

ATTACHMENTS

Risk and Assurance Committee Meeting

10 March 2026

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Clause 25 of Schedule 7 to the Local Government Act 2002

25 Voting systems for certain appointments

- (1) This clause applies to—
 - (a) the election or appointment of the chairperson and deputy chairperson of a regional council; and
 - (b) the election or appointment of the deputy mayor; and
 - (c) the election or appointment of the chairperson and deputy chairperson of a committee; and
 - (d) the election or appointment of a representative of a local authority.
- (2) If this clause applies, a local authority or a committee (if the local authority has so directed) must determine by resolution that a person be elected or appointed by using one of the following systems of voting:
 - (a) the voting system in subclause (3) (**system A**);
 - (b) the voting system in subclause (4) (**system B**).
- (3) System A—
 - (a) requires that a person is elected or appointed if he or she receives the votes of a majority of the members of the local authority or committee present and voting; and
 - (b) has the following characteristics:
 - (i) there is a first round of voting for all candidates; and
 - (ii) if no candidate is successful in that round there is a second round of voting from which the candidate with the fewest votes in the first round is excluded; and
 - (iii) if no candidate is successful in the second round there is a third, and if necessary subsequent, round of voting from which, each time, the candidate with the fewest votes in the previous round is excluded; and
 - (iv) in any round of voting, if 2 or more candidates tie for the lowest number of votes, the person excluded from the next round is resolved by lot.
- (4) System B—
 - (a) requires that a person is elected or appointed if he or she receives more votes than any other candidate; and
 - (b) has the following characteristics:
 - (i) there is only 1 round of voting; and
 - (ii) if 2 or more candidates tie for the most votes, the tie is resolved by lot.

Compare: 1974 No 66 s 114K

Schedule 7 clause 25(2): substituted, on 7 July 2004, by [section 26\(8\)](#) of the Local Government Act 2002 Amendment Act 2004 (2004 No 63).

Schedule 7 clause 25(3): substituted, on 7 July 2004, by [section 26\(8\)](#) of the Local Government Act 2002 Amendment Act 2004 (2004 No 63).

Schedule 7 clause 25(4): added, on 7 July 2004, by [section 26\(8\)](#) of the Local Government Act 2002 Amendment Act 2004 (2004 No 63).

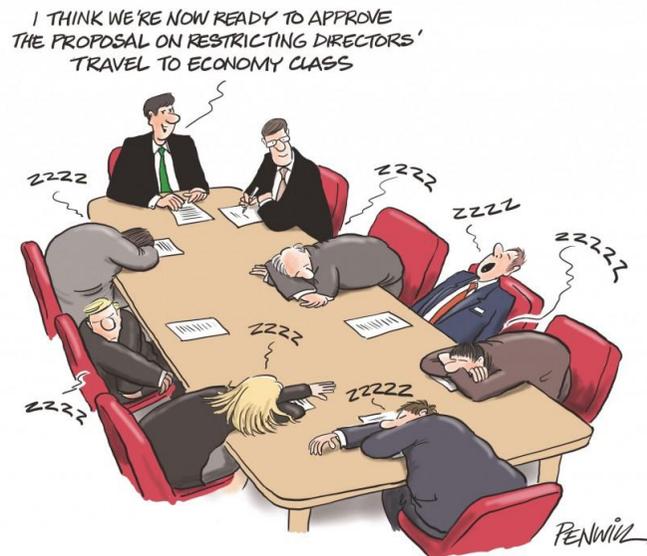


Risk and Assurance Committee role

Taupo District Council

10 March 2026

Well on an ARC ... what do I do now?



- Create value
- Be a risk governor
- Understand the principles
- Work with staff
- Integrate your risk knowledge with all decision-making

Create value



Key words as you implement
effective risk governance
(and management)

- Opportunity
- Value creation
- Value protection
- Future focus
- Foresight

Create value



Be a risk governor - the Committee's role

Govern risk by:

Identifying and monitoring of Council's risk and establishing Council's *risk appetite*; and

Monitoring the effectiveness of controls to mitigate risks

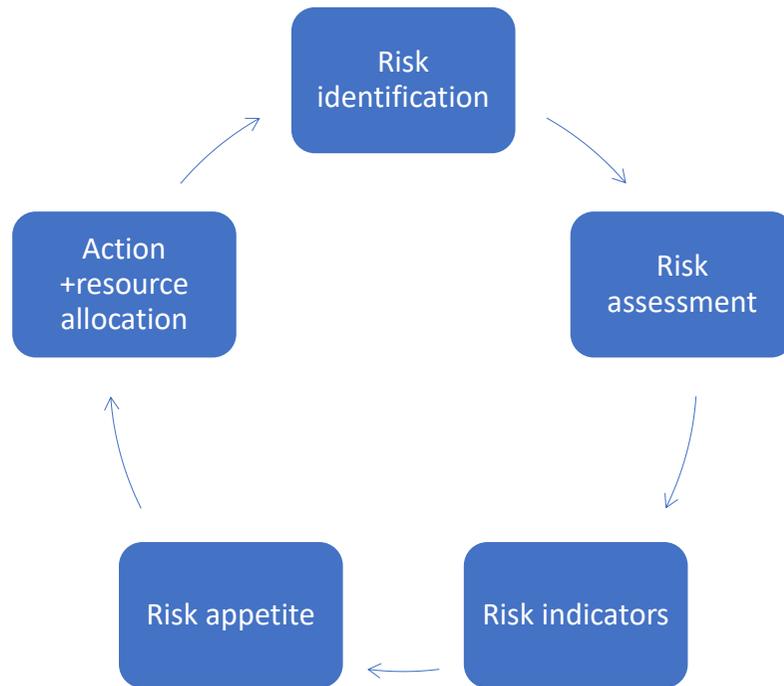
Communicating with Council on its risk profile

Note – includes health, safety and wellbeing

Gain assurance that risks are being managed by:

- Ensuring there is a sound assurance plan in place through an internal audit plan; and
- Monitoring effective organisational response to assurance recommendations

Understand the principles – risk governance in relation to opportunity



Risk as a system and language

Understand the principles – what’s your appetite?



	Rating	Philosophy	Tolerance for Uncertainty Willingness to accept uncertain outcomes or variations	Choice Willingness to select an option that puts objectives at risk	Trade-off Willingness to trade off against achievement of other objectives
5	Very High (Open)	Will take justified risks to harness opportunities	Fully anticipated	Will choose option(s) with highest return, accepting possibility of failure	Willing
4	High (Justified)	Will take strongly justified risks	Expect some	Will choose to put at risk, but will manage impact	Willing under right conditions
3	Moderate (Measured)	Preference for delivering expected outcome	Limited	Will accept if limited and heavily outweighed by benefits	Prefer to avoid
2	Low (Cautious)	Extremely conservative	Low	Will accept only if essential, and limited possibility/extent of failure	With extreme reluctance
1	Very Low (Averse)	Avoidance of risk is a core objective	Extremely low	Will always accept the lowest risk option	Never

Understand the principles – today’s riskscape



Broader key risks facing local Government in NZ

Council needs to consider whether any of the below create a new top risk or alter the existing risks.

Local Government NZ have identified the following key issues facing local Councils:

-  **Local electoral reform:** Despite their crucial role in shaping communities, local elections in Aotearoa New Zealand saw only a 40% turnout in October 2022, highlighting the need for local councils to boost public engagement and ensure diverse representation for a stronger democracy.
-  **Funding and financing:** Local councils are facing financial challenges due to an outdated funding and financing system, with costs rising faster than consumer inflation. Successive governments are introducing new roles and responsibilities, without additional funding which adds burden upon ratepayers.
-  **Water services:** Historic under-investment in water infrastructure is being furthered pressured by climate change and extreme weather events.
-  **Resource management:** The Government is undertaking a comprehensive resource management reform programme, which involves repealing the previous Government’s reforms and designing a replacement for the RMA.
-  **Climate change:** Local Councils require enhanced tools, resources, and a stronger voice in national climate strategies to effectively manage climate risks and implement sustainable adaptations, ensuring policies are impactful and cost-effective for communities.
-  **Emergency management and recovery:** Local government plays a central role in civil defence and emergency management.
-  **Transport:** Local Council current networks are facing a range of challenges, including the impact of more frequent extreme weather events, urgent maintenance needs, population growth and climate adaptation.
-  **Housing:** Working with Central Government on National Policy Statement on Urban Development and rules that enable rapid acceleration of supply of housing in high demand areas.
-  **Environment:** Leading and championing policy and working with central government, iwi and stakeholders to address the increasing impact of environmental issues, including climate change, the quality and quantity of New Zealand’s freshwater resources, reducing waste and protecting biodiversity.

Local government risks seen across our other clients and the recent Office of the Auditor General LTP report:

Weather events risk profiling and response	Local Water Done Well implementation	RMA reforms
Community engagement	Demonstrating value for money in light of rate increases and cost of living challenges	Funding constraints and increasing debt levels
Organisational capacity and operating models reviews	AI and automation	Iwi partnership and iwi / hapu delineations
Social housing investment	Climate resilience and emissions targets	Exposure to, and reliance on, government funding for infrastructure

Understand the principles - risk hierarchy



Understand the principles – big risks that “move the dial”



Work with staff - constructive tension



The ability to ask a searching question and the expectation of an honest answer



PROVIDED:



THE COMMITTEE ENVIRONMENT IS SAFE



MANAGEMENT'S ADVICE IS RESPECTED



MEMBERS ARE SOLUTION FOCUSED

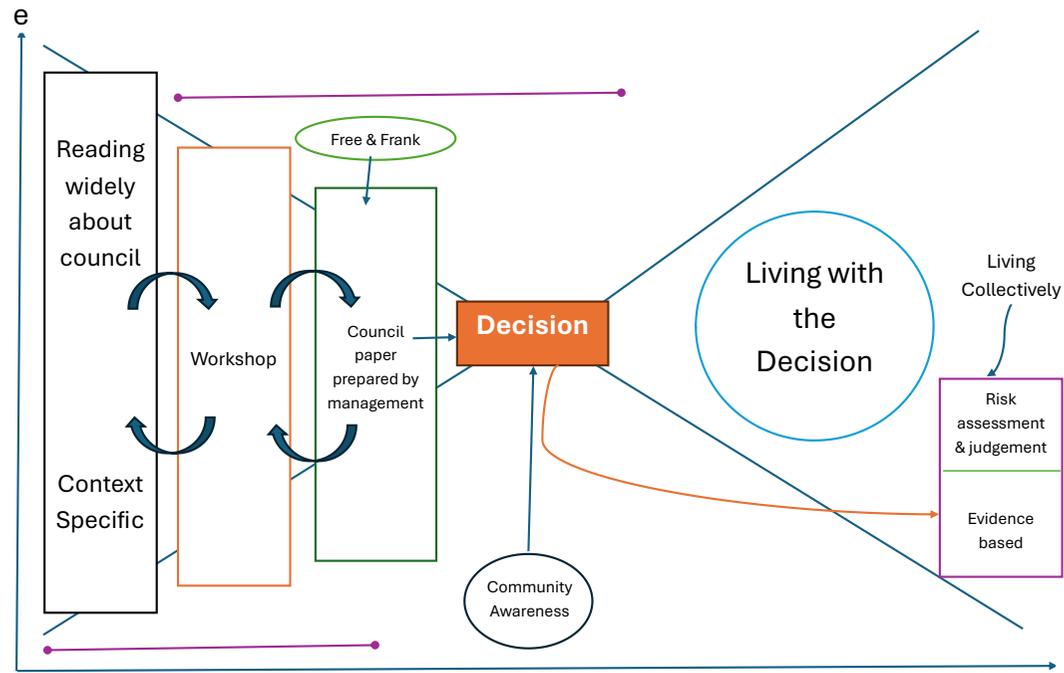
Decision-making – what would you do?



Strategic/Enterprise Risk Overview (July - September 2025)

Strategic/Enterprise Risks	Residual Risk (consequence) Level	Risk within Appetite?	Comments
Strategic Risks			
Infrastructure Asset Management (AM)	● Extreme	✗ No	Completion of assessment review follows this Committee meeting
Gabrielle Recovery (GR)	● Extreme	✗ No	Assessment review follows this Committee meeting
Natural Environment (NE)	● Extreme	✗ No	Assessment review underway – update will follow the December Committee meeting
Treaty Commitments (TC)	● Major	✗ No	Controls being embedded - progress expected by January 2026
Financial (F)	● Major	✗ No	Reassessed down from Extreme and expected to track back towards Moderate within the next 12 months through credit rating and insurance controls
People and Capability (PC)	● Moderate	✓ Yes	Stable - no change
Business Continuity (BC)	● Moderate	✓ Yes	Stable - no change [includes IT]
Enterprise Risks			
Civil Defence and Emergency Management (CD)	● Moderate	✓ Yes	Stable - no change
Health and Safety (HS)	● Moderate	✓ Yes	Stable - no change
Legal Compliance (LC)	● Minor	✓ Yes	Stable - no change
Overall Council Strategy (3YP)	● Moderate	✓ Yes	On track - risk aligned with appetite

Decision-making - integrated



What to look for – your checklist



- A Committee agenda that effectively reports on the “big” risks
- A programme that provides you with assurance controls and mitigations are effective
- Open and transparent behaviour – by committee members and staff
- Good communication to your Council colleagues on the risk profile
- Looking to integrate real risk discussions into decision-making

Good governors are good risk governors



- Create value
- Be a risk governor
- Understand the principles
- Work with staff
- Integrate your risk knowledge with all decision-making



Wrap up

Extract from Taupō District Council – Terms of Reference and Delegations from Council to Committees 2025-2028

Risk and Assurance Committee

Standing Committee

Objective	To provide governance and oversight of the effectiveness of enterprise risk management, the control and compliance framework and internal and external audit and assurance practices.
Membership	One independent external Chairperson appointed by Council Mayor One (1) Te Papamārearea Māori Ward councillor Five (5) other councillors
Quorum	Four (4)
Meeting frequency	Quarterly
Reporting	Reports to Council

Scope of activity

1. Review and monitor the effectiveness of Council's risk management framework and internal control systems, including:
 - (a) the advancement of any projects or programmes of work focusing on the management of risk;
 - (b) the review of risk management reporting on a quarterly basis;
 - (c) the review and approval of the Council's Risk Management Charter (which includes determining the Council's risk appetite);
 - (d) monitoring the Strategic Risk Register, including any controls and action plans arising;
 - (e) the review and approval of Council's Fraud, Protected Disclosures, Procurement, Conflicts of Interest and Sensitive Expenditure Policies;
 - (f) review the appropriateness of the Council's insurance programme;
 - (g) reviewing the effectiveness of any programme or system for monitoring Council's legislative compliance.
2. Monitor the Council's external and internal audit processes, including:
 - (a) approving the arrangements for external audits for the Water Services Strategy, Annual Report, Debenture Trust Deed & Long-term Plan, including approval of the audit engagement letter;
 - (b) discussing with the external auditor matters affecting the audited financial and non-financial statements, and the respective audit
 - (c) ensuring the independence and effectiveness of Council's internal audit processes and monitoring the resolution of any issues raised;
 - (d) agreeing the scope and monitoring the delivery of any internal audit work programme, including:
 - (i) approving arrangements for any internal audits
 - (ii) reviewing any internal audit reports;
 - (e) assessing whether significant recommendations from any external audit and/or internal audit work programme have been properly implemented by management, including discussing any reservations an external or internal auditor may have about the control of risk, accounting and/or disclosure practices.
3. Oversee the preparation of key formal external accountability documents such as the Long-term Plan, Water Services Strategy, Annual Plan and the Annual Report to ensure the integrity of the documents and disclosures made.
4. Review the development of the financial strategy and infrastructure strategy as required by the Long-term Plan.
5. Review the Quarterly financial report provided by management to understand the key drivers and risk areas with regard to Council's operational, capital investment and borrowing performance.
6. Review the systems and processes that Council has in place to prevent fraud, bribery and corruption, including monitoring any investigations into allegations of fraudulent activity, bribery or corruption.

Extract from Taupō District Council – Terms of Reference and Delegations from Council to Committees 2025-2028

7. Review the Council's approach to business resilience with reference to risk management and business continuity planning.
8. Oversee management of the more significant litigation matters affecting the Council.
9. Provide a forum for communication between management, internal and external auditors and governance.
10. Monitor Council's management of natural hazard risks and emergency management areas of activity across reduction, readiness, response and recovery.

Power to act

The Committee has the power to:

1. Resolve only on matters relating to audit, risk management and internal control practices.
2. Co-opt suitably qualified people to the Committee to assist the Committee in meeting its responsibilities. With the exception of the Chairperson and second independent appointed member, co-opted members do not have voting rights.
3. If any matter is of such strategic or policy importance or urgency, then, with the endorsement of the appropriate Chairperson or His Worship the Mayor, the matter shall be referred direct to Council.

Power to recommend to Council

The Committee can make recommendations to Council on matters or proposals relevant to risk management and internal control practices that:

1. Are outside of or in conflict with Council's Long-term Plan or policy direction.
2. Have strategic or policy importance, except that the Committee shall have the power to resolve in respect of Council's Risk Management Framework and its Fraud, Protected Disclosures, Procurement, Conflicts of Interest and Sensitive Expenditure and Gift Policies.

Delegation of powers

This Committee has no powers to sub-delegate.

Limits on authority

The Committee's 'power to act' pursuant to these delegations is subject to:

1. Matters being related solely to audit, risk management and internal control practices.
2. An overriding responsibility to ensure that its actions and decisions are always within the law.
3. An overriding responsibility to ensure that its actions and decisions are within Council policy, or if in conflict with a Council policy, that this is explicitly identified in a report to Council and any relevant resolutions.

Report to management

on the audit of Taupō District Council

For the year ended 30 June 2025

The logo for Audit New Zealand is positioned in the upper right quadrant of the page. It consists of the text 'AUDIT NEW ZEALAND' in a white, sans-serif font, with 'Mana Arotake Aotearoa' in a smaller font below it. The background of the entire page is a vibrant, abstract image of long, pointed leaves in shades of orange, red, and green, set against a light blue sky. The image is overlaid with a grid of semi-transparent squares and circles in various colors, creating a modern, geometric aesthetic.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Introduction

We completed our audit of Taupō District Council on 16 December 2025. The significant matters arising from the audit were covered in our Report to Council dated 16 December 2025.

The purpose of this report is to report to management on relevant matters identified during the audit. It supplements the Report to Council, covering other matters identified and our recommendations for improvements. For each recommendation we provide an indicative priority rating.

We would like to thank management and staff for the assistance they provided during the audit.

Leon Pieterse
Appointed Auditor
16 December 2025



Recommendations



Ref	Priority	Recommendation	Why we are making this recommendation	Management comments
1	🟡 Medium	<p>Documentation of roading quality assurance (QA) supporting evidence</p> <p>We recommend that the Council ensure all roading QA stages are well documented with supporting evidence (e.g., photographs, signed checklists, and key document signoffs) and retained with job records. This will strengthen the process and provide assurance that final contractor claims are accurate and supported by completed work.</p>	<p>We noted significant improvements in roading renewals, reflecting the transport team’s efforts to address prior-year deficiencies. To further strengthen the process, we recommend ensuring comprehensive roading QA documentation is maintained to support sealing sheets and contractor payment claims.</p>	<p><i>Agreed we are continuing with the improved process and are reflecting on how we can further advance our QA system in respect to roading.</i></p>
2	🟡 Medium	<p>Completeness of journal entries</p> <p>We recommend that management implement a formal process to ensure the completeness of journal entries, including the timely incorporation of all agreed audit and other relevant adjustments into the financial reporting system.</p>	<p>During our review, we identified concerns regarding the completeness of journal entries.</p> <p>We identified variances in several posting codes. While we noted that these variances offset within the same financial statement lines and impact was assessed as not material, they indicate the need for a more robust process to ensure that all relevant journal entries are incorporated in the Council’s financial reporting system.</p>	<p><i>Issue refers to reporting adjustments/reclassifications only. Management disagree with the recommendation as the bulk of suggested entries are not appropriate for representation in the ledger as it distorts operational reporting for budget managers.</i></p>



Ref	Priority	Recommendation	Why we are making this recommendation	Management comments
3	🟡 Medium	<p>Update to fixed asset register (FAR)</p> <p>We recommend that management ensure the fixed asset register (FAR) and asset management system is updated on a timely basis for all vested asset capitalisations.</p> <p>As a longer-term project basis, we recommend incorporating assets at the same granular level in to the FAR as what is currently in the asset management system to enable data such as useful lives and depreciation rates to be incorporated into the FAR.</p>	<p>We identified instances where depreciation rates and useful lives for vested assets were not recorded in the fixed asset register. We also noted cases where the useful lives of these assets were not entered into the relevant asset management system.</p>	<p><i>Noted. Our processes are that vested assets start depreciating once the 224c has been issued. Any vested assets are entered with useful lives and depreciation rates into Council's Asset Management systems. We will reinforce this with the asset management teams.</i></p> <p><i>As to the longer term we recognise that this is a level we should aspire to and will add it to our Digital Prioritisation Plan</i></p>
4	🟡 Medium	<p>Land Work-in-Progress (WIP)</p> <p>We recommend that the Council continue to monitor its Land WIP balance closely.</p>	<p>During our review of the annual report, we observed that the Council is carrying land classified as WIP, which is uncommon for a local authority.</p> <p>Although the Land WIP balance is not material for the current year, we recommend that the Council continue to monitor this account closely. It is unusual for a local authority to maintain a Land WIP balance, and while immaterial at present, it has the potential to become significant in future periods.</p>	<p><i>Noted and agreed. Council reclassified the WIP raised during the audit and has updated our processes around the classification of this type of WIP for future Annual Reports. The value that remains in this class was for valid WIP for land improvements on reserves and other regular land.</i></p>



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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28 January 2025

John Funnell
Mayor

By email: jfunnell@taupo.govt.nz, jgardyne@taupo.govt.nz

Tēnā koe John

AUDIT ARRANGEMENTS: TAUPO DISTRICT COUNCIL

The contract for Audit New Zealand to complete the audit of your organisation on behalf of the Auditor-General expired with the completion of the audit for the financial year ended 30 June 2025.

The Auditor-General intends to renew the appointment and appoint Liz Tombleson of Audit New Zealand to undertake the audit of your organisation on his behalf, commencing with the audit of the financial year, ending 30 June 2026.

The contract renewal term would normally be 3 years. If it needs to be for a different period, Audit New Zealand will discuss that with you.

I have asked Liz Tombleson to contact you and prepare an Audit Proposal for discussion with you and/or your Council. Once the audit arrangements are agreed, that proposal will form part of the auditor's contract with the Auditor-General. It will cover key items including:

- the statutory basis for the audit;
- key staff assigned to the audit;
- the audit hours and fees for each year of the audit (together with explanations and justification for them); and
- the auditor's key expectations of your organisation in relation to the audit.

Once you and the auditor have agreed the terms of the audit, they will ask you to countersign the proposal as evidence of your organisation's acceptance of the terms, and they will send it to me, leaving you a copy for your records.

Below is a link to our report about how auditors are appointed and audit fees set in the public sector. You should find this useful in preparing for discussions with Liz Tombleson.

Link - [Appointing Auditors and setting audit fees](#)

If you or your Council wishes to discuss this further, please contact me.

The Auditor-General sets independence standards for auditors acting on his behalf, which include the standards set by the New Zealand Auditing and Assurance Board. In addition restrictions are placed on additional services that can be provided to Taupo District Council – and sometimes other entities - over and above the work carried out by Audit New Zealand on behalf of the Auditor-General. The additional services are generally limited to services of an "assurance nature" and also apply to additional services provided by other offices of Audit New Zealand, whilst that firm is engaged to audit Taupo District Council on behalf of the Auditor-General.

If you are concerned that any additional service your organisation expects, or may ask, your auditor to undertake may breach these independence standards, this summary may assist you in discussions with your auditor before approaching them to undertake such additional services.

Nāku noa, nā

Amin Khan
Manager, Auditor Appointments

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AUDIT NEW ZEALAND
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18 February 2026

John Funnell
Taupō District Council
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Taupō 3352

Tēnā koe John

Audit Engagement Letter

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all “public entities”, including Taupō District Council (the Council) and its subsidiaries and controlled entities (the Group), under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Liz Tomblason, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audits of the 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 to 30 June 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 governing body (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 and group’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, the International Standards on Auditing (New Zealand), and New Zealand Auditing Standard 1 (Revised): The Audit of Service Performance Information 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 the Taupō District Council and group’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.

A business unit of the Controller and Auditor-General | www.auditnz.parliament.nz

The council's responsibilities

Our audit will be carried out on the basis that the council, as the governing body, acknowledges that it has responsibility for:

- preparing the financial statements and performance information in accordance with any applicable legal requirements and financial reporting standards;
- preparing and reporting the information required by the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations) and Schedule 10 of the Local Government Act 2002;
- 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 the Council and group for the purpose of the audit;
 - unrestricted access to the 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;
- making the audited summary financial statements and summary performance information readily available to the intended users of that information; and
- 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.

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 the Council and group 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 Council and group's financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Appendix 1. Appendix 1 also contains some additional responsibilities relating to the health and safety of audit staff. We expect members of the council to be familiar with those responsibilities 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 the Council and group:

- present fairly, in all material respects:
 - its financial position; and
 - the results of its operations and cash flows for the financial year; and
- 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 performance information of Council:

- provides an appropriate and meaningful basis to enable readers to assess the actual service provision for each group of activities; determined in accordance with generally accepted accounting practice in New Zealand;

- fairly presents, in all material respects, the actual levels of service for each group of activities, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved; and
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
- complies with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.

In addition to the above we are also responsible for forming an independent opinion whether:

- the statement comparing actual capital expenditure to budgeted capital expenditure for each group of activities of Council, has been prepared, in all material respects, in accordance with clause 24 of Schedule 10 to the Act;
- the funding impact statement for each group of activities of Council, has been prepared, in all material respects, in accordance with clause 26 of Schedule 10 to the Act; and
- the funding impact statement of Council, has been prepared, in all material respects, in accordance with clause 30 of Schedule 10 to the Act.

We are also required to report on whether the Council has:

- complied with the information disclosure requirements of Part 3 of Schedule 10 to the Act; and
- included complete and accurate disclosures about its performance against benchmarks required by Part 2 of the Regulations.

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 Council and group's 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 Council and group's financial statements and performance information.

We do not examine every transaction, nor do we guarantee complete accuracy of the Council and group's 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 and group'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.

4

During the audit, the audit team will:

- be alert for issues of effectiveness and efficiency – in particular, how the council and the Council and group 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 Council and group 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 and the Council and group 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 Audit New Zealand remain both economically and attitudinally independent of the Council and group; 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 Audit New Zealand.

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 me or Audit New Zealand.

Reporting

We will issue an independent audit report that will be attached to the Council and group’s 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 include our opinion about whether:

- the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS-43: Summary Financial Statements.

We will also issue a report that will be sent to the council. This report 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 reports to the Council and group from time to time. We will inform the council of any other reports we have issued.

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 letter in the space provided and returning a copy 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.

Nāku noa, nā



Liz Tombleson
Appointed Auditor
On behalf of the Auditor-General

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

Signature: _____ Date: _____
Name: John Funnell
Title: Mayor

Appendix 1: Respective specific responsibilities of the council (as the governing body) and the Appointed Auditor

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities for the financial statements and performance information	
<p>You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards. You are also responsible for preparing and reporting the information required by the Local Government (Financial Reporting and Prudence) Regulations 2014 (the Regulations) and Schedule 10 of the Local Government Act 2002.</p> <p>You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.</p> <p>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.</p>	<p>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 Council and group's financial statements:</p> <ul style="list-style-type: none"> • present fairly, in all material respects: <ul style="list-style-type: none"> ○ the financial position; and ○ the results of the operations and cash flows for the financial year. • comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards. <p>We are also responsible for forming an independent opinion on whether the performance information:</p> <ul style="list-style-type: none"> • provides an appropriate and meaningful basis to enable readers to assess the actual service provision for each group of activities; determined in accordance with generally accepted accounting practice in New Zealand; and • fairly presents, in all material respects, the actual levels of service for each group of activities, including: <ul style="list-style-type: none"> ○ the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved; and ○ the reasons for any significant variation between the levels of service achieved and the intended levels of service; and • complies with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>In addition to the above we are also responsible for forming an independent opinion whether:</p> <ul style="list-style-type: none"> • the statement comparing actual capital expenditure to budgeted capital expenditure for each group of activities of the Council, has been prepared, in all material respects, in accordance with clause 24 of Schedule 10 to the Act; • the funding impact statement for each group of activities of the Council, has been prepared, in all material respects, in accordance with clause 26 of Schedule 10 to the Act; and • the funding impact statement of the Council, has been prepared, in all material respects, in accordance with clause 30 of Schedule 10 to the Act. <p>We are also required to report on whether the Council has:</p> <ul style="list-style-type: none"> • complied with the information disclosure requirements of Part 3 of Schedule 10 to the Act; and • included complete and accurate disclosures about its performance against benchmarks required by Part 2 of the Regulations. <p>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.</p> <p>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.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>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.</p> <p>An audit also involves evaluating:</p> <ul style="list-style-type: none"> • 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. <p>We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> • 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. <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>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, or for some other reason beyond our control, as soon as possible after that.</p> <p>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.</p>
Responsibilities for the accounting records	
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> • correctly record and explain the transactions of the Council; • enable you to monitor the resources, activities, and entities under your control; • enable the Council’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. 	<p>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.</p> <p>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.</p>
Responsibilities for accounting and internal control systems	
<p>You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the Council), supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of financial and performance information reporting.</p>	<p>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.</p> <p>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.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities for preventing and detecting fraud and error	
<p>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 Council) supported by written policies and procedures.</p> <p>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.</p> <p>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 the Council with delegated authority have a reasonable basis that suspected fraud has occurred – regardless of the amount involved.</p>	<p>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:</p> <ul style="list-style-type: none"> • 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. <p>We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected, or alleged fraud.</p> <p>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.</p> <p>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.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities for compliance with laws and regulations	
<p>You are responsible for ensuring that the Council has systems, policies, and procedures (appropriate to the size of the Council) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of the Council are complied with. Such systems, policies, and procedures should be documented.</p>	<p>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:</p> <ul style="list-style-type: none"> • the relevance of the law or regulation to the audit; • our assessment of the risk of non-compliance; and • the impact of non-compliance for the addressee of the audit report. <p>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.</p> <p>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.</p>
Responsibilities to establish and maintain appropriate standards of conduct and personal integrity	
<p>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.</p> <p>The expected standards of conduct and personal integrity should be determined by reference to accepted “Codes of Conduct” that apply to the public sector.</p>	<p>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 Council may not have acted in accordance with the standards of conduct and personal integrity expected of them.</p> <p>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.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>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.</p>
Responsibilities for conflicts of interest and related parties	
<p>You should have policies and procedures to ensure that your members and employees carry out their duties free from bias.</p> <p>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.</p>	<p>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.</p>
Responsibilities for publishing the audited financial statements on a website	
<p>You are responsible for the electronic presentation of the financial statements and performance information on the Council’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.</p> <p>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.</p>	<p>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.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities under the Health and Safety at Work Act 2015	
<p>We expect you to work with us to ensure the health and safety of our audit staff.</p> <p>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:</p> <ul style="list-style-type: none"> • 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 cannot adequately eliminate or minimise risks to a worker’s health and safety; and • protection from offence conduct such as aggressive slurs and/or behaviours, physical assaults or threats, intimidation, ridicule or mockery, insults, or put-downs. <p>We expect you to work with us to resolve any health and safety concerns related to our audit staff.</p>	<p>The Auditor-General and Audit New Zealand 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.</p> <p>We will obtain an understanding of health and safety systems, policies, and procedures put in place for the purpose of ensuring compliance with legislative and regulatory requirements.</p> <p>We will take reasonable care of our own health and safety, and we will take reasonable care that what we do or do not do does not adversely affect the health and safety of other people.</p> <p>We will co-operate with the workplace health and safety policies and procedures of the Council and comply with any reasonable instructions given.</p> <p>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.</p>



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

18 February 2026

Level 4, 127 Alexandra Street, Hamilton 3204
PO Box 256 Hamilton, 3240

John Funnell
Mayor
Taupō District Council
Private Bag 2005
Taupō 3352

Ref: EN/LCA/3-0041 R803
Copy: Director Auditor Appointments
Office of the Auditor-General
PO Box 3928
Wellington 6140

Tēnā koe John

Proposal to conduct the audit of Taupō District 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 fee for the audit for the financial year ending 30 June 2026 and reasons for any change – ***given the ongoing changes in the sector, we will agree the fees for the financial years ending 30 June 2027 and 30 June 2028 at a future date;***
- assumptions relating to the proposed audit fees, including what we expect of your organisation;
- what the OAG Audit Standards and Quality Support (ASQS) fee provides;
- certification required by the Auditor-General; and
- our commitment to conduct the audit in accordance with the Auditor-General's Auditing Standards.

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

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

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

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

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

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

3 Entities covered by this proposal

This proposal covers the audits of Taupō District parent and the consolidated group financial statements and performance information.

A separate engagement letter and fee proposal will be provided for the Debenture Trust Deed audit.

4 Key members of the audit team

Appointed Auditor	Liz Tombleson
Engagement Quality Reviewer (EQR)	Fiona Elkington
Audit Manager	Naudé Kotzé

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

5 Estimated audit hours

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

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

Audit team member	2025 budget	2025 actual	2026
Appointed Auditor	95	89	95
Engagement Quality Reviewer (EQR) Director	0	0	24
Audit Manager	151	144	151
Audit Staff	900	1,292	900
Information Systems	53	26	53
Tax Specialists	2	0	2
Total audit hours	1,201	1,551	1,225

5.1 Reasons for changes in audit hours

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

Reasons for changes in audit hours compared to previous period <i>budgeted</i> hours:	2026
An EQR Director has been assigned to this audit for 2026 (the fee for the EQR audit time will be discounted below, refer to table 6)	24
Total increase in audit hours	24

6 Proposed audit fees

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

Structure of audit fees	2025 budget fees	2025 actual fees charged (*)	2026
	\$	\$	\$
Net audit fee (excluding OAG ASQS charge and disbursements)	286,648	306,648	309,344
Less: EQR fee fully discounted	0	0	(13,225)
OAG ASQS charge	24,944	24,944	25,431
Total audit fee (excluding disbursements)	311,592	331,592	321,550
Estimated disbursements	18,000	28,398	21,500
Total billable audit fees including ASQS and disbursements	329,592	359,990	343,050
GST	49,439	54,089	51,458
Total (including GST)	379,031	413,989	394,508

* Note – 2025 actual net audit fees charged were \$306,648 (which included a fee recovery of \$20,000), compared to our 2025 net audit costs of \$327,037. Total audit costs for the past two years were \$417,841 in 2024 and \$458,317 in 2023. Over time we expect that the audit fee charged will more fairly reflect our actual costs of performing the audit.

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 fees.

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

6.1 Reasons for changes in audit fees

In table 5.1 we showed the factors that have resulted in a change of audit hours. The cost impacts of those changes are shown in the table below.

Reasons for increased or decreased audit fees compared to previous period <i>budgeted fees</i>	2026
Predicted staff salary cost movements (excluding the fully discounted EQR costs)	9,471
Increase in OAG ASQS charge	487

Reasons for increased or decreased audit fees compared to previous period <i>budgeted fees</i>	2026
Total increase in audit fees	9,958

Assumptions relating to our audit fee

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

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

Our fee specifically excludes the following:

- Costs associated with the audit of out of cycle revaluations of property, plant and equipment.
- Costs associated with the impact of changes resulting from the Government's Local Water Done Well programme.
- Changes to the annual report or financial statements resulting from regulatory or legislative changes.

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

7 What the OAG ASQS fees provides

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

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

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

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

8 Certifications required by the Auditor-General

We certify that:

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

9 Conclusion

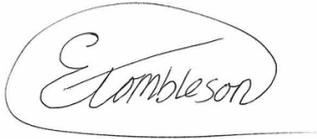
As the Appointed Auditor, I am committed to providing you and the Auditor-General with the highest level of professional service. I intend to work with you, the OAG, and the Auditor-General in a partnership environment to resolve any issues that may arise.

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

Please counter-sign this letter (below) to confirm that you, and the governing body of your organisation, agree with its contents. This letter will then form the basis for a

recommendation to the Auditor-General on the audit fee that should be set. The schedules of audit hours and fees will also be incorporated into my audit engagement agreement with the Auditor-General to carry out the audit of your organisation as the agent of the Auditor-General.

Nāku noa, nā



Liz Tombleson
Appointed Auditor
Audit New Zealand

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

Full name: John Funnell Position: Mayor
Authorised signature: _____ Date: _____
Entity name: Taupō District Council

Actions to take when agreement has been reached:

- 1 Make a copy of this signed proposal and keep it for your file.
- 2 Send the original to: [Liz Tombleson \(liz.tombleson@auditnz.parliament.nz\)](mailto:liz.tombleson@auditnz.parliament.nz)
confirmationsnorthern@auditnz.parliament.nz



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Memo

Date: 2 March 2026
To: Bruce Robertson, Chair of RAC, Taupō District Council
From: Liz Tombleson
Subject: **Audit update and APL, AEL and Audit Plan for the 2025/26 audit**

1 Purpose

Due to other commitments, I am unfortunately not able to attend the meeting.

The purpose of this memo is to provide the Committee with an update on the proposed areas of key audit risk and focus for the 2025/26 annual audit and explain the purpose of the **Audit Proposal Letter (APL)** and the **Audit Engagement Letter (AEL)**.

2 Audit Engagement Letter (AEL) and Audit Proposal Letter (APL)

The Audit Engagement Letter (AEL) sets out the terms of the audit engagement, including respective responsibilities of both the auditor and the Council.

The Audit Proposal Letter (APL) outlines the proposed audit fees, estimated audit hours, and scope for the 2025/26 audit. It reflects the size and complexity of the Council and group, the risks identified, and the expected level of audit work required.

The proposed hours for 2026 is 1,225 hours which is a 24 hour increase from the prior year for the incorporation of an EQR Director. This EQR time is fully discounted within the fees. The audit fee (excluding disbursements) increase of \$9,958 represents \$9,471 of predicted staff salary cost movements (excluding the fully discounted EQR costs) and a \$487 increase in OAG ASQS charge.

Total billable audit fees including ASQS and disbursements of \$343,050 for 2026 exclude GST.

Both the APL and AEL provided for this meeting have been discussed with management.

3 Audit Plan – key risks and areas of focus

We have prepared a draft Audit Plan for management review and will finalise this after taking into consideration any further feedback from the Committee. The draft includes the following areas of risk and audit focus:

3.1 Risk of management override of controls

Auditing standards require us to treat this as a significant risk on every audit — our work includes journal testing, review of accounting estimates, and evaluation of unusual transactions.

3.2 Service performance information challenges (Water, Wastewater, Stormwater, Rooding)

Previous years' data integrity and completeness issues remain an area of focus, with potential for continued qualification until fully resolved for a full financial period including comparatives.

3.3 Revaluation of rooding assets – 30 June 2026

A major area of audit focus requiring early engagement with valuers, review of inputs, unit rates, valuation methodologies, and accounting treatment.

We understand that management is considering whether three waters should be revalued or not this year. We understand that management are considering revising the current policy to still comply with PBE IPSAS 17. The standard requires that the **carrying amount of PPE must not differ materially from fair value at the reporting date**. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date, and in some situations may be necessary to revalue the assets only every three or five years. The standard still requires an **annual fair value assessment** to be completed to determine whether the carrying amount remains appropriate. If the carrying amount is materially different from fair value, a revaluation must be performed in that year, regardless of the normal cycle.

In summary:

- A three-year revaluation cycle is **permissible**, but **not mandated**.
- An **annual fair value assessment is required** to ensure the carrying amount is not materially misstated.
- A full revaluation must occur whenever the assessment indicates material movement in fair value.

The RAC may want to consider above in decisions with management to revalue or not.

3.4 Fair value assessments for land, buildings, and three waters assets

For asset classes not undergoing full revaluation, management must assess whether material movements exist. We will review assumptions and supporting evidence.

3.5 Investment property valuation and classification

There is judgement involved in both the valuation and classification of the investment property — we will assess valuer competence, methodologies, inputs, and any reclassification arising from changes in intended use.

3.6 Impairment, capitalisation, and work-in-progress (WIP)

Given the size of WIP balances, we will review and evaluate management's impairment assessment. We will also review the capitalisation processes and consider if there is timely transfer of completed assets.

3.7 Local Waters Done Well (LWDW)

We will consider the Council's proposed response to the accounting and reporting implications of the LWDW programme including any advice obtained about accounting and reporting implications.

4 Audit timing and approach

Our planned audit visits are as follows:

- Interim 1: 25 May (1 week)
- Interim 2 (Pre final): 13 July (2 weeks)
- Final visit: 28 Sept (4 weeks)

The interim audit is due to commence in May and we be updating our understanding of the Council's systems and controls and continuing discussions to confirm our audit approach.

We are aiming to bring as much work as possible forward to the second interim/pre-final visit. During this visit we will aim to cover aspects of our final audit to reduce pressure at the final visit. This includes aspects such as fair value assessments and valuations. We will regularly meet and work with management to ensure clarity on the level and timing of information that will be required to complete our planned audit work.

We will also be liaising with Council management around LWDW throughout the audit and will share any guidance that we may receive from the sector.

5 Conclusion

I look forward to working with the Committee throughout the 2025/26 audit. If Committee members have feedback or questions on the proposed audit risks and areas of audit focus, APL or AEL, I welcome this and will provide responses following the meeting.

Please feel free to contact me directly should you wish to discuss any of these matters further.

