



# AGENDA

## Audit and Risk Committee Meeting Monday, 3 March 2025

**Date** Monday, 3 March 2025

**Time** 9:00 am

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

**File Reference** 1742807

## 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 3 March 2025, at 9:00 am.**

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

Bruce Robertson (Chairperson), Clr Scott Shannon (Deputy Chairperson), Clr Janice Fredric, Clr Peter Burt, Clr Michelle Pye, Clr Stacey Scott and Mayor Nigel Bowen

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

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

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

Nigel Trainor  
**Chief Executive**

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

## **5 Confirmation of Minutes**

### **5.1 Minutes of the Audit and Risk Committee Meeting held on 17 December 2024**

**Author:** Jessica Kavanaugh, Team Leader Governance

#### **Recommendation**

That the Minutes of the Audit and Risk Committee Meeting held on 17 December 2024 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 17 December 2024**



# MINUTES

## Audit and Risk Committee Meeting Tuesday, 17 December 2024

Ref: 1742807

**Minutes of Timaru District Council  
Audit and Risk Committee Meeting  
Held in the Council Chambers, Timaru District Council, King George Place, Timaru  
on Tuesday, 17 December 2024 at 9:00 am**

**Present:** Bruce Robertson (Chairperson), Clr Scott Shannon (Deputy Chairperson), Mayor Nigel Bowen, Clr Michelle Pye

**In Attendance:** Clr Stacey Scott; Narayan Swamy (Assurance Officer); Stephen Doran (Group Manager Corporate & Communications); Andrea Rankin (chief Financial Officer); Paul Cooper (Group Manager Environmental Services); Nigel Trainor (Chief Executive); Nicole Timney (Group Manager Property), Elliot Higbee (Legal Services Manager); Sam Esterhuysen (Continuous Improvement Business Partner); Maddie Gourlay (Marketing and Communications Advisor); Steph Forde (Corporate and Strategic Planner); Stephen Compton (Minutes)

## **1 Apologies**

Apologies were received from Janice Fredric; Peter Burt

The Chair noted that they had received notes from Janice, which tied in with his own, and formally acknowledged and thank Janice for her efforts.

### **Resolution 2024/260**

Moved: Deputy Chairperson Scott Shannon

Seconded: Mr Bruce Robertson

That the Audit and Risk Committee receives and accepts the apologies noted

**Carried**

## **2 Identification of Items of Urgent Business**

No items of urgent business were received.

## **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 Confirmation of Minutes**

### **5.1 Minutes of the Audit and Risk Committee Meeting held on 9 September 2024**



**Resolution 2024/261**

Moved: Mr Bruce Robertson

Seconded: Clr Michelle Pye

That the Minutes of the Audit and Risk Committee Meeting held on 9 September 2024 be confirmed as a true and correct record of that meeting and that the Chairperson's electronic signature be attached.

**Carried**

Chair noted that there would be a change to the order of the meeting: item 6.7 would take place when the Auditors were available, and then the meeting would go into Public Excluded (PX) for item 10.6 and the meeting would be adjourned for that time and then resume as per the agenda

**6 Reports****6.1 Continuous Improvement Update**

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

The Continuous Improvement Business Partner spoke to the report and to the new "Flowingly" system as per the report. SE noted that processes from Pro-Map had been transferred and training was in progress.

SE noted the progress being made with the implementation of "Flowingly", with Change Management enhancements to be completed by February 2025

She also spoke then to the Esker system project as per report

Discussion included if the MagiQ system would provide better reporting, and plans to improve underlying issues with the financial management system. A briefing was requested for March.

There was further discussion about highlighting completion dates of projects.

A workshop was requested on the 'flowingly' system once it was fully implemented, likely June 2025.

**Resolution 2024/262**

Moved: Clr Michelle Pye

Seconded: Deputy Chairperson Scott Shannon

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

**Carried**

## 6.2 Legislative Compliance Report 2024

- 1 To provide an overview of Timaru District Council's Legislative Compliance for the financial year ending 30 June 2024, as noted by the Audit and Risk Committee on 9 September 2024.

The Legal Services spoke to the report, noting that legislative compliance has been attained for the officers and this has been provided to the Chief Executive who has used that assurance in the production of the annual report. He further noted three points:

- i. Water Services Act (paragraph 5) – the recommendation there, in respect of this non-material non-compliance, was for the delegation manual to be updated to remedy this and this has been folded into the water reform process due to the amendments to the water services act last week
- ii. Resource Management Act (RMA) Monitoring Officer – noted that there is a new resource in place, to be warranted before Xmas.
- iii. In respect of the comments made by the Audit & Risk Committee and their concern around this process being fulsome and coverage of this legislative scheme, and EH has conducted an extensive review and has 17 possible acts for inclusion in the delegation manual review, so providing a personal assurance regarding the concern expressed.

Discussion included how the council tested assurances, the role of the legal services manager as a control and specific designations within the report.

It was noted that the delegations manual was a key governance tool for this exercise and that lining up the completion of the delegations review with the inaugural meeting in October

There was further discussion regarding the recommendations of the ombudsman with regards to LGOIMA requests, and a request to report back to the committee on an annual basis on this.

### Resolution 2024/263

Moved: Mr Bruce Robertson

Seconded: Deputy Chairperson Scott Shannon

That the Audit and Risk Committee receive and endorse the legislative Compliance Report for the financial year ending 30 June 2024.

**Carried**

## 6.3 Audit and Risk Committee Work Programme

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

The Assurance Officer spoke to the report.

GM Corporate & Communications noted that Debenture Trust Audit Report had arrived after the Agenda had been closed and would be presented at the March meeting of the Audit and Risk Committee to be received and accepted.

The chair noted for March 2025 that there be an update presented on Insurance programme (confirming that the Insurance is due for renewal on the 1st July 2025), and requested a meeting with brokers for an environment update. The Chair requested that Aon brief the Audit and Risk Committee on Insurance Strategy, checking awareness of category 1 and category 2 risks.

It was Further noted that with regards to the Internal program, this should be in line with the Financial Year, so requested that the Assurance Officer bring a rolling 3-year programme looking at risk to the meeting in June 2025.

It was requested that a workshop be arranged for June to look at strategic risk, and out of that one the Chair to brief Council on Strategic Risks (as a form of self-assessment).

Further discussion was had on timing of reviewing operational risks and whether there should be a focus for this committee on Strategic Risks.

#### **Resolution 2024/264**

Moved: Mr Bruce Robertson

Seconded: Mayor Nigel Bowen

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

**Carried**

#### **6.4 External Auditors Open Recommendations**

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

The Assurance Officer spoke to the report.

It was noted that there was a substantial amount of movement. It was noted that items were only closed after endorsement from external auditors.

Noted that the financial issues are essentially dealt with, and they have become operational issues/business as usual.

The chair noted High annual leave balances to be discussed later on the Agenda, Annual Report to be discussed with Auditor, CCO info to be closed as all the information is on the website, Water asset evaluation should be closed.

There was further discussion of items including legacy issues with Waka Kotahi invoicing and a request for items to be removed to be shaded.

#### **Resolution 2024/265**

Moved: Mr Bruce Robertson

Seconded: Clr Michelle Pye

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

**Carried**

## 6.5 Internal Audit Activities

To provide the Committee with an update on the Internal Audit (IA) activities since the last meeting on 9<sup>th</sup> September 2024, and to seek input and approval for the internal audit plan for 2025.

The Assurance Officer spoke to the report noting some reports included in the Public Excluded Agenda.

The chair Noted that this is an interim plan to be returned to in June. Also confirmed details of 2025 program as per report.

The GM Corporate and Communications noted that this is the program set by Deloitte a number of years ago, and wanted to check with the Chair if they felt the approach was still valid, or if a more focused approach was preferable.

Chair felt it was all justifiable and should look to go forwards.

Noted The chair noted one clear theme from the Auditor General was the stress on systems of control for non-financial delivery points (e.g. road smoothness), and ensuring that equal weight is put on these standards. Noted the importance of gaining a level of assurance that they are producing the right information, and noted that this may require cross departmental co-operation.

GM Corporate and Communications report that there is a Corporate and Strategic Advisor is working with an "Opal3" tool reporting to councillors every quarter, and there is a piece of work with that to get better data going in to provide a higher level of assurance and to make reporting easier. There has been advice from the Software supplier that the full functionality of the tool was not being utilised and work is ongoing to improve this.

The chief executive noted that some of the non-financials could be incorporated alongside financial reports (e.g. building consents – providing financial data alongside user data (i.e. how long to get etc))

The chair agreed and asked the Assurance Officer to look into how much of his time would it take to look at this and what resource would be required, and noted that would speak to officers after this meeting to provide contacts in other Councils already working on this.

### Resolution 2024/266

Moved: Mayor Nigel Bowen

Seconded: Deputy Chairperson Scott Shannon

That the Audit and Risk Committee

1. receive the update of completed and upcoming Internal Audit activities.
2. confirm the upcoming areas for internal audit in 2025.
3. provide officers guidance on their audit priorities for the upcoming year.

**Carried**

## 6.6 Risk Management Quarterly Report

The purpose of this report is to provide the Committee 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.

The Assurance Officer spoke to the report. The chair noted the plan to refresh the list, noting that they are not expecting much to come off.

GM Corporate and Communications said that January provides a good opportunity to refresh and review and further noted that some of the strategic issues are so large they can seem almost abstract whilst still having an impact (e.g. climate change).

The chair requested that there should be a deep dive discussion with the owner of each risk at these meetings going forwards, focusing on key risks. Further noted that the risk profile has stayed pretty much the same – asked for confirmation from the meeting?

There was further discussion on the ratings of various risks, the implementation of flowingly and how external controls had an effect on our risk reports.

There was some concern that the list was out of date and it may appear that TDC is riskier than it actually is.

There was further discussion around the level of risk in a dynamic environment, and an understanding how we are dealing with the high risks in order to deliver the Long Term Plan (LTP).

A request was had to identify emerging risks such as water reform, which spurred further discussion on this topic.

### Resolution 2024/267

Moved: Mr Bruce Robertson

Seconded: Mayor Nigel Bowen

That the Audit and Risk Committee receives and notes the Quarterly Strategic Risk update and the Risk Management Maturity Improvement Plan.

**Carried**

## 6.7 Audit NZ Management Report - 2023/24 Annual Report

To provide the committee with the Audit NZ Management Report for the 2023/24 Annual Report audit, and provide the opportunity for a representative from Audit New Zealand to speak to the report and answer any questions.

The GM Corporate and Communications noted that Audit NZ issued an unmodified report on the 1 October, allowing Council to get the Annual Report signed off on time, and it was a very good learning process with new teams on both sides, and should be in a good position next year.

The Chief Financial Officer further noted that they are working on the next report factoring in the seventeen recommendations mentioned in this one, and noted that there is an offer in place to a

new Senior Finance Business Partner (an ex-Auditor) with Council Audit experience which will hopefully provide additional guidance.

Chair welcomed Rudie Tomlinson (Appointed Auditor, Senior Auditor, Audit New Zealand (RT)) and Jenna Hills (Audit Manager, Audit New Zealand (JH)) to the meeting (via internet) from Audit New Zealand.

Mr Tomlinson noted that working with the new teams was a challenge, which provided fresh pairs of eyes. Could not stress strongly enough the constructive attitude that the Audit was conducted in, which facilitated the process.

Noted that the teams were in a good place for 2025, noting that 11 out of 17 recommendations closed, and 6 remain open – a good result.

Overall, very satisfied with the integrity of management,

In conclusion, noted that there is always room for improvement, and further noted that Audit NZ are moving to a Cloud based system (Avenir) for the J25 Audit for Timaru, which will involve an investment of time, but can lead to savings and efficiencies.

Noted that the key element is the General Ledger (GL) structure to remain stable, and any changes need to be communicated. The Trial Balance has been mapped to Avenir and matches the audited accounts for 2024.

Informed the Audit & Risk Committee that an Artificial Intelligence (AI) tool will be used going forwards to assist with checking financial statements for the J25 Audit

Noted that the Audit plan will be with Council three months before year end.

Re TDC improvements:

1. Address the Management Learning Points
2. Take a project approach to the Annual Report (noting importance of financial and non-financial components)
3. Revaluations to be done early, say 31 March and still have the result incorporated into 30 June financial statements.
4. Some of the Management Letter comments go back to basics e.g. reconciliations, getting to a state where the basics are done right will streamline the process.

There was further discussion over the matters raised including valuation of assets, and the estimation of lifespans, around the misstatements identified in the report and the allocation of revenue through the council.

The CFO noted that this is a sample, and the incorrect values are extrapolated, and as part of the revenue review will be checking that they are going to the correct lines in the GL.

### **Resolution 2024/268**

Moved: Deputy Chairperson Scott Shannon

Seconded: Mayor Nigel Bowen

That the Audit and Risk Committee:

1. receives and notes Audit NZ Management report for the 2023/24 Annual Report.

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**

## **7 Consideration of Urgent Business Items**

No items of urgent business were received.

## **8 Consideration of Minor Nature Matters**

No matters of a minor nature were raised.

## **9 Exclusion of the Public**

### **Resolution 2024/269**

Moved: Mr Bruce Robertson

Seconded: Mayor Nigel Bowen

That the public be excluded from—

- \*(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 9 September 2024**
- 10.2 Health and Safety Performance Report**
- 10.3 Internal Audit Quarterly Report**
- 10.4 Issues Watch Register**
- 10.5 Cyber Security Report**
- 10.6 Committee and Auditor only time (Agenda Placeholder)**
- 10.7 Committee and Chief Executive only time (Agenda Placeholder)**
- 10.1 List of Significant Contracts**

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
<p><b>10.1 - Public Excluded Minutes of the Audit and Risk Committee Meeting held on 9 September 2024</b></p> <p><b>Matters dealt with in these minutes:</b></p> <p><b>10.1 - Public Excluded Minutes of the Audit and Risk Committee Meeting held on 17 June 2024</b></p> <p><b>10.2 - Issues Watch Register</b></p> <p><b>10.3 - Internal Audit Quarterly Report</b></p> <p><b>10.4 - Cyber Security Report</b></p> <p><b>10.5 - Health and Safety Performance Report</b></p> <p><b>10.6 - Insurance Update</b></p> <p><b>10.7 - Operational Risk Registers</b></p> <p><b>10.8 - Committee and Auditor only time (Agenda Placeholder)</b></p> <p><b>10.9 - Committee and Chief Executive only time</b></p>	<p>Section 48(1) of the Local Government Official Information and Meetings Act 1987.</p>	<p>The public excluded minutes of the meeting held on 9 September 2024 are considered confidential pursuant to the 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 9 September 2024.</p>
<p><b>10.2 - Health and Safety Performance Report</b></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><b>10.3 - Internal Audit Quarterly Report</b></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</p>	<p>To protect commercially sensitive information</p> <p>To protect the effective conduct of public affairs</p>



	<p>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 enable Council to carry out commercial activities</p>
<p><b>10.4 - Issues Watch Register</b></p>	<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>
<p><b>10.5 - Cyber Security Report</b></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><b>10.6 - Committee and Auditor only time (Agenda Placeholder)</b></p>	<p>s7(2)(c)(ii) - 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 otherwise to damage the public interest</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry</p>	<p>To protect information that is subject to an obligation of confidence and/or that was required by law to be provided where the release of that information would not be in the public interest</p> <p>To enable Council to carry out commercial activities</p>

	out, without prejudice or disadvantage, commercial activities	
<b>10.7 - Committee and Chief Executive only time (Agenda Placeholder)</b>	s7(2)(f)(i) - The withholding of the information is necessary to maintain the effective conduct of public affairs through free and frank expressions of opinion by or between or to members or officers or employees of any local authority in the course of their duty	To maintain the effective conduct of public affairs
<b>10.1 - List of Significant Contracts</b>	<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>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>To maintain the effective conduct of public affairs</p> <p>To protect the effective conduct of public affairs</p>
<b>Carried</b>		

**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**
- 10.1 Public Excluded Minutes of the Audit and Risk Committee Meeting held on 9 September 2024**
  - 10.1 Public Excluded Minutes of the Audit and Risk Committee Meeting held on 17 June 2024**
  - 10.2 Issues Watch Register**
  - 10.3 Internal Audit Quarterly Report**
  - 10.4 Cyber Security Report**
  - 10.5 Health and Safety Performance Report**
  - 10.6 Insurance Update**
  - 10.7 Operational Risk Registers**
  - 10.8 Committee and Auditor only time (Agenda Placeholder)**
  - 10.9 Committee and Chief Executive only time**
- 10.2 Health and Safety Performance Report**
- 10.3 Internal Audit Quarterly Report**
- 10.4 Issues Watch Register**
- 10.5 Cyber Security Report**
- 10.6 Committee and Auditor only time (Agenda Placeholder)**
- 10.7 Committee and Chief Executive only time (Agenda Placeholder)**
- 10.1 List of Significant Contracts**
- 11 Readmittance of the Public**

**Resolution 2024/270**

Moved: Mr Bruce Robertson

Seconded: Mayor Nigel Bowen

That the meeting moves out of Closed Meeting into Open Meeting.

