



**Our reference**  
F19/13/03-D21/26182

16 May 2024

**Audit and Risk Committee Meeting**

Notice is hereby given that a Audit and Risk Meeting will be held in the **Council Chambers, Stratford District Council, 63 Miranda Street, Stratford** on **Tuesday 21 May 2024** beginning at **12 noon**.

**Timetable for 21 May 2024 as follows:**

|         |                          |
|---------|--------------------------|
| 12 noon | Audit and Risk Committee |
|---------|--------------------------|

Yours faithfully

Sven Hanne  
**Chief Executive**

# 2024 - Agenda - Audit and Risk - May - Open

16 May 2024 09:00 AM



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# AGENDA

## Audit and Risk Committee



F22/55/05 – D24/22610

Date: Tuesday 21 May 2024 at 12noon  
Venue: Council Chambers, 63 Miranda Street, Stratford

1. Welcome
  - 1.1 **Opening Karakia**  
D21/40748 Page 9
  - 1.2 **Health and Safety Message**  
D21/26210 Page 10
2. Apologies
3. Announcements
4. **Declarations of members interest**  
Elected members to declare any real or perceived conflicts of interest relating to items on this agenda.
5. **Attendance Schedule**  
Page 11  
  
Attendance schedule for Audit and Risk Committee meetings.
6. **Programme of Works**  
D21/42807 Page 12

### Recommendation

THAT the Audit and Risk Committee's rolling programme of works up to September 2025 be received.

/  
Moved/Seconded

7. Confirmation of Minutes
  - 7.1 **Audit and Risk Committee – 19 March 2024**  
D24/12999 Page 13

### Recommendation

THAT the minutes of the Audit and Risk Meeting of Council held on Tuesday 19 March 2024 be confirmed as a true and accurate record.

/  
Moved/Seconded

8. [Matters Outstanding](#)  
D18/27474 Page 21

**Recommendation**

THAT the matters outstanding be received.

/  
Moved/Seconded

9. [Information Report – Health and Safety](#)  
D24/21509 Page 22

**Recommendation**

THAT the report be received.

/  
Moved/Seconded

10. [Information Report – Audit Matters Outstanding – Deloitte Annual Audit](#)  
D24/21554 Page 26

**Recommendation**

THAT the report be received.

**Recommended Reason**

This report informs the Committee of the issues identified in the final Deloitte Audit Management Report for the 2022/23 Annual Report and/or brought forward as outstanding from previous years audits, and current status.

/  
Moved/Seconded

11. [Information Report – Capital Works Programme – Key Projects Update – May 2024](#)  
D24/20516 Page 56

**Recommendation**

THAT the report be received.

**Recommended Reason**

To present an update on the progress of our key capital projects in the 2023/24 financial year.

/  
Moved/Seconded

12. [Information Report – Risk Management \(update\)](#)  
D24/21869 Page 71

**Recommendation**

THAT the report be received.

**Recommended Reason**

To provide an update to the Audit and Risk Committee of any risk events or threats in relation to significant risks on Council's risk register, as part of Council's risk management processes.

/  
Moved/Seconded

13. [Decision Report – Internal Audit Plan 2024](#)  
D24/18243 Page 98

Recommendations

1. THAT the report be received.
2. THAT Internal Audit Plan for 2024 be approved.

**Recommended Reason**

The Audit and Risk Committee is tasked with reviewing and monitoring the internal audit activities of Council on behalf of elected members.

/  
Moved/Seconded

14. [Correspondence](#)
15. [General Business](#)
16. [Questions](#)

17. Resolution to Exclude the Public

Recommendation

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

Agenda Item No: 19

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

| General subject of each matter to be considered | Reason for passing this resolution to each matter  | Grounds under section 48(1) for the passing of this resolution  |
|---|--|---|
| Insurance Framework and options                 | The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information <i>and</i> to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities | That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist, under section 6 and section 7 of the Act - specifically Section 7(2)(b)(ii) and Section 7(2)(h). (Section 48(1)(a) Local Government Official Information and Meetings Act 1987. |

\_\_\_\_\_/\_\_\_\_\_  
Moved/Seconded

Recommendation

THAT the open meeting resume.

\_\_\_\_\_/\_\_\_\_\_  
Moved/Seconded

18. Public Excluded Item

19. Closing karakia  
D21/40748 Page 323

**5. Attendance schedule for 2024 Audit and Risk Committee meetings.**

| Date                                 | 19/03/24 | 21/05/24 | 16/07/24 | 17/09/24 | 19/11/24 |
|--------------------------------------|----------|----------|----------|----------|----------|
| <b>Meeting</b>                       | A        | A        | A        | A        | A        |
| <b>Neil Volzke</b>                   | ✓        |          |          |          |          |
| Steve Beck                           | ✓        |          |          |          |          |
| <b>Grant Boyde</b>                   | ✓        |          |          |          |          |
| Annette Dudley                       | ✓        |          |          |          |          |
| <b>Jono Erwood</b>                   | ✓        |          |          |          |          |
| Ellen Hall                           | ✓        |          |          |          |          |
| Amanda Harris                        |          |          |          |          |          |
| <b>Vaughan Jones</b>                 | ✓        |          |          |          |          |
| <b>Min McKay</b>                     | ✓        |          |          |          |          |
| John Sandford                        |          |          |          |          |          |
| Clive Tongaawhikau                   | ✓        |          |          |          |          |
| Mathew Watt                          | ✓        |          |          |          |          |
| <b>Philip Jones (External Chair)</b> | ✓        |          |          |          |          |

| Key         |  |
|-------------|--|
| <b>A</b>    | <b>Audit and Risk Meeting</b>                          |
| <b>D</b>    | <b>Meeting deferred</b>                                |
|             | <b>Non-committee member</b>                            |
| ✓           | <b>Attended</b>  |
| <b>A</b>    | <b>Apology/Leave of Absence</b>                        |
| <b>AB</b>   | <b>Absent</b>  |
| <b>S</b>    | <b>Sick</b>  |
| <b>(AV)</b> | <b>Meeting held, or attended by, Audio Visual Link</b> |





**Our reference**  
F19/13/03-D21/40748

**Karakia**

Kia uruuru mai  
Ā hauora  
Ā haukaha  
Ā haumāia  
Ki runga, Ki raro  
Ki roto, Ki waho  
Rire rire hau Paimārire

I draw in (to my being)  
The reviving essence  
The strengthening essence  
The essence of courage  
Above, Below  
Within, Around  
Let there be peace.



**Our reference**  
F19/13/03-D22/17082

### **Health and Safety Message**

In the event of an emergency, unless guided to an alternative route by staff, please exit through the main entrance. Once outside the building please move towards the War Memorial Centre congregating on the lawn area outside the front of the council building.

If there is an earthquake, please drop, cover and hold where possible. Remain indoors until the shaking stops and you are sure it is safe to exit or remain where you are until further instruction is given.

**5. Attendance schedule for 2024 Audit and Risk Committee meetings.**

| Date                          | 19/03/24 | 21/05/24 | 16/07/24 | 17/09/24 | 19/11/24 |
|-------------------------------|----------|----------|----------|----------|----------|
| <b>Meeting</b>                | <b>A</b> | <b>A</b> | <b>A</b> | <b>A</b> | <b>A</b> |
| Neil Volzke                   | ✓        |          |          |          |          |
| Steve Beck                    | ✓        |          |          |          |          |
| Grant Boyde                   | ✓        |          |          |          |          |
| Annette Dudley                | ✓        |          |          |          |          |
| Jono Erwood                   | ✓        |          |          |          |          |
| Ellen Hall                    | ✓        |          |          |          |          |
| Amanda Harris                 |          |          |          |          |          |
| Vaughan Jones                 | ✓        |          |          |          |          |
| Min McKay                     | ✓        |          |          |          |          |
| John Sandford                 |          |          |          |          |          |
| Clive Tongaawhikau            | ✓        |          |          |          |          |
| Mathew Watt                   | ✓        |          |          |          |          |
| Philip Jones (External Chair) | ✓        |          |          |          |          |

| Key         |  |
|-------------|--|
| <b>A</b>    | <b>Audit and Risk Meeting</b>                          |
| <b>D</b>    | <b>Meeting deferred</b>                                |
|             | <b>Non-committee member</b>                            |
| ✓           | <b>Attended</b>  |
| <b>A</b>    | <b>Apology/Leave of Absence</b>                        |
| <b>AB</b>   | <b>Absent</b>  |
| <b>S</b>    | <b>Sick</b>  |
| <b>(AV)</b> | <b>Meeting held, or attended by, Audio Visual Link</b> |

## Audit and Risk Committee - Programme of Works (D21/42807)

|                       | May-24  | Jul-24  | Sep-24  | Nov-24  | Mar-25  | May-25  |
|-----------------------|---|---|---|---|---|---|
| <b>Standing Items</b> | -Correspondence Received<br>-Health and Safety Report<br>-Risk Management Review<br>- LTP Capital Projects status update<br>- Audit matters raised status | -Correspondence Received<br>-Health and Safety Report<br>-Risk Management Review<br>- LTP Capital Projects status update<br>- Audit matters raised status | -Correspondence Received<br>-Health and Safety Report<br>-Risk Management Review<br>- LTP Capital Projects status update<br>- Audit matters raised status | -Correspondence Received<br>-Health and Safety Report<br>-Risk Management Review<br>- LTP Capital Projects status update<br>- Audit matters raised status | -Correspondence Received<br>-Health and Safety Report<br>-Risk Management Review<br>- LTP Capital Projects status update<br>- Audit matters raised status | -Correspondence Received<br>-Health and Safety Report<br>-Risk Management Review<br>- LTP Capital Projects status update<br>- Audit matters raised status |
| <b>Annual Items</b>   | - Insurance Renewal 2024<br>- Internal Audit (Plan for 2024, and status report on previous year audit)  | - Annual Report draft 2023/24   | - Internal Audit Report (outcomes)  | - Policy Status Review  | - Annual Plan 2025/26 update<br>- Half Year Financial Report  | - Insurance Renewal 2025  |
| <b>One-Off Items</b>  | - Terms of Reference review   | - LTP Risk Management (debrief)   | - Risk 32 - Lone Worker - deep dive<br>- Risk Management Policy   | - (Workshop) Climate change decision making   |   |   |

# MINUTES

## Audit and Risk Committee



F22/55/06 – D24/12999

**Date: Tuesday 19 March 2024 at 2.06pm**  
**Venue: Council Chambers, 63 Miranda Street, Stratford**

### Present

Mr P Jones (the Chair), the District Mayor N C Volzke, the Deputy Mayor M McKay, Councillors: G W Boyde, J M S Erwood and V R Jones

### In attendance

Councillors: S J Beck, A M C Dudley, E E Hall, C M Tongaawhikau and M J Watt

The Chief Executive – Mr S Hanne, the Director – Corporate Services – Mrs T Radich, the Director – Assets – Mrs V Araba, the Director – Environmental Services – Mr B Sutherland, the Director – Community Services – Ms K Whareaitu, the Committee Advisor and Executive Assistant – Mrs E Bishop, the Communications Manager – Ms G Gibson, the Projects Manager – Mr S Taylor (*part meeting*), the Corporate Accountant – Mrs C Craig, the Health and Safety/Emergency Management Advisor – Mr O Konkin (*part meeting*) and the Sustainability Advisor – Ms V Dombroski (*part meeting*)

#### 1. Welcome

The opening karakia was read.

The Chair welcomed the District Mayor, Councillors, staff and the media to the meeting.

The Chair reiterated the health and safety message and emergency procedures.

#### 2. Apologies

An apology was noted from Councillor A K Harris.

#### Recommendation

THAT the apology be noted.

BOYDE/ERWOOD  
Carried  
A&R/24/1

#### 3. Announcements

There were no announcements.

#### 4. Declarations of Members Interest

The Chair requested councillors to declare any real or perceived conflicts of interest relating to items on this agenda.

There were no conflicts of interest declared.

#### 5. Attendance Schedule

Page 9

The attendance schedule for Audit and Risk Committee meetings was attached.

## 6. Programme of Works

D21/42807

Page 10

### Recommendation

THAT the Audit and Risk Committee's rolling programme of works up to July 2025 be received.

BOYDE/P JONES  
Carried  
A&R/24/2

The Director – Corporate Services noted that the outstanding audit matters raised from the last Annual Report will be brought to the committee in May.

Questions/Points of Clarification:

- The Chairman requested a deep dive be completed on the key risks and learnings from the Long Term Plan process be completed in July. It was noted that the Chief Executive could move the Lone Worker deep dive report to September if he felt it was required.

## 7. Confirmation of Minutes

### 7.1 Audit and Risk Committee - 21 November 2023

D23/47249

Page 11

### Recommendation

THAT the minutes of the Audit and Risk Meeting of Council held on Tuesday 21 November 2023 be confirmed as a true and accurate record.

McKAY/ERWOOD  
Carried  
A&R/24/3

## 8. Matters Outstanding

D18/27474

Page 19

It was noted that there were no outstanding matters on the list.

## 9. Information Report - Health, Safety and Wellbeing Report

D24/7828

Page 20

### Recommendation

THAT the report be received.

V JONES/BOYDE  
Carried  
A&R/24/4

The Health & Safety/Emergency Management Advisor noted the investigation for Incident 2 has been received from the contractor. This has indicated that the cause of the accident was the driver being too close to the edge of the road and the recommendation is to review the kind of vehicles used on these small rural roads.

Questions/Points of Clarification:

- It was clarified that there had been a misunderstanding by the officer for Incident 1 where the contractor had previously been subcontracted for the pool build and it was thought this repair would have been covered by the previous contract. However, the contractor had not been pre-approved for ongoing maintenance at the pool. There has been further clarification of the process since then and amended wording the manual to make it a lot clearer around contractor management and when pre-approval is needed. It was noted the facility staff had asked if the contractors had signed in and they had said they had.
- Councillor Boyde noted the de-escalation training for elected members had been very valuable.
- The Chairman noted that the contractor monitoring section added to the report gives the committee assurance that council is checking on the contractors to ensure they are doing what they say they are doing.

*The Health and Safety/Emergency Management Advisor left the meeting at 2.18pm.*

10. Information Report - LGFA 6 monthly report

D24/8077

Page 24

**Recommendations**

1. THAT the report be received.
2. THAT the half year report to 31 December 2023 for the LGFA be received.
3. THAT the Statement of Intent for 2024-2027 be received.

V JONES/ERWOOD  
Carried  
A&R/24/5

**Recommended Reason**

To inform the Committee of the LGFA's performance for the year to date and plans for the next three years.

The Director – Corporate Services noted that as a guarantor to the LGFA council receives the 6 monthly report and the Statement of Intent for the next three years and this has been provided as information to the committee.

Questions/Points of Clarification:

- The District Mayor noted the reference to the number of councils now using LGFA and that it was now close to 100%.
- Councillor Hall asked if there was any risk with all councils being in one pool and the set up failed? The Chairman noted the way this is structured and the current credit rating gives councils confidence. There are different layers of risk for local authorities and the Stratford District Council was at the lower level as it is only a guarantor. The next level above is shareholders and if there was a need for more capital then the first call would be to them, however before it got to that stage treasury would be called upon. The biggest risk, which has now been reduced, was the transfer of debt for three waters which would have diluted the amount of debt significantly that LGFA has.
- Councillor Jones asked about the return on investment for shareholders and if this council should be investigating it. The Chairman explained that there was a original request for shareholders and those councils were the ones that took the risk at that point, it is a good return on investment but with reward comes risk. Should there be a call on funds then they would need to be able to react to that. He was not aware of further shares being issued to new investors. Councillor Jones noted that Whanganui had just joined.
- It was clarified that the level councils guarantee to is proportionate to the total rates for that council. It was further clarified that the security is the land in the areas so if required a default rate could be set on every property which could be sold if the rate is not paid.

*The Sustainability Advisor joined the meeting at 2.28pm.*

11. Information Report - Capital Works Programme - Key Projects Update - March 2024  
D24/7852 Page 58

|  |
|--|
| <p><b>Recommendation</b></p> <p><u>THAT</u> the report be received.</p> <p style="text-align: right;">McKAY/V JONES<br/><u>Carried</u><br/><u>A&amp;R/24/6</u></p> <p><b>Recommended Reason</b></p> <p>To present an update on the progress of our key capital projects in the 2023/24 financial year.</p> |
|--|

Questions/Points of Clarification:

- Councillor Boyde noted the anticipated 58% spend of the budget and asked if this was enough or if council should be striving for 70% or if this was saying council could not deliver on projects in full, on time or were putting too many projects in the plan? He noted that a couple of years ago council had achieved 80%. The Chief Executive clarified that this was impacted by the type of projects. The purchase of Prospero Place was held up due to external dependency for the project and would add about 15% and Mr Taylor noted that the identified wetlands in the subdivision had held up that project. Mr Hanne noted it was very important to understand the limitations when looking at this percentage – was it that a contractor could not be sourced, internal issues, or external factors such as the wetlands. He noted he would much rather be in the high 60s and that anything over 70% was good.
- The Chairman noted the bigger question was the non-delivery in terms of meeting the Levels of Service or maintaining the asset. If replacements or renewals are not being done then what was happening to the infrastructure.
- Councillor Boyde noted his concern when looking at these projects and they go over budget, and asked if councillors are looking at the right figures at the start. Mr Hanne noted that this council has a long history of being on or under budget. These projects are from Year 3 of the Long Term Plan so the budgeting was done the longest period ago in the planning stages. He noted he was endeavouring to get back to delivering on or under budget and he was really proud of the quality projects delivered within scope.
- Councillor Jones questioned where the savings for these underspends were, if council was just not borrowing for them or if they had been rated for? The Director – Corporate Services clarified if it was an improvement to a level of service then it was funded by debt and the full amount was not borrowed, if it is replacements then it is funded by reserves and the funds not required were just not taken from the reserves.
- The Chairman noted that this represented a temporary saving on the basis that not all of the work will be delivered this year but will impact next year. He felt refinement of the wording was needed.
- The Deputy Mayor noted the overspends had been raised at the Policy and Services Committee last month and the comments from this discussion have been taken on board and further clarification is included in the monthly report for the next committee meeting.

*The Projects Manager left the meeting at 2.24pm.*

12. Information Report - Risk Management (update)  
D24/8049 Page 71

|  |
|--|
| <p><b>Recommendation</b></p> <p><u>THAT</u> the report be received.</p> <p style="text-align: right;">P JONES/BOYDE<br/><u>Carried</u><br/><u>A&amp;R/24/7</u></p> <p><b>Recommended Reason</b></p> <p>To provide an update to the Audit and Risk Committee of any risk events or threats in relation to significant risks on Council's risk register, as part of Council's risk management processes.</p> |
|--|



The Director – Corporate Services noted the following points:

- The new risks added as part of the sustainability strategy work are noted in the report.
- At the last Audit and Risk committee meeting a discussion was held around removing cyber insurance cover and adding \$15,000 to the budget to be used for cyber prevention activity. However this budget item has been removed from the Long Term Plan by council with the suggestion to ask this committee if it still wanted to pursue cyber prevention investment.

Questions/Points of Clarification:

- Councillor Jones noted the new risk 94 and that there was already a risk for significant weather events. He asked what council was defining as climate change and what was being covered with these climate change risks? Mr Hanne noted there had been significant issues with audit as officers could not demonstrate that this council was taking climate change seriously. He noted there was still a standing risk that this issue may become an audit opinion if it is not adequately demonstrated in our documents. He noted he had reviewed the legislation and asked DIA and the auditors about the elements of the legislation that applies to local authorities. The answers had mostly been that it ties back to the four well-beings in the Local Government Act with most of the elements of the legislations being mostly interpreted to apply directly to Central Government, with an expectation that there is a joint approach on it.
- The Chairman noted the Office of the Auditor General had said – if you have declared a climate change emergency then how have you reflected that in your Long Term Plan? He noted this meant it has been made clear it needs to have been considered.
- Councillor Jones asked if the government has defined what a climate change emergency is? It was clarified that the definitions had been put together by councils. Mr Hanne noted that council is expected to have considered specific things and it is currently not close to meeting that requirement.
- Mrs Radich noted that if council considered climate change in the decision making process, such as adding a section to the decision reports, then this would mean council could demonstrate that it is considering climate change in its decision making processes. This had also been included in the Significance and Engagement Policy but removed by councillors.
- Councillor Hall noted she was keen to see this in the reports to know if it is a mitigated or unmitigated risk. If it is removed from the conversation then how can councillors know how it impacts the decision making.
- It was clarified that the strategy was possibly two years away from completion, but that the policy would be put together by the end of this year. Before this is completed the Sustainability Advisor will sample the opinion of elected members and the senior leadership team to get a complete view.
- The Deputy Mayor noted she had not been opposed to having this in the Significance and Engagement Policy but her opposition was about putting it in there before a definition had been made about what this means for this council and for our community. It was important this be Stratford specific and not for the other side of the world. She would like to see the strategy and to let this council set the definition. She asked if there was another avenue or if council could discuss climate change as needed, before the guiding document is completed. Mr Hanne noted an option can be added to the decision reports to discuss how this decision considers climate change.
- Councillor Hall felt this ran the risk of engineering this conversation every time a decision report is received and asked if council should make the definition now and use that moving forward. It was requested to hold a workshop to discuss the definition.
- Mrs Radich clarified that the risk for lone workers had been highlighted as it was not a significant risk on the register, but it could potentially become one as there is a higher intensity of these types of incidents over the last few months. These situations have also had an element of aggression. The deep dive on the lone worker risk in July will provide the opportunity to look at this risk and elevate it if need be. The District Mayor noted this was escalating quite quickly. He felt the pool incidents were in a relatively controlled environment but that the risk was greater when council officers were out in a public arena such as building inspectors and dog control officers.

*The Sustainability Advisor left the meeting at 3.00pm.*

### 13. Information Report - 3 Waters Update

D23/46160 Page 81

#### **Recommendations**

THAT the report be received.

ERWOOD/P JONES

Carried

A&R/24/8

#### **Recommended Reason**

This report is for information purposes only but gives elected members insight into the current state of three waters including current and future legislative changes as well as regional discussions regarding potential shared delivery models.

The Chief Executive noted the following points:

- It was acknowledged that this was only a temporary status quo and there was significant change likely to come but at this stage it was unknown what those changes will look like.
- Officers were not certain on the spectrum of choice that councillors will have in the future or if being the owner and provider of the services was still an option, or if a regional CCO was the minimum acceptable to central government in the future. There are shared options, shared procurements and scalability between the end points.
- There has been informal work undertaken between the three councils to try and understand what the options will be and what would be a good delivery mechanism. He noted New Plymouth District Council has allocated resource to this work and is keen to get it moving. South Taranaki and Stratford District Councils have slowed the process down and are looking at options but do not want to commit until it is known what comes out of the Central Government decisions.
- The Auditors have been clear that council needs to add significantly to the consultation document about this but it is difficult when officers do not know what it will look like.

Questions/Points of Clarification:

- The Chairman noted there should be more information by mid 2024 and an introduction to what the options are going to look like by the end of the calendar year. He commended Stratford and South Taranaki for slowing the process down as there was a risk in doing too much work before knowing what the options look like with a substantial risk in going too far down the track and committed resources before the options are known. He felt council needed to be looking at what the issues are rather than building a solution.
- Councillor Boyde noted his concern that the draft mandate covers a full range of options to be considered and was to be endorsed by the Mayoral Forum and asked if this had happened. He felt there shouldn't be any movement forward or more time wasted before knowing what the parameters are. The District Mayor noted the Mayoral Forum had met last week and had a presentation from the officers doing the work on the potential options for the region going forward. They had sought a mandate to continue with that work. The forum gave approval for the work to continue but to stop short of making recommendations or noting a preferred option. As soon as that work has been received it will be brought to council to either endorse or be stopped. He noted there were quite different views across the three councils with South Taranaki and Stratford feeling there is not sufficient information to expect the councils to get on board. This would be received to purely acknowledge and accept the work that has been done to date. The decision made was to stop short of making any preferred option before the rules are made clear. Mr Hanne clarified the work was being undertaken by a dedicated New Plymouth District Council officer.
- It was noted that the New Plymouth District Council was consulting on the establishment of three CCOs as part of its Long Term Plan discussions, with one of these being for water.
- The District Mayor noted one change made by the forum had been replacing the project steering group was deciding that this work would be overseen by the South Taranaki District Council Chief Executive on behalf of the three councils. This was to give the discussion a more regional perspective.

#### 14. Decision Report - Anti Fraud and Corruption Policy

D24/8663 Page 85

|  |   |
|--|---|
| <b>Recommendations</b>   |   |
| 1. <u>THAT</u> the report be received.   | MOVED/SECONDED<br><u>Carried</u><br><u>A&amp;R/24/9</u> |
| 2. <u>THAT</u> the Anti Fraud and Corruption Policy be adopted as amended.                                   | McKAY/BOYDE<br><u>Carried</u><br><u>A&amp;R/24/10</u>   |
| <b>Recommended Reason</b>  |   |
| The policy is due for review, and amendments have been made where appropriate to improve the policy for use. |   |

The Director – Corporate Services noted there had been no major changes to this policy and that it was about minimising and preventing occurrences of fraud and corruption as well as the perception of fraud and corruption to ensure public funds and assets are protected.

