

If calling, please ask for Democratic Services

Finance, Risk and Assurance Committee

Tuesday 3 August 2021, 9.30am

Council Chamber, Greater Wellington Regional Council,
100 Cuba Street, Te Aro, Wellington

Members

Martin Matthews (Chair)

Cr Kirk-Burnnand (Deputy Chair)

Cr Blakeley

Cr Connelly

Cr Hughes

Cr Lamason

Finance, Risk and Assurance Committee

Tuesday 3 August 2021, 9.30am

Council Chamber, Greater Wellington Regional Council,
100 Cuba Street, Te Aro, Wellington

Public Business

No.	Item	Report	Page
1.	Apologies		
2.	Conflict of interest declarations		
3.	Public participation		
4.	Confirmation of the Public minutes of the Finance, Risk and Assurance meeting on 4 May 2021	21.180	3
5.	Update on the progress of action items from previous Finance, Risk and Assurance Committee meetings – August 2021	21.202	6
6.	Quarterly Financial Update – Quarter 4	21.338	10
7.	Quarterly Risk Update – June 2021 Quarter	21.301	21
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Resolution to exclude the public

15.	Resolution to Exclude the Public	21.343	175
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Public Excluded Business

16.	Confirmation of the Public Excluded minutes of the Finance, Risk and Assurance meeting on 4 May 2021	PE21.181	177
17.	Insurance Update for 2021/22	PE21.300	179
18.	Cyber Security Update – August 2021	PE21.344	187

4

Please note these minutes remain unconfirmed until the Finance, Risk and Assurance Committee meeting on 3 August 2021.

Report 21.180

Public minutes of the Finance, Risk and Assurance Committee meeting on 4 May 2021

Taumata Kōrero Council Chamber, Greater Wellington Regional Council
100 Cuba Street, Te Aro, Wellington, at 9.30 am

Members Present

Martin Matthews (Chair)
Councillor Blakeley
Councillor Connelly
Councillor Hughes
Councillor Lamason

Public Business

1 Apologies

Moved: Cr Blakeley / Cr Connelly

That the Committee accepts the apology for absence from Councillor Kirk-Burnnand.

The motion was **carried**.

2 Declarations of conflicts of interest

There were no declarations of conflicts of interest.

3 Public participation

There was no public participation.

4 Confirmation of the Public minutes of the Finance, Risk and Assurance Committee meeting of 16 February 2021 - Report 21.61

Moved: Cr Lamason / Cr Blakeley

That the Committee confirms the Public minutes of the Committee meeting of 16 February 2021 - Report 21.61.

The motion was **carried**.

5 Confirmation of the Public Excluded minutes of the Finance, Risk and Assurance Committee meeting of 16 February 2021 - Report PE21.62

Moved: Cr Hughes / Cr Connelly

That the Committee confirms the Public Excluded minutes of the Committee meeting of 16 February 2021 - Report PE21.62.

The motion was **carried**.

6 Health Safety and Wellbeing Update – Report 21.41 [For information]

Julie Barber, Manager, Health and Safety, spoke to the report.

7 Quarterly Finance Update – Quarter 3 - Report 21.81 [For information]

Alison Trustrum-Rainey, Chief Financial Officer, spoke to the report.

8 Business Assurance Update – Report 21.129 [For information]

Mike Timmer, Treasurer, spoke to the report.

Noted: The Committee requested that officers arrange a workshop to input on the next iteration of the business assurance and internal audit programme.

9 Quarterly Risk Update – March 2021 – Report 21.152 [For information]

Mike Timmer, Treasurer, spoke to the report.

Noted: The Committee requested that the narrative around the Birchville Dam be updated to more accurately reflect the risk.

10 Harbour Management – Risk and Compliance update (May 2021) – Report 21.160 [For Information]

Grant Nalder, Harbour Master, spoke to the report.

Noted: The Committee requested that officers prepare a letter to be sent by the Council Chair to Porirua City Council, regarding working to resolve bridge jumping concerns at the Mana bridge.

Resolution to exclude the public

11 Resolution to exclude the public – Report 21.172

Moved: Cr Lamason / Cr Blakeley

That the Committee excludes the public from the following parts of the proceedings of this meeting, namely:

New Replacement Standby Facility – Report PE21.119

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

New Replacement Standby Facility – Report PE21.119	
<i>Reason for passing this resolution in relation to each matter</i>	<i>Ground/s under section 48(1) for the passing of this resolution</i>
Information contained in this report relates to pricing of banking facilities. Greater Wellington has not been able to identify a public interest favouring disclosure of this particular information in public proceedings of the meeting that would override the need to withhold the information.	The public conduct of this part of the meeting is excluded as per section 7(2)(h) of the Act (to enable Greater Wellington to carry out, without prejudice or disadvantage, commercial activities)

This resolution is made in reliance on section 48(1)(a) of the Act and the particular interest or interests protected by section 6 or section 7 of that Act or section 6 or section 7 or section 9 of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public.

The public part of the meeting closed at 10.40am.

M Matthews

Chair

Date:

For Information

UPDATE ON PROGRESS OF ACTION ITEMS FROM PREVIOUS FINANCE, RISK AND ASSURANCE COMMITTEE MEETINGS – AUGUST 2021

Te take mō te pūrongo
Purpose

1. To update the Finance, Risk and Assurance Committee (the Committee) on the progress of action items arising from previous Committee meetings.

Te horopaki
Context

2. Items raised at Committee meetings, that require actions from officers, are listed in the table of action items from previous Council meetings (**Attachment 1** – Action items from previous Finance Risk and Assurance Committee meetings – August 2021). All action items include an outline of the current status and a brief comment.

Ngā hua ahumoni
Financial implications

3. There are no financial implications from this report, but there may be implications arising from the actions listed.

Ngā tūāoma e whai ake nei
Next steps

4. Completed items will be removed from the action items table for the next report. Items not completed will continue to be progressed and reported. Any new items will be added to the table following this Committee meeting and circulated to the relevant business group/s for action.

**Ngā āpitihanga
Attachment**

Number	Title
1	Action items from previous Finance Risk and Assurance Committee meetings – August 2021

**Ngā kaiwaitohu
Signatory**

Writer	Samantha Gain – General Manager, Corporate Services
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**He whakarāpopoto i ngā huritaonga
Summary of considerations**

Fit with Council's roles or with Committee's terms of reference

The action items are of an administrative nature and support the functioning of the Committee.

Implications for Māori

There are no direct implications for Māori arising from this report.

Contribution to Annual Plan / Long Term Plan / Other key strategies and policies

Action items contribute to Council's and Greater Wellington's related strategies, policies and plans to the extent identified in **Attachment 1**.

Internal consultation

There was no internal consultation.

Risks and impacts - legal / health and safety etc.

There are no known risks.

Action items from previous Finance, Risk and Assurance Committee Meetings – August 2021

Meeting date	Action	Status and comment
4 May 2021	<p>Business Assurance Update – Report 21.129</p> <p>Noted: The Committee requested that officers arrange a workshop to input on the next iteration of the business assurance and internal audit programme.</p>	<p>Status: Underway/completed by time of Committee meeting</p> <p>Comment: To be delivered at Council workshop on 27 July 2021 .</p>
4 May 2021	<p>Quarterly Risk Update – March 2021 – Report 21.152</p> <p>Noted: The Committee requested that the narrative around the Birchville Dam (in the risk register) be updated to more accurately reflect the risk.</p>	<p>Status: Completed.</p> <p>Comment: Updated report received and risk register updated.</p>
4 May 2021	<p>Harbour Management – Risk and Compliance update (May 2021) – Report 21.160</p> <p>Noted: The Committee requested that officers prepare a letter to be sent by the Council Chair to Porirua City Council, regarding working to resolve bridge jumping concerns at the Mana bridge.</p>	<p>Status: Underway</p> <p>Comment: A joint officer meeting is being held in the few days prior to the meeting. An update will be provided and draft letter discussed further at the 3 August meeting.</p>

For Information

QUARTERLY FINANCIAL UPDATE – QUARTER 4

Te take mō te pūrongo

Purpose

1. To provide the Finance, Risk and Assurance Committee (the Committee) with Greater Wellington Regional Council's (Greater Wellington) financial reports for the quarter ended 30 June 2021.

Te tāhū kōrero

Background

2. This report provides a summary of the financial performance of Greater Wellington's activities for the year to 30 June 2021.
3. The end of year operating position is \$18.0m million favourable to budget. Note, as the Annual Report is still in progress and is in the process of being audited, there could be some changes to the financials as part of this process, subsequent to the writing of this report.

Te tātaritanga

Analysis

4. The finance report for the full year ended 30 June 2021 is included as **Attachment 1**. The key results are:
 - a Total Revenue was \$74.2m less than budget. Mainly due to KiwiRail pass through payment and 1% management fee from Waka Kotahi \$90.4m required to be recorded as an offset in Expenses.
 - b Revenue includes the additional dividend from WRC Holdings to Council, of \$11.1m resulting from the CentrePort one off significant special dividend.
 - c Total Expenditure was \$94.2m lower than budget. \$90.4m of this is the expected KiwiRail pass through payment from Waka Kotahi.
 - d This gave an operational deficit of \$10.2m, \$20m better than budget. This is primarily due to timing differences to be rebudgeted. The most significant contributors are the delay in grants and subsidies as a result of capital project delays Rail network renewals.

- e Capital expenditure was underspent by \$40.1m. The majority of this is due to timing in Water Supply work programmes and the deferral of Cross Harbour pipeline. \$25.0m is proposed for re-budgeting into 2021/22.

Ngā tūāoma e whai ake nei

Next steps

- 5. The Annual Report is under development and is scheduled to be adopted by Council on 29 October 2021. An update on the Annual Report will be presented to Committee at its October meeting.

Ngā āpitihanga

Attachment

Number	Title
1	Financial Summary Report – 30 June 2021

Ngā kaiwaitohu

Signatories

Writer	Darryl Joyce – Acting Accounting Services Manager Alison Trustrum-Rainey – Chief Financial Officer
Approver	Samantha Gain – General Manager, Corporate Services

**He whakarāpopoto i ngā huritaonga
Summary of considerations**

Fit with Council's roles or with Committee's terms of reference

The Committee's specific responsibilities include to "review the robustness of the organisation's financial performance".

Implications for Māori

There are no known implications for Māori.

Contribution to Annual Plan / Long Term Plan / Other key strategies and policies

The report reviews performance against the financial statements in Council's Annual Plan 2020/21.

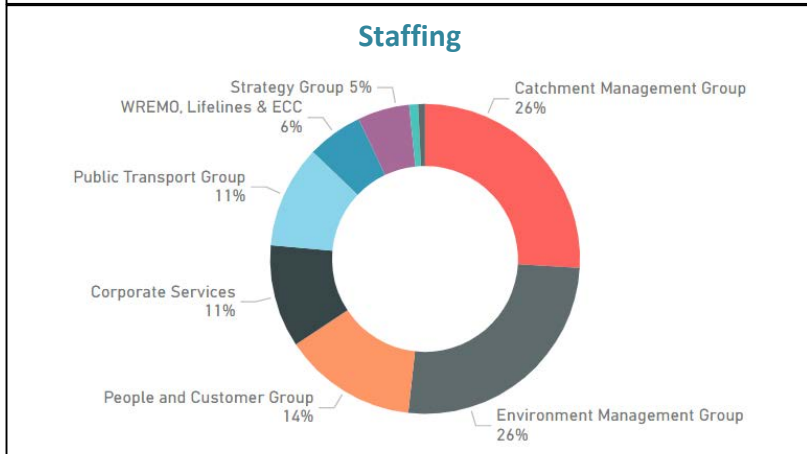
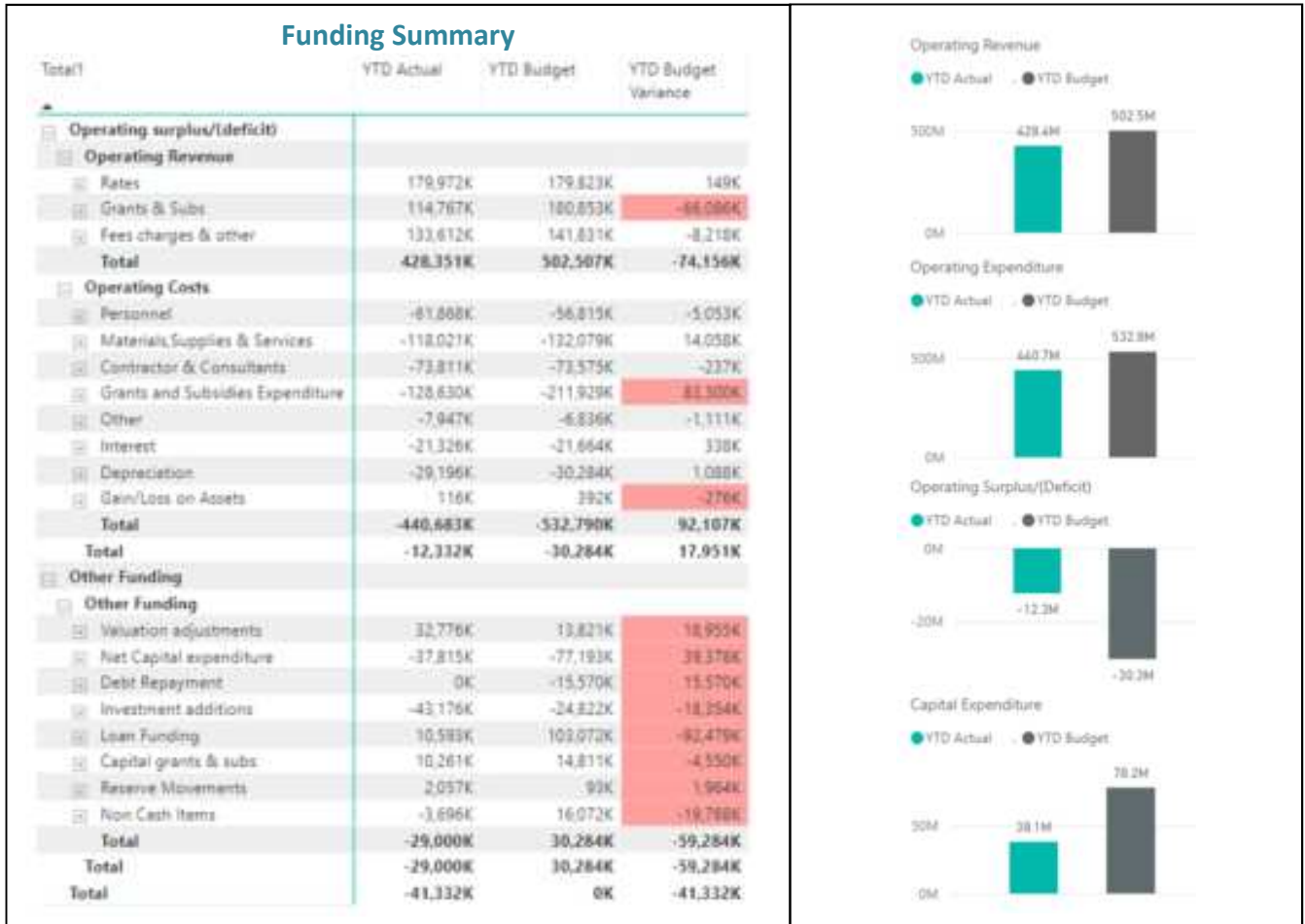
Internal consultation

All business groups contribute to Greater Wellington's financial performance.

Risks and impacts - legal / health and safety etc.

There are no risks arising from this report.

Council Financial Summary – 30 June 2021



Financial Report – 30 June 2021

Summary of Key Issues & Year End Financial Update

Key Issues

- Waka Kotahi has underwritten 100% of lost Public Transport revenue caused by lower patronage levels due to Covid-19 to 30 June 2021. Fare revenue YTD is currently running at approximately 76% of budgeted levels. The impact of this as at 30 June 2021 is \$24.6m which is recognised in the accounts as recoverable from Waka Kotahi.
- Annual dividend from WRC Holdings to Council. \$11m higher due to CentrePort paying a one off significant special dividend.
- A provision for the Holidays Act remediation of (\$1.9m) was incurred in Corporate Services
- Water write-offs including Cross Harbour Pipeline. (\$6.8m)
- Re-Budgets estimated to be approx. \$19m OPEX and \$25m CAPEX are under review to be taken to Council in August.

Year End Financial Update

- Total Revenue was \$74.2m less than budget. Mainly due to KiwiRail pass through payment and 1% management fee from Waka Kotahi \$90.4m required to be recorded as an offset in Expenses.
- Total Expenditure was \$94.2m lower than budget. \$90.4m of this is the expected KiwiRail pass through payment from Waka Kotahi with the offset sitting in Revenue.
- This gave an operational deficit of \$12.2m, \$18.0m better than budget. This is primarily due to timing differences to be rebudgeted. The most significant contributors are the delay in grants and subsidies as a result of capital project delays Rail network renewals.
- Capital expenditure was underspent by \$40.1m. The majority of this is due to timing in Water Supply work programmes and the write off of the Cross Harbour pipeline. \$25.0m is proposed for re-budgeting into 2021/22.

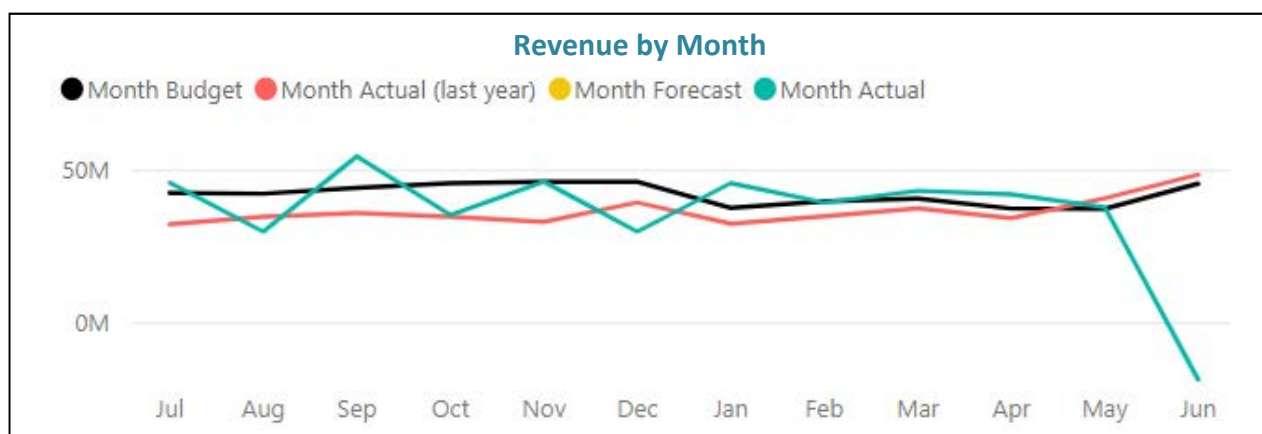
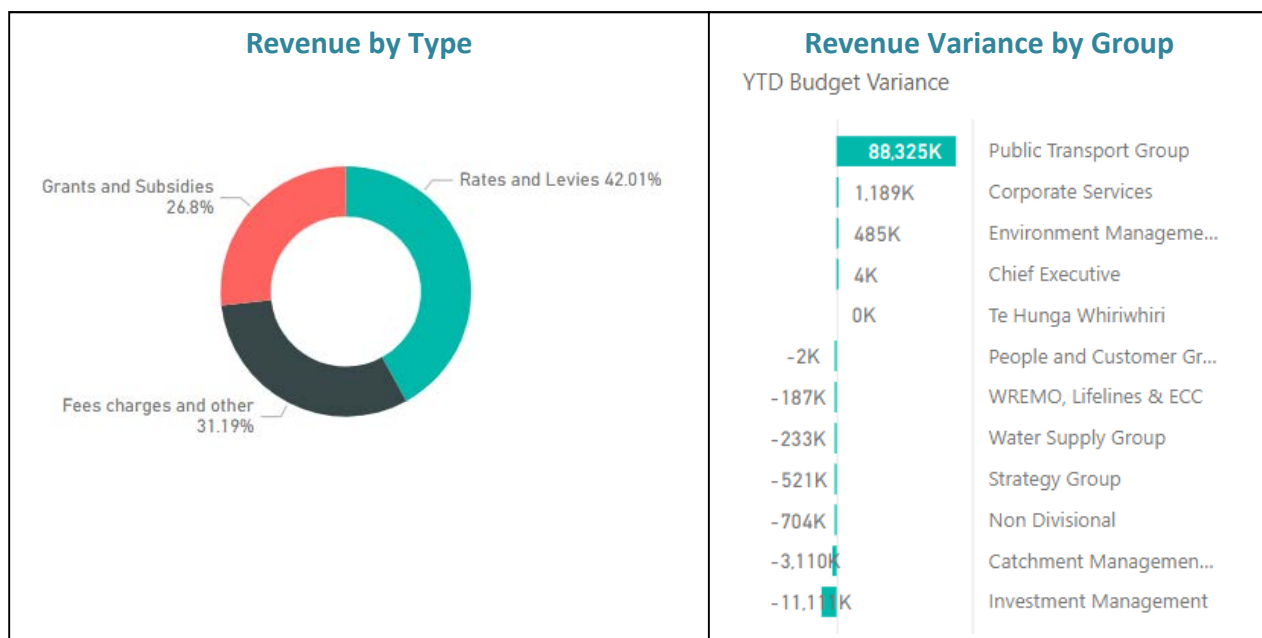
Financial Report – 30 June 2021

Operating Revenue

-428,371,530
YTD Actual

-502,506,867
YTD Budget

74,135,336
YTD Budget Variance



Revenue Key Variances

- (\$88.3m)** Transitional Rail Passthrough – **(\$90.4m)** Revenue and cost net to zero as the external auditor agreed in June to treat this as an agency agreement. **\$0.3m** difference is a 1% management fee earned by GWRC. In prior months the revenue and cost of the pass through had been treated as separate items.
PT – **\$2.4m** mainly due to Project NEXT passthrough
- \$3.1m** **\$1.6m** in Biosecurity – due to recovery of Predator Free Wellington Operational costs
\$1.3m in Flood Protection – RiverLink property rents and shovel ready project grants (MBIE)

Financial Report – 30 June 2021

\$11.1m Investment Management - annual dividend from WRC Holdings to Council. High due to CentrePort paying a one off significant special dividend.

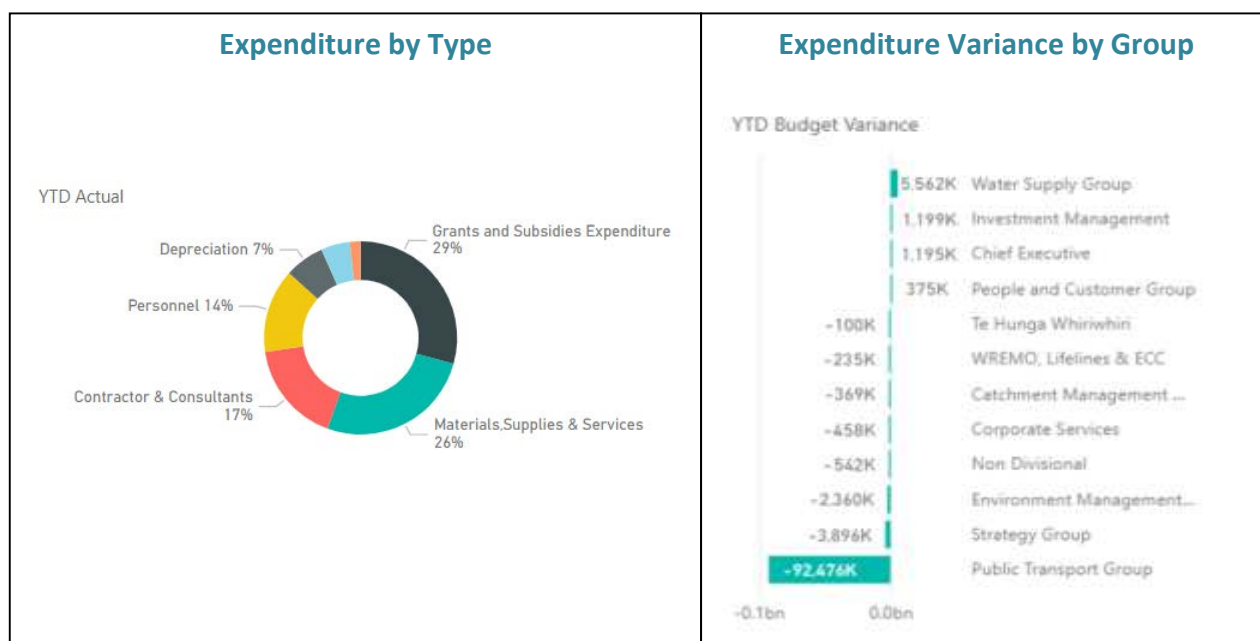
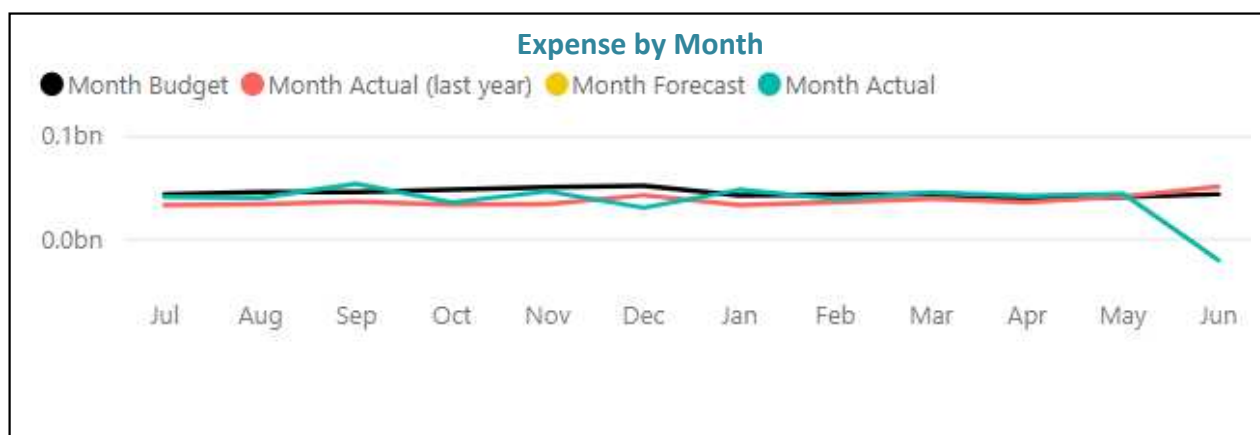
Financial Report – 30 June 2021

Operating Expenditure

440,683,307
YTD Actual

532,790,391
YTD Budget

-92,107,084
YTD Budget Variance



Expense Key Variances

\$92.5m Public Transport — **\$90.4m** Due to Transitional Rail moving to Agency agreement, which has an equal offset in Revenue. **\$2.8m** delay in Rail network renewals, **\$2.7m** lower indexation and **(\$4.0m)** unfavourable in Contractors & Consultants due to Project NEXT, Snapper on Rail and Rolling stock business cases.

Financial Report – 30 June 2021

- \$2.4m Environment – Ruamahanga Aerial Survey and loan to Water Wairarapa Ltd.
- \$3.9m Strategy – mainly due to not drawing down on Low Carbon Fund \$2.5m and \$0.8m underspend in LGWM and RLTP

- (\$5.5m) Water – wrote off (\$6.8m) mainly due to Cross Harbour Pipeline project work in progress written off, (\$6.5m).

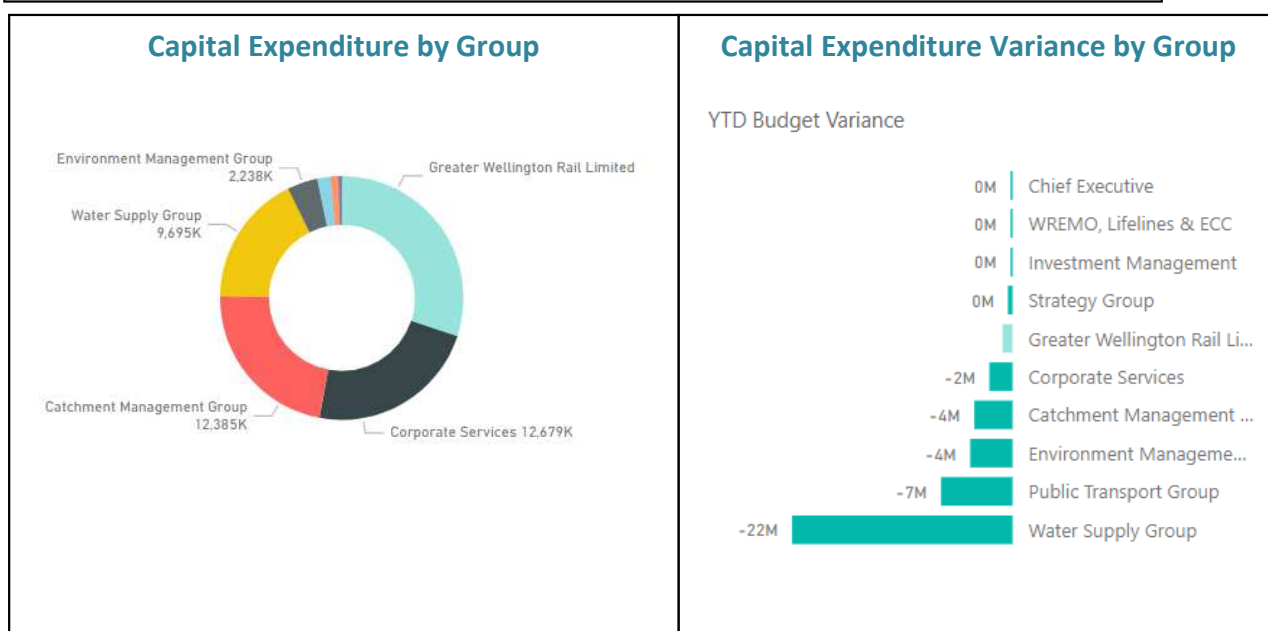
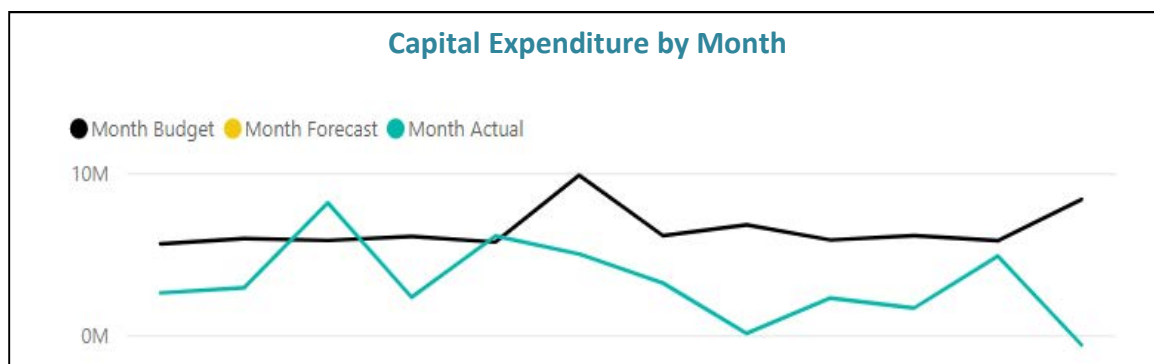
Financial Report – 30 June 2021

Capital Expenditure

38,130,243
YTD Actual

78,248,727
YTD Budget

-40,118,483
YTD Budget Variance

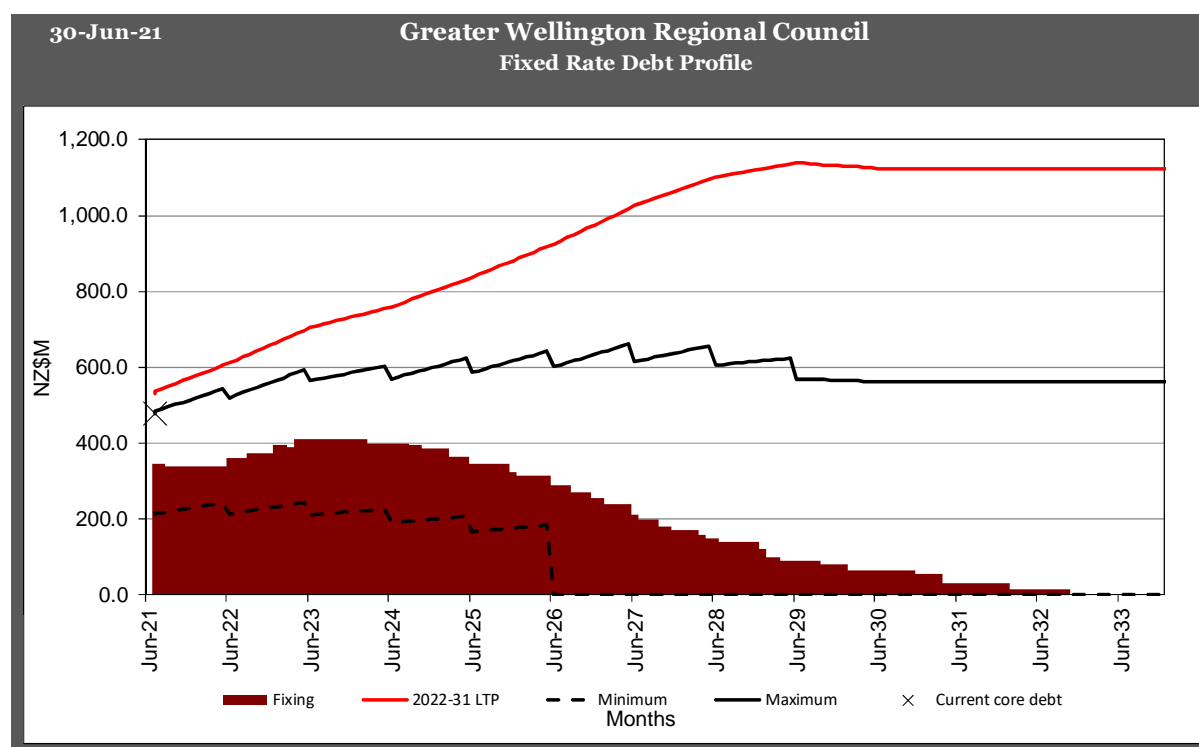


Capital Expenditure Key Variances

- \$21.7m** Water Supply – \$6.8m due to CHP Capex write-off, \$5.5m underspend in CHP project, re-budgeted beyond 2031 following cost/scope change, \$3.3m underspend in Kaitoke Flume Bridge (delayed).
- \$7.0m** Public Transport – \$2.8m RTI 2.0 waiting on Waka Kotahi approval.
- \$3.4m** Environment – Parks is \$1.7m underspent due to timing of several projects including QEP Heritage Precinct and deferral of property sales at Belmont Regional Park. Science is \$1.6m behind due to timing of equipment upgrades and Whaitua te Whanganui-a-Tara Modelling

Compliance with Treasury Risk Management Policy

Total Council Limit Compliance Analysis				Compliant		
				Yes	No	actual %
Debt Interest Rate Policy Parameters - based on 2021-51 LTP proposed						
Current	40% - 90%		✓			68%
year 1	40% - 90%		✓			59%
year 2	35% - 85%		✓			58%
year 3	30% - 80%		✓			53%
year 4	25% - 75%		✓			41%
year 5	20% - 70%		✓			31%
year 6	0% - 65%		✓			20%
year 7	0% - 60%		✓			14%
year 8	0% - 55%		✓			8%
year 9	0% - 50%		✓			6%
year 10	0% - 50%		✓			3%
year 11	0% - 50%		✓			1%
year 12	0% - 50%		✓			0%
year 13	0% - 50%		✓			0%
year 14	0% - 50%		✓			0%
year 15	0% - 50%		✓			0%
The maturity of total external debt to fall within the following timebands						
0 - 3 years	15% - 60%		✓			43%
3 - 7 years	25% - 85%		✓			31%
> 7 years	10% - 60%		✓			25%
Countersparty credit exposure with New Zealand registered banks which have a credit rating of at least A-, long term, and A2 short term				✓		
Other countersparty exposure within policy limits				✓		
Maximum countersparty exposure with a NZ registered bank is within \$108 million limit				✓		
The repricing of liquid financial investments are to occur within the following timebands						
	0 - 1 year	70% - 100%		✓		99%
	1 - 5 years	0% - 30%		✓		1%
Core Council External Borrowing Limits - Ratios						
Net Debt / Total Revenue < 300%				✓		compliant
Net interest / Total Revenue < 20%				✓		compliant
Net interest / Annual rates and levies < 30%				✓		compliant
Liquidity > 110%				✓		121%



For Information

QUARTERLY RISK UPDATE – JUNE 2021 QUARTER

Te take mō te pūrongo

Purpose

1. To update the Finance, Risk and Assurance Committee (the Committee) on changes to the Greater Wellington Regional Council (Greater Wellington) risk register during the June 2021 quarter.

