Napier City Council
Te Kaunihera o Ahuriri

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RISK AND ASSURANCE COMMITTEE

Open Agenda

Meeting Date:	Friday 6 March 2026
Time:	9.30am
Venue:	Breakout Room 2 War Memorial Centre Marine Parade Napier

Committee Members	**Chair:** Bruce Robertson **Members:** Mayor McGrath, Deputy Mayor Crown, Raveen Jaduram (Independent), Councillors Taylor and Lawrence Ngā Mānukanuka o te Iwi representative Kirk Leonard
Officer Responsible	Deputy Chief Executive / Executive Director Corporate and Commercial Services
Administration	Governance Team
	Next Risk and Assurance Committee Meeting **Friday 12 June 2026**

2025-2028 TERMS OF REFERENCE – RISK AND ASSURANCE

Reports to:	*Council*
Chairperson	*Bruce Robertson (External independent appointee)*
Deputy Chairperson	*Deputy Mayor Crown*
Membership	*Mayor*
	Councillor Taylor
	Councillor Lawrence
	1 Ngā Mānukanuka o te Iwi appointee
	2 External independent appointees
	Note: The Chief Executive and External Auditor are required to attend all meetings but are not members and have no voting rights.
Quorum	*4 - One of which is an external appointee*
Meeting frequency	*At least quarterly and further as required*
Officer Responsible	*Deputy Chief Executive / Executive Director Corporate & Commercial Services*

Role

The role and scope, as well as any delegations of the Risk and Assurance Committee are defined in the Audit Charter (see version at time of adoption below).

Delegations

The role and scope, as well as any delegations of the Risk and Assurance Committee are defined in the Risk and Assurance Charter.

The Committee can make recommendations to Council or the Chief Executive as appropriate.

Risk and Assurance Committee Charter			
Adopted by	*Council*		
Department	*Corporate and Commercial Services*		
Original Adoption Date	*18 September 2018*	*Review Adoption Date*	*12 June 2025*
Next Review Deadline	*31 March 2028*	*Document ID*	325090
Relevant Legislation			
Policy Referenced	Code of Conduct for Employees		729099
	Internal Audit Charter		TBD
	Protected Disclosures Policy		352650
	Risk Management Policy		466437
Quorum	*4 - One of which is an external appointee*		
Meeting frequency	*At least quarterly and further as required*		
Officer Responsible	*Deputy Chief Executive / Executive Director Corporate & Commercial Services*		

Purpose

The purpose of the Risk and Assurance Committee (the Committee) is to provide independent, objective assurance and assistance to the Napier City Council (the Council) in relation to governance, risk management, internal control and compliance frameworks, as well as external accountability responsibilities for both the Council and Council Controlled Organisations.

Authority

The Napier City Council, at its meeting on 26 June 2025, re-established the Risk and Audit Risk Committee for the 2025-2028 triennium. The Council authorises the Committee, within the scope of its role and responsibilities, to:

- obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
- discuss any matters with the external auditor, or other external parties (subject to confidentiality considerations);
- request the attendance of any employee, including the Chief Executive, the Deputy Chief Executive / Director of Corporate and Commercial Services and the Head of Finance, Data & Digital at Committee meetings; and
- obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the Council's expense.

Composition and Tenure

The Committee will consist of six members appointed by the Council. These must include the Mayor, the Deputy Mayor, two elected members, and a representative from Ngā Mānukanuka o te Iwi. The Council will also select two independent members.

The Napier City Council will appoint the chairperson and deputy chairperson of the Committee.

Members will be appointed for an initial period not exceeding three years after which they will be eligible for extension or re-appointment, after a formal review of their performance.

Council representatives on the Committee will carry out their duties as outlined in the Charter, recognising the difference in the role of the Committee compared to Councillor community advocate.

The Chief Executive, the Deputy Chief Executive / Director of Corporate and Commercial Services and the Head of Finance, Data & Digital will not be members of the Committee but may attend meetings as observers as determined by the Chairperson.

The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the Council. At least one independent member of the Committee should have accounting or related financial management experience with an understanding of accounting and auditing standards in a public sector environment together with a strong background in infrastructure, corporate governance and risk.

Role and Responsibilities

The Committee has no executive powers and will conduct itself in accordance with the values and ethics of the Council.

The Committee is directly responsible and accountable to the Council for the exercise of its responsibilities. In carrying out its responsibilities, the Committee must at all times recognise that primary responsibility for the management of the Council rests with the Chief Executive.

The responsibilities of the Committee may be revised or expanded in consultation with, or as requested by, the Napier City Council from time to time.

Risk Management

For both the Council and Council Controlled Organisations, the Committee's responsibilities are to:

- review whether management has in place a current and comprehensive risk management framework, and associated procedures for effective identification and management of financial and business risks, including fraud;
- review whether a sound and effective approach has been followed in developing strategic risk management plans for major projects or undertakings;
- review the effect of the relevant risk management framework on its control environment and insurance arrangements;
- review whether a sound and effective approach has been followed in establishing business continuity planning arrangements, including whether disaster recovery plans have been tested periodically; and
- review internal policies and controls in relation to preventing fraud, and satisfy itself that both the Council and Council Controlled Organisations have appropriate processes and systems in place to capture and effectively investigate fraud-related information and ensure appropriate action is taken against known perpetrators of fraud.
- Require the Chief Executive Officer or Chair of each Council-Controlled Organisation (CCO) and Council-Controlled Trading Organisation (CCTO) to report at least annually, or upon request, on key strategic and operational risks, including mitigation plans and emerging issues.
- Ensure that CCOs and CCTOs align, where appropriate, with Napier City Council’s risk management framework and provide updates on their risk maturity and governance practices

Health and Safety

For both the Council and Council Controlled Organisations, the Committee’s responsibilities are to:

- review key risks in the areas of safety, occupational health and environmental issues.
- review management’s approach to the maintenance and continual improvement of
- providing a safe working environment to ensure it is sound and effective.
- review compliance of relevant laws, regulations and operational policies and standards.

- review Health and Safety (H&S) risk reporting and critical incidents from all Council-Controlled Organisations and Trading Organisations, including near misses and notifiable events
- review the establishment and tracking of measurable workplace health, safety and environment key targets.

Control Framework

For both the Council and Council Controlled Organisations, the Committee's responsibilities are to:

- Review whether management's approach to maintaining an effective internal control framework, including over external parties such as contractors and advisers, is sound and effective;
- review whether management has in place relevant policies and procedures and that these are periodically reviewed and updated;
- determine whether the appropriate processes are in place to assess, at least once a year, whether policies and procedures are complied with;
- review whether appropriate policies and procedures are in place for the management and exercise of delegations;
- consider how management identifies any required changes to the design or implementation of internal controls;
- review whether management has taken steps to embed a culture which is committed to ethical and lawful behaviour; and
- review the internal Protected Disclosures Policy and related procedures to ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters, and that there is proportionate and independent investigation of such matters and appropriate follow-up action.

External Accountability

For both the Council and Council Controlled Organisations, the Committee's responsibilities are to:

- review the financial statements and provide advice to the Council, including whether appropriate action has been taken in response to audit recommendations and adjustments;
- satisfy itself that the financial statements are supported by appropriate management sign-off on the statements and the adequacy of the systems of internal controls;
- review the processes in place designed to ensure that financial information included in the Council's annual report is consistent with the signed financial statements;
- review the processes and risk assessment are in place for the development and adoption of the Council's Long Term Plan
- satisfy itself that there are appropriate mechanisms in place to review and implement, where appropriate, relevant external audit reports and recommendations; and
- satisfy itself that there is a performance management framework that is linked to organisational objectives and outcomes.

Legislative Compliance

For both the Council and Council Controlled Organisations, the Committee's responsibilities are to:

- determine whether management has appropriately considered legal and compliance risks as part of a risk assessment and management arrangements; and
- review the effectiveness of the system for monitoring compliance with relevant laws, regulations, and associated government policies.

Internal Audit

For both the Council and Council Controlled Organisations, the Committee's responsibilities are to:

- act as a forum for communication between the Chief Executive, senior management, and internal and external auditors;
- review the internal audit coverage and annual work plan, ensure that the plan is based on the Council's risk management plan, and recommend approval of the plan on behalf of the Council;
- advise the Mayor and Chief Executive on the adequacy of resources to carry out the internal audit, including completion of the approved internal audit plan;
- oversee the co-ordination of audit programs conducted by the internal and external auditors and other review functions;
- review all audit reports and provide advice to the Council on significant issues identified in audit reports and action taken on issues raised, including identification and dissemination of good practice;
- monitor management's implementation of the internal auditor's recommendations;
- review the internal audit charter to ensure that appropriate organisational structures, authority, access, and reporting arrangements are in place;
- provide advice to the Council on the appointment of the Head of Internal Audit (in the case of an in-house internal audit function);
- recommend the appointment of the internal auditor;
- periodically review the performance and effectiveness of the internal auditor; and
- be satisfied that any dismissal of the Head of Internal Audit is based on proper and appropriate reasons, to safeguard the independence of the audit function.

External Audit

For both the Council and Council Controlled Organisations, the Committee's responsibilities are to:

- act as a forum for communication between the Chief Executive, senior management, and internal and external auditors;
- provide input and feedback on the financial statements and the audit coverage proposed by the external auditor, and provide feedback on the audit services provided;
- review all external plans and reports for planned or completed audits and monitor management's implementation of audit recommendations;
- Oversee the coordination of audit programs conducted by internal and external auditors and other functions; and
- review the external audit reports and following up on audit findings ensuring that significant material issues are addressed.
- provide advice to the Council and Chief executive on action taken on significant issues raised in relevant external audit reports and good practice guides.

Governance

Responsibilities of Commmittee Members

Members of the Committee are expected to:

- express opinions frankly, ask questions that go to the core of the issue, and pursue independent lines of enquiry;
- provide the governance test and challenge to ensure there is organisational improvement and strong risk management processes;
- contribute the time needed to study and understand the papers provided; and
- apply good analytical skills, objectivity, and good judgment;

Reporting

The Committee will regularly, but at least once a year, report to the Council on its operation and activities during the year. The report should include:

- a summary of the work the Committee performed to fully discharge its responsibilities during the preceding year;
- A summary of the Council's progress in addressing the findings and recommendations made in internal and external audit reports, and the Auditor-General's reports (if applicable);
- an overall assessment of the Council's risk, control, and compliance framework, including details of any significant emerging risks or legislative changes; and
- details of meetings, including the number of meetings held during the relevant period and the number of meetings each member attended.

The Committee may, at any time, report to the Chief Executive or the Council any other matter it deems of sufficient importance to do so. In addition, at any time an individual Committee member may request a meeting with the Chief Executive or the Council.

Administrative Arrangements

Meetings

The Committee will meet at least four times each year. A special meeting may be held to review the annual report. From time to time additional meetings may be required to consider matters outside of normal meeting cycles.

The Chairperson is required to call a meeting if requested to do so by the Council, Chief Executive or another Committee member.

A meeting plan, including dates and agenda items, will be agreed upon by the Committee each year. The meeting plan will cover all of the Committee's responsibilities as detailed in this charter.

Attendance at Meetings and Quorums

A quorum will consist of a majority of Committee members including at least one independent member.

Meetings can be held in person, by telephone, or by video conference.

The Head of Internal Audit and external audit representatives will be invited to attend each meeting unless requested not to do so by the Chairperson of the Committee.

The Chief Executive may be invited to attend Committee meetings to participate in specific discussions or provide strategic briefings to the Committee. The Committee may also ask other employees to attend Committee meetings or participate for certain agenda items.

The Committee will meet separately with both the internal and external auditors at least once a year.

Secretariat

The Chief Executive will appoint a person to provide secretariat support to the Committee. The Secretariat will ensure that the agenda for each meeting and supporting papers are circulated, after approval from the Chairperson, at least two clear working days before the day of the meeting, and ensure that the minutes of the meetings are prepared and maintained. Minutes must be approved by the Chairperson and circulated within two weeks of the meeting to each member and Committee observers, as appropriate.

Conflicts of Interest

Once a year, Committee members will provide written declarations to the Mayor, stating they do not have any conflicts of interest that would preclude them from being members of the Committee.

Committee members must declare any conflicts of interest at the start of each meeting or before discussion of the relevant agenda item or topic. Details of any conflicts of interest should be appropriately recorded in the minutes.

Where any member is deemed to have a real, or perceived, conflict of interest at a Committee meeting, it may be appropriate that they are excused from Committee deliberations on the issue where the conflict of interest exists.

Induction

New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

Assessment Arrangements

The Chairperson of the Committee, in consultation with the Mayor, will initiate a review of the performance of the Committee at least once every two years. The review will be conducted on a self-assessment basis (unless otherwise determined by the Mayor) with appropriate input sought from the Chief Executive, the internal and external auditors, management, and any other relevant stakeholders, as determined by the Mayor in discussion with the chairperson of the Committee. This will include assessment by the Committee of the performance of the City Council and CCO/CCTO performance against the council strategic objectives.

Review of Charter

At least once every 3 years, the Committee will review this charter. This review will include consultation with the Council. Any substantive changes to the charter will be recommended by the Committee and formally approved by the Council.

Procedure Review

The review timeframe of this charter will be no longer than every Three years.

Document History

Version	Reviewer	Change Detail	Date
1	Chief Financial Officer	Initial publication	December 2016
2	Chief Financial Officer	Review process	August 2018
3	Chief Financial Officer	Republication (NB: version control issues)	September 2018
4	Accounting Manager	Review process and add in Health and Safety	March 2020
5	Chief Financial Officer	Review process, change to composition of committee, minor additions	June 2021
6	Accounting Manager	Review, include CCOs, include Protected Disclosure Policy	March 2023
7	Chief Financial Officer	Change from Audit and Risk Committee to Risk and Assurance Committee, frequency of this policy review to maximum 3 years, incorporate Hazard, Risk and Audit reporting process for CCO/CCTO	March 2025

ORDER OF BUSINESS

Karakia

Apologies

Nil

Conflicts of interest

Public forum

Nil

Announcements by the Mayor

Announcements by the Chairperson including notification of minor matters not on the agenda

Note: re minor matters only - refer LGOIMA s46A(7A) and Standing Orders s9.13

A meeting may discuss an item that is not on the agenda only if it is a minor matter relating to the general business of the meeting and the Chairperson explains at the beginning of the public part of the meeting that the item will be discussed. However, the meeting may not make a resolution, decision or recommendation about the item, except to refer it to a subsequent meeting for further discussion.

Announcements by the management

Confirmation of minutes

Agenda items

Minor matters not on the agenda – discussion (if any)

AGENDA ITEMS

1. H&S QUATERLY REPORT

Type of Report:	Information
Legal Reference:	N/A
Document ID:	1897979
Reporting Officer/s & Unit:	Andrew Wallace, Health and Safety Operations Manager

1.0 Executive Summary - Te Kaupapa me te Whakarāpopototanga:
For the period Between 1st November 2025 to 31st January 2026.

1.1 There has been no change to the current risk profile for operational risks OR183, OR328 & SR32. All risks now sit within the organisation's risk appetite following the completion of all treatment actions. While this reflects continued improvement in their management, ongoing monitoring will be required to maintain this position.

1.2 Continued work is still necessary to effectively manage these risks. Health & Safety, in collaboration with risk and control owners will continue to monitor performance and identify opportunities to strengthen existing controls, implementing improvements where appropriate.

2.0 Recommendations - *Ngā Tūtohunga*

That Risk and Assurance Committee:

a) **Receives** the report titled "Health and Safety Update Report" dated 6 March 2026.

3.0 Background - *Ngā Tuāpapa:*

3.1 Q3 Health & Safety Performance report for NCC

4.0 Discussion - *Ngā Whakamārama:*

Risk No	Risk Issue	Inherent RA	Revised RA	Risk Movement
OR183	Failure to manage health, safety, and wellbeing in the workplace	**Extreme 160**	**Low 7.20**	Stable
OR328	Failure to comply with the Health and Safety at Work Act 2015 and subsequent regulations.	**Extreme 160**	**Low 7.20**	Stable
SR32	Failure to proactively manage health and safety risks or maintain safe work systems.	**Extreme 160**	**Low 7.20**	Stable

5.0 Strategic progress

5.1 The following workstreams outline key Health & Safety improvements and will be presented to the Committee. They aim to strengthen our management system, improve risk management and promote a positive safety culture.

Workstream	Status	Milestones completed	Next milestone	Comment
New Contractor H&S SharePoint Page	100%	Work is underway to create a new SharePoint page to help NCC staff easily access required contractor H&S information.	Publish page and socialize to Org	**Complete**
Confined Space Procedure review	100%	Strategic review of confined space procedure to ensure it still meets regulatory & operational requirements	Sign off from Director Develop Implementation plan	**Complete**
Confined Space Procedure Implementation Plan	50%	Implementation plan has been created with focus areas and timelines	Work with key stakeholders on timeline for rollout	
HSMS Rollout to Organisation	80%	100% of High-risk areas of business have received HSMS rollout presentation, continuation of progress across the organisation	Targeted interviews of areas of the business to understand HSMS integration	Staff to interview selected with spread of senior to operational staff

6.0 Health and safety reporting

6.1 Health and safety reporting profiled over this reporting period are summarised below

6.2 An **Event** is any incident involving injury to a person or damage to property. This includes near misses, reports of pain or discomfort, aggressive customer behaviour, and any contractor-related incident, near miss, or report of pain and discomfort.

6.3 **Learning points in Events**

Learning points identify what happened, why it happened, and what needs to change to prevent recurrence. The focus is on improving systems, processes, behaviours, supervision and controls, not assigning blame.

The level of investigation depends on the severity and risk of the event. Not all events require a formal investigation (5 Whys etc), lower-risk events may only need a basic review which is carried out in mysafety.

6.4 Significant increase in open investigations which has been primarily driven by more concise reporting of poor public behaviour towards facilities and operational staff. This has been captured more effectively to help enable and allocate correct resources to the affected areas. Targeted training to be carried out to help operational areas with this increase in difficulty in operational areas.

7.0 Investigations of significance

Nil

8.0 WorkSafe notifiable events

8.1 There were **0** WorkSafe notifiable events during the reporting period.

9.0 Workplace Wellbeing Initiatives

9.1 Over the last quarter, minor refinements were made to the Wellbeing Strategy and a 2026 implementation plan was developed. This plan will continue to evolve as requirements change. A Wellbeing Policy for Napier City Council has also been drafted and is currently under review by People & Capability Managers. Both the Strategy and Policy will be presented to the Executive Leadership Team for approval prior to implementation and organisation-wide communication.

9.2 The Courageous Conversation information package has been completed and reviewed. It provides guidance, self-reflection tools and practical support to help leaders engage confidently in difficult conversations. These resources will be launched on the People Leaders Hub next quarter, with in-person training planned later in the year. A package of resources supporting mental health in the workplace has been developed and is in final review. This includes guidance for leaders on mental health conversations, a tailored mental health return-to-work plan, return-to-work guidance and an updated Psychosocial Risk Assessment.

9.3 Initial discussions and research have begun on maintaining and strengthening psychological safety for staff involved in Emergency Response activities. This work will be progressed in conjunction with the Emergency Response Team. A wellbeing section will now be included monthly in the weekly internal updates email. Commenced late 2025, this initiative aims to provide accessible wellbeing tips, encourage colleague contributions, and embed wellbeing as part of organisational culture.

9.4 Wellbeing initiatives over this quarters have included:

- Healthy Heart Checks offered onsite across the different sites, with additional sessions being offered in November due to high uptake. This resulted in 160 heart checks being completed.
- International Men's Day was celebrated through a collection of stories from men working at NCC and socialised to the organisation.
- International Day of Persons with Disabilities development and publication of a Viva engage post for all staff.

9.5 Individual and team support provided by the Wellbeing Advisor continues to be utilised in number of different forms, included individual upskilling sessions, team training, employment relation matters.

