussion

- 3 Fitch publishes credit ratings that are forward-looking opinions on the relative ability of an entity to meet financial commitments. Issuer default ratings (IDRs) are assigned to corporations, sovereign entities, financial institutions such as banks, leasing companies and insurers, and public finance entities (local and regional governments).
- 4 Fitch's credit rating scale for issuers and issues is expressed using the categories 'AAA' to 'BBB' (investment grade) and 'BB' to 'D' (speculative grade) with an additional +/- for AA through CCC levels indicating relative differences of probability of default or recovery for issues.
- 5 Fitch has recently carried out its annual review of Council's credit rating. A credit rating carries considerable weight as it is an independent assessment of an entity's ability (in this case Council) to repay its borrowings.
- 6 The final published report is attached to this report as attachment 1. Fitch Ratings Director International Public Finance will be present online to answer any questions regarding the issued report.
- 7 Following its rating assessment Fitch has reaffirmed Council's rating as "AA-' Outlook Stable, which means Council maintains its investment grade rating. The rating reflects the strong institutional framework for local and regional councils in New Zealand, sound management and fiscal performance, the stable local economic environment and moderate debt levels offset by large reserves and solid financial flexibility.
- 8 The Fitch report includes a Peer Comparison against some other New Zealand Councils, and how Council compares with and against its peers.

- 9 The strong investment grade credit rating accorded to Council is important. It enables Council to access borrowings at more competitive interest rate than if it were unrated or had a lower rating. The overall and beneficial effect is to reduce our debt servicing costs. More detail about the decision can be found in the attachment to this report.
- 10 The anticipated capital expenditure and increased borrowings are effectively already priced into Council's current credit rating, so unless there are unanticipated and significant financial surprises, Council's rating sits comfortably within the 'AA-' grade.
- 11 One way Council can look to optimise its credit rating relates to the maturity profile of its investments. Fitch's three debt sustainability metrics uses net adjusted debt as critical factors in calculations. Net adjusted debt is effectively debt, less cash/bank investments of less than twelve months; this debt offset is helpful from a rating perspective. On this basis, there is an incentive for Council to keep its investment maturity profile at no longer than twelve months.
- 12 The level of uncertainty for the local government sector is significant, with Water reform and Infrastructure Cost escalations introducing significant risks and altering forecasts materially and the rate cap proposals under discussion.
- 13 When compared with Selwyn District Council (SDC) and Ashburton District Council (ADC), from a credit rating perspective, both SDC and ADC have AA+ ratings compared with TDC's AA-. This remains unchanged from last year.

Attachments

1. **Fitch Credit Rating Report - Timaru District Council 2026** [↓](#) 



Timaru District Council

Fitch Ratings affirmed Timaru District Council's Issuer Default Rating (IDR) at 'AA-' in December 2025 based on its Standalone Credit Profile (SCP) of 'aa-', which reflects a 'High Midrange' risk profile and 'aa' category financial profile. Fitch does not incorporate any other risk or support factors in the rating, so the IDR reflects the SCP.

Key Rating Drivers

'aa-' SCP: Timaru's SCP reflects a 'High Midrange' risk profile, a financial profile in the 'aa' category, and comparison with both domestic and international peers.

'High Midrange' Risk Profile: The risk profile reflects a low risk of the issuer's ability to cover debt servicing with the operating balance weakening unexpectedly due to lower revenue, higher expenditure or an unexpected rise in liabilities or debt-servicing requirements over the scenario horizon, which covers the fiscal year ending June 2026 (FY26) to FY30.

'aa' Financial Profile: We forecast Timaru's leverage to climb gradually through FY30, with the payback ratio rising to 8.2x in FY30 from 6.9x in FY25 under Fitch's rating case. The payback ratio - Fitch's primary indicator for the financial profile - compares net adjusted debt with the operating balance. The projected 8.2x sits within the 'aa' benchmark range of 5.0x-9.0x and assumes the council continues to strengthen its operating balance while capital investment still drives debt growth.

We anticipate average annual capex of just over NZD58 million across FY26-FY30, or about NZD52 million on a net basis, which would lift net adjusted debt to NZD323.4 million by FY30 from NZD207.7 million in FY25. Secondary metrics include a synthetic debt-service coverage ratio of 1.3x in FY30, corresponding to the 'bbb' category, and a fiscal debt burden of 201%, in the 'bb' category. The 'aa' financial profile assessment derived from the primary metric remains unchanged despite the weaker secondary metrics.

Neutral Additional Rating Factors: Fitch has not identified any extraordinary support factors relevant to Timaru's IDR. The rating also does not reflect any additional risk factors.

