



**greater WELLINGTON**  
REGIONAL COUNCIL  
Te Pane Matua Taiao

**If calling please ask for:** Democratic Services

9 May 2019

## **Finance, Risk and Assurance Committee**

Order Paper for meeting to be held in the Council Chamber, Greater Wellington Regional Council, Level 2, 15 Walter Street, Te Aro, Wellington on:

**Thursday, 16 May 2019 at 9.30am**

### **Membership of Committee**

Cr Swain (Chair)

Cr Blakeley  
Cr Laidlaw  
Cr McKinnon

Cr Donaldson  
Cr Lamason  
Cr Ogden

Kim Skelton

***Recommendations in reports are not to be construed as Council policy until adopted by Council***

## Finance, Risk and Assurance Committee

Order Paper for meeting to be held on Thursday, 16 May 2019 in the Council Chamber, Greater Wellington Regional Council, Level 2, 15 Walter Street, Te Aro, Wellington at 9.30am.

### Public Business

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**greater WELLINGTON**  
REGIONAL COUNCIL  
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**Please note that these minutes remain unconfirmed until the meeting of the Finance, Risk and Assurance Committee on 16 May 2019.**

**Report 19.100**

19/03/2019

File: CCAB-22-491

**Public minutes of the Finance, Risk and Assurance Committee meeting held in the Council Chamber, Greater Wellington Regional Council, Level 2, 15 Walter Street, Te Aro, Wellington, on Tuesday, 19 March 2019 at 9:30am**

**Present**

Councillors Swain (Chair), Blakeley, Donaldson, Laidlaw (from 11:10am), Lamason, McKinnon, and Ogden (from 09:35 until 12.14pm)

Kim Skelton.

**Also present**

Councillors Brash and Kedgley.

**Public Business**

A minute of silence was observed as a mark of respect for those killed in, and impacted by, the act of terrorism in Christchurch on Friday, 15 March 2019.

**1 Apologies**

*Moved*

*(Cr Donaldson/ Cr Lamason)*

*That the Committee accepts the apology for lateness from Councillor Laidlaw.*

The motion was **CARRIED**.

**2 Conflict of Interest declarations**

Kim Skelton advised the Committee that in relation to Agenda Item 6 she had attended a Wellington Water meeting on 28 February on behalf of mana whenua and she supports the proposal for mana whenua involvement in these matters.

3 **Public Participation**

There was no public participation.

4 **Confirmation of the minutes of 24 October 2018**

*Moved* (Cr Lamason/ Cr Blakeley)

*That the Committee confirms the minutes of 24 October 2018, Report 18.496.*

The motion was **CARRIED**.

5 **Action items from previous Finance, Risk and Assurance Committee meetings**

**Report 18.540** File: CCAB-22-462

*Moved* (Cr Donaldson/ Cr Lamason)

*That the Committee:*

1. *Receives the report.*
2. *Notes the content of the report.*

The motion was **CARRIED**.

**Noted:** Councillor Ogden arrived at the meeting during the consideration of the above item. Cr Ogden requested that his objection to an action item being discussed at a Council workshop rather than a Council meeting be recorded; the action item he was referring to is “The Committee requested that a report on the feasibility of a rates postponement policy for over 65’s be prepared for a future meeting.”

6 **Wellington Water Proposed Governance Changes**

**Report 19.96** File: LEGL-5-429

*Moved* (Cr Swain/ Cr McKinnon)

*That the Committee:*

1. *Receives the report.*
2. *Notes the content of the report.*
3. *Notes the contents of the letter of review from Simpson Grierson dated 12 March 2019 attached as Attachment 1 to the report.*
4. *Notes that the letter of review from Simpson Grierson dated 12 March 2019 will be provided to Council in support of a recommendation to adopt the proposed changes to the Governance Documents, at the next appropriate meeting.*

*Moved as an amendment* (Cr Donaldson/ Cr Blakeley)

*That a new recommendation 5 be inserted:*

5. *Notes that the Committee's understanding of 3b in the report means that Te Ao Māori knowledge and skills are included in the Board Skills Matrix.*

The amendment **CARRIED**.

The substantive motion was put:

*That the Committee:*

1. *Receives the report.*
2. *Notes the content of the report.*
3. *Notes the contents of the letter of review from Simpson Grierson dated 12 March 2019 attached as Attachment 1 to the report.*
4. *Notes that the letter of review from Simpson Grierson dated 12 March 2019 will be provided to Council in support of a recommendation to adopt the proposed changes to the Governance Documents, at the next appropriate meeting.*
5. *Notes that the Committee's understanding of 3b in the report means that Te Ao Māori knowledge and skills are included in the Board Skills Matrix.*

The substantive motion was **CARRIED**.

## 7 **Harbour risks mitigation, current and future**

Grant Nalder, Manager Harbours (Harbourmaster) spoke to the report.

### **Report 19.83**

File: CCAB-22-480

*Moved*

*(Cr Lamason/ Cr Ogden)*

*That the Committee:*

1. *Receives the report.*
2. *Notes the content of the report.*
3. *Supports the on-going work to improve risk controls and mitigate risks in relation to navigation on the harbour and regional waters.*

Moved as an amendment (as an additional motion)

*Moved*

*(Cr McKinnon/ Cr Swain)*

4. *Requests a further report giving progress on*
  - a) *Increased training and technical expertise at Beacon Hill*
  - b) *Addressing the issue of complacency noting the benefits of a "Whole of Harbour Discussion Group"*

- c) CPL's response to providing a true twenty-four hour service*
- d) Establishing radar coverage for the main wharves and Lambton Harbour, with appropriate thermal imaging capability.*

The amendment was **CARRIED**.

Moved as an amendment (as an additional motion)

Moved *(Cr Blakeley/ Cr Donaldson)*

- 5. Notes that there are limited resources to cope if a vessel was to experience mechanical fault or break down outside of Wellington Harbour*
- 6. Notes that a tug boat for Wellington with out of harbour capability would mitigate the risks identified in this report.*
- 7. Requests officers to report back to future FRAC and Environment Committee meetings on the options for ensuring Wellington has a tug boat with out of harbour capabilities.*
- 8. That these recommendations be communicated to CentrePort Limited.*

The amendment was **CARRIED**.