**Carried**

**The meeting closed at 1.00pm.**

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**Chairperson**



## 6 Reports

### 6.1 Audit and Risk Committee Work Programme

**Author:** Narayan Swamy, Assurance Officer

**Authoriser:** Stephen Doran, Group Manager Corporate and Communications

#### Recommendation

That the Audit and Risk Committee receives 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 2025 with any changes highlighted.
- 5 The Risk Management quarterly report and all operational risks – flowingly report has been delayed until the June 25 meeting due to the requirement for additional commissioning and training as outlined in the continuous improvement report. This will go back into normal cycle once the software is fully commissioned.

#### Standing Agenda Items - 2025

1. Standing Agenda Items	Mar 25	Jun 25	Sep 25	Oct 25*	Dec 25
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	✓	✓	✓		✓
Employee matters (as required)	✓	✓	✓		✓
Probity update (Report will be provided)	✓	✓	✓		✓

1. Standing Agenda Items	Mar 25	Jun 25	Sep 25	Oct 25*	Dec 25
only if any probity matters arise)					
Quarterly Sensitive Expenditure report	✓	✓	✓		✓
Auditor only time	✓	✓	✓		✓
CE only time	✓	✓	✓		✓

\*October 2025 meeting is for the purposes of “Adoption of the Annual Report 2024/25”.

6 Other Agenda Items - 2025

2. Other Agenda Items	Mar 25	Jun 25	Sep 25	Oct 25	Dec 25
Operational Risk Register – all operational risks – Flowingly Report		✓			
Update Legislative Compliance report – realigned with Annual Report Adoption				✓	
Insurance program update	✓ Renewal		✓ Endorse		
Annual Report to ARC on Conflicts of Interest	✓				
Credit rating review	✓				

7 Audit and Assurance Agenda Items - 2025

3. Audit and Assurance Agenda Items	Mar 25	Jun 25	Sep 25	Oct 25	Dec 25
Audit plan and engagement letters	✓				
Annual Plan update	✓	✓			
Draft Key Accounting Judgement – Accounting Policies	✓ 2024/25				
Adoption annual report				✓ 2024/25	
Adoption audit representation letters				✓ 2024/25	
Audit NZ Interim management report			✓ 2024/25		
Audit NZ Final management report					✓ 2024/25
Debenture Trust audit report	✓ 2023/24				✓ 2024/25
Workshop		✓ Risk Management			

Attachments

Nil

## 6.2 External Auditors Open Recommendations

**Author:** Narayan Swamy, Assurance Officer

**Authoriser:** Stephen Doran, Group Manager Corporate and Communications

### Recommendation

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

### Purpose of Report

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

### Assessment of Significance

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

### Discussion

- 3 The Risk and Assurance team 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 17 new recommendations from the 2024 audit report.
- 5 There are 24 open recommendations from the external auditors. The full details are in the attached record (attachment 1), which includes management comments.

### Attachments

1. **External Audit open findings February 2025** [↓](#) 

**External Auditors recommendations record**

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
	<b>Audit NZ Report 30/06/2024</b>					
1	Delegations register information not matching There is only one delegation register with the correct information that can be relied upon as the "one source of truth"; and that the register is updated in an appropriate timeframe to reflect any changes in staff movement.	Finance	CFO	30/06/25	Necessary	<b>Feb 25:</b> Still to be completed  Noted – this will be reconciled once the new delegations have been approved.
2	Separation of duties risk (creditors master file changes) Potentially remove the CFO's ability to make changes to the creditors Masterfile. Alternatively consider removing the CFO's ability to review and sign off the master file changes report.	Finance	CFO	30/06/25	Necessary	<b>Feb 25:</b> Completed We are happy to make this change according to best practice and will make a request for the CFO's access to the Creditor Masterfile to be amended to "view only". Request has been made and access changed to read/view only has been applied for the CFO role as of 26 November 24.
3	Review of the manual journals Ensure that the Excel listings for all manually reviewed journals include a date field. A listing from Authority containing manual journals processed, should also be reconciled, or checked to the reviewed Excel listing. This will allow for accurate tracking and verification.	Finance	CFO	30/06/25	Necessary	<b>Feb 25:</b> Completed  Process as of July 2024: The signed and dated hard copy of the Excel Journal template sheet is attached to a hardcopy of the posted Authority Journal. These are then again peer reviewed before being filed.
4	Asset stock count / existence Implement a periodic physical verification of a sample of assets, especially high value or critical ones to ensure assets recorded in the FAR actually exist.	Finance	CFO	30/06/25	Necessary	<b>Feb 25:</b> Asset classes and locations for physical asset checks have been designated for 2025. This process is now embedded, and it is recommended that it now be closed. The PPE process documentation is being updated for the 2025 interim audit to reflect this process.  We initiated a program of physical asset checks in 2024, based on asset classes, which will continue in future. This is now an ongoing process which will roll out over all asset classes over future periods.
5	FAR reconciliations Introduce a regular reconciliation process between the asset management systems and the FAR.	Finance	CFO	30/06/25	Necessary	<b>Feb 25:</b> Quarterly reconciliations are now being completed however the process is still being finalised refined and therefore this item should remain open.  We plan to perform quarterly reconciliations following the WIP review process.
6	Trade receivables aging Implement a process to ensure an aging listing and other details are able to be generated at 30 June.	Finance	CFO	30/06/25	Necessary	<b>Feb 25:</b> The aged listing is now being undertaken. It is recommended that this item now be closed.  Aged listings from Bookable are available each month. We will ensure these are saved each month going forward.
7	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	Finance	CFO	30/06/25	Necessary	<b>Feb 25:</b> FBT process continue to be worked on particularly focused on vehicles. It is anticipated that the coding for personal expenditures will be finalised in Q3 2025 and Q1 & Q2 transactions reviewed. The guidance on preparation of the FBT is being embedded into the calculation spreadsheet.



	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
	manual for the calculation of FBT to be used when the usual FBT preparer is unavailable.					Agreed and planned for 2025.
8	Revenue classification  Ensure that different types of revenue are correctly classified, for example, fees and charges are being correctly coded to fees and charges and not other revenue.	Finance	CFO	30/06/25	Necessary	<b>Feb 25:</b> Planned  Noted and planned for 2025.
9	Fully depreciated assets Conduct regular reviews of the useful lives of assets. This practice will ensure that the useful lives align with the anticipated consumption of economic benefits derived from these assets.	Finance	CFO	30/06/25	Necessary	<b>Feb 25:</b> The useful lives of Water and Roading assets will be comprehensively reviewed as part of the respective revaluations. Other assets are generically reviewed as part of the year-end asset processes.  A review of useful lives was conducted in 2024 and is intended to be undertaken semi-annually, as well as greater standardisation of useful lives for equivalent assets. Assets may be utilised beyond their assessed useful lives and unless material it is not justified to increase the useful life but rather recognise that there is a degree of uncertainty surrounding the assessment of specific assets' useful lives.
10	Combined bank accounts in the GL Each bank account should be recorded in a separate general ledger account. This will facilitate proper reconciliations on an individual account basis.	Finance	CFO	30/06/25	Necessary	<b>Feb 25:</b> Will be completed before interim audit.  We will move and separate these.
11	Uncalled capital in subsidiary  Perform a detailed reconciliation of shares issued over the years to support the value and number of shares issued and uncalled.	Finance	CFO	30/06/25	Necessary	<b>Feb 25:</b> Reconciliation to be conducted for the 2025 interim audit.  This is something that has not been previously requested, including in 2024, however we will provide this reconciliation in future.
12	Assessment of year-end WIP Ensure that all costs in the WIP account at year end are costs that are capital in nature. Regularly perform a review of costs entered into WIP to ensure staff are capitalising appropriate costs in a timely manner. Perform a regular review of projects included in WIP to identify amounts that should be expensed due to contracts cancelled, delayed or significantly over budget (impairment required).	Finance	CFO	30/06/25	Necessary	<b>Feb 25:</b> Recommended WIP processes are now being conducted as part of the quarterly review of WIP.  This will be highlighted as an extra check during the quarterly reviews of WIP.
13	Approval for sale of assets We recommend that the Council implement a standardised approval process for asset disposals that includes written authorisation.	Finance	CFO	30/06/25	Necessary	<b>Feb 25:</b> 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.

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
						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.
14	Impairment assessment for investment in subsidiaries and associates Complete the assessment of whether or not impairment indicators exist, at an individual assets and investment in subsidiaries and associates' level.	Finance	CFO	30/06/25	Necessary	<b>Feb 25:</b> Current practical processes as documented to be reviewed for ARC agreement.  We review the impairment of investments in subsidiaries & associates at least annually. We do not get external assessment advice under normal circumstances. We start with a high-level assessment and then would only do a more detailed assessment if there were negative indicators. Perhaps we should get ARC to explicitly sign off on our process and if they think that we need to do more we can do so. The impairment indicators as set out in our process were sourced from the standards and extant practice.
15	Consolidation process Review the consolidation model to ensure that any flaws in the model are rectified before the preparation of the FY25 financial statements. Consider establishing an automated process for the consolidation model, which can limit the number of errors and manual updates. Consider establishing "standing journals". Ensure sufficient quality checks and reviews are performed over the consolidation model while preparing the FY25 financial statements. Key members of the management team and potentially the Audit and Risk Committee should perform an internal quality review of the draft annual report and evidence this review, before it is provided to the auditors for the annual audit.	Finance	CFO	30/06/25	Necessary	<b>Feb 25:</b> 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.
16	Sensitive expenditure not in line with good practice Ensure expense reimbursements are approved on a one-up basis. Update corporate policies to include a claimable amount for breakfast.	Finance	CFO	30/06/25	Necessary	<b>Feb 25:</b> Policy is being reviewed.  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.
17	Legislative compliance Breach of legislation – hearing fees Seek legal advice and/or ask the Remuneration Authority for a ruling on the appropriateness of Council's resolution and the next steps required.	Finance	CFO	30/06/25	Necessary	<b>Feb 25:</b> Awaiting feedback.  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.

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
18	High annual leave balances: Strengthen processes to review and monitor staff annual leave balances and continue to work with and implement leave management plans for staff with excessively high annual leave balances.	People & Capability	GM People & Capability	<del>31-Dec-22</del> <del>31-Mar-23</del> 31-Dec-23	Necessary	<p><b>February 25:</b> Slight reduction in high leave balances. Leave reporting quarterly continues.GM's working with staff to reduce balances. Supported by P&amp;C where required.</p> <p><b>November 24:</b> Leave reporting quarterly continues.GM's working with staff to reduce balances. Supported by P&amp;C where required. The updated process is now implemented but full documentation of the process is to be completed.</p> <p><b>Aug24:</b> Leave reporting provided quarterly. Leaders expected to proactively engage with team members to reduce leave balances in excess of 5 weeks. Letters setting expectations being issued where required and guidance given on when to escalate to a managed leave programme.</p> <p><b>May 24:</b> Regular leave reporting is provided to people leaders who are actively working to reduce team members leave before 30 June 2024.</p> <p><b>Jan 24:</b> Undertaking regular reporting to managers to increase oversight and management of leave balances. The most recent leave report was sent January 2024.</p> <p>- Payroll is undertaking quarterly leave reporting which will be sent to GMs to discuss with affected parties. (Currently running this report). Due to the nature of the system, this is a manual checking process and takes some time. The report will include the employee leave balance, accrued leave, long service and special leave, Christmas leave, and the monetary value based on ordinary earnings.</p> <p><b>Sep 23/Nov 23:</b> Planned quarterly reporting to SLT on the annual leave balances.</p> <p>- We continue to monitor this area and work with employees to reduce balances. The impacts of Covid-19 have heightened the issue. Managers receive reporting on employees with high balances and work with individual employees to put plans in place.</p> <p>- Engagement &amp; Culture continue to develop plans on how to address this issue.</p> <p><b>AUDIT NZ updated comment</b> Some progress However, noted there are still few employees with high annual leave balances.</p> <p><b>Previous comments</b> No progress No Change in Status from previous report. December24: Open</p>
19	Annual report preparation: <ul style="list-style-type: none"> <li>Ensure that the annual report is complete and ready for audit upon the date agreed in the Audit Proposal letter.</li> <li>Establish a robust quality review process over the financial and non-financial information presented to audit.</li> </ul>	Corporate Communications & Finance	GMCC & CFO	<del>31-Dec-22</del> <del>31-Mar-23</del> <del>31-Dec-23</del> 30 Oct 25	Necessary	<p><b>February 25:</b> We are in ongoing dialogue to ensure that a robust project plan is in place for 24/25. This can stay open for final review following adoption of 24/25 AR. Interim audit has been loaded onto dashboard early, and we are working through it currently. There is a significant dependency on the Annual Plan not requiring Audit.</p> <p><b>November24:</b> Annual Report 2023/24 was adopted by council on 31 October 2024, and although challenging and requiring significant work on both Audit New Zealand and TDC side and concerns over quality of information gained an unmodified opinion. A debrief and</p>

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
						<p>improvement process will be followed in January guided by audit feedback to ensure that we continue to improve processes and have a robust project plan in place for 24/25.</p> <ul style="list-style-type: none"> <li>-<b>August 24:</b> Interim Audit was completed; team is working to finish Annual Report / Audit ontime this year.</li> <li>- <b>May 24:</b> Interim and Annual Audit now underway, team is using dashboard to manage requests in a timely manner.</li> <li>-<b>Dec 23:</b> The Annual Report 2022/23 was approved by Council (Resolution 2023/76) November 2023. Regular communication between Audit NZ and TDC is in place to reduce the number of issues or any delays from either organisation.</li> <li>-<b>Nov 23:</b> The Annual report 2022/23 will be presented to the Council on 14 Nov 2023.</li> <li>- 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.</li> <li>- 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.</li> <li>- 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.</li> </ul> <p><b>AUDIT NZ updated comments</b> Some progress The draft annual report provided to the audit team was not fully complete and due to time constraints, not subject to a full quality review process. The financial and non-financial information presented to audit, still contained misstatements.</p> <p><b>Previous comments</b> Some progress: However, the draft annual report provided to the audit team was subject to a quality review process. However, financial and non-financial information presented to audit, still contained many misstatements.</p> <p><b>December24: In progress</b></p>
20	Publication of council-controlled organisations (CCO) information: Ensure that the CCO information, required by the Local Government Act 2002 (LGA), is published on the Council’s website within the stipulated timeframe.	Corporate Communication	GMCC	<del>31-Dec-22</del> <del>31-Mar-23</del> 31-Dec-23	Necessary	<ul style="list-style-type: none"> <li>-<b>February 25:</b> A process is in place to ensure all CCO information is uploaded in the correct places in a timely manner. Suggest that this can be closed.</li> <li>-<b>November 24:</b> We have made improvements to the website to be more clear as to where CCO and associate annual reports are housed. All current CCO and associate reports are on the website here: <a href="https://www.timaru.govt.nz/council/publications/reports/other-reports">https://www.timaru.govt.nz/council/publications/reports/other-reports</a></li> <li>-<b>August 24:</b> Completed</li> <li>- <b>May 24:</b> To be completed in next quarter.</li> </ul>

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
						<p>- <b>Dec 23:</b> The Annual Report was adopted 14 November 2023. The Report was loaded on the Council website on 14 December 2023. Following changes in staff, the process for this has been reviewed and compliance is anticipated from 2024.</p> <p>- <b>Sep 23/Nov 23:</b> Management note copies of all CCO information are held on the TDC website. The first three years have an individual page for Venture Timaru, then previous years are available by searching the reports and documents from the agendas when these were presented to Council, or the relevant Committee. For TDHL, information is available on the TDC website from back to 2015/16 financial year. All was added within statutory timeframes and are available to view by the public.</p> <p>- A review of this process has led to CCO information and documents now being published on the Council's website within stipulated timeframes.</p> <p><b>AUDIT NZ updated comment</b> No progress No change in status from previous report.</p> <p><b>Previous comments</b> During 2022/23 there were further organisational restructures and changing personnel, the previously centralised function to publish these to Council website within statutory timeframes has again been overlooked. December24: Open</p>
<b>Audit NZ Report 2021/2022</b>						
21	Implement the revaluation improvements recommendations: Take steps to implement the revaluation improvement points raised in 2019/20.	Finance	CFO	31 Dec 25	Necessary	<p>-<b>February 25:</b> Working on the process as part of this annual audit. We have begun the revaluation process for both Water and Rooding.</p> <p>-<b>November24:</b> A comprehensive Water assets revaluation is due for 2025 so we will ensure that these points are specifically included in that process.</p> <p>-<b>August24:</b> Still work in progress.</p> <p>- <b>May 24:</b> Still work in progress.</p> <p>- <b>Sep 23/Nov 23:</b> As noted in the Outstanding Risk Register presented to the Audit and Risk Committee on 3 July 2023, this is part of a program of work to prepare for a full valuation. The action has a proposed due date of 31 December 2025.</p> <p><b>AUDIT NZ updated comment</b> In progress December24: Open</p>
<b>Waka Kotahi - Investment Audit Report (Aug 21)</b>						
22	Develop a clear and consistent audit trail to support claims for funding assistance.	Infrastructure	Land Transport Manager	30-Jun-24	Medium	<p>- <b>February 25:</b> Works to tidy alignment between NZTA Work Category/Council GL and Council Work Orders are practically complete. Some minor changes to tasking and budget allocations outstanding that will be resolved 25/26 financial year.</p>

