



Audit and Risk Committee

Notice of Meeting

A meeting of the Audit and Risk Committee will be held in the Council Chamber, 26 Gordon Street, Dannevirke on **Tuesday 22 October 2024** commencing at **9:30am**.

Bryan Nicholson
Chief Executive

Agenda

- 1. Welcome and meeting opening**
- 2. Apologies**
- 3. Public Forum**

A period of up to 30 minutes shall be set aside for a public forum. Each speaker during the public forum section of a meeting may speak for up to five minutes.

Standing Orders may be suspended on a vote of three-quarters of those present to extend the period of public participation or the period any speaker is allowed to speak.

With the permission of the Chairperson, members may ask questions of speakers during the period reserved for public forum. If permitted by the Chairperson, questions by members are to be confined to obtaining information or clarification on matters raised by the speaker.

- 4. Notification of Items Not on the Agenda**

Major items not on the agenda may be dealt with at this meeting if so resolved by the committee and the Chairperson explains at the meeting at a time when it is open to the public the reason why the item was not listed on the agenda and the reason why discussion of the item cannot be delayed until a subsequent meeting.

Minor matters not on the agenda relating to the general business of the Council may be discussed if the chairperson explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at that meeting, but no resolution, decision or recommendation may be made in respect of that item except to refer it to a subsequent meeting.

5. Declarations of Conflicts of Interest in Relation to this Meeting's Items of Business

6. Confirmation of minutes

Recommendation

That the minutes of the Audit and Risk Committee meeting held on 27 August 2024 (as circulated) be confirmed as a true and accurate record of the meeting.

7. Reports

7.1	Audit New Zealand Draft Management Report for the 2024/2034 Long Term Plan	9
7.2	Audit New Zealand Audit Plan - 2023/2024 Annual Report	39
7.3	Update on Direct Debit Issue	61
7.4	Risk Management Report	67
7.5	Assurance Management Report	83
7.6	Health, Safety & Wellbeing Management Report	111
8.	Items not on the agenda	
9.	Closure	



Audit and Risk Committee

Minutes of a meeting of the Audit and Risk Committee held in the Council Chamber, 26 Gordon Street, Dannevirke on Tuesday 27 August 2024 commencing at 09:30am.

1. Present

Mr P Jones (Chairperson), Her Worship the Mayor - Mrs T H Collis, Crs E L Peeti-Webber (Deputy Mayor), N L Chase, A K Franklin, S M Gilmore (via Teams), P A Johns, M F Long, K A Sutherland, S A Wallace and S M Wards (via Teams)

In Attendance

Mr B Nicholson	- Chief Executive
Mr R Suppiah	- Group Manager – Corporate and Regulatory
Mrs K Tani	- Group Manager – Strategy and Community Wellbeing
Ms S Lowe	- Group Manager – People, Capability and Customer Experience
Mr H Featonby	- Group Manager - Infrastructure
Mr S Dunn	- Risk and Assurance Advisor
Ms G Anderson	- Health and Safety Coordinator
Mrs S Walshe	- Finance Manager
Mrs B Fowler	- Senior Financial Accountant
Ms E Roberts	- Revenue Manager
Ms A Rule	- Policy and Planning Advisor
Mr D Erard	- Tararua Alliance Manager
Ms S Boyt	- Performance Manager, Tararua Alliance
Ms F Chase	- Facilities Manager
Mrs A Dunn	- Manager – Democracy Services
Ms S Ellis	- Democracy Support Officer

2. Welcome and Meeting Opening

The meeting was opened with prayer.

3. Apologies

There were no apologies.

3. Public Forum

There were no requests for Public Forum.

4. Notification of Items Not on the Agenda

There were no late items of business notified.

5. Declarations of Conflicts of Interest in Relation to this Meeting's Items of Business

Nil

6. Confirmation of Minutes

That the minutes of the Audit and Risk Committee meeting held on (date) (as circulated) be confirmed as a true and accurate record of the meeting.

Johns/Chase

Carried

7. Reports

7.1 Tararua Alliance Report

The Audit and Risk Committee considered the report of the Tararua Alliance Manager dated 19 August 2024 that provided an overview of the Tararua Alliance and included a breakdown of key risks.

Questions were asked regarding the guidelines followed for traffic management and it was advised that costs of traffic management was being tracked separately to the operational costs.

The impact of the reduced funding allocation from NZTA Waka Kotahi was noted, including the 84% reduction in funding for footpath maintenance. The need for a communications plan on the implications from this matter was also discussed.

That the report from the Tararua Alliance Manager dated 19 August 2024 concerning the Tararua Alliance be received.

Johns/Wallace

Carried

7.2 Draft Audit New Zealand Management Reports

The Audit and Risk Committee considered the report of the Finance Manager dated 20 August 2024 that provided an update on the 2021/2022 Annual Report audit findings and management report, on the Draft 2022/2023 Annual Report

audit findings and management report, and on the proposed Audit Plan for the 2023/2024 Annual Report.

With regard to matters raised in the management letter, the committee sought assurance that critical reconciliations were being done on a timely matter, and noted the matter raised by audit about their view on the basis for carrying out the revaluations, and sought assurance that Council's revaluation processes complied with the valuation standards, the depreciation valuation guidelines and the accounting standards.

It was proposed that a meeting be held with the auditors to explain the Council's position and the management response to the matters raised.

The committee discussed the need for more timely management letters to be provided to Council from Audit New Zealand and the impact from not receiving these earlier. In that respect the committee discussed sending the new Audit Director a message that more timely management letters would be appreciated by the Audit and Risk Committee.

It was requested that a summary of all audits, including any recommendations from the two management reports, be provided at the next meeting.

A memo from Audit Director, Fiona Elkington providing an update on the audit status for the 2023-24 year was tabled and discussed.

That the report from the Finance Manager dated 20 August 2024 concerning the Draft Audit New Zealand Management Reports be received and that the memo from Audit New Zealand providing an update on the audit status for the 2023-24 year be noted.

Sutherland/Johns

Carried

7.3 **Health and Safety Due Diligence Plan**

The Audit and Risk Committee considered the report of the Group Manager - People and Capability dated 07 August 2024 that provided an update on the Health and Safety Due Diligence Plan and its activities.

That the report from the Group Manager - People and Capability dated 07 August 2024 concerning the Health and Safety Due Diligence Plan (as circulated) be received and noted.

Collis/Gilmore

Carried

The meeting adjourned at 10:21am and reconvened at 10:37am.

7.4 **Draft Unreasonable Customer Behaviour Policy**

The Audit and Risk Committee considered the report of the Risk & Assurance Advisor dated 16 August 2024 provide elected members the opportunity to provide feedback on the draft Unreasonable Customer Behaviour Policy.

The inclusion of a process was sought for escalation of matters by a customer either to management for through the Mayor or elected member, when the customer is not happy with an outcome.

It was also recommended that the use of the terminology ‘pseudo law’ be used as opposed to ‘conspiracy theories’ as this is the terminology being referenced in the Courts.

It was further clarified that the policy specifically covered members of Council staff, but that a framework regarding relations between Elected Members and the general public could be considered. It was underlined that currently, all interactions would be reported through the Chief Executive.

It was noted that a formal appeals process should be included.

That the report from the Risk & Assurance Advisor dated 16 August 2024 concerning the Draft Unreasonable Customer Behaviour Policy be received, and

That the Audit and Risk Committee receives a revised draft of the Unreasonable Customer Behaviour Policy at its next meeting.

Wallace/Chase

Carried

7.5 **Risk Appetite Setting Workshop Feedback**

The Audit and Risk Committee considered the report of the Risk & Assurance Advisor dated 16 August 2024 which enabled discussion and feedback on the results of the Committee’s risk appetite setting workshops.

Highlighted topics of discussion were as follows:

A discussion was had regarding the merits of self-insurance

In consideration of the current high risk appetite, it was recommended that this be maintained and adjusted as suitable for the community and with respect to affordability. An increase was discouraged, but if the current appetite could be considered medium-high, a monitored increase was permissible.

Financial risk appetite was noted as low, with an objective to decrease this further. It was recommended to maintain this at the current level, with constant review.

It was recommended that a framework be developed for risk to be

implemented into officer's reports to Council involving any decision-making.

That the report from the Risk & Assurance Advisor dated 16 August 2024 concerning the Risk Appetite Setting Workshop Feedback (as circulated) be received and adopted.

Long/Sutherland

Carried

8. Items not on the Agenda

8.1 Agreement was sought from the committee to consider a late item of business regarding the signing of the audit engagement letter in respect of the Tararua District Council's Debenture Trust Deed.

It was advised that as the letter had been addressed to the Council generally, instead of to the Mayor, endorsement was sought from the committee for the Mayor to sign on behalf of the Council.

That the Engagement Letter regarding the Limited Assurance Report in respect of the Tararua District Council's debenture trustee be received as a late item of business.

Wallace/Jones

Carried

That Her Worship the Mayor be given authority to sign the Engagement Letter.

Johns/Long

Carried

There being no further business the Chairperson thanked those present for their attendance and contributions, and declared the meeting closed at 11:37am.

Chairperson



Report

Date : 17 October 2024

To : Chairperson and Committee Members
Audit and Risk Committee

From : Sarah Walshe
Finance Manager

Subject : **Audit New Zealand Draft Management Report for the 2024/2034 Long Term Plan**

Item No : **7.1**

1. Recommendation

- 1.1 *That the report from the Finance Manager dated 14 October 2024 concerning the Audit New Zealand Draft Management Report for the 2024/2034 Long Term Plan be received.*
- 1.2 *That the Audit and Risk Committee note Audit New Zealand expressed an unmodified audit opinion on the Long Term Plan 2024/2034 Consultation Document with an emphasis of matter paragraph to draw readers' attention to the uncertainty over funding for Cyclone Gabrielle roading recovery work.*

2. Reason for the Report

- 2.1 To review and comment on the Audit New Zealand Draft Management Report for the 2024/2034 Long Term Plan.

3. Background

- 3.1 Audit New Zealand completed the audit of the Tararua District Council Long Term Plan (LTP) for the period 1 July 2024 to 30 June 2034. The attached report sets out the audit findings and where appropriate makes recommendations for improvement.

4. Summary of Findings

- 4.1 Audit issued an unmodified audit opinion, with an emphasis of matter on 7 August 2024.

- 4.2 The emphasis of matter was included to draw the readers' attention to uncertainty over funding for Cyclone Gabrielle roading recovery work.
- 4.3 Overall, Audit New Zealand concluded that Council had produced an LTP that provides a reasonable basis for long-term, integrated decision-making and co-ordination of the Council's resources and accountability of the Council to the community, and the information and assumptions underlying the forecast information in the plan are reasonable.

5. Matters identified during the audit

- 5.1 Audit New Zealand have drawn attention to challenges in the auditing process that impacted on its over efficiency and that was the shifting decisions from Council which created quite a bit of uncertainty and inefficiency in their audit process. They have said consistency and clear direction are crucial for smooth operations, especially in projects as detailed as preparing and auditing an LTP.
- 5.2 Audit New Zealand have said that management have been open to feedback on the LTP and the underlying information and have demonstrated effective project management in delivering on the key milestones agreed on or renegotiating where required.
- 5.3 Audit New Zealand have signalled that they plan to seek reimbursement from Council for the additional costs incurred due to the extended process and extra time required to resolve the audit issues refer to in item 1.4 Project management, reporting deadlines and audit progress paragraph in the attached report.

6. Key Recommendations

- 6.1 Two key recommendations are identified by Audit New Zealand, the first being that the Council progress its improvement plan actions by dedicating resources to the necessary actions and ensuring that progress is monitored and reported. Although all actions are important, developing an asset criticality framework to identify assets with high consequences if they fail or cease to function, is considered fundamental.

Management has responded that Council has committed to this work as part of the LTP.

- 6.2 The second recommendation is that Council continues dedicating resources to better understand the condition of its three waters pipe network assets and also recommends that the Council continue improving the robustness of its overall asset data to enable data-driven and well-informed planning and investment decisions.

Management have responded that Council is committed to this work as part of the LTP, and as part of the Better Off Funding Reallocation funding this is an area that was identified management would look to resource, and that recruitment is underway.

Attachments

- 1 [↓](#). Attachment to report D24/40635 (Title: Attachment to report D24/40635 (Title: Audit New Zealand Draft Management Report - 2024-2034 Long Term Plan))

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Report to the Council on the audit of

Tararua District Council's
2024 - 2034 Long-Term Plan

Contents

Key messages	3
1 Our audit report.....	4
2 Matters raised in the Audit Plan	6
3 Other matters	16
Appendix 1: Corrected misstatements.....	19
Appendix 2: Disclosures	24

Key messages

We have completed the audit of the Tararua District Council's (the District Council) Long-Term Plan (LTP) for the period 1 July 2024 to 30 June 2034. This report sets out our findings from the audit and draws attention to areas where the District Council is doing well and where we have made recommendations for improvement.

Audit report

We issued an unmodified audit opinion, with an emphasis of matter paragraph on 7 August 2024. We have included an emphasis of matter paragraph in the opinion to draw readers' attention to uncertainty over funding for Cyclone Gabrielle roading recovery work.

Overall, we are of the view that the District Council produced a LTP that provides a reasonable basis for long-term, integrated decision-making and co-ordination of the Council's resources and accountability of the Council to the community, and the information and assumptions underlying the forecast information in the plan are reasonable.

Matters identified during the audit

The audit process for the Long-Term Plan faced some challenges that impacted its overall efficiency. The shifting decisions from the Council created quite a bit of uncertainty and inefficiency in our audit process. Consistency and clear direction are crucial for smooth operations, especially in projects as detailed as preparing and auditing a Long-Term Plan. Management have been open to feedback on the LTP and the underlying information and have demonstrated effective project management in delivering on the key milestones agreed on or renegotiating where required.

Thank you

We would like to thank the Council, management and staff for the assistance received during the audit.

Debbie Perera
Appointed Auditor
[Draft] 9 September 2024

1 Our audit report

1.1 Our opinion was unmodified



We issued an unmodified audit opinion on the LTP on 7 August 2024.

This meant we were satisfied that the District Council's LTP provides a reasonable basis for long-term, integrated decision-making and co-ordination of the Council's resources; and accountability of the Council to the community.

We found the information and assumptions underlying the forecast information in the plan are reasonable.

We have included an emphasis of matter paragraph in the opinion to draw readers' attention to uncertainty over funding for Cyclone Gabrielle roading recovery work. This matter is further explained below.

1.1.1 Uncertainty over funding for Cyclone Gabrielle roading recovery work

The District Council has assumed that NZ Transport Agency Waka Kotahi (NZTA) will fund 93% of the Council's budgeted costs of \$45 million for Cyclone Gabrielle roading recovery work. The Council has not formally agreed the level of funding it will receive from NZTA for \$26 million of the budgeted costs. Although Council has based the funding assumptions on informal indications, there is uncertainty over the level of funding NZTA will provide. If the Council does not receive funding for 93% of the budgeted cost there will be an impact on the overall affordability of the transport programme, which may impact levels of service.

An emphasis of matter paragraph was included in the audit report to draw attention to the uncertainties associated with this funding.

1.2 Uncorrected misstatements

The LTP is free from material misstatements, including omissions.

During the audit, we discussed with management any misstatements that we found, other than those which were clearly trivial. All misstatements found have been corrected.

1.3 Corrected misstatements

The misstatements corrected by management are detailed in Appendix 1.

1.4 Project management, reporting deadlines and audit progress



The development of the Consultation Document (CD) and LTP is a significant and complex project and a comprehensive project plan is required for a successful LTP process.

We highlight that Council's decisions regarding the CD/LTP evolved over time. Initially, the Council chose an unaudited CD, then decided to defer the LTP for a year, and later reverted to the unaudited CD. The overall audit process was impacted in several ways. The changes in the Council's decisions and the resulting delays affected the efficiency of our initial work, leading to a need for additional time and resources. We scheduled our audit team to the original timetable but then had to redeploy our staff to other audits once the decision to defer was made. We then had to reassemble an audit team to complete the LTP audit in July, which disrupted our workflow and resource planning.

The delays and additional audit issues extended the timeline for completing the audit work, resulting in the LTP audit adoption occurring after the initial planned date of 30 June. Despite the challenges, we worked closely with the Council to ensure that sufficient assurance was provided over the fundamental aspects of the LTP. The delay in our work and the emergence of several audit issues that required additional time to resolve resulted to the initial timeline for adoption being affected. We plan to seek reimbursement from the Council for the additional costs incurred due to the extended process and the extra time required to resolve the audit issues.

The District Council had a detailed project plan which included key milestones, deadlines, and the work stream responsible. This allowed the District Council to meet its key timelines.

The District Council continues to be receptive to audit recommendations and is focussed on continuous improvement. In addition, Council staff were available throughout the audit and provided requested information.

2 Matters raised in the Audit Plan



In our audit engagement letter, we identified the following matters as the main audit risks and issues:

2.1 Financial strategy

We are satisfied that the financial strategy is fit for purpose and the supporting underlying information is considered reasonable. We concluded that overall, the Financial Strategy is reasonable, financially prudent, based on financial forecast and complies with relevant legislation.

The overall structure and key principles that drive the financial strategy have been updated since the last LTP to reflect the changing environment that the Council is operating in.

We note that Council has increased its limit on debt based on net debt to total revenue from 150 per cent to 175 per cent (this remains in line with the Local Government Funding Agency (LGFA) limits). While the Council complies with the debt limit in the LTP, the Council has very little headroom available during years 4-6 (2027-2030). This puts the Council at risk of being able to respond to unforeseen events if they were to occur. We note that Council has resolved that in years 2 and 3 of the LTP they will look to become a credit rated Council. This will allow Council to increase its borrowing limits up to 250% compared to the current maximum limits imposed under its LGFA covenant of 175%.

We also note that Council has forecast operating surpluses (revenue greater than expenditure) throughout the 10 years of the LTP, therefore section 100 balanced budget is achieved for each of the 10 years of the LTP. Operating surpluses are generally allocated to fund capital works or transferred to reserves to fund expenditure in future years. We consider the forecast operating surpluses to be a prudent approach. We note that some operating revenue is used to fund capital expenditure. While there is no deficit, Council resolved that it is financially prudent to have higher operating revenue than operating expenditure.

2.2 Infrastructure Strategy

Overall, we are satisfied that the Infrastructure Strategy (IS) is fit for purpose and the supporting underlying information is considered reasonable. We are satisfied that the Infrastructure Strategy meets the legislative requirements and identifies significant infrastructure issues for the local authority during the period covered by the strategy; and identifies the principal options for managing those issues and the implications of those options. We are also satisfied that the Infrastructure Strategy is aligned to the Financial Strategy.

The IS outlines how the Council intends to manage its infrastructure assets, including the need to renew or replace existing assets, respond to growth, or decline in demand for

services, and provide for the resilience of its assets. It takes a long-term view of the district's future infrastructure needs and is a statement of current assumptions and thinking on that will be required to address the major issues facing the district over the next 30 years.

We performed work to ensure that the:

- Infrastructure Strategy is aligned with the Financial Strategy.
- Information in the financial model reconciles with the Infrastructure Strategy.
- Infrastructure Strategy supports accountability.
- Correlation between depreciation and renewals is reasonable; and
- Content of the Infrastructure Strategy document includes everything necessary to achieve its statutory purpose.

2.3 Assumptions

We concluded that overall, the significant forecasting assumptions are appropriate, complete, adequately disclosed and comply with relevant legislation. In addition, the underlying information has been prepared using the material assumptions disclosed in the LTP.

Our review focused on identifying significant forecasting assumptions and ensuring they were complete. We then assessed which of these assumptions were material from an audit perspective and ensured these assumptions were appropriate, adequately disclosed, and consistent with underlying information.