The substantive motion was put:

*That the Committee:*

- 1. Receives the report.*
- 2. Notes the content of the report.*
- 3. Supports the on-going work to improve risk controls and mitigate risks in relation to navigation on the harbour and regional waters.*
- 4. Requests a further report giving progress on*
  - a. Increased training and technical expertise at Beacon Hill*
  - b. Addressing the issue of complacency noting the benefits of a "Whole of Harbour Discussion Group"*
  - c. CPL's response to providing a true twenty-four hour service*
  - d. Establishing radar coverage for the main wharves and Lambton Harbour, with appropriate thermal imaging capability.*
- 5. Notes that there are limited resources to cope if a vessel was to experience mechanical fault or break down outside of Wellington Harbour*
- 6. Notes that a tug boat for Wellington with out of harbour capability would mitigate the risks identified in this report.*

7. *Requests officers to report back to future FRAC and Environment Committee meetings on the options for ensuring Wellington has a tug boat with out of harbour capabilities.*

8. *That these recommendations be communicated to CentrePort Limited.*

The substantive motion was **CARRIED**.

## 8 **Health, Safety and Wellbeing update**

Nigel Corry, Deputy Chief Executive, and Rachael Meikle, Health and Safety Advisor spoke to the report.

### **Report 19.94**

File: CCAB-22-481

*Moved*

*(Cr Blakeley/ Cr Lamason)*

*That the Committee:*

1. *Receives the report.*
2. *Notes the content of the report.*

The motion was **CARRIED**.

The meeting adjourned at 10:55am and resumed at 11:10am.

Cr Laidlaw joined the meeting when the meeting resumed.

## 9 **Summary of financial statements until 31 January 2019**

### **Report 19.91**

File: CCAB-22-473

*Moved*

*(Cr Blakeley/ Cr Lamason)*

*That the Committee:*

1. *Receives the report.*
2. *Notes the content of the report.*

The motion was **CARRIED**.

## 10 **Audit management report for the year ended 30 June 2018**

Nigel Corry, General Manager, People and Customer and Rachael Meikle, Health and Safety Advisor, spoke to the report.

### **Report 19.89**

File: CCAB-22-478

*Moved*

*(Cr Blakeley/ Cr Lamason)*

*That the Committee:*

1. *Receives the report.*
2. *Notes the content of the report.*

The motion was **CARRIED**.

## 11 **Summary risk report**

Mike Timmer, Treasurer, spoke to the report. Amanda Cox, Manager Parks and Wayne Boness, Principal Ranger Western, presented to the Committee about fire risk in parks.

### **Report 19.77**

File: CCAB-22-467

*Moved*

*(Cr Swain/ Cr McKinnon)*

*That the Committee:*

1. *Receives the report.*
2. *Notes the content of the report.*

The motion was **CARRIED**.

## 12 **Business assurance update**

### **Report 19.80**

File: CCAB-22-472

*Moved*

*(Cr Blakeley/ Cr Laidlaw)*

*That the Committee:*

1. *Receives the report.*
2. *Notes the content of the report.*

*Moved as an amendment*

*(Cr Donaldson/ Cr Lamason)*

3. *That the current Business Assurance arrangements be reviewed in twelve months' time.*

The amendment was **CARRIED**.

The substantive motion was put:

*That the Committee:*

1. *Receives the report.*

2. *Notes the content of the report.*
3. *That the current Business Assurance arrangements be reviewed in twelve months' time.*

The substantive motion was **CARRIED**.

Cr Ogden left the meeting at 12:14pm during consideration of this item.

13 **Optimus Programme update**

Samantha Gain, General Manager Corporate Services, spoke to the report.

**Report 19.87** File: CCAB-22-477

*Moved* *(Cr Lamason/ Cr Blakeley)*

*That the Committee:*

1. *Receives the report.*
2. *Notes the content of the report.*

The motion was **CARRIED**.

14 **Exclusion of the public**

**Report 19.99** File: CCAB-22-487

*Moved* *(Cr Lamason/ Cr Blakeley)*

*That the Committee excludes the public from the following part of the proceedings of this meeting namely:*

1. *Confirmation of the Public Excluded minutes of 24 October 2018*
2. *Insurance - Below Ground Bulk Water Supply Assets*
3. *Insurance Renewal 2018/20 and property loss exposure*

*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:*

<b><i>General subject of each matter to be considered:</i></b>	<b><i>Reason for passing this resolution in relation to each matter</i></b>	<b><i>Ground under section 48(1) for the passing of this resolution</i></b>
1. <i>Confirmation of the Public Excluded minutes of 24 October 2018</i>	<i>The minutes contain information provided by insurance providers relating to pricing for the renewal of GWRC's insurance. Release of this</i>	<i>That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information</i>

*information would likely prejudice the insurers' commercial position as it would reveal their pricing. GWRC 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.*

*for which good reason for withholding would exist under section 7(2)(b)(ii) of the Local Government Official Information and Meetings Act 1987 (the Act) (i.e. to protect information where the making available of that information would be likely unreasonably to prejudice the commercial position of the person who supplied or is the subject of the information).*

2. *Insurance - Below Ground Bulk Water Supply Assets*

*The report contains information provided by insurance providers relating to pricing for the renewal of GWRC's insurance. Release of this information would likely prejudice the insurers' commercial position as it would reveal their pricing. GWRC 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.*

*That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 7(2)(b)(ii) of the Act (i.e. to protect information where the making available of that information would be likely unreasonably to prejudice the commercial position of the person who supplied or is the subject of the information).*

3. *Insurance Renewal 2018/20 and property loss exposure*

*The report contains information provided by insurance providers relating to pricing for the renewal of GWRC's insurance. Release of this information would likely prejudice the insurers' commercial position as it would reveal their pricing. GWRC has not been able to identify a public interest favouring disclosure of this particular information*

*That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 7(2)(b)(ii) of the Act (i.e. to protect information where the making available of that information would be likely unreasonably to*

*in public proceedings of prejudice the commercial  
the meeting that would position of the person who  
override this prejudice to supplied or is the subject  
the insurers' commercial of the information).  
position.*

*This resolution is made in reliance on section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as specified above.*

The motion was **CARRIED**.

The public part of the meeting closed at 12:32pm.