Audit plan

Taupō District Council

For the year ending 30 June 2026

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Executive Summary

I am pleased to present our audit plan for the audit of Taupō District Council (the Council) and its subsidiaries and controlled entities (the Group) for the year ending 30 June 2026. Our role as your auditor is to give an independent opinion on the Council's and the Council group's financial statements and service performance information and all other information required to be audited or reported on under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014 and the Non-Financial Performance Measures Rules 2024. We also recommend improvements to the internal controls relevant to the audit.

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

Nāku noa, nā



Liz Tombleson
Appointed Auditor
3 March 2026

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Focus areas: Audit risks and issues

Based on the planning work and discussions that we have completed to date, we set out in the table below the main audit risks and issues.

These will be the main focus areas during the audit. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

Audit risk/issue	Our audit response
The risk of management override of internal controls	
<p>There is an inherent risk of fraud in every organisation due to management override of internal controls.</p> <p>Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • testing the appropriateness of selected journal entries; • reviewing accounting estimates for indications of bias; and • evaluating any unusual or one-off transactions, including those with related parties.



Audit risk/issue	Our audit response
Service performance information for response times for three waters and roading	
<p>The Council reports performance against response times to call-outs for faults or unplanned interruptions to its water supply, stormwater and wastewater systems, and its responsiveness to roading requests for service.</p> <p>In previous years, issues were identified with the completeness, accuracy and supporting documentation of the Council’s recorded performance against these measures resulting in a qualification in our audit opinion.</p> <p>Until these issues are resolved for a full financial period, it is likely that reported performance will be qualified again in our audit report.</p> <p>We understand changes were made, during the financial period under review, to the processes to record response times to call-outs for faults or unplanned interruptions to its water supply, stormwater and wastewater systems, and its responsiveness to roading requests for service. We will review the updated system and consider if these address the completeness, accuracy and supporting documentation concerns previously raised.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • discussion with management on whether the issues that were present in prior years have been resolved; and • if the issues with data-recording and supporting documentation are resolved, we will complete work necessary to gain comfort over the 2026 performance information.



Audit risk/issue	Our audit response
Revaluation of roading assets	
<p>The Council revalues its infrastructure assets whenever there is expected to be a material movement in the fair value of those assets.</p> <p>We understand that the Council intends to revalue its roading assets as at 30 June 2026.</p> <p>As a minimum, the reasons for the movement should identify and explain movements at an asset component level since the last valuation due to changes in source data (for example, lengths and volumes), unit rates and any other significant adjustments.</p> <p>We understand management intends to engage an independent valuer to prepare the valuation of roading assets as at 30 June 2026. This should be subject to quality reviews by the valuation firm and suitably experienced members of the Council’s management team.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • engaging with management in advance of year-end to understand the processes and procedures in place to support the valuation; • review the valuation report to assess the objectivity and competence of the valuer and whether the requirements of accounting standard, PBE IPSAS 17, <i>Property, Plant and Equipment</i>, have been met; • assess relevant quality controls that support the integrity of the underlying data and assumptions schedules used in the valuation; • obtain an understanding of, and test, the underlying source data used in the valuation; • review the methodology used to develop unit rates and test those rates back to the Council’s analysis of recent contract costs; • engage with the valuers as necessary when assessing the reasonableness of the assumptions and methodology used and the reasons for movements in key asset components; • review the accounting entries and the fixed asset register to ensure the values are correctly updated; and • review the appropriateness of the disclosure, including any narrative.



Audit risk/issue	Our audit response
<p>Fair value assessment of land & building and three waters assets</p>	
<p>For those assets carried under the valuation model that the Council does not plan to revalue, the Council needs to perform a fair value movement assessment to determine whether there could be a material difference between the fair value and the carrying value.</p> <p>These assessments should:</p> <ul style="list-style-type: none"> • factor in local cost information; • utilise relevant and reliable price movement indicators; and • involve consultation with valuers, where necessary. <p>If the fair value movement of the assets, individually or in combination with other asset classes, is likely to be material, the Council will need to complete a full revaluation.</p>	<p>We will review the reasonableness of the Council’s assessment including the appropriateness of the assumptions used in the assessment.</p>



Audit risk/issue	Our audit response
Classification and valuation of investment properties	
<p>The Council holds a strategic investment property portfolio, which was valued at \$51.5 million as at 30 June 2025. The Council values its investment property at fair value annually in accordance with accounting standard PBE IPSAS 16, <i>Investment Property</i>. This standard requires the fair value of investment properties to reflect the fair value of the properties based on the market conditions as at the reporting date.</p> <p>Determination of the fair value requires key judgements and assumptions to be made by the Council’s valuer. These include:</p> <ul style="list-style-type: none"> • The valuation methodology best suited to the subject property, for example, sales comparisons, discounted cash flows, or capitalisation approach. • The key inputs and assumptions required for the methodology such as relevant sales data, expected market cashflows and discount rates and the determination of capitalisation rates. <p>The Council’s broader development activities mean that assets are often held for a variety of strategic purposes. Changes in management’s intention for how these assets will be used can require reclassification between asset categories (such as investment property, property, plant and equipment, or inventory). These changes require careful assessment under the applicable PBE standards. They also require transparent and comprehensive disclosures in the financial statements due to the level of judgement involved.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • review the valuation report and hold discussions with management and their valuer to confirm our understanding of the approach taken to estimate fair value, key judgements made, assumptions applied, and source data used; • assess the valuer’s expertise and their objectivity; • evaluate whether an acceptable approach has been taken to estimate fair value, and assess this (and the related disclosures in the financial statements) for compliance with the requirements of accounting standards; • review the source data for errors and omissions, and assess the reasonableness of key judgements made and assumptions applied; • test calculations, determine if the revaluation has been correctly accounted for, assess the overall valuation movement and obtain explanations for any significant or unusual changes in value; and • confirm properties that are under construction, or have had a change in use, are appropriately classified, valued and accounted for.



Audit risk/issue	Our audit response
Accounting for impairment, capitalisation of costs and recognition of completed assets	
<p>Impairment of property plant and equipment</p> <p>Assets are required to be assessed annually for indicators of impairment at each reporting date. In addition, work in progress (WIP) values on projects that span an extended period of time should be assessed regularly for impairment over the period of the project.</p> <p>Capitalisation of costs</p> <p>The Council should ensure appropriate policies and processes are in place to identify and capitalise costs that are capital in nature. This includes both direct and indirect capital costs.</p> <p>Completed projects</p> <p>The Council also needs to ensure that, as phases of a project are completed, and assets become operational, capitalisation of the WIP balance is performed in a timely manner. This will ensure that depreciation on these assets starts when the asset is complete and ready for use.</p> <p>The Council had a significant WIP balance at 30 June 2025 with a risk that some projects within the balance may have been abandoned and should be written off. The Council should analyse the aging of WIP balances by year and consider whether any old balances should be written off or impaired.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • assess the processes used by management to assess for impairment, including all significant WIP balances and review the analysis of WIP aging; • update our understanding of the Council policy and processes to identify and capitalise both direct and indirect capital costs; and • review management’s processes to ensure that the capitalisation of WIP costs is performed in a timely manner.



Local Waters Done Well

The Council adopted the in-house model of delivery of three waters at its meeting on 25 June 2025. Its Water Services Delivery Plan giving effect to this was approved by the Secretary for Local Government on 27 August 2025.

The Department of Internal Affairs issued its guidance on planning, reporting, and accountability for council water service providers in January 2026. We recommend that the Council reviews the guidance to understand the necessary steps to ensure that its in-house unit complies with the planning, reporting, and accountability requirements set out in the Local Government (Water Services) Act 2025.

We are currently reviewing this guidance for any risks or issues that could impact our audit planning for the year ending 30 June 2026. Where applicable, we will develop appropriate audit responses to address them.



Group audit



Our audit approach for the group is designed to obtain sufficient assurance on the group's financial statements and Service Performance Information.

We have identified the group to consist of the following subsidiaries and controlled entities:

- Taupō District Council
- Taupō Airport Authority
- Lake Taupō Protection Trust
- Destination Lake Taupō Limited
- Destination Lake Taupō Trust
- Data Capture Systems Limited

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

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

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

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

The assessed the risks of material misstatement and our approach for each component of the group selected for testing is detailed below.



Component	Our audit approach
Taupō District Council (Parent)	<p>The Parent auditor is Liz Tombleson of Audit New Zealand. The audit work on this component will be a full financial statement and service performance report audit/specified scope procedures relating to classes of transactions and account balances.</p> <p>The significant audit risks relevant to this component are:</p> <ul style="list-style-type: none"> • The risks noted above in the audit plan.

This table shows the work we have planned for each component selected for testing.



Materiality

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

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

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

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

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

Financial statements materiality

Group materiality	
Overall materiality – used for asset revaluations	\$179,530,000
Specific materiality – used for all other items	\$4,000,000
Clearly trivial threshold	\$200,000
Parent materiality	
Overall materiality – used for asset revaluations	\$177,300,000
Specific materiality – used for all other items	\$3,960,000
Clearly trivial threshold	\$198,000

This materiality is subject to change once the actual results for the current year are available.



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

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

Misstatements

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

Materiality for service performance information

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

We set materiality for service performance information at an individual measure level based on what we expect would influence readers' overall understanding, decision making, or assessment of Taupō District Council's performance. Because of the variety of measurement bases applied, we normally express this materiality as a percentage of the reported result.

Qualification to the statement of service performance

In previous financial years we have issued qualified audit opinions in relation to the Council's statement of service performance. We issued a qualified audit opinion on the following measures:

- water supply and wastewater median response time measure, for both the 2025 and 2024 financial years;
- stormwater median response time measure, for the 2025 financial year; and
- roading responsiveness measure, for the 2025 and 2024 financial years.



Additional audit procedures are required to document and determine whether the issues noted previously have been resolved, and to consult with our technical experts regarding the scope and wording of the qualifications. This may lead to additional time and fees required to complete the audit, and we may seek recoveries should further work or consultation be required, above what is agreed within our audit proposal letter.

As the measures mentioned above were qualified in the prior year (2025) we will also likely qualify the 2026 audit report on the basis that we were unable to gain the required assurance over the prior year comparatives for each performance measure.

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

Material measure	Materiality
Transport	
TR.03 – The percentage of sealed local road network that is resurfaced.	8% of the report result.
TR.05 – Percentage of customer service requests relating to council roads and footpaths that are responded to within five working days.	5% of the reported result.

Material measure	Materiality
<p>Wastewater</p> <p>WW.02, WW.03, WW.04 and WW.05 - compliance with the territorial authority’s resource consents for discharge from its sewerage system in relation to sewerage system resource consents, measured by the number of:</p> <ul style="list-style-type: none"> • abatement notices; • infringement notices; • enforcements orders; and • convictions. <p>WW.07 - Median resolution time: from the time that Council receives notification of a sewerage overflow resulting from a blockage or other fault in the Council’s sewerage system, to the time that service personnel confirm resolution of the fault or blockage.</p>	<p>Compliance is either met or not met.</p> <p>5% of the reported result.</p>
<p>Water</p> <p>WS.01 - The extent to which the local authority’s drinking water supply complies with the following parts of the drinking water quality assurance rules (a) to (j).</p> <p>WS.03 - Median time for attendance for urgent call-outs: from the time that Council receives notification to the time that the service personnel reach the site.</p>	<p>Compliance is either met or not met.</p> <p>5% of the reported result.</p>



Material measure	Materiality
<p>Stormwater</p> <p>ST.05, ST.06, ST.07, ST.08 – compliance with the territorial authority’s resource consents for discharge from its stormwater system, measured by the number of:</p> <ul style="list-style-type: none"> • abatement notices; • infringement notices; • enforcements orders; and • convictions. 	<p>Compliance is either met or not met.</p>



Expectations

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

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

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

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

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

Draft financial statements and performance information

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

- A good quality draft set of financial statements and performance information (including notes) that is reasonably complete, received prior to the final audit visit, which has gone through appropriate internal quality review processes.
- A final set of financial statements and performance information incorporating all changes identified during the audit, received at the end of the audit.
- A final signed annual report or printers proof version.

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

Year-end processes

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



Bringing forward audit procedures

Substantive audit procedures are traditionally performed after the year-end. Where possible, we will aim to bring audit procedures earlier in the year. We have outlined which balances we intend to bring forward and test in our timetable at the end of this Audit Plan. Completion of these tests earlier in the year enables more timely identification and resolution of errors and reduces the time your management needs to support the audit process at year-end, when the annual report is being prepared.

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

Reporting

Communication with the Council and management

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

Meeting with	Purpose	Planned timing
Mayor, Chief Executive and GM – Organisation and Performance	Initial introduction and planning meeting	Dependent on availability, however earlier in the audit process.
Risk and Assurance Committee (RAC) Chair	Brief on audit plan, and discussion around audit risks for 2026	During the course of RAC meetings held at Council chambers, and ad hoc as required.
GM - Organisation and Performance	Update on audit progress	Quarterly, increasing to monthly during final audit.
Finance and Policy teams	Updates on audit progress, audit cost update, recommendations and discussion around other audit information	6-weekly, increasing to weekly during audit visits.



Reports to the Council

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

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

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

Our team

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

Our senior audit team members are:

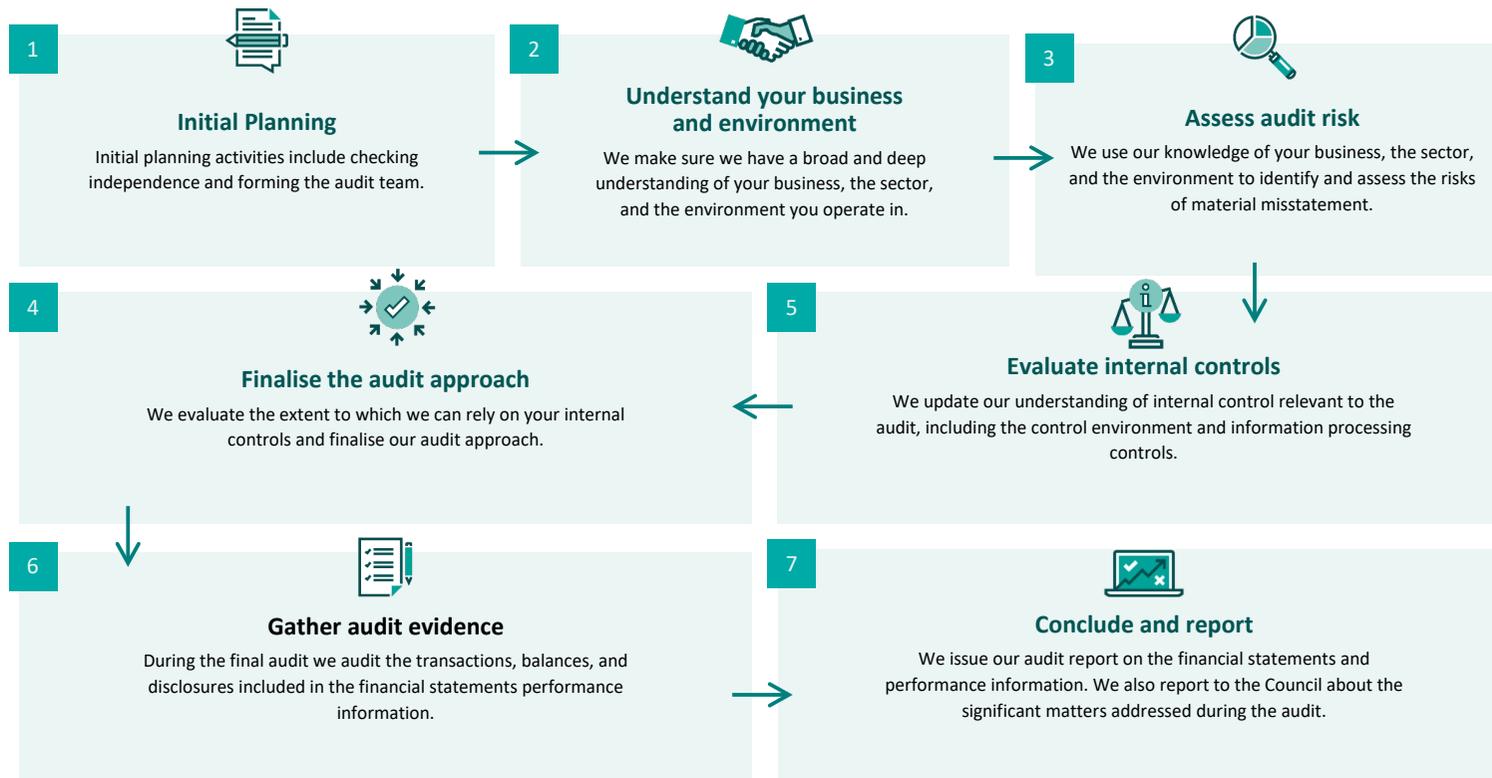
Liz Tombleson	Appointed Auditor
Fiona Elkington	Engagement Quality Review Director
Naudé Kotzé	Audit Manager
Carter Horsup	Assistant Manager

Additionally, our audit will be supported by the following Audit New Zealand specialists:

Dieter Rohm	Director, ISAA
Thembi Mpofu	Specialist, ISAA

The Engagement Quality Review (EQR) Director forms an important part of our internal quality assurance process to maintain and enhance the quality of your audit. They are independent from the day-to-day audit field work and so can provide an independent challenge to the audit team on their judgements. The EQR will work with your Appointed Auditor and the audit team but will not have direct contact with you.

Our audit process



Fraud risk

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

Your responsibility

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

Our responsibility

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

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

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

Professional judgement and professional scepticism

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

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

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



Wider public sector considerations

A public sector audit also examines whether:

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



How we manage quality



We apply a risk-based approach to designing, implementing, and operating the components of our system of quality management (SOQM) in an interconnected and coordinated manner to proactively manage the quality of our audits.

Quality objectives

Quality objectives are the desired outcomes for each component of the SOQM.

Audit quality encompasses the key elements that create an environment which maximises the likelihood that we perform quality audits on a consistent basis. Audit quality is about more than issuing the right audit opinion, it is also about how we reach that opinion. We maintain a persistent focus on audit quality and on continuing improvement to audit quality over time.

Quality objective	What this involves
Governance and leadership	Establishing an environment that supports the system of quality management.
Relevant ethical requirements	All staff understand and fulfil their responsibilities regarding ethical requirements.
Acceptance and continuance	Making judgments about accepting or continuing engagements and our ability to perform each engagement.
Engagement performance	Performing a quality engagement, including directing and supervising the team, exercising professional judgment, consulting on difficult or contentious matters, and ensuring appropriate engagement documentation.
Resources	Having sufficient and appropriate human, technological, and intellectual resources.
Information and communication	Maintaining and communicating information regarding the quality management system both internally and externally.



Risk identification and key responses included in our SOQM

We perform an annual risk assessment to identify any risks to achieving our quality objectives. We then implement responses to address these risks. The combination of responses ranges from specific controls to developing policies and procedures for our audit teams. Some of these operate at a firm level, while others are applied to each individual audit.

Of these numerous responses, there are two notable responses that we would like to share as examples:

Independence

Our independence and conflicts of interest policy require all employees to be scrupulous about identifying and managing any conflicts of interest or independence risks. We manage this through our ethics and independence declarations for every staff member, including a compulsory annual review, supplemented by individual independence declarations for each engagement.

Internal and external inspections

All our Appointed Auditors are subject to internal and external inspections on a cyclical basis to ensure that our engagements comply with standards. The Office of the Auditor-General, the Financial Markets Authority, and the New Zealand Institute of Chartered Accountants perform the external inspections. We perform a root cause analysis on selected findings from these reviews and develop action plans to address the identified root causes.



Timetable

Our proposed timetable is:

Milestone	Date	Comment/objectives
Interim audit begins	25 May 2026 (1 week)	<p>The focus areas for our interim audit will be:</p> <ul style="list-style-type: none"> • Completion of systems documentation (business processes) for all financial statement and performance reporting elements. • Walkthrough of the following systems: <ul style="list-style-type: none"> • response time system for performance reporting; • roading renewals system for performance reporting; • property, plant and equipment system (includes inventory, forestry assets and investment property); and • payroll system. • Preparing legal representation letters, valuation expert letters and any other confirmations. • Payroll input testing. • Sensitive expenditure testing. • Rates setting testing, and input testing (for the 2026-27 Annual Plan). • Related party transactions.

Milestone	Date	Comment/objectives
Valuation fair value assessment and final valuation reports provided to Audit New Zealand	9 July 2026	<p>For review prior to beginning of pre-final phase to confirm audit approach.</p> <p>We will require Rooding, Investment Property and Forestry valuation reports as well as management's assessment of the valuation, and managements contract unit rates to support the unit rates utilised in the valuation.</p> <p>We also require fair value assessments for the classes of assets not undergoing a full revaluation this year, along with management's assessment of these.</p>
Pre-final audit begins	13 July 2026 (2 weeks)	<p>The focus areas for our pre-final audit will be:</p> <ul style="list-style-type: none"> • Revaluation of roading assets • Fair value assessments for assets not undergoing full revaluation this year • Revaluation of investment property • Revaluation of forestry • Derivatives • Borrowings • Investments • GST • Sensitive expenditure
Trial balance provided to audit	21 September 2026	Council to provide the final trial balances for the year ended 30 June 2026.
Draft financial statements and statement of service performance available for audit (including notes) with actual year-end figures	21 September 2026	This is for audit to start verifying compliance with GAAP (disclosures), legislation compliance (only as it relates to audit), completeness (high-level sense check of the content and structure of the annual report, verify comparative info and budgets.

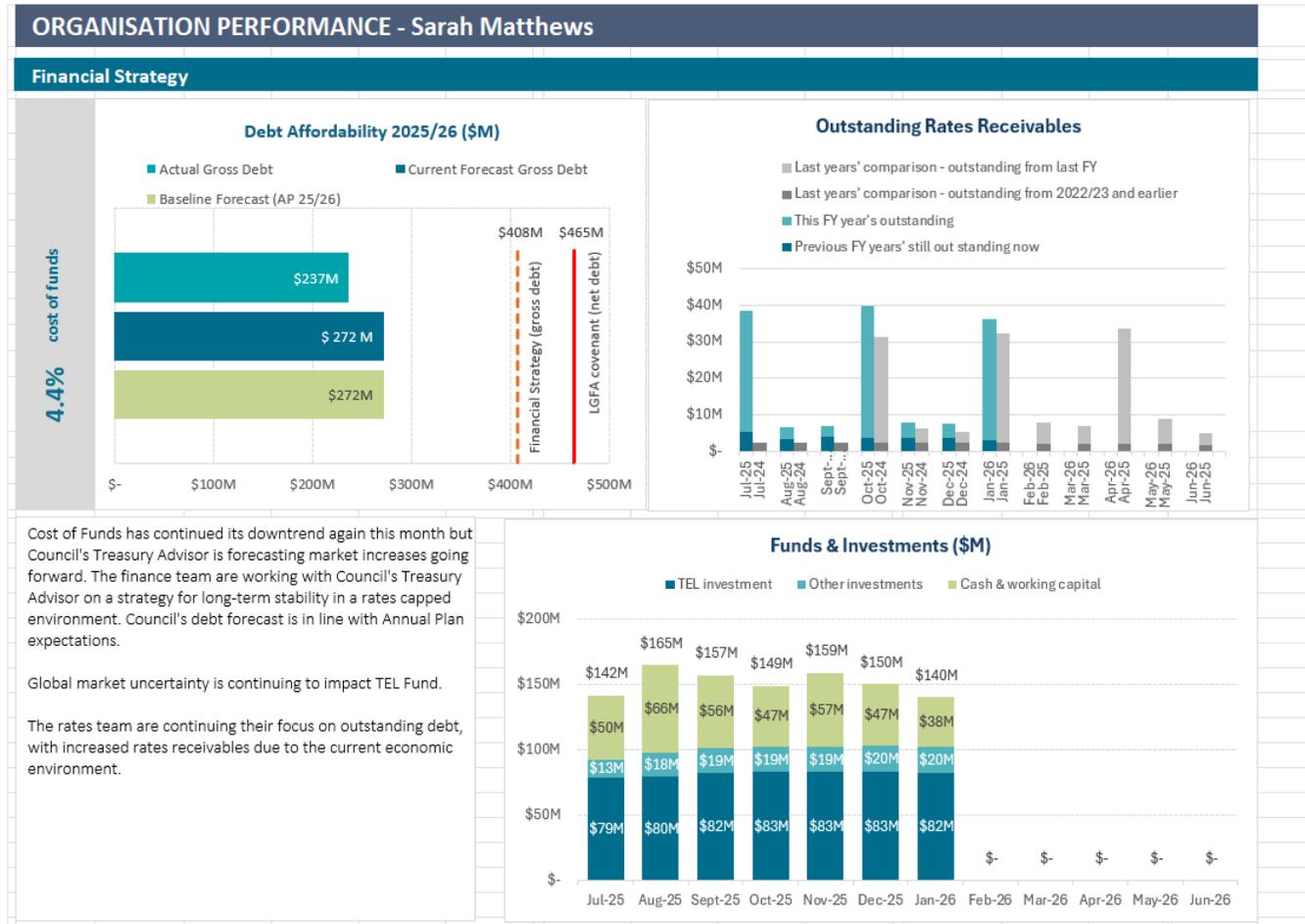
Milestone	Date	Comment/objectives
Final audit begins	28 September 2026 (4 weeks)	The focus areas for our final audit will be finalising all work started in interim and pre-final phases, as well as completion of the remainder of the audit.
Summary annual report provided to audit	19 October 2026	
Final financial statements and statements of service performance (including Mayor and CEO reports) available, incorporating all agreed amendments	19 October 2026	This will be the version that Taupō DC intend to adopt. Please provide these by 9:00am.
Verbal audit clearance given	23 October 2026	
Draft report to Council issued	23 October 2026	Audit to prepare and issue the draft report to governors
Draft representation letter and audit reports issued	23 October 2026	These will include any uncorrected errors agreed with management.
Council adoption date and signing of representation letters	27 October 2026	
Final governors report to Council issued	27 October 2026	Audit to issue the report to Council.
Audit report issued	27 October 2026	
Draft final report to management issued	30 October 2026	
Final report to management with management comments provided	13 November 2026	

Note: We will discuss with Management if timing for planned visits and deliverables changes.

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Quarterly Treasury Dashboard

31 December 2025



Economic Commentary

Global

2

In Q4 2025, major central banks continued their monetary easing, with a clear focus on supporting growth amid cooling inflation, labour market softening in some regions, and persistent uncertainties from geopolitical tensions and trade policies. The global environment featured a gradual easing in advanced economies, though at varying paces and with increasing signs of divergence entering 2026. Inflation continued to moderate toward targets in most regions but remained sticky in services and above target in the US, prompting a more cautious approach.

The Fed pursued a measured easing path in Q4 2025, delivering additional 25 basis point cuts (including in December), bringing the Federal Funds target range to 3.50%–3.75% by year-end. This followed earlier reductions, totalling around 75–100 bps for the year. Key drivers included a cooling labour market, sticky but declining inflation, and risk management priorities. The December decision was split (e.g., 9-3 or similar), reflecting divisions on the balance between employment risks and inflation persistence. Longer-term yields remained elevated, with the 10-year Treasury closing the year at 4.12%.

Overall, Q4 2025 marked the maturing phase of the global easing cycle: supportive financial conditions supported asset prices, but central banks grew more selective, preparing for potential policy divergence in 2026 amid uncertainties such as trade fragmentation and geopolitical risks. Global growth remained resilient but modest (IMF projections around 3.2% for 2025), with inflation declining further — setting the stage for more range-bound or status quo policies in early 2026.

	OCR	90 day	1 year swap	2 year swap	3 year swap	5 year swap	10 year swap
30-Sept-25	3.00%	2.80%	2.56%	2.62%	2.78%	3.10%	3.68%
31-Dec-25	2.25%	2.51%	2.61%	2.93%	3.19%	3.56%	4.09%
Change	-0.25%	-0.29%	+0.05%	+0.31%	+0.41%	+0.46%	+0.41%

New Zealand

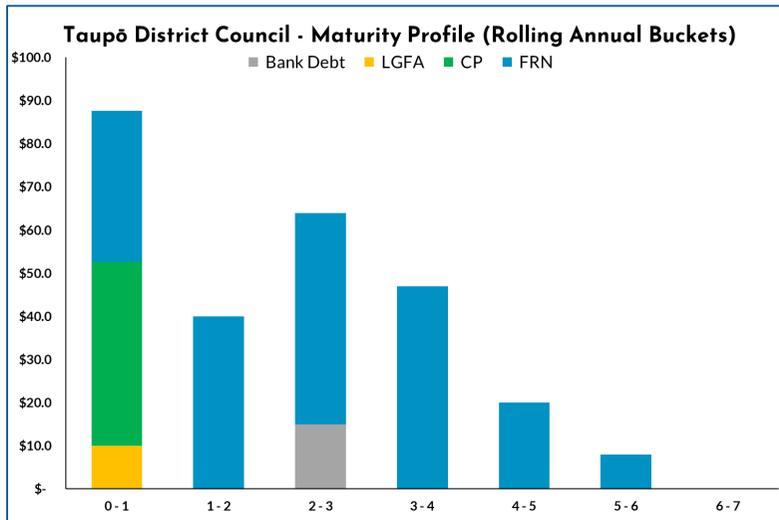
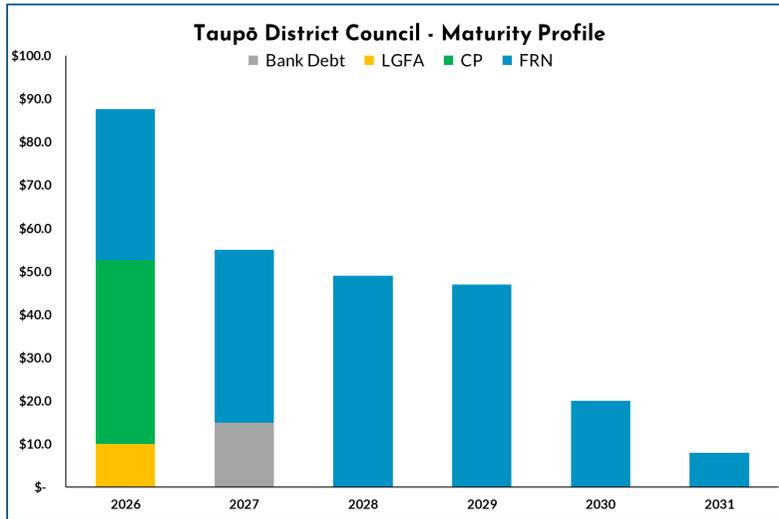
During the December 2025 quarter the Reserve Bank of New Zealand (“RBNZ”) appeared to signal that it had completed its aggressive easing cycle that began in mid-2024, with the Official Cash Rate (“OCR”) reaching a multi-year low. The final move came on 26 November 2025, when the Monetary Policy Committee (“MPC”) voted 5–1 to reduce the OCR by 25 basis points to 2.25% — its lowest level since mid-2022. This followed a larger-than-expected 50 bps cut to 2.50% in October 2025, bringing cumulative reductions since the peak (5.50% in August 2024) to 325 bps. The statement marked the last Monetary Policy Statement ahead of the new Governor Anna Breman taking office in December.

The market reaction to the unexpectedly hawkish cut was extreme, with the 5-year swap rates up from 3.14% on the day of the OCR announcement to 3.77% on 15 December. The extent of the movement prompted the new Reserve Bank Governor to issue a statement that essentially said the markets had gone too far, stating that “Financial market conditions have tightened since the November decision, beyond what is implied by our central projection for the OCR.” As a consequence of the statement, 5-year swap rates retreated to 3.52%. Overall, during the quarter, the yield curve steepened considerably with the spread between the 90-day rate and the 5-year swap rate, increasing from 0.30% on 1 October to 1.04% on 31 December.

The consensus view is that the new Governor will be cautious around inflation and would need to see a material surge in growth to contemplate any change in the OCR until 2027, which is when we see the first hike.

Liquidity and Funding

3



Debt
\$241.6m
 External Council Drawn Debt

LGFA
\$204.0m
 Funds Drawn from LGFA

Headroom
\$25.0m
 Undrawn Funding Facilities (LGFA and Bank)

Cash, TD'S and Managed Fund
\$129.8m

Total Liquidity
\$154.8m

Liquidity Ratio
164.07%
 (Cash, TD's, Managed Fund + Lines of Credit)

Funding Maturity

Maturity (Years)	Minimum	Maximum	Actual	Compliant
0 - 3	15%	60%	71.87%	No
3 - 7	25%	85%	28.13%	Yes
7+	0%	60%	0.00%	Yes

Policy Compliance

Policy Compliance	Compliant
Have all transactions been transacted in compliance with policy?	Yes
Is fixed interest rate cover within policy control limits?	No
Is the funding maturity profile within policy control limits?	No
Is liquidity within policy control limits?	Yes
Is the investment maturity profile within policy control limits?	Yes

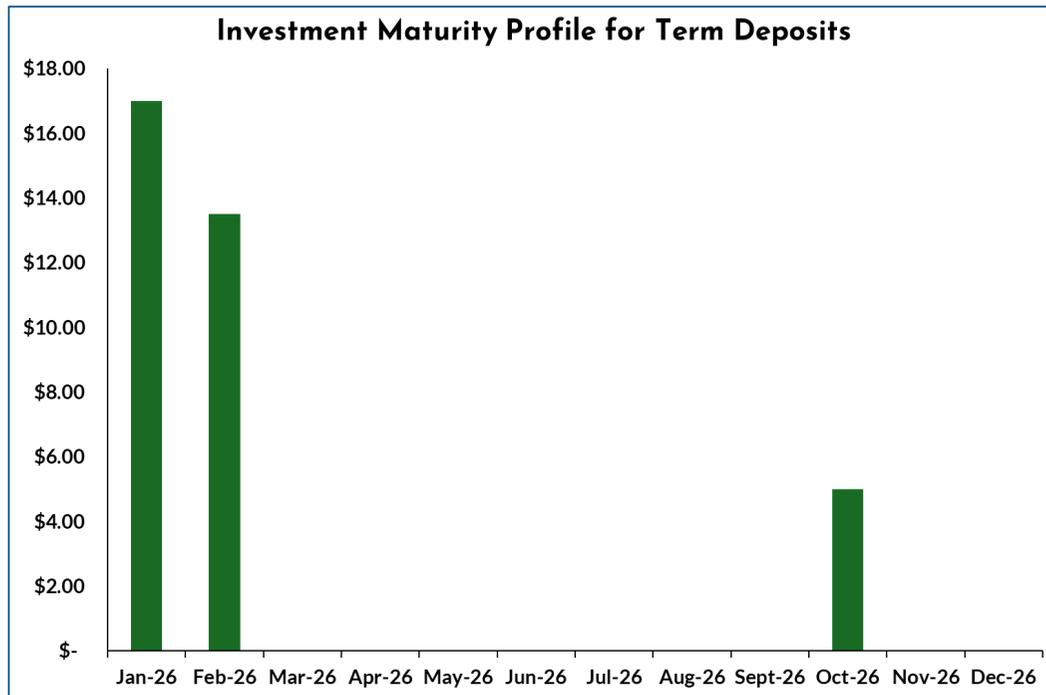
The non compliance in the Funding Maturity profile was identified and discussed with the Chair of the Audit and Risk and the GM Organisation Performance in December. It was agreed that the current parameters were not appropriate and that a policy change would be desirable. Likewise for the miniscule breach of the of the Fixed Rate Hedging Percentages in the 2-4 year timeframe (see circle on slide 5 in the chart of the top left) this was identified and discussed as well in December and will be rectified in the first quarter of 2026 when interest rates are (presumably) more favourable than they were in December.



Term Deposits

4

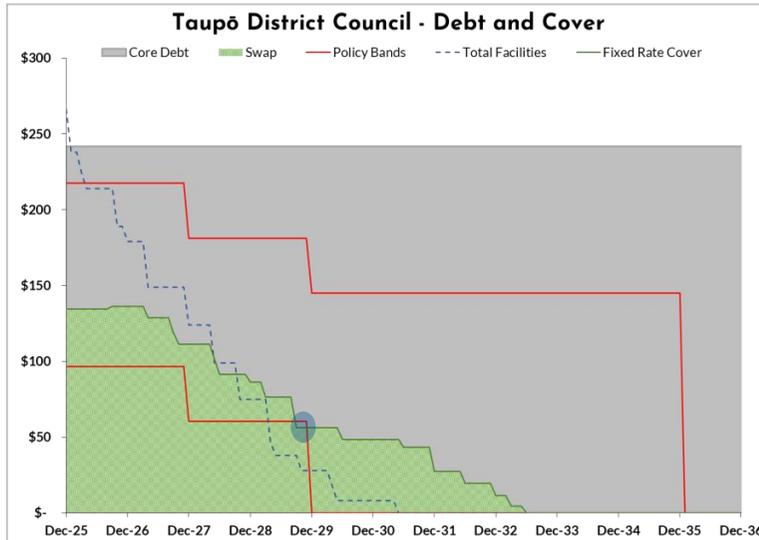
As at 31 December 2025, Taupo DC had \$28.5 million of Term Deposits in the General Fund, with a weighted average rate of 3.35%, Details of the Term Deposits are as follows:



Term Deposits		
Maturity Date	Rate	Amount
15-Jan-26	3.95%	5,000,000
20-Jan-26	3.60%	7,000,000
11-Feb-26	3.50%	6,000,000
4-Oct-26	3.45%	5,000,000
15-Jan-26	2.81%	5,000,000
20-Feb-26	3.30%	7,500,000
Weighted Average Rate		3.44%
Total Current TDs		35,500,000

Interest Rate Risk Management

5

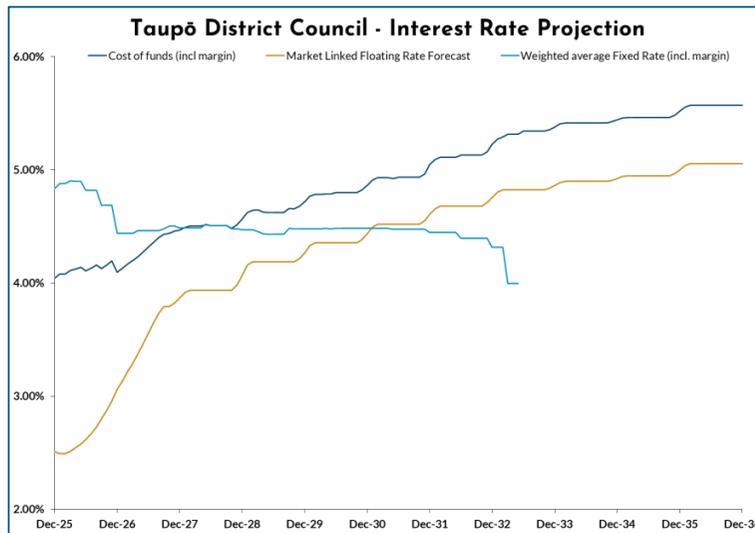


Key Metrics

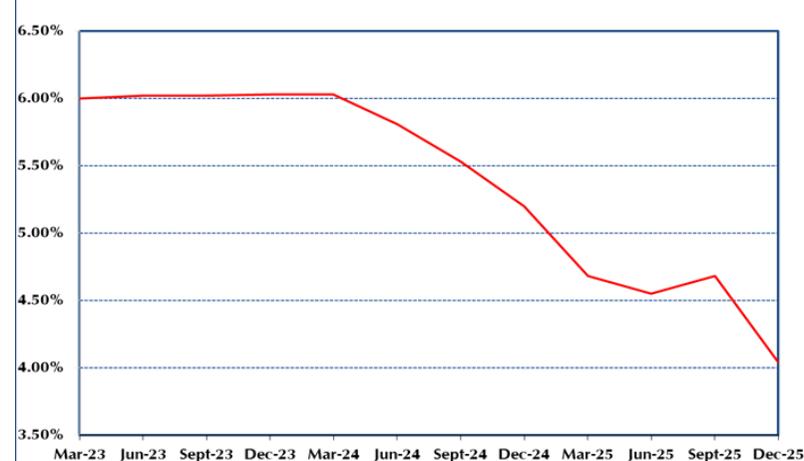
Current % of Debt Fixed	55.6%
Current % of Debt Floating	44.4%
Value of Fixed Rate (m)	\$134.4
Weighted Average Cost of Fixed Rate Instruments	4.29%
Value of Forward Starting Cover	\$30.4
Weighted Average Cost of Forward Starting Cover	3.90%
Value of Floating Rate (m)	\$107.2
Current Floating Rate	2.51%
All Up Weighted Average Cost of Funds Including Margin	4.04%
Total Facilities In Place	\$266.6

Policy Bands

Maturity (Years)	Minimum	Maximum	Average	Compliant
0 - 2	40%	90%	55.6%	Yes
2 - 4	25%	75%	38.8%	No
4 - 10	0%	60%	19.6%	Yes



Taupō DC - Cost of funds (currently 4.04%) back to March 2023



Interest Rate Swaps and Funding

6

As at 31 December 2025, TDC had \$241.6m of drawn debt facilities and 20 interest rate swaps, 16 of which were current and 4 forward starting, as detailed below:

Swaps				
Start Date	Maturity Date	Rate	Amount	MTM
30-Dec-15	30-Dec-26	6.00%	\$16,000,000	-\$538,165.05
30-Dec-15	30-Sept-26	6.08%	\$8,100,000	-\$141,840.58
30-Dec-15	30-Jun-26	6.02%	\$4,400,000	-\$75,750.96
28-Jun-19	30-Sept-27	3.70%	\$10,000,000	-\$149,172.53
28-Jun-24	28-Mar-29	4.05%	\$10,000,000	-\$253,155.39
28-Jun-24	28-Jun-30	3.95%	\$7,900,000	-\$160,894.11
28-Jun-24	30-Jun-31	3.97%	\$5,000,000	-\$89,272.59
30-Mar-25	30-Jun-28	4.05%	\$10,000,000	-\$236,338.81
31-Mar-25	29-Dec-28	4.05%	\$5,000,000	-\$126,106.41
31-Mar-25	31-Mar-33	4.00%	\$7,000,000	-\$75,897.50
31-Mar-25	28-Sept-29	3.58%	\$10,000,000	-\$86,679.61
15-Apr-25	15-Apr-27	3.46%	\$7,500,000	\$88,949.78
15-Apr-25	15-Oct-27	3.50%	\$7,500,000	\$101,160.43
30-Dec-25	31-Dec-31	4.04%	\$8,000,000	-\$156,603.76
30-Dec-25	30-Jun-32	4.06%	\$8,000,000	-\$146,771.95
15-May-25	15-May-28	3.56%	\$10,000,000	-\$133,052.65
Total Current Swaps			\$134,400,000	-\$2,179,591.69

Forward Starting Swaps				
Start Date	Maturity Date	Rate	Amount	MTM
30-Jun-26	30-Jun-33	3.48%	\$4,400,000	\$131,074.71
30-Sept-26	30-Sept-29	3.95%	\$10,000,000	-\$113,118.72
30-Dec-26	30-Dec-31	3.96%	\$8,000,000	-\$14,014.56
30-Dec-26	30-Dec-32	3.99%	\$8,000,000	\$16,767.56
Total Forward Starting Swaps			\$30,400,000	\$20,708.99

Debt Facilities				
Instrument	Maturity Date	Rate	Margin	Amount
CP	30-Jan-26	2.56%	0.18%	\$11,800,713
CP	8-Jan-26	2.62%	0.12%	\$5,960,176
CP	8-Jan-26	2.62%	0.12%	\$5,960,176
CP	2-Mar-26	2.78%	0.09%	\$13,912,352
CP	20-Jan-26	2.56%	0.15%	\$5,000,000
LGFA FRN	15-Apr-26	3.13%	0.59%	\$10,000,000
LGFA FRN	15-Oct-26	3.12%	0.57%	\$15,000,000
LGFA FRN	15-Oct-26	3.03%	0.49%	\$10,000,000
LGFA FRN	15-Apr-27	3.03%	0.49%	\$15,000,000
LGFA FRN	15-Apr-27	3.12%	0.57%	\$5,000,000
LGFA FRN	15-Apr-27	3.07%	0.52%	\$10,000,000
LGFA FRN	15-Dec-27	3.04%	0.56%	\$10,000,000
LGFA FRN	15-May-28	3.00%	0.50%	\$15,000,000
LGFA FRN	15-May-28	3.17%	0.67%	\$10,000,000
LGFA FRN	15-Oct-28	3.31%	0.77%	\$14,000,000
LGFA FRN	15-Oct-28	3.34%	0.80%	\$10,000,000
LGFA FRN	20-Apr-29	2.96%	0.43%	\$10,000,000
LGFA FRN	20-Apr-29	3.36%	0.83%	\$9,000,000
LGFA FRN	20-Apr-29	3.30%	0.77%	\$10,000,000
LGFA FRN	15-May-29	3.15%	0.65%	\$8,000,000
LGFA FRN	15-Oct-29	3.15%	0.60%	\$10,000,000
LGFA FRN	15-Apr-30	2.98%	0.44%	\$10,000,000
LGFA FRN	15-May-30	3.02%	0.57%	\$10,000,000
LGFA FRN	15-May-31	3.20%	0.70%	\$8,000,000
Total				\$241,633,418

LGFA Borrowing Rates

7

Listed below are the credit spreads and applicable interest rates as at the end of the December 2025 quarter for Commercial Paper ("CP"), Floating Rate Notes ("FRN") and Fixed Rate Bonds ("FRB"), at which the council could source debt from the Local Government Funding Agency ("LGFA").