10.0 Options - *He kōwhiringa anō:*

Not applicable

11.0 Attachments

Nil

Summary of Considerations - *Tuhinga Whakarāpopoto:*

The quarterly health and safety update internal information paper with no financial, climate, or new operational risks. Engagement occurred with Health & Safety, Risk, and risk/control owners, with no opposing views. All monitored risks remain within appetite with established controls and no known at the time of this report, wider organisational impacts.

Fit with purpose of Local Government - *Ngā aronga tā te Kaunihera- ā-rohe kōrero*

This update supports the purpose of local government by ensuring safe, reliable, and well-managed delivery of local services through effective hazards & risk oversight. It provides a good-quality and cost-effective approach by proactively monitoring health and safety hazards & risks, maintaining compliance and supporting informed decision-making for the community.

Māori Impact Statement - *He kōrero whaitake tā te māori kōrero:*

This update reflects our commitment to Te Tiriti o Waitangi by ensuring Māori, including mana whenua, have strengthened opportunities to contribute to health and safety decision-making, supported by the new Pou Whakarae role within Te Waka Rangapū.

Climate Change - *Te Huringa o te āhuarangi*

This decision does not have an impact on greenhouse gas emissions or climate-related risks. It is an internal health and safety update focused on operational risk management, with no changes to infrastructure, service delivery, fleet, energy use or activities that would generate or influence emissions or climate adaptation outcomes.

LTP/ Annual Plan/ Financial Strategy/ Infrastructure Strategy - *Te Pae Tawhiti/ ā-tau / ā- Taunaki Ahumoni /ā- Taunaki Hanganga*

No Implications author is aware of

Financial considerations - *Whai whakaaro Ahumoni:*

There are no financial implications associated with this recommendation. The update relates solely to internal health and safety hazard & risk management and does not require budgeted or unbudgeted expenditure.

Significance and Engagement - *Ko te Hiranga me te Hiwaia o te whakaaro:*

This decision is assessed as low significance under the Council's Significance and Engagement Policy, as it relates to internal health and safety performance and does not impact community services, financial resources, or levels of service. From a strategic perspective, maintaining strong health and safety performance is essential to Council's capacity to deliver services safely and reliably and failure to do so would pose wider organisational and community risks.

Consultation (internal/external) - *Ngā Uiuinga (Ki te Kaunihera /ki ngā tāngata katoa)*

There has been internal engagement with Health & Safety, Risk, and relevant risk and control owners throughout the quarter, with discussions occurring as part of routine monitoring and review processes. No external engagement was required and no contrary views or concerns were raised regarding the recommendations.

Risks: Legal/ Health and Safety etc. - *Whaktūpato Ture/ Hauora me te Haumaru*

There are no new or emerging risks arising from this matter. This update relates to the ongoing monitoring of existing Health, Safety & Wellbeing risks, which remain within Council's risk appetite and are managed through established controls including regular risk reviews, incident reporting, treatment actions and oversight by Health & Safety and risk

owners. No legal, financial, environmental, ICT, infrastructure or service delivery risks are created by this update, and existing governance processes continue to effectively manage any residual risk (if any).

2. AUDIT PLAN FOR THE 2025/26 ANNUAL REPORT

Type of Report:	Procedural
Legal Reference:	Local Government Act 2002
Document ID:	1898382
Reporting Officer/s & Unit:	Talia Foster, Financial Controller

1.0 Executive Summary - Te Kaupapa me te Whakarāpopototanga:

1.1 The Local Government Act 2002 requires Council to adopt an audited Annual Report by 31 October each year. Previously, Audit New Zealand complete the audit of the Annual Report, however for 2025/26 David Borrie of Ernst & Young (EY) has been appointed by the Auditor-General.

1.2 EY have provided the attached Audit Plan, Audit Proposal Letter and Engagement Letter for review and endorsement.

1.3 The Audit Plan discusses the timeframes, the audit approach, and key focuses for the audit team. Key focus areas from the plan include:

- Infrastructure assets
- Rates
- Grants and subsidies
- Performance reporting
- Expenditure and procurement

2.0 Officer's Recommendation

Risk and Assurance Committee:

a) **Endorse** the Audit Plan for the 2025/26 Annual Report.

b) **Endorse** the Audit Proposal Letter (Doc Id 1900177) and Engagement Letter (Doc Id 1900178) for signing by the Mayor.

3.0 Attachments

1⇩	Audit Plan	Doc Id: 1900176
2⇩	Audit Proposal Letter	Doc Id: 1900177
3⇩	Engagement letter	Doc Id: 1900178


Napier City Council
Audit Plan for the year ending
30 June 2026
The better the question. The better the answer. The better the world works.
EY
Shape the future
with confidence

Welcome

Dear Risk & Assurance Committee Members

We are pleased to present our Audit Plan ("Plan") for Napier City Council ("NCC") for the year ending 30 June 2026. Our meeting with you on 6 March 2026 is a forum to discuss our Plan, the scope of our work, your current expectations and to ensure that our efforts are aligned with your expectations.

Our audit is designed to express an audit opinion on the 30 June 2026 financial statements and service performance information.

Our Audit Plan has been prepared acknowledging, and with consideration of, NCC's current and emerging business risks and the resultant financial statement impacts. It is designed to be responsive to the unique needs of NCC, to maximise audit effectiveness and to deliver the high-quality audit you expect.

Should you have any questions or comments, please do not hesitate to David at David.Borrie@nz.ey.com or on 021 923 431. We look forward to discussing our Plan with you at the Risk & Assurance Committee meeting on 6 March 2026.

Yours faithfully

David Borrie
Audit Signing Partner

Joseph Mallari
Manager

Contents

EXECUTIVE SUMMARY

5 Areas of Audit Focus

Key areas of focus where there are potential risks and exposure. The areas of audit focus and level of complexity or management judgement applied will be:

- Infrastructure assets — HIGH
- Rates — MEDIUM
- Grants and subsidies — MEDIUM
- Performance reporting — MEDIUM
- Expenditure and procurement — MEDIUM

We acknowledge that FY26 will be the first year NCC prepares group financial statements, consolidating Ahuriri Investment Management Limited (“AIM”). This isn’t expected to have a significant impact on our audit work given the magnitude of the expected transactions in AIM.

Audit Approach

We continue to invest in transforming to an increasingly data-driven audit, leveraging our technology through data analytics and automation. We will look to apply this where appropriate, focusing on opportunities that will provide audit efficiencies and insights.

We seek to develop an understanding of controls and design testing that is appropriate and reflective of those controls. Our audit processes will be primarily substantive.

Engagement Letter and Audit Fee

Our audit proposal letter and engagement letter will be provided separately. The fees in our audit proposal letter will be based on Audit New Zealand’s time and cost incurred previously and will be subject to consistency review by the Office of the Auditor General.

Planning Materiality

$5.9M

Information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions of the users.

Our planning materiality has been set at $5.9m, calculated at 3% of forecast expenditure from the 2025/26 Annual Plan. We will report all audit differences over $297k.

Audit Timing

Our expected audit timeline is as follows:

- Audit planning: March 2026
- Interim procedures: June 2026
- Year-end procedures: September to October 2026

We will work with management to agree a timing that will be suitable for your and our team.

Independence

We will confirm our independence throughout the audit and remain in compliance with NZICA Code of Ethics and the Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)* independence requirements and the Auditor-General’s independence standards.

AREAS OF AUDIT FOCUS

Infrastructure Assets

HIGH

Infrastructure Assets	30 June 2025 (in 000s)
Three waters	743,807
Roading	740,517
Total	1,484,324

Our Understanding

- Infrastructure assets represent a significant component of the Council's balance sheet.
- The Council's Infrastructure Assets are valued externally on a three yearly valuation cycle, with the last valuation completed as at 30 June 2024. The carrying values are also reviewed each balance sheet date to check that those values are not materially different from fair value. Road infrastructure and three waters assets are valued at optimised depreciated replacement cost.
- There is a risk that the useful life assumptions used in the valuations are not reflective of up-to-date information maintained in the Council's Asset Management Plans.
- Misclassification of repairs and maintenance and useful life assessments of infrastructure assets remain key risks associated to the valuation process of infrastructure assets.
- As part of Local Water Done Well a new WSCCO is expected to be established later in 2026 and the Council's drinking water, wastewater and stormwater assets are expected to be transferred at a later date.

Planned Audit Approach

- We will test, on a sample basis, the accounting for significant additions and disposals / write-offs of assets during the year.
- We will obtain and review the Council's external valuers assessment of the fair value as at 30 June 2026 and whether a full valuation is required.
- For any asset classes that are not being revalued in the current year, we will examine the assumptions underlying the historical valuation against current asset management plans to assess whether the value remains materially correct.
- We will test on a sample basis the classification procedures relating to capital, renewal and maintenance work as well as cut off at year end for capital works to check it is consistent with work completed at that point.
- We will maintain a watching brief on the progress made by central government in relation to reforms to three waters. We will work with Council to ensure appropriate disclosures are included in the financial statements.
- We will consider any land acquired through the category 3 property buy-out processes relevant to the 2026 financial statements.

Medium Risk Focus Areas

FOCUS AREAS	BACKGROUND	PLANNED AUDIT APPROACH
Rates Strike MEDIUM	▪ Rates income levied represents the Council's primary revenue source. There is specific legislation in place which must be adhered to for the rates set to be lawful. In the local authority context, failure to comply with rating law and the associated consultation requirements can create significant risks to the integrity of rates revenue. ▪ The requirement for there to be consistency between the rates resolution, Funding impact statement and the Finance Policy in the LTP is fundamental because this is the thread that links community consultation to the rates levied by NCC forming the core of the Council's revenue. ▪ The accuracy of a rates strike is dependent on the integrity of the rates database. The reliability of the rates billing system should ensure rates are billed appropriately. ▪ There is a history of legal challenges against certain local authorities that give rise to questions associated with Rates strikes.	▪ We will review NCC's rate resolution for the financial year and its linkage to the Long Term Plan. ▪ We will review NCC's procedures for checking the rates set are compliant with the Local Government Rating Act and test that the rates set are being applied appropriately to the rating database and invoiced accordingly. We obtain an understand of the design and implementation of relevant controls over the rates levying process. ▪ On a sample basis, we will undertake a review of billing to specific ratepayers and subsequent collection. ▪ Certain rate paying groups represent a higher collection risk. We will examine any provision for doubtful rates debtors to consider whether it is appropriate in the circumstances. ▪ We will engage early with management as the rates strike is being developed to ensure any comments we have can be considered on a timely basis.

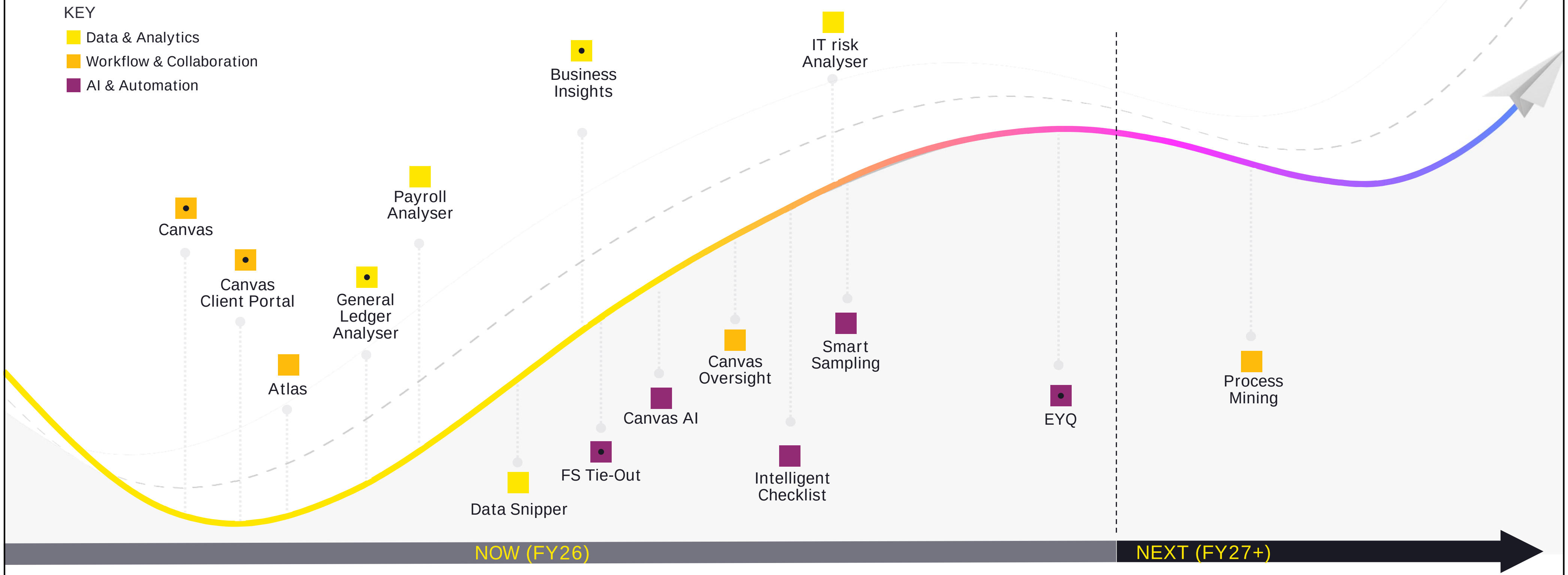
Grants and subsidies
 	
MEDIUM
	▪ Councils receive Waka Kotahi /NZTA funding to subsidise costs associated with local roads. Such funding is provided on the basis the work will return the roads to the previous condition and not improve the level of service from the damaged road. Waka Kotahi has monitoring and compliance requirements in order to provide funding, which is claimed in arrears based on actual amounts incurred.
	▪ Council have a number of considerations to make including:
	    ▪ Assessment of the anticipated costs and priorities of work to be completed;
	    ▪ Funding the shortfall of any costs not recoverable from central government or other funding, including how this funding source aligns with Council's funding and treasury policies;
	    ▪ The ability and reporting available to monitor recovery works funding in line with the requirements of each funding provider.
		▪ Obtain any new agreements, amendments or correspondences between NCC and funding providers in respect of approved funding.
		▪ We will review NCC's procedures for revenue recognition and monitoring the conditions of the various grants.
		▪ We will check, on a sample basis, that revenue is being recognised in line with obligations/undertakings being satisfied.
		▪ We will examine cost claims to NZTA/Waka Kotahi, on a sample basis, to check the expenditure is allowed to be claimed and funding assistance rate applied is appropriate.
		▪ For a sample of revenue recognised in the year across all grants, we will vouch receipt of funds to cash received.

Medium Risk Focus Areas

FOCUS AREAS	BACKGROUND	PLANNED AUDIT APPROACH
Performance reporting MEDIUM	▪ NCC is required to report its performance against levels of service expectations and performance measures included in the LTP. These measures are key to the Council providing a "performance story" to the community. ▪ Our audit opinion on the service performance information covers compliance with generally accepted accounting practice, and whether the service performance report fairly reflects the Council's actual service performance for the period. ▪ Council is required to report on mandatory measures in relation to drinking water, as governed by DIA. New Drinking water Quality Assurance Rules, Drinking Water Standards and Aesthetic Values came into effect in November 2022.	▪ Our audit procedures will focus on assessing completeness and effectiveness of NCC's non-financial performance reporting. ▪ We will obtain an understanding of key performance reporting processes and review methodologies applied by NCC ▪ We will check, on a sample basis, the measures have been accurately reported on and outputs have been achieved where stipulated ▪ Review mandatory performance measures stipulated by the Non-Financial Performance Measures rules 2013 and ensure all required measures have been appropriately included in NCC's reporting. ▪ Provide feedback on the overall annual report and the summary annual report
Expenditure and procurement MEDIUM	▪ Appropriateness of Councillor and management expenditure is an area of interest to ratepayers. ▪ Council's capital works procurement programme involves significant cash flows and complex long term contract management. ▪ Areas of expenditure such as travel, accommodation, training and catering can present opportunities for personal benefit (or perceived personal benefit)	▪ In considering expenditure and procurement, we will review Council's policies to check if there is adequate guidance regarding the procedures for handling sensitive expenditure and conflicts of interest within the organisation and policies are consistent with best practice guidelines issued by the OAG in 2020. This includes the following types of expenses; travel, training, consultant fees, use of credit cards and Councillor expenses. We will also give consideration to Procurement and Contract tendering processes.

Digital Audit Roadmap

During our planning for the Napier City Council audit each year we will set-out a Digital Audit Roadmap covering the technologies most applicable to the risks of the organisation, for the Now and Next.



EY | Napier City Council | For the Year ending 30 June 2026

Workflow & Collaboration

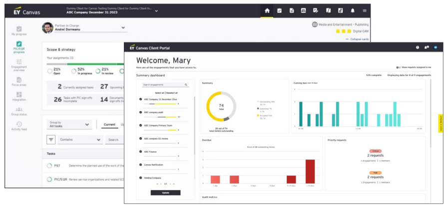
Rather than simply sampling transactions, we leverage technology to analyse entire datasets, uncovering key drivers and risk areas with precision.

Our audit methodology is structured yet dynamic, ensuring we deliver a high-quality, risk-focused audit that aligns with Napier City Council's ways of working. By embedding data analytics, automation, and AI at every stage, we work smarter–not harder–to provide a seamless, insight-driven audit experience.

EY Canvas

Connecting NCC with EY

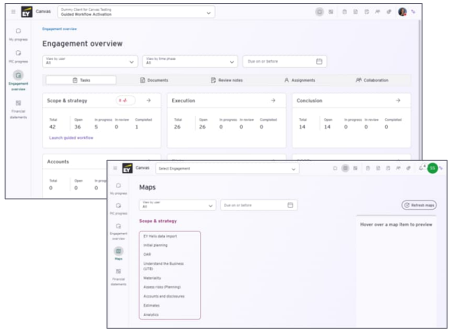
- Canvas Client Portal
  One stop shop for secure and purposeful communication between EY and NCC, allowing the collaboration of our teams and providing real time status visibility. Enables access to EY Helix which allows our clients to engage directly with our tools.
- Canvas Oversight
  Sharing of information with our teams and tracking of audit status and progress across all locations to support proactive collaboration and timely actions.



Guided Workflow

Providing a structured audit approach for NCC

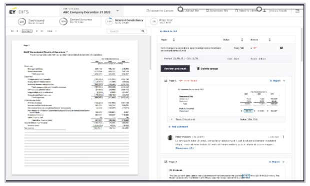
- Guided Workflow
  Guided workflows in EY Canvas are designed to streamline the audit process for teams, providing a structured and standardised method for executing and documenting audit procedures via integrated standard work programs.



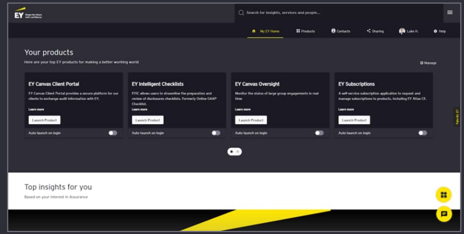
Automation Hub

Automating routine audit tasks to deliver key insights to NCC

- Canvas AI & EYQ Assurance Knowledge
  EY's generative AI brings the collective knowledge of EY in a secure, confidential environment.
- FS Tie Out & Intelligence Checklist
  AI-based automation that guides the audit team through the end-to-end financial reporting process, including ensuring financial disclosures are accurate.



Secure portal for you to collaborate with us



My EY

EY Client Portal gives you on-demand visibility of audit requests and status, in a central portal with total transparency for us and you.

EY Client Portal provides a secure way of transferring and storing your data. All parties can securely create, assign and track requests to facilitate effective project management and timely delivery and request of information, giving:

- ✓ Confidence in a quality audit execution and delivery
- ✓ Improved day-to-day customer experience through streamlined communication and customer notifications
- ✓ Total oversight of the status of all audit requests and progress
- ✓ Easy to use interface and restricted access tagging for sensitive documents

AI & Automation

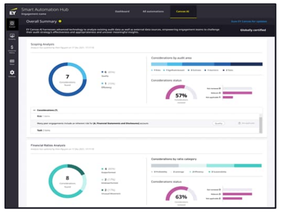
EY has committed to an investment over five years to transform assurance technology, with the launch of further AI tools, including integrating the existing EYQ AI Capabilities directly into our Global Canvas Platform. This represents the evolution of our long-term effort to enhance audit efficiency and quality for NCC.