P Swain  
(Chair)

Date:



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**Please note that these minutes remain unconfirmed until the meeting of the Finance, Risk and Assurance Committee on 16 May 2019.**

**The matters referred to in these minutes were considered by the Finance, Risk and Assurance Committee at its meeting on 19 March 2019 in public excluded business. These minutes do not require confidentiality and may be considered in the public part of the meeting.**

**Report PE19.101**

24/10/2018

File: CCAB-22-492

**Public excluded minutes of the Finance, Risk and Assurance Committee meeting held in the Council Chamber, Greater Wellington Regional Council, Level 2, 15 Walter Street, Te Aro, Wellington, on Tuesday, 19 March 2019 at 12:32pm**

**Present**

Councillors Swain (Chair), Blakeley, Donaldson, Laidlaw, Lamason, and McKinnon.

Kim Skelton.

**Also present**

Councillors Brash and Kedgley.

**Public Excluded Business**

**1 Confirmation of the Public Excluded minutes of 24 October 2018**

*Moved*

*(Cr Swain/ Cr Blakeley)*

*That the Committee confirms the Public Excluded minutes of 24 October 2018, Report PE18.497.*

The motion was **CARRIED**.

**2 Insurance - Below Ground Bulk Water Supply Assets**

Mike Timmer, Treasurer, spoke to the report.

**Report PE19.78**

File: CCAB-22-468

*Moved*

*(Cr Donaldson/ Cr Lamason)*

*That the Committee:*

1. *Receives the report.*
2. *Notes the content of the report.*
3. *Recommends to Council that the Council purchase insurance to cover the gap between the Government's expected 60% support and the current contingency funds held for reinstatement of the underground bulk water supply network following an earthquake or other natural disaster.*
4. *Recommends to Council that the amount of insurance purchased to cover the gap between the Government's expected 60% support and the underground contingency fund is \$16million.*
5. *Notes that in respect of flood protection related underground assets, the Council holds contingency funds and reserves of \$17 million against an expected Loss Estimate of \$96 million.*
6. *Recommends to Council that any short fall from a catastrophic flood event in respect of flood protection related underground assets is covered via contingency funds and reserves, and additional borrowing drawn at the time, and supplemented via expected support of up to 60% from Government.*

The motion was **CARRIED**.

**3 Insurance Renewal 2018/20 and property loss exposure**

Mike Timmer, Treasurer, spoke to the report.

**Report PE19.79**

File: CCAB-22-469

*Moved*

*(Cr Donaldson/ Cr Lamason)*

*That the Committee:*

1. *Receives the report.*
2. *Notes the content of the report.*

The motion was **CARRIED**.

The public excluded part of the meeting closed at 1:01pm.

P Swain  
(Chair)

Date:

**Report** 19.181  
Date 7 May 2019  
File CCAB-22-508

**Committee** Finance, Risk and Assurance Committee  
**Authors** Samantha Gain, General Manager, Corporate Services, and  
Nigel Corry, General Manager, People and Customer

## Action items from previous meetings

**Attachment 1** lists items raised at Finance, Risk and Assurance Committee meetings that require actions or follow-ups from officers. All action items include an outline of current status and a brief comment. Once the items have been completed and reported to the Committee they will be removed from the list.

No decision is being sought in this report. This report is for the Committee's information only.

## Recommendations

*That the Committee:*

1. *Receives the report.*
2. *Notes the content of the report.*

Report approved by:

**Samantha Gain**  
General Manager, Corporate  
Services

Report approved by:

**Nigel Corry**  
General Manager, People and  
Customer

**Attachment 1:** Action items from previous meetings

**Action items from previous Finance, Risk and Assurance Committee meetings**

<b>Meeting date</b>	<b>Action item</b>	<b>Status and comment</b>
6 March 2018	<p><b>Noted</b></p> <p><i>The Committee requested that a report on the feasibility of a rates postponement policy for over 65s be prepared for a future meeting.</i></p>	<p><b>Status:</b> <i>Under action</i></p> <p><b>Comments:</b></p> <p>To be discussed at a future Council workshop to be scheduled early June</p>
17 May 2018	<p><b>Noted</b></p> <p><i>The Committee requested officers to consider the best approach for providing regular reputational risk updates to Councillors</i></p>	<p><b>Status:</b> <i>Under action</i></p> <p><b>Comments:</b></p> <p>Matters relating to reputational risk across the organisation will be discussed at a workshop following the 19 March 2019 meeting, and a report will be presented to the Committee at the next meeting.</p>
19 March 2019	<p><b>Resolutions</b></p> <p><i>Request a further Report giving progress on</i></p> <ul style="list-style-type: none"> <li><i>a) Increased training and technical expertise at Beacon Hill</i></li> <li><i>b) Addressing the issue of complacency noting the Benefits of a "Whole of Harbour Discussion Group"</i></li> <li><i>c) CPL's response to providing a true twenty-four hour service</i></li> </ul> <p><i>Requests officers to report back to future FRAC and Environment Committee meetings on the options for ensuring Wellington has a tug boat with out of harbour capabilities.</i></p>	<p><b>Status :</b> <i>Under action</i></p>



**Report** 19.178  
Date 5 May 2019  
File CCAB-22-505

**Committee** Finance, Risk and Assurance Committee  
**Author** Alan Bird, Chief Financial Officer

## Wellington Water Construction Costs and Impact on GWRC

### 1. Purpose

The Committee has requested a report on the impact on GWRC of the increasing construction costs being experienced by Wellington Water in light of the costs involved with the construction of the Omāroro reservoir being above the initial estimate.

### 2. Background

Included within the GWRC Long Term Plan (LTP) there are a number of water supply projects. The key projects are:

<b>Project</b>	<b>Cost</b>	<b>Timing</b>
Cross Harbour Pipeline	\$116m	2018/19 – 2022/23
Waterloo and Gear island Aquifers	\$28m	2019/20-2034/35
Replacement Kaitoke truck main	\$19m	2018-21
Ngauranga & Wainuiomata reservoir strengthening	\$5m	2019/20

All of the above projects may be subject to similar cost pressures experienced for Omāroro reservoir because of a number of factors including scope change, the recent but significant construction price increases and the evolving regulatory environment.

At the stage the LTP's are developed the scope of the works are not necessarily fully understood. Cost estimates are based on high level outline proposals and the best available information at the time. As the project develops into a concept, preliminary and finally a detailed design a better understanding of the

work content is gained. Additional costs required by any environmental mitigation will also become known as resource consents are agreed.