Te horopaki

Context

2. Each quarter, the risks at business group level are considered and reported to the Chief Executive. This process involves adding new risks, archiving old risks if these are no longer relevant, reviewing the controls (risk mitigation/modifying management strategies) and checking that the scoring of the risk reflects its current state. Coupled with this is a status update on the risk.
3. The Risk Report for the June 2021 quarter, containing the top 10 risks, is included as **Attachment 1**. Definitions of the columns in the Risk Report are included in **Attachment 1**. Commentary on changes to risks, and on the Risk Report, follows below.

Te tātaritanga

Analysis

Changes to the risks – June 2021

4. During the June 2021 quarter, as part of the review of Greater Wellington's risk register, four new risks were added and one risk was archived. **Attachment 2** - New risks added in June 2021 quarter, provides details on the new risks, and **Attachment 3** - Risks archived during the June 2021 quarter, provides details on the risk that has been archived. Each category is summarised below.

Summary of new risks

5. Over the June 2021 quarter the following four risks were added to Greater Wellington's risk register (**Attachment 2**).
 - a Risk 195: relating to the risk that Council is not compliant with the requirement for asbestos identification and management across its owned and managed buildings and structures.

- b Risk 196: has been separated out from risk 106 (which relates to third party rail network assets in general). New risk 196 relates to the seismic rating of the Wellington Railway Station to withstand an earthquake is compromising council's ability to provide safety for patrons.
- c Risk 197: the current short lease contract for the Wellington Railway Station could result in Metlink losing access. This would compromise Metlink's ability to provide service continuity and value for money.
- d Risk 198: relates to Council being given the statutory mandate to introduce speed limits within the Wellington Region by 2024, but not having current capacity nor capability to do so.

Summary of archived risks

- 6. During the June quarter the following risk was archived (**Attachment 3**):
 - a Risk 185: The nature of our commercial contracts to deal with operator non-performance is compromising our ability to manage costs in the provision of service. The Key Performance Indicator (KPI) regime has been reviewed and came into effect on 1 July 21 which eliminated the risk.

Summary of changes to the top 10 risks

- 7. The following is a summary of the changes to the top 10 risks over the three month reporting period.

Moved out of top 10

- 8. Risk 135: The risk around the integrity of the Birchville Dam to withstand earthquake or extreme flooding which could result in potential loss of life and material damage to property has been re-rated. Dam Safety Engineers performed a comprehensive safety review of the dam. They suggested that Greater Wellington somewhat overstated the risk of the dam. The Likelihood of occurrence has now been estimated that in a 1:5000 year earthquake the dam would fail. The adjustment of the likelihood has reduced the risk ranking from second place as at 31 March 2021 to 23rd place as at 30 June 2021.
- 9. Risk 115: The risk around the condition of the third party rail network assets to withstand mismanagement, under investment or reduced funding is compromising our ability to provide service continuity. The risk ranking moved from 9th place per 31 March 21 to 11th place per 30 June 21 as two risks with a higher residual risk score moved in the top 10 risks.
- 10. Risk 126: The risk of a fatality or harm to staff occurring while working near water moved from 10th place per 31 March 21 to 12th place as two risks with a higher residual risk score moved in the top 10 risks.

Moved in to top 10

- 11. Risk 130 - states that the state and capacity of our public transport services to meet customer demand is compromising council's ability to attract and retain customers on the network. The inherent and residual risk have been re-rated from likely to near certain to reflect current resourcing issues on the network. The risk has moved from 15th place to 3rd place.

12. Risk 196 – a new risk - has been separated out from risk 106, as noted above. It relates to the seismic rating of the Wellington Railway Station to withstand an earthquake is compromising council’s ability to provided safety for patrons. It is ranked 5th place per 30 June 2021.
13. Risk 198 – a new risk - relates to Council been given the mandate to introduce speed limits within the region but not having capacity nor capability to do so, as noted above. It is ranked 6th place per 30 June 2021.

Definitions of report headings

14. The attachments 1-3 contain the various risk reports. The definitions of the columns in these reports are appended at the base of **Attachment 1**.

Cyber update

15. There have been a number of cyber-attacks lately both locally and internationally. The Waikato District Health Board attack being very notable. A separate report at this meeting provides some insights into what we are doing in this area (refer to Cyber Security Update – August 2021 (PE21.244)).

Ngā tūāoma e whai ake nei

Next Steps

16. Officers will consider any comments from the Committee and report back if applicable.

Ngā āpitihanga

Attachments

Number	Title
1	Quarterly Risk Report - June 2021 quarter
2	New risks added June 2021 quarter
3	Risks archived during the June 2021 quarter

Ngā kaiwaitohu

Signatories

Writer	Mike Timmer - Treasurer
Approver	Samantha Gain – General Manager, Corporate Services

**He whakarāpopoto i ngā huritaonga
Summary of considerations**

Fit with Committee's terms of reference

The Committee has a specific responsibility to “review the effectiveness of Greater Wellington’s identification and management of risks faced by Council and the organisation. This review includes whether Greater Wellington is taking effective action to mitigate significant risks”

Implications for Māori

There are no known impacts for Māori arising from this report.

Contribution to Annual Plan / Long Term Plan / Other key strategies and policies

Risk management is about considering impediments to achieving Greater Wellington’s objectives in the Long Term Plan, with policies and processes designed to support delivery of these and act as controls. The risk management policy and risk management framework support the risk management function at Great Wellington.

Internal consultation

All business groups contribute to Greater Wellington’s risk register, with that contribution reflected under the specific risks and controls stated.

Risks and impacts: legal / health and safety etc.

This report is focused on the identification and management of risks to Council and Greater Wellington.

Attachment 1: Quarterly Risk Report - June 2021 quarter

QUARTERLY RISK REPORT 30 JUNE 2021											
Overall ranking by residual score 1)	Risk Id	Risk category	Description	Inherent risk level before Controls	Controls	Residual risk level after Controls	Residual score 2)	Risk Appetite	Outlook / Trending	Risk Owner	Status Change since last quarterly review, including any risk treatments being considered
1 (1)	155	Physical harm to the general public Health & safety to staff and contractors Legislative and regulatory	GW people, or other road users, could be killed or seriously harmed in an accident involving GW vehicles, or other vehicles used to carry out GW duties. This includes all on and off road (4WD, LUV's, quads & motorcycles) fleet, rented vehicles and use of personal vehicles for GW duties.	Very High Risk	Statutory Compliance Health & Safety Plan Standard Operating Procedures E Road monitoring system as part of vehicle policy Standard Operating Procedures for Quad bikes, trailers and Motor bikes Vehicle Procurement policy provides minimum safety standards e.g. for 4 star ANCAP rating Monitoring via E Road system of Statutory requirements COF and WOF for Vehicles. Core driver training as part of Induction Process	High Risk	1295 (1295)	Averse	improving ↑	Nigel Corry	Status update added Standard and Essenential controls. Risk analysis to be reviewed once assurance programme is implemented
2 (3)	51	Services being severely curtailed Political	Contracted public transport operators' ability to deliver services, relied on by Metlink, is compromising our ability to provide service continuity	High Risk	Enforceable Contracts with suppliers Disaster Recovery Plan Maintain strong relationships with bus operators including regular meetings and reporting on performance Ensure bus operators have an operational plan for managing minimum service levels in the event of prolonged disruption Ensure bus operators have maintenance programmes that ensure ongoing assessment of compliance, as well as suitable preventative maintenance programmes Ensure that contingency plans are considered at the first sign of pending insolvency GW has emergency response and communications plan for management of events. Contract KPIs Compliance with regulations (bus, rail, ferry) Performance based operator contracts	High Risk	950 (950)	Balanced	stable ↔	Melissa Anderson	Status update The status of this risk has not changed. Driver resourcing issues continue to have an impact on two of our bus operators. We are currently experiencing increased cancellations on the network. We are in the process of developing timetable changes for Tranzurban to meet resource constraints. Once implemented this should provide customer certainty. Treatments: Option 1: Ensure bus operators have an operational plan for managing minimum service levels in the event of prolonged disruption Option 2: Ensure that contingency plans are considered at the first sign of pending insolvency Option 3: Regularly monitor Business Continuity Plans (6 monthly) Option 4: Consider planned cancellations to provide customer certainty. Note: We are aware that NZ Bus is still in the process of negotiating its collective employment agreement. As a result there is an increased chance of industrial action causing disruption to the network. We have prepared appropriate communications to be deployed in the event of disruption.

1) The number in brackets is the risk ranking as per the end of the previous quarter.

2) The number in bracket is the residual risk score as at the end of the previous quarter.

QUARTERLY RISK REPORT 30 JUNE 2021

Overall ranking by residual score 1)	Risk Id	Risk category	Description	Inherent risk level before Controls	Controls	Residual risk level after Controls	Residual score	Risk Appetite	Outlook / Trending	Risk Owner	Status Change since last quarterly review, including any risk treatments being considered
3 (15)	130	Services being severely curtailed Political	The state and capacity of our services to meet customer demand is compromising our ability to attract and retain customers on the network	High Risk	Ongoing major and minor timetable reviews/enhancements (incl vehicle size req) Patronage forecasting Planning/strategies Rail contracts Fleet purchasing Forecasting to meet demand (drivers, buses)	High Risk	950 (350)	Balanced	stable ↔	Bonnie Parfitt	Status update Risk reassessed. Inherent and Residual risk amended to near certain from likely to reflect current resourcing issues on the network. Current treatments: Option 1: Develop stronger patronage forecasting mechanism Option 2: Develop future fleet strategy
4 (4)	77	Physical harm to the general public Legislative and regulatory Political Environmental Damage	Significantly contaminated site(s) either known or unknown that release substances that harm environment and/or human health which compromises our organisational mandate, legislative requirements and reputation	Very High Risk	Resourcing - additional admin resource has been provided to ensure that the database is updated regularly. Also the reports provided to the public have been reviewed and reformatted to be more user friendly. Additional technical expertise has also been allocated to review the data provided by the TA's.	Medium Risk	630 (630)	Averse	stable ↔	Lucy Baker	Status update GWRC secured funding from MfE to investigate the historic Miramar gasworks site. Jacobs' soil and groundwater sampling showed that there are no human health risks from contaminants migrating offsite and that the contaminant levels have been falling over time. A further contract with Jacobs for the final round of sampling is being developed to close the investigation. The work will include reinstatement of a key borehole and groundwater sample collection and analysis from 10 wells. A standalone factual report will be delivered including: summary table, comparison to 2019 results, updated plume maps and an updated piezometric surface. Risk treatment has included the use of a Communications Plan, which has involved making affected parties aware of the work.
5 (new)	196	Physical harm to the general public Health & safety to staff and contractors Legislative and regulatory Political	The seismic rating of the Wellington Railway Station to withstand an earthquake is compromising our ability to provide for the safety of our patrons	Medium Risk		Medium Risk	600 (new)	Averse	stable ↔	Fiona Abbott	Status update New risk added (risk primarily separated out from Current Risk 106). Note that there are no current controls for this risk. However, there are four current treatment options, which when implemented will become controls that will reduce the risk. The Treatments are as follows: Option 1: Change the current lease arrangement to require KiwiRail to upgrade building to an acceptable NBS Option 2: Understand the post 2017 NBS for building vulnerabilities Option 3: Work with KiwiRail on potential temporary mitigations for the most vulnerable parts of the building Option 4: Engage with key stakeholders on long term development options for the Wellington Railway Station precinct We are in active dialogue with KiwiRail regarding this risk

QUARTERLY RISK REPORT 30 JUNE 2021											
Overall ranking by residual score 1)	Risk Id	Risk category	Description	Inherent risk level before Controls	Controls	Residual risk level after Controls	Residual score	Risk Appetite	Outlook / Trending	Risk Owner	Status Change since last quarterly review, including any risk treatments being considered
6 (new)	198	Financial Legislative and regulatory	Setting new local road speed management rules is a new role for Regional Councils.	Very High Risk	<p>Resource need been identified in the business plan</p> <p>An individual with relevant expertise has indicated they would be available to work with us on it.</p> <p>Early engagement with regional road controlling authorities to develop the Wellington Regional response.</p> <p>Working with Waka Kotahi to understand and implement the new rule through Transport Special Interest Group</p>	Medium Risk	595 (new)	Averse	stable ↔	Grant Fletcher	<p>Status update</p> <p>NEW RISK: GWRC has been mandated to introduce regional speed limits by 2024. This is a new responsibility and so brings with it increased capability and capacity demands. The Regional Land Transport team are programming a series of actions to accommodate this new work demand, including working with stakeholders Waka Kotahi and colleagues via the Regional Council Transport Special Interest Group (TSIG), and also building the business case for a new staff member.</p>
7 (5)	106	Services being severely curtailed Physical harm to the general public Political	The condition of third party rail network assets (excluding Wellington Railway Station) to withstand mismanagement, under investment or reduced funding is compromising our ability to provide safe and healthy services	Very High Risk	<p>GW ensures that KiwiRail has a robust network management plan that:</p> <ul style="list-style-type: none"> - focuses funded renewal activities on critical components of the network - provides for infrastructure maintenance, monitoring and inspections <p>GW ensures that KiwiRail has an emergency response plan with the network owner and operator</p> <p>Maintain strong relationships with the network operator, including regular meetings and reporting against a clear set of performance targets</p> <p>GW ensures that KiwiRail has a safety plan and current safety case</p> <p>GW partners application to the crown (via NZTA) for additional funding for 'catch up renewals' for network infrastructure</p>	Medium Risk	560 (560)	Averse	stable ↔	Fiona Abbott	<p>We have amended the risk description to remove the Wellington Railway Station from this risk. The Wellington Railway Station (WRS) is the only station on our network that GWRL does not own. Due to the seismic status of the WRS, we have determined that it should be a standalone risk in Quantate.</p> <p>Note that as a result of removing the WRS from this risk, there has not been a change to the status of this risk.</p> <p>The overall effectiveness of the controls for this risk has shifted from effective to ineffective. These changes result from the following three controls moving from satisfactory to ineffective:</p> <p>Control 1: GW ensures that KiwiRail has a robust network management plan that: focuses funded renewal activities on critical components of the network; provides for infrastructure maintenance, monitoring and inspections</p> <p>Control 4: GW partners application to the crown (via NZTA) for additional funding for 'catch up renewals' for network infrastructure</p> <p>Control 5: Maintain strong relationships with the network operator, including regular meetings and reporting against a clear set of performance targets</p> <p>The treatments set out below aim to increase the effectiveness of these controls:</p> <p>Option 1: GW leads application to the crown (via MoT) for additional funding for 'catch up renewals' for network infrastructure</p> <p>Option 2: Increase oversight of KiwiRail (we will receive funding from NZTA to build capability and capacity to enable us to take the oversight)</p> <p>Option 3: Currently reviewing Wellington Network Agreement - we aim to improve KiwiRail's Asset Management processes</p> <p>Option 4: Request quarterly reporting from kiwiRail on its management of the risks (slope stability - progress against planned activity)</p>

QUARTERLY RISK REPORT 30 JUNE 2021

Overall ranking by residual score 1)	Risk Id	Risk category	Description	Inherent risk level before Controls	Controls	Residual risk level after Controls	Residual score	Risk Appetite	Outlook / Trending	Risk Owner	Status Change since last quarterly review, including any risk treatments being considered
8 (6)	162	Health & safety to staff and contractors Human Resources	Staff mental health and wellbeing affected by stress and other workplace issues leading to adverse physical and psychological effects, increased sick leave, turn-over and loss of productivity.	Very High Risk	Employee Assistance Programme Good Yarn - staff mental health awareness training Organisation 5 Year Wellbeing plan as part of the GW People Strategy Rehabilitation Support for remaining and/or returning to work after a mental wellbeing event Trained Mental Health First Aiders Action Planning following on from annual Gallup Engagement survey	Medium Risk	490 (490)	Averse	improving ↑	Nigel Corry	Status update Recruitment of new Mental First Aiders and refresher training for existing Mental First Aiders is now planned for Q1/Q2 21/22 FY Two 'Tuhauora - Good for Your Health - Wellbeing Expos' held for staff at Cuba St and Masterton office. The expos included presentations, activities and information relating to a range of wellbeing topics.
9 (7)	186	Financial	The nature of our current commercial contracts/arrangements with third party rail asset owners (excluding Wellington Rail Station) to withstand contract renegotiation is compromising our ability to manage costs in the provision of services	Medium Risk	Contract renegotiation Relationships with Ministry of Transport & KiwiRail	Medium Risk	490 (490)	Balanced	stable ↔	Fiona Abbott	Status update The description of this risk has been amended to specifically exclude the Wellington Railway Station. The WRS is the only station on the network that is not owned by GWRL. There has been no change to the assessment of this risk. One treatment that specifically relates to the WRS has been deleted. Treatment deleted: Option 4: develop long term partnership strategy with KiwiRail for Wellington Station Controls are currently classed as ineffective. Treatments: Option 1: Build relationship with MOT/KiwiRail Option 2: Develop further contract oversight Option 3: Seek additional funding from NZTA to fund oversight of third party owned assets (1% of total pass through funding) Option 4: renegotiate Wellington Network Agreement to better reflect risks with KiwiRail in network Treatment update: Note: Option 3 is being progressed. We have received additional funding from NZTA; we are in the process of determining FTE gap to be filled. The WNA is still being renegotiated
10 (8)	103	Health & safety to staff and contractors	Fatality or permanent disability to CM staff arising from use of a quad bike in a manner that doesn't comply with organisational Health and Safety	Very High Risk	Department Hazard Registers Working Alone Procedures & Equipment Departmental Plans - Maintenance Schedules Health & Safety Plan Standard Operating Procedures	Medium Risk	468 (468)	Averse	improving ↑	Wayne O'Donnell	Status update Land Management Department comments: Staff focus and culture around maintaining appropriate risk controls is strong. E.g. LUV and Quad bike refresher training and orientation provided both professionally and through internal peer training.

A brief description of the Greater Wellingtons risk report columns and what they mean, is as follows:

Overall ranking by residual risk score: This essentially lists Greater Wellingtons risks by residual risk score discussed below. A lower ranking means it has a higher residual risk score relative to others. The risk rating as per the end of the last quarter is shown in brackets.

Risk ID: This is a unique system number assigned to a risk.

Risk Category: This is a category/ies of risk that the risk belongs to. Each category has a risk appetite which measures GWRC's propensity to accept risk. See risk appetite below.

Description: Brief description of the risk.

Inherent Risk level: The risk is assessed/scored and placed into a classification category (Very High, High, Medium, or Low) before any controls are in place. Or put another way, without controls working.

Controls: These are processes which mitigate/modify a risk. They reduce the likelihood of occurrence of a risk or reduce the consequences when it occurs or both.

Residual risk level after Controls: This is the risk classification category after the controls have been put in place and are working as expected.

Residual risk score: This is at a high level the multiplication of the residual likelihood value score multiplied by the weighted residual consequence value score.

Risk Appetite: Is the amount and type of risk that the Council is prepared to accept in the pursuit of its objectives. Each risk is assigned a risk appetite based on its risk category. Appetite can be either averse, balanced or tolerant. Health & safety, Legislative & regulatory and Environmental damages categories are risk averse. All other risk categories are balanced, there is no risk appetite for tolerant presently as per policy. The target residual risk level for Averse is Low. The target residual risk level for Balanced is Medium or Low.

Outlook / Trending: This is the current status of where the residual risk is compared to the last quarter. Improving means the residual risk score is likely to improve/reduce over the next quarters. Worsening means the risk is deteriorating and likely to show a higher residual risk score next quarter. Stable means the residual risk score is unlikely to change over the coming quarters.

Risk Owner: The person/group responsible for the risk. There is also a person assigned to each control who is not normally the risk owner.

Status Change since last quarterly review, including any risk treatments being considered: This provides a discussion around the risk, and any risk treatments being considered, which, if adopted, will become controls.

Attachment 2:

New Risks added in June 2021 quarter

QUARTERLY RISK REPORT 30 JUNE 2021												
Overall ranking by residual score 1)	Risk Id	Risk category	Description	Inherent risk level before Controls	Controls	Residual risk level after Controls	Residual score 2)	Risk Appetite	Outlook / Trending	Risk Owner	Status Change since last quarterly review, including any risk treatments being considered	
69	195	Loss, failure or damage to assets Health & safety to staff and contractors Legislative and regulatory	Compliance requirement for asbestos identification and management across GW owned, and managed, building and structures.	High Risk	Establish an organisational wide asbestos register and management plans	Low Risk	38	Averse	improving ↑	Nigel Corry	Status update Development of GW Asbestos Registers and plans is being progressed.	
2	196	Physical harm to the general public Health & safety to staff and contractors Legislative and regulatory Political	The seismic rating of the Wellington Railway Station to withstand an earthquake is compromising our ability to provide for the safety of our patrons	Medium Risk		Medium Risk	600	Averse	stable ↔	Fiona Abbott	Status update New risk added (risk primarily separated out from Current Risk 106). Note that there are no current controls for this risk. However, there are four current treatment options, which when implemented will become controls that will reduce the risk. The Treatments are as follows: Option 1: Change the current lease arrangement to require KiwiRail to upgrade building to an acceptable NBS Option 2: Understand the post 2017 NBS for building vulnerabilities Option 3: Work with KiwiRail on potential temporary mitigations for the most vulnerable parts of the building Option 4: Engage with key stakeholders on long term development options for the Wellington Railway Station precinct We are in active dialogue with KiwiRail regarding this risk	
62	197	Services being severely curtailed Financial Legislative and regulatory Political	Our current short term commercial contract/arrangements for the lease of Wellington Rail Station could result in Metlink losing access and/or commercial uncertainty compromising our ability to provide service continuity and value for money	Medium Risk	Relationship with KiwiRail Political recourse Rolling lease (month on month)	Low Risk	50	Balanced	stable ↔	Fiona Abbott	Status update New risk created.	
6	198	Financial Legislative and regulatory	Setting new local road speed management rules is a new role for Regional Councils.	Very High Risk	Resource need been identified in the business plan An individual with relevant expertise has indicated they would be available to work with us on it. Early engagement with regional road controlling authorities to develop the Wellington Regional response. Working with Waka Kotahi to understand and implement the new rule through Transport Special Interest Group	Medium Risk	595	Averse	stable ↔	Grant Fletcher	Status update GWRC has been mandated to introduce regional speed limits by 2024. This is a new responsibility and so brings with it increased capability and capacity demands. The RLT team are programming a series of actions to accommodate this new work demand, including working with stakeholders Waka Kotahi and colleagues via the TSIG, and also building the business case for a new staff member.	

Attachment 3:

Risks archived during the June 2021 quarter

QUARTERLY RISK REPORT 30 JUNE 2021									
Ranking per 31.03.21	Risk ID	Description	Inherent risk level	Controls	Residual risk level	Residual score 2)	Owner	Reason for archiving the risk	
79	185	The nature of our current commercial contracts/arrangements to deal with operator non-performance is compromising our ability to manage costs in the provision of services	Low Risk	relationship with operators	Low Risk	Balanced	Dawn Wilce	The treatment for this risk was Reviewing KPI regime. The KPI regime has been reviewed and came into effect on 1 July 2021 (the Deed to amend the KPI regime is currently out for final review and execution). I consider that this new control will have a change on the inherent likelihood of this risk - moving it from Near Certain to Likely made the inherent level of risk 0	

For Information

HEALTH SAFETY AND WELLBEING UPDATE – QUARTER FOUR

Te take mō te pūrongo

Purpose

1. To advise the Finance, Risk and Assurance Committee (the Committee) of Greater Wellington Regional Council's Health, Safety and Wellbeing (HSW) performance and activity.

Te horopaki

Context

2. The HSW performance scorecard for end June 2021 is included as **Attachment 1**.

HSW Fatal and Severe risk controls programme

3. Fatal and Severe Risk (FSR) work programmes currently underway are transportation and driving, lone and remote working, and working on or over water. Progress on each are outlined below:

Transportation and driving

4. Key progress elements are:
 - a. Implementation of the mandatory FleetCoach online driver training programme will start early August 2021 for all employees who drive Greater Wellington vehicles and their personal vehicles for work purposes.
 - b. This is an important element in managing our driving risk which focuses on higher level cognitive skills required for drivers to be safe by challenging driver's perceptions. In particular, increasing understanding of what good vs risky driving behaviour looks like, rather than car handling skills which are easier to learn but can give the driver a sense of over confidence
 - c. Greater Wellington's Executive Leadership Team (ELT) and all Tier 3 drivers will be the first to do this training to set the example and act as advocates for the rest of the organisation
 - d. Further key elements in managing driving risk, centralised management of the Greater Wellington fleet and appointment of a dedicated Fleet Manager were considered by ELT at the end of July 2021.

5. Two serious motor vehicle incidents in July 2021 highlight the importance of proactively managing the risk of driving for Greater Wellington so that harm to the driver and any passengers is avoided or minimised in the event of an accident.
6. This includes for example the investment in fit for purpose 5-star safety rated vehicles, good oversight of fleet control and maintenance, and driver competency and awareness.
7. In both recent incidents the vehicle was extensively damaged and written off. Fortunately, both drivers walked away with only minor cuts, bruises and in one case a mild concussion. Both required time off work to recover.
8. Serious incident reviews are underway and will be brought back to the Committee with learnings and recommendations once complete.

Lone and remote working

9. Key progress elements are:
 - a Installation of handheld radios, repeater and base stations is nearing completion
 - b Crosswire network monitoring software has been installed in base stations
 - c Standard operating procedures for routine and emergency response operations are out for final consultation
 - d Scoping is underway to assess practical commercial lone worker solutions (e.g. phone based apps, alarm devices etc.) for Greater Wellington employees not covered by the upgraded radio network

Working on or over water

10. The key progress elements are:
 - a The final draft Working on or Over Water standard, essential controls and toolkit guidance, which takes into account feedback received from initial consultation are out for review with target groups
 - b Environment and Catchment General Manager's approval and sign-off as joint risk owners is expected in early August
 - c Training and competency frameworks for working on or over water are being updated.

Wellbeing

11. The 'Protecting Mental Wellbeing at Work' programme developed by the Business Leaders Health and Safety Forum is being scoped for delivery to support mental health and wellbeing across the business
12. Procurement for the Rogoma Māori approach, one of the key indicatives from the recent wellbeing expo our people told us they wanted to see more of in their workplace, is underway.

HSW business assurance audit

13. The HSW business assurance audit undertaken by external auditors PricewaterhouseCoopers (PwC) in June 2021 found significant improvements in overall HSW management and maturity in the past 2-3 years.
14. Based on the work to date and with GW's ongoing commitment and investment in HSW, PWC expect this to continue to grow in maturity from a defined and repeatable HSW environment to one that is managed and optimised over the next few years.
15. Their recommendations, which identify opportunities for improvement rather than deficiencies that need to be addressed will now form the basis of the next three-year HSW strategy. This includes a continued strong focus on Fatal and Severe Risk (FSR) and the development of robust assurance processes.
16. A full review and copy of the PwC report is provided in the Business Assurance Update report being considered by the Committee at this meeting (report 21.302).

Asbestos contamination at Queen Elizabeth Park (QEP)

17. Removal of the asbestos contaminated shed and cleaning of contents commenced in early August by a licensed operator under full asbestos removal conditions.
18. This was accompanied by a media statement and social media posting to keep members of the public informed.
19. In a separate incident a leaking aging underground pipe was found to contain asbestos. The damaged section of the pipe was replaced and location of the pipe added to the QEP asbestos register.
20. In the meantime, work continues on the asbestos register and management plans for the remaining Greater Wellington facilities where this is required and is expected to be completed by end 2021.

Seismic issues Wellington Railway Station

21. Officers have entered into a constructive dialogue with KiwiRail in respect of joint overlapping HSW duties and the development of a joint Health and Safety Management Plan for the Wellington Railway Station.
22. This includes working together to manage the risks posed in relation to the seismic integrity of the building.

Ngā āpitihanga

Attachment

Number	Title
1	HSW Performance Scorecard June 2021

**Ngā kaiwaitohu
Signatories**

Writer	Julie Barber – Manager, Health Safety and Wellbeing
Approvers	Nigel Corry - General Manager, People and Customer Samantha Gain – General Manager, Corporate Services

**He whakarāpopoto i ngā huritaonga
Summary of considerations**

Fit with Council's roles or with Committee's terms of reference

This report assures the Committee that Greater Wellington's legal obligations under the Health and Safety at Work Act 2015 are maintained and met.

Implications for Māori

There are no known implications for Māori.

Contribution to Annual Plan / Long Term Plan / Other key strategies and policies

The HSW Policy and Wellbeing Strategy are included in Greater Wellington's Annual Plan 2020/21.

Internal consultation

No internal consultation was required or carried out.

Risks and impacts - legal / health and safety etc.

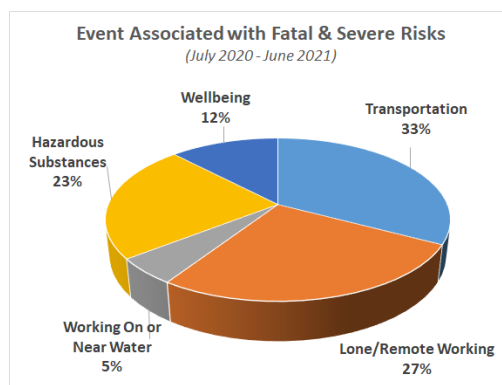
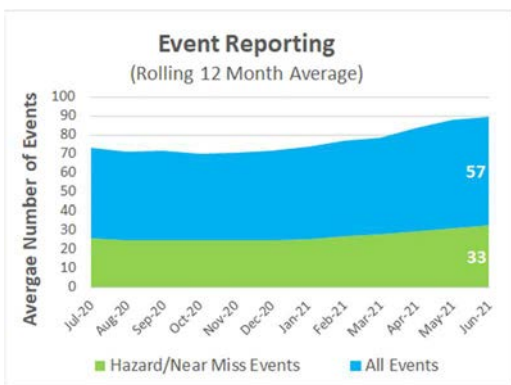
The HSW risks and treatment are outlined in paragraphs 3 to 10 inclusive.

