

OPEN AGENDA



Risk and Assurance Committee

Te Komiti Mōrearea me te Whakaū

Notice is hereby given that an ordinary meeting of the Risk and Assurance Committee will be held in Waikōwhitiwhiti (Council Chamber), Ōtorohanga District Council, 17 Maniapoto Street, Ōtorohanga on **Wednesday, 12 June 2024 commencing at 10.00am.**

Tanya Winter, Chief Executive

7 June 2024

Membership

Independent Chairperson	Peter Stubbs
Deputy Chairperson	Kit Jeffries
Ōtorohanga District Mayor	Max Baxter
Councillor	Steve Hughes
Councillor	Cathy Prendergast

Quorum

A majority of members (including any vacancies).

Important note for members of the public attending meetings

This meeting will be electronically recorded (audio and video) for the purpose of webcasting to Council's YouTube channel. Every care will be taken to maintain individual's privacy however attendees are advised they may be recorded as part of the general meeting proceedings or if speaking in the public forum.

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WORKSHOPS | HUI AWHEAWHE

Public liability for events	Open
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OPENING FORMALITIES**Commencement of meeting | Te tīmatanga o te hui**

The Chairperson will confirm the livestream to YouTube is active then declare the meeting open.

Apologies | Ngā hōnea

A member who does not have leave of absence may tender an apology should they be absent from all or part of a meeting. The meeting may accept or decline any apologies. For clarification, the acceptance of a member's apology constitutes a grant of 'leave of absence' for that specific meeting(s). Should an apology be received, the following recommendation is made: That the Risk and Assurance Committee receive and accept the apology from ... for ... (non-attendance, late arrival, early departure).

Late items | Ngā take tōmuri

Items not on the agenda for the meeting require a resolution under section 46A of the Local Government Official Information and Meetings Act 1987 stating the reasons why the item was not on the agenda and why it cannot be dealt with at a subsequent meeting on the basis of a full agenda item. It is important to note that late items can only be dealt with when special circumstances exist and not as a means of avoiding or frustrating the requirements in the Act relating to notice, agendas, agenda format and content. Should a late item be raised, the following recommendation is made: That the Risk and Assurance Committee accept the late item ... due to ... with the late item to be heard ...

Declaration of conflict of interest | Te whakapuakanga pānga taharua

Members are reminded to stand aside from decision making when a conflict arises between their role as an elected member and any private or external interest they may have. Should any conflicts be declared the following recommendation is made: That the Risk and Assurance Committee receive the declaration of a conflict of interest from ... for item ... and direct the conflict to be recorded in Council's Conflicts of Interest Register.

Confirmation of minutes | Te whakaū i ngā meneti**Staff recommendation**

That the unconfirmed open minutes of the Risk and Assurance Committee meetings held on 20 March 2024, having been circulated, be taken as read and confirmed as a true and correct record of that meeting.

OPEN MINUTES



Risk and Assurance Committee

Te Komiti Mōrearea me te Whakaū

Open Minutes of an ordinary meeting of the Risk and Assurance Committee held in the Council Chambers, Ōtorohanga District Council, 17 Maniapoto Street, Ōtorohanga on **Wednesday, 20 March 2024 commencing at 10.00am.**

Tanya Winter, Chief Executive

12 April 2024

Membership

Independent Chairperson	Peter Stubbs	Attended
Deputy Chairperson	Kit Jeffries	Attended
His Worship the Mayor	Max Baxter	Attended
Councillor	Steve Hughes	Attended
Councillor	Cathy Prendergast	Attended

Quorum

A majority of members (including any vacancies).

Ōtorohanga District Council senior staff in attendance

Chief Executive	Tanya Winter	Attended
Group Manager Business Enablement	Graham Bunn	Attended
Group Manager Strategy & Community	Nardia Gower	Attended
Group Manager Engineering & Assets	Mark Lewis	Attended
Group Manager Regulatory & Growth	Tony Quickfall	Apology
Chief Advisor	Ross McNeil	Attended

These unapproved Minutes were prepared by Manager Governance, Kaia King and authorised for distribution by Group Manager Business Enablement, Graham Bunn on 12 April 2024.

ORDER OF BUSINESS

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DECISION REPORTS | NGĀ PŪRONGO WHAKATAU

No reports.

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PUBLIC EXCLUDED | TAKE MATATAPU

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WORKSHOPS | HUI AWHEAWHE

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OPENING FORMALITIES**Commencement of meeting | Te tīmatanga o te hui**

Chairperson Stubbs declared the meeting open at 10.00am.

Apologies | Ngā hōnea

There were no apologies received as all members were present.

Late items | Ngā take tōmuri

There were no late items.

Declaration of conflict of interest | Te whakapuakanga pānga taharua

There were no declarations made.

Confirmation of minutes | Te whakaū i ngā meneti

Resolved R49: That the unconfirmed open minutes of the Risk and Assurance Committee meetings held on 5 December 2023, having been circulated, be taken as read and confirmed as a true and correct record of that meeting.

Councillor Hughes | Councillor Prendergast

Deputy Chairperson Jeffries noted he was incorrectly listed as Deputy Mayor.

INFORMATION ONLY REPORTS | NGĀ PŪRONGO MŌHIOHIO ANAKE**Item 44: Health, safety and wellbeing quarterly report**

Chairperson Stubbs recorded the Committee's thanks to ŌDC's Tanchia Pitts-Brown for her work in Health, Safety & Wellbeing and wished her well in her new role with Waitomo District Council.

ŌDC's Tanya Winter introduced Noah Lockett-Turton, the new Manager People & Capability. She noted this was a shared role of four days per week with ŌDC and one day with CoLab.

Ms Pitts-Brown noted the increase in staff usage of Clearhead may be due to the use of the AI tool which enabled 24/7 access to support.

Councillor Hughes had met with Ms Pitts-Brown prior to the Holiday break to discuss the Health and Safety systems. He stated he was impressed that the Health and Safety policies were enacted but was worried

about disjointed teams. He suggested 'team toolbox' sessions or similar were held every day to discuss Health and Safety. Ms Pitts-Brown noted teams had done this in the past but found that it was necessary as Council was a small organisation and staff were in constant contact. Councillor Hughes thought some sort of system needed to be embedded to ensure interaction on Health and Safety.

Councillor Hughes queried the site inspection targets not being met and Ms Pitts-Brown noted these were undertaken by the department manager. A roading manager has been recruited but recruitment was still underway for a waters manager. She stated she was confident the numbers will be improved by the next meeting.

In response to a query from Deputy Chairperson Jeffries, Ms Pitts-Brown confirmed the report stated 23 employees had used the self-help tool but expected that more staff were using all the tools available. A meeting with Clearhead about the report included a request to break the anxiety stats down to personal or work stress. In response to a further query, she undertook to provide more information on the type of injuries sustained and whether any material issues were raised to justify changes to systems or processes.

Resolved R50: That the Risk and Assurance Committee:

- a Receive the 'Health, Safety and Wellbeing' report (document number 742249) from Tanchia Pitts-Brown, People & Capability Administrator.
- b Acknowledge Tanchia Pitts-Brown's contribution to Health and Safety improvements in the Ōtorohanga District Council.

His Worship the Mayor | Deputy Chairperson Jeffries

Item 45: Capital projects report for the month ending 29 February 2024

ŌDC's Mark Lewis and Robbie Whiteman took the report as read. Mr Lewis spoke on the project challenges. Chairperson Stubbs requested the report's Executive Summary include the following three points:

- Assurance on the delivery of the capital projects program,
- Outline any material risks that may affect the program,
- Outline how the risks are mitigated for the 23/24 financial year.

In response to a query from Deputy Chairperson Jeffries, Mr Lewis confirmed any subsidy funds from NZTA Waka Kotahi unspent by 30 June 2024 would not be carried over. In response to a further query, Mr Lewis confirmed the wastewater budget, which was impacted by the additional \$450,000 change in methodology was still expected to stay within budget due to a scope change on a portion of the project.

In response to a third query, Mr Lewis advised staff were confident the 31 March deadline for the report back to Waikato Regional Council on the short and long term actions to remedy the exceedances for the Ōtorohanga wastewater treatment plant, would be met.

In response to a query from Councillor Prendergast, Mr Lewis advised the change in scope for the Ōtorohanga wastewater upgrade *may* impact the asset life, but this was not confirmed. Mr Whiteman advised the technology hadn't been used for long enough but was typically 50 years which was a standard timeframe for infrastructure.

In response to a query from Chairperson Stubbs, Mr Lewis advised the reason for not receiving KiwiRail consent was due to the depth achieved underneath the railway line. Following the application process, the Chief Engineer of KiwiRail imposed conditions that would make the project financially unviable.

In response to a query from Councillor Hughes, Mr Whiteman advised the change to an open cut trench allowed the use of uPVC pipe which was cheaper than the polyethylene used for closed trenches. In response to a further query, Mr Lewis confirmed the Waipa additional storage project was progressing in line with the budget projections.

In response to a comment by Chairperson Stubbs, Mr Lewis stated staff needed to ensure the rural water supply schemes were correctly categorized. He noted that would inform a funding plan. In response to a second query, Mr Lewis advised while there was a risk of further enforcement action by Waikato Regional Council over the non-compliances for the Ōtorohanga wastewater treatment plant, conversations with the Regional Council indicated no issues providing ODC made inlet and outlet improvements and undertook daily testing.

Resolved R51: That the Risk and Assurance Committee receive the report titled 'Capital Projects Report for the Month Ending 29 February 2024' (document number 743584) from Mark Lewis, Group Manager Engineering and Assets.

Councillor Prendergast | His Worship the Mayor

DECISION REPORTS | NGĀ PŪRONGO WHAKATAU

Item 46: Recommendation to adopt the Mayoral Disaster Relief Fund Policy

ŌDC's Andrew Loe took the report as read and in response to a query from Chairperson Stubbs, he advised he had reviewed the principles on page 2 and was satisfied that they were relevant and sensible in the context of Ōtorohanga District Council.

In response to a second query, Mr Loe confirmed reporting to the National Emergency Management Agency was only required if a government grant had been provided. He noted there could be instances where the scale of the event wasn't sufficient to apply for a government grant, but contributions were received from other sources. In response to a further query, Mr Loe confirmed the government fund came from the Office of the Prime Minister and was managed by the Department of Internal Affairs.

Resolved R52: That the Risk and Assurance Committee recommend Ōtorohanga District Council adopt the Mayoral Disaster Relief Fund Policy (document number 741897).

Councillor Hughes | Councillor Prendergast

INFORMATION ONLY REPORTS | NGĀ PŪRONGO MŌHIOHIO ANAKE

Item 47: Ōtorohanga Climate Change Response Plan – Proposed framework

ŌDC's Ross McNeil spoke to a PowerPoint presentation and in response to a query from Chairperson Stubbs, confirmed the Waikato Regional Council document would be referenced for all generic background information. Deputy Chairperson Jeffries noted Kāwhia and Aotea were missing from the graphic in the presentation.

In response to a query from Deputy Chairperson Jeffries, Mr McNeil noted the previous Government had been working on a policy framework, but no specific actions had been articulated by the current Government therefore he couldn't comment on funding availability at this stage. He noted there may be funding sources available for specific projects.

Chairperson Stubbs commented on the trade-offs and balances that elected members will have to make judgements on to give effect to the plan. He thought a good framework had been laid out. Mr McNeil noted the context would be largely complete within the next three months while most of the plan would take approximately twelve months to progress.

Resolved R53: That the Risk and Assurance Committee receive the proposed framework/structure (document number 744139) for developing the Ōtorohanga Climate Change Response Plan.

Deputy Chairperson Jeffries | Chairperson Stubbs

Item 48: Outstanding Debtors Report

ŌDC's Brendan O'Callaghan took the report as read and noted the rates officer had undertaken a lot of work to recover outstanding debts. He noted a potential rating sale and that updates from the debt collection agency were pending. Council's former debt collection agency has been sold and staff are in the process of terminating the contract and lodging the debt with ŌDC's new collection agency. In response to a comment from Deputy Chairperson Jeffries, and a further comment from Chairperson Stubbs, Mr O'Callaghan advised staff would review the Rating Act to see if there was a restriction to seeking debt repayment via the Small Claims Court.

ODC's Graham Bunn noted the due dates for rates were consistent from year to year whereas the timing for water rates often varied slightly, depending on when the meters were read. He noted we are currently not charging penalty interest, and this potentially could be used as an incentive to pay quicker. Mr O'Callaghan noted this would improve ODC's overall cashflow.

Resolved R54: That the Risk and Assurance Committee receive the report titled 'Outstanding Debtors Report' (document number 742781) from Brendan O'Callaghan, Manager Finance.

Chairperson Stubbs | Deputy Chairperson Jeffries

Item 49: Fixed Asset addition and disposal process update

ŌDC's Brendan O'Callaghan took the report as read and in response to a query from Chairperson Stubbs, confirmed staff were about a month behind in the project due to the impact of the Long Term Plan process. He confirmed that the improvements made would be enough to satisfy Audit at their next review.

Resolved R55: That the Risk and Assurance Committee receive the report titled 'Fixed Asset Addition and Disposal Process Update' (document number 742876) from Brendan O'Callaghan, Manager Finance.

Chairperson Stubbs | Councillor Prendergast

Item 50: Outstanding Management Letter Points from 2022/23 Annual Report

He noted staff were focussed on resolving IT matters. In response to a query from Chairperson Stubbs, ŌDC's Graham Bunn confirmed he was happy with the progress on resolving the items raised.

Resolved R56: That the Risk and Assurance Committee receive the report titled 'Outstanding Management Letter Points from 2022/23 Annual Report' (document number 742824) from Brendan O'Callaghan, Manager Finance.

Chairperson Stubbs | Councillor Hughes

Chairperson Stubbs adjourned the meeting for a short break at 11.34am and recommenced at 11.41am.

Item 51: Building Control department's International Accreditation New Zealand audit

ŌDC's Tanya Winter tendered an apology for absence from Tony Quickfall. She was joined by Phil Saunders and took the report as read. Mr Saunders noted staff were expecting to clear more non-compliances by the 31 March deadline. Ms Winter noted the team had several staff absent from the team which was putting pressure on the remaining staff but that she was confident staff were on the way to resolving the issues raised.

Resolved R57: That the Risk and Assurance Committee receive the report titled 'Building Control department's International Accreditation New Zealand audit' (document number 728064) from Phil Saunders, Manager Building Control.

Chairperson Stubbs | His Worship the Mayor

PUBLIC EXCLUDED | TAKE MATATAPU

Item 52: Resolution to exclude the public for Item PE4: Ōtorohanga Kiwi House loan

Resolved R58: That the Risk and Assurance Committee exclude the public from the following parts of the proceedings of this meeting confirming:

- a This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 7 of that Act where a risk of prejudice is minimised by the holding of the whole or the relevant part of the proceedings of the meeting in public; and,
- b The general subject of each matter to be considered while the public is excluded and the reason for passing this resolution in relation to each matter and the specific grounds for the passing of this resolution are as follows:

General subject of each matter to be considered	Ground(s) under section 48(1) for the passing of this resolution	Interest
Item PE4: Ōtorohanga Kiwi House loan	Section 9(2)(b)(ii)	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;

Chairperson Stubbs | Deputy Chairperson Stubbs

The public were excluded from the meeting at 11.34am and re-admitted at 12.34pm.

CLOSING FORMALITIES

Meeting closure | Katinga o te hui

Chairperson Stubbs declared the meeting closed at 12.35pm.

WORKSHOPS | HUI AWHEAWHE

Quarterly discussion with the Chief Executive

This discussion was held with the public excluded.

DECISION REPORTS | NGĀ PŪRONGO WHAKATAU

DISCLAIMER: The reports attached to this Open Agenda set out recommendations and suggested resolutions only. Those recommendations and suggested resolutions DO NOT represent Ōtorohanga District Council policy until such time as they might be adopted by formal resolution. This Open Agenda may be subject to amendment either by the addition or withdrawal of items contained therein.

Item 52: Response to letter of expectation from Taumata Arowai in relation to the Arohena Rural Water Scheme**To: The Chairperson and Members of the Risk and Assurance Committee****From: Mark Lewis, Group Manager Engineering & Assets****Date: 12 June 2024****Relevant community outcomes:** Prosperous Engaged Enduring**1 Purpose | Te Kaupapa**

- 1.1 To seek a recommendation to Ōtorohanga District Council (ŌDC) that the Arohena Rural Water Scheme (comprising three separate water supplies: Huirimu, Kahorekau and Taupaki) remain under permanent Boil Water Notices while staff pursue via the Local Government Act to close down the Arohena Drinking Water Scheme and continue as a non-drinking water supply.

2 Executive Summary | Whakarāpopoto Matua

- 2.1 In October 2023, the Chief Executive received a Letter of Expectation (LOE) from Taumata Arowai (TA) outlining that two of our water supplies were not meeting the required protozoa barriers under the Drinking Water Quality Assurance Rules 2022 (DWQAR). The two supplies were Huirimu and Kahorekau, which are two of the three water supplies in Arohena, referred to as the Arohena Rural Water Scheme.
- 2.2 The LOE stated ŌDC advise TA of a confirmed funding plan for a protozoa barrier by 30 June 2024 and that the plan would need to be implemented and operational by December 2024.
- 2.3 Although TA acknowledged the challenges councils are faced with reaching compliance, they also stated funding or affordability challenges are not a basis for failing to comply with the legislative requirements TA has been established to administer.
- 2.4 Should ŌDC not reach the level of compliance required enforcement action may be taken, by way of direction or compliance order.
- 2.5 While not compliant with the DWQAR, ŌDC must consider the risks and put measures in place to minimise any risk to the users of the scheme. All three supplies in Arohena (Huirimu, Kahorekau & Taupaki) are currently under permanent boil water notices (BWN) and considered low risk.
- 2.6 At the Committee's March meeting discussions were held that staff needed to clarify whether the three supplies were categorised correctly, which may influence any decisions before responding to TA and once this is ascertained report back to the Committee.

2.7 ŌDC also decided during the 2024-34 Long Term Plan not to include any investment in the scheme pending the outcome of this investigation.

1.1 The clarification of the categorisation of the scheme is complete and this has shown that Huirimu and Kahorekau were categorised at a higher level than needed. Unfortunately, as discovered through this process re-categorising the scheme is not going to make any significant difference to reaching compliance.

2.2 Staff therefore recommend that the scheme remains under the BWN, and that staff pursue closing down the drinking water provision of the Arohena Rural Water Scheme (comprising the three separate supplies: Huirimu, Kahorekau and Taupaki) and maintaining a non-potable water scheme (agricultural water). That a formal response is provided to TA to that effect.

3 Staff recommendation | Tūtohutanga a ngā Kaimahi

That the Risk and Assurance Committee recommend to Ōtorohanga District Council that:

- a the Arohena Rural Water Scheme (comprising of three separate water supplies: Huirimu, Kahorekau and Taupaki) remain under permanent Boil Water Notices.
- b staff use Section 131 of Local Government Act to initiate a process that would close down the Arohena Drinking Water Scheme and enable the three supplies to continue as a non-drinking water supplies.

4 Context | Horopaki

4.1 The Arohena rural area has three individual rural water supplies known as Huirimu, Kahorekau and Taupaki, each running independently of each other and supplying water to farmers, various rural dwellings and the Arohena School. All three supplies are referred to locally as the Arohena Rural Water Scheme (ARWS). The current population estimates based on the number of properties of each supply are Huirimu (96), Kahorekau (89) and Taupaki (21).

4.2 ARWS was built in the 1982 and funded by 50% government subsidy and capital contributions by the farm properties that were going to connect to them. As with other rural water schemes created around this time the intent was to provide reliable and affordable water for the primary use of agricultural activities and to improve farming productivity. It is believed that 90% of the water produced through the plants is used for such agricultural activities.

4.3 Although not the driver behind the building of the scheme, there was an acceptance that the water would be used for domestic use and the health authorities at the time recommended a level of filtration to meet the standards at the time, which was settling tanks on farm, filtration at the plant and chlorination.

4.4 Given that the water was being consumed by humans the scheme has evolved into drinking water supplies and are subsequently needing to meet increasing Drinking Water Standards (DWS) and now DWQAR.