Public Finance Local and Regional Governments New Zealand

This report does not constitute a new rating action for this issuer. It provides more detailed credit analysis than the previously published Rating Action Commentary, which can be found on www.fitchratings.com.

Ratings

Local Currency
Long-Term IDR AA-

Outlooks
Long-Term Local-Currency IDR Stable

Issuer Profile Summary

Timaru is a district on the east coast of New Zealand's South Island. It has a population of around 50,000 and a diverse economy, including its principal industries of dairy, beef cattle and sheep farming, food-product processing, healthcare and social assistance.

Financial Data Summary

(NZDm)	FY25	FY30rc
Payback ratio (x)	6.9	8.2
Synthetic coverage (x)	1.6	1.3
Fiscal debt burden (%)	175.3	200.9
Net adjusted debt	208	323
Operating balance	30	40
Operating revenue	118	161
Debt service	10	59
Mortgage-style debt annuity	19	30

rc: Fitch's rating-case scenario
Source: Fitch Ratings, Fitch Solutions, Timaru District Council

Applicable Criteria

[International Local and Regional Governments Rating Criteria \(August 2024\)](#)

Related Research

[Fitch Affirms New Zealand's Timaru District Council at 'AA-'; Outlook Stable \(December 2025\)](#)

[New Zealand Councils - Peer Credit Analysis \(June 2025\)](#)

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Rating Synopsis

Timaru District Council LT IDR Derivation Summary

KRF attribute	Key Risk Factors (KRF)						Risk Profile	Financial Profile Assessments				Standalone Credit Profile (SCP)	From SCP to LTLC IDR			
	Revenue		Expenditure		Liabilities & Liquidity			Primary metric	Secondary metrics		Financial Profile Score		Intergovernmental lending	Ad hoc support	Check Cap/Floor	LT IDR Outlook
	Robustness	Adjustability	Sustainability	Adjustability	Robustness	Flexibility			Payback Ratio (x)	Synthetic DSCR (x)						
Stronger	Higher Influence KRF	Higher Influence KRF		Higher Influence KRF	Higher Influence KRF		aaa	aaa	aaa	aaa	aaa		AAA	AAA		
							aa	aa	aa	aa	aa-		AA+	AA+		
Midrange			Higher Influence KRF			Higher Influence KRF	a	a	a	a	a		AA	AA		
							bbb	bbb	bbb	bbb	bbb		AA-	AA-		
Weaker							bb	bb	bb	bb	bb		A+	A+		
							b	b	b	b	b		A	A		

Source: Fitch Ratings

The six key risk factors, combined according to their relative importance, collectively represent the risk profile of Timaru. The risk profile and debt sustainability assessment, which measures Timaru’s debt burden and debt service requirements amid a reasonable economic or financial downturn over the rating horizon, are combined in the SCP. The SCP, together with some additional factors not captured in the SCP, such as extraordinary support or rating cap, produces the IDR.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upward revision of the SCP could lead to positive rating action. The SCP may be raised by a positive reassessment of the council's risk profile or a sustained improvement in the payback ratio to below 7.0x in our rating-case scenario.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A weakening of the SCP could lead to negative rating action. This could be caused by a negative reassessment of the council's risk profile or a sustained deterioration in the payback ratio to more than 9.0x in our rating-case scenario.

Issuer Profile

The Timaru district is situated on the eastern coastline of New Zealand's South Island and covers an area of 2,737 square kilometres. It is home to a population of around 50,000 and contributes around 1% of New Zealand's GDP.

Timaru has a diverse economy with a strong emphasis on agriculture, manufacturing, and transport. The region's land and climate support farming, particularly dairy, sheep, and grain production. Agricultural activities are supported by an extensive network of processing facilities, which contribute significantly to the local economy. The district's port in the city of Timaru plays a vital role in exporting agricultural products and importing essential goods for the community.



Population growth is low but steady. GDP contracted by 1.2% in 2025, similar to the 1.1% national contraction. GDP per capita was similar to the national average at NZD79,838 in 2025.

Timaru also has a well-established manufacturing sector, including food processing, machinery and textiles, which provide employment for residents. The transport and logistics sector is another key component of Timaru's economy, supported by the district's strategic location. The district's well-developed road and rail networks enhance its connectivity, making it attractive to businesses reliant on efficient supply chains.