##### Questions/Points of Clarification:

- The Chairman suggested an amendment to objective 2 being “*to reduce the risk of financial harm and business disruption to council*”.
- The Chairman suggested an amendment to objective 3 being “*reduce the significant risk of fraud and enhancing the processes to reduce the likelihood of fraud.*”
- The Chairman asked if fraud was proven should the policy require the evidence to be passed over to the police for a decision on prosecution as this would remove the judgement decision from the Chief Executive. He noted this was due to a number of cases where the person was quietly dismissed and then went onto committing fraud within another company. It was suggested that if a case was not reported then an explanation on this decision could be brought back this committee but it was agreed it was not appropriate to come back to elected members.
- It was suggested a monetary amount or a cumulative amount could be defined but acknowledged that that would cause problems as to who sets that and makes that decision.
- It was acknowledged that there would be a threshold below which police would not even look at a case and a balance would need be found, however it was felt that a dishonesty offence should go to the police.
- It was clarified that the independent chair would manage the investigation for a Chief Executive, Mayor or any elected member.
- It was requested staff review the comments made and take back to the full council with any amendments.

#### 15. Correspondence

15.1 Office of the Auditor General - Long-term plan audit *page 97*

15.2 Audit Proposal Letter *page 99*

##### Questions/Points of Clarification:

- It was noted there had not been any efficiencies suggested by auditors other than suggestions around the Percy Thomson Trust or the implementation of proper budgeting software. A cost benefit analysis will be done before the next Long Term Plan to see if the potential savings in audit fees would justify purchasing the software.
- Councillor Hall noted it was good to see the auditors will be more accountable with their hours as initially they had not been prepared to deliver on this.
- The Chairman suggested any software purchase should be completed for the Annual Plan preceding the next Long Term Plan to allow for a test period.

16. General Business

There was no general business.

17. Questions

There were no questions.

18. Closing karakia

D21/40748 Page 106

The closing karakia was read.

*The meeting closed at 3.35pm.*

P Jones  
**Chairman**

Confirmed this 21<sup>st</sup> day of May 2024

N C Volzke  
**District Mayor**

**Audit and Risk Committee  
Matters Outstanding Index**

| ITEM OF MATTER | MEETING RAISED | RESPONSIBILITY | CURRENT<br>PROGRESS | EXPECTED RESPONSE |
|----------------|----------------|----------------|---------------------|-------------------|
|                |                |                |                     |                   |
|                |                |                |                     |                   |
|                |                |                |                     |                   |

# INFORMATION REPORT



F22/55/04 – D24/21509

To: Audit and Risk Committee  
 From: Health and Safety/Emergency Management Advisor  
 Date: 21 May 2024  
 Subject: Health, Safety and Wellbeing Report

## Recommendation

THAT the report be received.

\_\_\_\_\_/\_\_\_\_\_  
 Moved/Seconded

1. Purpose of Report
  - 1.1 This report presents a summary of two-monthly progress and any highlights for the main areas of activity within for the period to 30 April 2024.
2. Executive Summary
  - 2.1 No significant incidents involving injuries to staff or contractors occurred during the period. There were 17 incidents in total.
  - 2.2 Ongoing Health and Safety projects include a review of the Health and Safety Manual, a staff training matrix and a health monitoring matrix. Regional collaboration in contractor pre-qualification and health and safety training is being explored.
3. Health and Safety Project Work
  - 3.1 A review of the Stratford District Council Health and Safety Manual is complete and a draft version is undergoing review by Senior Leadership Team and the Health and Safety Committee. The goal of the review is to provide clearer guidance to staff on Health and Safety processes and responsibilities.
  - 3.2 A staff training matrix is currently being created, identifying core training requirements for different roles. A similar health monitoring matrix is also being created, identifying exposure risks and monitoring requirements for different roles.
  - 3.3 A workshop exploring regional collaboration between the three District Councils and Taranaki Regional Council in Health and Safety is being hosted by SDC on the 10<sup>th</sup> May. Areas already identified for exploration include contractor pre-qualification and training provision.
4. Health and Safety Incidents and Responses

### 1 March 2024- 30 April 2024

| Events                            | Period<br>1 March 2024-<br>30 April 2024 |          | Equivalent<br>Period<br>1 March 2023<br>– 30 April<br>2023 | Change From<br>Equivalent<br>Period Last<br>Year | Running YTD<br>Balance<br>(1 July 2023 –<br>30 April 2024) |           |
|-----------------------------------|--|----------|--|--|--|-----------|
|                                   | Pool                                     | Other    |  |  | Pool   | Other     |
| <b>Events</b>                     | <b>10</b>                                | <b>7</b> | <b>31</b>  | <b>-14</b>                                       | <b>96</b>  | <b>30</b> |
| <i>Of which:</i>                  |  |          |  |  |  |           |
| Injury( to our staff/ Contractor) | 5  | (2)      | 12   | -5   | 57   |           |
| Near Miss                         | 2  |          | 1  | +1   | 12   |           |
| Incident                          | 8  |          | 18   | -10  | 55   |           |
| Illness                           | 2  |          | 0  | +2   | 4  |           |

|                                  | Period<br>1 March 2024-<br>30 April 2024 | Running YTD Balance<br>(1 July 2023 – 30 April<br>2024) |
|----------------------------------|--|---|
| <b>Type of Incident</b>          |  |   |
| Slips/Trips/Falls                | 2  | 20  |
| Sprains/Strains                  | 0  | 6   |
| Cuts/Abrasions/ Bleeding<br>nose | 4  | 29  |
| Bruising                         | 1  | 12  |
| Rescues                          | 5  | 22  |
| Aggressive/Abusive<br>Customer   | 1  | 15  |
| Trespass                         | -  | -   |
| Vehicle Damage                   | 1  | 3   |
| Non-compliance of<br>process     | 1  | 2   |
| Plant/Building/Equipment         | 0  | 5   |
| Other                            | 3  | 11  |
| <b>Level of Treatment</b>        |  |   |
| First Aid                        | 6  | 61  |
| Medical/Hospital                 | 3  | 7   |
| <b>Level of Investigation</b>    |  |   |
| No/Standard<br>Investigation     | 17                                       | 124   |
| Formal Investigation             | 0  | 1   |
| Worksafe Investigation           | 0  | 1   |

- 4.1 The number of events reported was 14 less than for the corresponding period in the previous year. Most incidents continue to be minor injuries to members of the public using Wai o Rua – Stratford Aquatic Centre and requiring minimal intervention and/or first aid by staff, although the number of these incidents reported is significantly less than in the previous period.
- 4.2 Three incidents involved members of the public experiencing medical events while attending either Wai o Rua – Stratford Aquatic Centre or a community event and requiring first aid followed by medical treatment via ambulance.

#### Incident 1

**Incident type:** Contractor Non-Compliance with Risk Controls

**Investigation & event details:** A group of 3 contractor workers undertaking maintenance work on the roof of a council owned building were noted to not be using any form of fall protection. They were requested to stop work and come down from the roof until edge protection scaffolding was put into place.

**Specific outcome:** The contractor was reminded of the agreed safety controls to undertake this process, as a similar incident had occurred earlier in the year. The work was completed when edge protection had been put in place.

#### Incident 2

**Incident type:** Medical Incident at Council Event

**Investigation & event details:** A member of the public attending a council event developed symptoms consistent with a cardiac event and had a history of similar events. Council staff and other members of the public provided first aid to the person and an ambulance was called. There was a 30 minute delay in arrival of the ambulance, after which the person was transferred to hospital.

**Specific outcome:** Despite the best efforts of council staff, it has not been possible to ascertain the identity of the person and we have been unable to gain an update on his condition due to privacy.

**Implications:** Although there are medical facilities nearby, due to the delay experienced, consideration will be given to organising an on-site paramedic at future events of this type.

## 5. Contractor Monitoring

- 5.1 3 site/workplace audits have been completed over the last 2 month period, involving 3 different contractors engaged in facility maintenance, earthmoving and tree maintenance projects.
- 5.2 There were no significant Health and Safety concerns raised by the audits. With one audit, there was a discrepancy in the safety plan of the contractor and a sub-contractor and a site wide plan would have been more appropriate.

## 6. Health and Wellbeing

|                                     | <b>Period<br/>1 March 2024 – 30 April<br/>2024</b> | <b>Running YTD Balance<br/>(1 July 2023 – 30 April<br/>2024)</b> |
|-------------------------------------|--|--|
| <b>Health and Wellbeing</b>         |  |  |
| Workstation Assessments             | 2  | 11   |
| EAP Referrals                       | 0  | 3  |
| Health Monitoring Assessments       | 0  | 22   |
| Health and Safety Committee Meeting | 0  | 3  |
| Site Reviews                        | 3  | 8  |

- 6.1 There have been no EAP requests reported in the portal for the period.
- 6.2 A review of health monitoring is currently underway to create a monitoring matrix linked to hazard exposure related to role and ensure that the monitoring tests undertaken are appropriate to the hazard. It is anticipated this will be completed in advance of the annual health monitoring checks in October, so that any changes can be put into action.
- 6.3 A half-day de-escalation training was provided to all regular pool lifeguards, swim school instructors and customer service staff in April by an external provider. This was precipitated by the recent increase in incidents targeting this group of staff.

## 7. Civil Defence

- 7.1 Intermediate training is taking place in Stratford in June. In addition, function specific training is being arranged for all staff before the end of the year with a focus on use of the D4H Operations Response tool.
- 7.2 A practice activation of the Stratford Emergency Operations Centre, combined with training on D4H Operations for function managers was held on 22 March. Ongoing desktop practices are arranged for this group.
- 7.3 An activation of the Emergency Operations Centre is planned for 12 June as part of the national Ru Whenua exercise, simulating a magnitude 8 Alpine Fault earthquake affecting the South Island.





O Konkin  
**Health and Safety/Emergency Management Advisor**



[Approved by]  
Sven Hanne  
**Chief Executive**

**Date:** 13 May 2024

# INFORMATION REPORT



F22/55/04 – D24/21554

To: Audit and Risk Committee  
From: Director – Corporate Services  
Date: 21 May 2024  
Subject: Audit Matters Outstanding – Deloitte Annual Audit

## Recommendation

THAT the report be received.

## Recommended Reason

This report informs the Committee of the issues identified in the final Deloitte Audit Management Report for the 2022/23 Annual Report and/or brought forward as outstanding from previous years audits, and current status.

/  
Moved/Seconded

1. Purpose of Report
  - 1.1 To provide an update to the Committee of council's response to auditor recommendations, that were identified as audit of the Annual Report 2022/23, and outstanding actions from previous year's audits.
2. Executive Summary
  - 2.1 The final audit report for the year ended 30 June 2023, was provided from Deloitte on 6 October 2023, and presented to this Committee on 21 November 2023. Although council received an unmodified ('clean') audit opinion, auditors provided insights (recommendations) for the areas of public sector procedures, non-financial performance measures, and the Percy Thomson Trust. Auditors also highlighted some control deficiencies.
  - 2.2 This report is in line with the Audit and Risk Committee's Terms of Reference which includes a responsibility "To review the external audit findings and the annual financial statements and report back to the Council".
  - 2.3 Of the three insights, the one related to the Percy Thomson Trust does not appear to have a sufficient risk mitigation response. As this relates to a Council CCO, it is recommended that council direct the Trust to respond with assurance that the risks identified by audit are being addressed in an appropriate manner.

3. Local Government Act 2002

| Under section 10 of the Local Government Act 2002, the Council’s purpose is to “enable democratic local decision making by and on behalf of communities; as well as promoting the social, economic, environmental, and cultural well-being of communities now and into the future” |          |  |          |
|--|----------|--|----------|
| Does the recommended option meet the purpose of the Local Government 4 well-beings? And which:   |          | Affects all four wellbeings in some way. |          |
| Social   | Economic | Environmental                            | Cultural |
| ✓  | ✓        | ✓  | ✓        |

4. Background

- 4.1 Deloitte issued an unmodified audit opinion for the year ended 30 June 2023. In conjunction with the audit opinion, Deloitte issued a final audit report setting out the specific areas of audit focus, the audit findings, and highlighting areas where improvements could be made – refer **Appendix 2** for the full report.
- 4.2 The auditor recommendations from the audit report have been summarised in **Appendix 1**, with an update on current status and timeframe for resolution where relevant.
- 4.3 With regards to public sector procedures, auditors recommended that policies are reviewed every three years after identifying that the Procurement Policy, Anti-Fraud and Corruption Policy, and Presentations to Elected Members and Staff Policy were outside of their review cycle.
- 4.4 With regards to non-financial performance measures, auditors recommended that the manual approach to reporting against the resource consent performance measures heightened the risk of error and should be automated. This has now been actioned.
- 4.5 Auditors also noted that the financial investments owned by the Percy Thomson Trust were not being recorded at fair value, instead they were recorded at cost, which was inconsistent with the financial reporting standards. Additionally, auditors recommended that the Investments Policy be independently reviewed and monitoring of the investments occurred regularly by the trustees. This recommendation has not been addressed.
- 4.6 Auditors also commented on the existing purchase order process being insufficient, however all invoices are approved through one-up approval process. Council plans to implement procure to pay software in the next financial year.

5. Information Summary

- 5.1 Refer to **Appendix 1** for the Deloitte Audit Report for the year ended 30 June 2023.

6. Strategic Alignment

6.1 **Direction**

The Annual Report is a statutory requirement and must include an independent audit report. It is largely reporting historical information, whereas the Annual Plan and Long Term Plan are forward looking and direction setting. However, recommendations may have an element of setting direction for future improvements.

6.2 **Annual Plan and Long Term Plan**

Direct alignment with both of these documents. The Annual Report is reporting on compliance with the Annual Plan and Long Term Plan budgets and measures set.

6.3 **District Plan**

Not applicable

6.4 **Legal Implications**

Not applicable

6.5 **Policy Implications**

The Annual Report may report against compliance with Council policy. Additionally, auditors recommended that policies be reviewed in a more timely manner.

**Attachments:**

**Appendix 1** – Outstanding Recommendations / Actions and Status

**Appendix 2** – Deloitte Audit Report for the year ended 30 June 2023



Tiffany Radich  
**Director – Corporate Services**



[Approved by]  
Sven Hanne  
**Chief Executive**

**Date:** 13 May 2024

## Appendix 1

| <b>Audit Recommendation</b>   | <b>Current status</b> | <b>Staff Comments</b>   | <b>Timeframe</b> |
|---|-----------------------|---|------------------|
| <p><b>Resource Consent Reporting Measure</b><br/>                     During testing of the resource consent service reporting measures it was identified there was currently no system report able to be generated to outline all resource consents issued in a period, and the timeframe in which they were issued. Deloitte recommends there is a process in place to ensure there is a check for completeness and accuracy of data, and evidence is obtained to show how results were determined.</p> | <p>In progress</p>    | <p>A report script within Authority has been developed to allow for more accurate reporting of the measure directly from Authority. This will remove the manual calculation performed at month end by the team for each consent issued in the period and the time in which it was issued.</p>   | <p>Complete</p>  |
| <p><b>Timely Review of Policies</b><br/>                     The Human Resources Policy was due to be updated in April 2022 but by December 2022 it was still under review. Policies which are not reviewed and updated regularly may result in the policy not reflecting the changing circumstances and environment. Deloitte recommends that policies are reviewed on a timely basis.</p>   | <p>In progress</p>    | <p>Policies are generally reviewed every three years, or earlier if there are changes that require the policy to be updated, e.g. legislative or environmental expectations. The Human Resources Policy is under review.</p> <p>Currently, there are a number of Council internal and external policies that are overdue for review.</p> <p>An information report was presented to the November 2023 Audit and Risk Committee meeting on all council policies and their status. An information report was brought to Audit and Risk in March 2024 on the Procurement Policy (with a final draft policy to be brought to Policy and Services Committee in June 2024), and the Anti-Fraud and Corruption Policy review was approved by the Committee on the same day. The Elected Members expenses policy will be brought to the May Policy and Services Committee meeting.</p> | <p>June 2024</p> |

| <b>Audit Recommendation</b>   | <b>Current status</b> | <b>Staff Comments</b>   | <b>Timeframe</b> |
|---|-----------------------|---|------------------|
| <p><b>Monitoring of Investments of the Percy Thomson Trust</b></p> <p>Deloitte noted that there is no discussion held over the monitoring of the performance of the investments not is there documented discussions regarding the compliance with the Trust’s investment policy. The policy has no control on the monitoring of the investments. Deloitte recommends that the trust have a control in the policy for monitoring the investments against the trusts objectives and for diversification of investments. This should be minuted, and compliance monitored regularly at trust meetings.</p> | <p>In progress</p>    | <p>A review of the Investment Policy was to be undertaken in 2022/23, however the Chair has pushed this out – noting the Chair used to be the Director of the property investment management company currently administering the investments.</p> <p>A fund manager from Craig’s Investment was to review both the Trust’s investment policy and investments, and create a portfolio for the Trust but this has not been actioned either.</p> <p>A permanent agenda item for investment performance was to be added to the Committee’s standing agenda items. Again, this has been raised by the trustees but was turned down by the Chair.</p> | <p>TBC</p>       |



## Stratford District Council and Group

Report to Audit and Risk Committee  
for the year ended 30 June 2023

6 October 2023



### **Purpose of report**

*This report has been prepared for Stratford District Council's Audit and Risk Committee (the 'Committee') and is part of our ongoing discussions as auditor in accordance with our engagement letter dated 31 July 2023 and audit proposal letter and as required by the auditing standards issued by the Auditor-General that incorporate the New Zealand auditing standards.*

*This report is intended for the Committee (and other Council members) and should not be distributed further. We do not accept any responsibility for reliance that a third party might place on this report should they obtain a copy without our consent.*

*This report includes only those matters that have come to our attention as a result of performing our audit procedures and which we believe are appropriate to communicate to the Committee. The ultimate responsibility for the preparation of the financial statements rests with the Councillors.*

### **Responsibility statement**

*We are responsible for conducting an audit of Stratford District Council (the 'Council') and the Percy Thomson Trust (hereafter collectively referred to as the 'Group') for the year ended 30 June 2023 in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and International Standards on Auditing (New Zealand).*

*We have performed a separate statutory audit for Percy Thomson Trust for the year ended 30 June 2023 which forms part of the consolidated financial statements.*

*Our audit is performed pursuant to the requirements of the Local Government Act 2002, Public Act 2001 and the Financial Reporting Act 2013, with the objective of forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Council Members. The audit of the financial statements does not relieve management or the Council Members of their responsibilities.*

*Our audit is not designed to provide assurance as to the overall effectiveness of the Group's controls but we will provide you with any recommendations on controls that we may identify during the course of our audit work.*





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# Our final report



## Introduction

Dear Committee Members

We are pleased to provide you with the results of the audit of Stratford District Council (the 'Council') and its subsidiary (the 'Group') for the year ended 30 June 2023. Included in this report are the results and insights arising from our audit which we consider appropriate for the attention of the Committee. These matters have been discussed with management and their comments have been included where appropriate. We also include those matters we are required to report to you in accordance with the auditing standards. As a result, this report is intended for the Committee (and other Council members) and should not be distributed further.

We would like to take this opportunity to extend our appreciation to management and staff for their assistance and cooperation during the course of our audit.

We hope the accompanying information will be useful to you, and we look forward to answering your questions about our report.

Yours sincerely,

A handwritten signature in black ink that reads "Pam Thompson".

**Pam Thompson**, Partner  
for Deloitte Limited  
Appointed Auditor  
On behalf of the Auditor-General  
Wellington | 6 October 2023





# Executive Summary

This executive summary details the key matters arising from our audit

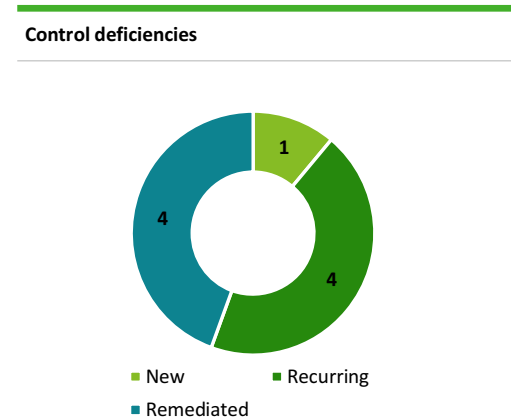
| Key areas of audit focus            | Status |
|-------------------------------------|--------|
| 1 Valuation of assets               | ✓      |
| 2 Management override of controls   | ✓      |
| 3 Revenue recognition               | ✓      |
| 4 Government reviews and proposals  | ✓      |
| 5 Public sector specific procedures | 🔑      |
| 6 Statement of Service Performance  | 🔑      |
| 7 Percy Thomson Trust               | 🔑      |

|   |                             |   |                                 |   |   |
|---|-----------------------------|---|---------------------------------|---|---|
| ✓ | Completed, no issues noted. | 🔑 | Completed, insights identified. | 🔑 | Completed, significant findings identified. |
|---|-----------------------------|---|---------------------------------|---|---|

### Impact of unadjusted differences

| (\$000)     | As presented (group) | Aggregate unadjusted misstatements | Adjusted Balance |
|-------------|----------------------|------------------------------------|------------------|
| Assets      | 483,598              | 321                                | 483,919          |
| Liabilities | 38,278               | -                                  | 38,278           |
| Equity      | 445,320              | 321                                | 445,641          |
| Net Surplus | 3,051                | -                                  | 3,051            |



### Matters of interest

**Three Water Reform**

We intend to issue an unmodified audit report which includes an emphasis of matter drawing attention to disclosure made in note 27 to the financial statements which outlines developments in the Government’s water services reform programme.

The Water Services Entities Act 2022, as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023 and the Water Services Legislation Act 2023 on 31 August 2023, establishes ten publicly owned water services entities to carry out responsibilities for the delivery of three waters services and related assets and liabilities currently controlled by local authorities. Water services entities’ establishment dates are staggered, with all the water services entities becoming operational between 1 July 2024 and 1 July 2026. The financial impact of the water services reform on the Council remains uncertain until the relevant water services entity’s establishment date is known, and the allocation schedule of assets, liabilities, and other matters to be transferred is approved.

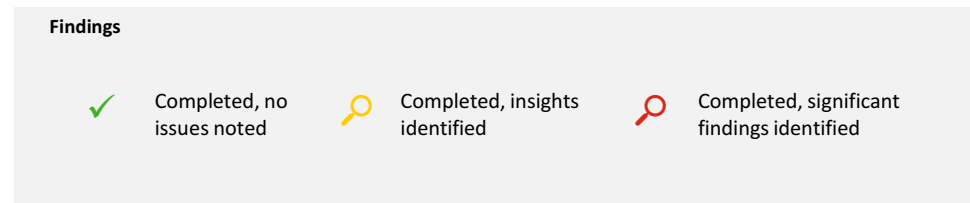
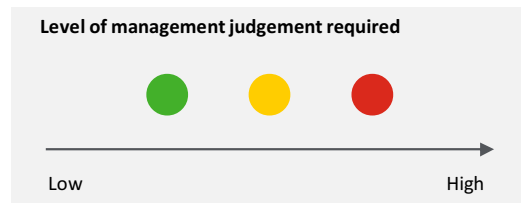


## Areas of audit focus – dashboard

### Financial statements dashboard

The following were our areas of audit focus for the 30 June 2023 audit. Findings in respect of the control environment are discussed later in this report.

| Area of audit focus               | Significant risk | Fraud risk | Level of management judgement required | Findings |
|-----------------------------------|------------------|------------|--|----------|
| Valuation of assets               | ✓                | ✗          | ●                                      | ✓        |
| Management override of controls   | ✓                | ✓          | -                                      | ✓        |
| Revenue recognition               | ✗                | ✗          | ●                                      | ✓        |
| Government reviews and proposals  | ✗                | ✗          | ●                                      | ✓        |
| Public sector specific procedures | ✗                | ✗          | ●                                      | 🔍        |
| Statement of Service Performance  | ✗                | ✗          | ●                                      | 🔍        |
| Percy Thomson Trust               | ✗                | ✗          | ●                                      | 🔍        |





## Areas of audit focus

### Valuation of assets

| Area of audit focus   | Our approach  | Audit findings  |
|---|---|---|
| <p>The Council has a significant asset base with several assets classes carried at fair value. Assets carried at fair value are revalued on a regular basis, generally on a three year cyclical basis.</p> <p>The following asset classes are carried at fair value, including the date that they were last revalued:</p> <ul style="list-style-type: none"> <li>Land and buildings – 30 June 2023</li> <li>Roading assets – 30 June 2021 (a revaluation uplift based on an index approach was recognised at 30 June 2022)</li> <li>Three waters infrastructure – 30 June 2021</li> </ul> <p>Management engaged an independent valuer, Tom Drake from TelferYoung, to assist with the revaluation of land and buildings this year. Valuations were conducted using market-based evidence. Buildings were valued using the optimised depreciated replacement cost method and land was valued on the basis of the open market value of that land.</p> <p>For the three waters infrastructure assets and roading assets, management and the Councillors were required to perform a fair value assessment to ensure that the carrying value of the assets at 30 June 2023 did not differ materially from their fair value. This assessment required a degree of management judgement given the various assumptions used in determining fair value and therefore input was obtained from independent experts from Beca Projects NZ Limited.</p> <p>The fair value assessment of assets is an area that continues to receive increased focus in the sector and therefore has been identified as a significant risk in the current year.</p> | <p>For those assets where a revaluation has been performed (land and buildings), we have:</p> <ul style="list-style-type: none"> <li>Read and understood the valuer’s report, in particular the valuation methodology and underlying assumptions adopted;</li> <li>Obtained representation directly from the independent valuer confirming their independence and alignment of methodology with the requirements of PBE IPSAS 17 <i>Property, plant and equipment</i>;</li> <li>Reviewed the key underlying assumptions used and challenged the assessments made to ensure these assumptions are reasonable and in line with the accounting standards; and</li> <li>Ensured the revaluation transaction is correctly accounted for and disclosed in the financial statements.</li> </ul> <p>For roading assets and three waters infrastructure carried at fair value where no revaluation has been performed, we have:</p> <ul style="list-style-type: none"> <li>Obtained management’s assessment of the indicative movement in fair value, supported by the reports from independent experts; and</li> <li>Assessed the assumptions and inputs applied to the quantitative assessment, using market-based evidence where available and agreeing to appropriate supporting documentation.</li> </ul> | <p>From our analysis, we have not identified any material issues in relation to the valuations or fair value assessments performed.</p> <p>The valuation adjustment of \$7.9m (\$7.2m Council, \$0.7m Percy Thomson Trust) arising from the land and buildings assets has been recorded in the financial statements.</p> <p>Management’s conclusion that the three waters assets and roading assets’ fair value approximates carrying value appears to be reasonable.</p> |



