



Council

Meeting of 17 June 2026

Business Unit: Corporate
Date Created: 22 May 2026

Decision on whether to Audit the Water Services Strategy

Purpose Te Aronga o te Pūrongo

At its meeting on 10 June 2026, the Manawatū Water Services Committee considered whether the Council should engage the Audit Office to audit the Water Services Strategy and resolved to recommend that Council **does not engage** the Audit Office.

The deadline for requesting a report from the Auditor-General is prior to 1 July 2026.

Recommendations Ngā Tūtohinga

That the Council:

1. Notes the recommendation of the Manawatū Water Services Committee at its meeting on 10 June 2026 (MWS 25-28/018) that the Council **does not engage** the Audit Office to audit Council's Water Services Strategy; and
2. **Does not engage** the Audit Office to audit Council's Water Services Strategy.

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1 Background Ngā Kōrero o Muri

- 1.1 Council is required by section 230 of the Local Government (Water Services) Act 2025 (“the Act”) to prepare a water services strategy.
- 1.2 As an in-house water services business unit, Council has the option under section 239(1)(b) of the Act to request a report from the Auditor-General on its Water Services Strategy. Unless directed to by the Secretary of Local Government, the decision to request the audit of the Water Services Strategy is optional.
- 1.3 Section 239(2) of the Act requires any request for a report from the Auditor-General to be made at least 12 months before the date by which the Water Services Strategy must be adopted. Under section 230(2), Council must adopt its Water Services Strategy before the start of the financial year to which the strategy relates. Accordingly, the latest date for requesting an audit is considered to be prior to 1 July 2026.

Section 239(4) of the Act sets out the scope for a report from the Auditor-General as follows:

(4) A report from the Auditor-General provided under this section –

(a) must comment on -

(i) whether the strategy gives effect to the purpose of a water services strategy (see section 232); and

(ii) the quality of the information and assumptions underlying the forecast information provided in the strategy; but

(b) must not comment on the merits of the policy content of the strategy.

- 1.4 If the Auditor-General provides a report to a water service provider, Council must include the report in its Water Services Strategy (refer to section 239(5) of the Act).
- 1.5 This report considers the relative merits of having Council’s Water Services Strategy audited against the potential costs. This will enable Council to engage the Audit Office ahead of the deadline, if required.

2 Strategic Fit Te Tautika ki te Rautaki

- 2.1 Not applicable, as this is primarily a legislative and operational matter.

3 Discussion and Options Considered Ngā Matapakinga me ngā Kōwhiringa i Wānangahia

- 3.1 The Manawatū Water Services Committee considered the following options before making its recommendation to Council:
- Option 1 – Council resolves to not request a report from the Auditor-General on the Water Services Strategy

- Option 2 – Council resolves to request a report from the Auditor-General on the Water Services Strategy

3.2 The relative merits of Council requesting an independent audit of its Water Services Strategy are outlined below. This analysis is intended to support the Council's consideration of the Committee's recommendation.

Advantages

- Provides independent assurance that the Water Services Strategy is based on reasonable assumptions, forecasts and supporting information.
- May identify risks, gaps or inconsistencies before the strategy is finalised.
- Provides elected members with an independent assessment to support governance decision-making.
- Demonstrates accountability and external scrutiny given the significance of future investment and service delivery decisions.
- Improves the robustness and defensibility of the final strategy.
- Provides additional assurance to regulators, lenders and the wider community.
- Strengthens public confidence and transparency regarding Council's proposed in-house business unit approach.
- Aligns with the assurance approach applied to audited Long-Term Plans.

Disadvantages

- No provision has been made within the draft 2026/27 Annual Plan. Therefore, this audit would be an unbudgeted expense.
- Audit costs are expected to be significant and may be comparable to Long-Term Plan audit costs.
- Limited precedent exists regarding the audit scope and process for Water Services Strategies, creating uncertainty around costs and timeframes.
- Would require additional staff resources to support the audit process.
- Could delay finalisation of the strategy if issues are identified.
- Would provide assurance on assumptions and information, but not on Council's policy choices or preferred delivery model.
- May publicly highlight uncertainties, risks or limitations within assumptions and projections.

3.3 In considering whether to request an audit of the Water Services Strategy, the Council must weigh the benefits of obtaining independent assurance and increased transparency against the additional financial cost, resource implications, and timing considerations. Given Council's

decision to retain an in-house business unit model for water services delivery, it may consider whether the additional assurance provided by an audit justifies the associated unbudgeted expenditure and staff resourcing requirements.