Maturity	Margin	FRN (or CP Rate)	FRB
3 month CP	0.15%	2.64%	N/A
6 month CP	0.15%	2.70%	N/A
April 2027	0.38%	2.87%	3.06%
May 2028	0.48%	2.97%	3.46%
April 2029	0.52%	3.01%	3.74%
May 2030	0.54%	3.03%	3.96%
May 2031	0.68%	3.17%	4.25%
May 2032	0.75%	3.24%	4.46%
April 2033	0.80%	3.29%	4.62%
May 2035	0.91%	3.40%	4.92%
April 2037	0.95%	3.44%	5.10%

Disclaimer

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Strategic Asset Allocation

Taupo District Council - 6000004

As at 31 December 2025

	Actual Allocation (NZ\$)	Actual Weight	Target Allocation (NZ\$)	Target Weight
Cash	6,356,929	7.6%	6,654,664	8.0%
Fixed Interest	26,980,976	32.4%	26,618,654	32.0%
Income Assets	33,337,904	40.1%	33,273,318	40.0%
Minimum Income Asset Exposure				30.0%
Property	4,425,933	5.3%	4,159,165	5.0%
Equity NZ	8,111,646	9.8%	8,318,329	10.0%
Equity AU	8,318,127	10.0%	8,318,329	10.0%
Equity International	28,989,684	34.9%	29,114,153	35.0%
Growth Assets	49,845,390	59.9%	49,909,977	60.0%
Maximum Growth Asset Exposure				70.0%
Total	83,183,295	100.0%	83,183,295	100.0%

Performance Summary

Taupo District Council - 6000004

1 January 2025 to 31 December 2025

Opening Market Value	76,734,813
Transfers In	-
Transfers Out	-
Realised Gain/Loss	841,780
Realised FX Gain	62,392
Realised Price Gain	779,388
Unrealised Gain/Loss	2,799,328
Unrealised FX Gain	1,236,767
Unrealised Price Gain	1,562,561
Net Income	2,987,120
Change in Accrued Income	12,231
Portfolio Fees	- 191,979
Closing Market Value	83,183,295
Return Before Tax, After Fees	8.60%

Source: SecuritEase

Note: This performance summary is calculated as the portfolio's internal rate of return (IRR) and is shown on a before tax but after fees basis. Asset allocation weightings are shown as at the period ended. Fixed Interest asset class performance may include NZ Fixed Interest and Global Fixed Interest securities.

Disclaimer: This report summarises and groups the main portfolio cash flows for the period specified. Whilst the return provided is a reflection of all cash flows, the report itself should not be treated as a cash flow statement, as not all cash flows may be separately listed. This report is interim only and some of the figures included may be subject to change due to some data being unprocessed at the time this report is created. The information shown in this report is obtained from various sources believed to be reliable and while every effort has been made to ensure accuracy, no liability is accepted for any errors or omissions.



NZ22 Firm

 FORSYTH BARR

Risk Register

Significant Projects Risk Register						Risk Register					Date Last Updated: 23/02/2026			
Project	Project Manager	Date updated	Risk Title	Risk Causes	Risk Consequences	Risk Owner	Current Likelihood	Current Consequence	Current Risk Rating	Risk Controls / Treatments	Control / Treatment Owner	Residual Likelihood	Residual Consequence	Residual Risk Rating
Taupo Wastewater Treatment Plant Programme	Davin Goverder	4/02/2026	Scope / Price / Time	The side stream nutrient removal and the primary tank projects have been cancelled. National wastewater standards are now released and reassessment of the treatment strategy is required.	The upgrade plan for the Taupo WWTP will need to be reviewed and significant change in the treatment strategy will be required. The cost of additional treatment processes will likely be very significant.	Asset Manager	Almost Certain	Severe	Very High	Projects are cancelled while we review the new WW standards which will be reflected in the treatment plant upgrade plan. Inlet Works upgrade continues.	Asset Manager	Almost Certain	Severe	Very High
Broadlands Road Landfill Consent	Jason Dayne	30/01/2026	Regulatory - failure to renew consent.	Time required for appropriate engagement is limited as available timespace left in the current consented area is coming to a close (Dec 2027).	Without support for a new consent it may impact on Council's ability to obtain Waikato Regional Council approval. There may be implications on the sorting facility, and the district will have to identify alternative landfill options.	Sponsor	Likely	Severe	Very High	Engagement with Iwhapō to provide clarity of information provided and gain project buy-in. All groups affected are included in discussions. Sponsor is working through ongoing engagement and project options.	Sponsor	Possible	Severe	High
Mangakino Lakefront Upgrade Project (phase 2)	Jason Dayne	30/01/2026	Property Ownership.	The property we are working with is owned by LINZ.	Draft agreement has not been signed as there are liability concerns. This means we could be investing in a non-TDC owned property without a formal lease agreement and LINZ and/or Mercury could not agree with our proposed designs.	Sponsor	Possible	Major	High	The project Sponsor is pursuing the finalisation of the user agreement (lease) with LINZ and Mercury. Ultimately, these entities will still have to approve our consent applications.	Sponsor	Possible	Major	High
Stormwater Discharge Consents Renewal	Jo Walton	16/02/2026	Regulatory - failure to renew consent.	Lack of key stakeholder support for renewing the consent.	A hearing may be required, extending the project timeline and resulting in additional costs.	Asset Manager	Unlikely	Severe	High	Working with the consultant to understand the consenting plan. Early engagement with wider stakeholders. Iwhapō engagement underway.	Project Manager	Unlikely	Severe	High
Waters Reform Activities	Jo Walton	16/02/2026	Resourcing - insufficient internal resources to complete the Water Services Delivery Plan implementation activities by the due date.	Competing priorities for resources. Implementation activities are on top of BAU, Annual Plan and Long term Plan processes.	Our ability to comply with LGWSA and Commerce Commission requirements will be impacted.	Sponsor	Likely	Moderate	High	Manage the components as a programme, ensure there is organisational awareness of the priority. Work with PCC to ensure adequate resourcing.	Sponsor	Possible	Moderate	Medium
284 Crown Road - subdivision earthworks & Civil	Pete Bradshaw	4/02/2026	Time - Titles	A number of legal and land matters have taken longer than anticipated to resolve.	Project delays due to the projected time it will take to secure titles, leading to additional costs and staff capitalisation. Potential to impact on sales and marketing.	Sponsor	Likely	Moderate	High	Tasks to secure titles have been identified and are being actively managed. Now in final stages of this process with lodgement for files imminent. Ongoing communication of situation with impacted parties via real estate agents / lawyers.	Project Manager	Possible	Moderate	Medium
Drinking Water Standards NZ Upgrade - Hatepe	Elijah May	2/02/2026	Project delivery uncertainties	Due to challenges with land acquisition, there has been significant delays and additional challenges that the project team need to manage	The project could face additional costs due to delays and the site relocation, increased technical complexity arising from the DOC concession and geotechnical hazards, greater contract complexity resulting from significant changes to the original requirements, and overall timeline uncertainty as a consequence of these factors.	Sponsor	Possible	Major	High	The Project team is working in a collaborative manner with the main contractor and key consultants to understand the best way to mitigate these risks, with the aim to combine the changes in one project variation to reset the contractual agreement and project baselines. This will then be put to the project sponsor to review and advise the way forward once we have an informed direction. With regards to the contractual direction for these changes, the project team have sought legal advice to help inform these steps.	Sponsor	Possible	Moderate	Medium
Erosion control- Tapuaeharuru Bay	Greg Hadley	16/2/2026	Environmental - continued erosion.	Delays and challenges around arranging stakeholder meetings.	Continued erosion without mitigation, potential impacts to the environment and surrounding infrastructure. This also produces a financial risk as delays and potential damages could increase costs.	Sponsor	Possible	Major	High	Monitoring is ongoing. Further key stakeholder meetings are being arranged. Town Centre water flow investigation has been commissioned.	Project Manager	Possible	Moderate	Medium
EUL Stage 1A Lot 20 - Earthworks & Civil	Pete Bradshaw	4/02/2026	Time - Titles	Sign off of Stage 1a civil works took longer than expected. Also, a number of legal and land matters have taken more time than expected to resolve.	Project delays due to the projected time it will take to secure titles, leading to additional costs and staff capitalisation. Potential to impact on sales and marketing.	Project Manager	Likely	Moderate	High	Tasks to secure titles have been identified and are being actively managed. Now in final stages of this process with lodgement for files imminent. Ongoing communication of situation with impacted parties via real build partners / lawyers.	Project Manager	Possible	Moderate	Medium
EUL Stage 1A Lot 20 - Earthworks & Civil	Pete Bradshaw	4/02/2026	Financial - projected overspend leading to additional budget requirements.	Additional costs incurred by external legal teams for development agreement with our build partner, and there is no allowance for staff capitalisation within the original budget. Additional costs were also spent on future stages.	Additional budget may be required to complete work.	Sponsor	Possible	Moderate	Medium	Budget re-forecasting for stage 1b is in progress to allow for more detailed programme level cost analysis. The outcome of this will determine the financial impact on the project.	Project Manager	Possible	Moderate	Medium
Turangi Master Plan	Tanya Wood	2/02/2026	Time - Delays	Needing more time than anticipated to progress the project.	We don't have any necessary outputs to inform the Long Term Plan.	Project Manager	Possible	Moderate	Medium	The project manager is doing as much as possible in the background so that tasks can start as soon as the project brief is signed off.	Project Manager	Possible	Moderate	Medium
Turangi WW Consent	Michael Cordell	2/02/2026	Regulatory - Resource consent application is challenged incurring time and cost.	There is a risk that the consent sought for the discharge to stay at the current site may receive submissions in opposition.	A hearing may be required, extending the project timeline and resulting in additional costs.	Sponsor	Almost Certain	Minor	Medium	We will continue to work with key stakeholders (hapō) to address as many issues as possible. However, it will be hard to respond to all submissions in opposition.	Project Manager	Almost Certain	Minor	Medium
View Road land disposal Stage 2	Michael Cordell	2/02/2026	Regulatory - not adhering to resource consent for WW disposal.	Challenges with the integration of stage 2 into SCADA has resulted in the stage 2 pilots only being able to be run manually, this may increase the risk of breaching consent conditions.	TDC may incur penalties and/or abatement notices from Waikato Regional Council if we breach our consent conditions.	Sponsor	Possible	Moderate	Medium	The project team have engaged an external integrator to complete the commissioning of Stage 2 into Stage 1 and works are underway. However, this is taking longer than anticipated due to hardware issues that are currently being resolved.	Sponsor	Possible	Moderate	Medium
SCADA FTview Upgrade	Sarah Lestand	2/02/2026	Time - delays with project delivery	Insufficient resource to complete FT View conversion across all 3W assets.	Continued utilisation of multiple SCADA platforms which can be challenging to manage operationally.	Sponsor	Possible	Major	High	The project team and Sponsor are currently working with an external specialist consultant. Several high priority water sites are in the process of being upgraded to FT View. The conversion of other sites will be reviewed as part of the wider SCADA programme.	Sponsor	Possible	Minor	Low
Roundabouts - Taharepa/Crown & Tauhara/AC Baths	Anup Dahal Travis Delch	2/02/2026	Reputational - Public Complaints	Construction noise and disruption to traffic flows.	Increased amount of service requests.	Project Manager	Almost Certain	Minor	Medium	We have a dedicated stakeholder manager	Project Manager	Possible	Minor	Low

23/02/2026

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Version 1.1

Risk Register

Significant Projects Risk Register										Risk Register					Date Last Updated: 23/02/2026	
Project	Project Manager	Date updated	Risk Title	Risk Causes	Risk Consequences	Risk Owner	Current Likelihood	Current Consequence	Current Risk Rating	Risk Controls / Treatments	Control / Treatment Owner	Residual Likelihood	Residual Consequence	Residual Risk Rating		
Centennial - Treatment Compliance Upgrade	Paul Pettman	2/02/2026	Regulatory & Service Delivery - operating non-compliant water treatment plants.	Delays with project.	If there are significant delays, Taumata Arowai may impose legal action and/or the public could be negatively impacted from a health perspective.	Sponsor	Unlikely	Major	Medium	The asset manager is communicating updates to Taumata Arowai and DWSNZ projects are ongoing. UW reactor has now been commissioned onsite which reduces risk further.	Asset Manager	Unlikely	Moderate	Low		
Crushed Concrete Landfill	Louise Chick	4/02/2026	Health & Safety - asbestos in crushed concrete.	Some asbestos containing material has caused contamination during the concrete crushing process.	Approximately 6,500 tonnes of crushed concrete at the Broadlands Road Landfill was contaminated with asbestos - this has now been removed. WorkSafe is currently investigating following a road accident involving our haulage sub-contractor while carrying contaminated concrete.	Sponsor	Rare	Major	Medium	Respond to any questions or queries arising from WorkSafe. Have engaged specialist support to help in responding to WorkSafe enquiries.	Project Manager	Rare	Moderate	Low		
District - Universal Smart Water Metering	Davin Govender	2/02/2026	Reputation - public perception of metering and transition to user pays.	Public misinterpreting the longer plan and project outcomes. This project has been included in our LTPWSDP and is currently in the investigation phase. Rollout of this demand management system will occur incrementally, site by site.	Lack of support for overall project goals and roll out plan.	Asset Manager	Almost Certain	Minor	Medium	The asset manager is working through communication and engagement work.	Project Manager	Possible	Minor	Low		
Drinking Water Standards NZ Upgrade - Omori, Hatepe, Motouapa	Elijah May	2/02/2026	Regulatory & Service Delivery - operating non-compliant water treatment plants.	Delays with projects.	If there are significant delays, Taumata Arowai may impose legal action and/or the public could be negatively impacted from a health perspective.	Sponsor	Unlikely	Major	Medium	The asset manager is communicating updates to Taumata Arowai and DWSNZ projects are ongoing. Omori is on track to be completed late early 2026, followed by Motouapa in mid 2026.	Asset Manager	Unlikely	Moderate	Low		
Kinloch Low Zone Reservoir	Jason Dayne	30/01/2026	Budget overrun.	Design development and/or tender market conditions	Forced to make design alterations to create savings. This would have reputational issues as the location is highly visible and prominent in the community.	Sponsor	Possible	Moderate	Medium	Continuous cost estimation, well developed drawings and tender documents.	Sponsor	Possible	Minor	Low		
Te Aonini Carpark Reseal	Jason Dayne	30/01/2026	Completed													
Owen Delany Park upgrade	Travis Delch	28/01/2026	Time / Reputational - construction of Sports Hub complete in time for Global Games in September.	The construction programme doesn't have a lot of wiggle room to be ready for Global Games as the first event to use the new facilities.	Missed opportunity for using one of ODP's biggest events to use the new facility.	Project Manager	Possible	Moderate	Medium	Monitor programme and look at where we can make up some time so we have some additional wiggle room if we run into any issues. Have a back up event in mind for grand opening.	Project Manager	Possible	Minor	Low		
Omori / Kuratau Slip	Nicole Clark	28/01/2026	Financial - insufficient budget to complete the full project's scope.	The full cost of delivering the works will be unknown until design is completed and engineering estimates are delivered.	Additional funds may be required, resulting in delays for delivering low-priority parts, meaning uncertainty for the community.	Project Manager	Possible	Minor	Low	We are working closely with the consultant and we have sought advice from contractors around preliminary design to understand costs better. We will be splitting the project into parts based on priority, delivering high-priority parts first within the current budget.	Project Manager	Unlikely	Minor	Low		
Tauhara Ridge Reservoir & Airport Connection	Peter van Niekerk	2/02/2026	Performance & Service Delivery.	Delays in the electrical upgrade or problems during changeover	Reservoir is now operational but the electrical upgrades at the pump station require completion. Any issues with this piece of work will risk service delivery for properties fed from the reservoir.	Sponsor	Unlikely	Minor	Low	We have contingency plans should the electrical works be delayed, or problems occur during changeover.	Project Manager	Unlikely	Minor	Low		
Taupo WW Control gates bridge buffer storage tanks	Davin Govender	4/02/2026	Time	May not be completed by end of the financial year.	Later delivery means risks of overflow remains (however this is a low risk).	Project Manager	Likely	Insignificant	Low	Manage design and tender deliverables to reduce slippage.	Project Manager	Likely	Insignificant	Low		

Navigating the Long-Term Plan 2027

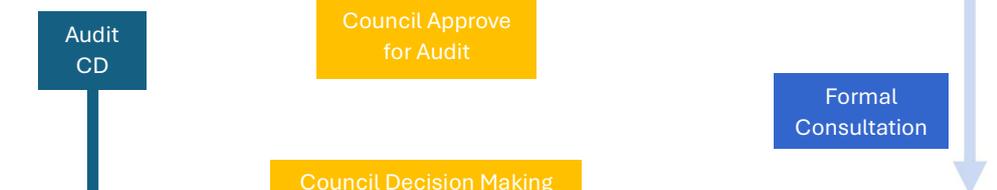
FEBRUARY 2026



JULY 2026



DECEMBER 2026



JUNE 2026



Legend:

- Council set Strategic Direction
- Planning the LTP/WSS
- Develop Work Programme and Budgets

Project Name	Priority	What we are doing and why we are doing this	How we will measure 2025/27 – Years 1 & 2	Start	Finish	Key Stakeholders for LA's
Group Hazard and Risk Consequence Analysis	1	<p>To scope, identify and analyse the impact of significant and credible disasters on the Waikato community. Identify information gaps on hazard risks and conduct a Group-wide programme of hazard research and impact assessments to increase understanding. Communicate results and new information to support hazard considerations and risk reduction implementation across the Group.</p> <p>The identification of the consequences of a disaster on the Waikato allows focus of limited resources on things that matter and provides key inputs into the planning and response to these significant events.</p> <p>Continuing to share existing knowledge and understanding, this knowledge also helps to prioritise and drive our individual and community readiness activities.</p> <p>This information assists our partners such as Lifelines build risk reduction into critical infrastructure, and iwi with managing their risk and marae preparedness. This project will also bring together information/studies from a variety of sources into one place.</p>	<p>A stocktake of current hazard risks plans to be undertaken by LAs, with a summary of results provided to GEMO by 30 June 2026.</p> <p>Note that any LA hazard information gaps are raised through appropriate channels. Any issues or blocks will be raised to CEG via the Community Resilience and Recovery Oversight Committee (HTAG).</p> <p>NB: Tsunami – No measure in Years 1 & 2</p>	July 25	June 30	<p>All of Council</p> <ul style="list-style-type: none"> • Relevant departments • Tech Advisors • Community • Community Response Groups • Manaaki groups • Marae
Common Long Term Plan (LTP) Measures	1	<p>Develop and implement a common set of Long Term Plan (LTP) measures across the 4 Rs for Group members to include in their LTP.</p> <p>The Waikato CDEM Group is collectively responsible for CDEM in the Group area. This project seeks to further our unified and collective direction in achieving good emergency management outcomes for our communities by formally setting common performance measures for each of our member councils.</p>	<p>CEG members to provide a progress report to the CEG meeting confirming the extent of incorporation of the agreed LTP measures in their LA LTPs.</p> <p>Note – This action needs to be completed by Jun 26 due to LTP timelines.</p>	Jan 26	Jun 26	<p>All of Council, eg:</p> <ul style="list-style-type: none"> • HR • H&S • People and Capability • Line Managers • Senior/Exec Leadership • Strat Planning/Comms • Recovery Manager • Asset Managers • EOC staff • Elected Members • Infrastructure/LU • Comms • Iwi/Māori • Partnering agencies • Volunteers
Monitoring & Assurance	2	<p>Development of KPIs, processes and objective methodologies to monitor, assess and evaluate the effectiveness of Group activities and projects.</p> <p>This project aims to consistently monitor performance against the objectives and outcomes set by/for the Group. As well as providing assurance to governance, partners and the community, this also allows the ability to adjust plans, and the programme where needed.</p>	<p>Local reporting data for the Strategic Group Plan Assurance Framework (once implemented) is collated and submitted ensuring the quarterly reports align with CEG agenda deadlines.</p>	Oct 25	<p>Jun 26 Sep 26</p>	<p>All of Council, eg:</p> <ul style="list-style-type: none"> • Community Resilience • Council iwi liaison • Infrastructure • CEG Support • Iwi/Māori • Partner Agencies • Communities

Project Name	Priority	What we are doing and why we are doing this	How we will measure 2025/27 – Years 1 & 2	Start	Finish	Key Stakeholders for LA's
Decision Support Tool	2	<p>Identify and deliver an AI tool that supports decision making on complex issues in a timely manner.</p> <p>The use of AI in emergency management provides an opportunity to enhance decision makers understanding of the situation and possible options to respond.</p> <p>This project aims to improve notifications/warnings and response times.</p>	A stocktake of AI being used locally, along with aligned policies, is undertaken and provided to GEMO to ensure any future regional tools identified will meet local IT requirements	Jan 26	June 26	<ul style="list-style-type: none"> • Council • Relevant departments
Recovery Operational Resources and Training Implementation	1	<p>This project will develop and implement the tools needed for Group and Local Recovery Managers to effectively advise and manage recovery processes within response and transition to recovery, and recovery exit strategies.</p> <p>Working with governance and communities, incorporating mātauranga Māori throughout recovery will include methods and resources to help achieve recovery objectives across the 4 Rs.</p> <p>Recovery is an important part of individuals and communities move away from response, as they begin to rebuild, heal, and regain a sense of normality after an emergency event. The development of, and training in, appropriate tools for recovery will enable recovery managers to respond in a timely and effective manner, ensuring the training includes the restoration of Mauri and Taongā Māori.</p>	Operational resources available, and aligned to National Operational Resources, are collated with any gaps identified.	Started	Dec 26	<p>All of Council</p> <ul style="list-style-type: none"> • Recovery Manager • Management Group • Executive Group • Risk
Strategic Planning for Recovery (pre-planning)	1	<p>This project will implement the identified actions from pre-planning for recovery to undertake pre-disaster planning (credible risks) to enable post-disaster recovery. That includes a work programme to enable recovery from any emergencies from the hazards and risks identified by engaging business, iwi, and community leaders identifying opportunities and gaps.</p> <p>Pre-planning will determine what needs to be done to ensure that communities are well-placed and supported to recover from any emergencies from the hazards and risks identified by engaging business, iwi, and community leaders.</p>	Strategic Plans for Local Recovery are completed.	Started	Jun 26	<p>All of Council</p> <ul style="list-style-type: none"> • Recovery Manager • Management Group • Executive Group • Risk
Operational Response Plans	1	<p>Develop a Group operational planning framework then commence work on regional operational plans for our significant risks.</p> <p>The hazards and events, identified through our risk assessments, represent the biggest risks to the Waikato, where CDEM is the lead agency. Other hazards and events can impact the Waikato; however, it is the lead agencies responsibility to lead the planning for these events. The Waikato CDEM Group will liaise with these agencies through BAU activities to support the development of these plans. This project has several sub projects which, when consolidated, will provide a comprehensive multi-agency plan to guide the response to our most credible and significant hazards.</p> <p>Regional operational plans will be used to inform the development of local response plans and the planning of partner agencies such as the emergency services and welfare agencies.</p>	Engagement with GEMO; GEMO are advised of local council contacts who have been identified to provide advice and guidance on local aspects of Regional plans. - no reporting.	Jan 26	Dec 26	All of Council

Project Name	Priority	What we are doing and why we are doing this	How we will measure 2025/27 – Years 1 & 2	Start	Finish	Key Stakeholders for LA's
Delivery of CDEM across Group	2	<p>Review and agreement of the CDEM roles and responsibilities between the CDEM Group and individual council members.</p> <p>The Waikato CDEM Group operates a mixed model of a shared service/devolved responsibility approach while acknowledging each individual member must be engaged and is responsible for CDEM. A cornerstone of this arrangement are agreements defining the roles of the Group and its councils including financial responsibilities. The Government has also introduced legislative change which may impact on the roles and responsibilities of the Group and member councils.</p>	Contribute to the development of a “Group Discussion Document” with active participation by each local authority presenting local actions that reflect current direction or signalling of change at CDEM Professional workshops.	Jan 26	Apr 26 Dec 26	<p><i>All of Council, eg:</i></p> <ul style="list-style-type: none"> • CDEM Professionals • SLT/ELT Controller • Recovery Manager • Welfare Managers • Finance
Review of Group Resourcing	2	<p>Review of resourcing against the agreed Group Plan Actions, required day to day work expectations and changing expectations of emergency management delivery outcomes.</p> <p>The expectations on the CDEM group to deliver emergency management outcomes has increased greatly over the last few years. This, combined with the increasing complexity of delivering a coordinated multi-agency response, increasing risk profile and signalled central government changes to the emergency management system, means that a review of resourcing will be needed to ensure we can fulfil our responsibilities.</p>	An analysis of identified resourcing requirements and gaps to achieve agreed work programmes is provided.	Jul 26	Mar 27	<ul style="list-style-type: none"> • CEG • Joint Committee • Local authorities • Emergency Services • Iwi Māori
Māori Partnerships Plan	1	<p>This project seeks to cement our relationships with iwi/mana whenua by implementing agreed projects that build on the ability of Māori to respond to emergencies. This encompasses a number of smaller projects and initiatives as agreed with iwi and mana whenua.</p> <p>Waikato Iwi/Māori and the Group have entered into a Regional CDEM-Māori Framework which guides our relationship and the work we do. Māori are a key partner in the Group delivering emergency management across Waikato.</p> <p>In the past the capability and capacity of iwi Māori/mana whenua has been under-utilised and not coordinated with the CDEM response.</p> <p>This project seeks to help iwi Māori/mana whenua build their own capability to take their place in emergency management and help provide an equitable response for Māori.</p>	<p>The approved marae preparedness work programme has been implemented.</p> <p>Communication with iwi has regularly and proactively been undertaken by LA emergency management staff.</p> <p>Examples or proactive engagement include:</p> <ul style="list-style-type: none"> - Sharing a hazardscape report. - Sharing a community response plan - Statutory appointed roles visit one marae per year. 	Started	June 27	<p><i>All of Council</i></p> <ul style="list-style-type: none"> • Council Iwi Liaison Staff • Data management • Emergency Services • Lifelines (power) • Iwi/Maori • Manaaki groups • CRG • Marae • (Cross boundary considerations for TA's)

Project Name	Priority	What we are doing and why we are doing this	How we will measure 2025/27 – Years 1 & 2	Start	Finish	Key Stakeholders for LA's
Public Communication and Education Programme	2	<p>This project uses the insights and results from risk reduction and community empowerment initiatives to create a coordinated and consistent communications and education plan. Its goal is to help individuals and communities understand their risks and take action to manage them effectively. Education plans include multiple campaigns of interest and relevancy, with supporting merchandise to help support the messaging and keep it front of mind.</p> <p>Campaign messaging includes a mixture of digital and non-digital channels, are accessible for people with disabilities and shared to territorial authorities to maximise the reach of the messaging.</p> <p>Deliver communication such as What's the plan Stan, Kia rite kia mau/PACE strategy.</p> <p>Building on our aim to create a disaster resilient Waikato, we need to create messaging and enter into face-to-face engagements that support our communities to be self-reliant until help arrives. Ensuring people are aware of the importance of planning ahead and how to achieve self-reliance in emergencies at home, work, and school.</p> <p>Appropriate support and resourcing are available to those potentially disproportionately affected, including, ethnic communities, older persons and disabled people, many of which may not be on social media and communications require a broader, non-digital, and accessible approach, to ensure messaging is impactful.</p>	<p>Each LA have implemented the Group agreed public engagement programme within their council. LA's have shared information on campaigns with their communities and reported back quarterly via the Oversight CEG Sub-group.</p> <p>All LAs to document their potentially disproportionately impacted communities and develop targeted campaigns to support the communities.</p> <p>Note - The GEMO will enable this work and support LAs to work with the identified communities.</p>	Apr 26	June 27	<ul style="list-style-type: none"> • Comm Engagement • Comm Development • EM staff • Iwi staff • CRG • Partnering Agencies
Community Led Response Planning Programme	1	<p>Develop a programme to develop community's ability to respond to the hazards they face. This will be enabled and supported by the Group and implemented by individual councils with the support of our partner agencies. Develop the process and a range of tools for communities to help manage their response using an adaptable community led emergency model.</p> <p>Workshop sessions with a focus on enhancing awareness of risks, preparedness measures, and effective response strategies to improve their capacity to manage potential emergency hazards.</p> <p>Communities are often the first responders in an emergency; in a significant event they may need to look after each other until help arrives. Community members being involved in a community response also supports better recovery.</p> <p>This programme seeks to support communities by analysing their risks and identifying how they will respond and support each other. The process aims to build community connections, identify community strengths and show how communities and TLAs can reduce risks.</p>	<p>Communities are engaged through workshops that ensure communities have an understanding of risks, preparedness measures and effective response strategies at their local level.</p> <p>Note - The GEMO will enable this work and support LAs to work with the identified communities.</p>	April 26	Jun 27	<ul style="list-style-type: none"> • CEG • Local authorities • Iwi Māori, hapū, marae • Emergency Services Lifeline Utilities • Welfare Coordination Group

Project Name	Priority	What we are doing and why we are doing this	How we will measure 2025/27 – Years 1 & 2	Start	Finish	Key Stakeholders for LA's
Operational Response Management Tool	2	<p>Identify/design/develop and deliver a shared information system that will allow the Group and its partners to effectively manage, coordinate, and respond to emergencies.</p> <p>The increasing complexity, demands and tempo of events means we need to improve our coordination, make faster decisions and make best use of limited resources. A common digital tool that provides seamless sharing and collaboration across the Group and partners is key to unifying the response effort and working towards common goals.</p>	<p>Local authority staff (including IT, Emergency Management, Senior Leadership Team) participate in the development of a proposed CDEM Group shared information system, including providing feedback to GEMO.</p> <p>Prepare to implement the chosen tool should the business case be accepted.</p> <p>No quarterly reporting required. Reporting is only required when barriers are identified for implementation, this will be through the Operational Readiness Subgroup.</p>	Started	Mar 28	<ul style="list-style-type: none"> All of Council Relevant departments
Local Government Long Term Risk Reduction Support	2	<p>Develop an agreed framework that supports regional and territorial authorities, in partnership with iwi Maori /mana whenua, to identify, develop and implement long term, region-wide strategies in accordance with their roles and responsibilities.</p> <p>The members of the Waikato CDEM Group have a responsibility for the intergenerational reduction of the significant risks we face from natural hazards. To achieve this the Waikato CDEM Group members must work together to make better informed decisions on reducing long-term risks from natural hazards. The best approach is a coordinated effort that includes mātauranga Māori and collaboration across all Waikato councils. This is an opportunity to set the long-term policy guidance with regard to the intersection of natural hazards, spatial planning, land use and emergency management.</p>	<p>A framework to identify long term, region-wide strategies for the reduction of significant risks from natural hazards is developed and implemented. Implementation of the framework will be reported to CEG.</p>	Oct 26	June 28	<ul style="list-style-type: none"> CEG Joint Committee Local authorities Iwi Māori
Partnering with Māori in Emergency Management	1	<p>Develop agreements and maintain relationships, partnerships and support capability with tangata whenua in emergency management.</p> <p>Community and operational response in Waikato will be improved by acknowledging, resourcing and supporting the response of Māori at all levels of Emergency Management and in emergencies. This must be done in partnership with iwi, mana whenua, marae and hapū and will require recognition of the role Māori play in emergency management.</p>	<p>Issue invitations to Council's known iwi contacts (including Pouārahi), to attend an IMT meeting or training session.</p> <p>At least one meeting with iwi from local Marae per year are requested by emergency management staff and territorial authority statutory role holders.</p> <p>An invitation to engage is issued to Māori Wardens (where present) in Council area.</p> <p>NB: this is in alignment with the iwi work programme</p>	Started	June 2030	<p><i>All of Council, eg:</i></p> <ul style="list-style-type: none"> Community Dev Economic Dev Iwi Relationship Strat Planning RMA Planning Recovery & Welfare managers <p>Māori Ward Councillors Local Iwi and Māori, eg:</p> <ul style="list-style-type: none"> Chair – iwi forums HMTB TMF

Project Name	Priority	What we are doing and why we are doing this	How we will measure 2025/27 – Years 1 & 2	Start	Finish	Key Stakeholders for LA's
Infrastructure Resilience	1	<p>Increasing the resilience of infrastructure within the Waikato Group area. Through increased understanding of hazard risk and implementation of reduction measures across infrastructure.</p> <p>Communities, organisations and economies are reliant on infrastructure to function and succeed. Disruptions to infrastructure within emergencies can cause significant consequences. Members of the Waikato Lifeline Utilities Group have a responsibility to contribute to increasing the understanding of risks and impacts to their infrastructure from all hazards, for example earthquakes and climate change hazards. Then individually, and collectively, support risk reduction identification and implementation such as mitigation measures and readiness such as planning for emergencies.</p>	<p>LA representation, engagement and contribution on Lifeline Utilities and consideration of how WLUG work/findings/results is taken into council work programmes is reported quarterly to CEG via the Community Resilience and Recovery Oversight Committee.</p> <p>WLUG members will update on progress to agreed measures of WLUG work programme, reported via the Community Resilience and Recovery Oversight Committee.</p>	July 25	June 30	<p><i>All of Council, eg:</i></p> <ul style="list-style-type: none"> • Roothing • Waters • Waste • Comms • Recovery • Lifeline Utilities • Assets • Partnering Agencies
Build Group and local recovery capability	1	<p>Build capacity and increase capability through training and familiarisation of process, tools and guidance for planning for, and delivery of, recovery.</p> <p>Current recovery capability across the Group is variable across Councils. Given recovery capability is generally generated from local authorities, a more deliberate consideration needs to be given as to what an acceptable level of capability in readiness looks like. Once this is decided, a plan for growing this capability will need to be developed and implemented.</p>	<p>Report quarterly to CEG via STRAAC, confirming Local Recovery Manager appointed and meets annual credential requirements.</p> <p>Report through Community Resilience and Recovery Oversight Committee on planning and delivery of recovery</p>	Started	June 30	<p>Council:</p> <ul style="list-style-type: none"> • HR • CDEM Prof • CEG member • EM committee • Risk



Q4 2025

Global Insurance Market Insights Report

[Interactive PDF](#) →



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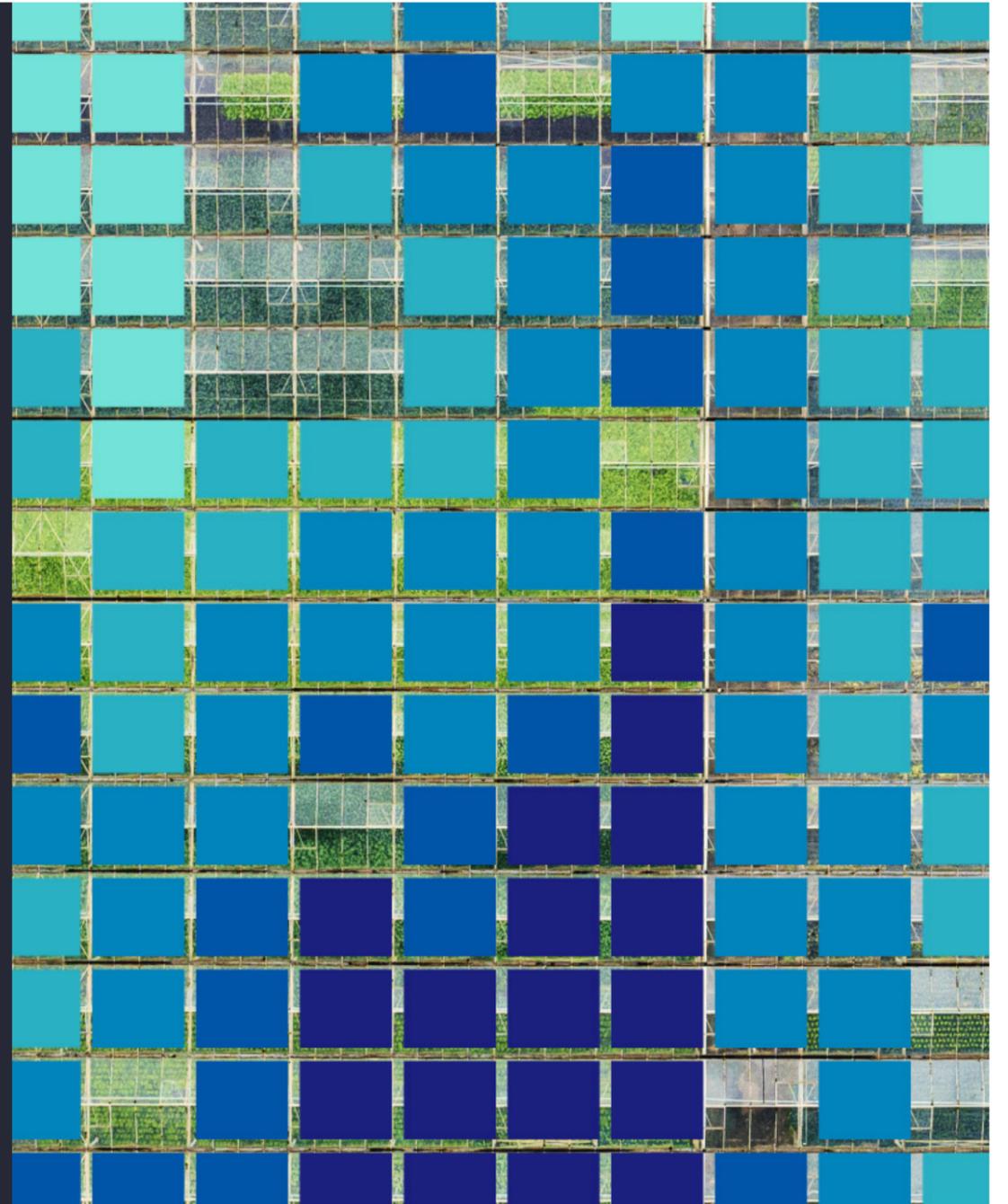
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Q4 Global Insurance Market Insights Introduction

The global commercial insurance market ended the year broadly soft and strongly competitive. Capital availability remained ample, though more fragmented. Risk selection came into sharper focus, with insurers leaning heavily on data, analytics and underwriting discipline to differentiate between risks.