- 4.5 The individual supplies complied with the standards at the time of construction, but as compliance has become more and more stringent the supplies have not been able to meet consistent compliance for many years.
- 4.6 To better understand the required investment ŌDC engaged Beca consultants in 2017 to provide a report on what was needed to meet compliance with the DWS at that time. The report provided several options and cost estimates of:
- \$2.2 million (Huirimu)
 - \$2.35 million (Kahorekau)
 - \$1.62 million (Taupaki).
- 4.7 This was completely unaffordable for such a small ratepayer base, and it was not progressed, and it was decided to survey the community in 2018 on removing the drinking water component of the scheme, as was done at Ranginui Rural Water Scheme 2 years earlier. Although early work was done on this water reform was being signalled by central government and it was decided not to pursue this any further pending the outcome of reform and changes to the DWS.
- 4.8 In 2020 water reform was being progress in its early stages and the Kahorekau supply was visited by the Department of Internal Affairs (DIA) to see what the challenges were faced by rural water schemes to meet compliance and acceptable solutions were going to be explored by the DIA to help rural schemes meet compliance.
- 4.9 One of the acceptable solutions being explored was point of use treatment (POU) which involved only minor upgrades at the treatment plants and the installation of ultraviolet (UV) treatment at each individual property.
- 4.10 ŌDC was fortunate to receive \$750,000 from the Government COVID-19 stimulus fund to pursue a POU system, which would be an exemplar on how it could be done. ŌDC engaged consultants to run this project and the assistance of WLASS, (CoLab).
- 4.11 The outcome of the POU investigation revealed that \$750K was not enough money to meet the capital investment and confirmed that the operational costs to run a POU system was also cost prohibitive.
- 4.12 Given this result, ŌDC explored a further option to upgrade the Kahorekau Plant, with a containerised plant. Unfortunately this proposal was also shelved for several reasons, the cost of the containerised plant was circa \$500k and required a sufficient settling pond. Although this was a viable option unfortunately, there was a firm deadline on the use of the funding, ŌDC were unable to secure land for a settling pond, which meant the project could not go ahead.
- 4.13 Given the continued hurdles, as part of the 2021-31 Long Term Plan, ŌDC considered joining Taupaki with Huirimu by piping the additional water take from Taupaki over to Huirimu and piping treated water back to the Taupaki users. This would have meant that only two plants would require upgrade. A land survey was undertaken, and the hydraulics calculated, and this was determined a viable option however, the estimates were circa \$1.3 million, again unaffordable.

Compliance issues

- 4.14 All three supplies draw water from small tributaries that feed into the Waikato River and are designated surface water takes. Which means they must have bacteria and protozoa barriers.
- 4.15 In basic terms to meet bacteria compliance the most used method is chlorination; to meet protozoa compliance you need some form of coagulation, sedimentation and filtration, or the ability to inactivate the protozoa oocysts with UV.
- 4.16 To utilise UV, it still needs to have a level of primary treatment to have a reliable UV inactivation. It is not as simple as installing UV inline after minimal treatment.
- 4.17 The primary treatment can be various methods, such as cartridge filters, coagulation, sedimentation and filtration. Membrane plants can also be used but they are expensive and operationally expensive to run and require specialised skills.
- 4.18 Currently all three plants only have direct filtration and chlorination, however the filtration cannot reliably or consistently meet compliance for protozoa removal, and this has been the issue for many years.

Drinking Water Quality Assurance Rules (DWQAR)

- 4.19 With the development of the DWQAR and the Rural Technical Working Group formed by the DIA to inform the Water Services Act 2021, ŌDC was hopeful that the compliance rules may be developed to such a level that obtaining compliance for the small supplies such as Huirimu, Kahorekau and Taupaki would be easier and more affordable however, this has not proven to be the case.
- 4.20 The DWQAR provide three categories of which you can choose the level of compliance you need to comply with based on population. ŌDC can choose a higher level of treatment but cannot choose a lower level unless the population numbers allow. Staff have clarified which category each scheme should comply with, and Arohena is category one. (G, S1, T1, D1).
- 4.21 Unfortunately for ŌDC to comply with this category there must be UV as disinfection on all three plants and reduction of turbidity levels to have successful inactivation. Basically, ŌDC are no better off than under the DWS. POU is an acceptable solution, but staff have previously discovered this is not financially viable or even practical.

5 Considerations | Ngā whai whakaarotanga**Significance and engagement**

- 5.1 The issues with the ARWS compliance are not new and has been discussed with the scheme and the users over many years. Currently, it is not intended to make any major decisions on the scheme within this report, other than to report ŌDC's position on the Letter of Expectation. A meeting was held with the ARWS committee in May 2024, and they are fully aware of the situation.

Impacts on Māori

- 5.2 Water plays a unique role in the traditional culture and economy of Māori and any decisions around water may have an impact on Māori. But given that this report is only seeking direction on the response to a letter of expectation it is not believed that this will have any significant impact on Māori, as nothing physically is changing on the scheme at this time.

Risk analysis

- 5.3 Given the continued failure to meet compliance the District Health Board placed the three supplies under permanent Boil Water Notice in February 2021, and they have remained in this state to date. Staff continue to manage the plant as per normal and continue to report on the scheme under the DWQAR. Given this approach there is very low risk to ŌDC from a public health perspective.

Policy and plans

- 5.4 Until such time as a formal decision is made on the future of the scheme staff will continue to treat the scheme as complaint drinking water supplies and follow all appropriate safety plans and meet all drinking water standards and regulation, along with reporting deadlines.

Legal

- 5.5 As the scheme is currently under permanent BWN, ŌDC are meeting their legal requirements on operating a drinking water supply.

Financial

- 5.6 All cost associated with this process are put to the ARWS budgets which are ring fenced.

6 Discussion | He Kōrerorero

- 6.1 Having explored multiple options to reach compliance with the three supplies it has been determined that it cannot be done without considerable investment, investment that is simply unaffordable for the users of the supplies in both capital investment and then operational costs.
- 6.2 The rural water schemes all have committees that govern their individual supplies. These committees have been in place since the schemes were built and many of them have founding members still on the committees. Although not standing committees of ŌDC, their recommendations and opinion is taken with high regard by ŌDC on the running of the schemes.
- 6.3 Arohena Rural Water Scheme Committee are fully aware of the challenges ŌDC is faced with and fully aware of the primary purpose of the scheme, which is to support agricultural activities. The Committee would support ŌDC proceeding with upgrades if they were financially prudent however, they do not wish to incur significant financial burden being placed on the scheme that will ultimately lead to an increased per cubic metre cost and invariably push the cost until it is unaffordable to remain on the scheme.

6.4 Currently ŌDC has two options available in response to the letter of expectation.

Option 1: Provide the financial investment and a plan for implementation

6.5 ŌDC have indicated through the 2024-34 Long Term Process that this is not a viable option given the size of investment needed and the financial burden it would put on the users of the scheme. This is also not supported by the ARWS committee.

Option 2: Respond to the letter that the supplies will remain under permanent BWN and that council are to pursue closing down the drinking water provision of the scheme and continue as a non-drinking water scheme.

6.6 This report does not seek a decision to close the ARWS but does seek a recommendation to ŌDC to pursue the section 131 LGA process and respond to TA on ŌDC's current position on the future of the Arohena Rural Water Scheme (comprising the separate water supplies of Huirimu, Kahorekau and Taupaki).

6.7 This option is supported by the ARWS committee.

Recommendation option and rationale

6.8 It is staff's recommendation, based on all the previous attempts to meet compliance and the investment needed to reach compliance that the three Arohena supplies have reached the criteria set out in section 131 LGA, that it is no longer appropriate to maintain a drinking water service, and that the response to TA is that it continues operate under the BWN while staff seek a resolution from ŌDC to pursue a section 131 LGA process.

6.9 Staff have already indicated to TA that this is likely to be ŌDC's response and they have already acknowledged this in a letter on 28 May 2024.

22 April 2024

The Mayor and Councillors
Ōtorohanga District Council
PO Box 11
ŌTOROHANGA

Dear Councillors

AUDIT ENGAGEMENT LETTER

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all “public entities”, including Ōtorohanga District Council, under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Matt Laing, using the staff and resources of Deloitte Limited, under section 32 and 33 of the Act, to carry out the annual audits of the Ōtorohanga District Council’s financial statements and performance information. We will be carrying out these annual audits on the Auditor-General’s behalf, for the year ending 30 June 2024.

In the delivery of services we may engage other Deloitte Network Firms to assist with certain aspects of this engagement. We will at all times remain responsible for the work undertaken in the delivery of those services to you.

This letter outlines:

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

The objectives of the annual audit are:

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

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

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

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Your responsibilities

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

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

In addition, the Council is responsible:

- for the preparation of the summary financial statements and summary performance information;
- for making the audited summary financial statements and summary performance information readily available to the intended users of that information; and
- for including our audit report on the summary financial statements and summary performance information in any document that contains that information and that indicates that we have reported on that information.

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

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

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

The Council has certain responsibilities relating to the preparation of the financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Annex 1. Annex 2 contains some additional responsibilities relating to the health and safety of audit staff. We expect members of the Council to be familiar with those responsibilities and, where necessary, have obtained advice about them.

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

Our responsibilities

Carrying out the audit

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

- present fairly, in all material respects:
 - its financial position as at 30 June 2024; and
 - its financial performance and cash flows for the year then ended;
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the funding impact statement, presents fairly, in all material aspects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Council's Annual Plan.

We are also responsible for forming an independent opinion on whether the performance information of Ōtorohanga District Council:

- presents fairly, in all material respects, the performance for the year ended 30 June 2024, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved; and
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service.
- complies with generally accepted accounting practice in New Zealand;
- the statement about capital expenditure for each group of activities, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Council's Annual Plan; and
- the funding impact statement for each group of activities, presents fairly, in all material aspects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Council's Annual Plan.

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

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

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

During the audit, the audit team will:

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

Our independence

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

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

Reporting

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

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

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

Audit tools

You agree that, for the purpose of providing the services covered by this letter, we may use third parties, wherever located, to store and process information received from you or your agents; provided that such third parties are bound by confidentiality obligations similar to those contained in the Terms. For example, Deloitte uses a cloud services platform (currently Microsoft Azure), to host an integrated suite of audit tools which may be used as part of our engagement with you.

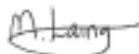
Next steps

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

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

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

Yours sincerely



Matt Laing
Partner
for Deloitte Limited
On behalf of the Auditor-General

Client Acceptance

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

(Signature)

(Name)

(Position)

(Date)

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

Responsibilities for the financial statements and performance information	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards.</p> <p>You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.</p> <p>You are required by legislation to prepare the financial statements and performance information and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, we are dependent on receiving the financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.</p>	<p>We are responsible for carrying out an annual audit, on behalf of the Auditor-General. We are responsible for forming an independent opinion on whether the financial statements:</p> <ul style="list-style-type: none"> - present fairly, in all material respects: <ul style="list-style-type: none"> - the financial position as at 30 June 2024; and - the financial performance and cash flows for the year then ended; - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards. - the funding impact statement, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Council's Annual Plan; <p>We are also responsible for forming an independent opinion on whether the performance information:</p> <ul style="list-style-type: none"> - presents fairly, in all material respects, the performance for the year ended 30 June 2024, including: <ul style="list-style-type: none"> - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved; and - the reasons for any significant variation between the levels of service achieved and the intended levels of service. - complies with generally accepted accounting practice in New Zealand; and - the statement about capital expenditure for each group of activities, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Council's Annual Plan; and - the funding impact statement for each group of activities, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Council's Annual Plan. <p>We will also read the other information accompanying the financial statements and performance information</p>

and consider whether there are material inconsistencies with the audited financial statements and performance information.

Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence the audit report addressee's overall understanding of the financial statements and performance information.

If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by those charged with governance;
- the appropriateness of the content and measures in any performance information;
- the adequacy of the disclosures in the financial statements and performance information; and
- the overall presentation of the financial statements and performance information.

We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that:

- the adoption of the going concern basis of accounting is appropriate;
- all material transactions have been recorded and are reflected in the financial statements and performance information;
- all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to us; and
- uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information.

Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.

We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of

	<p>the non-receipt or condition of the financial statements and performance information, or for some other reason beyond our control, as soon as possible after that.</p> <p>The work papers that we produce in carrying out the audit are the property of the Auditor-General. Work papers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.</p>
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Responsibilities for the accounting records	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> - correctly record and explain the transactions of the public entity; - enable you to monitor the resources, activities, and entities under your control; - enable the public entity's financial position to be determined with reasonable accuracy at any time; - enable you to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and - are in keeping with the requirements of the Commissioner of Inland Revenue. 	<p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p>

Responsibilities for accounting and internal control systems	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the public entity), supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of financial and - where applicable - performance information reporting.</p>	<p>The annual audit is not designed to identify all significant weaknesses in your accounting and internal control systems. We will review the accounting and internal control systems only to the extent required to express an opinion on the financial statements and performance information.</p> <p>We will report to you separately, on any significant weaknesses in the accounting and internal control systems that come to our notice and that we consider may be relevant to you. Any such report will provide constructive recommendations to assist you to address those weaknesses.</p>

Responsibilities for preventing and detecting fraud and error	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>The responsibility for the prevention and detection of fraud and error rests with you, through the implementation and continued operation of adequate internal control systems (appropriate to the size of the public entity) supported by written policies and procedures.</p> <p>We expect you to formally address the matter of fraud, and formulate an appropriate policy on how to minimise</p>	<p>We design our audit to obtain reasonable, but not absolute, assurance of detecting fraud or error that would have a material effect on the financial statements and performance information. We will review the accounting and internal control systems only to the extent required for them to express an opinion on the financial statements and performance information, but we will:</p>

<p>it and (if it occurs) how it will be dealt with. Fraud also includes bribery and corruption.</p> <p>We expect you to consider reporting all instances of actual, suspected, or alleged fraud to the appropriate law enforcement agency, which will decide whether proceedings for a criminal offence should be instituted. We expect you to immediately inform us of any suspected fraud where you, and/or any individuals within the Ōtorohanga District Council with delegated authority have a reasonable basis that suspected fraud has occurred - regardless of the amount involved.</p>	<ul style="list-style-type: none"> - obtain an understanding of internal control and assess its ability for preventing and detecting material fraud and error; and - report to you any significant weaknesses in internal control that come to our notice. <p>We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected, or alleged fraud.</p> <p>As part of the audit, you will be asked for written confirmation that you have disclosed all known instances of actual, suspected, or alleged fraud to us.</p> <p>If we become aware of the possible existence of fraud, whether through applying audit procedures, advice from you, or management, or by any other means, we will communicate this to you with the expectation that you will consider whether it is appropriate to report the fraud to the appropriate law enforcement agency. In the event that you do not report the fraud to the appropriate law enforcement agency, the Auditor-General will consider doing so, if it is appropriate for the purposes of protecting the interests of the public.</p>
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Responsibilities for compliance with laws and regulations	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You are responsible for ensuring that the public entity has systems, policies, and procedures (appropriate to the size of the public entity) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of the public entity are complied with. Such systems, policies, and procedures should be documented.</p>	<p>We will obtain an understanding of the systems, policies, and procedures put in place for the purpose of ensuring compliance with those legislative and regulatory requirements that are relevant to the audit. Our consideration of specific laws and regulations will depend on a number of factors, including:</p> <ul style="list-style-type: none"> - the relevance of the law or regulation to the audit; - our assessment of the risk of non-compliance; - the impact of non-compliance for the addressee of the audit report <p>The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance.</p> <p>We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws and regulations.</p>

Responsibilities to establish and maintain appropriate standards of conduct and personal integrity	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You should at all times take all practicable steps to ensure that your members and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and</p>	<p>We will have regard to whether you maintain high standards of conduct and personal integrity – particularly in matters relating to financial management and accountability. Specifically, we will be alert for significant</p>

<p>personal integrity in a "Code of Conduct" and, where applicable, support the "Code of Conduct" with policies and procedures.</p> <p>The expected standards of conduct and personal integrity should be determined by reference to accepted "Codes of Conduct" that apply to the public sector.</p>	<p>instances where members and employees of the public entity may not have acted in accordance with the standards of conduct and personal integrity expected of them.</p> <p>The way in which we will report instances that come to our attention will depend on significance. We will report to you and to the Auditor-General all significant departures from expected standards of conduct and personal integrity that come to our attention during the audit.</p> <p>The Auditor-General, on receiving a report from us, may, at his discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.</p>
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Responsibilities for conflicts of interest and related parties	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You should have policies and procedures to ensure that your members and employees carry out their duties free from bias.</p> <p>You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.</p>	<p>To help determine whether your members and employees have carried out their duties free from bias, we will review information provided by you that identifies related parties, and will be alert for other material related-party transactions. Depending on the circumstances, we may enquire whether you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.</p>

Responsibilities for publishing the audited financial statements on a website	
<i>Responsibilities of the Council</i>	<i>Responsibilities of the Appointed Auditor</i>
<p>You are responsible for the electronic presentation of the financial statements and performance information on the public entity's website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented.</p> <p>If the audit report is reproduced in any medium, you should present the complete financial statements, including notes, accounting policies, and any other accountability statements.</p>	<p>Examining the controls over the electronic presentation of audited financial statements and performance information, and the associated audit report, on your website is beyond the scope of the annual audit.</p>

Annex 2 – Health and safety of audit staff

The Auditor-General and Audit Service Providers take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015 we need to make arrangements with you to keep our audit staff safe while they are working at your premises. We expect you to provide a safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.



Ōtorohanga District
Council

Planning report to the Risk and
Assurance Committee
for the year ending 30 June
2024

22 April 2024



Purpose of report

This report has been prepared for Ōtorohanga District Council's Risk and Assurance Committee (the 'Committee') and is part of our ongoing discussions as auditor in accordance with our engagement letter dated 22 April 2024 and as required by auditing standards issued by the Auditor-General that incorporate New Zealand auditing standards.

This plan 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 covers the matters for the Ōtorohanga District Council (the 'Council').

This report includes only those matters that have come to our attention as a result of performing our audit procedures to date 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 Ōtorohanga District Council (the 'Council') for the year ending 30 June 2024 in accordance with New Zealand auditing standards issued by Auditor-General that incorporate New Zealand auditing standards issued by the NZ Auditing and Assurance Standards Board.

Our audit is performed pursuant to the requirements of the Local Government Act 2002, Public Audit 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 Councillors. The audit of the financial statements does not relieve management or the Councillors of their responsibilities.

Our audit is not designed to provide assurance as to the overall effectiveness of Council'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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Planning report



Introduction

Dear Risk and Assurance Committee

We are pleased to provide you with our planning report for the audit of Ōtorohanga District Council (the 'Council') for the year ending 30 June 2024. We understand our responsibility to you, and we have developed a tailored audit plan that summarises the key aspects of our audit scope and approach, our planned communications with you, and our team structure.

This report is designed to outline our respective responsibilities in relation to the audit, to present our audit plan and to facilitate a two-way discussion on the plan presented. This plan is therefore intended for the Councillors and should not be distributed further.

We appreciate the opportunity to serve the Council. We hope the accompanying information will be useful to you, and we look forward to answering your questions about our plan.

A handwritten signature in black ink, appearing to read 'M. Laing', enclosed within a simple oval scribble.

Matt Laing, Partner
for Deloitte Limited
Appointed Auditor on behalf of the Auditor-General
Hamilton | 22 April 2024



Areas of audit focus

Financial statements dashboard

Area of audit focus	Significant risk	Fraud risk	Control testing planned	Level of management judgement	Area of focus status
Valuation of infrastructure assets	✓	✗	D	●	🔄
Management's override of controls	✓	✓	D	●	🔄
Revenue recognition	✗	✓	D	●	🔄
Statement of Service Performance	✗	✗	D	●	🔄
ESG and climate change	✗	✗	N/A	●	🔄
Matters raised by the OAG	✗	✗	N/A	●	🔄

Control testing planned

D: Evaluate whether control design manages risk appropriately

OE: Planning to test if controls were operating effectively and can be relied upon

Level of management judgement required



Low

High



New area of focus



Continuing area of focus



Areas of audit focus (cont.)