Socioeconomic Indicators

	Timaru	New Zealand
Population, 2025 (m)	0.050	5,324.7
GDP per capita, 2025 (NZD)	79,838	77,793
GRP growth, 2025 (%)	-1.2	-1.1
Unemployment rate, 2025 (%)	4.1	5.0

Source: Fitch Ratings, Infometrics, Timaru District Council

Risk Profile Assessment

Risk Profile: High Midrange

Fitch assesses Timaru's risk profile at 'High Midrange', reflecting the combination of assessments:

Risk Profile Assessment

Revenue robustness	Revenue adjustability	Expenditure sustainability	Expenditure adjustability	Liabilities & liquidity robustness	Liabilities & liquidity flexibility	Implied operating environment score	Risk profile
Stronger	Stronger	Midrange	Stronger	Stronger	Midrange	aa	High Midrange

Source: Fitch Ratings

Revenue Robustness: Stronger

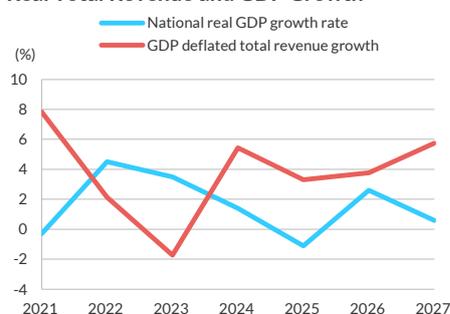
This assessment reflects the steady nature of property-based taxation through rates, supported by a predictable framework for central government transfers and Timaru's favourable medium-term growth outlook. Rates contributed 72% of operating revenue in FY25 and increased at a 9.1% CAGR over FY21-FY25, driving overall operating revenue growth of 8.3%. We expect revenue to continue expanding over the medium term, aided by government funding - primarily to support road development and maintenance - and by fees from local public services.

Timaru receives ongoing support from the central government in the form of grants and subsidies, predominantly from the New Zealand Transport Agency (NZTA), which are targeted at the maintenance, renewal, and enhancement of the council's extensive road network. These transfers accounted for 4.9% of operating revenue in FY25. The NZTA contribution typically funds roughly half of road and footpath upkeep and renewal costs. Fitch regards these inflows as dependable and credit-supportive, strengthening Timaru's capacity to meet its obligations.

Timaru's revenue robustness is assessed as 'Stronger' to reflect Fitch's expectation of continued growth in rates income alongside broadly stable contributions from other key sources - government grants, fees and charges, and dividends from council-controlled entities - underscoring the durability and sustainability of the council's revenue base.



Real Total Revenue and GDP Growth



Source: Fitch Ratings, Timaru District Council

Revenue Breakdown, FY25

	Operating revenue (%)	Total revenue (%)
Rates and taxes	71.7	65.4
Fees and charges	18.1	16.5
Transfers	4.9	4.5
Other operating revenue	5.3	4.9
Operating revenue	100.0	91.2
Interest revenue	-	2.7
Capital revenue	-	6.1
Total revenue	-	100.0

Source: Fitch Ratings, Fitch Solutions, Timaru District Council

Revenue Adjustability: Stronger

Councils have broad scope to adjust revenues to meet spending needs. Residential rates represent only around 5% of New Zealand household income, levels Fitch considers low relative to international benchmarks, indicating limited affordability constraints to raising rates. Councils commonly set caps on annual rate increases in their financial plans but retain the ability to exceed these thresholds when necessary to manage fiscal pressures, which provides high flexibility in funding.

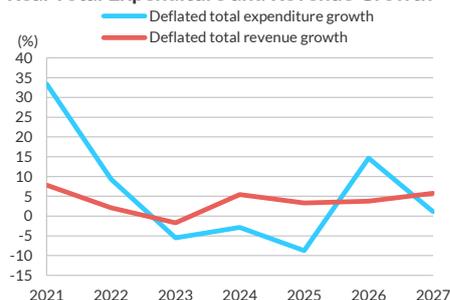
Our assessment of Timaru's revenue adjustability is based on a stress test assuming a 3% drop in operating revenue, an outcome we judge reasonable given historical variability. To offset this, the council could increase rates by about 10%, which would generate slightly more than double the lost revenue. This capacity is consistent with a 'Stronger' assessment under Fitch's International Local and Regional Governments Rating Criteria.

Expenditure Sustainability: Midrange

Timaru's mandate covers the delivery of local services such as water supply, wastewater, stormwater networks, roads, waste services and community development, most of which are not sensitive to economic cycles. Operating costs are generally stable and funded from operating revenues under a disciplined budgeting approach, while a substantial portion of capital spending is met through debt. This framework, which broadly matches expenditure growth to revenue growth, supports a 'Midrange' assessment under Fitch's criteria.

Timaru's budgeting approach emphasises matching spending increases to growth in revenues, which supports a balanced fiscal position. Under our criteria, this results in a 'Midrange' assessment for expenditure sustainability, reflecting that revenue and expenditure trends are broadly aligned over time.