Within this generally buyer-friendly environment, market conditions varied by product line. Significant rate reductions continued for property risks, supported by a generally benign claims environment. At the same time, product lines that had been in extended softening cycles — particularly directors and officers and cyber — saw insurers sharpen their focus on long-term pricing sustainability in response to increasing claims activity, poor loss development and rising risk complexity.

Adverse litigation trends, including “nuclear verdicts” and litigation funding, and aggressive plaintiff bar tactics, continued to drive casualty loss costs higher, particularly for U.S.-exposed risks, leading to challenging conditions for some casualty risks, especially in the excess layers.

From a geographic perspective, buyer-friendly market conditions continued for well-managed property and casualty risks — particularly in Latin America and the Pacific, and to a lesser extent across EMEA and Asia. In North America, conditions were more moderate but varied widely by product.

Q4 underscored this central reality of 2025: the insurance market has been largely favorable for buyers, but increasingly uneven in its outcomes. “The traditional industry perspective that the insurance market moves as a monolith has given way to a new view: that pricing cycles are now specific to product, industry and geography. This is a trend that we believe is here to stay.” said Joe Peiser, Chief Executive Officer of Commercial Risk, at Aon. Each segment is driven by specific characteristics, including claims trends, risk factors and supply of capacity.

Finally, as hard market conditions wane and soft market conditions increase, we are seeing consolidation activity among insurers. If that activity becomes significant, it could have an impact upon market dynamics during 2026.



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2025 in Review: Four Signals for Risk Leaders

Resilience amidst a shifting risk landscape

The industry again proved resilient in the face of volatility. Large scale events, including severe wildfires and nontraditional catastrophes, were absorbed without a broad withdrawal of capacity or a sharp reversal in pricing. However, this resilience will continue to be tested as the underlying risk landscape continues to become more complex and unpredictable. Insurer appetite, underwriting, pricing and capacity deployment must expand beyond hurricanes in Florida and typhoons in Southeast Asia to include floods in Dubai, freezes in Texas, wildfires in Europe and tornadoes approaching the U.S. East Coast — extreme events in places that did not historically see them. Combined with geopolitical tensions, cyber threats and supply chain fragility, this shifting view of risk is challenging traditional underwriting approaches to risk selection, limit deployment, and portfolio management.

A transition to creative and agile risk capital

Building on the transition that began in 2024, 2025 marked a further mainstreaming of creative risk capital solutions. Blended programs, pre-brokered facilities, captives, parametric covers and structured solutions are now central to many programs. In North America, for example, structured casualty arrangements are increasingly used to recalibrate the balance of risk and price at different threshold levels, as the “payback period” to the insurer implied by traditional pricing is often shorter than what clients consider acceptable. Globally, parametric covers are being deployed to provide immediate liquidity following extreme weather events and to support exposures that fall outside traditional policy coverages.

Across these developments runs a common thread: risk financing is moving from transactional, product specific buying to a more holistic, portfolio-based approach. While the question of a policy’s effectiveness and pricing may still be relevant, a better question in many cases is “Across our entire portfolio of risks, where does each additional unit of capital deliver the greatest value in terms of resilience?”.

A shift in C-suite conversations

2025 underscored the strategic role of analytics. Tools such as Aon’s Property Risk Analyzer and Casualty Risk Analyzer are shifting conversations with the C-suite from “Could a loss happen?” to “When a loss happens, how big could it be?”, “How often is a loss likely to occur?”, and “What is the best way to finance and mitigate loss?”.

This quantifiable, probabilistic view helps clients right-size limits and retentions, assess alternative structures and bring a more objective lens to negotiations with insurers.

Claims as a strategic differentiator

Claims performance is becoming a more pronounced differentiator as programs grow more complex and insurer participation becomes more fragmented. Particularly in casualty, larger and more frequent severe claims are testing programs and relationships. As a result, market selection increasingly considers not only price, coverage, and capacity, but also the consistency, transparency, and technical quality of claims handling.

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2026 Outlook: A window to right-size and future proof

Against this backdrop, 2026 opens as a year of opportunity. After two strong underwriting years, insurers' capital positions are healthy and competition remains robust. This tailwind, however, sits alongside intensifying pressures. Systemic shifts in loss severity, persistent social inflation, geopolitical challenges, and greater unpredictability of secondary perils continue. The convergence of positive insurer performance with a broad array of macro risks is creating an opportunity — albeit, likely temporary — for risk managers to right-size and future proof their programs.

In this environment, risk managers face four strategic imperatives:

- **Shift from a transactional mindset to a portfolio strategy.** Rather than optimizing each placement in isolation, organizations should consider managing risk and capital holistically, deciding which risks to retain, transfer, finance or mitigate at a portfolio level. Questions such as, “If there were one more dollar, euro or yen to spend, where would it deliver the most value?” should guide decisions on limits, retentions, captives, parametrics, and alternative structures and solutions.

- **Use analytics to optimize capital allocation.**

Advanced analytics, benchmarking and scenario modeling now enable more precise views of volatility and total cost of risk. These tools can be leveraged to challenge historic program designs, stress test earnings at risk and prioritize where to deploy capital — whether through purchasing additional limit or new coverage, or investing in risk engineering. “We’re seeing a clear shift from transactional broking to holistic, portfolio-based risk advisory — using data and analytics to optimize total cost of risk, integrate alternative solutions, and strengthen resilience across the entire program.” says Cynthia Beveridge, Chief Broking Officer, Commercial Risk, at Aon.

- **Reinvest savings into resilience and capability.**

Current market conditions create an opportunity to reinvest in risk improvement, supply chain resilience, cyber preparedness, climate adaptation and broader coverage. Organizations can use this window to future proof their programs ahead of a potential turn in the cycle — recognizing that when conditions change, they may do so quickly and unevenly across different products, geographies and industries.

- **Prioritize capital providers whose values align with your own.** Organizations should prioritize insurers who are investing in their claims teams, who place a high value on claims capabilities, and who bring together their workforces with value-focused (not merely cost-cutting) digital capabilities to enhance client outcomes.



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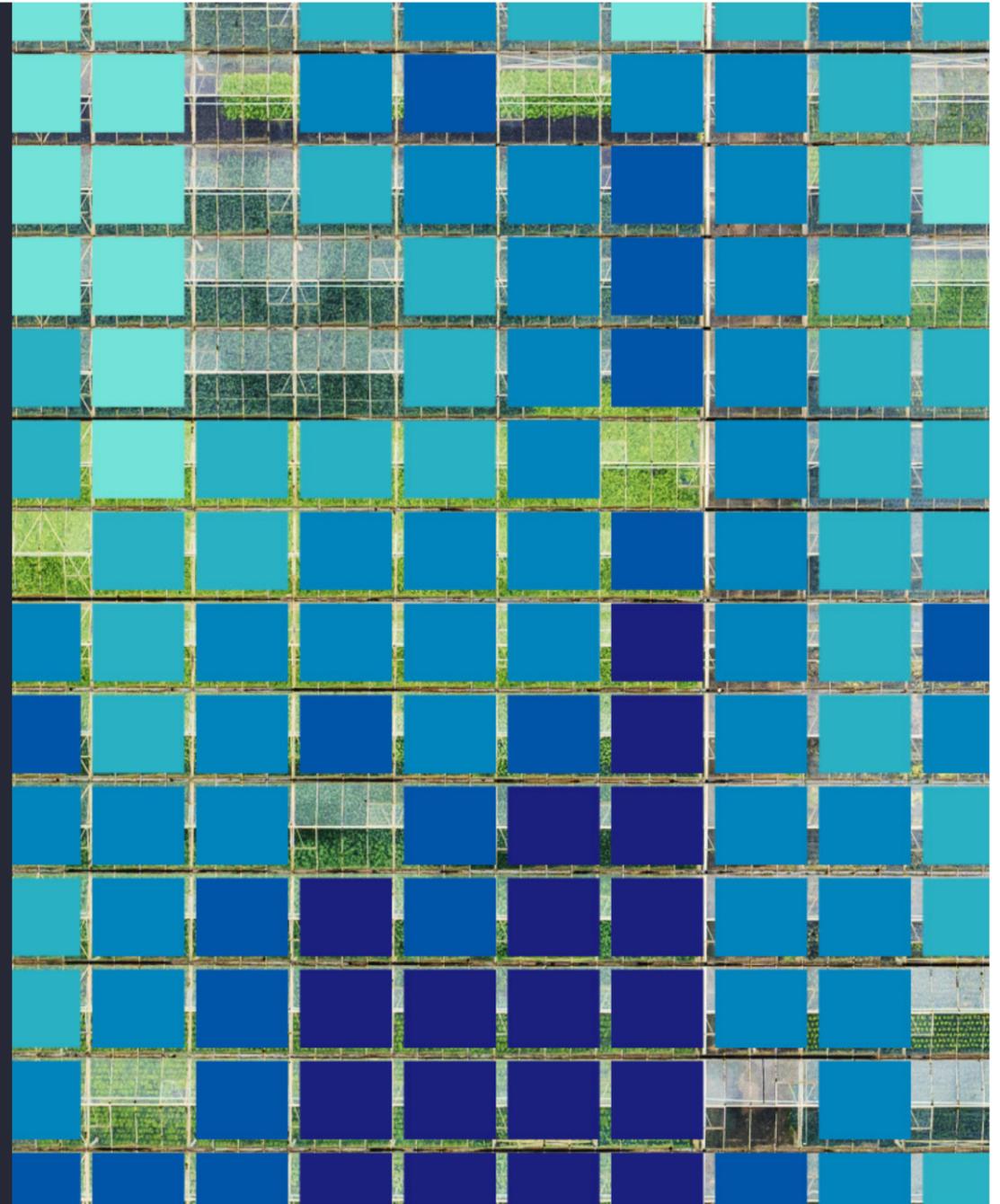
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Reimagining claims: analytics, automation and the new standard of performance

For many organizations, the claims function has traditionally been seen as a downstream, administrative process — activated only after something has gone wrong. That view is changing rapidly. As insurance programs become more complex and insurer participation more fragmented, claims performance is emerging as a core test of whether a risk strategy is truly fit for purpose. Larger and more frequent severe losses are testing structures, relationships and the effectiveness of risk capital decisions in real time. In this environment, many clients are taking a closer look at insurers' claims performance and their approach to claims, treating these as indicators of whether an insurer may be a good fit for their insurance program.

Other notable trends observed in Q4 include:

Insurers are balancing automation with human expertise

Digital tools are reshaping the claims journey. AI and automation are increasingly taking on repetitive, process-heavy steps — capturing data, triaging notifications, and accelerating routine decisions — so that claims professionals can focus on complex, high-stakes matters. Used correctly, these technologies

enhance the client experience, while human judgment remains central to fair outcomes and nuanced negotiations. The future model is not “claims without people,” but “people augmented by better tools.”

This shift creates a delicate balancing act for insurers. They must harness AI and automation to drive efficiency and cost savings while still attracting, developing and retaining claims talent who can bring expertise, empathy and judgment to the most critical situations. Those who get this balance right will be best placed to deliver the consistent, high-quality claims outcomes that clients increasingly expect.

Against this backdrop, risk leaders are opting to partner with insurers who treat claims as a differentiator, not an administrative cost center — and who can demonstrate how their use of AI and automation supports, rather than replaces, expert claims handling. Similarly, partnering with a broker who recognizes the importance of digital tools, insights and automation, coupled with deep advocacy expertise, is essential to ensuring that the risk transfer strategy performs as intended.

“By combining advanced analytics and automation with globally consistent claims advocacy and linking that to real-time market insight we’re giving clients a

faster, more transparent and more predictable claims experience that directly connects risk capital decisions to real-world outcomes,” says Mona Barnes, Chief Claims Officer, Commercial Risk, at Aon.

Clients are leveraging claims data to shape risk strategy

Claims are no longer just a record of what went wrong; they are a critical input into how organizations manage risk capital going forward. Advanced analytics can reveal where losses are clustered, which drivers are most material, and where mitigation is likely to have the biggest impact. This allows risk leaders to answer sharper questions:

- Are our limits and retentions aligned with our actual severity profile?
- Where should we invest in risk engineering and resilience?
- When do alternative structures — such as captives, structured solutions and parametrics — offer better value than traditional placements?

Realizing this value requires overcoming data fragmentation and disjointed legacy systems and managing heightened cyber risk as more information is aggregated and shared.



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Digital claims platforms are providing a more transparent claims experience

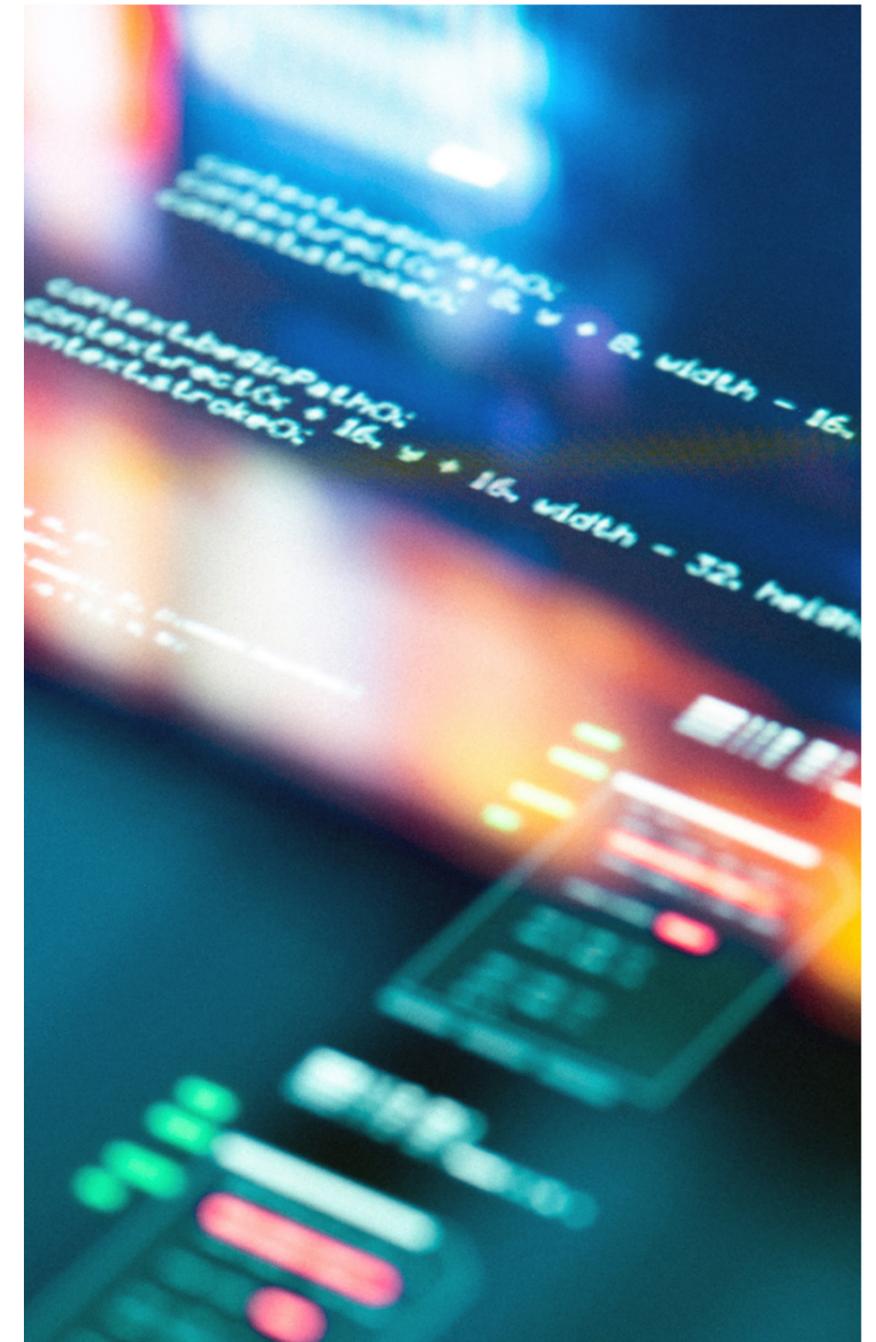
Modern claims platforms are turning what used to be a “black box” into a more visible, manageable process for risk teams. A single, integrated environment can:

- Provide real-time status on open and closed claims
- Standardize workflows across geographies and product lines
- Improve communication between insureds, insurers, adjusters and brokers
- Give risk leaders portfolio-level insight into trends and performance

When modern claims platforms are coupled with advanced tools on the placement side, these platforms can help create a feedback loop between how risks are underwritten and how claims are resolved — supporting more predictable, accountable and value driven-outcomes.

For risk leaders, the message is clear: claims are where risk capital decisions meet reality. By embracing digital claims capabilities and insisting on data driven, transparent performance from insurer partners, organizations can turn the claims function into a strategic lever for resilience, long-term value, and growth.

For more information, refer to the [“Digital Claims Transformation: What Risk Leaders Need to Know”](#) article.



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Global Insurance Market Dynamics

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Q4 Global Insurance Market Dynamics

Asia	-1-10%	Abundant	Flexible	Flat	Flat	Broader
EMEA	-1-10%	Abundant	Flexible	Flat	Flat	Stable
Latin America	-11-20%	Abundant	Flexible	Increased	Decreased	Stable
North America	Flat	Ample	Prudent	Flat	Flat	Stable
Pacific	-11-20%	Abundant	Flexible	Increased	Flat	Broader
	Pricing	Capacity	Underwriting	Limits	Deductibles	Coverages

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Pricing

Conditions are soft overall, with significant reductions available for preferred and well-performing risks in most markets. However, pricing for automobile and U.S.-exposed casualty is more moderate. Price reductions for directors and officers and cyber appear to be nearing the bottom of the cycle in several markets as insurers shift their focus to longer-term pricing sustainability. Price competition is strongest in Latin America and the Pacific, where double-digit reductions are common. Reductions are also widely available in EMEA and Asia, while conditions are more nuanced in North America. Significant reductions are available for preferred risks in the U.S. property market, although they have begun to moderate.

Capacity

The market is well-capitalized, with insurers focused on growth and broadening their risk appetite in many regions and lines of business. Traditional insurers are expanding capacity for preferred risks and alternative markets, such as structured insurance and parametrics, are expanding choice for clients and fueling pricing competition. Well-managed and well-performing property risks are consistently oversubscribed.

The main exceptions to these buyer-friendly conditions are U.S. excess liability and automobile, where insurers have been limiting their capacity deployment in response to loss trends. Capacity for directors and officers is also beginning to tighten following insurer consolidation and a small number of market withdrawals.

Underwriting

Underwriting is flexible but disciplined. Most insurers are showing greater willingness to quote risks that were previously outside their appetite and are demonstrating a desire to grow and diversify into new segments. They do, however, continue to require complete and up-to-date risk information. Detailed underwriting information is critical for more challenging risk types and lines of business, such as automobile, U.S. excess casualty and placements with significant natural catastrophe exposures or claims.

Limits

While many placements are renewing with expiring limits, favorable market conditions are enabling a growing number of clients to use premium savings to bolster limits or restore limits lost in the hard market. Increased limits are available in most markets for property, cyber, directors and officers, and certain

casualty placements. Insurers remain cautious of offering higher limits for more challenging risks, such as U.S. casualty, automobile and natural catastrophe-exposed property.

Deductibles

Many placements are renewing with expiring deductibles as insurers continue to uphold portfolio remediation actions taken over the last few years. While some insurers are competing by offering lower deductibles, others – particularly on automobile policies – have pushed for higher deductibles in the face of increased claims costs and accident frequency.

Coverages

Coverage terms are mostly stable, with placements generally renewing as expiring. That said, many insurers are using coverage as a differentiator, particularly for competitive lines. Favorable market conditions are also providing buyers with additional leverage to enhance coverage terms and remove non-concurrency that had been a consequence of the hard market. For casualty risks, PFAS coverage restrictions are now common, and tighter terms are being applied for privacy and sexual abuse risks.



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Asia	Moderate	Soft	Soft	Soft	Soft
EMEA	Challenging	Soft	Soft	Moderate	Soft
Latin America	Soft	Soft	Soft	Soft	Soft
North America	Moderate	Moderate	Soft	Moderate	Soft
Pacific	Moderate	Soft	Soft	Soft	Soft
	Automobile	Casualty	Cyber	Directors and Officers	Property

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Automobile

Conditions in the automobile market are moderate-to-challenging across most geographies. Loss trends continue to drive rigorous underwriting, modest price increases and higher deductibles in most markets. Claims costs have been rising due to higher repair costs, values, and compensation payouts. Capacity remains adequate, although some insurers have retrenched as they focus on profitability over growth. Large fleets, public transport and risks with substantial hired, non-owned or contingent exposures typically face the most challenging conditions. Conditions in Latin America are more favorable. In addition, some markets are seeing increased competition for well-performing risks.

Casualty

The casualty market is broadly soft, with the notable exception of North America, which is experiencing moderate conditions including capacity restrictions on U.S. umbrella and excess liability and moderate price increases in Q4. The impact of nuclear verdicts and litigation funding continues to influence general liability renewals for risks with significant U.S. exposure. For non-U.S.-exposed risk, conditions are favorable with healthy competition and abundant capacity (capacity in Australia is at its highest level since 2018). Non-U.S.-exposed placements are typically achieving modest price reductions at renewal,

with broader coverage, increased limits and favorable retentions available in most markets. While generally competitive, casualty insurers remain cautious about emerging risks, with many applying coverage restrictions for PFAS, biometric data, and sexual abuse coverage.

Cyber

Conditions in the cyber insurance market remain soft overall, characterized by price decreases, broader coverage, and increased limits (almost a fifth of Aon clients purchased additional cyber limits in 2025). However, continued ransomware and cyber business interruption losses, combined with poor loss development of prior years' privacy liability claims, has led to a moderation of price reductions in some markets such as North America and Asia and a more challenging environment for certain industry classes—including healthcare, airlines and financial institutions. Insurers are closely monitoring the changing risk environment as reliance on digital supply chains is growing and cyber criminals expand their use of artificial intelligence.

Directors and Officers

The directors and officers market remains buyer-friendly, with ample capacity and healthy competition. Significant rate reductions are still available in many markets, while competitive conditions continue to present clients with

opportunities to obtain enhanced coverage as well as review limit adequacy and retentions. Conditions in the U.S. and Europe are more moderate, with flat or nominal pricing reductions on average at Q4 renewals. This moderating trend is being driven by a combination of elevated settlement activity and defense costs in the U.S., persistent macro risks and emerging risks, such as artificial intelligence and cyber security disclosure, and insurer consolidation and market withdrawals. Algorithmic and follow-form capacity has helped mitigate these pressures.

Property

Driven by buoyant investment returns and underwriting results, as well as reduced major loss activity ([no major hurricanes](#) made landfall in the U.S. for the first time since 2015), soft market conditions continued in Q4. Capacity remains ample and competition for preferred risks is strong as insurers quote risks previously outside of their appetite, including those in higher-risk occupancies. This is leading to a flexible underwriting environment and the opportunity to expand previously restricted coverage and increase limits. Well-performing risks, especially large, shared and layered placements, are experiencing double-digit rate reductions in many markets. Favorable year-end treaty reinsurance renewals are expected to fuel continued price competition into 2026.

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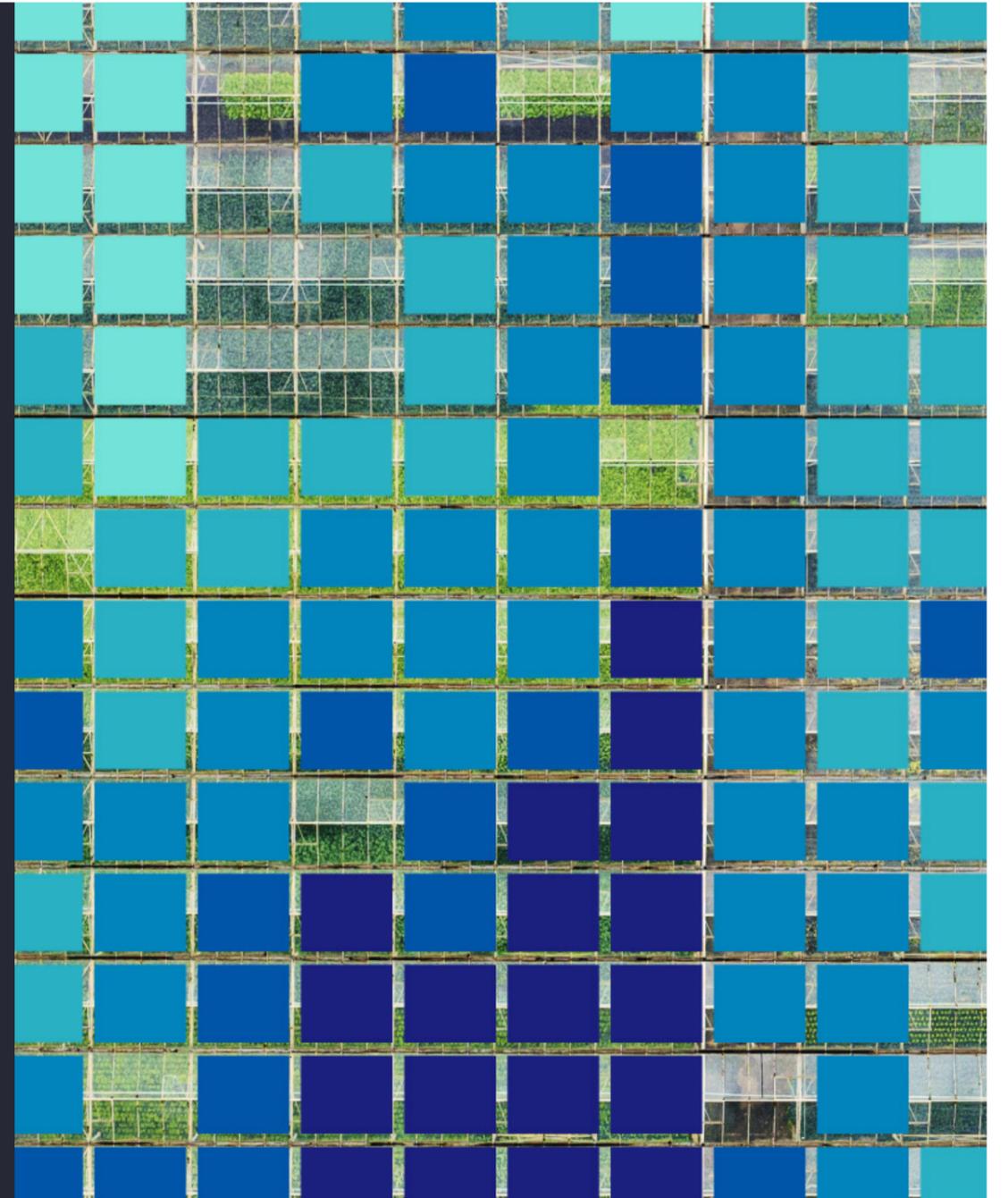
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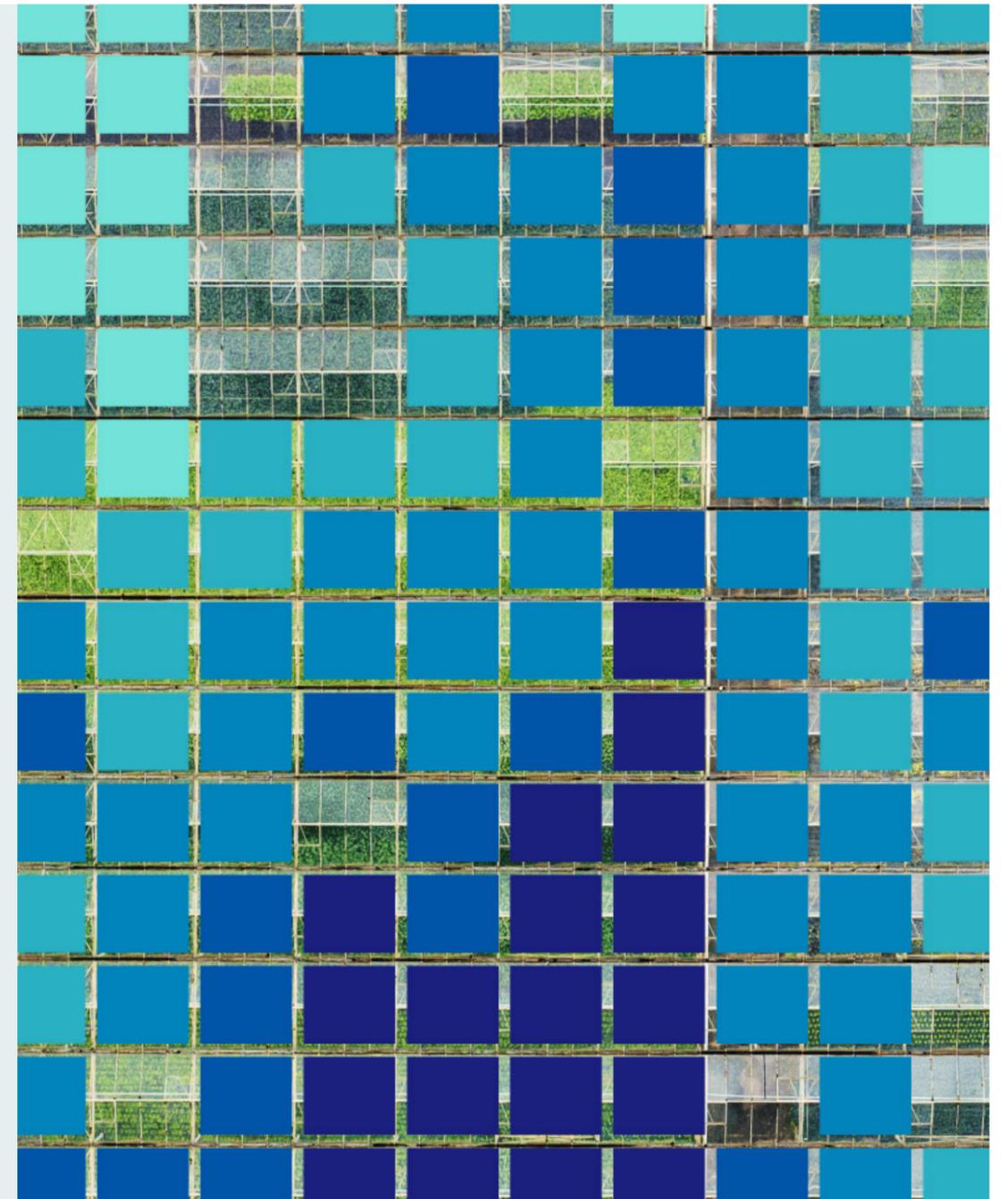
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Q4 Asia Market Overview



The insurance market in Asia ended 2025 on a distinctly soft note, with abundant capacity and heightened competition driving rate reductions for a broad swathe of risks. While clients continue to enjoy favorable conditions, emerging loss trends and regulatory shifts are a reminder that resilience and differentiation remain critical.



Jon Pipe

Head of Commercial Risk
Commercial Risk Solutions
Asia

Executive Summary

- Competitive conditions continue to drive significant rate reductions and increased underwriting flexibility for differentiated risks. Amongst an abundance of capacity and demand for tailored solutions, insurers are growth focused and competing aggressively for preferred risks.
- Regulatory guidance in Japan has created more attractive conditions for international insurers while India’s introduction of collateral requirements for overseas reinsurers has led some to establish operations in India.
- Advanced analytics are increasingly being leveraged to help clients better understand their risk profile and risk transfer requirements. For insurers, sophisticated analytics and data are helping to refine underwriting and predict emerging loss trends, as well as to support their growth agendas.

Headlines



Positive Developments

- Soft conditions are delivering significant premium relief for buyers.
- Underwriting flexibility is increasing for well-differentiated risks.
- Indian property market is seeing increased price competition.



Challenging Developments

- Evolving regulatory landscapes are shaping markets in India and Japan.
- Global trade tensions are changing supply chains and risks.
- Increased competition may challenge long-term client-insurer relationships.



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3 Q4 Asia Market Dynamics

Soft	-1-10%	Abundant	Flexible	Flat	Flat	Broader
Overall Conditions	Pricing	Capacity	Underwriting	Limits	Deductibles	Coverages

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Pricing

Overall, market conditions are buyer-friendly. Price reductions are available for most major lines, with some preferred well-performing risks obtaining double-digit decreases in Q4. The main exception to the overall softening trend is U.S.-exposed casualty, which continues to face more challenging conditions. Japan is also an exception as major insurers continue their drive for profitable underwriting. Price increases in the Indian property market following changes to the tariff system have proved short-lived. Competition has since increased, resulting in more favorable pricing for Indian clients at Q4 renewals.

Capacity

In general, capacity is abundant in Asia for most lines, although constraints continue in pockets where insurers are looking to manage volatility such as business interruption and natural catastrophe exposures. In some cases, these constraints are being offset by

new entrants and insurers' ambitious growth targets combined with greater use of facultative reinsurance.

Underwriting

With abundant capacity in the market, underwriting is flexible as insurers compete to retain and win business. While in general, underwriting is disciplined, insurers are showing greater willingness to quote risks that were previously outside their appetite. Insurers are particularly targeting property risks to balance portfolios containing significant one-off project risks. India and Japan are deploying underwriting strategies to address the growth opportunity in these evolving and competitive markets.

Limits

Limits are broadly flat, although some buyers are using premium savings to bolster limits in property, casualty, cyber and directors and officers. While such limits are broadly available, insurers remain cautious when providing high limits for certain property catastrophe risks.

Deductibles

Deductibles are flat for the majority of placements across major lines. For competitive lines of business, there may be opportunities to reduce deductibles.

Coverages

Across much of the region, competitive conditions are creating opportunities for clients to secure enhanced coverage and restore coverage levels that were previously reduced in the hard market.



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3 Q4 Asia Product Trends

Moderate	Soft	Soft	Soft	Soft
Automobile	Casualty	Cyber	Directors and Officers	Property

Automobile

Insurer growth ambitions are driving flat-to-slightly downward pricing, particularly for well-performing risks. Underwriting is rigorous due to claims inflation and higher repair costs associated with electric vehicles.

Casualty

Soft market conditions continue, especially for excess layers, with ample capacity and fierce competition from both established insurers and new players. Insurers are more willing to offer coverage extensions and higher sub-limits in areas targeted for growth. Some clients are using premium savings to expand coverage, increase limits and reduce deductible levels. Complex risks and placements with significant U.S. exposures continue to face more challenging conditions.

Cyber

The cyber market remains soft. Capacity is abundant and insurers are demonstrating a willingness to broaden coverage and reduce deductibles. While pricing remains favorable, the rate of premium reductions has slowed in recent quarters as insurers focus on pricing sustainability. With high-profile cyber-attacks impacting businesses in Asia, existing and prospective buyers are demonstrating growing interest in cyber insurance, with many exploring tailor-made coverages to meet their specific needs.

Directors and Officers

Conditions for directors and officers insurance remain favorable, with ample capacity and flexible underwriting. The expansion of coverage options, especially for small, listed companies, highlights the market's overall ability to meet evolving client needs. However, insurers continue to demonstrate a prudent approach toward U.S. exposures and cryptocurrency risks.

Property

The property market remains soft with abundant capacity and modest price reductions. Low-severity risks and those with favorable claims experience can achieve superior terms, although underwriters remain cautious of risks perceived as high-exposure. The property market in Japan remains the main exception to the wider softening trend, although price increases have moderated in recent quarters. In India, increasing competition and the entrance of new reinsurers to the market led to renewed premium reductions in Q4, after a period of uncertainty triggered by changes to India's tariff system, which went into effect on January 1, 2025.

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Q4 Asia Advice to Clients

- Verify sums insured and make use of digital tools, such as Aon's suite of Risk Analyzers, to quantify exposures.
- Future-proof your risk transfer program against future market changes. Review and challenge current insurance programs and strategies. Look carefully at limits, deductibles and coverage terms.
- Consider alternative risk transfer solutions in conjunction with traditional risk transfer methods and evaluate multi-year agreements.

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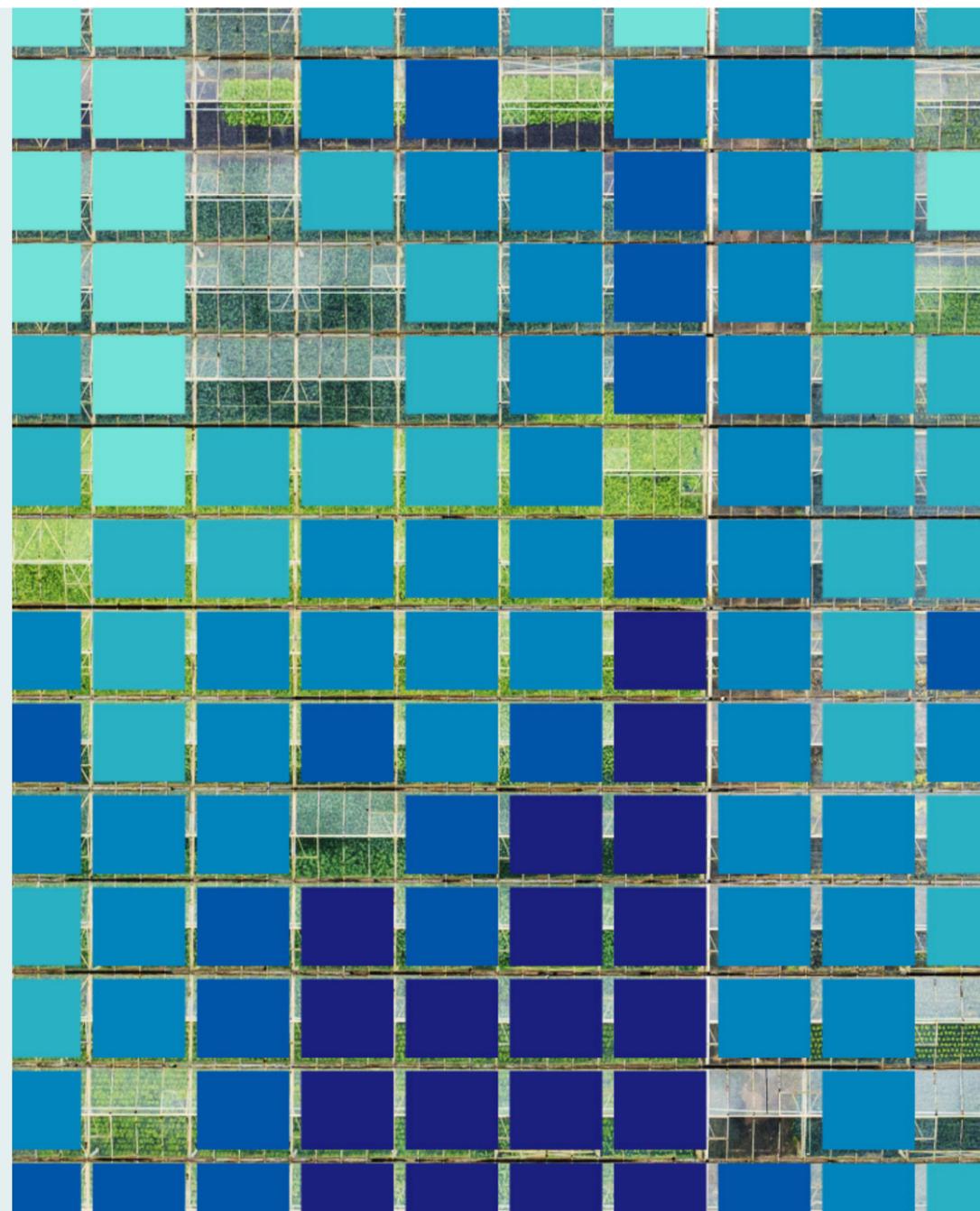
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Q4 EMEA Market Overview



The EMEA market remains buyer friendly, with insurers keen to write new business. But we are now beginning to see some signs of a deceleration in softening in lines of business like D&O and some property classes. Now is a good moment for clients to review their exposures and limit adequacy in all their insurance programs, with particular attention to areas like liability, supply chain and cyber, where risk exposures and claims trends are challenging current program limits. The new generation of analytic tools, such as [Aon Risk Analyzers](#), can play a key role in supporting risk transfer decisions based on risk quantification, total cost of risk, and risk appetite.

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Erlantz Urbieto
 Chief Broking Officer
 Commercial Risk Solutions
 EMEA

Executive Summary

- Soft market conditions are evident across most lines of business in the EMEA region. Capacity is abundant and significant rate reductions are available, especially for property, cyber and directors and officers.
- Automobile, U.S.-exposed casualty and poorly managed risks continue to face challenges. However, insurers are becoming more receptive of property risks that were previously difficult to place.
- Uncertainty around the macro-economic environment and long-term trends in climate-related risks are making market cycles less predictable.

Headlines



Positive Developments

- Competition is driving premium savings and greater choice for clients.
- Enhanced coverage is available for cyber and directors and officers.
- Insurers are more receptive to high-hazard property risks.



Challenging Developments

- Automobile and U.S. casualty risks remain challenged.
- Ransomware attacks continue to drive cyber claims activity.
- D&O market is moderating as defense costs and settlements rise.



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3 Q4 EMEA Market Dynamics

Soft	-1-10%	Abundant	Flexible	Flat	Flat	Stable
Overall Conditions	Pricing	Capacity	Underwriting	Limits	Deductibles	Coverages

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Pricing

Pricing is reducing in most parts of the region and across most lines of business. Double-digit reductions are achievable for a growing number of placements. The main exceptions continue to be automobile and U.S. casualty, where claims trends and capacity constraints have driven increases. Price reductions for directors and officers have continued to moderate following a prolonged softening period.