Area of audit focus	Our approach
<p>Valuation of infrastructure assets</p> <p>The Council has a significant asset base with infrastructural assets carried at fair value. Each asset class is revalued on a regular basis, generally on at least a three yearly basis. In years when an asset class is not revalued, a fair value assessment needs to be performed, to ensure that carrying value of these assets still approximate fair value.</p> <p>The following are the asset classes carried at fair value and the year they were last revalued:</p> <p>Land and Buildings – operational and restricted – 30 June 2021 Three waters infrastructure – 30 June 2022 Roading, bridges and culverts – 30 June 2023</p> <p>In the current year, land and buildings are expected to be revalued. The valuation of assets can be a complicated process and Management and Council need to ensure that a robust review of the valuation process is performed irrespective of the valuation being performed by an independent expert.</p> <p>For the other asset classes, management are required to perform an assessment to determine whether the carrying value of these assets still approximate fair value as at 30 June 2024. The assessment to determine whether the carrying value of these assets still approximate fair value, requires a degree of judgement and consideration of different assumptions. Input into these assumptions may come from in-house or independent experts. Where there are indicators that the carrying value is materially different to the fair value a revaluation is required to be undertaken.</p> <p>The fair value assessment of infrastructure assets is an area that continues to receive increased focus in the sector. This is especially critical for the current year with the current market conditions and high inflation rates which may cause material movements in valuations, and it is possible that classes of assets that are not due to be revalued, would be required to be revalued.</p>	<p>For infrastructural assets carried at fair value but not revalued in the current year, we plan to:</p> <ul style="list-style-type: none">• Obtain management’s assessment of the indicative movement in fair value for all assets classes carried at fair value;• Obtain supporting documentation from independent valuers supporting the indicative fair value movement (if applicable); and• Review the key assumptions applied in determining the indicative fair value, assess and challenge management’s overall conclusions. <p>For infrastructure assets carried at fair value and revalued in the current year, we plan to:</p> <ul style="list-style-type: none">• Obtain the revaluation of infrastructure class(es);• Obtain representation directly from the independent valuer confirming their methodology;• Review the key underlying assumptions used to ensure these assumptions are reasonable and in line with Public Benefit Entity International Public Sector Accounting Standards (“PBE IPSAS”); and• Ensure the revaluation transaction is correctly accounted for and disclosed in the financial statements in order to comply with PBE IPSAS.



Areas of audit focus (cont.)

Area of audit focus	Our approach
<p>Management override of controls</p> <p>ISA (NZ) 240 The auditor's responsibility to consider fraud in an audit of financial statements 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 the risk of management's override of controls.</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.</p> <p>It has a potential impact to the wider financial statements and is therefore a significant risk for our audit.</p>	<p>We plan to:</p> <ul style="list-style-type: none">• Understand and evaluate the financial reporting process and the controls over journal entries and other adjustments made in the preparation of the financial statements.• Test the appropriateness of a sample of journal entries and adjustments and make enquiries about inappropriate or unusual activities relating to the processing of journal entries and other adjustments.• Review 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.• Perform a retrospective review of management's judgements and assumptions relating to significant estimates reflected in last year's financial statements.• Obtain 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 Council and its environment.



Areas of audit focus (cont.)

Area of audit focus	Our approach
<p>Revenue recognition</p> <p>ISA (NZ) 240 The auditor's responsibility to consider fraud in an audit of financial statements 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 with the processes in place and level of risk assessed we have rebutted the significant risk of fraud associated with revenue recognition.</p>	<p>We will perform the following audit procedures to ensure that revenue recognition is appropriate:</p> <ul style="list-style-type: none">• Understand, evaluate and assess the relevant controls that address the risks of revenue recognition;• Assess the quality of information produced from the IT system and ensure accuracy and completeness of reports that are used to recognise revenue;• Complete a 'rates questionnaire' compiled by the OAG*, to confirm whether rates have been correctly set; and• Review the meeting minutes recording the adoption of the rates resolution, to ensure the rates are in accordance with the Revenue and Financing Policy as well as reviewing any other information available with regards to rates;• Complete analytical procedures by developing expectations based on our knowledge of the sector and key performance measures; and• Assess the impact of any changes to revenue recognition policies. <p>*Please note that the completion of the 'rates questionnaire' is not a legal exercise but aims to provide us with some indication of the rates setting processes being used by the Council. We remind Council that the overall responsibility for the compliance of rates rests with the Councillors.</p>



Areas of audit focus (cont.)

Area of audit focus	Our approach
<p>Statement of Service Performance</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. This is in line with the requirements of <i>PBE FRS 48 Service Performance Reporting</i>.</p> <p>The SSP is an important part of 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">• Is based on appropriately identified elements (outcomes, impacts, outputs), performance measures, targets/results; and• Fairly reflects actual service performance for the year (i.e. not just reports against forecast).	<p>We plan to:</p> <ul style="list-style-type: none">• Review Council's SSP against legislative requirements and good practice. This will include checking consistency with the performance framework included in the 2021-2031 LTP;• Audit a sample of the reported performance measures, with a focus on the more significant groups of activities;• Review 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".
<p>ESG and Climate Change</p> <p>Matters related to climate and the broader Environment, Social and Governance (ESG) landscape are rapidly evolving. Stakeholders are increasingly asking entities to provide transparent disclosures about climate-related risks, and the New Zealand Government is taking action to reduce our emissions profile which over time will impact most entities.</p> <p>ESG and climate related matters will likely create physical and transitional risks and opportunities for the Council and these matters could lead to potential impacts on the financial statements.</p>	<p>As part of the audit process, we will consider ESG and climate-related risks and their potential impact on the Council's financial statements. We will consider the council's consideration of ESG and climate risks and tailor our audit approach as required.</p>



Areas of audit focus (cont.)

Matters raised by the Office of the Auditor General

Area of audit focus	Our approach
<p>Effectiveness, efficiency, waste and probity</p> <p>Good practice involves the establishment of policies and controls to ensure that expenses have a justifiable business purpose; preserve impartiality; have been made with integrity; are moderate and conservative; have regard to the circumstances; have been made transparently; and are appropriate in all respects.</p>	<p>We are required to remain alert for issues of effectiveness and efficiency, waste, and a lack of probity or financial prudence throughout the audit. We also plan to:</p> <ul style="list-style-type: none">• Assess policies and procedures in place for expenses and procurement processes, and• Test a sample of expenses for appropriateness against good practice and other guidance issued as relevant for the Council. Our tests will focus primarily on sensitive expenditure such as Councillors and senior management pay, travel and expenses; large contract tenders and related party transactions.
<p>Government reviews and proposals</p> <p>There continues to be change in the sector with newly introduced or changes to regulatory requirements (new and updated national policy statements), 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>As part of our audit process, we will:</p> <ul style="list-style-type: none">• Continue to follow up and discuss with management the impact of these initiatives to the Council, where necessary, will consider them within our audit approach; and• Maintain close communication with the Office of the Auditor-General, if there are any other areas that requires further consideration.



Technical update



Auditor Independence

New requirements related to the provision of non-audit services and fee disclosures

There have been recent changes to independence standards that will apply to financial statement audits of Public Interest Entities.

Below is a summary of the key changes, benefits and the effective date. To facilitate Deloitte's compliance with the changes, the Audit and Risk Committee and Deloitte will need to establish a process for discussing and agreeing non audit services to be provided to your organisation, before we can provide the services.

Summary of Key Changes

Prior to providing non-audit services, Deloitte will be required to communicate an independence assessment to the Audit and Risk Committee and obtain its agreement with the assessment and our conclusion that we can provide the service.

Deloitte will be required to provide more detailed reporting to the Audit and Risk Committee on fees paid to Deloitte for audit and other services.

Deloitte will be prohibited from providing any service that might create a self-review threat, which applies where there is a risk that:

- the results of the service would form part of or affect the accounting records, internal controls or the financial statements; and
- Deloitte would evaluate or rely on the judgments made or activities performed as part of the non audit service in the course of performing the audit.

Benefits of changes and effective date:

- The communication of the independence assessments for the provision of non-audit services will further support the Councillor's role in ensuring the independence of the auditor.
- The enhanced reporting on fees will further support your reporting obligations.
- There will be more regular communications between the Audit and Risk Committee and Deloitte on independence matters.

The changes will be effective from 1 January 2023 for December year-end audits, and 1 July 2023 for June 2024 year-end audits.

Requirements for communications with the Audit and Risk Committee

Deloitte will be required to provide the Audit and Risk Committee with an independence assessment for any proposed non audit service, such that it can make an informed decision about the permissibility of the service.

Deloitte must obtain the Audit and Risk Committee's agreement with the independence assessment, *before* Deloitte can provide the service.

Deloitte and the Audit and Risk Committee can establish a pre-agreed process that sets out:

- The information to be provided
- The entities within the corporate structure to which the process applies including entities controlled by the audit client and entities which have control over the audit client
- Whether there are services that can be provided without specific communication with the Audit and Risk Committee (for example, tax compliance services)
- Who has authority for sign-off of the services
- The process to be followed if information required to be disclosed to the Audit and Risk Committee might result in the disclosure of confidential information.

Management should ensure that they have a policy in place that addresses these requirements.



Developments in financial reporting

Public benefit entities

The following table provides a high level summary of the major new accounting standards, interpretations and amendments that are relevant to the Council. A full list of the standards on issue but not yet effective is released quarterly and is available here: https://www2.deloitte.com/nz/en/pages/audit/articles/accounting-alert.html?icid=top_accounting-alert

Major new standard, interpretation or amendment	Effective date (periods beginning on or after)
PBE IFRS 17 Insurance Contracts	1 January 2023
2022 Omnibus Amendments to PBE Standards	1 January 2023
Initial Application of PBE IFRS 17 and PBE IPSAS 41 – Comparative Information	1 January 2023
Public Sector Specific Financial Instruments (Non-Authoritative Amendments to PBE IPSAS 41)	1 January 2023

Early implementation efforts recommended

Early effort to consider the implementation of these standards is recommended in order to provide stakeholders with timely and decision-useful information. Implementation steps are outlined opposite.

Steps for implementation

Determine extent of impact & develop implementation plan

Monitor progress and take action where milestones are not met

Identify required changes to systems, processes, and internal controls

Determine the impact on covenants & regulatory capital requirements, tax, dividends & employee incentive schemes



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 have committed to publishing these two standards by 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.

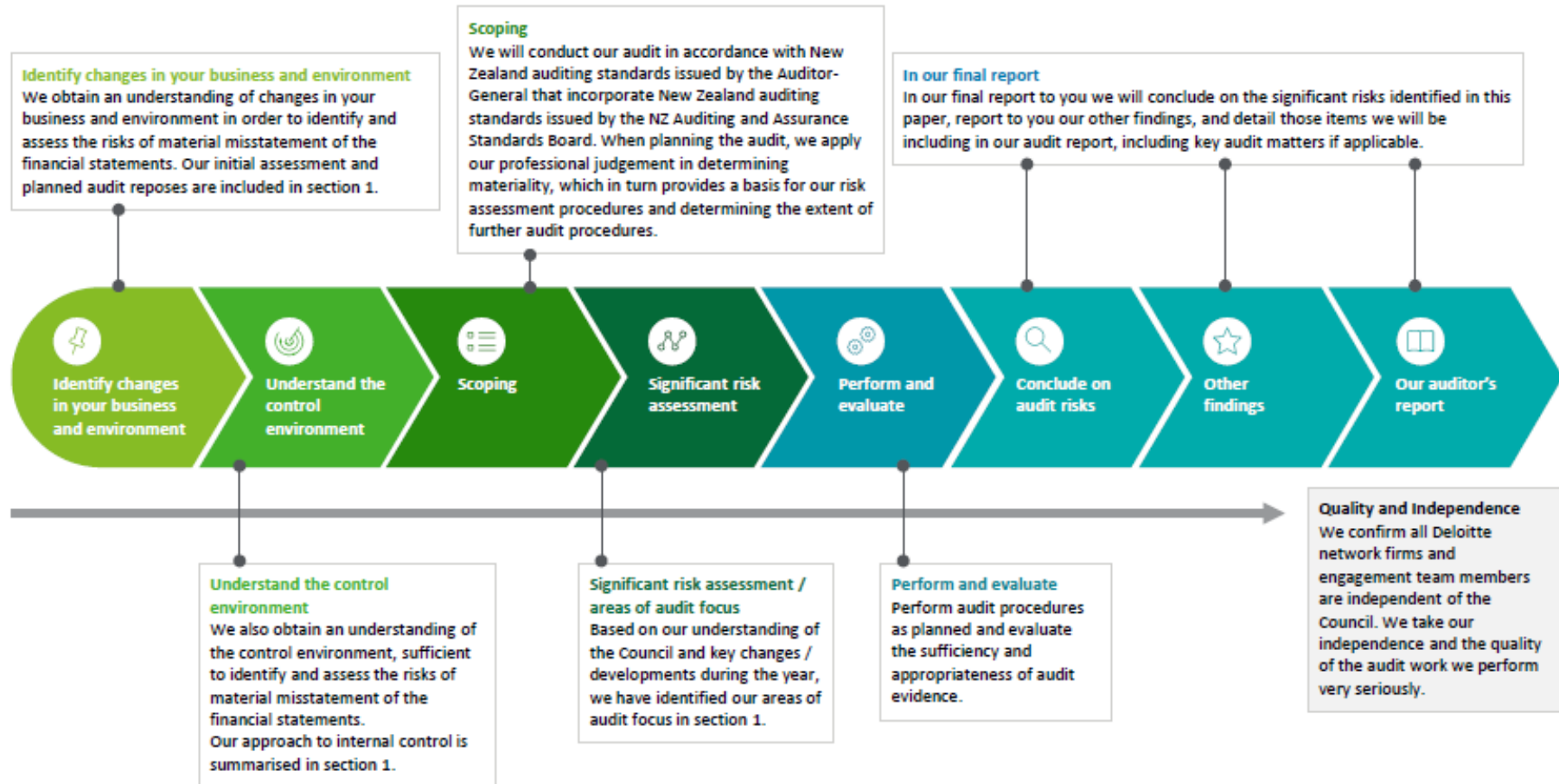


Appendices



Our audit explained

We tailor our audit to your business and your strategy





Materiality

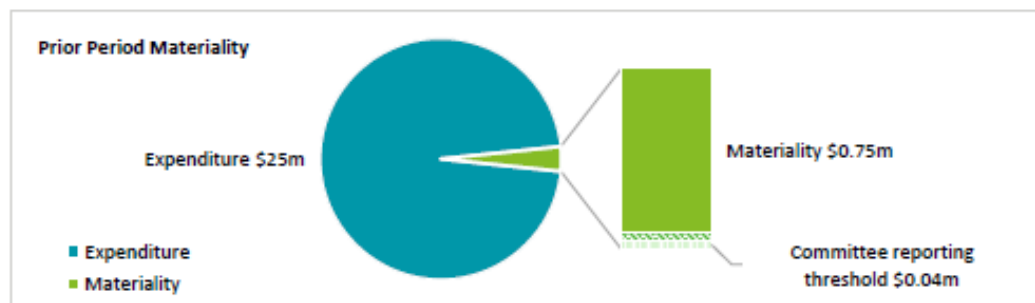
Our approach to materiality

Establishing an appropriate materiality level

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Our quantitative materiality for the 2024 audit will be based on expected expenditure in line with prior periods as this is deemed to be a key driver of business value, is a critical component of the financial statements and is a focus for users of those statements.

The extent of our procedures is not based on materiality alone but also on local considerations of the quality of systems and controls in preventing material misstatement in the financial statements, and the level at which known and likely misstatements are tolerated by you in the preparation of the financial statements.



Although materiality is the judgement of the audit partner, the Audit and Risk Committee must satisfy themselves that the level of materiality chosen is appropriate for the scope of the audit.



Other compliance matters

There are a range of matters we are required to report to you as part of our communications to management and the Councillors.

Related Party Transaction Disclosures

- The Council is required to identify, account and disclose related party relationships and transactions in accordance with the applicable financial reporting framework.
- We will perform procedures to obtain an understanding of the controls, if any, that the Council has established around identifying, accounting for, and disclosing related party relationships and transactions in accordance with the applicable financial reporting framework; as well as the authorisations and approvals process for significant transactions and arrangements with related parties or those outside the normal course of business.
- We will also identify and assess the risks of material misstatement associated with related party relationships and transactions, including determining whether any of those risks are fraud or significant risks, and design and perform further audit procedures to obtain sufficient appropriate audit evidence.

Compliance with Laws and Regulations

- The Council is also required to ensure that its operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in the financial statements.
- We are required to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to understand its nature, and evaluate the effect on the financial statements.

Fraud Characteristics

- In relation to fraud, the primary responsibility for the prevention and detection of fraud rests with management and the Councillors, including establishing and maintaining internal controls over the reliability of financial reporting.
- We will obtain an understanding of how the Councillors exercise oversight of the Council's processes for identifying and responding to the risks of fraud and the internal controls that have been established to mitigate these risks, as well as making enquiries of management and the Councillors to determine whether you have knowledge of any actual, suspected or alleged fraud affecting the Council.

Written Representations
We will request a number of written representations in a representation letter, relating to each of these areas, including that appropriate disclosure of all matters has been made to the auditor.



Independence and fees

Fees

The proposed audit fee for the 2024 has been reviewed by the Office of the Auditor General. The Office of the Auditor General is responsible for monitoring audit fees to ensure that fees are based on realistic hours (that is, hours that reflect the nature and extent of work required), an appropriate audit team mix, and charge-out rates that are in line with market rates.

The below fees are outlined within the respective audit proposals and engagement letters dated 13 February 2024 and 22 April 2024

	CY (\$'000)	PY (\$'000)
Fees payable for the audit of the financial statements	197	183
Out of cycle valuation additional charge	-	14
OAG Audit Standards and Quality Support charge	18	17
Total audit fees for financial statements	215	214
Other assurance services		
- Long Term Plan	103	-
- Trustee Reporting	9	8
Total audit related and other assurance fees	327	222



Prior year unadjusted differences

Financial differences

We take this opportunity to remind you of the unadjusted differences identified in the prior year. The current year effect of these is summarised below.

	Credit/ (Charge) to the income statement \$'k	Increase/ (Decrease) in net assets \$'k	Increase/ (Decrease) in retained earnings \$'k
Factual misstatements			
Potential interest charges for GST incorrectly claimed	(45)	-	45
Total	(45)	-	45

We obtained written representations from the Councillors confirming that after considering all these uncorrected items, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments were required.

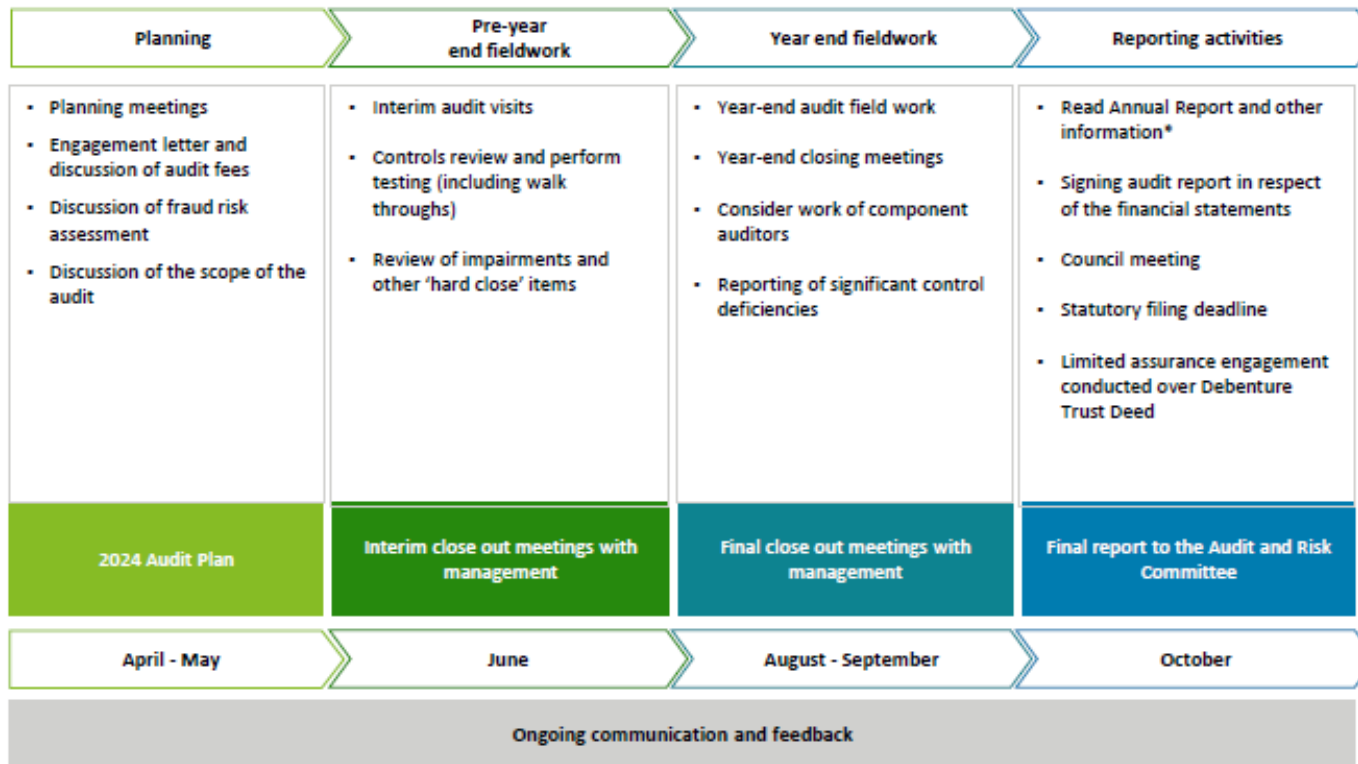
Note: Immaterial balance sheet and income statement reclassifications have not been included in the summary of unadjusted differences



Continuous communication and reporting

Planned timing of the audit



As the audit plan is executed throughout the year, the results will be analysed continuously, and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.