Health, Safety and Wellbeing Performance Scorecard to end June 2021

Fatal and Severe Risk (FSR) Controls Programme

FSR title	Inherent risk	Residual risk	Target risk	Activity this quarter	
Transportation and driving	Very high	High	Medium	FleetCoach online driver training programme implementation	On track
Lone and remote working	Very high	High	Medium	Radio network project in final stages of implementation before handover to BAU	On track
Working on or over water	Very high	High	Medium	Final review and update of existing process out for consultation	On track

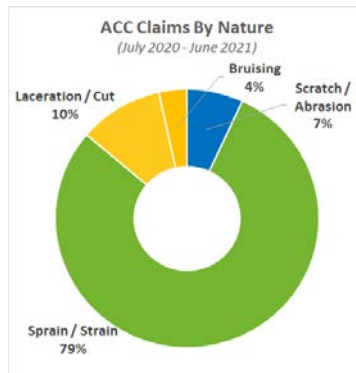
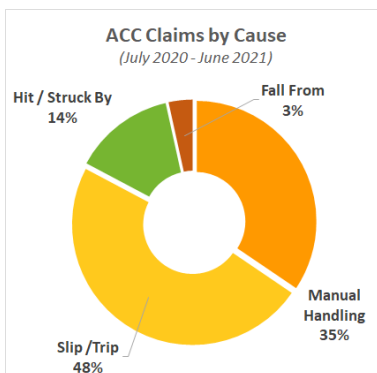
Event reporting



New / emerging trends April - June 2021

- Low speed / impact vehicle bumps and scrapes
- Seasonal and weather related loss of traction involving operational vehicles
- Identification, recording and management of assets with asbestos related material

ACC work injury claims

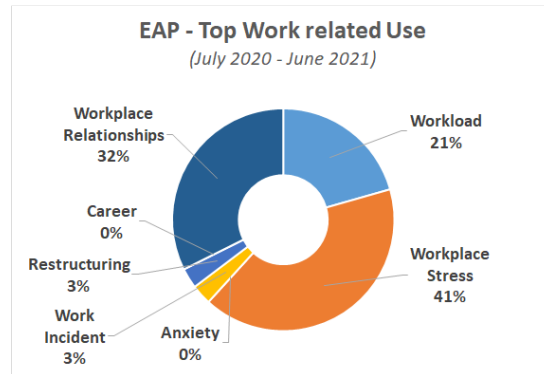
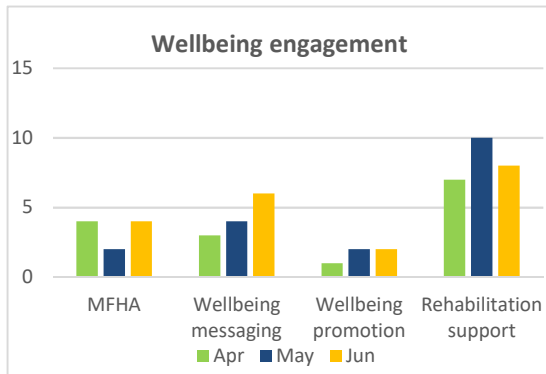


May 2020 – June 2021	
Total claims	29
Lost time claims	8
Total days lost	276
Increase in lost days due to recovery and rehabilitation following surgery in 2 cases	



Health, Safety and Wellbeing Performance Scorecard to end June 2021

Wellbeing



*Mental health first aid * Work, non-work and illness rehabilitation EAP – Employee Assistance Programme

High Consequence Events: April – June 2021

Dept	Event type	Event description	Corrective action
Contractor (Flood Protection)	Property damage	Contractor’s vehicle lost traction during a river crossing, slipping into a deep pool. No injury but vehicle written off.	Vehicle recovered and no pollution occurred. Cause attributed to a loose layer of boulders on the pool edge which was very unstable
Parks	Asbestos	Asbestos contamination park shed used by 3 rd parties at QEP	Shed secured to prevent access and asbestos warning signs affixed. For demolition as a matter of urgency.
Various ops	Near miss	Multiple reports of loss of traction and vehicle control due to ground conditions. No injury or vehicle damage.	Loss of control corrected and driving adapted to conditions as per training.
Parks	Anti-social behaviour	MOP, a known drug user was evicted after found sleeping in the toilets at Dry Creek. Police called after his behaviour came abusive. Appears there was also warrant out for his arrest for theft of a motorcycle which he had with him at the park.	Personal belongings removed. Toilets cleaned and needles removed and disposed of safely
Parks	Asbestos	Leak in asbestos lined underground pipe at QEP.	Faulty section of the pipe removed by qualified plumber. Given the age and condition of the pipe it will need replacement in the near future. Presence of pipe recorded on the parks asbestos register.



BUSINESS ASSURANCE UPDATE

Te take mō te pūrongo

Purpose

1. To provide the Finance, Risk and Audit Committee (the Committee) with an update on Business Assurance reviews and related action points.

Te horopaki

Context

Internal audit action points

2. The action points and relevant updates from prior audit reports are appended in **Attachment 1**.
3. As indicated in the previous Business Assurance update to the Committee (Report 21.129), action points from the *Policy Framework audit* have been removed as they are now all complete.
4. The *Cyber security audit* has made good progress with completion of actions points and these are likely to be all completed by the next meeting.
5. The *PMO audit* has some initial work underway with the bulk of the work being the development of a plan to address opportunities not scheduled for completion until August 2021.
6. The *Health & Safety audit* recently completed has a number of action points. These points will assist with informing the H&S Strategy going forward and will be cleared in accordance with their priority.

Te tātaritanga

Analysis

Internal audit arrangements

7. PwC have finalised the internal audit on *Health and Safety*. This is appended as **Attachment 2**. (Health and Safety internal audit report July 2021)
8. At the time of writing this report an update of the Internal Audit/business assurance plan was to be discussed at the Council workshop of 27 July 2021. Outcomes from this workshop will be incorporated into an updated plan, which will be presented to the next meeting of the Committee scheduled for 12 October 2021.

Health and Safety Internal audit review

9. PricewaterhouseCoopers (PwC) is Greater Wellington's internal auditor. PwC conducted an audit as part of the audit programme on Health and Safety (H&S) activities at Greater Wellington Regional Council (Greater Wellington).
10. The brief to PwC in relation to the audit (noting that H&S has recently been resourced up) was to ascertain if Greater Wellington is operating at best practice for H&S (policies, systems and processes, culture) and if not, identify improvements, with a particular focus on processes around working over water.
11. H&S is a key function at Greater Wellington and is heavily enshrined in legislation. Everyone in a position of authority at Greater Wellington has a responsibility to ensure that safe working practices are achieved via policies, procedures and actions that are compliant with the Health and Safety at Work Act 2015.
12. Greater Wellington has invested considerable resource in this activity (five staff and a manager) and in 2017 in response to the legislation the General Manager People and Customer commissioned a report by the Wilson Consulting Group (Wilson report) to look review Greater Wellington's H&S obligations, culture, performance and risk profile.
13. The recommendations from this report have been progressively implemented, with the bulk of the recommendations being completed in the last two years.
14. PwC referred to the Wilson report in their audit to see that it had been implemented. The Wilson report provided a number of areas for improvement and contained a number recommendations.
15. With Greater Wellington's H&S and welfare strategy underway, PwC's internal audit sought to understand GW's strategic road map initiatives established in response to Wilson report and to:
 - a. Assess the alignment between an agreed sample of these initiatives and their ability to address the Wilson report findings, and identify any further actions that had not been considered
 - b. meet with nominated Greater Wellington officers and interview them to understand their awareness and knowledge of these initiatives and their H&S responsibilities
 - c. Gain an understanding as to how management has identified the resourcing and capacity requirements to bring these initiatives to life.
16. PwC's internal audit was facilitated by conducting a number of focus groups, performing a range of interviews and reviewing several H&S objectives, policies, procedures and practices.
17. PwC's findings have indicated significant improvements since the Wilson report on Greater Wellington's H&S maturity journey. PwC found a positive H&S culture in relation to risk awareness, embedding of H&S practices in the ways of working and in the commitment of employees and leadership to H&S.

18. The audit identified a number of positive themes, with the process from here to build on the good work to date and optimise and manage Greater Wellington’s H&S environment.
19. PwC’s detailed internal audit report provides a number of recommendations. These recommendations are about optimising and continuous improvement on what Greater Wellington does rather than deficiencies that exist that need addressing. The recommendations are outlined in **Attachment 1** (Audit Status Update August 2021).

Ngā tūāoma e whai ake nei

Next steps

20. Agree with Officers the next internal audit topic to be completed after outcome from the Audit Plan workshop.
21. Officers will present the Committee with a revised recommended audit plan for the Committee’s review and acceptance at the 12 October meeting.
22. Officers will continue to report back to the Committee on the implementation of the internal audit plan as the audits are completed and will continue to monitor the audit action points for completion.

Ngā āpitihanga

Attachment

Number	Title
1	Audit Status Update April 2021
2	PwC- Health and Safety internal audit report

Ngā kaiwaitohu

Signatories

Writer	Mike Timmer - Treasurer
Approver	Samantha Gain – General Manager, Corporate Services

**He whakarāpopoto i ngā huritaonga
Summary of considerations**

Fit with Committee's terms of reference

The Committee's Terms of Reference provide for it to "approve an internal audit plan".

Implications for Māori

There are no known impacts for Māori.

Contribution to Annual Plan / Long term Plan / Other key strategies and policies

Internal audit reviews the effectiveness of Greater Wellington's internal controls framework and processes such that Council can deliver effectively on its objectives, including safeguarding assets as set out in its Long Term Plan and Annual Plans. Internal audit supports the risk management policy and risk management framework.

Internal consultation

The proposed internal audit arrangements were developed by management in consultation with a number of Greater Wellington's third tier managers, with ELT oversight and review.

Risks and impacts: legal / health and safety etc.

Internal audit acts to reduce risk by ensuring controls are operating as Greater Wellington has developed through its policies and procedures.

Recommendations and responses for internal audit reviews

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
<p>Cyber Security (March 2020)</p> <p>In March 2020 PwC in conjunction with ICT performed a maturity analysis on Cyber Security in GW. ICT took that approach deeper conducting various technical assessments underpinning our Cyber Security posture using one of our trusted partners, Voco with support of our security partner LiquidIT.</p>					
<p>CS Action 1: Establish Cyber Security Strategy –</p>	<p>Chief Information Officer</p>	<p>Iterative and sequential</p>	<p>1. 30/3/2021 Completed</p>	<p>Security Governance defined and adopted - ICT Security & appropriate use Policy Adopted by ELT 28th June</p>	<p>✓</p>
<p>CS Action 2: Develop Cyber security policies</p>	<p>Chief Information Officer</p>		<p>Completed</p>		<p>✓</p>
<p>CS Action 3: Establish minimum control standards –</p>	<p>Chief Information Officer</p>		<p>Completed</p>		<p>✓</p>
<p>CS Action 4: Document procedures -</p>	<p>Chief Information Officer</p>		<p>Completed</p>		<p>✓</p>

Recommendations and responses for internal audit reviews

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
<i>CS Action 5: Monitor vendor performance and compliance-</i>	Chief Information Officer		Completed		✓
<i>CS Action 6: Develop a remediation plan</i>	Chief Information Officer		30/06/2021 Completed	Establishment of a CSIP (Continuous Service Improvement Process) process is underway. <ul style="list-style-type: none"> - Meet monthly - Identify gaps, inefficiencies and other improvements - Deliver improvements via sprint teams CSIP register created. Process document underway. Meeting schedule to be established. On track for completion by month end.	✓

Recommendations and responses for internal audit reviews

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
Project Management Office review (February 2021)					
Assess and develop with PwC the future requirements of the PMO delivery model in consultation with ELT. Take into account those 35 opportunities identified in the PwC Audit in terms of their priority and sequencing.	Project Management Office	Medium	August 2021	Work with PwC in consultation with ELT to develop a plan to address PwC opportunities in consultation with ELT. Present plan to FRAC for approval, monitor plan going forward, with progress against milestones as audit action points.	
That GWRC considers the 'handbrake' effect on PMO process that the low-level Delegated Financial Authority levels have, in the context of DFA maturity for the organisation	Project Management Office/General Manager Corporate Services	Medium	April 2021	Internal discussion on delegations for the PMO/Purchasing and recommendation to ELT. Work currently underway, in context of developing process for business case approvals.	

Recommendations and responses for internal audit reviews

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
Health, Safety & Wellbeing (July 2021)					
Review management, and broader employee, HSW KPIs and update to align to and promote the Council’s HSW vision and specific HSW role accountabilities. This should also include continuing the work underway to define and set the HSE annual targets and objectives for the Finance, Risk and Audit Committee (FRAC) and ELT		P1			
Establish competency measures or criteria for team leaders and management as part of their performance measurement framework		P2			
Establish an upwards feedback mechanism that allows individuals and teams to capture how well their direct managers and leaders are enabling the HSW vision		P2			
Continue developing the current initiatives to a) improve the HSW conversations at Executive level and b) developing and rolling out the ‘lessons worth sharing’ approach.		P2			
Review the FSR register for risk rating and action clarity and consistency		P1			
Work with employees to identify those critical risks where there is not a clear and complete understanding of the required mitigations, and support through appropriate education, mentoring or		P2			

Recommendations and responses for internal audit reviews

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
partnering. Progress on this should be included in HSW reporting given the critical nature of these risks					
Continue developing standards, guidelines and assessment tools for managing this important FSR		P3			
The Human Resources team should consult with the Health and Safety team to refresh the training register to reflect the training completed to date, and develop processes to maintain the training register. This could include exploring opportunities to use KESAW to record the training completed by individuals		P2			
Set up working on or near water competency evaluation measures to confirm personnel continue to have the right capability to manage this critical risk.		P1			
Develop an appropriate action plan to address the wellbeing concerns highlighted in the recent wellbeing survey. Given the specialised nature of wellbeing and mental health, consideration should be applied to sourcing external expertise to help and/or guide the development of the Council's response		P1			
Develop a change management approach that helps the Council further develop the maturity and buy-in of its HSW approaches. This should include consideration given to:		P3			

Recommendations and responses for internal audit reviews

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
<ul style="list-style-type: none"> • Continuing engaging with operational teams to understand what is working well and opportunities to improve the efficiency of HSW process whilst still managing HSW risks • Developing a map of all HSW processes and systems to understand the level of relevance, consistency and utilisation, and identify where approaches and enablers can be consolidated or streamlined • Continuing to consult with operational teams on upcoming changes, initiatives and suggestions before implementation to avoid hesitance in acceptance, inefficiencies and inconsistencies • Identification of opportunities for improving system functionality (where possible) 					
Continue to emphasise and enforce the contractor procurement policies and due diligence checks related to Health and Safety.		P2			
Develop an approach to provide assurance over the operation of GWRC's health and safety obligations and commitments (refer to the report for the objectives described that is required for management to develop an HSW oversight/ assurance framework).		P1			

Recommendations and responses for internal audit reviews

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
Our of scope observations and recommendations					
Develop a consistent employee induction process		P3			
Progress against the Wilson report actions has been made and this should be shared to encourage work and to provide positive recognition while maintaining focus on outstanding actions.		P3			
Key person risk and reliance on the Health and Safety Manger should be monitored and succession planning needs to be considered		P3			
GWRC should consider performing a review of all policy, procedural and guideline documents to look for opportunities to streamline and consolidate.		P2			
GWRC should consider how it allocates resources across the Council and review the current roles and responsibilities to ensure they are relevant, clear, appropriate and understood.		P1			
GWRC should consider whether the administration tasks are appropriate given the risk profile and maturity of the associated teams, or where relevant reinforce their importance and identify how additional support or training could help		P3			

Recommendations and responses for internal audit reviews

The following priority ratings have been used to prioritise the recommendations outlined in the H&S Audit above above:

Priority Rating	Definition
Priority 1	This action addresses matters that are fundamental to the GWRC’s system of internal control. The matters observed may cause a business objective not to be met, or leave a risk unmitigated, and need to be addressed as soon as possible.
Priority 2	This action addresses matters that have an important effect on internal controls, but do not require immediate action. A business objective may still be met in full or in part, or a risk adequately mitigated, but the weakness represents a deficiency in the system that needs to be addressed.
Priority 3	The action addresses an opportunity for continuous improvement which improves the overall efficiency and effectiveness of the process. This action does not address control weaknesses or control failures.

Greater Wellington Regional Council

Health and Safety internal audit report
July 2021



In reading this report we request you note the following:



Private and confidential

This report is provided solely for the Greater Wellington Regional Council for which the services are provided. Unless required by law you shall not provide this report to any third party, publish it on a website or refer to us or the services without our prior written consent. In no event, regardless of whether consent has been provided, shall we assume any responsibility to any third party to whom our report is disclosed or otherwise made available. No copy, extract or quote from our report may be made available to any other person without our prior written consent to the form and content of the disclosure.



Users of the report

This report is intended solely for the use of Greater Wellington Regional Council. This report contains confidential information. Please treat the report with confidentiality in every respect.



Conclusions

We have performed our engagement in accordance with relevant ethical requirements of the Code of Ethics issued by the New Zealand Institute of Chartered Accountants, and appropriate quality control standards. Our engagement does not constitute a review or audit in terms of standards issued by the New Zealand Institute of Chartered Accountants.

Accordingly, this engagement is not intended to result in either the expression of an audit or legal opinion, nor the fulfilling of any statutory audit or other requirements.



Julie Barber
Manager, Health, Safety and Wellbeing
Greater Wellington Regional Council
PO Box 11646
Wellington 6142

13 July 2021

Health and Safety internal audit report

Dear Julie

In accordance with our Terms of Reference dated 4 May 2021, we have completed our Health and Safety internal audit.

Our observations, findings and recommendations per the agreed scope and approach are set out in this report, and are based on the field work carried out between 19 May 2021 and 1 July 2021.

I would like to take this opportunity to acknowledge the efforts of the GWRC personnel for the contributions they have each made to enable us to perform this engagement.

Please feel free to contact me on 027 511 6563 if you have any questions or require any further information.

Yours sincerely,

Vaughan Harrison
Partner
PricewaterhouseCoopers
E: vaughan.x.harrison@pwc.com

Cc: Mike Timmer, Treasurer

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Executive Summary

Executive summary

Background

In 2017 Wilson Consulting Group completed a review into the Council's health and safety culture, performance and risk profile. The subsequent Wilson report identified a number of areas for improvement and made several recommendations for the Council to consider and implement.

With a refresh of the Council's HSW strategy underway, our internal audit sought to understand the Council's strategic road map initiatives established in response to the Wilson Group findings and:

- Assess the alignment between an agreed sample of these initiatives and their ability to address the Wilson Group findings, and identify any further actions that have not been considered
- Meet with nominated GWRC personnel and interview to understand their awareness and knowledge of these initiatives and their HSW responsibilities
- Understand how management have identified the resourcing and capacity requirements to bring these initiatives to life.

Our internal audit was completed by facilitating a number of focus groups, conducting a range of interviews and reviewing several HSW artefacts. Please refer to Appendix A for our detailed internal audit objectives and scope.

A number of HSW strengths were observed across the Council's leadership, HSW culture, critical HSW risk awareness, policies, ways of working and employees' commitment to HSW

Since the Wilson report the Council has made significant improvements to their health and safety policies, processes and practices and is actively continuing on its maturing journey. Based on the work to date and the Council's on-going commitment to HSW, we expect the Council will continue to grow, evolve and optimise over time as they work towards a health and safety environment that **is robust, sustainable and creates a safe working environment** for its people. Accordingly, the Council is now in a position where focus can move on from the Wilson report to focusing on optimising and managing the Council's HSW environment.

During our internal audit we identified a number of positive themes which is a testament to the dedicated work the Council has undertaken (refer right) and the commitment to further mature HSW practices.



(continued)

These strengths have established a number of useful HSW enablers, however the implementation of a full end-to-end HSW system across an entire organisation, particularly one such as the Council which operates in a wide range of HSW environments, does take time. Our findings below are known by management and reflect the on-going work required to build on the current 'defined and repeatable' HSW environment to one that is 'managed and optimised', and focus must now move to addressing the know wellbeing challenges

Our scope: Council HSW initiatives responsible for addressing Wilson Group findings	Our summary assessment	Key recommendations
1. Vision: Commitment tracking performance	The Council has developed a clear HSW vision which reflects the Council's values, is known by all personnel interviewed, and progress to the HSW work plan is regularly monitored and reported.	None.
2. Leadership: Effective safety interactions and skills capability and competence (continued next page)	Health and Safety is recognised and treated as a priority across the personnel interviewed and Council leadership with useful HSW reporting in place. Perspectives however exist in the differing levels of Council leadership engagement with HSW (noting no personnel expressed any concern with the leaders they engage through their role), and current HSW KPIs are not consistent and fully aligned to the Council's HSW vision.	<ul style="list-style-type: none"> Review and refresh HSW KPIs across key HSW roles and accountabilities, and incorporate in performance plans to create a clear link between HSW expectations and performance. This should also include continuing the work underway to define and set the HSE annual targets and objectives for the Finance, Risk and Audit Committee (FRAC) and ELT Establish an upwards feedback mechanism to help measure HSW KPIs, and determine if current perspectives on the differing levels of Council leadership HSW engagement is driven by a fact base or a perception impacted by personnel not being able to see other HSW leaders activities Continue the work underway to develop an approach that allows HSW lessons learned to be shared in a useful way.

(continued)

Our scope: Council HSW initiatives responsible for addressing Wilson Group findings	Our summary assessment	Key recommendations
3. Critical risk management: Leadership focus, verification of controls in practice and employee involvement, and working over water	<p>Significant effort has been invested identifying critical HSW risks and establishing approaches and enablers to mitigate. Whilst this is providing a useful foundation some personnel interviewed noted examples where they are not fully aware of the exact approaches required to manage these risks.</p> <p>We also completed a deeper dive into working over water risks and found employees have good awareness of the risks, however the supporting end-to-end system (e.g. standards, training records and competency measures) is still under development, and lesser HSW resourcing is provided to day-to-day working over water activities compared to working over water projects.</p>	<ul style="list-style-type: none"> Review the Fatal and Severe Risks (FSR) register for risk rating and action clarity and consistency Work with employees to identify those critical risks where there is not a clear and complete understanding of the required mitigations, and support through appropriate education, mentoring or partnering. Progress on this should be included in HSW reporting given the critical nature of these risks Management are aware of the importance of developing an HSW internal assurance approach. We have shared in this report a number of objectives with management on how this should be brought to life in a practical and pragmatic way. Based on current HSW team resourcing and the range of HSW initiatives planned and underway, a resourcing decision on how to develop the HSW assurance approach is required by either: <ul style="list-style-type: none"> Pausing some of the HSW initiatives and using this spare HSW capacity to develop the HSW assurance approach, or Investing in additional resource, either externally or from elsewhere in the Council, to develop the HSW assurance approach. We expect an effort of six months would be required to develop the assurance approach and enablers and bring the assurance approach to life over the Council's key HSW risks.
4. Health and safety: Focus on mental health and wellbeing	<p>Health and safety at the Council has evolved beyond managing safety risk to now include wellbeing. The personnel interviewed spoke positively on the progress made, the wellbeing enablers available, and the leadership's focus on wellbeing. Management however recognise further work is required.</p>	<p>Wellbeing is a key HSW risk and an action plan developed to address the current concerns. Given the specialised nature of wellbeing and mental health, consideration should be applied to sourcing external expertise to help and/or guide the development of the Council's response.</p>

(continued)

Our scope: Council HSW initiatives responsible for addressing Wilson Group findings	Our summary assessment	Key recommendations
5. Systems and processes: Framework, governance and management assurance, and contractor reset	<p>There are comprehensive systems, tools and processes in place to assist embedding and enforcing the Health and Safety practices and framework. The process in place allows for consultation with operational teams to develop processes and systems that are fit for purpose. The Council Health and Safety team acknowledges that this process is not as mature as desired, however the opportunity to engage is always provided.</p> <p>There is an appreciation from interviewees for the attention and action that has been taken to improve this area, however there is a general concern from those interviewed for the pragmatism of controls and processes enforced by management that may not be fit for purpose from an operational lens regardless of the consultation throughout the development of these controls and processes .</p>	<p>To support the future calibration of HSW processes a change management approach should be developed that helps support the buy-in by considering:</p> <ul style="list-style-type: none"> Engaging with operational teams to understand what is working well and opportunities to improve the efficiency of HSW process whilst still managing HSW risks Continuing to consult with operational teams on upcoming changes, initiatives and suggestions before implementation to avoid hesitance in acceptance, inefficiencies and inconsistencies Developing a map of all HSW processes and systems to understand the level of relevance, consistency and utilisation, and identify where approaches and enablers can be consolidated or streamlined.

2

Detailed observations and findings

Progress against the Wilson report

GWRC identified five HSW strategic road map initiatives (vision, leadership, critical risk management, health and wellbeing and systems and structure) which are responsible for addressing the findings and recommendations raised in the 2017 Wilson report. For each initiative we read relevant HSW documentation and interviewed personnel to determine if the initiative has been fully met, or where relevant identified areas where further change is required or resourcing needed.

HSW initiative one: Vision - Commitment and tracking performance

Our summary assessment: The Council has developed a clear HSW vision which reflects the Council's values, is known by all personnel interviewed, and progress to the HSW work plan is regularly monitored and reported.

GWRC HSW initiatives and related Wilson observations	Our current state assessment	Further recommended improvements
<p>Wilson Group observations:</p> <ul style="list-style-type: none"> • There is a lack of visibility of the HSW vision at all physical locations • The HSW plan should be updated given it was initially developed in 2015 • The Council values should be incorporated into and embedded in the HSW vision • HSW lessons learnt should be shared across the Council to help support the delivery of the vision (<i>refer to slide 10 for our assessment on this observation</i>). 	<p>Strengths identified</p> <ul style="list-style-type: none"> • When asked what the Council's HSW vision is, all interviewees were able to articulate the vision accurately, which reflects a consistent understanding of the vision (refer Appendix B) • The HSW vision was developed through comprehensive consultation with employees. Based on our interviews this has created a HSW vision that all employees relate to, understand and feel a connection with • The vision was very visible across the offices we visited in Wellington Central, Upper Hutt and Masterton • Health and safety notice boards were present in all offices visited and included important information such as the vision, health and safety representatives details and in some instances notices, announcements and process documents • To support the delivery of the vision, the Council Health & Safety team established detailed team work plans which includes initiatives across critical risks, wellbeing, systems, etc. • The Council's Health & Safety team is tracking progress against milestones for the above detailed work plans, and report progress to senior Council personnel • When asked how the Council delivers on this vision, all interviewees were able to outline the key processes and procedures including: <ul style="list-style-type: none"> – Standard Operating Procedures (SOP) – Site Safety Plan (SSP) – Job Safety Review (JSR) • The HSW framework (including the Vision, the standards, and the toolkits) is easily accessible on the Council's intranet page GWEENIE. <p>Findings</p> <p>None.</p>	<p>No further recommendations identified.</p>

(continued)

HSW initiative two: Leadership (capability and accountability) - Effective safety interactions and skills capability and competence

Our summary assessment: Health and Safety is recognised and treated as a priority across the personnel interviewed and Council leadership with useful HSW reporting in place. Perspectives however exist in the differing levels of Council leadership engagement with HSW, and current HSW KPIs are not consistent and fully aligned to the Council's HSW vision.

GWRC HSW initiatives and related Wilson observations	Our current state assessment	Further recommended improvements
<p>Wilson Group observations included:</p> <ul style="list-style-type: none"> • Systems need improvement for the leadership team to access helpful HSW information • Increase Executive presence in various sites, depots and offices • Establish measures for leaders' Health and Safety capability • Leaders need to display commitment and operate as role models rather than fulfilling obligations. 	<p>Strengths identified</p> <ul style="list-style-type: none"> • Based on our interviews Council leadership's focus, commitment and culture towards Health and Safety has significantly improved since the Wilson report with a strong focus on Health and Safety from the top down • The HSW reporting provided to Councillors is comprehensive, timely, and enables management to engage with the HSW system and discussions • Councillors are supportive and prioritise the Council's investment in Health and Safety • The operational personnel interviewed generally felt the Executive team supports the development of Health and Safety practices and encourages individuals and teams to report risks/near misses with no fear of blame. <p>Findings</p> <ul style="list-style-type: none"> • Discussions with various interviewees highlighted a perception that different leaders within the Council display different levels of engagement and commitment to Health and Safety (noting no personnel expressed any concern with the leaders they engage through their role) • There are no competency measures in place to monitor and measure leaders' HSW competency • Current management HSW KPIs are inconsistent and should be reviewed for appropriateness and relevance to fully align to the Council's HSW aspirations. • There is limited sharing of HSW lessons across the Council, noting: <ul style="list-style-type: none"> – Work is underway to further improve the HSW conversations at Executive level, and the Council is looking at discussing risks/ events at a deeper level in the ELT meetings as an option – We understand a 'lessons worth sharing' approach is currently under development 	<ul style="list-style-type: none"> • Review management, and broader employee, HSW KPIs and update to align to and promote the Council's HSW vision and specific HSW role accountabilities. This should also include continuing the work underway to define and set the HSE annual targets and objectives for the Finance, Risk and Audit Committee (FRAC) and ELT • Establish competency measures or criteria for team leaders and management as part of their performance measurement framework • Establish an upwards feedback mechanism that allows individuals and teams to capture how well their direct managers and leaders are enabling the HSW vision • Continue developing the current initiatives to a) improve the HSW conversations at Executive level and b) developing and rolling out the 'lessons worth sharing' approach.

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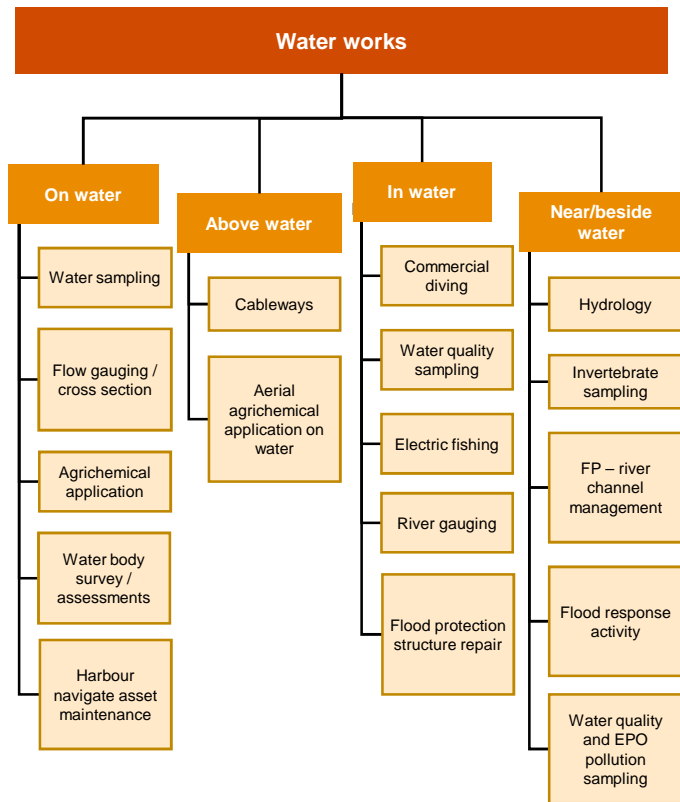
HSW initiative three: Critical risk management - Leadership focus, verification of controls in practice and employee involvement, and working over water

Our summary assessment: Significant effort has been invested in identifying critical HSW risks and establishing approaches and enablers to mitigate. Whilst this is providing a useful foundation some personnel interviewed noted examples where they are not fully aware of the exact approaches required to manage these risks. We also completed a deeper dive into working over water risks and found employees have good awareness of the risks, however the supporting end-to-end system (e.g. standards, training records and competency measures) is still under development, and lesser HSW resourcing is provided to day-to-day working over water activities compared to working over water projects.

GWRC HSW initiatives and related Wilson observations	Our current state assessment	Further recommended improvements
<p>Wilson Group observations included:</p> <ul style="list-style-type: none"> Whilst focus is placed on the identification and management of hazards, there was no overarching approach in place to identify and manage critical risks There is a lack of awareness and understanding of critical risks and their required treatments/controls by employees, with no regular verification of critical risk controls in place Examples of low level critical risk management issues were identified, for example hazard signage and training 	<p>Strengths identified</p> <ul style="list-style-type: none"> A centralised Fatal and Severe Risks (FSR) register containing risks that are potentially catastrophic, life ending or permanently life changing was developed through consultation with front-line staff from various Council teams and leveraging FSR management guidelines Regular reviews and updates of the FSR register are performed and are discussed with the Executive and Councillors The operational staff interviewed have team-specific critical risks management plans to support the active treatment of critical risks Interviewees displayed heightened awareness of the FSR register and its importance, however were unable to articulate the differences in practices and management of FSR risks and non-FSR risks. <p>Findings</p> <ul style="list-style-type: none"> Differences exist in the FSR register on how critical risks are rated and the description of actions required to mitigate further Some critical risks have been assessed at an 'accepted' level within the FSR register, however discussions with employees found for some risks they were not fully aware of the approaches required to manage these risks There is limited and ad-hoc verification and monitoring of critical controls, noting management are aware of this and included in this internal audit scope. 	<ul style="list-style-type: none"> Review the FSR register for risk rating and action clarity and consistency Work with employees to identify those critical risks where there is not a clear and complete understanding of the required mitigations, and support through appropriate education, mentoring or partnering. Progress on this should be included in HSW reporting given the critical nature of these risks On page 11 we describe the objectives required for management to develop an HSW oversight/ assurance framework

(continued)

Working on, near or over water is identified as a FSR and is one of the Councils highest risks. We interviewed nominated Council employees to determine how well the risks inherent to working on, near or over water are understood and the clarity of the mitigations required to manage.



General observations

- Limited standards or guidelines exist for working on or near water given the nature of the role and activities (we understand this is a work in progress)
- No centralised training register exists or is maintained to record employees’ training records, in general or specific to working on or near water. We understand a training register is maintained by Human Resources that is intended to provide this view, however according to personnel interviewed it cannot be relied on due to its current inaccuracy and incompleteness.
- Competency measures do not exist to determine whether an employee is competent enough to perform activities for working on or near water. This is especially important when deciding whether an employee is ready to work alone on/over water as this is often the case and in remote locations.

We understand this work in progress with some documents already been completed and approved during the course of our engagement.



Project vs routine

From discussions with employees who work closely with water or near water, projects often receive more dedicated health and safety support and guidance compared to those activities carried out as part of the routine day-to-day work. Key differences noted include:

- More HSW resource is committed for projects
- One day training is provided during project induction
- Project personnel’s understanding, experience and training with working on or near water can vary significantly.



Our recommendations

- Continue developing standards, guidelines and assessment tools for managing this important FSR
- The Human Resources team should consult with the Health and Safety team to refresh the training register to reflect the training completed to date, and develop processes to maintain the training register. This could include exploring opportunities to use KESAW to record the training completed by individuals
- Set up working on or near water competency evaluation measures to confirm personnel continue to have the right capability to manage this critical risk.

(continued)

HSW initiative four: Health and wellbeing - Focus on mental health and wellbeing

Our summary assessment: Health and safety at the Council has evolved beyond managing safety risk to now include wellbeing. The personnel interviewed spoke positively on the progress made, the wellbeing enablers available, and the leadership's focus on wellbeing, however management recognise further work is required.