	Recommendation	Group	Responsible Officer	Target Date	Severity	Status Update
						<p><b>-November 24:</b> Work is still ongoing in this area, the Finance team are working on moving the final few Work Orders that need moved to the correct NZTA work category which will ensure complete clear line of sight.</p> <p><b>-August24:</b> Work in Progress</p> <p><b>- May 24:</b> Work is ongoing in this area, there are a number of reports and spreadsheets coming from the finance team which are bridging this gap. The budget codes and headers 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 .</p> <p>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>
23	<p><b>Audit NZ Report 2022/2023</b></p> <p>Capitalisation dates of additions:                      Capitalise assets within a month of their completion rather than all on 30 June.</p>	Finance	CFO	1 <sup>st</sup> July 2024	Necessary	<p><b>- February 25:</b> Continuing to monitor.</p> <p><b>-November24:</b> Assets are now capitalised at the date of acquisition or completion, unless there are exceptional reasons to do otherwise. This item should be closed.</p> <p><b>-August24:</b> Quarterly capitalisation procedure will be implemented from 2024-2025 financial year.</p> <p><b>- May 24:</b> This has made some progress this year with assets being capitalised earlier than year end.</p> <p>Will capitalise more regularly and will use the period close off date</p> <p><b>December 24: In progress</b></p>
24	<p>Useful lives alignment with accounting policy:                      Ensure the useful lives are consistent with the accounting policy.</p>	Finance	CFO	1 <sup>st</sup> July 2024	Necessary	<p><b>-February 25:</b> Continuing to review.</p> <p><b>-November24:</b> Useful lives are consistently in line with accounting policy with the only exceptions being occasional errors. This item should be closed.</p> <p><b>-August24:</b> Reviewed</p> <p><b>- May 24:</b> Reviewed</p> <p>Yes, we will review for consistency</p> <p><b>AUDIT NZ updated comment</b></p> <p><b>December 24: Open,</b> We noted that there are still assets with useful lives that are not consistent with the Accounting Policy.</p>

**6.3 Internal Audit Activities**

**Author:** Narayan Swamy, Assurance Officer

**Authoriser:** Stephen Doran, Group Manager Corporate and Communications

**Recommendation**

That the Audit and Risk Committee:

1. Receive the update of completed and upcoming Internal Audit activities; and
2. Confirm the upcoming areas for internal audit in 2025; and
3. Provide officers guidance on their audit priorities for the upcoming year.

**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 17 December 2024, and to seek input and approval for the internal audit plan for 2025.

**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 Internal Audit 3-year plan in their meeting 3 July 2023. Council remains broadly on track with this plan.
- 4 The planned audits for 2025 and their status are as follows:

Assignment	Status
Contract Management	In Progress
New Global Internal Audit Standards effective from 9 January 2025.	Revision of the Audit Charter to align with new Standards.
Annual Internal Audit Work Programme 2025/26.	In Progress for June Submission.
Internal Audit Month May.	Creating more awareness about Risk and Assurance functions for better collaboration.

- 5 The following assignments are planned for the remainder of 2025:
- 6 **Land Information Memorandum (LIM) Process:** Suggesting a review of the adequacy and effectiveness of the process associated with preparing, billing and issuing of LIMs at Council given the regulatory risk associated with this. This will provide assurance over the adoption of the new LIM tool in late 2024.

- 7 **Resource / Building Consent Process:** A review of the adequacy and effectiveness of the process at Council associated with the billing, issuing and enforcing of resource and building consents, given the regulatory risk associated with them. This could be two separate assignments due to the scale of the departments.

**Attachments**

Nil



## 6.4 Continuous Improvement Update

**Author:** Sam Esterhuyse, Continuous Improvement Business Partner

**Authoriser:** Paul Cooper, Group Manager Environmental Services

### Recommendation

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

### Purpose of Report

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

### Assessment of Significance

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

### Discussion

#### Procure-To-Pay Module – Stage 2

- 3 'Esfer Procure to Pay' is an automated solution designed to enhance the efficiency of indirect spend requests and the procurement of goods or services. It ensures that each purchase of a good or service undergoes authorisation, and every invoice is systematically matched with the applicable purchase order.
- 4 Ongoing enhancements are being made to the system to further improve the overall customer experience. These updates involve refining the user interface, including specific fields to optimise navigation and accessibility.

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

- 5 This software proposes to standardise the finance operating model, while delivering valuable insights to better enable Council Officers to make informed key business decisions.
- 6 Budget planning and monitoring expenses can be effectively managed through the system, and it has a comprehensive reporting tool that tracks and analyses financial requirements.
- 7 Templates for monthly management financial reports and capex schedule reports have been developed and are currently in the process of undergoing user acceptance testing.
- 8 We are currently making changes such as reconfiguring certain budgets, revising the programme budget logic and implementing percentage-based funding increases.

#### Community Funding Project

- 9 'Smartygrants' is a web-based platform that enables online application to all TDC community funding grants, which will save substantial costs in terms of administration time. The platform is user friendly, intuitive, and enables users to have visibility of all past, current, and draft

applications. The system supports better transparency, accounting, and audit trails for officers. The platform is in the process of being built, and a transition period will follow, during which support, and communication will be provided to all past and potential applicants.

### **Caroline Bay Trust Aoraki Centre (Cbay) Software Upgrade**

- 10 The CBay team currently use 'Links' software for their bookings and Point of Sale (POS). The team has undergone additional training and has reviewed their processes to maximise the utilisation of the current system. Included in this programme is the Learn to Swim, Gym, POS for retail and lane bookings. The Cbay team are enhancing their current system by incorporating 'Active Carrot' as an extended feature of the Links Software.
- 11 The implementation of 'Active Carrot' has been completed and this has enabled online bookings and enrolments, significantly reducing administrative workload for the 'Learn to swim' team.

### **Flowingly**

- 12 Flowingly is used as a process management platform designed to help organisations automate, manage, and optimise workflows and processes. It provides tools to create, track, and streamline processes.
- 13 Processes and risks have been transferred from Promapp to Flowingly, and training is currently underway. A review of the migrated processes is in progress and is being carried out by designated champions within Council's different business units.
- 14 The risk module is designed for risk recording, management and visualisation. This module is currently undergoing user testing, which includes verifying that the correct permissions and access levels are correctly configured and functioning as intended.

### **Attachments**

1. **Continuous Improvement - Project Summary - March 2025** [↓](#) 

Project Status Summary Report								
Reporting Period: March 2025								
Project	Schedule	Financials	Scope	Resources	Stakeholders	Overall	Forecast Completion Date	Overall Commentary
Esker Stage 2 - Procure to Pay	Green	Green	Green	Green	Green	Green	Mar 2024	This project has gone live
MagiQ	Yellow	Green	Green	Green	Green	Green	Oct 2025	There were some delays with the schedule of delivery of this project due to extensive user testing being done.
Smartygrants	Green	Green	Green	Green	Green	Green	Aug 2025	This project is in progress
Active Carrot	Green	Green	Green	Green	Green	Green	Jan 2025	This project has gone live
Flowingly	Green	Green	Green	Green	Green	Green	Jul 2025	This project is in progress
Progress this Period								
Attekus - Events		The Events Managements system will commence February 2025.						
Esker Stage 2 - Procure to Pay		Further improvements are still being made to the system to enhance the overall customer experience.						
MagiQ		Templates for monthly management financial reports and Capex schedule reports have been developed and are currently in the process of undergoing user acceptance testing.						
Smartygrants		Templates are being developed and built.						
Active Carrot		Build work has been completed and online portal available to customers to make learn to swim bookings.						
Flowingly		Processes and risks that were in Promapp have been transferred and training is in progress.						
Risks Watch List								
Project	Risk		Status	Description	Action/Mitigation			

## 6.5 Sensitive Expenditure Policy Review

**Author:** Brendan Madley, Senior Policy Advisor  
Nigel Howarth, Procurement Lead

**Authoriser:** Andrea Rankin, Chief Financial Officer

### Recommendation

That the Audit and Risk Committee:

1. Receive a verbal update from officers about the Sensitive Expenditure Policy review; and
2. Provide officers with feedback about the current policy to inform the review.

### Purpose of Report

- 1 The purpose of this report is to facilitate a discussion about the suitability of the current Sensitive Expenditure Policy and identify potential amendments to be incorporated into the revised policy.

### Assessment of Significance

- 2 This report is considered as being of low significance when assessed against the Significance and Engagement Policy. This is because it is informational in nature, requests feedback, and does not seek any decisions.

### Discussion

- 3 Officers are reviewing the Sensitive Expenditure Policy. The current policy was approved in November 2022, and is due to be reviewed every three years.
- 4 Officers will present a verbal update about the progress of the review and note any potential changes that they have identified.
- 5 Committee members are invited to present feedback on the current policy to inform the review. The current policy and its accompanying guidelines are attached.
- 6 Following this report and the incorporation of any feedback received, it is intended that:
  - 6.1 a draft policy will undergo internal consultation in March/ April; and
  - 6.2 a summary of the internal consultation and a proposed final policy will be presented to the Committee in June for consideration, amendment and endorsement.
- 7 Following endorsement from the Committee, the Chief Executive can approve the policy under delegated authority.

### Attachments

1. **Current Sensitive Expenditure Policy**  
2. **Current Sensitive Expenditure Guidelines**  

## Sensitive Expenditure Policy 2022



<b>Name</b>	Sensitive Expenditure Policy 2022
<b>Endorsed by:</b>	Audit and Risk Committee
<b>Approved by:</b>	Chief Executive
<b>Group:</b>	Risk and Assurance
<b>Responsibility:</b>	Chief Executive/GM Commercial & Strategy
<b>Date adopted:</b>	
<b>Review:</b>	<p>This Policy will be reviewed and endorsed every three years by the Audit and Risk Committee. The policy can then be approved under delegated authority by the Chief Executive. Any amendments will be endorsed by the Audit and Risk Committee and approved by the Chief Executive.</p> <p>The Expenditure Guidelines and Procedures will be reviewed every three years by the Risk and Assurance Manager and Chief Financial Officer. Any amendments will be approved by the Chief Executive.</p> <p>This Policy does not cease to have effect because it is due for review or being reviewed.</p>
<b>Consultation:</b>	Internal consultation (employees, Public Service Association (PSA))
<b>Policy Type</b>	Internal Corporate Management

## Introduction

### 1. Purpose

- 1.1. The purpose of this Policy (known as the Sensitive Expenditure Policy 2022) is to provide Timaru District Council's (Council) Officers and Agents with a clear principles-based framework for reviewing, approving, and managing sensitive expenditure, and addressing any potential conflict of interest or impropriety that may arise.
- 1.2. The Policy ensures all Council Officers and Agents are treated with fairness in regard to sensitive expenditure.
- 1.3. The Policy ensures that Council takes a consistent approach in regard to sensitive expenditure.

### 2. Scope

- 2.1. The Sensitive Expenditure Policy is applicable to all Council Officers and Agents of Council who are employed and/or have financially delegated authority to spend public money. It clearly identifies the parameters within which Council management shall authorise and incur expenditure of a potentially sensitive nature.

- 2.2. Through this Policy, Council recognises that dealing with public money means that expenditure should be subject to the exemplary standards of probity and financial prudence expected of a public entity. These expectations are necessarily higher than those that exist in the private sector.
- 2.3. Prudent sensitive expenditure policies and processes are strongly endorsed by the Office of the Auditor General (OAG), and the definitions, principles and standards set out in this Policy are in accordance with the advice from the OAG.<sup>1</sup>
- 2.4. This Policy should be read in conjunction with Timaru District Council Expenditure Guidelines and Procedures (in the Corporate Manual), and considered with reference to the Conflicts of Interest Policy.
- 2.5. For the avoidance of doubt sensitive expenditure by Elected Members is covered by the Governance Remuneration, Allowances and Expenses Policy.

### 3. Definitions

<b>One-Up Principle</b>	<p>Where approval or a decision is required in relation to sensitive expenditure, this must be made by a more senior officer than the officer incurring the expenditure, and must be at Tier 3 or above and wherever possible prior to the expenditure being incurred.</p> <p>With regards to sensitive expenditure involving the Chief Executive, approval or decision-making will be undertaken by the Mayor and the Chair of the Audit and Risk Committee</p>
<b>Conflict of Interest:</b>	<p>A conflict of interest is any situation where the duties or responsibilities an Officer or Agent of Council conflict, or could be seen to conflict, with some other interest they might have outside of work. The other interest and/or duty might be:</p> <ul style="list-style-type: none"> <li>• <b>A financial conflict</b> – where the officer or agent’s own financial or business affairs or those of a family member or close associate may influence, affect or compromise the fair and impartial discharge of their duties and/or responsibilities; or</li> <li>• <b>A non-financial conflict</b> – where a relationship or personal connection (family or otherwise) may influence, affect or compromise the fair and impartial discharge of your duties and/or responsibilities; or</li> <li>• <b>A conflict of roles</b> – another role held by the officer or agent (paid or otherwise) which may influence, affect or compromise the fair and impartial discharge of their duties and/or responsibilities; or</li> <li>• <b>Predetermination on an issue</b> – an opinion or view held by the officer or agent that does not permit an impartial and objective assessment of an issue.</li> </ul>
<b>Council Officers and Agents</b>	<p>Any representative (excluding Elected Members) of Council including all employees, volunteers, contractors, consultants and others with</p>

<sup>1</sup> [“Controlling sensitive expenditure: Guide for public organisations”](#), Office of the Auditor General, 2020.

	financial delegations acting on behalf of Council and incurring or committing Council to expenditure.
<b>Sensitive Expenditure:</b>	<p>Any expenditure using Council funds that provides, or has the potential (perceived or real) to provide, a private benefit to a Council officer or agent in addition to the business benefit to Council. It also includes expenditure that could be considered to not align with Council’s purpose and/or functions, or expenditure that could be perceived as wasteful or extravagant. This is not all expenditure by Council, but is expenditure which could be considered sensitive because of any perceived “extra” benefit, including the risk of creating a conflict of interest to a Council Officer or Agent in certain circumstances.</p> <p>By way of example, sensitive expenditure can include travel, accommodation, gifts, hospitality, staff support, training, and welfare-related expenditure, and prior approval must be approved, and where ever possible in advance of the expenditure being incurred.</p>

## Policy Statements

### 4. Principles

- 4.1. Timaru District Council has adopted the principles-based approach to making sensitive expenditure as recommended by the OAG.
- 4.2. Although the principles-based approach requires careful judgement from Council officers or agents spending and approving sensitive expenditure, it is also flexible and more enduring and practical to administer than a large number of prescriptive and prohibitive rules.
- 4.3. The principles that underpin Council’s decision-making about sensitive expenditure are as follows:
  - **Have a justifiable business purpose.** This is ensuring it is consistent with Council’s objectives. The reason for the spend must make clear sense, and is supported by evidence of the need for the spending and different options have been considered.
  - **Preserve impartiality.** This denotes that spending decisions are based on objective criteria, rather than based on any sort of bias, preference, or improper reason. All sensitive expenditure must adhere to Council’s Conflict of Interest Policy.
  - **Be made with integrity** and exercising power in a way that is true to the values, purposes, and duties for which that power is entrusted to Council officers and its agents.
  - **Be moderate and conservative.** This is when the spending is viewed from the standpoint of the public and given the circumstances, it is considered to not be excessive. This includes considering if the justifiable business purpose is at a reasonable cost.

- **Be made transparently.** This is being open about the spending and willing to explain any spending decisions or have them reviewed.
  - **Be made with proper authority.** This means being in accordance with Council's financial delegations and with the Sensitive Expenditure Guidelines and Procedures.
- 4.4. These principles are to be applied together in all cases of sensitive expenditure and all carry the same importance.