There has also been a significant increase in construction prices as a result of a number of factors including:

- i. Busy market,
- ii. Response to recent losses and company failures,
- iii. Shortage of staff and labour (poaching/demands for salary and wage increase)
- iv. Increased prices for insurance, plant, transport, materials and specialist sub-contractors,
- v. Increased compliance requirements including traffic management and health and safety,
- vi. Greater transfer of risk from Client to Contractor.

The same factors have also resulted in revised timing for some projects.

### 3. Comment

The following sets out a high level view of the process that Wellington Water uses to establish the costs for capital projects:

1. **Initial high level cost estimate:** While the LTP process requires an exact number the reality is that this figure is highly subjective as noted above.
2. **Detailed cost estimate:** Complete detailed design, obtain consents from the relative authorities and then complete costings and for major projects have a third party complete a parallel costing exercise. This should give a costing that is considerably more accurate.
3. **Initial construction cost:** Go to market to procure the services etc. required and obtain an actual initial construction cost.
4. **Final cost:** Complete project and agree any costing variations during the construction phase.

GWRC fund all capital projects by borrowing the funds over the economic life of the asset.

The debt servicing costs associated with each capital projects in relation to bulk water supply are charged to the various territorial authorities via a water levy. Thus increases construction costs impact on the levy charged to the territorial authorities. The basis for the charge is the volume of water used by each authority.

Thus any increase in the costs associated with projects undertaken by Wellington Water on behalf of GWRC are on charged to the territorial authorities

#### **4. Communication**

No external communication is proposed as an outcome of the consideration of this report.

#### **5. Consideration of climate change**

The matter requiring decision in this report has been considered by officers in accordance with the process set out in the GWRC Climate Change Consideration Guide.

##### **5.1 Mitigation assessment**

*Mitigation assessments are concerned with the effect of the matter on the climate (i.e. the greenhouse gas emissions generated or removed from the atmosphere as a consequence of the matter) and the actions taken to reduce, neutralise or enhance that effect.*

Officers have considered the effect of the matter on the climate. Officers recommend that the matter [will have no effect

Officers note that the matter does not affect the Council's interests in the Emissions Trading Scheme (ETS) and/or the Permanent Forest Sink Initiative (PFSI)

##### **5.2 Adaptation assessment**

*Adaptation assessments relate to the impacts of climate change (e.g. sea level rise or an increase in extreme weather events), and the actions taken to address or avoid those impacts.*

Officers have considered the impacts of climate change in relation to the matter. Officers recommend that climate change has no bearing on the matter.

#### **6. The decision-making process and significance**

The matter requiring decision in this report has been considered by officers against the requirements of Part 6 of the Local Government Act 2002 (the Act). Part 6 sets out the obligations of local authorities in relation to the making of decisions.

##### **6.1 Significance of the decision**

Part 6 requires Greater Wellington Regional Council to consider the significance of the decision. The term 'significance' has a statutory definition set out in the Act.

Officers have considered the significance of the matter, taking the Council's significance and engagement policy and decision-making guidelines into account. Officers recommend that the matter be considered to have low significance, given that the report is provided for information purposes only.

Officers do not consider that a formal record outlining consideration of the decision-making process is required in this instance.

## **6.2 Engagement**

Engagement on the matters contained in this report aligns with the level of significance assessed. In accordance with the significance and engagement policy, no engagement on the matters for decision is required.

## **7. Recommendations**

*That the Finance Risk and Assurance Committee:*

- 1. Receives the report.*
- 2. Notes the content of the report.*



**Report** 19.172  
**Date** 8 May 2019  
**File** CCAB-22-501

**Committee** Finance, Risk and Assurance Committee  
**Author** Mike Timmer, Treasurer

## **Business Assurance – Policy Framework review**

### **1. Purpose**

This report provides a review of the recent business assurance work we had completed with PwC in relation to the policy framework review, and provides progress on recommendations to date.

### **2. Background**

Further to our last report to you the next item on the programme of work was an assessment of the Policy Framework to ensure its fit for purpose, considers legislative requirements and is embedded in the way that Council conducts its business.

### **3. Progress to date**

PwC have provided us with a draft report which sets out what they looked at, how they approached it, what they found, and resultant recommendations. This is attached as [Attachment 1](#)

#### **Findings from PwC review**

PwC in conjunction with us completed their assessment over September 2018, their findings can be summarised:

- Council has a clear Policy document on formulating, adopting and registering policies. Policy generation is based on issues and legislative need rather than strategy, i.e. Council’s key objectives and risks.
- The current policies are not principle-based i.e. defining guiding principles, setting expectations, rather they are detailed and procedure based and lengthy, making them difficult for users to get the answer quickly.
- A number of policies are overdue for review. Reasons for this given are low business priority due to competing work demands, low risk, and seen as a compliance obligation.

- There is in some instances policy overlap this has occurred where policies have been developed in relation to a specific issue. An example quoted is in Finance where there are seven policies relating to purchasing, which incidentally we are aware of and presently addressing. This makes it difficult to find out what a particular policy or process is.
- The current system of locating, naming of, and the repository for policies is complex, i.e. is not generally user friendly.
- Policies are mixed in with procedures. Policies have been created based on need at the time of creation, there is been an issue or change in business process which has initiated the introduction of a policy, rather than being developed along the lines of aligning them to Council's key objectives and risks.

The findings are also covered on page 10 of their report which compares our Council to where PwC's see good practice.

### **Recommendation following the PwC review**

PwC have made some recommendations stemming from the findings in conjunction with us.

Their key recommendations can be summarised:

1. Identify policies that are overdue for review, and use these and related policies to develop a principles-based approach to policy formulation, and separating our procedures relating to the policy as supporting. Consolidate policies which are overlapping.
2. Develop processes to ensure policies are included as part of staff on-boarding and on-going staff training on policies to ensure that staffs are continuously updated on policy and impacts on them.
3. Communicate new policy framework, i.e. principle-based with supporting procedures to staff and update the current intranet policy repository so it is easier to use, logical and customer focused.
4. Embed the compliance and monitoring of policies within the framework to ensure policies are proactively managed in terms of compliance and review. That risk based compliance reporting is undertaken by policy owners, ensuring compliance with policy.

### **Progress to date**

We are in the process of implementing recommendation 1. This was initially a pilot in People and Capability as they were in the process of updating a number of their policies.

They in conjunction with the Strategy have developed a principles-based template which is no longer than one page, and incorporates the key policy elements. The policy document has hyperlinks to detailed procedures and other supporting and relevant documents.