GWRC HSW initiatives and related Wilson observations	Our current state assessment	Further recommended improvements
<p>Wilson Group observations included:</p> <ul style="list-style-type: none"> • Develop a facilities management network • Ensure an Employee Assisted Programme (EAP) is available and accessible to staff • Establish a general wellbeing programme with targeted health promotion activities. 	<p>Strengths identified</p> <ul style="list-style-type: none"> • General health checks are performed for some employees as part of the staff induction process • The Executive Leadership team and Councillors promote a safe and open culture where mental health is discussed and its importance promoted • Interviewed staff are generally pleased with the mental health related benefits and platforms that exist including sick leave, mental health leave, EAP and flexible working practices • Interviewed staff experienced an increasing level of encouragement in looking after themselves and each other. <p>Findings</p> <p>Despite this positive feedback, management recognises wellbeing concerns persist among staff hence further work is required.</p>	<p>Develop an appropriate action plan to address the wellbeing concerns. Given the specialised nature of wellbeing and mental health, consideration should be applied to sourcing external expertise to help and/or guide the development of the Council's response.</p>

(continued)

HSW initiative five: Systems and structure: Framework, governance and management assurance, and contractor reset

Our summary assessment: There are comprehensive systems, tools and processes in place to assist embedding and enforcing the Health and Safety practices and framework. There is an appreciation from interviewees for the attention and action that has been taken to improve this area, however there is a general concern for the pragmatism of controls and processes enforced by management that may not be fit for purpose from an operational lens.

GWRC HSW initiatives and related Wilson observations	Our current state assessment	Further recommended improvements
<p>Wilson Group observations included:</p> <ul style="list-style-type: none"> • Increase the maturity of the approach and systems used to manage HSW risks across the Council • Develop an internal communications network • The audit process was not consistently applied across the Council • Monitoring activities need to be conducted on a regular basis • No review is in place to assess contractors' Health and Safety practices • Contractors are not asked to provide their incident data. 	<p>Strengths identified</p> <ul style="list-style-type: none"> • Robust internal communication channels exist and are accessible and transparent. Examples include risks and incidents reporting, Pause2Talk, HSW Expo, etc. • Contractors are required to follow the Council's Health and Safety standards and procedures and are rarely left unattended (contract dependent) • Significant change has been made to systems and processes to improve the efficiency of the Health and Safety recording and reporting of information and incidents • Work has been done to review, improve and rationalise historical and legacy processes to remove duplication, irrelevant and out of date process documents. This is a work in progress by the Health and Safety team given the volume and breadth of these processes • Offices and locations that perform remote and out-of-office activities have daily check in practices to keep in touch with staff. <p>Findings</p> <ul style="list-style-type: none"> • A wide range systems and tools are being developed and rolled out, but are causing efficiency issues for some teams due to the solutions not being viewed as pragmatic and aligned to the actual risk faced • We note the use of these same systems and processes varies across teams. For example the E-road application requires staff to complete comprehensive checks on their vehicles before each drive, however some teams find this unnecessary and therefore have decided to perform weekly checks instead • Some staff find the KESAW system, which is used to record hazards and incidents, hard to use and noted it has limited functionality which limits the Council's ability to analyse data, share experiences and report from • Contractors do not always go through the same HSW due diligence checks required during procurement, e.g. HSW inductions. 	<ul style="list-style-type: none"> • Develop a change management approach that helps the Council further develop the maturity and buy-in of its HSW approaches. This should include consideration given to: <ul style="list-style-type: none"> – Continuing engaging with operational teams to understand what is working well and opportunities to improve the efficiency of HSW process whilst still managing HSW risks – Developing a map of all HSW processes and systems to understand the level of relevance, consistency and utilisation, and identify where approaches and enablers can be consolidated or streamlined – Continuing to consult with operational teams on upcoming changes, initiatives and suggestions before implementation to avoid hesitance in acceptance, inefficiencies and inconsistencies – Identification of opportunities for improving system functionality (where possible) • Continue to emphasise and enforce the contractor procurement policies and due diligence checks related to Health and Safety.

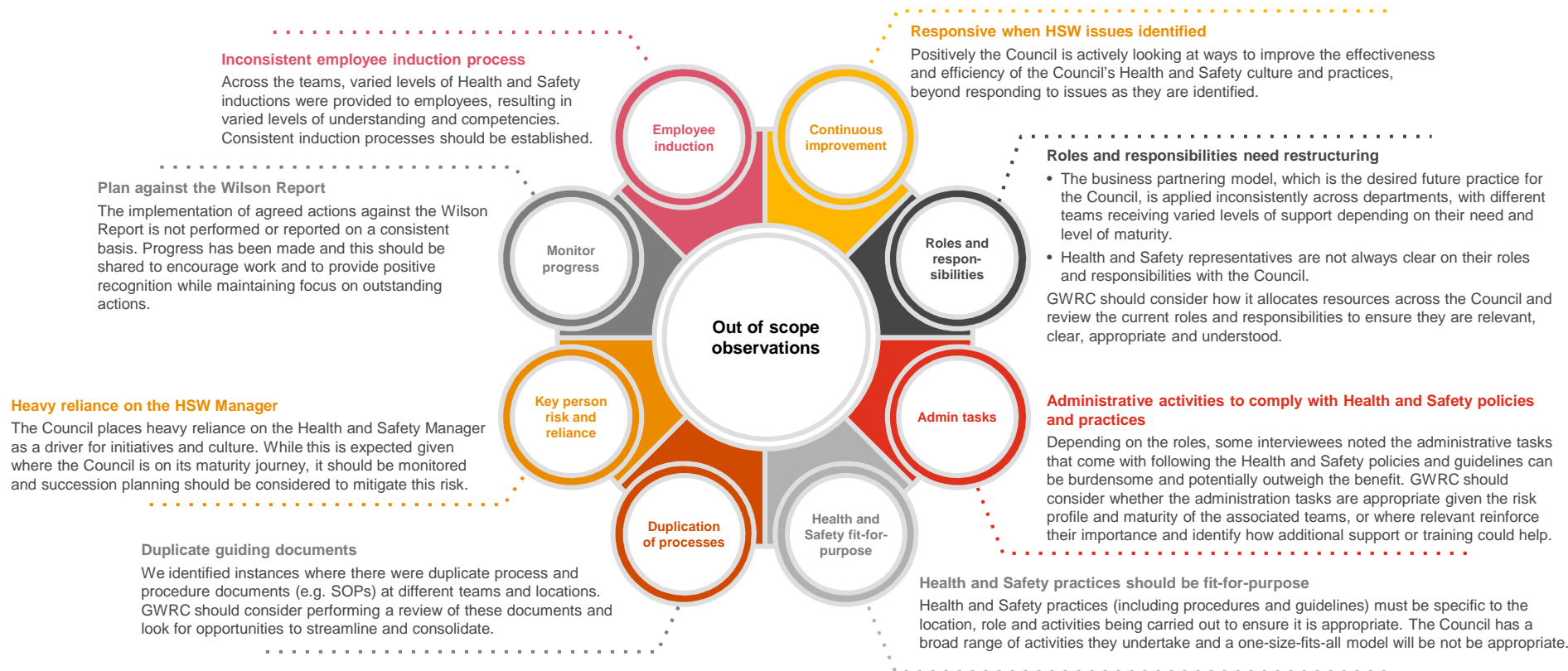
Perspectives on some of practical and pragmatic approaches available for management to deliver their HSW internal assurance responsibilities

Our scope included sharing perspectives on some of the practical and pragmatic approaches available for management to deliver their HSW internal assurance responsibilities. We met with HSW management and discussed the following objectives and considerations that should be applied when developing the approach to provide assurance over the operation of GWRC's health and safety obligations and commitments:

1. Good assurance provides both trust and confidence HSW commitments are being met, and insights that help improve the effectiveness and efficiency of HSW activities. It should also be **practical and pragmatic and not an academic exercise that creates unnecessary effort**
2. A **pilot** over a small part of GWRC should be used to bring the assurance approach to life, and allow any **lessons learned** to be applied before rolling out across the Council
3. **Investment will be required** to develop the internal assurance approach. The HSW team have a number of HSW initiatives underway and a range forward-looking recommendations included in this report, and accordingly a decision is required to either:
 - Pause some of the HSW initiatives and use this spare HSW capacity to develop the HSW assurance approach, or
 - Invest in additional resource, either externally or from elsewhere in the Council, to develop the HSW assurance approach. We expect an effort of six months would be required to develop the assurance approach and enablers and bring the assurance approach to life over the Council's key HSW risks
4. Assurance can be provided from **multiple sources** including the first line of defence (management), second line of defence (HSW oversight) and the third line of defence (independent assurance, e.g. internal audit and external reviews)
5. A **clear and complete view of an GWRC's HSW commitments must first exist** and be documented within a process and control register. This is essential to making an informed decision of where the assurance effort should be invested, and can take the form of GWRC's HSW system requirements and the controls in place to meet these requirements. A template that can be used across GWRC should be developed by HSW, and the business owners responsible for HSW should populate for their business areas. HSW should then complete a review over all responses for consistency and completeness
6. Each HSW control register should be reviewed to identify those controls responsible for managing key HSW risks. This should **initially focus on higher rated HSW risks**, and following the assurance approach coming to life and mature, effort should then be expanded to medium and lower rated HSW risk areas
7. For each key control, identify the sources of assurance for each control, i.e.:
 - a. Management, as the first line of defence, will complete management self-reviews to provide trust and confidence HSW controls are operating as required
 - b. HSW, as the second line of defence, will assess, to supplement the assurance work completed by management
 - c. Require some form of external assurance, noting this will be performed less frequently than those reviews completed by management and HSW
 - d. Step back and determine if the balance between the first, second and third lines of defence:
 - i. Provides suitable coverage across the key HSW controls
 - ii. Is balanced appropriately so as to not invest effort beyond that required to provide trust and confidence
8. Define how each control will be assessed, i.e.:
 - a. What do we expect to see that would confirm the control is operating correctly, combining both quantitative (e.g. review of documentation, Councils HSW KPIs) and qualitative (e.g. interview of personnel) evidence
 - b. The period which the control will be assessed over, e.g. point in time, prior three months etc.
 - c. The approach required to review the control and document the assurance procedures performed
9. Prepare a report that describes the themes and key findings arising from the Council's internal assurance and share with the Executive and Audit and Risk Committee, evolving as the assurance approach develops and matures.

Out of scope observations

In addition to our follow-up of the Wilson report initiatives, we identified the following out of scope HSW observations and have included recommendations where appropriate for management to consider.



3

Appendices

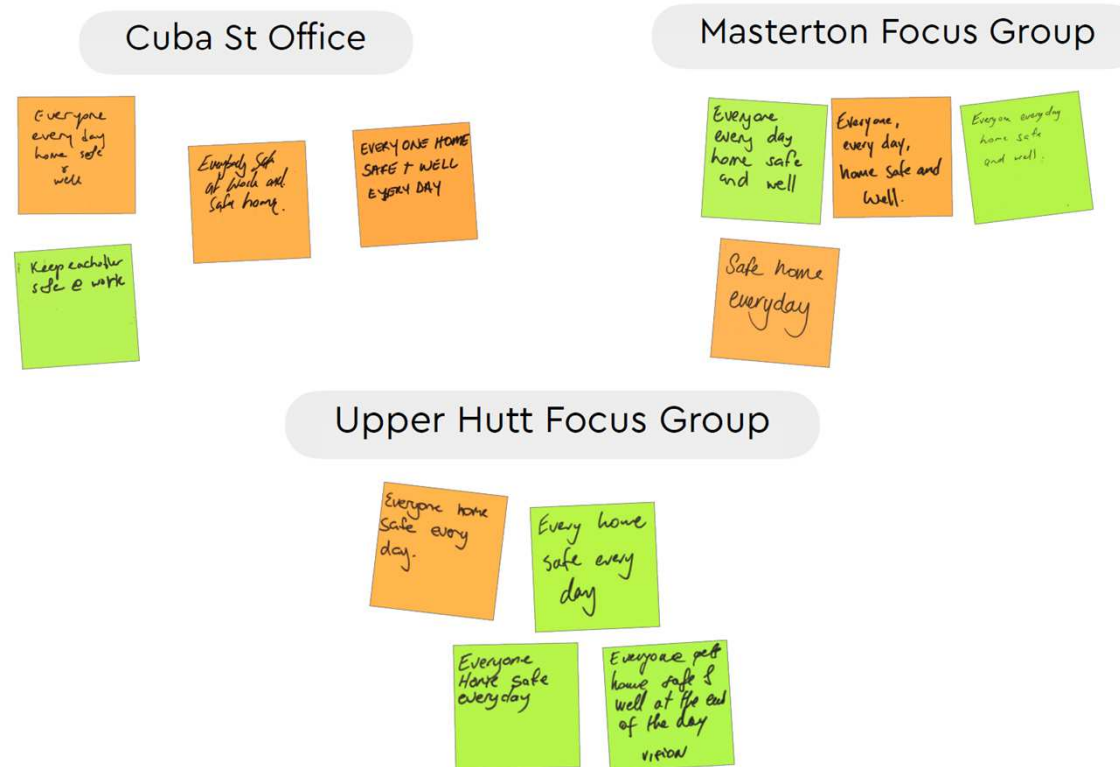
Appendix A: Objectives and scope

GWRC are now refreshing their HSW strategy for the next three years. As part of this management have requested an HSW internal audit to provide trust and confidence in the HSW work to date, and identify any areas of focus required by the strategy.

Objectives	Scope and approach
<ol style="list-style-type: none"> 1. Understand the strategic road map initiatives established in response to the Wilson Group findings and: <ol style="list-style-type: none"> a. Assess the alignment between an agreed sample of these initiatives, and their ability to address the Wilson Group findings and the expectations of a modern HSW system b. Identify any further actions that have not been considered where improvement opportunities exist c. Meet with nominated GWRC personnel and interview to understand their awareness of and knowledge of these initiatives and their H&S responsibilities d. Understand how management have identified the resourcing and capacity requirements required to bring these initiatives to life and operate in a business as usual environment, including identifying any potential resource shortfalls 	<ul style="list-style-type: none"> • GWRC management have selected the following HSW strategic road map initiatives: <ul style="list-style-type: none"> – Vision: Commitment and tracking performance – Leadership (capability and accountability): Effective safety interactions and skills capability and competence – Critical risk management: Leadership focus, verification of controls in practice and employee involvement, and working over water (note: working over water will receive greater focus to assess how GWRC have identified the associated risks, the appropriateness of HSW controls responsible for mitigating these risks, and awareness of these controls across working over water personnel) – Health and wellbeing: Focus on mental health and wellbeing – Systems and structure: Framework, governance and management assurance, and contractor reset • For each in scope initiative we will obtain and read the associated day-to-day HSW documentation (where relevant) that describes the HSW enablers in place to address the recommendation • Interview key personnel agreed with management to further explore each initiative, including awareness of the supporting processes and enablers and associated roles and responsibilities, and resource capacity to operate these initiatives • Combine our documentation assessment and interviews to assess whether the initiative has been fully met, or where relevant identify areas where further change is required or resourcing considered. <p>Please note our scope excludes assessing the operation of these initiatives and related processes and controls, i.e. our assessment will focus on the design of these initiatives and awareness across GWRC.</p>
<ol style="list-style-type: none"> 2. Based on the above objectives, share perspectives on some of practical and pragmatic approaches available for management to deliver their HSW internal assurance responsibilities. 	<ul style="list-style-type: none"> • Read and understand the HSW internal assurance recommendations include in the Wilson Group report, meet with management to understand what internal assurance is already in place, both relevant to HSW and more broadly across other GWRC areas • Share our perspectives on the way HSW internal assurance could be designed that balances a practical and pragmatic approach with providing internal trust and confidence in the operation of HSW controls and associated responsibilities. Note: Our scope focuses on the objectives and considerations for management to deliver their HSW internal assurance responsibilities and does not include defining and designing management's assurance approach.

Appendix B: Interviewees articulation of the Council's HSW vision

The following are post-it note responses in the focus groups when asked about the Vision. It demonstrates a clear understanding among staff.



Appendix C: Documents reviewed

The following documents were read during our fieldwork:

- Advanced water safety training pilot participant feedback Feb 2018
- AS/NZS ISO 45001:2018
- Cancer Society Mens Health Presentation 2021
- Change plan and learning brief – driving for GW
- Compliance with Health and Safety at Work Asbestos Regulations
- Core Training Courses List
- Correspondence – sensitive event reporting tool test link in kesaw
- Correspondence regarding CEO KPIs (relating to health and safety)
- Detailed workplan Q 3+4
- ELT HSW Update (examples)
- Essential and supplementary controls LUVs and quads
- Essential and supplementary controls on and off road vehicles
- Essential and supplementary controls Trailers
- Essential Controls for Working In or Near Water
- Extract from Gwennie on the Health & Safety landing page
- Fatal and Severe Risk (FSR) Standard: Working in or near water
- Fatal and Severe Risk Profile: Driving for GW
- Finance, Risk and Assurance Committee HSW Update (February 2021)
- Flood Protection Summary Hazard Register
- FSR Standard – Driving for GW
- Good for your Health Expo – feedback from attendees
- Good for your Health Expo (and supporting documents & correspondence)
- GRWC HSW Training Matrix 2020
- GRWC Strategic Initiatives Template – systems
- GRWC Wellbeing Expo 24 March 2021
- GWRC – strategic initiatives template – systems
- GWRC Gallup Engagement Survey – Wellbeing Insights
- GWRC HSW Training matrix
- GWRC Phase 1 – Final Management Report (Wilson Consulting Group)
- GWRC Wellbeing Expo 2021 (and supporting documents & correspondence)
- HSW Excerpt from Q3 2021 summary report to council
- HSW Framework Overview
- HSW Group Quarterly report Q3 2020
- HSW People Customer Business Plan 2019/20 and 2020/21
- HSW Performance Scorecard (December 2020)
- HSW Policy Statement
- HSW Reps feedback
- HSW Risk Management Essentials - Quicktips
- HSW Risk Management Standard
- HSW risk management standard guidelines
- HSW risk profile and treatment plan – Transportation
- HSW Risk Register – FSR and Frequent Risks
- HSW Workplan May 2019
- HSW Workplan May 2021
- Instep – Mental Health Support (EAP)
- Lessons Learnt Trailers (incl. Script & Core training for trailer use)
- Lessons worth sharing Trailers Toolbox Talk meeting notes template Feb 2021
- Loan and remote work workshop Nov 2017 Summary of notes & presentation
- Monthly Pause2Talk (March, April and May 2021)
- Office posters regarding health and safety
- Plan for old Shed at Paekakariki entrance (example of treatment plan)
- Programme Cuba 24 March 2020 (and supporting documents)
- Project Plan Critical Risks Top 5
- Protect Mental Wellbeing Process Workbook
- Protecting Mental Wellbeing at Work
- TEA Nutrition Presentation
- Wellbeing Plan 2020-25
- Wilson Report – Progress against key opportunities
- Working in or near water assessment tool.

Appendix D: Personnel interviewed

The following personnel were interviewed during our fieldwork:

- Alistair Cross (General Manager, Environment Manager)
- Bruce Horsefield (Manager, Customer Contact)
- Christie Carswell (Senior Bio-Security Pest Plants)
- Clint Macdonald (Senior HSW Advisor)
- Craig Rankin (Service Desk Analyst)
- David Boone (Manager, Land Management)
- Davor Bejakovich (Manager, Bio-Security)
- Ed Lee (Senior Environmental Protection Officer)
- Glen Falconer (Team Leader, Pest Animals)
- Graeme Burnett (Senior HSW Advisor)
- Hamish Burns (Railsfleet Engineer)
- Julie Barber (Manager Health, Safety and Wellbeing)
- Katrina Merrifield (Bio-Security Advisor, Policy)
- Louise Algeo (Team Leader, Hydrology)
- Lucy Baker (Manager, Environmental Science)
- Mark Mcalpine (Team Leader, Pest Plants)
- Matt Shipman (Cycle Skills Programme Lead)
- Melissa MacDougal (Land Management Advisor)
- Mike Timmer (Treasurer, Director LGFA)
- Mike Ward (Senior HSW Advisor)
- Penny Fairbrother (Senior Advisor, Environment)
- Peter Hing (Field Supervisor, Flood Protection)
- Prue Lamason (Councillor)
- Wayne O'Donnell (General Manager, Catchment).

For Information

HARBOUR MANAGEMENT – RISK AND COMPLIANCE UPDATE (AUGUST 2021)

Te take mō te pūrongo

Purpose

1. To update the Finance, Risk and Assurance Committee (the Committee) on any significant compliance issues or emerging or changing risks affecting Greater Wellington's Harbours function.

Te tātaritanga

Analysis

Shelly Bay wharves

2. Environmental Regulation are following up with current and potential owners as to their intentions with the wharves, which will impact the extent of further RMA regulatory requirements.

Channel Risk Assessment

3. This Risk Assessment work is progressing. Interviews have been completed and officers are awaiting the draft report on the risk assessment.
4. The final report is scheduled to be delivered August/September 2021. The report is planned to be presented to both Council and CentrePort.

Reduced channel soundings - dredging

5. The initial channel dredging was mostly successful however, there were some small lumps remaining. These were removed in 1.5 days in June.
6. While still waiting for the completed survey the work appears to have returned the channel to previous standard depths.

Sunken/Derelict vessels

Sealion

7. The Sealion is a large 24 metre vessel berthed at Queens Wharf. It is notable due to its location and artist work that saw penguins, seals and seagulls painted over the cabin.
8. The vessel was successfully moved to Glasgow wharf, where the owners are continuing to work on the vessel.

9. Officers will continue to monitor the situation.

Ngataki

10. The vessel is still sunk in Lowry Bay waiting for both availability of space in the marina and the divers to do the work.

Sunken vessel at Porirua

11. A nine metre launch sank on the pole moorings in Porirua Harbour, and the owner did not appear to have the means to recover it.
12. These moorings are administered by Porirua City Council (PCC), who also appear to have limited ability to deal with derelict vessels.
13. Greater Wellington officers coordinated the re-floating and removal of the vessel with the costs met by PCC.
14. The owner then removed the vessel from site once ashore.

Beta

15. There is an abandoned yacht on a PCC pile mooring. Officers are utilising the Maritime Transport Act s33L process to remove the vessel, and costs will be met by either the owner or PCC (agreed in advance).

Mana bridge jumping

16. As an outcome of the action items from the previous Committee meeting (Report 21.202) a letter has been drafted to be sent to PCC regarding working to resolve bridge jumping concerns at Mana Bridge.

Ship noise

17. There have been no further incidents in relation to containership noise.
18. Noise from the port and coastal marina area was raised in the Navigation Safety Bylaws hearings. The Environment Committee may consider further work around this issue.

Unseaworthy clause potential liability

19. As part of the legal review of the Navigation Safety Bylaws, Greater Wellington's legal advisors raised possible liability relating to a clause that requires vessel to be seaworthy.
20. The concern related to potential liability under a scenario in which an unseaworthy vessel would become loose from a mooring causing damage to another vessel, where it had not been assessed (already found unseaworthy) by Greater Wellington.
21. While theoretically possible, the above scenario would require many events to come together in an unlikely fashion.
22. Greater Wellington holds liability insurance that may cover this, and officers will test a possible scenario with our insurers.
23. The Maritime Transport Act provides means to deal with wrecked or abandoned vessel but is less helpful in dealing with floating but derelict vessels.

24. The “unseaworthy” clause gives Greater Wellington an ability to be proactive in managing deteriorating vessels before they become wrecks.
25. The final advice was that Harbours undertake a basic review of its moored vessels for potential risks (this is in progress) and that the Committee Council is made aware of the potential risk.

Viking Bay fishing vessel

26. The Harbourmaster received a call from the Centreport Marine Operations Manager to discuss the options around remote pilotage if the *Viking Bay* were to come into Wellington. The *Viking Bay* at that stage, had two recently arrived crew confirmed with COVID-19.
27. Remote Pilotage means guiding a ship into the Port without having a Pilot on board the ship. This is not common practise in Wellington, however it is allowed for in Maritime Rule part 90, the Pilotage Rule.
28. Work between CentrePort, Greater Wellington, Wellington City Council, Customs and the Ministry of Health enabled appropriate risk assessment, and the securing of a suitable berth.
29. The risks were considered manageable on several fronts and the Harbourmaster was involved overseeing the arrival. This included having a Pilot and Spanish translator at Wellington Harbour Radio to provide valuable support to the Pilot guiding the vessel from the pilot launch.
30. In line with the shared safety approach promoted by the Port and Harbour Marine Safety Code, CentrePort marine department managed this in a prudent, collaborative and robust manner.

Multi user Ferry Precinct.

31. The announcement of the signing of contracts for new Interislander ferries received some publicity however just as significant is the work in relation to the new ferry precinct development.
32. Officers are developing a navigation management plan for the area to inform the planning and design work being undertaken, prior to the consent applications being lodged. An indicative plan is needed to understand any implications of onshore based infrastructure.
33. The approach may be something similar to that taken in Picton, where there is ‘a one vessel south of Mabel Island’ rule. Our equivalent would be a restriction on the number of vessels moving within a certain distance of the ferry berths. This will require discussion with Centreport and the ferry companies to accomplish.

Port and Harbour Marine Safety Code Forum

34. The forum was held in Wellington and had representatives from Port Companies, Regional Councils and Central Government. Greater Wellington’s Harbourmaster, Deputy and CE attended.

35. The theme was “Risk and Resilience in the face of uncertainty”. Topics covered climate change risks as well as managing present day environmental risks. The forum provided good food for thought for future planning.

Ngā hua ahumoni

Financial implications

36. The disposal of derelict or uninsured vessels will be an unplanned expenditure from our operating budget.

Te huritao ki te huringa o te āhuarangi

Consideration of climate change

37. The Code forum provided port focused considerations for future development and covered expected climatic changes implications.

Ngā tūāoma e whai ake nei

Next steps

48. The Committee will be updated on these risks, and any new issues, in future reports.

Ngā kaiwaitohu

Signatories

Writer	Grant Nalder – Manager, Harbours, Harbourmaster
Approvers	Al Cross – General Manager, Environment Management Samantha Gain – General Manager, Corporate Services

**He whakarāpopoto i ngā huritaonga
Summary of considerations**

Fit with Council's roles or with Committee's terms of reference

This report allows the Committee to “review... Greater Wellington’s identification and management of risks faced by Council and the organisation... [including]... whether Greater Wellington is taking effective action to mitigate significant risks.”

Implications for Māori

Risk mitigation can protect and preserve taonga.

Contribution to Annual Plan / Long Term Plan / Other key strategies and policies

This report does not contribute directly to Council’s or Greater Wellington’s key strategies, plans, or policies.

Internal consultation

Environmental regulation were consulted regarding Shelly Bay wharves.

Legal advice was received in regards the Navigation Bylaws review and the abandoned or derelict vessels.

The Multi User Ferry Precinct group were consulted.

Risks and impacts - legal / health and safety etc.

Specific risks and related mitigations are discussed in the Analysis section of this report.

For Information

OPTIMUS UPDATE – AUGUST 2021

Te take mō te pūrongo

Purpose

1. To inform the Finance, Risk and Assurance Committee (the Committee) of the progress to date on the Optimus Programme.

He tūtohu

Te tāhū kōrero

Background

2. The Optimus Programme commenced in 2020 to replace Greater Wellington’s current suite of financial systems including:
 - a SAP: finance, payroll and plant maintenance
 - b Essbase: Budgeting and Forecasting
 - c Springboard: recruitment.
3. The functionality to be delivered by the vendor (TechnologyOne) includes human resource (HR) management and payroll, core financial management, contract register, supply chain management, enterprise asset management and project lifecycle management, budget, forecast and reporting.
4. The programme plans to deliver these modules in a phased rollout over the year in 2021. The project commenced in February 2020 and planned to go live in key phases noted in the February update to the Committee as follows: Budgeting, HR & Payroll April 2021; Finance and Enterprise Asset Management August/September 2021; remaining new functionality by the end of 2021.
5. The programme has delivered Budgeting, HR & Payroll in early June 2021. The next release is planned to deliver E-recruitment in September/October 2021 and the remaining modules including Finance and Enterprise Asset Management are planned for delivery in December 2021.
6. The TechnologyOne system has been named by Greater Wellington Regional Council (Greater Wellington) staff and is referred to as Ngātahi; “Working together as one”.

Te tātaritanga Analysis

HR & Payroll

7. HR & Payroll successfully implemented in June 2021. The short delay from the planned delivery date was prudent to ensure the readiness of our Greater Wellington officers, particularly the key system users in the payroll team. The team have successfully processed four full pays in Ngātahi for our staff, councillors and appointees.
8. Prior to go live, Pricewaterhouse Coopers (PwC) have been engaged to conduct a Stage Gate review to provide advisory and independent assurance to the steering committee that the programme had completed all appropriate activities needed to achieve a successful “go live” of the HR & Payroll release.
9. The PwC report presented to the Steering Committee as part of the final “go live” decision raised no significant amber or above issues in each of the following four categories assessed:
 - Solution and data readiness
 - Change and business readiness
 - Cutover readiness
 - Support readiness
10. To date GW staff have expressed a high degree of satisfaction in the new payroll system, citing the ease of use the new system and significant improvement in the availability of management information for our people leaders.
11. The project team is currently finalising with the HR management team the timeline for implementation of E-recruitment (our Springboard replacement). This is dependent on resource constraints in the HR & Payroll team.

Enterprise Budgeting

12. The Enterprise Budgeting models are ready as planned. Our Long Term Plan 2021-31 is now final enabling the project team to complete the final migration of the plan into Ngātahi. The budgeting, forecasting and reporting for our financial planning from 2021/22 onwards will be completed in Ngātahi, enabling the retirement of the current Essbase application.
13. On completion of the LTP migration and reconciliation, the project team commence building of the forecast modelling for 2021-22. This is on track for the agreed delivery date of October 2021.

Finance, Contract & Supply Chain Management, Asset Management

14. The final major release – Finance, Contract & Supply Chain Management and Asset Management was delayed by the change in the HR & Payroll implementation date. The programme has re-planned to achieve go live of the final release from 1 December 2021.

15. The project team have completed the configuration build phase and is currently finishing testing the system components. User testing is planned for August and September 2021.
16. Data migration commencement for the release was delayed while we completed due diligence on the preferred TechnologyOne migration partner. This included completion of an independent security review of the access methodology for the migration partner, conducted on our behalf by Lateral Security. The data migration work stream is now progressing well and is planned to track alongside the testing phase with several practise trial migration runs planned over the coming months.
17. Based on the 1 December 2021 go live, the programme has planned to support staff continuously through the holiday period by running an extended training programme and support period, both before and after Christmas 2021. The programme will finalise at the end of the training and support period in Quarter 1 of 2022.

Ngā hua ahumoni

Financial implications

18. The programme expects any financial implication of the extension to the final release phase to be within the available funding.
19. It is noted that the revision of the timeline is expected to fully consume the remaining programme funding and any further delays will require consultation with the council on the appropriate options if required.

Ngā kaiwaitohu

Signatories

Writer	Jenni Horton – Optimus ERP Programme Manager
Approvers	Alison Trustrum-Rainey - Chief Financial Officer Samantha Gain - General Manager, Corporate Services

**He whakarāpopoto i ngā huritaonga
Summary of considerations**

Fit with Council's roles or with Committee's terms of reference

The Committee's specific responsibilities include providing assurance to the Council on the programme progressing satisfactorily to plan, in line with its stated objectives.

Implications for Māori

There are no known impacts for Māori.

Contribution to Annual Plan / Long Term Plan / Other key strategies and policies

The programme contributes to the council by providing Greater Wellington staff the business management and reporting tools to enable business groups to plan, manage and deliver our core activities. The programme creates a foundation for continuous process improvement and efficiency across the organisation.

Internal consultation

This paper is an information only paper and therefore no wider consultation has occurred.

Risks and impacts - legal / health and safety etc.

The Council's management of relevant risks is addressed in the report.

For Information

PROCUREMENT POLICY

Te take mō te pūrongo

Purpose

1. To advise the Finance, Risk and Assurance Committee (the Committee) of the updated Greater Wellington Regional Council (Greater Wellington) Procurement Policy.

Te horopaki

Context

2. The update of Greater Wellington's Procurement Policy has been an outstanding action from a previous Audit management report. The new Procurement Policy was approved by ELT on 28 June 2021 and is attached (**Attachment 1**).

Te tātaritanga

Analysis

3. The new Procurement Policy for Greater Wellington was prepared in consultation with people across the organisation and in Waka Kotahi/New Zealand Transport Agency, and taking into account:
 - a existing draft policy
 - b Government Procurement Rules
 - c NZTA Procurement Manual
 - d Publicly available procurement policies from other councils
 - e Procurement policies from private organisations
 - f Greater Wellington delegated financial authorities
 - g introduction of Ngātahi and the enhanced functionality that will then be available for the procurement process.
4. The Procurement Policy itself sets out high level requirements. It is supported by a Procurement Manual, and templates. It also provides for Procurement Practices to be developed and separately documented. The Procurement Practices are a work in progress. As noted in the policy, initial principles are intended to cover:
 - a Broader Outcomes
 - b Greater Wellington Vehicles

- c Te Upoko o te Ika a Maui Commitment
 - d Sustainability
 - e Living Wage.
5. Key operational aspects of the new policy are:
- a Introduction of a \$20,000 threshold for low risk procurement using a new Purchase Order process
 - b Alignment of procurement thresholds with the delegated financial authority
 - c New procurement document templates designed to be less onerous for end users
 - d Flexibility in the application of the procurement policy in practical terms
 - e Procurement managing and chairing tender actions for projects greater than \$100,000.

Ngā hua ahumoni

Financial implications

6. There are no financial implications from the Procurement Policy, apart from introducing procurement controls which did not exist previously.

Te huritao ki te huringa o te āhuarangi

Consideration of climate change

7. The Procurement Policy links through to Greater Wellington's climate change and sustainability policy and requires end users to take consideration of these requirements when planning procurement.

Ngā tūāoma e whai ake nei

Next steps

8. The Procurement Policy will be operative from 1 August 2021.
9. There are other procurement aspects which are not currently being carried out in Greater Wellington and these are subject to a roadmap paper for the future direction of procurement.

**Ngā āpitihanga
Attachments**

Number	Title
1	Procurement Policy

**Ngā kaiwaitohu
Signatories**

Writer	Graham Dennie – Senior Procurement Advisor
Approvers	Deborah Kessell-Haak – Manager, Legal and Procurement Samantha Gain, General Manager, Corporate Services

**He whakarāpopoto i ngā huritaonga
Summary of considerations**

Fit with Council's roles or with Committee's terms of reference

Provides assurance regarding the way procurement activities at Greater Wellington are carried out.

Implications for Māori

Reflects the signature of *Te Upoko o Te Ika a Māui Commitment* by Greater Wellington.

Contribution to Annual Plan / Long Term Plan / Other key strategies and policies

Underpins procurement activities in support of the LTP and the annual plan.

Internal consultation

This policy was developed in conjunction with people throughout Greater Wellington.