## 5. Responsibilities

- 5.1. The Senior Leadership Team are responsible for:
- 5.1.1. Making it clear to all Council officers and agents what is and is not acceptable sensitive expenditure, and for modelling these behaviours to the highest standards.
  - 5.1.2. Ensuring transparency in sensitive expenditure through regular reporting to the Audit and Risk Committee.
- 5.2. Exceptions to this Policy and the supporting Guidelines and Procedures may be made under exceptional circumstances at the discretion of the Chief Executive.
- 5.3. The Risk and Assurance Manager will manage the auditing and reporting of sensitive expenditure (as set out in section 8).

## 6. Approval of Sensitive Expenditure and Breach of Policy

- 6.1. Approval of sensitive expenditure must be:
- 6.1.1. Given only when the manager approving the expenditure is satisfied that the expenditure is for a justified business purpose and meets all other principles in Section 4;
  - 6.1.2. Given before the expenditure is incurred for any expenditure over the limits identified in the Expenditure Guidelines and Procedures wherever practicable;
  - 6.1.3. Made only when budgetary provisions and delegated authority exist; and
  - 6.1.4. Given by an Approving Manager at Tier 3 or above in Council's financial delegation in alignment with the one-up principle. Without exception the authoriser must not be partaking in the sensitive expenditure or any of the benefits arising. If any doubt exists, the Group Manager/Director or Chief Executive is required to review the expenditure and authorise if appropriate.
- 6.2. Any sensitive expenditure incurred by the Chief Executive will be approved by the Mayor and the Chair of the Audit and Risk Committee.
- 6.3. A breach of this policy may be considered misconduct or serious misconduct and give rise to disciplinary action under the Disciplinary Policy as set out in the Corporate Management Policies Manual (Manual).



- 6.4. Any complaints regarding breach of the Policy should be directed to a Group Manager/Director or the Chief Executive. A complaint regarding a breach of the Policy by the Chief Executive should be directed to the Mayor and the Chair of the Audit and Risk Committee.

## **7. Sensitive Expenditure Payment and Reimbursement**

- 7.1. Where reimbursement is sought by any officer or agent for any sensitive expenditure it is to be supported by appropriate documentation; including GST invoices as required by law or receipts, details of the business activity undertaken (including reference to why the activity may be considered sensitive), and names of officers, agents and external parties involved, as required.
- 7.2. Council's Expenditure Procedures in the Manual will also detail Sensitive Expenditure expectations, obligations and processes consistent with this Policy, and breaches of the Manual will be a breach of the Policy.

## **8. Monitoring, Auditing and Reporting of Sensitive Expenditure**

- 8.1. The Risk and Assurance Manager will monitor sensitive expenditure monthly and maintain the register for Council. Any significant discrepancies shall be raised to the Senior Leadership Team as and when they arise.
- 8.2. Reimbursement claims are required to be submitted in writing (or a form capable of being produced in writing) with appropriate supporting evidence and approved in same way as sensitive expenditure is approved. Reimbursement claims made by the Chief Executive must be approved by the Mayor and the Chair of the Audit and Risk Committee.
- 8.3. Sensitive expenditure is a standing agenda item for the Audit and Risk Committee quarterly meetings. The Risk and Assurance Manager will conduct a review of sensitive expenditure and report the following to the Audit and Risk Committee:
- 8.3.1. Sensitive expenditure disclosures for the Chief Executive, Group Managers/Directors and officers as appropriate (for extraordinary instances where the expenditure does not align with any of the principles identified in 4.3);
  - 8.3.2. Any instances of non-compliance with this Policy;
  - 8.3.3. Exceptions to the Policy granted by the Chief Executive;
  - 8.3.4. Any business cases for significant sensitive expenditure approved by the Chief Executive;
  - 8.3.5. Any matters or recommendations arising from the Annual Report relating to sensitive expenditure; and
  - 8.3.6. Any other issues arising from the Policy.
- 8.4. Sensitive expenditure disclosures will be available via the Audit and Risk Committee Agendas on Council's website.

<b>Delegations, References and Revision History</b>					
<b>Delegations</b> Identify here any delegations related to the policy for it to be operative or required as a result of the policy					
<b>Delegation</b>			<b>Delegations Register Reference</b>		
Risk and Assurance Manager will establish, maintain and report on the Sensitive Expenditure Register to Audit & Risk Committee every quarter.			To be added		
<b>References</b> Include here reference to any documents related to the policy (e.g. operating guidelines, procedures)					
<b>Title</b>			<b>Document Reference</b>		
Financial expenditure Guidelines and Procedures			#1539437		
Office of the Auditor General Advice			Controlling Sensitive Expenditure: Guide for Public Organisations <a href="https://oag.parliament.nz/good-practice/sensitive-expenditure">https://oag.parliament.nz/good-practice/sensitive-expenditure</a>		
<b>Revision History</b> Summary of the development and review of the policy					
Revision	Owner	Date Approved	Approval By	Next Review	Doc Ref

# Financial Expenditure Procedures



**Endorsed by:** Audit and Risk Committee  
**Approved by:** Chief Executive  
**Date approved:** 28 November 2022

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## 1. Introduction

- 1.1. The Financial Expenditure Procedures (Procedures) should be read in conjunction with the Sensitive Expenditure Policy, Conflicts of Interest Policy, and in the Delegations Manual.
- 1.2. Financial expenditure covers all purchases for goods or services made by any Council officers or others with delegated financial authority for Timaru District Council. It includes, but is not exclusively about, sensitive expenditure as defined by the Auditor General.
- 1.3. These Procedures cover general expenditure, including sensitive expenditure, and the various mechanisms used for purchases regardless of whether the expenditure is considered sensitive or not.
- 1.4. All expenditure made by Council officers or agents must be in accordance with delegated authority, the Sensitive Expenditure Policy (where applicable) and these Procedures.
- 1.5. Exceptions to the Sensitive Expenditure Policy and these Procedures may be made under exceptional circumstances at the discretion of the Chief Executive.
- 1.6. Sensitive expenditure is defined by the Auditor General as any Council expenditure that provides, or has the potential (perceived or real) to provide, a

private benefit to an individual Council officer or agent that is additional to the business benefit to Council. It also includes expenditure that could be considered not in alignment with Council's purpose and/or functions, or that could be perceived as wasteful or extravagant.

- 1.7. Sensitive expenditure is defined in the Sensitive Expenditure Policy.

## **2. Purchase Cards**

- 2.1. Purchase cards for the purpose of these Procedures includes all bank-issued credit cards and fleet fuel cards. While these purchase cards provide an effective means of paying for everyday purchases and reduce the reliance on petty cash floats, they should only be used when there is no practicable alternative eg. for purchase of software from an overseas jurisdiction where it is not feasible to establish an account. They must not be used as a convenient method to circumvent usual purchase order and accounts payable processes and systems.
- 2.2. All purchase cards are to be used for the purchase of goods and/or services which support legitimate Council business purposes.
- 2.3. Employees should exercise the same duty of care and responsibility when using any purchase cards as they would with any other form of transacting for the purchase of goods and/or services on behalf of Council.
- 2.4. All expenditure on credit cards must be supported by appropriate and relevant documentation (GST receipts and/or invoices).
- 2.5. The use of credit cards for private expenditures or cash advances is prohibited.
- 2.6. Fuel cards are not to be used for personal use, except as provided for in remuneration arrangements.
- 2.7. The Chief Financial Officer is responsible for all processes relating to the acquisition, monitoring, and reporting on the use of credit cards, and will maintain a register of credit card holders.
- 2.8. Credit cards are issued to officers in accordance with the Delegations Manual. Limits are set in accordance with Council's Delegations Manual and are set to be the minimum necessary to enable the cardholder to carry out their duties for Council.
- 2.9. Credit card statements and all transactions are to be verified by the cardholder and approved by their manager in accordance with the Sensitive Expenditure Policy and these Procedures.
- 2.10. All credit card transactions must be supported by original documentation to explain and corroborate transactions. For any entertainment or travel-related expenses, the business reason and any other parties present are to be recorded.
- 2.11. All credit card statements will be verified by the cardholder and approved by the relevant group manager, or the Chief Executive.
- 2.12. Credit card payments made on the internet need to reflect good security practices, such as purchasing only from reputable companies known to Council and websites that the browser identifies as secure. The card holder must keep a

copy of any online order forms and invoices to support the payment. Where the officer making the purchase has any concerns regarding the security of the site or the bona fides of the purchase they are to seek confirmation from either the Chief Information Officer or their delegated officer.

- 2.13. If a credit card or fuel card is lost or stolen, the Chief Financial Officer, the relevant group manager or the Chief Executive must be notified as soon as possible so that the card can be cancelled and replaced.
- 2.14. Any unintentional breaches of the Sensitive Expenditure Policy and Guidelines and Procedures relating to purchase cards must be reported to the employee's manager and the Chief Financial Officer as soon as practical.
- 2.15. Intentional unauthorised use of a Council purchase card may constitute a breach of employment and may result in disciplinary action which may include dismissal.
- 2.16. Fuel cards are provided in each Council-owned/leased car for the purposes of refueling the fleet vehicle, and in some instances refilling oil with express written authority car washes.
- 2.17. When purchasing fuel the driver must enter the current odometer reading.
- 2.18. The person responsible for fleet management will undertake a quarterly audit to ensure compliance with the Sensitive Expenditure Policy and these Procedures.

### **3. Employee Travel, Accommodation, and Meals**

#### **General Guidelines**

- 3.1. Council may pay for reasonable travel expenses for officers or agents undertaking Council business activities including attendance at Council-related conferences, functions, events, training, professional development, and business meetings if online options are not viable.
- 3.2. The preferred method for all travel and accommodation bookings is through Council's approved travel provider used by Council and made by authorised Council officers
- 3.3. The preference for Council travel provider bookings will be undertaken to ensure travel expenses are prudent, booked as far in advance as practicable, and secure the most cost-effective prices.
- 3.4. Any activity that is not related to an officer or agent's employment, role and responsibilities will not be paid for by Council.
- 3.5. Managers are encouraged to liaise with employees in related business areas to ensure that there is no unnecessary duplication of travel costs.
- 3.6. Approval for all travel and all associated expenditure must be in accordance with the Sensitive Expenditure Policy and any associated financial delegations, subject to the following:
  - Tier 1 and 2 managers may approve domestic travel expenses for officers or agents undertaking Council business activities prior to the booking being made.

- The Chief Executive must approve all international travel expenses. International travel for the Chief Executive must be approved by the Mayor and the Chair of the Audit and Risk Committee.
  - All international travel expenses must be reported to the Audit and Risk Committee as part of the Sensitive Expenditure Report.
- 3.7. With prior approval from the appropriate manager, as set out above, personal travel may be permitted in conjunction with a business trip provided there is no additional cost to Council. Any personal leave must be applied for, managed and approved in the normal leave approval process.
- 3.8. Officers and agents are required to inform the approving manager if a spouse, partner or other family members are accompanying them on business-related travel.
- 3.9. Any travel-related costs for accompanying spouses, partners or other family members will not be paid for by Council, unless a special exemption is approved by the Chief Executive for exceptional circumstances. Should any incidental costs of this kind be incurred by Council, these are to be reported in writing to the Chief Financial Officer and repaid within 14 days.
- 3.10. The cost of stopovers will only be reimbursed where they are pre-approved and have a clear business purpose. In general, stopovers will only be approved for long distance, economy flights.
- 3.11. All travel expenses must be made within approved budgets.
- 3.12. All travel and accommodation costs associated with employee recruitment will adhere to the Sensitive Expenditure Policy and these Guidelines and Procedures.

**Travel Booking**

- 3.13. A small number of nominated officers are responsible for managing all flight and accommodation bookings for employees, including travel insurance where required using the Council preferred booking system wherever possible.
- 3.14. Employees should not book their own travel or accommodation unless in exceptional circumstances (e.g. flight cancellation or a natural event).
- 3.15. International travel shall be by Economy Class. Where any flight exceeds nine hours, employees will be provided a 24-hour recuperation period.
- 3.16. Premium Economy travel is permitted only under exceptional circumstances and subject to preapproval by the Chief Executive & Chair of the Audit and Risk Committee, for flights exceeding nine hours where a 24-hour recuperation period is not possible, or if economy flights are not available and travel plans cannot be altered.
- 3.17. For domestic travel, employees may travel the day before the business event where this reduces the risk of delays due to early morning flight cancellation due to fog or other disruptions, or where there is opportunity for business networking the evening prior to the business event.

- 3.18. Council will not provide Air New Zealand Koru Membership for employee unless provided for in remuneration arrangements.

#### **Accommodation**

- 3.19. All business related accommodation costs should be moderate, cost effective and appropriate to requirements, taking into account location relative to where employees are undertaking Council business, the standard and type of accommodation, and safety and security issues.

Reasonable laundry charges may be claimed while on business-related travel where the travel is for greater than 5 working days.

- 3.20. If Council employees choose to stay with a friend or relative, rather than in paid accommodation, Council will pay \$50 per night in costs. This does not apply to contractors, consultants, or volunteers.

#### **Transport**

- 3.21. While travelling on Council-related business, all transport used by officers or agents will be moderate, cost-effective and appropriate to the situation.
- 3.22. Rental cars are only permitted when it is not cost effective or practicable to use a Council fleet vehicle, or a taxi or shuttle service. In such instances, the most economical type and size of rental car, consistent with health and safety requirements, purpose, distance and number of people should be used. It is the responsibility of the driver to ensure they are licensed for and proficient in the use of the type of vehicle rented.
- 3.23. The use of taxis should be for Council-related business activities only and should be moderate and cost-effective relative to other transport options. Wherever practicable, shuttle or bus services are to be used in lieu of taxis.
- 3.24. All drivers are expected to comply with all traffic, parking and other laws when using a vehicle for Council-related business. The driver is responsible for any fines or traffic offences incurred. Drivers are to ensure they are familiar with and adhere to Council's Safe Driving Policy.
- 3.25. Council will reimburse expenses for rideshare transport (e.g. Uber) charged to personal credit cards where evidence is provided to support the business reason for the expense.
- 3.26. Council-funded transport outside of Council provided vehicles in remuneration contracts should not be used for travel between home and work unless the reason for travel is due to work commitments requiring work beyond a reasonable hour, a safety concern, or similar justification.
- 3.27. Private vehicles are not to be used for Council-related travel where travel by other means is more practicable and cost effective. Preapproval from the appropriate Group Manager is required for the use of private vehicles for Council-related travel. Where the use of a private vehicle has been approved, officers or agents must complete and sign an expense claim, including the distance travelled and the business reason for travel.

- 3.28. Mileage will be reimbursed for private vehicles at the current Inland Revenue recommended rate. Use of a private vehicle for work related travel, that is other than incidental, requires the approval of the Manager

#### **Meals**

- 3.29. Where meals are required while travelling, actual and reasonable meal expenses may be claimed. Indicative amounts for reasonable meal expenses are provided as follows (per person):
- Breakfast: \$30
  - Lunch: \$40
  - Dinner \$60
- 3.30. The reimbursement of meals exceeding these indicative amounts may be approved by a Group Manager, when deemed necessary and reasonable given the nature of the business activity or circumstances.
- 3.31. Where meals are provided as part of another package paid for by Council (e.g. lunches included in a conference registration, or breakfast included with accommodation), separate meal expenses cannot be claimed.
- 3.32. Council will not reimburse alcohol purchases or mini-bar expenses, nor are they to be charged to the accommodation provider or on to a Council issued credit or purchase card.

#### **Tipping**

- 3.33. Council may reimburse the costs of tipping in countries and in those circumstances where tipping is local practice, if it is deemed appropriate and necessary, and the tip is a reasonable amount.
- 3.34. Council will not reimburse any tipping that occurs in New Zealand.

## **4. Entertainment and Hospitality**

- 4.1. Council may reimburse officer or agent expenditure when hosting or entertaining external stakeholders, including the costs associated with meals, gifts, koha, and other appropriate Council-related activities. Written pre-approval must be obtained for individual expenditures expected to exceed \$50 for any one event.
- 4.2. Council-related entertainment and hospitality expenditure will only be permitted for the purposes of:
- Representation of the organisation at Council-related events;
  - Reciprocity of Council-related hospitality;
  - Recognition of significant Council-related collaboration and achievement.
- 4.3. All entertainment and hospitality must be modest and appropriate, and commensurate with the nature of the relationship, stakeholders, and/or associated business activity.