* We are required to read the other information to consider if there are any material inconsistencies which we are obliged to report on. We will need sufficient time to perform the review.



Your client service team

Team member	Role
 <p>Matt Laing Audit Engagement Partner +64 7 834 7844 malaing@deloitte.co.nz</p>	<ul style="list-style-type: none">• Responsible for overseeing the service delivery to the Council• Responsible for the development and execution of our Audit Plan• Key point of contact for the CE
 <p>Ben McLeod Audit Manager +64 7 838 4818 bmcleod@deloitte.co.nz</p>	<ul style="list-style-type: none">• Responsible for the day-to-day execution of the audit• Key point of contact for the Finance Manager and wider finance team



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Item 54: Fair Value vs Carrying Value Assessment

To: The Chairperson and Members of the Risk & Assurance Committee

From: Brendan O'Callaghan, Manager Finance

Date: 12 June 2024

Relevant community outcomes: Engaged Responsible Progressive



1 PURPOSE | TE KAUPAPA

1.1 To provide information to the Committee and seek their level of comfort around whether Ōtorohanga District Council's (ODC) assets, particularly those assets that are subject to revaluation, have a carrying value at year end that is not materially different from the fair value for those assets, based on market conditions.

2 EXECUTIVE SUMMARY | WHAKARĀPOPOTO MATUA

- 2.1 The likely variance between fair value and carrying value for Roding has little impact on the ability to fund Roding projects.
- 2.2 The variance in all the 3 Waters assets is between fair value and carrying value is not material enough to warrant a revaluation.

3 STAFF RECOMMENDATION | TŪTOHUTANGA A NGĀ KAIMAHI

That the Risk & Assurance Committee agree that the carrying values of the Ōtorohanga District Council's Roding and 3 Water Infrastructure assets are not materially different from the fair value of those assets.

4 CONTEXT | HOROPAKI

Background

4.1 The report looks at each individual asset class, as presented in the Annual Report, which is revalued and performs an assessment of the likely impact of the market movement on the value of the asset class. Where this impact is deemed material, then ODC will need to consider undertaking a revaluation of that asset class.

- 4.2 There are three main categories of assets requiring revaluation, being Roothing, 3 Waters and Land and Buildings. ŌDC has put these assets on a three yearly revaluation cycle, with the intention that one group is revalued each year.
- 4.3 For the 23/24 financial year, Land and Buildings are due to be revalued. An agreement for QV has been signed to undertake this revaluation, which will occur after the end of June, with the results due by mid-August 2024. The results of the revaluation will be provided to the Committee at the next meeting.

Asset Class: Roothing, Bridges & Culverts

- 4.4 Roothing, Bridges and Culverts makes up the biggest asset class, having a carrying value as at 30 June 2023 of \$305,507,616. As such, a small percentage movement in this asset class could still be a large amount dollar wise.
- 4.5 In assessing whether this asset class is held at a carrying value materially different from the fair value of these assets, staff need to first determine the fair value of the assets. As these assets are not saleable and therefore have no market to use for comparison, the fair value will need to be determined using either indices indicating movement within the construction costs, or through the use of unit cost movements.
- 4.6 The last revaluation of roading assets was the financial year ended 30 June 2022. Staff obtained the NZTA indices then looked at NZTA’s adjustors, which are generated quarterly by NZTA for use in contract inflation calculations. The adjustor used was released on 30 May 2024, and the following shows the adjustment from 30 June 2022 to 31 March 2024.

	June 2022	March 2024	Movement
Reseals	1867	2003	6.98%
Network Outcomes	1352	1417	4.59%
Structures	1277	1327	3.77%
Construction	1280	1333	4.11%
Professional Services	1162	1248	7.04%

- 4.7 Based on the above adjustors, staff have done a high level fair value assessment of the value of the existing roading assets at 30 June 2024. Staff have ignored capital additions in the 23/24 financial year as the cost of these should approximate fair value based on contract adjustments or new tender prices for new contracts.
- 4.8 Based on the above indices, and adjusting using the relevant adjustor, the estimated fair value as at 30 June 2024 is \$319,174,453. The carrying value as at 30 June 2024 of existing assets is likely to be \$301,325,446. This gives a difference of \$17,849,007, which is 5.9% of the total value of the roading assets.

- 4.9 Generally, a movement of less than 5% is considered not material, over 10% is material and anything between 5-10% is a judgement call to determine materiality. As this figure is 5.9%, it fits into that judgement call range. Given the value of Roding assets, a judgement call needs to be made as to the dollar value movement as well.

Depreciation and Funding

- 4.10 The other significant area where a change in the valuation of Roding assets is likely to have an impact is on the depreciation expense and the funding of this depreciation. This then flows into the ability to undertake asset renewals without the need to borrow money.
- 4.11 If this asset class was to be revalued effective 30 June 2024, the impact on depreciation for the following year would be an increase of \$212,559 over that charged in the year ending 30 June 2023 on existing assets (based on the assumption the depreciation as a percentage of asset value remained the same). This represents 4.66% of the total depreciation expenses.
- 4.12 Given this information, it is reasonable to assume that an increase of \$212,559 in depreciation is not a deciding factor in whether there is sufficient funding to undertake Roding projects, and therefore if a decision was made that the movement in the Roding was not material, this is not going to have an impact on the ability of the ŌDC to undertake its responsibilities in relation to Roding, as currently projected to occur.

Decision

- 4.13 On the basis of the above information and that the movement in the valuation of the assets is not going to have a significant impact on the ability to undertake our responsibilities, staff would reasonably conclude that the Roding Asset Class is not materially misstated at this time. Given the value is \$17.8m dollars, staff do not also believe that this value is a material misstatement of the value of roading assets, and therefore are happy that the value to be stated at year end is not materially misstated.

Asset Class: Rural Water Supplies

- 4.14 The Rural Water Supplies Asset Class covers the water supply assets, both pipes and plant and equipment, for the four rural water supplies as well as the Kāwhia Community Supply. At 30 June 2023 these assets had a combined carrying value of \$13,584,691.
- 4.15 In assessing whether this asset class is held at a carrying value materially different from the fair value of these assets, staff need to first determine the fair value of the assets. As these assets are not saleable and therefore have no market to use for comparison, the fair value will need to be determined using either indices indicating movement within the construction costs, or through the use of unit cost movements.
- 4.16 Finding indices information, staff went to Statistics NZ business price indices, which are generated quarterly. The results of these inquiries gave us the following information.

	June 2022	March 2024	Movement
Buildings	1045	1073	2.68%
Systems for Water and Sewerage	1024	1048	2.34%
Other civil construction	1040	1060	1.92%
Fencing	1009	1009	0.00%
Irrigation and land drainage	1021	1026	0.49%

- 4.17 Based on the above adjustors, staff have done a high level fair value assessment of the value of the existing roading assets at 30 June 2024. Staff have ignored capital additions in the 23/24 financial year as the cost of these should approximate fair value based on contract adjustments or new tender prices for new contracts.
- 4.18 Based on the above indices, and adjusting using the relevant adjustor, the estimated fair value as at 30 June 2024 is \$13,509,033. The carrying value at 30 June 2024 of existing assets is likely to be \$13,205,086. This gives a difference of \$303,947, which is 2.3% of the total value of the Rural Water supply assets.
- 4.19 Generally, a movement of less than 5% is considered not material, over 10% is material and anything between 5-10% is a judgement call to determine materiality.
- 4.20 Given the small variance in dollars staff concluded that the Rural Water asset class is not materially misstated.

Asset Class: Water System

- 4.21 The Water System Asset Class covers the water supply assets, both pipes and plant and equipment, for the Ōtorohanga Community Supply. At 30 June 2023 these assets had a combined carrying value of \$10,263,527.
- 4.22 In assessing whether this asset class is held at a carrying value materially different from the fair value of these assets, staff need to first determine the fair value of the assets. As these assets are not saleable and therefore have no market to use for comparison, the fair value will need to be determined using either indices indicating movement within the construction costs, or through the use of unit cost movements.
- 4.23 Finding indices information, staff went to Statistics NZ business price indices, which are generated quarterly. The results of these inquiries gave us the following information.

	June 2022	March 2024	Movement
Buildings	1045	1073	2.68%
Systems for Water and Sewerage	1024	1048	2.34%
Other civil construction	1040	1060	1.92%
Fencing	1009	1009	0.00%
Irrigation and land drainage	1021	1026	0.49%

- 4.24 Based on the above adjustors, staff have done a high level fair value assessment of the value of the existing roading assets at 30 June 2024. Staff have ignored capital additions in the 23/24 financial year as the cost of these should approximate fair value based on contract adjustments or new tender prices for new contracts.
- 4.25 Based on the above indices, and adjusting using the relevant adjustor, the estimated fair value as at 30 June 2024 is \$10,075,795. The carrying value at 30 June 2024 of existing assets is likely to be \$9,849,212. This gives a difference of \$226,583, which is 2.3% of the total value of the Rural Water supply assets.
- 4.26 Generally, a movement of less than 5% is considered not material, over 10% is material and anything between 5-10% is a judgement call to determine materiality.
- 4.27 Given the small variance in dollars staff concluded that the Water System asset class is not materially misstated.

Asset Class: Sewerage System

- 4.28 The Sewerage System Asset Class covers the sewerage reticulation assets, both pipes and plant and equipment, for the Ōtorohanga Community Supply. At 30 June 2023 these assets had a combined carrying value of \$10,036,277.
- 4.29 In assessing whether this asset class is held at a carrying value materially different from the fair value of these assets, staff need to first determine the fair value of the assets. As these assets are not saleable and therefore have no market to use for comparison, the fair value will need to be determined using either indices indicating movement within the construction costs, or through the use of unit cost movements.
- 4.30 Finding indices information, staff went to Statistics NZ business price indices, which are generated quarterly. The results of these inquiries gave us the following information.

	June 2022	March 2024	Movement
Buildings	1045	1073	2.68%

	June 2022	March 2024	Movement
Systems for Water and Sewerage	1024	1048	2.34%
Other civil construction	1040	1060	1.92%
Fencing	1009	1009	0.00%
Irrigation and land drainage	1021	1026	0.49%

4.31 Based on the above adjustors, staff have done a high level fair value assessment of the value of the existing roading assets at 30 June 2024. Staff have ignored capital additions in the 23/24 financial year as the cost of these should approximate fair value based on contract adjustments or new tender prices for new contracts.

4.32 Based on the above indices, and adjusting using the relevant adjustor, the estimated fair value as at 30 June 2024 is \$9,917,827. The carrying value at 30 June 2024 of existing assets is likely to be \$9,700,603. This gives a difference of \$217,224, which is 2.2% of the total value of the Sewerage supply assets.

4.33 Generally, a movement of less than 5% is considered not material, over 10% is material and anything between 5-10% is a judgement call to determine materiality.

4.34 Given the small variance in dollars staff concluded that the Water System asset class is not materially misstated.

4.35 **Asset Class: Drainage Network**

4.36 The Drainage Network Asset Class covers the stormwater reticulation assets, both pipes and plant and equipment, in Kāwhia and Ōtorohanga, as well as the flood protection assets, excluding the stopbanks, in Ōtorohanga. At 30 June 2023 these assets had a combined carrying value of \$11,560,051.

4.37 In assessing whether this asset class is held at a carrying value materially different from the fair value of these assets, staff need to first determine the fair value of the assets. As these assets are not saleable and therefore have no market to use for comparison, the fair value will need to be determined using either indices indicating movement within the construction costs, or through the use of unit cost movements.

4.38 Finding indices information, staff went to Statistics NZ business price indices, which are generated quarterly. The results of these inquiries gave us the following information.

	June 2022	March 2024	Movement
Buildings	1045	1073	2.68%
Systems for Water and Sewerage	1024	1048	2.34%

	June 2022	March 2024	Movement
Other civil construction	1040	1060	1.92%
Fencing	1009	1009	0.00%
Irrigation and land drainage	1021	1026	0.49%

- 4.39 Based on the above adjustors, staff have done a high level fair value assessment of the value of the existing roading assets at 30 June 2024. Staff have ignored capital additions in the 23/24 financial year as the cost of these should approximate fair value based on contract adjustments or new tender prices for new contracts.
- 4.40 Based on the above indices, and adjusting using the relevant adjustor, the estimated fair value as at 30 June 2024 is \$11,594,944. The carrying value at 30 June 2024 of existing assets is likely to be \$11,334,229. This gives a difference of \$260,715, which is 2.3% of the total value of the Sewerage supply assets.
- 4.41 Generally, a movement of less than 5% is considered not material, over 10% is material and anything between 5-10% is a judgement call to determine materiality.
- 4.42 Given the small variance in dollars staff concluded that the Water System asset class is not materially misstated.

5 CONSIDERATIONS | NGĀ WHAI WHAKAAROTANGA

Significance and engagement

- 5.1 This item has been assessed as of low significance in accordance with our significance and engagement policy, and so therefore no engagement is required.

Impacts on Māori

- 5.2 Staff consider the matters set out in this report do not have a direct impact on cultural wellbeing, sites of significance or waterways.

Risk analysis: Council’s top risks

- 5.3 The risk associated with this decision with regards to ŌDC’s top risks is deemed to be low.

Risk analysis: Other considerations

- 5.4 The risk associated with this decision is deemed to be low.

Policy and plans

- 5.5 Staff confirm that the recommendation in this report complies with ŌDC’s Policies and Plans.

Legal

- 5.6 There are no legal considerations around this matter.

Financial

- 5.7 As this is a financial decision, all the financial considerations are included in the discussion in the report.

6 DISCUSSION | HE KŌRERORERO**Option 1: Agree with the fair value assessments**

- 6.1 This would mean that staff can leave the identified asset classes at their current carrying values, without requiring a revaluation.

Option 2: Do not agree with the fair value assessments

- 6.2 This would mean that either staff are required to go and do further work on the fair value assessments to address the concerns of the committee, or it may mean that revaluation of some or all of the identified asset classes is required.

Recommendation option and rationale

- 6.3 The recommendation is to agree with the fair value assessments that staff have undertaken. The assessments have considered the same adjusters that would be used for a revaluation, so the fact that they are showing that the movement is not significant suggests that a revaluation for this year would not be warranted.

INFORMATION ONLY REPORTS | NGĀ PŪRONGO MŌHIOHIO ANAKE

DISCLAIMER: The reports attached to this Open Agenda set out recommendations and suggested resolutions only. Those recommendations and suggested resolutions DO NOT represent Ōtorohanga District Council policy until such time as they might be adopted by formal resolution. This Open Agenda may be subject to amendment either by the addition or withdrawal of items contained therein.

Item 55: Health, Safety and Wellbeing quarterly report**To:** The Chairperson and Members of the Risk and Assurance Committee**From:** Noah Lockett-Turton, Manager People & Capability**Date:** 12 June 2024**Relevant community outcomes:** Responsible Connected Sustainable**1 Purpose | Te Kaupapa**

- 1.1 To provide an update on progress being made to improve health, safety and wellbeing (HSW) along with current key performance indicators covering 21 March 2024 – 6 June 2024.

2 Executive Summary | Whakarāpopoto Matua

- 2.1 In summary, the report outlines the progress to improve health, safety and wellbeing at Ōtorohanga District Council (ŌDC). The report touches on the newly identified hazards/risks, and trends with near misses and incidents. Commentary is provided on the Health, Safety and Wellbeing Committee, wellness benefit and group medical insurance. It concludes with an update on the key performance indicators.

3 Staff recommendation | Tūtohutanga a ngā Kaimahi

That the Risk and Assurance Committee receive the report 'Health, Safety and Wellbeing quarterly report' (document number 761121) from Noah Lockett-Turner, Manager People & Capability.

4 Discussion | He Kōrerorero**Previous questions**

- 4.1 The Committee enquired about the nature of the incidents. The summary of the type of incidents is detailed below in the report.
- 4.2 The Committee queried if there were any material issues raised to justify changes to systems or processes. There has been one incident that has highlighted areas of improvement in our systems and processes. The incident was a medical event at work in which our employee acted to ensure the health, safety and wellbeing of the other employee. The situation was handled well, but there were identified gaps in our processes and required information.
- 4.3 ŌDC staff have taken action to improve those gaps, particularly, we have sought to:
- have our staff update their information, specifically the emergency contact, and
 - change the way in which the information is held to allow it to be more accessible.

4.4 Other process improvements have come from proactive initiatives.

Hazards Identified

4.5 Since the previous RAC meeting, staff have identified three new hazards.

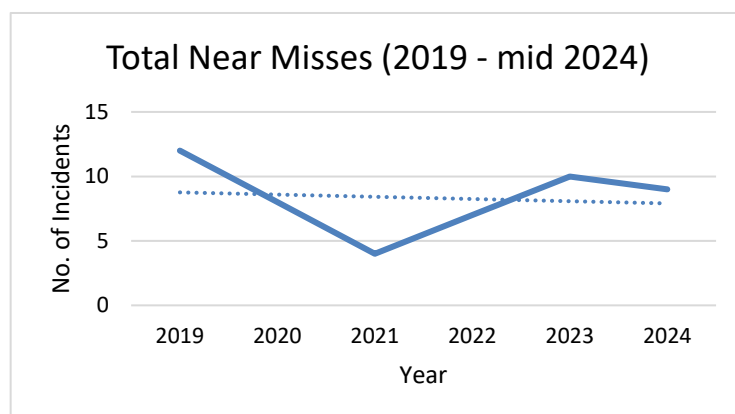
- Tripping hazard at the Memorial Park ground for the ANZAC parade route – the hazard has been eliminated.
- Toilet block at the Ōtorohanga Waters Facility – there are ongoing discussions to determine the best solution.
- Duress situations in the Council Chambers – further information will be detailed below.

4.6 There is a hazard that a duress situation could occur in the Council Chambers, especially given ŌDC may not know every person that enters the chambers, i.e. during meetings open to the public. Key staff have discussed the hazard and identified a procedure to allow for action to be taken as soon as practicable following a duress situation. A transponder and remote duress alarm button have been fitted to the Chamber. The procedures are being drafted now, before they are reviewed and finalised. The procedure will not replace current practices to mitigate risks of duress situations occurring in the first instance.

Near misses

4.7 ŌDC has had 2 near misses in April and 1 near miss in May this year.