## Areas of audit focus

### Management override of controls

| Area of audit focus   | Our approach  | Audit findings                                     |
|---|---|--|
| <p>ISA (NZ) 240 <i>The auditor’s responsibility to consider fraud in an audit</i> of financial statements (“ISA NZ 240”) requires us to presume there are risks of fraud in management’s ability to override controls.</p> <p>We are required to design and perform audit procedures to respond to those risks and therefore this is a focus area for our audit.</p> <p>Management’s override of controls is identified as a fraud risk because it represents those controls in which manipulation of the financial results could occur. It has a potential impact to the wider financial statements and is therefore a significant risk for our audit.</p> | <p>We have:</p> <ul style="list-style-type: none"> <li>• Understood and evaluated the financial reporting process and the controls over journal entries and other adjustments made in the preparation of the financial statements;</li> <li>• Tested the appropriateness of a sample of journal entries and adjustments and made enquiries about inappropriate or unusual activities relating to the processing of journal entries and other adjustments;</li> <li>• Reviewed accounting estimates for biases that could result in material misstatement due to fraud, including assessing whether the judgements and decisions made, even if individually reasonable, indicate a possible bias on the part of management;</li> <li>• Performed a retrospective review of management’s judgements and assumptions relating to significant estimates reflected in last year’s financial statements; and</li> <li>• Obtained an understanding of the business rationale of significant transactions that we become aware of that are outside the normal course of business or that otherwise appear to be unusual given our understanding of the entity and its environment.</li> </ul> | <p>We have not identified any material issues.</p> |



## Areas of audit focus

### Revenue recognition

| Area of audit focus  | Our approach   | Audit findings   |
|--|--|--|
| <p>ISA (NZ) 240 requires us to presume there are risks of fraud in revenue recognition and therefore this is a focus area for the audit.</p> <p>The Council has various revenue streams which need to be considered separately to ensure they are in-line with PBE Standards.</p> <p>Failure to comply with rating law and the associated consultation requirements can create risks for rates revenue. Compliance with the detail of the Local Government (Rating) Act 2002 (“LGRA”) is vital; if the rate is not within the range of options and restrictions provided for in that Act, it may not be valid.</p> <p>Management and Council need to ensure that the requirements of the LGRA are all adhered to and that there is consistency between the rates resolution, the funding Impact Statement for that year, and the Revenue and Financing Policy in the respective Long Term Plan (‘LTP’) or Annual Plan (‘AP’).</p> <p>Material misstatement due to fraudulent financial reporting relating to revenue recognition often results from an overstatement of revenues through, for example, premature revenue recognition or recording fictitious revenues. It may also result from an understatement of revenues through, for example, improperly shifting revenues to a later period. Through our understanding of the Council and level of risk assessed we have rebutted the significant risk of fraud associated with revenue recognition. However, due to the significance of revenue to the financial statements we have identified revenue recognition as an area of focus.</p> | <p>We have:</p> <ul style="list-style-type: none"> <li>Understood, evaluated and tested the design and implementation of relevant controls that address the risks of revenue recognition;</li> <li>Assessed the quality of information produced from the IT system and ensured accuracy and completeness of reports that are used to recognise revenue;</li> <li>Completed a ‘rates questionnaire’ compiled by the OAG, to confirm whether rates have been correctly set;</li> <li>Reviewed the meeting minutes recording the adoption of the rates resolution to ensure the rates were in accordance with the Revenue and Financing Policy as well as reviewing any other information available with regards to rates;</li> <li>Completed analytical procedures by developing expectations based on our knowledge of the sector and key performance measures for rates revenue;</li> <li>Performed test of details of transactions recorded in general ledger by tracing these transactions to supporting documentation, including bank statements for other material revenue streams; and</li> <li>Assessed the impact of any changes to revenue recognition policies</li> </ul> | <p>No issues came to our attention regarding rates and compliance with the Local Government (Rating) Act 2002 or revenue recognition controls and processes.</p> |





## Areas of audit focus

### Government reviews and proposals

| Area of audit focus   | Our approach   | Audit findings  |
|---|--|---|
| <p>There continues to be change in the sector with new regulatory requirements (new and updated national policy statements) in place or proposed (most notably the three waters reform), and other areas being considered by the Government. This constant change makes it challenging for Councils to plan ahead, particularly because of uncertainties of regulatory settings and the significant cost implications of these changes.</p> <p><i>Three waters reform</i><br/>The Government is currently carrying out the Three Waters Reform Programme. The first phase of the reform was establishing Taumata Arowai, the new water regulator for Aotearoa, on 15 November 2021.</p> <p>The Government has put forward the legislation for New Zealand's three water services. The proposed legislation outlines that this will be managed by ten new publicly owned water entities, replacing the services currently managed by 67 councils. If the legislation is passed, the Government through the new publicly owned water entities assumes responsibility for wastewater and stormwater networks, becoming the three waters regulator for NZ.</p> <p>The Water Services Legislation Act 2023 received Royal Assent on 30 August 2023, and most of it came into force on 31 August 2023. The Water Services Economic Efficiency and Consumer Protection Act 2023 also received Royal Assent on 30 August 2023. As part of this, the Water services entities' establishment dates are staggered, with all the water services entities becoming operational between 1 July 2024 and 1 July 2026.</p> <p>As at 30 June 2023 the councils/district councils and CCO's still retain and maintain the three water infrastructure and services associated to the three water assets.</p> | <p>We have:</p> <ul style="list-style-type: none"> <li>Continued to follow up on the impact of these initiatives to the Council; and</li> <li>Maintained close communication with the Office of the Auditor-General ('OAG') if there are any other areas that requires further consideration.</li> </ul> <p>We also draw to your attention that the OAG has assessed that the 2022/23 audit opinions for Councils impacted by three waters reform will include an emphasis of matter paragraph with the following proposed wording:</p> <p><i>"Without modifying our opinion, we draw attention to Note 27 on page [xx], which outlines developments in the Government's water services reform programme.</i></p> <p><i>The Water Services Entities Act 2022, as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023 and the Water Services Legislation Act 2023 on 31 August 2023, establishes ten publicly owned water services entities to carry out responsibilities for the delivery of three waters services and related assets and liabilities currently controlled by local authorities. Water services entities' establishment dates are staggered, with all the water services entities becoming operational between 1 July 2024 and 1 July 2026. The financial impact of the water services reform on the Council [as outlined in note 27] remains uncertain until the relevant water services entity's establishment date is known, and the allocation schedule of assets, liabilities, and other matters to be transferred is approved"</i></p> | <p>No other matters were identified other than the audit report impact and the disclosure in the Annual Report.</p> |



## Areas of audit focus

### Public sector specific procedures

| Area of audit focus   | Our approach   | Audit findings   |
|---|--|--|
| <p>Focus by the OAG in the current year is predominantly on the 2021-31 Long Term Plan audits, however the OAG Audit Brief has also been updated with no material impacts on the 2022/23 audit. The main areas of focus include:</p> <ul style="list-style-type: none"> <li>• <b>Related party transactions, conflicts of interest, sensitive expenditure and severance payments</b></li> <li>• <b>Legislative compliance</b></li> <li>• <b>Procurement:</b> Procurement is an area of focus for the work programme of the Auditor-General (OAG) and while no specific projects have been identified relating to local government at this stage for 2022/23, it is expected that major capital projects and significant procurement activity are areas where audit effort is focused.</li> <li>• <b>Central government/stimulus funding:</b> It is important that Council is accounting for this funding in accordance with PBE accounting standards, being transparent with communities and meeting any obligations.</li> <li>• <b>Climate Change:</b> Climate change is an area of focus for the work programme of the OAG as Local government is becoming a focus for climate change related action. The OAG focuses on the Councils ability to provides for the resilience of infrastructure assets to the risk of natural hazards, including making sufficient financial provision to respond to these risks.</li> <li>• <b>Capital expenditure delivery :</b> Capital expenditure is a focus area for the OAG and the focus will be placed on Councils ability to delivery in line with the 2021/31 LTP.</li> </ul> | <p>We have:</p> <ul style="list-style-type: none"> <li>• Reviewed a sample of sensitive expenditure areas and items to ensure that the expenditure is compliant with the Board’s policies, procedures and best practice. Our work included specifically looking to ensure that the business purpose of expenditure is documented, and all expenditure has been appropriately approved using the ‘one-up’ principle as recommended by the Office of the Auditor General (OAG).</li> <li>• Performed a review of significant related party transactions including conflicts of interest to ensure all appropriate disclosures surrounding these transactions have been made in the financial statements.</li> <li>• Enquired with the Board, management and others within the entity regarding the risk of fraud within the Council and the processes in place to mitigate those risks.</li> <li>• Evaluated the processes and monitoring procedures over legislative compliance with an aim of assessing the appropriateness and effectiveness in enabling compliance with material legislative and regulatory requirements.</li> </ul> | <p>The Council’s policies are due to be reviewed every three years. However, the following policies are out of their review cycle:</p> <ul style="list-style-type: none"> <li>• Procurement policy;</li> <li>• Anti-fraud and corruption policy; and</li> <li>• Presentations to elected members and staff policy.</li> </ul> <p>Other than the matter noted above we have not identified material issues.</p> |



## Areas of audit focus

### Statement of Service Performance

| Area of audit focus   | Our approach  | Audit findings   |
|---|---|--|
| <p>PBE FRS 48 <i>Service Performance Reporting</i> establishes new requirements for the selection and presentation of service performance information. It applies to Tier 1 and 2 not-for-profit PBEs, and to public sector PBEs which are required by law to report service performance information in accordance with GAAP, and is effective for annual reporting periods beginning 1 January 2022.</p> <p>The Council's annual report is required to include an audited Statement of Service Performance ('SSP') which reports against the performance framework included in the annual plan/long-term plan.</p> <p>The SSP is an important part of the Council's annual performance reporting and it is important it adequately "tells the performance story" for each group of activities.</p> <p>Our audit opinion considers whether the service performance information:</p> <ul style="list-style-type: none"> <li>Is based on appropriately identified elements (outcomes, impacts, outputs), performance measures, targets/results; and</li> <li>Fairly reflects actual service performance for the year (i.e. not just reports against forecast).</li> </ul> | <p>During the course of the audit we have:</p> <ul style="list-style-type: none"> <li>Reviewed Council's SSP against legislative requirements and good practice. This included checking consistency with the performance framework included in the 2021-2031 LTP and 2022/23 Annual Plan;</li> <li>Audited a sample of the reported performance measures, with a focus on the more significant groups of activities;</li> <li>Reviewed the narrative commentary and explanatory information provided in the annual report to ensure that this provides sufficient information to the readers i.e. "tells the performance story".</li> </ul> | <p>As part of our audit, we have tested the resource consent service reporting measures and identified there was currently no system report able to be generated to outline all resource consents issued in the period and the time frame in which they were issued. This is currently calculated manually, which heightens the potential risk of error. This is consistent with our finding last year.</p> <p>Management has confirmed that a report script within Authority is being developed for the next financial period which would allow for more accurate reporting of the measure directly from Authority. This will remove the manual calculation performed at month end by the team for each consent issued in the period and the time in which it was issued.</p> |



## Areas of audit focus

### Percy Thomson Trust

| Area of audit focus  | Our approach   | Audit findings  |
|--|--|---|
| <p>The Percy Thomson Trust (the 'Trust') is a Council-Controlled Organisation and is consolidated as part of the Stratford District Council Group.</p> <p>We have audited the performance report of the Trust for the financial year ended 30 June 2023.</p> | <p>During the course of the audit we have:</p> <ul style="list-style-type: none"> <li>Reviewed Trust's SSP against legislative requirements and good practice. This included checking consistency with the performance framework included the Trust's Statement of Intent;</li> <li>Conducted appropriate audit procedures in response to identified risks of material misstatement, including revenue, financial assets and the valuation of land and buildings; and</li> <li>Conducted the same procedures over the revaluation of land and buildings as those performed for the Council.</li> </ul> | <p>The Trust holds investments in commercial property through proportionate ownership schemes and property investment funds. In the standalone financial statements of the Trust these are held at cost as allowed under the Trust's accounting policies and applicable Tier 3 financial reporting standards.</p> <p>The Council is subject to Tier 2 financial reporting standards. Under these standards and the Council's accounting policies these investments should be recognised at their fair value.</p> <p>Consistent with prior years, these investments have not been recognised at fair value in the group financial statements. This results in an understatement of investment to the amount of \$321k which is included as an unadjusted difference on page 17 of this report.</p> |



## Your control environment and findings

### Details of findings identified

Our audit approach requires us to obtain an understanding of an entity's internal controls, sufficient to identify and assess the risks of material misstatement of the financial statements whether due to fraud or error. We remind you that our audit is not designed to express an opinion on the effectiveness of the controls operating within the Group, although we have reported to management any recommendations on controls that we identified during the audit. The matters being communicated are limited to those deficiencies identified that we have concluded are of sufficient importance to merit being reported. Our recommendations for improvement should be assessed by you for their full commercial implications before they are implemented.

| Finding/observation  | Business implication from control deficiency   | Deloitte recommendation   | Management response and remediation plan  |
|--|--|---|---|
| <b>Matters identified in the prior year, recurring in the current year</b>   |  |   |   |
| <p><b>Policy reviews</b><br/>The Council's policies are due to be reviewed every three years. However, the following policies were not reviewed within cycle:</p> <ul style="list-style-type: none"> <li>• Procurement policy;</li> <li>• Anti-fraud and corruption policy; and</li> <li>• Presentations to elected members and staff policy.</li> </ul> | <p>The policies which are not reviewed and updated regularly may result in the policy not reflecting the changing circumstances of the Council (if any) or the updated requirements as set forth by the OAG under the Good Practice guide.</p> | <p>We recommend that the Council adheres to the policy review timelines it sets itself and adopts best practice by reviewing policies on a timely basis.</p>                                    | <p>Most policies have a light review each year by the Senior Leadership Team to assess if they are still fit for purpose. Where no changes are required, their comprehensive review date may be pushed out. As a risk control, a Policy Status update report will be presented to the Audit and Risk Committee each year from November 2023. The Procurement policy and Treasury policy have already been flagged for review in 2023.</p> |
| <p><b>Resource consent reporting</b><br/>When performing procedures over the Resource Consent Reporting Measure, it was identified that there was currently no system report able to be generated to outline all resource consents issued in the period and the time frame in which they were issued.</p>  | <p>There is a risk that the number of resource consents being incorrectly reported due to a consent approved being missed when manually calculating the measure.</p>   | <p>We recommend that Council has a process in place to ensure that there is a check for completeness and accuracy of data, and evidence is retained to enable reperformance of the process.</p> | <p>A report script within Authority is underway to allow for more accurate reporting of the measure.</p>  |



## Your control environment and findings

Details of findings identified cont.

| Finding/observation  | Business implication from control deficiency   | Deloitte recommendation  | Management response and remediation plan   |
|--|--|--|--|
| <b>Matters identified in the current year</b>  |  |  |  |
| <p><b>Purchase order approvals</b><br/>We identified an instance where a purchase order had been raised and approved by the same individual.</p> | <p>Management implements appropriate one-up approval of invoices for payment and expenditure reimbursements.</p> <p>If purchase orders are not also subject to one-up approval there is a risk that inappropriate goods or services are completed which could be challenging to cancel at the payment stage.</p> | <p>We recommend that purchase orders are approved by an individual independent of the requestor and who has the appropriate delegated authority.</p> | <p>Agree that initial purchasing is not always subject to a rigorous one-up approval process, which represents a risk to Council.</p> <p>Investment in procure to pay software is likely to be undertaken in early 2024 once Authority is upgraded to version 7.1.</p> |



# Your control environment and findings

## IT systems

In performing our audit, we have incorporated IT specialists within our engagement team to better understand and assess the IT processes and control environment. The most notable control observations are detailed below.

| Areas Impacted   | IT system | Completed as planned? | Deficiencies identified | Findings/Observations   |
|--|-----------|-----------------------|-------------------------|---|
| <b>Matters identified in the prior year, recurring in the current year</b> |           |                       |                         |   |
|  |           |                       |                         | We were unable to obtain any evidence for conducted UAR's as any changes to user access rights are made on an ADHOC basis by the IT Manager where requests or approvals are not yet captured or tracked.  |
| User access reviews ('UAR')  | Authority | ✓                     | ●                       | <p>Failure to review the appropriateness of access rights may mean that privileges are no longer valid or are beyond a users current need. If unnecessary access privileges are not removed, there is a risk of unauthorised access to systems and data, which increases the likelihood for financial misstatement.</p> <p>It is recommended to formalise a user access review process policy to ensure that evidence of all user access reviews is retained. This will ensure that any actions are traceable for when the UAR was performed, as well as mitigation against the risk that users may have inappropriate levels of access within the system environment.</p>  |
|  |           |                       |                         | There is no formalised testing procedure for changes made to the Authority application prior to being implemented within the production environment.  |
| Application changes  | Authority | ✓                     | ●                       | <p>Adopting an informal approach to testing could lead to gaps and inefficiencies within the application and underlying infrastructure, which may in turn lead to faults and inappropriate changes being found post-implementation, which increases the likelihood of business disruption and potential security risks to the IT environment.</p> <p>It is recommended to formalise a change testing process policy to ensure that evidence of all testing procedures are being retained. This will ensure that any actions are traceable for when the testing was performed, and adds an additional layer of security which ensures that all changes implemented into the production environment have been tested.</p> |

- Significant deficiencies reported
- No significant issues identified



## Summary of unadjusted differences

We have communicated to management all misstatements accumulated during the audit and have requested that management correct those misstatements. We have obtained an understanding of the misstatements below, and management's reasons for not making the corrections, and based on our evaluations have determined that no uncorrected misstatements individually or in aggregate, have a material effect on the financial statements for the year ended 30 June 2023.

In performing our audit, no material uncorrected disclosure deficiencies were detected in the financial statements.

The unadjusted differences we have identified are set out below.

| Unadjusted misstatements identified   | Assets<br>Dr/(Cr) | Liabilities<br>Dr/(Cr) | Equity<br>Dr/(Cr) | Profit or loss<br>Dr/(Cr) |
|---|-------------------|------------------------|-------------------|---------------------------|
| Percy Thomson Trust's financial assets carried at cost, revalued for consolidation purposes | 321,097           |                        | (321,097)         |                           |
| <b>Total</b>  | <b>321,097</b>    |                        | <b>(321,097)</b>  |                           |

Note: Immaterial balance sheet and income statement reclassifications have not been included in the summary of unadjusted differences





## Our audit report

### Matters relating to the form and content of our report

Here we discuss how the results of the audit impact on our audit report.

66  
99

#### Our opinion on the financial statements

Subject to completion of outstanding matters discussed below, we expect to issue an unmodified opinion on Stratford District Council's annual report.

We have issued an unmodified opinion on the Percy Thomson Trust financial statements and performance information.



#### Emphasis of matter and other matter paragraphs

An emphasis of matter will be included in the audit report with regards to the Government introduced legislation to establish ten publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities, becoming operational between 1 July 2024 and 1 July 2026.

#### Outstanding matters required before we can issue our opinions and/or report

- Finalisation and agreement on the 2023 audit fee;
- Procedures on subsequent events; and
- Council to approve the financial statements and representation letter



# Financial reporting and other developments



## Climate and carbon reporting update

### Recent developments to be aware of

#### New Zealand activity

##### Climate-related disclosures (CRD)

In October 2021, the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill was passed and received Royal Assent. Climate-related disclosures are now mandatory in relation to reporting periods commencing on or after 1 January 2023 for:

- large listed companies with a market capitalisation of more than \$60 million;
- large licensed insurers,
- registered banks,
- credit unions,
- building societies and managers of investment schemes with more than \$1 billion in assets; and
- some Crown financial institutions (via letters of expectation).

In December 2022, the External Reporting Board (XRB) issued the standards that set out the framework for reporting, these are the [Aotearoa New Zealand Climate Standards](#).

##### Carbon Neutral Government Programme (CNGP)

In December 2020, the New Zealand Government launched the CNGP to make a number of organisations within the public sector carbon neutral from 2025. This impacts on:

- **Tranche 1 organisations:** Government departments, departmental agencies, and executive branch are mandated to comply with requirements
- **Tranche 2 organisations:** Crown agents are mandated via a whole of government direction to comply
- **Tranche 3 organisations:** Certain tertiary institutions, legislative branch, offices of parliament, and state owned enterprises are encouraged to comply

A full list of CNGP participants is located [here](#).

#### International activity

The International Financial Reporting Standards (IFRS) Foundation created the International Sustainability Standards Board (ISSB). The ISSB will deliver a global baseline of sustainability disclosures to meet the needs of capital providers.

In March 2022, the ISSB published its first [two exposure drafts](#) which drew heavily from the existing Taskforce on Climate-related Financial Disclosures (TCFD) and the Sustainability Accounting Standards Board (SASB) frameworks.

The International Organisation of Securities Commissions (IOSCO), the Australian Securities and Investment Commission (ASIC) and the Australian Accounting Standards Board (AASB) have supported the publication of the two exposure drafts.

The ISSB issued the inaugural global sustainability disclosure standards, IFRS S1 and IFRS S2, on 26 June 2023.

The XRB in New Zealand is closely monitoring these international standard setting developments.

In Europe, the European Financial Reporting Advisory Group (**EFRAG**) released the final version of the [Corporate Sustainability Reporting Directive](#) (CSRD) in December 2022 which has far-reaching implications for companies beyond the EU. Climate is one aspect of these standards which otherwise cover wider Environmental, Social, and Governance (ESG) areas.

#### How does this affect your organisation?

Organisations that do not fall under the mandatory CRD regime or the CNGP can still expect the ripple effects of these key mandates through their suppliers and customers who are captured. International developments might also mean that international customers and suppliers captured by international mandates will also request information in relation to Environmental, Social, Governance (ESG) issues and/or Greenhouse Gas (GHG) emissions.

Suppliers and customers may request and eventually require (through updated procurement policies) that organisations they deal with measure emissions and have targets in place to reduce them. They may also eventually request confirmation that organisations have built in resilience to climate change into their overall strategy and financial decision making.



## Climate and carbon reporting update

### What could you be doing to prepare?

Organisations should:

- Begin measuring and reporting emissions in accordance with internationally recognised standards such as the GHG Protocol.
- Begin conducting data and reporting quality assessments over emissions and ensure that reporting and measurement of emissions are robust.
- Consider whether to obtain external assurance over the emissions.
- Start setting targets for emissions reduction using assured baselines/baselines where the Councillors are comfortable as to the robustness of data.
- Start identifying emissions abatement options and incorporate these into your investment planning.
- Undertake a climate risk assessment and identify any customers or suppliers captured in the mandate to understand whether they have identified risks that lie within your operational sphere of control.
- Compare the outputs of your climate risk assessment with stakeholders in your value chain to determine whether you can collaboratively resolve any climate hazard-related issues.

**Assurance can enhance stakeholder confidence in the information provided, and in the case of sustainable finance, may help with access to broader economically viable finance options.**

**If the Councillors are seeking assurance, we note that there are synergies, efficiencies, and benefits from aligning your financial auditor and GHG assurance provider.**

This is due to the knowledge already built up as financial auditor in relation to:

- the business processes, activities, operations, organisational structure, and ownership structure
- the control environment and IT systems in place, and
- the financial systems from which a large amount of emissions activity data (e.g. fuel purchase invoices, electricity invoices/statements) are obtained.



# Appendices



## Other communications

Additional matters we report to you in accordance with the requirements of New Zealand auditing standards

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**Accounting policies /  
Financial reporting**

There were no changes in accounting policies during the year ended 30 June 2023.

We have not become aware of any significant qualitative aspects of the Group’s accounting practices, including judgements about accounting policies, accounting estimates and financial statement disclosures that need to be communicated to the Committee.

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**Related parties**

No significant related party matters other than those reflected in the financial statements came to our attention that, in our professional judgement, needs to be communicated to the Committee.

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**Written  
representation**

A copy of the representation letter to be signed on behalf of the Council has been circulated separately.

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**Specialists**

IT specialists assisted in the audit to the extent we considered necessary. The findings arising from their involvement have been communicated in this report.

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**Other information**

We have read the draft annual report to consider whether there are material inconsistencies with the draft financial statements.

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# INFORMATION REPORT



F22/55/04 – D24/20516

To: Audit and Risk Committee  
From: Projects Manager  
Date: 21 May 2024  
Subject: Capital Works Programme – Key Projects Update – May 2024

## Recommendation

THAT the report be received.

### Recommended Reason

To present an update on the progress of our key capital projects in the 2023/24 financial year.