- 4.4. All expenditure must be bound by the principles of probity, integrity, and prudence. No entertainment, gifts, or hospitality may be provided where there is the potential for a conflict of interest for the employee or Council.
- 4.5. Written approval for expenditure must be given prior to the purchase, wherever possible, by the appropriate manager, in accordance with the Sensitive Expenditure Policy.
- 4.6. Any reimbursement claims for business-related entertainment and hospitality must be completed by the most senior employee in attendance at the event and be accompanied by:
- a detailed record of the business activity and justification for expenditure;
  - the details of those in attendance (names, positions and organisations represented)
  - itemised GST receipts.
- 4.7. Indicative amounts for reasonable Council-related entertainment and hospitality meal expenditure are as follows (per person):
- Breakfast: \$30
  - Lunch: \$40
  - Dinner: \$60
- 4.8. While not encouraged, alcoholic drinks may be purchased and paid for by Council on an exceptions basis and if necessary due to the nature of the business activity or stakeholder relationship, and with the prior written approval of the Chief Executive.
- 4.9. Any alcohol purchased shall be mid-range, and limited to a reasonable and responsible amount, and offered in conjunction with non-alcoholic beverages. Indicative amounts for alcohol expenditure is up to two standard drinks per person, per event. At such events suitable food must also be available and offered.

#### **Purchase of Business Gifts**

- 4.10. All gifts for external parties paid for by Council, must serve a recognised Council-related need, and require prior approval from the relevant Group manager or above.
- 4.11. For Council's policy on receiving gifts from external stakeholders, see the Conflict of Interest Policy.

## **5. Employee Events, Gifts and Farewells**

- 5.1. Expenditure on employee events including farewells, long service and retirement functions, gifts, and other activities should be modest and appropriate. Farewells will receive \$10 per year after 5 years of service. Long Service will be recognised, depending on length of service, with a present, card/ morning tea.
- 5.2. Council may also acknowledge significant events such as bereavements, engagements, weddings and births by discretionary gift giving/ morning tea.

- 5.3. Council may provide a modest gift and function as part of an employee's farewell or long service recognition, to the agreed amount determined by SLT...
- 5.4. Council will not provide alcoholic drinks at employee events, except under special circumstances and with the prior written approval of the Chief Executive. Any alcohol purchased shall be mid-range, and limited to a reasonable and responsible amount, and offered in conjunction with non-alcoholic beverages. Indicative amounts for alcohol expenditure is up to two standard drinks per person, per event. At such events suitable food must also be available and offered.

## 6. Goods and Services Expenditure

### Loyalty Reward Scheme Benefits

- 6.1. Council procurement decisions should not to be influenced by the prospect of receiving loyalty rewards.
- 6.2. Loyalty reward points to personal accounts while carrying out Council business and purchasing goods and services on behalf of Council are not permitted. This includes Flybuys, Fuel Card reward, supermarket loyalty cards etc. This excludes coffee cards which allow a free coffee for a set number of purchases.
- 6.3.

### Private Use of Council Assets

- 6.4. Any physical item owned, leased, or borrowed by Council is considered an asset for the purpose of this policy. This includes photocopiers, telephones, laptops, tablets, cell phones, cameras, office furniture, uniforms, stationery items, vehicles, and other equipment.
- 6.5. Personal use of Council assets may be permitted in some circumstances, and this must be approved by the appropriate manager with consideration to the principles of transparency, and moderate and conservative expenditure.
- 6.6. Personal use of Council vehicles may only be provided for in employment contracts.
- 6.7. Limited personal use of telephones and internet access is permitted with approval from the appropriate manager. See the Communication and Mobile Device Policy and Information Management Policy for further information.
- 6.8. Where personal use of Council assets occurs beyond these Procedures, costs will be recovered from the employee, unless it is impracticable or uneconomic to separately identify those costs.
- 6.9. Employees are strictly prohibited from using Council assets for private business purposes, any purpose that is illegal or that may bring the Council into disrepute.

### Council Use of Private Assets

- 6.10. At times Council may reimburse employees for use of private assets where this is appropriate for reasons such as cost, convenience, and availability. Council may decide to do this in circumstances where an asset would not be regularly used if

Council were to acquire it directly, such as private motor vehicles, private mobile phones, private technological equipment, or private computers.

- 6.11. Such reimbursements must have a justifiable business purpose and require prior written approval from the appropriate Group Manager.

**Private use of Council's Suppliers**

- 6.12. Council employees may have access to preferential deals from Council suppliers as part of the employee reward scheme which provides these types of deals for all customers (for instance, PB Tech for personal electronic purchases, or Council being a member of the South Canterbury Chamber of Commerce). Such arrangements must be incidental to the supply of the good or service and not available to only specified or nominated employees. For example, the preferential supply arrangements for the SC Chamber of Commerce is available to all members of Chamber of Commerce, therefore there is no preferential treatment for council.
- 6.13. Council officers must not take preferential access to goods and services for employees into account when choosing suppliers. When a preferential arrangement arises, the authorising Council officer must note and record why and how the preferential supply did not influence the procurement decision.

**Sale of Surplus Assets to Officers and Agents**

- 6.14. The principles of impartiality and integrity will be adhered to when disposing of assets.
- 6.15. Council recognises that the book value of assets may not correspond with the market value, or the perceived or actual benefit received by officers and agents.
- 6.16. No surplus assets with a market value of more than \$500 per item will be sold directly to Council employees or agents. Council officers and agents are entitled to partake in any public tender process for the assets.
- 6.17. All assets under \$500 identified for disposal to officers or agents are to be valued and subject to a tender or other process that is appropriate to the value of the asset. The employee/ agent who is undertaking the sale or disposal of the asset must ensure that there is no benefit to them in any way. The officer undertaking the sale or disposal of the asset must evidence that where an employee or agent acquires the asset they have done so in a process that has not benefited them against a third party unassociated with Council.
- 6.18. The Chief Financial Officer must be advised in writing of all surplus Council assets sold including to whom and the amount received for the sale and or disposal.
- 6.19. Council will consider non-financial benefits, eg sustainability, and other considerations such as offering to a charity when disposing of assets and will only offer assets to officers and agents rather than sending the asset to the landfill after all other options have been reasonably explored.
- 6.20. Officers responsible for disposing of assets are absolutely prohibited from benefiting from the disposal.

## 7. Employee Support and Wellbeing Expenditure

### Training

- 7.1. Professional development and training are predominantly offered to Council officers who are full-time or fixed term employees, with Group Manager approval. In exceptional circumstances, any training may be offered to consultants, contractors, or volunteers if there is a clear and justifiable business case that the training is necessary for the particular function being performed in their role(s). This can only be approved by the relevant Group Manager.
- 7.2. Any requests for professional development and training should be directed to an employee's manager in the first instance, and when appropriate, discussed with the Engagement and Culture Directorate.
- 7.3. Membership to a professional body is deemed to be sensitive expenditure due to the personal nature. Payment of professional fees by Council on behalf of an employee must be:
  - Covered by an employment agreement
  - Approved by a Group Manager; and
  - No longer than one year in duration, unless significant discounts are available to Council.

### COSI Committee

- 7.4. Council will provide an annual budget for the COSI Committee to support employee wellbeing initiatives and activities.
- 7.5. Any expenditure will be moderate and conservative and have a justifiable business purpose.

### Sponsorship of sports teams

- 7.6. Council, through the COSI Committee, may sponsor a sports team comprising of employees. This sponsorship will normally be in the way of clothing, equipment, or competition entry fees.
- 7.7. Applications for sponsorship are to be made in writing to the COSI Committee. Any sponsorship will be made within the Committee's annual budget and will be moderate and conservative and have a justifiable business purpose.

## 8. Other Types of Expenditure

### Civil Defence Spending

- 8.1. In Civil Defence emergencies or events, Council officers or agents may be required to purchase food, equipment, or incur travel expenses in exceptional circumstances.
- 8.2. Where possible, these expenses should be approved by a manager at Tier 3 or above prior to the purchase. However, in events where this is not possible, all care must be taken to ensure receipts are obtained and a record of expenditure

with justifiable reasons for the expense(s) are provided for manager approval post-event.

- 8.3. In Civil Defence emergencies, the EOC controller will have authorisation for emergency expenditure for amounts up to \$500. Any sensitive expenditure above \$500 must be approved by either a Group Manager or the Chief Executive.

#### **Donations**

- 8.4. Donations are considered to be voluntary payments (primarily financial or by way of goods or services) made by Council, without expectation of receiving goods or services in return.
- 8.5. While generally discouraged, donations may be made with the written preapproval of a Group Manager or the Chief Executive.
- 8.6. Any donation must be:
- Consistent with Council's business purpose;
  - Be appropriate to the circumstances;
  - Lawful in all respects;
  - Appropriately documented and disclosed;
  - Made to a recognised organisation by normal commercial means; and
  - Non-political.
- 8.7. Donations to organisations through employee fundraising (e.g. Casual Clothes Days) are not covered by these Guidelines and Procedures, however, it is expected that such donations will be lawful; appropriately documented and disclosed; made to a recognised charity or community organisation by normal commercial means; and be non-political.

#### **Koha**

- 8.8. Koha is a gift, token or contribution given on appropriate occasions including:
- Tangihanga
  - Attendance at an event/meeting;
  - For use on or for a marae; and
  - Kaumatau support for powhiri, mihi whakatua meetings or other events.
- 8.9. Council acknowledges the important practice of koha as a taonga and integral part of Tikanga Maori, under the Treaty of Waitangi.
- 8.10. Any koha given on behalf of Council should:
- Reflect the occasion;
  - Be approved by a Group Manager/Director or the Chief Executive; and
  - Be clearly documented with the date, amount, a description of the occasion or event, and purpose.

#### **Information Communications Technology Resources**

- 8.11. Personal use of information communications technology (ICT) resources, including computers, internet, and mobile phones are governed by Council’s Information Management Policy. This policy recognises that some level of personal use of ICT resources is acceptable.
- 8.12. Personal use of Council ICT resources must not:
  - Include unlawful, offensive or improper activities;
  - Affect Council use of the ICT;
  - Affect how employees perform their duties;
  - Be commercial in nature;
  - Involve unreasonable use of resources (such as network bandwidth); and
  - Include installation of communications technology to be used exclusively or predominantly for personal use.

## 9. Review of Guidelines and Procedures

- 9.1. The Financial Expenditure Procedures will be reviewed at least every three years by the Risk and Assurance Manager and Chief Financial Officer. Any amendments will be approved by the Chief Executive, in consultation with the SLT.
- 9.2. These Procedures do not cease to have effect because they are due for review, or being reviewed.

References and Revision History					
<b>References</b>					
Include here reference to any documents related to the policy (e.g. operating guidelines, procedures)					
Document Reference	Title				
#1549508	Sensitive Expenditure Policy				
#1549508	Conflicts of Interest Policy				
#1576553	Information Management Policy				
#1247243	Communication and Mobile Device Policy				
#1417284	Delegations Manual				
<a href="https://oag.parliament.nz/good-practice/sensitive-expenditure">https://oag.parliament.nz/good-practice/sensitive-expenditure</a>	Controlling Sensitive Expenditure: Guide for Public Organisations (OAG)				
<b>Revision History</b>					
Summary of the development and review of the policy					
Revision	Owner	Date Approved	Approval By	Next Review	Doc Ref
	Risk Assurance Manager	TBC	Council, ARC	TBC	#1539437



## 6.6 Credit Rating Review

**Author:** Andrea Rankin, Chief Financial Officer

**Authoriser:** Nigel Trainor, Chief Executive

### Recommendation

That the Audit and Risk Committee receives and notes the 2024 Final Credit Rating Report and the announcement of Council's Credit Rating action for 2025 from Fitch Ratings.

### Purpose of Report

- 1 To present the Committee with the 2024 Final Credit Rating Report (attachment 1) and the announcement of Council's 2025 credit rating action (attachment 2) from Fitch Ratings (Fitch).

### Assessment of Significance

- 2 This matter is of low significance under the Council's Significance and Engagement Policy. This is an annual rating received by Fitch and we have continued to maintain our rating. However, it is noted that the credit rating received from Fitch is of significant interest to a range of stakeholders.

### Discussion

- 2 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).
- 3 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.
- 4 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.
- 5 Following its rating assessment Fitch has reaffirmed Council's rating as "AA-' with a stable outlook'. This 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.
- 6 The strong investment grade credit rating accorded 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.

### Attachments

1. **Fitch Rating Report 2024** [↓](#) 
2. **Fitch Affirms Timaru District Council at 'AA-'; Outlook Stable - January 2025** [↓](#) 







# Timaru District Council

Timaru District Council's Standalone Credit Profile (SCP) of 'aa-' is based on a 'High Midrange' risk profile and a debt sustainability score in the 'aa' category. Fitch Ratings does not incorporate any other risk or support factors in the rating, and hence the Long-Term Local-Currency Issuer Default Rating (IDR) reflects the SCP.

## Key Rating Drivers

**'High Midrange' Risk Profile:** The assessment reflects Fitch's view that there is low risk of Timaru's ability to cover debt service with the operating balance weakening unexpectedly over the scenario horizon - fiscal year ending June 2024 (FY24) to FY28 - due to lower revenue, higher expenditure, or an unexpected rise in liabilities or debt-service requirements.

**'aa' Debt Sustainability:** The debt sustainability assessment is driven by the primary rating metric - the payback ratio (net adjusted debt/operating balance) - over Fitch's rating-case scenario for the period FY24-FY28. After spiking to 11.3x in FY23 due to operating cost pressure and a rise in borrowings to fund a larger capex programme, we expect the payback will settle under 9.0x in the latter three years of the scenario as growth in the operating balance is restored. This sits within the 'aa' category of 5.0x-9.0x.

Secondary metrics include a synthetic debt service coverage ratio (DSCR) of 1.4x in FY28 and a fiscal debt burden of 195.0%, both in the 'bbb' category. These metrics in combination with the payback ratio result in debt sustainability at the weaker end of the 'aa' category. We expect net capex to average around NZD34 million in FY24-FY28. This will drive debt growth, with net adjusted debt to reach around NZD243 million by FY28, from NZD166 million in FY23.

**Other 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](http://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 48,900 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

Timaru District Council		
(NZDm)	FY23	FY28rc
Payback ratio (x)	11.3	8.5
Synthetic coverage (x)	1.0	1.4
Fiscal debt burden (%)	175.3	195.1
Net adjusted debt	166	244
Operating balance	15	29
Operating revenue	95	125
Debt service	7	34
Mortgage-style debt annuity	15	21

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

### Applicable Criteria

International Local and Regional Governments Rating Criteria (September 2021)

### Related Research

Fitch Affirms New Zealand's Timaru District Council at 'AA-'; Outlook Stable (February 2024)

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### Rating Synopsis

#### Timaru District Council LT IDR Derivation Summary

KRF attribute	Key Risk Factors (KRF)						Risk Profile	Secondary metrics				Stand alone Credit Profile (SCP)	From SCP to LT IDR				
	Revenue		Expenditure		Liabilities & Liquidity			Payback Ratio (x)	Synthetic DSCR (x)	Fiscal Debt Burden (%)	DS Score		Intergovernmental lending	Ad-hoc support	Asymmetric Risks	Sovereign Rating	LT IDR Outlook
	Robustness	Adjustability	Sustainability	Adjustability	Robustness	Flexibility											
Stronger	Higher Influence I	Lower Influence KRF		Higher Influence I	Higher Influence I	Higher Influence I	aaa	aaa	aaa	aaa	aaa						
											aa+			AA+	AA+		
											aa			AA	AA		
											aa-			AA-	AA-		
											a+			A+	A+		
											a			A	A		
											a-			A-	A-		
											bbb+			BBB+	BBB+		
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											ccc			CCC	CCC		
											ccc-			CCC-	CCC-		
											cc			CC	CC		
											c			C	C		

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

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 and a DSCR closer to 2.0x in our rating-case scenario.

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, situated on the eastern coastline of New Zealand's South Island, covers an area of 2,737 square km and is home to a population of around 48,900. Timaru contributed around 1% of New Zealand's GDP as of 2023, indicative of its modest yet diverse economy.

Agriculturally rich, the district is distinguished by its fertile land and reliable access to irrigation. These factors allow it to be a leading agricultural region. It supports a number of New Zealand's key industries, including dairy, beef cattle, sheep farming, and the production and processing of dairy and meat products.

Timaru's economy in 2023 was driven by manufacturing, generating 17% of the district's GDP. This was followed by the combined sectors of agriculture, forestry and fishing accounting for 14%, with health care and social assistance contributing 7% and construction 6%. Timaru is an important commercial and distribution hub for many sectors – a position supported the district's deep-water port, situated between Christchurch and Dunedin, the two largest urban centers on the South Island.