Capacity

Overall, capacity across the region is abundant. Insurers continue to increase their appetite and capacity as they pursue ambitious growth targets, while new entrants are increasingly taking lead positions. There are, however, pockets of the market where capacity deployment is more conservative. Property insurers are actively managing natural catastrophe and business interruption exposures, while automobile insurers are generally reducing capacity in response to increasing cost and frequency of claims. Capacity for U.S. casualty exposures also remains limited.

Underwriting

For most lines of business, underwriting has become more flexible, particularly with respect to information requirements at renewals. That said, the provision of complete and up-to-date risk information remains a requirement for most placements, especially for U.S. casualty and automobile. Insurers continue to look favorably on risk mitigation actions.

Limit

Limits are generally flat for most placements in EMEA; however, some clients are using premium savings to restore limits lost in the hard market and/or to reflect the effects of inflation. Limit increases are available for competitive lines of business including cyber and directors and officers, and there are also opportunities to increase sub-limits for some property and casualty placements.

Deductibles

Deductibles are largely unchanged, with the exception of automobile, where increased claims costs and accident frequency are motivating insurers to require higher deductibles. In some cases, lower deductibles can be achieved for property, as insurers look to maintain premium levels, and casualty, where loss frequency remains low. Clients are also considering total cost of risk scenarios to optimize retention levels.

Coverages

Coverages remain stable overall. Particularly for competitive lines like cyber and directors and officers, some clients are using premium savings to purchase coverage enhancements, restore coverage that had been lost during the hard market, and increase sub-limits. For casualty risks, PFAS coverage restrictions are now considered the norm.



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Automobile

The automobile insurance market remains challenging as loss trends continue to drive rigorous underwriting, price increases and higher deductibles across much of the region. Claims costs have been rising, reflecting increased compensation awards for bodily injury and the growing prevalence of electric vehicles, which are typically more expensive to repair. As a result, some insurers have been reducing capacity for commercial automobile risks and are now focused on profitability rather than revenue growth. Loss-affected public transportation risks are particularly challenged, with very limited capacity available.

Casualty

Having grown increasingly favorable in 2025, casualty conditions are soft in almost all countries in the final quarter of the year. As they pursue ambitious growth targets, casualty insurers are often more willing to offer broader terms and maintain favorable retention levels. Insurers are demonstrating greater willingness to go the extra mile and innovate on program structure. The market, however,

remains two-tiered, and U.S.-exposures continue to face challenges despite some recent pricing relief.

Cyber

Despite several high-profile ransomware attacks in EMEA in 2025, the cyber insurance market remains soft, with price reductions continuing in Q4. Capacity continues to expand, and as a sign of growing insurer confidence, additional capacity is now available for cyber property damage coverage. While ransomware continues to be the primary driver of claims frequency, recent loss events have not led to a reversal of the softening trend, indicating that the cyber market is maturing and capable of absorbing large or complex claims. Supply chain risks – both IT and physical supply chains – continue to be an area of heightened concern for both clients and underwriters.

Directors and Officers

Conditions for D&O insurance are moderate, with further signs in Q4 that the market has stabilized after several years of price reductions, with low single-digit reductions posted

in Q4. Although loss frequency is stable, recent claims have tended to involve higher settlement amounts and greater defense costs, further raising insurer concern about pricing sustainability, especially in the excess layers. Capacity from automatic follow-form coverage and through algorithmic trading platforms is helping to counteract these pressures.

Property

The broad softening seen in the EMEA property market during the first three quarters of 2025 progressed further in Q4. Well managed risks in low- to mid-hazard occupancies continue to benefit from abundant capacity and competitive pricing, with rate reductions typically in the double digits. In addition, placements previously regarded as challenging are now more likely to attract interest and sufficient capacity at renewal, and to achieve flat-to-modest increases in premium rates. Property exposures in specific U.S. geographies, however, are still challenging. Long term agreements are available and should be considered given uncertainty around the broader macro-economic environment and trends in climate-related risks.



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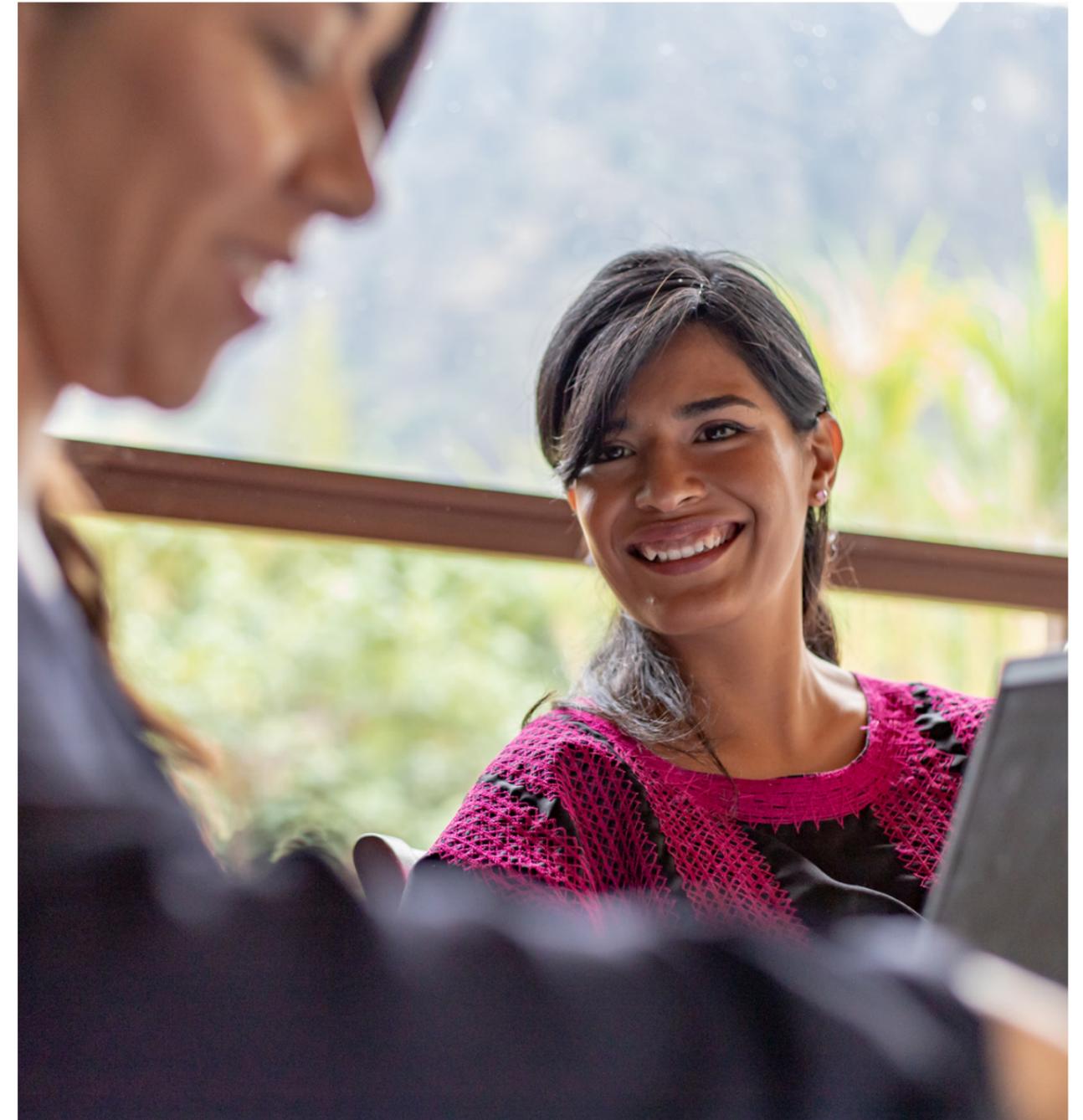


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Q4 EMEA Advice to Clients

- Market conditions are creating more opportunities for clients to optimize their insurance programs including reinvesting premium savings in bolstering limits and expanding coverage. Aon's new set of Risk Analyzer tools can help in this exercise.
- U.S. casualty exposure should be a focus. Clients are advised to review their risk and evaluate options to adjust to the increased exposure.
- Clients should continue to explore alternative sources of capital, program structures and risk transfer solutions, including self-insured retention funds, captives, fronting, and non-traditional program layering. Insureds are advised to also consider the suitability of long-term agreements, particularly for lines of business that are beginning to see signs of firming conditions.
- Given current buyer-friendly market conditions, and the constantly evolving technology and risk landscape, clients are advised to conduct a comprehensive cyber risk and insurance evaluation. Quantifying potential cyber exposures and reviewing the risk transfer strategy will help secure optimal protection. Given the proliferation of cyber-attacks, clients are advised to also focus on incident response and claims recovery, ensuring clear processes and recovery plans are in place to expedite claims and reduce operational impact.

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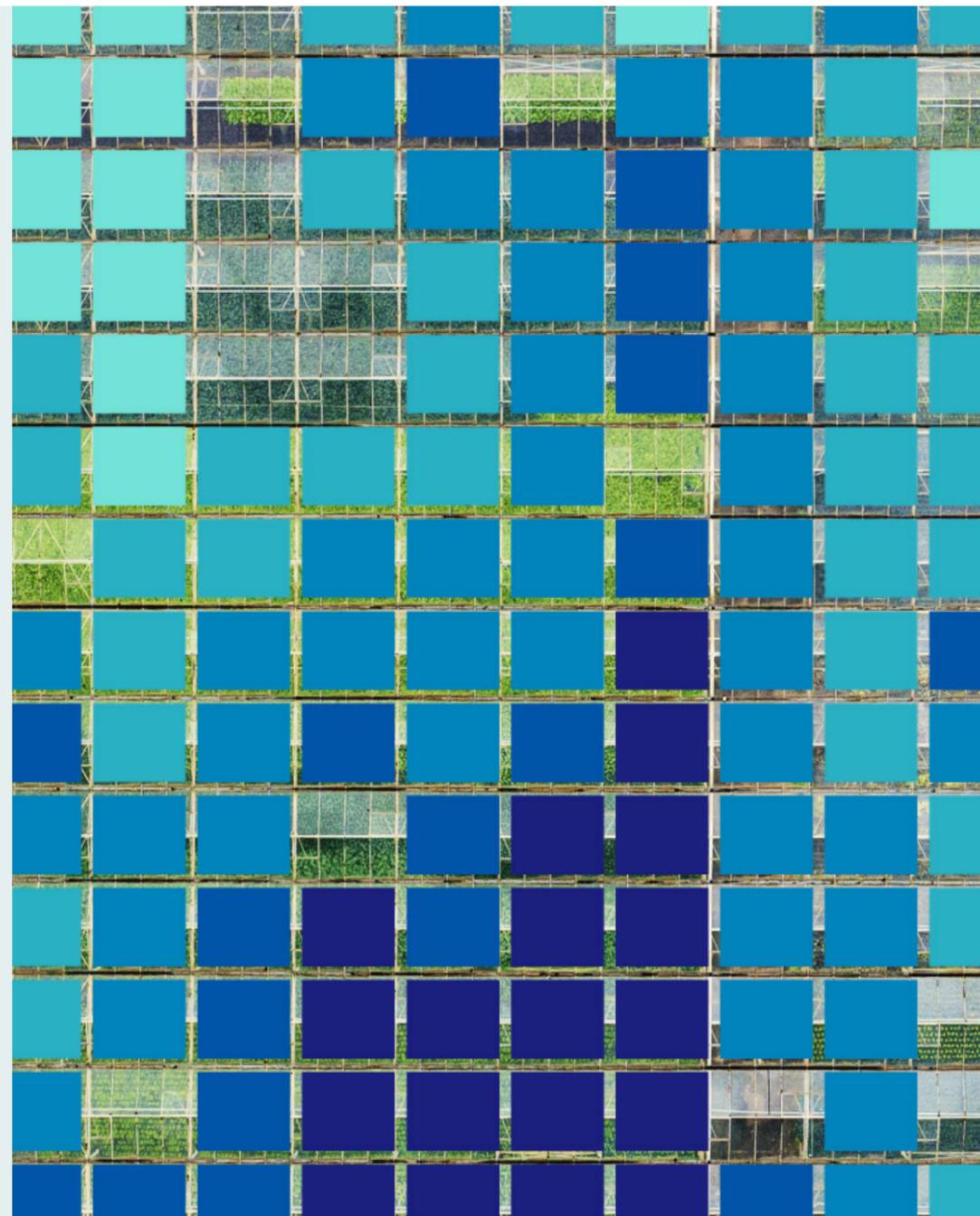
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Q4 Latin America Market Overview



Hurricane season ended with limited losses and the soft market continues to make headlines in Latin America. Insurers are aggressively defending retention and pursuing growth, and are willing to offer meaningful discounts in order to reach their targets.



Natalia Char

Head of Commercial Risk Solutions
Latin America

Executive Summary

- Soft market conditions continue across all major lines of business, despite Hurricane Melissa, which struck the Caribbean in October resulting in an [estimated insured loss in the single-digit billion-dollar](#) range. Insurers are growing concerned with the sustainability of pricing levels.
- Low loss ratios are motivating many insurers to explore new segments and product areas, which is serving to increase market competition. Growing appetite from local insurers and facultative reinsurers is also increasing competition for property, including in the energy and mining industries.
- Insurers continue to focus on improving efficiency, resulting in substantially improved responsiveness and service levels for clients.

Headlines



Positive Developments

- Parametric insurance is proving to be a versatile solution for natural catastrophe risks.
- Insurer appetite is increasing for middle-market clients.
- Investment in data centers will require robust and innovative insurance.



Challenging Developments

- Regulatory and geopolitical volatility are affecting investment and economic growth.
- Sustainability of insurance pricing is likely to come into focus in 2026.
- Canceling and rewriting programs elevates risk – “before and after” terms & conditions should be scrutinized.



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Q4 Latin America Market Dynamics

Soft	-11-20%	Abundant	Flexible	Increased	Decreased	Stable
Overall Conditions	Pricing	Capacity	Underwriting	Limits	Deductibles	Coverages

Pricing

Pricing for well-performing risks continues to decrease for all major lines of business. Even placements with unfavorable loss history or risk management that is deemed deficient may experience pricing benefit when competition is introduced.

Capacity

Capacity is abundant and increasing. European and U.S. insurers continue to aggressively expand in the region, while new capital is entering through diverse sources, including facultative reinsurance, managing general agents and alternative products such as parametric solutions.

Underwriting

Insurers are taking a flexible approach to underwriting, demonstrating a desire to grow and diversify into new segments. The adoption of more sophisticated risk assessment tools by insurers is helping underwriters develop a better understanding of risk and streamline the renewal process.

Limits

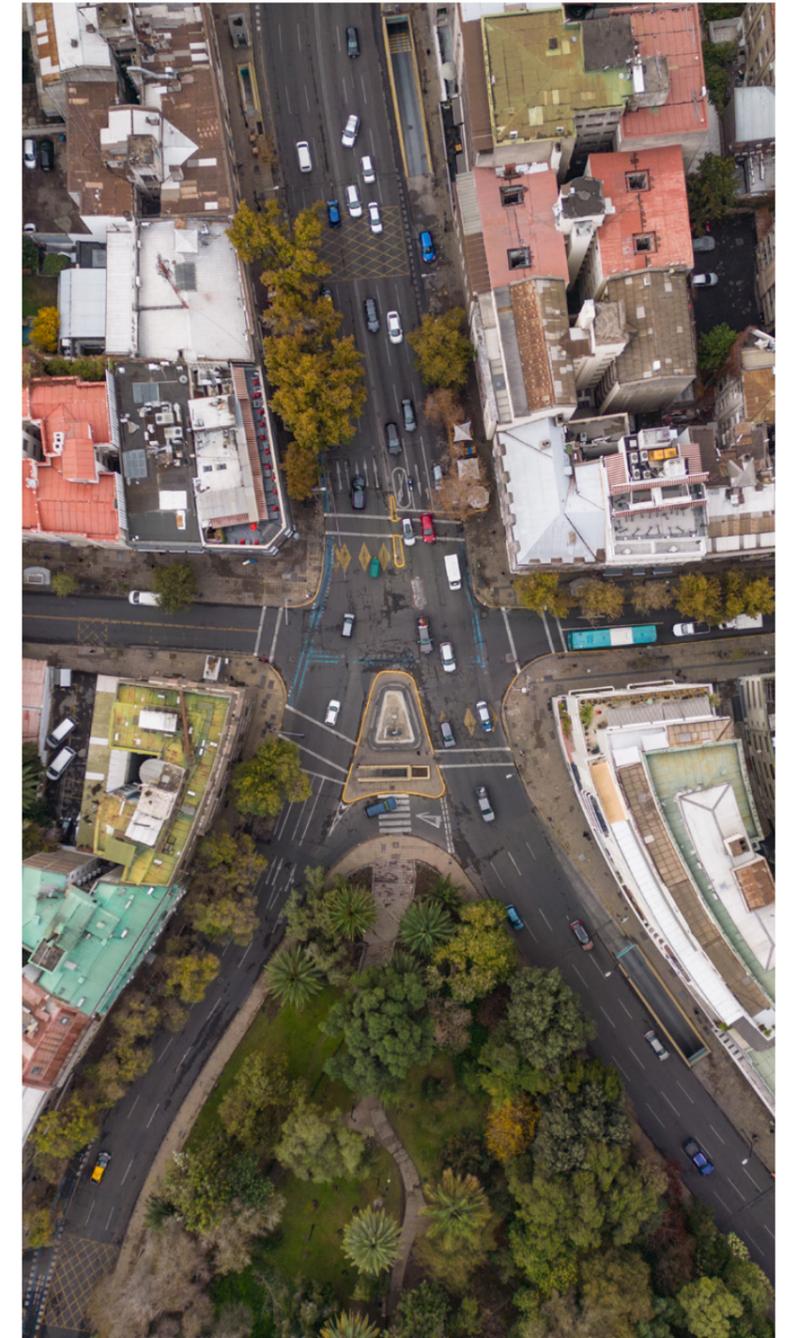
Some clients are using premium savings to purchase higher limits for certain products, such as cyber. In addition, insurers are demonstrating a willingness to increase sub-limits, which are now beginning to catch up with client needs.

Deductibles

Deductibles are typically flat-to-decreasing and are generally aligned with client risk appetite.

Coverages

Coverage is stable; however, broader terms and enhanced conditions are readily available. No major portfolio-wide restrictions have been introduced in Q4.



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Soft	Soft	Soft	Soft	Soft
Automobile	Casualty	Cyber	Directors and Officers	Property

Automobile

A well-capitalized market and insurer growth focus fueled healthy competition and soft market pricing in Q4. Insurers are offering higher limits, particularly for third-party liability coverage. Many are also providing additional services, often free of charge, to bolster their offerings. Commercial automobile fleet risks with a good loss ratio will find multiple offers and new players at renewals.

Casualty

The casualty market remains soft, providing clients, especially corporate buyers, with opportunities to enhance their coverage and increase their limits. Sub-limited coverage for pollution and product recall is available on general liability policies for risks with complex environmental exposures but is subject to rigorous underwriting.

Cyber

Conditions in the cyber insurance market remain buyer friendly, with double-digit rate decreases at renewal. Capacity is ample while new players – especially facultative reinsurers – continue to enter the market. As more high-profile incidents occur, and as cyber risk assessments become more common, more clients are seeking higher limits, which are generally available in the current market. Underwriting remains disciplined, although insurers are flexible where insureds are willing to commit to risk improvement measures.

Directors & Officers

Rate decreases continued in Q4, with abundant capacity for most risks. Competition is strong for risks with no U.S. exposure and more tempered for U.S.-exposed risks, although both continue to benefit from a buyer-friendly market with double-digit rate decreases.

Property

Ample capacity is available in both local insurance and facultative markets, including for high hazard risks. Significant discounts are available, although reductions are more moderate in markets like Argentina and Ecuador. Terms and conditions were particularly competitive in Q4 as insurers sought to meet growth objectives, which have been affected throughout the year by the soft market. Energy and mining risks are also achieving rate reductions at renewals as insurers and facultative reinsurers show an increased appetite for these types of risks.

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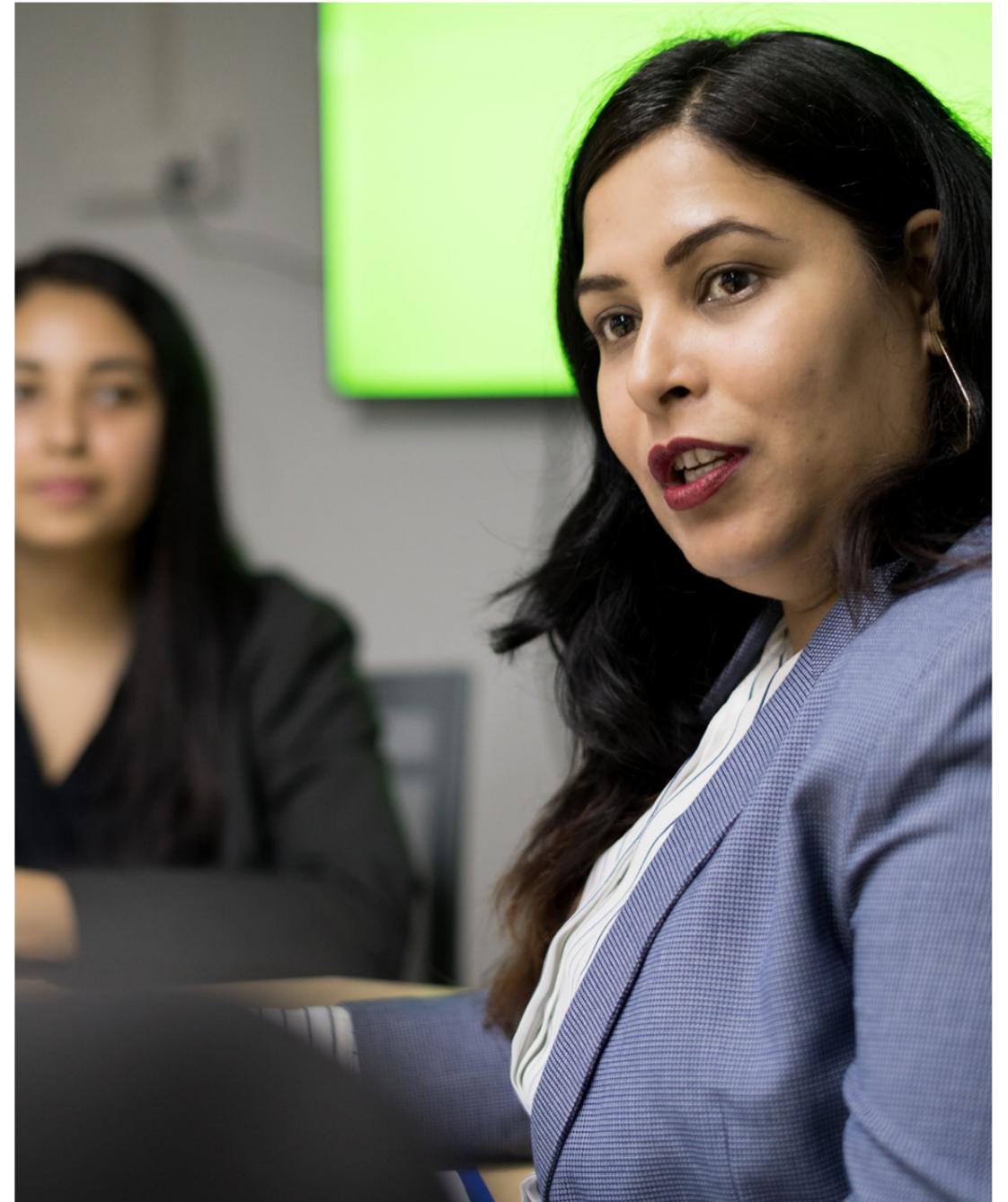


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Q4 Latin America Advice to Clients

- Today's buyer-friendly market conditions should be seen as an opportunity for buyers to future-proof their programs — review values, limits, sub-limits, and coverage consistency. Clients should focus on risk identification and horizon scanning, such as considering potential future disruptions that could arise from changes in trade, technology, weather and workforce.
- Risk managers should carefully weigh the pros and cons of switching insurers against the value of long-standing relationships. Competitive pricing may offer short-term gains, but it is equally important to consider the long-term reliability of underwriting partners.
- When selecting insurance partners, choose insurers recognized for their knowledge and capabilities, as well as proven record for paying claims.

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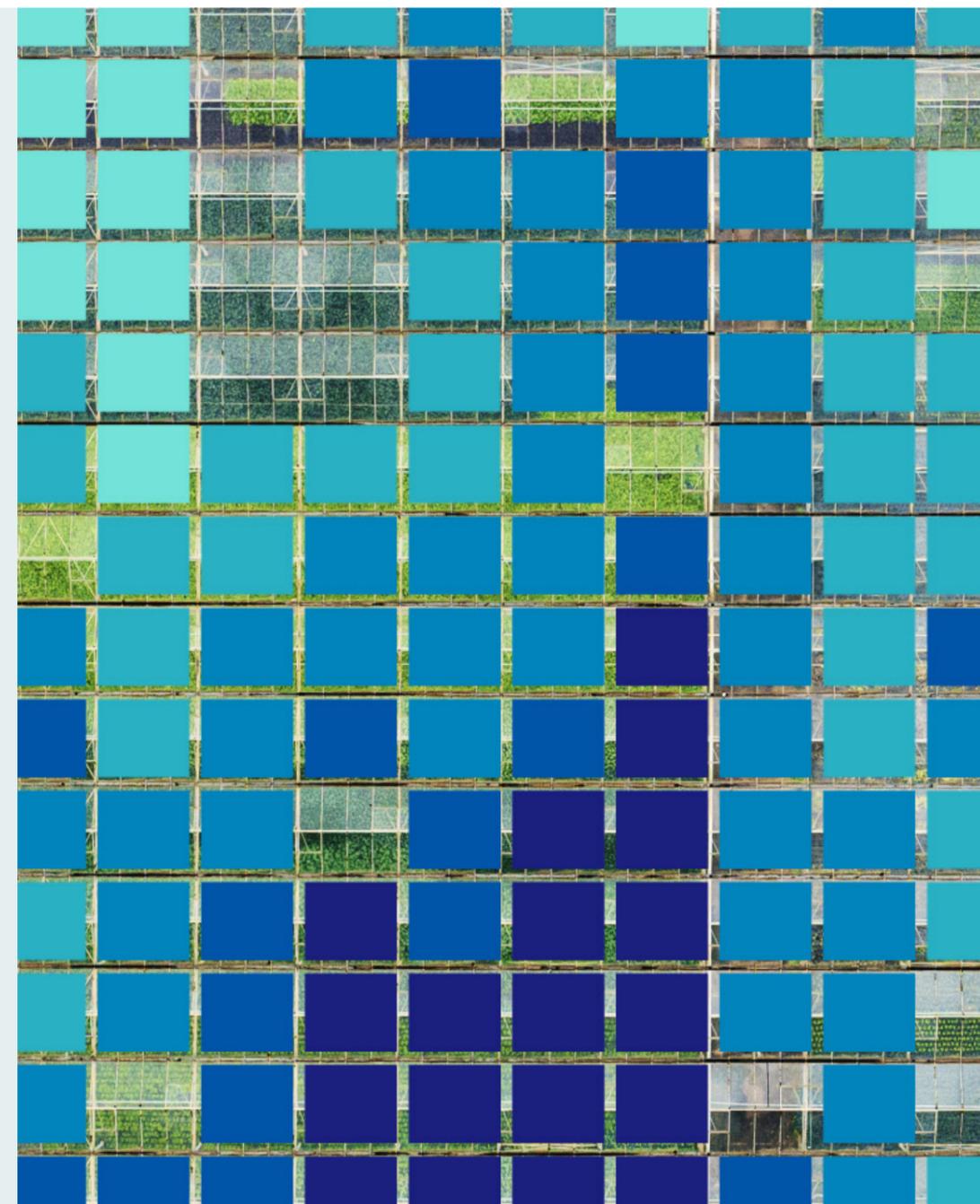
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Q4 North America Market Overview



Despite growing risks in the system – with uncertainty around tariffs, interest rates, crypto and a potential AI-bubble – wide swathes of the market remain competitive, with flat or reduced pricing, broad coverage and meaningful capacity.



The insurance market remains highly competitive, particularly for large and best-in-class risks. Indications from reinsurance renewals are encouraging, suggesting that insurers will be well-positioned to pursue continued growth strategies in 2026. Overall, the market environment offers more choice, but it is critical that clients evaluate their options with stability and long-term carrier relationships in mind.

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Brian Wanat

Head of Commercial Risk Solutions
North America



Russ Quilley

Head of Commercial Risk and Chief Broking Officer
Commercial Risk Solutions
Canada

Headlines



Positive Developments

- Capacity is ample for most risks, with many placements oversubscribed.
- Underwriting remains disciplined, but insurer appetite is broadening.
- Insurers are more willing to offer improved terms for competitive lines.



Challenging Developments

- D&O capacity has contracted as a result of insurer exits and M&A.
- Adverse litigation trends continue to affect U.S. casualty and automobile renewals.
- Competitive environment has sharpened the focus on managing insurer relationships.



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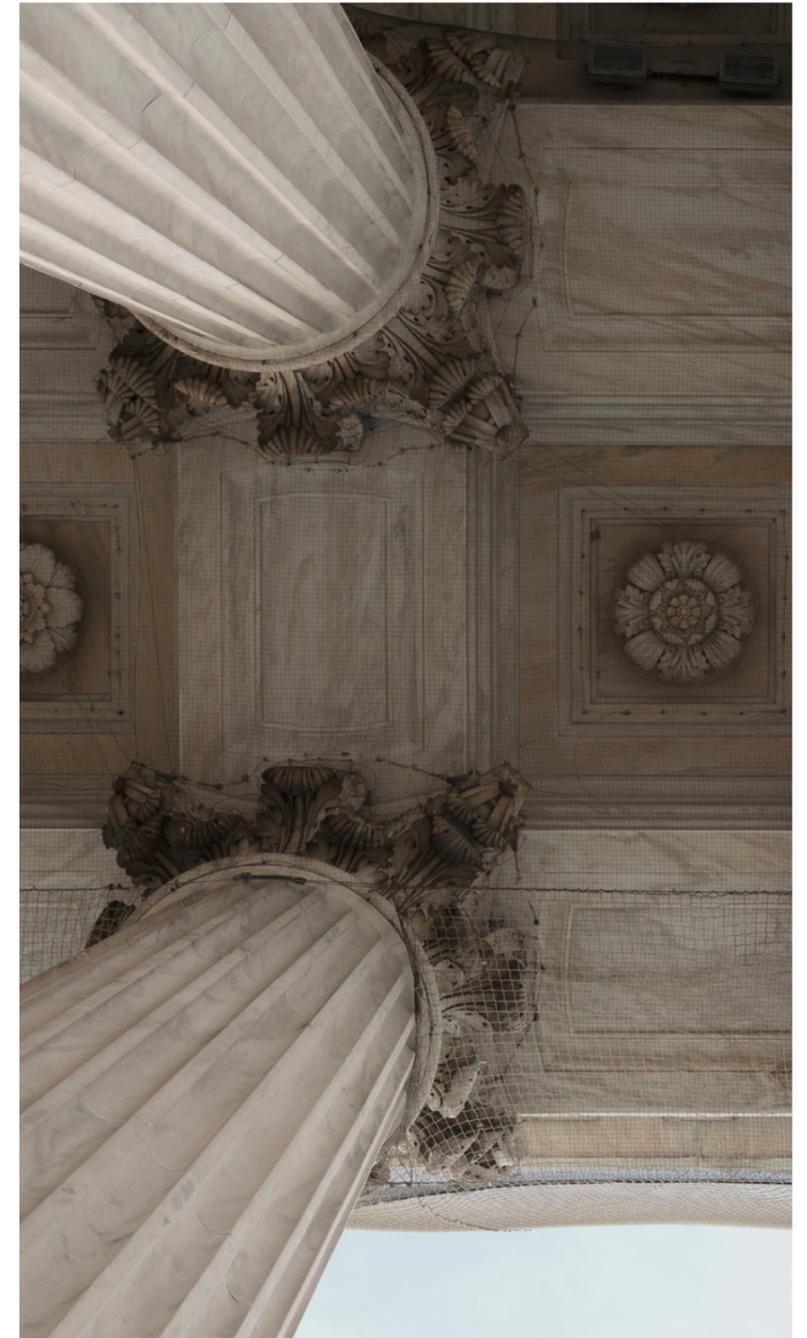


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Executive Summary

- A well-capitalized and competitive insurance market has resulted in price reductions and greater choice for most risks. Overall, average pricing across the region is flat but there are notable variations by product. Pricing continues to increase for U.S. umbrella/excess and automobile, driven by adverse loss trends, nuclear verdicts, and litigation funding. Meaningful reductions in property are leveling off as most programs have now gone through multiple renewals in the soft market. D&O price decreases continue to moderate in the face of persistent macro risks, as well as elevated defense costs and settlement severity.
- Insurer appetite continues to strengthen. A favorable reinsurance market and lower natural catastrophe claims are increasing insurer confidence to take on additional risk and offer more favorable terms.
- Underwriting remains prudent but is increasingly flexible on well-performing and competitive risks. Insurers have responded positively to clients who invest in risk control efforts, elevate submission quality, and meet with underwriters directly.

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Moderate	Flat	Ample	Prudent	Flat	Flat	Stable
Overall Conditions	Pricing	Capacity	Underwriting	Limits	Deductibles	Coverages

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Pricing

Overall pricing is flat for the region but varies by geography and line of business. Reductions are available for most lines, with the exception of automobile and U.S. casualty, where rates have continued to increase. In the U.S. property market, rate reductions have been moderating, although large, shared and layered risks with desirable occupancy classes and profitable historic loss ratios are typically achieving significant decreases. Directors and officers insurance remains competitive, but with further signs of a moderating market. Price reductions continued to decelerate for cyber insurance with flat-to-mid-single digit reductions in the final quarter of the year.

Capacity

Capacity is ample for most lines of business. Well-managed and well-performing property risks continue to be consistently oversubscribed, with strong insurer appetite to increase line sizes. In contrast, capacity for U.S. umbrella/excess liability remains constricted, while

for directors and officers, capacity has contracted as a result of insurer M&A and market exits by a small number of insurers.

Underwriting

Underwriting remains prudent overall, although more flexible in Canada and for competitive lines in the U.S. Heightened competition has introduced a greater sense of urgency around renewals and, while new entrants to the market tend to exercise caution, their underwriting approach is generally flexible. Insurers are increasingly more willing to consider property risks they may previously have declined, although underwriters continue to require detailed information for more challenging risk types and lines of business, such as automobile and U.S. excess casualty.

Limits

Limits are generally flat, although increases are available for cyber and property. Some insurers are offering more favorable sub-limits including relaxed distance restrictions.

Deductibles

While deductibles are largely flat, some insurers are offering reductions in earthquake percentage deductibles. Increases are being imposed on some risks with high claims frequency.

Coverages

Coverages are mostly stable, although some clients are investing their premium savings to enhance or expand coverage. In the property market, competitive conditions are providing insureds with additional leverage to negotiate improved terms, especially where hard market conditions had led to restrictive conditions and non-concurrency. In addition, the increased use of Aon manuscript wordings is helping drive broader coverage terms. Some casualty insurers continue to push for PFAS exclusions, as well as tighter terms for abuse claims and cyber risks.



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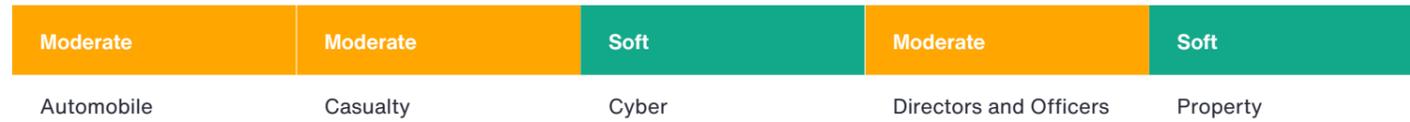
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Automobile

Conditions in the automobile market are moderate-to-challenging. Capacity is adequate but continuing negative loss trends are resulting in rate increases and more rigorous underwriting, particularly for large fleets and risks with substantial hired, non-owned or contingent exposures. In Canada, the introduction of a no-fault automobile insurance model in the province of Alberta, combined with ongoing loss frequency, is contributing to more challenging conditions. As a result, insureds in North America are increasingly exploring alternative risk solutions, such as captives and higher risk retentions, to help manage premium costs.

Casualty

The casualty market in North America remains bifurcated, with favorable conditions in Canada and U.S. workers compensation contrasting with ongoing challenges for U.S. general liability and umbrella/excess liability. The impacts of nuclear verdicts and litigation funding in the U.S. continue to shape general liability renewals, which resulted in moderate price increases in Q4. Also continuing the trend of recent quarters, U.S. umbrella and excess liability capacity remains constrained as insurers manage their exposure through careful deployment of limits and management of attachments points. In Canada, the number of insurers offering meaningful capacity is increasing, resulting in greater competition, especially for excess layers. Across the region, insurers remain cautious about emerging risks, applying coverage restrictions for PFAS and biometric data.

Cyber

Overall, the cyber insurance market remains soft, but with signs of moderation. The market is well-capitalized and highly competitive. In the U.S. market alone more than 80 insurers participated on placements in 2024, up from 57 in 2020. Pricing remains buyer-friendly, with high single-digit reductions available in the U.S., and low single digit reductions to flat pricing for placements in Canada. Certain industry classes – such as healthcare, airlines and financial institutions – are experiencing firming conditions depending on controls and loss history. Buyers continue to optimize their programs by expanding coverage, increasing limits and adjusting retention levels (almost a fifth of Aon clients purchased additional cyber limits in 2025).

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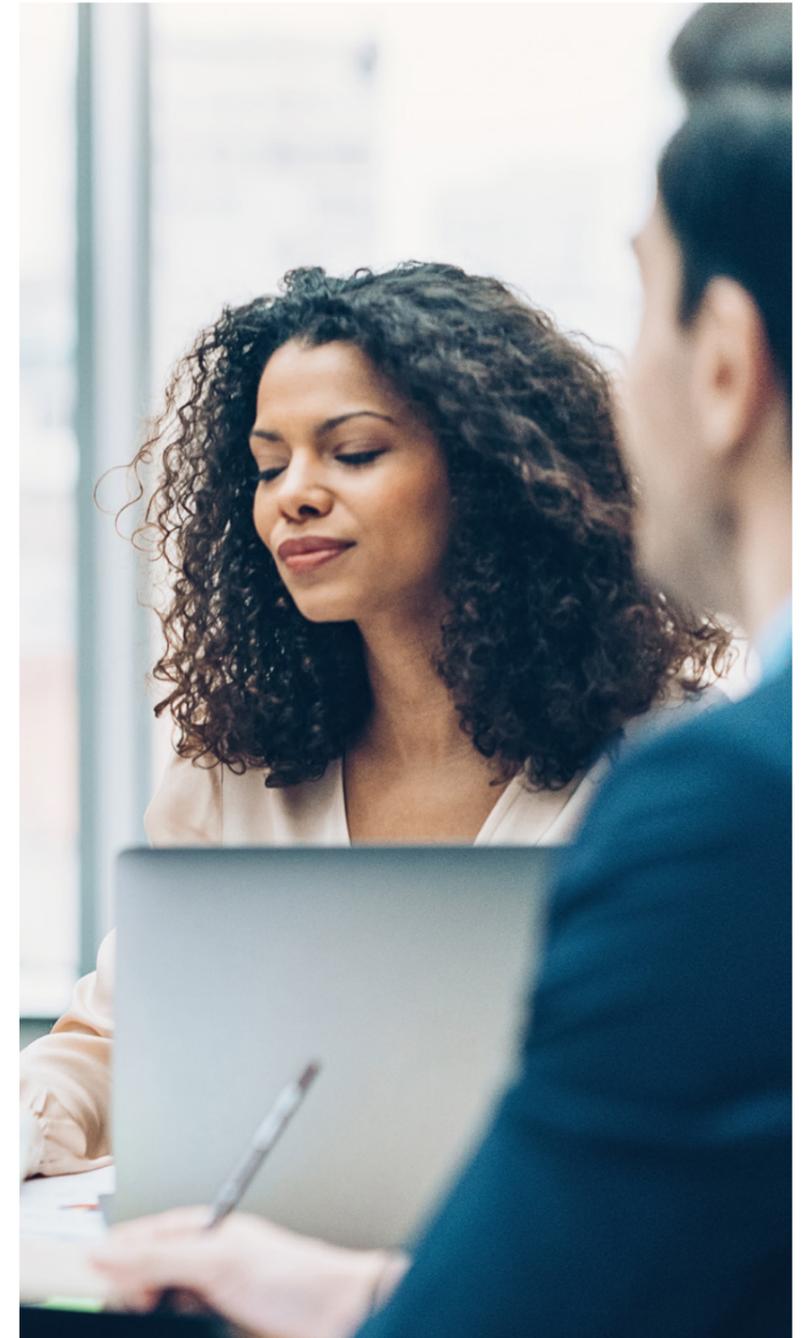
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Directors and Officers

The directors and officers market remains buyer-friendly, although price reductions have begun to plateau. Capacity remains robust but has decreased in the U.S. in recent quarters following insurer withdrawals from the market and insurer M&A. Pricing was essentially flat in Q4, and this moderation was driven by persistent macro risks, as well as elevated defense costs and settlement severity. Insurers also continue to pay close attention to emerging risks, such as artificial intelligence and cyber security disclosure. Most placements are renewing with expiring limits, deductibles and coverages, although improvements are available in some cases. Retentions are scrutinized based on the client's risk profile and claim activity. The focus on sustainable pricing is likely to intensify, especially for mid-excess layers.