Initial policies and the template have been reviewed and approved by the Executive Leadership Team in including a programme of work to update the policies. A number of HR policies have been prepared with the new template and are presently in the process of consultation.

We also are in the process of updating the policies in Finance utilising the new template with a plan in place.

We will further develop the plan to implement the recommendations and roll out to other areas in the organisation as policies are due for renewal.

#### **4. Communication**

There is no communication required.

#### **5. Consideration of Climate Change**

The matters addressed in this report have been considered by officers in accordance with the process set out in the GWRC Climate Change Consideration Guide.

##### **5.1 Mitigation assessment**

*Mitigation assessments are concerned with the effect of the matter on the climate (i.e. the greenhouse gas emissions generated or removed from the atmosphere as a consequence of the matter) and the actions taken to reduce, neutralise or enhance that effect.*

Officers have considered the effect of the matters on the climate. Officers consider that the matters will have no effect.

Officers note that the matter does not affect the Council's interests in the Emissions Trading Scheme (ETS) and/or the Permanent Forest Sink Initiative (PFSI).

##### **5.2 Adaptation assessment**

*Adaptation assessments relate to the impacts of climate change (e.g. sea level rise or an increase in extreme weather events), and the actions taken to address or avoid those impacts.*

Officers have considered the impacts of climate change in relation to the matters. Officers recommend that climate change has no bearing on the matters.

#### **6. The decision-making process and significance**

Officers recognise that the matters referenced in this report may have a high degree of importance to affected or interested parties.

The matter requiring decision in this report has been considered by officers against the requirements of Part 6 of the Local Government Act 2002 (the Act). Part 6 sets out the obligations of local authorities in relation to the making of decisions.

##### **6.1 Significance of the decision**

Part 6 requires Greater Wellington Regional Council to consider the significance of the decision. The term 'significance' has a statutory definition set out in the Act.

Officers have considered the significance of the matter, taking the Council's significance and engagement policy and decision-making guidelines into account. Officers recommend that the matter be considered to have low significance.

Officers do not consider that a formal record outlining consideration of the decision-making process is required in this instance.

## **6.2 Engagement**

Engagement on the matters contained in this report aligns with the level of significance assessed. In accordance with the significance and engagement policy, no engagement on the matters for decision is required.

## **7. Recommendations**

*That the Committee:*

1. *Receives the report.*
2. *Notes the content of the report*

Report prepared by:

Report approved by:

**Mike Timmer**  
Treasurer

**Samantha Gain**  
Acting General Manager,  
Corporate Services

**Attachment 1:** PwC – Business Assurance Policy Framework report - September 2018



# Business Assurance Policy Framework report

Greater Wellington Regional Council  
11 October 2018

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*This report has been issued in accordance with our Letter of Engagement dated 13 April 2017, and our Terms of Reference dated 12 July 2018.*

# Executive Summary



## Context

Greater Wellington Regional Council (the “Council”) has established a Business Assurance function to undertake an ongoing programme of Internal Audit focusing on the Council’s internal control environment. The Council’s policy framework is a key element of the Council’s Governance Framework. The effectiveness of the policy framework is critical to ensuring good direction and guidance is provided to all employees on how the Council’s expects business to be conducted.

Management Policies and Statutory Plans are two different classes of oversight documents within the Council:

- Statutory Plans drive the Council’s strategy for future years, based on government legislation. As such, procedures around creating, implementing and maintaining statutory plans are driven by individual legislative requirements
- Management Policies are documents driven by management need and are used to guide decision-making, address compliance obligations and provide information on an on-going or recurring issues.

Our focus was on the approach adopted by the Council to define, promulgate and maintain the Management Policy framework.



## Why was this assessment completed?

To help the Council understand whether the policy framework is fit for purpose, how the need for new policies are identified and established and whether the policy framework is embedded in the way the Council operates.

As part of this review we have looked at three main areas:

1. **Framework design** – the current policy framework, including accountabilities and how the Council identifies the need for new policies
2. **Framework content** – guidance on the content of the policies included in the policy framework and how this guidance is applied in practice
3. **Framework implementation** – communication and awareness of policy requirements across the Council.



## How did we perform our assessment?

We **surveyed** a sample of key Council staff to gain an understanding of perceptions of:

- the policy framework, accountabilities, and any known challenges or concerns
- how they identify what policies are required, and accountability for establishing new/amended policies
- how policies are communicated to staff, monitored and kept up to date
- the level of awareness, understanding and use of the Council’s policies.

We reviewed the following **documents**:

- Council ‘Policy on formulating, adopting and registering Greater Wellington’s management policies’ to identify how policies at identified, developed, and what these should incorporate
- Council Policy Register to understand the types of Council and Management Policies currently in place
- A sample of seven policies included in the Council’s Policy Register.

# Executive Summary

We conducted a **workshop** for a sample of Council managers across the organisation to:

- Obtain their perspectives on the design of the policy framework, its effectiveness as a fit-for-purpose tool to guide Council main business activities and key legislative requirements
- Understand how policies are identified, developed, and what these should include
- Understand how effectively policies are working from a user’s perspective and to discuss opportunities for further improvement.

## What does “good” look like?

What are policies?	Why have policies?	Who do they apply to?	How and When are policies required?
Short statements defining expectations of the Council at a principle level	To ensure consistency of decision making and activity to meet key obligations and manage risk effectively	Defined roles and accountabilities of key positions to whom these policies apply	Link to key activities, supporting guidance, business process, systems and controls that give effect of these policy expectations

### How do we know that policies drive behaviour?

Supporting management’s awareness, raising and checking mechanisms to ensure that:

1. Policies are relevant and fit the purpose over time
2. Everyone understands the expectations of them
3. Non-compliance is identified and addressed quickly.