Real Total Expenditure and Revenue Growth



Source: Fitch Ratings, Timaru District Council

Expenditure Breakdown, FY25

	Operating expenditure (%)	Total expenditure (%)
Staff cost	35.9	21.9
Other operating expenditure	64.1	39.1
Operating expenditure	100.0	60.9
Interest expenditure	-	6.9
Capital expenditure	-	32.2
Total expenditure	-	100.0

Source: Fitch Ratings, Fitch Solutions, Timaru District Council

Expenditure Adjustability: Stronger

Councils generally have to deliver a balanced operating budget each year under the policy framework. This principle is embedded in both annual and long-term planning and disclosure processes. Any planned operating shortfall must be explicitly justified, constraining the likelihood of large or persistent deficits. Councils have moderate room to adjust



operating costs, while capital spending is highly discretionary. We expect capex to average about one-third of total revenue over FY25-FY30, indicating a high degree of flexibility within the overall expenditure profile.

A large share of Timaru's operating costs is relatively rigid. Personnel expenses accounted for 35.9% of adjusted operating expenditure in FY25 and are not easily reduced in the short term. By contrast, Timaru's demonstrated ability to recalibrate capex and broader fiscal settings in response to changing economic conditions, together with the sector's effective balanced-budget framework, underpins Fitch's 'Stronger' assessment for expenditure adjustability.

Liabilities and Liquidity Robustness: Stronger

Timaru sources its borrowings through the New Zealand Local Government Funding Agency Limited (LGFA) (AA+/Stable), which provides access to low-cost funding and strong liquidity via established domestic and international market channels. The council structures its debt across a range of maturities to avoid concentration, mainly using fixed-rate instruments to mitigate interest-rate volatility, and has no foreign-currency exposure. Internal prudential settings cap net debt at 250% of operating revenue, tighter than LGFA's 280% limit. Off-balance-sheet commitments are minimal and carry low risk.

About three-quarters of Timaru's NZD250.8 million borrowings were on fixed rates at FYE25, providing a hedge against interest-rate volatility. Maturities are well staggered out to 2031, with a weighted-average life of 3.0 years. The council's treasury policy further limits refinancing risk by capping maturities to no more than one-third of total debt within any single 12-month window.

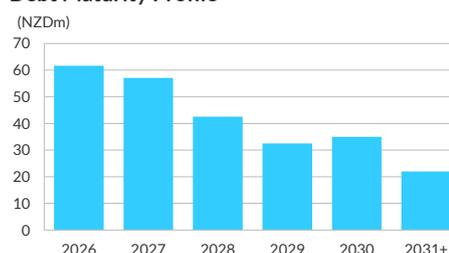
Timaru benefits from competitively priced funding via the LGFA, supported by the agency's high credit quality. Coupled with the council's conservative treasury practices and consistent record in managing debt and liquidity, these factors support a 'Stronger' assessment.

Overall Adjusted Debt Structure



Source: Fitch Ratings, Timaru District Council

Debt Maturity Profile



Source: Fitch Ratings, Timaru District Council

Liabilities and Liquidity Flexibility: Midrange

Timaru's access to liquidity is underpinned by the LGFA borrowing platform and further supported by strong on-balance-sheet resources, including cash and short-term deposits averaging over NZD20 million across FY21-FY25, and committed bank facilities of NZD15 million. Liquidity from LGFA reduces refinancing risk as debt matures. We do not foresee the council approaching the LGFA net debt-to-revenue cap of 280% over the medium term. However, an unanticipated rise in borrowing, potentially driven by higher capital spending, could test this threshold over a longer horizon.

These factors support a 'Midrange' assessment when combined with the lack of an emergency liquidity backstop or explicit central government guarantee.

Debt Analysis

	FYE25
Fixed rate (% of direct debt)	74
Debt in foreign currency (% of direct debt)	0
Apparent cost of debt (%)	4.3
Weighted-average life of debt (years)	3.0

Source: Fitch Ratings, Timaru District Council

Liquidity

(NZDm)	FYE25
Total cash, liquid deposits and sinking funds	43
Restricted cash	0
Cash available for debt service	43
Undrawn committed credit lines	15