\_\_\_\_\_  
Moved/Seconded

1. Purpose of Report
  - 1.1 The purpose of this report is to provide the Audit and Risk Committee with an update on the progress of key capital projects in the 2023/24 financial year.
  - 1.2 The intent is to track these projects and provide confidence both to the Council and ratepayers that the capital works programme will be delivered as indicated in the 2021-31 Long Term Plan (LTP).
2. Executive Summary
  - 2.1 In the 2023/24 financial year, the Council approved a total budget of \$16,267,054, including \$2,313,000 from Better off grant funding, which encompasses carryovers from the previous financial year and received grants.
  - 2.2 Council officers are actively managing various risks associated with capital projects, primarily focusing on cost overruns, delays in project delivery, and deviations from expected outcomes.
  - 2.3 Approximately 57% of the budget, or around \$9.2 million, is anticipated to be spent. The shortfall is attributed to key projects, such as Better off Funding, Stratford 2035, Council Subdivision, and 3 Waters, which collectively account for \$6.113 million.
  - 2.4 Several projects have resulted in savings for the Council by coming under budget, including the Diatomix project, WTP Reservoir cleaning, Midhirst Resource Consent, and Pembroke Road watermain renewal.
  - 2.5 Reasons for non-delivery of certain projects include exceeding allocated budgets, incomplete designs, resource consent requirements, and unfinished models necessary for project execution, such as the wastewater model for the Stratford Park project.
  - 2.6 Additionally, some projects scheduled for the financial year were deemed unnecessary, including the Upgrade of Broadway Roundabout, Water meter renewals, Camper Van Facility, Hydrants and Laterals, Esk Road renewals, replacement of equipment, and Routine step/aerate renewals.



3. Local Government Act 2002

| Under section 10 of the Local Government Act 2002, the Council's purpose is to "enable democratic local decision making by and on behalf of communities; as well as promoting the social, economic, environmental, and cultural well-being of communities now and into the future" |          |               |          |
|--|----------|---------------|----------|
| Does the recommended option meet the purpose of the Local Government 4 well-beings? And which:   |          |               | Yes      |
| Social   | Economic | Environmental | Cultural |
| ✓  | ✓        | ✓             | ✓        |

3.1 Good risk management and regular monitoring supports the Council's social, economic, environmental, and cultural outcomes.

4. Information Summary

4.1 The Council approved a total of \$16,267,054 for the 2023/24 financial year, of which \$2,313,000 is the Better off grant funding. This includes carryovers from the 2022/23 financial year and grant funding received.

4.2 Council officers are proactively managing all aspects of risks being identified in the delivery of these capital projects, which are mainly:

- Cost overruns.
- Not delivering to timeframe.
- Not delivering what was expected.

4.3 It is anticipated Council will spend 57% of this budget, approximately \$9.2 million. The shortfall is made up from the following key projects:

- Better off Funding - \$2.313 million (14%)
- Stratford 2035 - \$1.5 million (9%).
- Council Subdivision - \$1.1 million (7%).
- 3 Waters - \$2.2 million (13%).

4.4 A number of projects that came under budget which represent savings to the Council. These projects include, but are not limited to the:

- Diatomix project (23% under budget).
- WTP Reservoir cleaning (85% under budget).
- Midhirst Resource Consent (95% under budget).
- Pembroke Road watermain renewal (7% under budget).

4.5 Reasons for non-delivery for some projects include:

- Pricing coming over the allocated budget.
- Uncompleted designs.
- Resource consent requirement.
- Uncomplete models, e.g., wastewater model, which these projects relied on for execution (e.g., wastewater enabling project for Stratford Park).

4.6 Some projects were deferred due to delays or dependency on other projects:

- Upgrade of Broadway Roundabout.
- Water meter renewals.
- Hydrants and Laterals.
- Camper Van Facility and Esk Road renewals and replacement of equipment.
- Routine step/aerate renewals.

Refer to **Appendix 1**, which shows all Year 3 (2023/24) projects.

4.7 The following table below shows the forecasted expenditure for the various activities:

| Activity  | 2023/24 Budget      | Projected Expenditure | Percentage |
|---|---------------------|-----------------------|------------|
| <b>Civic Amenities (including Prospero Place)</b> | \$3,084,432         | \$217,163             | 7%         |
| <b>Democracy</b>                                  | \$188,600           | \$211,710             | 112%       |
| <b>Economic Development (Council Subdivision)</b> | \$1,126,331         | \$32,862              | 3%         |
| <b>Parks, Reserves, &amp; Cemeteries</b>          | \$465,490           | \$478,040             | 103%       |
| <b>Rental and Investment Properties</b>           | \$16,300            | \$11,700              | 72%        |
| <b>Roading</b>                                    | \$4,792,655         | \$4,859,130           | 101%       |
| <b>Solid Waste</b>                                | \$7,000             | \$7,000               | 100%       |
| <b>Stormwater</b>                                 | \$1,099,845         | \$650,000             | 59%        |
| <b>Wastewater</b>                                 | \$1,418,420         | \$1,223,610           | 86%        |
| <b>Water</b>                                      | \$4,067,981         | \$1,540,022           | 38%        |
| <b>Total</b>                                      | <b>\$16,267,054</b> | <b>\$9,231,237</b>    | <b>57%</b> |

4.8 Updates on key projects are provided below (items referenced to Appendix A)

#### 4.8.1 Better Off Funding Projects

In Early April 2024, Cabinet agreed on key steps to implement Local Water Done Well, the Coalition Government's plan for financially sustainable locally delivered water infrastructure and services. The intention is to deliver better, financially sustainable, and affordable water services while retaining local control of water assets.

The Government will provide further details in mid-2024 on the broader range of structural and financing tools which will be available to Council to ensure the required investment in water services infrastructure can be made. This legislation will be passed by the middle of 2025.

Part of the changes is the re-direction of the Better Off Funding to 3-Waters projects. Of the original \$2.57 million Council received as Tranche 1, \$257,000 has been allocated to:

- Completed projects such as the Victoria Park Skate Park and Victoria Park Drainage - \$220,000.
- Commenced projects such as the Brecon Road Bridge and Wastewater Enabling Infrastructure - (\$37,000).

Council approved at the May 2024 Ordinary Meeting to re-allocate \$2.313 million of the Better Off Funding to the following projects:

- Water Treatment Plant Raw Water Delivery Line and Grit Tank (\$2 million);
- Stratford Wastewater Infrastructure (\$50,000); and
- Stratford Stormwater Modelling (\$400,000 to be partly funded).

These projects are proposed for completion in Year 1 of the 2024-34 Long-Term Plan.

#### 4.8.2 Transport Choices Project

The Government has cancelled the Transport Choices Project. This package of works was worth \$7.7 million for this financial year, of which \$1.5 million was Council's share.

#### 4.8.3 Council-funded Capital Projects

An update on some key capital projects is provided below:

- **Town Centre Project – Prospero Place and Broadway Beautification (Item 3)**

**Current Actions:**

The concept plan was approved by the Policy and Services Committee in January 2024. Officers are preparing a scope of works for detailed design.

This project was initially to be funded by the Better Off Funding package in the 2024-34 Long-Term Plan. Given the changes to the Better Off funding criteria by central government, other funding sources need to be found to complete this project. \$200,000 of the Better off Funding was allocated for the beautification of the CBD.

Of the \$2,920,261 budget approved in the 2023-24 Annual Plan, \$1,450,000 was Better off Funding. It is anticipated that Council will not spend its share in this financial year.

- **Town Centre Project – Victoria Park Drainage (Item 19)**

**Current Actions:**

Works for the installation of drainage for Field One is complete. The report received will guide Officers for future drainage works within LTP and Annual Plan budgets.

- **Stratford Park – Wastewater Enabling Infrastructure (Items 48 and 49)**

**Current Actions:**

The phase 1 development of the wastewater network model is complete. Work is now underway for modelling the impacts of the Stratford Park development on our network. Once this modelling is complete, Officers will have a better understanding of how to mitigate any increase issues on the wastewater network.

- **Whangamomona Camp – Septic Tank (Item 14)**

**Current Actions:**

Officers are procuring materials for this project, while going through the resource consent process, with the Horizons Regional Council. The project is anticipated for completion in the next financial year, and appropriate budget is being sought in the 2024-34 Long Term Plan.

#### 4.8.4 Projects predicted to overspend.

- **Sealed Road resurfacing (Item 32)**

**Current Actions:**

Due to the continued requirement of maintenance, this budget, that was already reduced will be overspent by more than 100%. It is anticipated that Council will underspend in other NZTA subsidised projects to allow for this overspend.

**Financial:**

Of the budget of \$154,854 (Council funding) and \$263,670 (NZTA funding), 47% has been spent. It is anticipated that this project will go over budget by approximately 115%.

- **Unsealed Road metalling (Item 33)**

**Current Actions:**

Due to the continued requirement of maintenance, this budget, that was already reduced will be overspent by more than 20%. It is anticipated that Council will underspend in other NZTA subsidised projects to allow for this overspend.

**Financial:**

Of the budget of \$199,514 (Council funding) and \$339,712 (NZTA funding), 136% has been spent. It is anticipated that this project will go over budget by approximately 36%.

- **Drainage Renewals – Special Purpose Roads (Item 38)**

**Current Actions:**

Due to the continued requirement of maintenance, this budget, that was already reduced will be overspent by more than 100%. It is anticipated that Council will underspend in other NZTA subsidised projects to allow for this overspend.

**Financial:**

Of the budget of \$3,700 (Council funding) and \$6,300 (NZTA funding), the final budget for this project is \$29,830.

4.8.5 **Projects predicted to underspend.**

- **Pavement Rehabilitation (Item 39)**

**Current Actions:**

This project, amongst other roading projects, have been reduced or cancelled to fund the overspend in Sealed Road Resurfacing.

**Financial:**

Of the budget of \$240,500 (Council funding) and \$409,500 (NZTA funding), 6% has been spent. It is anticipated that 15% of this budget will be spent. The remaining 85% will be transferred to fund the Sealed Road resurfacing budget.

- **41 Flint Road (Item 13)**

**Current Actions:**

A consultant has been appointed to undertake a wetlands assessment of the property, including:

- Determining if the streams, running through the site, are indeed Wetlands.
- Determining the size of the Wetlands (if they are).
- Liaising with the Development Surveyor and Engineer for the management of surface water run-off into the streams.

This study will be completed by June 2024. Once the Wetlands are correctly identified and extents determined, a plan for the subdivision can be finalised and detailed design can begin.

**Financial:**

Of the budget of \$1.1 million (Council funding), 0% has been spent. It is anticipated that approximately 9% of this budget will be spent in this financial year, which is the procurement of the wetlands report.

- **Reticulation Capacity Increase for Stormwater and Wastewater (Items 44 and 49)**

**Current Actions:**

Stage One of the modelling projects for stormwater and wastewater have identified no issues with our existing networks.

Stage Two will investigate the impact of new development in Stratford, including:

- Stratford Park.
- 41 Flint Road Subdivision.
- Future and consented subdivisions.

**Financial:**

Budget for projects to address any capacity increases resulting from new development is included in Year 3 of the draft 2024/34 LTP. Therefore, only 12% of the budget will be spent in this financial year.

- **Treatment Plant Upgrade (Diatomix) (Item 47)**

**Current Actions:**

A Consultant has been appointed to determine the next steps for replacing the Diatomix treatment. Officers are awaiting the report to decide future treatment.

**Financial:**

Of the budget of \$176,405 (Council funding), 61% has been spent. It is anticipated that 70% will be spent in this financial year. This represents a savings to Council.

- **Raw Water Delivery Line / Grit Tank Replacement (Item 64)**

**Current Actions:**

It has been identified that:

- The pipe from the inlet to the grit tanks at the Water Treatment Plant is unstable and could fail without notice.
- The Grit Tanks are over 100 years old, and the concrete is disintegrating.

Officers have been investigating solutions to remedy these issues. Costs have ballooned since this project was identified for the 2021/31 LTP due to further issues being raised. This is a very complex and expensive project that the Officers are working on to get the issues solved in the most effective manner. As such, it has now been identified that this project will not be completed in this financial year.

Requests for Proposals were obtained in April 2024 and are currently being evaluated. All responses have indicated that the detailed design will not be completed until August 2024, while construction is included in Years 1 and 2 of the draft 2024/34 LTP.

**Financial:**

The budget for completion of this project in the 2024/25 & 2025/26 years is expected to be the re-allocated Better Off Funding. However, this is subject to the Council resolution at the Ordinary Meeting in May 2024. It is anticipated that approximately 15% of this budget will be spent in this financial year.

- **Reservoir Cleaning – 3 Waters Scheme (Item 65)**

**Current Actions:**

Council has engaged with a contractor to inspect the reservoirs at Stratford and Midhirst. Video footage is currently under review to determine what, if any, cleaning is required. Initial findings suggest that cleaning is not required at this stage. This is included in Years 1 and 6 of the draft 2024/34 LTP.

**Financial:**

Of the budget of \$65,507 (Council funding), 0% has been spent. It is anticipated that approximately 15% of this budget will be spent. This represents a savings to Council.

- **Water meter Renewals (Item 66)**

**Current Actions:**

This project is an 'as necessary' project, replacing meters that fail. At this present point in time, a minimal amount of meters has failed and this is likely to continue. All mechanical meters that have been replaced with electronic meters that were purchased under the Universal Water Metering project.

**Financial:**

Of the budget of \$110,850 (Council funding), 0% has been spent. It is anticipated that approx. 10% of this budget will be spent in this financial year. This represents a savings to Council.

- **Midhirst Resource Consent (Item 67)**

**Current Actions:**

Officers are working through the requirements to renew the resource consent for the Midhirst water supply. An Impact Statement from Iwi has been submitted to TRC and they are now working on the processing of the consent.

**Financial:**

Of the budget of \$303,240 (Council funding), 4% has been spent. It is anticipated that only 5% of this budget will be spent in this financial year. This represents a savings to Council.

- **Pembroke Road Watermain Renewal (Items 71 and 72)**

**Current Actions:**

This project was completed within the timeframe and under budget.

**Financial:**

Of the budget of \$302,500 (Council funding), 72% has been spent. This represents a savings to Council.

#### 4.8.6 Projects that will not proceed

- **Reservoir Overflow to Pond (Item 68)**

**Current Actions:**

This project was proposed to manage the risks and associated effects of treated water entering the Patea River. As the tendered price came well over the approved budget, Officers have reconsidered this solution and have agreed an alternative way to manage the potential risks and associated effects on the waterway.

If the reservoir is planned to be emptied for cleaning or repairs, the water will be de-chlorinated and applied to the surrounding pasture.

Although the WTP won't allow the reservoir to be overfilled, in the event that this does occur, temporary pumps will be used to convey the overflow to the backwash pond. This process will be added to the Incidence Response Plan.

**Financial:**

Of the budget of \$74,042 (Council funding), 6% has been spent. It is anticipated that approximately 20% of this budget will be spent in this financial year. Due to the infrequency of the Reservoirs overflowing, this project will not proceed at this stage beyond design and represents a savings to Council.

- **Upgrade of Broadway Roundabout (Item 17)**

**Current Actions**

This project is on hold while a Broadway Beautification Plan is developed.

**Financial:**

Of the budget of \$60,000 (Council funding), 0% has been spent. This represents a savings to Council.

- **Camper Van Drainage Facility (Item 54)**

**Current Actions:**

Officers have investigated drainage issues that could affect the resource consent for this facility. No issues have been identified and this project is unlikely to proceed further.

**Financial:**

Of the budget of \$7,900 (Council funding), 0% has been spent. This represents a savings to Council.

- **Toko Bore (Item 69)**

**Current Actions:**

A resource consent has been reissued for the Toko Water Supply. It is anticipated that this budget is therefore not required.

**Financial:**

Of the budget of \$134,500 (Council funding), 0% has been spent. This represents a savings to Council.

5. Strategic Alignment

5.1 **Direction**

This report is consistent with our Long-Term Plan Outcomes and directly relevant to supporting the work of the Audit and Risk Committee.

5.2 **Annual Plan and Long-Term Plan**

This report is consistent with the Annual and Long-Term Plan outcomes.

5.3 **District Plan**

There is no direct relationship with the District Plan.

5.4 **Legal Implications**

There are no legal implications.

5.5 **Policy Implications**

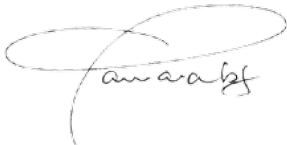
The report is consistent with Council policies relating to service delivery.

**Attachment:**

**Appendix 1 – 2023-24 Capital Work Projects Update**



Steve Taylor  
**Projects Manager**



Victoria Araba  
**Director – Assets**



[Approved by]  
Sven Hanne  
**Chief Executive**

**Date:** 13 March 2024

**APPENDIX 1**

**Key**

| Colour  | Description                      |
|---|----------------------------------|
| <span style="background-color: #f8d7da; border: 1px solid #f5c6cb; display: inline-block; width: 15px; height: 10px;"></span> | Predicted overspend by > 125%    |
| <span style="background-color: #fff3cd; border: 1px solid #ffeeba; display: inline-block; width: 15px; height: 10px;"></span> | Predicted overspend 100% to 125% |
| <span style="background-color: #d4edda; border: 1px solid #c3e6cb; display: inline-block; width: 15px; height: 10px;"></span> | Predicted spend up to 100%       |
| <span style="background-color: #d4edda; border: 1px solid #c3e6cb; display: inline-block; width: 15px; height: 10px;"></span> | Completed / will not proceed     |

|            |                | Consequences |             |             |              |              |
|------------|----------------|--------------|-------------|-------------|--------------|--------------|
|            |                | Minor        | Important   | Serious     | Major        | Catastrophic |
| Likelihood | Almost Certain | 2- Moderate  | 5- High     | 7- High     | 20-Extreme   | 25-Extreme   |
|            | Likely         | 2- Moderate  | 4- Moderate | 6- High     | 16-Very High | 20-Extreme   |
|            | Possible       | 1-Low        | 3- Moderate | 4- High     | 12-Very High | 15-Very High |
|            | Unlikely       | 1-Low        | 2- Moderate | 3- Moderate | 8- High      | 10-Very High |
|            | Rare           | 1-Low        | 1-Low       | 1-Low       | 4- Moderate  | 5- High      |

| Item                   | Project                                | Description   | Category         | Budget Y3   | Other Funding | Actual Spent | Projected budget Spend | Project Status  | Expected start of procurement | Expected start of physical works | expected completion date | Risk Level                | Risk concerns  |
|------------------------|--|---|------------------|-------------|---------------|--------------|------------------------|---|-------------------------------|----------------------------------|--------------------------|---------------------------|--|
| <b>Civic Amenities</b> |  |   |                  |             |               |              |                        |   |                               |                                  |                          |                           |  |
| 1                      | TET Multi Sports Centre                | Upgrade of exit doors. Upgrade of Fire system from type 2 hybrid to type 4. | Level of Service | \$77,071    |               | \$33,239     | 100%                   | >Discussions ongoing between the architect and supplier of equipment.<br>> Upgrade of Fire System nearly complete - restaurant to do. | Completed                     | Oct-23                           | Jun-24                   | 8 - High Unlikely / Major | External Resources - Architect and Contractors Unlikely - Suppliers are currently being sought (no carryover).<br>Major - If fire system is not updated, then liquor licence will be revoked, causing reputational damage.   |
| 2                      | WMC - Carparking lighting upgrade      | Upgrade of lights to LED  | Level of Service | \$57,600    |               | \$0          | 100%                   | Being delivered through the Streetlight Maintenance Contract.   | Sep-23                        | To be determined                 | Jun-24                   | 1 - Low Possible / Minor  | Is current infrastructure suitable - if not, then budget might be insufficient.<br>Possible - Audit may determine that current infrastructure will not support upgrade of LED, meaning the budget may be exceeded (carryover may be required).<br>Minor - No unforeseen issues identified. |
| 3                      | Stratford 2035 Projects:               | Future of Broadway Future of Whangamomona                                   | Level of Service | \$1,461,401 | \$1,450,000   | \$0          | 1%                     | Discussions with landowner has delayed this project.  | To be determined              | To be determined                 | To be determined         | 6 - High Likely / Serious | This project could be further delayed in the purchase of land adjacent to Prospero Place. This will result in less time to identify projects to be completed before June 2024.<br>Likely - Underspend for financial year (carryover).<br>Serious - reputational damage.                    |
| 4                      | Healthy Homes Upgrade                  | Upgrade of Pensioner housing to Healthy Homes standard                      | Level of Service | \$29,500    |               | \$28,098     | 95%                    | Completed   |                               |                                  |                          |                           |  |
| 5                      | Play equipment                         | Play equipment for the Pool   | Replacement      | \$0         | \$8,860       | \$8,860      |                        | Completed   |                               |                                  |                          |                           |  |
| 6                      | Broadway LED Sign                      | Replacing the LED screen on sign at Northern entrance to town               | Replacement      | \$0         |               | \$24,132     |                        | Completed   |                               |                                  |                          |                           |  |
| <b>Democracy</b>       |  |   |                  |             |               |              |                        |   |                               |                                  |                          |                           |  |
| 7                      | Furniture Replacement - Miranda Street | Replacement and update of furniture as required                             | Replacement      | \$3,100     |               | \$4,525      | 146%                   | Replacement as required   | N/A                           | N/A                              | Jun-24                   | 1 - Low Rare / Minor      | Rare - No unforeseen issues (no carryover).<br>Minor - No unforeseen issues.   |
| 8                      | Computers and Peripherals              | Replacement and update of computers and peripherals as required             | Replacement      | \$131,000   |               | \$136,937    | 105%                   | Replacement as required   | Jul-23                        | Jul-23                           | Jun-24                   | 1 - Low Rare/Minor        | Rare - Supply issues is the only concern (no carryover).<br>Minor - No unforeseen issues   |



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| Item                                   | Project  | Description   | Category         | Budget Y3   | Other Funding | Actual Spent | Projected budget Spend | Project Status  | Expected start of procurement | Expected start of physical works | expected completion date | Risk Level                        | Risk concerns   |
|--|--|---|------------------|-------------|---------------|--------------|------------------------|---|-------------------------------|----------------------------------|--------------------------|-----------------------------------|---|
| 9                                      | Miranda Street Office - Partial Roof Replacement |   | Replacement      | \$31,400    |               | \$0          | 40%                    | Repairs underway to fix existing roof instead of replacing.   | Jul-23                        | Nov-23                           | Jun-24                   | 1 - Low Possible / Minor          | Procurement Plan underway. Budget dependent on audit results. Possible - Audit results may result in exceeding budget (carryover may be required). Important - If not repaired, further damage to Admin building may occur.   |
| 10                                     | Furniture Replacement - WMC                      | Replacement and update of furniture as required   | Replacement      | \$3,100     |               | \$0          | 100%                   | Replacement as required   | N/A                           | N/A                              | Jun-24                   | 1 - Low Rare / Minor              | Rare - No unforeseen issues (no carryover). Minor - No unforeseen issues.   |
| 11                                     | Vehicle replacements                             | Replacement and update of vehicle fleet as required   | Replacements     | \$20,000    |               | \$42,068     | 210%                   | Completed   |                               |                                  |                          |                                   |   |
| 12                                     | Pool Software                                    |   | Level of Service |             |               | \$8,710      |                        | Completed   |                               |                                  |                          |                                   |   |
| <b>Economic Development</b>            |  |   |                  |             |               |              |                        |   |                               |                                  |                          |                                   |   |
| 13                                     | Council Subdivision                              | Purchase of 41 Flint Road & extend Midsummer Ave to Flint Road  | Level of Service | \$1,126,331 |               | \$3,871      | 9%                     | Consultant appointed to identify the extent of wetlands, which can be used to formalise the subdivision design.   | Jul-23                        | To be determined                 | Jun-24                   | 12 - Very High Possible / Major   | Stormwater issues and resource consent has been highlighted as a risk. This could cause Council to not meet the agreement of the purchase of the land. Possible - Given stormwater issues, this may go into the next financial year Major - If this does not go ahead due to Geotech, Council would be in breach of the Sale and Purchase agreement   |
| <b>Parks, Reserves, and Cemeteries</b> |  |   |                  |             |               |              |                        |   |                               |                                  |                          |                                   |   |
| 14                                     | Whangamomona Camp - septic tank                  | Increase in visitors leading to more pressure on current septic tank. To provide quality service, infrastructure, and future needs to the community | Replacement      | \$136,778   |               | \$9,410      | 100%                   | Original Design and Build tender was significantly over budget. Officers are exploring options with Preferred Supplier as to what steps can be taken. Likely to run over budget. Materials are to be procured in this financial year with an internal submission to the Draft LTP for the installation. | Jul-23                        | To be determined                 | Jun-24                   | 3 - Moderate Possible / Important | Resource consent has not been identified as a requirement in the concept design, however final design may mean that it is required, delaying project to beyond Summer 2023/24. Possible - Resource Consent may take some time meaning that installation may not occur in time for Whangamomona Republic Day in January 2024. Important - While this will not stop the Republic Day from proceeding, A new septic tank will ensure no issues at the campground during this time. |
| 15                                     | Walkway upgrade                                  | Some parks & walkways are under developed - therefore underutilised. Increased usage of asset & improved safety                                     | Level of Service | \$20,000    |               | \$17,969     | 90%                    | Work as required - remedial works   | Ready Response                | N/A                              | Jun-24                   | 1 - Low Rare / Important          | Given the environment and surfacing of the walkways, regular maintenance is required to keep the walkways operational. Rare - budget will be spent this financial year (no carryover). Important - public safety.   |
| 16                                     | Park development                                 | Some parks & walkways are under developed - therefore underutilised. Increased usage of asset & improved safety                                     | Level of Service | \$13,600    |               | \$0          | 100%                   | Work as required - remedial works   | Ready Response                | N/A                              | Jun-24                   | 1 - Low Rare / Important          | Given the environment of the parks, regular maintenance is required to keep the parks operational. Rare - budget will be spent this financial year (no carryover). Important - public safety.   |