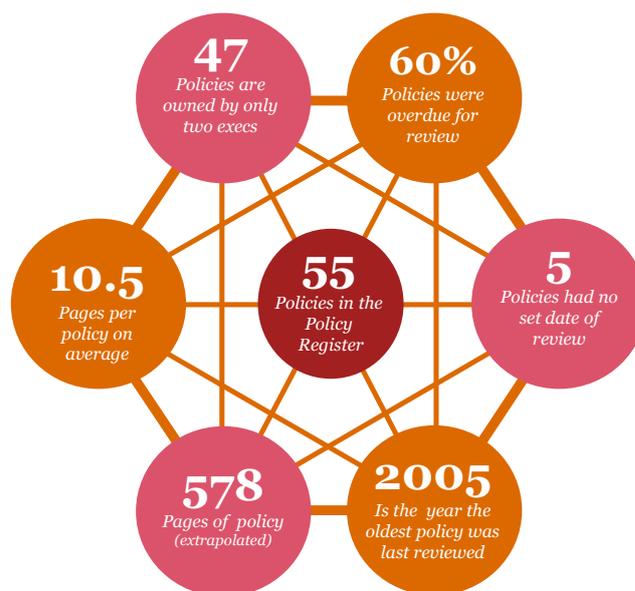
*We have outlined our key findings against these expectations over the following pages*

## Overall Observations

### A policy framework has been defined

The 'Policy on formulating, adopting and registering Greater Wellington's management policies' is an internal policy framework which was defined to provide a clear and consistent approach to identify, maintain and consistently communicate the expectations of the Council, and to assist employees within the organisation to understand and adhere to these requirements. This is administered by the Democratic Services team.

Where followed, this framework would provide a strong base for management policies to be developed and maintained. However, currently the process used to create and update policies is informal. Policies are largely developed in response to issues or legislation, rather than being proactively driven from the Council's strategy, organisational priorities or assessment.



### Current policies are not principles-based and include procedure

Our review over eight sampled management policies indicates that policies have not been written in a principles-based approach, by defining guiding principles for how the Council wants to work, and setting expectations. Instead, management policies currently also encompass detailed procedures and standards. From our eight sampled policies, there were on average 10.5 pages per policy. This results in nearly 600 pages of policy when extrapolated across the fifty five policies in place. The length of these policies results in documents which are:

- difficult for users to read and follow
- difficult to review regularly and make amendments
- difficult to ensure consistency of expectations across the Council's policies.

### A large number of management policies are overdue for review

Thirty-three out of fifty-five (60%) management policies on the policy register are currently overdue for review. A further five policies had no set review date. Of these five, the oldest policy was approved in August 2005. Through survey results and discussions in the workshop we identified the lack of review is a result of a combination of factors, including:

- length of current policy documents
- other business as usual priorities affecting capacity
- perception that it is a compliance obligation, rather than a priority.

Furthermore, from our survey analysis ten of twelve participants felt their teams were under supported to write and maintain effective policies and seven of twelve participants felt their teams did not have adequate training to write and maintain effective policies.

## Overall Observations

### Current policies overlap

Policies appear to be developed in isolation, resulting in duplication of policies relating to the same issue. This increases the risk that effort is duplicated or policies are applied inconsistently across the organisation. Our review over the policy register indicated that there is opportunity to consolidate and group policies further. For example there are seven purchasing policies for different types of expenditure.

Democratic Services maintain an accessible list of all management policies on the intranet (GWennie) but there is no logical structure to the list maintained on the intranet, and the varying names for overlapping policies make it difficult for staff to easily identify which policies apply to them.

### *By simplifying and clarifying the Council's expectations, staff can be provided 'freedom in a framework' to work in new and innovative ways, within agreed boundaries*

In the workshop it was agreed that the Council now has an opportunity to update and refine policies. We discussed Corporate Services and Human Resources working together to:

- Ensure policies explicitly align with the Council's objectives and key risks. For example the IT acquisition policy which was approved in 2005 and has no specified date of review. Without a review, it is unclear whether the policy aligns with current objectives and key risks
- Perform a 'stock-take' of policies to assess whether they have owners assigned and review dates
- Review and update policies based on their past review dates and the significance/risk associated with the policies
- Simplify and update policies by pushing the detail from the current policies into supporting guidance and procedure documentation, leaving only high impact statements. By doing this, there will be differentiation between policy, guidance and procedure
- Consolidate related policies to remove any inconsistencies so staff can have a source of truth document
- Create a summary on GWennie to guide users on what policies are applicable to them and when
- More broadly define/refine key principles of "good" and train policy owners and writers in this so that existing policies are rewritten to reflect these going forward.

***We have used the below prioritisation scale for the recommendations on the following page:***

**High** – significant benefits will be gained by addressing this finding, impacting positively on key functions, activities and controls. Action plans with clear timelines, formal progress monitoring and reporting will be defined as a matter of urgency (ideally less than three months).

**Medium** – medium benefits will be gained by addressing this finding, impacting positively on key functions, activities and controls. Action will be prioritised to be completed within three to six months.

**Low** – lower level benefits will be gained by addressing this finding, impacting positively on key functions, activities and controls. Action will be prioritised to be completed within 12 months.

# Recommendations

Ref	Priority	Agreed actions
<p>Undertake a joint programme between Corporate Services and the People and Customer to refresh the current policy framework to:</p> <ul style="list-style-type: none"> <li>clarify the policy environment and role of policies which enables staff to have increased awareness of policies and obligations, leading to increased compliance</li> <li>agree required policy topic areas, where clear expectations need to be defined across the organisation</li> <li>establish well-administered policies that are fit-for-purpose and up to date</li> <li>Separate policies from supporting guidance and procedures.</li> </ul> <p>A focused project may be an appropriate approach to address the following key areas:</p>		
1	High	<p>Identify and assess policies that are overdue for review. As part of this, look to simplify and reduce current policies in place by:</p> <ul style="list-style-type: none"> <li>adopting a principles-based approach and pushing detail into supporting procedure or guidance documentation</li> <li>consolidating related/overlapping policies into a small number of agreed policy areas.</li> </ul> <p><b>Outcome:</b> comprehensive suite of up-to-date and fit-for-purpose policies that support operations and staff in achieving the Council’s objectives.</p>
2	Medium	<p>Embed policy-related training within staff training and onboarding processes to ensure staff, contractors and other stakeholders are aware of the Council’s expectations.</p> <p><b>Outcome:</b> staff are continuously updated on their understanding of policy expectations and how these expectations are met in their role.</p>
3	Medium	<p>Communicate the policy framework, policies and changes to policies to all staff. As part of this, organise the policy register on Gwennie in a logical order, based around the key themes, for example, finance, technology, safety, people and communications.</p> <p><b>Outcome:</b> clarity to staff where to locate policies and how to navigate within the policy framework, increasing overall awareness and compliance.</p>
4	Medium	<p>Embed a compliance and monitoring function within the policy framework. Introduce control activities that enforce policy principles and identify areas of non-compliance. Policy owners should be required to proactively monitor compliance controls, and provide risk-based reporting.</p> <p><b>Outcome:</b> develop a culture of compliance where accountabilities and responsibilities are understood by policy owners and stakeholders.</p>

**Management comments:**

Management will establish a project to address the recommendations in this report. Specific accountabilities and milestones will be agreed through the policy refresh project. A pilot will commence for updating People and Customer’s policies in November/December 2018, with Finance and other policy owners to follow in 2019.