Source: Fitch Ratings, Timaru District Council



Financial Profile Assessment

Financial Profile: 'aa' category

Financial Profile Score Summary

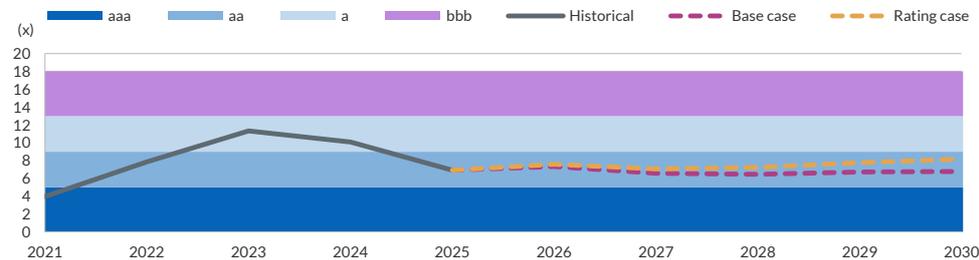
	Primary Metric	Secondary Metrics	
	Payback Ratio (x)	Coverage (x)	Fiscal debt burden (%)
aaa	$X \leq 5$	$X \geq 4$	$X \leq 50$
aa	$5 < X \leq 9$	$2 \leq X < 4$	$50 < X \leq 100$
a	$9 < X \leq 13$	$1.5 \leq X < 2$	$100 < X \leq 150$
bbb	$13 < X \leq 18$	$1.2 \leq X < 1.5$	$150 < X \leq 200$
bb	$18 < X \leq 25$	$1 \leq X < 1.2$	$200 < X \leq 250$
b	$X > 25$	$X < 1$	$X > 250$

Note: Yellow highlights show metric ranges applicable to Issuer
Source: Fitch Ratings

We forecast Timaru's leverage to climb gradually through FY30, with the payback ratio rising to 8.2x in FY30 from 6.9x in FY25 under Fitch's rating case. The payback ratio - Fitch's primary indicator for the financial profile - compares net adjusted debt with the operating balance. The projected 8.2x sits within the 'aa' benchmark range of 5.0x-9.0x and assumes the council continues to strengthen its operating balance while capital investment still drives debt growth.

We anticipate average annual capex of just over NZD58 million across FY26-FY30, or about NZD52 million on a net basis, which would lift net adjusted debt to NZD323.4 million by FY30 from NZD207.7 million in FY25. Secondary metrics include a synthetic debt-service coverage ratio of 1.3x in FY30, corresponding to the 'bbb' category, and a fiscal debt burden of 201%, in the 'bb' category. The 'aa' financial profile assessment derived from the primary metric remains unchanged despite the weaker secondary metrics.

Payback Ratio - Fitch's Base and Rating Case Scenarios



Source: Fitch Ratings, Timaru District Council



Scenario Assumptions Summary

Assumptions	FY21 - FY25 average	FY26 - FY30 average	
		Base case	Rating case
Operating revenue growth (%)	8.3	6.6	6.3
Tax revenue growth (%)	9.1	7.4	7.1
Current transfers received growth (%)	10.1	4.2	3.7
Operating expenditure growth (%)	7.7	6.0	6.5
Net capital expenditure (NZDm)	-49	-52	-52
Apparent cost of debt (%)	3.8	4.2	4.3

Outcomes	FY25	FY30	
		Base case	Rating case
Payback ratio (x)	6.9	6.8	8.2
Synthetic coverage ratio (x)	1.6	1.6	1.3
Fiscal debt burden (%)	175.3	186.3	200.9

Source: Fitch Ratings, Timaru District Council

SCP Positioning and Peer Comparison

Analytical Outcome Guidance

Risk Profile	Financial Profile					
	aaa or aa	a	bbb	bb	b	
Stronger	aaa	aa	aaa	aa	aaa	aa or below
High Midrange	aaa	aa	aaa	aa	aaa	aa or below
Midrange		aaa	aaa	aa	aaa	aa or below
Low Midrange			aaa	aa	aaa	aa or below
Weaker				aaa	aaa	aa or below
Vulnerable					aaa	aa or below
Suggested analytical outcome (SCP)	aaa	aa	a	bbb	bb	b

Source: Fitch Ratings

Timaru has a 'High Midrange' risk profile, similar to its domestic peers. Its financial profile is at the weaker end of the 'aa' category, leading to its 'AA-' rating being weaker compared with similarly rated domestic peers.

The table below shows a mix of domestic and international peers with SCPs of 'aa' to 'a+'. All entities have 'High Midrange' risk profiles. The three New Zealand council peers with 'aa-' SCPs have similar primary metrics between 8.6x and 8.8x, which are in the 'aa' category. Secondary metrics are more varied but fall between the 'bbb' and 'b' categories for all issuers. Hawke's Bay's stronger 'aa' SCP reflects its lower payback ratio of 7.3x.

Compared with the French peers, Timaru has weaker primary and secondary metrics than Lyon Metropolis, which has a 'aa' SCP, and a similar primary metric to Department of Seine Saint Denis, which has a 'a+' SCP.

The peer comparison supports a final SCP of 'aa-' for Timaru based on the relative positioning of each of the rating metrics.