In particular, we tested the assumptions on:

- Sources of funds for replacement of significant assets – refer to 2.3.1
- Population growth and decline – refer to 2.3.2
- Climate change – refer to 2.3.3
- Waka Kotahi NZTA Funding– refer to 2.3.4
- Revaluation of PPE – refer to 2.3.5
- Interest rates – refer to 2.3.5
- Three waters transfer assumptions – refer to 2.3.5
- Capital project do-ability – refer to 2.3.6
- Inflation – refer to 2.3.5

- Natural disasters – refer to 2.3.5

Further comments on specific assumptions are included below:

2.3.1 Sources of funds for replacement of significant assets

We considered that the assumption is reasonable and has been correctly reflected in the forecast financial statements.

The Council has assumed that they have adequate resources to replace significant assets when they fall due. The Revenue and Finance Policy, Financial Strategy, and Infrastructure Strategy set out how Council will fund the replacement of significant assets from depreciation and borrowing through to 2054. The risk is that there will be a shortfall in depreciation funds to replace assets if they require replacing earlier than forecast, or if Council has not funded sufficient depreciation over the longer term.

Council will mitigate this risk by building its depreciation reserves over time to fund the long-term renewals of assets.

Our testing confirmed that there was an appropriate flow of the assumption from the forecasting model to the underlying information.

We have noted that Council has little head room in years 4, 5 and 6 in case of emergency Council is addressing this concern by becoming credit rated in years 2 and 3.

2.3.2 Population growth and decline

We have reviewed the assumptions around the timing of expected growth and are satisfied that these assumptions have been reflected within the financial forecasts.

We have reviewed the appropriateness of the growth assumption applied by the Council. Population and household growth assumptions have been assessed by Thomas Consultants based data on Infometrics and Stats NZ information on growth forecasts.

We are satisfied that this assumption is consistently applied throughout the underlying information.

2.3.3 Climate change

We reviewed the Council's climate change assumptions and determined that, in context of the issues the Council is facing, they are reasonable.

Council is assuming that Climate change will occur in line with government forecasts.

Council recognises in its assumption that climate change can affect the district in a range of ways including, an increase in temperature, change in annual precipitation and rising sea levels. The atmospheric projections in the detailed forecasts were confirmed to the NIWA projections for the Manawatu-Whanganui region as a basis for their assumption.

Council has undertaken a high-level assessment to identify the impacts that climate change has on Council, and has specifically identified:

- Transport (intensity of rainfall an impact on landslides and erosion);
- Drinking water (droughts in times of low rainfall or turbidity in higher rainfall);
- Wastewater (infiltration from stormwater in times of higher rainfall); and
- Stormwater – (intensity of rainfall and ability of stormwater systems to cope).

Council has made disclosures in the underlying information included in long term plan. It has also disclosed Council's planned projects to increase resilience to natural hazard and changing climate (it is its current practice to incorporate/consider climate change in all its business cases/procurement plans).

2.3.4 NZTA Waka Kotahi (NZTA) funding

We included an EOM over the Council's assumption that they will receive significant external funding for the Cyclone Gabrielle renewals project. See section 1.

The Council get NZTA funding for the maintenance and renewals of roading assets in the district.

We requested Council to reconcile the NZTA subsidised roading projects for 2024-27 in the LTP capital programme to the draft 2024-34 Regional Land and Transport Plan (RLTP). There were no projects within Council's LTP that were not included in the RLTP for the maintenance and renewals line.

If the Council does not receive the funding assumed in the financial forecasts, they do not have alternative sources of funding for this to meet the existing programme. If Council did not agree to cover the shortfall, then this could see decreases in levels of service or further rate funding would need to be considered.

2.3.5 Other material assumptions

We reviewed how the other significant assumptions are derived; these include:

- Revaluation of assets - these have been confirmed to the appropriate BERL rates.
- Inflation – this has been confirmed and agreed to BERL rates.
- Borrowing and interest rates – we are satisfied that these have been correctly reflected in the forecast financial statements. Our analytical review noted total finance expense increases and decreases in line with borrowings throughout the ten-year period.
- Three water reforms - we are satisfied that this assumption is consistently applied throughout the underlying information.

- Natural disasters – The Council has assumed that there will be no natural disasters over the period of the LTP. Due to the high level of risk associated with extreme weather events, council has addressed these risks through investment in Core infrastructure.

2.3.6 Delivering capital expenditure programmes (Capital do-ability)

We concluded that the delivery of Council’s capital expenditure programme appears reasonable.

The District Council has assumed that its capital expenditure programme, set out in the LTP and Infrastructure Strategy, will be achieved.

We have analysed total capital expenditure over the last six years and note that overall, the Council has largely met its budget by achieving, on average, 97%. We have used six years as a basis due to the impact of the lockdown periods on the results for some forecast years.

We further analysed delivery against meeting additional demand, improving the levels of service and renewals for the last three years and identified the average actual to budget capital expenditure forecast for the last three years was:

- 72% for meeting additional demand,
- 96% for improving levels of service; and
- 73% for renewals.

Although historically the Council has had a low capital expenditure, it was steadily increasing throughout the years with an average of \$3million increase each year. This changed with COVID and there has been a decrease following the lockdown. This has been followed by substantial increases in the 2023/24 and 2024/25 forecasted amounts. This has mainly been due to significant projects for example, the Dannevirke Impounded water supply, new Pahiatua swimming pool and also Cyclone Gabrielle renewals so that level of service issues can be addressed.

We reviewed the future Whole of Council capital expenditure and compared it to the 2024 achievement.

From the above analysis the Council has a good record of capital expenditure delivery. However, we note that the Council is continuing to budget for larger programme of capital expenditure in the 2024-34 LTP. The District Council have informed us that they can deliver a larger programme due to the following improvements they have made:

- Stricter programme to prevent carry forwards, including reprioritisation of projects.
- Phasing of significant projects in the LTP budgets across multiple years to provide time for planning, land acquisition and resource consents before the intended construction timing.

- Proposed increase of dedicated staff to manage the capital portfolio and the Tararua Alliance restructure has created new roles to support the Emergency response and delivery of capital projects.
- Establishment of panels with Tararua Alliance to ensure enhanced efficiency in the allocation of projects.
- A panel of contractors has been established for transportation which has seen over 20 suppliers being included.

The Council is well positioned geographically to take advantage of a strengthening contracting market and has officers who demonstrate ability to co-ordinate the procurement of new work and manage existing contracts.

2.4 Quality of asset-related forecasting information (including condition and performance information for critical assets)/reasonableness of a council's asset information to inform its renewals expenditure

A significant portion of the District Council's operations relates to the management of its infrastructure: the roading network and the 'three waters' of water supply, sewerage and stormwater drainage. These activities typically make up a significant percentage of the District Council's operational and capital expenditure.

The Council has reasonable information on which to base its asset management planning and renewals expenditure. There is a well-documented record of each of the networks covering; value; age; materials; condition and performance; and criticality (transportation being an exception). Through the asset management plans, and other documentation, the council can express its approach to asset renewals.

Review of Asset Management Plans

We reviewed the Council's Transportation and Three Waters Asset Management Plans (AMPs) and through discussion with council officers, we have concluded that the Council demonstrates a good understanding of its assets. The Council recognises areas for improvement, but the information it holds provides a sound basis for decision making and financial forecasting. The Council demonstrates awareness of the issues it faces and the need for improvement in some of its asset data.

The Council's AMPs contain information covering:

- Assets and Value
- Asset Age profile
- Criticality
- Asset Condition

- Condition of Critical assets

The council's Transport Activity Management Plan is developed and used to inform its Long-Term Plan and is justification for its programme proposed to NZTA as part of the National Land Transport Programme.

Through its Asset Management Plans, read with the Infrastructure Strategy, the council has expressed its approach to asset renewals. The forecast financial statements include these prioritised renewals, which include identified elements from existing backlogs. The reduction in backlog is considered as a long-term goal.

The council's assumptions about the future of the district are well documented and are consistently applied. The assumptions have been used to forecast growth and maintain levels of service.

Critical Asset Condition Information

Critical assets are clearly listed in each of the 3 Waters AMPs. The identification of assets is linked to risk and the impact of adverse events is stated.

The Council states that the identification of critical assets allows operations, maintenance and renewal strategies to be refined based on inspections to address information gaps. The Council also states that critical assets will be prioritised when allocating maintenance and renewal funding.

Other than Herbertville Road and its bridges, the Council has not explicitly identified critical transportation assets. We note that this is already noted as an improvement action in the Improvement Plan.

Transportation

Council has defined confidence levels of the data that it holds for infrastructure assets. Overall, apart from retaining walls, Council has a sound level of data confidence for its transportation assets and has reliable or highly reliable condition data for all classes of assets.

The data is showing that most assets are at expected standard for transportation.

Water

Sound information exists for water assets. While age is showing as uncertain for both classes of assets this is due to uncertainties around immaterial assets.

Treatment plants and facilities have received significant investment over the last four years to meet Drinking Water Standards. Increased focus on maintenance schedules is improving asset resilience. Dannevirke Impound dam (a critical asset), has been assessed at risk, requiring significant investment in 2024 through 2026 to address risk of failure.

A significant number of ageing reservoirs approaching end of life and assessed at risk against resilience and natural disasters. Transmission mains are at risk due to lack of service mains and vulnerable to backflow contamination.

Reticulation - has a significant backlog of renewals, increasing vulnerability to failure.

Below-ground pipes - 6% in excellent condition, 15% in good condition, 55% in average condition, 13% in poor condition, 11% in very poor condition.

Council is addressing the backlog of renewals within the LTP.

Wastewater

Sound information exists for wastewater assets.

Treatment plants and facilities - Many treatment plants are reaching end of life with new consents due for renewal or recently granted with additional conditions, placing the plants at risk of not being able to treat wastewater to the standards required.

Reticulation - there is a significant backlog of renewals increasing vulnerability to failure. Infiltration and Inflow is placing significant strain on network capacity, but also significant negative impact in the treatment processes, risking breach of consent conditions and detrimental harm to the environment.

Below ground pipes-17% rated average or better,3% are poor,14% are very poor and 66% are rated as not assessed.

Age vs expected useful life is typically used as a proxy to determine asset condition. This is validated with visual condition assessments being completed every three years, and with informal day-to-day checks from staff.

Council is addressing the backlog of renewals within the LTP – refer to section 5.3.3.

Stormwater

Condition of stormwater assets is based on asset age and vulnerability according to material type.

Below ground reticulation assets – 4% are in excellent condition, 7% in average condition, 3% in poor condition, 7% in very poor condition and 66% have not been assessed due to accessibility issues or age and material not requiring assessment and resources.

Depreciation vs renewals

To assess the reasonableness of forecast depreciation and renewal expenditure, and to consider whether implications are appropriately discussed in the infrastructure strategy we have compared the forecast depreciation and renewals for Council as a whole and the three waters and transportation activities for the LTP period.

The organisation-wide profile is consistent with what is observed in three waters and transportation. Renewals forecasts exceed depreciation for the significant infrastructure networks over the period of the LTP.

Council has increased renewals over the first three years to provide improved renewal and maintenance programmes for transportation and three waters networks, with a focus on infiltration and leak detection.

Recommendation

We recommend that the Council progress its improvement plan actions by dedicating resources to the necessary actions and ensuring that progress is monitored and reported. Although all actions are important, developing an asset criticality framework to identify assets with high consequences if they fail or cease to function, is considered fundamental.

Management comments

xxx

Prior period recommendation

In the 2021-31 TDC LTP Management Report, we made this recommendation:

<p>Recommendation</p> <p>We recommend updates to the three waters asset management plans be made to address the following issues:</p> <ul style="list-style-type: none">• Condition for all critical assets is not known and there are substantial parts of the “non-critical” networks for which condition is not known. The critical framework needs revision.• Age-based assessment shows issues with attribute data, in particular “installation date.”• Several assets are beyond their technical useful
--

We recommend that the Council continue dedicating resources to better understand the condition of its three waters pipe network assets.

We also recommend that the Council continue improving the robustness of its overall asset data to enable data-driven and well-informed planning and investment decisions.

Management comments

xxx

3 Other matters



In this section, we have detailed our key findings from the audit. We have also detailed our findings in relation to other areas of focus:

3.1 The content of the consultation document

We did not issue an audit report on the consultation document. However, we did form a view about the major matters that the Council consulted on in its consultation document, as this also informs our audit opinion on whether the LTP meets its purpose in accordance with Section 93(6) of the Act.

We reviewed the District Council's LTP CD and made a number of recommendations for improvements. After these were made, we were satisfied the LTP CD included appropriate information to enable consultation with the public on key issues. The consultation document was easy to read with contextual information. It clearly sign-posts the consultation issues, as well as outlining the vision and community outcomes, issues facing the District Council and updates on key initiatives the District Council is committed to. It was clear which issues were being consulted on (including a range of options, the consequences of these choices and the District Council's preferred option). It highlighted the critical parts of the proposed Financial Strategy and Infrastructure Strategy.

We were satisfied that the CD covered what were expected to be the main issues facing the community into the future.

The audit of the assumptions, underlying information, financial model, performance framework, infrastructure strategy, and financial strategy should ideally take place at the time the Council is producing its consultation document.

Due to changes in the Council's decisions regarding the CD/LTP (as noted in section 1.4), we were unable to complete our audit work over the underlying information before the CD was adopted.

3.2 Uncertainty over the Dannevirke impounded water supply

The Dannevirke impounded supply reservoir/dam was constructed for storage of untreated water to enhance the resilience of the town water supply. The reservoir is considered a critical asset which, if taken offline, might result in a water crisis for the district.

In 2020/21 the Dannevirke Dam suffered damage following a severe drought which compromised the containment structure, and concerns are that there could be a failure of the structure. In October 2023, Council had to pause starting the physical repairs to the impounded supply as there were some key pieces of information which were still outstanding, supply chain challenges, as well as issues around the dam liner system.

The Council engaged professional engineers, Tonkin and Taylor as experts to perform an assessment of the reservoir and options available to Council in light of new dam regulations. This report was expected mid to late August and was not available in time for the LTP.

The Council has included within its plan a budget of \$7.3million for immediate risk management and repairs and a second tank. The full extent of the work required will not be known until further information is received from Tonkin and Taylor. There was the risk that there may be significantly more costs required than what have been included in the LTP. We have reviewed the \$7.3million costings and were satisfied that they are appropriately supported based in the information that they have at this time.

We considered whether there is a need for an EOM over the uncertainty if costs come back significantly more. However, we determined that Council has made adequate disclosure and will look at other options available if necessary. They have disclosed the risk on page 123 of part 2 of the LTP and have noted that if significant more costs are required, then they will review all alternate options (e.g. demand management) and, if necessary, will consult on any amendments to the LTP.

3.3 External funding for the Pahiatua swimming pool

Pahiatua currently has an outdoor pool that is open for approximately 10 weeks per year over summer. The Bush Aquatic Trust (BAT) (independent from Council) has been instrumental in designing and fundraising for an enclosed "Sprung" swimming pool, which will allow year-round swim education in Pahiatua as well as catering for club swimming and a therapeutic space for older members of the community.

As part of the consultation the Council agreed that they would contribute \$2.5m out of the total cost of \$6.1m. However, Council has been clear that they will only contribute once the BAT has raised the full \$3.6m balance (they have currently secured \$2.5m). On completion the pool will be vested in Council.

The pool is expected to be constructed over the first two years of the plan, and Council has budgeted operating costs from the time it is vested in Council. The likelihood that the project will progress is dependent on BAT being able to raise the full estimated \$3.6m before Council makes the contribution and the construction can start. Funding availability from the Trust is still uncertain, though Council has received assurances that the balance of the funds can be raised, and we have been advised that they have already secured \$2.5m.

Council has included disclosures on pages 153 and 154 of part 2 of the LTP outlining the situation, noting that if BAT doesn't raise the required funding for this project Council will not contribute the \$2.5m, and the \$3.6m currently recognised as vested assets will not be received and that they would need to repair the existing pool to maintain the current level of service.

We considered whether the uncertainties should be raised as an EOM within the opinion. However, based on discussions through hot reviews for other Councils, as the dollar

amount involved (\$3.6m) is not multiples of materiality (\$2.1m) and the details are adequately disclosed, we determined that an EOM would not be needed.

3.4 Financial model and forecasts

We concluded that overall, the financial model is reasonable, reduced the risk of misstatement and is accurately reflected in the consultation document, Infrastructure Strategy and Financial Strategy.

In assessing the financial forecast, we focused on the integrity of the financial model, the reliability of the source data and whether the outputs of the model have appropriately flowed through to the underlying information. In doing this we adopted a substantive approach undertaking a variety of data logic, metric, integrity, analytical review, spreadsheet, and data flow testing.

3.5 Performance management framework

We reviewed the District Council's performance framework and no issues were found that had an impact to the LTP.

The performance framework remained relatively unchanged from prior years with no significant changes to levels of service or activity structure. There were some new performance measures this year to enhance the measures and performance measures that were revised in terms of targets; however, this was simply to better align the targets to what has been achieved in the past and ensure there is growth in the right direction.

Our review focused on assessing the reasonableness of any changes (or lack of expected changes) to performance measures and targets. We also followed up on progress to rectify previously identified weaknesses, enquired about systems in place to record performance of new measures, ensured all mandatory measures are included and ensured consistency with forecast financial information.

Appendix 1: Corrected misstatements

The misstatements corrected by management over the course of the audit of the LTP were:

- Main financials, FISs and notes
 - Correction of internal inconsistencies between main financials and notes/breakdowns shown elsewhere in the LTP.
 - Correction of arithmetical errors.
 - Reduction in financial assets to account for the repayment of Mt Bruce loan during the LTP period.
 - Correction to flat-line balance sheet items, e.g. investment in CCOs and similar entities, investment properties.
 - Disclosure of a portion of the landfill provision as current.
 - Correction to the current portion of the borrowings liability.
 - Correction to restricted assets as they were initially not revalued. Management also noted that operational assets had not moved with the land revaluation that was processed.
 - Correction to how the interest expense is calculated so it is based on the borrowing liabilities in the balance sheet.
 - Correction to the financial model of the inflation for staff expenses for year 9 and 10.
 - Correction to the FISs to ensure overall summation reconciles with the WOC FIS.
 - Correction to the financial model so overhead allocation charges are shown in the individual FIS AND in the Whole of Council FIS.
 - Reflection of the sale of assets in the Statement of Cashflow.
 - Disclosure of vested assets under other revenue instead of under other gains/losses.
 - Correction to the FISs with the allocation of the capitalised wages.
 - Correction to opening balances in relation to debtors and other receivables and depreciation (depreciation was not aligned with the revaluation carried out in FY2023).

- Correction to ensure internal consistency between financial statements in the LTP and the financial model.
 - Disclosure of rates remission under rates revenue instead of other revenue
 - Correction of a portion of fees and charges being recognised as rates revenue.
 - Removal of the duplication of the budget for footpath LOS capex.
 - Clarification over the inclusion of the vested portion of the Pahiatua pool in the planned capital programme.
 - Consistency of the special funds narratives with the latest annual report.
- Infrastructure strategy
- Correction to the three waters capital investment information so it covers the 30-year period (instead of just 10 years).
 - Correction to the worksheet formulas and inputs used so they are aligned with the underlying information.
 - Additional Information about the condition, performance, and criticality of transport assets/network
 - Additional information about the condition and performance of non-reticulation assets for water and wastewater networks
 - More explicit information (and quantification) about the extent of any backlog in renewals within the three waters networks
 - Clarity about current and future levels of service
 - Information about resource consents expiring within the LTP period and linkage between these and the proposed investment in infrastructure.
 - Ensuring that capital investments and project costs for three waters were for the 30-year period of the infrastructure Strategy and clarity about inflation applied in the graphs.
 - Clarity on alternatives
 - Options considered for significant infrastructure challenges facing the Council. Options included in the Infrastructure Strategy are all proposed to be implemented but will be prioritised. The infrastructure strategy did not provide alternative options, but rather discussed the prioritisation of all the options that have been selected.
 - Ensuring that significant assumptions are consistent between key strategic documents and that the population projections are extended to 30 years.