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| Item                                    | Project                                  | Description   | Category         | Budget Y3 | Other Funding | Actual Spent | Projected budget Spend | Project Status  | Expected start of procurement | Expected start of physical works | expected completion date | Risk Level                        | Risk concerns  |
|---|--|---|------------------|-----------|---------------|--------------|------------------------|---|-------------------------------|----------------------------------|--------------------------|-----------------------------------|--|
| 17                                      | Upgrade of Broadway Roundabout           | Roundabouts are ageing - risk to contractors while completing maintenance<br>Removal of gardens will minimise maintenance/balance safety at key entry points                  | Level of Service | \$60,000  |               | \$0          | 0%                     | Will not proceed this financial year.   |                               |                                  |                          |                                   |  |
| 18                                      | Midhirst Cemetery Pathway Upgrade        | Cemetery paths are ageing/disintegrating with no future maintenance programme   | Level of Service | \$31,400  |               | \$35,052     | 112%                   | Completed   |                               |                                  |                          |                                   |  |
| 19                                      | Victoria Park Drainage                   | Installation of drainage for Field One.   | Level of Service |           | \$27,800      | \$30,673     | 110%                   | Completed   |                               |                                  |                          |                                   |  |
| 20                                      | Skate Park Upgrade - Victoria Park       | Replace Skate Bowl as the existing bowl was a health and safety risk.<br>Prepare overall plan of skate park   | Level of Service |           | \$175,912     | \$174,487    | 99%                    | Completed   |                               |                                  |                          |                                   |  |
| 21                                      | Cemetery Water Tank                      | Replacement of water tank after it was destroyed by vandalism.  | Replacement      |           |               | \$4,228      |                        | Completed   |                               |                                  |                          |                                   |  |
| <b>Rental and Investment Properties</b> |  |   |                  |           |               |              |                        |   |                               |                                  |                          |                                   |  |
| 22                                      | Farm - Landscaping and riparian planting | Yearly planting to meet TRC requirements  | Level of Service | \$3,700   |               | \$0          | 100%                   | TRC have reviewed planting in October 2023 and has identified that only fencing is required. Programmed for May/June 2024.        | N/A                           | May-24                           | Jun-24                   | 1 - Low Unlikely / Minor          | TRC may not get there report in time for SDC to purchase plants for planting in May/June. Unlikely - If report is issued in time, supply of plants may be delayed (no carryover). Minor - No unforeseen issues identified. |
| 23                                      | Farm - Waterlines and trough upgrade     | Replace / upgrade waterlines and troughs on the farm.   | Level of Service | \$12,600  |               | \$2,092      | 63%                    | Sharemilker carries out works as and when required.   | N/A                           | Feb-24                           | Jun-24                   | 1 - Low Unlikely / Minor          | Unlikely - Reliant on Farmer to purchase and install infrastructure (no carryover). Minor - No unforeseen issues identified  |
| <b>Roading</b>                          |  |   |                  |           |               |              |                        |   |                               |                                  |                          |                                   |  |
| 24                                      | Low cost low risk roads                  | Cardiff Road re-alignment<br>Beaconsfield Road curve re-alignment   | Replacement      | \$229,997 | \$391,617     | \$305,695    | 101%                   | Cardiff Road realignment completed.<br>Investigation underway for Beaconsfield Road to see if it can proceed this financial year. | To be determined              | To be determined                 | Jun-24                   | 3 - Moderate Possible / Important | Delay in negotiations for land purchase. If land is not purchased, Cardiff Road project will not be the desired result.  |
| 25                                      | Structure Component Replacement          | Site Specific - Identified and contract managed by Consultant<br>Two retaining walls to replace - Croyden and Mangaotuku Roads<br>Concrete lining of culvert on Pembroke Road | Replacement      | \$335,396 | \$571,081     | \$362,403    | 100%                   | Retaining wall replacement on Croyden Road and Mangaotuku Road. Underway.   | To be determined              | To be determined                 | Jun-24                   | 3 - Moderate Possible / Important | Time constraints due to lack of resources to construct the repairs.  |

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| Item | Project   | Description  | Category         | Budget Y3   | Other Funding | Actual Spent | Projected budget Spend | Project Status   | Expected start of procurement | Expected start of physical works | expected completion date | Risk Level                   | Risk concerns  |
|------|---|--|------------------|-------------|---------------|--------------|------------------------|--|-------------------------------|----------------------------------|--------------------------|------------------------------|--|
| 26   | Road to Zero                                    | Works as required  | Level of Service | \$217,671   | \$370,629     | \$132,873    | 100%                   | Speed management programme completed. School speed limits take effect in May 2024. Cardiff Road realignment completed. Beaconsfield Road to see if it can proceed this financial year. | To be determined              | To be determined                 | Jun-24                   | 1 - low Rare / Serious       | Rare - Speed Management Plan has been adopted and will be implemented with Transport Choices projects outside schools. Serious - Safety of children at the school is paramount. This project compliments Transport Choices |
| 27   | Drainage Renewals                               | Maintenance Contractor to identify and programme                                       | Replacement      | \$222,000   | \$378,000     | \$365,938    | 100%                   | Ongoing. Focusing on culverts and water tables rather than kerb and channel replacement.   | To be determined              | To be determined                 | Jun-24                   | 1 - low Rare / Serious       | Rare - Reduced programme due to reduced funding from Waka Kotahi. Serious - If money not spent, the money is returned to Waka Kotahi.  |
| 28   | Traffic Services                                |  | Replacement      | \$40,700    | \$69,300      | \$38,189     | 100%                   | Ongoing.   | To be determined              | To be determined                 | Jun-24                   | 1 - low Rare / Serious       | Rare - Reduced programme due to reduced funding from Waka Kotahi. Serious - If money not spent, the money is returned to Waka Kotahi.  |
| 29   | Low cost low risk roads - special purpose roads | Dawson Falls carpark   | Replacement      | \$22,200    | \$37,800      | \$0          | 100%                   | Widening Manaia Road were possible without disturbing native vegetation to avoid a lizard (and Kiwi) management plan.  | To be determined              | To be determined                 | Jun-24                   | 5 - High Certain / Important | Delay from DOC due to differing priorities. Biodiversity plan may be required and DOC is unwilling to pay for it.  |
| 30   | Traffic Services - special purpose              |  | Replacement      | \$1,850     | \$3,150       | \$0          | 0%                     | Ongoing - replacement of signs etc.  | To be determined              | To be determined                 | Jun-24                   | 1 - low Rare / Serious       | Rare - Reduced programme due to reduced funding from Waka Kotahi. Serious - If money not spent, the money is returned to Waka Kotahi.  |
| 31   | Unsealed Road resurfacing - special purpose     | Metalling Plateau Carpark  | Replacement      | \$3,700     | \$6,300       | \$0          | 50%                    | Completed  | To be determined              | To be determined                 | Jun-24                   | 1 - low Rare / Serious       | Rare - Reduced programme due to reduced funding from Waka Kotahi. Serious - If money not spent, the money is returned to Waka Kotahi.  |
| 32   | Sealed Road resurfacing                         | Maintenance Contractor to identify and programme                                       | Replacement      | \$154,854   | \$263,670     | \$197,604    | 215%                   | Completed.   |                               |                                  |                          |                              |  |
| 33   | Unsealed Road Metalling                         | Maintenance Contractor to identify and programme                                       | Replacement      | \$199,514   | \$339,712     | \$732,772    | 136%                   | Completed.   |                               |                                  |                          |                              |  |
| 34   | Sealed road resurfacing - special purpose       |  | Replacement      | \$20,149    | \$34,309      | \$0          | 110%                   | Completed.   |                               |                                  |                          |                              |  |
| 35   | Transport Choices                               | Installation of cycle lanes and shared footpaths as part of the school safety Project. | Level of Service | \$1,540,000 | \$6,160,000   | \$0          | 0%                     | Cancelled  |                               |                                  |                          |                              |  |
| 36   | Walking and Cycling improvements                | Cordelia St - Regan to Fenton St   | Level of Service | \$57,720    | \$98,280      | \$170,804    | 109%                   | Completed  |                               |                                  |                          |                              |  |
| 37   | Footpath renewals                               | Small length replacements - typically 20 m to 30 m                                     | Replacement      | \$14,800    | \$25,200      | \$61,964     | 155%                   | Completed  |                               |                                  |                          |                              |  |
| 38   | Drainage Renewals - special purpose roads       | Pembroke Road culvert replacement  | Replacement      | \$3,700     | \$6,300       | \$29,830     | 298%                   | Completed  |                               |                                  |                          |                              |  |
| 39   | Pavement Rehabilitation                         | Flint Road (by showgrounds)  | Replacement      | \$240,500   | \$409,500     | \$42,000     | 15%                    | Complete. Budget transferred to reseals.   |                               |                                  |                          |                              |  |

2024 - Agenda - Audit and Risk - May - Open - Information Report – Capital Works Programme – Key Projects Update – May 2024

| Item               | Project   | Description  | Category         | Budget Y3 | Other Funding | Actual Spent | Projected budget Spend | Project Status  | Expected start of procurement | Expected start of physical works | expected completion date | Risk Level                           | Risk concerns  |
|--------------------|---|--|------------------|-----------|---------------|--------------|------------------------|---|-------------------------------|----------------------------------|--------------------------|--------------------------------------|--|
| <b>Solid Waste</b> |   |  |                  |           |               |              |                        |   |                               |                                  |                          |                                      |  |
| 40                 | Healthy Homes Upgrade   | Upgrade of house at the transfer station to Healthy Homes standard | Level of Service | \$7,000   |               | \$1,833      | 100%                   | Works underway (Window, hood range and extractor fan for bathroom)  | N/A                           | Oct-23                           | Nov-23                   | 1 - Low<br>Rare / Serious            | Rare - Contractors to install insulation in August. Further works to be completed by Winter 2024 (no carryover).<br>Serious - If works are not complete, Council will not meet the Healthy Homes regulations.  |
| <b>Stormwater</b>  |   |  |                  |           |               |              |                        |   |                               |                                  |                          |                                      |  |
| 41                 | Silt retention lake bypass  | Silt cleaning of Victoria Park lake                                | Level of Service | \$265,400 |               | \$9,167      | 100%                   | Works complete for this financial year. Screening and screeding of silt to be done in next financial year due to drying out of material..                     | To be determined              | To be determined                 | Jun-24                   | 3 - Moderate<br>Unlikely / Serious   | Project timeframe determined by TRC's guidance for de-silting the lake.<br>Unlikely - Once TRC's requirements are determined, Officers will be able to proceed with this project.<br>Serious - If this project is not done with TRC's guidance, we will be in breach of TRC's stormwater requirements. |
| 42                 | Safety improvements   | Breakages as required - Maintenance Contract                       | Level of Service | \$349,477 |               | \$147,152    | 57%                    | Ongoing as required.  | N/A - Maintenance Contract    | Jul-23                           | Jun-24                   | 1 - Low<br>Rare / Important          | Works as required.<br>Rare - Day to day operations<br>Important - If safety improvements are not carried out, damage could occur to neighbouring private property.   |
| 43                 | Reticulation renewals   | Breakages as required - Maintenance Contract                       | Replacement      | \$157,983 |               | \$1,163      | 32%                    | Ongoing as required.  | N/A - Maintenance Contract    | Jul-23                           | Jun-24                   | 1 - Low<br>Rare / Important          | Works as required.<br>Rare - Day to day operations<br>Important - If safety improvements are not carried out, damage could occur to neighbouring private property.   |
| 44                 | Reticulation capacity increase  | Achilles Street stormwater<br>Miranda Street stormwater            | Level of Service | \$320,622 |               | \$68,659     | 25%                    | Achilles St project completed.<br>Miranda Street on hold until stormwater capacity for catchment is determined. Modelling complete, waiting for final report. | Jul-23                        | Jul-23                           | Jun-24                   | 3 - Moderate<br>Possible / Important | If the catchment is surrounding areas determines a retention pond is required, this works may be delayed until that is constructed.<br>Possible - A consultant has advised that a retention pond is necessary in the catchment.<br>Important - Flooding in Miranda Street may damage private property. |
| 45                 | Modelling   | Catchment 6  | Level of Service | \$6,363   |               | \$0          | 314%                   | Completed   |                               |                                  |                          |                                      |  |
| <b>Wastewater</b>  |   |  |                  |           |               |              |                        |   |                               |                                  |                          |                                      |  |
| 46                 | Routine step / aerate renewals  | As required  | Replacement      | \$31,800  |               | \$0          | 100%                   | Ongoing as required.  | Jul-23                        | Jul-23                           | Jun-24                   | 1 - Low<br>Rare / Important          | Works continuing from 2022/23 financial year.<br>Rare – Only as required<br>Important - This works helps to maintain a functioning wastewater treatment plant that meets consent requirements.   |
| 47                 | (Treatment Plant Upgrade)<br>Diatomix to enhance growth of good algae | Improve the quality of discharge into the Patea River              | Level of Service | \$171,105 |               | \$104,384    | 79%                    | Diatomix has not achieved the expected results. Officers investigating further options.   | Jul-23                        | Jul-23                           | Jun-24                   | 1 Low<br>Rare / Serious              | Works continuing from 2022/23 financial year.<br>Rare - This work is underway<br>Serious - If this works is not completed, discharge into the Patea River may be contaminated.   |
| 48                 | Modelling   | Ongoing - Modelling contract to June 2026                          | Level of Service | \$9,483   |               | \$25,074     | 264%                   | Existing network model built.<br>Stratford Park implications being investigated.  | Completed                     | N/A                              | Jun-24                   | 1 - Low<br>Rare / Important          | Works continuing from 2022/23 financial year.<br>Rare - This work identifies any weak points in our wastewater network.  |
| 49                 | Reticulation capacity increase  |  | Level of Service | \$359,523 | \$50,000      | \$20,954     | 28%                    | Waiting on Stratford Park results.  | To be determined              | Jul-23                           | Jun-24                   | 1 - Low<br>Rare / Serious            | Works as required.<br>Rare - Day to day operations<br>Serious - If safety improvements are not carried out, damage could occur to neighbouring private property.   |

2024 - Agenda - Audit and Risk - May - Open - Information Report – Capital Works Programme – Key Projects Update – May 2024

| Item                | Project                               | Description   | Category         | Budget Y3 | Other Funding | Actual Spent | Projected budget Spend | Project Status   | Expected start of procurement | Expected start of physical works | expected completion date | Risk Level                   | Risk concerns   |
|---------------------|---------------------------------------|---|------------------|-----------|---------------|--------------|------------------------|--|-------------------------------|----------------------------------|--------------------------|------------------------------|---|
| 50                  | Bulk discharge renewals               | Esk Road  | Replacement      | \$18,262  |               | \$0          | 100%                   | Ongoing as required.   | Jul-23                        | Jul-23                           | Jun-24                   | 1 Low Rare / Serious         | Works continuing from 2022/23 financial year. Rare - This work is underway<br>Serious - If this works is not completed, discharge into the Patea River may be contaminated.   |
| 51                  | Pumps and electrics                   | Replacement of Esk Road pumps and electrics as required             | Replacement      | \$31,800  |               | \$0          | 100%                   | Ongoing as required.   | Jul-23                        | Jul-23                           | Jun-24                   | 4 - Moderate Rare / Major    | Only as required. Rare - This work is only required if the pumps and/or electrics fail.<br>Major - If the pumps / electrics fail, discharge into the Patea River could be contaminated.   |
| 52                  | Infiltration renewals                 | Ongoing - Sewer Lining Contract                                     | Replacement      | \$351,795 |               | \$217,006    | 53%                    | Complete for this financial year. Budget in conjunction with Infiltration Programme. |                               |                                  |                          |                              |   |
| 53                  | Inflow and Infiltration programme     | Ongoing - Sewer Lining Contract                                     | Level of Service | \$281,452 |               | \$455,966    | 162%                   | Complete for this financial year. Budget in conjunction with Infiltration Renewals.  |                               |                                  |                          |                              |   |
| 54                  | Camper Van Drainage facility          | To improve drainage system where the camper van facility is located | Level of Service | \$7,900   |               | \$0          | 0%                     | Will not proceed.  |                               |                                  |                          |                              |   |
| 55                  | Stage 2 Treatment Upgrade             | Improve the quality of discharge into the Patea River               | Level of Service | \$5,300   |               | \$0          | 0%                     | Budget transferred to Treatment Plant Upgrade  |                               |                                  |                          |                              |   |
| 56                  | Oxidation Pond Fencing                | Installation of fencing around oxidation ponds                      | Level of Service |           |               | \$154,388    |                        | Completed.   |                               |                                  |                          |                              |   |
| <b>Water Supply</b> |                                       |   |                  |           |               |              |                        |  |                               |                                  |                          |                              |   |
| 57                  | Generator for Treatment plant         | Installation of backup generator at WTP                             | Level of Service | \$9,819   |               | \$12,006     | 204%                   | Wiring and venting of Generator underway.  | Completed                     | Jun-23                           | Nov-23                   | 5 - High Rare / Catastrophic | Rare - Certification of the Fuel tank has become an issue - officers are looking at options; All other aspects for the project is complete.<br>Catastrophic - If certification is not achieved for the Generator fuel tank, then the plant will not be certified for usage. |
| 58                  | Membranes                             |   | Replacement      | \$146,044 |               | \$0          | 103%                   | New supplier found. Membranes ordered.   | Jul-23                        | Jul-23                           | Jun-24                   | 1 - Low Rare / Important     | Continuing from 2022/23 financial year. Rare - Council has a supply in stock<br>Important - If the membranes are not replaced, Stratford may have contaminated water.   |
| 59                  | Universal water metering implement    | Manifold Contract   | Level of Service | \$846,851 |               | \$163,196    | 100%                   | Contract awarded. Works to commence in May.  | Jul-23                        | Jul-23                           | Jun-24                   | 1 - Low Rare / Important     | Rare - Contract documents are being prepared. Important - If the tobies are not replaced, then the meters cannot be installed.  |
| 60                  | Hydrants                              | As required - 3 water Maintenance Contract                          | Replacement      | \$15,700  |               | \$4,684      | 100%                   | Ongoing as required.   | Jul-23                        | Jul-23                           | Jun-24                   | 1 - Low Rare / Important     | Works continuing from 2022/23 financial year. Rare - This work is underway<br>Important - This works helps to repair/replace weak points in our water network.  |
| 61                  | Laterals                              | As required - 3 water Maintenance Contract                          | Replacement      | \$32,500  |               | \$0          | 100%                   | Ongoing as required.   | Jul-23                        | Jul-23                           | Jun-24                   | 1 - Low Rare / Important     | Works continuing from 2022/23 financial year. Rare - This work is underway<br>Important - This works helps to repair/replace weak points in our water network.  |
| 62                  | Instructure general - 3 waters scheme |   | Replacement      | \$26,100  |               | \$4,927      | 100%                   | Ongoing as required.   | To be determined              | To be determined                 | Jun-24                   | 1 - Low Rare / Important     | Works as required. Rare - Day to day operations<br>Important - If repairs/replacements do not occur, our network will not meet requirements   |
| 63                  | Instructure general - Midhirst        |   | Replacement      | \$3,400   |               | \$0          | 100%                   | Ongoing as required.   | To be determined              | To be determined                 | Jun-24                   | 1 - Low Rare / Important     | Works as required. Rare - Day to day operations<br>Important - If repairs/replacements do not occur, our network will not meet requirements   |

2024 - Agenda - Audit and Risk - May - Open - Information Report – Capital Works Programme – Key Projects Update – May 2024

| Item | Project  | Description   | Category         | Budget Y3   | Other Funding | Actual Spent | Projected budget Spend | Project Status  | Expected start of procurement | Expected start of physical works | expected completion date | Risk Level                      | Risk concerns  |
|------|--|---|------------------|-------------|---------------|--------------|------------------------|---|-------------------------------|----------------------------------|--------------------------|---------------------------------|--|
| 64   | Raw water delivery line / grit tank replacements | Replacement of Grit Tanks at WTP. Replacement of tunnel from Patea River to Grit Tanks. | Level of Service | \$1,968,698 |               | \$160,923    | 15%                    | Detailed design underway.   | To be determined              | To be determined                 | To be determined         | 4 - Moderate Likely / Important | Likely - The raw delivery line is unlikely to g ahead due to budget constraints<br>Important - The grit tanks have reached the end of their life a while ago; if the raw delivery line fails, a temporary measure can be installed until such time as a permanent repair/replacement is made |
| 65   | Reservoir cleaning - 3 waters scheme             |   | Replacement      | \$65,507    |               | \$0          | 15%                    | Reservoir inspection complete. Awaiting final report from Contractor.             | To be determined              | To be determined                 | Jun-24                   | 1 Low Rare / Serious            | Rare - If cleaning is not required, this will be underspent.<br>Serious - If cleaning is required and not completed, water maybe contaminated.   |
| 66   | Meter renewals                                   | As required - 3 water Maintenance Contract  | Replacement      | \$110,850   |               | \$547        | 9%                     | Ongoing as required.  | Jul-23                        | Jul-23                           | Jun-24                   | 1 - Low Rare / Important        | Works continuing from 2022/23 financial year.<br>Rare - This work is underway<br>Important - This works helps to repair/replace weak points in our water network.  |
| 67   | Midhirst Resource Consent                        |   | Replacement      | \$303,240   |               | \$12,125     | 5%                     | Iwi report received and submitted to TRC - Ongoing                                | To be determined              | To be determined                 | Jun-24                   | 6 - High Likely / Serious       | Likely - Project waiting on Iwi report<br>Serious - If a resource consent is not obtained, water may not be provided to Midhirst users.  |
| 68   | Reservoir overflow to pond                       |   | Replacement      | \$74,042    |               | \$4,488      | 20%                    | Will not proceed. Will be managed in the unlikely event of an overflow occurring. |                               |                                  |                          |                                 |  |
| 69   | Toko Bore  | Review source water & risk management plan  | Replacement      | \$134,500   |               | \$0          | 0%                     | Will not proceed.   |                               |                                  |                          |                                 |  |
| 70   | Raw water analyser                               |   | Level of Service | \$28,230    |               | \$47,961     | 170%                   | Completed   |                               |                                  |                          |                                 |  |
| 71   | Street water ridermains - 3 waters schemes       | Pembroke Road Watermain renewal   | Replacement      | \$270,700   |               | \$266,428    | 98%                    | Completed   |                               |                                  |                          |                                 |  |
| 72   | Street work ridermains                           | Pembroke Road Watermain renewal   | Level of Service | \$31,800    |               | \$14,753     | 46%                    | Completed   |                               |                                  |                          |                                 |  |

# INFORMATION REPORT



F22/55/04 – D24/21869

To: Audit and Risk Committee  
From: Director – Corporate Services  
Date: 21 May 2024  
Subject: Risk Management

## Recommendation

THAT the report be received.

## Recommended Reason

To provide an update to the Audit and Risk Committee of any risk events or threats in relation to significant risks on Council's risk register, as part of Council's risk management processes.

\_\_\_\_\_  
Moved/Seconded

1. Purpose of Report
  - 1.1 As above, and to provide a high-level update on Council risk, with a particular focus on the Significant Risks Register (*Appendix 1*), and in accordance with Council's Risk Management Policy.
2. Executive Summary
  - 2.1 The Audit and Risk Committee Terms of Reference provides that the Committee has responsibility to *"review and recommend and support Management to proactively manage all aspects of risk and quality that the organisation has identified. To monitor and review risk and make recommendations to Council where necessary to minimise the likelihood or impact of a risk event."*
  - 2.2 The following significant risks have been actively managed by management since the last Committee meeting in March 2024:
    - Risk 78 – Government Policy impacting on Local Government
    - Risk 9 – LTP / Annual Plan
    - Risk 92 – Community Engagement
    - Risk 11 – Server Failure
    - Risk 32 – Lone Worker
    - Risk 72 – Elected Member Decision Making
  - 2.3 There have been no new risks identified by staff. However, staff are mindful of the emerging risk landscape and are conscious of the evolving risks related to cyber fraud, and how the use of artificial intelligence may present risk and opportunities.

3. Local Government Act 2002

|  |                 |   |                 |
|--|-----------------|---|-----------------|
| Under section 10 of the Local Government Act 2002, the Council’s purpose is to “enable democratic local decision making by and on behalf of communities; as well as promoting the social, economic, environmental, and cultural well-being of communities now and into the future” |                 |   |                 |
| Does the recommended option meet the purpose of the Local Government 4 well-beings? And which:   |                 | Affects all four well-beings in some way. |                 |
| <b>Social</b>  | <b>Economic</b> | <b>Environmental</b>                      | <b>Cultural</b> |
| ✓  | ✓               | ✓   | ✓               |

3.1 Risk Management is about managing risk exposure for all areas of Council operations and therefore indirectly meets the purpose of all four well-beings.

4. Background

4.1 The Council maintains a full risk register, which now has 98 organisational risks. Of these, the most significant risks in terms of likelihood and consequence are monitored by the Audit and Risk Committee, via the Significant Risks Register. This report includes any incidents, events, and/or threats in relation to risks on the Significant Risks Register.

4.2 The risk register includes a description of the risk and provides an evaluation of the risk in terms of likelihood and consequence without any controls in place. Controls (risk reduction methods and mitigations) have been established for each risk, and then the risk is re-evaluated to get a residual risk score. In terms of what constitutes a significant risk, the raw risk score is taken into account rather than the residual risk as it is important that the senior leadership team and the Audit and Risk Committee regularly monitor that the controls in place are appropriate and effective.

5. Information Summary

5.1 **Emerging Risks**

1) Cyber fraud and council payments – This is not a new risk, however council officers are becoming more conscious of the opportunity for cyber fraud to occur. Council does not evaluate the cyber security of our supply chain partners, nor does our transactional banking provider, as with the other NZ banks, match the bank payee name with the bank account name for creditor payments. There is a risk that payments from council may be paid to a fraudulent account and that council will be unable to recover the funds.