Timaru's real GDP growth rate of 2.6% in 2023 was marginally below the national average of 2.9%. The sectors of agriculture, forestry and fishing, alongside manufacturing, continued to expand, whereas construction and healthcare and social assistance industries experienced slight downturns. Employment figures mirrored this trend, with a growth rate of 1.8%, against the national rate of 2.5%. Still, Timaru's unemployment rate of 2.9% was lower than the national rate of 3.3%. In addition, per capita GDP figures for Timaru were above the national average, at NZD75,235 against the national average of NZD72,329.

**Socioeconomic Indicators**

	Timaru	Sovereign
Population, 2023 (m)	0.05	5.22
Average annual population growth, 2013-2023 (%)	0.8	1.6
GDP per capita, 2023 (NZD)	75,235	72,329
GRP growth, 2023 (%)	2.6	2.9
Unemployment rate, 2023 (%)	2.9	3.3

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**

Risk profile	Revenue robustness	Revenue adjustability	Expenditure sustainability	Expenditure adjustability	Liabilities & liquidity robustness	Liabilities & liquidity flexibility
High Midrange	Stronger	Stronger	Midrange	Stronger	Stronger	Midrange

Source: Fitch Ratings

The assessment reflects Fitch's view that there is a low risk of an unexpected weakening in Timaru's ability to cover debt service with the operating balance over the scenario horizon – FY24 to FY28 – due to lower revenue, higher expenditure, or an unexpected rise in liabilities or debt-service requirements.

**Revenue Robustness: Stronger**

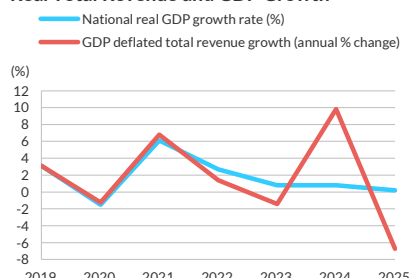
Fitch believes that Timaru has a stable revenue base, due primarily to the significant proportion of revenue derived from property rates. Property rates accounted for about 61% of total revenue in FY23. Fitch views these rates as a highly stable source of tax revenue due to their correlation with property values and the robustness of the collection system. Rates revenue over the five years to FY23 showed a CAGR of 5.8%, which contributed to a stable operating revenue CAGR of 4.8%.

Timaru receives financial support from the central government in the form of grants and subsidies. These funds are primarily provided by the New Zealand Transport Agency (NZTA) and allocated to the maintenance, renewal and enhancement of the council's extensive road network. Timaru's grants and subsidies totalled NZD13.3 million in FY23 or 12% of the council's total revenue. The NZTA subsidy typically covers around half of the costs associated with road and footpath maintenance and renewal. Fitch regards these grants as a dependable source of income that contributes to Timaru's fiscal capability to meet expenditure commitments.

The 'Stronger' assessment assigned to Timaru's revenue robustness is based on Fitch's expectation that the growth of rates revenue will persist, coupled with the stability of other significant revenue sources such as central government grants, fees, charges and dividends from council-controlled entities. This favorable outlook underscores the financial resilience and sustainability of Timaru's revenue streams.



**Real Total Revenue and GDP Growth**



Source: Fitch Ratings

**Revenue Breakdown, FY23**

	Operating revenue (%)	Total revenue (%)
Rates	69.6	60.7
Fees & charges	18.3	15.9
Transfers	5.0	4.4
Other operating revenue	7.1	6.2
<b>Operating revenue</b>	<b>100.0</b>	<b>87.2</b>
Interest revenue	-	3.1
Capital revenue	-	9.7
<b>Total revenue</b>	<b>-</b>	<b>100.0</b>

Source: Fitch Ratings, Fitch Solutions, Timaru District Council

**Revenue Adjustability: Stronger**

Councils in New Zealand have a substantial capacity to modify revenue streams to align with expenditure requirements. Residential rates typically represent 3%-4% of household income for New Zealand residents, which is low compared to international benchmarks. This gives councils such as Timaru the fiscal leeway to increase rates if necessary, while within ratepayer affordability constraints.

Timaru has established rates affordability standards, which include a ceiling on rates income – NZD85 million for FY24 – and a cap on annual rate increases at 7% plus inflation. The council has occasionally exceeded these benchmarks, such as in FY19 and FY22, to meet budgetary needs.

Fitch estimates that additional revenue generated by use of Timaru’s fiscal leeway would cover over 200% of a reasonably expected decline in revenue – assumed to be 2%. This indicates a ‘Stronger’ assessment of revenue adjustability under Fitch’s *International Local and Regional Governments Rating Criteria*.

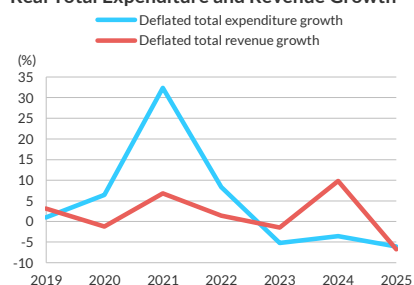
**Expenditure Sustainability: Midrange**

Timaru’s expenditure is primarily focused on the provision of essential local services, such as water supply, sewerage, stormwater systems, road infrastructure, waste management and community development initiatives. These obligations are mostly non-cyclical, ensuring a steady pattern of expenditure. Notably, the council is not responsible for large spending areas, such as healthcare and education, which are covered by the central government.

Funding for operational expenses is typically met by operating revenue, which is managed through a structured and efficient budgeting process. In contrast, significant capex is partially financed through borrowing, primarily used to improve public service levels and to cater to growth.

Timaru’s disciplined budgeting approach, characterised by aligning revenue growth with corresponding growth in expenditure, has contributed to the council receiving a ‘Midrange’ assessment for expenditure sustainability under our rating criteria for local and regional governments (LRG). This rating suggests a balanced fiscal position where revenue and expenditure growth are largely aligned.

**Real Total Expenditure and Revenue Growth**



Source: Fitch Ratings

**Expenditure Breakdown, FY23**

	Operating expenditure (%)	Total expenditure (%)
Staff cost	30.9	16.6
Transfers to other budgets	0.0	0.0
Other operating expenditure	69.1	37.0
<b>Operating expenditure</b>	<b>100.0</b>	<b>53.6</b>
Interest expenditure	-	4.9
Capital expenditure	-	41.4
<b>Total expenditure</b>	<b>-</b>	<b>100.0</b>

Source: Fitch Ratings, Fitch Solutions, Timaru District Council



**Expenditure Adjustability: Stronger**

Under the LRG regulatory framework, councils such as Timaru are mandated to maintain balanced budgets, a policy that Fitch believes supports fiscal discipline. It requires councils to provide a rationale for budgetary deficits.

A substantial portion of Timaru's operating expenditure is moderately inflexible, with personnel costs comprising 30.9% of the adjusted operating expenses for FY23. Such costs tend to be relatively fixed and less able to be adjusted quickly. Conversely, capex provides greater flexibility. It accounted for more than one-third of Timaru's total outlays in FY23. Capex is projected to sustain its proportionate share of the budget over the forthcoming five-year period leading up to FY28.

Timaru's demonstrated ability to adjust its capex, when considered alongside the effective balanced budget regulations of the sector, underpins Fitch's assessment of expenditure adjustability as 'Stronger'. This assessment reflects the council's ability to adjust its fiscal approach in response to changing economic conditions, thereby maintaining a robust financial position.

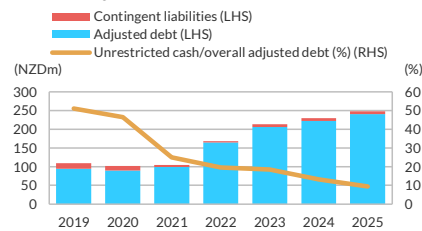
**Liabilities and Liquidity Robustness: Stronger**

Timaru's borrowing is exclusively sourced through the New Zealand Local Government Funding Agency Limited (LGFA, AA+/Stable). This centralised financing platform provides beneficial funding terms and ready access to debt capital. Around 80% of Timaru's NZD205.5 million in debt at FYE23 was on fixed interest rates, providing stability against market fluctuations. The maturity profile is evenly spread to 2030, with an average weighted life of around 3.6 years. Timaru's treasury management policy mitigates refinancing risk by requiring no more than one-third of the debt to mature within a single 12-month period.

Unlike some jurisdictions that impose centrally managed borrowing limits, Timaru adheres to internal benchmarks for debt affordability. These benchmarks cap council borrowings at 2.1 times the operating revenue, a conservative figure compared with the LGFA's debt ceiling of 2.8 times. Furthermore, we believe Timaru's off-balance-sheet obligations are limited and low-risk.

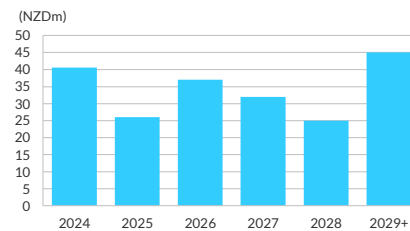
The combination of Timaru's access to low-cost funding via the LGFA, the agency's strong creditworthiness, and the council's own prudent treasury management practices, including a solid record of managing debt and liquidity, results in the 'Stronger' assessment.

**Overall Adjusted Debt Structure**



Source: Fitch Ratings

**Direct Debt Maturity Profile, FYE23**



Source: Fitch Ratings, Timaru District Council

**Liabilities and Liquidity Flexibility: Midrange**

Timaru's liquidity position is buttressed by the LGFA financing framework, which provides stable funding access, and cash reserves and short-term deposits, exceeding NZD25 million at fiscal year-end for the past five years. A committed NZD5 million bank facility further enhances Timaru's financial flexibility. This liquidity foundation counterbalances the refinancing risks of maturing debt obligations.

We believe that Timaru is unlikely to be restricted by the LGFA's debt ceiling of 280% over the medium term. However, an unanticipated escalation in borrowing, potentially due to increased capex, may pose a risk to the debt ceiling over an extended period.



**Debt Analysis**

	FYE23
Fixed rate (% of direct debt)	78
Debt in foreign currency (% of direct debt)	0
Apparent cost of debt (%)	4.0
Weighted average life of debt (years)	3.6

Source: Fitch Ratings, Timaru District Council

**Liquidity**

(NZDm)	FYE23
Total cash, liquid deposits and sinking funds	39
Restricted cash	0
Cash available for debt service	39
Undrawn committed credit lines	5

Source: Fitch Ratings, Timaru District Council

**Debt Sustainability Assessment**

Debt Sustainability: 'aa' category

**Debt Sustainability Metrics Summary**

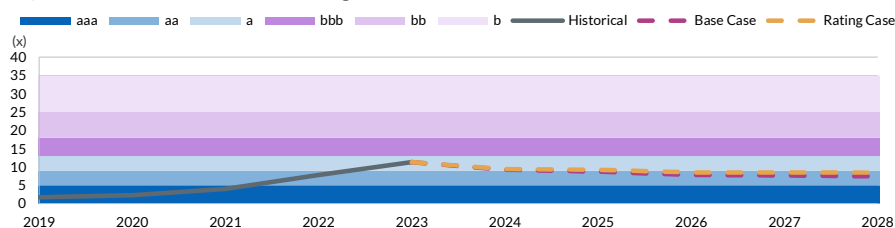
	Primary metric	Secondary metrics	
	Payback Ratio (x)	Coverage (x)	Fiscal debt burden (%)
aaa	X ≤ 5	X ≥ 4	X ≤ 50
aa	5 < X ≤ 9	2 ≤ X < 4	50 < X ≤ 100
a	9 < X ≤ 13	1.5 ≤ X < 2	100 < X ≤ 150
bbb	13 < X ≤ 18	1.2 ≤ X < 1.5	150 < X ≤ 200
bb	18 < X ≤ 25	1 ≤ X < 1.2	200 < X ≤ 250
b	X > 25	X < 1	X > 250

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

The debt sustainability assessment is driven by the primary rating metric – the payback ratio (net adjusted debt/operating balance) – over Fitch's rating-case scenario for FY24-FY28. The payback spiked to 11.3x in FY23 due to pressures on operating costs and a rise in borrowings to fund a larger capex programme. However, we expect it to settle under 9.0x in the latter three years of the scenario as growth in the operating balance is restored. This would sit within the 'aa' category of 5.0x-9.0x.

Secondary metrics include a synthetic DSCR of 1.4x in FY28 and a fiscal debt burden of 195.0%, both in the 'bbb' category. These metrics, in combination with the payback ratio, result in debt sustainability at the weaker end of the 'aa' category. We expect net capex to average around NZD34 million in FY24-FY28, which will drive debt growth, with net adjusted debt reaching around NZD243 million by FY28, from NZD166 million in FY23.

**Payback Ratio - Fitch's Base and Rating Case Scenarios**



Source: Fitch Ratings, Timaru District Council



**Scenario Assumptions Summary**

Assumptions	5-year historical average	FY24 - FY28 average	
		Base case	Rating case
Operating revenue growth (%)	4.8	5.8	5.7
Tax revenue growth (%)	5.8	6.2	6.2
Current transfers received growth (%)	1.7	4.0	3.5
Operating expenditure growth (%)	9.6	3.3	3.7
Net capital expenditure (average per year; m)	-41	-34	-34
Apparent cost of debt (%)	3.6	3.6	3.7

Outcomes	FY23	FY28	
		Base case	Rating case
Payback ratio (x)	11.3	7.4	8.5
Synthetic coverage ratio (x)	1.0	1.6	1.4
Fiscal debt burden (%)	175.3	185.6	195.0

Source: Fitch Ratings, Timaru District Council

Fitch's adjusted debt calculation for FY23 includes direct debt of NZD205.5 million. Net adjusted debt was NZD166.2 million after deducting the council's unrestricted cash and short-term liquid assets of NZD39.3 million.

Contingent liabilities are limited and are not significant to the rating outcome. The council has exposure as a joint guarantor of LGFA's borrowings, although we regard this as low-risk given LGFA's high credit quality.

**SCP Positioning and Peer Comparison**

**SCP Positioning Table**

Risk profile	Debt sustainability					
	aaa or aa	aa	a	bbb	bb	b
Stronger	aaa or aa	aa	a	bbb	bb	b
High Midrange	aaa	aa	a	bbb	bb	b
Midrange		aaa	aa	a	bbb	bb or below
Low Midrange			aaa	aa	a	bbb or below
Weaker				aaa	aa	a or below
Vulnerable					aaa	aa or below
<b>Suggested analytical outcome (SCP)</b>	<b>aaa</b>	<b>aa</b>	<b>a</b>	<b>bbb</b>	<b>bb</b>	<b>b</b>

Source: Fitch Ratings

The table below shows a mix of domestic and international peers with SCPs ranging from 'a+' to 'aa+'. All LRGs have 'High Midrange' risk profiles. The comparison shows three 'aa-' rated New Zealand council peers – Queenstown Lakes District Council (AA-/Stable), Rotorua Lakes Council (AA-/Stable) and Waipa District Council (AA-/Stable) – each with similar primary metrics between 7.6x and 8.8x (in the 'aa' category). Secondary metrics are more varied but fall between the 'bbb' and 'a' categories for all issuers.

In terms of the French peers – Region of Centre-Val de Loire (AA-/Stable), Region of Occitanie (AA-/Stable) and Aix-Marseille-Provence Metropolis (A+/Stable) – Timaru shows weaker primary and secondary metrics than the 'aa' rated LRGs, and has a stronger primary metric compared with the 'a+' peer – Aix-Marseille-Provence Metropolis.

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	Primary metric (x)	SCP	IDR	Outlook/watch
Timaru District Council	High Midrange	8.5	aa-	AA-	Stable
Queenstown Lakes District Council	High Midrange	8.8	aa-	AA-	Stable
Rotorua Lakes Council	High Midrange	8.7	aa-	AA-	Stable
Waipa District Council	High Midrange	7.6	aa-	AA-	Stable
Region of Centre-Val de Loire	High Midrange	7.4	aa	AA-	Stable
Region of Occitanie	High Midrange	6.4	aa	AA-	Stable
Aix-Marseille-Provence Metropolis	High Midrange	9.3	a+	A+	Stable

Source: Fitch Ratings

**Long Term Rating Derivation**

**From SCP to IDR/CO : Factors Beyond the SCP**

SCP	Sovereign	Support			Asymmetric Risks	Cap	Notches above the Sovereign	IDR/CO
		Intergovern. Financing	Ad-hoc Support	Floor				
aa-	AA+	n.a.	n.a.	--	n.a.	AA+	n.a.	AA-

Source: Fitch Ratings

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](http://www.fitchratings.com/topics/esg/products#esg-relevance-scores).