EY Canvas AI

Embedding AI in the end-to-end audit delivery. Canvas.AI identifies outlier scoping & audit strategy decisions.

Key Benefits:

- Harnessing collective knowledge from across the EY organization to help EY teams evaluate the effectiveness of their audit strategy and bring greater trust and confidence to the audit
- Advanced pattern recognition that helps to identify risk indicators, by comparing financial metrics against prior year trends.

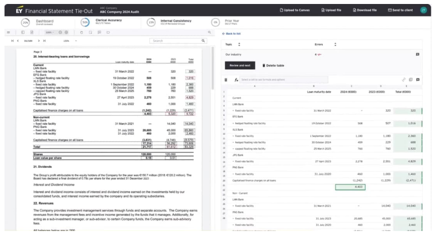


FS Tie Out

Financial Statement Tie-out leverages AI to bring intelligence & automation to financial statement tie-out procedures. It is designed to enhance accuracy and reduce the manual recalculation, perform internal consistency checks and comparisons to prior periods and versions. The solution is designed to assist auditors in addressing components of the "Presentation and Disclosure" assertion on the Financial Statements.

Key Benefits

- Quick identification of action items – powered by AI – accelerates transparent and timely interactions with clients, contributing to a better client experience.

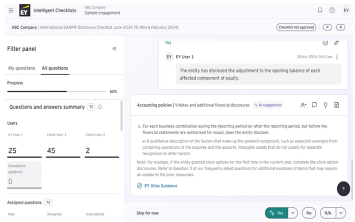


Intelligent Checklists

The EY Intelligent Checklist is an interactive online platform that helps streamline the preparation and review of financial statements and disclosures which can be assessed by both audit team and NCC.

Key Benefits:

- Intuitive navigation, workflow-driven process and leverage the roll forward capabilities.
- Assign questions to individual users and track progress through filters
- Provide better collaboration between EY and NCC's teams
- Links in each question available in relation to supporting Standards for guidance on disclosure requirements.

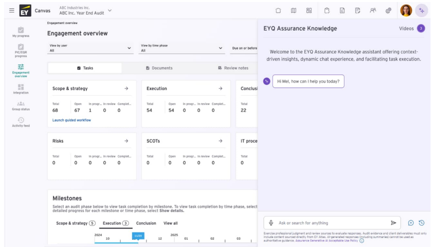


EYQ Assurance Knowledge

EYQ Assurance Knowledge is a dynamic chat interface integrated directly into EY Canvas, the EY cloud-based global audit platform. It responds to EY teams' questions based on authoritative guidance from EY Atlas, the EY accounting and auditing knowledge repository.

Key Benefits:

- Enabling EY teams to easily obtain the right guidance to execute high-quality audits in compliance with global and local regulations.
- Provides EY teams access to relevant sources to evaluate technical topics and facilitate decision-making.



Internal Control Environment

Internal Controls

The primary responsibility for the design and operating effectiveness of the internal control environment, including the prevention and detection of fraud and error, rests with those charged with governance and management.

We obtain an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit is not designed to express an opinion on the effectiveness of internal control we are required to communicate significant deficiencies in internal control to you.

Our assessment of internal controls covers:

- The control environment including entity level controls
- Napier City Council's risk assessment procedures
- The design and implementation effectiveness of internal controls
- Monitoring of controls (internal audit and self-assessment).

We provide management with an report to management on internal controls during the audit process, outlining our findings and our recommendations on where improvements in internal controls can be made. Where significant deficiencies come to our attention, we will communicate these to the Risk & Assurance Committee.

Assessing the Risk of Fraud

Our responsibility as the external financial statement auditor is to consider the risk of fraud and the factors that are associated with it so as to provide reasonable assurance that the financial statements are free from material misstatement resulting from fraud. However, it is important to note that while our external financial statement audit work is not primarily directed towards the detection of fraud or other irregularities, we will report any matters identified during the course of our work.

When developing our Audit Plan we use professional judgement in determining whether a fraud risk factor is present. We determine fraud risk factors in the context of the three conditions generally present when fraud occurs (i.e., incentive/pressure, opportunity and attitude/rationalisation).

Our approach to fraud risks are outlined below:

Understanding the business and the control environment - We will enhance this understanding to provide a foundation for our risk assessment. Our understanding includes the business model as well as external factors and internal factors, including the governance and monitoring structures in place.

Identification of risks of material misstatement due to fraud – we will challenge risk assessments in line with the current environment, applying the fraud triangle when making these risk assessments, focusing on sources of fraud risk factors.

Responding to risks of material misstatements due to fraud – we will take into account our understanding of the entity's business and its control environment, designing tailored responses to identified risks of fraud and evaluating the reliability of audit evidence obtained.

Fraud programs and controls – We will identify and obtain an understanding of the entity's fraud risk management programs, including whistleblower programs and the role of internal audit in preventing and detecting fraud.

Identifying and responding to fraud risks in an audit – We will apply data analytics to enhance identification of and response to identified fraud risks.

Communicating identified or suspected fraud – We will report any instances of suspected fraud to management and the audit committee in accordance with obligations under both auditing and ethics standards.

Your EY Team

We understand that our team is the most important element of your relationship with us.

Our team has been involved in the audit of other councils for a number of years. This audit experience provides NCC with knowledge of your organisation and industry expertise. These combined factors enable us to focus on the relevant issues for your business. Further we have incorporated specialists to assist us in addressing the financial risks relevant to NCC.

Core Delivery Team

David Borrie
Lead Audit Partner

Joseph Mallari
Manager

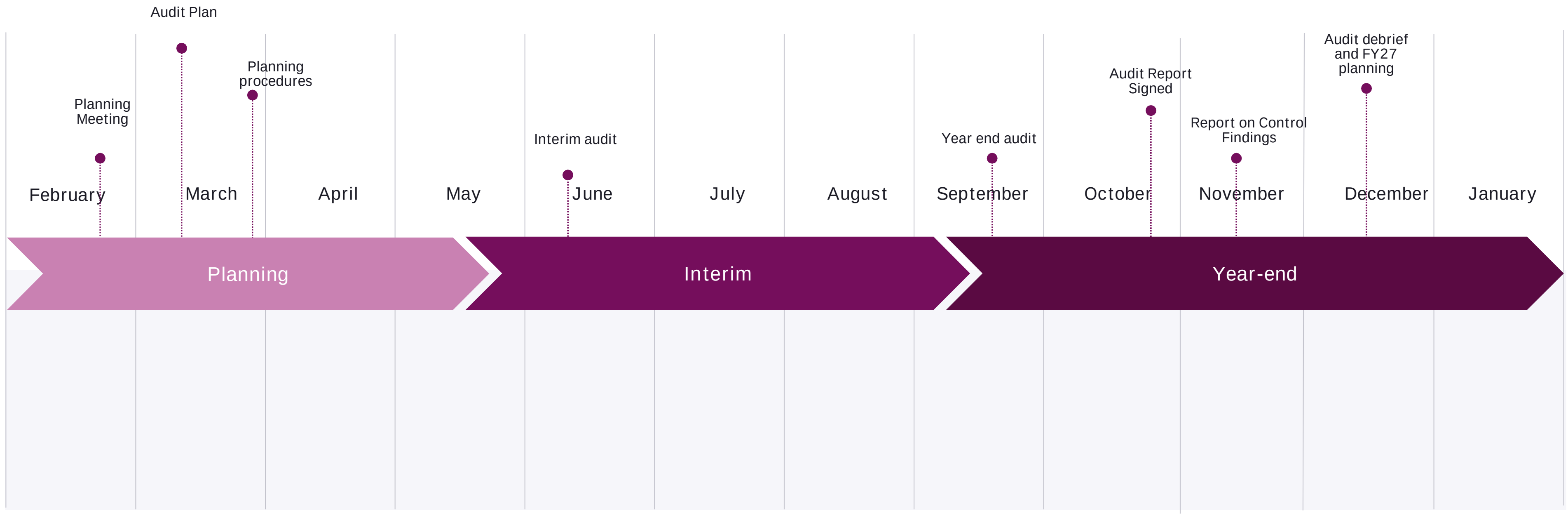
Specialist

Lara Truman
Partner, Technical Accounting

EY | Napier City Council | For the Year ending 30 June 2026

Engagement Execution

FY26 Audit Timeline



Continuous communication approach

We will have continuous communication with management and the finance team throughout the year. We anticipate meeting to discuss business operations, financing and transactions, as well as perspectives on other key matters as we collaboratively progress the audit.


Appendices
A. Independence 14
B. Data Security and Privacy 15
C. System of Quality Management 16

A. Independence

Independence is fundamental to the role of the auditor and success in this regard is connected to our ability to meet both Napier City Council's and broader regulatory independence requirements.

We consistently comply with all professional regulations relating to auditor independence including those outlined in:

- NZICA Code of Ethics
- Professional and Ethical Standard 1*: International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)*

Accordingly, we ensure that there are controls in place and actions taken on a regular basis that mitigate any risks to our independence.

There are no matters that, in our professional judgement, bear on our independence and which need to be disclosed to the Risk & Assurance Committee at this time.

We will confirm our independence throughout the audit in accordance with auditing standards and remain in compliance with NZICA Code of Ethics and the Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)* independence requirements.

Meeting your independence requirements

Independent In "Appearance"

- We will bring differences in opinion to management and Risk & Assurance Committee.
- We will adhere to the independence requirements of NCC.
- We will not provide any prohibited services.
- We will comply with all independence legislation and guidelines.

Independent In "Mind"

- We have no actual, potential or perceived conflicts of interest.
- All team members have personally confirmed their independence.
- We will adhere to strict confidentiality requirements.
- We will ensure that EY, its Partners and current service team members do not hold any financial interests in NCC.

B. Data Security and Privacy

Protecting your data

Security Compliance

1. Extraction	2. Transfer	3. Data Management	4. Helix Platform	5. Security Compliance
▪ Data Extraction	▪ EY Canvas Client Portal allows EY teams to send requests for documents used to support the audit. ▪ Better security of client data and automated uploading into EY Canvas, creating confidence that data has been properly delivered to EY. ▪ Accessible via an encrypted internet connection through MyEY, the single, secure digital point of entry to the EY environment for all external users. Additionally, multi-factor authentication (MFA) is required.	▪ EY laptops are protected by personal firewalls, full-disk encryption (AES 256). ▪ Passwords (with complexity rules) are encrypted and stored in the corporate Active Directory. ▪ The EY corporate network is only accessible at an EY facility, or via the EY corporate Virtual Private Network (EYRC). ▪ EYRC requires two-factor authentication to establish a connection including a security token generated one-time access number. ▪ Data is encrypted in transit using a minimum of Transport Layer Security (TLS).	▪ The EY Helix analyzers are deployed on EY-managed Azure Cloud and accessed by authorized EY engagement team members. ▪ The underlying data is stored in EY-managed Azure in segregated entity-specific projects. ▪ These entity-specific projects are created by members of the EY engagement teams and access is limited to EY users who have been specifically invited to the project.	▪ EY Canvas is only accessed by EY professionals using EY-managed devices via encrypted connections. ▪ It is accessible from within the secure EY corporate network. ▪ All file attachments uploaded to EY Canvas are encrypted using 256-bit AES encryption and stored on a file server in the private network segment of the EY Canvas environment. ▪ To maintain information security compliance, EY Global technology products, services and data centres are subject to several forms of audits, including independent third-party compliance audits against ISO 27001, annual SOC2 Type II attestations and annual ISAE 3402 audits of our three global data centres.

The EY information security policies and standards are based upon the internationally recognised ISO 27002 standard for information security management
Additionally, EY operates a Cybersecurity Centre 24x7, 365 days a year. This centre can provide dedicated cyber threat management, including security monitoring, facilities access monitoring, infrastructure security testing, application security testing and incident response.

C. System of Quality Management

The annual evaluation conclusion for EY New Zealand is that the objectives of the System of Quality Management are being achieved as of 30 June 2025 and that they support the consistent performance of quality audits and related engagements.

EY's approach to quality management

Professional and Ethical Standard 3 ("PES 3", which is the NZ version of ISQM 1) is applicable to all firms that perform audits and other similar engagements. As a result, we are required to design, implement and operate a system of quality management ("SQM") to provide reasonable assurance that:

- The member firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements.
- Engagement reports issued by the member firm or engagement partners are appropriate in the circumstances.

We are also required to monitor, remediate and annually evaluate the SQM as well as communicate to those charged with governance how the SQM supports the consistent performance of quality engagements. The following slides explain our approach and the results of our most recent assessment.

Individuals with SQM roles have the appropriate experience, knowledge, influence and authority, and sufficient time to fulfil their System of Quality Management roles and are accountable for fulfilling their responsibilities.

EY is dedicated to delivering high-quality audits and assurance engagements and serving the public interest.

Key elements of EY's SQM

Common processes, policies, programs and technologies	Consistent quality objectives, quality risks and responses	Commitment to conduct high-quality audits across the EY organisation

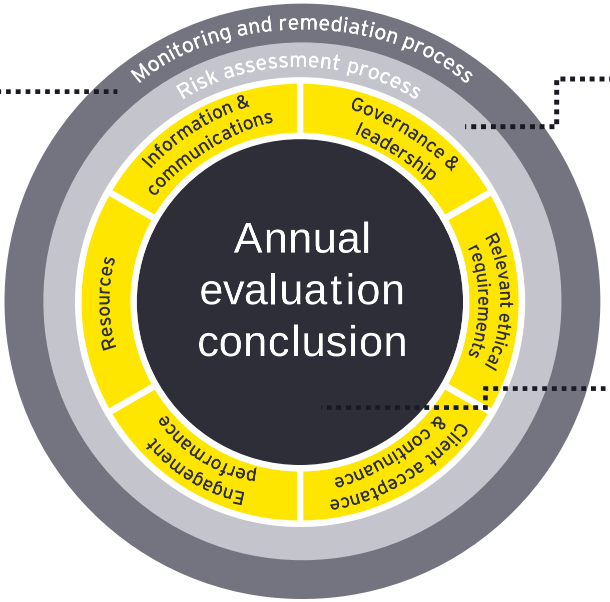
EY member firms, which include the relevant New Zealand firms, are ultimately responsible for the design, implementation, and operation of their SQM, and have the responsibility to:

- Evaluate policies, technologies, strategies, programs and baseline elements provided to them, and
- Determine if they need to be supplemented by the member firm to be appropriate for use.

Note: In the context of the annual evaluation of the SQM, EY New Zealand refers to the following member firms performing audits or reviews of financial statements or other assurance or related services engagements: Ernst & Young (partnership), Ernst & Young Limited and EY-Parthenon Limited.

C. System of Quality Management (cont.)

SQM processes to support quality audits



Monitoring and remediation process

- Provide relevant, reliable and timely information about the design, implementation and operation of the SQM and a basis for the identification of deficiencies in the SQM.
- Monitoring activities include monitoring the entire SQM (e.g., testing SQM controls, internal inspections of completed engagements, assessing member firm and personnel's compliance with ethical requirements related to independence).
- If deficiencies are identified, they are corrected on a timely basis and an action plan is designed, implemented and evaluated for effectiveness.

Risk assessment process

- Establishing quality objectives (based on PES 3 requirements).
- Identifying and assessing quality risks.
- Designing and implementing responses (including policies, technologies and key controls).

Annual evaluation conclusion

The annual evaluation conclusion:

- Is as of 30 June for all EY Member Firms performing engagements in the scope of PES 3.
- Considers the results of monitoring activities.

Key roles within the SQM include:

- The Country Managing Partner: assigned ultimate responsibility and accountability for the SQM by concluding on its effectiveness.
- The Country Assurance Managing Partner: assigned operational responsibility for the System of Quality Management. This includes recommending the System of Quality Management annual evaluation conclusion to the Country Managing Partner.
- The Country Independence leader: assigned operational responsibility for compliance with independence requirements.
- The Country Professional Practice Director: assigned operational responsibility for monitoring the SQM including concurring with or proposing changes to the recommended SQM annual evaluation conclusion.

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fuelled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

ED None

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25 February 2026

Richard McGrath
Mayor
Napier City Council
Private Bag 6010
Napier 4142

Copy: Manager Auditor Appointments
Office of the Auditor–General
PO Box 3928
Wellington

Dear Richard

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

1. Introduction

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

- the statutory basis for the audit and how audit fees are set;
- the entities covered by this proposal;
- key members of the audit team;
- the hours we plan to spend on the audit and reasons for any change in hours;
- our proposed fees for the audit for the financial years ending 30 June 2026 and 2027 and reasons for any change. The Council's Water Services Delivery Plan anticipates a new Council Controlled Organisation ('CCO') being established for water services delivery for the 2028 financial year. Given this is a notable change we will set audit fees for this year closer to the time once more details are known;
- assumptions relating to the proposed audit fees, including what we expect of your organisation;
- what the OAG Audit Standards and Quality Support charge provides;
- certification required by the Auditor-General; and
- our commitment to conduct the audit in accordance with the Auditor-General's Auditing Standards.

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

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

Fees for audits of public entities are set by the Auditor-General under section 42 of the Public Audit Act 2001. However, your Council and I have the opportunity to reach agreement first and recommend those fees for approval. The Auditor-General, with assistance from the OAG, will set audit fees directly only if we fail to reach agreement.

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

3. Entities covered by this proposal

This proposal covers the audit of Napier City Council (“the Council”).

4. Key members of the audit team

Appointed Auditor	David Borrie
Audit Manager	Joseph Mallari
Technical Accounting Partner	Lara Truman
IT Assurance Director	Moiz Bachani

5. Estimated audit hours

We estimate that the following hours will be required to carry out the audits (compared to budgeted hours from the previous financial year):

Audit team member	2025 budget	2026	2027
Appointed Auditor	120	120	120
Audit Manager	130	130	130
Other CA qualified staff	200	200	200
Non CA qualified staff	520	520	520
Accounting and IT specialists	81	81	81
Total audit hours	1,051	1,051	1,051

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EY

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This is EY's first year as the Council's auditor. We have used Audit New Zealand's budgeted audit hours for the 2025 year as a basis for our proposed hours for the audits of the 2026 and 2027 years.

5.1 Reasons for changes in audit hours

There are no changes to audit hours for the 2026 and 2027 years.

6. Proposed audit fees

Our proposed fees for the next two audits (compared to budgeted data from the previous financial year) are:

Structure of audit fees	2025 budgeted fees $	2026 $	2027 $
Net audit fee (excluding OAG Audit Standards and Quality Support charge and disbursements)	254,676	263,590	272,815
OAG Audit Standards and Quality Support charge	20,888	21,819	21,819
Total audit fee (excluding disbursements)	275,565	285,409	294,634
Estimated Disbursements	20,000	20,500	21,000
Total billable audit fees and charges	295,565	305,909	315,634
GST	44,335	45,886	47,345
Total (including GST)	339,900	351,795	362,979

The audit fees allow for the audit team to carry out specific tasks identified in the OAG Sector Brief and for the OAG Audit Standards and Quality Support charge. We have also estimated the reasonable cost of disbursements (including travel and accommodation where necessary). Disbursement costs are indicative only and will be charged on an actual and reasonable basis.

We note historically Audit New Zealand have exceeded their budgeted hours. While we have taken the previously budgeted hours as a reasonable estimate of the time to complete audits going forward we may need to revisit audit hours, through discussion with you, if our initial experience indicates the hours aren't sufficient to complete the needed audit work.

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6.1 Reasons for changes in audit fees

The reasons for changes in your organisation's audit fee are shown in the table below.