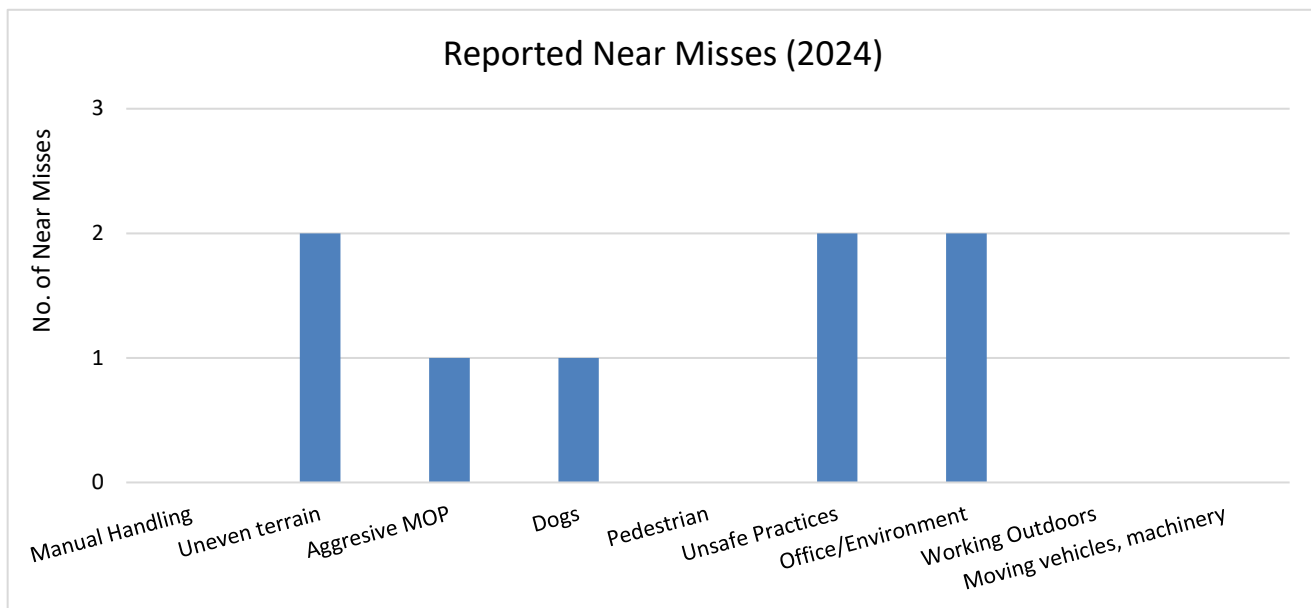
4.8 There has been a total of 9 reported instances of near misses in the 2024 calendar year. Only being halfway through the year, the extrapolated result of the trend is that ŌDC are likely going to record the highest number of near misses in 6 years.



4.9 The higher number of near misses to date is not cause for alarm. Having reviewed the specific details of the incidents it appears they are of a less severe nature, and rather demonstrates an increased focus in reporting by staff.

4.10 The analysis of the type of near misses tend to show a balance of office based and non-office based near misses, whereas we'd expect the majority being non-office based due to the additional quantity of variable factors.

4.11 The office based near misses were in most part avoidable, and require a reminder to staff to keep health, safety and wellbeing at the front of mind. A reminder to staff will made at the next all staff meeting.



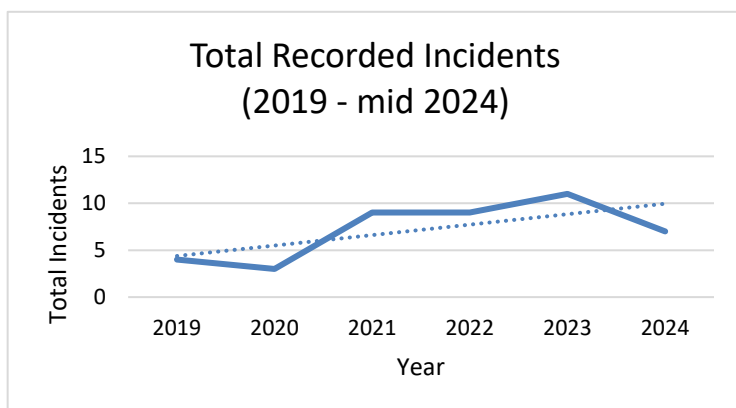
Incidents

4.12 There have been 7 incidents reported in 2024.

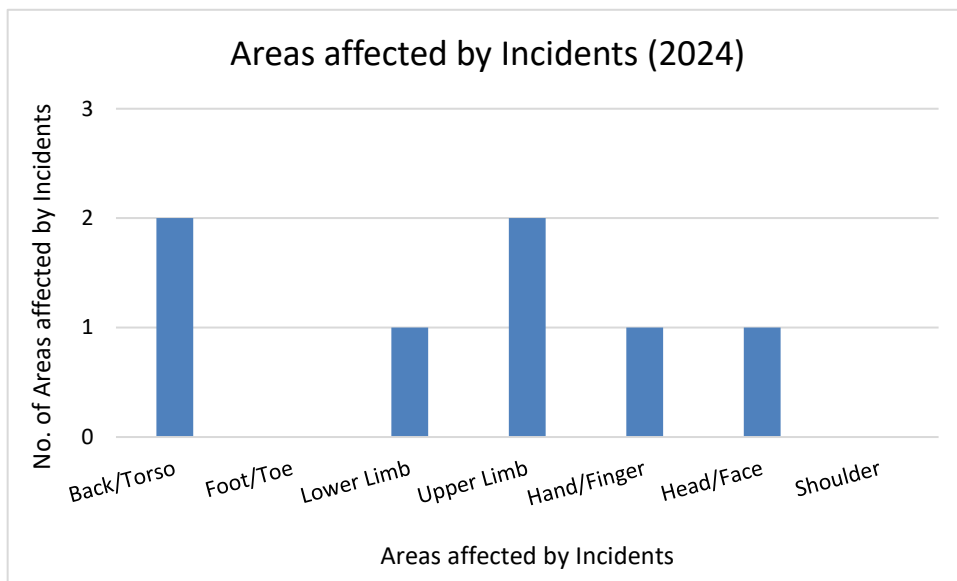
4.13 Similar to that on near misses, the trend of the incidents tends to demonstrate that ŌDC is tracking to record the most annual number of incidents in that of a 6 year period.

4.14 Though on track to record the highest number of incidents, if the two incidents which were events not caused by work, but happened at work, were removed it would paint a different picture in that ŌDC is on track to have less incidents than 2023.

4.15 Overall, there is a relative increase in incidents over the 5 and a half year period, and this could be put down to reasons such as increased staff numbers, improved awareness of health, safety and wellbeing leading to greater reporting or greater risks in the work environment. Further investigation is required to confidentially justify the reasoning.



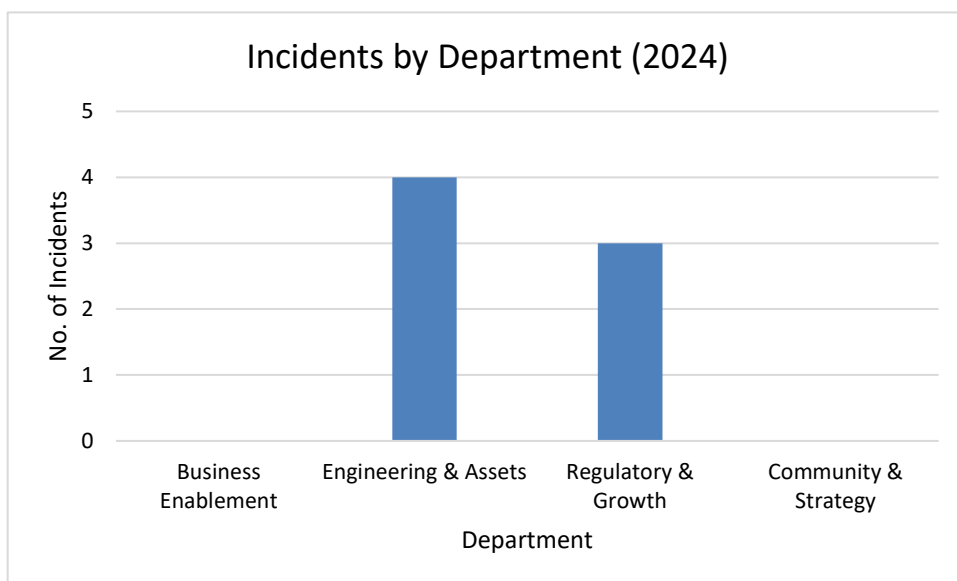
4.16 The body area affected by the incident differs and as such we could safely conclude that repeat incidents are not occurring on a regular basis. Therefore, demonstrating staff are making a concerted effort to improve work practices post-incident.



4.17 It is not unexpected that Groups commonly operating in a non-office based setting are seeing the majority (or in this case all) incidents occur in their areas.

4.18 Continuous work is required to ensure that ŌDC staff are proactive in managing health, safety and wellbeing in these areas.

4.19 It is worth noting that the Strategy and Community Group have been running many community events relating to the long-term plan. Although there has been an increase in non-office based activity they are yet to have an incident occur. Therefore, they should be commended on their health, safety and wellbeing focus for these events.



Health, Safety and Wellbeing Committee (HSWC)

- 4.20 The HSWC has met three times since the previous RAC meeting.
- 4.21 The HSWC have been discussing how we can be more proactive about driving a health, safety and wellbeing work culture having identified previous initiatives no longer occurring. Further planning will occur in this space, but initial discussions were around potentially:
- providing optional training sessions
 - highlighting public wellness initiatives, i.e. Blue September
 - improving the accessibility of documents.
- 4.22 The HSWC will be seeking out a nomination for a new committee representative following one of the representative's role changed and now are representing another Group. The new representative will ensure each Group is adequately represented.

Wellbeing Benefit

- 4.23 The Wellbeing Benefit was introduced in July 2023 to encourage and support the wellbeing of ŌDC employees. The benefit consists of employees being able to claim back up to \$200 per annum on any wellbeing expense, i.e. sports equipment, health appointments etc.
- 4.24 As at 14 May 2024, we have seen 24 employees access the benefit. The breakdown of the claim for the benefit is below. Note that some employees claimed for multiple expenses that equate to the benefit maximum.

Claim Type	No. of Claims
Sports Equipment	9
Gym	5
Eye Health	3
Health Consults	8
Sports Participation	2
Health Plans	1

Group Medical Insurance for Staff

- 4.25 This was proposed by the Leadership Team to be included in the 2024 Long Term Plan. Unfortunately, due to budget constraints it has not been included in the final budgets.

Key Performance Indicators

- 4.26 ŌDC are on target to achieve all 4 key performance indicators (KPI) for 2023/24.

- 4.27 The KPI for inspections both for workplace and site are currently being met through the work regularly being completed through the Engineering & Assets Group, including site visits and inspections weekly at the waters project.
- 4.28 Site and workplace inspections in other aspects of the business have dipped though they are not required as frequently. More focus is required to ensure the inspections are regularly completed.
- 4.29 The inspections have been discussed at the May Health, Safety and Wellbeing Committee meeting, in which it was identified that some representatives would like more support in how to complete an inspection. Hence, I have committed to doing an inspection with them so we can discuss what is being inspected together.
- 4.30 Going forward, a review of the KPI's will be undertaken to assess the relevance in providing commentary of the health, safety and wellbeing at Otorohanga District Council. The result of such a review may be that the KPI's are deemed as not the most effective method, and as such would not feature in future reports.

KPI	Target	Status
Health, Safety and Wellbeing Committee meetings	1 per month	On target
Near miss events reported	2 per month	On target
Site inspections	5 per month	On target
Workplace inspections	2 per quarter	On target

Item 56: Building Consent Authority International Accreditation New Zealand audit update

To: The Chairperson and Members of the Risk and Assurance Committee

From: Phil Saunders, Manager Building Control

Date: 12 June 2024

Relevant community outcomes: Responsible Progressive Knowledgeable



1 Purpose | Te Kaupapa

1.1 To provide an update on achieving International Accreditation New Zealand (IANZ) Building Consent Authority (BCA) accreditation in May 2024 and an overview of the preparation for the IANZ audit in August 2024 for the BCA accreditation through to August 2026.

2 Executive Summary | Whakarāpopoto Matua

- 2.1 The 22 September 2023 IANZ assessors report identified that there were 29 general non-compliances (GNCs) and 9 serious non compliances (SNCs) that needed to be addressed by ŌDC in order to retain Building Consent Accreditation.
- 2.2 Staff, with the assistance of Solutions Building Team consultants, achieved full compliance and the BCA was fully re-accredited in May 2024.
- 2.3 A further IANZ audit is due in August 2024 which is 12 months after the 2023 audit in line with the IANZ requirements. If successful, this means ŌDC will retain full accreditation through to August 2026 at which time a further IANZ audit for accreditation will take place.

3 Staff recommendation | Tūtohutanga a ngā Kaimahi

That the Risk and Assurance Committee receive the report 'Building Consent Authority International Accreditation New Zealand audit update' (document number 760043) from Phil Saunders, Manager Building Control.

4 Discussion | He Kōrerorero

- 4.1 The BCA was re-accredited by IANZ in May 2024 following the IANZ audit in August 2023. This followed in-depth review and changes to the BCA quality systems manual (QMS) that includes the procedures to comply with the Building Consent Authority Regulations 2006 (Regulations).
- 4.2 IANZ measure the BCA against the Regulations and must be satisfied that the BCA is complying with the Regulations and is following the procedures in their QMS before they will approve accreditation.

- 4.3 IANZ BCA accreditation audits are generally every 2 years. However, IANZ can elect to carry out audits at any time after the initial audit and the time between audits may depend on their assessment of the BCA's level of compliance during the audit. ŌDC's next audit is 12 months after the previous audit, being August 2024.
- 4.4 In discussions with IANZ they suggested ŌDC consider a full routine assessment as opposed to a special assessment on the basis this would give us with a time between audits. If ŌDC were successful as posing a low risk (in August 2024) then routine assessments would be every 2 years, whereas a successful special assessment outcome would require a further assessment in 12 months' time. Therefore, staff have determined a full routine assessment delivers the better long-term outcome with the expectation that ŌDC is successful in retaining accreditation.
- 4.5 Staff have initiated several measures to assist with the August accreditation.
- 4.5.1 Firstly, staff have appointed an experienced building consultant as a quality manager who is assisting with the preparation for our audit in August 2024 and is working with staff to ensure ŌDC are best placed for a successful outcome. After the August accreditation staff will look at a long-term solution for a quality manager and are in discussions with neighbouring councils and Co-Lab about a shared resource as one option.
- 4.5.2 Staff have also developed an annual monitoring system that identifies required actions with the dates when the actions need to be completed and to keeps on track to meet all the Regulation requirements. Finally, staff have completed a rewrite of our Quality Management System (QMS) and are progressively working through each section with the full building team and undertaking testing to ensure that all processes and timeframes are being followed. All changes to the manual are also peer reviewed by ŌDC's Quality Manager, and the QMS has been reviewed by IANZ as being acceptable.
- 4.6 The success in regaining accreditation in May this year and ongoing preparation leading into August has given confidence and focus for a successful outcome in August to retain ŌDC's BCA Accreditation.
-

Item 57: Key information services, risks and current strategic improvements

To: The Chairperson and Members of the Risk and Assurance Committee

From: Billy Michels, Manager Information Services

Date: 12 June 2024

Relevant community outcomes: Resilient Enduring Responsible



1 Purpose | Te Kaupapa

- 1.1 To update on risk reduction efforts undertaken over the past 12 month and to report on any new risks within our Information Systems and the work being undertaken to address these.

2 Executive Summary | Whakarāpopoto Matua

- 2.1 Many of the risks identified in previous reports have been addressed via policy or physical controls.
- 2.2 Most of the early recommendations have now been completed or improved, though ongoing work is required.
- 2.3 Future work is now mainly focused on policy and procedure.

3 Staff recommendation | Tūtohutanga a ngā Kaimahi

That the Risk and Assurance Committee receive the report 'Key information services, risks and current strategic improvements' (document number xxx) from Billy Michels, Manager Information Services.

4 Discussion | He Kōrerorero

Infrastructure

Server Hardware

- 4.1 ŌDC's server environment has now been in the cloud for more than 12 months and continues to provide a reliable and secure foundation for our network. Until recently staff continued to maintain a dozen file servers (in the cloud) but about half of which have now been shut down and their contents migrated to Microsoft SharePoint.

Disaster Recovery Facilities and Backup Solution

- 4.2 The backup environment is in the cloud. The software used to carry out this task was changed in 2023, and a new backup regime implemented.

Network Connections and Redundancy

- 4.3 While still a minor issue, ŌDC's connectivity has been improved. There are still no alternate fibre connections available but other possibilities are being considered.

Cyber Security

- 4.4 In 2022 ŌDC subscribed to the 'SAM for Compliance' tool. Since then, a number of controls have been changed and/or implemented. After the initial audit ŌDC had a compliance score of ~35% but this is now at 55%, roughly the LG average.
- 4.5 Further reviews of the controls within the SAM tool will be ongoing and successful completion of the projects below will improve this score further – though results above 60% become significantly harder to achieve.
- 4.6 Late last year ŌDC was recognised for their efforts by being awarded Most Improved Cyber Security at the ALGIM Awards.
- 4.7 Work was done to find a suitable system to manage and respond to malicious activity on the network. In 2023 ŌDC subscribed to the SSS Managed Security Service. They now monitor ŌDC's network and alert staff to any anomalies that occur. These events are then flagged and addressed, either by staff or INFX – our preferred external support contractors. To date the issues have been minor and there have been no reported intrusions.

Onboarding and Exiting of Staff

- 4.8 The onboarding and off-boarding of staff has been improved with better processes and this will continue to be improved over time. A significant amount of effort has also been done to identify, disable or delete legacy accounts from ŌDC systems and this is now monitored on a regular basis.

Email Archive

- 4.9 An email archive, a module within our file backup solution, has been implemented.

Screen Lock Change

- 4.10 Previously the screen lock was set to 30 minutes. This has now been reduced to 10 minutes.

Policies

- 4.11 The password policy was changed in 2023. Passwords now require a minimum of 16 characters with a change needed every 365 days.
- 4.12 An Acceptable Use Policy was introduced in 2023.

Ongoing Risks and Priorities

- 4.13 A lot of work has been undertaken over the past 12 months, most of which has in some way reduced our risks. Staff are more confident in the environment and ŌDC's ability to recover from a disaster, either intentional or natural, has been improved.
- 4.14 The move to the cloud and the removal of some legacy technology and accounts have significantly improved ŌDC's risk profile.
- 4.15 Much of the effort planned for 2024 focusses on improved processes and policies. While some may seem relatively insignificant, compared to much of the work already undertaken, they are no less critical to the security of ŌDC's systems.

Information Management

- 4.16 A review of Information Management processes was carried out earlier this year and highlighted several areas for improvement. A strategy and workplan will be developed to address the issues. The first steps are the completion of an Information Management Policy and Procedures Manual.
- 4.17 A more relevant file structure and improved search are expected to be developed. Significant effort will also go into staff training and support to improve understanding of staff obligations and responsibilities in regard to proper record keeping.

Risk Register

- 4.18 An updated copy of the Risk Register is attached (Appendix 1).

Cyber Security Training

- 4.19 Staff training courses on basic cyber security were carried out in May. This was well attended by staff.
- 4.20 ŌDC is also now subscribed to a Phriendly Phishing service. One function is the provision of regular training for staff on how to spot spam messages.

Artificial Intelligence

- 4.21 An AI Policy is currently being developed. While not in yet in regular use, AI promises improved productivity but could create a number of risks to ŌDC – such as the creation of misleading statements or the disclosure of private information.
- 4.22 Once a policy has been developed, staff will look at licensing an AI product that can be used internally and train appropriate users.