Risks and impacts - legal / health and safety etc.

Provides probity and controls around the procurement activities carried out by Greater Wellington.

Procurement Policy	
Purpose	To ensure procurement at GWRC is consistent, fair and lawful.
Vision	The policy will ensure a systematic approach to procurement is carried out within GWRC that allows the best deal for all parties to be obtained whilst maintaining probity and a strong process that is resilient to external audit activities.
Rationale	<p>The policy provides direction and guidance for staff conducting all procurement activities within GWRC.</p> <p>The policy has been written after a review of other council procurement activities and against procurement best practice and the Government procurement rules.</p>
Policy Owner	General Manager Corporate Services
Responsibilities	<p>Manager, Legal and Procurement</p> <p>Legal and Procurement Department</p> <p>Managers</p>
Application	<p>The procurement policy will apply to internal GWRC staff, temporary employees, contractors, elected members, and any other person or body spending GWRC money through procurement and authorised to represent GWRC in the sourcing, administration and management of procurement (the Procurement Requestor).</p> <p>This Procurement Policy does not apply to:</p> <ul style="list-style-type: none"> • Employment arrangements (fixed-term and permanent contracts) • Grants and Sponsorships • Payments to government and regulatory bodies • Procurement undertaken by council controlled organisations (as defined by the Local Government Act 2002) • Treasury and financial instruments • Land Acquisition • Leasing of GWRC-owned property and leasing of property to GWRC • Unsolicited proposals
Related Policy and Legislation	<p>The Crown encourages the use of the Government Procurement Rules - GWRC is not a crown mandated agency and so is not bound by these procurement rules. These procurement rules provide practical guidance and GWRC will be guided by these procurement rules for all procurement activity undertaken by or on behalf of GWRC in a manner consistent with this Procurement Policy. The GWRC Procurement Policy is consistent with the procurement rules and the requirements of the NZTA procurement manual.</p>

	Other policies relevant to the procurement policy are: <ul style="list-style-type: none">• Delegations manual• Asset Management Policy• Conflict of Interest Policy• Sensitive Expenditure Policy
Effective Date	1 August 2021
Review Date	30 July 2024

Approved:  _____

Date: 1 July 2021

Chief Executive

Procurement Policy

Purpose and Principles

The purpose is to establish and document the principles that will guide and inform Greater Wellington Regional Council (GWRC) staff when making decisions for the procurement of goods and services. Procurement covers the buying of goods, services and assets we use to run GWRC and deliver our organisational objectives. It starts with identifying GWRC's needs before planning the best way to meet them. It continues through sourcing and managing the contract and ends with expiry and evaluation of the contract or the end of the asset's life.

We treat the [Government Procurement Principles](#) as the foundation for all GWRC procurement. The five principles are:

- Plan and manage for great results
- Be fair to all suppliers all of the time
- Get the right supplier
- Get the best deal for everyone
- Play by the rules.

For procurement activities that are funded by the New Zealand Transport Agency, we follow their procurement manual requirements [NZTA Procurement Manual September 2019](#).

Policy

The high level document

- Principles of Government Procurement
- Probity and governance
- Conflicts of Interest

Manual

The detail of how you procure

- Thresholds
- How to do inc templates
- Procurement Lifecycle

Practices

Individual considerations to be applied

- Broader Outcomes
- GW Vehicles
- Commitment
- Sustainability
- Living Wage

All of Government (AoG) supply contracts

The Ministry of Business, Innovation and Employment is responsible for a programme of procurement of panel supply agreements between the Crown and approved suppliers for the supply of selected common goods and services called All of Government (AoG) contracts. GWRC is eligible to purchase goods and/or services under these AoG supply contracts.

GWRC has already committed to AoG contracts for some categories of expenditure and recognises the benefits that can be realised under AoG contracts. GWRC is committed to saving on transaction costs and will continue to review its

	<p>requirements against the availability of goods or services under AoG contracts or similar bulk purchasing schemes.</p> <p>The Manager Legal and Procurement approves GWRC’s commitment to AoG contracts.</p> <p>The procurement of goods and services under an AoG contract that GWRC has committed to is deemed to have already been through a competitive procurement process. There is usually no further requirement to go to the market. Some AoG contracts are exclusive and therefore when requiring a purchase of goods and services covered by the appropriate AoG contract and GWRC has opted in, GWRC is required to only use a supplier from that panel. Other AoG contracts are not exclusive and under certain circumstances GWRC may choose to procure from another third party.</p> <p>There is a Procurement Practice for AoG contracts listing all current AoG contracts GWRC has signed up to and all Procurement Requestors should ensure compliance with that Procurement Practice prior to commencing a procurement action.</p>
<p>Policies</p>	<p>Procurement governance, capability and oversight</p> <p>Governance of the Procurement Policy is provided by the General Manager Corporate Services whilst the Manager, Legal and Procurement is responsible for the delivery of the Procurement Policy. They will provide the strategic direction and the decision making necessary to support and deliver the Procurement Policy. The Legal and Procurement Department will provide procurement advice to Procurement Requestors to ensure a fit for purpose process is followed.</p> <p>GWRC managers will ensure that all staff who are authorised to represent GWRC in the sourcing, administration and management of procurement (Procurement Requestor) have been provided with the appropriate training to support good practice in procurement and purchasing activities. When required for specific procurement activities, additional specialist expertise may be contracted by GWRC.</p> <p>GWRC managers are responsible for ensuring that all Procurement Requestors reporting to them engaging in procurement activities act in compliance with, the Procurement Policy, the Procurement Manual and the Procurement Practices. All Procurement Requestors should read and understand the Procurement Policy prior to commencing a procurement activity. If in any doubt they should contact the GWRC Legal and Procurement team.</p> <p>Practical Considerations</p> <p>GWRC and the Procurement Requestors will refer to the following practical considerations when undertaking procurement activities:</p> <ul style="list-style-type: none"> • Procurement decisions should take account of all current GWRC policies and objectives for the provision of services to its ratepayers and community. • Procurement activities should utilise wherever possible current contract arrangements and/or current GWRC approved suppliers. • Goods and services should be fit for purpose and meet GWRC’s requirements.

	<ul style="list-style-type: none"> • GWRC supplier agreements should be appropriate to the type and scale of the procurement and specific requirements of GWRC. • Procurement strategies and plans should aim to keep the whole of life cost of the procurement activity as low as possible for GWRC and its suppliers without compromising the legality and thoroughness of the procurement and after consideration of all Procurement Practices. • As part of procurement planning risks involved with the activities should be identified and measures put in place to manage the risks effectively. <p>Local Based Suppliers</p> <p>One of the overarching requirements for GWRC procurement activities is to optimise public value, which includes promoting the economic growth and wellbeing of the Greater Wellington Region. This broader outcome can be achieved through sourcing goods and services through local suppliers where practicable.</p> <p><i>A “Local Supplier” is defined as a supplier of goods and services operating or based in the Greater Wellington Region who employs and develops local people.</i></p> <p>GWRC will foster and encourage a viable and competitive supply market that is able to provide goods and services now and into the future, ensuring the optimisation of public value for ratepayers and service users. GWRC Procurement Requestors undertaking procurement can choose to include a criteria within the procurement evaluation process for local suppliers.</p> <p>When it is practical GWRC will also bundle its procurement activities in such a way that ensures opportunities for locally based (smaller) suppliers, i.e. where it is cost effective, does not compromise efficient management systems and meets it Broader Outcomes Procurement Practice.</p> <p>Conflicts of Interest and Confidentiality</p> <p>As part of GWRC’s obligation to act fairly and openly, the Procurement Requestors and other staff representing GWRC involved in the procurement activity must take care that decisions are made in the absence of actual or potential bias and/or conflicts of interest. All GWRC Procurement Requestors and staff have a duty to put the public interest above their personal and private interests including those of friends and families, when carrying out their official duties. Please refer to the Conflict of Interest Policy.</p> <p><u>Conflict of Interest and Confidentiality Responsibilities</u></p> <p>Managers:</p> <ul style="list-style-type: none"> ▪ Ensuring staff and contractors are aware of their responsibilities regarding this ▪ Ensuring identified conflicts of interest are appropriately reported and managed, including the receipt and giving of gifts as detailed in the GWRC Sensitive Expenditure Policy . <p>Staff:</p> <ul style="list-style-type: none"> ▪ Must understand and abide by the Conflict of Interest Policy ▪ Shall declare any known or potential conflicts of interest to the Procurement Requestor, their line manager or the procurement team
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	<p>Record Keeping</p> <p>Records of procurement activities and decisions must be kept in accordance with The Public Records Act 2005 and in accordance with normal prudent business practice. Procurement records may be discloseable under the Local Government Official Information and Meetings Act. GWRC should be able to demonstrate that it has conducted procurement in compliance with the Procurement Policy. It is essential that records are kept of procurement activities by GWRC describing the background and reasons for procurement decisions. Refer to the Information Management Policy.</p>
<p>Guidelines</p>	<p>This Procurement Policy is meant to be read in conjunction with GWRC's Procurement Manual, the Procurement Practices and the approved list of financial delegations. Together these documents will assist GWRC and its Procurement Requestors in the following ways:</p> <p>Procurement Manual - provides direction to follow and tools and templates to use when undertaking procurement.</p> <p>Procurement Practices - provides direction on how Procurement Requestors will deal with specific requirements for contracts e.g. climate change, All of Government contracts, in the procurement of goods and services</p> <p>Delegations Manual - list of those in GWRC with authority to make financial procurement decisions or approve expenditure</p> <p>Where GWRC is contributing to the ongoing funding of a council controlled organisation and/or any other third party, then GWRC may require sight of the procurement practices being applied by those organisations to confirm they are fit for purpose.</p>
<p>Definitions</p>	<p>Definitions are contained within the Procurement Manual.</p>

For Information

AUDIT NEW ZEALAND MANAGEMENT REPORTS

Te take mō te pūrongo

Purpose

1. To provide to the Finance, Risk and Audit Committee (the Committee):
 - a. The June 2020 Audit management report action items from external auditors Audit New Zealand (Audit NZ) and;
 - b. An update on progress in addressing the recommendations raised in the audit management report.

Te tāhū kōrero

Background

2. Audit NZ completes annual audit reviews as part of the 30 June financial year-end audit of Greater Wellington Regional Council (Greater Wellington).
3. Following the audit reviews, Audit NZ send an interim audit management report and a final audit management report to the Council.
4. Audit NZ have completed their interim and pre-final audit for the 30 June 2021 financial year. At the time of writing this report we have not received an interim audit report from Audit NZ.
5. Officers have provided an update to the issues raised in the 30 June 2020 audit management report.

Te tātaritanga

Analysis

6. **Attachment 1** provides the Audit NZ management report to Greater Wellington and sets out the audit findings from year end June 2020, drawing attention to areas where Greater Wellington is performing well and recommends areas for improvement.
7. **Attachment 2** provides the Audit NZ management report action items and a proposed work plan on the agreed issues and Greater Wellington management's response.

Ngā tūāoma e whai ake nei

Next steps

8. Officers will follow up with Audit NZ on receiving the 30 June 2021 interim audit management report.

9. Management will report to the Committee on progress in implementing the recommendations and associated actions on a quarterly basis.

Ngā āpitihanga

Attachments

Number	Title
1	Audit NZ management report to the Council for the year ended 30 June 2020
2	Audit NZ management report action items – update

Ngā kaiwaitohu

Signatories

Writer	Ashwin Pai – Financial Controller
Approvers	Alison Trustrum-Rainey - Chief Financial Officer Samantha Gain - General Manager, Corporate Services

**He whakarāpopoto i ngā huritaonga
Summary of considerations**

Fit with Council's roles or Committee's terms of reference

The Committee's specific responsibilities include to "review the Council's responses to any reports from the external auditors."

Implications for Māori

There are no known impacts for Māori.

Contribution to Annual Plan / Long term Plan / Other key strategies and policies

External audit provides assurance that the policies, controls, processes and systems in place at the Council will enable efficient delivery of the Long Term Plan and Annual Report.

Internal consultation

The Finance, Risk and Assurance, Procurement and Public Transport departments were consulted.

Risks and impacts: legal / health and safety etc.

The Council's management of relevant risks is addressed in the report.

Report to the Council on the audit of the Greater Wellington Regional Council

For the year ended 30 June 2020

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Key messages

We have completed the audit for the year ended 30 June 2020. This report sets out our findings from the audit and draws attention to areas where the Greater Wellington Regional Council and Group (collectively referred to as the Regional Council) are doing well and where we have made recommendations for improvement.

Audit report

We have issued our audit report on 17 December 2020 which included an unmodified opinion. This means that we are satisfied that the financial statements and performance information fairly reflects the activities for the year and their financial position at the end of the year. We issued our audit report on the summary of the annual report on 11 January 2021.

Without modifying our audit opinion, the audit reports included two emphasis of matter paragraphs relating to:

- uncertainties arising from the impact of the Kaikoura earthquake; and
- the impact of Covid-19 on the financial statements specifically in relation to the material uncertainties associated with valuing the Regional Council's investment property and operational port land.

The financial statements and performance information are free from material misstatements, including omissions. There was one significant misstatement identified during the audit that has not been corrected. Please refer to 2.2 below of this report.

Matters identified during the audit

Impact of Covid-19

The Regional Council undertook a detailed assessment of the impact of Covid-19 on its financial statements and service performance information. This was appropriately disclosed in the financial statements and, as noted above, we drew the readers' attention to these disclosures in our audit report.

Fair value of infrastructure assets and other revalued assets

A revaluation of flood protection assets was undertaken at year end which resulted in an increase of \$27.2 million in their value (after adjusting for the below misstatement).

We considered and assessed the significant assumptions used by the experts in the valuation and determined that these assets were overvalued by \$65.4 million. This was subsequently adjusted and we are satisfied that the flood protection assets are fairly stated in the financial statements.

Impact of the November 2016 earthquakes

CentrePort Limited (CPL) has received a full and final settlement of \$472.5 million in respect of insurance proceeds resulting from the Kaikoura earthquake in November 2016.

A key consideration for this year's audit has been the assumptions applied in the tax calculation as a result of the different tax rules that apply to insurance proceeds and asset repairs or reinstatement. A ruling and a factual review are being sought from Inland Revenue on these assumptions.

A second uncertainty relates to the impairment of operational port land. As new information becomes available as a result of completed repairs and investigations the costs associated with the repairs is becoming more accurate for the purpose of calculating the provision.

We are satisfied that the risks, material assumptions and sensitivities related to the impact of the earthquake have been adequately disclosed in the financial statements and the related notes.

Public Transport Operating Model (PTOM)

Bus contracts under PTOM commenced July 2018. Since then, a number of issues relating to service, performance, and operator capability have arisen. The Regional Council has acknowledged that from the commencement of this contract until the time of our review there have been a number of issues which have arisen and areas which require improvement. There were well publicised issues with the implementation of this new model which has resulted in ongoing issues with delayed and cancelled services.

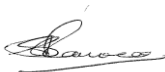
The Regional Council continues to work on addressing implementation issues such as ensuring that there are enough buses and drivers and having accurate real-time transport information. A number of monitoring mechanisms are in place which include quarterly reports, monthly performance management reports, and monthly project reporting access from the Snapper reporting portal and the Real Time Information (RTI) system installed on each bus. Meetings with operators also run regularly, ranging from senior management updates through to weekly operational meetings.

A restructure of the Public Transport Group took place during the year and a new management team put in place from March 2020.

There are no matters which we need to bring to your attention.

Thank you

We would like to thank the Council, management and staff for their positive engagement and assistance during the audit. The audit was undertaken over an extended period of time and we would like to thank you for the support provided.



Clint Ramoo
Appointed Auditor
29 January 2021

1 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommended improvements.

Priority	Explanation
Urgent	<p>Needs to be addressed <i>urgently</i></p> <p>These recommendations relate to a significant deficiency that exposes the Regional Council to significant risk or for any other reason need to be addressed without delay.</p>
Necessary	<p>Address at the earliest reasonable opportunity, <i>generally within six months</i></p> <p>These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.</p>
Beneficial	<p>Address, <i>generally within six to 12 months</i></p> <p>These recommendations relate to areas where the Regional Council is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.</p>

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
<p>Unallocated Receipts</p> <p>Unallocated receipts should be actively monitored and allocated to the correct debtor account in a timely manner.</p>	4.1	Necessary
<p>Update the sensitive expenditure and fraud policy</p> <p>All policies should be reviewed on a cyclical basis to ensure they remain fit for purpose and reflect current good practice.</p>	4.2	Necessary
<p>Capitalisation policy</p> <p>An Asset Capitalisation Policy should be developed and implemented which is applicable to other group entities as well.</p>	4.3	Beneficial

Recommendation	Reference	Priority
Accuracy of accruals A process should be put in place to identify accruals more accurately and to place less reliance on purchase orders.	4.4	Beneficial

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 2 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Implemented or closed	0	2	1	3
In progress – to be followed up during our next audit	0	5	0	5
Total	0	7	1	8

2 Our audit report

2.1 We issued an unmodified audit report



We issued an unmodified audit report on 17 December 2020. This means we were satisfied that the financial statements and statement of service performance present fairly the Regional Council's activities for the year and its financial position at the end of the year. We issued our audit report on the summary of the annual report on 11 January 2021.

Without modifying our audit opinion, our audit reports included two emphasis of matter paragraphs drawing the readers' attention to:

- uncertainties relating to the Kaikoura earthquake; and
- the impact of Covid-19 on the financial statements specifically in relation to the material uncertainties associated with valuing the Regional Council's investment property and operational port land.

2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. The misstatement that has not been corrected is listed below along with management's reasons for not adjusting this misstatement. We are satisfied that this misstatement is immaterial.

	Assets	Liabilities	Equity	Financial performance
	(\$000)	(\$000)	(\$000)	(\$000)
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Over accrual of expenditure and related income receivable	6,166	(6,166)	Nil	Nil
Total	6,166	(6,166)	Nil	Nil

Explanation of uncorrected misstatements

Rail Transition costs were incorrectly accrued at year end. As the funds are recovered from KiwiRail, a corresponding receivable was raised resulting in income, expenditure, assets and liabilities all being overstated.

Management explanation for not correcting misstatement

We note that the assets and liabilities double accruals error offset in the financial reports, having no net impact on the result and the misstatement is not material to the accounts.

Significantly the decision was made because the error was identified at a late stage in the accounts preparation and making the change in the numbers and the disclosures would have increased the risk of not achieving finalisation of the Annual Report in time to meet Council's statutory deadline.

2.3 Uncorrected disclosure deficiencies

Detail of disclosure deficiency	Management's explanation for not correcting
None noted	

2.4 Uncorrected performance reporting misstatements

Detail of misstatement	Management's explanation for not correcting
None noted	

2.5 Corrected misstatements

We identified a misstatement that was corrected by management. This corrected misstatement had the net effect of decreasing assets by \$65,349,696 and comprehensive income by the same amount.

	Assets	Liabilities	Equity	Financial performance
	(\$000)	(\$000)	(\$000)	(\$000)
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Movement in Fair Value of flood protection assets	(65,349)			65,349
Total group	(65,349)			65,349

Explanation of corrected misstatement

Flood protection assets were over-valued due to the incorrect assumptions (unit rates) being used.

2.6 Corrected disclosure deficiencies

Detail of disclosure deficiency
Investments in subsidiaries: As a result of the amalgamation of Port Investments Limited, Centre Port Limited became a subsidiary of WRC Holdings at year end. A further note was included to reflect this change.

Detail of disclosure deficiency
Classification of interest rate swap derivative liabilities: Split between current and non-current derivative liabilities was updated.
Disclosure of operating leases: The operating lease note in respect of lessees was updated to reflect management's revised workings.
Remuneration disclosure: The top remuneration bracket was expanded to cover all employees in the \$240,000 - \$459,999 salary band.
Warm Wellington – The current/non-current split was corrected.
Operating lease commitments – Lessee: Lessee operating commitments was overstated and adjusted accordingly.
Operating lease commitments – Lessor: Lessor operating commitments were understated and adjusted accordingly.
Retained earnings: GWRC Parent - Retained earnings included fair value reserves and was adjusted to reflect fair value reserves separately.
Capital commitments: The disclosure was updated to reflect actual capital commitment as at 30 June 2020.
Impairment disclosure: Disclosure updated to reflect requirements of relevant accounting standard.

2.7 Corrected performance reporting misstatements

Detail of misstatement
The results for measure "Restore significant degraded environments" did not match the description provided. The reported result was updated.
Results for Measure: FP 2 - % of Floodplain management plans recommended structural improvements implemented, specifically around the Pine Haven results was updated.

2.8 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the Regional Council and the Group. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management. This included the dates we required the information to be provided to us.

Management responded in a timely manner to our requests; however information relating to the valuations were delayed which created some inefficiencies.

3 Matters raised in the Audit Plan



In our Audit Plan dated 25 June 2020, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
Impact of the November 2016 earthquake	
<p>The November 2016 earthquakes caused damage to several Regional Council owned property and assets, particularly buildings and investment properties owned by the CentrePort Limited Group (CPL).</p>	<p>We reviewed the returns submitted by the auditor of CPL and noted that insurance income has been recognised to the extent of cash received and payments agreed to by the underwriter. CPL received a full and final settlement of \$472.5m for the port insurance claim during the year ended 30 June 2020.</p> <p>The settlement of the insurance claim has given rise to some uncertainties relating to the tax treatment of these proceeds.</p> <p>A number of assumptions have been applied in the tax calculation as a result of the different tax rules that apply to insurance proceeds and asset repairs or reinstatement. The most material assumption is an allocation of \$268.2m of the insurance proceeds to assets that are likely to be deemed to be disposed for tax purposes. A ruling and a factual review are being sought from Inland Revenue on these assumptions.</p> <p>A second uncertainty related to the impairment of operational port land. As new information becomes available as a result of completed repairs and investigations the costs associated with the repairs is becoming more accurate for the purpose of calculating the provision.</p> <p>We are satisfied that the risks, material assumptions and sensitivities related to the impact of the earthquake have been adequately disclosed in the financial statements and the related notes. We included an emphasis of matter paragraph in our audit report drawing attention to the uncertainties relating to the impact of the Kaikoura earthquake.</p>

Audit risk/issue	Outcome
The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls.</p> <p>Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to treat this as a risk on every audit.</p>	<p>Our audit response to this risk included:</p> <ul style="list-style-type: none"> • testing the appropriateness of selected journal entries; • reviewing accounting estimates for indications of bias; and • evaluating any unusual or one-off transactions, including those with related parties. <p>There are no matters which we need to bring to your attention.</p>
Impact of Covid-19	
<p>On 11 March 2020 the World Health Organisation declared the outbreak of coronavirus (Covid-19) a pandemic. The New Zealand Government has taken steps to deal with the spread of Covid-19 which has included significant restrictions on the movement and interaction of people within New Zealand.</p>	<p>The Regional Council considered the impact of this event on various aspects of its operations and included relevant disclosures in the annual report.</p> <p>We are satisfied that these disclosures are adequate and complete and drew attention to this in our audit report.</p>
Public Transport Operating Model (PTOM)	
<p>The PTOM process has progressed significantly with the introduction of the new bus services coupled with a number of new initiatives in the previous year.</p> <p>The Regional Council has acknowledged that there have been a number of issues which have arisen and areas which require improvement.</p> <p>The Regional Council continues to work on addressing implementation issues. An independent review of its implementation process has been commissioned and management is implementing the findings of the review.</p> <p>There is a risk that ineffective implementation of the findings of the review, or failure to monitor the contract, could result in further service delivery failures for the Regional Council and</p>	<p>The Council continues to work on addressing implementation issues such as ensuring that there are enough buses and drivers and having accurate real-time transport information. A number of monitoring mechanisms are in place which include quarterly reports, monthly performance management reports, and monthly project reporting access from the Snapper reporting portal and the Real Time Information (RTI) system installed on each bus. Meetings with operators also run regularly, ranging from senior management updates through to weekly operational meetings.</p> <p>A restructure of the Public Transport Group took place during the year and a new management team put in place from March 2020.</p>

Audit risk/issue	Outcome
<p>financial losses due to poor contract management.</p>	<p>We selected the following performance measures related to bus services as material for the purposes of our audit opinion:</p> <ul style="list-style-type: none"> • percentage of bus users who are satisfied with their trip overall; • percentage of scheduled bus services on-time at origin (punctuality); and • percentage of scheduled bus services on-time at destination (punctuality). <p>We were satisfied that the reported results for these measures were materially correct.</p>
Fair value of infrastructure assets and other revalued assets	
<p>The Regional Council obtained valuations for its Flood Protection infrastructure assets in the year under review. These valuations resulted in an increase of \$27.2 million in the carrying value of these assets.</p>	<p>To gain assurance over the valuations we performed the following procedures:</p> <ul style="list-style-type: none"> • assessed relevant controls that management has put in place for the valuation; • obtained an understanding of the underlying data; • evaluated the qualifications, competence and expertise of the expert used to perform the valuations; • reviewed the method of valuing the flood protection assets and assessed if the applicable method used is in line with the financial reporting framework, including the reasonableness of the assumptions used; • ensured changes to values and depreciation charges have been appropriately accounted for; and • assessed the presentation and disclosure of information related to the valuation in the financial statements. <p>We identified that the Regional Council did not have sufficient evidence to support the rates used in the valuation which resulted in the flood protection assets being over valued by \$65.4 million. This was corrected by the Regional Council.</p>

Audit risk/issue	Outcome
	<p>We are satisfied that flood protection assets are fairly stated.</p> <p>The Regional Council, as required by PBE IPSAS 17 <i>Property Plant & Equipment</i>, also performed an assessment of whether the fair value and carrying value of revalued asset classes not subject to revaluation this year do not materially differ.</p> <p>The Regional Council concluded that the fair values and carrying values were materially consistent and therefore revaluations were not required.</p> <p>We reviewed the Regional Council's assessments and agree with the conclusion. We assessed the methodology and assumptions applied to complete this assessment as appropriate.</p>
Procurement of a new Financial Management System (Project Optimus)	
<p>Given the geographical spread of the Regional Council's operations, information systems are critical to the Regional Council's performance.</p> <p>The Regional Council continues to invest in IT systems to support its service delivery and back-office functions.</p>	<p>We:</p> <ul style="list-style-type: none"> • reviewed the Regional Council's progress in delivering the IT work streams of its strategic projects; • performed an Information Technology General Controls review, including design and operational testing for the purpose of our audit; • performed application controls reviews and interface testing of key systems; • reviewed the security of the Regional Council's IT applications and service channels; and • assessed the Regional Council's IT capital programme and obtained an understanding of how associated risks are being managed. <p>Overall controls were satisfactory and reliance could be placed on the Regional Council's IT environment for the purposes of our audit.</p>

4 Matters raised during the audit

4.1 Unallocated receipts

We recommend that unallocated receipts be actively monitored and allocated to the correct debtor account in a timely manner or refunded to the payer.

As part of our testing of accounts receivable, we noted that there were several unallocated receipts included in the balance; one dating back as far as 2014.

Management comment

We have engaged a debt management specialist who is working on the debtor processing and collection backlog. Furthermore, we are undertaking a data cleansing process for the data transfer to our new debtor system in our new ERP. A new position of Credit Controller has been established to continue this work.

4.2 Sensitive expenditure and fraud policy have not been updated

We recommend that all policies be reviewed on a cyclical basis to ensure they remain fit for purpose and reflect current good practice.

We noted the sensitive expenditure and fraud policies have not been updated or reviewed since 2014. The policies state the next review should have occurred by 31 December 2016; however no update or review was performed.

Management comment

The CFO has taken the responsibility to address the backlog and to maintain the review programme.

The draft updated Fraud and Corruption policy will be presented to ELT for approval in February 2021. An earlier draft was provided to Audit NZ. The review of the Sensitive Expenditure policy, along with a number of policy updates is underway. The Sensitive Expenditure policy will be completed by 30 June 2021.

4.3 Capitalisation policy

We recommend that the Regional Council develop and implement an Asset Capitalisation Policy (that governs the transfer of completed assets from work in progress to property, plant and equipment), which is applicable to other group entities as well, that at the very least outlines the following:

- criteria that are required to be met for when costs are ready to be capitalised;
- the extent and quality of documentation that is required to be kept for the capitalisation process;

- a delegation list of who is equipped to approve the capitalisation of the costs; and
- an adequate audit trail to reflect approval of the capitalisation.

We noted that there is no formalised policy for the approval of capitalisation costs, nor is there a delegated authority list or guidance setting out the level of documentation to be maintained to support any costs that are capitalised.

In summary, there is currently no clear process as to when assets are ready to be capitalised, who has the delegation to capitalise assets and the level of documentation required to be kept. As there are no set procedures, capitalisations and approvals are based on e-mail confirmations and excel spreadsheet workings from business advisors which creates risks around the accuracy and completeness over the capitalisation of assets. We did not identify any issues with regard to the approval of capital expenditure.

Management comment

A new Asset Accounting policy including a guideline on capitalisation is ready for presentation to ELT for approval in February 2021.

Processes and delegations will be reviewed and updated with the implementation later in 2021 of the new Asset Management system as part of the ERP implementation.

We acknowledge that further clarity is required on the process of approving transfers from work-in-progress to final asset capitalisation.

4.4 Accuracy of accruals

We recommend that a process be put in place to identify accruals more accurately and to place less reliance on purchase orders.

During testing of expenditure accruals, we identified accruals which did not align with the amounts that were subsequently invoiced or paid. The underlying reason for this was because the accruals are based on purchase orders which are subject to changes. We also identified duplicates in the amounts being accrued.

Management comment

Management acknowledges we had some issues with accruals this year end. A new process is currently being implemented to ensure all accruals are supported by valid underlying documentation and assumptions.

5 Public sector audit



The Regional Council and Group is accountable to the ratepayers and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the Regional Council and Group said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the Regional Council and Group has fairly reflected the results of its activities in its financial statements and Performance information.

We also considered if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the Regional Council carrying out its activities effectively and efficiently;
- waste being incurred as a result of any act or failure to act by the Regional Council;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the Regional Council or by one or more of its Councillors or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by the Regional Council or by one or more of its Councillors or employees.

There are no matters which we need to bring to your attention.

As noted in section 8: *Useful Publications*, the Auditor General has recently updated his good practice guide on sensitive expenditure. We suggest that the Regional Council (and its subsidiaries, including CPL) reviews its own policies against that updated guidance.

6 Group audit



The group comprises:

- WRC Holdings Limited
- Greater Wellington Rail Limited; and
- CentrePort Group

We have not identified any of the following during our audit for the year ended 30 June 2020:

- Instances where our review of the work of component auditors gave rise to a concern about the quality of that auditor's work.
- Limitations on the group audit.
- Fraud or suspected fraud involving group management, component management, employees with significant roles in group-wide controls, or others where the fraud resulted in a material misstatement of the group financial statements.

7 Key changes to the Government Rules of Sourcing



As from 1 October 2019, the new Government Procurement Rules (the Rules) came into force. The Rules are a revision of the previous third edition of the Government Rules of Sourcing. Much of the content is consistent with the third edition with some re-numbering of Rules. The new Rules and a table of rule changes can be found in this link [Table of Rule Changes](#). A few important changes to watch out for are noted below.

Whilst these Rules are not mandatory for the Regional Council, the Government encourages the wider public sector, including all Regional Councils and Territorial Authorities, to apply the Rules as good practice.

Government Procurement Charter

The new rules include a Charter for the first time. The Charter sets out the Government's expectations of how agencies should conduct their procurement activity to achieve public value. The Charter applies even when the Rules do not. The Regional Council will need to demonstrate how they are meeting these expectations in their procurement activity.

Broader outcomes

The new Rule 16 outlines a number of secondary benefits that it is seeking from the way in which procurement is conducted in the public sector. These secondary benefits relating to the costs and benefits to society, the environment and the economy are required to be considered (where appropriate) along with the whole of life costs of the procurement.

To maximise the effects of these priorities, the Government will be designating some contracts or sectors where the outcomes must be prioritised. These will be published at www.procurement.govt.nz.

Procurement planning

A new Rule 15 includes guidance and expectations related to procurement planning. Rule 22 has been amended so that significant procurement plans must be submitted to the Ministry of Business, Innovation, and Employment for review on request

Threshold changes

The thresholds for when the Rules apply (contained in Rules 6 and 7) have been taken out of the Rules document and will now be found at www.procurement.govt.nz. We understand this is to facilitate changes in the thresholds as necessary, without a full change to the Rules. The immediate change is to the threshold for new construction works, which reduces from \$10 million in the previous edition to \$9 million.

We encourage procurement staff to understand the changes, and prepare for their implementation by considering the changes that are required to the Regional Council's procurement policies, procedures and practices.

8 Useful publications



Based on our knowledge of the Regional Council and Group, we have included some publications that the Councillors, external members of the Finance, Risk and Assurance Committee, and management may find useful.