Reasons for increased or decreased audit fees compared to previous period budgeted fees.	2026	2027
Predicted staff salary cost movements	8,914	9,225
Total increase (decrease) in audit fees	8,914	9,225

Staff salary cost movements

We have included a direct cost increase of 3.5% per annum. This reflects expected increases in costs which are primarily salaries for accounting and auditing staff. The expectation is based on both what we have experienced recently in the market for this group of workers and also estimates of cost pressures for the coming years.

7. Assumptions relating to our audit fee

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

- You will provide to us, in accordance with the agreed timetable, the complete information required by us to conduct the audit.
- Your staff will provide us with an appropriate level of assistance.
- Your organisation's annual report and financial statements (including Statements of Service Performance) will be subject to appropriate levels of quality review by you before being submitted to us for audit
- Your organisation's financial statements will include all relevant disclosures.
- We will review up to two sets of draft annual reports, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report (for publication on your website).
- There are no significant changes to the structure and/or scale of operations of the entities covered by this proposal (other than as already advised to us).
- There are no significant changes to mandatory accounting standards or the financial reporting framework that require additional work.
- There are no significant changes to mandatory auditing standards that require additional work.

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- There are no significant changes to the agreed audit arrangements (set out in an annual letter we will send you) that change the scope of, timing of, or disbursements related to, this audit.
- As outlined in Section 1 the impact of Local Water Done Well has been excluded from this fee proposal. The most notable impact of the Council's Water Services Delivery Plan will be in the first year of the new CCO operating. For this reason audit fees for 2028 are not included in this proposal and will be agreed with Council once more details are available.

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

8. What the OAG Audit Standards and Quality Support charge provides

Parliament has indicated that it expects the full cost of annual audits under the Public Audit Act (including an OAG Audit Standards and Quality Support charge) to be funded by public entities.

The OAG Audit Standards and Quality Support charge partially funds a range of work that supports auditors and entities, including:

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

Appointed Auditors are required to return the OAG Audit Standards and Quality Support charge portion of the audit fee, to the OAG.

9. Certifications required by the Auditor-General

We certify that:

- the undertakings, methodology, and quality control procedures that we have declared to the OAG continue to apply;
- our professional indemnity insurance policy covers this engagement; and

- the audit will be conducted in accordance with the terms and conditions of engagement set out in the audit engagement agreement and schedules.

10. Conclusion

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

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

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

Yours sincerely

David Borrie
Partner
Ernst & Young

I accept the audit fees for the audit of the two financial years as stated above.

Full name: ______________________ Position: ______________________

Authorised signature: ______________________ Date: ______________________

Entity name: ______________________

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Actions to take when agreement has been reached:

1 Make a copy of this signed proposal and keep it for your file.

2 Send the original to: David Borrie
Ernst & Young
PO Box 490
Wellington 6140

A member firm of Ernst & Young Global Limited

Ernst & Young
Level 2, 40 Bowen Street
Wellington 6011 New Zealand
PO Box 490 Wellington 6140

Tel: +64 9 377 4790
Fax: +64 9 309 8137
ey.com/nz

Richard McGrath
Mayor
Napier City Council
Private Bag 6010
Napier 4142

25 February 2026

Audit Engagement Letter

Dear Richard

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all "public entities", including Napier City Council, under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, David Borrie, using the staff and resources of Ernst & Young, under section 32 and 33 of the Act, to carry out the annual audits of Napier City Council's financial statements and performance information. We will be carrying out these annual audits on the Auditor-General's behalf, for the years ending 30 June 2026, 2027 and 2028.

This letter outlines:

- the terms of the audit engagement and the nature, and limitations, of the annual audit; and
- the respective responsibilities of the Council and me, as the Appointed Auditor, for the financial statements and performance information.

The objectives of the annual audit are:

- to provide an independent opinion on the Council's financial statements and performance information; and
- to report on other matters that come to our attention as part of the annual audit. Typically those matters will relate to issues of financial management and accountability.

We will carry out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board (collectively the Auditing Standards). The Auditing Standards require that we comply with ethical requirements, and plan and perform the annual audit to obtain reasonable assurance about whether Napier City Council's financial statements and performance information are free from material misstatement. The Auditing Standards also require that we remain alert to issues of concern to the Auditor-General. Such issues tend to relate to matters of financial management and accountability.

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Your responsibilities

Our audit will be carried out on the basis that the Council acknowledges that it has responsibility for:

- preparing the financial statements and performance information in accordance with any applicable legal requirements and financial reporting standards;
- having such internal control as determined necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error; and
- providing us with:
  - access to all information relevant to preparing the financial statements and performance information such as records, documentation, and other information;
  - all other information, in addition to the financial statements and performance information, to be included in the annual report;
  - additional information that we may request from Napier City Council for the purpose of the audit;
  - unrestricted access to Council members and employees that we consider necessary; and
  - written confirmation concerning representations made to us in connection with the audit.

In addition, the Council is responsible:

- for the preparation of the summary financial statements and summary performance information;
- for making the audited summary financial statements and summary performance information readily available to the intended users of that information; and
- for including our audit report on the summary financial statements and summary performance information in any document that contains that information and that indicates that we have reported on that information.
- unrestricted access to Council members and employees that we consider necessary; and
- written confirmation concerning representations made to us in connection with the audit.

The Council's responsibilities extend to all resources, activities, and entities under its control. We expect that the Council will ensure:

- the resources, activities, and entities under its control have been operating effectively and efficiently;

- it has complied with its statutory obligations including laws, regulations, and contractual requirements;
- it has carried out its decisions and actions with due regard to minimising waste;
- it has met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector in that it has carried out its decisions and actions with due regard to probity; and
- its decisions and actions have been taken with due regard to financial prudence.

We expect the Council and/or the individuals within Napier City Council with delegated authority, to immediately inform us of any suspected fraud, where there is a reasonable basis that suspected fraud has occurred - regardless of the amount involved. Suspected fraud also includes instances of bribery and/or corruption.

The Council has certain responsibilities relating to the preparation of the financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Annex 1. The Auditor-General and Ernst & Young take seriously their responsibilities under the Health and Safety at Work Act 2015, and we expect you to provide a safe and healthy working environment for our audit staff when they are working at your premises. Specific health and safety responsibilities are set out in Annex 1. We expect members of the Council to be familiar with all of the responsibilities set out in Annex 1 and, where necessary, have obtained advice about them.

The Council should have documented policies and procedures to support its responsibilities. It should also regularly monitor performance against its objectives.

Our responsibilities

Carrying out the audit

We are responsible for forming an independent opinion on whether the financial statements of Napier City Council:

- present fairly, in all material respects:
  - its financial position as at 30 June 2026, 2027 and 2028; and
  - its financial performance and cash flows for the years then ended;
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.

We are also responsible for forming an independent opinion on whether:

- the funding impact statement, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in Napier City Council's annual plan or long term plan;

- the performance information of Napier City Council presents fairly, in all material respects, the performance for the years ended 30 June 2026, 2027 and 2028, including:

  - its performance achievements as compared with forecasts included in the annual plan or long term plan;

  - its actual revenue and expenses as compared with the forecasts included in the annual plan or long term plan; and

  - complies with generally accepted accounting practice in New Zealand in accordance with Public Benefit Standards.

- the statement about capital expenditure for each group of activities, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in Napier City Council's annual plan or long term plan; and

- the funding impact statement for each group of activities, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in Napier City Council's annual plan or long term plan.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements and performance information. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the financial statements and performance information, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements and performance information.

We do not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the Auditing Standards.

During the audit, we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls. However, we will communicate to you in writing about any significant deficiencies in internal control relevant to the audit of the financial statements and performance information that we identify during the audit.

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During the audit, the audit team will:

- be alert for issues of effectiveness and efficiency – in particular, how the Council have carried out their activities;
- consider laws and regulations relevant to the audit;
- be alert for issues of waste – in particular, whether the Council obtained and applied the resources of the in an economical manner, and whether any resources are being wasted;
- be alert for issues of a lack of probity – in particular, whether the Council have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector; and
- be alert for issues of a lack of financial prudence.

Our independence

It is essential that the audit team and Ernst & Young remain both economically and attitudinally independent of Napier City Council (the Council); including being independent of management personnel and members of the Council. This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with the objectivity of the audit team and the Ernst & Young.

To protect our independence, specific limitations are placed on us in accepting engagements with the Council other than the annual audit. We may accept certain types of other engagements, subject to the requirements of the Auditing Standards. Any other engagements must be the subject of a separate written arrangement between the Council and myself or Ernst & Young.

Reporting

We will issue an independent audit report that will be attached to the financial statements and performance information. This report contains our opinion on the fair presentation of the financial statements and performance information and whether they comply with the applicable reporting requirements. The audit report may also include comment on other financial management and accountability matters that we consider may be of interest to the addressee of the audit report.

In addition, we will issue an audit report that will be attached to the summary financial statements and summary performance information. This audit report will contain an opinion that provides the same level of assurance as the audit report on the full financial statements and full performance information.

We will also issue a management letter that will be sent to the Council. This letter communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the Council. Typically those matters will relate to issues of financial management and accountability. We may also provide other management letters to Napier City Council from time to time. We will inform the Council of any other management letters we have issued.

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Please note that the Auditor-General may publicly report matters that are identified in the annual audit, in keeping with section 21 of the Public Audit Act 2001.

Next steps

Please acknowledge receipt of this letter and the terms of the audit engagement by signing the enclosed copy of the letter in the space provided and returning it to me. The terms will remain effective until a new Audit Engagement Letter is issued.

If you have any questions about the audit generally, or have any concerns about the quality of the audit, you should contact me as soon as possible. If after contacting me you still have concerns, you should contact the Director of Auditor Appointments at the Office of the Auditor-General on (04) 917 1500.

If you require any further information, or wish to discuss the terms of the audit engagement further before replying, please do not hesitate to contact me.

Yours faithfully/sincerely

David Borrie
Partner
Ernst & Young
Chartered Accountants
On behalf of the Auditor-General
Wellington, New Zealand

I acknowledge the terms of this engagement and that I have the required authority on behalf of the Council.

Signature:

Name: ……………………………………………………….

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Annex 1 – Respective specific responsibilities of the Council and the Appointed Auditor

<table>
<tr><th colspan="2">Responsibilities for the financial statements and performance information</th></tr>
<tr><th>Responsibilities of the Council</th><th>Responsibilities of the Appointed Auditor</th></tr>
<tr><td>You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards.

You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements performance information.

You are required by legislation to prepare the financial statements and performance information and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, we are dependent on receiving the financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.</td><td>We are responsible for carrying out an annual audit, on behalf of the Auditor-General. We are responsible for forming an independent opinion on whether the financial statements:

▪ present fairly, in all material respects:

- the financial position as at 30 June 2026, 2027 and 2028; and

- the financial performance and cash flows for the years then ended;

▪ comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.

We are also responsible for forming an independent opinion on whether:

▪ the funding impact statement, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in Napier City Council's annual plan or long term plan;

▪ the performance information of Napier City Council presents fairly, in all material respects, the performance for the years ended 30 June 2026, 2027 and 2028, including:

- its performance achievements as compared with forecasts included in the annual plan or long term plan;

- its actual revenue and expenses as compared with the forecasts included in the annual plan or long term plan; and</td></tr>
</table>

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	- complies with generally accepted accounting practice in New Zealand in accordance with Public Benefit Standards. ▪ the statement about capital expenditure for each group of activities, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in Napier City Council's annual plan or long term plan; and ▪ the funding impact statement for each group of activities, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in Napier City Council's annual plan or long term plan. We will also read the other information accompanying the financial statements and performance information and consider whether there are material inconsistencies with the audited financial statements and performance information. Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence the audit report addressee's overall understanding of the financial statements and performance information. If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion.

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	An audit also involves evaluating: ▪ the appropriateness of accounting policies used and whether they have been consistently applied; ▪ the reasonableness of the significant accounting estimates and judgements made by those charged with governance; ▪ the appropriateness of the content and measures in any performance information; ▪ the adequacy of the disclosures in the financial statements and performance information; and ▪ the overall presentation of the financial statements and performance information. We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that: ▪ the adoption of the going concern basis of accounting is appropriate; ▪ all material transactions have been recorded and are reflected in the financial statements and performance information; ▪ all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to us; and ▪ uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information. Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries. We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non-receipt or condition of the financial statements and performance information,

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	or for some other reason beyond our control, as soon as possible after that. The work papers that we produce in carrying out the audit are the property of the Auditor-General. Work papers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.

Responsibilities for the accounting records	
Responsibilities of the Council	*Responsibilities of the Appointed Auditor*
You are responsible for maintaining accounting and other records that: ▪ correctly record and explain the transactions of the public entity; ▪ enable you to monitor the resources, activities, and entities under your control; ▪ enable the public entity's financial position to be determined with reasonable accuracy at any time; ▪ enable you to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and ▪ are in keeping with the requirements of the Commissioner of Inland Revenue.	We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information. If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.

Responsibilities for accounting and internal control systems	
Responsibilities of the Council	*Responsibilities of the Appointed Auditor*
You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the public entity), supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of	The annual audit is not designed to identify all significant weaknesses in your accounting and internal control systems. We will review the accounting and internal control systems only to the extent required to express an opinion on the financial statements and performance information.

financial and - where applicable - performance information reporting.	We will report to you separately, on any significant weaknesses in the accounting and internal control systems that come to our notice and that we consider may be relevant to you. Any such report will provide constructive recommendations to assist you to address those weaknesses.

Responsibilities for preventing and detecting fraud and error	
Responsibilities of the Council	***Responsibilities of the Appointed Auditor***
The responsibility for the prevention and detection of fraud and error rests with you, through the implementation and continued operation of adequate internal control systems (appropriate to the size of the public entity) supported by written policies and procedures. We expect you to formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with. Fraud also includes bribery and corruption. We expect you to consider reporting all instances of actual, suspected, or alleged fraud to the appropriate law enforcement agency, which will decide whether proceedings for a criminal offence should be instituted. We expect you to immediately inform us of any suspected fraud where you, and/or any individuals within Napier City Council with delegated authority have a reasonable basis that suspected fraud has occurred - regardless of the amount involved.	We design our audit to obtain reasonable, but not absolute, assurance of detecting fraud or error that would have a material effect on the financial statements and performance information. We will review the accounting and internal control systems only to the extent required for them to express an opinion on the financial statements and performance information, but we will: ▪ obtain an understanding of internal control and assess its ability for preventing and detecting material fraud and error; and ▪ report to you any significant weaknesses in internal control that come to our notice. We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected, or alleged fraud. As part of the audit, you will be asked for written confirmation that you have disclosed all known instances of actual, suspected, or alleged fraud to us. If we become aware of the possible existence of fraud, whether through applying audit procedures, advice from you, or management, or by any other means, we will communicate this to you with the expectation that you will consider whether it is appropriate to report the fraud to the appropriate law enforcement agency. In the event that you do not report the fraud to the appropriate law enforcement agency, the Auditor-General will consider doing so,

	if it is appropriate for the purposes of protecting the interests of the public.

Responsibilities for compliance with laws and regulations	
Responsibilities of the Council	*Responsibilities of the Appointed Auditor*
You are responsible for ensuring that the public entity has systems, policies, and procedures (appropriate to the size of the public entity) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of the public entity are complied with. Such systems, policies, and procedures should be documented.	We will obtain an understanding of the systems, policies, and procedures put in place for the purpose of ensuring compliance with those legislative and regulatory requirements that are relevant to the audit. Our consideration of specific laws and regulations will depend on a number of factors, including: ▪ the relevance of the law or regulation to the audit; ▪ our assessment of the risk of non-compliance; ▪ the impact of non-compliance for the addressee of the audit report The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance. We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws and regulations.

Responsibilities to establish and maintain appropriate standards of conduct and personal integrity	
Responsibilities of the Council	*Responsibilities of the Appointed Auditor*
You should at all times take all practicable steps to ensure that your members and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a "Code of Conduct" and, where applicable, support the "Code of Conduct" with policies and procedures.	We will have regard to whether you maintain high standards of conduct and personal integrity – particularly in matters relating to financial management and accountability. Specifically, we will be alert for significant instances where members and employees of the public entity may not have

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The expected standards of conduct and personal integrity should be determined by reference to accepted "Codes of Conduct" that apply to the public sector.	acted in accordance with the standards of conduct and personal integrity expected of them. The way in which we will report instances that come to our attention will depend on significance. We will report to you and to the Auditor-General all significant departures from expected standards of conduct and personal integrity that come to our attention during the audit. The Auditor-General, on receiving a report from us, may, at his discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.

Responsibilities for conflicts of interest and related parties	
Responsibilities of the Council	*Responsibilities of the Appointed Auditor*
You should have policies and procedures to ensure that your members and employees carry out their duties free from bias. You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.	To help determine whether your members and employees have carried out their duties free from bias, we will review information provided by you that identifies related parties, and will be alert for other material related-party transactions. Depending on the circumstances, we may enquire whether you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.

Responsibilities for publishing the audited financial statements on a website	
Responsibilities of the Council	*Responsibilities of the Appointed Auditor*
You are responsible for the electronic presentation of the financial statements and performance information on the public entity's website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented.	Examining the controls over the electronic presentation of audited financial statements and performance information, and the associated audit report, on your website is beyond the scope of the annual audit.

If the audit report is reproduced in any medium, you should present the complete financial statements, including notes, accounting policies, and any other accountability statements.	

Responsibilities under the Health and Safety at Work Act 2015	
Responsibilities of the Council	***Responsibilities of the Appointed Auditor***
We expect you to work with us to ensure the health and safety of our audit staff. You must ensure, so far as is reasonably practicable, the health and safety of our audit staff while they are on your premises, or otherwise engaging with you on their audit work. We expect you to provide a safe and healthy work environment, which includes, but is not limited to, providing: ▪ information, training, instruction, and supervision to protect them from work related health and safety risks, including inductions on workplace emergency evacuation procedures; ▪ suitably designed workstations that support and maintain an ergonomically correct body posture, including adequate lighting and ventilation; ▪ adequate welfare facilities, such as appropriate bathroom and washing amenities, suitable drinking water, and rest facilities; ▪ appropriately labelled and equipped first-aid kits; ▪ personal protective equipment (PPE) when all other control measures can't adequately eliminate or minimise risks to a worker's health and safety; and ▪ protection from offensive conduct such as aggressive slurs and/or behaviours, physical assaults or threats, intimidation, ridicule or mockery, insults, or put-downs.	The Auditor-General and Ernst & Young take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015, as a person conducting a business or undertaking (PCBU) we will make arrangements with you to keep our audit staff safe while they are working at your premises or otherwise engaging with you on their audit work. We will obtain an understanding of health & safety systems, policies, and procedures put in place for the purpose of ensuring compliance with legislative and regulatory requirements. We will take reasonable care of our own health and safety, and we will take reasonable care that what we do or don't do does not adversely affect the health and safety of other people. We will cooperate with the workplace health and safety policies and procedures of Napier City Council and comply with any reasonable instructions given. We will monitor the health and safety of our audit staff (in particular, to ensure you are providing the things listed under your responsibilities to ensure a safe and healthy work environment for our audit staff when they are on your premises), and we may advise someone at your premises (such as a Chief Financial Officer and/or a health and safety representative) if we have a health and safety concern related to our audit staff. We will work with you to resolve any health and safety concerns related to our audit staff.

We expect you to work with us to resolve any health and safety concerns related to our audit staff.	

3. EXTERNAL AUDIT RECOMMENDATIONS UPDATE

Type of Report:	Enter Significance of Report
Legal Reference:	Enter Legal Reference
Document ID:	1898776
Reporting Officer/s & Unit:	Talia Foster, Financial Controller

1.0 Executive Summary - Te Kaupapa me te Whakarāpopototanga:

1.1 Napier City Council is required to prepare an Annual Report each year and have it audited. In 2025/26 our Annual Report was audited by Audit NZ who identified eight recommendations to improve our processes.

1.2 The agreed actions are now being followed up with the relevant Council officers and progress on actions to date is being tracked. The attached report provides updates on each action.