- Inclusion of reliability ratings for the transport asset data.
- Financial strategy
 - Alignment of the debt limit terminology with the actual LGFA wording. Addition of definition of “net debt” per LGFA to avoid confusion with the ‘net debt’ used in other parts of the benchmarks (to avoid confusion as the Regulations uses the same terminology as well).
 - Correction to prior period information disclosed so they are consistent with the published documents.
 - Clarification that the balance the budget is under s100 of the Local Government Act to differentiate from the benchmark graph. Inclusion of explanation on year 1 surplus being due to vested assets and gain from the forestry sale.
 - Inclusion of other significant factors affecting the local authority’s ability to meet additional demands for services, assessment of Council ability to provide and maintain existing levels of service and meet additional demands for services within those financial limits, and the expected capital expenditure on network infrastructure that is required to maintain existing levels of service.
 - Correction to worksheets so figures used are consistent with the financials in the LTP.
- Benchmarks
 - Internal consistency in the rates limits set out under the benchmarks section and financial strategy.
 - Alignment of the debt limit terminology with the actual LGFA wording.
 - Alignment of the presentation of the graphs (vertical bar lines, headers) with the format specified in the Regulations.
 - Inclusion of year 0 (2023/2024) information in several benchmarks.
 - Correction to the worksheet formula to ensure they are aligned with those specified in the Regulations.
 -
- Assumptions
 - Clarification that inflation is added to year 1 figures and the rationale for doing so.
 - Clarification on how the NZTA funding from years 4-6, 7-9 and 10 were inflated and the manner it is inflated.

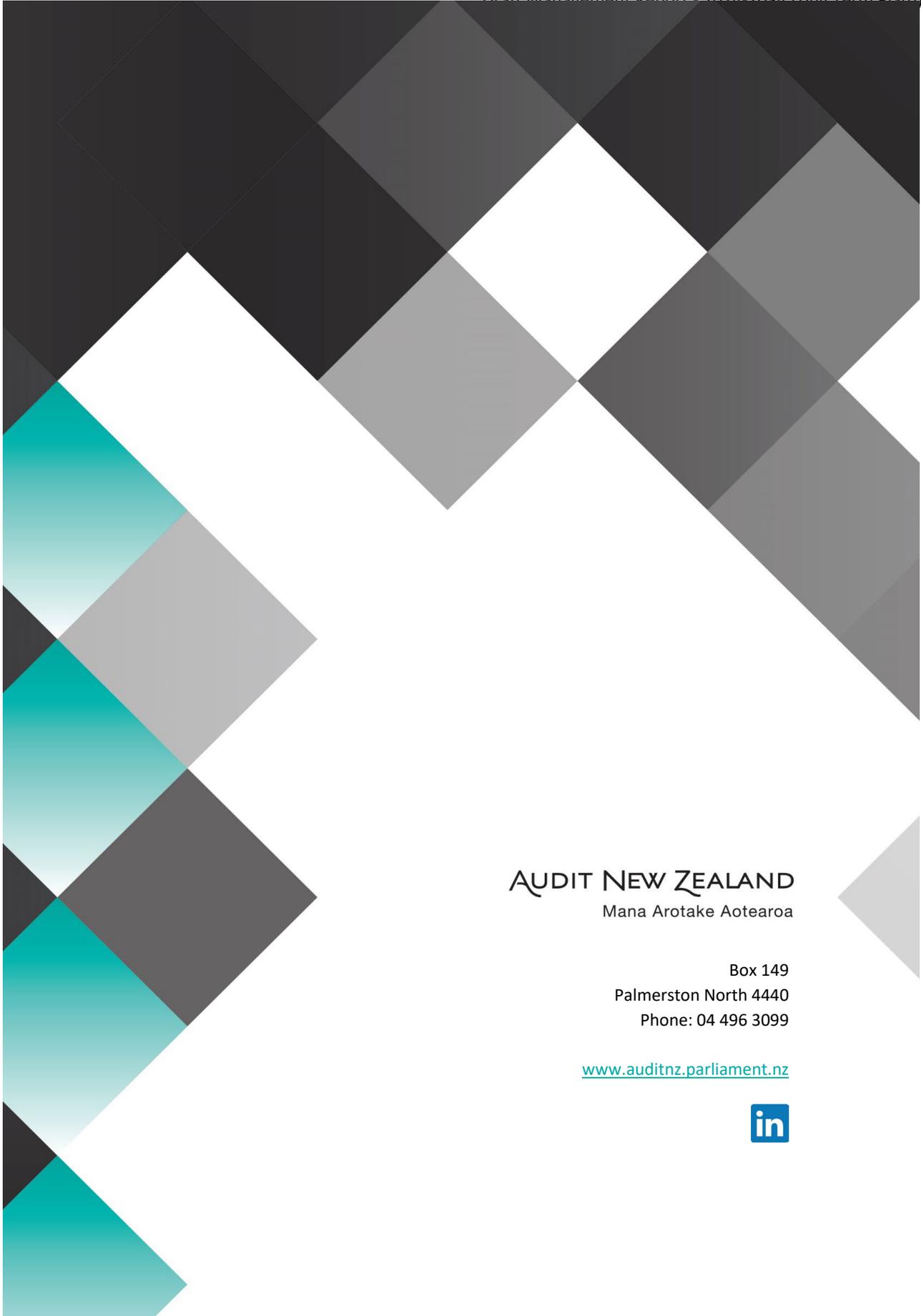
- Disclosure of the funding relating to the Cyclone Gabrielle (rate, years affected, etc).
 - Correction to revaluation of PPE disclosure so it is aligned with the actual assumption applied in the financial model. For example, it was disclosed that transport revaluation was being based on the Council's Alliance contract but the model is aligned with BERL. It was also noted that the value of non-depreciable assets (for example land) is forecast to remain constant. This is incorrect statement and contradicts the accounting policy and what actually was carried out in the model, e.g. operational and restricted land are revalued.
- Policies
- Revision to the funding mechanism splits in the Revenue and Financing Policy so they are aligned with the actual financials.
 - Inclusion of the variation between TDC's LTP and assessment of water and sanitary services and waste management plans.
 - Disclosure that the prospective financial statements comply with PBE FRS 42 with an explicit and unreserved statement of such compliance in the notes.
 - Correction of accounting policy inconsistencies vs the latest annual report.
 - Correction to the section on accounting standards issue not yet effective.
- Rates
- Correction to ensure consistency of rates in a \$ between the rates resolution and the rating FIS.
 - Inclusion of the projected number of rating units at the end of the preceding year for each year covered by the plan.
 - Corrections to % disclosed in compliance with the 30% rates cap, particularly where changes were made in between versions.
- Performance framework
- Correction to prior period information so they are consistent with published documents.
 - Correction to performance measures shown as new measure when they are not new measures.
 - Consistency between how the performance measure is worded and how the target is set, e.g. some instances where the measure says 'percentage' but the target is not.

- Inclusion of targets for year 1 and subsequent years (some were missing).
 - Inclusion of incorrectly omitted measures.
 - Correction to the drinking water measures so it makes reference to the DWQAR
- Correction to version control errors.

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the LTP and reporting that opinion to you. This responsibility arises from section 94 of the Local Government Act 2002.</p> <p>The audit of the LTP does not relieve management or the District Council of their responsibilities.</p> <p>Our audit engagement letter dated 3 July 2024 contains a detailed explanation of the respective responsibilities of the auditor and the District Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your LTP. The District Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Local Authority in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 <i>International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1)</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to the audit we have carried out the annual report audit engagement and debenture trust deed assurance engagement, which is compatible with those independence requirements. Other than these engagements, we have no relationship with or interests in the Local Authority or its subsidiaries.</p>
Quality management	<p>We have also complied with the Auditor-General's quality management requirements, which incorporate the requirements of Professional and Ethical Standard 3 <i>Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements (PES 3)</i> issued by the New Zealand Auditing and Assurance Standards Board.</p>
Fees	<p>The audit fee, covering both the CD and the LTP for the period is \$86,200 (excluding GST and disbursements), as detailed in our audit engagement letter dated 3 July 2024.</p> <p>Other fees will be charged in the period for the annual report audit and debenture trust deed assurance engagement.</p>

Area	Key messages
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the District Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the District Council during or since the end of the financial year.</p>



AUDIT NEW ZEALAND

Mana Arotake Aotearoa

Box 149
Palmerston North 4440
Phone: 04 496 3099

www.auditnz.parliament.nz





Report

Date : 17 October 2024

To : Chairperson and Committee Members
Audit and Risk Committee

From : Sarah Walshe
Finance Manager

Subject : **Audit New Zealand Audit Plan - 2023/2024 Annual Report**

Item No : **7.2**

1. Recommendation

- 1.1 *That the report from the Finance Manager dated 14 October 2024 concerning the Audit New Zealand Audit Plan - 2023/2024 Annual Report be received.*
- 1.2 *That the Audit and Risk Committee note the timeline for completing the audit*

2. Reason for the Report

- 2.1 To provide the Audit and Risk Committee with a copy of the Audit Plan received from Audit New Zealand for the 2023/2024 Annual Report.

3. Audit Plan

- 3.1.1 This letter outlines the Audit Plan for the audit of Tararua District Council Annual Report for the year ending 30 June 2024.
- 3.1.2 The areas of focus are detailed in pages 2 to 6. These areas differ from year-to-year and are determined based on what the Audit Director has assessed as the key business risks and issues facing Council.
- 3.1.3 The areas of additional focus for this year are as follows:
- Fair value assessments Council is required to do on its Property Plant and Equipment in years a valuation does not occur;
 - Asset impairment considerations, local water done well programme;
 - The Dannevirke impound supply; and

- The risk of management override of internal controls.

4. Audit Proposed Timeline

Timetable



Our proposed timetable is:

Draft Annual Report including financial statements and service performance available for audit (including notes to the financial statements) with actual year-end figures	7 October 2024 or earlier
Interim audit completion	14 October 2024
Final Audit	14 October 2024
Final Annual Report available, incorporating all the amendments agreed to between us and including any Chair and Chief Executive's overview or reports	25 November 2024
Verbal audit clearance given	4 December 2024
Audit opinion issued	18 December 2024
Draft report to the issued	18 December 2024

- 4.1 With the delayed adoption of Council's Long Term Plan, the statutory timeframe for which the Annual Report for the 2023/2024 period must be adopted by was extended to 31 December 2024.
- 4.2 On the 9th October Audit New Zealand advised that there had been a resourcing change and as a result auditors would not be available to begin week commencing 14th October. A larger team was resourced and will begin on 21st October with no changes to the agreed adoption timeline specified above.
- 4.3 Officers have asked if a draft audit opinion could be made available at the same time as verbal clearance and for the appointed auditor to be present to present this to the Audit and Risk Committee on the 11th December.
- 4.4 Officers have also asked if a file note of any issues/items or new recommendations could be prepared and be available for inclusion in the Audit and Risk Committee agenda for the 11th December meeting as well.

5. Annual Report Update

- 5.1 Officers presented a draft Annual Report to elected members 2nd October.

5.2 An updated Draft Annual Report was provided to Audit New Zealand on the 7th October.

5.3 The change between these two drafts is as follows:

- All items that were showing as “to be updated” (activity infographics, annual report disclosure statement, and accounting policies) have been updated based off information disclosed in the activity sections and accounting policies in line with those accounting policies within the 2024-2034 Long Term Plan.
- Corrections to spelling and rounding adjustments made in the elected members section of the personnel costs note.
- A correction to the audit fees disclosed (officers had incorrectly accrued the 2024 and 2025 audit fees). This change results in a decrease in audit fees and a decrease in accounts payable balance of \$223,000.

6. Next Steps

6.1 Audit to commence 21st October.

6.2 Updates and changes as requested by the auditors will be actioned throughout the auditing process.

6.3 Updated draft Annual Report, draft audit opinion, and file note on items for inclusion in the Audit New Zealand Management Report for the 2023/2024 Annual Report to be presented to the Audit and Risk Committee on the 11th December 2024.

6.4 Report detailing the changes between draft presented on 2nd October and draft presented to Audit and Risk Committee will be included in agenda for the 11th December Audit and Risk Committee meeting.

Attachments

1 [↓](#). Audit New Zealand - Audit Plan - 2023-2024 Annual Report

Audit plan

Tararua District Council

For the year ended 30 June 2024

Audit plan

I am pleased to present to the Council our audit plan for the audit of Tararua District Council (the District Council) for the year ended 30 June 2024. The purpose of this audit plan is to discuss:

Risks and issues.....	2
Group audit.....	8
Our audit process.....	9
Reporting protocols.....	14
Audit logistics.....	15
Expectations.....	17

The contents of this audit plan should provide a good basis for discussion when we meet with you.

We will be happy to elaborate further on the matters raised in this audit plan.

Our work improves the performance of, and the public's trust in, the public sector. Our role as your auditor is to give an independent opinion on the financial statements and performance information. We also recommend improvements to the internal controls relevant to the audit.

If there are additional matters that you think we should include in this audit plan, or any matters requiring clarification, please discuss these with me.

Nāku noa, nā

Fiona Elkington
Appointed Auditor
Draft - 3 October 2024

Risks and issues

Focus areas



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

Risk/issue	Our audit response
Valuation of infrastructural assets held at fair value	
<p>The District Council revalues its Infrastructural assets held at fair value annually. The last revaluation was performed as at 30 June 2023.</p> <p>The accuracy of the valuation depends on the valuation method applied, the completeness and accuracy of the source data and the appropriateness of underlying assumptions.</p> <p>For the infrastructure assets, the District Council uses the optimised depreciated replacement cost methodology to determine fair value. The valuation is based on a number of significant assumptions, including the useful lives and replacement costs of the assets.</p> <p>Because of the large value of the assets held by the group, a small movement in the key assumptions can have a significant impact on the valuation and consequential depreciation expense recognised in the financial statements.</p>	<p>We will:</p> <ul style="list-style-type: none"> • review the valuation report to assess the competence and experience of the person completing the valuation and whether the requirements of PBE IPAS 17 <i>Property, Plant and Equipment</i> (including the appropriateness of the valuation basis) have been met; • audit the method of valuing the assets and assess if the valuation method used is in line with the financial reporting framework; • review the reasonableness of the data and key assumptions used; and • assess the presentation and disclosure of information related to the valuation in the financial statements.

Risk/issue	Our audit response
Fair value assessment of property, plant and equipment (non-revaluation year)	
<p>For those assets that the District Council is not planning to revalue, the District Council should perform a fair value movement assessment (assessment) to determine whether there is a significant difference between the fair value and the carrying value. Where the estimated difference is significant a revaluation may be necessary.</p> <p>An assessment should:</p> <ul style="list-style-type: none"> • factor in local cost information; • utilise relevant and reliable price movement indicators; and • involve consulting with valuers, if necessary. <p>Alternatively, the District Council could engage valuers to assist in preparing a fair value assessment.</p> <p>The District Council revalues its land and buildings every three years. Its land and building assets were last revalued in 30 June 2023 and a fair value assessment will need to be performed in 2024.</p>	<p>We will review the reasonableness of the District Council’s assessment including the appropriateness of the assumptions used in the assessment.</p> <p>If the movement of the assets individually or in combination with other asset classes is significant the District Council may need to complete a revaluation. In certain circumstances it <i>may</i> be acceptable to make an adjustment based on the desktop revaluation.</p>

Risk/issue	Our audit response
Asset impairment considerations	
<p>In accordance with PBE IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i> and PBE IPSAS 26 <i>Impairment of Cash-Generating Assets</i>, at each reporting date management must assess whether there is any indication that an asset may be impaired. If management identifies any indication of an impairment, then they must estimate the recoverable service amount of the asset.</p> <p>Assets are required to be assessed for indicators of impairment on an annual basis.</p> <p>Irrespective of whether there are any indications of impairment, intangible assets not yet available for use (that is, work in progress) and intangible assets with indefinite useful lives must be <i>tested</i> for impairment at least annually.</p> <p>Work-in-progress (WIP) values on projects that span an extended period of time should be assessed regularly for impairment over the life of the project. The District Council needs to ensure that as phases of a project are completed, and assets become operational, capitalisation of the WIP balance occurs in a timely manner. This will ensure that depreciation expense on these assets is recognised and accounted for appropriately.</p> <p>The District Council will need to complete the necessary assessment of impairment of assets (as above). In addition, intangible assets not yet available for use (i.e. work in progress) and intangible assets with indefinite useful lives must be <i>tested</i> for impairment at least annually.</p> <p>Due to the judgemental nature of the valuations used in assessing impairment there is a risk of bias or error in the assumptions and inputs used. Any bias or errors in the inputs used or calculations performed could result in a material misstatement in the carrying value of property plant and equipment/investment property/intangible assets and the related impairment expense.</p>	<p>We will:</p> <ul style="list-style-type: none"> • review the impairment assessment; • evaluate the reasonableness of the significant assumptions; • evaluate how management has addressed estimation uncertainty; and • reperform calculations made by management.

Risk/issue	Our audit response
“Local Water Done Well” programme	
<p>In February 2024, the Government passed legislation that repealed the affordable waters reform legislation passed into law by the previous Government.</p> <p>The Government intends implementing its Local Water Done Well” through the passing of two further bills through Parliament.</p> <p>The first bill will set out provisions relating to council service delivery plans, transitional economic regulation and provide for streamlining the establishment of CCOs to deliver water should councils desire to do so.</p> <p>A second bill will set out provisions relating to long-term requirements for financial sustainability, provide for a complete economic regulation regime, and a new range of structural and financing tools, including a new type of financially independent council-controlled organisation.</p> <p>The first and second bills are expected to be passed in the middle of 2024 and the middle of 2025 respectively.</p> <p>The timing of legislation through Parliament may result in some impact on the 30 June 2024 annual report. Until the content of the bills is known the impact is unclear.</p> <p>The District Council should ensure that sufficient disclosure about impact of the programme (to the extent that the impact is known) is included in the annual report.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • reviewing the District Council’s assessment of the impact of the legislative change on the annual report to ensure any accounting or disclosure implications are considered; • considering whether, we may include information in our audit report to draw a reader’s attention to the District Council’s disclosure about the programme.
Dannevirke Impounded water supply (impounded supply)	
<p>In 2020/21 the Dannevirke Dam suffered damage following a severe drought which compromised the containment structure, and concerns are that there could be a failure of the structure. In October 2023, the District Council had to pause starting the physical repairs to the impounded supply as there were some key pieces of information which were still outstanding, supply chain challenges, as well as issues around the dam liner system.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • reviewing the latest available information on the assessment of the reservoir and options to remedy and progress of the District Council’s selection of a preferred solution; • reviewing for any impact on impairment recognised on the impounded supply; and

Risk/issue	Our audit response
<p>The District Council engaged professional engineers, Tonkin and Taylor as experts to perform an assessment of the reservoir and options available to Council in light of new dam regulations. This report is expected mid to late August 2024. The full extent of the work required will not be known until the further information is received from Tonkin and Taylor.</p> <p>As the District Council will have better information on the cost and options to remediate, consideration will need to be given as to whether any impairment recognised on the asset at 30 June 2024 needs to be adjusted and if there are any other disclosure requirements for the 2024 Annual report.</p> <p>Under PBE IPSAS 14, para 10 <i>An entity shall adjust the amounts recognised in its financial statements to reflect adjusting events after the reporting date and under para 11 this includes the receipt of information after the reporting date indicating that an asset was impaired at the reporting date, or that the amount of a previously recognised impairment loss for that asset needs to be adjusted.</i></p>	<ul style="list-style-type: none"> ensuring any accounting or disclosure implications are considered.
The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls.</p> <p>Management are 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.</p> <p>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.