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# Policy Framework

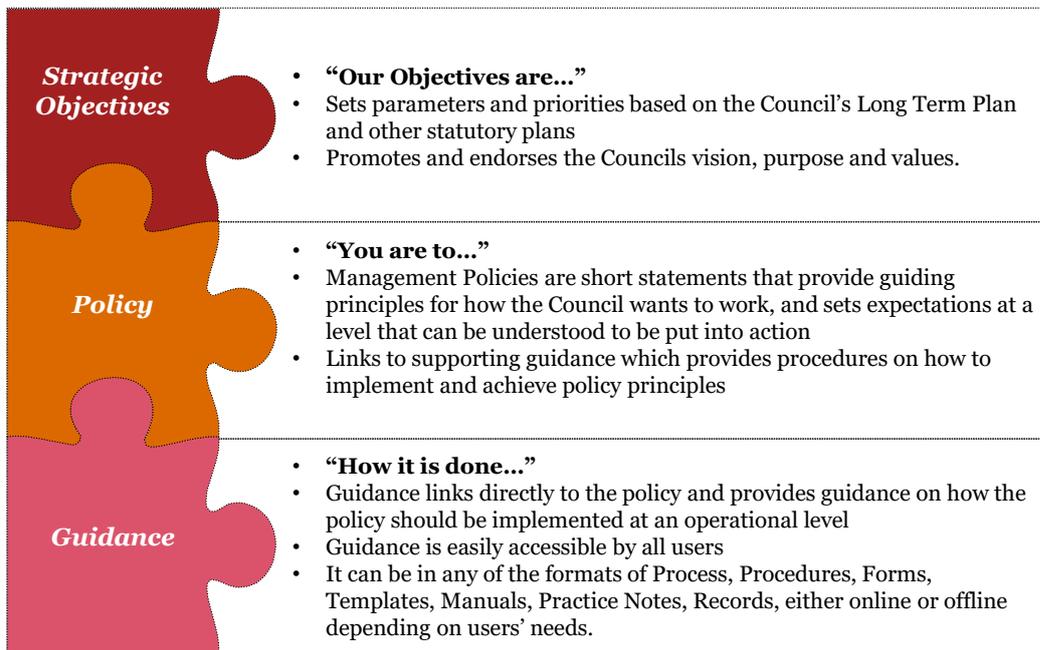
*The following slides outline our key observations for the Council's policy framework and whether it meets expectations.*



# Why policies are important

Policy frameworks play an integral role in the wider governance, risk and compliance management processes.

A good policy framework makes a distinction between:



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## Benefits of an effective policy framework

- Improved policy structure and consistency – enables staff and stakeholders to clearly and consistently understand the organisation’s expectations on them
- Increased confidence in availability and transparency of policies and procedures to employees
- Reinforces culture of compliance, control and integrity
- More effective risk management
- Explicit link between priorities, risks, expectations and how these are met through effective control

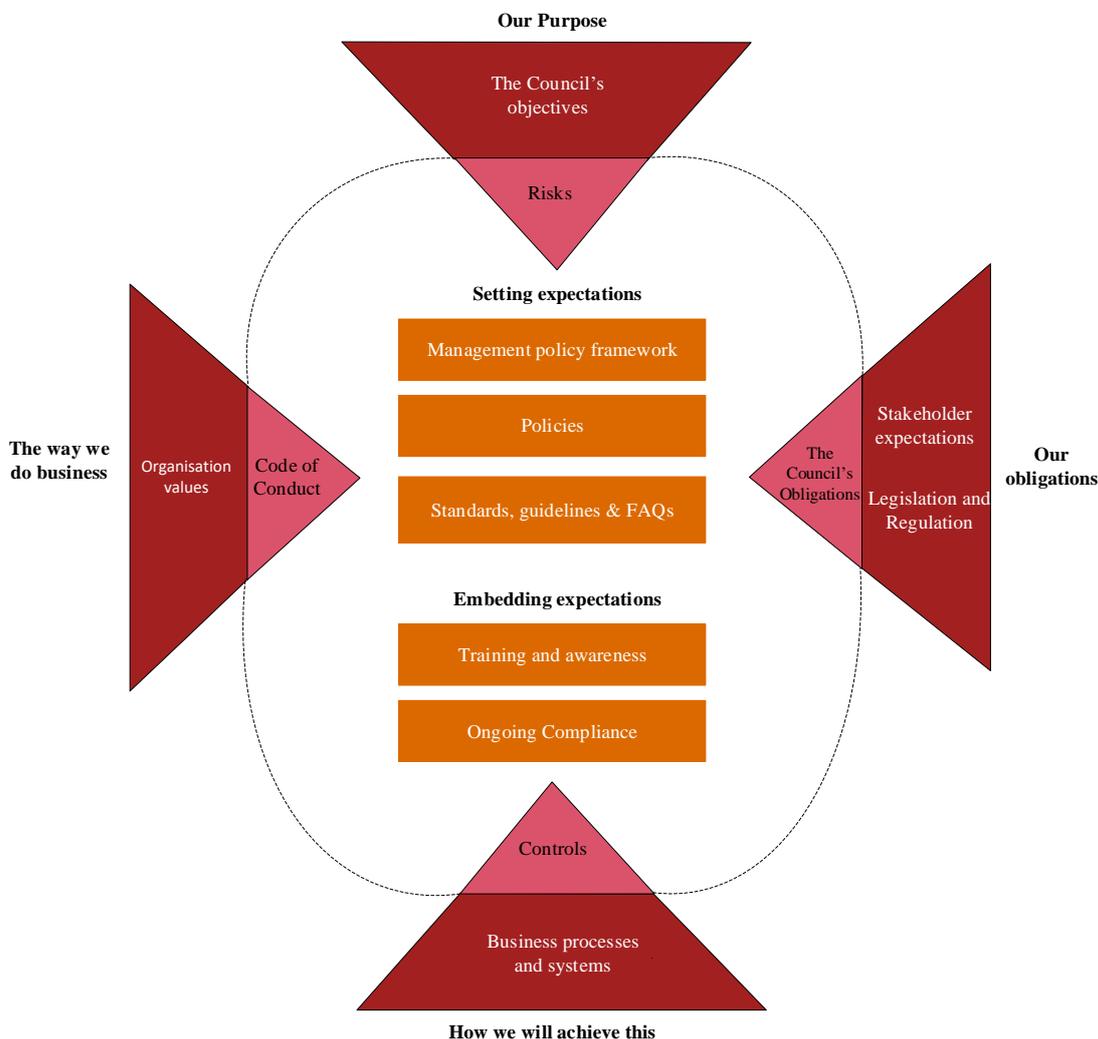
# Purpose of an organisational policy framework