2.0 Officer's Recommendation

Risk and Assurance Committee::

a) **Receive** the report titled External Audit Recommendations Update 06 March 2026.

3.0 Attachments

1⇩ 2026 External Audit Recommendations Update Doc Id: 1898772

Ref	Priority	Recommendation	Why we are making this recommendation	Management comments	Commentary February 2025	Commentary February 2026
Rates compliance with Local Government Rating Act 2002						
1	High	Continue strengthening internal review processes to ensure future rating documentation is accurate and compliant. Options to consider include implementing a formal checklist, seeking annual legal review, and providing targeted staff training.	The 2025 and 2026 rates resolution and Funding Impact Statement contained inconsistencies, including: • Variances in land and capital value-based rates; • Incorrect GST treatment of water-by-meter charges; and • A typographical error in the refuse collection rate. Legal advice confirmed technical non-compliance with section 23 of the Local Government Rating Act 2002. While no ratepayers were disadvantaged, the risk of legal challenge remains.	*The redesign has improved alignment between budgeting and rating processes. The team is now better equipped to prevent repeat issues and provide extra quality assurance. Legal advice will be sought is there is any uncertainty during the Annual Plan process.*	In progress	The Annual Planning process is ongoing, but has been a great way for the rates and financial accounting team to ensure they are more aligned. Further checks will happen as we get further along in this process
Performance Measure Data – Fault Response Times						
2	High	Update fault logging processes to ensure all requests for service are recorded based on when they were first received, not when job forms are opened or notifications are passed on. This may include aligning system timestamps with call logs, implementing reasonableness checks, and performing regular quality reviews to validate reported response times. All data amendments should be clearly documented with an audit trail.	The audit report was qualified due to unresolved issues with fault response time data. Smaller time variances were typically caused by delays between when a fault call was received and when the job form was opened in the system, which prepopulates the response time. These minor timing gaps affected the accuracy of logged attendance and resolution times. More significant discrepancies occurred where faults were logged well after they were received—often due to manual data entry or failure to backdate emails and other notifications. In these cases, the system recorded the time the notification was received from another source (e.g. contractor or internal transfer), rather than when the fault was first reported. These issues compromised data integrity and prevented us from obtaining sufficient assurance over the reported performance measures. Improvements to system functionality, fault logging protocols, and audit traceability are needed.	*A meeting was held in July with the team receiving the calls for water service requests to ensure understanding of the issue and the importance of entering accurate data. With the recruitment of an Internal Auditor and Manager Customer Experience – Water Operations, reviews and process improvements have begun to ensure that data is correct for the 2025/26 year. Process improvements include additional quality assurance and digitisation of current paper-based processes.*	In progress	With the recruitment of our Internal Audit & Controls Advisor, an internal review of the service requests has commenced. This will be reported back to the Risk and Assurance Committee once complete.
Incomplete Asset Data in AWM (RAMM)						
3	High	Regularly reconcile the Fixed Asset Register with AWM and update depreciation rates and useful lives after each revaluation	Testing revealed that the AWM system (formerly RAMM) contains incomplete or outdated asset data. Vested assets were excluded, and depreciation rates were not updated following recent valuations. This led to a material error in depreciation expense and poses an ongoing risk to valuation completeness.	*We have updated our process by adding a year-end project plan action to ensure each revaluation includes this update going forward.*	In progress	With the change in accounting policy to revalue our roading assets 3-yearly, this will not be required in the current financial year but has been noted for review with every Annual Report.
Weaknesses in Capitalisation Process						
4	Medium	Implement a more structured capitalisation process that ensures asset values, useful lives, and readiness for use are consistently documented and reviewed. This may include formalising approval steps, improving documentation standards, and ensuring those involved have the appropriate expertise and authority.	The current capitalisation process lacks formal documentation and oversight. There is no structured check for useful lives, approval of asset values, or confirmation that assets are ready for use. Some staff involved may lack the necessary expertise.	*Discussions on resourcing allocations for assets and capitalisation processes are ongoing after the organisational redesign, and this will be considered in those discussions. It is intended that a Fixed Asset and Capitalisation Policy and processes may be implemented which would cover this process.*	In progress	Discussions on resourcing for assets and capitalisation processes have not been resolved.
Valuations of assets						
5	Medium	Strengthen Council's asset valuation processes to ensure completeness, independence, and relevance to local conditions.	$9.1 million of additions and $28.3 million of existing assets were excluded from the restricted assets valuation in error.	*There will be process improvements for future revaluations to ensure that our fixed asset register is used as the base and additions can be captured as they are processed, which timing did not allow for in the 2024/25 Annual Report process.*	In progress	Discussions on the valuation process for 2025/26 are just beginning.
		This may include implementing formal reconciliation procedures to confirm all additions and existing assets are captured, subjecting valuations prepared by service providers to independent peer review, and ensuring valuation assumptions reflect Council's specific asset base rather than sector-wide averages.	Downer, a service provider with an existing relationship with Council, prepared the 30 June 2025 roading valuation. Although the valuation was not booked, it was used as an approximation.	*The conflict of interest with Downer and the roading revaluation process will be assessed for future years, and an external review may be put in place for valuations which will be booked rather than just used as an assessment of fair value.*	In progress	With the change in accounting policy to revalue our roading assets 3-yearly, this will not be required in the current financial year but has been noted for review.
			The three waters valuation applied assumptions averaged across multiple councils, which may not reflect Council's specific context. Although the valuation was not booked, it was used as an approximation.	*The Three Waters valuation was conducted for 3W entity purposes and will undergo reassessment during subsequent valuation cycles.*	Complete	Council has engaged a different valuer to complete a fair value assessment for the 2025/26 year end. This valuer has previously completed this work for NCC and will work closely with our auditors to ensure a good outcome.
Review of Useful Lives Not Aligned with Policy						
6	Low	Implement a formal process to review and update useful lives at each financial year-end.	Council's accounting policy and PBE IPSAS 17 require annual review of asset useful lives at balance date. A large number of assets were found with nil net book value, including 47 that depreciated to nil in the current year. These assets have not been disposed of and appear to still be in use.	*Discussions on resourcing allocations for assets and capitalisation processes are ongoing after the organisational redesign, and this will be considered in those discussions. It is intended that a Fixed Asset and Capitalisation Policy and processes may be implemented which would cover this process.*	In progress	Discussions on resourcing for assets and capitalisation processes have not been resolved.
GST Not Claimed on Property Purchases						
7	Low	Review the GST treatment of all property purchases to ensure GST is claimed where eligible, particularly for exempt supplies and purchases from non-registered persons.	Council did not claim GST input tax credits on certain properties purchased after Cyclone Gabrielle. This included land from a non-registered person and residential land incorrectly treated as zero-rated.	*We have reviewed the two transactions in question and identified a minor training deficiency for the staff involved. This training has now been completed, and advice will be sought on correcting the errors identified through the audit process.*	Complete	Reviews are being completed as property purchases occur. We await the 2025/26 audit to ensure this item can be removed from our recommendations.
Sensitive expenditure						
		Formally document elected member benefits and include them in governance policies for the new triennium.	Elected Members are allocated a professional development budget of $1,500 annually. However, no formal documentation was provided to support this benefit.	*The Elected Member policy has been updated to specify "Members are allocated $1500 each per financial year for relevant professional development" and includes information on approval requirements and sharing learnings. This was completed on 31 July as a minor update by officers.*	Complete	Completed on 31 July 2025.

8	Low	Ensure all SLT-related expenditure is approved by the Mayor to ensure compliance with the one-up approval process and maintain appropriate oversight.	Two invoices for SLT training were approved by the CFO instead of the Mayor, contrary to the 1-up approval policy.	*Training has not widely been recognised as a sensitive item in the past, therefore the one-up rule was deemed to apply to the person organising the training rather than the recipients of the training. We are communicating the expectation that training be treated as sensitive expenditure to staff, and we have updated our accounts payable and expense claim system to flag training codes as sensitive, thus requiring the recipient information to be entered which is intended to prompt the preparer to consider the approver, and makes auditing and reporting on this matter easier.*	Complete	The system changes have been implemented and reviews occur on a portion of the transactions to ensure the one-up rule is adhered to. We await the 2025/26 audit to ensure this item can be removed from our recommendations.

4. SENSITIVE EXPENDITURE - MAYOR AND CHIEF EXECUTIVE

Type of Report:	Operational and Procedural
Legal Reference:	N/A
Document ID:	1898385
Reporting Officer/s & Unit:	Talia Foster, Financial Controller

1.0 Executive Summary - Te Kaupapa me te Whakarāpopototanga:

1.1 The Sensitive Expenditure Policy requires a report of all sensitive expenditure by the Chief Executive and by the Mayor to the Audit and Risk Committee meetings (clause 6.3 and 6.4). The policy also states that the expenditure items will be reviewed by the Chairperson or the Deputy Chairperson of the Audit and Risk Committee for compliance with this policy. This report is provided to fulfil that requirement, and a copy of the policy has been attached for reference.

1.2 This report outlines only those items for which the Chief Executive or Mayor directly received the benefit of the expenditure, rather than instances where they approved the expenditure or where the expenditure was sourced from their budget. Where there were multiple recipients of a transaction, an estimate of the Chief Executive or Mayor's portion has been made.

1.3 All sensitive expenditure transactions for the quarter are compliant with Council's Sensitive Expenditure Policy.

2.0 Officer's Recommendation

Risk and Assurance Committee::

a) **Receive** the report titled Sensitive Expenditure - Mayor and Chief Executive dated 06 March 2026 and confirm compliance with the Sensitive Expenditure Policy.

3.0 Attachments

1⇩	Q2 Sensitive Expenditure Report for the CE	Doc Id: 1898693
2⇩	Q2 Sensitive Expenditure Report for the Mayor	Doc Id: 1898694
3⇩	Sensitive Expenditure Policy	Doc Id: 349335

Chief Executive Sensitive Expenditure

Report for Audit and Risk Committee Meeting

Transactions processed for periods 202510 to 202512

Transaction Date	Expenditure Type	Transaction Source	Supplier		Value	Details	Compliant with Policy
Jul-25	Subscriptions	AP	Taituara (SOLGM)	$	450.00	Navigator Taituara membership renewal	✔
Sept-25	Travel & Accommodation	AP	Corporate Cabs Limited	$	421.01	Corporate Cabs - Christchurch: 3-4 Sep 2025 Auckland: 4 Sep 2025 Wellington: 30 Sep 2025	✔
Oct-25	Travel & Accommodation	CC	Mastercard (Alma)	$	59.71	Dinner - Women in Leadership Conference	✔
Oct-25	Travel & Accommodation	AP	Orbit Travel Wellington	$	156.52	Oaks Wellington Hotel - innovation showcase Aotearoa	✔
Oct-25	Travel & Accommodation	AP	Corporate Cabs Limited	$	395.23	Corporate Cabs - Wellington: 21 - 22 October Auckland: 14 - 16 October	✔
Oct-25	Travel & Accommodation	AP	Orbit Travel Wellington	$	58.26	Dinner - innovation showcase Aotearoa	✔
Oct-25	Travel & Accommodation	AP	Orbit Travel Wellington	$	87.78	Flights - speaking at Women in Leadership Summit	✔
Nov-25	Travel & Accommodation	CC	Mastercard (Hawkes Bay Airport)	$	22.28	Parking - HB Airport 30 Sep	✔
Nov-25	Travel & Accommodation	CC	Mastercard (Corporate Cabs)	$	57.20	Corporate Cab - Wellington at Speaking engagement 13 June 2025	✔
Nov-25	Travel & Accommodation	AP	Corporate Cabs Limited	$	129.81	Corporate Cab - Wellington 28 Nov	✔
Nov-25	Travel & Accommodation	AP	Orbit Travel Wellington	$	328.70	Hotel - Wellington speaking engagement	✔
Dec-25	Travel & Accommodation	CC	Mastercard (Novotel - Hamilton)	$	81.60	Future Roads Conference - accommodation, parking, breakfast.	✔
Dec-25	Employee Benefits	CC	Mastercard (New World)	$	4.62	Refreshments - ELT & HoDs Strategy Planning meeting	✔
Dec-25	Employee Benefits	CC	Mastercard (New World)	$	8.07	Refreshments - ELT & HoDs Strategy Planning meeting	✔
Total For Quarter				**$**	**2,260.79**		

Transaction Source key:

EC	Transaction approved through expense claim process
CC	Transaction processed through an NCC corporate card
AP	Transaction approved through normal purchasing & payables process
IN	Internal transfer

Mayor Sensitive Expenditure

Report for Audit and Risk Committee Meeting

Transactions processed for periods 202510 to 202512

Transaction Date	Expenditure Type	Transaction Source	Supplier		Value	Details	Compliant with Policy
Oct-25	Training	AP	Tranzit Coachlines Hawkes Bay Limited	$	57.75	Hire of bus for elected members facility tour 21/11/2025.	✔
Oct-25	Travel & Accommodation	AP	Orbit Travel Wellington	$	285.22	Hotel - LGNZ Mayors School 2025	✔
Oct-25	Travel & Accommodation	AP	Orbit Travel Wellington	$	52.17	Car parking - LGNZ Mayors School 2025	✔
Oct-25	Travel & Accommodation	AP	Orbit Travel Wellington	$	30.43	Breakfast - LGNZ Mayors School 2025	✔
Oct-25	Travel & Accommodation	AP	Orbit Travel Wellington	$	375.78	Flights - Rural, Provincial and Regional sector meetings	✔
Nov-25	Sister City Relations	AP	Orton Catering Limited	$	135.78	Tomakomai Gala Dinner at The Old Church 20th November 2025. Catering, beverages, venue hire and event management. 68 attendees + 4 children.	✔
Nov-25	Travel & Accommodation	AP	Orbit Travel Wellington	$	118.47	Flights - Rural, Provincial and Regional sector meetings	✔
Nov-25	Travel & Accommodation	AP	Orbit Travel Wellington	$	58.50	Corporate cab - Rural, Provincial and Regional sector meetings	✔
Nov-25	Travel & Accommodation	AP	Orbit Travel Wellington	$	54.77	Corporate cab - Rural, Provincial and Regional sector meetings	✔
Dec-25	Catering	IN	Napier Municipal Theatre	$	36.54	ELT Meeting at Municipal Theatre 04 Dec 2025. Room hire & catering. Split 1/17th (12 EM + 5 ELT)	✔
Dec-25	Training	AP	Knuckles Ltd - T/A The Food Company	$	31.94	Catering - Bus Tour of facilities 12 December 2026	✔
Dec-25	Training	AP	Tranzit Coachlines Hawkes Bay Limited	$	78.13	Elected elected member bus tour of facilities.	✔
Dec-25	Travel & Accommodation	AP	Orbit Travel Wellington	$	54.42	Corporate cab - LGNZ Te Maruata Hui	✔
Dec-25	Travel & Accommodation	AP	Orbit Travel Wellington	$	46.09	Corporate cab - LGNZ Te Maruata Hui and LGNZ YEM	✔
Dec-25	Travel & Accommodation	AP	Orbit Travel Wellington	$	58.33	Corporate cab - LGNZ Te Maruata Hui	✔
Dec-25	Travel & Accommodation	AP	Orbit Travel Wellington	$	53.98	Corporate cab - LGNZ Te Maruata Hui	✔
Oct-25	Catering	AP	Knuckles Ltd - T/A The Food Company	$	14.25	EM Training - catering. 12 x attendees.	✔
Oct-25	Catering	AP	Knuckles Ltd - T/A The Food Company	$	20.25	EM Training - catering. 12 x attendees.	✔
Oct-25	Catering	AP	Knuckles Ltd - T/A The Food Company	$	19.75	EM Training - catering. 20 x attendees.	✔
Nov-25	Catering	AP	Knuckles Ltd - T/A The Food Company	$	24.25	Catering for Councillor only hui induction.	✔
Nov-25	Catering	AP	Knuckles Ltd - T/A The Food Company	$	26.80	Pōhiri for 2025 new Council and Mana Whenua at Pukemokimoki marae.	✔
Total For Quarter				**$**	**1,633.59**		

Transaction Source key:	
EC	Transaction approved through expense claim process
CC	Transaction processed through an NCC corporate card
AP	Transaction approved through normal purchasing & payables process
IN	Internal transfer

INTERNAL POLICY

Sensitive Expenditure Policy			
Approved By	Chief Executive		
Department	Corporate and Commercial Services – Finance		
Original Approval Date	12 June 2011	**Review Approval Date**	24 June 2025
Next Review Deadline	24 June 2027	**Document ID**	349335
Relevant Legislation	Local Government Act 2002 Local Authority (Members' Interest) Act 1968 Public Audit Act 2001		
NCC Docs Referenced	Procurement Policy		1367676
	Motor Vehicle Policy		218460
	Disposal of Surplus Assets Policy		219066
	Recognition Policy and Framework		382700
	Gifts and Gratuities Policy		556126
	Credit Card Policy		352631
	Koha Policy		1330767
	Conflict of Interest Policy		350732
	Relocation Policy		1370181
	Financial Delegations Policy		446057
	Elected Members' Allowances and Expenses Policy		1755748
	Travel Policy		837431

Purpose

The purpose of this Policy is to provide Elected Members, the Chief Executive and Council employees with a clear framework for managing sensitive expenditure. The most fundamental fact applicable to all expenditure by Council is that money used is ratepayers' funds. Consequently, sensitive expenditure needs to be consistent with the standards of probity and prudence that are expected of a public entity and be able to withstand elected members and public scrutiny.

Definition of sensitive expenditure: Expenditure by a public entity that provides, has the potential to provide or has the perceived potential to provide a private benefit to an individual staff member of a public entity that is additional to the business benefit to the entity of the expenditure. It also includes expenditure by a public entity that could be considered unusual for the entity's purpose and/or functions.

Policy

1.0 Principles applicable to sensitive expenditure

In order to satisfy the requirements above, the Council expects all employees involved in arranging, making or approving expenditure to:

- do so only for Council purposes (i.e. expenditure is consistent with the Long Term Plan or Annual Plan);
- exercise integrity, prudence and professionalism
- not derive personal financial gain (unless a conflict of interest has been declared and the transaction is managed in according to the procedure agreed in the declaration of the conflict of interest);
- act impartially;
- ensure the expenditure is moderate and conservative in the extent of the given situation;
- ensure the transaction is made transparently
- ensure the transaction is approved with the proper authority based on this policy, the Financial Delegations Policy, and other relevant policies
- have read and adhered to this and other relevant Council Policies;
- record the business purpose and recipients of all sensitive expenditure
- ensure transactions are appropriate in all respects.

The above principles and Council Policies should be applied comprehensively (i.e. no single principle or Policy should be excluded)

2.0 Deciding when sensitive spending is appropriate

2.1 For all expenditure, consideration needs to be given to Fringe Benefit Tax (FBT) requirements.

2.2 In deciding what appropriate sensitive expenditure is, elected members and employees need to take account of both individual transactions and the total value of sensitive expenditure.

2.3 Even when sensitive expenditure decisions can be justified at the item level, the combined amount of spend on a category of expenditure may be such that, when viewed in total, the entity could be considered extravagant and wasteful.

3.0 Responsibilities of the Mayor, Councillors and Executive Leadership Team

3.1 To be truly effective, this Sensitive Expenditure Policy, procedures and other controls must be embedded in the Council's values, philosophy practices and business processes. When this occurs, everyone at Council becomes involved in the proper and prudent management of sensitive expenditure.

3.2 Overall responsibility for this Policy rests with the Mayor, Councillors and the Executive Leadership Team (ELT). This group is required to make it clear to employees what is and is not 'acceptable sensitive expenditure' and model these behaviours to the highest standard.

4.0 Good controls and judgement

4.1 While the good controls at Council will assist with good sensitive expenditure conditions, good judgement will also be required. This is because it is not possible or desirable to attempt to set rules for every possible situation that may arise. In the absence of a specific rule for a given situation, the Mayor, Councillors and ELT are expected to exercise good judgement by taking the principles in this policy into account in the context of the given situation.