5 Appendices | Ngā ĀpitiHanga

Appendix #	Name
1	Updated Risk Register

IT Risk Register

The risks are arranged in the order of Residual Risk (Critical, High, Medium and Low)

Gross Risk	Residual Risk	Risk Description	Risk Category Asset Management, Environmental, Nature Disaster, Financial, HR, Information, Community, Service Delivery, Image/Reputation, Legal/Regulatory, Political, Recreation/Sport, Technology, Performance Monitoring	Impact	Likelihood	Risk Level	Mitigation Strategy	Mitigation Action	Responsible Staff	By When	How Do We Measure Success in Risk Mitigation?	Progress in Risk Mitigation YTD Month/Year										
High	Medium	Staff Resources	HR, Technology, Service Delivery	Moderate Extreme Minor Moderate	Moderate Likely Moderate Moderate	Medium Extreme Medium Medium	Ensure key staff have adequate training and backup for core tasks	Identify additional staff and train on key tasks Ensure adequate training for backup staff Contract in place with support provider for additional support. Give staff opportunity to maintain training in new technologies	Manager IS, Managers	Ongoing Ongoing Ongoing Ongoing	Training provided for core support Provide backup staff for core support Contract with INFX to provide support Ensure sufficient time and resources to maintain skills											
		Software Applications											Technology, Service Delivery	Moderate Moderate Moderate	Unlikely Unlikely Unlikely	Medium Medium Medium	Actively manage all key vendor relationships	Keep all core software regularly patched Actively maintain vendor relationships Monitor key vendors and consider alternatives	Manager IS	Ongoing Ongoing Ongoing	Software issues are kept to a minimum causing little impact to users Solid group of vendors that support Council	Software patching carried out regularly Regular meetings held with Account Managers for major Applications Keeping aware of the marketplace
		Software Failure																				
		Lack of Support from Vendors Vendor Closes Business																				
High	Medium	Systems Administration	Technology, Service Delivery	Moderate Major Major Major Major Minor Moderate	Moderate Moderate Moderate Moderate Moderate Moderate Rare	Medium High High High High Medium Low	Manage all server patching, backups and antivirus files and ensure testing	Server patching undertaken regularly Documentation created and regularly updated Backup procedures carried out nightly Carry out regular test restore to check integrity of backup Regular communications and training for all staff Antivirus files updated daily	Manager IS, INFX	June 2023 Ongoing Ongoing Ongoing Ongoing Ongoing Ongoing	IT service requests managed and completed in timely fashion All servers are patched regularly and kept up to date Library of documents kept at ODC and INFX Regular snapshots taken and stored INFX carry out annual checks All issues resolved by IS team or INFX Antivirus files are updated daily	Implementation of IT Service Request application Server patching carried out regularly Project started to improve documentation Process in place Process in place										
		Issues Not Resolved																				
		Server Patching Not Completed Regularly																				
		System Configurations Not Documented																				
		Backup Procedures Not Carried Out																				
		Backup Files Not Checked																				
		Shadow IT Creating Problems and Additional Work																				
AntiVirus Files Not Updated Regularly																						
High	Medium	IT Change Management	Technology, Service Delivery	Major Major	Rare Rare	Medium Medium	Create a change management process that ensures all significant changes are approved	Implement a change management process Approval process implemented and monitored	Manager IS, Managers	June 2023 Ongoing	Implement change management system Implement change management system	Investigating Change Management System as part of Service Desk Application Investigating Change Management System as part of Service Desk Application										
		No IT Change Management Controls Changes to Production Environments Causing Issues																				
High	Medium	IT Project Management	Technology, Service Delivery	Major Moderate Minor	Moderate Unlikely Unlikely	High Medium Low	Ensure proper project management processes are followed	Projects are given sufficient time for completion. Projects are carefully investigated and funded accordingly. Ensure good processes in place and followed accordingly	Manager IS, Managers	Ongoing Ongoing Ongoing	Projects are delivered in timely manner Projects are funded appropriately All procurement is done in line with ODC policies	Following normal PM processes for IT projects Ensure projects are properly scoped with accurate requirements and costs Procurement practises in place via CoLab initiative										
		IT Projects Not Delivered on Time																				
		IT Projects Underfunded Procurement Processes Not Followed																				
High	Medium	User Access Controls	Technology, Service Delivery	Moderate Moderate Minor Moderate	Rare Rare Rare Rare	Low Low Very Low Low	Actively monitor and report on user access controls	Speak with user, if continues raise with manager and/or HR Former staff access rights are promptly removed Ensure password policies are enforced Regular reminder to staff re managing passwords	Manager IS	Ongoing Ongoing Ongoing Ongoing	Breaches of policies reported No unauthorised security breaches No evidence of password breaches No evidence of staff using account other than their own	Ongoing monitoring of any issues Regular reviews now underway and likelihood of live accounts for former employees is low. Password policies are enforced Ongoing monitoring of any issues										
		Staff Not Adhering to IT Policies																				
		Live Accounts for Former Employees																				
		Passwords Not Being Changed Sharing of Passwords																				
High	Medium	Hardware Failure	Technology, Service Delivery	Moderate Extreme Moderate	Rare Rare Rare	Low Medium Low	Setup monitoring tools that provide early warnings of any failures	Deploy server monitoring tools Ensure DR environment is available Regular checks of UPS and batteries	Manager IS	Ongoing Ongoing Ongoing	Cloud services are proactively monitored Services remain available >99% of time No UPS failures experienced	Ongoing monitoring by service provider Testing carried out when building refurbishment completed, Lack of internal server infrastructure means impact is low.										
		Server Hardware																				
		Loss of Cloud Data Centre UPS failure																				
High	Medium	Network Architecture	Technology, Service Delivery	Moderate Moderate Major	Rare Rare Moderate	Low Low High	Manage and monitor network performance and architecture	Provide secondary connection through wifi or mobile broadband Ensure network monitoring tools are in place Ensure redundancy in internet connection	Manager IS	June 2023 June 2023 June 2023	Network monitoring service implemented Network monitoring service implemented	Monitoring Service selected from SSS and started in Aug 2023 Monitoring Service selected from SSS and started in Aug 2023 Currently investigating options for redundant supply										
		Internal Network Failure																				
		Loss of Network Performance Loss of Internet Connectivity																				
High	Medium	Cybersecurity	Technology, Service Delivery, Image/Reputation	Moderate Moderate Moderate Moderate Moderate Major Moderate Moderate	Unlikely Moderate Unlikely Unlikely Moderate Likely Moderate Moderate	Medium Medium Medium Medium Medium Very High Medium Medium	Implement a computer security incident management system	Regular staff training Deploy network security monitoring tools Regular reminders to staff of their responsibilities Ensure Antivirus and Anti-Malware tools are in place and up to date Regular staff training Implement security monitoring tools to detect malicious activity Implement policy regarding use of USB devices Use only accredited e-waste disposal facilities	Manager IS	June 2023 June 2023 Ongoing Ongoing Ongoing June 2023 June 2023 Ongoing	Alerts and actions from managed network monitoring service Alerts and actions from managed network monitoring service Alerts and actions from managed network monitoring service Alerts and actions from managed network monitoring service Staff are always aware of potential risks Alerts and actions from managed network monitoring service Alerts and actions from managed network monitoring service Redundant hardware is cleaned of data before disposal	SAM for Compliance implemented. SSS Managed Network Monitoring service implemented in August 2023 SSS Managed Network Monitoring service implemented in August 2023 SSS Managed Network Monitoring service implemented in August 2023 Phishing awareness training carried out in May 2024										
		Data Breach																				
		Denial of Service Attack																				
		Innapropriate Use of Hardware																				
		Malicious Code Introduced to Hardware																				
		Phishing Attack																				
		Ransomware Attack																				
		Use of USB Devices to Move/Remove Data																				
		Hardware for Disposal Still Containing Sensitive Data																				

	Unauthorised Access		Moderate	Rare	Low		Regular review of users and security permissions		Ongoing	No unauthorised users gain access to our systems	Regular testing is ongoing
	Physical Security Access to Comms Room Equipment Removed Without Authorisation Access to DC Building	Technology, Service Delivery	Moderate Minor Moderate	Rare Rare Rare	Low Very Low Low	Ensure only key staff have required access	Maintain key register Keep significant spares locked away Building control to perform annual security audit	Manager IS, Property Manager	Nov 2022 Nov 2022 Ongoing	No unwanted access to Comms Room No unauthorised staff have access No unauthorised staff have access	Comms room kept locked. Access is rare. Access is rare and keys are not shared New building access system installed in 2022
	Natural Disasters Earthquakes Flooding Lightning	Nature Disaster, Technology, Service Delivery	Major Minor Minor	Rare Unlikely Rare	Medium Low Very Low	Update and test the Business Continuity Plan	Provide remote access for staff and activate BCP Provide remote access for staff and activate BCP Provide remote access for staff and activate BCP	Manager IS	Ongoing Ongoing Ongoing	All staff have remote access in BCP event All staff have remote access in BCP event All staff have remote access in BCP event	Currently provide VPN access and remote desktop access to users
	Man Made Disasters Power Failure Fire	Technology, Service Delivery	Moderate Moderate	Rare Rare	Low Low	Update and test the Business Continuity Plan	Regular checks of on-site generator	Manager IS, Property Manager	Ongoing Ongoing	All staff have remote access in BCP event All staff have remote access in BCP event	Building has backup generator. Cloud based applications means staff can effectively work from home. Applications are all available via cloud allowing staff to work effectively from home.
	Information and Records Management Accidental Destruction of Physical Records Unable to Respond to LGOIMA Requests Loss of Data Due to Desktop Hardware Failure Compliance with Public Records Act Use of AI Tools	Information, Service Delivery	Moderate Moderate Major Moderate Moderate	Rare Likely Likely Rare Unlikely	Low High Very High Low Medium	Initiate programme to backscan historical records	Backscan of essential records Remind staff of need to retain critical documents in MagiQ Remind staff of risks of saving locally and encourage more use of Docs, IM Policy and Project to direct more documents to Docs. Carry out independent audit of Records function Put policy in place regarding use of AI Tools. Ensure any outputs are peer reviewed for accuracy	Manager IS, Information Mgmt Officer	June 2023 2024 2024/25 Ongoing Dec 2023	Historical records scanned and originals stored offsite Process improved through use of Service Request Reduced local storage and increased use of Docs Audit report from ALGIM suggests changes required to IM practises AI Tools are used responsibly and all output is accurate or comes with disclaimer	Project partly funded as part of LTP Have discussed improved process with MagiQ Reduce number of files saved locally by using MagiQ Docs. Project has started to improve use of EDRMS. Improvements to processes and practises to be started in 2024/25
	Website Comms Team Lack of Resources Incorrect Information Posted to Website Loss of Hosting of ODC Website	Technology, Service Delivery, Image/Reputation	Moderate Moderate Moderate	Unlikely Unlikely Unlikely	Medium Medium Medium	Review and Manage External Hosting	Ensure backup for Comms team Ensure material for website is checked before posting Ensure web host has DR plan in place	Manager IS, Comms Manager	Ongoing Ongoing Ongoing	Ensure backup for Comms team All content to be independently checked before going on Web Eensure redundancy in website hosting	Additional resource in Comms team is forthcoming. New website implemented in March 2024
	Artificial Intelligence Over Reliance of AI Incorrect Information Used AI used inappropriately Confidential Information is Revealed	Technology, Service Delivery, Image/Reputation	Moderate Moderate Moderate Moderate	Moderate Moderate Moderate Moderate	Medium Medium Medium Medium	AI Policy Training and Licensing Training and Review	Complete AI Policy Ensure material created by AI is reviewed License AI tools only to users who have demand for AI and have been suitably trained Ensure material created by AI is reviewed	Manager IS, Comms Manager	Ongoing Ongoing Ongoing Ongoing	All outputs are checked for accuracy and data integrity Ensure ODC data is used for any internal reporting Policy to ensure staff have AI content reviewed for accuracy and appropriateness Ensure all AI outputs are checked before publication	AI Policy to be completed by June 30 2024

Item 58: Capital projects report for the month ending 31 May 2024**To:** The Chairperson and Members of the Risk and Assurance Committee**From:** Mark Lewis, Group Manager Engineering and Assets**Date:** 12 June 2024**Relevant community outcomes:** Prosperous Engaged Enduring**1 Purpose | Te Kaupapa**

- 1.1 To provide assurance on the delivery of the capital projects programme, outline any material risks that may affect the programme and how the risks are mitigated for the 23/24 financial year. The threshold for this report is projects valued over \$500,000 or where there may be a high level of public interest.
- 1.2 To highlight any other risk areas within the Engineering and Assets activity.

2 Executive Summary | Whakarāpopoto Matua

- 2.1 As the end of the financial year nears, the capital projects that meet the above threshold are all nearing completion, apart from the wastewater upgrade that was always expected to move into 24/25 financial year.
- 2.2 Overall, the capital delivery has run smoothly over the last long term plan cycle with a large capital programme to deliver.
- 2.3 Water main renewals are now complete. Waipa water storage is nearing completion with final tie ins to be completed before the end of June 24.
- 2.4 The Ōtorohanga Wastewater Upgrade Project has made good progress through the autumn with the Harper Ave portion completed and Rangitahi portion making good progress with the new pump station installed and 370m of the 300 mm sewer main installed. The project continues to be challenging given the scale and location but is being well managed by the staff and contractor.
- 2.5 The rehabilitation projects are complete and the reseals programme is all but complete with a minor asphalt section on Ōtewā Road to be completed in the second week of June.
- 2.6 Roading contracts are tracking on schedule with the only challenge being the replacement of the bridge deck on the Lethbridge Road bridge.
- 2.7 The Ōtorohanga Wastewater Treatment plant is still presenting compliance issues which are detailed later in the report.
- 2.8 This report provides assurance to the Committee that capital projects delivery is on track, with moderate risks to ŌDC around the budget for the wastewater project as outlined in previous reports and the completion date of the Lethbridge Road bridge deck this financial year.

- 2.9 All present risks are being mitigated by good communication and early signals by activity managers. All significant risks are relayed to the Leadership Team as and when required and if needed through to ŌDC. All activity managers' report quarterly to ŌDC and there should be no surprises.

3 Staff recommendation | Tūtohutanga a ngā Kaimahi

That the Risk and Assurance Committee receive the report titled 'Capital Projects Report for the Month Ending 31 May 2024' (document number 743584) from Mark Lewis, Group Manager Engineering and Assets.

4 Discussion | He Kōrerorero

Local Water Done Well

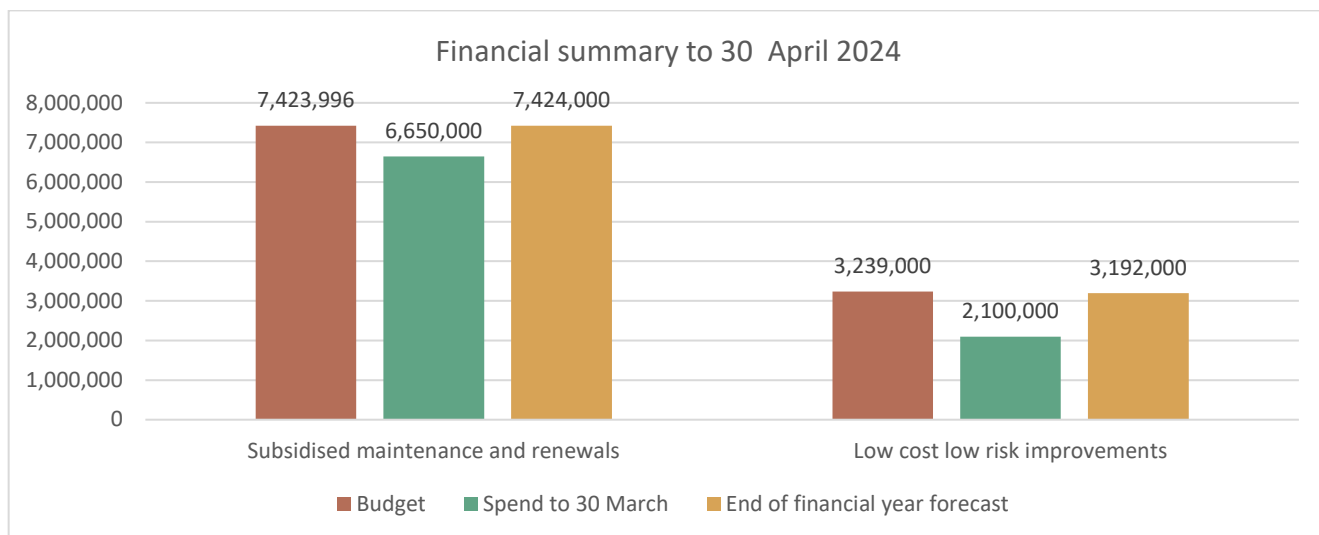
- 4.1 The Local Government (Water Services Preliminary Arrangements) Bill was introduced to parliament on the 31 May 2024. The single broad policy for this Bill is to lay the foundation for a new framework of water services management
- 4.2 The Water Services Acts Repeal Act 2024 put an end to the proposed 10 water services entities and confirmed that councils will continue to own and be responsible for water services. This Bill requires councils to provide transparent information about the current state of water services and to set out proposals to achieve financially sustainable water services and delivery models that meet regulatory standards with greater oversight and support from the Government.
- 4.3 Councils will have the flexibility and discretion to determine the optimal structure, delivery method, and funding and financing arrangements for their water services.
- 4.4 There are three legislative components to achieving the new framework for water services delivery. The Repeal Act reversed the previous approach to reforming water services delivery. This Bill is the second component and sets out the preliminary arrangements to put water services infrastructure on the path to long-term financial sustainability.
- 4.5 Further legislation will provide for the long-term replacement regime, including—
- long-term requirements for financial sustainability
 - establishing new classes of council-controlled water organisations and service delivery models
 - accountability, planning, and reporting regimes for water services
 - providing for comprehensive economic regulation (being developed in conjunction with the Minister of Commerce and Consumer Affairs)
 - amendments to the regulatory settings for Taumata Arowai—the Water Services Regulator:
 - establishing a regulatory backstop power
 - refinements to water services delivery system settings
 - detailed changes to the Local Government Act 2002 and other legislation to strengthen the delivery of water services.

Water services delivery plans

- 4.6 The Bill requires territorial authorities to submit water services delivery plans (plans) within 12 months of the Bill’s enactment. The plans will provide detailed information on the current state of ŌDC’s water services arrangements for water supply (including drinking water), wastewater, and stormwater and set out a strategy for how they will achieve the delivery of financially sustainable water services and meet regulatory quality standards.
- 4.7 The information on the current state of water services will lay the foundation for information disclosure as part of a future comprehensive economic regulation regime. Territorial authorities may combine to prepare a joint plan to reflect joint arrangements.
- 4.8 A joint plan must explain how water supply, wastewater, and stormwater services will be provided throughout the districts included in the joint plan. There is flexibility on whether to include some or all stormwater services in a joint arrangement.
- 4.9 Ōtorohanga is still developing an understanding of what this means locally and working closely with other Waikato councils on potential collaborative approach but until there are clear financials developed, it is hard to say whether Ōtorohanga is better off alone or in collaboration with other councils.
- 4.10 As with all matters pertaining to water reform this will move at pace and there will be very little time for submissions before it becomes law.
- 4.11 Until such time as ŌDC see what the framework looks like it is too soon to know the real impact this will have on Ōtorohanga however, one of the concerns already raised is the flexibility around stormwater. It was difficult for the last reform to establish a clear demarcation on stormwater, and it has presented again as one of the challenges as it is intrinsically interconnected with roads, parks and flood protection.

Land Transport (Roading)

- 4.12 Previous reports have indicated that there was risk around the completion of our roading budgets. Staff have recovered in the last 3 months and are showing a much more positive roading delivery programme.



- 4.13 As this graph details, staff are forecasting to spend all the renewal budgets and almost all of the low cost low risk budgets, which is very pleasing and a credit to the new Roothing Manager and his dedicated team and contractors.
- 4.14 The only risk currently in the roading activity is the timing of the Lethbridge Road bridge deck which is around the timing of the completion and the change over from 23/24 financial year and 24/25 financial year. Staff are working closely with NZTA and the contractor to have all the work completed prior to the end of year close off.

Three Waters

- 4.15 Recruitment of the new Manager Waters has been successful with the new manager starting on 17 June. ŌDC staff are very pleased to have filled this vacancy and have secured a very good manager with vast experience in water and wastewater.

Water Supply

- 4.16 Response to the Letter of Expectation from Taumata Arowai (Water Regulator) on the protozoa barriers for the rural schemes Huirimu and Kahorekau is detailed in a separate report.
- 4.17 The water main renewals are complete and came in under budget by \$28k.
- 4.18 The additional water storage project on the Waipā Rural Water Scheme was late to be awarded but is back on schedule and almost complete with final tie ins to take place before 30 June. This project will be completed under budget at current forecasts \$20k.

Wastewater

- 4.19 The Ōtorohanga Wastewater Upgrade: Harper Ave portion is completed and fully operational now. The Rangitahi Street portion started off with changes to the methodology from direction drilling to open cut and has made good progress since with over 300m of the new line already installed.
- 4.20 One of the challenges staff have had to overcome with the open cut was the alignment and proximity to power lines, a small change of alignment was made however, the size of the excavation has resulted in some deterioration of the existing road pavement. The projects team and roading team are working on a solution long term which may require the alteration of future rehabilitation programs. The long term affects will be better understood at the completion of reinstatement by the contractor.
- 4.21 Currently the budget is still sufficient to complete all three portions of the contract with the change in scope to Kakamutu portion moving to a reline instead of replacement.