Peer Comparison

	Risk Profile	Financial Profile Score	SCP	Long-Term IDR
Timaru District Council	High Midrange	aa	aa-	AA-/Stable
Waipa District Council	High Midrange	aa	aa-	AA-/Stable
Queenstown Lakes District Council	High Midrange	aa	aa-	AA-/Negative
Rotorua Lakes Council	High Midrange	aa	aa-	AA-/Stable
Hawke's Bay Regional Council	High Midrange	aa	aa	AA-/Stable
Lyon Metropolis	High Midrange	aa	aa	A+/Stable
Department of Seine Saint Denis	High Midrange	a	a+	A+/Stable

Source: Fitch Ratings, Timaru District Council

Long Term Rating Derivation

From SCP to LT LC IDR : Factors Beyond the SCP

Sovereign Long-Term SCP Local-Currency IDR	Support			Rating Floor Cap	Leeway above Sovereign (notches)	Long-Term Local- Currency IDR
	Intergovern. Financing	Ad hoc Support				
aa- AA+	-	-	-	-	-	AA-

Source: Fitch Ratings, Timaru District Council

Timaru District's final IDR is driven by its 'aa-' SCP. No other rating factor affects the final rating.

ESG Considerations

The highest level of ESG credit relevance is a score of '3'. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products#esg-relevance-scores.

Appendix A: Financial Data

Timaru District Council

(NZDm)	FY21	FY22	FY23	FY24	FY25	FY26rc	FY27rc	FY28rc	FY29rc	FY30rc
Fiscal performance										
Taxes	55.9	62.4	66.0	73.2	84.9	91.5	101.4	108.4	114.0	119.5
Transfers received	9.2	4.2	4.8	4.7	5.8	5.8	6.3	6.5	6.8	7.0
Fees, fines and other operating revenues	22.5	22.3	24.1	24.8	27.7	28.8	30.9	32.0	33.3	34.5
Operating revenue	87.6	88.9	94.9	102.7	118.5	126.1	138.6	146.9	154.1	161.0
Operating expenditure	-69.0	-72.1	-80.2	-83.0	-88.6	-94.5	-100.8	-107.4	-114.6	-121.3
Operating balance	18.6	16.8	14.7	19.7	29.9	31.6	37.8	39.5	39.6	39.7
Interest revenue	1.0	1.3	3.4	4.7	3.5	3.3	3.8	3.8	3.7	3.7
Interest expenditure	-2.9	-4.1	-7.4	-10.0	-10.1	-11.6	-11.4	-12.7	-13.5	-14.3
Current balance	16.7	14.0	10.6	14.4	23.4	23.3	30.2	30.6	29.8	29.0
Capital revenue	9.3	14.1	10.6	12.6	7.9	8.3	6.1	6.3	6.6	6.8
Capital expenditure	-59.0	-72.9	-62.0	-58.9	-46.8	-64.1	-63.3	-55.9	-57.7	-51.7
Capital balance	-49.7	-58.8	-51.4	-46.3	-38.9	-55.8	-57.3	-49.6	-51.2	-44.8
Total revenue	97.9	104.4	108.8	120.0	129.9	137.7	148.5	157.0	164.4	171.5
Total expenditure	-130.9	-149.2	-149.6	-151.9	-145.4	-170.2	-175.5	-176.0	-185.8	-187.3
Surplus (deficit) before net financing	-33.0	-44.8	-40.7	-31.9	-15.5	-32.6	-27.1	-19.0	-21.4	-15.8
New direct debt borrowing	10.0	65.4	40.7	15.0	30.3	76.2	80.8	60.3	62.0	61.2
Direct debt repayment	0.0	0.0	0.0	0.0	0.0	-61.7	-60.8	-40.6	-43.0	-45.1
Net direct debt movement	10.0	65.4	40.7	15.0	30.3	14.5	20.1	19.7	19.0	16.1
Overall results	-23.0	20.5	0.0	-16.9	14.8	-18.1	-7.0	0.7	-2.4	0.3
Debt and liquidity										
Short-term debt	38.5	44.8	40.5	56.6	61.7	60.8	40.6	43.0	45.1	45.5
Long-term debt	61.0	120.0	165.0	164.0	189.1	204.5	244.8	262.1	279.0	294.7
Intergovernmental debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct debt	99.5	164.8	205.5	220.5	250.8	265.3	285.4	305.1	324.0	340.2
Other fitch-classified debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted debt	99.5	164.8	205.5	220.5	250.8	265.3	285.4	305.1	324.0	340.2
Guarantees issued (excluding adjusted debt portion)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Majority-owned GRE debt and other contingent liabilities	4.6	3.6	7.5	7.2	9.3	9.3	9.3	9.3	9.3	9.3
Overall adjusted debt	104.1	168.4	213.0	227.7	260.1	274.6	294.7	314.4	333.3	349.5
Total cash, liquid deposits, and sinking funds	25.9	33.0	39.3	22.2	43.1	25.0	18.1	18.8	16.4	16.7
Restricted cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unrestricted cash	25.9	33.0	39.3	22.2	43.1	25.0	18.1	18.8	16.4	16.7
Net adjusted debt	73.6	131.9	166.2	198.4	207.7	240.2	267.3	286.3	307.6	323.4
Net overall debt	78.2	135.5	173.7	205.6	217.0	249.5	276.6	295.6	316.9	332.7
Enhanced net adjusted debt	73.6	131.9	166.2	198.4	207.7	240.2	267.3	286.3	307.6	323.4
Enhanced net overall debt	78.2	135.5	173.7	205.6	217.0	249.5	276.6	295.6	316.9	332.7