4.2 The Mayor, Councillors and ELT are required to ensure transparency in both sensitive expenditure and remuneration systems, to avoid any trade-off between the two. Items of expenditure that may not be justified under the principles of this policy should not be included as part of the employee's remuneration for the purposes of avoiding scrutiny against sensitive expenditure principles.

5.0 General controls for reimbursement

5.1 The approver must be the supervisor or manager of the recipient of the benefit derived from sensitive expenditure and hold the appropriate financial delegation, or someone of similar or greater seniority. Refer to the NCC's Financial Delegation Policy (Doc ID 446057)

5.2 All claims must be submitted promptly after the expenditure is incurred. Except in exceptional circumstances, this means within one month.

5.3 Sensitive expenditure will only be reimbursed if it is deemed reasonable, actual and has been incurred directly in relation to Council business.

5.4 Valid GST compliant invoices/receipts and other supporting documentation must be maintained/submitted for all sensitive expenditure. Credit card statements and Eftpos receipts do not constitute adequate documentation for reimbursement.

5.5 All claims must clearly state the business purpose of the expenditure where it is not clear from the supplier documentation supporting the claim.

5.6 All claims must document the date, amount, recipients of any benefit and description.

5.7 Wherever possible, Councils preferred suppliers are to be used. Refer to NCC's Procurement Policy (Doc ID 1367676).

6.0 Approval for sensitive expenditure

6.1 Approval for sensitive expenditure must be:

- Given only when the person approving the expenditure is satisfied that there is a justified business purpose and all policies have been adequately met.
    - Given before the expenditure is incurred, whenever practical.
    - Made only when budgetary provisions and delegated authority exist.
- Given by the person senior to the person who will benefit or might be perceived to benefit from the sensitive expenditure. The approver must be the supervisor or manager of the recipient of the benefit derived from sensitive expenditure and hold the appropriate financial delegation, or someone of similar or greater seniority. Refer to the NCC's Financial Delegation Policy (Doc ID 446057)

6.2 Sensitive Expenditure where an Elected Member is the recipient will be reviewed and approved by the Mayor for compliance with this Policy. Refer to NCC's Elected Members' Allowances and Expenses Policy (Doc ID 1755748).

6.3 Sensitive Expenditure where the Mayor is the recipient will be approved by the Chief Executive. A report of all sensitive expenditure where the Mayor is the recipient will be provided to the Audit and Risk Committee who will review for compliance with this policy.

6.4 In the case of the Chief Executive, the Mayor shall approve the expenditure. A report of all sensitive expenditure where the Chief Executive is the recipient will be provided to Audit and Risk Committee who will review for compliance with this policy.

6.5 In the event that both the Mayor and the Chief Executive attend an event and incur an expense that is considered sensitive expenditure, these expenses should be reviewed and approved by the Chief Financial Officer. These expenses are then reviewed by the Audit and Risk committee.

Specific Areas of Expenditure

7.0 Credit cards

Using credit cards is not a type of sensitive expenditure. However, they are a common method of payment for such expenditure. Employees issued with Credit Cards need to refer to NCC's Credit Card Policy (Doc ID 224194)

8.0 Travel

8.1 For information specific to Travel refer to NCC's Travel Policy (Doc ID 837431). The Travel Policy covers the use of private vehicles for Council business, rental cars, taxis/shuttles and public transport, accommodation, air travel, and other travel-related expenditure.

9.0 Entertainment and Hospitality

Entertainment and hospitality can cover a range of items from tea, coffee and biscuits to catering, such as meals. It also includes non-catering related items such as Council funded entry to sporting or cultural events.

9.1 The principles of a justified business purpose, moderate and conservative expenditure, should be applied.

9.2 Council expenditure on entertainment and hospitality should be limited to the following business justifications:

- Building relationships
- Representing the organisations
- Reciprocity of hospitality where this has a clear business purpose and is within normal bounds – acceptance of hospitality is expected to be consistent with the principles and guidance for the provision of hospitality.
- Recognising significant business achievement
- Building revenue

9.4 Supporting the Council's internal organisational development may, in occasional circumstances, also be a legitimate business purpose for moderate expenditure.

9.5 All entertainment and hospitality expenditure must be pre-authorised by an ELT member, the Mayor or Chief Executive where practical and always supported by clear documentation. This documentation must identify the date, venue, costs, recipients and benefits derived and/or reasons for the event.

9.6 The most senior person present (with delegated authority) should approve and confirm the expenditure as being appropriate at the time, and the expenditure must then be approved by their manager as per clause 5.1. Refer also to NCC's Gifts and Gratuities Policy (Doc ID 556126).

10.0 Alcohol

10.1 Alcohol may be purchased with NCC funds where there is a clear business purpose and expenditure and consumption is not excessive for the circumstances. A business purpose may include celebrating successes, team building, and building internal and external relationships.

10.2 Expenditure on alcohol is to be approved under the general provisions in clause 6.1.

10.3 Alcohol consumed when travelling on Council business is covered by the Travel Policy.

10.4 Refer to the Alcohol and Drug Policy, and the Motor Vehicle Policy and ensure that the consumption of alcohol does not result in undesirable conduct by employees.

11.0 Staff Recognition and meetings

11.1 Expenditure on events to recognise staff related milestones, such as farewells, retirements and staff achievements are permitted but should not be extravagant or inappropriate, must be within available budgets, and should be consistent across the organisation.

11.2 Small expenses are permitted by Managers in recognition of staff achievements. These must fall within their budget for staff recognition. Refer to NCC's Recognition Policy and Framework (Doc ID 382700).

11.3 Expenditure by staff when attending either internal or external meetings locally in Napier and Hastings is permitted but must be prudent, have a definite business purpose and the spender must supply a list of the attendees along with their receipt/invoice. Expenditure must be coded appropriately, and fall within available budgets.

11.4 Expenditure by staff when attending meetings elsewhere in New Zealand is covered by the NCC Travel Policy.

12.0 Vouchers and Gift Cards

12.1 Purchase of Vouchers and Gift cards is permitted provided that there is a clear business purpose and is moderate and conservative in amount. The intended use and recipient must be specified and can be; for small marketing promos, rewards for volunteers and for staff recognition.

12.2 Vouchers must be purchased only as required rather than being purchased in advance and held, and should be treated like cash until gifted to the intended recipient.

Goods and Services Expenditure

13.0 Disposal of Surplus Assets

As part of normal business, Council will from time to time dispose of surplus assets. Typically, this is when assets have become obsolete, worn out or surplus to requirements. Council's disposals are intended to be transparent and fair. Refer to NCC's Disposal of Surplus Assets Policy (Doc ID 219066).

14.0 Loyalty reward scheme benefits

Loyalty reward schemes provide a benefit to the customer for continuing to use a particular supplier of goods and services. Generally, the rewards tend to be given in the name of the individual who obtains the goods and services, regardless of who has paid for them.

14.1 Except in the case of Airline loyalty rewards (covered in the NCC Travel Policy) and loyalty schemes such as Fly buys etc. Council treats loyalty rewards accruing to employees carrying out their official duties as property of the Council.

14.2 Prizes, incentive schemes and gifts are covered further by NCC's Gifts and Gratuities Policy.

15.0 Private use of Councils assets

15.1 Any physical item owned, leased or borrowed by Council is considered an asset for the purpose of this policy. This includes plant items, tools, photocopiers, mobiles, means of accessing the internet, and stationery.

15.2 The principles of transparency, moderate and conservative expenditure, are particularly relevant. Private use for personal purposes will only be permitted in limited circumstances and with approval from a member of ELT.

15.3 The costs to Council of private use will be recovered unless it is impractical or uneconomic to separately identify those costs.

15.4 Private use of Council assets can incur FBT so the impact of this must be considered before approval is granted.

16.0 Private use of Council suppliers

16.1 Council will not enable employees or Elected Members to obtain goods or services from a supplier on the same or similar basis to Council except in the limited way provided for below. This is to ensure that they may not receive preferential access to goods and services, and potentially a preferential price, which is not available to the public.

16.2 Staff may, however, make moderate use of any access to goods or services through Council's suppliers only under the approved Staff Discount scheme. All transactions are direct with suppliers and on a cash sale basis only. Staff may not use Council purchasing privileges on behalf of any third party. This includes family members or friends.

16.3 In rare circumstances, a Council order may cover expenditure with a personal component e.g a travel or accommodation booking. In this case payment to Council for the personal component must be made on the earlier of the confirmation of costs or receipt of the invoice from the supplier. Refer to NCC's Travel Policy (Doc ID 837431).

17.0 Council Use of Private Assets

17.1 Council may decide that reimbursing for use of Private Assets is appropriate for reasons such as cost, convenience or availability. Council may also decide to do this in circumstances where it would not fully use an asset of the same type if it acquired it directly. Examples include private motor vehicles, private mobiles and private computers or BYOD (buy your own device).

17.2 Insurance for the private asset being utilised is the responsibility of the employee.

17.3 To reduce the risk of the Council paying reimbursement costs that benefit the employee or elected member, pre-approval by an ELT member is required. In assessing the request particular attention is to be paid to the principles of a justified business purpose and preserving impartiality and integrity.

17.4 Reimbursement will be set at actual and reasonable costs. All claims require supporting documentation.

17.5 Employees must not approve or administer payments to themselves for the Council's use of their private assets.

Employee Support and Welfare Expenditure

18.0 Clothing

18.1 Other than official uniforms and authorised Personal Protective Equipment, staff will not be clothed at the Council's expense when they are engaged in normal business activity.

18.2 The Chief Executive may authorise in exceptional circumstances the reimbursement of actual and reasonable costs in relation to the care of dependents. Some possible examples are when the employee is unexpectedly required to perform additional duties at very short notice, or a dependant unexpectedly requires additional care that the employee cannot provide because of the essential nature of their duties at the time. In all other instances care of dependants is to be treated as a personal and private expense of the employee.

19.0 Financing Social Club Activities

19.1 Council may make a prudent and reasonable monetary contribution to the Council Social Club. The contribution may be a grant or subsidy for a specific event or item and must be approved by the Chief Executive.

20.0 Sponsorship of staff and others

20.1 Staff taking part in an activity that is not part of their job, such as a sporting event, maybe sponsored by Council through the provision of, or payment for goods and services (for example a t-shirt or entry fee).

20.2 Sponsorship should have a justified business purpose, which could include both publicity for the entity and its objectives and organisational development. The cost to Council must be moderate and conservative.

20.3 In normal circumstances, sponsorship will be provided through a social club rather than directly to the staff member.

21.0 Professional Memberships

Membership to a professional body is a sensitive expenditure due to its personal nature.

21.1 Payment of professional fees by Council on behalf of an employee must be:

- clearly relevant to the performance of the employee's duties and responsibilities;
- for the employee alone and is not to cover members of their family or other persons;
- for no longer than one-year in duration unless significant discounts are available and it is reasonable to expect a two-year membership to be an advantage to the Council;
- for the benefit of the Council and are not intended to be a personal benefit to employees, and accordingly are not liable for FBT; refunded directly to council if the membership is cancelled and a refund is made available

Other types of expenditure

22.0 Donations and Koha

A donation or a koha is a payment (in money or by way of goods or services) made voluntarily and without the expectation of receiving goods or services in return. Refer to NCC's Koha Policy (Doc ID 1330767).

23.0 Communications technology

23.1 Communications technology – such as mobiles, telephones, email and internet access, are widely used in the Council workplace. While some personal use of this technology is unavoidable, excessive use incurs costs, including lost productivity to Council.

23.2 Council's policies on the use of communications equipment are contained within NCC's IT Acceptable Use Policy - Employees (Doc ID 392121).

24.0 Gifts given

24.1 A gift is usually given as a token of recognition of something provided by the recipient. Gifts given to employees are covered in NCC's Recognition Policy and Framework (Doc ID 382700).

25.0 Gifts received

25.1 The receiving of a gift is not strictly sensitive expenditure, however; it is a sensitive issue. Refer to NCC's Gifts and Gratuities Policy (Doc ID 556126).

Policy Review

The review timeframe of this policy will be no longer than every two years.

Document History

Version	Reviewer	Change Detail	Date
3	Operations Accountant	Review in line with Travel Policy	Sept 2019
4	Accounting Manager	Full Review, including new clauses 10 – 25 and removal of the provision of alcohol.	Dec 2021
5	Accounting Manager	General review including changes in ELT naming convention, changes in alcohol approved by ELT	June 2025
6	Policy Gatekeeper	Fix PDF & re-publish	July 2025

5. RISK MANAGEMENT REPORT

Type of Report:	Information
Legal Reference:	Local Government Act 2002
Document ID:	1897708
Reporting Officer/s & Unit:	Sandile Khenisa, Internal Audit & Controls Advisor Hans Pottstock-Vidal, Risk Controls & Risk Assurance Manager Marat Basyrov, Quality & Business Improvement Analyst

1.0 Executive Summary - Te Kaupapa me te Whakarāpopototanga:

1.1 The purpose of this report is to provide the Risk and Assurance Committee with an overview and update on Council's risk and assurance management for the past quarter.

1.2 The Risk, Controls & Assurance (RC&A) team will be presenting the following two proposals for consideration, endorsement, and approval by the Committee:

- A new Integrated Risk & Assurance Management System (the Framework; **Attachment 1**), and
- The 3-year Internal Audit Plan for FY26 to FY28 **(Attachment 2)**, following adoption of the Internal Audit Charter.

1.3 This report will also present the Committee with an overview of the activity by the Quality Assurance and Business Improvement function of the RC&A team.

2.0 Recommendations - *Ngā Tūtohunga*

That Risk and Assurance Committee:

a. **Receives** the report titled Risk Management Report dated 06 March 2026.

b. **Approves** the proposal for a new Risk & Assurance management framework.

c. **Approves** the proposal for the 3-year Internal Audit Plan (FY26 - FY28).

3.0 Background - *Ngā Tuāpapa:*

3.1 The Risk, Controls & Assurance (RC&A) team initiated a discovery phase in November 2025, aimed to understand Council's context and current maturity in terms of risk and assurance. This initial phase has helped in defining the scope and reach of the new team and function, and to gather existing, relevant data and information to inform future activity

3.2 In December 2025, the team was introduced to the Risk & Assurance Committee. The Committee was presented with a brief report on the current status regarding risk management and presented with a Charter of the newly established Internal Audit function for their feedback and endorsement. It was agreed that, for the next quarter, the RC&A team will develop and present change proposals for a new enterprise risk & assurance framework and a 3-year Internal Audit Plan.

Internal audit function

3.3 The Risk and Assurance Committee approved the Internal Audit Charter at its previous meeting, which sets out the mandate, purpose, independence, and operating principles of the Internal Audit function. Following this approval, the internal audit function developed a three-year Internal Audit Plan to give effect to the Charter and provide the Committee with visibility over planned audit activity.

3.4 The plan delivers one internal audit per quarter based on current resourcing and the shared services arrangement with Hawke's Bay Regional Council, and it will be reviewed and approved annually.

3.5 It uses a risk-based approach aligned to Council's strategic and operational risks, the Long-Term Plan, and key governance priorities, while allowing flexibility for follow ups and special requests.

Quality Assurance and Business Improvement

3.6 The RC&A team promotes continuous improvement, administers the Business Process Management (BPM) system, and advises on Council process changes to ensure operations are efficient, traceable, and consistent. This includes mapping end-to-end workflows, conducting detailed process mapping of key controls (where applicable), and identifying and advising on opportunities for improvement.

3.7 As part of the RC&A team's discovery phase, in January 2026, a BPM screening was conducted (report available upon request). The survey included 58 people leaders from seven directorates. Analysis of the responses identified three major efficiency blockers:

- Manual data handling.
- Slow software.
- Drafted processes.

3.8 The survey results support the digital transformation programme being delivered by the Business Performance & Data team. Key findings include:

- Promapp (the current BPM tool) is used by only 29% of teams, with an average satisfaction score of 2.8 out of 5.
- Teams reported low confidence in Promapp, noting that 62% of documented processes are outdated.

3.9 The RC&A team will continue to support process-improvement focussing on reducing manual data handling, gathering requirements for automation, and reviewing and mapping processes in collaboration with process owners. This work will incorporate insights from risk management workshops, internal audit findings, and emerging requirements from upcoming legislative changes (including RMA reforms).

4.0 Discussion - *Ngā Whakamārama:*

Risk Report

4.1 As at 17 February 2026, the strategic risk landscape remains similar to the end of Q2, with two (2) out of 11 strategic risks rated as 'High' in their residual or revised status. Figure 1 summarises this below:

Figure 1. For this quarter, two (2) strategic risks (SR22 and SR36) are rated as High, and no Extreme risks have been identified. There are no identified issues or opportunities on the risk register for this period.

REVISED RISK STATUS

STRATEGIC RISK	**2 HIGH**	**0 EXTREME**
ISSUES	• There are currently no identified issues	• There are currently no identified issues
OPPORTUNITIES	• There are currently no identified opportunities	• There are currently no identified opportunities

Commentary

4.2 Risk *SR22 – People & Capability* remains High as changes in that area are underway, impacting the effectiveness of existing controls and mitigating actions. It is not clear whether the main causes of this risk have been addressed. Prompt review and update is recommended. Table 1 below summarises the main causes and potential consequences for this risk. More details about this risk, such as mitigating actions and risk treatment is discussed in the corresponding attachment.

SR22 – Main Causes	Key Consequences
Not ensuring the right people are in the right place at the right time.	Reduced quality of outputs / achievement of NCC goals
Lack of proactive communication and staff involvement	Misalignment / siloed ways of working (lack of direction)
Not ensuring behaviours align with NCC values	Lack of organisational culture / connection
Lack of development and competency for leadership. No transition support for team member to team leader	Low engagement. Reduced job satisfaction, connection to NCC values, meaningful work
No current diversity and inclusion policy / framework	Not employing a workforce that reflects the population of Napier

Table 1. Main causes and consequences for risk SR22 for Q2 25/26. Highlighted in red is the identified root cause. Further review and update of this risk is due. It is worth noting that due to the current changes and activity in this area, the description and rating of this risk may change dramatically after being updated.

4.3 Risk *SR36 – Delivery of Programmes & Change* remain rated as High also. Its set of controls will be due for review in May 2026 (according to the current risk framework – last reviewed in May 2025). Based on current information and activity, such as improved portfolio management, and project delivery, it is thought that the residual rating of this risk may decrease in the upcoming review. The main identified causes and potential consequences for this risk are summarised on Table 2, below. As above, more details about this risk, such as mitigating actions and risk treatment is discussed in the corresponding attachment.

SR36 – Main Causes	Key Consequences
Projects are not prioritised against LTP / Service agreements	Council reputation is affected
Procurement opportunities are not realised resulting in high costs for delivery	Inefficient use of resources
Poor delivery of programme and project	Benefits of the project are not realised
Projects lack change management considerations	Change is not well embedded
Inaccurate or incomplete reporting to elected members / public	Elected members lose confidence in delivery of programmes

Table 2. Main causes and consequences for risk SR36 for Q2 25/26. Highlighted in red is the identified root cause. This risk is in constant review and it's updated regularly.

4.4 It is worth noting that both risks, SR22, and SR36 are on the 'low-end' of the High rating in the risk matrix.

4.5 A more detailed look at the Council's strategic risk-profile, top-risks for this quarter, and the current risk appetite statement can be found in the attached file for the public excluded session.

Early Warnings / Emerging Risk

4.6 Work is in progress in relation to the risks that natural hazards may pose to the safety, and resilience of communities, the city, and NCC's assets.

4.7 The RC&A team is providing risk management advice as required and will support any initiative to strengthen Council's preparedness and response.

Risk Management

4.8 The RC&A manager has been meeting with risk owners from various directorates of the Council to better understand their operational context and objectives. Follow up risk review meetings will be conducted to capture and update their risk profiles, and to evaluate controls and actions currently in place. This work will continue through Q3 and Q4.