Please tell us about any additional matters we should consider, or any specific risks that we have not covered. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

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. In considering fraud risk, two types of intentional misstatements are

relevant - misstatements resulting from fraudulent reporting, and misstatements resulting from misappropriation of assets.

The primary responsibility for the prevention and detection of fraud and error rests with the District Council (as the governing body), with assistance from management. In this regard, we will discuss the following questions with you:

- What role does the District Council play in relation to fraud? How do you monitor management's exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, is the District Council satisfied that it had appropriate input into this process?
- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the District Council and management to keep you informed of instances of fraud, either actual, suspected, or alleged?
- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to the District Council? Has appropriate action been taken on any lessons learned?

Our responsibility

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement 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 substantive audit procedures; 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.

Group audit



The group comprises:

- Tararua District Council (parent); and
- Tararua Aquatic Community Trust (TACT).

Our auditor's report covers the group as a whole. Our audit approach is developed to ensure we have sufficient information to give an opinion on the group. In designing our group audit approach, we considered the structure of the group and identified the entities which are included in the group financial statements. Each entity is referred to as a component.

TACT is not considered a significant component, therefore we will perform analytical procedures at the group level to identify unexpected movements.

We will report any significant internal control deficiencies to the District Council and management of the group. We will communicate deficiencies related to:

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

We will also communicate any fraud identified.

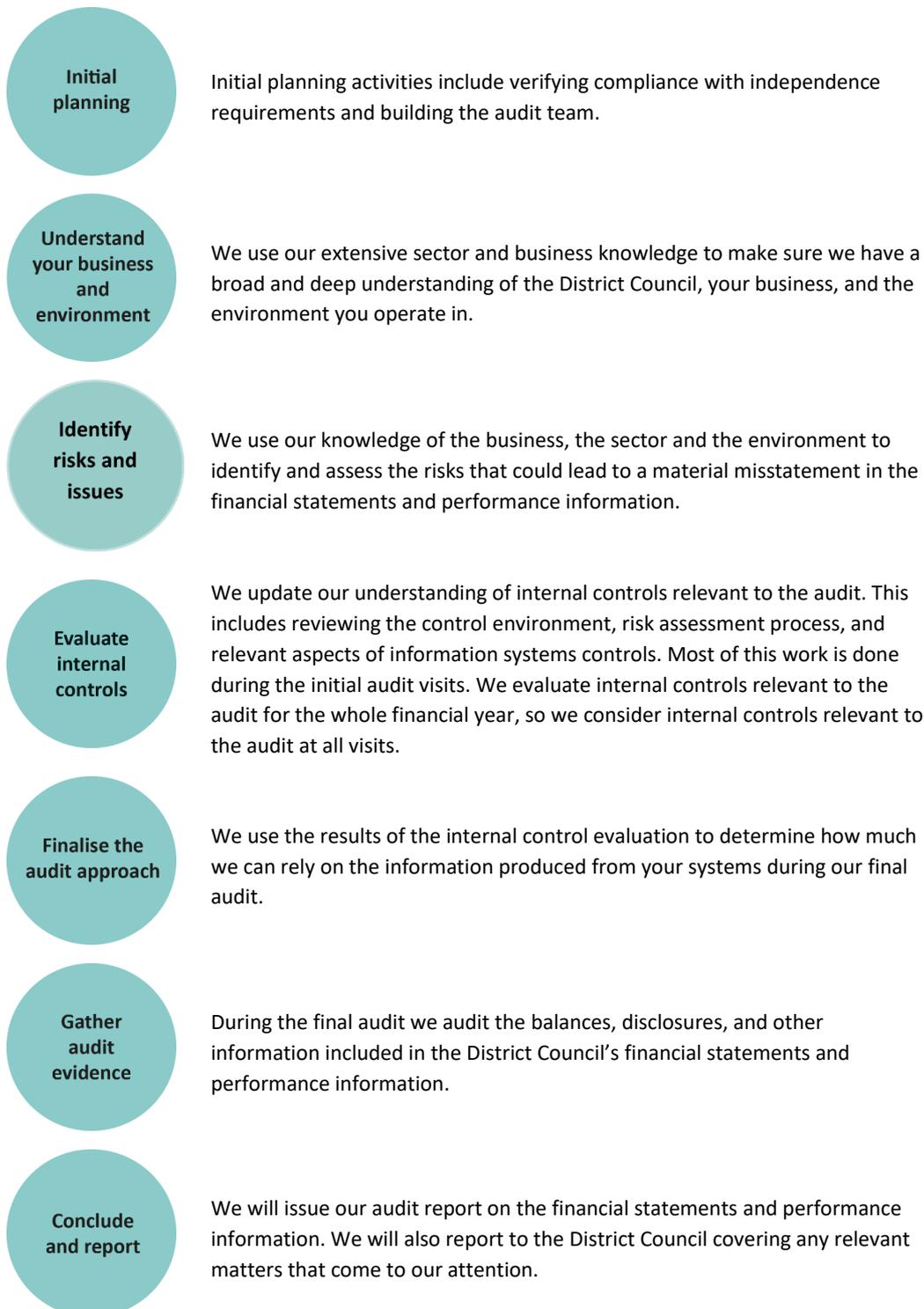
The District Council had until 2015 consolidated the TACT accounts. The District Council has engaged technical accounting advice about TACT.

The rationale for stopping the consolidation has been identified as incorrect. We consider TACT to be a public entity under the "auto-pilot" considerations of PBE IPSAS 35 Consolidated Financial Statements, therefore it will need to be consolidated with the District Council accounts this year.

The District Council chose not to consolidate TACT into their accounts for 30 June 2023 based on the fact that they believe they do not have control. We have assessed the impact of not consolidating TACT into the Group accounts and determined the TACT accounts are not material to the Group.

However, TACT operations continue to grow, and it has indications that it will become material. We will **follow up** on our prior year recommendation that TACT is consolidated into the financial statements of the District Council going forward.

Our audit process



Prioritising higher risk work to ensure an efficient year-end processes

To ensure the year-end annual report and audit thereof are efficient, District Council should prioritise their work to ensure higher risk areas and those that involve significant management judgment are planned to be ready for auditing as soon as possible. Timelines for this information should be agreed with us early. Delays in providing this information to us could impact our ability to resolve technical issues late in the audit process.

Examples of areas that typically involve management and auditor judgment include, and should be resolved early include:

- revaluations of property, plant and equipment held at fair value;
- valuation of investment properties and biological assets;
- impairment assessments for property, plant and equipment/intangibles/investment properties; and
- any other significant provision or accounting estimates.

Materiality

In performing our audit, we apply materiality. In the public sector, 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. We consider the nature (qualitative) and amount (quantitative) of each item judged in the surrounding circumstances and its impact. In the public sector qualitative considerations are of equal significance as quantitative considerations. Qualitative considerations are of primary importance in our assessment of materiality in the context of disclosures for transparency and accountability reasons, and in evaluating any non-compliance with laws and regulations.

The Council and management need to consider materiality in preparing the financial statements and service performance information and make their own assessment of materiality from a preparer's perspective. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer's perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities. Management and the District Council should not rely on our materiality assessment as a basis for owning and making judgements about the integrity of the financial statements and service performance information.

Financial statements materiality

For planning purposes, we have set **overall materiality** for the financial statements at \$97,000,000 based on last year’s total Plant Property and Equipment. This is subject to change once the actual results for the current year are available. For this audit we are only applying this overall parent materiality to the fair value of property, plant and equipment.

Overall materiality	\$101,300,000
Specific materiality	\$1,750,000
Clearly trivial threshold	\$ 87,500

For this audit, we have set a lower **specific materiality** of \$1,750,000 for all items not related to the fair value of property, plant and equipment.

We also set a lower **specific materiality** for some items due to their sensitivity. For example, we apply a lower specific materiality to related party and key management personnel disclosures.

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 other than those that are **clearly trivial**. We consider misstatements of less than \$87,500 to be clearly trivial for the financial unless there are qualitative considerations that heighten its significance. We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from management and the on the reasons why the corrections will not be made.

<p>Misstatements</p> <p>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. The effects of any detected and uncorrected misstatements, individually and in aggregate, are assessed against overall materiality and qualitative considerations.</p>

Overall financial statement materiality does not apply to any matters of effectiveness and efficiency, waste, or a lack of probity or financial prudence.

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 District 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 the District Council’s performance. We consider a variety of factors including the level of public interest and potential public risk. Because of the variety of measurement bases applied, we normally express this materiality as a percentage of the reported result.

We have identified the following measures as material and assessed materiality for planning purposes. We will reassess this during the audit.

Material measure	Materiality % of the reported result
<p>Safety of drinking water The extent to which the local authority's drinking water supply complies with:</p> <p>(a) part 4 of the drinking-water standards (bacteria compliance criteria), and</p> <p>(b) part 5 of the drinking-water standards (protozoal compliance criteria).</p>	<p>0% of reported result. The measure is reported as "Yes" (compliant) or "No" (not compliant) for each water supply. Therefore, the result is either right or wrong.</p>
<p>Customers are satisfied with supplied water Percentage of customers rating water management as "fairly satisfactory" or "very satisfactory" in the community survey</p>	<p>8% of reported result</p>
<p>Wastewater - Discharge compliance/ management of environmental impacts Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of:</p> <p>(a) abatement notices (b) infringement notices (c) enforcement orders, and (d) convictions, received by the territorial authority in relation to those resource consents.</p>	<p>5% of reported result</p>
<p>Customers are satisfied with wastewater systems Percentage of residents rating wastewater management as "fairly satisfactory" or "very satisfactory" in the community survey.</p>	<p>8% of reported result</p>
<p>Stormwater - resource consents Compliance with the territorial authority's resource consents for discharge from its stormwater system, measured by the number of:</p> <p>(a) abatement notices (b) infringement notices (c) enforcement orders, and (d) convictions, received by the TA in relation to those resource consents.</p>	<p>8% of reported result</p>
<p>Road condition The average quality of ride on a sealed local road network, measured by smooth travel exposure.</p>	<p>8% of reported result</p>
<p>Our roads are maintained to an appropriate standard Percentage of Residents rating Rural roads as "quite satisfactory" or "very satisfactory" in community survey</p> <p>Percentage of Residents rating Urban roads as "quite satisfactory" or "very satisfactory" in community survey</p>	<p>8% of reported result</p>

Professional judgement and professional scepticism

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term “opinion” reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

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 mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

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

How we consider compliance with laws and regulations

As part of the Auditor-General’s mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach involves first assessing the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance on our audit.

Wider public sector considerations

A public sector audit also examines whether:

- the 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 the District Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by the 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 the District Council or by one or more of its members, office holders, or employees.

Reporting protocols

Communication with management and the Council



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

Reports to the Council



We will provide a draft of all reports to management for discussion/clearance purposes. Once management comments are received the report will be finalised and provided to the District Council.

We will also follow up on your progress in responding to our previous recommendations.

Audit logistics

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:

Fiona Elkington	Appointed Auditor
Julian Tan	Engagement Quality Review Director
Freddie Quilongquilong	Audit Manager
Memory Fambisayi	Senior Auditor

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. The EQR Director is an experienced Audit Director who has sufficient and appropriate experience to objectively evaluate the judgements made by the audit team. 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.

Timetable



Our proposed timetable is:

Draft Annual Report including financial statements and service performance available for audit (including notes to the financial statements) with actual year-end figures	7 October 2024 or earlier
Interim audit completion	14 October 2024
Final Audit	14 October 2024
Final Annual Report available, incorporating all the amendments agreed to between us and including any Chair and Chief Executive's overview or reports	25 November 2024
Verbal audit clearance given	4 December 2024
Audit opinion issued	18 December 2024
Draft report to the issued	18 December 2024

AuditDashboard

In 2023 we used AuditDashboard, our online portal, to transfer files between your employees and Audit New Zealand. Overall, the use of AuditDashboard made it easy to fulfill requests. Real-time status updates provided greater visibility to everyone and helped to keep everyone organised and on the same page.

We will again use AuditDashboard for transferring audits as part of the audit.

Working remotely

We plan to continue to perform aspects of your audit remotely as there are some benefits to you and us of having our team off-site for parts of the audit. For you these benefits include:

- Staging and sending the information we request for audit over an agreed period of time as opposed to having all the information requested ready for our arrival at one agreed date.
- Less time spent on travel, so we will have more time focus on auditing what matters and raising issues earlier.
- Reduction in disbursements as we will incur less travel and overnight costs.
- Less auditor time on site which allows you to get on with your work and enables planned focused conversations when these take place.

To enable audit work to be completed off-site and fully obtain the benefits detailed above, you will need to ensure that you can provide supporting documents electronically.

We recognise different organisations are positioned differently to enable off-site audit work. We will be discussing and agreeing off-site working expectations in conjunction with our information requests with you as part of your 2024 audit. This will include our continued use of AuditDashboard to manage our information requests.

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.

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

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.

Health and safety



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, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required. We also expect management to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

www.auditnz.parliament.nz

PO Box 99
Wellington 6140
Phone: 04 496 3099





Report

Date : 16 October 2024
To : Chairperson and Committee Members
Audit and Risk Committee
From : Rebecca Bell
Contractor
Subject : **Update on Direct Debit Issue**
Item No : **7.3**

1. Recommendation

1.1 *That the report from the Contractor dated 11 October 2024 concerning the Update on Direct Debit Issue be received.*

2. Reason for the Report

2.1 The reason for this report is to give the Audit and Risk Committee an update on the Direct Debit Issue, and raise challenges and concerns we are currently facing in relation to this issue.

3. Background

3.1 An error was recently discovered in the process for recalculating direct debit payments for ratepayers receiving rates rebates.

3.2 This error affects 602 ratepayers in the Tararua District, with 281 impacted households having paid more rates than was required, and 321 impacted households having paid less than was required.

3.3 The communications plan followed by Council included:

- Targeted engagement with the affected ratepayers.
- Support / drop-in clinics.

- Engaging with individuals to determine next steps depending on outcome here.
 - Clear communication with rest of ratepayers / community
- 3.4 The targeted engagement with affected ratepayers started with a hand-delivered letter drop direct to their letterbox on 20 September 2024. This letter included information about the issue identified, and details of the in-person support sessions set up by Council, and contact details for discussing the matter directly.
- 3.4.1 Credit letters were sent to 166 households. Debit letters were sent to 212 households. The remaining impacted households were removed from this project and managed via the general recalculation on the basis that the issue had already been remedied, meaning the balance brought forward was low (under \$100), and/or the variation in direct debit was low (less than \$12 per week), or the situation had otherwise been remedied e.g. the property had recently sold. These households were dealt with via the normal business as usual process.
- 3.5 A full page in the Bush Telegraph on Monday 23 September 2024 was dedicated to informing the community about the issue.
- 3.6 Council is working with impacted households to agree on tailored solutions for repayment, which may include a combination of the available options.

4. Discussion and options considered

- 4.1 Council's ability to write off rates is constrained by its obligations under the Local Government (Rating) Act 2002 (the LGRA) and Local Government Act 2002, and Council must recover the arrears, however Council also wants to ensure that it limits any financial hardship to impacted households directly caused by Council's error.
- 4.2 Council management has obtained legal advice regarding the remedies available, risks and limitations associated with each remedy and the source of the discretionary powers that can be exercised either by the Chief Executive or Council.
- 4.3 An extraordinary meeting of Council meeting was held on 4 September 2024, where management presented to Council, in a public excluded session, the legal advice received and a range of options to address the outstanding amounts, both for those in credit and those in arrears.
- 4.4 These options included:
- a) A full write-off of the arrears;
 - b) A partial write-off of the arrears;
 - c) A payment plan for impacted households to pay off their arrears over time;

- d) The ability for impacted households to postpone the payment of their arrears to a defined point in the future;
 - e) An update to Council's existing Rates Remission Policy to include a remission related to this matter and an option to postpone the payment of their arrears to a defined point in the future.
- 4.5 Management sought legal advice to determine if there were any other options they not yet considered or were not aware of. The advice received was that the options presented were the reasonably practicable options open to Council in this situation.
- 4.6 The analysis of the options also presented a range of factors for Council to consider in relation to each of the options. These were:
- a) Sections 12, 44, 100, and 101 of the LGA;
 - b) Sections 65, and 90A of the LG(R)A;
 - c) The likelihood of judicial challenge to any Council decision;
 - d) Equity for all ratepayers across the district;
 - e) What effect the treatment option might have on households impacted by Council's error in terms of financial hardship;
 - f) The reputational damage that may occur as a result of the treatment option;
 - g) The impact of the treatment option on Council's levels of service.

5. Proposed Rates Postponement Policy

- 5.1 On 25 September 2024 Council decided to introduce a Rates Postponement Policy with a specific postponement provision on this matter, to assist households impacted by Council's error.
- 5.2 Public consultation on the draft Rates Postponement Policy opened on 27 September and closes on 20 October 2024. It should be noted that, regardless of Council's final decision regarding the adoption of this policy post consultation, impacted households also have two other options for addressing their arrears:
- a) paying off the arrears amount in full at this time, or
 - b) setting up a payment plan with Council to pay off their arrears over time.

They may also choose a combination of the three options.

- 5.3 Following the close of the consultation period, hearings will be held for those submitters that advised they wanted an opportunity to speak in person to Council in relation to their submission. These hearings have been scheduled for 4 and 5

November, one in Pahiataua and one in Dannevirke. Deliberations on matters raised by submitters will be undertaken by Council on 11 November 2024, and then the final version of the Rates Postponement Policy presented to Council for adoption on 15 November 2024.

6. Current challenges and concerns

6.1 Resourcing

6.1.1 Council is committed to finding a resolution for each impacted household that works for their individual situation. This is a resource-intensive process. In order to fulfill this commitment Council has brought in additional support to assist with dealing with this issue in the form of a project manager and a communications lead. We have also utilised Palmerston North City Council Afterhours Contact Centre to support the customer services team and ensure continuity of business as usual.

6.1.2 Even with this additional support, this project has, by necessity, drawn in a large number of staff from the following business groups:

- People, Capability & Customer Services Group
- Corporate Group
- Strategy and Community Wellbeing Group
- Executive Group

6.1.3 The complexity and intensity of this effort is taking a significant toll on the wellbeing of several key staff. While we are through the “acute” stage of informing impacted households and managing the initial media interest, we are now in the sustained phase of dealing with each impacted household to find a resolution that works for them. It is likely that this phase will not be complete until early December.

6.1.4 During the month of October we have several key staff absences (planned) and have also been impacted by a few cases of staff illness. This has resulted in capacity being further reduced.

6.1.5 All staff contributing to this project are doing so on top of their business as usual roles. Management is continuously reviewing business priorities to allow for the necessary focus on this issue, however, with other statutory deadlines at play, rearranging priorities is proving to be a challenge.

6.1.6 Management regularly considers other possible external support that may be brought in, however given the specialised nature of the issue, it is challenging to find appropriate personnel.

6.1.7 We do have the support of a small number of appropriately qualified people within the MWLASS cohort to assist with the recalculation process, as, due to leave and training requirements, internal capacity did not allow for this to be managed in house.