Description	Where to find it
Long-term plans and consultation documents	
<p>Having audited long-term plans (LTPs) since 2006, we understand the significant effort that councils invest in preparing an LTP.</p> <p>We want to make the audit process for the 2021-31 LTPs and consultation documents as straightforward as possible, so we've put together some information to help councils to:</p> <ul style="list-style-type: none"> • understand our responsibilities and our main focus areas in the audit; • prepare better documents for their communities; and • develop project plans that make their LTP process go smoothly. 	<p>On our website under good practice.</p> <p>Link: Long-term plans and consultation documents</p>
Conflicts of interest	
<p>The Auditor-General has recently updated his guidance on conflicts of interest. A conflict of interest is when your duties or responsibilities to a public organisation could be affected by some other interest or duty that you have.</p> <p>The update includes a printable A3 poster, an animated video on predetermination and bias, gifts and hospitality, and personal dealings with a tenderer. There is also an interactive quiz.</p> <p>These can all be used as training resources for your own employees.</p>	<p>On the Office of the Auditor-General's website under publications.</p> <p>Link: Conflicts of interest</p>

Description	Where to find it
Sensitive expenditure	
<p>The Auditor-General has updated his good practice guide on sensitive expenditure. The guide provides practical guidance on specific types of sensitive expenditure, outlines the principles for making decisions about sensitive expenditure, and emphasises the importance of senior leaders “setting the tone from the top”. It also describes how organisations can take a good-practice approach to policies and procedures for managing sensitive expenditure.</p>	<p>On the OAG’s website under publications. Link: Sensitive expenditure</p>
Covid-19 Impact on Public Sector Reporting	
<p>The state of emergency in response to the Covid-19 coronavirus has significantly impacted most public sector entities. The consequences for the completion of annual reports and the annual financial statements are one part of this impact.</p> <p>We are developing a series of Bulletins in response:</p> <ul style="list-style-type: none"> • revaluations of property, plant and equipment and investment property; • service performance reporting; and • financial reporting; 	<p>On our website under good practice. Link: Covid-19 bulletins</p>
Tax matters	
<p>As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.</p> <p>This includes new guidance on the reduction in deferred tax on buildings that was reintroduced as part of the Covid-19 response package.</p>	<p>On our website under good practice Link: Tax Matters Link: Reduction in deferred tax on buildings</p>

Description	Where to find it
Severance payments	
<p>Because severance payments are discretionary and sometimes large, they are likely to come under scrutiny. The Auditor-General has released updated good practice guidance on severance payments. The guide is intended to help public sector employers when considering making a severance payment to a departing employee. It encourages public organisations to take a principled and practical approach to these situations. The update to the 2012 good practice guidance reflects recent case law and changes in accounting standards.</p>	<p>On the OAG's website under publications. Link: Severance payments</p>
Good practice	
<p>The OAG's website has been updated to make it easier to find good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> • audit committees; • conflicts of interest; • discouraging fraud; • good governance; • service performance reporting; • procurement; • sensitive expenditure; and • severance payments. 	<p>On the OAG's website under good practice. Link: Good practice</p>
Procurement	
<p>The OAG are continuing their multi-year work programme on procurement.</p> <p>They have published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened.</p> <p>Whilst this is focused on local government, many of the questions are relevant to all types of public sector entities.</p>	<p>On the OAG's website under publications. Link: Procurement article</p>

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
<p>Risk and Assurance</p> <p>We recommended that the Regional Council revisit the effectiveness of the risk and assurance function as a fundamental process to support business decision making by:</p> <ul style="list-style-type: none"> performing a fraud risk assessment; developing and formalising the assurance function in addressing the key risks facing the Regional Council; enhancing the Regional Council's risk management approach by implementing an integrated entity-wide approach which incorporates strategic, operational and programme/project risks; and updating its risk management policy/framework so it aligns with an entity-wide risk approach. 	<p>2019</p>	<p>In progress</p> <p>The risk management policy is due to be updated and a new risk management procedures document will also be produced that will provide the detail on how risk management operates at the Regional Council.</p> <p>The Regional Council is also in the process of updating the Business Assurance programme, which will be risk based and align with the risk management framework.</p>
<p>Public transport performance measures</p> <p>To support the presentation of accurate and relevant information aligned with the business objectives of the Regional Council we recommended that management:</p> <ul style="list-style-type: none"> Ensure that the basis for preparing these measures are appropriately aligned, including establishing a consistent basis for extracting and using data from both the Snapper reporting portal and the RTI system. Review the system and processes for preparing these measures with the aim of reducing manual calculations and process (as these are more time consuming and have a higher risk of error). 	<p>2019</p>	<p>Open</p> <p>The systems and processes for preparing the measures will be reviewed and documented as part of the 2021-2031 LTP development process. Management noted that some of the key data definitions relating to these performance measures need to be improved.</p>

Recommendation	First raised	Status
<ul style="list-style-type: none"> Formally document the basis in which the performance measures related to bus services will be measured in the forthcoming years, including key data definitions. 		
<p>Procurement and Contract Management</p> <p>We recommended that the Regional Council:</p> <ul style="list-style-type: none"> reviews its procurement and contract management processes to ensure there is sufficient central oversight over individual business unit practices; ensures that its organisational procurement policy and guidelines are finalised; and ensures that its organisational procurement policy and guidelines are finalised. 	2017	<p>Open</p> <p>The updated policy, procurement guidance material and training packages are still to be reviewed and updated. There have been no changes to overall contract management processes. The Regional Council is in the process of filling vacancies in the Procurement Team before this refresh can take place.</p>
<p>Transdev (Rail Revenue)</p> <p>We recommended that the Regional Council:</p> <ul style="list-style-type: none"> obtains formal feedback from Transdev on its progress against the recommendations made by PwC in previous years; and continue with the annual assurance reviews over the farebox revenue process to provide comfort and assurance over the implemented Transdev systems and controls. 	2018	<p>Open</p> <p>Management is continuing to engage with PwC and Transdev on an appropriate process to be followed in order to obtain the necessary assurance over the systems and controls in place for Transdev revenue.</p>
<p>Snapper (Bus revenue)</p> <p>We recommended that management utilise Snapper's data to develop tools and diagnostics to help assess the accuracy and completeness of bus fare revenue reported by Snapper to the Regional Council.</p>	2019	<p>Open</p> <p>The first phase of the project was completed in the current financial year with further phases on going.</p>

Implemented or closed recommendations

Recommendation	First raised	Status
<p>Revaluation of assets</p> <p>To enhance the current practises when revaluing assets we recommended that during the intervening years where formal asset revaluations are not performed, the Regional Council undertake a robust assessment to consider all potential factors to satisfy itself that the fair values of these assets are appropriately reflected in the financial statements on an annual basis. Whilst management have reconsidered the appropriateness of the indices applied in arriving at the assessment they should, in conjunction, also conduct an annual assessment of the asset costs relative to the indices to make an informed decision.</p>	<p>2019</p>	<p>Closed</p> <p>As noted in section 3 above, the Regional Council undertook a fair value assessment of assets not subject to revaluation and concluded that the fair values and carrying values were materially consistent.</p> <p>We reviewed the Regional Council’s assessments and agree with the conclusion. We assessed the methodology and assumptions applied to complete this assessment was assessed as appropriate. No issues were noted.</p>
<p>Account lock-out and reset criteria</p> <p>We previously noted that the criteria for account lock-out and reset criteria have only been set up with a short duration. This increases the risk that an automated but low-level attack or attempt to gain access to the Regional Council’s network would succeed.</p> <p>To mitigate this risk, we recommended increasing both criteria to at least 15 minutes and consider requiring the service desk to unlock accounts or provide lock-out self-administration processes (which typically require additional information known only by the user), two-factor authentication or both as opposed to the automatic reset as currently configured.</p>	<p>2019</p>	<p>Closed</p> <p>This will form part of the “Solution Architecture (Lite) Modern Workplace: MFA & SSPR CRE” programme of work and will be followed up as part of our future work on Information Security.</p>

Recommendation	First raised	Status
<p>IT Business Continuity Plan (BCP) Testing</p> <p>We noted that a large scale “dry-run” of the BCP has not been done. This would provide a better idea of how the BCP may support an actual event. Due to the Wellington region’s recognised risk of a significant disaster event and the role the Regional Council fills in the region, we recommended that this be done.</p>	<p>2019</p>	<p>Closed</p> <p>A new Regional Council Business Continuity Manager started in February 2020 and has started to work through all business groups to assess BCP including the ICT department.</p> <p>Covid-19 lockdown allowed for an opportunity to test the current ICT plan e.g. ICT migrated all staff to laptops who had previously only had access to desktops and increased bandwidth which worked well. With M365 and a move to OneDrive and Sharepoint Online, the Regional Council expects to be in a better position for future events. The lockdown was a real run exercise, not a dry run.</p>

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Regional Council or its subsidiaries of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Regional Council and Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to our audit and our report on the disclosure requirements, we performed agreed upon procedures in respect of the Greater Wellington Regional Council – Wellington Metropolitan Rail special purpose financial statements, a limited assurance engagement related to the Regional Council's debenture trust deed, and assurance services related to the procurement of the ITS financial services and the procurement of an integrated fares and ticketing system.</p> <p>Other than these engagements, we have no relationship with, or interests in, the Regional Council or its subsidiaries and controlled entities.</p>

Area	Key messages
Fees	<p>The audit fee for the year is \$228,535 as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period totalled \$75,590 for the agreed upon procedures in respect of the Greater Wellington Regional Council – Wellington Metropolitan Rail special purpose financial statements, a limited assurance engagement related to the Regional Council’s debenture trust deed, and assurance services relating to the procurement of the ITS financial services and the procurement of an integrated fares and ticketing system.</p> <p>No other fees have been charged in this period.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Regional Council or its subsidiaries that is significant to the audit.</p> <p>During the year ended 30 June 2020, an employee of Audit New Zealand joined the finance team at the Regional Council and was closely involved in the audit. We put in place the appropriate mitigations to ensure that our independence risk was managed.</p> <p>Other than this, we are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Regional Council or its subsidiaries during or since the end of the financial year.</p>

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

PO Box 99
Wellington 6014
Phone: 04 496 3099

www.auditnz.parliament.nz



Audit management report action items

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
Matters raised during the 2019/20 audit					
<p>Unallocated receipts</p> <p>We recommend that unallocated receipts be actively monitored and allocated to the correct debtor account in a timely manner or refunded to the payer.</p> <p>As part of our testing of accounts receivable, we noted that there were several unallocated receipts included in the balance; one dating back as far as 2014.</p>	CFO	Medium	December 2021	<p>January 2021</p> <p>We have engaged a debt management specialist who is working on the debtor processing and collection backlog. Furthermore, we are undertaking a data cleansing process for the data transfer to our new debtor system in our new ERP. A new position of Credit Controller has been established to continue this work.</p> <p>July 2021</p> <p>The receivables team has made significant progress in reducing the unallocated receipts. Historic receipts for three financial years 2014/15 to 2016/17 has been fully identified and cleared. The team are now working on clearing the remaining outstanding unallocated receipts. A process has also been put in place on identifying future unallocated receipts on a regular basis.</p>	

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
<p>Sensitive expenditure and fraud policy have not been updated</p> <p>We recommend that all policies be reviewed on a cyclical basis to ensure they remain fit for purpose and reflect current good practice. We noted the sensitive expenditure and fraud policies have not been updated or reviewed since 2014. The policies state the next review should have occurred by 31 December 2016; however no update or review was performed</p>	CFO	Medium	October 2021	<p>January 2021</p> <p>The CFO has taken the responsibility to address the backlog and to maintain the review programme.</p> <p>The draft updated Fraud and Corruption policy will be presented to ELT for approval in February 2021. An earlier draft was provided to Audit NZ. The review of the Sensitive Expenditure policy, along with a number of policy updates is underway. The Sensitive Expenditure policy will be completed by 30 June 2021</p> <p>July 2021</p> <p>The fraud policy was approved by ELT in February 2021.</p> <p>The sensitive expenditure policy and associated guidance has been updated incorporating OAG’s sensitive-expenditure guidelines - “Controlling sensitive expenditure: Guide for public organisations”. The policy will be presented to ELT in August 2021 and subsequently published on the intranet.</p>	

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
<p>Capitalisation policy</p> <p>We recommend that the Regional Council develop and implement an Asset Capitalisation Policy (that governs the transfer of completed assets from work in progress to property, plant and equipment), which is applicable to other group entities as well, that at the very least outlines the following:</p> <ul style="list-style-type: none"> • criteria that are required to be met for when costs are ready to be capitalised; • the extent and quality of documentation that is required to be kept for the capitalisation process; • a delegation list of who is equipped to approve the capitalisation of the costs; and • an adequate audit trail to reflect approval of the capitalisation. <p>We noted that there is no formalised policy for the approval of</p>	<p>CFO</p>	<p>Medium</p>	<p>February 2022</p>	<p>January 2021</p> <p>A new Asset Accounting policy including a guideline on capitalisation is ready for presentation to ELT for approval in February 2021.</p> <p>Processes and delegations will be reviewed and updated with the implementation later in 2021 of the new Asset Management system as part of the ERP implementation.</p> <p>We acknowledge that further clarity is required on the process of approving transfers from work-in-progress to final asset capitalisation.</p> <p>July 2021</p> <p>The status of this item remains the same with the policy introduced in February 2021 and the processes and delegations will be reviewed and updated with the implementation later in 2021 of the new Asset Management system as part of the ERP implementation.</p>	

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
<p>capitalisation costs, nor is there a delegated authority list or guidance setting out the level of documentation to be maintained to support any costs that are capitalised.</p> <p>In summary, there is currently no clear process as to when assets are ready to be capitalised, who has the delegation to capitalise assets and the level of documentation required to be kept. As there are no set procedures, capitalisations and approvals are based on e-mail confirmations and excel spreadsheet workings from business advisors which creates risks around the accuracy and completeness over the capitalisation of assets. We did not identify any issues with regard to the approval of capital expenditure.</p>					

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
<p>Accuracy of accruals</p> <p>We recommend that a process be put in place to identify accruals more accurately and to place less reliance on purchase orders.</p> <p>During testing of expenditure accruals, we identified accruals which did not align with the amounts that were subsequently invoiced or paid. The underlying reason for this was because the accruals are based on purchase orders which are subject to changes. We also identified duplicates in the amounts being accrued.</p>	<p>CFO</p>	<p>Medium</p>	<p>Completed</p>	<p>January 2021</p> <p>Management acknowledges we had some issues with accruals this year end. A new process is currently being implemented to ensure all accruals are supported by valid underlying documentation and assumptions.</p> <p>July 2021</p> <p>A new process has been implemented to ensure all accruals are supported by valid underlying documentation and assumptions. This was achieved through first reviewing the Open Purchase order process and removing any duplicate or aged purchase orders. Secondly the relevant Purchase Order creators have been upskilled to bring in line with best practice. Thirdly accruals are not raised without third party support for accrued costs.</p>	<p>✓</p>

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
Open audit recommendations from previous years					
<p>Risk and Assurance</p> <p>We recommended that the Regional Council revisit the effectiveness of the risk and assurance function as a fundamental process to support business decision making by:</p> <ul style="list-style-type: none"> • performing a fraud risk assessment; • developing and formalising the assurance function in addressing the key risks facing the Regional Council; • enhancing the Regional Council’s risk management approach by implementing an integrated entity-wide approach which incorporates strategic, operational and programme/project risks; • updating its risk management policy/framework so it aligns with an entity-wide risk approach. 	Treasurer	Medium	Completed	<p>January 2021</p> <p>The risk management policy is due to be updated and a new risk management procedures document will also be produced that will provide the detail on how risk management operates at the Regional Council.</p> <p>The Regional Council is also in the process of updating the Business Assurance programme, which will be risk based and align with the risk management framework.</p> <p>July 2021</p> <ul style="list-style-type: none"> • The CFO has undertaken a number of fraud awareness seminars and has updated the Fraud policy. • The Business Assurance function is well founded with PwC co-sourcing and providing external expertise. • A revised 3- year internal audit plan is under development, in conjunction with FRAC, to be approved October 2021. This plan is being developed using an integrated approach looking at risks the organisation faces, topical risk areas for audit and general areas requiring regular 	✓

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
				<p>audit with a focus on business enhancement.</p> <ul style="list-style-type: none"> • The Risk management policy and associated procedures and Guidelines was approved by the FRAC committee in October 2020. This address GW's strategic, operational and project risks and integrates into the Business Assurance programme. 	

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
<p>Public transport performance reporting</p> <p>To support the presentation of accurate and relevant information aligned with the business objectives of the Regional Council we recommended that management:</p> <ul style="list-style-type: none"> • Ensure that the basis for preparing these measures are appropriately aligned, including establishing a consistent basis for extracting and using data from both the Snapper reporting portal and the RTI system. • Review the system and processes for preparing these measures with the aim of reducing manual calculations and process (as these are more time consuming and have a higher risk of error). • Formally document the basis in which the performance measures related to bus 	<p>GM Public Transport</p>	<p>Medium</p>	<p>June 2022</p>	<p>January 2021</p> <p>The systems and processes for preparing the measures will be reviewed and documented as part of the 2021-2031 LTP development process. Management noted that some of the key data definitions relating to these performance measures need to be improved.</p> <p>July 2021</p> <ul style="list-style-type: none"> • Management continues to use data from both Snapper reporting portal and the RTI system. The basis for extracting and using data from both sources is consistently applied. • In order to reduce the need for manual calculation, management continues to work with Snapper to get more detailed information (this work is in early stages). In addition, management are working with another provider to determine whether we can receive enhanced information with a different reporting tool (netBI). • The systems and processes for preparing the measures have been reviewed and documented as part of the 2021-2031 LTP 	

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
<p>services will be measured in the forthcoming years, including key data definitions</p>				<p>development process (Metlink data dictionary). Performance measures related to buses are also contained within our Partnership Contracts.</p>	

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
<p>Procurement and Contract Management</p> <p>We recommended that the Regional Council:</p> <ul style="list-style-type: none"> • reviews its procurement and contract management processes to ensure there is sufficient central oversight over individual business unit practices; • ensures that its organisational procurement policy and guidelines are finalised; and • ensures that its organisational procurement policy and guidelines are finalised. 	Manager Legal & Procurement	Medium	Completed	<p>January 2021</p> <p>The updated policy, procurement guidance material and training packages are still to be reviewed and updated. There have been no changes to overall contract management processes. The Regional Council is in the process of filling vacancies in the Procurement Team before this refresh can take place</p> <p>July 2021</p> <p>Procurement policy (including broader outcomes and living wage) and associated documents and templates completed and approved by ELT end of June 2021. Work ongoing on embedding policy and educating organisation.</p> <p>Implementation of finance module in Ngātahi will bring about centralised contract register and implementation of business rules to link requisition orders with signed contracts. Contract management recommended to be part of FY21 internal business assurance review.</p>	✓

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
<p>Transdev (Rail revenue)</p> <p>We recommended that the Regional Council:</p> <ul style="list-style-type: none"> • obtains formal feedback from Transdev on its progress against the recommendations made by PwC in previous years; and • continue with the annual assurance reviews over the farebox revenue process to provide comfort and assurance over the implemented Transdev systems and controls. 	<p>GM Public Transport</p>	<p>Medium</p>	<p>December 2021</p>	<p>January 2021</p> <p>Management is continuing to engage with PwC and Transdev on an appropriate process to be followed in order to obtain the necessary assurance over the systems and controls in place for Transdev revenue.</p> <p>July 2021</p> <p>Management have engaged PwC to complete a audit over the Transdev Farebox system and controls at year end. One of the aims of this audit is to focus on the PwC recommendations from previous years. This will be available for review at final audit fieldwork.</p>	

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
<p>Snapper (Bus revenue)</p> <p>We recommended that management utilise Snapper’s data to develop tools and diagnostics to help assess the accuracy and completeness of bus fare revenue reported by Snapper to the Regional Council.</p>	<p>GM Public Transport</p>	<p>Medium</p>	<p>December 2021</p>	<p>January 2021</p> <p>The first phase of the project was completed in the current financial year with further phases on going.</p> <p>July 2021</p> <p>Management have engaged Deloitte to complete a audit over the Snapper Farebox system and controls at year end which will be available for review at final audit.</p> <p>Management are currently utilising Snapper data to review bus patronage daily and has been very succesful in analysing trends post Covid lockdown.</p>	

For Information

REPORT ON THE AUDIT OF THE 2021-31 LONG TERM PLAN

Te take mō te pūrongo

Purpose

1. To provide the Finance, Risk and Assurance Committee (the Committee) the reports on the audit of the 2021-31 Long Term Plan and the 2021-31 Long Term Plan Consultation Document from Audit New Zealand (Audit NZ), the Council's external auditors.

Te tāhū korero

Background

1. Section 93 of the Local Government Act 2002 (LGA) requires Council to develop a Long Term Plan (LTP). This is a ten year plan, updated every three years.
2. Section 94 of the LGA requires the audit of the LTP in respect of:
 - a whether the plan gives effect to the purpose of the LTP, and
 - b the quality of the information and assumptions underlying the prospective information provided in the plan.
3. Under the Local Government Act 2002 Council must prepare, adopt and issue a consultation document and supporting documentation as part of the Long Term Plan process.
4. The Consultation Document and final Long Term Plan are audited by Audit NZ.

Te tātaritanga

Analysis

5. The reports from Audit NZ (**Attachment 1** and **Attachment 2**) set out Audit NZ's audit of the LTP and LTP Consultation Document respectively.
6. Audit NZ issued an unmodified audit opinion with three Emphasis of Matter (EoM) paragraphs for the attention of readers of the LTP in their audits of both the LTP and the LTP Consultation Document.
7. The EoM noted in the reports are:
 - a uncertainty over the three waters reforms;
 - b uncertainty over the decarbonisation (funding) of the bus and rail networks and;

- c uncertainty over the delivery of the capital programme.
8. Audit NZ noted that the financial statements are free from material misstatements, including omissions.
 9. In the Audit of the Long Term Plan, paragraph 1.2 of Attachment 1, Audit NZ provide comment on one uncorrected misstatement. The uncorrect misstatement relates to the overstatement of grants and subsidies from Waka Kotahi for operating projects either no longer funded or for which the funding timing is changed to outside the triennium. Greater Wellington's response to this finding is outlined below:
 - a Officers do not consider the amount a misstatement as the Waka Kotahi announcement in June was indicative funding and is not finalised until August.
 - b The process with Waka Kotahi is no different than past trienniums. Greater Wellington can request cash flow adjustments to next year and renegotiate committed costs pressures.
 - c Officers did not agree that changing the numbers would have improved the accuracy of the LTP as we expect improved results with the final numbers as a result of ongoing discussion.
 - d Greater Wellington maintained the position not to make the changes in the LTP and to revisit as required using the Annual Plan process.
 - e Any funding not received will result in changing the scheduling of these projects as Greater Wellington do not plan to fund this from either increased rates or debt.
 - f The amount was not significant for audit purposes, so did not result in an unqualified opinion.

Ngā tūāoma e whai ake nei

Next steps

10. Completion of the LTP process and the audit reports will be noted in the officer review of the LTP project processes.

Ngā āpitihanga

Attachments

Number	Title
1	Audit New Zealand report on the audit of the 2021-31 Long Term Plan
2	Audit New Zealand report on the audit of the LTP Consultation Document 2021-31

Ngā kaiwaitohu

Signatories

Writer	Alison Trustrum-Rainey - Chief Financial Officer
Approver	Samantha Gain - General Manager, Corporate Services

**He whakarāpopoto i ngā huritaonga
Summary of considerations**

Fit with Council's roles or with Committee's terms of reference

The Committee provides assurance to the Council of the noting and review of the Audit report.

Implications for Māori

There are no known impacts for Māori.

Contribution to Annual Plan / Long Term Plan / Other key strategies and policies

The report to Council on the audit of the LTP is the final step in the audit and LTP process. The 2021-31 Long Term Plan, was provided to Council for adoption within the statutory timeframes.

Internal consultation

The Finance and Strategic and Corporate Planning departments were consulted in preparing this report.

Risks and impacts – legal / health and safety etc.

There are no specific risks arising from the matters for decision.

Report to the Council on the audit of

Greater Wellington Regional Council's

Long Term Plan

for the period 1 July 2021 to 30 June 2031

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Key messages

We have completed the audit of the Great Wellington Regional Council's (the Regional Council's) long-term plan (LTP) period commencing 1 July 2021 to 30 June 2031. This report sets out our findings from the audit, and where appropriate makes recommendations for improvement.

Audit report

We issued an unmodified report on the Regional Council's LTP on 29 June 2021. This means that in our opinion, the LTP document provides a reasonable basis for long-term, integrated decision-making and co-ordination of the Regional Council's resources and accountability of the Regional Council to the community.

Without modifying our opinion, we included three emphasis of matter paragraphs in the audit report drawing a readers' attention to the certain disclosure in the LTP.

These included:

- Uncertainty over three waters reforms
- Uncertainty over the decarbonisation of the bus and rail networks
- Uncertainty over the delivery of the capital programme

Matters identified during the audit

In our audit of the final plan, we:

- Reviewed the results of the Regional Council's consultative process.
- Re-assessed the Regional Council's capital expenditure do-ability assumption and the impact of the Waka Kotahi funding intentions for both the ongoing operations and the funding of decarbonisation of the bus and rail networks.
- Considered the appropriateness of the performance framework specifically in respect of the public transport punctuality measures.

Thank you

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



Clint Ramoo
Appointed Auditor
19 July 2021

1 Our audit report

1.1 We issued an unmodified audit opinion



We issued an unmodified audit opinion on the Regional Council's LTP on 29 June 2021. This means that the plan provides a reasonable basis for:

- long-term, integrated decision-making and co-ordination of the Regional Council's resources; and
- accountability of the Regional Council to the community;

Without modifying our opinion, we included three emphasis of matter paragraphs in the audit report drawing attention to the disclosure in the LTP the following:

1.1.1 Uncertainty over three waters reforms

The Government's intends to make three waters reform decisions during 2021. The effect that the reforms may have on three waters services provided is currently uncertain because no decisions have been made. The LTP was prepared as if these services will continue to be provided by the Regional Council, but future decisions may result in significant changes, which would affect the information on which the plan has been based.

1.1.2 Uncertainty over the decarbonisation of the bus and rail networks

The Regional Council has assumed that the Government will provide a significant level of funding to enable decarbonisation of the bus and rail networks. If the Regional Council does not receive the assumed government funding, its bus and rail programme affordability will be at risk and it will need to significantly revise its decarbonisation plan.

1.1.3 Uncertainty over the delivery of the capital programme

The Council is proposing to spend \$1,023 million on capital projects over the next 10 years. Although the Council is taking steps to deliver its planned capital programme, there is uncertainty over the delivery of the programme due to a number of factors, including the significant constraints in the construction market. If the Regional Council is unable to deliver on a planned project, it could affect intended levels of service.

1.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial.

The following misstatement was not corrected:

Statement of comprehensive income		Statement of financial position	
Dr \$000	Cr \$000	Dr \$000	Cr \$000
Grants & Subsidies			Debt
Year 1 -3,570			Year 1 – 3,570
Year 2 – 3,570			Year 2 – 7,140
Year 3 – 3,570			Year 3 – 10,710

Explanation for uncorrected differences

This relates to the overstatement of grants and subsidies from Waka Kotahi for operating projects either no longer funded or for which the funding timing is changed to outside the triennium. The Regional Council is committed to continuing with these projects and is negotiating with Waka Kotahi to ensure the funding. Any funding not received will result in changing the scheduling of these projects as the Regional Council do not plan to fund this from either increased rates or debt.

1.3 Quality and timeliness of information provided for audit

Management provided us with the requested information within the expected timeframes, as well as the supporting documentation. We did however experience delays in obtaining the final reconciliation of Waka Kotahi funding to the forecast financial statements as this had to be prepared on our request.

2 Control Environment

2.1 Scope of our audit

The scope of our audit engagement and our respective responsibilities are contained in our audit engagement letter dated 26 February 2021.

2.2 Control environment

Our approach to the audit was to identify, confirm and assess the Regional Council's key processes and controls over the underlying information, and ultimate production of the LTP. The purpose of this assessment was to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit opinions. Our review of the control environment focused on two key areas: planning and budgeting processes, and asset management practices.

The matters that we identified as the main risks and issues are detailed in section 3 of this report.

2.3 Process to develop the underlying information

Overall, we found that the Regional Council's process for developing the LTP and preparing the underlying information was well-managed.

2.4 Planning and budgeting process

We obtained an understanding of the Regional Council's budgeting process in discussions with the relevant staff members and by reviewing various pieces of supporting documentation. We found that the Regional Council's planning and budgeting process supported its preparation of the underlying information and ultimately the production of the LTP.

3 Key risks and issues

3.1 Impact of the economic downturn caused by Covid-19 on the Regional Council's forecasts

We reviewed the Regional Council's approach to considering the impact of Covid-19 and how this has been factored into the underlying policies, strategies and assumptions used to prepare the LTP.

We considered the potential impact of Covid-19 on the Regional Council to date and concluded that the Regional Council's assessment of this matter on the underlying information is reasonable.

We are therefore satisfied that Regional Council's assumptions in respect of Covid-19 are reasonable and they have been appropriately factored into the underlying information.

3.2 Financial strategy

There have been no significant changes to the Regional Council's financial strategy since the Consultation Document phase. We are satisfied that the financial information presented in the financial strategy is financially prudent and is consistent with the assumptions applied and the forecast financial information we reviewed. We are also satisfied that the Regional Council is presenting a balanced budget.

3.3 Infrastructure Strategy

Overall, there has been no significant change to the strategy since the consultation stage and we are satisfied that the Infrastructure Strategy is fit for purpose and the supporting underlying information is considered reasonable. The infrastructure strategy fulfils the legislative purpose and meets our expectations of such a document and is consistent with our knowledge of asset management planning for the Regional Council.

3.4 Quality of asset-related forecasting information

At the conclusion of the Consultation Document phase we concluded that the Regional Council's asset information provides a reasonable basis for the information and strategies to be included in the CD and LTP. We were also satisfied that reasonable assumptions and assessments regarding the Regional Council's assets for key activities have been appropriately applied in the forecast financial information.

No significant changes were made to asset information as a result of the consultation process.

3.5 Capital expenditure “do-ability”

The final LTP includes \$1,028 million (\$8.6 million more than the CD stage) of capital expenditure over the 10 years. The total increase, which is not material, is driven by adjustments in the environmental capex information based on updates on the RiverLink flood protection project.

The risk of under-delivery on the current capital programme is high and we understand that efforts are being made to improve the delivery of the programme. However, there are limitations such as market factors, resourcing and personnel which are out of the control of the Regional Council.

As the level of uncertainty with regards to the Regional Council’s ability to deliver on capital projects remains, we included an emphasis of the matter paragraph in our audit report to draw the readers’ attention to the disclosures regarding the uncertainty.

3.6 Assumptions

3.6.1 Climate change

Based on our review, we are satisfied that the Regional Council’s assumptions around climate change and significant impacts are reasonable based on verifiable sources such as Ministry for the Environment (MfE) and National Institute of Water and Atmospheric Research (NIWA) reports and the Regional Council’s systems. We are satisfied that they have been appropriately incorporated and presented in the financial forecasts in the finance and infrastructure strategies, and the LTP.

3.6.2 Central Government funding

Given the demands on the National Land Transport Fund (NTLF) from local authorities in general as well as the need to fund heavy rail it is reasonable to assume that the NTLF is under pressure. This, coupled with a declining revenue base, means that the amount of funding available will be limited. We do not believe that the assumption of funding from Central Government is unreasonable but that there is a high degree of uncertainty associated with it and we therefore included an emphasis of matter paragraph in our audit report to draw attention to this uncertainty.

3.6.3 Population and demographic changes

We are satisfied that the population and demographic assumptions are reasonable as they are based on independent reports prepared by .id and BERL. We are also satisfied that these assumptions have been consistently applied in the forecast financial information through walkthroughs, analytical reviews, and analysis performed on the financial model and forecast financial statements.

3.6.4 Economic Assumptions

We are satisfied that the economic assumptions are reasonable as they are based on an independent report prepared by BERL. We are also satisfied that the economic assumptions have been consistently applied in the forecast financial information through walkthroughs, analytical reviews, and analysis performed on the financial model and forecast financial statements.

3.6.5 Other assumptions

We are satisfied that the assumptions applied by the Regional Council are appropriate, complete and have been consistently applied in the financial forecasts for LTP purposes.

3.6.6 Performance Framework

We are satisfied the forecast performance framework is appropriate, complies with relevant legislation and generally accepted accounting practice.

During our audit of the Consultation Document we identified that, within the public transport activity, a previous performance measure relating to punctuality and reliability of bus and train services, based on arrival times, has been removed and replaced with an overall satisfaction survey result. We noted that this arrival measure is critical in understanding whether the Regional Council is meeting the level of service the Regional Council has proposed: “Deliver services in accordance with the published timetable” and we recommended that this measure be reported on.

Based on discussions with management we understand that the Regional Council is of the view that it is only able to influence the departure times from the point of origin on a route through its contracts with bus operators. Thereafter, factors such as traffic, passenger volumes and behaviour impact on the punctuality of services. The approach taken by the Regional Council is similar to that adopted by Auckland Transport.

The Regional Council has agreed to include the measure as part of the Metlink’s published monthly performance report which the public are able to access on Metlink’s website.

3.7 Lowering carbon emissions

The Regional Council consulted on two options to reduce carbon emissions surrounding the decarbonisation of the bus and rail networks and increasing restoration of parks to fight climate change.

3.7.1 Decarbonisation of the bus and rail networks

The Council’s preferred option was to replace all the existing buses (except approximately 48 needed for stand-by, emergencies or occasional high-volume service) with battery electric power when contracts with bus service providers are renewed in 2027 and 2030. It also plans to only procure electric buses to address capacity increases. The plan also

involves fully transitioning the Wairarapa and Manawatū trains and associated infrastructure to electric or hydrogen powered technology over the next 10 years. This option envisages no further extension to the existing overhead line infrastructure currently provided and maintained by KiwiRail (existing overhead lines go as far as Waikanae on the Palmerston North route and to Upper Hutt on the Masterton route). The preferred option will result in an estimated spend of \$1.1 billion.

This preferred option was favoured among ratepayers through the consultation process and the Council is going ahead with it.

We included an emphasis of matter paragraph in our audit report to draw the readers' attention to the significant uncertainty around the Government's funding during the LTP period. Refer to 1.1.2 above.

3.7.2 Increasing restoration of regional parks to fight climate change

The Council's preferred option was to remove livestock from 1,350 hectares (of about 2,100 hectares) of regional parks in order to actively restore the land to its natural state over 10 years. This is expected to result in an increase in the rates take of \$25.4 million over the 10 year period, with years 1-3 being funded from the Low Carbon Acceleration Fund (LCAF) reducing the rates impact to an average of \$672,000 per annum for these years with the average rates impact for years 4-10 expected to be \$3.3 million per annum. As a result of the preferred option, the Regional Council is expecting grazing to be significantly reduced by 2031 and thereby reducing the Regional Council's carbon footprint and limiting other environmental impacts. There is also a debt impact of \$2 million per annum in years 1-3 only.

This preferred option was favoured among ratepayers through the consultation process and the Council is going ahead with it.

We have reviewed the calculation of the cost and the calculation for the provisional amounts disclosed. We are satisfied that the calculations of the cost and provisional amounts disclosed are reasonable and supportable.

3.8 Regional joint committee

The third item which the Council consulted on was around providing secretariat support to the newly established Wellington Regional Leadership Joint Committee (Joint Committee). The preferred option to fund the Joint Committee secretariat on behalf of the region was the most favoured option by submitters, and as a result, the Joint Committee will have a supported and committed infrastructure that is aimed at creating employment and increasing the speed of economic recovery from Covid-19.