rc - rating case

Source: Fitch Ratings, Timaru District Council



Appendix B: Financial Ratios

Timaru District Council

	FY21	FY22	FY23	FY24	FY25	FY26rc	FY27rc	FY28rc	FY29rc	FY30rc
Fiscal performance ratios										
Operating balance/operating revenue (%)	21.2	18.9	15.5	19.2	25.3	25.1	27.3	26.9	25.7	24.6
Current balance/current revenue (%)	18.9	15.5	10.8	13.4	19.2	18.0	21.2	20.3	18.9	17.6
Operating revenue annual growth (%)	10.1	1.5	6.6	8.2	15.4	6.4	9.9	6.0	4.9	4.4
Operating expenditure annual growth (%)	12.9	4.6	11.1	3.5	6.7	6.7	6.6	6.6	6.7	5.9
Surplus (deficit) before net financing/total revenue (%)	-33.7	-42.9	-37.4	-26.6	-11.9	-23.6	-18.2	-12.1	-13.0	-9.2
Surplus (deficit) before net financing/GDP (%)	-1.0	-1.3	-1.1	-0.8	-0.4	-0.8	-0.6	-0.4	-0.4	-0.3
Total revenue annual growth (%)	9.9	6.6	4.3	10.3	8.3	6.0	7.8	5.7	4.7	4.3
Total expenditure annual growth (%)	36.1	14.0	0.2	1.6	-4.3	17.1	3.1	0.3	5.6	0.8
Debt ratios										
Primary metrics										
Payback ratio (x) (net adjusted debt to operating balance)	4.0	7.8	11.3	10.1	6.9	7.6	7.1	7.2	7.8	8.2
Enhanced payback ratio (x)	4.0	7.8	11.3	10.1	6.9	7.6	7.1	7.2	7.8	8.2
Overall payback ratio (x)	4.2	8.1	11.8	10.4	7.2	7.9	7.3	7.5	8.0	8.4
Enhanced overall payback ratio (x)	4.2	8.1	11.8	10.4	7.2	7.9	7.3	7.5	8.0	8.4
Secondary metrics										
Fiscal debt burden (%) (net debt-to-operating revenue)	84.0	148.3	175.3	193.3	175.3	190.5	192.9	194.9	199.6	200.9
Synthetic debt service coverage ratio (x)	3.0	1.5	1.0	1.1	1.6	1.4	1.6	1.5	1.4	1.3
Actual debt service coverage ratio (x)	6.4	4.1	2.0	2.0	3.0	0.4	0.5	0.7	0.7	0.7
Other debt ratios										
Liquidity coverage ratio (x)	22.8	10.3	6.4	5.9	5.2	1.0	0.9	1.1	1.0	0.9
Direct debt maturing in one year/total direct debt (%)	38.7	27.2	19.7	25.7	24.6	22.9	14.2	14.1	13.9	13.4
Direct debt (annual % change)	11.2	65.7	24.7	7.3	13.7	5.8	7.6	6.9	6.2	5.0
Apparent cost of direct debt (interest paid/direct debt) (%)	3.1	3.1	4.0	4.7	4.3	4.5	4.2	4.3	4.3	4.3
Revenue ratios										
Tax revenue/total revenue (%)	57.1	59.8	60.7	61.0	65.4	66.5	68.3	69.1	69.4	69.7
Current transfers received/total revenue (%)	9.4	4.0	4.4	3.9	4.5	4.2	4.3	4.2	4.1	4.1
Interest revenue/total revenue (%)	1.0	1.3	3.1	3.9	2.7	2.4	2.6	2.4	2.3	2.1
Capital revenue/total revenue (%)	9.5	13.5	9.8	10.5	6.1	6.0	4.1	4.0	4.0	4.0
Expenditure ratios										
Staff expenditure/total expenditure (%)	16.0	15.1	16.6	17.2	21.9	-	-	-	-	-
Current transfers made/total expenditure (%)										
Interest expenditure/total expenditure (%)	2.2	2.8	5.0	6.6	6.9	6.8	6.5	7.2	7.3	7.6
Capital expenditure/total expenditure (%)	45.1	48.9	41.4	38.8	32.2	37.7	36.1	31.7	31.1	27.6

