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Wellington Water report reveals alleged theft, structural and contractor issues

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[subject=Wellington%20Water%20report%20reveals%20alleged%20theft%2C%20structural%20and%20contractor%20issues](mailto:nick.james@rnz.co.nz?subject=Wellington%20Water%20report%20reveals%20alleged%20theft%2C%20structural%20and%20contractor%20issues))



Photo: RNZ / REECE BAKER

Wellington Water has released a scathing report, after a probe uncovered alleged theft, poor value for money from contractors and structural issues.

Last month, the water provider told Wellington City Council it would need \$37.5 million from its shareholding councils over the next three years, largely to fix its end of life IT systems.

At the time, the water entity's chief executive Pat Dougherty said their top priorities for improvement were its structure, IT and value for money from contractors and consultants (<https://www.rnz.co.nz/news/national/540918/wellington-water-boss-admits-relying-too-much-on-contractors-requests-more-funding>).

On Monday, a report released by the organisation, detailing the amounts being charged by contractors and suppliers, showed the level of control was not in place to ensure proper oversight and prudent financial management.

Board chair Nick Leggett said they took the issues very seriously, and investigated.

"Our investigations also confirmed a lack of oversight, assurance, and weak financial processes and controls around how the company manages its consultants and contractors, which opens us up to risks around fraud. This had to be changed immediately, and we have done so."

The report also identified one "incident of alleged theft".

Leggett told RNZ the alleged theft involved tens of thousands of dollars, but could not provide any other details.

"The person responsible no longer works for us and the matter is now in the hands of the police," Leggett said.

He said the water provider compared the amounts it was paying contractors for maintenance and running of the network, to what they had charged other councils around the country.

"In most cases we are consistently more expensive than other comparable councils, particularly for drinking water and wastewater assets.

"These higher costs are likely to be a symptom of our contractual set up with suppliers and our lack of oversight, assurance and financial controls and processes."

He said the findings were unacceptable to the board, and to councils and ratepayers.

"We unreservedly apologise to our shareholding councils and the ratepayers of the Wellington region for these issues," he said.

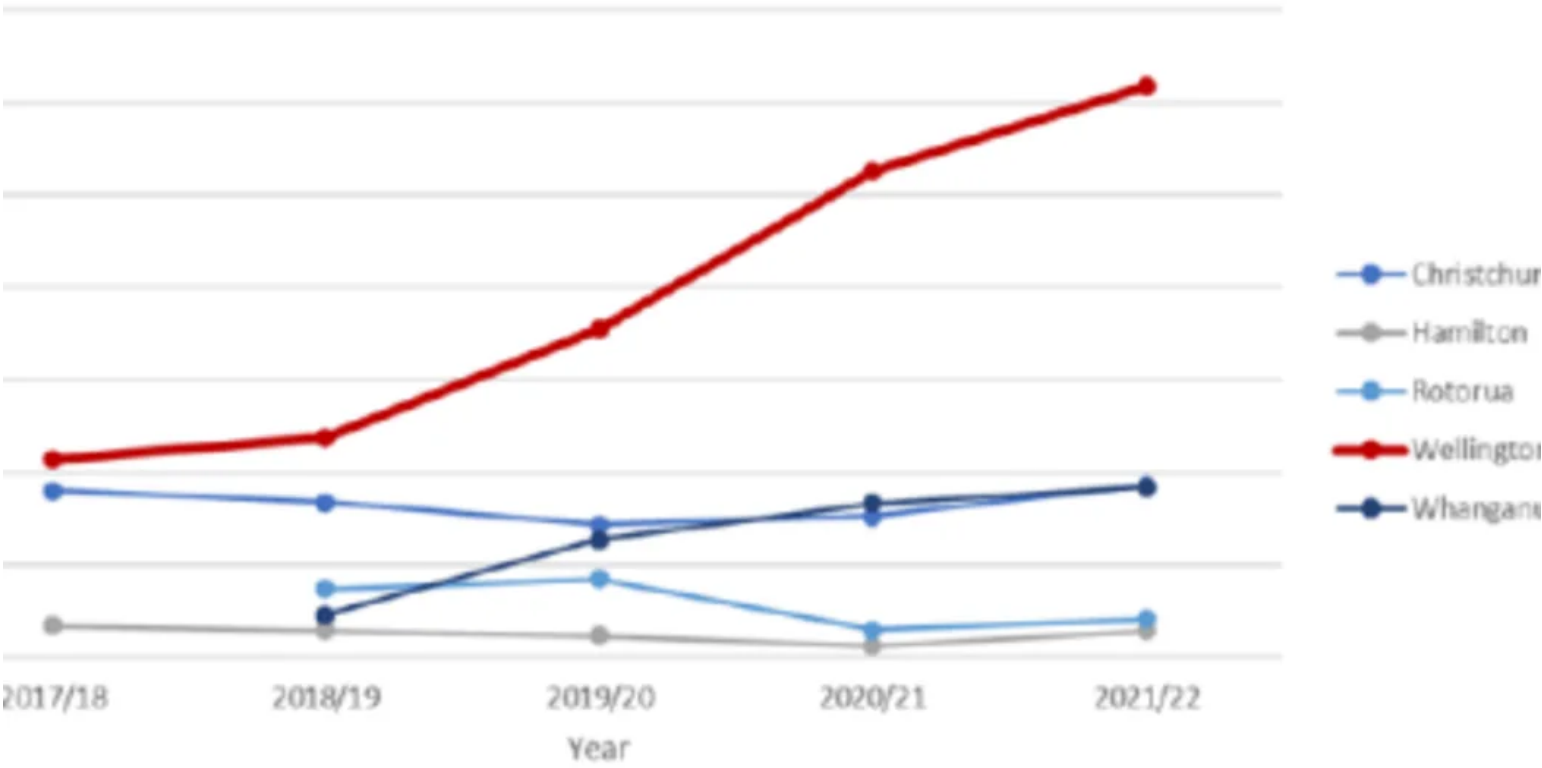
"Everyone expects and deserves better."