This issue is somewhat covered under the following risk:

*Risk 20 – Creditor Payments - IF creditors are not paid correctly or on time THEN goods and services delayed, increased costs, reputational damage and possible fraud.*

2) The use of Artificial Intelligence (AI) – Again, this is not a new risk, however with the use of AI becoming more common and through the use of ChatGPT, our exposure to this risk is increased. Some councils have developed policy around the use of AI to ensure that their use is ethical, lawful and in compliance with other council policy. There is also the risk of reputational damage with one council last year attempting to translate their annual plan to te reo Māori using ChatGPT without consulting on the cultural implications and accuracy of the process. Although AI can provide innovative opportunities to increase efficiencies and engage more effectively with our community there is a lack of guidance around its use. ALGIM (Association of Local Government Information Managers) has developed a sample policy for the local government sector, attached to this report (*Appendix 2*) as a guide for potential



development. Council is currently developing its own Artificial Intelligence Use Policy and Staff Guidelines.

This issue is somewhat covered under the following risk:

*Risk 16 – Unapproved online platforms used - IF unapproved online platforms are used for Council business, THEN Council sensitive information and individual private details could be hacked and made available publicly.*

## 5.2 Risk Events in relation to the Significant Risks Register

### **Risk 78 – Government Policy Impacting on Local Government**

The new National / Act Coalition Government is continuing to work through legislative change. A schedule of current government policy and legislation that is relevant to local government operations, and open for submissions, has been attached to this report (*Appendix 3*).

#### **Three Waters - Local Water Done Well**

“Local Water Done Well” is the Coalition Government’s plan for managing water services delivery and infrastructure following the repeal of Water Services Reform legislation (Three Waters) in February 2024. Government has advised that two bills will be put forward to establish “Local Water Done Well”. The first bill (expected mid-2024) will set out guidelines relating to how councils will manage water services and water costs through the transition. It will also make it easier for councils to establish council-controlled organisations (CCOs) under the Local Government Act 2002. The second bill (expected mid-2025) will provide for the long-term framework of managing water services, including required guidelines for long-term financial sustainability, a complete economic system for controlling water-related costs, and a new range of structural and financing tools, including a new type of financially independent council-controlled organisation.

At this early stage it is advised that Council wait until the first bill is announced before any commitment to a regional entity model is made, which will enable officers to report back with a summary of the proposed legislation and options. The current regional modelling work carried out with Whanganui District Council included shows that Stratford District has the lowest rates per connection, in the group, for Water and Wastewater.

#### **Local Electoral Bill – Māori Wards**

This Bill repeals the Māori wards legislation of the previous Government and reinstates the poll provisions for establishing Māori wards. The changes will bring back the 5% of the electoral roll threshold for petitions able to call for a binding poll on Māori wards.

It is highly likely that this Bill will proceed, and Council’s likely options are below:

1. Take a decision report to council with an option to disestablish the Māori ward for the 2025 election onwards, or not disestablish Māori ward (consultation not required). This option is not mandatory, elected members will need to consider whether or not to make a decision. If the Māori ward is resolved to be disestablished for 2025, we will need to do a “lite” representation review later this year by December 2024, or revert back to 2019 representation review arrangements.
2. Instead of option one above, or if Council decides (as per option one above) to not disestablish the Māori ward by resolution, council will need to hold a poll at the 2025 election. The Māori ward will be retained for the 2025 election. The cost of the poll will be approximately 20 cents per elector so roughly \$1,500. The poll will be binding for the 2028 and 2031 elections. A representation review will not be required until 2027.

## **Risk 9 – Long Term Plan / Annual Plan**

There is a medium to high risk that council will not be able to adopt the final Long Term Plan by 30 June 2024. Following the LTP Hearings and Deliberations on 14 May, council will have one day to make any further amendments and provide a final draft version of the full LTP and supporting information for the final audit. Auditors have indicated that the high level hot review, which is the final part of the audit process, is causing delays for councils in finalising the audit.

Officers obtained a legal review from Lizzy Wiessing, from KateSheppardChambers on the accuracy and compliance of the Revenue and Financing Policy, Funding Impact Statement, and Rates Resolution. The advice provided was extremely valuable and an internal submission has been made to update these documents.

Two areas of focus for the final audit, as indicated by auditors, are:

### **1. Capital deliverability – auditor confidence in capital budget forecasts**

Historically, council has a history of not spending its full capital expenditure budget. In the current financial year, the total available capital expenditure budget is \$14,598,197 (excluding Transport Choices projects of \$7,700,000), and by the end of March 2024 (3<sup>rd</sup> quarter) council had spent \$4,912,416, or 34% of the budget. It is anticipated that council will spend 65% of the capital budget in 2023/24.

The capital budget for year one of the LTP is \$18,024,000, and averages \$18,428,000 each year over the ten years of the LTP. The budgeted expenditure in year one of the LTP includes:

- Prospero Place Development - \$500,000
- Demolition of the TSB Pool and reinstatement \$430,000
- Council Subdivision \$2,600,000
- Low Cost Low Risk Roading projects \$2,600,000
- Walking and Cycling projects \$400,000
- Water Supply replacing the Grit Tanks \$2,000,000
- Rollout of Universal Water Metering \$1,147,000

These are on top of other smaller projects, and other significant asset replacement expenditure. This is a huge and complex capital expenditure program that has a high risk of being unable to be completed by 30 June 2025. Although there is minimal impact on rates of overbudgeting for capital expenditure, it affects the credibility of council to be able to accurately forecast expenditure.

There is a systemic problem with the capital budgeting and capital delivery process, where the ability to proceed with procurement processes e.g. tender documentation and design, is unable to commence until 1 July once the final capital budget is approved, in case the project budget is withdrawn or delayed by elected members. This adds further delays to a project commencing.

As an aside, Infrastructure New Zealand recently published survey results on Infrastructure Confidence and Outlook. With 406 respondents, the findings revealed that confidence within the sector is extremely low and anticipation of a difficult time ahead. Most pressing issue being the slowdown in work and the impact it is having on the ability to retain work with a number of skilled staff leaving for better opportunities overseas. Suggestions to increase confidence include pipeline certainty and security, long term infrastructure planning for ongoing work, and streamlining procurement.

[Infrastructure Organisation Survey - Confidence and Outlook - Responses | SurveyMonkey](#)

### **2. Financial Sustainability**

Auditors will look to see that council complies with the limits set in the Financial Strategy. Of particular note, is the net debt limit set by council at 115% of operating revenue. Additionally, that reserves balances are maintained at an appropriate level to allow for replacements of assets at the end of their useful life.

Debt - The current draft LTP shows the net debt limit is breached in year 10 of the LTP, reaching 148%. It is highly likely that debt will not reach this limit however as budgeted debt funded capital expenditure is more likely than not to be underspent.

Reserves – The current draft LTP shows the following reserves are in a negative balance by the end of the LTP:

- Wastewater Reserve deficit (\$2,302,000)
- Solid Waste Reserve deficit (\$126,000)

There is concern that there will be insufficient funds to be able to provide for the replacement of Wastewater and Solid Waste assets that come to their end of their useful life.

### **Risk 92 – Community Engagement**

Council has recently consulted with the community on the following topics:

- Long Term Plan 2024-34 – Closed 1 May 2024
- Rates Remission and Postponement Policies – Closed 12 May 2024

Additionally, in March 2024, the King Edward Park Reserve Management Plan was adopted after releasing for consultation, receiving 11 submissions.

The final Communications and Engagement Strategy was approved by Policy and Services Committee in April 2024, following four weeks of feedback, where 5 responses were received.

With regards to the LTP, the following areas have been a focus, with regards to this particular risk:

- Consultation Document – ensuring that this is clear about council’s proposed direction, easy to read and understand, and accessible for all community members and stakeholders.
- Engagement – providing the community with an opportunity to ask questions and find out further information on the proposed LTP through public meetings and pop-in sessions.
- Submissions – ensuring that the opportunity to provide a submission on the LTP is available via various formats, and that submitters also have an opportunity to speak at the LTP hearing if they wish to do so.

The consultation period was open for over a month, from 28 March to 1 May 2024. The community was provided with a variety of ways to have their say including online, in writing, and face to face. A dedicated LTP web page ([www.stratford.govt.nz/LTP](http://www.stratford.govt.nz/LTP)) was set up to provide information relating to the LTP, and to enable easy access of supporting information.

In addition the following methods were used to engage with the community:

- Antenno App messages
- Radio advertising on More FM and The Rock
- Facebook posts, responding to all comments and pointing people to make a submission. The collective reach for our facebook posts on the draft LTP is estimated at over 21,000.
- x4 Full page adverts in the Stratford Press on 3, 10, 17 and 23 April
- x4 emails to the Community Directory, this includes schools, community organisations, iwi organisations etc
- x2 media releases (one front page of Daily News at beginning of the consultation period)
- x3 public meetings, Whangamomona (5 public attended), War Memorial Centre (8 public attended) and Whakaahurangi Marae (7 public attended).

- x3 1 hr Drop in sessions at the Library, these had low turn out but sparked valuable conversations much like the public meetings.
- 3 hour drop in session at the Prospero Market, fairly low turn out but some good conversations.
- All Elected Members were provided some FAQs to help have conversations in the community during the consultation period

We received a total of 79 submissions, with 11 submitters requesting to speak at the LTP Hearing.

### **Risk 11 – Server Failure**

Low risk events have been occurring intermittently with council's main servers, resulting in issues with folder access, staff being unable to use parts of the system, and slow performance council wide. Although the issues are widespread, they have not had a significant impact on staff productivity, and business continuity has been maintained throughout, with workarounds implemented.

Steps to remedy the issues being experienced included rebooting the servers, investigating all group policies within the environment, removing affected virtual delivery agents from the group and adding back in, and standing up a second test server while the test server is in use by Authority 7.1 for the version upgrade.

### **Risk 32 – Lone Worker**

Direct Safety have advised that 15 of the 20 iHelp devices council purchased in February 2022 will no longer work when the 3G network is shut down, which is expected to be by mid-2025. The devices may continue to be used if they are upgraded, and we are yet to be provided with a cost for the upgrade.

However, staff are currently gathering information to determine whether or not to continue with the devices – taking into account the low usage rates. Alternative operators where devices may be leased instead of purchased outright may be a more cost-effective option. Staff have been tasked with reviewing the individual lone worker risks throughout the organisation, and how best they can be mitigated. Technology such as lone worker safety devices is only one option and we need to be practical, innovative, and look for value in solutions.

### **Risk 72 - Elected Members Decision Making**

The most significant decisions made recently relate to the LTP. In April 2024, officer guidance was issued to Elected Members on LTP Hearings and Deliberations to enhance quality decision making and quality outcomes from the hearings and deliberations process (*Appendix 4*).

The Rates Remission and Rates Postponement Policies are currently out for consultation and will be deliberated on 11 June 2024.

Recent decisions made by Elected Members since the March 2024 Audit and Risk Committee meeting are noted below. Workshops on the decisions were held, where appropriate, and documentation via meeting agendas was provided within 2 working days of the meeting.

#### **26 March**

- Adopt the consultation document for the Long Term Plan 2024-34 and supporting LTP information to be released for consultation.

#### **9 April**

- Amend the Farm and Aerodrome Committee to the Farm Committee and updated the Terms of Reference for the Committee.
- Adopt amended Anti-Fraud and Corruption Policy

- Adopt amended King Edward Park Reserve Management Plan
- Adopt draft Rates Remission Policy and Rates Postponement Policy to be released for public consultation.

**14 May**

- Reallocate Better off Funding from the Prospero Place and Brecon Road bridge, to three waters capital projects budgeted for in the LTP.
- Appoint the Deputy Mayor as the Chairperson of the Stratford District Licensing Committee.
- Adopt the Communication and Engagement Strategy 2024.
- Approve acquisition of land for Cardiff Road Realignment project.

6. Strategic Alignment

6.1 **Direction**

N/A

6.2 **Annual Plan and Long Term Plan**

N/A

6.3 **District Plan**

N/A

6.4 **Legal Implications**

N/A

6.5 **Policy Implications**

This report is in line with the Risk Management Policy.

**Attachments:**

- Appendix 1** Significant Risks Register  
**Appendix 2** ALGIM Sample Artificial Intelligence Policy  
**Appendix 3** Government Legislation open for Submissions as at 26 April 2024 (local govt related)  
**Appendix 4** Elected Member Guidance for LTP Hearings and Deliberations



Tiffany Radich  
**Director – Corporate Services**



[Approved by]  
Sven Hanne  
**Chief Executive**

**Date** 12 May 2024

## 2024 - Agenda - Audit and Risk - May - Open - Information Report – Risk Management (update)

### Stratford District Council - Significant Risks Register

This report presents the most significant risks to Council in terms of likelihood and impact at any given time.

| Risk Alert Number | Risk Category                 | Risk Subject                                     | Risk Description   | Risk Score Raw | Control Description   | Residual Risk Score |
|-------------------|-------------------------------|--|--|----------------|---|---------------------|
| 78                | Operational                   | Government Policy Impacting on Local Government  | IF Government Policy significantly changes the services Council delivers or the way they are delivered, THEN this could put financial pressure on the district to fund investment in changes, or it may mean previous investment has become redundant.                                 | 20 Extreme     | Where a policy change may have a significant negative impact on the Council then staff and elected members should consider making a submission to suggest and encourage alternative options. Council officers and elected members need to keep up to date with proposed changes to legislation and gov policy, and anticipate potential impacts of legislative changes and respond strategically, rather than being in a reactive position or being overly proactive. This could include joint collaboration with business and other councils, accessing alternative funding sources, or obtaining legal or professional advice. Council should aim to maintain a position where it can be adaptive and respond well to change, e.g. low to medium debt levels, diversification, good employment relationships. | 20 Extreme          |
| 12                | Data and Information          | Cyber Attack                                     | IF the systems are compromised and subject to a cyber attack, THEN system downtime, loss of data, ransoms may be demanded, potential privacy breach, reputational damage, and potential loss of funds.   | 16 Very High   | Council have several security measures in place such as enterprise grade firewalls, email filtering, backups, antivirus and device management. If a breach was detected Council would activate the insurance policy and engage an IT security company resource to assist with recovery.   | 4 High              |
| 51                | Operational                   | Natural Disaster or Fire - Response preparedness | IF a Natural Disaster or Fire causes significant damage to infrastructure and buildings THEN community welfare may be severely compromised, putting peoples lives at risk, and staff may be unable to access systems to carry out their day to day duties and functions.               | 15 Very High   | Civil Defence Emergency Management plans are in place. Procedures following an emergency event are widely known by a number of staff due to Civil Defence Foundational training being rolled out to majority of council staff. Business Continuity Plans need to be in place and practiced regularly for all activities - Directors responsible for having a plan in place for each of their departments to ensure core functions can continue to be delivered.   | 12 Very High        |
| 71                | Operational                   | Critical Asset Failure                           | IF a critical asset (water treatment plants, stormwater, wastewater, reticulation, roading) failed, THEN unexpected financial burden may arise and there could be significant disadvantage and risk to the community.  | 15 Very High   | Conduct 2 yearly Asset Criticality Review. Ensure there are established Civil Defence Emergency Management response procedures in relation to fixing critical assets in an emergency event. Management practices and staff training, retention to ensure appropriate skill level in critical asset maintenance.   | 4 High              |
| 11                | Data and Information          | Server Failure                                   | IF the server failed THEN systems down, data unavailable, potential data loss  | 12 Very High   | Restore from backup - backups encrypted, and stored off-site at approved data-centres (Tier 3). Fail-over for Melbourne data centre replicates to Sydney data centre.   | 3 Moderate          |
| 32                | Health, Safety, and Wellbeing | Lone Worker                                      | IF a staff member is seriously injured or killed during field inspections/site visits, THEN possible health and safety breaches, death or serious injury.  | 12 Very High   | Quality assurance, Ongoing training/awareness of HSE requirements and responsibilities, Better use of council data/knowledge base on dangerous or insanitary sites before staff member deploys to site, Use of GPS tracking, mobile phone tracking. Compliance officers to wear body cameras when on duty.  | 3 Moderate          |
| 58                | Reputational and Conduct      | Contractor Damage or Breach                      | IF Council and/or council contractors are found to be liable for public/environmental damage, or any actions that are unsafe or non-compliant with legislation and applicable policies and standards, THEN fines, possible injury, long-term damage, reputational damage could result. | 12 Very High   | Appropriate procedures and guidelines are in place to monitor contractor actions and our own including health and safety audits, contractor meetings/KPI's. The Council requires all physical works contractors to go through a thorough health and safety pre-qualification process and become approved before commencing any physical work. All relevant staff are kept up to date with pre-approved contractors register. Mini audits and random checks should be built into contracts. Contractor public liability insurance required for all major contracts.  | 3 Moderate          |

2024 - Agenda - Audit and Risk - May - Open - Information Report – Risk Management (update)

| Risk Alert Number | Risk Category                 | Risk Subject   | Risk Description  | Risk Score Raw | Control Description   | Residual Risk Score |
|-------------------|-------------------------------|--|---|----------------|---|---------------------|
| 72                | Reputational and Conduct      | Elected Members - Decision Making                        | IF elected members make significant decisions based on inaccurate/insufficient information, "biased" influences, conflicts of interest not disclosed, or lack of understanding of the financial or legislative impacts, THEN there could be funding access difficulties, audit scrutiny, financial penalties, and/or community distrust in elected members. Potential breach of Local Authorities (Member's Interests) Act 1968, and Councillors may be personally financially liable under S.47 of LGA 2002. | 12 Very High   | Relies on the accuracy and quality of the advice given by staff to elected members - ensure agenda, reports, and other papers are always reviewed by CEO, and Directors if appropriate. Information related to decision making should be given to elected members in a timely manner. Elected members should receive initial induction training and attend LGNZ, SOLGM conferences where material is relevant to get a better understanding of governance decision making. Council has a Professional Indemnity insurance policy for all elected members and independent committee members. | 4 High              |
| 31                | Health, Safety, and Wellbeing | Abusive Customers  | IF council staff and/or representatives are exposed to abuse from the public during, or as a result of their association with council, THEN this could impact on staff safety and council's responsibility to ensure the safety of staff.   | 12 - Very High | Staff have personal alert alarms if in danger, customer service training and policies on how to deal with situations so they do not escalate. Security cameras in place. Fob access required to access staff office area. Mayor's office is secured by glass entry way.   | 4 High              |
| 74                | Financial                     | Inadequate financial provision to fund asset replacement | IF there is inadequate financial provision in reserves to fund the replacement of assets, THEN the Council may have to borrow more than expected, or asset replacement may need to be delayed which may affect service level performance.   | 12 - Very High | Ensure annual depreciation is based on accurate fixed asset values (replacement cost) and accurate useful lives. Assets should not, unless necessary, be replaced before the end of their useful life.  | 2 Moderate          |
| 9                 | Compliance and Legislation    | LTP/Annual Plan  | IF LTP/Annual Plan is not adopted by 30 June THEN council cannot set rates, statutory breach reported to Minister, unable to commence service delivery, additional audit scrutiny, and uncertainty around future service provision for the community.   | 12 - Very High | Set a timetable to ensure statutory deadline is met. Good project management. Good quality data is provided. Keep abreast of possible changes to legislation and plan accordingly. Good communication to all staff and liaison with Audit NZ.   | 8 High              |
| 92                | Reputational and Conduct      | Community Engagement                                     | IF Council does not engage with the community in line with its Significance and Engagement Policy and the requirements of sections 76-82 of the Local Government Act 2002, THEN Council decisions will lack a community mandate, may not be fit for purpose, and may be scrutinised and subject to legal challenge.   | 12 - Very High | Prepare engagement strategy and communication plans for major decisions. An engagement strategy for the LTP is a must. Targeted engagement should be considered where decisions affect particular groups or individuals disproportionately.   | 4 High              |

# ALGIM

## Using Generative Artificial Intelligence Large Language Models

### Do's and don'ts

**Why does it matter?**  
Generative Artificial Intelligence (AI) is evolving fast and being rapidly promoted by large technology-based organisations, all competing to be first to market, yet without legal or regulatory oversight. This technology is now appearing within tools, systems and processes used by organisations as part of upgrades or updates, but is being implemented without consideration of uncertainties and risks, and its wider implications are not well understood.

**AI and Generative AI explained**

**Artificial Intelligence**  
AI is the ability of machines or software to perform tasks that would normally require human intelligence. It can process data, learn from it and make decisions or predictions based on that data. AI encompasses many different types of systems and approaches to harnessing machine intelligence, including rule-based AI, machine learning, neural networks, natural language processing and robotics.

**Generative AI and Large Language Models (LLMs)**  
Generative AI learns from data about existing artifacts in order to generate new variations of content (including images, video, music, speech and text). LLMs are a type of Generative AI that use 'deep learning' techniques and massively large data sets to understand, summarise, generate and predict text-based content.

**Purpose**  
These 'do's and don'ts' provide guidelines for the use of Generative AI LLMs (such as ChatGPT, Bard, Bing or similar tools) by councils, charities and any other organisations providing local public services. They apply to all stakeholders, including but not limited to: employees, contractors, developers, vendors, temporary staff, consultants, councillors and trustees.

### Do...

- ✓ Do maintain human oversight and responsibility for making final decisions on output produced
- ✓ Do use to improve and refine existing content
- ✓ Do notify your manager and disclose that Generative AI LLMs have been used to generate output
- ✓ Do use to analyse publicly-available data
- ✓ Do use responsibly and ethically
- ✓ Do fact check material generated by Generative AI LLMs
- ✓ Do use in accordance with relevant organisation policy
- ✓ Do be aware of the potential for disinformation and scams being generated
- ✓ Do comply with relevant laws and regulations
- ✓ Do take care to avoid use of output that may breach copyright or intellectual property rights
- ✓ Do specify the definitions and scope of your prompts with care
- ✓ Do be aware of risks including accuracy, bias, discrimination, confidentiality and security
- ✓ Do use to create draft briefings, reports, presentations, customer responses, etc.

### Don't...

- ✗ Don't use to record and process confidential data and information
- ✗ Don't use if you are in doubt about the security of data or information being input
- ✗ Don't use to store or release non-public records
- ✗ Don't assume that all of the output generated is factually correct
- ✗ Don't use for private individual records
- ✗ Don't use if data sovereignty practices of the Generative AI LLM supplier contravene any applicable legal and/or regulatory requirements
- ✗ Don't let go of moral and ethical responsibility for output





## Sample Corporate Policy

# Use of Generative Artificial Intelligence Large Language Models including ChatGPT

## 1. Purpose

The purpose of this policy is to establish a framework for the ethical use of a Generative Artificial Intelligence Large Language Models (GenAI) such as ChatGPT, Bard, Bing, or other similar tools, by employees, contractors, temporary staff, or other third parties, hereafter referred to as 'employee' of our Council.

Use of AI tools must only be used in a manner that promotes fairness and avoids biases to prevent discrimination and promote equal treatment, and in such a way to contribute positively to the Council's goals and values.

This policy is designed to ensure that the use of AI is ethical, lawful, and in compliance with all applicable laws, regulations, and Council policies, and to complement Council's existing information and security policies.

Any use of GenAI technology in the pursuit of Council activities should be done with full acknowledgement of the policies, terms and conditions of the GenAI developer/vendor. Particular attention should be given to Privacy, Access, Data Usage and Data Deletion policies.

## 2. Scope

This policy applies to all employees, contractors, temporary staff, or third parties with access to GenAI, whether through council-owned or BYOD (bring your own device) in pursuit of Council activities.

### 2.1 Use of GenAI

Employees are authorised to use GenAI for work-related purposes. This includes tasks such as generating text or content for reports, emails, presentations, images, and customer service communications.

Before accessing GenAI technology, Employees must first notify the Information Governance Team of the intent to use GenAI, the reason for its use, and the expected information to be input as well as the generated output and expected distribution of content.

### 2.2 Copyright

Employees must adhere to copyright laws when utilising GenAI. It is prohibited to use GenAI to generate content that infringes upon the intellectual property rights of others, including but not limited to copyrighted material. If an employee is unsure whether a particular use of GenAI constitutes copyright infringement, they should contact the legal advisor or Information Governance Team before using GenAI.

### 2.3 Accuracy

All information generated by GenAI must be reviewed and edited for accuracy prior to use. Employees using AI LLM are responsible for reviewing output, and accountable for ensuring the accuracy of GenAI generated output before use/release. **If an employee has any doubt about the**

**accuracy of information generated by GenAI, they should not use GenAI.**

#### 2.4 Confidentiality

Confidential information must not be entered into a GenAI tool, as information may enter the public domain. Employees must follow all applicable data privacy laws and organisational policies when using GenAI. **If an employee has any doubt about the confidentiality of information, they should not use GenAI.**

#### 2.5 Ethical Use

GenAI must be used ethically and in compliance with all applicable legislation, regulations, and organisational policies. Employees must not use GenAI to generate content that is discriminatory, offensive, or inappropriate. If there are any doubts about the appropriateness of using GenAI in a particular situation, employees should consult with their supervisor or Information Governance Team.

#### 2.6 Label

Content produced via GenAI must be identified and disclosed as containing GenAI-generated information.

Footnote example: **Note:** *This document contains AI generated content. AI generated content has been reviewed by the author for accuracy and edited/revised where necessary. The author takes responsibility for this content.*

#### 2.7 Development and use of API and plugin tools

API and plugin tools enable extra access to, and functionality for, GenAI services to improve automation and productivity outputs, however they also represent additional risks. OpenAI's [Safety Best Practices](#) guidelines recommend the following concepts should be

included when developing API and plugin tools for internal systems:

- Adversarial testing
- Human in the loop (HITL)
- Prompt engineering
- “Know your customer” (KYC)
- Constrain user input and limit output tokens
- Allow users to report issues
- Understand and communicate limitations
- End-user IDs

API and plugin tools must be rigorously tested for:

- Moderation – to ensure the model properly handles hate, discriminatory, threatening, etc. inputs appropriately
- Factual responses – provide a ground of truth for the API and review responses accordingly

### 3. Risks

The use of GenAI has inherent risks that employees should be aware of. A comprehensive risk assessment should be conducted for any project or process where GenAI is proposed to be used. The risk assessment should consider the potential impact of potential risks regarding legal; accuracy of output; bias and discrimination; security (including technical protections and security certifications); and data sovereignty and data protection.