Property

The North American property market remains soft, with most placements experiencing double-digit rate reductions in Q4. Large, shared and layered placements are achieving the most significant decreases. Buyer-friendly conditions are driven by a relatively benign Atlantic hurricane season and an improved reinsurance environment. While Hurricane Melissa, which swept across the Caribbean in late-October, ranks as one of the strongest Atlantic storms on record, it did not make U.S. landfall. In fact, [no major hurricanes](#) made landfall in the U.S. for the first time since 2015. In Canada, insurer appetite for regional mid-market risks is more reserved, while a recent large loss in the seafood sector may influence property market dynamics in this segment going forward.



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Q4 North America Advice to Clients

- Clients should consider reinvesting premium savings into risk control strategies, driving resilience for property locations and reducing casualty loss frequency and severity.
- Current market conditions present opportunities to assess insurer relationships, with a clear plan regarding short- and longer-term objectives.
- Providing insurers with comprehensive information — including hiring practices, risk engineering initiatives, quality assurance procedures, and lessons learned from claims — greatly enhances the likelihood of achieving optimal terms and conditions in the market.
- Whenever possible, meet with insurers and share your story directly. Experience shows that underwriters are often more engaged and committed after meeting clients in person. The benefits are well worth the extra effort.

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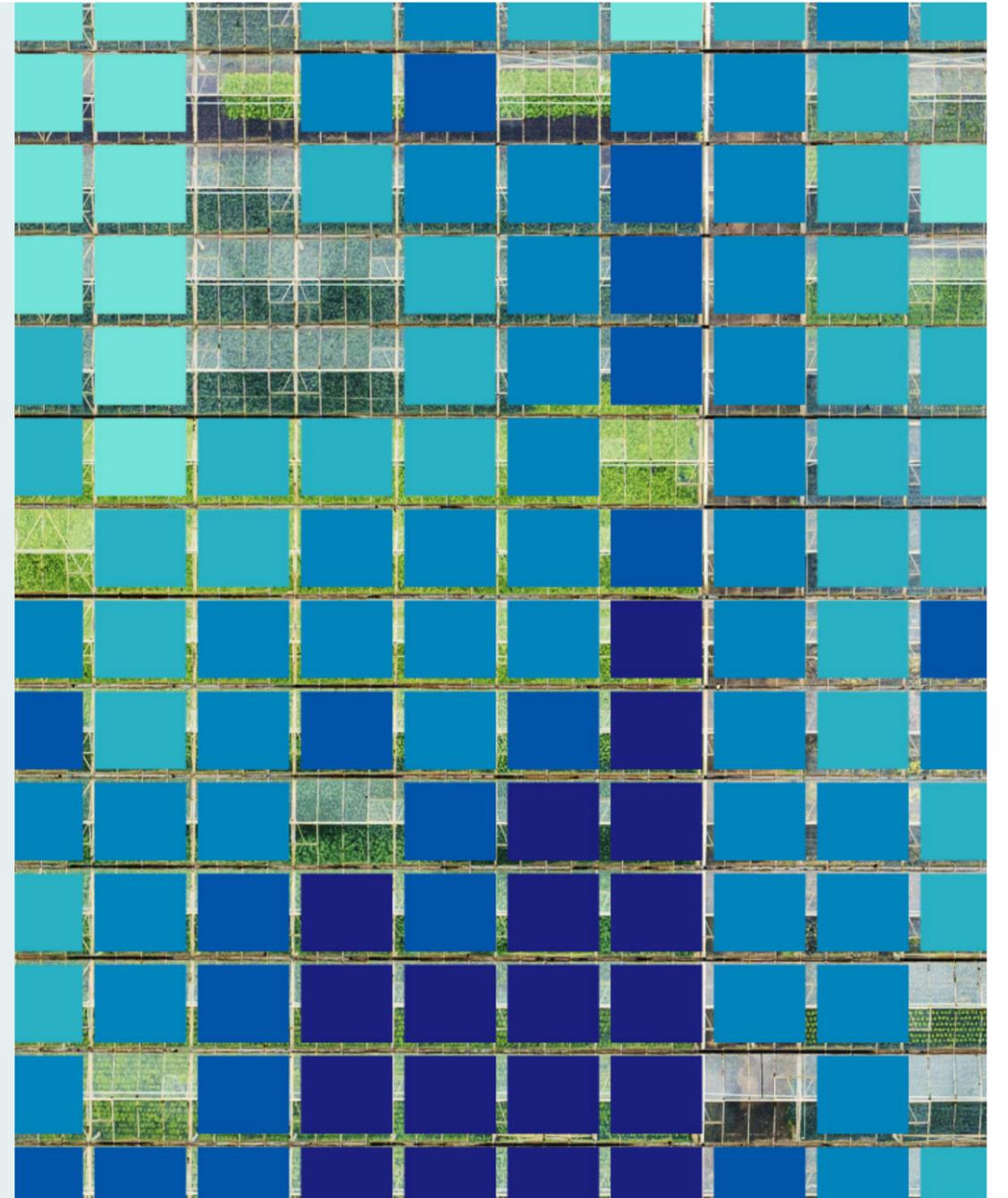
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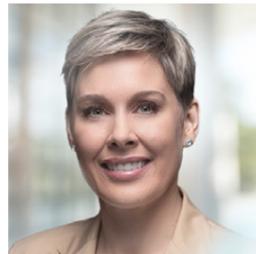


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Q4 Pacific Market Overview



As organic premium growth becomes more difficult to achieve in the soft market, insurers will increasingly look to diversify into new areas, which should create opportunities for underserved clients.



Tracy Riddell

Head of Product and Platforms
Commerical Risk Solutions
Australia

Executive Summary

- A favorable market environment is supporting coverage enhancements for cyber and property with greater alignment in terms and conditions for co-insured placements.
- [Extreme weather losses exceeded \\$1.8B](#) in the first half of 2025 were within Australian insurers' risk tolerance; however, insurers have yet reduced higher retention levels imposed in the hard market.
- Captive and alternative risk transfer premiums in Australia have grown 13.8% over the past 12 months as clients look to take advantage of the soft market and build resilience for future market changes.

Headlines



Positive Developments

- Increased competition continues to drive improved pricing and terms.
- Casualty market is in a good place as capacity continues to grow.
- Higher limits are available for most lines.



Challenging Developments

- Casualty losses continue to deteriorate year-on-year.
- Australian insureds are facing increased regulatory activity and fines.
- Outcomes of pending securities class action cases will help provide clarity in the D&O risk environment.

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3 Q4 Pacific Market Dynamics

Soft	-11-20%	Abundant	Flexible	Increased	Flat	Broader
Overall Conditions	Pricing	Capacity	Underwriting	Limits	Deductibles	Coverages

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Pricing

Pricing for most major lines of business is favorable, driven largely by abundant capacity, the absence of large losses and strong insurer performance in underwriting and investment returns. Double-digit rate reductions were available in Q4 for property, while casualty and cyber achieved more moderate rate decreases. Renewal outcomes are, however, highly variable depending on industry/sector and claims performance. The notable exception is automobile, where single-digit price increases are driven mostly by loss trends.

Capacity

Capacity is abundant for most lines of insurance as capital has entered the market in recent years from new Lloyd's players and consortiums as well as established insurers expanding their appetite. The main exception is automobile, where capacity is ample. A new managing agency has entered the market to provide specialized insurance solutions for heavy fleet operators.

Underwriting

Underwriting is flexible overall, although largely disciplined. In property, some pockets of risk, including placements with significant natural catastrophe exposures and/or claims, are experiencing a more challenging underwriting environment. Cyber underwriting is more flexible than in previous years, but insurers continue to require a baseline of security controls. Casualty underwriting remains prudent with a heightened focus on adverse loss development and latent injuries. Clients with exposure to contractor injuries and U.S. casualty and automobile exposures are experiencing rigorous underwriting.

Limits

Increased limits are available for most lines of business as insurers seek to offer additional value in a competitive price environment. The main exception is liability where limits remain flat as pricing on high excess layers is approaching minimum levels.

Deductibles

Deductibles remain flat across most lines of business. Insurers continue to uphold portfolio remediation actions taken over the last few years, including maintaining deductibles, to counter loss frequency from natural catastrophes in property and worker-to-worker claims in liability. Some insurers are imposing higher deductibles for automobile in response to adverse claims trends.

Coverages

Coverages are generally renewing per expiring, with notable enhancements available, particularly for property and cyber. For property, non-damage business interruption coverage for communicable disease and murder and suicide is increasingly available and there is a greater willingness among insurers to follow lead terms. In the cyber market, full-limit hardware replacement and betterment cover without a cap on costs are available. Computer crime and system failure can also be obtained with increased sub limits, as well as cover for losses resulting from accidental interruptions or access to an insured's network.



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3 Q4 Pacific Product Trends

Moderate	Soft	Soft	Soft	Soft
Automobile	Casualty	Cyber	Directors and Officers	Property

Automobile

Conditions in the automobile insurance market are moderate, with single digit increases for most placements, largely attributed to increased vehicle technology and the cost of labor which is driving up average auto claims costs. New players have entered the market over the last 18 months while established insurers have continued to write business with a broad appetite. In particular, insurers are keen to grow market share for well performing fleets with three-year loss ratios below 60% on average, and some insurers are willing to offer higher legal liability limits. Coverage has generally remained stable although deductible levels are being challenged by higher repair costs and the increased value of new vehicles. Looking ahead, the market continues to monitor the rollout and trials of robotaxi vehicles. Developments in the rapidly evolving autonomous vehicle space will impact regulation and insurance. At this stage pricing models for the more advanced driver assisted vehicles remain inconsistent until there is widespread adoption by businesses.

Casualty

The casualty market is in a good place as insurers' ambitious growth targets continue to drive competition. Capacity is at its highest level since 2018, supported by new entrants in the form of managing general agencies and new Lloyd's players and consortiums. Modest price reductions were typical in Q4, although pricing varies by risk and sector. Preferred risks with clean loss histories are able to achieve double-digit decreases while rates are generally flat for challenging risks like thermal coal or those with heavy attritional claims. Underwriting remains prudent with insurers focused on adverse loss development and latent injuries, as well as U.S. exposures. Increased limits are available, although clients are cautioned to consider the longer term sustainability of some opportunistic market players. Deductibles remain flat but there is pressure to increase worker-to-worker deductibles where losses are trending adversely. Coverage for silica and PFAS related exposures remains limited and many insurers are applying exclusions.

Cyber

New capacity and expanded insurer appetite continues to support a buyer friendly market. Single-digit reductions are available on primary policies while excess layers can achieve double-digit decreases. Increased limits are available with many clients reinvesting premium savings to bolster limits. Favorable conditions are also leading to broader coverage, such as full-limit hardware replacement and increased sub limits for computer crime and system failure, including losses resulting from accidental interruptions or access affecting an insured's network. While underwriting is increasingly flexible, minimum security controls are still expected. Insureds are encouraged to bring underwriters along on their cyber journey, including by sharing the details of the controls they have implemented and the investments they are making in incident response planning and training.

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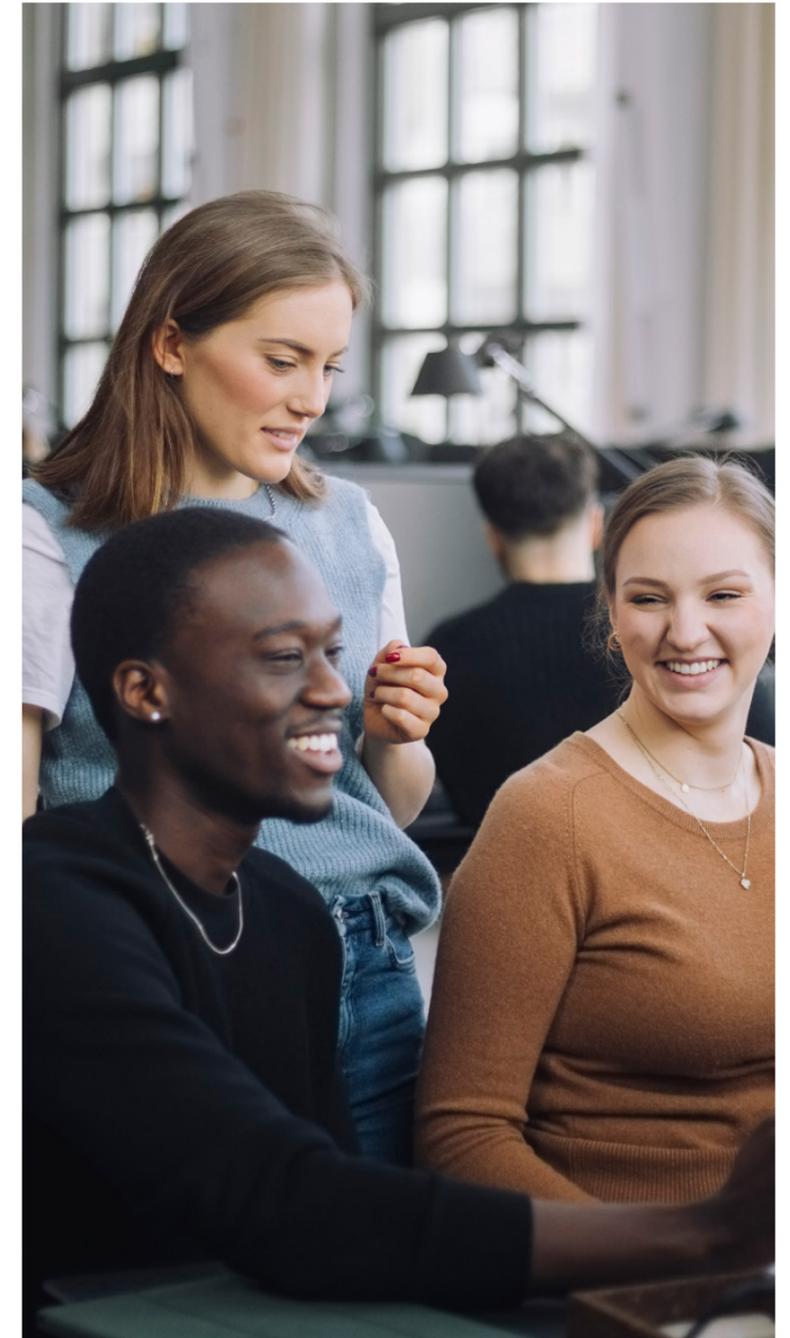
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Directors & Officers

The directors and officers market remains soft as insurers actively compete to retain or increase their market share. Large risks can achieve double-digit reductions at renewals, although more moderate decreases are typical for smaller companies. The competitive market is also providing opportunities for clients to obtain enhanced coverage, increased limits and reduced retentions. Some clients, for example, are exploring Side C limits and Side A difference in condition limits given the moderation in pricing. While insurers remain cautious in relation to securities class action exposures, some that previously wrote higher excess positions have increased their appetite for lower attachments.

Property

The property market has continued to soften, supported by relatively benign major loss activity in 2025 and buoyant investment returns and underwriting results. Insurer growth ambitions are fueling greater choice for insureds and the expansion of previously restricted coverage, improved natural catastrophe cover and improved policy conditions. Underwriting is flexible, yet insurers remain disciplined around referral processes and risk quantification. Placements with higher-risk occupancies, large natural catastrophe exposures and poor claims records continue to face challenging conditions. In addition, large losses in the specialty market, notably downstream energy and mining segments, may present headwinds for continued softening.



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- Regularly review fleet performance to monitor claims trends and to ensure renewal pricing remains within budget expectations.
- Preferred risks can test the market to see what additional value they can extract. Those that do not require large limits or specialist coverage can achieve rate reductions through targeted remarketing, but with a view toward long-term program stability. Those in challenging sectors should consider long-term agreements with pre-agreed reductions.
- Timely and targeted insurer engagement supports superior renewal outcomes. Clients that are able to articulate their risk management processes and provide insurers with a broad range of information will be best positioned to achieve the best results.

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Key Contacts





About Aon

Aon plc (NYSE: AON) exists to shape decisions for the better – to protect and enrich the lives of people around the world. Through actionable analytic insight, globally integrated Risk Capital and Human Capital expertise, and locally relevant solutions, our colleagues provide clients in over 120 countries with the clarity and confidence to make better risk and people decisions that help protect and grow their businesses.

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STRATEGIC RISK SUMMARY - MARCH 2026

Council has identified ten strategic risks and has undertaken risk workshops to develop a detailed understanding of nine of these, in particular what is driving the risk and what else can be done to mitigate or control it. The outputs of this analysis are captured in Strategic Risk Profiles which are summarised below.

#	Risk Description	Risk Sponsor	Last Risk Review	Current Plausible Risk Rating	Risk Trend	Within Risk Appetite?	Responsible for ensuring adequate management of risks and what actions are required
Risk 1	Attracting and retaining a competent workforce. <i>If the Council is unable to attract and retain competent workers at the required levels, then it would be unable to achieve the required outcomes and objectives.</i>	GM People and Community Partnerships	Feb 26	Medium		Yes	Enterprise Leader
Risk 2	Ineffective relationships. <i>If effective relationships with partners, stakeholders, and the community are not developed and maintained then this could result in missed opportunities to benefit from connections, delays the delivery of projects and services, community mistrust, or damage to TDC reputation.</i>	GM People and Community Partnerships	Jan 26	Low		Yes	Manager / Team Leader / Project Manager
Risk 3	Financial Strategy. <i>If Council does not have sufficient liquidity and/or funding, then delivery of service levels and ability to fund key projects may be significantly impacted. This could include not having adequate headroom, growth being different to projections and modelling, planned asset sales being delayed, funding required for unforeseen event such as a disaster.</i>	GM Organisation Performance	Feb 26	Medium		Yes	GM Organisation Performance
Risk 4	Critical infrastructure failure. <i>If any infrastructure essential for ensuring the safety and wellbeing of the community fails, then there could be adverse effects on public health and environmental outcomes.</i>	GM Community Infrastructure and Services	Dec 25	Medium		Yes	Enterprise Leader

Risk 5	<p>Zero Harm. Significant harm is caused to workers, or others, due to poor or inactive health and safety systems, non-compliance with legislative requirements, or inadequate governance/ management of shared health and safety responsibilities with other PCBUs.</p>	GM Organisation Performance	Feb 26	High	↔	No	GM Organisation Performance.
Risk 6	<p>Non-delivery of projects. If the Council does not deliver the projects, it has funded for within the planned timeframes then this has a negative flow on effect for future planning and funding for the organisation and delivery for the community.</p>	GM Community Infrastructure and Services	Feb 26	Low	↓	Yes	Manager / Team Leader / Project Manager
Risk 7	<p>Compliance and legal liabilities. If the Council does not meet its broad range of legislative and compliance responsibilities, either intentionally or unintentionally, then it may be subject to legal action or suffer other damage.</p>	GM Organisation Performance	Feb 26	Medium	↓	Yes	Enterprise Leader
Risk 8	<p>Maintaining ICT systems and secure records. IT systems and council data are vulnerable to system failures and cyberattacks impacting councils' operations and reputation.</p>	GM Organisation Performance	Jan 26	Medium	↓	Yes	Enterprise Leader
Risk 9	<p>Effects of Climate Change. If the current and future effects of climate change are not adequately addressed in the Council's planning and delivery of services, then the impacts of climate change may have significant effects on the community and require additional unbudgeted resources to manage.</p>	GM Strategy & Environment	Jan 26	Low	↓	Yes	GM Strategy & Environment
Risk 10	<p>Underperforming Council. If the Council fails to function as a cohesive team, then its ability to provide the governance required can be compromised and creating high levels of uncertainty it its ability to achieve its strategic objectives.</p>	Chief Executive					

The **Underperforming Council** risk profile has not yet been developed.

STRATEGIC RISK PROFILE.



Strategic Risk	Risk 1 Attracting and retaining a competent workforce.	Risk Rating	
Description	If the Council is unable to attract and retain competent workers at the required levels, then it would be unable to achieve the required outcomes and objectives.		
Owner	GM - People and Community Partnerships	Within TDC Risk appetite?	N
Last reviewed	November 2025	Risk trend	↑
Next review	February 2026		↔
			↓
			✓

Commentary and Emerging issues.	
<p>The evaluation of this risk against the updated framework has resulted in a decrease to both the plausible and worst-case scenario risk ratings. This is reflected in the plausible rating and trend articulated above, reducing to within Councils risk appetite.</p> <p>Council currently has an overall staff turnover of 15.4% by head count at the end of December 2025 for the preceding 12 months, which is within council’s risk appetite (up to 20% turnover).</p> <p>A ‘softening’ in New Zealand’s employment market has contributed to the reduction in staff turnover and a significant increase in the number of applications for vacancies. This is due to a combination of factors including; falling numbers of job vacancies, slower job growth and more cautious hiring by employers resulting in staff staying in positions for longer.</p> <p>Research indicates that engagement is a valuable indicator of organisational culture and a key driver for retaining staff. Council’s annual engagement survey remains consistent at 73% which remains consistent with the previous years’ engagement score. People and Culture continue to support teams where engagement scores and turnover are below average.</p>	
Risk drivers / causes.	
<ol style="list-style-type: none"> 1. Unfavourable working conditions. 2. Lack of role clarity or weak team direction; mismanaged expectations between leaders and staff; low leadership engagement or support to staff leaves staff with a low understanding of ‘purpose’. 3. Doing more with less – additional workloads to backfill gaps, potential for staff burn out and wellbeing issues, increased sick leave and wider team impacts such as reduced morale. 4. People in the wrong roles and wrong appointments; poor training and/or induction leaving individuals feeling out of their depth; ignoring ‘red flags’ during recruitment. 5. Uncertainty around central government decisions and impacts on local government delivery; current economic climate leave staff feeling unclear about their future. 6. Local community perception and expectation of what local government is and isn’t; financial constraints reduce capacity to engage with communities who become more disenfranchised and vocal about council delivery (not an attractive work proposition for local new employees). 7. Affordability and availability of appropriate housing in Taupō District makes relocation difficult for new staff. 	
Possible key consequences for TDC should the risk materialise.	
Plausible scenario	Worst case scenario
<ul style="list-style-type: none"> • Ongoing recruitment and onboarding slows service delivery of work programmes; unplanned decreases in service levels; loss of institutional knowledge. • Increased costs associated with roster coverage and pre-employment screening. • Increased staff fatigue as less people strive to deliver existing work programmes; increased overtime; staff take less annual leave; increased H&S incidents; increased disengagement. 	<ul style="list-style-type: none"> • Failure to meet legislative obligations. • Deliberate reduction in service levels or closing some council services. • Some programmes of work paused or with extended delivery timeframes. • Significantly increased workloads and critical levels of staff fatigue; high levels of disengagement and desire to leave TDC; organisational culture low.

STRATEGIC RISK PROFILE.



<ul style="list-style-type: none"> Increased staff turnover. 	<ul style="list-style-type: none"> Intolerable level of staff turnover; difficulty in attracting staff; increased staff costs (salaries) to attract / retain people in roles. Reputation damage within the community and / or local government sector.
<p>What are we tracking to understand this risk [Risk indicators].</p>	
<ul style="list-style-type: none"> Sum of annual leave > 30 days Sum of sick leave > 20 days Sick leave ratio to FTE Monitoring HR issues per team Employee engagement scores Number of applications for each role Number of roles being recruited for New hire/exit sentiment Monitoring of health and safety incidents 	
<p>How we are addressing this risk now.</p>	
<p><u>Generic approaches.</u></p> <ul style="list-style-type: none"> Active Managers Programme (people leadership development). Benchmarking against Local Government and wider market for pay and benefits. Focus on wellbeing (topic-based talks; EAP; mental health; and First Aid). Focus on strengths development (Gallup). Use of Employee Value Proposition (EVP) as a recruitment pool. Use of multiple channels for recruitment. 	<p><u>Targeted approaches.</u></p> <ul style="list-style-type: none"> Engagement Action Planning (bespoke plans to support teams to improve engagement). Tools to support effective performance management conversations. Identification of critical roles and succession planning. Retention plans for high turnover / low engaged teams. Tracking psychosocial risks and related remedial actions to support 'Good Work' at TDC. Review of recruitment channels
<p>Future actions to manage the risk more effectively.</p>	
<p>High impact but with cost.</p> <ul style="list-style-type: none"> Strategies to highlight value proposition for working at TDC (internal and external). Stronger alignment for staff with Business Plan; Annual Plan and Long-Term Plan to emphasise role purpose. Targeted support for teams with low engagement / high staff turnover. Implementing proactive approaches that ensure the right people are in the right roles. Review and update the EVP. <p>Higher impact but higher cost.</p> <ul style="list-style-type: none"> Different approaches to managing high volume recruitment in high turnover teams releasing capacity within P&C to provide targeted support for teams with lower performance / engagement. 	
<p>Connection to other risks?</p>	
<p>Strategic risk 3 Financial Strategy (unplanned expenditure; financial impacts from service levels/ failure to deliver).</p> <p>Strategic risk 5 Zero harm (increased impacts on wellbeing and safety).</p> <p>Strategic risk 6 Non delivery of projects (capacity and key person risk).</p> <p>Strategic risk 8 Maintaining ICT Systems and secure records (Payroll).</p>	

STRATEGIC RISK PROFILE.



**Plausible and Worst Case Scenario –
Attracting and Retaining Competent Workforce**

Likelihood	Almost Certain	Low	Medium	High	Very High	Very High
	Likely	Low	Medium	High	High	Very High
	Possible	Low	Low	High 	High	High
	Unlikely	Very Low	Low	Low	Medium	High
	Rare	Very Low	Very Low	Low	Medium 	Medium
		Insignificant	Minor	Moderate	Major	Severe
		Consequence				

STRATEGIC RISK PROFILE.



Strategic Risk	Risk 2 Ineffective Relationships	
Description	If effective relationships with partners, stakeholders, and the community are not developed and maintained, then this could result in missed opportunities to benefit from connections, delays the delivery of projects and services, community mistrust, or damage to TDC reputation.	
Owners	General Manager - People and Community Partnerships	Within TDC Risk appetite? Y
Last reviewed	October 2025	Risk trend
Next review	January 2026	

<p>Commentary and Emerging issues.</p> <p>The evaluation of this risk against the updated framework has resulted in a decrease to the plausible risk to low, the worst-case scenario is still rated as high. This is reflected in the plausible rating and trend articulated above.</p> <p>Council has established relationships with many communities, with Iwi and hapū, and with other key stakeholders that are critical for project consultation and to inform the delivery of Council business. Investment in staff expertise in building and maintaining external relationships, and to help grow engagement and communication approaches across Council teams is yielding early benefits.</p> <p>Engagement approaches and effective communication during the development of the Long-Term Plan provided community steer on what is important to the Taupō district community and guided Council in its decision making. Sustaining relationship management, engagement and communication efforts over the long term is essential in supporting Council retaining social licence with its stakeholders and communities, credibility, and its good reputation. Effective and ongoing relationship and media management are critical to maintaining favourable relationships with communities and key stakeholders.</p> <p>Changes in central government policy will impact on Councils existing relationships, for example resource consent processes and unfunded mandates (including Local Water Done Well).</p>
<p>Risk drivers / causes.</p> <ol style="list-style-type: none"> Not sure why or how: Staff may lack the confidence, experience, or approaches to meaningfully engage with communities and stakeholders. Lack of clarity on why engagement and clear communication are important means opportunities to connect or collaborate may not be taken. Engagement approaches may be inconsistent and opportunities to grow engagement capacity are not taken. Aim to make it a two way conversation rather than just about Council related mahi. Unclear who relationship holders are / lack of engagement strategy: Inconsistent understanding of the value of stakeholder relationship management across TDC may result in missed opportunities for engagement and fostering relationships. Relationships may not always be established ahead of time, which can limit understanding of what is valued. Absence of Customer Relationship Management (CRM) tool: Absence of mechanisms to support consistent identification of stakeholders and communities and capturing the use of approaches and feedback. Lack of context for those wishing to engage with stakeholders and communities. Opportunities and benefits of effective engagement are not maximised. Constrained by silos: Siloed operations reduce the ability to draw connections between projects on behalf of communities and stakeholders. However, with staff now co-located in He Whare this will continue to improve over time resulting in a better understanding of what engagement is already underway or planned. Constrained by time or process: Insufficient resourcing for small projects can limit opportunities for effective planning on project engagement. Not enough early project planning for engagement with communities, iwi/hapū and stakeholders to support decision making and risk analysis. These need to be factored into project planning templates. Failure to adequately consider and plan for community impact damages our relationships with

STRATEGIC RISK PROFILE.



<p>community members. Assuming that feedback can be obtained with short turnaround times pressures relationships; lwi and hapū timeframes don't always align with Council timeframes due to resourcing or other priorities. At times there's lack of clarity on how feedback was or will be considered in relationship to a project. Council is driving to ensure allocated funding is spent within financial year, which can pressure relationships.</p> <p>6. Unfunded mandates: Decisions by Central Government place additional requirements on Local Government which may be unpopular particularly when costs associated with new obligations must be borne by ratepayers. Perception that these are options taken by Council.</p> <p>7. Misinformation: Incorrect or misrepresentation of information – preconceptions and/or assumptions by communities and stakeholders that ineffective decisions have been made at ratepayer cost or that Council is responsible for areas that are out of its control. Mistrust of Council undermines our ability to do effective engagement and sustain stakeholder interest. Growth in social media commentary has led to a rise in mis/dis-information.</p>	
<p>Possible key impacts to TDC should the risk materialise.</p>	
<p>Plausible scenario</p>	<p>Worst case scenario</p>
<ul style="list-style-type: none"> • Poor understanding of what communities / stakeholders want or value - mismatched expectations. • Project delays cause increased project bow-wave for outer financial years and higher delivery costs. • Increased scrutiny from elected members, community, stakeholders, and media as queries rise – loss of social licence. • Staff wellbeing decreases as relationships deteriorate and engagement becomes increasingly negative. • Failure to meet legislative / regulatory requirements resulting in legal action. 	<ul style="list-style-type: none"> • Ongoing misrepresentation of information causes community and stakeholder disengagement and damage to Council reputation and credibility. • Failure to meet statutory obligations (such as water quality standards). • Breakdown of relationships between community, stakeholders, and elected officials results in perceived governance issues with commissioners installed by Local Government Minister. • Negative engagement experiences cause staff to leave Council.
<p>What are we tracking to understand this risk [Risk Indicators]</p>	
<ul style="list-style-type: none"> • Feedback: Direct / general feedback from stakeholders / communities / lwi. • LGOIMA requests: Number and tone of Local Government Official Information and Meeting Act requests. • Engagement tone: Social and formal media engagement tone, including monitoring sentiment. • Staff Wellbeing: Staff wellbeing / comfort in engaging with communities / stakeholders – general negative 'vibe'. 	
<p>How we are addressing this risk now.</p>	
<ul style="list-style-type: none"> • TDC recognition of the value of relationships. Council has invested in enhanced resources that enable better communication and engagement with communities, lwi and wider stakeholders – including growing capabilities within wider Council teams supporting more effective lwi-hapu relationships and defining the 'why' and 'how'. • Establishing and maintaining buy-in between parties in developing effective formal agreements. Formalising agreements that clarify expectations between lwi and Council (e.g. JMA and Mana Whakahono agreements). • Having a more engaging and authentic communication style – internally and externally. Supporting an interactive conversation rather than information sharing – via social media, general media and in person. Establishing a Council social media persona that is an authentic, trusted and transparent voice. • Investing in proactive engagement early in project planning to enable meaningful feedback that supports decision making and ensuring Council lets our communities know how their feedback has been considered (closing the loop). • Working to communicate with targeted communities more effectively and find communication channels for audiences we are currently unable to reach. • Having staff with a geographical focus who establish and maintain community relationships and act as a conduit between communities and Council teams. • Council is working towards strengthening relationships with key community partners through the application of a new community grants process. 	

STRATEGIC RISK PROFILE.**Future actions to manage the risk more effectively.**

- Support and facilitate more regular check ins with Iwi and communities at all levels (formal to informal).
- Take a whole of Council approach to relationship management by clarifying priority, purpose, and primary relationship holders that connect Council teams where needed and manage over-engagement where necessary – strategic and tactical relationship mapping, and clarity on roles and responsibilities.
- Ensure an equitable approach so that engagement in rural areas and Taupō town centre is consistent.
- Look for alternative communication channels and engagement methods to target a wider variety of audiences.
- Increased funding to support community and Iwi engagement, and communication across all Council projects and services.
- Procure a tool to assist with developing and maintaining relationships and partnerships that enables visibility of these across the organisation, such as a CRM system.
- Developing customer surveys to capture feedback and identify opportunities for improvement.
- Formalising our media strategy.
- Factoring adequate timeframes into projects to allow for engagement with the community and stakeholders.

Connection to other Risks?

Strategic risk 1 | Attracting and retaining a competent workforce (positive or negative experiences for staff when engaging with communities / iwi).

Strategic risk 6 | Non delivery of projects (project delays and increased costs; failure to meet community expectations).

Strategic risk 7 | Compliance and legal liabilities (failing to give effect to mandated obligations or meeting statutory timeframes for consultation).

Strategic risk 10 | Underperforming Council (failing to give effect to governance agreed expectations or arrangements).

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Plausible and Worst Case Scenario – Ineffective Relationships

Likelihood	Almost Certain	Low	Medium	High	Very High	Very High
	Likely	Low	Medium	High	High	Very High
	Possible	Low	Plausible scenario	Medium	Worst Case scenario	High
	Unlikely	Very Low	Low	Low	Medium	High
	Rare	Very Low	Very Low	Low	Medium	Medium
		Insignificant	Minor	Moderate	Major	Severe
		Consequence				

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Strategic Risk	Risk 3 Financial Strategy		
Description	If Council does not have sufficient liquidity and/or funding, the delivery of service levels and ability to fund key projects may be significantly impacted. This could include not having adequate borrowing headroom, growth being different to projections and modelling, planned asset sales being delayed, funding required for an unforeseen event such as a disaster.		
Owner	General Manager – Organisation Performance		
Last reviewed	February 2026	Within TDC Risk appetite?	N
Next review	May 2026	Risk trend	

Commentary and Emerging issues.
<p>This strategic risk has been evaluated against the updated risk framework. The plausible risk articulated above has now been rated as medium and is therefore tracking within Councils risk appetite.</p> <p>Council remains in a strong position to cope with emerging financial pressures, both as a result of its financial status, and from its solid policies and practices underpinned by robust internal capability and external support, e.g. external management of TEL funds. Risk Tolerance Analysis undertaken in 2023 indicated Council could withstand financial losses between \$20M (when analysed against revenue measures) to \$145M (when analysed against asset, liability and debt measures). Supporting Council’s financial strength is the S&P Global credit rating of AA.</p> <p>However, like all organisations, Council is subject to national and global drivers for economic shifts in inflation / interest rates and wider cost of living consequences on communities. These macro-economic impacts may affect the efficacy of Council’s Financial Strategy.</p> <p>Alongside a number of proposed central government reforms impacting the local government sector, there has been continued central government messaging in relation to irresponsible fiscal management by Council’s. Some of the proposed changes coming through from central government may challenge prudent financial management e.g. rates capping.</p> <p>Since its 2024-34 Long-term Plan, Council has obtained additional Infrastructure Insurance to offset its uninsured risk exposure to protect Council’s debt headroom and liquid assets (including Council’s TEL fund), following a significant event.</p> <p>Increasing severe weather events and other emergencies are placing pressure on Council to ‘get ahead’ with resilience improvements to Council assets, while also being exposed to the management of other costs in responding to these unplanned events. Council’s Disaster Recovery Reserve (approx. \$2.6M) can be utilised for response and recovery costs.</p> <p>Council can be seen as last line of liability, particularly in the building and regulatory environment, exposing it to financial risk, although central government has recently announced its intention to amend the Building Act 2004 to fundamentally change how liability for building defects is apportioned. The existing joint and several liability regimes is likely to be scrapped in favour of a proportional liability regime, potentially limiting the amount payable by a Council (or any other defendant) to its relative share of fault in the event of building defects occurring after building consents have been granted and code compliance certificates issued. Because this has not been enacted yet, we have not assumed any change to Council’s risk at this stage.</p>

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Risk drivers / causes.	
<ol style="list-style-type: none"> 1. <u>Central Government reforms</u> based on sector issues or decisions. Central government policy and direction setting, e.g. rates capping. 2. <u>Poor decisions</u> or inadequate forecasting – based on poor investment advice or inaccurate economic and / or expenditure forecasting and budget ownership – including Council providing financial security to CCOs. 3. <u>Mismanagement of funds</u> – either deliberate or unintentional. 4. <u>Financial payouts</u> - due to fines (such as failing to meet drinking water standards, major Health and Safety at Work Act, or Privacy breaches). Payment of ransomware demands. 5. <u>Growth</u> that is significantly outside of planning assumptions. 6. <u>Economic climate</u> – shifts in global or national monetary policy that drive inflation / interest rises and cost of living and changes in global insurance markets. 7. <u>Joint and Several Liability</u> - Failure of other entities where Council is the last layer of liability, particularly relevant to Council's Building Consent Authority duties. 8. <u>Significant disaster</u> – widespread impacts to Council infrastructure and in the community that require remediation, replacement or retirement. 	
Possible key impacts to TDC should the risk materialise.	
Plausible scenario	Worst case scenario
<ul style="list-style-type: none"> • Rates expectations (community or central government rates cap) are mismatched with levels of service expectations which could impact Council's ability to prudently manage its finances. • Inability to meet regulatory requirements (e.g. water standards). • • Council credit rating decreases, increasing borrowing costs. • Damage to Council reputation. • Political tension, loss of elected members. 	<ul style="list-style-type: none"> • Significant impacts to Council and community assets with little option to repair / replace. • Inability to borrow funds for infrastructure needs. Council operations significantly affected. Council bankrupt. • Commissioners in place to run Council or sector wide amalgamations. • Extreme loss of public and stakeholder confidence. •
What are we tracking to understand this risk [Risk Indicators]	
<ul style="list-style-type: none"> • Ongoing benchmarks including Financial Prudence benchmarks, annual credit rating. • Quarterly Treasury Management report, and monthly investment and financial reporting to Council. • Annual planning process and ongoing forecasting. • Legal and compliance updates to Risk and Assurance Committee. • Ongoing reporting of key projects to Risk and Assurance Committee. E.g. Significant Projects Report, Digital Improvement Programme reporting. • CCO reporting requirements. • Internal auditing programme, external audit on LTP and Annual Report. 	
How we are addressing this risk now.	
<ul style="list-style-type: none"> • Robust financial policies, guidelines, and controls (including Treasury Policy and Investment Guidelines) that supports Council funding appropriate spending. • Continued maturity in relation to insurance data and Council's exposure. Loss modelling is currently underway with Council's insurance advisors. • Strong internal and external capability (including staff capability and external advisors). Staff focus on developing and maintaining sector relationships. • Proactive management of investment funds with targeted returns and balanced portfolio. • Regular budget reviews / forecasting support good financial assumptions. Regular reporting to Council. Strong financial benchmarks. 	

STRATEGIC RISK PROFILE.

<ul style="list-style-type: none"> • Internal and external auditing and strong governance oversight. • Implementing its Digital Improvement Programme.
<p>Future actions to manage the risk more effectively.</p> <ul style="list-style-type: none"> • Continued maturity of Council forecasting which enables real-time changes and reporting against budget. • The above will support strengthened reporting to TDC Executive, tier 3 managers, and governors. Increased focus on financial accountability will in turn drive improved financial management performance. • Stronger asset management processes, particularly regarding data quality, capitalisation, and database maintenance – enabling a more comprehensive Council understanding of its assets, which is crucial for planning renewal costs and managing insurance. • Continued refinement through actioning improvements identified through audit recommendations. • Continue to implement improvements through the Digital Improvement Programme.
<p>Connection to other Risks?</p> <p>Strategic risk 1 Attracting and retaining a competent workforce (unable to offer competitive salaries to secure key skills)</p> <p>Strategic risk 4 Critical Infrastructure failure (inability to secure funds to restore / replace key infrastructure assets)</p> <p>Strategic risk 6 non-delivery of projects (lack of capital reduces ability to deliver on projects, although to date the availability of Council capital has exceeded Council's ability to deliver projects, as illustrated through a significant 'carry-forward' budget).</p> <p>Strategic risk 7 Compliance and legal liabilities (failure to fund assets that result in regulatory requirements e.g. drinking water standards; fines imposed on Council for regulatory breaches, although to date Council has been able to fund all necessary asset improvements).</p> <p>Strategic risk 9 Effects of climate change (having appropriate insurance and setting aside money to rebuild infrastructure after a natural disaster).</p> <p>Strategic risk 10 Underperforming Council (should a significant financial situation arise; this would increase friction between elected members and creates a perception that Council is not managing finances for the good of the community. In extreme circumstances this may lead to having Commissioners instated).</p>

STRATEGIC RISK PROFILE.

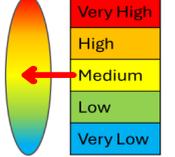


Plausible and Worst Case Scenario – **Financial Strategy**

Likelihood	Almost Certain	Low	Medium	High	Very High	Very High
	Likely	Low	Medium	High	High	Very High
	Possible	Low	Low	High 	High	High
	Unlikely	Very Low	Low	Low	Medium	High 
	Rare	Very Low	Very Low	Low	Medium	Medium
		Insignificant	Minor	Moderate	Major	Severe
		Consequence				

STRATEGIC RISK PROFILE.