The preferred option will result in a total rates impact of \$200,000 per annum. This option has a total cost of \$600,000 per annum; however \$400,000 per annum of rate funds will be reallocated to the secretariat from the Regional Council's economic development activity. The debt impact is nil.

We have reviewed the calculation of the cost and the calculation for the provisional amounts disclosed. We are satisfied that the calculations of the costs and provisional amounts disclosed are reasonable and supportable.

3.9 Interislander ferry terminal upgrade

There has not been any significant progress from the Regional Council's perspective since the consultation stage and therefore no changes were made to this assumption in the LTP.

The Regional Council has further explained to us that CentrePort has no plans to call on the shareholders to fund the terminal upgrade. It is more likely that KiwiRail will fund the majority of the costs directly (using Treasury funding) and that CentrePort will only fund the marine infrastructure. None of this is yet clear as there is no agreed scope, design, cost estimate, or funding agreement at this stage. A disclosure has been made in the LTP which is consistent with the Consultation Documents.

4 Other areas of focus

4.1 Waka Kotahi funding

On 31 May 2021, the Regional Council was advised by Waka Kotahi that its Board had endorsed indicative investments for continuous programmes for the three years from 1 July 2021 to 30 June 2024.

The impact for the Regional Council of this indicative funding advice, which is the best information available that we were able to sight, is a \$10.7 million reduction of Waka Kotahi funding for the Regional Council's Business as Usual continuous programme.

The Regional Council has not considered the impact of this reduction beyond 2024 and has not adjusted its forecasts to reflect the indicative shortfall in funding. We do not consider this to be a misstatement.

This error is not material. We have included the error in the misstatement schedule as per 1.2 above.

4.2 Three-waters reform

The proposed three water reforms programme is expected to result in structural changes to how water supply, stormwater and wastewater assets are owned and managed in the local government sector. No changes to the assumption have been made from the CD stage. Due to the uncertainty around the nature of the Government's proposals, the Council has disclosed this as an assumption with a high level of uncertainty.

We included an emphasis of matter paragraph, in our audit opinion, to draw the reader's attention to the disclosures in the LTP. Refer above to 1.1.1.

5 Publication of the LTP on the Regional Council's website

As the Regional Council intended to publish the LTP electronically, we asked for time to examine the final electronic file version of the plan incorporating the audit report before uploading onto your website.

We have completed our examination of the final electronic file version of the LTP and ensured it is consistent with the paper-based documents that we have audited and given clearance on.

Appendix 1: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the Consultation Document and reporting that opinion to you. This responsibility arises from section 93C(4) of the Local Government Act 2002.</p> <p>The audit of the Consultation Document does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter dated 26 February 2021 contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>Our audit has been carried out in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (revised): <i>Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</i>, the International Standard on Assurance Engagements 3400: <i>The Examination of Prospective Financial Information</i>, and the Auditor-General's Auditing Standards.</p>
Auditor independence	<p>We are independent of the Regional Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: Code of Ethics for Assurance Practitioners, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to our work in carrying out all legally required external audits, we performed agreed upon procedures in respect of Greater Wellington Regional Council – Wellington Metropolitan Rail special purpose financial statements.</p> <p>Other than this engagement, and our work in carrying out all legally required external audits, we have no relationship with or interests in the Regional Council or any of its subsidiaries and controlled entities.</p>
Fees	<p>The audit fee for the LTP audit is \$150,900, as detailed in our Audit Engagement Letter.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Regional Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Regional Council during or since the audit.</p>

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

PO Box 99
Wellington 6140
Phone: 04 496 3099

www.auditnz.parliament.nz



Report to the Council on the audit of

Greater Wellington City Council's
long-term plan consultation document
2021 - 2031

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Key messages

We have completed the audit of Greater Wellington Regional Council's (the Regional Council's) consultation document for its proposed ten-year long-term plan (LTP) covering the period commencing 1 July 2021 to 30 June 2031. The Regional Council will adopt its LTP in June 2021. This report sets out our findings and recommendations from the audit of the consultation document stage of the LTP.

Unmodified audit report

We issued an unmodified report on Regional Council's consultation document on 1 April 2021. This means that in our opinion, the consultation document provides an effective basis for public participation in the Regional Council's decision-making processes relating to the content of its draft LTP.

We included three emphasis of matter paragraphs in the audit report drawing attention to:

- the disclosure outlining the uncertainty over the Government's funding of the electrification of the bus and rail networks;
- the uncertainty over the delivery of the Regional Council's capital programme; and
- the uncertainty associated with the three waters reforms.

Preparation of the consultation document and underlying information

The development of a consultation document together with the required underlying information is a large and complex task. The process was well managed from a project management perspective with a clear point of contact and assigned responsibility. The success of the process is however dependent upon how well the different parts of the Regional Council work together. We noted a disconnect between some of the operational plans and how this was reflected in the financial forecasts. Key assumptions used in the financial modelling were also not well supported and we would expect there to be more rigour applied to such assumptions when put forward.

Overall, management worked well with the audit team to ensure that the consultation document provided an effective basis for public participation in the Regional Council's decisions about the proposed LTP.

Audit of the final LTP

Following the conclusion of the consultation period and the Regional Council's hearing of submissions, we will review the final changes made to the LTP and issue a separate audit report on the LTP.

We will also be following up on the following matters that need to be resolved during the audit of the LTP:

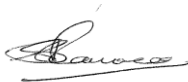
- The appropriateness of the performance measures for public transport;

- Decisions from Waka Kotahi in respect of the business cases submitted for funding of the electrification of the bus and rail networks;
- Adjustments to the opening balances used in the forecast financial statements underlying the LTP; and
- Progress on the development and funding of the proposed new ferry terminal.

To ensure our audit of the final LTP is efficient, we ask the Regional Council to prepare and provide us with a schedule of changes to the financial forecasts and other underlying information that were the basis for the consultation document.

Thank you

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



Clint Ramoo
Appointed Auditor
26 May 2021

1 Our audit report

1.1 We issued an unmodified audit report

We issued an unmodified audit report on 1 April 2021.

This means we were satisfied that the consultation document meets the statutory purpose and provides an effective basis for public participation in the Regional Council's decisions about the proposed content of the 2021-31 LTP. We also found the underlying information and assumptions used to prepare the consultation document are reasonable.

We included three emphasis of matter paragraphs in our audit report. The first emphasis of matter paragraph was to draw the readers' attention to the disclosure in the consultation document outlining the Regional Council's plan to electrify the bus and rail networks and the underlying assumption relating to the level of government funding. The Regional Council has assumed that the Government, through Waka Kotahi, will provide a significant level of funding. If this level of funding does not materialise, the affordability of the rail programme will be at risk and it will need to be significantly revised.

The second emphasis of matter paragraph drew the reader's attention to the disclosure in the consultation document outlining the planned increase in the Regional Council's capital expenditure programme. While the Regional Council has taken steps to manage its risk to delivering the programme, there is a level of uncertainty around the timing of delivery of the programme, due to constraints such as contractor and material availability. If the Regional Council is not able to deliver the capital programme, it has the potential to impact the level of service provided, the ability to meet the demands of a growing region and the ability of the Regional Council to reduce its carbon footprint.

The final emphasis of matter paragraph, in common with our audit reports for all Consultation Documents, drew the reader's attention to the disclosures relating to the Government's intention to make three waters reform decisions during 2021. The effect that the reforms may have on three waters services provided by the Regional Council is currently uncertain because no decisions have been made. The consultation document was prepared as if these services will continue to be provided by the Regional Council, but future decisions may result in significant changes, which would affect the information on which the consultation document has been based.

1.2 Uncorrected misstatements

The consultation document including the underlying financial forecasts and assumptions are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those that were clearly trivial.

2 Control environment

Our approach to the audit was to identify, confirm and assess the Regional Council's key processes and controls over the underlying information, and ultimate production of both the consultation document and the LTP. The purpose of this assessment was to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit opinions. Our review of the control environment focused on two key areas: planning and budgeting processes, and asset management practices.

2.1 Process to develop the consultation document and underlying information

We assessed that the process to develop the consultation document and prepare the underlying information was well-managed and executed. We saw clear direction from elected members and senior management, internal co-ordination, and quality assurance reviews for most areas. The level of quality assurance in the finance area was not at the level expected which resulted in significant changes to the draft statement of financial position around the investments being made in the rail network. In general, the draft documents were provided to us in a timely manner, noting that there were delays in relation to the final drafts of the asset management plans and infrastructure strategy. Overall, we worked well with management to meet the planned CD adoption date.

2.2 Planning and budgeting process

We obtained an understanding of the Regional Council's budgeting process from discussions with the relevant staff members and by reviewing various pieces of supporting documentation. Overall, we found that the Regional Council had a good process in place that provided an appropriate basis to prepare the underlying information and ultimately the production of the consultation document noting the comments in 2.1 above in relation to quality assurance.

2.3 Asset management practices

Overall, we are satisfied that the Regional Council's asset management practices and planning for the core infrastructure activities (including public transport and water supply), show there is good knowledge of asset condition. We did not identify any significant weaknesses in the asset management plans for public transport and water supply assets.

3 Key risks and issues

In the planning stage of the audit, we reviewed the Regional Council's LTP self-assessment and the content of the first draft of the Consultation Document. Through this planning process, we identified the following matters as the main risks and issues:

3.1 Content of the consultation document

We are satisfied that the consultation document presents the current significant issues facing the community in the region.

The Regional Council declared a climate emergency in 2019 and the 2021-31 LTP provides the first real opportunity for elected members to engage with the community on what this means for the Regional Council's operations and long-term strategy. The consultation document reflects the Regional Council's goal of showing leadership in the climate change space as well as provide wider regional leadership. The items being consulted on reflects these objectives.

The consultation document has been written with a view of engaging with the community. It is easy to read, provides a good analysis of the financial impact of options, and is clear about elected members preferred options. It includes key parts of the draft finance and infrastructure strategies, and signals to ratepayers matters that are on the horizon but still require further work and decisions.

Overall, the key areas the consultation document is focused on are helping the community recover from Covid-19, responding to climate change and sustainability, improving outcomes for mana whenua and Māori, and aligning with Government direction on environmental goals.

The consultation document provided adequate information and explanations for readers to understand the issues and the options that are being consulted on and is readable and easily understandable. There are adequate disclosures included in the issues for consultation including the impact on the levels of service, the required funding for the options via rates or debt, and the Regional Council's preferred option. The consultation document also includes a summary of the critical parts of the proposed financial and infrastructure strategy in compliance with the legislative requirements.

The consultation document focuses on three issues:

1. Electrifying the bus and rail networks;
2. Increasing restoration of regional parks to fight climate change; and
3. Funding the Joint Committee Secretariat on behalf of the region.

The first two consultation items are centred on the importance of region's response to climate change while the third is focussed on the recovery from the impacts of Covid-19 and providing regional leadership.

3.1.1 Consultation issue 1: Electrifying the regions bus and rail networks

The Regional Council's preferred option is to replace all of the existing buses (except approximately 48 needed for stand-by, emergencies or occasional high-volume service) with battery electric power when contracts with bus service providers are renewed in 2027 and 2030. It also plans to only procure electric buses to address capacity increases. The plan also involves fully transitioning the Wairarapa and Manawatū trains and associated infrastructure to electric or hydrogen powered technology over the next 10 years. This option envisages no further extension to the existing overhead line infrastructure currently provided and maintained by KiwiRail (existing overhead lines go as far as Waikanae on the Palmerston North route and to Upper Hutt on the Masterton route).

The preferred option will result in an estimated spend of \$1.1 billion.

The alternative option will require an estimated spend of \$0.8 billion and is similar to the preferred option other than for the Wairarapa and Manawatū trains where the alternative option makes use of a combination of diesel and electrically powered rolling stock using existing overhead lines or hydrogen.

The estimated costs provided are only indicative at this stage and will be finalised once the business case is complete. The Regional Council has provided these to Waka Kotahi for inclusion in the Regional and National Land Transport forecasting that is currently underway and has also planned for a 90% contribution from the Government to fund these assets. The increase in the rates take if the preferred option is chosen will be \$160 million over 10 years as large capital projects are debt financed over 20-30 years. The forecast increase in debt if the preferred option is adopted is \$90 million. This has been signalled in the consultation document.

The Regional Council has confirmed that its options will make use of currently available technology and that it will not be the first users of this technology.

We have reviewed the calculation of the cost, and the calculation for the provisional amounts disclosed. We are satisfied that this is reasonable and supportable.

We note that the Regional Council has included a disclosure in the consultation document that the programme will be significantly revised should the level of Government funding not materialise. We included an emphasis of matter paragraph in our audit report to draw the readers' attention to the significant uncertainty around the Government's funding during the LTP period.

We recommend that the Regional Council continue to provide adequate disclosure in the LTP if the significant uncertainty continues to exist on adoption of the 2021-31 LTP.

Management comment:

Officers will provide a paper to Audit NZ to support the GW position on the funding assumption. We will work with Audit NZ to include appropriate disclosure in the LTP.

3.1.2 Consultation issue 2: Increasing restoration of regional parks to fight climate change

The Regional Council's preferred option is to remove livestock from 1,350 hectares (of about 2,100 hectares) of regional parks in order to actively restore the land to its natural state over 10 years.

The preferred option will result in an increase in the rates take of \$25.4 million over the 10 year period, with years 1-3 being funded from the Low Carbon Acceleration Fund (LCAF) reducing the rates impact to an average of \$672,000 per annum for these years with the average rates impact for years 4-10 expected to be \$3.3 million per annum. As a result of the preferred option, the Regional Council is expecting grazing to be significantly reduced by 2031 and thereby reducing the Regional Council's carbon footprint and limiting other environmental impacts. There is also a debt impact of \$2 million per annum in years 1-3 only.

We have reviewed the calculation of the cost and the calculation for the provisional amounts disclosed. We are satisfied that this is reasonable and supportable.

3.1.3 Consultation issue 3: Joint Committee secretariat funding

The Regional Council is consulting on providing secretariat support to the newly established Wellington Regional Leadership Joint Committee (Joint Committee). Pursuant to Clause 30A, Schedule 7 of the Local Government Act 2002 (LGA), this new Joint Committee includes all the Wellington region's local government authorities, Horowhenua District Council, designated iwi and central government representatives, as voting members.

An Independent Chair and Secretariat Team will lead and report on projects and outcomes. Once the Joint Committee is established, the Wellington Regional Strategy Committee will be dissolved.

The Regional Council is consulting on this matter as it recognises that the region will be facing challenges that crosses local council boundaries such as housing and urban development, economic development, transport and resilience and believes that as the Regional Council it should provide the necessary leadership. The Regional Council's preferred option is to fund the Joint Committee secretariat on behalf of the region. As a result, the Joint Committee will have a supported and committed infrastructure that is aimed at creating employment and increasing the speed of economic recovery from Covid-19.

The preferred option will result in a total rates impact of \$200,000 per annum. This option has a total cost of \$600,000 per annum; however \$400,000 per annum of rate funds would be reallocated to the secretariat from the Regional Council's economic development activity. The debt impact is nil.

We have reviewed the calculation of the cost and the calculation for the provisional amounts disclosed. We are satisfied that this is reasonable and supportable.

3.2 Capital expenditure “do-ability”

We have considered the capital expenditure “do ability” of the Regional Council based on the actual expenditure achieved compared to budget in the prior 3 years.

Over the 10-year period, the Regional Council is planning to spend an average of \$235 million per annum either directly or through investments in its rail subsidiary GW Rail. The peak period for spending is in 2028 when the Regional Council forecasts to spend \$476 million. We also note that between 2024/25 and 2027/28, the forecast capital expenditure significantly increases between 85% and 129% from the prior LTP which means that there are significant projects ahead in the latter part of the LTP period and uncertainties regarding the Regional Council’s delivery could have significant impacts on its underlying forecast financial information and assumptions.

We reviewed the Regional Council’s list of projects from 2019/20 that were re-budgeted to 2020/21. The re-budget was approved by Council in June 2020. The total of the projects that were re-budgeted was \$38 million and, based on our review, the total value of the re-budgeted projects as a result of Covid-19 was only \$8 million. This indicates that Covid-19 lockdown was not a significant factor in the delays and under-delivery during the previous financial year. This supports our concerns that there is a significant uncertainty with regards to the Regional Council’s ability to deliver on its capital expenditure plans particularly on Public Transport activities. Council and management are of the view that the risk is not high and that the Regional Council will be able to perform satisfactorily against the planned capital expenditure budget over the LTP period.

The Regional Council has improved its disclosure and made it clear that there is a high level of uncertainty on the delivery of the capital expenditure programme and the potential impact of this on the financial estimates.

We have included an emphasis of matter paragraph in our audit report to draw the readers’ attention to the risks associated with the delivery of the capital expenditure programme.

We recommend that the Regional Council continue to provide adequate disclosure in the LTP if the significant uncertainty continues to exist on adoption of the 2021-31 LTP.

Management comment:

GW planning and budgets are prioritised and scheduled by the organisation to be achievable. We acknowledge there are a myriad of reasons and impacts that can cause delays in individual project deliverables against those budgeted. Because of this, GW will retain the disclosure on the uncertainty on the delivery of the capital programme.

3.3 Infrastructure strategy

Overall, we are satisfied that the Infrastructure Strategy is fit for purpose and the supporting underlying information is considered reasonable. It fulfils the legislative purpose and meets our expectations of such a document and is consistent with our knowledge of asset management planning at the Regional Council.

The Infrastructure Strategy outlines how the Regional Council intends to manage its infrastructure assets, including the need to renew or replace existing assets, respond to growth or decline in demand for services, and provide for the resilience of its assets. It takes a long-term view of the Region's future infrastructure needs and is a statement of current assumptions and thinking on what will be required to address the major issues facing the region over the next 30 years.

Based on our review of the Infrastructure Strategy, we were able to conclude that the:

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

3.4 Financial strategy

Overall, we are satisfied that the financial strategy is reasonable and complies with the requirements of section 101A of the Local Government Authority Act 2002 and the purpose outlined in subsection 2.

The Financial Strategy outlines the Regional Council's overall approach to managing finances and provides guidance when spending and revenue decisions are made.

The key principles that drive the financial strategy are:

- Using debt to fund assets that provide intergenerational benefits;
- Who should pay based, where possible, on the distribution of benefits;
- Willingness of ratepayers to pay, and affordability; and
- Prudent financial management and value for money

The financial strategy seeks to address anticipated economic pressures arising from the Covid-19 pandemic, increased demand for levels of service due to growth, climate change, and the requirements of the national standards. In response to the economic pressures, the Regional Council is forecasting total operating expenditure of \$5.9 billion and total capital expenditure of \$1.0 billion as well as a \$1.4 billion capital spend on rolling stock and rail infrastructure through its subsidiary Greater Wellington Rail Limited (GW Rail).

The Regional Council is planning to fund the expected operating expenses over the LTP period mainly through rates, external revenue (grants and subsidies), and Government subsidies. Regional rates are expected to increase over the LTP period resulting in rates

collection increasing from \$141 million in 20/2021 to \$321 million by 2030/31 and represents an average annual rate increase of 8.71%.

The Regional Council is planning to finance the capital expenditure over the LTP period mainly through external borrowings, government subsidies for public transport and to some extent using reserve funds. The borrowings are expected to increase by \$527 million during the LTP period resulting in an outstanding balance of \$1.2 billion by the end of the period.

We reviewed the Regional Council's performance against the Department of Internal Affairs' benchmarks during the LTP period based on forecast financial information provided. Based on our review there are no indications that the Regional Council will not be able to meet its predetermined benchmarks over the LTP period.

We are satisfied that the financial information presented in the financial strategy is financially prudent and is consistent with the assumptions applied and the forecast financial information we reviewed. We are also satisfied that the Regional Council is presenting a balanced budget.

We noted that supporting information in respect of the opening balances were incomplete and recommend that for the purpose of the final LTP audit a full reconciliation be provided for all statement of financial position balances.

3.5 Quality of asset-related forecasting information (including condition and performance information of critical assets)

A significant portion of the Regional Council's operations relates to the management of its public transport, bulk water and environmental (including flood protection) infrastructure. These activities typically make up about 81% of operational expenditure and 97% of capital expenditure.

The Regional Council has modelled its infrastructure and developed a renewal programme that stretches over the next 30 years. The renewal profile and funding strategies have been developed simultaneously to ensure that planned asset renewal, and its funding, is carefully considered.

We reviewed the reasonableness of the Regional Council's asset-related forecasting information, through performing the following:

- Assessing the Regional Council's asset management planning systems and processes;
- Gaining an understanding of changes the Regional Council proposes to its forecast levels of service;
- Gaining an understanding of the Regional Council's assessment of the reliability of the asset-related information;

- Assessing the accuracy of the financial forecasts; and
- Assessing whether relevant matters such as affordability have been incorporated into the asset-related forecasts prepared.

Based on the work completed, we are satisfied that the asset management practices and planning for the key infrastructure activities are sufficiently robust and there is good knowledge of asset condition. As a result, we have concluded that the asset management practices provide a reasonable basis for the information and strategies to be included in the consultation document and the LTP.

In terms of performance, for the three largest asset categories, management has rated the performance of water supply and flood protection assets as an overall green with resilience of the water network being red due to droughts. Public Transport assets have been graded as red in terms of overall performance in the last financial year. In so far as asset performance is concerned, the condition of bus shelters was rated poorly and is a focus of the Regional Council going forward.

There were no significant recommendations from the prior LTP audit with regards to quality of asset-related information and asset management plans that we needed to follow up on for this LTP. Further, we have not identified any significant areas of concern but, like most local authorities, there were areas where the quality of the information can be improved.

The assessment of the assets per key activities drives the asset renewal and management of the assets during the LTP period whilst also considering the Regional Council's priorities. While the assets are overall in good condition, the Regional Council is expecting to have significant capital spend on renewals of the critical assets for water supply (forecast total \$262 million) and flood protection (\$139 million) over the LTP period.

The Regional Council's knowledge of assets age, condition, performance, demand forecasting and risks, as well as overall operating environment is based on asset data received from as-builts and commissioning, lifecycle knowledge, regular formal condition assessments and valuations.

This happens as part of its asset management approach, to inform its renewals programmes and asset management plan development. On top of this, asset managers have used their knowledge and professional judgment to assess and prioritise work based on risk, budget and resources available.

In respect of water assets, the Regional Council has relied on a combination of information provided by Wellington Water Limited (WWL) and its own asset managers. Per the Regional Services Plan prepared by WWL for the Regional Council, the plan recommends spending of \$263 million over the LTP period which is reflected in the Regional Council's financial forecast albeit at a different spending pattern over the period.

Overall, the Regional Council's asset information provides a reasonable basis for the information and strategies to be included in the CD and LTP. We are also satisfied that

reasonable assumptions and assessments regarding the Regional Council's assets for key activities have been appropriately applied in the forecast financial information.

3.6 Assumptions

We have considered the reasonableness of key assumptions as follows:

3.6.1 Climate change

The Regional Council has assessed the significant impacts of climate change and has assessed that the level of uncertainty is high. Because of such significant climate change impacts, the Regional Council is aiming to improve its resilience to be able to anticipate, prepare for and adapt to changing conditions. The impacts of climate change and natural hazard events along with the current condition, performance and criticalness of the assets are considered in the risk assessment of assets across key activities mainly flood protection, bulk water, and public transport. The outcomes of risk assessment drives assessment of options and most likely scenario/responses for the Regional Council with regards to capital expenditure on asset and infrastructure renewals/upgrades.

Based on our review, we are satisfied that the Regional Council's assumptions around climate change and significant impacts are reasonable based on verifiable sources such as Ministry for the Environment (MfE) and National Institute of Water and Atmospheric Research (NIWA) reports and the Regional Council's systems. We are satisfied that they have been appropriately incorporated and presented in the financial forecasts in the financial and infrastructure strategies, and the consultation document.

3.6.2 Central Government funding

As noted above, a key assumption for the electrification of the bus and rail networks is government funding of up to 90% for new buses and trains. We considered this to be an ambitious level of funding especially in the context of the current pressures on the National Land Transport Fund.

We are of the view that while there is no written undertaking from Central Government to fund the large public transport programme, public transport and the move to lowering carbon emissions is a priority for the current government. The Regional Council has based its assumption on previous funding arrangements and practices as well as the Government's commitment to the "Let's Get Wellington Moving" project. In recent years the Regional Council has received direct funding to upgrade the rail network (approximately \$60 million from 2019 to 2021) as well as indirect funding through Waka Kotahi.

The Regional Council has submitted a list of rail related capital projects to Waka Kotahi totalling \$1.3 billion and the assumed contribution from Waka Kotahi in respect of the capital projects range from 51% (current FAR) to 100% depending on the nature of the project. These projects are still in the business case development phase and will be submitted to Waka Kotahi in June 2021. Final decisions on the level of funding will only be made later in the year and announced as part of Budget 2022.

In considering whether this was a reasonable assumption, we took into account the current commitment from government to the process, policy framework and past level of funding. Waka Kotahi has made a contribution (\$5 million) towards the business case development process which demonstrates that there is a level of interest in investing in the Region; secondly, the transition to electric trains is in line with the current government's response to climate change; and finally the funding received for the original Matangi purchases were at 90% which is higher than the normal FAR. Based on this we believe that this is a reasonable assumption to make for the funding for the programmes.

Given the demands on the National Land Transport Fund (NTLF) from local authorities in general as well as the need to fund heavy rail it is reasonable to assume that the NTLF is under pressure. This, coupled with a declining revenue base, means that the amount of funding available will be limited. As noted above, we do not believe that the assumption of funding from Central Government is unreasonable but that there is a high degree of uncertainty associated with it and we therefore included an emphasis of matter paragraph in our audit report to draw attention to this uncertainty.

We recommend that the Regional Council continue to provide adequate disclosure in the LTP if the significant uncertainty continues to exist on adoption of the 2021-31 LTP.

3.6.3 Population and demographic changes

The Greater Wellington region's population is expected to experience slowed growth in the near term (2021-2023) due to the impacts of Covid-19, including reduced migration flows and economic activity in the region. Population growth will then recover to levels similar to those experienced in the region in recent years. The region's population is expected to reach approximately 570,000 by 2030 (9% growth since 2020) and 632,000 by 2043 (20% growth since 2020). There is an inherent level of uncertainty regarding any set of projections which increases the further from present day the projection runs. Covid-19 has also raised the level of uncertainty surrounding near-term projections.

Demographic changes in age and ethnicity profile are expected to follow extensive trends supported by national and international projections. The Regional Council expects to see an increasingly aged demographic, significantly in the Kāpiti Coast and the Wairarapa regions, while there are broad increases in the proportions of aged people across the wider region. Younger populations will continue to be centred in the cities, particularly in Porirua, Lower Hutt and Wellington City. The Region's population will also become increasingly diverse, with the percentage of people in the region of NZ European descent reducing, and increasing proportions of Māori, people of Asian descent and Pacific peoples.

We are satisfied that the population and demographic assumptions are reasonable as they are based on independent reports prepared by .id and BERL. We are also satisfied that these assumptions have been consistently applied in the forecast financial information through walkthroughs, analytical reviews, and analysis performed on the financial model and forecast financial statements.

3.6.4 Economic Assumptions

The Regional Council assessed that the level of uncertainty with regards to economic assumptions is high as a result of Covid-19. The main underlying assumptions include:

- The GDP within the region will fall by 8.3% in the first two years of the LTP and then is expected to improve by 2024 by 7.8%. This will then continue to improve gradually until the end of the LTP period that, by the end of 2030, the GDP will be 25% more than 2020 GDP of \$38.5 billion.
- Employment in the region is expected to fall by 5.5% by March 2021. In 2023, employment will bounce back by 4.5%. As the recovery continues the growth in the number of employed will decrease as the economy re-establishes itself and develops in a new economic environment. Total employment in the region will increase by 17% from the low expected in 2022.
- Wellington regional unemployment is expected to peak at 14.3% in 2021. In 2022, as the recovery takes full effect, the unemployment rate will drop to 5.7%. By the end of 2030 the total number of unemployed (14,355) will still be above the total number of unemployed in 2020 (14,100).
- The impact of Covid-19 will see household income fall to \$18.9 billion in 2021. As the economy recovers this will bounce back to \$20.4 billion in 2022 before returning to a pre Covid-19 level by 2023. As a result of the measures to combat Covid-19, consumer spending in the region is expected to decrease from \$10.7 billion in the year to March 2020 to \$9.8 billion in the same period to March 2021.

We are satisfied that the economic assumptions are reasonable as they are based on an independent report prepared by BERL. We are also satisfied that the economic assumptions have been consistently applied in the forecast financial information through walkthroughs, analytical reviews, and analysis performed on the financial model and forecast financial statements.

3.6.5 Other assumptions

We reviewed how the other significant assumptions are derived, including inflation rates, interest rates, and external revenue. Based on work performed, we are satisfied that the assumptions applied by the Regional Council are appropriate, complete and have been consistently applied in the financial forecasts for LTP purposes

3.6.6 Performance Framework

The Regional Council has consolidated its activities into 4 activities namely:

- Environment and Flood Protection
- Metlink Public Transport

- Regional Strategy and Partnerships
- Water Supply

As part of the consolidation process the Regional Council has reviewed the performance measures in order to tell a more coherent story and has therefore reduced the number of measures.

Our review of the revised performance framework focussed on assessing the reasonableness of the changes. We noted that in the public transport activity, previous measures relating to punctuality and reliability of bus and train services have been removed and replaced with an overall satisfaction survey result.

Management's position on this is that the current array of measures did not provide an overall story of performance. We are however of the view that matters of punctuality and reliability are of significant public interest and that by consolidating this into a single performance measure, a full story is not being told and accountability is reduced.

We continue to engage with management on this matter.

Other than the above matter, the forecast performance framework is appropriate, complies with relevant legislation and generally accepted accounting practice.

4 Next steps for the Regional Council

The consultation period for ratepayers to make submissions on the proposed LTP ran from 1 April to 2 May 2021. The Regional Council will consider the submissions made before adopting the final LTP on 29 June 2021.

This process means that there may be changes to the draft LTP that supported the consultation document. Changes may arise from submissions received by the Regional Council, or from updated or improved underlying supporting information, or management-initiated changes. The Regional Council may also be affected by announcements outside of its control that impact on the decisions and assumptions in the consultation document.

We will review any significant changes arising from consultation in our audit of the final LTP.

4.1 Audit of the final LTP

The last step in the LTP audit process will be the audit of the final LTP document. This audit is scheduled to be undertaken in mid-June 2021 following the Regional Council's deliberations.

To ensure our audit of the LTP is efficient, we ask the Regional Council to prepare and provide us with a schedule of changes to the financial forecasts and other underlying information that were the basis of the consultation document. This will enable us to assess the extent of changes and tailor our audit work accordingly.

In respect of these changes, we will gain assurance that appropriate consequential changes and disclosures have been made. We also check the consistency of the updated documents in the LTP.

We will also follow up on the following matters that need to be resolved prior to the adoption of 2021-31 LTP:

- The appropriateness of the performance measures for public transport;
- Decisions from Waka Kotahi in respect of the business cases submitted for funding of the electrification of the bus and rail networks;
- Adjustments to the opening balances used in the forecast financial statements underlying the LTP; and
- Progress on the development and funding of the proposed new ferry terminal.

Under section 94(1) of the Local Government Act 2002, our audit report on the final LTP forms part of the LTP, which the Regional Council is required to adopt by 30 June 2021 under section 93(3) of the Act. Our agreed timeframes will enable us to issue our audit report in time for the Regional Council meeting scheduled for 29 June 2021, at which time the 2021-31 LTP will be formally adopted.

We are responsible for reporting on whether the LTP meets the statutory purpose and provides a reasonable basis for integrated decision making by the Regional Council and accountability to the community. We also provide an opinion on whether the information and assumptions underlying the financial forecasts are reasonable. Finally, we will provide our opinion on whether the disclosures in the LTP meet the requirements of Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014 and accurately reflect the information drawn from the LTP.

At the conclusion of the LTP audit, we will ask the Regional Council to provide us with a signed management representation letter on the LTP. We will provide the letter template during the LTP audit.

Appendix 1: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for issuing an independent report on the consultation document and providing the report to you. This responsibility arises from section 93C(4) of the Local Government Act 2002.</p> <p>The audit of the consultation document does not relieve management or the Regional Council of their responsibilities.</p> <p>Our audit engagement letter dated 26 February 2021 contains a detailed explanation of the respective responsibilities of the auditor and the Regional Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity, or inefficiency that are immaterial to your consultation document. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Regional Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to our audit of the Regional Council's consultation document and all legally required external audits, we have reported on the Regional Council's debenture trust deed assurance engagement. These engagements are compatible with those independence requirements. Other than these engagements, we have no relationship with or interests in the Regional Council or any of its subsidiaries.</p>
Fees	<p>The fee for auditing the consultation document and the LTP is \$150,900 (excluding GST and disbursements), as detailed in our audit engagement letter dated 26 February 2021.</p> <p>Our fees for reporting on the external audit and assurance engagement are disclosed in the Regional Council's 2020 annual report.</p>

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

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

PO Box 99
Wellington 6140

www.auditnz.parliament.nz



For Decision

RESOLUTION TO EXCLUDE THE PUBLIC

That the Committee excludes the public from the following parts of the proceedings of this meeting, namely:—

Confirmation of the Public Excluded minutes of the Finance, Risk and Assurance Committee meeting on 4 May 2021 – Report PE21.181

Insurance Update for 2021/22 – Report PE21.300

Cyber Security Update – August 2021 – Report PE21.344

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

Confirmation of the Public Excluded minutes of the Finance, Risk and Assurance Committee meeting on 4 May 2021 – Report PE21.181	
<i>Reason for passing this resolution in relation to each matter</i>	<i>Ground(s) under section 48(1) for the passing of this resolution</i>
The information in these minutes related to pricing of banking facilities. Greater Wellington has not been able to identify a public interest favouring disclosure of this particular information in public proceedings of the meeting that would override the need to withhold the information.	The public conduct of this part of the meeting is excluded as per section 7(2)(h) of the Act – to enable Greater Wellington to carry out, without prejudice or disadvantage, commercial activities.
Insurance Update for 2021/22 – Report PE21.300	
<i>Reason for passing this resolution in relation to each matter</i>	<i>Ground(s) under section 48(1) for the passing of this resolution</i>
The report contains information provided by insurance providers relating to pricing for the renewal of Greater Wellington’s insurance. Release of this information would likely prejudice Greater Wellington’s commercial	The public conduct of this part of the meeting is excluded as per section 7(2)(b)(ii) of the Act – to protect information where the making available of the information would likely unreasonably prejudice the commercial position of the person

<p>position in the market as it would reveal the related pricing. Greater Wellington has not been able to identify a public interest favouring disclosure of this particular information in public proceedings of the meeting that would override this prejudice to the insurers' commercial position.</p>	<p>who supplied or who is the subject of the information.</p>
<p>Cyber Security Update – August 2021 – Report PE21.344</p>	
<p><i>Reason for passing this resolution in relation to each matter</i></p>	<p><i>Ground(s) under section 48(1) for the passing of this resolution</i></p>
<p>The report contains information about Greater Wellington's cyber security status. Release of this information exposes Greater Wellington to cyber-attack threats by making it easier for the public to know our cyber security status. It is necessary for Greater Wellington to exclude the information contained in this report from the public domain to protect our information assets and reduce our likelihood of cyber-attack. Greater Wellington has not been able to identify a public interest favouring disclosure of this particular information in public proceedings of the meeting that would override this risk.</p>	<p>The public conduct of this part of the meeting is excluded as per section 7(2)(j) of the Act – to prevent the disclosure of use of official information for improper gain or improper advantage.</p>

This resolution is made in reliance on section 48(1)(a) of the Act and the particular interest or interests protected by section 6 or section 7 of that Act or section 6 or section 7 or section 9 of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public.