rc - rating case

Source: Fitch Ratings, Timaru District Council



Public Finance
Local and Regional Governments
New Zealand

Appendix C: Data Adjustments

Net Adjusted Debt Calculations

FY25: Net adjusted debt of NZD207.7 million = Direct debt of NZD250.8 million + Other Fitch-classified debt (nil) – Fitch-calculated, unrestricted cash, liquid deposits and sinking funds of NZD43.1 million.

Synthetic Coverage Calculation

Fitch's synthetic coverage calculation assumes a mortgage-style amortisation over 15 years of the entity's net adjusted debt, using its average cost of debt. This synthetic calculation is used to assess New Zealand local and regional governments' debt sustainability.

Specific Adjustments

Gains or losses on revaluation, depreciation and amortisation, gains or losses on disposals, impairment of non-financial assets and other non-cash items are excluded from revenue and expenses. Term deposits are also considered as cash. Some non-recurring operating expenditure items are reclassified as capex.



Public Finance
Local and Regional Governments
New Zealand

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For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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7 Consideration of Urgent Business Items

8 Consideration of Minor Nature Matters

9 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,—

10.1 Public Excluded Minutes of the Audit and Risk Committee Meeting held on 26 January 2026

10.2 Public Excluded Actions Register Update

10.3 Cyber Security Report

10.4 Authority Altitude - Continuous Improvement Update

10.5 Issues Watch Register

10.6 Internal Audit Quarterly Report

10.7 Insurance Programme Update

10.8 Health and Safety Performance Report

10.9 Committee and Chief Executive only time (Agenda Placeholder)

10.10 Committee and Auditor only time (Agenda Placeholder)

10.11 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
10.1 - Public Excluded Minutes of the Audit and Risk Committee Meeting held on 26 January 2026	Section 48(1) of the Local Government Official Information and Meetings Act 1987.	The public excluded minutes of the meeting held on 26 January 2026 are considered confidential pursuant to the

<p>Matters dealt with in these minutes:</p> <p>9.1 - Public Excluded Actions Register Update</p> <p>9.2 - Issues Watch Register</p> <p>9.3 - Internal Audit Quarterly Report</p> <p>9.4 - Cyber Security Report</p> <p>9.5 - Health and Safety Performance Report</p> <p>9.6 - Committee and Auditor only time (Agenda Placeholder)</p> <p>9.7 - Committee and Chief Executive only time (Agenda Placeholder)</p> <p>9.8 - Committee and Internal Auditor only time (Agenda Placeholder)</p>		<p>provisions of the LGOIMA Act of 1987.</p> <p>The specific provisions of the Act that relate to these minutes can be found in the open minutes of the meeting held on 26 January 2026.</p>
<p>10.2 - Public Excluded Actions Register Update</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>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</p>	<p>To enable Council to carry out commercial activities</p> <p>To prevent use of the information for improper gain or advantage</p>
<p>10.3 - Cyber Security Report</p>	<p>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</p>	<p>To prevent use of the information for improper gain or advantage</p>
<p>10.4 - Authority Altitude - Continuous Improvement Update</p>	<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)(h) - The withholding of the information is necessary to enable any local authority</p>	<p>To protect commercially sensitive information</p> <p>To enable Council to carry out commercial activities</p>

	holding the information to carry out, without prejudice or disadvantage, commercial activities	
10.5 - Issues Watch Register	<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>
10.6 - Internal Audit Quarterly Report	<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>
10.7 - Insurance Programme Update	<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)(h) - The withholding of the information is necessary to</p>	<p>To protect commercially sensitive information</p> <p>To enable Council to carry out commercial activities</p> <p>To enable Council to carry out commercial or industrial negotiations</p>

	<p>enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p> <p>s7(2)(i) - The withholding of the information is necessary to enable the Council to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	
<p>10.8 - Health and Safety Performance Report</p>	<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 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>To protect a person’s privacy, including the privacy of deceased persons</p> <p>To protect commercially sensitive information</p>
<p>10.9 - Committee and Chief Executive only time (Agenda Placeholder)</p>	<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>

<p>10.10 - Committee and Auditor only time (Agenda Placeholder)</p>	<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>
<p>10.11 - Committee and Internal Auditor only time (Agenda Placeholder)</p>	<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>

*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 [\[specify\]](#)

.

*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.”

10 Public Excluded Reports

11 Readmittance of the Public