Ōtorohanga Wastewater Treatment Plant

- 4.22 Staff continue to make improvements to the Ōtorohanga wastewater treatment plant in receipt of the abatement notice in February however, ŌDC have had several E.coli exceedances in May that have required further testing measures to be put in place and are now introducing temporary chlorine dosing at the outlet of the plant to assist with disinfection.
- 4.23 Staff will continue to work closely with Waikato Regional Council while returning the plant to within acceptable consent conditions. Being a lagoon style plant it is important that any changes made are

given time to show a result, and the risk of making too many changes too quickly can have the opposite effect. Staff have recognised an issue and are working methodically to restore to acceptable limits.

- 4.24 Improvements made so far have been, increased testing across the ponds, refurbishment of one of the wetlands, changes to the coagulation dosing plant. The purchase of handheld testing equipment to give actual time results of the processes within the plant.

Appendix 1

PROJECT		ACTIVITY	BUDGET	STATUS	ACTUAL	BUDGET FORECAST
1	Mangamahoe Rd & Turitea Rd Rehabilitation	Roading	1,250,000	Completed	1,360,000	1,330,000
2	Reseal programme 2023/24 FY	Roading	1,500,000	Completed	600,000	1,330,000
3	Low cost – low risk improvements*	Roading	3,240,000	Programmed	1,400,000	3,192,000
4	Water Main Renewals	Water	2,800,000	Completed	2,770,000	2,800,000
5	Waipa Additional Storage	Water	800,000	Completed	757,000	780,000
6	Wastewater Upgrades	Wastewater	4,800,000	Construction	2,360,000	4,800,000

KEY	DESCRIPTION
RED	Deferred/cancelled
ORANGE	Proceeding, but behind schedule
GREEN	On track or complete

Current situation

- 4.4 Since early 2023, a dedicated Assets Management department has been part of the Council. Part of their role includes ensuring that accurate, up-to-date information is included in ŌDC's asset management systems. In order for them to be able to do this, there is a need for them to collect information in a timely manner.
- 4.5 There is a significant cross-over between the information required by the Assets Management and Finance departments, so it has made sense to develop a process that will benefit both departments, without being overly onerous on the staff managing projects.
- 4.6 The Assets team has developed an Asset Recognition Form (ARF) which can be filled in either by the project manager or the contractor. This includes information about all the components of the project, as well as existing assets that have been removed. This includes information about materials, quantities, measurements and locations.
- 4.7 Also included within the form are columns for information about unit cost and total cost for the individual components. This information will be used by both Assets and Finance. The ARF also includes a summary sheet where the total costs in the form can be compared to the general ledger, to identify where items may be missing or potential miscoding in the general ledger.

Next steps

- 4.8 Staff have developed some reporting from the financial system for the Assets team to easily get the general ledger balance for a project. Work is still progressing on improving these reports to make them easier to use.
- 4.9 The ARF's that have been completed are currently being used to input information into the finance asset register system. As part of this, staff have identified some improvements to the form required to get all the information needed in the finance system.
- 4.10 Once these processes are in place and working, then staff will be establishing a monthly reconciliation process between the Finance fixed asset register and the Asset Management systems to ensure that information is being captured in both systems in a timely manner.

Impact on Audit and reporting to the Committee

- 4.11 Staff believe that the process will be in and working by the time Deloitte arrives for their final audit visit for the 23/24 financial year. This will hopefully mean that this item will be removed from the Deloitte reporting for the 23/24 financial year.
- 4.12 There is potential that as it has not been in for the full financial year, it may still be raised more for information purposes for the Committee. They may also identify potential improvements to the process from their review. In this case staff will update the Committee with management's response and any changes to be made.

- 4.13 One area where there may be some potential further recommendations from the audit process will be around the review and approval process, particularly around disposal of assets. Currently ŌDC's Delegations Manual has financial delegations with regards to the approval of disposal of assets, however these may need to be reviewed in light of the new process. There is also some discussion to be had internally around whether the disposal of assets is approved at the time a contract for a renewal or replacement of particular assets is signed.
-

Item 60: Ōtorohanga Climate Change Response Plan – Proposed Corporate Action Plan

To: The Chairperson and Members of the Risk and Assurance Committee

From: Ross McNeil, Chief Advisor

Date: 12 June 2024

Relevant community outcomes: Resilient Responsible Sustainable



1 Purpose | Te Kaupapa

1.1 To consider the proposed corporate climate change action plan for the Ōtorohanga District Council (ŌDC).

2 Executive Summary | Whakarāpopoto Matua

2.1 The Committee and ŌDC have confirmed the structure of a Climate Change Response Plan (CCRP) for Ōtorohanga, with a focus on Council operations and infrastructure, and community resilience. A draft Plan focusing on Council operations, including infrastructure resilience, is attached as Appendix 1).

3 Staff recommendation | Tūtohutanga a ngā Kaimahi

That the Risk and Assurance Committee endorse the Draft Ōtorohanga Climate Change Response Plan – Ōtorohanga District Council Organisation Targets and Actions (document number 760999).

4 Discussion | He Kōrerorero

4.1 In December 2023 the Committee endorsed the general scope of the CCRP, being a focus on emissions reduction (mitigation) covering Council operations and a focus on building Council infrastructure resilience (adaptation) and community resilience (adaptation).

4.2 In March 2024 the Committee endorsed the structure of the CCRP, noting the first deliverable component would be a plan focused on Council operations – covering emissions reduction and infrastructure resilience. The work on Council infrastructure resilience would inform and support the community resilience (adaptation) part of the CCRP as that plan is developed in conjunction with our communities.

4.3 A draft Plan focusing on organisation targets and actions for ŌDC in promoting emissions reduction and infrastructure resilience has been drafted (Appendix 1). The draft Plan identifies three goals and a series of targets, measures and actions to provide focus and momentum for achieving those goals. The goals are:

1. We understand and act on the impacts of climate change.

2. We have prioritised a transition to low (carbon) emissions.
 3. We have adapted to reduce climate change risk.
- 4.4 It is intended that Goals 1 and 3 as presented will form the basis on which the entire CCRP is developed (i.e. will also inform/guide the community-focused part of the CCRP (community resilience), noting that matters related to community emissions reduction will be excluded from the CCRP for the time being). While Goals 1 and 3 are relevant to guiding community resilience and adaptation, separate targets, measures and actions to support those goals will be developed as that part of the CCRP is progressed.
- 4.5 Most of the actions signalled in the draft ŌDC plan are considered 'business as usual', some of which are already underway, so will be resourced as such. Any significant additional resourcing required beyond the funding available for this project will need to be considered as part of a standard budget request process.

5 Appendices | Ngā Āpitihanga

- Appendix 1 Draft Ōtorohanga Climate Change Response Plan – Ōtorohanga District Council Organisation Targets and Actions

DRAFT Ōtorohanga Climate Change Response Plan – Ōtorohanga District Council Organisation Targets and Actions¹

Goal (Where we want to be)	Target (What we want to do by when)	Measures (How we'll know if we've achieved it)	Key Actions (This will be achieved through)
We understand and act on the impacts of climate change.	An internal Policy on Climate Change Response is adopted and operational by October 2024.	Climate Change Response Policy adopted. Climate considerations are included in Procurement Policy, project management templates and Council reports. Percentage of Council Teams with the targets related to climate change goals.	Update Procurement Policy and procedures to embed carbon reduction and waste minimisation considerations into procurement decisions. Develop an internal Policy to ensure climate change principles and targets are included in all major decision-making reports, project management and the development and review major plans, policies and bylaw and strategies. Measure organisation carbon emissions and use to inform reduction programme.
	All new staff complete a climate change learning module within 6 months of starting, from 1 July 2024. All managers and team leaders, and 75% of other staff employed prior to 1 July 2024 complete a climate change learning module by 30 June 2025	Percentage of new staff who have completed the climate change learning module within 6 months of starting. Percentage of existing staff who have completed the climate change learning module.	Ensure availability of climate change learning module.
We understand and act on the impacts of climate change.	ŌDCs plans, policies and reports reflect statutory direction by June 2027 (or as stipulated)	Compliance with statutory requirements	Update the District Plan and regulatory tools (e.g. bylaws). Ensure resource consents, building consents and other approvals are processed in accordance with presiding legislation and policy requirements. Ensure statutory reporting requirements are met.

¹ A separate community-focused response (action) plan, with a focus on adaptation, will be developed in conjunction with partners, stakeholders and local communities. That plan is expected to be in place by December 2025.

Goal (Where we want to be)	Target (What we want to do by when)	Measures (How we'll know if we've achieved it)	Key Actions (This will be achieved through)
We have prioritised a transition to low (carbon) emissions.	ŌDCs organisation emissions have reduced (2022 base year): 2024 – 10% 2027 – 20% 2030 – 30% 2040 – 50% 2050 – 75%	ŌDC organisation emission levels.	Ensure vehicle policy prioritises the transition to low-emission vehicles in the Council fleet. Encourage efficient/low-travel options such as car- pooling to events/meetings and virtual meetings, webinars and conferences.
		ŌDC stationary/non-transport energy consumption (emissions).	Include energy efficiency as a criterion in Council's procurement policy. Progress opportunities to electrify Council operations where meaningful emissions reduction can be achieved. Undertake specific energy efficiency initiatives/upgrades at Council facilities where meaningful emissions reduction can be achieved. Ensure emissions avoidance/reduction is a key consideration in project and service delivery. Improve internal organisation awareness and behaviours about energy reduction/efficiency
		ŌDC waste emissions.	Conduct waste audits of Council facilities and use data to optimise waste reduction/management. Organic waste from Council operations is composted. Improve internal organisation awareness and behaviours about waste reduction/recycling.
We have adapted to reduce climate change risk.	The ongoing effects of climate change on Council assets and infrastructure is known by June 2025.	Assets/infrastructure risk assessment.	Significant climate change risks in the District will be identified and, where appropriate, mapped. Provide a climate change evidence base and risk assessment to feed into future planning. Identify at-risk/vulnerable critical infrastructure (roads, water, wastewater, community facilities) susceptible to various climate change scenarios and take steps to enhance their resilience.

Goal (Where we want to be)	Target (What we want to do by when)	Measures (How we'll know if we've achieved it)	Key Actions (This will be achieved through)
	Adaptation planning for critical Council assets/ infrastructure in place and incorporated into asset management planning and long-term plan by June 2027.	Robust assessment and planning framework in place to guide decisions regarding the effects of climate change in place.	Determine dynamic planning and risk management approaches. Incorporating climate change impacts into asset management planning and considering response/adaptation approaches/options (protection, retreat, design, capacity).
	Adaptation plans implemented, monitored, reviewed and updated by June 2027.	Monitoring, evaluation and reporting of climate impacts.	Minimise/mitigate risk to Council infrastructure from climate change, with a priority on essential services.

DRAFT

Item 61: Outstanding management letter points from 2022/23 Annual Report

To: The Chairperson and Members of the Risk & Assurance Committee

From: Brendan O'Callaghan, Manager Finance

Date: 11 June 2024

Relevant community outcomes: Engaged Responsible Progressive



1 PURPOSE | TE KAUPAPA

1.1 To update on the actions, and status of actions, that arose from the 22/23 Annual Report audit.

2 EXECUTIVE SUMMARY | WHAKARĀPOPOTO MATUA

2.1 18 items were identified during the 2022/23 Annual Report audit. Of these, 11 have been addressed with the remaining 7 in various stages of being addressed.

3 STAFF RECOMMENDATION | TŪTOHUTANGA A NGĀ KAIMAHI


That the Risk and Assurance Committee receive the report ‘Outstanding Management Letter Points from 2022/23 Annual Report’ (document number 761122) from Brendan O’Callaghan, Manager Finance.

4 DISCUSSION | HE KŌRERORERO

4.1 As part of the audit of the 30 June 2023 Annual Report, our auditors issue an opinion and raise management report recommendations on items that require further action. This report provides management’s response to those recommendations and the latest update on the status of the follow up action.


4.2 This report breaks the management recommendations down into three categories using a traffic light system. Green items are those that have been addressed since the previous report and should be removed, subject to approval from Deloitte as part of the 2023/24 Annual Report audit. Orange items are those that are currently being addressed, and Red items are those where the work has not started, or there is still a large amount of work to be undertaken.

4.3 Overall, a total of 18 items were identified by Deloitte. Of these, Council believes that 9 had been addressed at the last report to the Committee. Since then, we believe that 2 more have been addressed, 6 are in the process of being addressed and 1 is in the early stages of resolving.

Matter	Observation	Recommendation	Ōtorohanga Response	Progress
 Items Completed Since last report (subject to Deloitte sign-off)				
<p>One-up approval process to be followed</p>	<p>As part of our sensitive expenditure testing, Deloitte note that there were instances where the one-up approval process was not followed or approving spend incurred. This was observed in an expenditure associated with the purchase of travel, including flights for the Mayor where the spend has been approved by the Group Manager Corporate. Per the Sensitive Expenditure Policy, all expenditure incurred by Mayor must be approved by Deputy Mayor and one other Councillor.</p>	<p>The one-up approval process, in line with the sensitive expenditure policy, should be followed for all spend to ensure that appropriate oversight was in place.</p>	<p>We acknowledge the recommendation, and we will work on identifying an easy way to get these approvals in place, without holding up the payment of creditors, specifically where invoices may cover both elected members and staff.</p>	<p>We will continue to work on determining the best way of addressing this issue. One option being considered is a blanket approval from the Mayor, Deputy Mayor and a Councillor providing the GM Business Enablement with the ability to approve invoices that cover both staff and elected members. With this may be quarterly reporting to the R&A Committee of any expenses incurred for elected members. We will work through the logistics of this and implement it in the new calendar year.</p> <p>Update June 24</p> <p>A memo outlining the process for approving these items through the system based purchase order process has been drafted and is being circulated to the Mayor and Deputy Mayor. Once this is in place we will begin providing quarterly reporting to the Committee on expenses incurred.</p>

Matter	Observation	Recommendation	Ōtorohanga Response	Progress
<p>Loan receivable with Ōtorohanga Kiwi House Charitable Trust</p>	<p>In reviewing the recoverability of the loan provided to the Ōtorohanga Kiwi House Charitable Trust we identified matters which may call into question the management of debt by Council, particularly if the debt was not able to be repaid. Based on the original loan agreement between Ōtorohanga District Council and Ōtorohanga Kiwi House Charitable Trust, frequent reporting (at least half yearly) is required to be undertaken to Council. In addition, the Trust must provide a copy of the annual financial statements to the Council no later than 31 August. Based on our discussions with management limited reporting has been provided to date. The lack of reporting affects Council ability to monitor the performance of the entity and actively manage the debt</p>	<p>Due to the current economic environment and the industry that the Trust operates in, it is important that the Council consider more active and timely monitoring of the operations of Trust. The Council should also consider the appointment of Trustee which would enable the Council to timely identify any areas of concern and assist in actively managing the right outcomes for the Council, the Trust and the community.</p>	<p>Management accepts the recommendation and will review the processes in place around monitoring of the operations of the Trust. Management will also discuss with Council around the appointment of a Trustee as permitted within the original loan agreement.</p>	<p>A separate report about the Kiwi House, seeking guidance from the Committee on next steps, is included in this agenda.</p> <p>Update June 24</p> <p>A report went to the Council meeting in May 2024, taking the recommendations from this committee. Council approved the recommendations, and the appointment of an observer has taken place. The GM Business Enablement can provide a verbal update.</p>


Matter	Observation	Recommendation	Ōtorohanga Response	Progress
	<p>arrangements and other factors on a timely basis if needed.</p> <p>We also note that one of the conditions to the loan that was agreed in July 2020 is that the Council have the ability to appoint a Trustee to the Trust, of which from our discussion with management, this has not been executed.</p> <p>Furthermore, Finz Audit Limited has issued a qualified opinion on the Trust for the financial year ended 31 May 2021. This is on the basis that the auditors were unable to gain assurance over the wage expense within the statement of financial performance and the wage expense within the work in progress projects, Whilst we do not know the facts and circumstances that resulted in the qualification being issued, it does indicate matters which</p>			

Matter	Observation	Recommendation	Ōtorohanga Response	Progress
	require further consideration by Council.			
 Items in progress				
Inputs used in Valuation	<p>In the current year, Deloitte identified while reviewing the inputs of the roading valuation, the significant assumption used for the unit rates escalation factor within the valuation model was incorrect, resulting a material change in the fair value assessment performed by management.</p> <p>It is also noted that the peer reviewer engaged by management did not identify the issue. A similar finding was raised in prior year.</p>	<p>Deloitte recommends that a more rigorous review should be performed by the council and the independent external party to ensure the significant assumptions used are accurate. For example, considering past methods utilised when valuation has been performed or benchmarking against other councils to ensure any significant movement or outliers are addressed.</p>	<p>We agree with the recommendation. While further work was done on checking the outputs of the valuation, Council will ensure additional work is done on reviewing the inputs to the valuation process prior to running the valuation.</p>	<p>Council is currently in the process of implementing a Waikato wide revaluation process for roading through the work that Co-Lab is doing around this space. This will help address these issues for the next revaluation, which is currently scheduled for 3 years.</p> <p>Update June 24</p> <p>The Waikato wide process is still being developed. Staff will be reviewing the current inputs and their movements for this year for a fair value assessment in the coming months, and if required, will ensure these suggestions are implemented as part of the revaluation. See the separate report in this agenda for the fair value assessment outcome.</p>

Matter	Observation	Recommendation	Ōtorohanga Response	Progress
Utilisation of asset addition and disposal forms	During our review of the fixed assets system, it was noted that fixed asset additions forms and disposal forms are not being utilised. This poses a risk that additions or disposals are not recorded correctly. In addition to this it was noted that all assets are currently captured into a work in progress account during the year and these assets are only capitalised at year end. As a result there is a risk that assets are not capitalised at the correct time which may result in errors in depreciation.	All additions and disposals should be appropriately supported by a fixed asset addition or disposal form. These forms should provide further details on the transaction such as the date of the transaction, depreciation rates and evidence of approval. Assets recorded in work in progress should be capitalised frequently throughout the year. Generally, entities would be expected to capitalise assets on a monthly basis.	We are currently working on the processes around addition and disposal of assets due to the new Fixed Asset Register module in the current year. We expect that this will be fully implemented in FY24.	Asset Recognition Forms have been developed, and an example for a roading project has been completed. The process of getting this information into the financial system is the next step that is required, and work will be undertaken to get this process working early in the new calendar year. Update June 24 This process has been developed and is currently being implemented. A separate report on this item is included in this agenda.
Classification of bonds	Noted in Bond Deposits that there are several bonds still classified as a bond liability that were paid over 20 years ago.	We recommend that a review should be conducted on all aging bond deposits held to determine if a reclassification to revenue should apply or not. Management should complete a review of the bonds listing to	We agree that several bonds are very old. Council prefers to recognise the potential liability of repayment should this be requested, or they gain the consent or compliance initially bonded for. Work is on-going around this area	Bonds work is on-going to establish those that could be refunded, and a review against the Unclaimed Money Act 1971. Some of the older identified bonds have been removed as part of this process, and work will continue, focussing on the older bonds first. Update June 24

Matter	Observation	Recommendation	Ōtorohanga Response	Progress
		<p>ensure compliance with Unclaimed Money Act 1971.</p>	<p>to refund bonds where possible.</p>	<p>Work has continued to be done on addressing these older balances. Some balances have been refunded or processed, but investigation work is still ongoing a number of the older bonds. To date \$19,000 of the old bonds have been refunded, and a meeting to discuss the handling of other older bonds has been held, with a process going forward determined.</p>
<p>Significant users with access to MagiQ database</p>	<p>A significant number of MagiQ Third-party users (68 users) have access to the MagiQ AWS server which could enable them to modify the database, impacting the accuracy, reliability, and security of the financial information stored.</p>	<p>MagiQ should limit the users who have permanent access to the database. The list of users who have access to the MagiQ AWS server should be shared with the Ōtorohanga District Council periodically for visibility.</p> <p>Alternatively, MagiQ could also consider reviewing the activity logs of the users who have access to the MagiQ AWS server periodically. Evidence of the review should be shared with the Ōtorohanga District Council for oversight.</p>	<p>We will include this in an Access policy which will cover both MagiQ and network access guidelines.</p>	<p>We will organise a meeting with MagiQ in the new calendar year to discuss the items raised by Deloitte as part of the management letter. Once we have this discussion then we will look at implementing the access policy.</p> <p>Update June 24</p> <p>A review of the users within the MagiQ system is currently underway, specifically around contractors who have access.</p> <p>Discussion was had with MagiQ around reviewing the support users setup with access in the system, and they have tidied up that.</p>