Please note these minutes remain unconfirmed until the Finance, Risk and Assurance Committee meeting on 3 August 2021.

Report PE21.181

Public Excluded minutes of the Finance, Risk and Assurance Committee meeting on 4 May 2021

Taumata Kōrero Council Chamber, Greater Wellington Regional Council
100 Cuba Street, Te Aro, Wellington, at 10.40am

Members Present

Martin Matthews (Chair)
Councillor Blakeley
Councillor Connelly
Councillor Hughes
Councillor Lamason

Public Excluded Business

1 New replacement standby banking facility – Report 21.119

Moved: Cr Blakeley / Cr Lamason

That the Committee:

- 1 Recommends that Council approves the Local Government Funding Agency as a provider of a standby banking facility for Greater Wellington.
- 2 Recommends that Council approve that total Greater Wellington bank facilities are increased by \$15 million from \$105 million to \$120 million via a \$50 million Local Government Funding Agency standby facility replacing an expiring facility.
- 3 Recommends that Council approves a further increase in the Local Government Funding Agency standby facility by \$25 million to \$75 million if required, and this increase be delegated to the Chief Executive to request, subject competitive pricing.

The meeting closed at 10.47am

M Matthews

Chair

Date:

PUBLIC EXCLUDED

For Information

INSURANCE UPDATE FOR 2021/22

Te take mō te pūrongo

Purpose

1. To inform the Finance, Risk and Assurance Committee (the Committee) about the insurances for Greater Wellington Regional Council (Greater Wellington) and the residual risks that Greater Wellington has in relation to its assets.

Te aukati atu i te marea

Exclusion of the public

2. Grounds for exclusion of the public under section 48(1) of the Local Government Official Information and Meetings Act 1987 are:

The report contains information provided by insurance providers relating to pricing for the renewal of Greater Wellington's insurance. Release of this information would likely prejudice Greater Wellington's commercial position in the market as it would reveal the related pricing (section 7(2)(b)(ii) of the Local Government Official Information and Meetings Act 1987). Greater Wellington has not been able to identify a public interest favouring disclosure of this particular information in public proceedings of the meeting that would override this prejudice to the insurers' commercial position.

Te tāhū kōrero

Background

Insurance markets – property focus

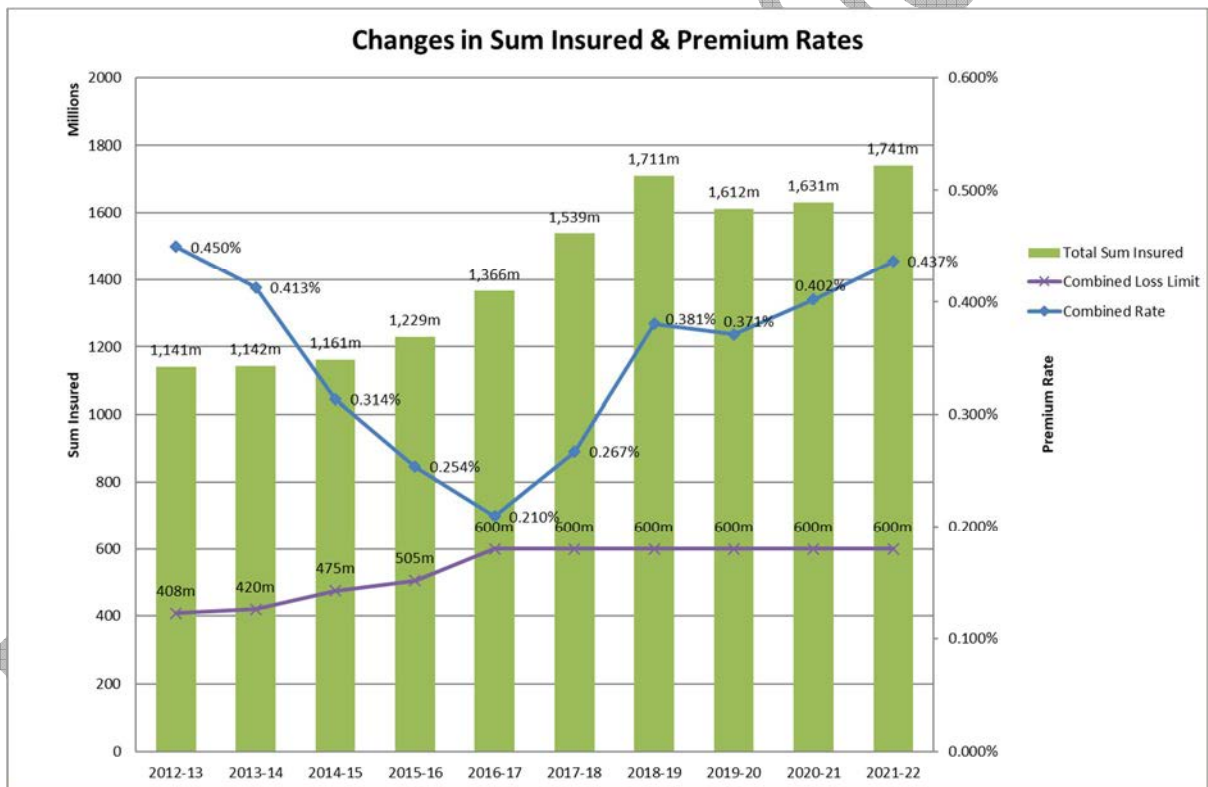
3. After the Christchurch earthquakes, Greater Wellington's Material Damage and Business Interruption insurance annual premium increased significantly from \$620,000 on assets of \$384 million (in 2010/11, pre-Christchurch earthquake) to a peak this year of \$3.08 million on additional costs¹ cover and assets of \$705 million.
4. Following the Kaikoura earthquake in 2016 (insured losses of \$3 billion), the New Zealand insurance market has continued to harden. This hardening is coupled with continued pressure from overseas markets, with a number of Lloyds' syndicates under considerable pressure due to the loss of profitability (from insurance payouts exceeding premiums). These changes have resulted in almost five years of hardening market conditions. This situation has been further exacerbated by the responses to COVID-19, which have focused on pricing correction and capacity remediation for New Zealand's

¹ Additional costs include business interruption and relocation costs, and claims preparation costs.

most vulnerable earthquake zones. The increasing frequency and severity of global weather related events and subsequent insurance claims is creating further upward pressure on insurance premiums.

5. It is hard to see when this hardening market will end as there continue to be international events, mainly weather-driven, which are not helping to soften the market.
6. The chart below shows how insurance rates have been increasing for our collective (collective discussed later on). The dip in asset values in 2019 and 2020 is from Kāpiti Coast District Council and Porirua City Council moving assets to the underground asset class.

While the premium has increased following the Kaikoura earthquake events, the premium rate is lower than in 2012-13, and remains competitive in the market for Wellington natural disaster risk, with values insured having increased by 52.6% over the same period.



The \$600 million limit was set in 2016/17 and was based on a Probable Maximum Loss (PML) calculation for the Collective. This needs to be updated and is scheduled for the 2022 year renewal. The initial limit was set conservatively and allowed for growth and provided for a conservative 1,000 earthquake return period, however its timely its reviewd.

Te tātaritanga Analysis

Above ground assets

7. In summary, the features of the current insurance arrangements under the collective² are:
 - a Insurance cover - \$600 million shared between the parties based on sum insured
 - b Total sum insured - \$1.741 billion of assets of which Greater Wellington's share is \$705 million, or 40.5 percent of the total, and includes \$20 million of additional costs cover for Greater Wellington
 - c The annualised premium for Greater Wellington is \$3.08 million for the 2021 renewal period.
 - d The deductible for Natural Disaster events is five percent of the site sum insured, with a minimum excess of \$100,000 for each and every claim. The deductible reduces to \$50,000 for each and every claim in the case of other losses (e.g. fire)
 - e The insurance cover is provided by New Zealand markets (59 percent) and International markets (41 percent) from London, Europe and Bermuda, with a number of insurers taking up different risk positions within the programme
 - f Greater Wellington has 96 residential properties insured via the collective under a Residential Property Insurance programme. This portfolio is insured separately and includes 291 properties insured for \$81.9 million for the collective (\$27.4 million Greater Wellington). As properties are acquired for the Riverlink project, they are then added to the programme. The excess for Natural Disaster is five percent of site loss less the amount payable by the Earthquake Commission minimum claim \$5,000 and \$10,000 for other claims, but \$25,000 for claims resulting from Landslip or Subsidence.
8. The insurance for both the Material Damage and Business Interruption and Residential Property was renewed in May 2021.

Below ground assets – bulk water supply assets

9. Greater Wellington decided not to join the Local Authority Protection Programme Disaster Fund (LAPP) for infrastructure assets, which is collectively owned by a number of councils, to cover their 40 percent of infrastructure losses. Instead, Greater Wellington set up its own disaster contingency funds and self-insure the risk. In 2019 an insurance policy was put in place for the below ground bulk water supply assets.
10. The Government's revised guide to the National Civil Defence Emergency Management Plan (2015) sets out government policy, which is to reimburse 60 percent of essential infrastructure following a natural disaster.

² This is an arrangement between this Council, Kapiti Coast District Council, Upper Hutt City Council, Hutt City Council and Porirua City Council to share Insurance cover and save on insurance premium cost.

11. The Greater Wellington disaster contingency fund for below ground bulk water supply assets has grown to around \$41 million today. In the meantime, the assets it covers have been growing in value, along with the estimate of the cost of a catastrophic event.
12. This Committee received a report – Insurance – Below Ground Bulk Water Supply Assets (PE19.78 – February 2019) - that set out a recommendation to Council to deal with a seismic event risk for its bulk water underground assets.

Council agreed to this recommendation to purchase insurance for \$16 million for its 40% cover - this was based on a loss limit of \$115 million³ on assets valued at replacement cost of \$887 million. This decision reflects the shortfall of the contingency fund and is based on the following model:

Government (60 percent)	Greater Wellington (40 percent)
Government \$69 million (\$54 million to balance to \$115 million or \$91.5 million based on 60%)	Insurance \$16 million (\$20 million actual)
	Contingency fund retention \$30 million (\$41 million actual)
Threshold (\$2.4 million)	

The above model diagrammatically sets out the coverage, based on the initial approved limits by Council (\$16m+\$30m+\$69m=\$115m) and with the **actual** levels in place, with the balance being less reliance on government (\$20m+\$41m+\$69m=\$115m).

Using the actual numbers and reverse engineering using Greater Wellington’s \$61 million provision or 40% of a loss the revised number for government’s 60% of a loss could increase to \$91.5 million which could cover a loss of \$152 million.

Note the assets values will have increased over time and also the second loss assessment we obtained amounted to \$190 million and noting Council decided to run with the lower estimate of \$115 million.

³ Based on an assessment by GNS.

13. The insurance was rolled over in May 2021, with a limit of \$50 million for Council's with a 40% share ie \$20 million and a deductible of \$75 million applicable to each claim.
14. Insurers noted that for renewal of the policy to be considered in 2022 an updated insurance valuation of the assets and Probable Maximum Loss report should be provided.

Flood Protection self – insured underground assets

15. Greater Wellington has set aside \$7.1 million in cash contingency funds and \$11.4 million in reserves (i.e. \$18.5 million in total) to self-insure its flood protection underground assets, which were valued at \$341 million in March 2017. These assets exclude the Geoffrey Blundell Barrage Gates and the Waiwhetu and Porirua flood walls, which are insured under the Material Damage Business Interruption policy.
16. Based on a 1,000 year average reoccurrence interval event at the 90th percentile, the Damage Estimate for these assets is assessed at \$96 million by Aon Risk Consulting. Using the same approach for the bulk water supply assets with the Government's 60 percent support, the current shortfall in funding for Greater Wellington reviewing the 40 percent is \$20 million ($\$96 \text{ million} \times 40 \text{ percent} = \18.5 million). It is proposed this funding would be covered by borrowings or by a reduction in cash liquidity and using the \$7.4 million of contingency funds set up to cover a flood related event.
17. Signals from the Government indicate that in order to access the Government's 60 percent, Greater Wellington will need to have its own insurance or other funding arrangements in place. Having funds and resilience to raise money might just not be sufficient to access the full 60 percent given the recent signals which lack clarity and consistency.

Resilience

18. Greater Wellington has positioned itself with insurance, contingency funds, and reserves to cushion the impacts of a catastrophe. Officers advise that the funding gaps would be addressed through borrowing in an event.
19. Greater Wellington is in a strong financial position and has a very large rate payer base of approximately 200,000 units. This means a relatively small rate increase can service quite a large loan. For example, if each rate payer was rated \$1 per week, this would raise \$10.4 million per annum. This amount is enough to repay a \$100 million loan over 10 years, or \$175 million over 20 years (using marginal interest rates of 1.5 percent and 2 percent respectively).
20. Based on the forecast rates (excluding water levy) for 2021/22 of \$162 million, a loan of \$20 million repaid over 10 years would equate to additional rates of \$2.2 million per year. This represents a 1.35% annual rate increase to fund the above flood protection \$20 million shortfall scenario.
21. The above resilience comment is not directly applicable to the Bulk Water Assets as the levy to support these assets is paid by the four local councils.

Other insurances

22. Greater Wellington has a number of insurance policies in place which were renewed on 1 April 2021. These policies include the following:

Motor vehicle	All vehicles insured at market value with premiums refunded where claims are below specified levels.
Liability	Public Liability \$75 million, Professional Indemnity \$20 million, Directors & Officers \$20 million / \$5 million Defence Costs, Statutory Liability \$1 million, Employees Liability \$1 million, Crime \$10 million
Marine liability	\$100 million / \$20 million wreck removal
Marine hull	All boats and ancillary items insured at market value
Contract works	Limited cover available under Material Damage and Business Interruption cover
Personal accident	\$200,000 per insured person
Corporate travel	Various covers
Wairapapa pump schemes	Various pump schemes on farmers' properties
Hangarkeepers liability	\$20 million
Activities at Wellington airport	Predator control work.

23. The annual premium for these policies is currently \$531,482 (excluding levies and taxes), with the majority of the cost being in the liability area (\$124,500 - General Liability & Professional Indemnity), followed by Marine Liability (\$110,995) and Motor Vehicles (\$91,000).

Rail rolling stock

24. The rail rolling stock and Matangi Train Depot (known as the EMU Depot) owned by Greater Wellington Rail Limited (GWRL) are insured by Transdev Wellington Limited (Transdev). The overpasses, bridges, and stations owned by GWRL are insured in the above ground assets discussed above.
25. The reason for Transdev insuring the train assets is:
- The contract with Transdev provides that it carries the risk of premium fluctuations with a Consumers Price Index indexation.
 - Having the service provider insure the assets means it should be more careful with these assets, avoiding damage and resultant premium escalation.
 - GWRL's view is that using the Transdev global group's buying ability should provide savings. This occurred at the last renewal (move from Aon sourced insurers to TransDev group insurers) with significant savings compared with locally-sourced quotations coupled with increased cover over the prior year.
26. The declared value of the rolling stock/depot and tools was \$524 million. A Probable Maximum Loss (PML) report, commissioned by Aon Risk Consulting and reviewed by GNS Science, assessed a PML at \$96 million for natural disaster, which is a day time tsunami event at Wellington Station. This report compares to a prior report which had the PML assessed at \$140 million.

27. Insurance has been placed with a \$175 million limit with a sub-limit of \$140 million for the rolling stock, and \$110 million for fire (the Fire PML was assessed at \$99 million).
28. This Insurance was taken out for an 18 month period and is due for renewal in December 2021.
29. The main deductibles are \$20 million for the rolling stock and natural disaster, and five percent of site value for the EMU Depot and related items.
30. The Board of GWRL was keen that Council was aware of the arrangements, especially the deductibles and the PML approach as Council will invariably carry losses above the PML and the deductibles.

Ngā hua ahumoni

Financial implications

31. There are no financial implications arising from this report other than the annual insurance premiums (which are increasing, but included in budget assumptions), and the residual exposure Greater Wellington is taking on.

Ngā tūāoma e whai ake nei

Next steps

32. Renewal of the GWRL insurance cover in December 2021 and an update of the the above ground and below ground assets PML analysis to be completed before the next Insurance renewal.

Ngā kaiwaitohu

Signatories

Writer	Mike Timmer – Treasurer
Approver	Samantha Gain – General Manager Corporate Services

**He whakarāpopoto i ngā huritaonga
Summary of considerations**

Fit with Council's roles or Committee's terms of reference

The Committee's terms of reference include the responsibility to "review annually the appropriateness of Council's insurance".

Implications for Māori

There are no known impacts for Māori.

Contribution to Annual Plan / Long term Plan / Other key strategies and policies

Insurance is part of risk management which transfers the financial burden to third parties. This will enable the Long Term Plan and Annual Plans to be delivered on without significant financial risk from adverse events.

Internal consultation

Business assets managers were consulted on the assets to be insured. Relevant managers were also consulted in relation to covers directly impacting their business functions.

An Insurance manual is posted on Greater Wellington's internal web site setting out the covers Greater Wellington has including limits and deductibles and exclusions.

Risks and impacts: legal / health and safety etc.

Insurance is about managing risk to minimising financial loss to Council. Insurance has been and is purchased to achieve this.

Public Excluded

For Information

CYBER SECURITY UPDATE – AUGUST 2021

Te take mō te pūrongo

Purpose

1. To update the Finance Risk and Assurance Committee (the Committee) on the progress Greater Wellington Regional Council (Greater Wellington) has made in relation to improving cyber security.

Te aukati atu i te marea

Exclusion of the public

2. Grounds for exclusion of the public under section 48(1) of the Local Government Official Information and Meetings Act 1987 are:

The report contains information about Greater Wellington's cyber security status. Release of this information exposes Greater Wellington to cyber-attack threats by making it easier for the public to know our cyber security status (section 7(2)(j)). It is necessary for Greater Wellington to exclude the information contained in this report from the public domain to protect our information assets and reduce our likelihood of cyber-attack. Greater Wellington has not been able to identify a public interest favouring disclosure of this particular information in public proceedings of the meeting that would override this risk.

Te horopaki

Context

Recent Cyber Activity in New Zealand

3. In 2020, Cyber Security incidents left New Zealanders \$16.9 million dollars out of pocket, the high annual figure recorded by CERT NZ since it launched in 2017. In total, \$53 million dollars of direct financial loss has been reported to CERT NZ since reporting began.
4. There has been an increase of cyber-attacks from "bad actors" (general term for entities who act to breach or use an IT system counter to the desire of its operators) across the world since COVID-19 Alert Levels 3 and 4 lockdowns.
5. CERT NZ has reported a significant increase of cybercrime against New Zealanders in the last year alone costing the country \$16.9 million.

6. Lessons learned from the NZX hack has contributed to our roadmaps, ensuring that the likelihood of a denial-of-service attack that our nation's stock exchange experienced is reduced through smart implementation of our environment and networks.

Te tātaritanga Analysis

7. Following the business assurance review of ICT undertaken by PricewaterhouseCoopers (PwC) in 2020, as augmented by a more detailed security assessment done completed by one of Greater Wellington's partner vendors, ICT has developed a cyber security strategy (**Attachment 1**) and action plan (**Attachment 2**).
8. The strategy and action plan were developed to decrease the likelihood of an attack occurring on a Greater Wellington device or network and to do whatever we can to increase awareness and reduce the chances of a successful cyber-attack resulting in loss of data and reputation.
9. The focus is to ensure that the impact, should Greater Wellington be exposed to a cyber-attack, is minimised through network segmentation (development, test, user acceptance testing, and production are all on the same network). We could then isolate the production network from working development environments (where there is a high chance of infiltration of bad actors). This takes investment that ICT will prioritise over the current planning year.
10. Whilst it is not confirmed public knowledge as to how the Waikato District Health Board was compromised, there is a common understanding that activities like attachments and links in emails can contribute to an event like this. To protect Greater Wellington from this type of event ICT have implemented more controls at the external border before suspicious emails enter our domain. Hundreds of attempts are stopped at the border before even making it to our staff inboxes. But as the bad actors change, so must we, and it can be increasingly difficult to keep up with complexity of some attacks.

Current work

11. ICT has been steadily increasing the security posture for Greater Wellington for several years. But the landscape is ever changing with more sophisticated attacks being developed daily by bad actors globally.
12. Two streams of work were commenced in response to the assessments. One focused security governance and response whilst the other workstream focussed on tactical security enhancements to the Greater Wellington environment.
13. Significant improvement security posture has been achieved through changes such as password complexity, multi factor authentication and Outlook on Mobile.
14. ICT have worked to remove old laptops and servers and other underinvested technologies which are no longer supported or able to be security patched. ICT have removed legacy application authentications which did not protect Greater Wellington data or information assets. This is in addition to increased security assessments on new products being introduced to the Greater Wellington environment.
15. ICT have also worked to increase awareness through highlighting phishing attempts, and a complete rewrite of the IT Security and General Use policy. The next awareness

campaign is targeted at senior executives and governance holders within our organisation through a “game of threats” desktop exercise.

16. The net result is greater awareness and understanding through all levels of our organisation.
17. Summary of work completed:
 - a Security Strategy signed off
 - b ICT Security and Appropriate Use Policy endorsed by the Executive Leadership Team and signed off
 - c Security handbook (procedures) developed and in use, including privileged access.
 - d Desktop patching optimised to ensure greater coverage
 - e Windows server 2003 servers shut down
 - f Windows 7 – 4 devices left in the environment (ESci) down from ~60 at this time last year.
 - g VMWare upgraded to a supported version
 - h 14-character passwords enforced
 - i Multi-factor authentication (MFA) now deployed
 - j Security education started
 - k Contractors and third parties now required to sign the Security policy prior to receiving credentials.
 - l Remote access via VDI (unsupported) replaced with Global Protect and decommissioned

Cyber Security Insurance

18. Consideration is being given to investment in Cyber Security Insurance.
19. Insurance is a means to cover the cost of recovery from a ransomware attack, not the cost of making payment to the bad actors demanding payment. The insurance costs could range from \$50,000 p.a. to \$250,000 depending on the type of cover requested.
20. Further investigation needs to occur from within ICT on the usefulness of insurance cover for cyber risk, to assist with response management, including forensic specialist support costs and the recovery costs. It could also include public relations support and reach into the claims management aspects including impacts and notification and potential claims arising from the breach.

Ngā tūāoma e whai ake nei

Next steps

21. The Committee will continue to receive updates on progress against the action plan.

**Ngā āpitihanga
Attachments**

Number	Title
1	Cyber Security Strategy
2	Action Plan from PWC

**Ngā kaiwaitohu
Signatories**

Writer	Sue McLean – Chief Information Officer
Approver	Samantha Gain – General Manager, Corporate Services

Public Excluded

**He whakarāpopoto i ngā huritaonga
Summary of considerations**

Fit with Council's roles or with Committee's terms of reference

The Committee is responsible for reviewing Greater Wellington's risk policies and frameworks, and the identification and management of risks faced by Council and the organisation.

Implications for Māori

There are no known impacts for Māori

Contribution to Annual Plan / Long Term Plan / Other key strategies and policies

This report contributes to Greater Wellington's Digital Strategy, specifically meeting the goal of protecting our information assets.

Internal consultation

The Design & Delivery Manager and the Technology Operations Manager were consulted.

Risks and impacts - legal / health and safety etc.

The Council's management of risk including legal is addressed in this report, due to the protection of our information assets and personal identifiable information.

Public Excluded

Cyber Security Strategy

ICT Cyber Security Strategy 2021/22

GWRC DIGITAL STRATEGY 2021-2022

Strategic Drivers

Why (strategic purpose)

GWRC is a connected organisation; connected with the public and partners.

To remain connected, GWRC must be capable of resiliently handling risk.

What (strategic priorities)

The following describes what we will do to achieve this target.

- Visibility – governance, monitoring
- People – training and culture
- Response – incident response and business continuity
- Workplace – establish effective policies and technologies to enable safe working environment.
- Continuity – establish security policy to support BCP
- Relationships – join security communities
- Measure – measure our maturity against industry standards.

Outcome (strategic goals)

A robust, safe and secure operating environment where GWRC staff can confidently deliver services to the community; leveraging and developing relationships built on trust.

How

Q1	Q2	Q3	Q4	2022
Visibility	Visibility/Workplace	Response/People	Continuity	Measure
<ul style="list-style-type: none"> • Establish roles and responsibilities. • Develop framework and processes. • Build principles, policies and standards. 	<ul style="list-style-type: none"> • Build framework and process to assess and manage risks. • Identify security risks and develop mitigating controls. • Apply minimum controls to mitigate essential security risks. • Develop mitigation plan/roadmap 	<ul style="list-style-type: none"> • Identify key incident response process based on risk assessment. • Develop and apply critical incident response process. • Awareness campaigns. • Policy education and policing. • Partner Expectations and compliance. 	<ul style="list-style-type: none"> • Assess business continuity landscapes and prepare security model to match each condition. • Minimum operational security policy and restrictions 	<ul style="list-style-type: none"> • Implement capability and maturity measurement standards. • Track and report on security maturity.

ICT Digital Strategy Goal Alignment

PROTECT OUR INFORMATION ASSETS	FACILITATE INFORMATION BASED DECISION-MAKING	DELIVER CUSTOMER CENTRIC SERVICE EXCELLENCE	EVOLVE FUTURE SERVICES	ENABLE DIGITAL BUSINESS CHANGE
<p>We will ensure we have robust security management in place to secure our information assets. We will do so with efficiency through risk-based approach to IT security management.</p>	<p>Information decision making is based on secure and appropriate access to key information. Confidence in the integrity of that information. The application of critical security controls will mitigate against the risk of information compromise.</p>	<p>Security policy developed will balance customer safety with functionality. Security will be a technology enabler, allowing the GWRC employee to operate with greater scope and flexibility.</p>	<p>Future services can only be developed in a consistent and secure manner. The security policy and standards will enable GWRC to make use of technologies that would not otherwise be available</p>	<p>Security is often seen as a roadblock. The purpose of the security strategy is to enable a securely connected organisation. The heart of this will be achieved through secure digital enablement.</p>

Cyber Security Action Plan update

Audit point action item	Responsibility	Audit Priority	Expected complete date	Action (required/completed) to address audit point	Complete ✓
<p>CS Action 1: Establish Cyber Security Strategy – PWC recommends providing an overall plan which consists of objectives, values and strategies relating to the use of technologies within an organisation to identify, protect, detect and respond to Cyber Security risks.</p> <p>ICT are focusing on delivering the prerequisites required prior to developing a Cyber Security Strategy namely:</p> <ol style="list-style-type: none"> 1. Security Governance defined and adopted 2. Roles and Responsibilities identified and adopted 3. A security framework and standards identified and adopted 4. Establish Standards – complete 5. Key roles recruited 	Sue McLean CIO	Iterative and sequential	<ol style="list-style-type: none"> 1. COMPLETE 2. 30/08/21 3. COMPLETE 4. COMPLETE 5. 31/08/21 	<ol style="list-style-type: none"> 1. Security Governance framework defined. COMPLETE 2. Roles and Responsibilities identified and defined. Needs to be socialised and embedded. 3. Establish a security framework and standard and adopt them. COMPLETE 4. Established GCSB (Government Communications Security Bureau) standards NZ Information Security Manual (NZISM) Version 3.3 as preferred framework. Completed September 2020. [NZISM V3.3 link to ICT Arch site.] COMPLETE. 5. Key roles recruited <ol style="list-style-type: none"> 5.1 Security/Systems Analyst role COMPLETE 5.2 Security Ops Analyst role – 3 attempts. <ol style="list-style-type: none"> 1) Jan 21: 1st candidate took another offer (financial) 2) Mar 21: 2nd candidate's visa failed to come through in time 3) Jul 21: currently interviewing <p>Skilled resources in this area are increasingly scarce and the market is paying well for these candidates and roles. Which is how we lost our first candidate. Our second candidate was successful in securing the role, but unsuccessful in having his visa granted within the three months offered. We had to terminate his offer and</p> 	

Audit point action item	Responsibility	Audit Priority	Expected date complete	Action (required/completed) to address audit point	Complete ✓
				go to market as there was no guarantee when Immigration NZ would provision the candidate with his working visa.	
<p>CS Action 2: Develop Cyber security policies – PWC advise that a complete set of Cyber security policies should be developed) specifically where key risks are not already covered in existing policies). These policies will provide guidance for controls which management will seek to implement to address key Cyber related risks.</p> <p>GW has identified the Polices that provide the highest impact and will start a series of sprints to address these first. Once the policies have been completed the next set of policies will be identified and scheduled for completion.</p> <p>As the policies are reviewed and adopted they are incorporated into the ICT Standard Operation Procedures for Security Operations.</p> <p>*Policies are a collection of settings and configurations made to our systems to secure information assets.</p>	Sue McLean CIO		<p>1 COMPLETE 2 31/10/2021 3 COMPLETE 4 31/07/2021 5 COMPLETE 6 COMPLETE 7 Completed/Ongoing 8 30/08/2021 9 COMPLETE 10 COMPLETE</p> <p>All due for completion October 2021</p>	<p>1. Periodic Review – periodic review applies to policies, strategy, privileged access. Operational items will be reviewed and updated via CSIP or as part of ongoing service management COMPLETE</p> <p>2. Sharing Identification and Authentication Information – Engaged with Spark, SoW in place.</p> <p>3. Multi-factor Authentication COMPLETE</p> <p>4. Change of Roles & Duties - in progress. To be socialised.</p> <p>5. Privileged Account Identifiers – security handbook COMPLETE</p> <p>6. Account Management – security handbook COMPLETE</p> <p>7. Disable Inactive Accounts and implementation of ongoing process COMPLETE</p> <p>8. Privileged Account Inventories – in progress. On track</p> <p>9. Credential Sharing - addressed via Security policy COMPLETE</p> <p>10. Account Lockout - enforced after 5 incorrect password attempts. Microsoft exchange also locks accounts if it detects suspicious activity (e.g. Spam) originating from a GW account. COMPLETE</p>	

Audit point action item	Responsibility	Audit Priority	Expected complete date	Action (required/completed) to address audit point	Complete ✓
<p>CS Action 3: Establish minimum control standards – GW has adopted NZISM which provides control standards.</p>	Sue McLean CIO		<p>1 COMPLETE 2 31/07/2021 3 31/10/2021</p>	<p>1. Standards are identified and assessed for any current and future work undertaken - we have identified the standards and are in the process of applying these controls. ARB has adopted a security lens as part of the ARB process.</p> <p>2. A sprint will be initiated to define the minimum standard criteria and to review the NZISM Chapters and identify the minimum control standards.</p> <p>3. Once the security strategy work is complete any additional minimum control standards will be identified and adopted. Security Strategy work is completed – controls to be formalised.</p>	
<p>CS Action 4: Document procedures - GWRC should define activities relating to each control and document them into procedures. This will allow the ICT staff to use it as reference and guidance to perform their responsibilities consistently and effectively.</p>	Sue McLean CIO		1 COMPLETE	<p>1. Identify policies and controls, which will be completed under Audit Point action items:-</p> <ul style="list-style-type: none"> • Procedures developed for MFA, Password, Privileged access and Access Management. • Cyber Security Strategy completed • Security Policy awaiting ELT endorsement. These documents will all be reviewed regularly. 	✓
<p>CS Action 5: Monitor vendor performance and compliance- Define and embed processes to monitor the performance of the controls managed by third party security providers throughout the business relationship. This will detect any new Cyber security gaps. GWRC</p>	Sue McLean CIO		<p>1 COMPLETE 2 30/07/2021</p>	<p>1 A Review of the GW suppliers has been planned with the commencement due once the ICT Transformation is complete.</p> <p>In the meantime, GW will:-</p> <ul style="list-style-type: none"> • Reach out to all suppliers and: • Inform suppliers that GW has adopted 	

Audit point action item	Responsibility	Audit Priority	Expected date complete	Action (required/completed) to address audit point	Complete ✓
should receive real-time alerts if there are any security issues identified.				<p>the Protective Security Requirements (PSR) and NZISM standards - COMPLETE</p> <ul style="list-style-type: none"> • Requires information on their security standards and procedures (relevant to the PSR and NZISM) and how these are being applied to GW - COMPLETE • Initiate a sprint to identify and develop the key policies relating to Third Parties and Identification and Authentication and Incident Response domains. <p>2. Third parties are included in the new Security policy. IAM work re-initiated after initial contractor did not follow through.</p> <ul style="list-style-type: none"> • Incident response – third parties identified with contacts. Security incident response process underway. 	
<p>CS Action 6: Develop a remediation plan- A remediation plan includes control deficiencies and exceptions items. These come from identification of controls gaps and controls design or operating ineffectively. This will help management focus on priority items based on the severity of the risk identified.</p>	Sue McLean CIO		COMPLETE	<p>Establishment of a CSIP (Continuous Service Improvement Process) process is underway.</p> <ul style="list-style-type: none"> • Meet monthly • Identify gaps, inefficiencies and other improvements • Deliver improvements via sprint teams <p>CSIP register created. Process document underway. Meeting schedule to be established. On track for completion by month end.</p>	✓