**Appendix A: Financial Data**

**Timaru District Council**

(NZDm)	FY19	FY20	FY21	FY22	FY23	FY24rc	FY25rc	FY26rc	FY27rc	FY28rc
<b>Fiscal performance</b>										
Taxes	52.7	54.9	55.9	62.4	66.0	72.3	76.2	80.2	84.5	89.0
Transfers received	3.5	3.6	9.2	4.2	4.8	5.4	5.6	5.8	6.1	5.7
Fees, fines and other operating revenues	22.2	21.1	22.5	22.3	24.1	26.0	27.2	28.0	29.1	30.2
Operating revenue	78.4	79.6	87.6	88.9	94.9	103.7	109.0	114.0	119.7	124.9
Operating expenditure	-56.0	-61.1	-69.0	-72.1	-80.2	-83.5	-85.4	-87.3	-92.0	-96.2
Operating balance	22.4	18.5	18.6	16.8	14.7	20.2	23.6	26.7	27.7	28.7
Interest revenue	2.7	1.9	1.0	1.3	3.4	3.2	2.4	1.9	1.9	1.9
Interest expenditure	-3.8	-3.5	-2.9	-4.1	-7.4	-9.0	-8.8	-9.0	-8.8	-8.6
Current balance	21.3	16.9	16.7	14.0	10.6	14.4	17.2	19.6	20.8	22.0
Capital revenue	6.8	7.6	9.3	14.1	10.6	17.2	7.4	7.6	8.7	8.8
Capital expenditure	-28.3	-31.6	-59.0	-72.9	-62.0	-57.2	-50.3	-36.9	-39.9	-36.8
Capital balance	-21.5	-24.0	-49.7	-58.8	-51.4	-40.0	-42.9	-29.3	-31.2	-28.0
Total revenue	87.9	89.1	97.9	104.4	108.8	124.1	118.8	123.5	130.3	135.7
Total expenditure	-88.1	-96.2	-130.9	-149.2	-149.6	-149.7	-144.5	-133.2	-140.7	-141.7
Surplus (deficit) before net financing	-0.2	-7.1	-33.0	-44.8	-40.7	-25.6	-25.7	-9.7	-10.4	-6.1
New direct debt borrowing	31.0	0.0	10.0	65.4	40.7	57.3	44.3	43.5	43.0	32.0
Direct debt repayment	-32.5	-5.0	0.0	0.0	0.0	-40.5	-26.0	-37.0	-32.0	-25.0
Net direct debt movement	-1.5	-5.0	10.0	65.4	40.7	16.8	18.3	6.5	11.0	7.0
Overall results	-1.7	-12.1	-23.0	20.5	0.0	-8.8	-7.4	-3.2	0.6	0.9
<b>Debt and liquidity</b>										
Short-term debt	27.5	42.6	38.5	44.8	40.5	42.0	42.8	43.7	44.6	45.5
Long-term debt	67.0	46.9	61.0	120.0	165.0	180.3	197.8	203.4	213.6	219.7
Intergovernmental debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct debt	94.5	89.5	99.5	164.8	205.5	222.3	240.6	247.1	258.2	265.1
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	94.5	89.5	99.5	164.8	205.5	222.3	240.6	247.1	258.2	265.1
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	15.0	12.5	4.6	3.6	7.5	7.5	7.5	7.5	7.5	7.5
Overall adjusted debt	109.5	102.0	104.1	168.4	213.0	229.8	248.1	254.6	265.7	272.6
Total cash, liquid deposits, and sinking funds	55.8	47.4	25.9	33.0	39.3	30.5	23.1	19.9	20.5	21.4
Restricted cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Unrestricted cash	55.8	47.4	25.9	33.0	39.3	30.5	23.1	19.9	20.5	21.4
Net adjusted debt	38.7	42.1	73.6	131.9	166.2	191.8	217.5	227.2	237.7	243.7
Net overall debt	53.7	54.6	78.2	135.5	173.7	199.3	225.0	234.7	245.2	251.2
Enhanced net adjusted debt	38.7	42.1	73.6	131.9	166.2	191.8	217.5	227.2	237.7	243.7
Enhanced net overall debt	53.7	54.6	78.2	135.5	173.7	199.3	225.0	234.7	245.2	251.2

rc - rating case  
Source: Fitch Ratings, Timaru District Council



**Appendix B: Financial Ratios**

**Timaru District Council**

	FY19	FY20	FY21	FY22	FY23	FY24rc	FY25rc	FY26rc	FY27rc	FY28rc
<b>Fiscal performance ratios (%)</b>										
Operating balance/operating revenue	28.6	23.2	21.2	18.9	15.5	19.5	21.7	23.4	23.1	23.0
Current balance/current revenue	26.3	20.7	18.9	15.5	10.8	13.5	15.4	16.9	17.1	17.3
Operating revenue annual growth	4.4	1.5	10.1	1.5	6.6	9.3	5.1	4.6	5.0	4.4
Operating expenditure annual growth	10.5	9.1	12.9	4.6	11.1	4.1	2.3	2.2	5.4	4.6
Surplus (deficit) before net financing/total revenue	-0.2	-8.0	-33.7	-42.9	-37.4	-20.6	-21.6	-7.9	-8.0	-4.5
Surplus (deficit) before net financing/GDP	0.0	-0.2	-1.0	-1.3	-1.1	-0.7	-0.7	-0.2	-0.2	-0.1
Total revenue annual growth	5.7	1.4	9.9	6.6	4.3	14.0	-4.3	4.0	5.5	4.1
Total expenditure annual growth	3.7	9.2	36.1	14.0	0.2	0.1	-3.5	-7.8	5.6	0.7
<b>Debt ratios</b>										
<b>Primary metrics (x)</b>										
Payback ratio (x) (Net adjusted debt to operating balance)	1.7	2.3	4.0	7.8	11.3	9.5	9.2	8.5	8.6	8.5
Enhanced payback ratio	1.7	2.3	4.0	7.8	11.3	9.5	9.2	8.5	8.6	8.5
Overall payback ratio	2.4	3.0	4.2	8.1	11.8	9.9	9.5	8.8	8.9	8.8
Enhanced overall payback ratio	2.4	3.0	4.2	8.1	11.8	9.9	9.5	8.8	8.9	8.8
<b>Secondary metrics</b>										
Fiscal debt burden (%) (Net debt-to-operating revenue)	49.4	52.9	84.0	148.3	175.3	185.0	199.5	199.3	198.6	195.1
Synthetic debt service coverage ratio (x)	6.4	5.0	3.0	1.5	1.0	1.2	1.2	1.3	1.4	1.4
Actual debt service coverage ratio (x)	0.6	2.2	6.4	4.1	2.0	0.4	0.7	0.6	0.7	0.9
<b>Other debt ratios</b>										
Liquidity coverage ratio (x)	2.2	8.7	22.8	10.3	6.4	1.2	1.6	1.1	1.2	1.5
Direct debt maturing in one year/total direct debt (%)	29.1	47.6	38.7	27.2	19.7	18.9	17.8	17.7	17.3	17.2
Direct debt (annual % change)	0.0	-5.3	11.2	65.7	24.7	8.2	8.2	2.7	4.5	2.7
Apparent cost of direct debt (interest paid/direct debt) (%)	4.0	3.8	3.1	3.1	4.0	4.2	3.8	3.7	3.5	3.3
<b>Revenue ratios (%)</b>										
Tax revenue/total revenue	60.0	61.6	57.1	59.8	60.7	58.3	64.1	64.9	64.9	65.6
Current transfers received/total revenue	4.0	4.0	9.4	4.0	4.4	4.4	4.7	4.7	4.7	4.2
Interest revenue/total revenue	3.1	2.1	1.0	1.3	3.1	2.6	2.0	1.5	1.5	1.4
Capital revenue/total revenue	7.7	8.5	9.5	13.5	9.8	13.9	6.2	6.2	6.7	6.5
<b>Expenditure ratios (%)</b>										
Staff expenditure/total expenditure	20.1	20.6	16.0	15.1	16.6	-	-	-	-	-
Current transfers made/total expenditure										
Interest expenditure/total expenditure	4.3	3.6	2.2	2.8	5.0	6.0	6.1	6.8	6.3	6.1
Capital expenditure/total expenditure	32.1	32.9	45.1	48.9	41.4	38.2	34.8	27.7	28.4	26.0

rc - rating case  
Source: Fitch Ratings, Timaru District Council



**Public Finance**  
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**New Zealand**

## Appendix C: Data Adjustments

### Net Adjusted Debt Calculations

FY23: Net adjusted debt of NZD166.2 million = Direct debt of NZD205.5 million + Other Fitch-classified debt (nil) - Fitch-calculated, unrestricted cash, liquid deposits and sinking funds of NZD39.3 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 LRGs' 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 maturing within 12 months are also considered as cash. Some non-recurring operating expenditure items are reclassified as capex.



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27 JAN 2025

## **Fitch Affirms New Zealand's Timaru District Council at 'AA-'; Outlook Stable**

Fitch Ratings - Sydney/Singapore - 27 Jan 2025: Fitch Ratings has affirmed Timaru District Council's Long-Term Local-Currency Issuer Default Rating (IDR) at 'AA-' with a Stable Outlook.

The affirmation is based on Timaru's Standalone Credit Profile (SCP) of 'aa-', reflecting a 'High Midrange' risk profile and a '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**

#### **Risk Profile: 'High Midrange'**

The assessment reflects Fitch's view that there is a low risk of an unexpected weakening in Timaru's ability to cover debt service with the operating balance over the scenario horizon - the fiscal year ending June 2025 (FY25) to FY29 - due to lower revenue, higher expenditure or an unexpected rise in liabilities or debt-service requirements.

#### **Revenue Robustness: 'Stronger'**

The assessment is based on the stability of property taxes in the form of property rates, alongside a consistent framework of central government transfers and Timaru's prospects for sustained economic growth. Rates accounted for 71% of operating revenue in FY24 and rose at a five-year CAGR of 6.8% to FY24, underpinning a 5.5% rise in operating revenue. We anticipate this revenue growth will persist in the medium term, bolstered by government transfers mainly aimed at offsetting the expenses of developing and maintaining the district's road network as well as fees for local public services.

#### **Revenue Adjustability: 'Stronger'**

Councils possess considerable flexibility in adjusting revenue to align with expenditure commitments. Rates typically account for about 3%-4% of household income for residential ratepayers in New Zealand, which Fitch views as low compared with international peers. This suggests that rate hikes would not pose significant affordability issues. Councils generally establish limits on rate increases within their budgets, but can surpass these limits to address budgetary pressure, which provides substantial funding flexibility.

#### **Expenditure Sustainability: 'Midrange'**

Timaru is responsible for expenditure related to local services, including water supply, sewerage,

stormwater infrastructure, roads, waste collection and area development, many of which are non-cyclical. Operating expenditure is usually predictable and covered by operational revenue through a well-planned budgeting system, while a significant share of capital expenditure is financed through borrowings. This budgeting process, which typically aligns expenditure growth with revenue growth, results in a 'Midrange' assessment under Fitch's criteria.

#### **Expenditure Adjustability: 'Stronger'**

Councils are typically mandated to balance their operating budgets annually under the sector's policy framework. This requirement is integral to councils' annual and long-term planning and reporting. Councils are required to justify any budget deficit, which limits the risk of significant or prolonged deficits. Councils have moderate flexibility in adjusting operating expenditure, whereas capex is highly flexible. On average, we anticipate capex will account for approximately one-third of total revenue over the five years to FY29, providing high flexibility in the overall expenditure base.

#### **Liabilities & Liquidity Robustness: 'Stronger'**

Timaru relies on the New Zealand Local Government Funding Agency Limited (LGFA) (AA+/Stable) for financing. This channel enables Timaru to borrow at low interest rates and benefit from the liquidity offered by LGFA's established access to domestic and international debt markets. The council borrows at various tenors, maintaining a smooth maturity profile, predominantly at fixed rates to limit interest-rate risk and with no foreign-currency exposure. Internal controls cap net debt at 250% of operating revenue, stricter than LGFA's 280% ceiling. Off-balance-sheet liabilities are limited and present low risk.

#### **Liabilities & Liquidity Flexibility: 'Midrange'**

The LGFA borrowing framework supports Timaru's liquidity access, complemented by robust cash and short-term deposit holdings exceeding NZD20 million for the five years to FY24, along with a NZD5 million committed bank facility. The liquidity provided by the LGFA mitigates refinancing risk for maturing debt. We do not expect the council will be constrained by the LGFA's 280% debt ceiling, measured by net debt/revenue, in the medium term, though an unexpected rise in borrowings, potentially due to capex demands, could challenge the limit in the longer term.

These elements, coupled with the absence of an emergency liquidity support mechanism or explicit central government guarantee, lead to a 'Midrange' assessment.

#### **Financial Profile: 'aa category'**

The financial profile is driven by the primary rating metric, the payback ratio (net adjusted debt/operating balance), over Fitch's rating-case scenario for FY25-FY29. We expect the council's deleveraging to continue, with the payback ratio falling to 8.4x by FY29, after a decrease to 10.1x in FY24, from 11.3x in FY23. This downward trajectory relies on the council's ability to control costs to support a projected rise in the operating balance as property rate increases drive revenue higher. Our rating case positions the payback ratio within the 'aa' category of 5.0x-9.0x.

Secondary metrics include a synthetic debt-service coverage ratio (DSCR) of 1.3x in FY28 and a fiscal

debt burden of 212%, in the 'bbb' and 'bb' categories, respectively. The combination of metrics lead to the financial profile at the weaker end of the 'aa' category.

### **Derivation Summary**

Timaru's IDR is driven by its SCP, which reflects a 'High Midrange' risk profile and financial profile in the weaker range of the 'aa' category under Fitch's rating-case scenario. No other factors affect the rating.

### **Key Assumptions**

**Risk Profile: 'High Midrange'**

**Revenue Robustness: 'Stronger'**

**Revenue Adjustability: 'Stronger'**

**Expenditure Sustainability: 'Midrange'**

**Expenditure Adjustability: 'Stronger'**

**Liabilities and Liquidity Robustness: 'Stronger'**

**Liabilities and Liquidity Flexibility: 'Midrange'**

**Financial Profile: 'aa'**

**Asymmetric Risk: 'N/A'**

**Support (Budget Loans): 'N/A'**

**Support (Ad Hoc): 'N/A'**

**Rating Cap (LT IDR): 'N/A'**

**Rating Cap (LT LC IDR) 'N/A'**

**Rating Floor: 'N/A'**

### **Quantitative assumptions - Issuer Specific**

Fitch's rating case is a "through-the-cycle" scenario that incorporates a combination of revenue, cost and financial risk stresses. It is based on FY20-FY24 actual figures and FY25-FY29 projected ratios. The key assumptions for the scenario include:

- Operating revenue CAGR of 8.7%, driven by property tax revenue growth of 9.5%.
- Operating expenditure CAGR of 7.0%, as costs moderate on lower inflation.
- Net capex to average NZD50 million a year in FY25-FY29, as Timaru continues its large capex plan.



- Cost of funds to average 4.8% in FY25-FY29 (FY24: 4.7% Fitch-estimated average cost of funds).

### **Issuer Profile**

Timaru is a district on the east coast of New Zealand's South Island. It has a population of around 50,100 and a diverse economy, including its principal industries of dairy, beef cattle and sheep farming, food product processing, healthcare and social assistance.

### **Rating Sensitivities**

#### **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.

#### **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 and a DSCR closer to 2.0x in our rating-case scenario.

### **ESG Considerations**

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. 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](http://www.fitchratings.com/topics/esg/products#esg-relevance-scores)

### **References for Substantially Material Source Cited as Key Driver Rating**

The principal sources of information used in the analysis are described in the Applicable Criteria.

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**Rating Actions**

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Timaru District Council	LC LT IDR	AA- 	Affirmed	AA- 

**RATINGS KEY OUTLOOK WATCH**

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

**Applicable Criteria**

[International Local and Regional Governments Rating Criteria \(pub.16 Aug 2024\) \(including rating assumption sensitivity\)](#)

**Additional Disclosures**

## Solicitation Status

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## 6.7 Debenture Trust Audit Report

**Author:** Andrea Rankin, Chief Financial Officer

**Authoriser:** Nigel Trainor, Chief Executive

### Recommendation

That the Audit and Risk Committee:

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

### Purpose of Report

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

### Assessment of Significance

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

### Discussion

- 3 Timaru District Council (Council) is a Principal Shareholder and borrower under the New Zealand Local Government Funding Agency Limited (LGFA) multi-issuer facility. As a shareholder of the LGFA, the Council is required to have a Debenture Trust Deed to be able to participate as a borrower and a shareholder, and therefore take advantage of the lower interest rate margins LGFA offer.
- 4 A Debenture Trust Deed is a deed between a local authority and a trustee, under which a local authority grants a security interest in its rates and rates revenue to the trustee to hold on behalf of holders of "stock" issued under the debenture Trust Deed.
- 5 The local authority can then issue "stock" to creditors which has the benefit of the security granted to the trustee.
- 6 Council also uses the Debenture Trust Deed to provide security for its borrowings from banks.
- 7 Covenant Trustee Services Limited (the Trustee) are the debenture trustee in terms of the facility.
- 8 Debenture Trust Deed between Covenant Trustee Services and Timaru District Council is dated 15 May 1998 and referred to as the "Trust Deed".
- 9 Council is required to provide a certificate and an audit report is required.
- 10 Preparation of the reporting certificate to the Trustee follows on from the adoption of the Timaru District Council Annual Report 2023/24.