#### 3.1 Legal

Information entered into GenAI may enter the public domain. This can release non-public information and breach regulatory requirements, customer or vendor contracts, or compromise intellectual property.

Any release of private/personal information without the authorisation of the information's owner could result in a breach of the principles of the Privacy Act 2020, specifically:

- [Principle 5 – Storage and security of information](#)
- [Principle 9 – Limits on retention of personal information](#)
- [Principle 10 – Use personal information](#)
- [Principle 11 – Disclosing personal information](#)
- [Principle 12 - Disclosure outside New Zealand](#)

This may also include a breach of s19 of the Bill of Rights Act 1990, [Freedom from Discrimination](#).

Any unauthorised release of public information and records may result in a breach of the principles of the [Information and Records Management Standard](#) issued under s27 of the Public Records Act 2005.

- Information and records must be protected from unauthorised or unlawful access, alteration, loss, deletion and/or destruction.
- Access to, use of and sharing of information and records must be managed appropriately in line with legal and business requirements.

Use of GenAI to compile content may also infringe on [regulations for the protection of intellectual property rights](#) including the Copyright Act 1994.

### 3.2 Accuracy of output

GenAI rely upon algorithms to generate content, and there is a risk that GenAI may generate inaccurate or unreliable information. Employees should exercise caution when relying on GenAI generated content and should always review and edit responses for accuracy before utilising the content.

Employees must know how to critically assess and question/challenge GenAI generated output before use.

**If an employee has any doubt about the accuracy of information generated by GenAI, they should not use GenAI.**

### 3.3 Bias and discrimination

GenAI may produce bias, discriminatory or offensive content. Employees should use GenAI responsibly and ethically, in compliance with Council policies and applicable laws and regulations.

### 3.4 Security

GenAI may store sensitive data and information, which could be at risk of being breached or hacked. Council must assess GenAI technical protections and security certification before use. **If an employee has any doubt about the security of information input into GenAI, they should not use GenAI.**

### 3.5 Data sovereignty and data protection

While a GenAI platform may be hosted internationally, information created or collected in New Zealand, under data sovereignty rules, is still under jurisdiction of New Zealand laws. The reverse also applies. If information is sourced from GenAI hosted overseas for use in New Zealand, the laws of the source country regarding its use and access may apply. GenAI service providers should be assessed for data sovereignty practice by any organisation wishing to use GenAI.

## 4. Compliance

Any violations of this policy should be reported to the Information Governance Team or senior management. Failure to comply with this policy may result in disciplinary action, up to and including termination of employment.

## 5. Review

This policy will be reviewed periodically and updated as necessary to ensure continued compliance with all applicable legislation, regulations and organisational policies.

## 6. Acknowledgment

By using GenAI, employees acknowledge that they have read and understood this policy, including the risks associated with the use of GenAI. Employees also agree to comply with this policy and to report any violations or concerns to Human Resources.

Authors: **Jackie Lyons, CPA, NACD.DC, QFE, Cyber Risk Governance<sup>SM</sup>**

**Mike Manson, Chief Executive, ALGIM**

## Appendix One

### Guidelines

|           |  |
|-----------|--|
| Do use    | Do use AI LLM for presentations  |
| Do use    | Do use AI LLM for analysing public data  |
| Do use    | Do use a footnote advising AI LLM has been used to generate information for this document    |
| Do use    | Do use AI LLM responsibly and ethically  |
| Don't use | Don't use AI LLM for confidential information  |
| Don't use | Don't use AI LLM to store public records   |
| Don't use | Don't use AI LLM for private customer records  |
| Be        | Be careful when analysing data the AI LLM is only using the data you have provided/specified |
| Be        | Be careful the use of AI LLM does not breach copyright or intellectual property rights       |
| Be        | Be aware of AI LLM risks around confidentiality, accuracy, bias and security                 |



## Open for Submissions as at 26 April 2024

(Note – in the Taituarā Action column a green cell indicates the Taituarā draft response is open for sector comment). Everything beneath the buff-coloured line is upcoming and the information is speculative.

**Any initiative highlighted in yellow has been added or updated this week.**

| <b>Current</b>   |                          |                 |                                  |  |
|--|--------------------------|-----------------|----------------------------------|--|
| <b>Name of Initiative</b>  | <b>Agency engaging</b>   | <b>Due date</b> | <b>Taituarā Action</b>           | <b>Description</b>   |
| <b>Taituarā Discussion Document – A Practical Approach to Economic Regulation of Water Services</b>  | Taituarā                 | 30 April 2024   | Taituarā Report<br>Raymond Horan | Conversation starter setting out proposals for a light handed regime for the economic regulation of all three water service  |
| <b>Companies (Address Information) Amendment Bill</b><br><a href="https://bills.parliament.nz/v/6/26ef5add-3727-4b60-408f-08dc2dc25b35">https://bills.parliament.nz/v/6/26ef5add-3727-4b60-408f-08dc2dc25b35</a> | Private Member's Bill    | 2 May 2024      | Submit<br>Raymond Horan          | This bill aims to provide a mechanism for directors who have serious concerns regarding the impact of the availability of their residential address information on their personal safety to request that their residential address be substituted with an address for service. |
| <b>Consultation on Non-Financial Performance Measures Rules regarding drinking water</b>   | Dept of Internal Affairs | 10 May 2024     | Submit<br>Raymond Horan          | Proposes a technical amendment to the rules to replace an outdated reference to the drinking water standards with a reference to the equivalent standards in the Water Services (Drinking Water Standards for New Zealand) Regulations 2022.                                   |
| <b>Draft Investment Prioritisation Methodology</b>   | NZTA                     | 13 May 2024     | Potential submission             | The Waka Kotahi NZ Transport Agency Investment Prioritisation Method (IPM) is used to support Waka Kotahi to give effect to the Government Policy Statement (GPS) on   |

| <b>Current</b>  |                           |                 |                        |  |
|---|---------------------------|-----------------|------------------------|--|
| <b>Name of Initiative</b>   | <b>Agency engaging</b>    | <b>Due date</b> | <b>Taituarā Action</b> | <b>Description</b>   |
| <a href="https://www.nzta.govt.nz/assets/planning-and-investment/docs/draft-investment-prioritisation-method-for-2024-27-nltp-march-2024.pdf">https://www.nzta.govt.nz/assets/planning-and-investment/docs/draft-investment-prioritisation-method-for-2024-27-nltp-march-2024.pdf</a>                     |                           |                 |                        | land transport through the National Land Transport Programme (NLTP).<br><br>The draft IPM for 2024-27 has been updated in response to the draft Government Policy Statement on Land Transport 2024 (released March 2024) and will be used to prioritise activities in the 2024-27 NLTP.  |
| <b>Advice for Preparation of Emissions Budgets</b><br><br><a href="https://www.climatecommission.govt.nz/our-work/advice-to-government-topic/preparing-advice-on-emissions-budgets/">https://www.climatecommission.govt.nz/our-work/advice-to-government-topic/preparing-advice-on-emissions-budgets/</a> | Climate Change Commission | 31 May 2024     | TBC                    | Every five years, the Climate Change Commission must: <ul style="list-style-type: none"> <li>• review emissions budgets that are already set – they may recommend a budget be revised if there have been changes to the way emissions are measured or reported, or if significant changes have affected the considerations on which the emissions budget was originally based.</li> <li>• recommend the maximum level of the next emissions budget.</li> </ul> |
| <b>Review of the 2050 Emissions Target</b>  | Climate Change Commission | 31 May 2024     | TBC                    | The Commission must review emissions budgets every five years starting in 2024. At the same time as this, they must provide independent expert advice on whether any changes should be made to Aotearoa New Zealand’s legislated 2050 targets. These could be changes to what  |

| <b>Current</b>   |                          |                 |                                    |   |
|--|--------------------------|-----------------|------------------------------------|---|
| <b>Name of Initiative</b>  | <b>Agency engaging</b>   | <b>Due date</b> | <b>Taituarā Action</b>             | <b>Description</b>  |
| <a href="https://www.climatecommission.govt.nz/our-work/advice-to-government-topic/review-of-the-2050-emissions-target/">https://www.climatecommission.govt.nz/our-work/advice-to-government-topic/review-of-the-2050-emissions-target/</a>  |                          |                 |                                    | the targets are, what gases they apply to, when the targets have to be met by, and how much can be met in Aotearoa New Zealand or paid for overseas.  |
| <b>Privacy Amendment Bill</b><br>(added 6 December 2023)<br><br><a href="#">Privacy Amendment Bill 292-1 (2023), Government Bill Contents – New Zealand Legislation</a>  |                          | TBC             | Submit<br>Susan<br>Haniel<br>(TBC) | The Bill creates a new privacy principle that individuals must be notified when there is indirect collection of personal information by a third party. The key purpose of this bill is to improve transparency for individuals about the collection of their personal information and better enable individuals to exercise their privacy rights.   |
| <b>Repeal of Good Friday and Easter Sunday as Restricted Trading Days (Shop Trading and Sale of Alcohol) Amendment Bill</b><br><br><a href="#">Repeal of Good Friday and Easter Sunday as Restricted Trading Days (Shop Trading and Sale of Alcohol) Amendment Bill 38-1 (2024), Members Bill Contents – New Zealand Legislation</a> | Private<br>Member's Bill | TBC             | TBC                                | The Bill allows more or less unfettered shop trading and sale of alcohol on Good Friday and Easter Sunday. It is a matter for shop owner discretion. Among other things, the provisions empowering you to set a local policy on shop trading would be removed. The default restriction on the sale and supply of alcohol on these days would be repealed.<br><br>This Bill has been referred to Select Committee. |

| <b>Upcoming</b>   |                        |                      |                            |   |
|---|------------------------|----------------------|----------------------------|---|
| <b>Name of initiative</b>   | <b>Agency engaging</b> | <b>Likely timing</b> | <b>Taituarā Action</b>     | <b>Description</b>  |
| <b>Local Water Done Well Bill</b>   | TBC                    | April                | Submit<br>Raymond<br>Horan | The first of two projected bills giving effect to Local Water Done Well, this will focus on the proposed service delivery plans.  |
| <b>Local Government (Electoral Legislation and Māori Wards and Constituencies) Amendment Bill</b> | DIA                    | May                  | Submit<br>Susan<br>Haniel  | <p>This Bill repeals the Māori wards legislation of the previous Government and reinstates the poll provisions for establishing Māori wards. The changes will bring back the 5% threshold for petitions calling for a binding poll.</p> <p>Councils that have established Māori wards/constituencies in 2023 for the 2025 local elections will be required to either hold a poll on the establishment of their Māori wards in their 2025 election or if councils do not wish to hold a poll, those councils will be given the opportunity to reverse or rescind their decision to disestablish those wards later this year. If Councils do hold a poll its outcome will be binding for the 2028 and 2031 local elections.</p> |
| <b>Resource Management Act Amendment Bill #1</b>  | MfE                    | May                  | Submit<br>Kath Ross        | <ul style="list-style-type: none"> <li>• Make it clear that, while the NPS-FM is being reviewed and replaced, resource consent applicants no longer need to demonstrate their proposed activities follow the Te Mana o te Wai hierarchy of obligations, as set out in the National Policy Statement for Freshwater Management (NPS-FM).</li> <li>• Amend stock exclusion regulations in relation to sloped land.</li> </ul>   |

| <b>Upcoming</b>                                  |                        |                      |                        |  |
|--|------------------------|----------------------|------------------------|--|
| <b>Name of initiative</b>                        | <b>Agency engaging</b> | <b>Likely timing</b> | <b>Taituarā Action</b> | <b>Description</b>   |
|  |                        |                      |                        | <ul style="list-style-type: none"> <li>• Repeal intensive winter grazing regulations.</li> <li>• Align the consenting pathway for coal mining with the pathway for other mining activities in the National Policy Statement for Indigenous Biodiversity (NPS-IB), NPS-FM, and the National Environmental Standards for Freshwater (NES-F).</li> <li>• Suspend the NPS-IB requirement for councils to identify new Significant Natural Areas (SNAs) for three years.</li> </ul> <p>See the Ministerial press release at <a href="#">Ministerial Press release</a></p> |
| <b>Resource Management Act Amendment Bill #2</b> | MfE                    | Mid 2024             | Submit<br>Kath Ross    | <p>This amendment Bill will:</p> <ul style="list-style-type: none"> <li>• enable housing growth, including making the Medium Density Residential Standards optional for councils</li> <li>• speed up consenting timeframes for renewable energy and wood processing</li> <li>• support the government’s “Infrastructure for the Future” plan</li> <li>• speed up the process for making national direction under the RMA</li> <li>• amend national direction on highly productive land to allow more productive activities including housing</li> </ul>              |

| <b>Upcoming</b>  |                        |                             |  |   |
|--|------------------------|-----------------------------|--|---|
| <b>Name of initiative</b>  | <b>Agency engaging</b> | <b>Likely timing</b>        | <b>Taituarā Action</b>   | <b>Description</b>  |
|  |                        |                             |  | <ul style="list-style-type: none"> <li>introduce emergency response regulations to enable effective responses to emergencies and contribute to long-term recovery.</li> </ul> <a href="https://environment.govt.nz/assets/publications/Work-Programme-for-Reforming-the-Resource-Management-System.pdf">https://environment.govt.nz/assets/publications/Work-Programme-for-Reforming-the-Resource-Management-System.pdf</a>   |
| Consultation on proposals for inclusion in the next implementation plan for <b>Te Mana o te Taiao – Aotearoa New Zealand Biodiversity Strategy</b> and <b>Aotearoa New Zealand's response to the Global Biodiversity Framework (GBF)</b> | DOC                    | Delayed until later in 2024 | (TBC – likely awareness raising re the consultation and its content) | Consultation on proposals for inclusion in the next implementation plan.  |
| <b>Building Act Amendment</b><br>(maybe more than one)   | MBIE                   | 2024/25                     | Submit   | The Coalition Government says its plans to reform the building consent system will make it more affordable to build a home. It intends to review the Building Code to bring in a streamlined risk-based consenting regime, as well as increase the availability of construction materials. Building and Construction Minister Chris Penk said the reform would increase competition, lower building material costs, and support New Zealand's resilience to supply-chain disruptions. |

| <b>Upcoming</b>  |                                     |   |                        |   |
|--|-------------------------------------|---|------------------------|---|
| <b>Name of initiative</b>  | <b>Agency engaging</b>              | <b>Likely timing</b>                      | <b>Taituarā Action</b> | <b>Description</b>  |
| <b>Resource Management Act (RMA) replacement legislation</b><br>(Could be two Bills) | Environment Select Committee<br>MfE | End of 2024 / 2025<br>Most likely in 2025 | Submit                 | Bill/s to replace the RMA with new resource management legislation based on the enjoyment of property rights, while ensuring good environmental outcomes. Looks at splitting urban/spatial planning from environmental protection.<br><br><a href="https://environment.govt.nz/assets/publications/Work-Programme-for-Reforming-the-Resource-Management-System.pdf">https://environment.govt.nz/assets/publications/Work-Programme-for-Reforming-the-Resource-Management-System.pdf</a> |
| <b>Local Water Done Well Bill #2</b>   | TBC                                 | December 2024                             | Submit                 | Framework for economic regulation and the more detailed powers and duties of the water CCOs (possibly including additional charging powers)   |
| <b>Amend/replace National Policy Statement on Indigenous Biodiversity</b>            | MfE                                 | TBC                                       | TBC                    | Amend/replace National Policy Statement on Indigenous Biodiversity  |
| <b>New National Policy Statement for Freshwater Management</b>                       | MfE / Board of Inquiry              | TBC 2025?                                 | Submit                 | Cabinet has agreed to replace the National Policy Statement for Freshwater Management 2020 (NPS-FM) 'to better reflect the interests of all water users.'   |
| <b>New National Policy Statement on Renewable Energy Generation</b>                  | MfE                                 | TBC                                       | TBC                    | New National Policy Statement on Renewable Energy Generation  |
| <b>Land Transport Management Act Amendment Bill</b>                                  | Ministry of Transport               | TBC                                       | TBC                    | Amending the Land Transport Management Act  |

# Elected Member Guidance For Long Term Plan Hearings and Deliberations



## Introduction

Our Long Term Plan 2024-34 and supporting information is currently out for consultation and will be closing on 1 May 2024.

On 14 May, the Council will hold a public hearing process to allow members of the public to speak to their submissions. We will also use this day as an opportunity to deliberate on all the written and verbal submissions, and make decisions about any amendments to the proposed LTP and supporting information, including the following:

- Non-Financial Performance Measures and Targets for each activity
- Financial Strategy
- Infrastructure Strategy
- Revenue and Financing Policy
- Fees and Charges 2024/25
- Development and Financial Contributions Policy
- Financial Budgets
- Funding Impact Statement
- Waste Water Asset Management Plan
- Stormwater Asset Management Plan
- Solid Waste Asset Management Plan
- Property Asset Management Plan
- Roading Asset Management Plan
- Water Supply Asset Management Plan
- Parks, Reserves & Cemeteries Asset Management Plan

## Elected members duties

Under the Principles of Consultation, section 82(1)(e) of the Local Government Act 2002:  
*(e) that the views presented to the local authority should be received by the local authority with an open mind and should be given by the local authority, in making a decision, due consideration:*

This means that while elected members may hold an opinion about a topic, they should read and listen to submissions and be prepared to understand and consider different viewpoints. Elected members should demonstrate an open mind to the submissions presented at the hearing, to reduce the risk of accusations of pre-determination.

The below is taken from the OAG website:

*It is accepted that people working for public entities will have their own views on many matters, and, in many cases, might already have views on what the “right answer” to an issue is.*

*You are not required to approach every decision as though you have given it no prior thought or have no existing knowledge or opinion. However, you are required to keep an open mind, and you must be prepared to change or adjust your views if the evidence or arguments warrant it.*

*That means you need to take care that what you do or say does not make it look like you have already made your decision before you have considered all the relevant information and evidence.*

## Receiving verbal submissions

Submitters who have chosen to speak are allotted 10 minutes per submitter, including time for elected members to ask questions. Submitters can only speak on the topics for which have made a written submission on, unless they cannot make a written submission and have asked to speak on a specified topic.



As an elected member it is recommended that you:

- Follow all meeting protocols around turning your phone off, not shuffling paper etc, to ensure that submitters can be heard by all parties present in the room and viewing online.
- Listen to the submission respectfully and with an open mind.
- Ask questions through the chair, only to obtain information or clarification on what the speaker has presented.
- Do not agree or disagree with the speakers.
- Be present for the whole submission – or wait until the end of a submission before leaving the room and return as quickly as possible.
- Wait until the decision-making discussions to debate any of the content of submissions. You should not debate anything with the submitters.

### **Conduct during deliberations**

Elected members must abide by the code of conduct and standing orders.

During public deliberations, elected members must take care not to breach the privacy, confidentiality, or make any defamatory comments of any submitter, member of the public, organisations, and other elected members or staff in their discussions.

Every member must declare any conflicts of interest that they hold in any matter being discussed at the deliberations. The member must leave the table when the matter is being considered but does not need to leave the room, and they may not participate in the discussion or voting. Refer to 20.7 and 20.8 of SDC's Standing Orders.

Elected members should be aware that the meeting is open to the public and should use professional language and orderly conduct throughout the deliberations.

Decisions made during deliberations must be carefully considered in terms of the impacts on the community, rates, and other LTP supporting information. Additional auditor scrutiny will be likely if an amendment does not link to a submission, or to a proposal within the LTP Consultation Document.

### **After deliberations**

Following deliberations, council officers will work any final amendments made through the Long Term Plan document and supporting information. We will also respond to all submitters advising them of the outcome of their submission, if applicable, and providing a management response.

It is expected that the final amended LTP will then be submitted for the final audit process by 31 May. The audit process may take some time, and is tentatively set to be completed by 25 June, so that the final LTP can be adopted that same day.

### **Attachment:**

Stratford District Council Standing Orders – D22/41902

# DECISION REPORT



F22/55/04 – D24/18243

To: Audit and Risk Committee  
 From: Corporate Accountant  
 Date: 16 May 2024  
 Subject: Internal Audit Plan – 2024

Recommendations

1. THAT the report be received.
2. THAT Internal Audit Plan for 2024 be approved.

**Recommended Reason**  
 The Audit and Risk Committee is tasked with reviewing and monitoring the internal audit activities of Council on behalf of elected members.

/  
 Moved/Seconded

1. Purpose of Report

The purpose of this report is to present the proposed internal audit programme for 2024 for approval by the Audit and Risk Committee. Following the audit, a further report will be presented to this Committee with the audit findings and recommendations.

2. Executive Summary

The Audit and Risk Committee have in its Terms of Reference, adopted in February 2020, an obligation to *“Agree the internal audit programme, review the findings of internal audits, and to monitor management response and implementation of their recommendations.”*

This report provides the Committee with the opportunity to action the obligations above.

3. Local Government Act 2002 – Section 10

|  |                 |                      |                 |
|--|-----------------|----------------------|-----------------|
| Under section 10 of the Local Government Act 2002, the Council’s purpose is to “enable democratic local decision making by and on behalf of communities; as well as promoting the social, economic, environmental, and cultural well-being of communities now and into the future” |                 |                      |                 |
| Does the recommended option meet the purpose of the Local Government 4 well-beings? And which:   |                 |                      | Yes             |
| <b>Social</b>  | <b>Economic</b> | <b>Environmental</b> | <b>Cultural</b> |
|  | ✓               |                      |                 |

A local authority must manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community (section 101 of the Local Government Act 2002 - “the Act”). The internal audit process is a mechanism by which senior management and elected members can get some form of assurance that the Council is managing its assets prudently.

## 4. Background

### 4.1 Internal Audit Plan 2024

A plan has been prepared for approval by the Audit and Risk Committee. The plan is attached to this report, Appendix 1, for the Committee to review and approve, subject to any amendments.

The last four internal audits were conducted internally by our own staff rather than hiring external consultants. Council has taken care to ensure that the staff member auditing each risk is not involved in its management. This approach brings two main benefits. Firstly, it enhances staff familiarity with various council areas, potentially aiding in the identification of process and documentation enhancements. Secondly, it leads to cost savings by eliminating the need for external auditors. Additionally, it provides valuable insight for the staff conducting the audits, fostering a deeper understanding of other council areas.

The risks proposed to be reviewed, and the area of focus, is as follows:

1. Risk 3 – Statutory Reporting Commitment – To focus on the Waste Levy Contestable Fund process.
2. Risk 4 – Council Bylaws, Strategies, Plans and Policies – To focus on the counting and accuracy of visitors to Wai o Rua Aquatic Centre and the Library/i-site.
3. Risk 11 – Server Failure – To focus on the business continuity in the event of a failure.
4. Risk 19 – Internal Financial Controls – To focus on Accounts Payable Masterfile changes, to minimise fraud.
5. Risk 19 – Internal Financial Controls – To focus on the recording of the disposal of infrastructure assets, and that the financial records show the removal of the asset.
6. Risk 22 – Rates Invoice Processing – To focus on the accuracy of water billing invoices, and that they are sent out in a timely manner for cash flow purposes.
7. Risk 34 – Food / Health Safety – To focus on response times and action o food complaints.
8. Risk 70 – Dangerous Roads due to weather events – To focus on communications to the public / road users when conditions on a road are dangerous.
9. Risk 75 – Council employees abuse members of the public – To focus on the protection of children and vulnerable adults.
10. Risk 97 – Non-council owned infrastructure Failure – To ensure there is business continuity in the event of a power failure.

Procedures have been developed for each risk being audited, to focus on a specific aspect of the risk – refer to the attached Internal Audit Plan in **Appendix 1**.

### 4.2 Update on 2023 Internal Audit

All risks audited have been addressed and as a result, actions were implemented for nine risks following the audit, while one risk saw its recommended actions rejected by management.

This particular risk concerned the receipt of regular inspection reports from hangar owners to verify the compliance of buildings. It was considered that the responsibility for hangars lies with the ground lessors/hangar owners.

Refer to **Appendix 2** for further information.

5. Consultative Process

5.1 **Public Consultation - Section 82**

Public consultation is not required.

5.2 **Māori Consultation - Section 81**

As māori are not directly or separately affected, consultation is not considered necessary

6. Risk Analysis

|  |
|--|
| <p>Refer to the Council Risk Register - available on the Council website.</p> <ul style="list-style-type: none"> <li>• Does this report cover any issues that relate to any risks on the Council Risk Register, and if so which risks and what are the impacts and likelihood of eventuating?</li> <li>• Does this report cover any issues that may lead to any new risks that are not on the Council Risk Register, and if so, provide some explanation of any new identified risks.</li> <li>• Is there a legal opinion needed?</li> </ul> |
|--|

6.1 This report directly relates to Council’s Risk Register, to ensure that risks are relevant and appropriate, and sufficient mitigating factors are in place to reduce any potential risk to council.

Potential internal audit risks:

- The auditors are not independent of the processes they are auditing.
- The auditors are not competent enough to perform the audit.
- Audit work does not appropriately reflect the risks of an organisation.

The internal audit plan addresses these risks by ensuring that there is an independent auditor from another part of the organisation conducting the audit. Ten risks have been selected from the council risk register that are considered topical at present.

7. Decision Making Process – Section 79

7.1 **Direction**

|  | Explain   |
|--|---|
| Is there a strong link to Council’s strategic direction, Long Term Plan/District Plan?   | No  |
| What relationship does it have to the communities current and future needs for infrastructure, regulatory functions, or local public services? | Ensuring protection of Council financial, infrastructure, and people assets |

7.2 **Data**

|  |
|--|
| <ul style="list-style-type: none"> <li>• Do we have complete data, and relevant statistics, on the proposal(s)?</li> <li>• Do we have reasonably reliable data on the proposals?</li> <li>• What assumptions have had to be built in?</li> </ul> |
|--|

Refer to the attached Internal Audit Plan.