Matter	Observation	Recommendation	Ōtorohanga Response	Progress
<p>Lack of testing and approval in the change management process</p>	<p>We selected a sample change (39299) to assess the design and implementation of the change management process and observed that the change was not tested an approved prior to being deployed to the production environment of MagiQ application.</p> <p>In addition, the changes made by the vendor to the MagiQ application are not periodically reviewed or monitored by ODC to evaluate if they were adequately tested and approved by the right personnel.</p>	<p>Management should consider implementing the following:</p> <ul style="list-style-type: none"> Outline the process for managing changes made to the application in a formal policy and procedure document. This would help streamline the change management process, preventing unauthorized changes from being implemented on the MagiQ’s production servers. <p>Management should monitor and review the changes implemented by the vendor to the MagiQ application and evaluate whether adequate user acceptance testing was performed and appropriate approvals were obtained prior to implementation to production. Further, Management should retain the evidence of the review</p>	<p>We acknowledge this recommendation and will have discussion with MagiQ to ensure additional documentation is provided for changes.</p>	<p>This will also be discussed at our meeting with MagiQ in the new year, and processes and documentation developed out of the results of that meeting.</p> <p>Update June 24</p> <p>As MagiQ is authorised to make changes to the system, and has control over the security of the database being a cloud-based system, any unauthorised changes are likely to be from external parties. We will be including discussions around application security and any issues to our regular contract management meetings.</p> <p>With regards to user acceptance testing, we will be asking MagiQ for more information about the testing process for the fortnightly upgrade process, to ensure that we are happy with the processes being used.</p>

Matter	Observation	Recommendation	Ōtorohanga Response	Progress
		performed to supplement audit trails.		
Lack of monitoring on the changes made to the database	Council does not have any process in place to test or monitor changes made to the database by the MagiQ vendor.	Management should consider periodically reviewing the changes made to the database layer and assessing its impact on the data stored within the database, as inappropriate modifications to the database could impact the accuracy, reliability, and security of the financial information stored.	We acknowledge this recommendation and will have discussions with MagiQ around improvements in this area.	<p>We will discuss with MagiQ at our meeting and will make improvements based on the results of that meeting.</p> <p>Update June 24</p> <p>Through the fortnightly upgrade process, a number of Council staff are reviewing the release notes for these upgrade prior to the upgrade occurring (release notes are usually available one week before the upgrade) as well as reviewing the changes after the upgrade occurs, and advising MagiQ of any issues that are identified.</p> <p>Through the regular account management meetings, we will address any issues around the security of the information as discussed above.</p>
 Items in early stages of addressing				
Fomalising the process for identifying and managing	Deloitte notes that Ōtorohanga District Council currently does not have a formalised process in order to identify and manage new or existing legislative requirements. Even through	Deloitte recommends that a formal process should be put in place to ensure that all new and existing legislation is	We acknowledge the recommendation and will investigate potential solutions to this issue that	There are a number of options in this space, and we will get in touch with other councils about their processes and determine what would work best for our Council.

Matter	Observation	Recommendation	Ōtorohanga Response	Progress
<p>legislative matters</p>	<p>Ōtorohanga District Council is a small entity, it is important for the Council to formalise this process moving forward.</p>	<p>considered and managed accordingly.</p>	<p>are right-sized for an organisation of our size.</p>	<p>In the meantime, entities like LGNZ and Taituarā do undertake work to ensure that Councils are aware of upcoming legislative changes, so while we are investigating, we believe there is not likely to be any significant legislative changes that will be missed.</p> <p>Update June 24</p> <p>With the appointment of the new Business Improvement Analyst, this has been added to the list of projects to be looked at. Given that subject experts currently keep on top of legislative changes, this is a lower priority project than some other improvements identified.</p>

Item 62: Outstanding debtors report

To: The Chairperson and Members of the Risk & Assurance Committee

From: Brendan O'Callaghan, Manager Finance

Date: 12 June 2024

Relevant community outcomes: Engaged Responsible Progressive



1 PURPOSE | TE KAUPAPA

1.1 To advise members of the value of outstanding rates, water and sundry debtors as at 31 May 2024.

2 EXECUTIVE SUMMARY | WHAKARĀPOPOTO MATUA

2.1 Overall outstanding debts at the end of May are \$528k, compared with \$938k in February, \$1.13m to October 2023, \$2.37m to the end of June 2023 and \$2.64m to the end of March 2023.

3 STAFF RECOMMENDATION | TŪTOHUTANGA A NGĀ KAIMAHI

That the Risk & Assurance Committee receive the report titled 'Outstanding Debtors Report' (document number 742781) from Brendan O'Callaghan, Manager Finance.

4 DISCUSSION | HE KŌRERORERO

4.1 Overall debtors is down on the end of May, being \$528k compared to \$938k at the end of February 2024.

Debtors

4.2 This report details the level of debt relating to the following revenue streams:

- Building Consents
- Resource Consent
- Licences
- Trade waste
- Water and Sewerage Connections
- Other Sundry Invoices

- 4.3 The 90 days balance can include unpaid building consent and development contribution invoices for projects that may be on-going or on hold.
- 4.4 Overall debtors to the end of May are at (\$48k), compared to \$164k at the end of February 2024.
- 4.5 Within the >90 days balance is a number of debtors who have payment arrangements for large invoices, as well as some that have been referred to debt collection agencies for follow up.

Debtors Report as at 31 May 2024					
	Current Month	Comparison of Previous Report	Comparison of Previous Report	Comparison of Previous Report	Comparison of Previous Report
Aged Analysis report	May	February	October	June	March
Current	-\$178,781.14	-\$173,353.00	-\$152,351.00	\$254,611.04	\$19,785.50
30 - 60 days	\$30,649.51	\$237,975.71	\$15,960.00	\$12,825.52	\$61,031.05
60 - 90 days	\$8,173.19	\$8,442.02	\$15,397.00	\$2,365.50	\$300,139.33
>90 days	\$91,861.91	\$90,629.69	\$401,616.00	\$453,696.15	\$457,869.08
Outstanding Debtors Closing Balance	-\$48,096.53	\$163,694.42	\$280,622.00	\$723,498.21	\$838,824.96
Debtors Action Report - Debtors over 90 days with Balance >\$250					
	May	February	October	June	March
With Debt Collection Agency	\$2,296.00	\$23,663.00	\$21,283.00	\$19,737.46	\$19,737.46
Paying by Arrangement	\$71,870.86	\$15,572.00	\$342,690.00	\$429,893.69	\$205,774.91
Negotiating Payment Arrangement	\$12,893.77	\$44,535.00	\$34,100.00	\$0.00	\$230,914.77
Debts in Dispute	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Payments since month end taken off above amounts	\$0.00	\$90.00	\$0.00	\$0.00	\$0.00
Sub-Total	\$87,060.63	\$83,860.00	\$398,073.00	\$449,631.15	\$456,427.14
Various Debtors with Balances <\$250	\$4,821.28	\$6,769.69	\$3,543.00	\$4,065.00	\$1,441.94
Over 90 days Outstanding Total	\$91,881.91	\$90,629.69	\$401,616.00	\$453,696.15	\$457,869.08

Rates

- 4.6 A 10% penalty totalling \$69,758 was applied to 509 properties that had not paid their second instalment rates by the due date (23 February). Of these, a number may be paying by automatic payment over the year. These properties are entitled to a remission of any penalties under the Rates Remission Policy, providing they meet the criteria in that policy.
- 4.7 Currently 1,580 ratepayers pay their rates by direct debit, representing 30.4% of rateable properties. The number of direct debits has increased from the previous report, which was 1,577.

Rate Arrears Aged Balance Report as at 31 May 2024							
Year	Total Arrears (01/07/2023)	Rate Arrears Received Year to Date	Total Arrears (31/05/2024)	Total Arrears (29/02/2024)	Total Arrears (31/10/2023)	Total Arrears (30/06/2023)	Total Arrears (31/03/2023)
2022-2023	\$389,702.84	-\$ 228,480.33	\$161,222.51	\$191,918.24	\$261,565.41	\$ -	\$ -
2021-2022	\$177,057.62	-\$ 59,471.59	\$117,586.03	\$134,636.02	\$160,676.99	\$177,057.62	\$199,570.43
2020-2021	\$79,021.84	-\$ 15,005.63	\$64,016.21	\$69,462.72	\$75,552.55	\$79,021.84	\$83,777.29
2019-2020	\$78,314.99	-\$ 12,057.03	\$66,257.96	\$68,152.55	\$75,099.25	\$78,314.99	\$83,557.23
2018-2019	\$62,244.22	-\$ 3,699.26	\$58,544.96	\$58,544.96	\$63,184.68	\$62,244.22	\$66,589.27
2017-2018 & Prior	\$66,160.74	-\$ 32,108.21	\$34,052.53	\$34,752.53	\$36,863.42	\$66,160.74	\$69,576.44
Total	\$852,502.25	-\$350,822.05	\$501,680.20	\$557,467.02	\$672,942.30	\$462,799.41	\$503,070.66

- 4.8 Further progress is being made on getting payment plans in place with ratepayers with outstanding balances, as can be seen from the decrease in rates arrears by \$56k between February and May.

4.9 ŌDC staff have commenced rating sale processes through our debt collection agency on previously identified properties. Some further properties have been identified that are currently being collated for passing onto the debt collection agency to add to the process.

Water

4.10 Current water debtors total \$75k, compared to \$217k at February. This is due to the December Ōtorohanga invoicing being due at the end of February, as well as the March Ōtorohanga invoicing being due at the end of April, where some with outstanding December balances paying that balance along with the March invoice.

Water Billing Debtors Report as at 31 May 2024					
	Current Month	Comparison of Previous Report	Comparison of Previous Report	Comparison of Previous Report	Comparison of Previous Report
Aged Analysis report	May	February	October	June	March
Current	-\$ 60,107.17	-\$ 16,270.65	-\$ 48,817.92	\$ 697,873.89	\$ 237,577.42
30 - 60 days	\$ 690.65	\$ 40.00	\$ 122,973.47	\$ -	\$ -
60 - 90 days	\$ 54,318.24	\$ 103,016.62	\$ 190.10	\$ 2.95	\$ 92.55
>90 days	\$ 79,879.35	\$ 130,316.18	\$ 103,432.21	\$ 93,103.86	\$ 109,470.54
Outstanding Debtors Closing Balance	\$ 74,781.07	\$ 217,102.15	\$ 177,777.86	\$ 790,980.70	\$ 347,140.51
Debtors Action Report - Debtors over 90 days with Balance >\$250					
	May	February	October	June	March
With Debt Collection Agency	\$ 15,445.00	\$ 14,329.00	\$ 4,130.00	\$ 3,879.00	\$ 3,495.00
Paying by Arrangement - excludes Direct Debits	\$ 31,006.00	\$ 74,301.00	\$ 38,261.00	\$ 24,156.00	\$ 18,075.40
Negotiating Payment Arrangement	\$ 25,128.49	\$ 9,411.48	\$ 53,637.21	\$ 54,462.86	\$ 73,008.85
Debts in Dispute	\$ -	\$ -	\$ -	\$ -	\$ -
Payments since month end taken off above amounts	\$ -	\$ 20,212.70	\$ -	\$ -	\$ -
Sub-Total	\$ 71,579.49	\$ 118,254.18	\$ 96,028.21	\$ 82,497.86	\$ 94,579.25
Various Debtors with Balances <\$250	\$ 8,299.86	\$ 12,062.00	\$ 7,404.00	\$ 10,606.00	\$ 14,891.29
Over 90 days Outstanding Total	\$ 79,879.35	\$ 130,316.18	\$ 103,432.21	\$ 93,103.86	\$ 109,470.54

Item 63: Insurance renewal and insurance update**To:** The Chairperson and Members of the Risk and Assurance Committee**From:** Graham Bunn, Group Manager Business Enablement**Date:** 12 June 2024**Relevant community outcomes:** Progressive Prosperous Thriving**1 Purpose | Te Kaupapa**

1.1 To update the Committee on ŌDC's current 2023 insurance arrangements and confirm proposed insurance arrangements for 2024.

2 Executive Summary | Whakarāpopoto Matua

2.1 This includes the policies taken out under the Co-Lab collective arrangement with Aon New Zealand (Aon) as broker which were renewed on 31 October 2023, and the public liability and professional indemnity policies which will be renewed with either Marsh, who are the current provider, or Aon, on 1 July 2023. Aon will present an update on the insurance market and proposed insurance arrangements for 2024 which will need to be confirmed.

3 Staff recommendation | Tūtohutanga a ngā Kaimahi

That the Risk and Assurance Committee receive the report titled 'Insurance renewal and insurance update' (document number 759815) from Graham Bunn, Group Manager Business Enablement.

4 Discussion | He Kōrerorero

4.1 ŌDC has been part of an insurance collective under the umbrella of Co-Lab since 2012.

4.2 There have been many benefits from the insurance collective, both in terms of reduced premiums through greater buying power and continued strategic re-assessment of ŌDC's insurance requirements for both building and underground assets, together with the introduction of innovative approaches in some aspects of this.

4.3 ŌDC's Group Manager Business Enablement, Graham Bunn, is on the Co-Lab Insurance Advisory Group, who have responsibility for the insurance collective.

4.4 The policies taken out under Aon were renewed on 31 October 2023.

4.5 Matthew Wilson from Aon will attend the meeting and present on the current state of the Insurance market. Any changes to the proposed 2024/25 programme will need to be put in place with Aon before the policies are renewed on 31 October 2024.

4.6 The table below shows the Aon brokered insurance policies and the Marsh Public Liability Policies that ŌDC has in place currently, their coverage and respective excess arrangements:

Policy	Coverage
Material Damage	Covers all ŌDC buildings; contents, such as computers, books, furniture, and some paintings. Also covers above ground infrastructural assets such as pump stations and reservoirs; playgrounds and pou. <i>Excess for each claim is \$5,000</i>
Commercial Motor Vehicle	All vehicles and mobile plant such as tractors and mowers. <i>Excess 1% of vehicle sum insured, subject to minimum of \$500</i>
Infrastructure Insurance Primary Layer	The current arrangement with the Crown provides for a 60-40 split between the Crown and a ŌDC insurance arrangement for significant losses of infrastructure. ŌDC, under the WLASS collective, purchases a primary layer which provides 100% of the cover up to \$10 million with the Crown arrangement only relied upon above that limit.
Infrastructure Insurance	This covers above and below ground infrastructural assets such as pipes, connections, manholes and ponds. Coverage is for natural catastrophic events such as, earthquake, landslip, flood and volcanic eruptions. This policy meets Central Government's requirements for ŌDC to meet a 40% share of natural disaster recovery. <i>Excess \$500,000</i>
Business Interruption Policy	Consequential loss resulting from physical loss or damage to any ŌDC owned property, such as loss of rental income if a residential house burns down.
Combined Employers & Statutory Liability	Statutory - Covers defence costs, fines and penalties arising from unintentional breaches of applicable legislation. <i>Limit of liability \$1,000,000 for fines and \$1,000,000 for defence costs</i> <i>Excess \$10,000, but \$25,000 for health and safety or resource management claim.</i> Employers Liability arising out of claims made by employees for injuries outside the scope of the Accident Compensation Corporation <i>Limit of liability \$1,000,000 and \$1,000,000 for defence costs</i> <i>Excess \$1,000</i>
Crime Policy	Provides cover for fraudulent acts of employees and other parties. This is normally around the misappropriation of funds and/or theft of money through electronic means. <i>Limit of liability \$2,000,000</i> <i>Excess \$50,000</i>

Policy	Coverage
Accident & Health Policy	Covers the 18 elected members and the 5 Executive members for accidental death with the pay-out used to fund by-elections in the case of an elected member and recruitment costs for Executive replacements.
Business Interruption Policy	Consequential loss resulting from physical loss or damage to any ŌDC owned property, such as loss of rental income if a residential house burns down.

- 4.7 A full insurance valuation for ODC's buildings was carried out in the 2021/22 financial year. The buildings' replacement cost was inflation adjusted by 3-4% in the 2023/24 financial year. We will undertake a full revaluation of Land & Buildings for the 2024/25 year.
- 4.8 ŌDC last revalued water assets in 2024 and roading assets in 2023. Staff will undertake a Fair Value Assessment on infrastructural assets to establish whether a full revaluation is required leading into the 2024/25 financial year. If this is required, the valuation of infrastructural assets will be undertaken in-house, and peer reviewed by Beca.

Public indemnity and professional liability

- 4.9 ŌDC is in the process of reviewing its Public Liability and Professional Indemnity Cover which expires on 30 June 2024. Staff are currently awaiting quotes for the 2024/25 year from Marsh and Aon.

PUBLIC EXCLUDED | TAKE MATATAPU

DISCLAIMER: The reports attached to this Open Agenda set out recommendations and suggested resolutions only. Those recommendations and suggested resolutions DO NOT represent Ōtorohanga District Council policy until such time as they might be adopted by formal resolution. This Open Agenda may be subject to amendment either by the addition or withdrawal of items contained therein.

Item 64: Resolution to exclude the public for Item PE5: Ōtorohanga Kiwi House loan update

To: The Chairperson and Members of the Risk and Assurance Committee

From: Kaia King, Manager Governance

Date: 12 June 2024

Relevant community outcomes: Engaged Empowered Responsible



1 Purpose | Te Kaupapa

1.1 To exclude the public from parts of the proceedings of the Risk and Assurance Committee meeting.

2 Executive Summary | Whakarāpopoto Matua

2.1 All formal meetings are open to the public however, there are some parts of the meeting where the public can be excluded. Council must provide a good reason if to exclude the public from a Council or committee meeting - this also includes the media. A resolution must be made at a time when the meeting is open to the public stating the general subject of each matter, the reason for passing that resolution in relation to the matter, and the grounds on which the resolution is based.

3 Staff recommendation | Tūtohutanga a ngā Kaimahi

That the Risk and Assurance Committee exclude the public from the following parts of the proceedings of this meeting confirming:

- a This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 7 of that Act where a risk of prejudice is minimised by the holding of the whole or the relevant part of the proceedings of the meeting in public; and,
- b The general subject of each matter to be considered while the public is excluded and the reason for passing this resolution in relation to each matter and the specific grounds for the passing of this resolution are as follows:

General subject of each matter to be considered	Ground(s) under section 48(1) for the passing of this resolution	Interest
Item PE5: Ōtorohanga Kiwi House loan update	Section 9(2)(b)(ii)	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;

4 Context | Horopaki

- 4.1 Public excluded agendas and minutes are not available to the public. Where possible, Council will release public information which has been considered during the public excluded part of a meeting.

5 Considerations | Ngā whai whakaarotanga

Significance and engagement

- 5.1 No community consultation is required under the Significance and Engagement Policy.

Impacts on Māori

- 5.2 Staff consider this report does not have a direct impact on Iwi/Māori greater than any other member of the public.

Risk analysis

- 5.3 This report seeks to reduce the risks associated with protecting the privacy of a person.

Policy and plans

- 5.4 There are no policies or plans relevant to this report.

Legal

- 5.5 Resolutions to exclude the public are made under Section 48 of the Local Government Official Information and Meetings Act 1987.

Financial

- 5.6 There are no financial impacts resulting from the recommendation.

6 Discussion | He Kōrerorero

Option 1: To exclude the public from the meeting

- 6.1 This option seeks to reduce the risk of commercial information breaches by the holding of the relevant part of the proceedings of the meeting with the public excluded.

Option 2: To decline to exclude the public

- 6.2 This option may potentially expose Ōtorohanga District Council to greater risk of commercial information breaches.

Recommendation option and rationale

- 6.3 To exclude the public for the parts of the meeting outlined in the recommendation.

CLOSING FORMALITIES

Meeting closure | Katinga o te hui

The Chairperson will declare the meeting closed.

WORKSHOPS | HUI AWHEAWHE

Public liability for events
Quarterly discussion with the Chief Executive.

Open
Public excluded