4.9 The Committee should note that, within the context of a shared services model, the establishment of the function and delivery of the work programme have progressed at a measured pace, compared with what would be achievable by a fully dedicated in-house team

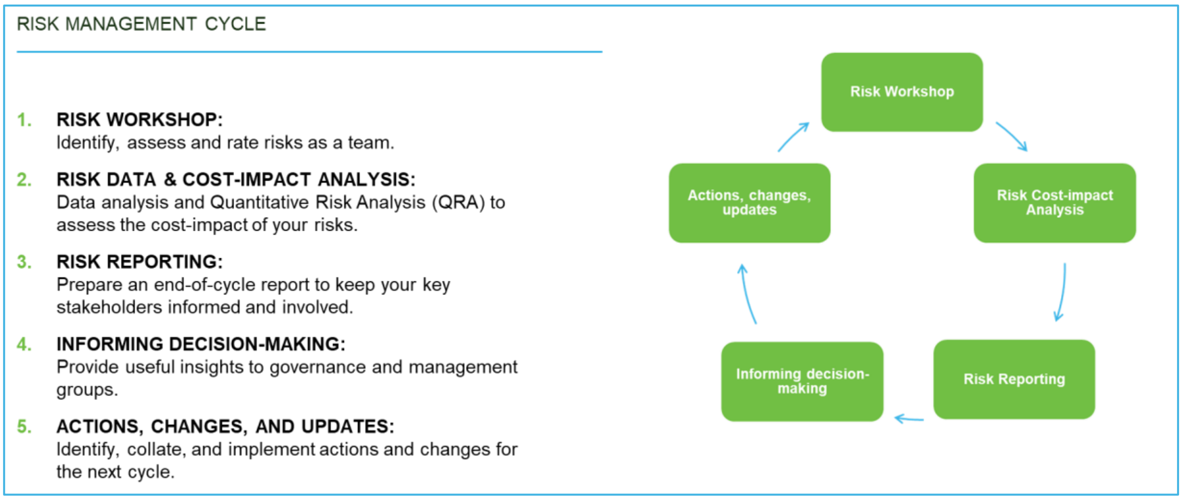
4.10 Nevertheless, the RC&A team has been conducting some audit activity, and providing advice and guidance on risk management practices, and process improvement.

New Risk & Assurance Framework

4.11 As mentioned in the previous meeting of this Committee, the objective of risk management and risk reporting is to create and protect value, enabling Council to centre their attention on the uncertainties that matter most and need their urgent direction.

4.12 The RC&A team's service model promotes and supports guided, periodic Risk reviews, with monthly, bi-monthly, or quarterly cycles, depending on the team's or project's context, needs, and risk maturity. Figure 2 describes the proposed risk management cycle:

Figure 2. Proposed Risk Management Cycle. This cycle can be adapted to different frequencies or



cadences (monthly, bi-monthly, or quarterly) as needed.

4.13 To support the RC&A team's service model, a new, integrated Enterprise Risk & Assurance Framework is currently being developed for NCC. The objective is to enable Council's strategy implementation, good governance, and decision-making.

4.14 The Framework, and associated tools and guidance (see proposal, **Attachment 1**), will set out the necessary criteria, language, descriptors and tools needed to carry out the following process:

- identify threats, issues, and opportunities
- assess their potential effects to objectives and outcomes
- prioritise Risk by severity and proximity
- track and evaluate controls, mitigations, and responses
- document and report.

4.15 The new Framework will allow Napier City Council to:

- establish a standardised and coordinated risk and assurance management function across NCC – *by providing a common process that could be used and applied by any team within the organisation*
- improve staff's capability for providing consistent risk and assurance advice, guidance, and services that meet internal and external stakeholders' requirements, as well as statutory and regulatory responsibilities, and

- capture and visualise opportunities for improvement regarding risk management, workplace organisation, leadership commitment, culture and strategy implementation – *by quantifying the cost-impact of risks and promoting a risk-based prioritisation*.

4.16 The development and implementation phases of a framework like this one usually takes between 12 and 16 weeks. Considering the RC&A team's availability and resourcing, the Committee may expect to receive the final version of the Framework for approval at the end of Q4, and further implementation upon endorsement and approval.

Internal audit function

4.17 The three-year Internal Audit Plan proposes one audit per quarter, reflecting current resourcing and the shared services arrangement with Hawke's Bay Regional Council (see internal audit plan, **Attachment 2)**.

4.18 The plan applies a risk-based methodology and aligns proposed audits to Council's strategic, operational, and emerging risks, the Long-Term Plan, and key governance priorities, while considering recent assurance work to avoid duplication. It also allows flexibility for special requests, follow-up reviews, and other risk and assurance activities.

Quality Assurance and Business Improvement

4.19 The RC&A team ran a process maturity survey across all people leaders and prepared the report Process Management Screening: Identifying Efficiency Blockers (Attachment 1). The results highlight a high level of manual work across the organisation, with 52% of teams reporting double-handling of data.

4.20 Current use of the business process management system, Promapp, is low (29%), and confidence in its content is limited, with 62% of mapped processes reported as significantly out of date.

4.21 Business Performance & Data has begun a programme to replace the existing Business Process Management tool. RC&A will continue to support Promapp content in the interim while also contributing to the design and transition work for the new solution.

4.22 As part of this function, RC&A will integrate insights from the survey with findings from the internal audit programme, risk management workshops, and emerging requirements from upcoming legislative changes (including RMA reforms).

4.23 This will allow us to prioritise process improvements, address the highest-risk workflow gaps, and support teams as they prepare for upcoming operational and compliance changes.

5.0 Options - *He kōwhiringa anō:*

Risk management

5.1 Option One - receive and approve the proposal for a new Risk & Assurance Management Framework

Describe the option and identify the advantages and disadvantages of the option.

Advantages

- This option will provide a consistent and standardised way to manage, and report on risk and assurance across Napier City Council.

Disadvantages

- Development and implementation of the new Framework may take some extra time, due to time availability and resourcing of the RC&A team.

Internal audit function

5.2 Option One – receive and approve the proposed three-year internal audit plan.

Advantages

- This option provides clear visibility over planned internal audit activity while allowing flexibility to respond to emerging risks.

6.0 Next Steps - *Te Koke*

Risk Management

6.1 Upon endorsement and approval of the proposal, the development phase of the new Framework (and its associated policy, plan, procedures, and tools) will be finalised, while continuing the work with risk-owners, capturing their Risk and advising them on best risk practices. The Committee will receive the new Framework for approval at the end of Q4, and will be subsequently updated on its implementation on a regular basis.

Internal audit function

6.2 Subject to Committee approval, the Internal Audit Plan will be implemented from FY26. Progress against the plan will be reported regularly to the Risk and Assurance Committee.

Quality Assurance and Business Improvement

6.3 The RC&A team will participate in the programme to replace the existing BPM tool, ensuring that requirements are met and that the migration of processes is successful.

7.0 Attachments

1⇩	Risk and Assurance Management Framework	Doc Id: 1899145
2⇩	Internal audit Plan FY262728	Doc Id: 1899144

Summary of Considerations - *Tuhinga Whakarāpopoto:*

Not applicable.

Fit with purpose of Local Government - *Ngā aronga tā te Kaunihera- ā-rohe kōrero*

Council is required to give effect to the purpose of local government as set out in Section 10 of the Local Government Act 2002. That purpose is to enable democratic local decision-making and action by (and on behalf) of communities in the present and for the future.

Risk Management

The new Risk & Assurance Framework will enable Council to discharge their duties under Section 17A of the Act.

Internal Audit function

The Internal Audit Plan supports good quality and cost-effective local governance by strengthening oversight of risk management, internal controls, and compliance.

Māori Impact Statement - *He kōrero whaitake tā te māori kōrero:*

Risk Management

The new Risk & Assurance Framework will help Council in their role as partners to mana whenua under Te Tiriti o Waitangi.

Internal audit function

This report is an internal governance and assurance planning document. There are no known direct impacts on Māori.

Climate Change - *Te Huringa o te āhuarangi*

This decision <does / does not> have an impact on:

- Greenhouse gas emissions (from council operations, community activities, or associated infrastructure),
- Napier's adaptation to a changing climate (e.g. flooding, sea level rise, coastal erosion, inundation, drought, heatwaves),
- Or is it itself likely to be impacted by these climate-related risks

Internal audit function

This report relates to an internal planning and governance function and has no direct climate change implications.

LTP/ Annual Plan/ Financial Strategy/ Infrastructure Strategy - *Te Pae Tawhiti/ ā-tau / ā- Taunaki Ahumoni /ā- Taunaki Hanganga*

Internal audit function

The Internal Audit Plan aligns to Council's Long-Term Plan by focusing assurance activity on key strategic and operational risks. There are no direct implications for levels of service.

Financial considerations - *Whai whakaaro Ahumoni:*

Internal audit function

The Internal Audit Plan is delivered within existing budget and resourcing. There are no additional financial implications.

Significance and Engagement - *Ko te Hiranga me te Hiwaia o te whakaaro:*

This decision/report has been assessed under the Council's Significance and Engagement Policy as being of low significance.

Consultation (internal/external) - *Ngā Uiuinga (Ki te Kaunihera /ki ngā tāngata katoa)*

Internal audit function
Internal consultation has occurred with relevant senior management and assurance providers. No external consultation was required.

Risks: Legal/ Health and Safety etc. - *Whaktūpato Ture/ Hauora me te Haumaru*

Internal audit function
There are no direct legal, health and safety, or service delivery risks arising from this report. The plan supports identification and management of organisational risks.

PROPOSAL:
A NEW RISK & ASSURANCE MANAGEMENT FRAMEWORK

1. BACKGROUND

Napier City Council (NCC) is currently undergoing a process of change, working towards the implementation of its vision and strategic priorities.

To enable the strategy, continuously improve its processes, focus on the things that matter, and control the uncertainties arising from this change, NCC have committed time, people and resources to set up a new Risk, Controls & Assurance team.

The RC&A team has been tasked with lifting the current risk and assurance management capabilities of the organisation, providing an extra layer of confidence to the Committee, wider Council, and NCC's key partners and stakeholders.

2. PURPOSE

To develop, implement, maintain and improve a bespoke, integrated Risk & Assurance Management System for NCC at an enterprise level.

3. OBJECTIVES

i. To establish a standardised and coordinated risk and assurance management function across NCC, which supports and informs decision-making, and is in alignment with the strategic goals and objectives of Council, the Risk & Assurance Committee, and the Executive Leadership Team (ELT).

ii. To improve NCC's ability of providing consistent risk and assurance advice, guidance and services that meet internal and external stakeholders' requirements, as well as statutory and regulatory responsibilities; and by doing so, facilitating opportunities to enhance partnerships and relationships (commercial, and non-commercial), as well as the overall performance of the organisation.

iii. To capture and visualise opportunities for improvement regarding risk management (identification, analysis, prioritisation and control), workplace organisation, leadership commitment, culture and strategy implementation.

The main expected outcome once these objectives are achieved, will be for NCC to have an established risk and assurance management system, which will include an integrated risk and assurance management framework; tools and techniques; new and revised 4Ps (Plans, Policies, Processes and Procedures); and a risk and assurance "as a service" function, that will provide consistent and consolidated advice and guidance on the management of risk, and internal assurance services to the rest of the organisation.

4. SCOPE

The development and implementation of the risk and assurance management system will involve and include all relevant key processes from each Directorate / Group. While key people leaders and members of the staff will be engaged throughout the process, it is expected that every member of NCC will contribute to identify relevant issues and opportunities for improvement.

5. DESCRIPTION

The purpose of risk and assurance management is the creation and protection of value. Managing the risks of a system —understood as a network of interconnected processes— will provide a common structure and enable NCC's teams and members to have better control over their activities, performance and outcomes.

The principles that will be the base and foundation for this management system are:

- Leadership commitment
- Risk-based thinking
- Customer / Client focus
- Stakeholder Engagement
- Relationship Management
- Process approach
- Evidence-based decision making
- Continuous improvement

There are three major steps in setting up a management system like this one. Namely:

BENCHMARKING: In this stage, a Discovery phase and Gap Analysis will be conducted to identify the strengths, weaknesses, concerning issues and opportunities for NCC (as a whole), and for each Group as applicable. This will inform the development of the Framework.

NCC's risk and assurance 4Ps will be assessed against the requirements and guidelines of relevant international standards (e.g., ISO 9001:2015; ISO 31000:2018; ISO 37301:2021; ISO 45001:2018, etc.) using the following capability indicators:

I.	CONTEXT	*how the different teams interact internally and externally*
II.	LEADERSHIP	*the current knowledge base and commitment to risk and assurance*
III.	PLANNING	*provisions for risk assessment, monitoring and reporting*
IV.	SUPPORT	*awareness, competence, resourcing and organisational knowledge*
V.	OPERATION	*operational planning and control of risks and opportunities*
VI.	PERFORMANCE	*management review; monitoring, analysis and evaluation*
VII.	IMPROVEMENT	*non-conformity management, corrective actions, continuous improvement*

DEVELOPMENT & IMPLEMENTATION: This is the main step of this project and critical for correct functioning of a risk and assurance management system. This stage includes activities such as:

- applying (agreed upon) changes, requests, and recommendations from the Committee
- preparation of a roadmap (activities and deliverables)
- designing and developing a new Risk & Assurance Management Framework
- preparing new documentation and records
- setting action-plans and establishing responsibilities and accountabilities
- rolling out new and revised 4Ps.

Some processes may take several practice-runs before they are embedded into the daily workflow. As the new system is implemented, auditable records and evidence will be generated which will be properly documented and kept for internal and external assurance purposes.

MAINTENANCE & IMPROVEMENT: The maintenance and improvement of a management system is a permanent commitment and a never-ending endeavour.

During the process of implementation and after the system has been integrated successfully into the different teams' routine activities, the necessary actions for correcting, preventing, and reducing continuity risks need to be taken to address any new identified issues, inform any changes in planning and/ or strategy, and continually improve the performance of NCC's new strategy.

6. TIMEFRAME

The development and primary implementation of this new Framework and ways of working, i.e., being able to establish and complete some risk management cycles, is expected to take between six and nine months approximately (**March – September / November 2026**). The following diagram (Figure 1) provides a summary of the three stages of implementation mentioned above.

IMPORTANT NOTE: While this timeframe is thought to be appropriate, key personnel's and our team's availability (shared services), access to information, access to sites, and any other imponderables need also to be kept in mind.

BENCHMARKING / GAP ANALYSIS (~ 6 to 8 weeks)

First two to four weeks:

- Initial interviews with people leaders and selected staff members
- Discovery phase and gap analysis
- Initial review of 4ps (Plans, Policies, Processes and Procedures) and other relevant documentation and records

Next two to four weeks:

- Interviews with members of the leadership team and other key personnel from NCC
- Identification of NCC's risk & assurance management gaps, wants and needs
- Preparation of a proposal for a new Framework, tools, and guidance

DEVELOPMENT & IMPLEMENTATION (~ 12 to 16+ weeks)

RAC Endorsement and Approval – one to two weeks:

- Presenting the proposal to the Committee. Incorporating any feedback and requests to the new Framework upon approval.

Strategy & Planning – four to six weeks:

- Identifying tactics and best practices for addressing gaps, based on implementation difficulty, possible costs and extra risks.
- Preparation of a roadmap (activities and deliverables)
- Designing and developing a new Risk & Assurance Management Framework for NCC

Implementation – seven to 10+ weeks:

- Working with each team to set out action plans and establish responsibilities for R&A management
- Preparing tools, techniques, and new documentation and records
- Rolling out new and revised 4Ps

MAINTENANCE & IMPROVEMENT (ongoing)

The **RC&A function**; including framework, tools, and 4Ps will maintain and continually improve the Framework, in order to realise the benefits of its implementation.

Reviewing and revising the outcomes of the R&A function should, at least, include the following activities:

- **Performance evaluation**: Assess KPIs or other metrics of success relevant to the RC&A function
- **Internal Assurance**: Monitor, assess and periodically report on the R&A work to the Committee.
- **(Re-) Strategy & Planning:** Use the lessons learned and previous internal knowledge to inform the next round of planning, and adjust strategy and tactics accordingly

Figure 1. Proposed breakdown of the three stages of development and implementation of the new Risk & Assurance Framework for Napier City Council. The duration of the different activities are for reference only, as they can vary.

7. EXPECTED OUTCOMES

The success of the Framework will be based and measured through the following indicators:

- there is a unified, consolidated understanding of what risk management means to NCC, as an organisation
- a new R&A Framework (including tools and techniques) is in place for NCC. This is reflected by a common understanding amongst the different teams –and clarity– around:
    - **risk appetite and risk tolerance** – per team and NCC as a whole
    - **risk governance** – responsibilities and accountabilities across all lines of defence
    - incorporation of **risk-based thinking into decision making** and strategic planning
    - **monitoring, assessment and reporting** – Who, what, when, and how.
- risk & assurance management review meetings, and reporting, are set to occur periodically
- agreed new, and changed 4Ps –*Policies, Plans, Processes and Procedures*– are embedded into daily functions
- roles and responsibilities for the maintenance and constant improvement of the system are understood. The agreed actions are taken, and auditable records are kept.

Any other criteria for success or requirement that may arise during implementation can be included in this document later.

IMPORTANT NOTE: The success of this function and framework depends directly on the involvement and contribution of all the interested parties, and it is the Council's and ELT's responsibility to facilitate and provide the right environment for this system to be implemented.

8. NEXT STEPS

The RC&A team is currently working under best-practice principles—which would be formalised in the Framework but are being applied daily in our practice and advice.

The Committee may expect to receive a fully developed Framework, including tools, techniques, and descriptors next time they meet.

The RC&A team will be looking to develop subsidiary risk management plans for P3 management (portfolio, programmes, and projects), and health and safety, jointly with the EPMO, Strategic Programmes, and Health & Safety teams.

Document owner:	Risk, Controls & Assurance
Prepared by	Risk, Controls & Assurance Manager
Reviewed by	Head of Finance, Data & Digital
Approved by:	Risk and Assurance Committee
Date approved:	TBC

---- End of Script ----

3-year Internal Audit Plan (FY26 – FY28)

Napier City Council

Executive Summary

This paper presents the proposed annual internal audit plan for FY26 and an indicative three-year internal audit plan for FY27 and FY28 for Napier City Council (NCC).

The plan has been developed prior to detailed discussion with management and is based on the following inputs:

- Provides oversight of key controls over critical business processes
- Focuses on key enterprise risks and alignment to Council strategy
- Reflects current and emerging risks within the local government sector
- Aligns with work performed by other assurance providers to reduce duplication and improve overall assurance coverage.

Objective

The objective of Internal Audit is to provide independent, objective, and value-focused assurance over the risks impacting Council's objectives. This supports management and the Risk and Assurance Committee in:

- Managing risk
- Monitoring compliance with policies, procedures, and legislation
- Improving the efficiency and effectiveness of internal controls

The internal audit assurance model continues to provide strong coverage over financial and key IT controls while expanding focus to major business risks, core processes, and strategic alignment. Work performed by other assurance providers is considered to ensure efficient coverage.

Approach to developing the plan

The internal audit plan has been developed using the following inputs, with management involvement where appropriate:

- Council's strategic goals and Long-Term Plan
- Council's key strategic, operational, and emerging risks
- Results and coverage from recent internal and external assurance activity

Risk, Controls & Assurance
Internal Audit Plan
February 2026

Planning Methodology

The following steps were applied when developing the plan:

Steps	Key planning steps	Description
1	Scan of key functional activities and operating environment	Using NCC's key functional activities as the basis to ensure all activities are considered when preparing the audit plan.
2	Align assurance activity with NCC's LTP, Strategy and Risk Profile	NCC LTP (3-year plan), strategy and risk profile to identify activities of higher relative importance.
3	Internal audit observations and/or hot topics	• Consider internal audits recently completed. • Consider industry or local government trends/emerging risks to determine if any activities overlooked during preliminary audit planning meetings
4	Meet with key stakeholders (CE, external auditor, risk and assurance committee chair etc) to discuss approach and get agreement on potential scope of audits	Using steps 1 -3 stakeholders to provide scope of audits identified.
5	Prioritise and agree	Using the information sources as per steps 1-4 above to produce a list of potential internal audits to prioritise and develop internal audit plan. As part of the InfoCouncil approval process, meet with the Executive Director Corporate, Communications and Economic Development, the Chief Executive, and the Chair of the Risk and Assurance Committee to discuss the plan and obtain feedback before finalising it for agreement by the Risk and Assurance Committee.