6.2 **Potential legal challenge**

6.2.1 At the time of writing, we are aware of at least ten impacted households who are seeking legal advice. One of these has indicated that they “and a few other ratepayers have engaged a lawyer”.

6.2.2 As yet, we have not received any communication from lawyers representing impacted households.

6.3 **LGOIMA request**

6.3.1 On 8 October 2024, we received a LGOIMA request from Tararua Community Law (TCL) seeking an extensive range of information and documentation related to the direct debit issue.

6.3.2 The request indicated that they were particularly interested in the Council’s deliberations on Section 90(A) (*Chief Executive may write off rates that cannot be recovered*) of the Local Government (Rating) Act 2002, whether this was considered and if not, why not. They sought a response as quickly as possible, due to consultation on the postponement policy closing on Sunday 20 October.

6.3.3 Given the breath of TLC’s initial request, and so that staff can remain as focussed as possible on finding resolutions for impacted households, we have responded with:

- a) the report that went to Council’s public excluded session on 4 September 2024 (discussions around legal advice redacted);
- b) the minutes of that meeting; and
- c) the report that went to Council on 25 September 2024 re the proposed Rates Postponement Policy.

6.4 **Increased scope of the direct debit error**

6.4.1 As part of the process of assessing direct debit records of the impacted households, we conducted a review of a sample of ratepayers with a balance brought forward (in debit or in credit) to check the data parameters we used were accurate.

6.4.2 In completing the review, we identified some ratepayers who are on a repayment plan and pay by direct debit who have not had their direct debit recalculated each year as far back as 2018. It is yet to be determined how widespread this situation is.

- 6.4.3 The impacts identified so far include:
- a) rates accounts are in credit because the repayment plan finished but the direct debit was not adjusted down, or
 - b) the direct debit was not reviewed each year to account for rates increases meaning the direct debit amount is not sufficient to meet current rates. Arrears have subsequently built up.
- 6.4.4 We also noted some issues with our rates debtor management in general that require further investigation.
- 6.4.5 We are still in the early stages of this investigation and will bring a further update to the Audit and Risk Committee at its December meeting.

Attachments

Nil.



Report

Date : 16 October 2024
To : Chairperson and Committee Members
Audit and Risk Committee
From : Stephen Dunn
Risk & Assurance Advisor
Subject : **Risk Management Report**
Item No : **7.4**

1. Recommendation

1.1 *That the report from the Risk & Assurance Advisor dated 10 October 2024 concerning the Risk Management Report (as circulated) be received and adopted.*

2. Reason for the Report

2.1 To provide an update on matters relating to risk management.

3. Emerging Risks

3.1 Security Risks for the Implementation of Fluoride

3.2 Fluoride has been implemented and on-site security systems have been upgraded. A review of fencing is due to be completed this financial year.

3.3 Council officers consulted with Police to ensure that appropriate security measures are in place. Police advised that Council should establish a process for collecting information across departments to create a better understanding of potential threats posed by individuals.

3.4 In line with our new Security Policy, we are in the process of establishing the Security Committee, which will prioritise this action as one of its initial tasks.

4. Strategic Risk Register

4.1 The table below summarises the Strategic Risk Register, last reviewed during the development of the 2024-2034 Long Term Plan and reported at the Committee meeting on 27 August 2024. No further updates have been made to the register.

Risk Description	Mitigations	Risk Rating
<p>3Waters Reform and Subsidies for Water and Wastewater Upgrades</p> <p>The Council risks being unable to sustainably fund resilient infrastructure due to changing legislative standards, growth, climate change, and the financial impact of 3waters reform.</p>	<ul style="list-style-type: none"> • Continue to lobby government • Explore regional collaboration • Review levels of service in future LTPs • Option to delay investment until new legislation in place 	Severe
<p>Capital Projects Do-ability</p> <p>The Council risks failing to deliver its work programme, especially for 3Waters and Cyclone Gabrielle Recovery projects, leading to delays, increased costs, and potential for asset failures, compounded by financial uncertainties and resource constraints.</p>	<ul style="list-style-type: none"> • Council works collaboratively with its supply partners • Project delivery can be revised during future LTPs • Projects are monitored by the Infrastructure, Climate Change, and Emergency Management Committee • Larger projects have a steering committee • Council has sound procurement processes and has a transport procurement strategy • Projects are well scoped during LTP development • Council has centrally leads or supports projects through its Project Management Office 	Severe
<p>Climate Change</p> <p>The risk is that climate change may occur more rapidly and severely than predicted, leading to increased storm and flood damage, fire risk, and erosion, necessitating unfunded emergency work and additional infrastructure investment, while also impacting the global economy, driving social change, and creating supply chain constraints and insurance challenges.</p>	<ul style="list-style-type: none"> • Financial Strategy • Future Community Urban Design project, and District Plan review. • Climate resilience is built into infrastructure budgets • Council is a signatory to the Manawatū-Whanganui Joint Climate Action Plan 	High

Risk Description	Mitigations	Risk Rating
<p>Waka Kotahi Funding The risk is that changes in subsidy levels and criteria from Waka Kotahi, may reduce funding, impacting Council's ability to maintain resilient and reliable infrastructure.</p>	<ul style="list-style-type: none"> • Financial Strategy • Compliance with Waka Kotahi requirements • Strong relationship with Waka Kotahi • Regional Land Transport Committee • If required can change levels of service in future LTPs 	High
<p>Interest Rates The risk is that actual interest rates will be significantly different to forecast.</p>	<ul style="list-style-type: none"> • Council's interest rate strategy • Council meets lender covenants • Council receives interest rates advice 	High
<p>Infrastructure Capability The risk is that higher-than-forecast growth, along with climate change impacts, will strain 3waters infrastructure, requiring significant investment and potentially leading to unexpected challenges due to data gaps and funding constraints.</p>	<ul style="list-style-type: none"> • Financial Strategy • Infrastructure Strategy • Future Community Urban Design project • Improving knowledge of assets • Increased depreciation reserves • Proposed development contributions • Improving demand management 	High
<p>Population Growth The risk is that actual population or household growth, driven by factors like migration, economic conditions, and climate change, may significantly differ from forecasts, leading to incorrect LTP decisions and challenges in maintaining quality community facilities and infrastructure.</p>	<ul style="list-style-type: none"> • Financial Strategy • Future Community Urban Design project • Increased depreciation reserves • Lobby government (through LGNZ) • Improving knowledge of assets 	High
<p>Natural Disasters The risk is that increasing natural disasters could severely damage infrastructure and disrupt services, with the Council potentially underprepared and unable to secure affordable insurance or sufficient government support, leading to significant financial strain and the need for borrowing and rate increases for recovery efforts.</p>	<ul style="list-style-type: none"> • Financial Strategy • Future Community Urban Design project • Business continuity planning • Maintain emergency response 	High

Risk Description	Mitigations	Risk Rating
	capability <ul style="list-style-type: none"> • Insurance • Special roading reserve 	
Sources of Funds for the Replacement of Significant Assets The risk is that depreciation funds may be insufficient to replace assets if they need earlier replacement or if long-term funding has been inadequate, potentially affecting financial stability despite a current positive forecast position.	<ul style="list-style-type: none"> • Financial Strategy • Current level of depreciation reserves 	High
Forest Harvesting The risk is that significant increases in forestry harvesting volumes and new plantings will cause major damage to arterial roads, leading to higher renewal and operational costs.	<ul style="list-style-type: none"> • Tararua Alliance relationship and planning with forest owners • Route 52 upgrade • Heavy vehicle rate changes • Increased depreciation funding • Control over some resource consent requirements 	High
Legislation and One Plan Changes The risk is that legislative changes could increase Council's required services and activities, disrupt work programmes, and impact the local economy and rates affordability, particularly affecting farming, and earthquake-prone buildings.	<ul style="list-style-type: none"> • Council submits to government on legislation and policy change • Council has effective relationships with Horizons Regional Council, iwi partners, and neighbouring local authorities 	High
Wind and Solar Farm Developments The risk is that wind and solar farm developments will significantly impact roads, necessitating increased renewals, upgrades, or timing changes, though resource consents are expected to cover the full development costs.	<ul style="list-style-type: none"> • Future Community Urban Design project and District Plan changes • Involvement in the resource consent process • Council can consider bringing forward renewals to take advantage of developments 	High
Asset Lives: The risk that assets wear out earlier or later than expected.	<ul style="list-style-type: none"> • Data improvements, LTP process, depreciation 	Moderate
Inflation: is significantly different to forecast	<ul style="list-style-type: none"> • Financial Strategy and LTP process 	Moderate
Ageing Population: significantly different to forecast	<ul style="list-style-type: none"> • LTP process and growth strategy 	Moderate
Revaluation of Property, Plant and Equipment: is incorrect	<ul style="list-style-type: none"> • LTP process 	Moderate

Risk Description	Mitigations	Risk Rating
Access to External Funding: Council unable to borrow to extent required	<ul style="list-style-type: none"> Financial Strategy, membership of LGFA, relationship with bankers 	Moderate
Contracts: have significant unbudgeted variation	<ul style="list-style-type: none"> Contracts are regularly reviewed and inflation adjusted 	Moderate
Resource Consents Renewal: renewal conditions are altered significantly requiring unbudgeted expenditure	<ul style="list-style-type: none"> Financial Strategy, effective stakeholder relationships, lobby government 	Moderate

5. Operational and Health & Safety Risk Register Extracts

5.1 The table below provides a summary of operational and Health & Safety severe and high risks, reported to the Committee according to the Risk Management Framework reporting guidelines.

5.2 We are currently in the process of bringing activity management plan risks from the 2024-2034 Long Term Plan into the risk register and expect to report high and severe risks at the December Committee meeting.

Risk Description	Mitigations	Risk Rating
Organisational Operational Risk Register		
<p>Staff resources are inadequate to successfully deliver Council strategic objectives.</p> <p>A failure to retain or attract suitable skilled staff or correctly right size the workforce.</p>	<ul style="list-style-type: none"> Workplace culture: annual staff survey Develop Flexible Working Policy Wellbeing Committee Career development plans Develop Remuneration Policy Human Resources Plan Engage consultants when required Ensure correct resourcing articulated in activity management plans 	Severe
<p>Conflict of Interest</p> <p>A significant non-disclosure of a conflict of interest impacts on Council reputation, finances, and is disruptive.</p>	<ul style="list-style-type: none"> Procurement Policy Staff training Elected Members conflict of interest 	High

Risk Description	Mitigations	Risk Rating
	<p>requirements are met</p> <ul style="list-style-type: none"> • Staff conflicts of interest register 	
<p>Health & Safety Notifiable Event</p> <p>Council fails to manage its health and safety system to meet its responsibilities under the HSWA Act resulting in an injury or death.</p>	<ul style="list-style-type: none"> • Risk register reviews • Health & Safety Committee • Staff inductions • Crisis Management Plan • SiteWise contractor prequalification • Develop contractor induction process • Develop Health & Safety Strategy • Safe365 reporting system • Health & Safety Policy • SafePlus assessments 	High
<p>Significant IT Failure that Disrupts the Organisations Ability to Provide Agreed Levels of Service</p>	<ul style="list-style-type: none"> • Improvement of business continuity arrangements • Cyber insurance • Develop Disaster Recovery Plan • ICT Policies • Implement recommendations of security audit 	High
<p>Failure to Maintain and Strengthen Iwi and Māori Partnerships</p> <p>The risk is the Council does not meet iwi partnership objectives or adequately engage with Māori.</p>	<ul style="list-style-type: none"> • Develop internal competence • Significance and Engagement Policy • Better Off Funding project • Governance and operational meetings • Tāmaki-nui-a-Rua Māori Ward • Reviews of partnership agreements 	High
<p>3Waters: Dannevirke Impounded Supply Failure</p>	<ul style="list-style-type: none"> • Enhanced monitoring • Emergency response plan 	High

Risk Description	Mitigations	Risk Rating
	<ul style="list-style-type: none"> Resilience projects 	
Health, Safety, and Wellbeing Risk Register		
<p>Health & Safety Critical Risk: Pahiatua Water Treatment Plant – Hazardous Substances</p> <p>The risk is the potential exposure to personnel or environment from hazardous substances at the Pahiatua Water Treatment Plant.</p>	<ul style="list-style-type: none"> Interim administrative controls are in place. Remedial plan including the removal of chemicals agreed delivery date August 2024. 	Severe
<p>Health & Safety Critical Risk: Slipping into Wastewater ponds</p> <p>Potential for drowning and exposure to biological hazards.</p>	<ul style="list-style-type: none"> Ponds are staff access only Emergency response plans Staff training, processes and equipment for working near ponds Fencing and signage (Pahiatua and Eketāhuna fencing work programmed) Egress ropes (in progress) 	Severe
<p>Health & Safety Critical Risk: Working Alone or Remotely</p> <p>Increases the likelihood and severity of risks already present on site and reduces response.</p>	<ul style="list-style-type: none"> Monitoring and alert systems Consider design of work 	High
<p>Health & Safety Critical Risk: Stress and Fatigue</p> <p>High workload, deadlines, personal stress, dealing with traumatic events, Emergency Operations Centre.</p>	<ul style="list-style-type: none"> Prioritisation of work People leaders training Time in lieu EAP services Process improvements Taking breaks 	High
<p>Health & Safety Critical Risk: Contractor Management</p> <p>Ensuring high risk activities are carried out safely by contractors.</p>	<ul style="list-style-type: none"> SiteWise prequalification Audit and monitoring of contractors Health and Safety plans and JSA's 	High

6. Insurance

6.1 Council has submitted its insurance renewal information to Aon Insurance, and we expect to hear shortly about premiums.

- 6.2 As part of this year’s renewal, we completed a review of the above ground asset information provided to Aon. We found that many 3Waters treatment assets were incorrectly classified as below ground infrastructure and we have now moved these to the correct policy schedule. This initial reclassification ensures that these assets are now appropriately insured. However, we are not yet able to provide answers as to how this misclassification occurred or give assurance on how it may be managed going forward. Additionally, we are awaiting advice from our insurer regarding any potential cost implications for annual premiums. We will update you as soon as this information becomes available and provide a more detailed report on our findings.
- 6.3 Improvements to the insurance asset register is occurring in line with the overall asset information improvement programme set out in the Infrastructure Strategy.

7. Tararua Alliance

- 7.1 Attached is the quarterly risk, and health & safety update from the Tararua Alliance.
- 7.2 The report provides health, safety, and wellbeing information relating to incident reporting, and safety conversations and inspections.
- 7.3 The report provides an overview of the Performance Framework scoring for Q1 2024/25.
- 7.4 Council is currently completing the procurement process for a replacement auditor for the Alliance.
- 7.5 To follow up the question raised at the 23 August 2024 Committee meeting the report includes a report on how the Alliance intends to undertake footpath maintenance following the reduction in Waka Kotahi funding.

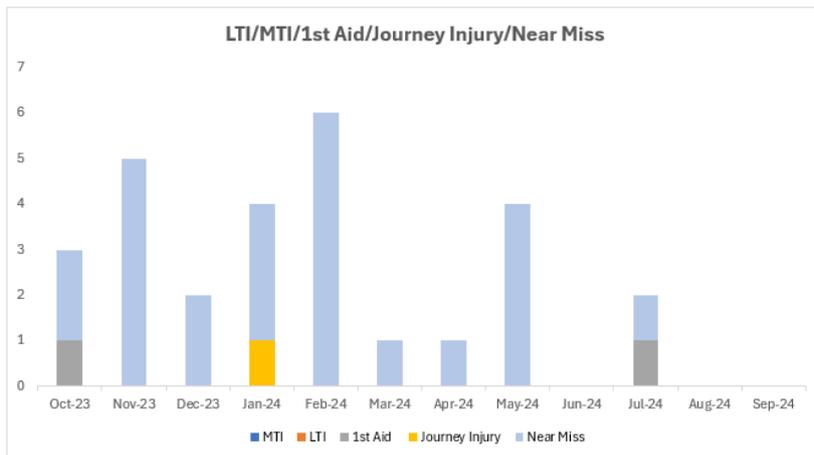
Attachments

- 1 [↓](#). Tararua Alliance Report

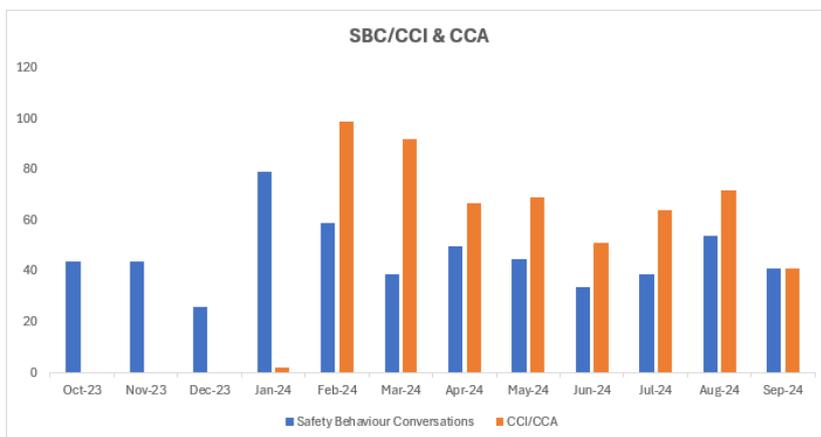


Tararua Alliance Quarterly ARC Report – 22 October 2024

ZERO HARM STATISTICS



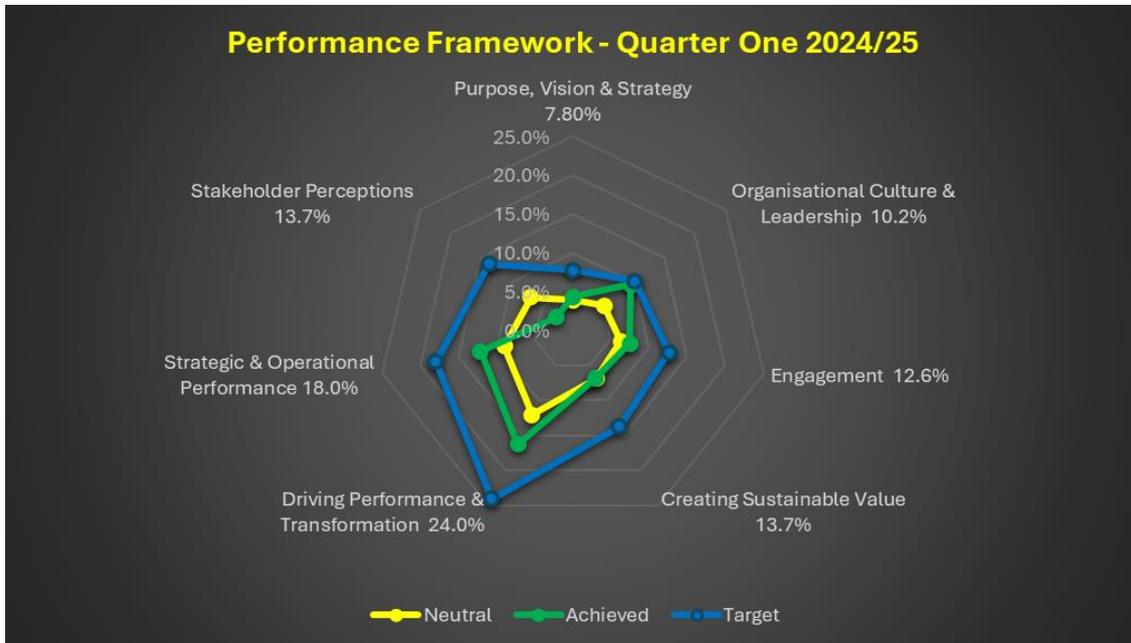
SAFETY CONVERSATIONS/INSPECTIONS



Zero Harm Meetings – We are continuing with our monthly Zero Harm Field Staff meetings followed by our Zero Harm Leadership meetings.