Strategic Risk	Critical Infrastructure Failure	Risk Rating (Plausible scenario) 	<table border="1"> <tr><td style="background-color: red; color: white;">Very High</td></tr> <tr><td style="background-color: orange;">High</td></tr> <tr><td style="background-color: yellow;">Medium</td></tr> <tr><td style="background-color: lightgreen;">Low</td></tr> <tr><td style="background-color: blue;">Very Low</td></tr> </table>	Very High	High	Medium	Low	Very Low
Very High								
High								
Medium								
Low								
Very Low								
Description	If any infrastructure essential for ensuring the safety and wellbeing of the community fails, then there could be adverse effects on public health and environmental outcomes.	Within TDC Risk appetite?	N					
Owner	General Manager – Community Infrastructure and Services	↑						
Last reviewed	December 2025	↔						
Next review	March 2026	↓						

Commentary and Emerging issues.
<p>The evaluation of this risk against the updated framework has resulted in a reduction to both the plausible and worst-case scenario risk ratings. This is reflected in the plausible rating and trend (articulated above) reducing to within Councils risk appetite.</p> <p>New Zealand is one of the most hazard-exposed countries on the planet, with our critical infrastructure systems facing a unique set of complex geographic risks making it vulnerable to earthquakes, cyclones, and other natural hazards, all of which can have an effect on the critical infrastructure the community relies on. For example (but not limited to):</p> <ul style="list-style-type: none"> • three waters infrastructure • bridges • roading • landfill / solid waste disposal sites. <p>At a Cabinet level, in December 2014 the government agreed a National Risk and Resilience Framework. The intent is to ensure that government is being strategic and proactive in efforts to manage risks and build resilience to the biggest hazards and national security threats that could potentially derail the country.</p> <p>As a result, this strategic risk is decreasing over time as there is an increased focus on building resilience into infrastructure assets and systems, including power and telecommunications. There is also a strengthened regulatory environment which involves designing and managing infrastructure to withstand, adapt to, and recover from unexpected events and other natural disasters which is contributing to resilience in New Zealand – i.e. building codes etc.</p> <p>Our infrastructure systems are interconnected, therefore disruptions to one can cascade to others. Resilience requires considering these interdependencies and ensuring that systems can maintain functionality even when others are disrupted. For example, bridging carrying three waters assets, power, or telcos – resilience requires alternative methods of service delivery in the event that a bridge fails.</p> <p>Improved technology is also available to Council to capture better data / information to help monitor potential disruptors (use of telemetry).</p> <p>Public awareness and understanding of the risk associated with critical infrastructure - and how reliant on it they are to live has also improved.</p> <p>Potential rates caps and reduced funding (e.g. NZTA subsidy reduction) could impact our ability to maintain the condition of assets, potentially resulting in a reduction in services.</p>

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Risk drivers / causes.	
<ol style="list-style-type: none"> Inconsistent application of best practice approaches and tools for identifying, assessing, recording and maintaining critical infrastructure assets; access to asset components / ‘spares’ – to minimise asset downtime. Inconsistent documented guidance and practice to support staff doing the right thing; a lack of clear and consistently applied Standard Operating Procedures (SOPs) leaves staff vulnerable. Availability of technical skills – limited expertise, an over reliance on contractors, or key staff in some areas creates additional vulnerability through key person risk – TDC fights with other players for access to talent. Disruptive events – critical assets are exposed to a variety of external disruptors e.g. severe weather events, fire, cyber-attack, power outages. Changes in the regulatory or financial landscape shift broader priorities for funding. Reduction in central government investment impacts on the ability for local improvements and maintenance to ensure assets are fit for purpose. Regional consenting requirements slow down project delivery. Global supply chains remain impacted following covid (or through new drivers such as offshore tariffs) reducing access to critical components and driving cost up. Consultation processes can slow critical asset repairs, increasing the risk of more significant asset failure in the meantime. 	
Possible key impacts to TDC should the risk materialise.	
Plausible scenario	Worst case scenario
<ul style="list-style-type: none"> Public water supply is compromised resulting in boil water notices being issued to impacted communities – possible public health risk. Stormwater capacity is exceeded during severe rainfall events causing roading impacts and localised flooding to home and businesses. Capacity at landfill site may be exceeded following significant emergency (debris management). Disruption to infrastructure SCADA (Supervisory Control and Data Acquisition) system leaves council unable to remotely operate, gather data, or receive alerts from Water supply / wastewater / stormwater systems. Failure of infrastructure resulting in discharge of untreated or partially treated waste into waterways. Failure to maintain roading could result in communities being cut off and / or isolated by land slips or tree falls blocking roads. 	<ul style="list-style-type: none"> Widespread impacts across multiple critical infrastructure systems and assets causing significant disruption to the community. Older critical infrastructure assets are unrepairable and require unbudgeted replacement. Ongoing compromised service levels. Land instability renders parts of the roading network too high risk for normal use requiring alternate routes with travel delays. Widespread heightened public health risk / increased wellbeing impacts on the community. Long term delays to service restoration as a result of insufficient contractor workforce available to repair or reinstate damaged assets. Breach of regulations / legislation resulting in an increased risk of fines. Loss of public confidence. Bridge failure results in significant re-routing for community traffic or goods with heavy loads.
What are we tracking to understand this risk [Risk Indicators]	
<ul style="list-style-type: none"> Tracking asset age and condition for critical assets. Monitoring asset maintenance and repair history to look for trends. Monitoring Geotech risks and flood area risks where critical infrastructure is located including the completion of a SCADA scoping exercise to identify areas of risk. Assessment and reporting of compliance with drinking water quality and supply. Stormwater overland flowpath modelling and network capacity assessment. The TDC Policy team monitor and respond to new / changes to central government policy (e.g. overland flowpath legislation). 	

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<p>How we are addressing this risk now.</p> <ul style="list-style-type: none"> • <u>Understanding hazard risk and asset vulnerability</u> – e.g. modelling hazard risk e.g. earthquake risk (via BOPLASS); overland flowpath. Mapping asset information and condition assessments. • <u>Building resilience over the long-term.</u> Development of Infrastructure Strategy. • <u>Technological / best practice advances.</u> Taking innovation and incorporating as part of normal practice. • <u>Strengthening immediate response actions.</u> Review of business continuity planning and crisis management arrangements. Response tools i.e. portable flood response equipment / generators. • <u>Identification of budget</u> for resilience in the Long Term Plan (LTP). • <u>An asset improvement plan</u> has commenced for 3 Waters assets. • <u>Identification of asset condition</u> to enabling better funding forecasting.
<p>Future actions to manage the risk more effectively.</p> <ul style="list-style-type: none"> • Continuing work to identify, assess and review assets and condition to build a comprehensive overview of critical asset condition and investment needs. • Clarifying expectations around levels of service (within budget) for BAU delivery and defining emergency levels of service. Identifying critical customers and service needs. Planning for critical customer service levels. • Community engagement – to support a better understanding of service level and associated cost. Supporting the community to be more resilient to impacts on service levels from disruption. • Undertaking more scenario-based discussion / exercising to refine immediate response actions and associated response planning. • Investment in developing a comprehensive overview of critical infrastructure vulnerabilities and strengths (engineering assessments / condition assessments / seismic resilience). • Investment in more resilient assets (SCADA; ensuring planning infrastructure projects are delivered). • Finalise and implement the 3 Waters asset improvement plan.
<p>Connection to other Risks?</p> <p>Strategic Risk 1 Attracting and retaining a competent workforce (skills gaps; reliance on contractor skills; key person risk).</p> <p>Strategic Risk 3 Financial Strategy (propensity to impact financial strategy through building resilient infrastructure or via repair / recovery costs).</p> <p>Strategic Risk 6 Non-delivery of projects (planned projects are deprioritised; asset upgrade investment fails to keep up with increasing asset vulnerability).</p> <p>Strategic Risk 7 Compliance and legal liabilities (unconsented discharge of wastewater; impacts to water quality, compromised roading access).</p> <p>Strategic Risk 8 Maintaining ICT systems and secure records (critical asset IT systems compromised).</p> <p>Strategic Risk 9 Effects of climate change (increase in severe weather events; damage to critical infrastructure – particularly ageing assets).</p>

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Plausible and Worst Case Scenario – **Critical Infrastructure Failure**

Likelihood	Almost Certain	Low	Plausible scenario	High	Very High	Very High
	Likely	Low	Medium	High	High	Very High
	Possible	Low	Low	Medium	Worst Case scenario	High
	Unlikely	Very Low	Low	Low	Medium	High
	Rare	Very Low	Very Low	Low	Medium	Medium
		Insignificant	Minor	Moderate	Major	Severe
		Consequence				

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Strategic Risk	Zero Harm	
Description	Harm is caused to workers, or others, due to poor or inactive health and safety systems, non-compliance with legislative requirements, or inadequate governance / management of shared health and safety responsibilities with other PCBUs.	
Owner	GM Organisation Performance	
Last reviewed	February 2026	
Next review	June 2026	
Risk Rating		
Within TDC Risk appetite?		N
Risk trend	↑	
	↔	✓
	↓	

Commentary and Emerging issues.
<p>This strategic risk has been evaluated against the updated framework. However, the plausible risk articulated above remains high and is therefore still tracking above Councils risk appetite.</p> <p>Progress has been made in the short-term on initiating health and safety improvements across Council, with a focus on management of critical risks. The broader organisation is supportive of, and committed to, improving health and safety in TDC and has recently adopted a Critical Risk Management Framework which is in the process of being implemented for the following critical risks: Aggressive and threatening behaviour; Working with Animals; Asbestos; and Working at Heights Improvements have also been made with contractor management through the adoption of Council’s <i>Overlapping Duties Framework</i> which provides a proportionate, risk based framework to help contract managers achieve good H&S outcomes with suppliers. This has also been instrumental in helping Council transition from the prescriptive <i>Code of Practice for Temporary Traffic Management</i> to the risk-based <i>NZ Guidelines for Temporary Traffic Management</i>.</p> <p>In December 2025 KPMG was engaged to undertake a desk-top review of Council progress towards addressing recommendations arising from their 2023 audit of Council’s H&S practices. The review recognised that TDC has made strong and sustained progress since the 2023 audit, embedding health and safety improvements into core governance and operational practices rather than relying on short-term fixes. They recognised the significant sector-wide pressures facing local government and noted that some tasks planned in the <i>H&S Improvement Plan</i> may be extended based on Council’s assessment of available resourcing and the wider work programme.</p>
Risk drivers / causes.
<ol style="list-style-type: none"> Increasing levels of threatening and abusive behaviour are impacting on staff safety and wellbeing. Antisocial behaviour, fuelled by a range of community factors (for example; cost of living, mistrust of government, changes to regularly requirements, increased expectations, and unwillingness to comply with regulatory requirements) triggers more micro-aggressions by the public that become ‘normalised’. People leaders do not clearly understand their health and safety responsibilities and accountabilities. Uptake of Health and Safety (H&S) ownership and its application across teams is inconsistent. Baseline expectations for all people leaders has not been well articulated. Limited Health, Safety and Wellbeing capacity across the business: in the absence of a ‘business partner’ approach to steward Health, Safety and Wellbeing (HSW) practices across Council the technical expertise and advice to teams is provided by a limited centralised resource. Unstructured H&S Management System documentation. Council’s Health & Safety Management System lacks consistent structure and alignment with national standards. Key documentation—such as policies, guidelines, SOPs, and controls is fragmented across multiple software platforms, inconsistently applied, and not sufficiently measurable. This undermines system accessibility, governance oversight, and assurance of effective risk management.

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<p>5. Lack of consistent training for people leaders and staff covering both generic H&S requirements and / or more technical H&S training for more high-risk environments.</p> <p>6. Monitoring and reporting. The current H&S incident reporting tool (DAMSTRA) is arduous to use and consequently, despite training having been provided, could be missing key data. There is also a reluctance to report incidents / near misses. A review of requirements and the capability / capacity of DAMSTRA to meet Councils needs is being undertaken.</p>	
Possible key impacts to TDC should the risk materialise.	
Plausible scenario	Worst case scenario
<ul style="list-style-type: none"> Physical / psychological harm to staff or the public as a result of exposure to aggressive behaviour or a series of events that become normalised over time. Ongoing wellbeing impacts for exposed staff. Internal H&S investigations following incidents shift focus to reacting to incidents rather than reducing risk. Disruptions to team culture arising from investigations. Service level impacts arising from staff absent from the workforce. Staff workload increases and burnout potential arising from backfilling of roles. Lower engagement by staff or increase staff churn. Media interest or reputational impacts for Council. Financial implications arising from regulatory actions or compensation. Temporary reduction of key services due to inability to secure staff. 	<ul style="list-style-type: none"> Staff or member of the public loss of life. Significant impact to staff wellbeing resulting from an unsafe working environment, leading to decreased staff engagement, resignations, inability to return to work, or difficulty recruiting in key roles. Significant incident investigation - executive stewardship required. Prosecution under H&S Act, either against the organisation or at Officer level as recently experienced by Ports of Auckland CEO. Regulator intervention. System review required. Sustained media coverage, reputational damage and reduced public perception of Council. Increased requests for information. Financial implications arising from regulatory actions or compensation. Long term reduction of key services due to inability to secure staff.
How we are addressing this risk now.	
<ul style="list-style-type: none"> <u>Training</u> – providing H&S risk-based training through inhouse and external providers. Executive review of H&S incidents and trends to inform the development of strategic interventions. <u>Critical H&S risk management</u>– we have developed a framework which has been approved by the Executive. <u>Team level procedures</u> – SOPs to provide guidance on effective and safe operating practices. H&S discussions in team meetings. Operational staff “toolbox” sessions. <u>Monitoring</u> - staff health monitoring programme. 	
Future actions to manage the risk more effectively.	
<ul style="list-style-type: none"> Perform risk assessments for H&S critical risks which will inform the development of critical risk control procedures that prescribe minimum mandatory controls. Perform a training needs analysis and develop a H&S training programme for people leaders and job specific training for staff. This will be rolled out in line with the H&S improvement plan over FY 25/26. Develop an incident management procedure which encompasses investigation requirements and provides guidance on the development of corrective / preventive action plans. Evaluate the capacity of the DAMSTRA H&S software to meet our requirements or investigate options to replace it with an alternative system. Review worker engagement, participation and representation protocols to empower H&S Representatives to contribute to H&S initiatives. Contractor management – conduct training and implement the recently approved contractor management framework. Building proactive safety culture whereby team engagement is done with an intention of reducing risks instead of reacting to accidents / issues / events. 	

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Connection to other Risks?	
Strategic risk 1	Attracting and retaining a competent workforce (staff time off work through injury / stress, increased workload to cover absent staff, disengaged workforce, difficulty filling key front line roles).
Strategic Risk 2	Ineffective Relationships (impacts to loss of social licence, reputation damage, community or stakeholder relationship breakdown).
Strategic Risk 3	Financial Strategy (propensity to impact financial strategy through regulatory fines and / or reparation costs or compensation).
Strategic Risk 7	Compliance and legal liabilities (breaches of the Health and Safety at Work Act 2015).

Plausible and Worst Case Scenario – Zero Harm

	Almost Certain	Low	Medium	High	Very High	Very High
Likelihood	Likely	Low	Medium	Plausible scenario	High	Worst Case scenario
	Possible	Low	Low	Medium	High	High
	Unlikely	Very Low	Low	Low	Medium	High
	Rare	Very Low	Very Low	Low	Medium	Medium
			Insignificant	Minor	Moderate	Major
		Consequence				

STRATEGIC RISK PROFILE.



07 Strategic Risk	Risk 6 Non-Delivery of Projects	Risk Rating
Description	If the Council does not deliver the projects it has funded within the planned timeframes, then this has a negative flow on effect for future planning and funding for the organisation and delivery for the community.	
Owner	General Manager – Community Infrastructure & Services	Within TDC Risk appetite? N
Last reviewed	February 2026	Risk trend
Next review	May 2026	

<p>Commentary and Emerging issues.</p> <p>The evaluation of this risk against the updated framework has resulted in a decrease to both the plausible and worst-case scenario risk ratings. This is reflected in the plausible rating and trend articulated above and this strategic risk now tracking within Councils risk appetite.</p> <p>The issue of deliverability and its solution sits with multiple teams across Council. In financial year 24/25 Councils’ capital delivery target was \$68M. At 24/25 financial year end, TDC exceeded its target and delivered \$78M against an annual plan budget of \$70.9M. However, the volume of projects planned for delivery increases each year as the District grows and community need increases</p> <p>Despite delivery results in 24/25 exceeding the plan, carry forward was not reduced by the 33% target Council had set and therefore continues to be a challenge.</p> <p>There is a continued risk that some projects will not be completed within the planned financial year. Project lifecycles are such that extrinsic and intrinsic factors create delays that mean projects do not fit perfectly within “financial years”. Current risks include complex infrastructure approval processes, multiple overlapping reforms, extreme weather conditions, more complex engagement processes, resourcing associated with re-sequencing of capital programme to keep within debt and rate limits, economic recession resulting in reduced contractor pool and tender prices above budget, ongoing infrastructure deficit and population growth demand.</p> <p>Despite improvements in planning and delivery, TDC must continue to focus on levers and “right-sizing” of our capital plan to ensure we get closer to 100% capital plan delivery (and associated project benefits).</p> <p>Risk drivers / causes.</p> <ol style="list-style-type: none"> 1. Unrealistic Front-End Planning and Assumptions: LTP capital programmes are set without fully accounting for delivery capacity, market conditions, and external dependencies, resulting in targets that exceed proven delivery capability. 2. Constrained and Fragmented Delivery Capacity: Delivery resources face delays, unplanned work, and competing priorities, reducing focus on major capital projects and slowing overall delivery. 3. External Market and Environmental Volatility: Capital delivery is increasingly disrupted by external factors such as policy changes, economic conditions, climate impacts, contractor failures, and reliance on external agencies. 4. Inconsistent Capability, Practices, and Oversight: Inconsistent project management capability, standards, and reliance on scarce specialist resources reduce visibility, accountability, and timely decision making across the portfolio. 5. Structural and Timing Constraints on Delivery: Misalignment between budgeting cycles, delivery moratoria, and stakeholder engagement timelines extends project durations and increases delays and carry forward.
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STRATEGIC RISK PROFILE.

Possible key impacts to TDC should the risk materialise.	
Plausible scenario	Worst case scenario
<ul style="list-style-type: none"> • If Council systematically fails to deliver funded projects within planned timeframes, stakeholders (Elected Members, central government, funders and the community) lose confidence in its delivery capability, which in turn constrains future funding decisions, increases political and regulatory scrutiny, and prolongs or worsens infrastructure and service deficits for the community. • Infrastructure delivery delays constrain growth and create compounding impacts for future financial years. • With lack of clear capital project timeframes, suppliers may leave the local market. • External funding streams are reduced or lost e.g. Waka Kotahi. • Failure to deliver projects designed to keep pace with changing legislation in an environment where budget is heavily constrained, resulting in regulators exercising their powers to a greater degree than previously experienced. 	<ul style="list-style-type: none"> • Growth halted as infrastructure capacity impedes ability to service growth. • Major infrastructure failure as a lack of investment in renewing assets leaves them vulnerable to disruption. • Fines and other regulatory sanctions as statutory standards are not met. • Breach of Treaty obligations. • Loss of public and stakeholder trust and confidence as expectations fail to be met
What are we tracking to understand this risk [Risk Indicators]	
<ul style="list-style-type: none"> • Regular reporting to Council on key projects. • Internal project risk reporting and Project Quality Assurance process. • Monitoring project expenditure against budget and forecasted expenditure. Reforecasting processes are being developed. • Informal tracking of significant project benefits and success rates. 	
How we are addressing this risk now.	
<ul style="list-style-type: none"> • Improving and maturing project management practices - stronger internal connections and "organisational view of capital delivery" • Building project management capability - Internal centre of excellence, connected with other BOP/Waikato PMO, training PM's (Transport, Parks etc). • Improving supplier panel and early engagement. • Enhanced governance detail: Improvements in Council and R&A reporting, Exec team briefing, monthly 3W/Transport and Events Steering Groups, Sponsor training. • ELT business plan focus - monthly performance report. • Regular formal reforecasting further strengthens existing project monitoring and review processes by providing an additional forward-looking view of delivery achievability. 	
Future actions to manage the risk more effectively.	
<ul style="list-style-type: none"> • Strengthen LTP capital planning by aligning realistic budgets, delivery timelines, prioritisation, and community/regulatory need with actual delivery and workforce capacity. Currently underway in LTP planning for 27/28. • Improve and integrate core delivery systems (TechOne, project management, procurement, reporting, forecasting, iwi/hapū engagement, and market intelligence) to enable better cost control, oversight, affordability assessment, and delivery decision making. 	

STRATEGIC RISK PROFILE.

- Clarify roles, responsibilities, and accountabilities across delivery, including procurement and contractor management, early market engagement, and stronger coordination across internal functions, supported by improved reporting of delivery effort (capital and non-capital).
-

Connection to other Risks?

Strategic risk 1 | Attracting and retaining a competent workforce (failure to retain a competent workforce in the PMO as a result of higher than achievable workload leading to increased churn).

Strategic risk 2 | Ineffective relationships (within TDC, service providers, central government, suppliers, elected members, iwi partners and ratepayers. Failing to coordinate impacts on the community).

Strategic risk 3 | Financial Strategy (rating for projects too soon; failure to deliver against budget forecast; variances due to delayed projects).

Strategic risk 4 | (failure to deliver critical infrastructure projects on time extending key vulnerabilities).

Strategic risk 5 | Zero harm (risk of fatigue / burn out within the PMO team as a result of higher than achievable workload).

Strategic risk 7 | Compliance and Legal liabilities (failure to meet key regulatory standards e.g. drinking water standards, due to unfunded or delayed projects).

Strategic risk 10 | Underperforming Council (failing to meet political expectations, Diversion of resources to meet increased scrutiny. Political pressure to manage community disruption slows delivery of key projects).

STRATEGIC RISK PROFILE.



Plausible and Worst Case Scenario – Non Delivery of Projects

Likelihood	Almost Certain	Low	Medium	High	Very High	Very High
	Likely	Plausible scenario	Medium	High	High	Very High
	Possible	Low	Worst Case scenario	Medium	High	High
	Unlikely	Very Low	Low	Low	Medium	High
	Rare	Very Low	Very Low	Low	Medium	Medium
		Insignificant	Minor	Moderate	Major	Severe
		Consequence				

STRATEGIC RISK PROFILE.



<table border="1"> <tr> <td>Strategic Risk</td> <td>Risk 7 Compliance and Legal Liabilities</td> </tr> <tr> <td>Description</td> <td>If Council does not meet its broad range of legislative and compliance responsibilities, either intentionally or unintentionally, then it may be subject to legal action or suffer other damage.</td> </tr> <tr> <td>Owner</td> <td>GM - Organisation Performance</td> </tr> <tr> <td>Last reviewed</td> <td>February 2026</td> </tr> <tr> <td>Next review</td> <td>May 2026</td> </tr> </table>		Strategic Risk	Risk 7 Compliance and Legal Liabilities	Description	If Council does not meet its broad range of legislative and compliance responsibilities, either intentionally or unintentionally, then it may be subject to legal action or suffer other damage.	Owner	GM - Organisation Performance	Last reviewed	February 2026	Next review	May 2026	
Strategic Risk	Risk 7 Compliance and Legal Liabilities											
Description	If Council does not meet its broad range of legislative and compliance responsibilities, either intentionally or unintentionally, then it may be subject to legal action or suffer other damage.											
Owner	GM - Organisation Performance											
Last reviewed	February 2026											
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Risk Rating												
Within TDC Risk appetite?	N											
Risk trend	↑											
	↔											
	↓											

<p>Commentary and Emerging issues.</p> <p>The evaluation of this risk against the updated framework has resulted in a decrease to both the plausible and worst-case scenario risk ratings. This is reflected in the plausible rating and trend articulated above which is now tracking within Council's risk appetite.</p> <p>Council is finding it increasingly challenging to secure sufficient liability cover (consistent with what we are hearing from the sector), with exclusions and policy conditions increasing Council's risk. This reflects a lack of international appetite to provide liability cover for NZ's local authority sector off the back of leaky buildings, legislative challenges, and other events.</p> <p>The introduction of the Drinking Water Quality Assurance Rules in 2022 raised the water quality bar. We are working towards Council's water supply schemes being fully compliant, and Council has a comprehensive programme of upgrades to our water treatment plants which will address this. Following on from this, new standards for wastewater are due to be released Q1 2026, storm water standards are also under development. The implications for the upcoming standards are not yet known.</p> <p>The Water Services Authority – Taumata Arowai has communicated to the industry that there will be a low tolerance to non-compliance by 2028. Their expectation is that all council water supplies are fully compliant by this time. Non-compliance could ultimately lead to prosecution. Climate change continues to be a cause of concern where the increased frequency of extreme weather events threatens the ability of our infrastructure to cope and could therefore also result in non-compliance.</p> <p>Central government reforms in the building and resource management area will have a significant impact on Council's regulatory services in the future.</p> <p>Increased public interest in official information and more concern around privacy are both having resourcing implications for the Council.</p> <p>A rise in sovereign citizens challenging Council authority is leading to increased time and effort defending Council's position.</p>	
<p>Risk drivers / causes.</p> <ol style="list-style-type: none"> Lack of clarity / guidance: Lack of technical guidance to provide clarity on what is compliant, how intolerable non-compliance is, or what the impact of non-compliance is on Council. Human behaviour: Staff error or poor judgement due to lack of experience, training, or skilled capacity to effectively manage tasks (key person risk). Negligence due to poor levels of engagement. Process complexity: Critical processes are complex and/or managed manually exposing risk of human error with potentially significant impacts (i.e. Rates resolution). Inability to leverage rates, fees or charges reduces Council revenue. Third party risk: Use of contractors where expectations around compliance are misunderstood. Having robust processes to ensure that contractor deliverables are to the required standard. Increased risk of fraudulent activity. 	

STRATEGIC RISK PROFILE.



<p>5. Poor asset or data quality: Poor asset or data quality and/or absence of technical systems that ensure asset vulnerabilities are understood and / or can enable effective data collection and reporting.</p> <p>6. Cyber security breach leading to the potential for privacy breaches.</p> <p>7. Changing compliance environment: Decisions by Central or Regional government that change the compliance environment for local councils.</p> <p>8. Joint and several liability: Multiple parties impacted by compliance / legal issues where council becomes the 'easy' target for compensation. This could change in the building space as the legislation is under review.</p> <p>9. Impacts of climate change: Increased severe weather events causing non-compliance / consent impacts arising from discharge volume and/or wastewater failures as treatment capacity exceeded, causing environmental impacts and relationship impacts with local iwi / hapu.</p> <p>10. Lack of trust in central and local government: Reflected in the rise of the sovereign citizen movement becoming more common in our dealings with customers.</p>	
<p>Possible key impacts to TDC should the risk materialise.</p>	
<p>Plausible scenario</p>	<p>Worst case scenario</p>
<ul style="list-style-type: none"> • Loss of confidence in building consent authority and / or accreditation issues adding time and cost to processing building consents. • Resource consenting could become regional (as opposed to local) resulting in potential staff cuts. • Isolated injury; impacts on staff wellbeing; isolated impact on community public health, environment and/or local business. • Potential financial implications through claims against Council and / or fines; reduced revenue (rates, fees or charges); difficulty securing cost effective insurance. • Damage to relationships with iwi / hapu (especially environmental non-compliance). • Pressure from the community to keep compliance costs low. • Poor community behaviours to avoid paying fees (i.e. asbestos in landfill). • Loss of community confidence and damage to Council reputation. • Non-compliance with 3 Waters regulatory standards resulting in enforcement action. • Cyber security breach of Council systems resulting in a loss of sensitive personal information. 	<ul style="list-style-type: none"> • Prosecution of Council and / or officers e.g. Health and Safety at Work Act, Regional Council, Environment Court. • Loss of life / significant injuries e.g. building collapse, widespread water quality issue. <ul style="list-style-type: none"> • Severe financial impact, which could have flow on effects to financial strategy and Council credit rating. • Breakdown of relationships between community, stakeholders, and elected officials results in perceived governance issues e.g. commissioners appointed by Local Government Minister. • Physical attack on Council staff by members of the public / sovereign citizen movement. • Potential overload of storm and wastewater assets resulting in significant long-term effects to health and the environment (including cultural) which could lead to prosecution. • Large scale cyber security breach of Council systems resulting in serious harm to people.
<p>What are we tracking to understand this risk [Risk Indicators]</p> <ul style="list-style-type: none"> • Monitoring: Operational monitoring (all compliance activities), including H&S incidents. • Reporting: Reporting against statutory requirements and Council Performance indicators. • Requests for Service: number of call outs, incidents, and feedback from the public. • Assurance: Audit and assurance processes. 	
<p>How we are addressing this risk now.</p> <ul style="list-style-type: none"> • Performance reporting against Council business plan and agreed KPIs; financial reporting to regulators and Council (including reporting to insurers) and reporting to the Risk and Assurance Committee. • Having appropriately skilled, qualified and experienced technical staff that understand the regulatory / legislative frameworks they work within. Understanding key person risk and managing critical technical gaps where possible. Using expert / external support where needed (i.e. solicitors and advisors). Having a leadership culture that values compliance. • Ongoing / continuous monitoring and record keeping. Data improvement programmes. 	

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<ul style="list-style-type: none"> • Formalised and documented policies and standard operating procedures (including asset management plans). • Use of external auditing capabilities to provide assurance that Council is operating within compliance obligations; use of internal auditing capacity to provide peer review. • Establishing a Business Excellence team within Council to coordinate and centralise Health & Safety, risk, and procurement and prioritise organisational improvement. • TDC recognition of the value of relationships. Investment in enhanced resources that enable better communication and engagement with communities, Iwi and wider stakeholders. • Having arrangements and contingencies in place to minimise the impacts arising from incidents (i.e. business continuity plans, response arrangements and insurance where appropriate).
<p>Future actions to manage the risk more effectively.</p> <ul style="list-style-type: none"> • Continue to progress corrective actions / identified improvements from audits and reviews. • Strengthening Council's internal capacity to provide assurance over compliance activities by implementing a formal assurance programme focused on risk vulnerability. • Sustaining investment in ensuring that professional and technical SMEs are skilled, qualified and experienced within critical regulatory frameworks. • Building redundancy to manage key person risk. • Strengthening and updating systems and processes that enable good data quality, data management, record keeping, management of third-party contractors, and a strategic overview of Council's compliance landscape. • Continued investment in key assets to reduce the risk of asset failure and resulting compliance issues.
<p>Connection to other Risks?</p> <p>Strategic risk 1 Attracting and retaining a competent workforce (key person risk for qualified technical and professional SME's).</p> <p>Strategic risk 2 Ineffective Relationships (loss of social licence, reputation damage, relationship breakdown).</p> <p>Strategic risk 3 Financial Strategy (Loss of revenue; fines; compromise TDC Financial Strategy; credit rating impacts).</p> <p>Strategic risk 4 Critical Infrastructure Failure (failure of assets causes increased compliance risk).</p> <p>Strategic risk 5 Zero Harm (Health and Safety impacts; injury, illness, death and staff wellbeing).</p> <p>Strategic risk 6 Non-delivery of Projects (compliance requirements requiring project investments).</p> <p>Strategic risk 8 Maintaining ICT Systems and secure records (data quality, data management, data security).</p> <p>Strategic risk 9 Effects of Climate Change (increased severe weather events have propensity for non-compliant discharges of water / wastewater into the environment).</p>

STRATEGIC RISK PROFILE.



Plausible and Worst Case Scenario – Compliance & Legal

Likelihood	Almost Certain	Low	Medium	High	Very High	Very High
	Likely	Low	Medium	High	High	Very High
	Possible	Low	Low	High <small>Plausible scenario</small>	High	High
	Unlikely	Very Low	Low	Low	Medium	High
	Rare	Very Low	Very Low	Low	Medium	High <small>Worst Case scenario</small>
		Insignificant	Minor	Moderate	Major	Severe
		Consequence				

STRATEGIC RISK PROFILE.



Strategic Risk	Risk 8 Maintaining effective ICT Systems and Secure Records	Risk Rating
Description	IT systems and Council data are vulnerable to system failures and cyberattacks impacting Council's operations and reputation.	
Owner	General Manager – Organisation Performance	Within TDC Risk appetite? N
Last reviewed	January 2026	Risk trend
Next review	April 2026	

<p>Commentary and Emerging issues.</p> <p>The evaluation of this risk against the updated framework has resulted in a decrease to both the plausible and worst-case scenario risk ratings. This is reflected in the plausible rating and trend (articulated above) reducing to within Councils risk appetite.</p> <p>The rapid shift to digital business, legislation changes and rapid adoption of Artificial Intelligence (AI) technologies, is accelerating and introducing operational risks to TDCs technology landscape.</p> <p>The rise in cyberattacks targeting the public sector, including cyber incidents regularly detected (and prevented) at TDC, further heightens security concerns. Legacy systems lacking security updates remain vulnerable to outages and attacks. Change programmes are underway and ongoing, coupled with the rapid pace of technological change resulting in staff constantly having to adapting to unfamiliar systems, and ongoing system updates and enhancements are required to stabilise operations.</p> <p>The growing adoption and reliance on AI by staff, vendors, and the community introduces additional risks, including data sovereignty, security, ethical considerations and over-dependence on automated decision-making. These developments require robust governance and risk management to ensure resilience, compliance, and the protection of Council and community data.</p> <p>Effective risk management remains critical to maintaining secure, reliable digital services and safeguarding the Council's ability to deliver essential services.</p>
<p>Risk drivers / causes.</p> <ol style="list-style-type: none"> AI and Emerging Technologies The rapid and exponential growth of AI and other emerging technologies is driving societal expectations for faster, more advanced Council services. While these innovations offer significant opportunities, they also introduce new risks, including unforeseen vulnerabilities, data sovereignty / security, compliance challenges, and ethical considerations. TDC's ability to respond effectively is constrained by limited capability, capacity, and the presence of legacy systems. Cybersecurity Threats and Awareness: The Council faces increasing risks from sophisticated cyber-attacks, particularly ransomware, which target public sector organisations. These threats are compounded by the potential for staff to inadvertently or deliberately expose systems to breaches through phishing attempts, which increases reliance on adequate cybersecurity training and awareness. Legacy Systems: The continued use of legacy IT systems creates significant vulnerabilities, as they cannot integrate with modern security solutions and are therefore prone to system failures. Data Protection: Our information is an important Council and community asset. As kaitiaki (guardians) we need to ensure it is managed and protected to avoid data breaches and losses that can have severe legal, financial and reputational repercussions. Insecure systems and human or technical errors can lead to accidental deletion or cyberattacks, impacting TDC's service delivery and public trust. The growing use of AI across Council systems further amplifies these risks. Additionally, the use of unauthorised applications (Shadow IT) by staff increases the of risk data breaches and compliance violations due to unverified and adequality secured systems.

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<p>5. Change and Resource Management: Increased change fatigue due to the volume of workloads (BAU and Projects) leading to change resistance, missed training opportunities and benefits not being fully realised. Managing security risks is challenging due to rising workloads, budget constraints, and difficulties in recruiting technical specialists. The rapid pace of AI-driven changes and digital transformation demands continuous upskilling, while limited capacity and inadequate change governance can increase the risk of errors, delays and inconsistent adoption of new technologies.</p> <p>6. Supplier and Contractor Management: Dependence on key suppliers poses operational risks, such as service outages (power, connectivity, SaaS hosted applications) and insufficient vetting of third-party vendors can lead to partnerships with organisations that fail to meet security standards. Inadequate offboarding of contractors and poorly defined roles can result in unauthorised access and gaps in security oversight.</p>	
<p>Possible key impacts to TDC should the risk materialise.</p>	
<p>Plausible scenario</p>	<p>Worst case scenario</p>
<ul style="list-style-type: none"> • Council operational processes are halted or slowed as Council increasingly relies on its digital backbone. • Regulatory and compliance requirements are not met or are delayed. • Reputational damage occurs as service levels decline, or customer interactions are interrupted due to system outages or data breaches. • Data loss - Risk of accidental deletion or corruption. • Unauthorised Access – Risk of sensitive information being accessed. • Isolated phishing or ransomware attacks that result in a financial or operational impact. • Over-reliance on AI for core functions, creating operational dependency. • Inability to recover quickly from a disruptive event due to incomplete or untested ICT business resilience measures. 	<ul style="list-style-type: none"> • Prolonged disruption of Council operations caused by major system outages, ransomware attacks, connectivity failures, or natural disasters. • Significant privacy breaches involving customer, staff, or stakeholder information resulting in legal action being taken against TDC. • Non-compliance with statutory requirements and contractual obligations, leading to financial penalties. • Severe and sustained loss of public and stakeholder confidence due to service disruptions or large-scale data breaches.
<p>What are we tracking to understand this risk [Risk Indicators]</p>	
<ul style="list-style-type: none"> • <u>Incident Reports</u>: Frequency and severity of reported cyber incidents, including phishing attempts and malware infections are monitored 24/7. • <u>Threat Intelligence</u>: Information on emerging cyber threats and vulnerabilities relevant to Council. • <u>System Monitoring and Alerts</u>: Security alerts and notifications from intrusion detection systems, firewalls, and other security tools. • <u>Security Training Compliance</u>: Participation rates are monitored and effectiveness of cybersecurity training for staff and contractors is tested and captured. • <u>Access and Audit Logs</u>: Monitoring for unusual or unauthorised access attempts, auditing changes and reviewing access controls. • <u>Third-Party Assessments</u>: Security practices and compliance of third-party vendors and partners. • <u>External Audits</u>: Results from external audits assessing adherence to cybersecurity standards, policies and regulations. 	
<p>How we are addressing this risk now.</p>	
<ul style="list-style-type: none"> • Training for staff from induction, ongoing awareness training and regular “tips and tricks” to support staff doing the right thing. Building capability and redundancy within the IT team to reduce single points of failure. Simulated phishing campaigns to test training effectiveness. Targeted and tailored training for high-risk teams (HR and Finance). 	

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<ul style="list-style-type: none"> • Clear IT and Information Management (IM) Policies and Procedures. Standard Operating Procedures (SOPs) to support consistent delivery of IT processes. Ongoing exercises to test processes and capability. Defined BCP arrangements for system disruption. Debriefing IT incidents and capturing post incident corrective actions. Privacy Governance Group in place. • Implemented Change Control processes to ensure peer review and facilitate controlled, efficient changes to the IT systems and enterprise applications. • Projects to migrate legacy network design and systems to reduce vulnerability. • Increasing information security and data loss prevention measures. Risk based prioritisation of work programme has now been implemented. • 24 hr external IT System monitoring and remediation. • Assessment of systems and data to determine what systems people are using – underway and due for completion by end 2026. • Identifying and retiring legacy and non-compliant IT systems – <i>underway and due for completion by end FY 26/27.</i> • A project is underway to determine critical business processes to inform the prioritisation of IT disaster recovery planning and business continuity (service restoration) in the event of a widespread disruption – <i>project has commenced and is due for completion by end FY 25/26.</i> • KPMG have been engaged to conduct a post incident review of the cyber security breach which occurred at TDC on 22 October 2025. Once the final report is agreed Council officers will commence work on implementing the agreed actions.
<p>Future actions to manage the risk more effectively.</p> <ul style="list-style-type: none"> • Robust third-party supplier management strategy / plan in progress - <i>envisage completion by end 2026.</i> • Overarching contractor management programme to ensure appropriate system access and off-boarding at end of contract – <i>not yet started.</i> • Digital Cleanup into centralised management information system, cleanup and closure of network drives, move to OneDrive, configuration and roll out of ECM alongside CiAnywhere implementation - <i>Underway. Planned for completion by end 2026</i> • Reviewing and updating existing IT policies – project underway and due for completion by end FY 25/26.
<p>Connection to other Risks?</p> <p>Strategic Risk 3 Financial Strategy (unplanned expenditure to cover costs of fines or ransomware demands).</p> <p>Strategic risk 4 Critical Infrastructure (disruption to critical software associated with key critical infrastructure such as water treatment plants).</p> <p>Strategic risk 5 Zero harm (disruption to hardware or software that provides additional security to staff or lone workers such as bodycams, panic buttons, sole worker devices, security systems).</p> <p>Strategic risk 6 Non-Delivery of Projects (capacity and budget to deliver projects and services required to mitigate risk)</p> <p>Strategic risk 7 Compliance and legal liabilities (disruption to systems results in statutory timeframes not being met such as LOGOIMA requests, consent timeframes etc.)</p>

STRATEGIC RISK PROFILE.