- 3.4 While a formal decision is not expressly required by legislation, recording the Committee's recommendation and Council's decision provides certainty for the Committee and the community that Council has considered the merits of requesting an audit of the Water Services Strategy and made an informed decision.
- 3.5 Formalising the decision also provides clear direction to staff and mitigates the risk of a future request for an audit being raised after the timeframe for undertaking an audit has passed.
- 3.6 Officers consider that this Committee should **not** recommend that Council request an audit of the Water Services Strategy. The Strategy is being prepared through a robust planning process and will be subject to governance oversight, internal review, and public consultation. Given the significant unbudgeted cost of an audit, the additional staff resources required, and the limited assurance provided on policy decisions, officers do not consider that the likely benefits justify the additional expenditure.

4 Risk Assessment Te Arotake Tūraru

- 4.1 The key risks with this decision are as follows:

Financial Risk

- 4.1.1 Requesting an audit of the Water Services Strategy would result in additional unbudgeted expenditure. While the final cost has not yet been scoped, preliminary advice indicates costs may be significant. As Water Services Strategies are a new statutory requirement, there is currently limited precedent regarding audit scope and assurance expectations, which may contribute to increased audit time and cost as methodologies and review processes are established.

Timing and Delivery Risk

- 4.1.2 There is a risk that undertaking an audit could impact programme timeframes if additional information or amendments are required through the audit process. Conversely, delaying a decision on whether to request an audit may result in insufficient time to secure audit involvement later.

Reputational/Public Confidence Risk

- 4.1.3 A decision not to request an audit may be perceived as providing a lower level of independent assurance over the Water Services Strategy. An audit process may also identify issues or uncertainties that require further public explanation or clarification.

Governance Risk

- 4.1.4 In the absence of a formal resolution, there is a risk of uncertainty regarding Council's position on whether an audit was considered or intended. Recording a formal decision provides clarity for governance and staff and reduces the likelihood of the matter being revisited after audit timeframes have passed.

Organisational Capacity / Resourcing Risk

- 4.1.5 Undertaking an audit would require additional staff resources to support information requests, modelling reviews, and audit engagement activities, which may impact delivery of other priority work programmes.

Conclusion for this Risk Assessment

- 4.2 The risks associated with either option are considered manageable provided Council makes a clear and timely decision regarding whether to request an audit of the Water Services Strategy.

5 Engagement Te Whakapānga

Significance of Decision

- 5.1 The Council's Significance and Engagement Policy is not triggered by matters discussed in this report. No additional engagement is required.
- 5.2 The Water Services Strategy will be publicly consulted on alongside the draft Long-term Plan in early 2027. If Council chooses to have the WSS audited a copy of the report from the Auditor-General would be included in the Water Services Strategy prior to its adoption.

Māori and Cultural Engagement

- 5.3 There are no known cultural considerations associated with the matters addressed in this report. No specific engagement with Māori or other ethnicity groups is necessary.
- 5.4 Specific consultation with iwi/Māori will be considered as part of consultation on Council's draft Water Services Strategy in early 2027.

Community Engagement

- 5.5 No community engagement will be carried out in relation to the decision on whether to audit the Water Services Strategy. However, community engagement on the draft Water Services Strategy will be carried out in accordance with the Communication and Engagement Plan in early 2027.

6 Operational Implications Ngā Pānga Whakahaere

- 6.1 The decision does not directly affect day-to-day water service delivery operations. However, requesting an audit would require additional staff resources and support across the Water Services Strategy work programme, which may impact the timing and prioritisation of other workstreams.

7 Financial Implications Ngā Pānga Ahumoni

- 7.1 There are no direct financial implications arising from this report. However, should Council approve a request for an audit of the Water Services Strategy, this would result in unbudgeted expenditure within the 2026/27 Annual Plan.
- 7.2 The final audit cost would be confirmed following engagement with the Audit Office and formal scoping of the work. Preliminary advice indicates the cost may be comparable to, or slightly

less than, the Long-Term Plan audit, with initial estimates suggesting a potential cost of up to \$180k.

8 Statutory Requirements Ngā Here ā-Ture

8.1 The statutory requirements relating to the preparation and optional audit of a Water Services Strategy are set out in sections 230–239 of the Local Government (Water Services) Act 2025.

9 Next Steps Te Kokenga

9.1 If Council decides not to request an audit of the Water Services Strategy, no further action will be required in relation to audit engagement. Council will continue to develop the Water Services Strategy in accordance with legislative requirements and apply its usual internal review and quality assurance processes.

9.2 If Council decides to request an audit of the Water Services Strategy, a formal request will be prepared and submitted to the Audit Office prior to 1 July 2026.

10 Attachment

MWS Committee – Extract from Minutes - MWS 25-28-018 Decision on whether to Audit the Water Services Strategy