PERFORMANCE FRAMEWORK

Performance Framework scoring for the first quarter of the financial year.



Performance Framework Key Areas:

Operational Culture and Leadership is progressing well. Our key focus has been ensuring we are actively completing all action points from leadership meetings. We have also worked hard on celebrating the successes of our staff which has a Zero Harm focus.

Driving Performance & Transformation is another key area where we have been actively enhancing our processes. Ensuring monthly auditing of our claim quantities and quality has been a priority, along with capturing our new and renewed asset data in a timely manner. We have also implemented a new Risk Register which captures a lot more information and qualitative analysis.

Stakeholder Perceptions is an area of where we aren't scoring strongly at this point. This is due to a few factors. We had a target set of Sept 30 to have all our TCE's set for the FY. This target has not been achieved due to the delays in confirming the Labour and Off-Site Overhead rates, which has been caused by the changes within Downer that have happened over the last six months. We are hopeful these will be set within the next fortnight. Our Tensioned versus Untensioned KPI is also not scoring very highly which is due to the time of year as most of our tensioned activities such as Rehabilitations and Reseals take place during the summer period. This FY we have also implemented a strict Performance Improvement Plan where we score ourselves on completing action points from our previous audits. We are starting to get some traction with this KPI but it is still a work in progress.

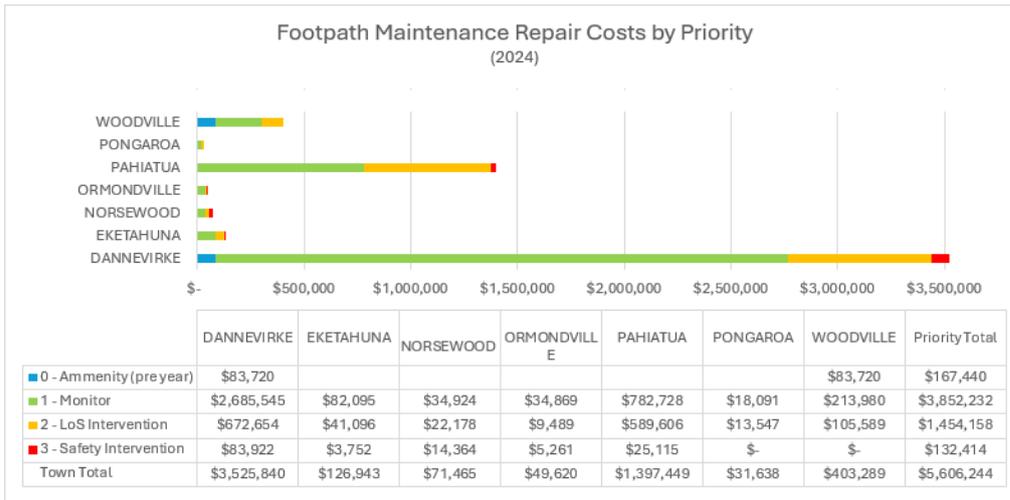
Recent Audits:

NZTA conducted a Technical Audit over the period 7-9 October. At the time of writing this report we had not received any audit findings.



Footpath Maintenance and Renewals

A key risk identified in our ARC Report dated 27 August 2024, was the significant reduction to our Footpath Maintenance and Renewals budget. An analysis has since been undertaken and the below graph and table itemize our priorities and the course of action the Alliance will be taking due to the reduction in funding.





Priority	Description	Current Liability (NPV)	Commentary	Proposed Approach	2024-27 Cost Estimate (NPV)	June 2027 Liability (NPV)
Amenity Intervention	Activities to maintain the visual appeal of footpath condition.	\$167,440 per annum	This activity largely covers the Main Street water-blasting activities in Woodville and Dannevirke, with these towns receiving 3 treatments per year, and the others receiving reactive water-blasting treatment.	Reduce Woodville and Dannevirke Main Street water-blasting to 2 treatments per year.	\$331,532	As an amenity item. This activity has no carry-forward liability.
Monitor	Faults such as cracking and deformation that do not affect the user experience while using the experience.	\$3.85M as of July 2024	Faults can deteriorate due to a variety of reasons (e.g. vehicle damage, pavement uplift caused by tree roots or ground movement) leading to the priority increasing. The time period for deterioration varies, with some faults deteriorating over many years, and some deteriorating over a matter of weeks/months. These faults are often adjacent to higher Priority faults and can be treated alongside renewal programmes.	0% treated due to no available renewals funding.		With no minor faults treated through a renewals programme, it is assumed there will be an increase of 20% in minor faults, however, 20% of this fault value transfers to LoS intervention priority due to deterioration. The net result is a 0% change in value. This equates to a \$3.85M carry-forward liability.
Level of Service Intervention	Faults that impact the user experience while using the footpath. These may be minor cracking or deformation that is readily noticeable when walking, or are not in the direct pedestrian walking area. These faults do not present an unacceptable risk to the user's safety.	\$1.45M as of July 2024	Based on the current budget, we cannot meet this condition for level of service. These faults are often adjacent to higher priority faults and can be treated alongside maintenance and renewal programmes.	10% treated due to limited maintenance funding	\$145,415	Based on deterioration of the Minor faults and existing LoS faults, it is assumed there will be an increase of +30%. This equates to \$1.74 M carry-forward liability
Safety Intervention	Faults that present an unacceptable risk to user safety and pedestrians have limited to no alternative route to avoid the fault.	\$132,414 as of July 2024	A large portion of the safety faults relate to vehicle crossing damage, which previously was viewed as the responsibility of the home-owner. Based on the available budget, there is sufficient funds to repair all LoS Safety faults.	Treat all safety related faults with a bare minimum repair. (e.g. an uneven asphalt footpath would be surface levelled, rather than dugout and rebuilt).	\$158,896	We anticipate treating all safety intervention faults over this NLTP period. This is based on assumed deterioration.
				Total Expenditure based on Typical Repair Cost Estimates	\$635,843	
				Available Budget 2024-27 NLTP	\$648,000	





Report

Date : 16 October 2024
To : Chairperson and Committee Members
Audit and Risk Committee
From : Stephen Dunn
Risk & Assurance Advisor
Subject : **Assurance Management Report**
Item No : **7.5**

Recommendation

1.1 *That the report from the Risk & Assurance Advisor dated 09 October 2024 concerning the Assurance Management Report (as circulated) be received and adopted.*

2. Reason for the Report

2.1 To update the Committee on assurance matters.

3. Policy Review Programme

3.1 An update on the policy review programme was tabled at the 7 August 2024 Strategy, Growth and Planning Committee. The programme includes internal control policies that will be delivered through this Committee.

3.2 The revised Strategic Procurement Policy was due to be presented to this meeting. The policy has been drafted and received feedback from contractors and staff and will now go to ELT and iwi for review prior to being brought to the Committee. We expect to bring a draft to the Committee at the December 2024 meeting.

3.3 A new contract management policy has been initiated and the timeframe for completion is yet to be determined. This will be done once the scope of the project is clear.

- 3.4 The Asset Disposal Policy was initiated in August 2023 and has been paused while other projects have taken priority. We expect to be able to have a draft available by March 2025.
- 3.5 The Security Policy was reported to the August 2024 Committee meeting. The Chief Security Officer has been appointed and a plan to establish the security committee and resulting processes is yet to be developed.
- 3.6 The Vehicle User Policy and Agreement is due for review and is expected to be initiated this year.
- 3.7 **Unreasonable Customer Behaviour Policy**
- 3.8 The draft policy was reported to the August 2024 Committee meeting for review.
- 3.9 Feedback has been incorporated into the document and a revised version is attached.
- 3.10 A section on appeals has been included. As decisions are made by senior managers the appeals process is to the Ombudsman’s Office. To mitigate risks in this area a new section that outlines a minimum 12 months review process for formal restrictions has been included. Updates in this area have been made after referring to how some other local authorities are managing this process.
- 3.11 The section on Unreasonable Demands has been updated to incorporate the critical importance of the communities’ access to elected members while acknowledging the demands this may place on Council resources when bypassing internal processes.
- 3.12 Other minor amendments have been made to reflect the feedback received.

4. Audit New Zealand audits

- 4.1 The following table provides an update of audit recommendations and management responses for the 30 June 2023 draft audit management report. The full draft management report was tabled at the 23 July 2024 Committee meeting.

Action/Recommendation	AuditNZ Priority	Year Raised	Management Comment	Target Completion Date
<p>Carry-over capital projects</p> <p>Continue to monitor the level of carry forwards of capital expenditure and reduce these where possible.</p> <p>In progress</p> <p>We acknowledge Council’s efforts in managing the level of carry overs year on year. However, there continues to be a</p>	Beneficial	2014	<p>In the 2024-34 LTP management report Audit New Zealand concluded that over the last six years Council largely met its budget and had “a good record of capital expenditure delivery.”</p> <p>The report did note Council’s larger capital works programme for 2024-25 and that Council had:</p> <ul style="list-style-type: none"> . a stricter programme to prevent carry forwards. 	31/12/2024

Action/Recommendation	AuditNZ Priority	Year Raised	Management Comment	Target Completion Date
high level of carryovers on capital projects.			<p>. Phasing of projects over multiple years. . Proposed increase to dedicated staff for capital portfolio delivery. . Establishment of panels with Tararua Alliance.</p> <p>We will discuss with Audit New Zealand during this Annual Report audit what further actions may be required to remove this recommendation.</p>	
<p>Expenditure approval</p> <p>Implement one up approval for purchases.</p> <p>Open</p> <p>While there has been a new purchase order system introduced during the last financial year, the same person who raises a purchase order is still able to approve the invoice providing it is within delegation.</p>	Beneficial	2017	<p>We have identified one up approval of purchases is an important control.</p> <p>This requires a project to amend our purchase order system (Esker) and rollout process changes to the organisation.</p> <p>At present the Finance team does not have capacity to undertake this project and we are working towards setting a project timeline.</p>	TBA

Action/Recommendation	AuditNZ Priority	Year Raised	Management Comment	Target Completion Date
<p>Alliance Agreement</p> <p>Update the performance framework for the Alliance to include specific measures across roading, water and asset management to enable the District Council to assess performance of the Alliance across the different services delivered.</p> <p>Open</p> <p>Management has advised they have not progressed on this audit recommendation in FY 2023 with changes that were made to the Alliance leadership team, however Council already has in place to assess the performance of the Alliance:</p> <p>1 DIA and Council service performance measures are already place as per the LTP.</p> <p>2 Target Cost Estimates (TCE) are built using the same processes as transportation. They are reviewed and signed off by the Alliance Principles Group (Board).</p> <p>3 Actual v TCE are reported to Alliance Principles Group (Board).</p> <p>We will review this in next year’s audit.</p>	Necessary	2017	<p>The new performance framework was approved by the Tararua Alliance Principals Group and is in place for the 2024/25 Financial Year.</p> <p>We expect this recommendation will clear.</p>	Complete
<p>No central register of all contractors and non-staff people working for Council.</p> <p>Develop procedures for recording and advising IT of the commencement and end dates of all non-staff personnel working for council so they can be immediately removed.</p> <p>In progress</p> <p>No changes have been identified from the 2022 Management report.</p> <p>We understand an interim solution is in place for this in the Council intranet site and more work is needed to further develop the process.</p>	Necessary	2020	<p>A process for onboarding and removing contractors from the IT system has been implemented.</p> <p>We expect this recommendation will clear.</p>	Complete
<p>Inventory of Forestry Assets</p> <p>Carry out an inventory exercise over the</p>	Necessary	2020	<p>The recommended inventory exercise was completed for the Birch North Forest in the 2024 financial year.</p>	

<p>forestry assets in line with the Valuer's recommendations:</p> <ul style="list-style-type: none"> • some basic inventory be carried out in all stands to confirm tending and growth status. • some basic inventory be carried out in younger stands to confirm tending status and ensure no stands are overlooked for thinning. • pre-harvest inventory of the Birch North 1976-1995 stands be carried out to validate the yield assumptions used in this report, particularly as these stands comprise a significant proportion of the overall forest value. • thinning quality control and mid-rotation data be collected on an on-going basis to validate yield forecasts for the younger stands. <p>Open</p> <p>No changes have been identified from the 2022 Management report.</p> <p>The valuer continues to recommend that some basic inventory is carried out in all stands lacking data to confirm tending and growth status.</p>			<p>We expect to complete the recommended inventory exercise for the Kaiparoro Forest post-harvest however the work is yet to be programmed.</p> <p>At the time of writing, we did not have information on plans for inventory exercises to be completed on Council's smaller wood lots.</p>	
<p>Roading valuation - improvement points</p> <ul style="list-style-type: none"> • Review the index used to inflate unit rates (where first principles could not be applied); • Review the unit rate used to revalue the assets to ensure that these are not understated; and • Perform a QA over the valuation report to ensure there is consistency internally and with the actual valuation method used. The valuation report should provide a variance explanation and analysis over significant movements against the pre-valuation carrying values. <p>Open</p> <p>There continues to be challenges in the valuation procedures. Issues identified included the unit rates applied, and a lack</p>	<p>Necessary</p>	<p>2020</p>	<p>We have made the recommended changes in consultation with Audit New Zealand and expect this recommendation to clear.</p>	<p>Complete</p>

of QA procedures over the valuation report.				
<p>Sensitive expenditure policy</p> <p>Finalise the staff handbook (sensitive expenditure) as soon as possible, reviewing it against best practice, such as those set out in the OAG's Guidelines as applicable.</p> <p>Update the sensitive expenditure policy to reflect best practice and the OAG guidance.</p> <p>In progress</p> <p>Sensitive expenditure policy was updated during FY 2022 but still not in line with OAG best practice guidelines.</p> <p>The procedures and policies covering travel, meals and accommodation, gifts, donations, use of the entity's assets, entertainment and hospitality of the entity do not comply completely with good practice.</p>	Necessary	2019 2020	<p>The Sensitive Expenditure Policy and Sensitive Expenditure Guidelines were due to be reviewed in November 2023.</p> <p>Due to resource constraints the review has been delayed and we expect it to be completed by 31 March 2025.</p>	31/03/2025
<p>Sensitive expenditure</p> <p>We recommend that all transactions follow the one-up approval principle.</p> <p>Ensure that sensitive expenditure is approved as required by the policy to provide enhanced control and judgements for sensitive expenditure that can withstand public scrutiny.</p> <p>Open</p> <p>Refer to Section 5 of the report.</p>	Necessary	2021 2019	<p>Sensitive expenditure processes were reviewed and updated in 2023 and we expect this recommendation to clear.</p>	Complete
<p>Fair value assessment</p> <p>Improve fair value assessments by making references to recent contract rates.</p> <p>Open</p> <p>There was no fair value assessment this year. However, noted that there continues to be challenges in the valuation procedures.</p>	Necessary	2021	<p>We changed the timing of infrastructure asset revaluation which means that no fair value assessment for these assets is required.</p> <p>No action required and we expect this recommendation to clear.</p>	Complete

<p>Password Parameters</p> <p>Review the current password settings to and align them with NZISM guidance.</p> <p>Open</p> <p>There has been no progress in this from the prior year recommendation.</p>	<p>Necessary</p>	<p>2022</p>	<p>We recognise this is an important control.</p> <p>Password parameters have been agreed and implementation work is being completed as other work priorities allow. Currently there is no set date for completion.</p>	
<p>Asset additions – approval in line with delegated financial authority</p> <p>We recommend Council ensures that capital expenditure is approved within delegated financial authority.</p> <p>Open</p> <p>We have identified similar issues in the current year regarding the approval of assets.</p>	<p>Necessary</p>	<p>2022</p>	<p>The Procurement Policy is under review (was due to this Committee August 2024, however now expected at the December 2024 Committee meeting).</p> <p>The policy review will provide a framework, standard documentation and processes that will give assurance that capital expenditure will be approved within delegated authority.</p> <p>The filling of two procurement roles vacant for almost 2 years and the Project Management Office also provides greater oversight in this area.</p> <p>We expect the Procurement Policy and processes to be rolled out early 2025.</p>	
<p>Depreciation of new assets</p> <p>We recommend Council depreciates new assets in line with the accounting standard requirement.</p> <p>Open</p> <p>No changes have been noted from the prior year recommendation.</p>	<p>Necessary</p>	<p>2022</p>	<p>Process has been improved and we expect this recommendation will be cleared.</p>	<p>Complete</p>
<p>Improvements to the revaluation process</p> <p>We recommend that the District Council:</p> <ul style="list-style-type: none"> • Develop a formal timeline to ensure that valuation reviews and updates are completed prior to the being approved by the Council. • Use the most up-to-date information including consideration to current contract rates. • Ensure the right level of expertise to perform the valuations. • Carry out quality review to ensure consistency and accuracy in the valuation, and that underlying data is complete and 	<p>Necessary</p>	<p>2022</p>	<p>We met with our external valuer, asset managers and financial team to streamline processes.</p> <p>Following this we met with Audit NZ to discuss our approach and seek their advice.</p> <p>Improved processes have been implemented and we expect this recommendation to clear.</p>	<p>Complete</p>

<p>accurate with clear referencing; and</p> <ul style="list-style-type: none"> • Apply appropriate accounting and disclosure in the financial statements. <p>Open</p> <p>We note we had similar issues to prior year in auditing the 2023 valuation of assets.</p>				
<p>Reconciliation review</p> <p>Prepare and independently review reconciliations in a timely manner.</p> <p>Open</p> <p>Issue remains this year as the rates reconciliation was performed late.</p>	Necessary	2022	The response to this recommendation is provided in Section 5 of this report.	
<p>External payroll fraud</p> <p>We recommend the council implement a more robust process to verify bank account changes, which may include:</p> <ul style="list-style-type: none"> • Requests to come from internal staff emails only. • Check of other staff details against the supporting documentation (e.g. matching addresses). • Confirmation with the staff member in person that the change requested is legitimate (noted as this cannot be verified, this should only be in conjunction with other measures, unless there is a physical sign off which occurs). 		2023	The recommended process changes have been implemented.	Complete
<p>Documentation of roading and water assets</p> <p>We recommend that Council has procedures and clear instruction in place for documentation of assets in RAMM.</p> <p>Independent review of documented assets in RAMM should be in place to identify human error in recording the details.</p>		2023	Infrastructure Assets Data is a key improvement area in the 2024-2034 Infrastructure Strategy to take place over 2024-2027.	2027
<p>Review of Palmerston North City Council After Hours Reports</p> <p>We recommend a review process is undertaken over all “information given”</p>		2023	A process to capture this information was developed however recent systems changes at Palmerston North City Council requires us to redevelop our process. The IS Team are currently scoping the required changes and a	TBA

<p>items to ensure that if they are excluded from the CRM, that this is appropriate and that they are legitimate information requests rather than a subsequent customer complaint.</p> <p>These items are not captured within your current reconciliation process.</p>			<p>timeframe will then be provided.</p>	
<p>Pre-valuation reconciliation between RAAM and the General Ledger</p> <p>We recommend there be a pre-valuation reconciliation between the RAMM and the general ledger before a revaluation exercise is conducted.</p>		2023	<p>With the change to revaluation date a pre-valuation is no longer required, and we expect this recommendation to clear.</p>	Complete
<p>Land and Buildings Valuation</p> <p>Council reviews its current buildings register and ensures that it is complete.</p> <p>This includes ensuring assets included in the register are appropriate to be categorised as buildings given the accounting standard requirements on revaluation.</p> <p>Council reviews the park assets that were not accounted for in the GL and ensures that that these are appropriately recorded. Council implements a process in place for reviewing valuation work carried out on behalf of Council with a view of ensuring the resulting outputs are appropriate.</p>	2023		<p>A project to input land and building data (including parks) into RAMM has been completed by the Facilities team.</p>	Complete
<p>Payroll suspense account</p> <p>Verbal recommendation provided to management.</p> <p>That reconciliation of the payroll suspense account be independently reviewed and evidenced with a dated signature, to ensure that variances are resolved in a timely manner.</p> <p>Open</p> <p>No payroll suspense reconciliations were reviewed during the FY 2022 and FY 2023.</p>		2022	<p>The response to this recommendation has been reported separately.</p>	
<p>SUIP definition</p> <p>The SUIP definition be included in both the Annual Plan.</p>	2022		<p>This has been rectified in the 2024-34 Long Term Plan and we expect this recommendation to clear.</p>	Complete

Open Has not been defined in the 2023/24 annual plan.				
Fraud risk assessment Verbal recommendation provided to management. The Fraud Risk Assessment is updated to ensure Council is addressing the right risks at the right time.	2023		The fraud risk assessment is completed and updated annually and provided to Audit NZ.	Complete
Cash and cash equivalents Verbal recommendation provided to management. Council ensures Cash and Cash Equivalents and Other Financial Assets are recognised in line with the adopted accounting policy and accounting standards.	2023		This error was identified by management and reported to Audit New Zealand. It has been corrected.	Complete
GST treatment Verbal recommendation provided to management. Council reviews GST treatment for property transactions to ensure GST is correctly accounted for.	2023		No issues on the GST treatment of property transactions were identified nor raised by Audit NZ to Management.	Complete

5. Reconciliations

- 5.1 In response to a question raised at the 27 August 2024 Committee meeting about reconciliations the Finance Manager provided the following response.
- 5.2 The 2021-22 Audit Management Report recommended Council prepare and independently review reconciliations in a timely manner. They found that a number of reconciliations had not been reviewed including cash receipting, rates, and payroll suspense accounts. During this time the Finance team was relatively new and had core members on parental leave.
- 5.3 The 2022-23 Audit Management Report recommended remained open noting that the rates reconciliation was performed late.
- 5.4 The Finance team prepare and complete monthly reconciliations for 46 ledger accounts. Following the Audit and Risk Committee meeting officers reviewed the ledger accounts and as a result have closed 6 as they were not being used, and will

be changing the timing frequency of 22 ledger reconciliations from annually at balance date to bi-annually. These include revenue received in advance, interest accrued, provision for doubtful debts, special reserve accounts such as the recreational reserve and our revaluation reserve accounts.