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

#### Attachments

1. **Debenture Trust Deed 2024 independent assurance report final** [↓](#) 

## **Independent Assurance Report**

### **To Timaru District Council and to Covenant Trustee Services in respect of Timaru District Council's Debenture Trust Deed for the year ended 30 June 2024**

The Auditor-General is the auditor of Timaru District Council (the Council) pursuant to the Public Audit Act 2001. The Auditor-General has appointed me, Rudie Tomlinson, using the staff and resources of Audit New Zealand to undertake a limited assurance engagement, on his behalf, as required by clause 9.3 of the Debenture Trust Deed dated 15 May 1998 and its subsequent amendments (the Trust Deed), for the year ended 30 June 2024.

#### **Councillors' responsibilities**

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

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

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

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

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

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

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

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



The Financial Markets Authority (FMA) issued a guidance note titled “Monitoring by Securities Trustees and Statutory Supervisors”<sup>1</sup>. This guidance note sets out the FMA’s expectations about how Trustees will carry out their monitoring functions effectively. Where applicable, it is the Trustee’s responsibility to meet the FMA’s expectations as set out in the guidance note.

### **Auditor’s responsibilities**

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

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

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

The scope of this limited assurance engagement is to report on certain matters stated in clause 9.3 of the Trust Deed based on information obtained as a byproduct of our engagement to perform the audit of the annual financial statements and performance information of the Council for the year ended 30 June 2024.

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

In the performance of our duties as auditors, unless expressly stated, we do not perform any work at the time the Reporting Certificate for the year ended 30 June 2024 is prepared by the Council. Accordingly, our statements contained in the Report in relation to the matters addressed in clauses 9.3 of the Trust Deed must be viewed in that context.

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

- From our perusal of the Reporting Certificate dated 11 December 2024 given on behalf of the Council pursuant to clause 9.2(d) and, as far as matters that we will observe in the performance of our duties as auditors are concerned, report whether anything is brought

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<sup>1</sup> Please refer to the FMA website for a copy of the guidance note titled “Monitoring by Securities Trustees and Statutory Supervisors” (2013).

to our attention to indicate that the statements made in such Reporting Certificate are not materially correct.

In meeting this responsibility we agreed the total amount of all categories of Stock in the Reporting Certificate dated 11 December 2024 with Computershare Investor Services and the Local Government Funding Agency.

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

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

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

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

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

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

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

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

- Report as at 30 June 2024:
  - the amount of Stock and how much is Security Stock and Bearer Stock; and
  - the Principal Money owing or secured under the Stock distinguishing between Security Stock and other categories of Stock.

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

### **Inherent limitations**

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

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

### **Restricted use**

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

### **Limited assurance conclusion**

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

- The statements made by the Council in the Reporting Certificate dated 11 December 2024 pursuant to clause 9.2(d) are materially incorrect (Reporting Certificate dated 11 December 2024 is given in Appendix 1).
- There are any matters which, in our opinion, are relevant to the exercise or performance of the powers or duties conferred or imposed on the Trustee;
- There are any matters that, in our opinion, calls for further investigation by the Trustee in the interests of the Stockholders;

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

Our limited assurance engagement was completed on 11 December 2024 and our conclusion is expressed as at that date.

### The Register and Stock

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

Based on the work described in this Report, as at 30 June 2024 the following balances are given:

Total stock of	\$258,576,918
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This is comprised of:

○ Security stock of	\$38,000,000
○ Bearer stock of	\$0
○ Other stock of	\$0
○ Security stock (Local Government Funding Agency stock) of	\$220,576,918

Based on the work described in this Report, as at 30 June 2024 the following balances are given:

Total Principal Money owing and secured under the stock of	\$220,576,918
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This is comprised of:

○ Security stock of	\$0
○ Bearer Stock of	\$0
○ Other stock of	\$0
○ Security stock (Local Government Funding Agency stock) of	\$220,576,918

The Council is one of a group of guarantors of the Local Government Funding Agency. As at 30 June 2024 the Council had 23,841,269,000 units of Security Stock on issue associated with the guarantee.

The difference between Security Stock on issue associated with the guarantee and total borrowings of the Local Government Funding Agency at 30 June 2024 is as follows:

<b>000s</b>	
23,841,269	Units of security stock on issue associated with the guarantee
130,449	Accrued interest
(1,000,000)	Treasury stock <sup>2</sup> held by the Local Government Funding Agency
58,302	Treasury stock lent to the market via repurchase agreements by the Local Government Funding Agency
23,030,020	Total borrowings of the Local Government Funding Agency at 30 June 2024

The Reporting Certificate dated 11 December 2024 (attached) requires the Council to report Security Stock (issued with a floating nominal amount) no more than five business days before the date of

<sup>2</sup> Treasury Stock is stock which is bought back by the issuing entity reducing the amount of outstanding stock on the open market. When an entity repurchases its stock, it reduces its liabilities.

the Reporting Certificate. The Council has \$27,057,534,913 units of Security Stock on issue associated with the guarantee at that date. This value includes \$1,400,000,000 of Treasury Stock held by the Local Government Funding Agency and excludes accrued interest. The Local Government Funding Agency may have lent an amount of the Treasury Stock to the market via repurchase agreements.

### **Independence and quality control**

We complied with the Auditor-General's:

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

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



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

**Appendix 1: Copy of the reporting certificate dated 11 December 2024****REPORTING CERTIFICATE**

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

1. Since the date on which the last Reporting Certificate was given:
  - (a) all interest due on the Stock has been paid;
  - (b) all Stock which has fallen due for repayment has been repaid;
  - (c) No Event of Default has occurred and remains unremedied.
2. As at 30 June 2024 the total amount of Stock issued and outstanding under the Trust Deed (showing separately the respective nominal amounts) is as follows:
 

(i) Debenture Stock of comprising:	\$Nil
First Ranking Debenture Stock of and Second Ranking Debenture Stock of	\$Nil
(ii) Security Stock (issued with a fixed nominal amount) of comprising:	\$38,000,000
First Ranking Security Stock of and Second Ranking Security Stock of	\$38,000,000
together with:	\$Nil
(iii) Security Stock (issued with a floating nominal amount), which as at 4 December 2024 (being no more than 5 business days before the date of this certificate) amounted to:	\$27,057,534,913 (plus accrued interest)
3. The Council has complied with the Act in connection with the Trust Deed, the Register and Paying Agreement, and any borrowing documentation which the Council has entered into under, in accordance with or secured by this Deed.
4. For the purposes of the Trustee's registration on the Personal Property Securities Register of a financing statement in respect of the security created by the Trust Deed, the following details are correct at the date of this Certificate:

**Council Details:**

Council Name: Timaru District Council

**Contact Address:**

Address: King George Place, PO Box 522

City/Town: Timaru

Telephone: 03 687 7200

Facsimile: 03 687 7205

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

**Person acting on behalf of organisation:**

Full Name: Andrea Rankin (Chief Financial Officer)

Address: PO Box 522

City/Town: Timaru

Telephone: 03 687 7200

Facsimile: 03 687 7205

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

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

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

**Dated:** 11 December 2024



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Nigel Trainor  
Timaru District Council

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



### Independent assurance report

To the Directors of Computershare Investor Services Limited

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

#### Opinion

We have undertaken a reasonable assurance engagement in respect of the compliance, in all material respects, of the registers of security holders (the "Registers") maintained by Computershare Investor Services Limited (the "Company") with section 217 of the Financial Markets Conduct Act 2013 for the year ended 30 June 2024.

In our opinion, with respect to the Registers maintained by the Company, the Company has complied, in all material respects, with section 217 of the Financial Markets Conduct Act 2013 for the year ended 30 June 2024.

#### Basis for Opinion

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

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

#### Directors' Responsibilities

The Directors are responsible on behalf of the Company for:

- maintaining the registers of security holders that comply with section 217 of the Financial Markets Conduct Act 2013 for the year ended 30 June 2024.
- identification of risks that threaten compliance with the requirements of section 217 of the Financial Markets Conduct Act 2013 being met, and controls which will mitigate those risks and monitor ongoing compliance.

#### Our Independence and Quality Management

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

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

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

PricewaterhouseCoopers, 15 Customs Street West, Private Bag 92162, Auckland 1142, New Zealand  
T: +64 9 355 8000, pwc.co.nz



**Assurance Practitioner's Responsibilities**

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

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

**Inherent Limitations**

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

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

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

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

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

*PricewaterhouseCoopers*

Chartered Accountants  
16 August 2024

Auckland

## 6.8 Sensitive Expenditure Quarterly Report

**Author:** Ashlea Whyte, Finance Manager

**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 Committee on sensitive expenditure for the period 1 October 2024 to 31 December 2024.

### 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.
- 5 The list of the transactions for the three months from 1 October 2024 to 31 December 2024 is outlined in Attachment 1. All transactions were approved within the appropriate delegations and budgets.
- 6 The senior leadership team have reviewed and are comfortable that there are no significant transactions.

### Attachments

1. Sensitive expenditure Q2 2024-25  



**6.9 Confirmation of Strategic Risk Workshop to follow 16 June meeting****Author:** Stephen Doran, Group Manager Corporate and Communications**Authoriser:** Nigel Trainor, Chief Executive**Recommendation**

That the Audit and Risk Committee note that a strategic risk workshop will be organised following the 16 June Committee meeting and to confirm committee priorities for that workshop.

**Purpose of Report**

- 1 With the introduction of the Flowingly software in the back end, the Risk and Assurance department is taking the opportunity to review all the organisation's strategic and corporate risks. It is seeking committee guidance on how it would like this to be measured and reported, as well as an indication of setting of the council's risk tolerance levels in the new system.

**Assessment of Significance**

- 2 Although risk management is a vital part of the oversight of the council, this report itself is considered of low significance under the council's Significance and Engagement policy as it is solely informational.

**Discussion**

- 3 As part of the commissioning of the new risk register in flowingly, the Council is currently reviewing its strategic risks, and will be undertaking the same work for its operation risks over the next few months.
- 4 We are proposing that we hold a workshop following the June 4 Meeting where we will give an overview of the system, the updated strategic risk list and matrix, how we are planning on using it, presenting suggestions for regular reporting and requesting feedback from committee members about what they would want to see.
- 5 As part of the commissioning process, it has also become apparent that the risk tolerance level previously set doesn't align with some of the highest risk activities that we undertake.
- 6 Despite the best efforts of officers, and even at a low likelihood, properly reflecting the severity of some of our risks means that they are unlikely to come down below the line.

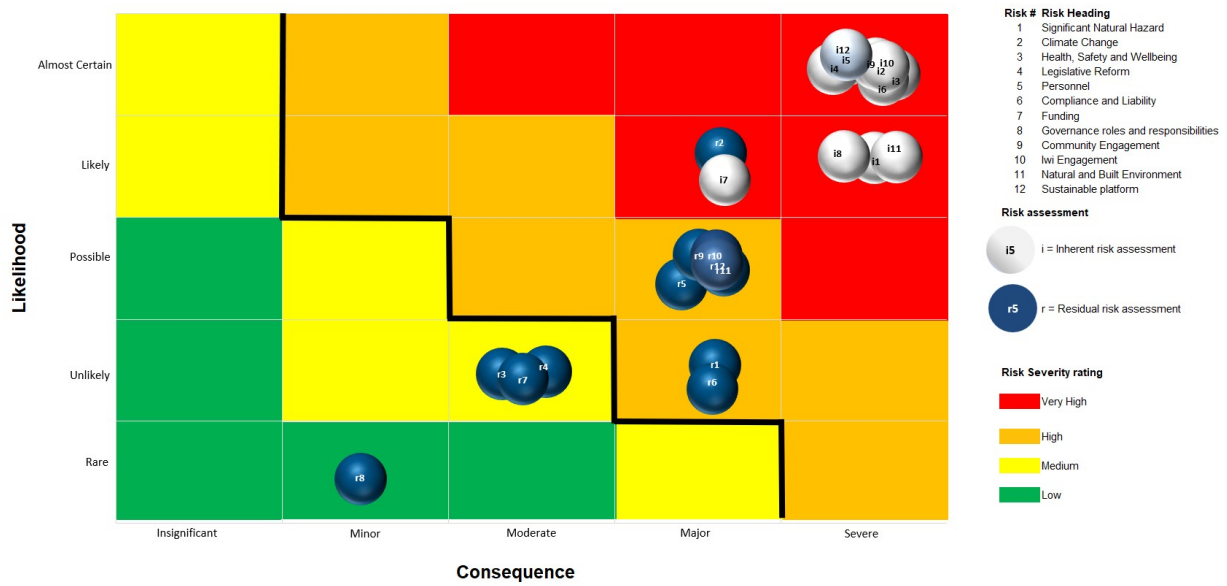


Fig 1 Current strategic risk matrix – tolerance level highlighted in black

7 As part of the workshop we would seek the committee’s guidance on whether the tolerance settings are appropriate or whether they need to be adjusted to better reflect the organisation.

**Attachments**

Nil

**6.10 Conflict of Interest Annual Report****Author:** Stephen Doran, Group Manager Corporate and Communications**Authoriser:** Nigel Trainor, Chief Executive**Recommendation**

That the Audit and Risk Committee receives and notes the Conflict of Interest report

**Purpose of Report**

- 1 The purpose of this report is to provide the Committee with the actions taken to manage identified Conflicts of Interest.

**Assessment of Significance**

- 2 Reporting on Conflict of Interest is considered of low significance in terms of 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 Council's "Employee Conflict of Interest Policy" requires the manager in charge of Risk and Assurance to report annually to the Committee on action taken by management to manage any medium to high risk Conflicts of Interest declared.
- 4 For the period from 1 February 2024 until 31 January 2025, there were no medium to high risk conflicts reported.
- 5 There were two conflicts declared with a low risk, relating to two tenders, they were investigated and managed in the line with the Employee Conflict of Interest Policy.
- 6 Following investigation by the Procurement Specialist and Continuous Improvement Manager, work on a centralised Employee Interest register was not progressed further, as the level of active management required to maintain the register on an as-live basis was greater, and the utility was less valuable than simply identifying and managing conflicts on a contract by contract basis.

**Attachments****Nil**

**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 17 December 2024**

**10.2 Insurance Programme Update**

**10.3 Issues Watch Register**

**10.4 Internal Audit Quarterly Report**

**10.5 Cyber Security Report**

**10.6 Health and Safety Performance Report**

**10.7 Committee and Auditor only time (Agenda Placeholder)**

**10.8 Committee and Chief Executive 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
<p><b>10.1 - Public Excluded Minutes of the Audit and Risk Committee Meeting held on 17 December 2024</b></p> <p><b>Matters dealt with in these minutes:</b></p> <p>10.6 - Committee and Auditor only time (Agenda Placeholder)</p>	<p>Section 48(1) of the Local Government Official Information and Meetings Act 1987.</p>	<p>The public excluded minutes of the meeting held on 17 December 2024 are considered confidential pursuant to the 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</p>

<p>10.1 - Public Excluded Minutes of the Audit and Risk Committee Meeting held on 9 September 2024</p> <p>10.2 - Health and Safety Performance Report</p> <p>10.3 - Internal Audit Quarterly Report</p> <p>10.4 - Issues Watch Register</p> <p>10.5 - Cyber Security Report</p> <p>10.7 - Committee and Chief Executive only time (Agenda Placeholder)</p> <p>10.1 - List of Significant Contracts</p>		<p>the meeting held on 17 December 2024.</p>
<p><b>10.2 - Insurance Programme Update</b></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)(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>To enable Council to carry out commercial activities</p> <p>To enable Council to carry out commercial or industrial negotiations</p>
<p><b>10.3 - Issues Watch Register</b></p>	<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>
<p><b>10.4 - Internal Audit Quarterly Report</b></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</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>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><b>10.5 - Cyber Security Report</b></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><b>10.6 - Health and Safety Performance Report</b></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><b>10.7 - Committee and Auditor only time (Agenda Placeholder)</b></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</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>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><b>10.8 - Committee and Chief Executive only time (Agenda Placeholder)</b></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>

\*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**