Plausible and Worst Case Scenario – ICT Systems and Secure Records

Likelihood	Almost Certain	Low	Plausible scenario	High	Very High	Very High
	Likely	Low	Medium	High	High	Very High
	Possible	Low	Low	Medium	High	Worst Case scenario
	Unlikely	Very Low	Low	Low	Medium	High
	Rare	Very Low	Very Low	Low	Medium	Medium
		Insignificant	Minor	Moderate	Major	Severe
		Consequence				

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Strategic Risk	Risk 9 Effects of Climate Change	
Description	If the current and future effects of climate change are not adequately addressed in the Council’s planning and delivery of services, then the impacts of climate change may have significant effects on the community impacting on Council’s reputation and require additional unbudgeted resources to manage.	
Owner	General Manager – Strategy & Environment	
Last reviewed	January 2026	
Next review	April 2026	
Risk Rating		
Within TDC Risk appetite?		N
Risk trend	↑	
	↔	
	↓	✓

Commentary and Emerging issues.
<p>This strategic risk has been evaluated against the updated framework. The plausible risk articulated above has been rated low and is therefore tracking within Councils risk appetite.</p> <p>Council has a good understanding of its own emissions profile and has a Climate Change Strategy that focusses on how we can reduce those emissions. This risk however relates to how Council is responding to and planning to adapt to climate change, as opposed to preventing its occurrence.</p> <p>Council has core activities that need to consider the impact of climate change:</p> <ul style="list-style-type: none"> • Planning and building controls to ensure buildings are built to withstand likely hazards and avoid unsuitable high-risk hazard areas. • Providing resilient lifeline infrastructure, like water, wastewater, roads, and community evacuation centres. • Stormwater management in urban areas (which typically is designed for regular rain events, not large flooding events – which will overwhelm the stormwater network). <p>The financial aspects, like having appropriate insurance and setting aside money to rebuild infrastructure after a natural disaster, are addressed through Strategic Risk 3 Financial Strategy. Similarly, Council’s activities in emergency management and civil defence planning and operations are already subject to their own risk management and review processes.</p> <p>In August 2025 we concluded a review into the potential climate change impacts and risks to the delivery of the core activities detailed above. The review provides a clear picture of the climate change impacts and risks that Taupō district will face, including:</p> <ol style="list-style-type: none"> 1. Increased risk (both frequency and intensity) of heavy rain and storm events, including: flooding; high winds; lightning; power outages; landslip / slides; erosion. The risk of heavy rainfall and storm events is expected to have a marked increase due to climate change. Climate change has the potential to increase rainfall intensity over the next 100 years: <ul style="list-style-type: none"> • by around 10 – 22% for a 24-hour event • with a historic 1 in 100-year event (150mm of rain in 24 hours) becoming a 1 in 50-year event – twice as likely. 2. Hotter drier summers, including: more hot days; increased drought risks (both frequency and intensity); increased bush / wildfire risks; freshwater quality impacts (including the risk of algae blooms); increased risks of pests and diseases. In most instances, these risks already exist. And while climate change is expected to increase these risks, it does not represent a step change in risk. Freshwater quality impacts (including the risk of algae blooms) may be an exception – the climate change impacts on these have not been quantified. <p>There is good qualitative and modelled quantitative information for what we can expect. We have a good understanding of the way that climate change is likely to affect the way we deliver services to the community. Through our planning and delivery processes we have mitigation measures in place to build resilience in our service delivery.</p>

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<p>There are four areas where our planning and delivery of services is likely to fall below community expectations, as we anticipate:</p> <ul style="list-style-type: none"> • private property damage and house flooding in a large heavy rain event. • wastewater spills, including into the Waikato River, during regular heavy rain events. • continued erosion of key public reserve land. • continued significant potholing during regular heavy rain events, concentrated on roads that have had seal maintenance deferred. 	
<p>Risk drivers / causes.</p>	
<p>1. Constrained budgets and competing priorities: Council has an unprecedented work programme, and significant delivery and funding constraints. High priority has been placed on upgrades to waters and wastewater infrastructure to meet new regulatory standards. While council has identified the risks posed by climate change and has good mitigations in place in most areas, gaps have been identified that either remain unfunded, or will have only recently been planned and will take some time to deliver.</p> <p>2. Constrained preventative maintenance budgets and a backlog of renewals for water pipes and road seals: Council has existing maintenance budgets to do things like clear vegetation off road cuttings to maintain their integrity, replace older road surfaces remove stormwater infiltration points into the wastewater system, and replace old inflexible pipes with more resilient pipe materials. Those budgets are limited so trade-offs are made, therefore we end up living with infrastructure that isn't at the ideal standard. That creates some exposure to the sorts of hazards that are exacerbated by climate change.</p> <p>3. Misalignment between community expectations and infrastructure service levels: Many in the community don't understand that Council's stormwater infrastructure has limitations and is designed to manage stormwater for frequent rain events but cannot contain large surges in volumes of stormwater caused by one-off heavy rain events. The legacy stormwater network is unable to keep pace with the increased demand placed on it by new developments and increased weather events. During such an event flooding of private properties that are low-lying or in overland flow paths is inevitable.</p> <p>Similarly, there is a strong expectation from parts of the community, particularly iwi and hapu, that all wastewater spills to water will be prevented which is unrealistic for Council to achieve. Also, Council's wastewater system is vulnerable to stormwater infiltration, and in the event of a heavy rain event overflows can be expected.</p> <p>These mismatches between expectations and Council's infrastructure service levels creates risks for Council's reputation.</p>	
<p>Possible key impacts to TDC should the risk materialise.</p>	
<p>Plausible scenario</p>	<p>Worst case scenario</p>
<ul style="list-style-type: none"> • Significant urban stormwater flooding of 30 – 40 houses in overland flow paths (1 in 15-year event). • Stormwater entering and overwhelming the wastewater system resulting in a few wastewater overflows, including into the Waikato River. • Significant potholing during regular heavy rain events, concentrated on roads that have had seal maintenance deferred. • Several rural roads blocked from trees debris and slips. • Significant erosion and loss of public reserve land and possible exposure of council assets (like a wastewater pipe in Kuratau, or the Great Lake Shared path in Taupō). • Stopping water services for 1 – 2 days, and providing tanker water replacement for small communities 	<ul style="list-style-type: none"> • Significant urban stormwater flooding of up to 1,000 houses in overland flow paths (1 in 100-year event). <ul style="list-style-type: none"> ○ Increased risk to community health and wellbeing; possible loss of life. ○ Taupō District Council requirements to administer private property buy out scheme (in partnership with central government). • Stormwater entering and overwhelming the wastewater system resulting in several wastewater overflows, including into Lake Taupo and the Waikato River. • Hundreds of rural roads blockages from trees debris, and slips, reducing access for 24 – 48 hours requiring detours for several days. • Power outages and loss of Council water and wastewater services to several communities for a period of days.

STRATEGIC RISK PROFILE.



<p>(until treatment plant upgrade programme is completed).</p> <ul style="list-style-type: none"> Public and stakeholder scrutiny of Council resulting in loss of confidence. 	<ul style="list-style-type: none"> Scrutiny on council / elected member performance. Significant damage to relationship with iwi, community and key stakeholders.
<p>What are we tracking to understand this risk [Risk Indicators]</p>	
<ul style="list-style-type: none"> Collection and report information to Waikato Regional Council related to wastewater overflows under our resource consent conditions. We collect information about flooding of habitable private buildings because of urban stormwater flood events. This is reported through our Annual Report. We monitor our capital spend on maintenance and resilience projects related to our existing assets. This is reported regularly to Council meetings and through the Annual Report. We report on the percentage of the sealed road network that is resurfaced. This is done through the Annual Report. We review the flood hazard information in the District Plan related to Lake and river flood risks. These reviews are approximately every 10 years. The most recent review resulted in Plan Change 34 being made operative in 2019. We monitor the erosion of vulnerable lakeshore reserves where we have infrastructure at risk. We also use the results of periodic monitoring of the lakeshore by Mercury as required under their resource consents. 	
<p>How we are addressing this risk now.</p>	
<ul style="list-style-type: none"> Minimising the creation of new vulnerabilities through policy and planning (District Plan; growth plans; building controls). New development areas must avoid high risk flood areas through building and resource consent controls. This includes potential urban stormwater flooding (overland flow paths) and river / lake flood areas identified through modelling that includes the potential increased risks from climate change. Water and wastewater control protocols to minimise harm in the event of breaks or failures. Monitoring and maintaining the efficacy of current assets (bridge inspections; asset management planning; culvert clearance/ gully trap management, water quality monitoring, road resealing and preventative maintenance and identification and remediation of stormwater infiltration into wastewater systems). Implementing asset renewals with enhanced capacity (better outcomes in extreme weather events – reservoir construction and wastewater treatment plants). Contingency planning for service disruptions (generators etc). Emergency Management planning to support impacted communities following extreme weather events. 	
<p>Future actions to manage the risk more effectively.</p>	
<ul style="list-style-type: none"> Improving urban stormwater modelling of overland flow paths to refine risk areas. Communication with landowners to explain the risks from urban stormwater flooding and the role of Council infrastructure in minimising rather than avoiding the risks of flooding. Communicating to the community, particularly iwi and hapu, what levels of service Council can realistically provide related to wastewater overflows as part of the Long-term Plan 2027-37. Review the stated levels of service through the Long-Term Plan process. We are planning (Long-term Plan 24 – 34) a \$14.2 million programme of stormwater improvement works over 2024/25 – 2030/31 in Mangakino, Tūrangi and Taupō. This will reduce potential flooding in at risk areas for a heavy rainfall event that considers the potential impacts of climate change. Council’s asset management plans for water, wastewater, transport and community facilities identify the risks to these assets, the plans for managing those risks, and investment plans to improve resilience. We are planning (Long-term Plan 24 – 34) a \$39.7 million programme of resilience improvement works including: <ul style="list-style-type: none"> Managing lakeshore erosion risks around Lake Taupō and in particular at Kuratau Protecting our drinking water with treatment for potential toxic algae outbreaks Improving waterflow in areas of Kinloch and Whakamaru to support firefighting Improvements to Taupō wastewater and water treatment plants to address possible failure points and increase resilience in emergency events New water reservoirs to provide increased water reserves in Taupō and improvements to ensure water supply at Waihaha during adverse weather events More portable generators to support water and wastewater operations during power outages 	

STRATEGIC RISK PROFILE.



<ul style="list-style-type: none"> o Identifying and addressing road cuttings, banks, and other slip risks, including the only road into Omori / Kuratau o Investigating and implementing solutions to rain infiltration into the wastewater network to reduce the risk of wastewater overflows in high rain events.
Connection to other Risks?
<p>Strategic Risk 2 Ineffective Relationships (impacts to relationships with iwi, loss of social licence, reputation damage, community or stakeholder relationship breakdown).</p> <p>Strategic Risk 3 Financial Strategy (propensity to impact financial strategy through repair / recovery costs).</p> <p>Strategic Risk 4 Critical Infrastructure (vulnerable to the effects of climate change, inability to secure funds to restore / replace key infrastructure assets).</p> <p>Strategic Risk 5 Zero harm (impacts on community health and wellbeing).</p> <p>Strategic Risk 6 Non-delivery of projects (planned projects are deprioritised; asset upgrade investment fails to keep up with climate change scenario effects).</p> <p>Strategic Risk 7 Compliance and legal liabilities (unconsented discharge of wastewater; increase risk of algal bloom; impacts to water quality).</p> <p>Strategic Risk 10 Underperforming Council (significant impacts from extreme weather events – or multiple weather events – cause tension between elected members creating the perception that council is not managing assets / finances for the good of the community.)</p>

Plausible and Worst Case Scenario – Effects of climate change

	Almost Certain	Low	Medium	High	Very High	Very High
	Likely	Low	Medium	High	High	Very High
	Possible	Low	Low	Medium	High	High
Likelihood	Unlikely	Very Low	Plausible scenario	Low	Medium	High
	Rare	Very Low	Very Low	Low	Medium	Worst Case scenario
		Insignificant	Minor	Moderate	Major	Severe
		Consequence				



Taupo District Council FY2026-2028 Draft Internal Audit Plan

February 2026



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01 Executive Summary



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Executive summary

Approach for Developing the Internal Audit Plan

KPMG was appointed as Taupō District Council's (TDC) Internal Auditor in August 2025. We completed an assurance mapping exercise to establish a baseline view of TDC's key risks, the controls and assurance activities currently in place across the Four Lines of Defence, and where there are gaps or overlaps. (see *section 4 for assurance mapping across the four lines of defence*). This provides the Risk and Assurance Committee (RAC) with a consolidated view of how well TDC's most significant risks are currently covered and where additional independent assurance would add the most value.

Using these insights and informed by discussions with the Executives and Enterprise Leadership Team (ELT), we have developed a risk-based Internal Audit Plan for FY2026 and FY2027, with indicative coverage proposed for FY2028, prioritising higher-risk areas, areas of material change, and areas where current assurance is limited. The plan also takes into account the work of other assurance providers and any other coverage where possible (see *section 2 for a detailed approach*)

Proposed FY2026 & FY2027 Internal Audit Coverage for TDC

Throughout the planning process, we noted several important themes and areas of emphasis associated with emerging risks and business initiatives for change. A summary view of these key areas of focus and the local government sector themes are presented in section 3. Based on these, we have proposed 1 review in the FY2026 and 2 reviews for FY2027 Internal Audit Plan. Details of the proposed reviews are in Sections 5 and 6.

Privacy review - TDC holds and processes substantial volumes of personal information across core services and public-facing activities. Although the strategic risk currently carries a Medium assurance rating, recent privacy breaches have increased the need for independent assurance. This review will assess whether privacy governance, controls, and operational practices are sufficient to prevent repeat incidents and to meet statutory obligations. Persistent control gaps increase the likelihood of further breaches, which can lead to regulatory action, legal costs, and reputational damage particularly significant for a public organisation that relies on community trust. The review will also assess readiness for upcoming amendments to the Privacy Act effective from May 2026, including operational preparedness to comply with new obligations such as indirect collection notification requirements under IPP3A.



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Supplier management – TDC's ability to deliver essential services relies heavily on third-party suppliers. Effective supplier management is therefore critical to maintaining service performance, achieving value for money, and meeting public accountability expectations. This review will evaluate whether end-to-end supplier lifecycle controls; planning, procurement, contracting, performance monitoring, issue management, and renewal/exit are operating effectively. Strong supplier governance reduces the risk of health and safety incidents, service disruption, contract non-compliance, financial penalties, legal exposure, and reputational harm.

Asset Management - TDC's essential services depend on high-value, ageing infrastructure. With an asset base of approximately NZ\$1.97 billion, robust and consistent asset management is fundamental to safeguarding service levels, managing long-term costs, and demonstrating responsible stewardship of ratepayer and public funds. Current consolidated assurance coverage is low, indicating a need to strengthen oversight and assurance across asset planning, investment decision-making, delivery, maintenance, and risk management. This review will focus on whether asset management practices support reliable service delivery, optimise lifecycle value, and manage key risks associated with ageing infrastructure.

Review and approval

Despite this structured view, risks and priorities can change during the year due to business changes, emerging risks, or risk events, and the plan has a degree of flexibility to respond to this. Should this occur during the year, alternative projects will be considered and agreed upon with TDC's Executives and the RAC. The Internal Audit plan will also be reviewed on an annual basis to ensure it remains relevant.

The current plan continues to build on TDC's assurance model and ensures:

- Internal Audit that continues to provide strong oversight of the control environment whilst also focusing on key business risks, major business processes, and the linkage to strategy;
- Access to a broad skill set and specialist knowledge complemented by strong business understanding; and
- Continued strong collaboration with other assurance providers.

The RAC is requested to review and approve the proposed plan for FY2026 and FY2027 and note the indicative areas for FY2028.

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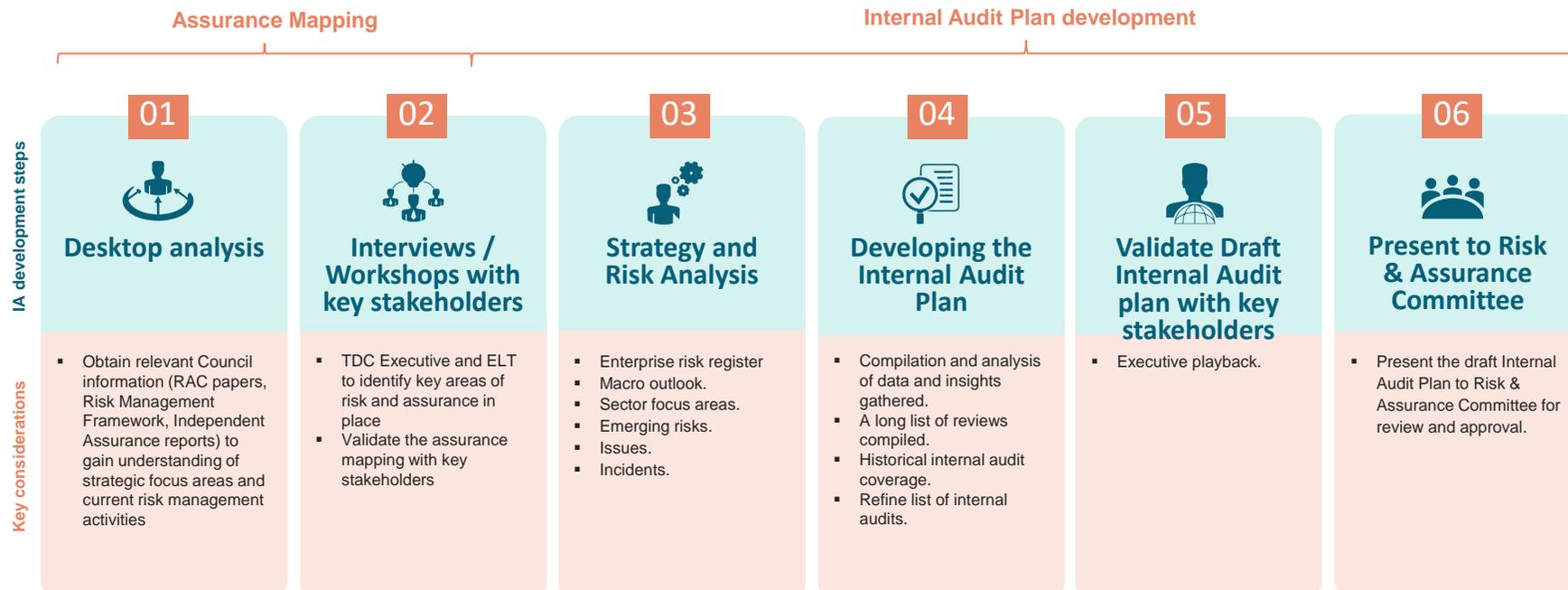
02 Approach to developing the Internal Audit Plan



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Approach to developing the Internal Audit plan

Strategy and risks work hand in hand in our Internal Audit plan development. KPMG’s approach ensures that Internal Audit coverage is focussed on things that really matter to the business outcomes and help mitigate business risks. We have outlined below the steps undertaken in developing the three year Internal Audit Plan.



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03 Macro trends & TDC's key areas of focus



Local government trends and TDC's key areas of focus DRAFT

Outlined below are the key macro trends influencing local government, together with the common themes and messages specific to TDC that were identified through discussions with Executives and the Enterprise Leadership Team (ELT) during the Internal Audit planning process. These insights have informed and underpin the development of the Internal Audit Plan.

Key focus areas



Financial sustainability
Achieving an appropriate balance between the needs of our community, responsible management of our assets, and financial sustainability over the long term.



Community expectations
Balancing growth with environmental protection, improving housing affordability, and enhancing infrastructure to support a vibrant lifestyle.



Project prioritisation
Delivering the projects that are important for the community



Partnerships & collaborations
Embracing partnership and fostering collaboration to drive a shared commitment to the common good and ensuring progress is inclusive and impactful.



Getting the data foundation right
Improving strategies and technologies while ensuring data security and safety.

Trends impacting local government



Infrastructure Delivery & Capability Constraints
Critical shortage of capability to deliver, relying on short-term resourcing that risks higher costs and project delays.



Local Water Done Well" Transition
Navigating critical, long-term choices regarding the new water services system.



Fiscal Tightness and Asset Management
Intense pressure to manage balance sheets while maintaining service levels.



Risk Aversion and Innovation Stagnation
Focus on risk management can lead to excessive risk aversion, stifling the innovation required for digital transformation and service delivery.



Operational Risk & Governance
Evidence of gaps in contractor management and conflicts of interest has highlighted the need for improved audit and oversight mechanisms within local authorities.



Climate Change and asset resilience
Integration of nature-related risks into long-term plans.



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04 Assurance mapping across the Four Lines of Defence



Assurance Mapping across the Four Lines of Defence DRAFT

The table below presents TDC’s key strategic risks and maps the associated assurance coverage across the Four Lines of Defence, providing a consolidated view of the strength, depth, and breadth of assurance in place.

TDC’s Strategic Risks	Plausible risk rating	Risk appetite	Line 1 assurance	Line 2 assurance	Line 3 assurance	Line 4 assurance	Overall assurance
Attracting and retaining a competent workforce	●	Yes	●	●	●	●	●
Ineffective relationships	●	Yes	●	●	●	●	●
Financial strategy	●	Yes	●	●	●	●	●
Critical infrastructure failure	●	Yes	●	●	●	●	●
Zero Harm	●	No	●	●	●	●	●
Non-delivery of projects	●	Yes	●	●	●	●	●
Compliance and legal liabilities	●	No	●	●	●	●	●
Maintaining effective ICT systems and secure records	●	Yes	●	●	●	●	●
Effects of Climate Change	●	Yes	●	●	●	●	●
Underperforming Council	n/a	n/a	●	●	●	●	●



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Plausible risk ratings ● Low ● Medium ● High ● Very High

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Assurance ratings ● Low ● Medium ● High

Key insights from assurance mapping

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The assurance mapping provides a consolidated view of how TDC's strategic risks are currently managed and assured across the Four Lines of Defence. It was developed primarily through management interviews and workshops, supported by documentation provided at the time of mapping. As such, it represents a baseline view of assurance coverage and management's understanding of control design and operation; it has not independently verified the operating effectiveness of all controls in scope.

Overall, Executives and the ELT expressed a high level of confidence in the key controls and management practices in place across TDC's strategic risk areas, indicating strong Line 1 ownership and operational management activity. Notwithstanding this confidence, the mapping indicates that independent assurance coverage is uneven, with the most notable gaps in Lines 2 and 3. In particular, Line 2 oversight and independent testing activity is limited, reducing the organisation's ability to provide objective assurance that key controls are operating effectively on an ongoing basis. Line 3 coverage is also variable across strategic risks, which limits the breadth of independent assurance available to the Risk and Assurance Committee and increases reliance on management self-assessment in some areas.

These insights have directly informed the Internal Audit Plan. The proposed Internal Audit Programme has been designed to prioritise and address the most material gaps in Line 3 assurance coverage, particularly in higher-risk areas and areas undergoing change. In parallel, recognising current resourcing and capacity constraints, there are pragmatic opportunities to strengthen Line 2 assurance in a proportionate way such as targeted independent testing of a small number of key operational controls linked to priority risks, and/or validation of the closure of Line 3 and Line 4 issues to provide assurance to Councillors that actions are implemented effectively, evidenced appropriately, and closed in a timely manner.





05 Proposed FY2026-2028 Internal Audit Plan coverage



Proposed FY2026-2028 Internal Audit Plan coverage DRAFT

Presented here is a three year view of Internal Audit coverage linked to TDC’s Strategic risks. It includes the planned reviews for FY2026 & FY2027 and the indicative reviews to be performed in FY2028.

Proposed areas for Line 3 assurance	TDC’s Strategic Risks	Plausible risk rating	Risk appetite	FY2026	FY2027	FY2028
Privacy review	<ul style="list-style-type: none"> Maintaining effective ICT systems and secure records 	●	Yes	✓		
Supplier Management	<ul style="list-style-type: none"> Financial strategy 	●	No		✓	
Asset Management – Maintenance of assets	<ul style="list-style-type: none"> Critical infrastructure failure 	●	Yes		✓	
Asset Management – Capitalisation & financial processes	<ul style="list-style-type: none"> Critical infrastructure failure Financial Strategy 	● ●	Yes			✓
Community Engagement strategy	<ul style="list-style-type: none"> Ineffective relationships 	●	Yes			✓



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Plausible risk ratings ● Low ● Medium ● High ● Very High

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Other areas for future consideration

Other Internal Audit areas	TDC's Strategic risks
<ul style="list-style-type: none"> Recruitment and retention Performance management 	Attracting and retaining a competent workforce
<ul style="list-style-type: none"> Stakeholder management Community impact assessment Governance framework Transparency and reporting 	Ineffective relationships
<ul style="list-style-type: none"> Fraud risk 	Financial strategy
<ul style="list-style-type: none"> Project governance and management 	Non-delivery of projects
<ul style="list-style-type: none"> Legislative compliance Conflict of interest Policy Change impact assessment Water Quality Compliance 	Compliance and legal liabilities
<ul style="list-style-type: none"> IT Disaster recovery 	Maintaining effective ICT systems and secure records
<ul style="list-style-type: none"> Climate change 	Effects of Climate Change



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06 Indicative scope and rationale for the Proposed FY2026 & FY2027 Internal Audits



Indicative scope and rationale for the Proposed FY2026 & FY2027 Internal Audits DRAFT

Proposed reviews	Link to Strategic Risks	Rationale and indicative scope for proposed areas
<p>Privacy review</p>	<p>Maintaining effective ICT systems and secure records</p>	<p><u>Rationale</u></p> <ul style="list-style-type: none"> Council manages significant volumes of personal information across its core services and public-facing activities. While the overall strategic risk currently has a Medium assurance rating, recent privacy breaches have heightened management’s need for assurance in this area. Persistent gaps in privacy controls increase the likelihood of further breaches. Non compliance with privacy obligations may result in regulatory penalties, legal costs, and reputational harm. Amendments to the Privacy Act taking effect from May 2026 require the Council to be operationally ready, including compliance with new obligations such as indirect collection notification requirements under IPP3A. <p><u>Indicative Scope</u></p> <p>The review will assess the design and operating effectiveness of TDC’s privacy management framework and key controls across the personal information lifecycle with scope aligned to the 13 Information Privacy Principals (IPPs) under the Privacy Act 2020. In particular, the potential areas of coverage will include:</p> <ul style="list-style-type: none"> Privacy governance, accountability and oversight Personal information inventory and data flow understanding Collection practices and transparency Use, disclosure and information sharing Third-party and supplier privacy controls Information security controls supporting privacy Data quality, retention and secure disposal Individual rights: access and correction Privacy incidents and breach management Capability building: training, awareness and culture Privacy by design / change management



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Indicative scope and rationale for the Proposed FY2026 & FY2027 Internal Audits DRAFT

Proposed reviews	Link to Strategic Risks	Rationale and indicative scope for proposed areas
Supplier Management	Financial strategy	<p><u>Rationale</u></p> <ul style="list-style-type: none"> Critical business process. Council relies on suppliers to deliver essential services and thus it is important that suppliers are delivering value for money, are well managed through their life-cycle and meet contractual and performance expectations. Adequate oversight lowers the risk of Health & safety incidents, service disruption, penalties, legal cost and reputational harm. <p><u>Indicative Scope</u></p> <p>The potential areas of coverage will include the following:</p> <ul style="list-style-type: none"> Category strategies, procurement planning, pre-qualification, and market engagement Contract management: deliverables, performance KPIs, incentives, remedies/escalations Commercial controls: pricing adjustments, variations, conflict of interest, probity Supplier risk management: continuity, cyber/privacy, H&S, modern slavery screening Benefits tracking & value-for-money evidence



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Indicative scope and rationale for the Proposed DRAFT FY2026 & FY2027 Internal Audits

Proposed reviews	Link to Strategic Risks	Rationale and indicative scope for proposed areas
<p>Asset Management - Maintenance of assets</p>	<p>Critical infrastructure failure</p>	<p><u>Rationale</u></p> <ul style="list-style-type: none"> Council relies on high value and ageing infrastructure to deliver essential services. Extensive asset portfolio ~1970million and thus it is important that TDC has effective and robust asset management processes in place. Overall consolidated assurance activity is low. <p><u>Indicative Scope</u></p> <p>The scope of the review will be to assess TDC's asset management planning framework and the related processes in place to ensure effective and efficient asset management. The potential areas of coverage will include the following:</p> <ul style="list-style-type: none"> Maintenance planning and scheduling Record keeping and documentation Monitoring and reporting Training and competency Procurement and lifecycle management Compliance and Safety Governance and oversight



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Ngā mihi

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Health and Safety Review

Follow-up on 2023 Recommendations

Final Report

Taupō District Council

—

10 February 2026



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Disclaimers

Inherent Limitations

This report has been prepared in accordance with our Internal Audit Scope document dated December 2025. The services provided under our engagement letter ('Services') have not been undertaken in accordance with any auditing, review or assurance standards. The term "Audit/Review" used in this report does not relate to an Audit/Review as defined under professional assurance standards.

The information presented in this report is based on that made available to us in the course of our work/publicly available information/information provided by Taupo District Council (TDC). We have indicated within this report the sources of the information provided. Unless otherwise stated in this report, we have relied upon the truth, accuracy and completeness of any information provided or made available to us in connection with the Services without independently verifying it.

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Due to the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our procedures were not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed are on a sample basis. As such, except to the extent of sample testing performed, it is not possible to express an opinion on the effectiveness of the internal control structure.



KPMG

01 Executive Summary

Executive Summary

Background

In 2023, Taupō District Council (TDC) engaged KPMG to undertake an independent review of its Health & Safety (H&S) systems and processes. The resulting *KPMG TDC Health and Safety Review Report – Final (August 2023)* set out findings and recommendations intended to strengthen TDC's overall approach to managing H&S risks.

Many of the 2023 recommendations have since been incorporated into Council planning, including through *BET Improvement Plan 2025–26* and supported by more detailed planning and tracking tools.

While substantial progress has been made, the Council recognises that approximately half of the recommendations from the 2023 review remain outstanding. The Executive Team is committed to continuous improvement and has asked KPMG to provide a concise, independent view on whether the prioritisation, pace and resourcing of the improvement program remain appropriate and aligned with good practice.

Scope

Taupō District Council requested KPMG to provide independent assurance via a brief desktop review focused on:

Prioritisation

- Assessment of whether the Council has selected the most critical and appropriate improvement actions from the 2023 KPMG review for implementation in the current financial year.
- Identification of any high-priority recommendations that may be at risk of deferral and require reconsideration.

Pace and resourcing

- Assessment of whether the Council is progressing at an appropriate pace to address outstanding recommendations, considering the broader context such as central government reforms and the current level of H&S maturity.
- Evaluation of whether additional resources should be allocated to accelerate progress, particularly for actions that are high-risk or high-impact.



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The review is focused specifically on H&S improvement actions arising from the 2023 KPMG review. It does not re-test operational controls or provide a fresh, full-scope audit of TDC's Health and Safety Management System (HSMS).

Overall conclusion

TDC has made generally positive progress since the 2023 review, embedding health and safety improvements into core governance and operational plans rather than treating them as short-term fixes. This reflects strong commitment and sustained effort despite sector-wide challenges faced by local government in New Zealand, including resource pressures and competing priorities.

This review has identified three key areas for consideration—enhancing risk assessment, strengthening governance through consistent reporting, and aligning resourcing with program scope—that will support TDC's continued journey to build a robust, integrated health and safety framework.

Methodology

The engagement was completed as a desktop review, with no site visits and no interviews outside the Business Excellence Team (BET).

Procedures consisted of:

Document review, including:

- *KPMG TDC Health and Safety Review Report – Final (August 2023)*
- *BET Improvement Plan 2025–26_June 2025_MASTER*
- *Health & Safety Improvement Plan v1.2 (Planned Implementation Timelines)*
- *Audit Improvement Plan_2025 – Nov 25 Update*
- Health, Safety and Wellbeing Update paper(s) to the Risk and Assurance Committee (RAC)
- Material from the developing H&S Management System (HSMS) on Teams
- TDC's Document Request List response and associated attachments.

Executive Summary (cont'd)

Process walkthroughs (three sessions, December 2025) with:

- Business Excellence Manager
- Health and Safety Manager
- Business Excellence Coordinator

Walkthroughs focused on:

- How the 2023 recommendations have been translated into current plans and workstreams
- Development and prioritisation of the critical risk program
- The relationship between Enterprise Risk Management (ERM), critical risks and Business Unit (BU) risk registers
- Pace and resourcing of the improvement program.

No sampling or testing of day-to-day operational controls (e.g., permits, investigations, inspections) was undertaken. Observations are therefore based on documents, leadership-level discussions and planning artefacts.

Overall Management Comments:

Overall, management agree with the findings of this report and are committed to progressing improvements for all recommendations made. Council Officers have prepared a Health and Safety and Risk Management Improvement Plan to provide a workplan of agreed actions to address recommendations in a timely manner. Management wishes to thank KPMG for their assistance with this review.

Summary of observations

1. Incomplete critical and Business Unit risk assessments

Eleven critical risks have been identified, but detailed assessments and Business Unit risk registers remain incomplete. This dependency limits the accuracy of the enterprise risk profile and alignment with operational realities.

2. Inconsistent tracking of critical risks

While executive ownership is defined, tracking and reporting of critical risk activities vary across functions. To support consolidated governance oversight, it is recommended that all critical risk activities be reported through the centralised process once it is fully established.

3. Resource constraints impacting delivery

Current H&S resources have enabled initial progress, but the program's broad scope may exceed available capacity. There is no documented analysis of effort versus capacity, creating a risk of delays and integration challenges.

See Detailed findings and recommendations for more details.



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Progress on Health and Safety improvement

Following the 2023 KPMG Health and Safety Review, TDC initiated a multi-year program to strengthen health and safety governance and operational frameworks. Rather than treating the recommendations as a short-term project, TDC embedded them into the Business Excellence Team (BET) Improvement Plan for 2025–26, the Health and Safety Improvement Plan v1.2, and the Audit Improvement Plan 2025. These plans collectively provide a structured approach to improvements in critical risk management, contractor health and safety, assurance and reporting, and the development of the Health and Safety Management System (HSMS).

The Audit Improvement Plan tracks progress recommendation by recommendation. Several actions—such as confirming the critical risk set, aligning the risk matrix, and addressing training and reporting requirements—are now closed. Remaining actions, including embedding critical risk assessments, developing departmental and role-specific risk registers, enhancing contractor monitoring, and integrating HSMS elements, are scheduled into 2026. Business Unit risk registers are being developed concurrently with the critical risk assessments as part of the rollout of Council's updated Enterprise Risk Management (ERM) framework and critical risk methodology. Council will subsequently cross-reference the risks identified within these registers against its 11 defined critical risks to ensure comprehensive and accurate coverage of all critical exposures.

Since July 2025, the Business Excellence Manager, Health and Safety Manager, and Health and Safety Coordinator have led the design and testing of key frameworks, supported by external specialists for critical risk methods and contractor training. Department managers and operational leaders are actively involved in applying these frameworks, completing risk assessments, and embedding practices into daily operations. This collaborative, phased approach underscores TDC's commitment to building robust, sustainable health and safety systems integrated across all functions.

Key initiatives include updating the ERM framework and risk matrix, introducing a Critical Risk Management Framework supported by a generic HSE Risk Assessment Tool and mandatory controls, and identifying eleven critical risks, each with an assigned Executive Sponsor to ensure accountability. Early efforts have focused on high-consequence exposures such as aggressive and threatening behaviour, asbestos, working with animals, psychosocial risks, and driving.

The Health and Safety Improvement Plan v1.2 sets out a Gantt-style schedule extending from mid-2025 through June 2026, with some workstreams continuing into 2026/27. Activities are grouped under five focus areas: critical risk management, business unit and role-based risk assessments, contractor health and safety, assurance and reporting, and HSMS development and integration. The program follows a staged pattern—design and approval of frameworks and tools, followed by risk assessments and baselining, then training and communication, and finally ongoing monitoring and assurance. Currently, some streams are in framework and pilot phases, while others remain in early design stages.



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02
Detailed findings and recommendations

1. Prioritise and complete risk assessments

Observation

TDC has identified eleven critical risks and considers it has a sufficiently strong understanding of its operations to progress implementation of the Critical Risk Framework with a reasonable level of confidence. Business Unit (BU) Risk Register development and rollout are being led by the Risk Advisor and are planned to be run in parallel through the ERM rollout, including a pilot in early 2026.

This approach enables timely implementation of Minimum Mandatory Controls for high-consequence risks while BU-level risks are progressively captured. As Business Unit Risk Registers are developed, their outputs can be used to support ongoing review and validation of the critical risk set, helping to ensure the enterprise risk profile remains current and reflective of operational risks over time.

Recommendations

1.1 Develop BU risk registers

Consider creating BU risk registers, in parallel with critical risk assessments, using simple interim templates to capture operational risks early.

1.2 Validate and update regularly

Establish a process to review and update the eleven critical risks against BU registers on an ongoing basis to keep the enterprise risk profile current and relevant.

1.3 Set clear ownership and deadlines

Assign accountable owners and define firm timelines for completing both BU registers and critical risk assessments, with progress tracked through a simple dashboard.

Agreed Management Action	Responsible Person	Target Date
ELT members establish Business Unit risk registers in parallel with critical risk assessments, supported by the Risk Advisor. Timelines will be subject wider business capacity.	ELT Managers	TBA following engagement with ELT members.
Council will develop a process to validate its eleven critical risks against risks arising through business unit risk registers.	Health and Safety Manager	July 2026



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2. Strengthen governance through consistent reporting

Observation

Although executive ownership of critical risks is clearly defined, the tracking of related activities across all critical risks is currently managed through different reporting pathways, which limits visibility at a consolidated governance level. Critical risks coordinated through BET are well documented via workshops, risk assessments and draft procedures, providing a higher level of transparency. Critical risks led by other functions are progressing through parallel workstreams, with updates provided through existing functional and executive-level reporting arrangements. Consolidated governance oversight is expected to improve as reporting of all critical risks progresses toward a centralised and integrated approach.

Recommendation

2.1 Standardise reporting across functions

The Executive Team should define and implement a minimum reporting standard for all critical risks to ensure consistent updates and visibility.

2.2 Create a consolidated dashboard

Develop a one-page dashboard summarizing each critical risk, its Executive Sponsor, lead function, key milestones, current status, and significant issues.

2.3 Integrate into existing governance

Embed the consolidated dashboard into monthly Improvement Plan and Audit updates for Risk and Assurance Committee review to strengthen oversight and accountability.

Agreed Management Action	Responsible Person	Target Date
Council's <i>BET Improvement Plan 2025–26</i> plans to develop and roll-out enhanced H&S reporting to Executive, Managers and Team Leaders in 2026/27.	Health and Safety Manager	June 2027



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3. Optimise resources for full program delivery

Observation

Current Health & Safety (H&S) resources have supported good progress on design and pilot activities. However, the overall program scope - which includes critical risks, business unit risk registers, contractor safety, assurance, reporting, HSMS integration, and training - appears to exceed the broader organisational capacity required for implementation. This relates particularly to areas where business units and other support functions are expected to play a central role, e.g., development of departmental risk registers.

There is no documented assessment of the effort required for each workstream compared with the capacity available across the organisation including the business units, H&S, BET and other support functions. This limits the organisation's ability to identify resourcing pressures and to prioritise work effectively to support full program delivery.

Recommendations

3.1 Prepare a Resourcing Overview

Estimate the effort required for each workstream and compare it with current capacity across H&S, BET, and business units. Highlight gaps and pressure points.

3.2 Use resourcing analysis to guide decisions

Share the resourcing overview with the Executive Team to make informed decisions on timing, phasing, or additional support for high-risk areas.

3.3 Plan for system integration

Define specific tasks to link ERM, critical risks, BU registers, HSMS documents, training, incident management, and assurance activities. Assign clear owners and timelines to ensure integration is delivered.

Agreed Management Action	Responsible Person	Target Date
Undertake more detailed resource planning, accounting for implications for business units outside of the BET team.	Business Excellence Manager	April 2026
Present findings of resource capacity analysis with Executive to inform development of the 2026/27 Improvement Plan.	Business Excellence Manager	May 2026
Council's H&S system continues to be developed. Planning for 2026/27 will more explicitly document how system integration will occur.	Health and Safety Manager	June 2026



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03 Appendices

Appendix 1 | Internal Audit Scope extract

Objectives

- To provide independent assurance on the prioritisation and implementation pace of Health & Safety improvement actions. The review assessed whether critical recommendations are being addressed appropriately and whether resourcing is sufficient to support timely progress.
- The exercise also identified opportunities for improvement and provided recommendations to address any gaps in the planning and implementation of Health & Safety improvement actions.

Scope

The review focused on:

- **Prioritisation:** Assessed whether Council has appropriately prioritised the most critical recommendations from the 2023 KPMG review for action in the current financial year and identified any high-priority items at risk of deferral that may warrant reconsideration.
- **Pace & Resourcing:** Evaluated the pace of implementation in the context of Council's broader operating environment (e.g. central government reforms, current Health & Safety maturity) and considered whether additional resourcing may be needed to accelerate progress on high-risk or high-impact actions.

Out of Scope

The review did not include:

- Conducting a full audit or detailed fieldwork; this engagement was limited to a desktop review only.
- No interviews with stakeholders outside of the Business Excellence Team were required.

Approach

The approach included the following steps:

- Reviewed key documents including the KPMG Health & Safety Review Report (August 2023), the BET Improvement Plan 2025-26, and Council's developing Health & Safety Management System.
- Assessed alignment between outstanding recommendations and actions prioritised for the current financial year.
- Considered the rationale for deferring any high-priority recommendations beyond the current financial year.
- Evaluated the pace of implementation against planned timelines, factoring in available resources and the risk profile of outstanding actions.
- Confirmed, at a high level, the completion status of improvement actions.
- Delivered a summary report highlighting areas of prioritisation gaps, insufficient pace or resourcing, and providing recommendations to support improved delivery and alignment with good practice.



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R & A Committee Work Stream	1 10 March 2026	2 2 June 2026	3 15 September 2026	3 17 November 2026
Risk Management				
Financial Strategy Treasury report, reform impacts on financial viability etc.	●	●	●	●
Reform Programme and Long-term Plan Council's response to suite of reforms and impacts on long-term planning	●	● Audit arrangements	●	●
Risk Management Strategic risk, Enterprise Risk Management, horizon scanning	●	●	●	●
Health and Safety Strategy & Improvement Plan implementation, incident reporting, critical risk updates	●	●	●	●
Assurance	● Audit Plan, H&S	● Food safety, IANZ building, PoolSafe	● Ad hoc as required	● Ad hoc as required
Insurance Update	●		●	
Natural Hazard Risks & Emergency Management	●	●	●	●
Digital Improvement Programme		●		●
Audit arrangement/Annual Report		●	●	
Outstanding Audit Improvements		●		●
Significant Projects Risk Register Note: Monthly Performance Report to be emailed separately to independent Risk and Assurance members.	●	●	●	●
Business Continuity Planning				●
Procurement Strategy		●		
Other				
Risk and Assurance Committee Workplan	●			
Review of Performance and Effectiveness of Risk and Assurance Committee				●
Confidential Items (Public Excluded)				
Litigation Matters Update	●	●	●	●
Cyber Security Review	●			