3 **Significance**

|   | Yes/No | Explain |
|---|--------|---------|
| Is the proposal significant according to the Significance Policy in the Long Term Plan? | No     |         |
| Is it:  | No     |         |
| • considered a strategic asset; or  | No     |         |
| • above the financial thresholds in the Significance Policy; or                         | No     |         |
| • impacting on a CCO stake holding; or  | No     |         |
| • a change in level of service; or  | No     |         |
| • creating a high level of controversy; or  | No     |         |
| • possible that it could have a high impact on the community?                           | No     |         |

| In terms of the Council's Significance Policy, is this proposal of high, medium, or low significance? |        |     |
|---|--------|-----|
| High  | Medium | Low |
|   |        | ✓   |

7.4 **Options**

An assessment of costs and benefits for each option must be completed. Use the criteria below in your assessment.

1. What options are available?
2. For **each** option:
  - explain what the costs and benefits of each option are in terms of the present and future needs of the district;
  - outline if there are any sustainability issues; and
  - explain if the outcomes meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions?
3. After completing these, consider which option you wish to recommend to Council, and explain:
  - how this option is the most cost-effective option for households and businesses;
  - if there are any trade-offs; and
  - what interdependencies exist.

The Committee has the following three options for consideration:

- Option 1:** Approve Internal Audit Plan 2024.
- Option 2:** Approve Internal Audit Plan 2024 with amendments.
- Option 3:** Recommend council staff not proceed with the Internal Audit 2024.

7.5 **Financial**

- Is there an impact on funding and debt levels?
- Will work be undertaken within the current budget?
- What budget has expenditure come from?
- How will the proposal be funded? e.g. rates, reserves, grants etc.

Since this audit is being conducted by our current staff, there is no extra expenses involved.

.6 **Prioritisation & Trade-off**

Have you taken into consideration the:

- Council's capacity to deliver;
- contractor's capacity to deliver; and
- consequence of deferral?

There are no prioritisation or trade-off issues.

7.7 **Legal Issues**

- Is there a legal opinion needed?
- Are there legal issues?

There are no legal issues.

7.8 **Policy Issues - Section 80**

- Are there any policy issues?
- Does your recommendation conflict with Council Policies?

There are no policy issues.

**Attachments:**

**Appendix 1** Internal Audit Plan 2024 of risks to be reviewed

**Appendix 2** Update on 2023 Internal Audit

**Appendix 3** Internal Audit Plan – Purpose, Objective, Framework, Expected Outcomes and Timeframe



Christine Craig  
**Corporate Accountant**



Tiffany Radich  
**Director – Corporate Services**



Approved by:  
Sven Hanne  
**Chief Executive**

**DATE:** 13 May 2024

**2024 INTERNAL AUDIT PLAN - RISKS TO BE REVIEWED**

|    | Risk category                | Risk subject                                   | Area of Focus  | What to Look For  |
|----|------------------------------|--|--|---|
| 3  | Compliance and Legislation   | Statutory Reporting Commitment                 | The Waste Levy Contestable Fund process  | Test the most recent funding round against the Waste Levy Contestable Fund Policy and ensure all procedures are being followed and sufficient documentation is being kept to evidence decision making process and alignment with the principles of the policy.  |
| 4  | Compliance and Legislation   | Council Bylaws, Strategies, Plans and Policies | Performance measure for the number of visitors to the Aquatic Centre and the Library i/site. | THAT the process for the counting of visitor numbers at the Pool and Library Hub is reviewed, for accuracy, and reports on visitor numbers to elected members (monthly community services report) aligns with accurate recorded visitor number information.   |
| 11 | Data and Information         | Server Failure                                 | Business continuity in the event of failure  | THAT all council critical processes have an up to date Business Continuity Plan, should the servers fail, to ensure critical council operations can continue to operate until servers are functioning normally.   |
| 19 | Financial                    | Internal Financial Controls                    | Accounts Payable Masterfile Changes  | To ensure accuracy and completeness of information including bank information, address, GST, bank name, to minimise the risk of making payments fraudulently or in error, reducing the potential for financial losses and reputational damage. To ensure no more than one creditor with same bank account and GST. Also review creditors where more than one with same name, as high risk of incorrect /fraudulent payment. All changes to the Masterfile are reviewed and authorised by someone who is not able to edit the AP Masterfile. |
| 19 | Financial                    | Internal Financial Controls                    | Recording of infrastructure assets accurately on council's balance sheet.                    | Check that there is a process for Three Waters and Roading assets that are disposed of or replaced. Identify 5 recent asset disposals (replacements) and ensure that the asset disposed of has been removed from the fixed asset register in Assetfinda.  |
| 22 | Financial                    | Rates Invoice Processing                       | Water billing invoices   | THAT charges on the water billing invoices are correct, as per the Rates Resolution for the current year, and issued at least 2 weeks before the payment due date.  |
| 34 | Health, Safety and WellBeing | Food / Health Safety                           | Response times and action on food complaints   | THAT council records the time/date for all complaints received, and are responding to all complaints within the required timeframe, and the response time/date is recorded. The definition of complaints should be clearly documented.  |
| 70 | Health, Safety and WellBeing | Dangerous Roads due to weather events          | Communication to the public when conditions on a road are dangerous.                         | Ensure there is a robust process in place to identify hazardous and potentially dangerous roads and notify council. Review process for recent road closures, and ensure there was effective communication to road users, making them aware of hazards and/or detours.   |
| 75 | Reputational and Conduct     | Council employees abuse members of the public  | Protection of children and vulnerable adults   | THAT there is a process in place to minimise the risk to children and vulnerable adults, which could include police vetting, child protection awareness training, etc. Check compliance with the Child Protection Policy. Is the policy fit for purpose?  |
| 97 | Operational                  | Non-council owned Infrastructure Failure       | Business continuity in the event of power failure  | Check council has a response/recovery plan in place, reviewed within at least the last 3 years, to deal with a district wide power failure. Review how widely this response/recovery plan is known and understood by Senior Leadership Team.  |

Appendix 2

| Risk number | Risk details           | Risk description  | Control description   | What auditor will be looking for   | How will it be audited  | Role and staff member responsible for activity            | Work undertaken   | Findings  | Recommendations   | Position responsible         | Brief description of what has happened to date   | Complete, or Expected date of completion |
|-------------|------------------------|---|---|--|---|---|---|---|---|------------------------------|--|--|
| 18          | Accessing Funding      | IF incorrect assessments is made to determine required maintenance funding, all funding options are not sought, or insufficient funding is made available, THEN Council may miss out on funding and council has to fully fund projects. | Ensure funding assessments are carried out by sufficiently experienced personnel and strong cases are made for funding. A system should be established to regularly monitor all available funding for council projects. | Check that all sources of external funding are accessed to the maximum allowable.  | <ul style="list-style-type: none"> <li>- Ascertain whether there is a register of all funding applications already made.</li> <li>- Ascertain whether there is a register held that lists all possible sources of funding that council could access.</li> <li>- If yes, review how often it is updated, and when it was last updated.</li> <li>- Look at the last 2 funding applications on the list of past applications, and follow up with respective staff member if the maximum was claimed.</li> <li>- If no register, ask Community Services Director what the last 2 applications were, then get assurance that the maximum was claimed.</li> </ul> | Community Services Director                               | Looked at various funding applications and the processes used to apply. Ascertained the difference between the funding providers, and how it can lead to potential discrepancies in funding claimed.                            | Key staff are aware of various funding sources, however there was no central register of funding applications made. Some agencies grant funding prior to the expenditure being incurred, and pay on receipt of invoices; others give the money upfront. Expenditure covered by grant funding can span more than one financial year, so requires additional paperwork to keep track of spending. | A centralised funding register be created to record all funding sources known, the date and details of each application, and follow up actions set to remind staff to apply each year, and also follow up with accountability reports, to ensure funding continues in the future. | Community Services Director  | A register has been created (D24/17146) to capture an overview of external funding applications made by Council. A minimum of the last 3 years data has been captured. Included in the document are brief process guidelines. Annual funding dates are within workplans with calendar reminders set.                         | Complete                                 |
| 21          | Assessment of Rates    | IF rates are assessed incorrectly or inaccurately THEN ratepayers could legally challenge the rates assessment and council could be forced in to a legal battle.  | Resourcing and training of competent staff. Test EOY prior to June. Have Civica rectify errors prior to 30 June. Re-test EOY after errors corrected. Check FIS and Rates Resolution align and legal advice taken.       | That the Funding Impact Statement aligns with the rates resolution, as adopted by council. That the rates are in accordance with the Revenue and Financing Policy. | <ul style="list-style-type: none"> <li>- Check the Funding Impact Statement and the respective rates resolution for the 2023/24 Annual Plan align.</li> <li>- Check the funding percentages in the Revenue and Financing Policy for each activity align with the 2023/24 Annual Plan.</li> </ul>  | Revenue Manager   | Checked the wording in the Funding Impact Statement exactly matches the resolution adopted at the council meeting. Calculated the revenue from user charges for four activities complied with the Revenue and Financing Policy. | The wording in the Funding Impact Statement and the Revenue and Financing Policy was identical. Of the four revenue samples selected, two of them did not meet the minimum required as per the policy.  | That the fees and charges be reviewed to ensure the correct % is collected; and at the same time, review the policy to ensure the public and private revenue split is still appropriate.  | Revenue Manager              | Revenue manager checked the recently reviewed Revenue & Financing policy to see whether the correct % of Fees and Charges are being collected in the Draft LTP 2024-2034. The majority of the activities are now all meeting/or are over exceeding the amount of revenue received by Fees and charges as the funding source. | Complete                                 |
| 40          | Swimming Pool Accident | IF a member of the public has an accident in the water or a medical emergency at the Stratford Pool, THEN this could result in possible death or serious injury.  | Training and qualifications are mandatory for lifeguards, children and elderly are monitored by lifeguard/s at all times. More staff brought on at busier periods.  | That appropriate records are kept regarding staff training and qualifications of all staff acting as lifeguards. That the recommended number of qualified          | <ul style="list-style-type: none"> <li>- For the month of February 2023, request records from the Aquatic Services Team Leader, or Lifeguard Co-ordinator, that shows the number of lifeguards on duty at any one time.</li> <li>- Review the register of qualifications to ensure all on duty were qualified.</li> <li>- If there were any rostered staff that were not qualified, ascertain the reason why.</li> <li>- When was the register last</li> </ul>  | Aquatic Services Team Leader and Lifeguarding Coordinator | Discussed with the Aquatic Services Team Leader the requirement for qualifications and the records of such. Also looked at a random sample of records to verify the number of lifeguards on duty at any one time.               | All staff on duty at the time of the audit had the appropriate qualification, and was viewed by the auditor. However there were two instances where there was one lifeguard short, due to a rostered staff member   | That all staff be trained to a certain level of first aid, to assist when necessary. That the qualification register is stored in a central location i.e .Vault, where it can be monitored and maintained. This will ensure a warning is sent when                                | Aquatic Services Team Leader | Pool staff lifesaving certificate and first aid training records have been uploaded into Vault and copies placed in personnel folders by H&S Advisor   | Complete                                 |



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|-------------|--|--|--|---|--|--|--|--|---|----------------------|---|--|
|             |  |  |  | lifeguards is poolside at all times.  | updated, and how often is it updated.  |  |  | calling in sick. Auditor was advised that this does not compromise patrons safety, as lifeguards are walking up and down the sides of the pool ensuring there are no blind spots in the pools.   | qualifications are due to expire.   |                      |   |  |
| 49          | Property design / construction information | IF Council does not have adequate information on original design or construction of asset, THEN there is a greater potential for failure of future work and unsafe future construction.                | Carry out regular condition assessment of assets. Reassess use of asset or redesign to suit.   | Whether Council holds the original designs for certain assets, in order to reassess the use of the asset, and if it is still appropriate for the current use. | <ul style="list-style-type: none"> <li>- Select two assets that commenced construction in the period 1 July 2021 to 30 June 2022, from the monthly capital expenditure report to council.</li> <li>- Ascertain whether the original design/s are in Content Manager for these two.</li> <li>- Check with the relevant staff member that these designs are still fit for purpose.</li> </ul>          | Project Manager                                | Checked Content Manager for original design documents for two projects, and checked that the documents were saved in Content Manager in relation to both projects.                           | <p>The current Project Manager found it difficult to locate such documentation for both projects in the correct place. Documentation was saved in incorrect folders, which required multiple searches to find all documents relating to the projects. As these were both new projects, they were still deemed appropriate for the current use.</p> | <p>That the standard naming convention for documents be followed.</p> <p>That a process be created to ensure all documents are stored and saved in the correct manner and consistent, for future reference, when there is the need to review a design for whatever purpose.</p> | Project Manager      | <p>A template has been created (D21/39717) to capture where documentation is kept, which is saved under the project.</p> <p>The Information Manager ran Content Manager re-fresher courses for staff in the saving of documents, with particular focus on documents attached to emails and the savings as such.</p> <p>The Procurement Processes Manual is under review and will capture these issues as well.</p>  | Complete                                 |
| 61          | Asbestos Related Work                      | IF council buildings are contaminated with asbestos, THEN there is the possibility of asbestos exposure to staff and the public and increased risk of asbestosis and other lung and pleural disorders. | Asbestos protocols need to be developed in line with the asbestos regulations. Community needs to be made aware of Asbestos disposal guidelines. Staff involved in building compliance or construction work should be appropriately trained in handling of asbestos materials. | Appropriate records are held for all council buildings that show whether they have been assessed for the presence of asbestos.                                | <ul style="list-style-type: none"> <li>- Review property register, and verify that the register is up to date.</li> <li>- Check that any assessment for asbestos is performed by a suitably qualified person.</li> <li>- Check whether there was any detection of asbestos in any council owned buildings.</li> <li>- Verify what action was taken when asbestos was found to be present.</li> </ul> | Property Officer                               | Checked document records to ensure asbestos reports for the five buildings selected are saved on the property file. Checked that the reports were undertaken by a suitably qualified agency. | <p>All buildings selected had evidence of an asbestos report carried out by a qualified person, and included a finding and recommendation from their work undertaken. Buildings with asbestos have a warning sticker on their file, alerting staff in future of the presence of asbestos should this be necessary.</p>                             | That the buildings identified with asbestos have costings done, so the work can be included in the Asset Management Plans and Long Term Plan.   | Property Officer     | <p>The proposed LTP Budget for the WMC strengthening and roof replacements contracts, has the inclusion of the removal of asbestos, these projects are listed in the AMP. The Admin building report is based on a visual inspection only, no test were completed on the potential asbestos material to confirm if asbestos is on site. This report is due a review, which will be undertaken in the up and coming months.</p> <p>The CRR has recently been upgraded, the remaining asbestos left in the building is in the soffits. This asbestos risk level is very low, and as part of the upgrade have been painted over to secure from any deterioration. A review on the building asbestos report will be complete in the up and coming months. The review will include confirmation of potential asbestos and</p> | Complete                                 |

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|-------------|---------------|---|---|--|--|--|--|---|---|--|---|--|
|             |               |   |   |  |  |  |  |   |   |  | location, a costing for removal of remaining asbestos will be requested.<br>The TSB Pool, is proposed to be demolished in the first year of the LTP. The proposed estimated budget in the LTP and the AMP has the inclusion of asbestos removal as part of the demolition contract. |  |
| 66          | Dog Attack    | IF a dog attacks a member of the public and the dog control team have been slow or negligent in responding to complaints, THEN the council may be liable for costs, and the public safety may be compromised. | Compliance Officer to respond immediately to dog complaints. Ensure all dogs in the district are registered and the dog bylaw is complied with. Dogs are microchipped. Ensure dog pound is secure and access is restricted. | That there is a register of all known dog attacks, or reported attacks.  | <ul style="list-style-type: none"> <li>- Check that all reported dog attacks during the period November 2022 to February 2023 were responded to within the required timeframe, as recorded within the CRM system.</li> <li>- If they were not responded to in a timely manner, ascertain the reason why.</li> <li>- Obtain evidence that the respective dog was secured at all times until the matter was resolved.</li> <li>- From the register, does it appear that the action taken by staff was sufficient to solve the problem, and prevent any harm, to the public.</li> </ul> | Compliance Officer<br>Environmental Services Manager   | Selected a random period of four months. Looked at evidence of whether the dog was secured if it was deemed necessary, until the matter was resolved. Looked at whether there was a record of action taken and that it was deemed sufficient to resolve the issue. | All processes were followed, and responded to within the required timeframes. Not all steps in the process were showing the date and time the action took place in the register.  | That every step in the CRM process has a date and time of action recorded. That staff are trained on the importance of the recording, and an audit of the CRM's and register is performed after six months. | Compliance Officer<br>Environmental Health Manager | All CRM's for Dog attacks, barking dogs, wandering dogs, noise, health that are linked to KPI's are now updated with the time/date or noted with attended immediately. Monthly audits of the Authority CRM register are now being undertaken by the Environmental Health Manager.   | Complete                                 |
| 68          | Armed Robbery | IF there is an armed robbery at any of council's services centres, THEN there is the potential for death or serious harm.   | Establish emergency procedures, including use of panic buttons. Security cameras in place. Ensure staff are trained to deal with potential threat. Design / limit access to building so that threats are minimised.         | That all staff have completed training for an armed robbery, and are familiar with procedures should such an event take place. | <ul style="list-style-type: none"> <li>- Select the main administration building, pool, and library - i-site locations.</li> <li>- View the staff training register to ensure all staff have attended suitable training.</li> <li>- Verify when the last training took place, and whether that time delay is appropriate.</li> <li>- Ensure procedures are in place for all sites, and are easily available and appropriate.</li> </ul>  | Customer and Leisure Services Manager<br>Customer Services Team Leader<br>Library and i-site Team Leader<br>Aquatic Services Team Leader | Selected the Library/i-site, and the presence of a staff training register   | There was no register of such training held on site, but all certificates / records were held on the staff members personnel files. There is a panic button for staff, and also lone worker devices are available to staff when necessary, however there was no copy of | That a training register be held, to ensure all staff attend regular training. That a hard copy of the procedures be held on location.  | Community Services Director                        | All locatable previous training records have been added to Vault training register. The procedures will be added to the Emergency Plan for each facility by H&S advisor   | Complete                                 |

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|             |                                     |  |  |  |   |  |   | the procedure held on site. There are also security cameras in place.  |  |                      |   |  |
| 82          | Failure of a Significant Contractor | IF a Contractor's financial situation deteriorates and impacts on their ability to deliver on a procurement contract, THEN the project may be left unfinished. Council may lose out on funds already spent, and may have to put contract out for tender again - resulting in project delays and additional cost. | Due Diligence required for all significant contracts that are required to go out for tender. Refer process in Procurement Manual (D19/33336), and Due Diligence Checklist (D18/35114).   | Evidence that a successful tenderer's financial situation has been considered prior to awarding the contract.            | - Select 3 contracts awarded between the period November 2022 to January 2023 to ensure there is written evidence that the financial situation of the successful tenderer has been considered.<br>- View the tender evaluation form to ensure that this is documented.  | Project Manager                                | Worked with Asset Coordinator, who maintains the Contract Register. Selected a random sample period, and viewed these contracts in the spreadsheet register.  | The spreadsheet did not contain a lot of information, and was found to be confusing. It was not easy to see what date the contract was awarded, to whom, etc. Of the two contracts selected, and awarded in the audit period, no information could be found on the tender forms to indicate that the contractors financial situation was considered as part of the tender process. | That council investigate software that records all the information for a tender, in the one place. That a contractor's financial situation be considered as part of the formal tender process, and documented, prior to awarding the contract. | Project Manager      | Procedures now in place with templates to complete to capture this data. At present, this is a manual word and excel process which is having mixed results. Council has in the Draft LTP provision to purchase procurement software that will record this information in one place. Working with IT to ensure compatibility with current IT systems. SDC has a Council Register within Authority, which has not been used for several years. The Project Manager and Assets Coordinator is looking into this system and if it will capture all the required data. | Complete                                 |
| 83          | Aerodrome - Unsafe Conditions       | IF the Council fails to carry out its legislative responsibilities to ensure aircraft movements are restricted or prohibited in unsafe conditions / areas of the Aerodrome, THEN lives could be put at risk and property damaged.  | Establish operational procedures specific to this risk, and regularly monitor compliance. Council has Airport Owner and Operators Liability insurance cover of up to \$10m for all related costs Council is legally obligated to pay for property damage or bodily injury including death. | Evidence that inspections of the aerodrome land are taking place at regular intervals to ensure that all areas are safe. | - View evidence of inspections, and their frequency.<br>- If any inspections required remedial work, obtain evidence of what was done, and that it was all recorded.<br>- Ascertain evidence of the process that would take place should any inspection show an unsafe area, and how would this be communicated to aerodrome users and visitors to the aerodrome. | Property Officer                               | Auditor looked at the recent inspection reports completed by the contractors, to determine if there were any issues that needed addressing. Ascertained how often the inspections are carried out, and by whom. | Council contractors carry out the inspections on the land and report any issues. Aerodrome users complete their own inspections on their hangars. The Aerodrome Landing Plate informs all pilots of the condition of the landing strip, and it is the responsibility of the pilot to check.  | That council receive regular inspection reports from the hangar owners, to ensure all buildings are up to standard. If not, this could have negative effects on council, should there be an incident.  | Property Officer     | This recommendation was rejected by management.   | Complete                                 |

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|-------------|--|--|--|--|---|--|--|--|---|------------------------|--|--|
| 90          | Consultation and Engagement with Māori | IF Council does not effectively engage with Māori on matters of interest, THEN Council decisions will lack a Māori perspective which may lead to substandard community outcomes, and decisions that may not be supported by Māori which could harm relationships | Build and maintain strong relationships with all iwi in the Whakaahurangi role - between Chairs and Mayor, CEO levels, and between operational staff. All decision reports to Council must outline what consultation has been undertaken with Māori. Develop and iwi partnerships framework. | That consultation and engagement with Māori was undertaken at all times where necessary, and that protocols were followed. | <ul style="list-style-type: none"> <li>- Obtain evidence of consultation with iwi regarding 3 different consultation items since November 2022.</li> <li>- Review all decision reports for appropriate consultation.</li> <li>- Ascertain how the consultation and engagement processes were undertaken, and whether they were documented.</li> <li>- Are there appropriate processes in place to engage with Māori?</li> </ul> | Communications Manager                         | <p>Discussed with the Communications Manager the processes surrounding consultation and engagement with Māori.</p> <p>Reviewed decision report to council for three samples selected. Search for evidence demonstrating the process of iwi consultation.</p> | <p>There was documentation for consultation with Māori in all three decision reports, including why the consultation had taken place in the way it had.</p> <p>However for one of the samples, it appears there was further engagement, although this was not evidenced in Content Manager. There appeared to be no specific process documented, however it does appear that such consultation is happening regularly.</p> | <p>That a formal process be created regarding the engagement and consultation with Māori.</p> <p>That for each consultation, the process taken is documented.</p> <p>This will be particularly important going forward as iwi/Māori Relationships is likely to be a specific class of protected record following the upcoming review by Archives New Zealand.</p> | Communications Manager | <p>We have a draft Communications and Engagement Strategy and the draft Significance and Engagement Policy currently open for feedback with iwi organisations. Any feedback received on the strategy or policy will be used to determine processes going forward. If no feedback is provided on these documents, staff will continue to enable conversations with iwi organisations on a proposed framework of engagement. Our current process already includes documenting all contact with iwi on consultation and engagement in Council's document management system.</p> | Complete                                 |

## Appendix 3

### Stratford District Council Internal Audit Plan 2024

#### 1. Purpose

The purpose of this Internal Audit Plan is to give effect to the Internal Audit for the 2024 year and establish a framework for the audit.

#### 2. Objective

Regular internal audits ensure that the Council has appropriate controls in place to manage its risks effectively **and** that Council staff are following those procedures. The audit will be carried out by existing staff, independent of the risk to be reviewed.

#### 3. Framework

The internal audit will be based around the Council's Risk Register in Vault<sup>1</sup> which comprises Health and Safety, Legislation and Compliance, Financial, Operational, and Reputational risks. There are currently 98 individual risks in Vault that have been recognised by the Senior Leadership Team (SLT).

It would be costly and ineffective to review all risks in one internal audit - rather a random selection of ten risks are selected each year for the annual internal audit. The risks selected have been approved by SLT. The risks to be audited are to be presented to the May 2024 Audit and Risk Committee meeting for final approval.

#### 4. Expected Outcomes

The internal auditors will be presented with details of their respective risk<sup>2</sup> to be audited, and develop and conduct specific audit tests. They will also be asked to provide feedback on each of the areas below:

1. How effective is the treatment option (risk control)?
2. Are the treatment options being regularly observed by Council staff?
3. What other risks have been identified during the audit that should be brought to management attention?

#### 5. Timeframe

It is proposed that the:

- Audit work commence in June 2024
- Results are finalised by 30 September 2024 and approved by SLT
- Results are presented to the Audit and Risk Committee in November 2024

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<sup>2</sup> Including what the risk is, the effect it would have on Stratford District Council, Council's assumption of impact and likelihood and treatment options to mitigate the effects of the risk.



TE KAUNIHERA Ā ROHE O  
**WHAKAAHURANGI**  
**STRATFORD**  
DISTRICT COUNCIL

**Our reference**  
F19/13/03-D21/40748

### **Karakia**

Kia uruuru mai  
Ā hauora  
Ā haukaha  
Ā haumāia  
Ki runga, Ki raro  
Ki roto, Ki waho  
Rire rire hau Paimārire

I draw in (to my being)  
The reviving essence  
The strengthening essence  
The essence of courage  
Above, Below  
Within, Around  
Let there be peace.