- 5.5 The remaining accounts will continue to be reconciled monthly. The process involves one team member reconciling the account and a separate accountant reviewing and signing the reconciliation as complete. During the 2022-23 this process was re-established with core team members returning and dedicated resource in this space, this is key focus and a significant amount of tidy up work occurred to get reconciliations up to date.
- 5.6 Bank reconciliations are run and reviewed daily. On a weekly and monthly basis these are reviewed by the Treasury team and sign off recorded. Any outstanding items are detailed and followed up on.
- 5.7 Cash reconciliations are completed daily and weekly by each service centre/library. Cash float audits are completed at a minimum of monthly basis by the Customer Services Manager and District Librarian, any discrepancies are reported to the Finance team. The Finance team also complete a minimum of two random audits of the cash floats per annum.
- 5.8 Rates reconciliation – when the Revenue team strike the rates each year, a full reconciliation between Council’s rating system, the QV database, Council’s rates resolution, the published annual plan, and the general ledger is completed. This is provided to the Group Manager Corporate & Regulatory for review and sign off. For the rates struck on 1 July 2023 this reconciliation was completed late and as a result officers are anticipating this item remaining open in the 2023-2024 Audit Management Report. For the rates struck for the 2024-2025 year this reconciliation will be completed and signed off as part of the second rates instalment due to late QV objections which will result in a change in rates for those properties, and a delay in obtaining a finalised QV rating valuation.

6. Internal Audits

- 6.1 The Health & Safety – SafePlus Onsite Assessment and Site Report and IMPAC Hazard Register Review were reported to the Committee in August 2024. There is ongoing work to develop a work programme for the recommendations still in progress and a progress report will be provided to the December 2024 Committee meeting.
- 6.2 Waka Kotahi have recently completed their technical audit and we will report the findings to the December 2024 Committee meeting.

7. Issues Monitoring

- 7.1 **Dannevirke Impounded Supply Dam Safety Monitoring**

- 7.2 This quarter, data monitoring, daily visual inspections, and fortnightly dam safety expert reviews have continued as scheduled.
- 7.3 A remote operated vehicle (ROV) inspection was completed on 9 September 2024. No significant deterioration was located however the report noted accurate monitoring is hampered because measurement marks have faded. Work to reinstate measurement marks has been approved. Further details of the ROV inspection were made in a report to the 25 September 2024 Council meeting (agenda page 101). An in-house ROV inspection is due by 9 November.
- 7.4 Following receipt of expert reports, a new risk assessment for the potential failure of the Impounded Supply was presented at the Council meeting on 25 September 2024 (agenda page 104). This assessment confirmed a high-risk rating, consistent with the previous evaluation in 2023. Based on expert reports, the likelihood of failure remains assessed as possible. Given that the Impounded Supply is a critical component of infrastructure, any failure would significantly impact the Dannevirke water supply scheme, resulting in consequences rated as very high.
- 7.5 The current controls for dam failure focus on the enhanced monitoring regime, readiness for an emergency response to any deterioration, and if required boil water notices and increased demand management.
- 7.6 On 3 October 2024 the Emergency Response level was increased from 0 to 1 (enhanced monitoring) after Council was alerted to a wet area in a paddock near the impounded supply. A review by our dam safety experts concluded it is highly likely the seepage observed has been present a long time and is most likely high natural ground water rather than leakage from the dam. They recommend the new area is added to the daily observation routine with additional measurements taken. At this time a weekly observation has been programmed and will be reviewed in one month's time. The Emergency Response level was decreased back to level 0 (normal monitoring) on 10 October 2024.
- 7.7 **Resource Consents**
- 7.8 The Committee requested reporting on progress with resource consent renewals for water, wastewater, and landfills. The first status report was provided to the 23 August 2024 Committee meeting. The Three Waters team has provided an update on outstanding resource consent matters in the table below.
- 7.9 Three Waters Advisory Group mentioned in the table below is a strategic planning group established by Council to support a better future for Three Waters services. The Group is a collaboration between Council, Rangitāne o Tamaki Nui-ā-rua, Ngati Kahungunu Ki Tamaki Nui-ā-rua, and Horizons Regional Council. Reporting on Group activities is through the Infrastructure, Climate Change, and Emergency Management Committee with an update provided at the 16 October 2024 meeting.

Consent	Expiry	Update as at 10/10/2024

Consent	Expiry	Update as at 10/10/2024
Dannevirke surface take	01/07/2026	<p>Awaiting arrival of a specialised partial flowmeter from Europe. Need to investigate any easements to allow access for installation.</p> <p>Meantime working with Horizons to obtain reliable flow data at the intake using their data loggers.</p>
Woodville surface take and intake structure maintenance	31/05/2021	<p>Flowmeter has arrived and awaiting installation. Need to investigate any easements to allow access for installation.</p> <p>Meantime working with Horizons to obtain reliable flow data at the intake using their data loggers.</p> <p>WSP to compete S92 information and Council will seek iwi approval.</p>
Eketāhuna surface take	19/11/2019	<p>Flowmeter has arrived and awaiting installation. Need to investigate any easements to allow access for installation.</p> <p>Meantime working with Horizons to obtain reliable flow data at the intake using their data loggers.</p> <p>WSP have provided the S92 information to complete the application to Horizons.</p> <p>Council will initiate the process to seek iwi approval at the Three Waters Advisory Group meeting 17 October. When approval is granted, the application will be submitted to Horizons for final approval and issue of new consent.</p>
Pahiatua surface take	24/01/2022	<p>Flowmeter has arrived and awaiting installation.</p> <p>Meantime working with Horizons to obtain reliable flow data at the intake using their data loggers.</p> <p>WSP will provide S92 information to complete the application to Horizons on 14 October.</p> <p>Council will initiate the process to seek iwi approval at the Three Waters Advisory Group meeting 17 October. When approval is granted, the application will be submitted to Horizons for final approval and issue of new consent.</p>
Pongaroa Discharge to water	30/04/2019	<p>In 2023 Horizons issued Council with a written warning that could result in prosecution.</p> <p>Wastewater plant upgrade and wetland programmed in LTP.</p> <p>Consent renewal application will be based on design decisions.</p>
Norsewood discharge to water, land, air and land use, river, and lake beds	01/07/2018	<p>Horizons have issued a notice for Council to provide information on its failure to use a tephra filter.</p> <p>Wastewater plant upgrade and wetland programmed in LTP.</p>

Consent	Expiry	Update as at 10/10/2024
		Consent renewal application will be based on design decisions.
Ormondville discharge to land and water	01/07/2026	Wastewater plant upgrade and wetland programmed in LTP. Consent renewal application will be based on design decisions.
Pahiatua discharge to water	16/07/2033	Significant non-compliance for exceeding discharge limit of 2,000 m3/day. Pahiatua Wastewater treatment plant upgrade is in the detailed design phase (wetland and plant upgrade are reported as a capital project to the Infrastructure, Climate Change, and Emergency Management Committee). Engaged Phocus Planning to apply for new consent for outfall structure.
Pongaroa landfill	25/08/2021	Consent renewal with WSP.

Attachments

1↓. [Unreasonable Customer Behaviour Policy - August 2024 - DRAFT](#)



DRAFT Unreasonable Customer Behaviour Policy





Table of Contents

1. Introduction	4
2. Purpose	4
3. Scope	4
4. What is Unreasonable Customer Behaviour?	4
5. Examples of Unreasonable Customer Behaviour	5
6. Managing Unreasonable Customer Behaviour	7
7. Procedural Fairness	8
8. Right of Appeal	8
9. Periodic Reviews	9
10. Responsibilities	9
11. Record Keeping	10
12. Relation to Other Council Policies	11
13. Policy Review	11
14. Other Matters	11



1. Introduction

Tararua District Council is dedicated to being accessible and responsive to all customers seeking assistance, making a complaint, or requesting information or services. A foundational principle of our Organisational Plan is that we put our customers at the heart of everything we do. Our success depends on:

- Performing our functions effectively and efficiently.
- Ensuring the health, safety, wellbeing, and security of our staff.
- Allocating our resources fairly across all customers.

In some cases, customer behaviour can become unreasonable or abusive, impacting our staff, services, and resources. This policy outlines how we manage such behaviour to protect our staff and ensure fair access to services, while remaining committed to our core principle of customer-centric service delivery.

2. Purpose

The purpose of this Policy is to protect the health, safety, wellbeing, and security of our staff, while ensuring that all customers have fair and equitable access to our services, and our interactions remain respectful, constructive, and efficient. And to:

- Assist staff in managing unreasonable customer behaviour effectively.
- Define unreasonable customer behaviour.
- Outline strategies to manage these behaviours.
- Ensure support and protection for staff dealing with such behaviour.

3. Scope

This policy applies to all interactions between Council staff and customers, including in-person, telephone, written, social media, and digital communications. It covers behaviours exhibited by any customer, whether an individual, group, or representative of an organisation, that are considered unreasonable and may impact the wellbeing of staff or disrupt the delivery of services.

4. What is Unreasonable Customer Behaviour?

Unreasonable customer behaviour is defined as behaviour that, due to its nature or frequency, negatively impacts the health, safety, wellbeing, resources, or equity for our organisation, staff, or customers. This includes:

– Confidential – Internal Use Only		Policy # PM3.2
Version No:	File Ref: D24/31456	Page 4 of 12
Date: 15 October 2024	File name:	
Review date: 7 August 2026	Owner: Stephen Dunn	



Unreasonable Persistence: Repeatedly contacting staff with excessive visits, phone calls, or emails, refusing to accept final decisions, or continually demanding reviews without new information.

Unreasonable Demands: Insisting on outcomes that are unattainable or not supported by evidence, demanding priority treatment, or making demands that consume excessive resources.

Unreasonable Lack of Cooperation: Failing to provide necessary information, acting dishonestly, or refusing to follow Council procedures.

Unreasonable Arguments: Insisting on unsupported claims, making false allegations, or refusing to accept reasonable explanations.

Unreasonable Behaviour: Includes aggressive or violent actions, threats, harassment, use of offensive, or derogatory language, unwarranted accusations, or personal attacks toward staff.

5. Examples of Unreasonable Customer Behaviour

Unreasonable customer behaviour can take many forms, including but not limited to:

Unreasonable Persistence

Repeated Requests: Continuously contacting staff with excessive phone calls, emails, or visits, even after being asked to stop or after a final decision has been communicated.

Refusal to Accept Decisions: Persistently demanding a review of a decision without presenting any new and compelling reasons.

Reframing Complaints: Reframing a complaint in an attempt to reopen it after it has been thoroughly investigated and resolved.

Cross-Department Contact: Contacting different departments or individuals within Council to get a different outcome or more sympathetic response, even after a decision has been made.

Unreasonable Demands

Unattainable Outcomes: Insisting on outcomes that are impossible, such as demanding someone be fired or prosecuted without reasonable grounds.

Excessive Demands: Demanding services or responses within an unreasonable timeframe that cannot be met given the resources available.

Inappropriate Requests: Insisting on speaking to senior management, elected members, or specific staff members when it is neither necessary nor appropriate, while acknowledging the

– Confidential – Internal Use Only		Policy # PM3.2
Version No:	File Ref: D24/31456	Page 5 of 12
Date: 15 October 2024	File name:	
Review date: 7 August 2026	Owner: Stephen Dunn	



critical role of community members' ability to connect with elected representatives. Repeated demands that bypass appropriate processes may delay resolution and divert resources.

Emotional Manipulation: Using emotional blackmail, such as threatening to harm oneself or others if demands are not met.

Unreasonable Lack of Cooperation

Disorganised Information: Providing a constant stream of incomprehensible or disorganised information, making it difficult to address the issue at hand.

Failure to Provide Necessary Information: Refusing to provide essential information or documentation needed to resolve an issue.

Dishonesty: Acting dishonestly or misrepresenting facts to manipulate the outcome of a complaint or request.

Non-Compliance: Refusing to follow or accept Council's processes or advice without justifiable reasons.

Unreasonable Arguments

Unsupported Claims: Making arguments based on conspiracy theories, pseudo law, or unsupported by evidence.

False Allegations: Making false, defamatory, or inflammatory allegations against Council staff.

Refusal to Accept Valid Explanations: Rejecting all valid contrary arguments or explanations provided by the council.

Personal Attacks: Challenging the professionalism or integrity of staff with the intent to undermine them or alter the outcome of a decision.

Unreasonable Behaviour

Aggressive Conduct: Acts of aggression, such as verbal abuse, physical intimidation, physical violence, or threats of violence.

Harassment: Harassing or stalking Council staff, either in person or online, including on social media platforms.

Abusive Language: Using derogatory, racist, sexist, or defamatory language in any form of communication with Council staff.

- Confidential - Internal Use Only		Policy # PM3.2
Version No:	File Ref: D24/31456	Page 6 of 12
Date: 15 October 2024	File name:	
Review date: 7 August 2026	Owner: Stephen Dunn	



Threats of Harm: Making direct or indirect threats to harm council staff, other customers, or oneself, including threats with weapons or threats to damage property.

These examples are not exhaustive, but they provide a clear illustration of the types of behaviour that are considered unreasonable.

6. Managing Unreasonable Customer Behaviour

Council will apply both informal and formal strategies to manage unreasonable behaviour:

Informal Strategies

Informal strategies aim to minimise the impact of unreasonable conduct, including:

- Asking customers to moderate their language, tone, or frequency of contact.
- Asking customers who refuse to moderate their behaviour, to leave, or end the conversation.
- Assigning a single point of contact for the customer.

These strategies are designed to facilitate cooperation and resolution but are not considered restrictions under this policy.

Formal Strategies

If informal strategies fail, or if the customer's behaviour poses an immediate threat to staff safety, formal restrictions may be applied. Formal strategies must be approved by the Chief Executive or Group Manager.

These restrictions and actions must be tailored to individual circumstances and will not exceed what is necessary to manage the behaviour effectively.

These strategies include:

Limiting Contact: Restricting the customer's interactions to specific channels, times, or staff, to minimise the impact on staff and resources.

Restricting Access: Modifying or limiting the customer's access to Council premises or services to ensure staff safety and the effective management of resources. This may involve restricting physical access to Council offices or limiting the ways in which a customer can communicate with the council (e.g., written correspondence only).

Using Legal Tools (Including Trespass): Applying legal mechanisms, such as trespass orders or other legal tools, to manage unsafe behaviour and protect staff and other customers.

– Confidential – Internal Use Only		Policy # PM3.2
Version No:	File Ref: D24/31456	Page 7 of 12
Date: 15 October 2024	File name:	
Review date: 7 August 2026	Owner: Stephen Dunn	



Coordination with the police is essential when serving a trespass notice, as it must be served in person.

Social Media Management: Monitoring and moderating the council’s social media pages to address any comments that are threatening, abusive, or otherwise violate Council’s standards of conduct. This may include hiding or deleting offensive comments, banning users from the page, and reporting threats to the appropriate authorities. Any behaviour that violates the Harmful Digital Communications Act 2015 will be addressed accordingly, including referral to the Police when appropriate.

Coordination with Police: In cases of severe threats or violence Council will involve the Police to ensure the safety of all involved.

Communicating Formal Actions: All formal actions taken in response to unreasonable customer behaviour must be communicated in writing to the customer. These communications must be signed by the Chief Executive or a Group Manager and must be filed according to procedures outlined in the Record Keeping section.

7. Procedural Fairness

Before restrictions are applied:

- Any underlying issue must be addressed fairly.
- Customers should be informed about the behaviour of concern and expected changes (this must be recorded see Record Keeping section below).
- Customers must be given an opportunity to modify their behaviour.

Immediate restrictions may be applied in cases of severe behaviour, such as violence or threats.

8. Right of Appeal

The decision to implement formal restrictions under this policy is final and there is no internal right of appeal available. The process for implementing formal restrictions is rigorous and contains a review which is then signed off with a decision by the Chief Executive or their delegate.

We will advise the customer that if they are dissatisfied with the process or decision, they may seek an external review from the New Zealand Ombudsman. The Ombudsman may investigate the decision to ensure that we have acted reasonably and observed the principles of good administrative practice, including procedural fairness.

– Confidential – Internal Use Only		Policy # PM3.2
Version No:	File Ref: D24/31456	Page 8 of 12
Date: 15 October 2024	File name:	
Review date: 7 August 2026	Owner: Stephen Dunn	



The restrictions are not permanent and will be periodically reviewed. The details of this review are set out below.

9. Periodic Reviews

When any restrictions are put in place, a review date will be set. A review should be completed no later than 12 months from the date the restrictions are put in place. This will be based on the circumstances of the case and the severity of the situation.

The status of a customer's restrictions will be reviewed by the Chief Executive or a Group Manager on or before the review date.

If the customer is invited to participate in the review process, this will be in writing only.

The customer will not be invited to participate in the review process if it is likely that the invitation will provoke further unreasonable behaviour.

If the outcome of the review is that the restrictions will continue, council will write to the customer to inform them of the details of the restrictions. Where the senior manager decides the restrictions should continue due to the continuance of unreasonable behaviour consistent with this policy, the customer will be provided with the reasons for the decision and the length of restrictions.