He said whilst the investigations were underway, they had made improvements - including reassessing contracts and key performance indicators (KPIs).

Confidence 'low'

The investigation showed that between 2019 and 2022, average spending on unplanned water maintenance was nearly three times higher than other councils around the country.

Unplanned maintenance cost / km - Water Supply



A graph showing the cost of water maintenance in various New Zealand cities. Photo: Wellington Water

Upper Hutt Mayor Wayne Guppy said Wellington Water had long been resistant to criticism from his council and concerns about the management of the water supplier and the costs to the community had "fallen on deaf ears".

"The writing was on the wall four or five years ago. They were bullies then and you can imagine the culture they had at work because they just never wanted to be questioned and you smell a rat then," Guppy said.

"As a council, we were consistently pressured by Wellington Water into meeting unrealistic increases in funding.

"As acknowledged by the Wellington Water board chair Nick Leggett, it is abundantly obvious that Wellington Water has not delivered value for money to its shareholding councils. It is equally clear that this is not a new issue.

"Our confidence in Wellington Water is extremely low and while we feel vindicated from these findings, our priority is our community and getting the best results and value for money."

Guppy said the review into the water supply agency raised questions as to whether rates rises in the region would have been necessary if cost estimates supplied by Wellington Water had been more competitive.

"Most of our long term plan was about infrastructure, water and waste water and if we've got inflated figures and inflated costs then one has to question - in reality - did those rate rises have to be anywhere near what they were?

"We were working on figures and costs given to us by Wellington Water and the reports we've now got show us that the rate payers in the region have been ripped off.

"Your talking about tens of millions of dollars and we could've used that money. That money could well have not been allocated or more importantly been used for more of that work. It's an absolute disgrace," Guppy said.

He said his council was able to save "upwards of a million dollars" in 2023 by delivering a significant pipe upgrade in the city centre when the agency's estimates seemed costly and drawn out.

"We did one job when they couldn't cope. We did it ourselves and saved ourselves up to a million dollars.

"There was no tendering process or competition. It's damning and it's just led to ratepayers being totally ripped off," Guppy said.



Tory Whanau said similar problems were highlighted in last year's report. Photo: RNZ / Reece Baker

Wellington Mayor Tory Whanau said it was deeply frustrating to read that ratepayers had potentially been ripped off by Wellington Water and contractors.

The report pointed to poor procurement processes, potential for fraud, and a lack of value for money from contractors, she said.

Whanau said similar problems were highlighted in last year's report.

"While it is good to see the issues we raised finally being acted on, it should never have taken this long.

"Questions still need to be answered by the board and Wellington Water leadership about how this situation was allowed to develop for so long."

She wanted Wellington Water to get costs down to similar levels to Auckland and Christchurch.

Porirua mayor Anita Baker said she was "shocked and horrified" and Wellington Water's competitive tendering systems was "completely broken".

"The contractors and consultants have been able to increase pricing legally without another process. So they probably haven't done anything wrong but the internal process was broken. So I'm pleased they've found out but I'm very angry with what's happened.

"The fact that they didn't even have a computer system that could cope and they were having to use contractor's systems was appalling," Baker said.

Baker said she was confident new chief executive Pat Dougherty would work to reset the agency's systems before they were passed on to a new water supply entity in 2026.

"This report is pretty serious and it does say that we're been paying too much and I do believe change will happen.

"We all know that things are not working and things can be done better. They want to hand over a better system and I do believe that they will do this."

It comes after a report released last year, which found Wellington Water staff took four months to tell the region's councils about an error in budgeting advice, which left the councils with a bill of \$51 million over three years.

This previous report (<https://www.rnz.co.nz/news/national/523181/independent-report-scathing-about-wellington-water-s-51-million-error>) was critical about the organisation, calling it immature, with inadequate systems and processes, and a dysfunctional culture.

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