Proposed Internal Audits

FY26 to FY28 audits are scheduled on a quarterly basis and cover financial and probity, governance and enabling services, operational and regulatory areas. Each audit includes clear objectives and alignment to Council's strategic and operational risks.

Period	NCC Function Areas	Internal Audit areas	Objectives	Risk reference (s)
Q3 (Jan - Mar) 2026	Financial & Probity	Conflict of interest	Assess the council's conflict of interest framework and disclosures to confirm staff and elected member interests are identified, declared, managed, and monitored in line with policy and good practice.	SR22 SR25 OR244
Q3 (Jan - Mar) 2026	Governance and enabling services	HR Practices	Review key HR processes and controls to confirm recruitment, onboarding, disciplinary procedures, succession planning, staff retention, training and development, and the security of personal information are managed consistently, approved appropriately, and aligned with council policy and employment requirements.	SR22 OR354 OR289
Q4 (Apr – Jun) 2026	Financial & Probity	Procurement	Assess procurement controls to confirm purchasing follows policy, approvals are appropriate, supplier selection is fair and transparent, and spend is supported by valid contracts and evidence.	SR36 OR241 OR290
Q4 (Apr – Jun) 2026	Financial & Probity	Contract management	Review contract governance and day-to-day management to confirm contracts are approved, documented, monitored, and managed through to completion, including performance oversight, variations, invoice approval, and renewal or close-out.	SR36 OR241 OR93
Q1 (Jul – Sep) 2027	Financial & Probity	Rates Management	Review the council's rates management policies, processes, and controls to confirm rates are set and billed accurately and on time, property and rating data is complete and reliable, exemptions and remissions are approved and applied correctly, arrears and collection actions are managed consistently, and reporting supports effective oversight and decision-making.	SR23
Q2 (Oct – Dec) 2027	Financial & Probity	Sensitive expenditure	Review the council's sensitive expenditure policy and controls to confirm spending is appropriate, business-related and within delegated authority, approvals are obtained where required, documentation and receipts are complete, conflicts of interest are managed, and monitoring and reporting support transparency and accountability.	SR22 OR244

Period	NCC Function Areas	Internal Audit areas	Objectives	Risk reference (s)
Q3 (Jan – Mar) 2027	Governance and enabling services	Business Continuity and Disaster Recovery Planning	Review business continuity and disaster recovery arrangements to confirm critical services and systems are identified, plans are documented and current, roles and responsibilities are clear, backups are reliable, and testing is performed to support timely recovery following disruption.	SR33 SR41 OR210
Q4 (Apr - Jun) 2027	Financial & Probity	Payroll and leave management	Review payroll and leave controls to confirm pay processing is accurate and complete, changes are authorised and supported, access to payroll systems is appropriate, and key reconciliations and exception checks are performed on time.	SR22 OR354
Q1 (Jul - Sep) 2028	Operational	Capital Works Management	Review of the policies, procedures and controls in place for developing, approving and monitoring performance of capital works programmes. Review capital works governance and project controls to confirm projects are appropriately approved, planned, and monitored, budgets and timelines are managed, procurement and contract controls are followed, and progress reporting supports informed decision-making.	SR36 SR15 OR93
Q2 (Oct - Dec) 2028	Financial & Probity	Cash Handling	Review cash receipting and banking controls to confirm cash is collected, recorded, reconciled, and deposited accurately and on time, with appropriate segregation of duties and oversight. At selected Council locations: (Kennedy Park Resort, National Aquarium NZ, iSite & Mini Golf, Ocean Spa)	SR23
Q3 (Jan - Mar) 2028	Governance and enabling services	Risk Management Process review	Review the council's risk management framework and practices to confirm risks are identified, assessed, recorded, and monitored consistently, risk ownership and escalation are clear, and reporting supports informed decision-making.	OR244
Q3 (Jan – Mar) 2028	Governance and enabling services	IT Security Management	Review the council's IT security governance and controls to confirm systems and data are protected through effective access management, security monitoring, patching, backup and recovery arrangements, and incident response processes.	SR41 OR269 OR278
Q4 (Apr - Jun) 2028	Regulatory	Resource and Building Consents	Review of the resource and building consent processes covering: • Compliance with the Resource Management Act (RMA) and Building Act and Building Consent Authorities (BCA) • Fee setting, invoicing, and collection • Compliance with the City Plan	SR15 OR46
Q1 (Jul - Sep) 2029	Governance and enabling services	Health, safety, and wellbeing	Review the council's health, safety and wellbeing framework and controls to confirm compliance with the Health and Safety at Work Act 2015, risks are identified and managed, incidents are reported and investigated, and performance reporting supports a safe work environment.	OR366 OR152

Risk, Controls & Assurance
Internal Audit Plan
February 2026

Period	NCC Function Areas	Internal Audit areas	Objectives	Risk reference (s)
Q2 (Oct - Dec) 2029	Governance and enabling services	Records Management	Review records management controls to confirm information is created, stored, retained, and disposed of appropriately, access is controlled, and practices support compliance with the Public Records Act 2005 and Official Information Act requirements.	OR243

Depending on the scope of each audit, external providers may be engaged where the required skills or expertise are not available internally. Approvals will be sought in line with the Internal Audit Charter.

Appendix A – Administration

Document owner:	Internal audit function
Prepared by	Internal Audit and Controls Advisor
Reviewed by	Risk, Controls & Assurance Manager
Feedback	Head of Finance, Data & Digital
Feedback	Executive Director Corporate, Communications and Economic Development
Feedback	Chief Executive
Approved by:	Risk and Assurance Committee
Date approved:	TBC
Date or parameters for next review:	Annually from date of approval

---- End of Script ----

Risk, Controls & Assurance
Internal Audit Plan
February 2026

RECOMMENDATION TO EXCLUDE THE PUBLIC

That the public be excluded from the following parts of the proceedings of this meeting, namely:

AGENDA ITEMS

1. Strategic Risk Analysis
2. Inner Harbour Evolving Risk (Late Notice)
3. External Auditor - Verbal Update
4. Chief Executive - Verbal Update

The general subject of each matter to be considered while the public was excluded, the reasons 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 were as follows:

General subject of each matter to be considered.	**Reason for passing this resolution in relation to each matter.**	**Ground(s) under section 48(1) to the passing of this resolution.**	**Plain English reason for passing this resolution in relation to each matter**
1. Strategic Risk Analysis	7(2)(h) Enable the local authority to carry out, without prejudice or disadvantage, commercial activities	48(1)(a) That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist: (i) Where the local authority is named or specified in Schedule 1 of this Act, under section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.	Enable Council to continue commercial activities

General subject of each matter to be considered.	**Reason for passing this resolution in relation to each matter**.	**Ground(s) under section 48(1) to the passing of this resolution.**	**Plain English reason for passing this resolution in relation to each matter**
2. Inner Harbour Evolving Risk (Late Notice)	7(2)(h) Enable the local authority to carry out, without prejudice or disadvantage, commercial activities	48(1)(a) That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist: (i) Where the local authority is named or specified in Schedule 1 of this Act, under section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.	Enable Council to continue commercial activities without prejudice
3. External Auditor - Verbal Update	7(2)(h) Enable the local authority to carry out, without prejudice or disadvantage, commercial activities	48(1)(a) That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist: (i) Where the local authority is named or specified in Schedule 1 of this Act, under section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.	Commercial activities

General subject of each matter to be considered.	**Reason for passing this resolution in relation to each matter.**	**Ground(s) under section 48(1) to the passing of this resolution.**	**Plain English reason for passing this resolution in relation to each matter**
4. Chief Executive - Verbal Update	7(2)(h) Enable the local authority to carry out, without prejudice or disadvantage, commercial activities	48(1)(a) That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist: (i) Where the local authority is named or specified in Schedule 1 of this Act, under section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.	Commercial activities

Public Excluded Text

Council has considered the public interest in the information above and balanced those interests with the reason(s) for withholding this information. This ensures Council has met the requirements for withholding information under section 7(2) of the Local Government and Official Information and Meetings Act 1987.

RISK AND ASSURANCE COMMITTEE

Open Minutes

Meeting Date:	Thursday 4 December 2025
Time:	Open - 9.30 - 11:42am Public Excluded - 11:42am - 12:20pm
Venue	Large Exhibition Hall War Memorial Centre Marine Parade Napier
	Recording available on Council's YouTube channel

Present	**Chair:** Bruce Robertson **Members:** Raveen Jaduram (Independent) [online], Mayor McGrath, Deputy Mayor Crown, Councillors Lawrence [online] and Taylor
In Attendance	Chief Executive (Louise Miller) Executive Director Corporate & Commercial / Deputy Chief Executive (Jessica Ellerm) [online] Head of Finance, Data & Digital (Caroline Thomson) Executive Director Strategy & Urban Development (Rachel Bailey) Executive Director Water Services (Russell Bond) Executive Director Community Services (Thunes Cloete) Financial Controller (Talia Foster) Head of Commercial, Communications and Economic Development (Craig Kenny) Building Contracts and Asset Manager (Andrew Clibborn) Organisation Design and Development Manager (Alison Carnaby) Head of Strategy and Investments (Stephen Moratti) Risk Controls and Assurance Manager (Hans Pottstock-Vidal)

	Internal Audit and Controls Advisor (Sandile Khenisa) Quality and Business Improvement Analyst (Marat Basyrov) Health and Safety Operations Manager (Andrew Wallace) Audit New Zealand (Debbie Pereira) [online]
Also in attendance	Councillors Brownlie, Chrystal, Morley, Price and Raihania [online]
Administration	Governance Advisor (Jemma McDade)

RISK AND ASSURANCE COMMITTEE – Open Minutes

TABLE OF CONTENTS

ORDER OF BUSINESS

Karakia

The meeting opened with the Council karakia.

Apologies

Nil

WHANAUNGATANGA AND INDUCTION

At the meeting

The committee members were introduced. The Chair presented an introduction to the function of the Risk and Assurance Committee; defining risk, acceptable risk and assurance with the view that the Committee would review their focus at the end of 2026. Councillors are ultimately responsible for all risks, though the Committee focuses on strategic risk. Risk can create both uncertainty and opportunity. The responsibility of governance is to define direction, strategy and monitor risk. The role of management is to advise and ensure the risk management framework is in place. The Internal Audit Charter is how the Committee gain assurance that the systems within the organisation are working. Expectations for working together include: focusing on the issue, respect staff work and be solution focused.

Attachments

1 20251204 Induction first meeting presentation

The meeting adjourned at 10:15am and reconvened at 10:34am

Councillor Raihania left the meeting at 10:38am

Conflicts of interest

Nil

Public forum

Nil

Announcements by the Mayor

Nil

Announcements by the Chairperson

Nil

Announcements by the management

Nil

Confirmation of minutes

There are no minutes to confirm.

AGENDA ITEMS

1. INTERNAL AUDIT CHARTER

Type of Report:	Operational
Legal Reference:	N/A
Document ID:	1887142
Reporting Officer/s & Unit:	Hans Pottstock-Vidal, Risk Controls & Risk Assurance Manager Caroline Thomson, Head of Finance, Data & Digital Sandile Khenisa, Internal Audit & Controls Advisor

1.0 Executive Summary - Te Kaupapa me te Whakarāpopototanga:

1.1 One of the workstreams the new Risk, Controls & Assurance team is going to be responsible for, is the Internal Audit function. The new team will review what is in place, revise outdated processes and controls, and implement a new internal audit plan, which will align with the risk management work programme, and with Council's reporting cycles.

1.2 This report will introduce the function to the Risk & Assurance Committee and will provide a first look at the Internal Audit Charter.

At the meeting

The officers presented the report noting their roles as the regional risk team.

Questions were answered clarifying:

- The priorities for the Internal Audit are set by looking at the whole organisation and bringing these together into priorities for the three year Internal Audit Plan. Engagement will be undertaken with key risk holders to inform the Plan. This will intersect with the External Audit.
- Independence and objectivity of the key Internal audit function of organisational improvement must be preserved.
- A workplan will be introduced, via the Chief Executive, to the Committee. Some fluidity is essential for adaptability to external factors. There will be a different focus each year that links to the strategic goals and objectives.

COMMITTEE RESOLUTION

Bruce Robertson / Deputy Mayor Crown

That The Risk and Assurance Committee:

a. **Receive** the attached Internal Audit Charter (Doc Id 1887705).

Carried

2. RISK MANAGEMENT REPORT

Type of Report:	Information
Legal Reference:	N/A
Document ID:	1886780
Reporting Officer/s & Unit:	Hans Pottstock-Vidal, Risk Controls & Risk Assurance Manager Caroline Thomson, Head of Finance, Data & Digital

1.0 Executive Summary - Te Kaupapa me te Whakarāpopototanga:

1.1 To provide the Committee with a high-level update on Council's current High and Extreme Risk, key new Risk, Controls & Assurance initiatives, and the future of the function and its potential changes.

At the meeting

The officer presented the report noting the more systematic approach to reporting salient risk.

Questions were answered clarifying:

- Council's risk appetite, the term explaining how risks are prioritised and managed, may have changed. This would need to be determined by the new Council.
- The two extreme risks indicated in the report are to be reviewed with the risk owners.
-

COMMITTEE RESOLUTION

Councillor Taylor / Bruce Robertson

That The Risk and Assurance Committee:

a. **Receives** the report titled Risk Management Report dated 04 December 2025.

b. **Consider** the new risk management and reporting approach, and

c. **Identify** the Committee's risk management training/workshop needs.

Carried

3. HEALTH & SAFETY QUARTERLY REPORT

Type of Report:	Information
Legal Reference:	N/A
Document ID:	1886458
Reporting Officer/s & Unit:	Andrew Wallace, Health and Safety Operations Manager

1.0 Executive Summary - Te Kaupapa me te Whakarāpopototanga:

For the period Between 1st August 2025 to 31st October 2025.

There has been no change to the current risk profile for operational risks OR183 and OR328. Both risks now sit within the organisation's risk appetite following the completion of all treatment actions. While this reflects continued improvement in their management, ongoing monitoring will be required to maintain this position. Strategic Risk SR32 has also moved within appetite, with all associated treatment actions now 100% complete.

Continued work is still necessary to effectively manage these risks. Health & Safety, in collaboration with risk and control owners will continue to monitor performance and identify opportunities to strengthen existing controls, implementing improvements where appropriate.

At the meeting

The officer presented the report with the update that Strategic Risk 32 was now within appetite.

Questions were answered clarifying:

- The number of reported events per day over the last 90 days reflects the reality of the range of Council activity. An increase in reporting, due to increased Health and Safety awareness, could reflect the upward trend in reported events.
- Council officers responded to feedback to facilitate easier access to available Health checks.
- Council officers identify and respond to trends in the ACC statistics.
- The new Health and Safety reporting framework promotes ongoing review of critical hazards and investigations into breaches, as well as working with risk owners to review risk levels and escalate if necessary.
- Napier City Council (NCC) has a Drug and Alcohol Testing policy for staff.
- Target de-escalation training has been provided for key staff which may have led to a decrease in reports of aggressive behaviour by the public.
- Reporting through the MySafety system will continue to encourage the culture of health and safety.

COMMITTEE RESOLUTION

Deputy Mayor Crown / Councillor Taylor

That The Risk and Assurance Committee:

a. **Receives** the report titled Health and Safety Update Report dated 21 November 2025.

Carried

4. AUDIT NZ MANAGEMENT REPORT FOR 2024/25

Type of Report:	Operational
Legal Reference:	N/A
Document ID:	1887566
Reporting Officer/s & Unit:	Talia Foster, Financial Controller

1.0 Executive Summary - Te Kaupapa me te Whakarāpopototanga:

1.1 Audit NZ completed their audit of Napier City Council on 9 October 2025. This report provides recommendations on matters identified, and is provided to the Risk and Assurance Committee for review. Ongoing reporting to the committee will ensure accountability across these actions.

At the meeting

The officer presented the report introducing Debbie Pereira as Council's external auditor and a director of Audit New Zealand. The three high level risks identified are being addressed and have been added to the action plan for future reporting. These recommendations are from the audit process and are ranked in order of priority.

Questions were answered clarifying:

- The level of reporting varies amongst Councils and will be aligned to each Council's priorities.
- Assurance was given that the risk associated with the fixed asset register is manageable.
- The Procurement and Strategic Contract Management Registers are on the work programme for the Enterprise Project Management Office (EPMO).

COMMITTEE RESOLUTION

Bruce Robertson / Councillor Taylor

That The Risk and Assurance Committee:

a. **Receives** the report titled Audit NZ Management Report for 2024/25 dated 04 December 2025.

Carried

5. SENSITIVE EXPENDITURE - MAYOR AND CHIEF EXECUTIVE

Type of Report:	Enter Significance of Report
Legal Reference:	Enter Legal Reference
Document ID:	1886681
Reporting Officer/s & Unit:	Talia Foster, Financial Controller

1.0 Executive Summary - Te Kaupapa me te Whakarāpopototanga:

1.1 The purpose of this report is to provide the information required for the Committee to review Sensitive Expenditure of the Mayor and Chief Executive for compliance with Council's Sensitive Expenditure Policy.

1.2 Sensitive Expenditure for the period is mostly within policy, with the exception of three low value transfers supplied by Corporate Cabs to the Chief Executive which were not approved following the one-up policy. These items are now presented to the committee for retrospective approval.

At the meeting

The officer presented the report noting the total expenditure in the Chief Executive Sensitive Expenditure report in the meeting agenda was incorrect. The correct total was $4938.39. The one item outside policy related to taxis for the Local Government New Zealand Conference for which travel was approved. The transfers formed part of the expenditure so were correctly applied.

Questions were answered clarifying:

- The Pak n Save spend was for an event that the Mayor and Chief Executive both attended so the spend was divided equally.

COMMITTEE RESOLUTION

Bruce Robertson / Deputy Mayor Crown

That The Risk and Assurance Committee:

a. **Receives** the report titled Sensitive Expenditure - Mayor and Chief Executive dated 04 December 2025 and reviews the transactions for compliance with Council's Sensitive Expenditure Policy.

b. **Approves** the transaction for the Chief Executive which is outside of policy retrospectively.

Carried

Minor matters

Nil

RESOLUTION TO EXCLUDE THE PUBLIC

COMMITTEE RESOLUTION

Bruce Robertson / Councillor Taylor

That the public be excluded from the following parts of the proceedings of this meeting, namely:

1. Chief Executive Verbal Update
2. Audit New Zealand Verbal Update

Carried

The general subject of each matter to be considered while the public was excluded, the reasons 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 were as follows:

General subject of each matter to be considered.	Reason for passing this resolution in relation to each matter.	Ground(s) under section 48(1) to the passing of this resolution.	Plain English reason for passing this resolution in relation to each matter.
1. Chief Executive Verbal Update	7(2)(h) Enable the local authority to carry out, without prejudice or disadvantage, commercial activities	48(1)(a) That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist: (i) Where the local authority is named or specified in Schedule 1 of this Act, under section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.	Commercial activity

2. Audit New Zealand Verbal Update	7(2)(h) Enable the local authority to carry out, without prejudice or disadvantage, commercial activities	48(1)(a) That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist: (i) Where the local authority is named or specified in Schedule 1 of this Act, under section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.	Commercial activity
Public Excluded Text			
Council has considered the public interest in the information above and balanced those interests with the reason(s) for withholding this information. This ensures Council has met the requirements for withholding information under section 7(2) of the Local Government and Official Information and Meetings Act 1987.			

The meeting closed moved into Public Excluded at 11:42am

Approved and adopted as a true and accurate record of the meeting.

Chairperson ....

Date of approval ....