10. Responsibilities

Chief Executive

Overall Responsibility: The Chief Executive holds overall responsibility for the effective management of workplace health and safety within Council, as outlined in the Health & Safety Policy. This includes ensuring that staff wellbeing is prioritised and Unreasonable Customer Behaviour Policy is effectively implemented and that appropriate measures are taken to protect staff from unsafe behaviour.

Executive Leadership Team (ELT)

Policy Communication and Implementation: The ELT is responsible for ensuring that the Unreasonable Customer Behaviour Policy is communicated and implemented across Council. This includes making sure that managers and staff have the necessary training, systems, and resources to manage unreasonable customer behaviour effectively.

Oversight of Escalated Cases: Group Managers oversee cases escalated by managers, including making decisions about implementing formal strategies that limit customer access to Council services or premises and the periodic reviewing of restrictions.

- Confidential – Internal Use Only		Policy # PM3.2
Version No:	File Ref: D24/31456	Page 9 of 12
Date: 15 October 2024	File name:	
Review date: 7 August 2026	Owner: Stephen Dunn	



Managers

Staff Training and Understanding: Managers are responsible for ensuring that all staff understand their roles and responsibilities under the Unreasonable Customer Behaviour Policy. They must ensure that staff receive regular training on dealing with difficult situations, including de-escalation techniques and personal safety.

Support and Guidance: Managers must provide support and guidance to staff dealing with unreasonable customer behaviour. This includes debriefing after incidents, offering access to the Employee Assistance Programme (EAP), and other support services as needed.

Incident Reporting: Managers are responsible for ensuring that all incidents involving unreasonable customer behaviour are reported and accurately documented. They must also make decisions on actions to be taken, escalating to a Group Manager when formal actions, such as legal measures or customer access restrictions, are required.

All Staff

Policy Adherence: All staff are responsible for adhering to the Unreasonable Customer Behaviour Policy. They must be aware of the procedures for managing difficult interactions and know when to escalate situations to a manager, especially if there is a threat of violence, legal issues, or continued unreasonable behaviour despite initial interventions.

Accurate Documentation: Staff must accurately document all incidents of unreasonable behaviour, including the actions taken and the customer's response. This documentation is critical for tracking incidents and ensuring appropriate follow-up actions are taken.

11. Record Keeping

Accurate record keeping is essential for the effective management of unreasonable customer behaviour. Good records are crucial because such behaviour may occur across different departments and through various communication channels, such as face-to-face interactions, emails, phone calls, or social media or other online platforms. The following protocols must be followed:

Report Threats or Aggression Using Safe365: Any incidents involving threats, aggression, or similar unsafe behaviours must be reported in Safe365. This ensures that the incident is documented in line with the council's health and safety procedures and allows for appropriate follow-up actions to be taken.

Document Other Unreasonable Customer Behaviour in Content Manager: Incidents involving other forms of unreasonable customer behaviour should be recorded in the Content Manager container relevant to the specific customer or situation. The record title must

- Confidential – Internal Use Only		Policy # PM3.2
Version No:	File Ref: D24/31456	Page 10 of 12
Date: 15 October 2024	File name:	
Review date: 7 August 2026	Owner: Stephen Dunn	



include the keywords "unreasonable customer behaviour" to facilitate easy identification and retrieval of these records.

Record Decision-Making in Content Manager: All decisions made in response to incidents of unreasonable customer behaviour must be documented. This includes the rationale behind decisions to escalate the matter, apply restrictions, or involve legal mechanisms. Maintaining a clear audit trail of decision-making is essential for transparency, accountability, and future reference.

Sharing Information: Information regarding unreasonable customer behaviour should be shared with other council staff who may come into contact with the customer or handle their requests/complaints. This ensures that all relevant staff are informed and can take appropriate precautions when interacting with the customer.

12. Relation to Other Council Policies

This policy complements other council procedures for handling customer issues and complaints. It is intended to be used after standard procedures have been exhausted.

- Health & Safety Policy
- Complaints Policy
- Enforcement Policy
- Privacy Policy

13. Policy Review

This policy will be reviewed at least every 2 years to ensure its effectiveness and relevance.

14. Other Matters

The policy does not apply to elected members' management of unreasonable customer behaviour.

– Confidential – Internal Use Only		Policy # PM3.2
Version No:	File Ref: D24/31456	Page 11 of 12
Date: 15 October 2024	File name:	
Review date: 7 August 2026	Owner: Stephen Dunn	





Report

Date : 16 October 2024

To : Chairperson and Committee Members
Audit and Risk Committee

From : Stephen Dunn
Risk & Assurance Advisor

Subject : **Health, Safety & Wellbeing Management Report**

Item No : **7.6**

1. Recommendation

- 1.1 *That the report from the Risk & Assurance Advisor dated 04 October 2024 concerning the Health, Safety & Wellbeing Management Report (as circulated) be received and adopted.*

2. Purpose

- 2.1 To provide an overview of Health, Safety and Wellbeing staff-based reporting and key indicators and data which assist to trend patterns; assess hazard/risk controls; implement actions and initiatives relating to the operations of Council.

3. Due Diligence

- 3.1 A tentative date of 4 December 2024 has been booked for a due diligence visit to the Pahiatua Water Treatment Plant, Pahiatua Wastewater Treatment Plant, and Pahiatua Refuse Transfer Station. These sites have been chosen as areas of current health & safety interest.
- 3.2 The Pahiatua Water Treatment Plant is currently the subject of a remedial action plan in relation to a gas/vapour incident (see section 5.2).
- 3.3 The Pahiatua Wastewater Treatment ponds are currently a severe health & safety risk pending the completion of security fencing and other safety improvements. (see section 5.4)

3.4 The Pahiataua Refuse Transfer Station has moved into Council control and the health & safety systems are currently in development (see section 5.1)

4. Critical Risk Trends

4.1 In this section we have provided the Committee with a summary of critical risk trends we are monitoring.

4.2 Driving

4.3 There have been 4 incidents involving Council vehicles from 1st August 2024. No injuries were sustained by staff or members of the public.

4.4 The two most serious of these being a Council vehicle reversing into another vehicle and the total failure of a trailer hub. A failure in the vehicle safety control was evident in both incidents and we will be working with the Fleet Manager to review processes. The Vehicle User Policy and Agreement also requires renewing.

4.5 Driving is recognised as a critical risk in the Health & Safety Risk Register with a moderate residual risk.

4.6 The risk is described as: Driver distraction, fatigue, mechanical failure, road and weather conditions, or driver error resulting in a vehicle collision.

4.7 The controls for the risk are:

- **Vehicle Safety:** Council purchases vehicles with 5-star safety rating. Vehicles have relevant safety features such as Bluetooth, reversing camera, dashboard cameras. Vehicles, including trailers and specialist vehicles, are fit for 'purpose'.
- **Monitoring:** The Council utilises ERoads to monitor driver behaviour, with reports submitted to the Executive Leadership Team regularly.
- **Driver Licensing:** Drivers must hold the relevant driver's licence.
- **Driver Training:** Training is made mandatory for staff that have low safety scores through ERoads. Four-wheel drive training is also available.
- **Vehicle User Policy and Agreement:** This policy is part of all new staff inductions.

4.8 Violent, Aggressive or Threatening Behaviour

4.9 There have been three incidents since the last report. Two of the incidents were resolved without the need for escalation, and one situation has required the issue of a trespass notice.

- 4.10 Staff experiencing aggressive and threatening behaviour from members of the public/customers is a critical risk in the Health & Safety Risk Register with a moderate residual risk rating.
- 4.11 The controls for the risk are:
- **Training:** Customer facing roles have received training in dealing with difficult customers including de-escalation and conflict resolution.
 - **Panic/duress alarms:** Alarms and video surveillance at all customer facing service areas.
 - **Restricted Access Areas:** Access to "Staff Only" areas is restricted.
 - **Promotion of EAP Services to staff:** Encouragement of EAP Services to staff that have been subjected to unacceptable behaviour.
 - **Personal Protective Equipment (PPE):** PPE relating to Aggressive or Threatening Customers is provided to relevant staff, is in good order, and is being used appropriately.
 - **Cash handling:** Processes are in place for cash handling.
- 4.12 Twenty-three staff recently completed a two-day situation safety and tactical communications training, and a further fourteen are booked for an upcoming course.
- 4.13 **Hazardous Substances**
- 4.14 We have received a report of a chlorine exposure incident at the Pahiatua Water Treatment plant dating back to 2021. While the reporting staff member is sure they reported this incident when it happened, we have not been able to locate a record of it. We will now complete a Worksafe notification and incident investigation.
- 4.15 This is our third chlorine related Worksafe notification (Dannevirke 2020, and Pongaroa 2021) and follows the recent report to Worksafe of the gas/vapour situation at Pahiatua Water Treatment Plant (see section 5.2 of this report).
- 4.16 Hazardous substances are a critical risk in the Health & Safety risk register with a residual risk mating of moderate.
- 4.17 The controls for hazardous substances are:
- **Compliance monitoring:** Audit and monitor compliance with Hazardous substances Regulations (2016).
 - **PPE, hygiene facilities, and spill kits:** Are in place and checked.
 - **Emergency showers and eye wash stations:** in place and checked annually.

- **HSNO inventories and emergency response plans:** are in place and up to date.
- **Health Monitoring and Vaccinations:** Appropriate health monitoring and vaccinations programme is in place. (see Section 5.3 below)
- **Training:** Staff are appropriately trained.

5. Risk Management

- 5.1 **Solid Waste – Health and Safety systems:** As previously reported, the TMP, site induction and associated documents have been completed for the Dannevirke Refuse Transfer Station. We are now completing SOP's and required documents for the Southern refuse transfer station sites and mobile operations. These are in the final stages before going to the Solid Waste team for validation.
- 5.2 **Pahiatua Water Treatment Plant – gas/vapour incident:** As previously reported, WSP reports have been received and the 3Waters team have initiated a remedial action plan focusing on mitigating the extreme exposure hazards in the first instance. The key mitigation of moving chemical storage and mixing from inside the plant to a separate external area (due September 2024) is currently paused pending a procurement process for membrane replacement that may require plant modifications. Once the procurement process is complete the project will resume.
- 5.3 **3Waters Team Health Monitoring:** As recommended in the WSP report into the Pahiatua Water Treatment Plant above, the health monitoring process is in the final stages of planning for the 3Waters team. Consultation with the team and introductions to the provider will be arranged during October and November.
- 5.4 **Wastewater Treatment Ponds:** Industry standard signage has been installed at all the wastewater ponds. To date egress ropes have been installed at Pongaroa and Dannevirke wastewater treatment plants. Safety fencing for Eketāhuna and Pahiatua has been programmed for this financial year.

6. Health & Safety Committee Reporting

- 6.1 The Health & Safety Committee meets monthly and has sixteen members including two ELT representatives and a representative from Tararua Alliance. Representation is from across Council with the main gap being Solid Waste. The Committee will be conducting a site visit at the Dannevirke Refuse Transfer Station and hope to use this visit to generate interest in joining the committee.
- 6.2 The Health & Safety Committee is in the process of developing a Terms of Reference.
- 6.3 It is currently organising a Taituarā developed staff Health, Safety and Wellbeing Survey. The last survey was held 2020-2021.

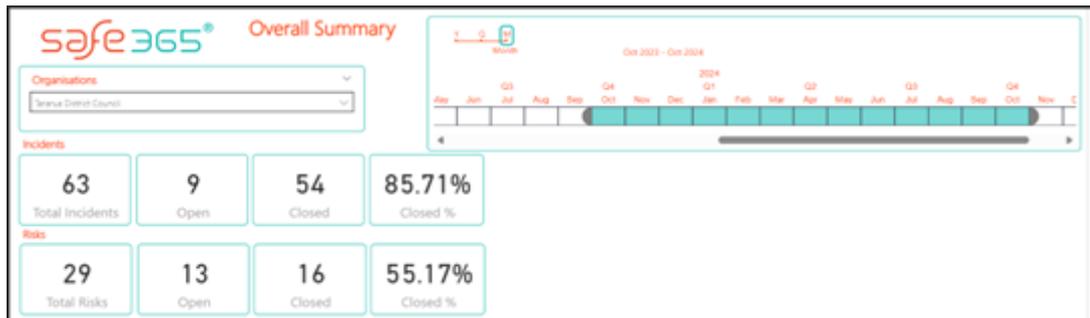
- 6.4 Committee members are provided formal health and safety representative training and this week members will attend the bi-annual MWLASS Health and Safety Representative Forum.
- 6.5 The Health and Safety Committee maintains a register of actions and issues raised. There is one issue that has been outstanding for the Health and Safety Committee for some time:
- 7. **Fatigue** (critical H&S risk) – Fatigue caused by the on-call requirements of the Water Treatment Plant team was first raised by the Health & Safety Committee in February 2023. Actions have been taken to improve conditions, including the SCADA improvement project (expected to deliver 2025) and the implementation of stand-down provisions. However, it has been recognised that these provisions have yet to be fully adopted, influenced by the existing workplace culture, communication clarity around the provisions, and current resourcing constraints.

8. Reporting

8.1 Lead and Lag Indicators

Indicator	Goal	Current
WorkSafe notifiable incidents (lag)	0	1
Inductions for new staff	100%	Measurement process in development
Contractors Health & Safety prequalified	100%	87%

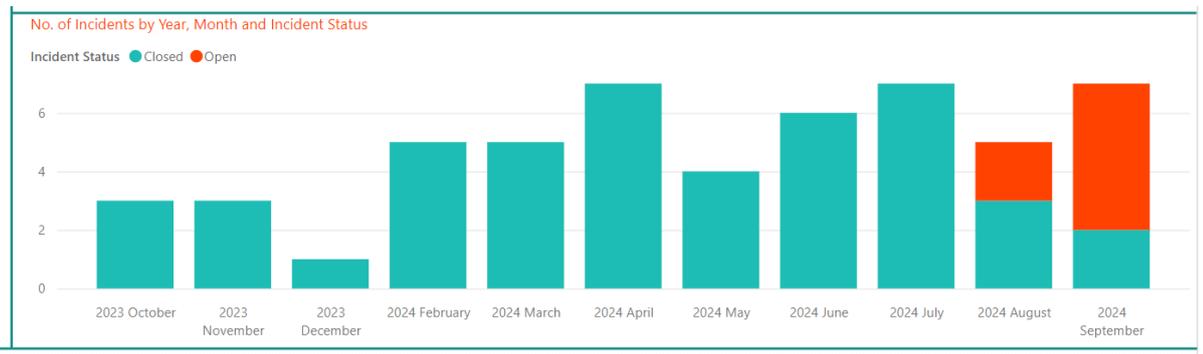
- 8.2 **Safe365:** Incident and hazard reporting is done through the Safe365 app. We intend to report to you using Safe365 data from now on (rather than the excel spreadsheets we have used previously).
- 8.3 Incidents is the total number of incidents reported for the last 12 months. Incidents that are open are yet to be investigated or have outstanding remedial actions.
- 8.4 Risks is the total new hazards reported for the last 12 months. Risks that are open have not been fully addressed e.g. have action items outstanding.
- 8.5 We hope you find this adequate, and we look forward to your feedback.



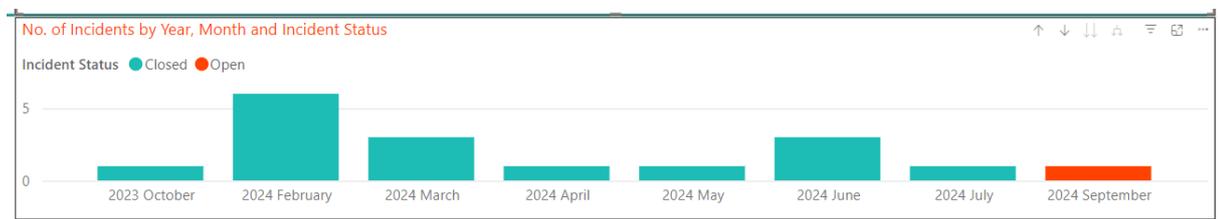
8.6 Workgroup Reporting Trends:

- Noticeable uptick in reports involving vehicles.
- Reduction in incidents reported from last period.
- Increase in reports from Animal Control including manual handling injuries (2) and dog bites (2).
- Continue to see incidents of unreasonable customer interactions.

8.7 Incident Reports: Health & Safety incident reports. Green indicated closed and red indicates incidents still open because they are under investigation or have outstanding actions.



8.8 Near Miss Reports: Near miss reports (incident that occurs but doesn't lead to injury, illness, or damage) from staff are still low.



8.9 Injury and Illness Reports by Type

By Incident Tag

Incident Type	Closed	Open	Total
Aggression	11	1	12
Illness / Exposure Incident	2		2
Injury Incident	15	4	19
Plant & Equipment Damage	5	3	8
Quality Incident	5		5
Slip, Trip or Fall	7		7
Stress / Wellbeing	6		6
Vehicle Incident	7	3	10
Total	58	11	69

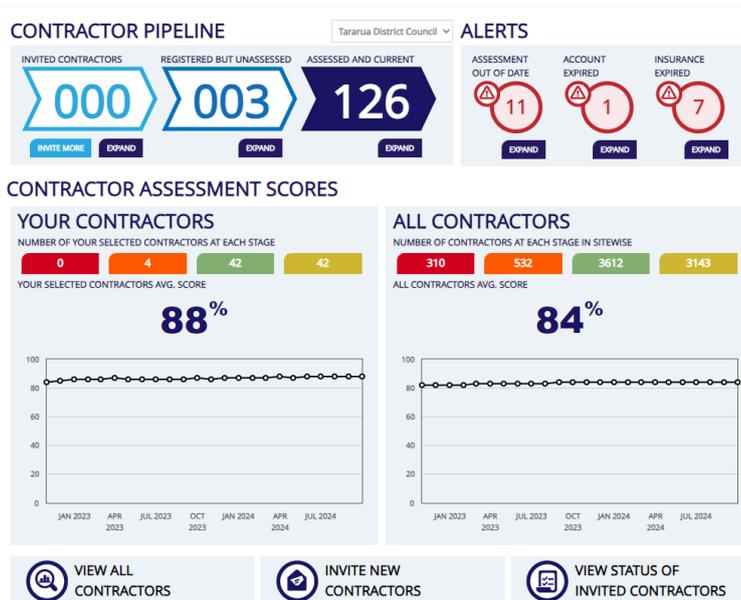
9. GetHomeSafe - lone/remote workers

9.1 The GetHomeSafe app is the primary administrative control for supporting the safety of lone and remote workers. Although available to staff and managers for several years with regular encouragement for its use, uptake has remained limited. Following the release of the Lone and Remote Worker Policy earlier this year, managers were tasked with completing risk assessments for their lone and remote workers, and a significant increase in app usage is anticipated based on the assessments completed to date.



10. Contractor Management

- 10.1 The use of SiteWise for monitoring contractor health and safety pre-qualification is steadily improving.
- 10.2 However, some long-standing contractors may still require assistance in obtaining pre-qualification, and there may be contractors that the Health & Safety team is not yet aware of. We are working with teams and using finance processes to identify these outstanding contractors.
- 10.3 The next priority is conducting regular site visits. While these are currently managed on an ad-hoc basis through Safe365, a more structured schedule will help ensure consistent safety oversight and uphold safety protocols across all sites.
- 10.4 SiteWise dashboard on 8 October 2024.



- 10.5 **Tararua Alliance:** Refer to the Assurance Management Report which includes Health & Safety information for the Tararua Alliance.

11. Training

- 11.1 First Aid Certificates – attended by 27 staff during August and September.
- 11.2 CERT – Situational Safety & Tactical Communications Training being undertaken by staff through the month of October.
- 11.3 Health & Safety Representatives have attended HSR training and on 18 October attend the bi-annual MWLASS Health and Safety Representative Forum.

Attachments

Nil.