The Council’s internal policy framework plays a **central role in bringing the strategy and defining the core principles of how staff are expected to work into operation.**

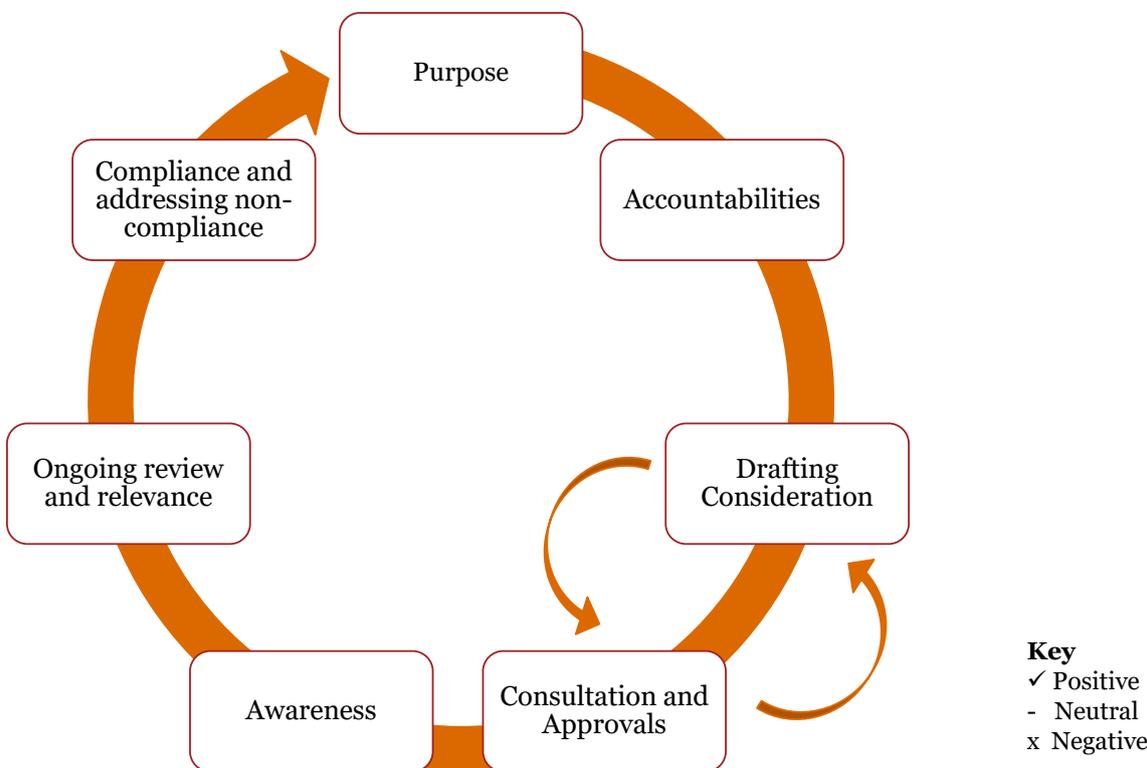
Policy determination is largely influenced by four key areas:

- The purpose and objectives of the Council
- The Council’s obligations to its key stakeholders and the environment it operates in
- The way the Council goes about its business and expectations of the people involved
- How the Council will achieve its goals through effective and well-controlled business processes and systems in place.

Successful policy frameworks have **senior management support and broad visibility** across the organisation where staff and other key users (such as third party contractors and business partners) understand the business rationale for compliance with policy, as well as the **implications and consequences if policy is breached.**



# How does the Council compare to good practice?



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<b>Framework component</b>	<b>Expectations</b>	<b>Current status – management policies</b>
<b>Purpose</b>	<ul style="list-style-type: none"> <li>• The rationale for having policies is clearly defined within the Council’s policy framework</li> <li>• There is a clear alignment between policies and the risk the policies address i.e. what is the problem the policy is addressing</li> <li>• Clear trigger points exist to prompt the need for a new policy or a revised policy</li> </ul>	<ul style="list-style-type: none"> <li>✓ The ‘Policy on formulating, adopting and registering Greater Wellington’s management policies’ (policy framework) defines the purpose of policies</li> <li>– Policy development is part of your risk mitigation strategy, and is largely in reaction to issues that have already occurred or a response to a legislative requirement</li> <li>– Although the link to operational risk can be inferred within a policy, it is not always explicit</li> <li>× There is no check to ensure all operational risks have an appropriate policy to support the operation of mitigating controls</li> </ul>

**Meaning that:**  
 Without a clear alignment between the Council’s risks and the policies that help mitigate those risks, **policies are likely to continue to be developed in response to issues, rather than predicting and preventing them.**

<i>Framework component</i>	<i>Expectations</i>	<i>Current status – management policies</i>
<b>Accountability</b>	<ul style="list-style-type: none"> <li>• Each policy has a single point of accountability</li> <li>• Accountability of those to whom the policy applies</li> </ul>	<ul style="list-style-type: none"> <li>✓ There is a central point of accountability for the policy framework assumed by the Manager of Democratic Services</li> <li>✓ It is clear who should approve policies</li> <li>× Not all policies have a policy owner defined</li> <li>× Monitoring activities are not required to be defined in the policy</li> <li>× It is unclear who is responsible for monitoring compliance and effectiveness of policies</li> <li>× Policies are not regularly monitored for compliance, rather it is done on an exception basis</li> </ul>

**Meaning that:**

Without clear identification of accountabilities or respective roles and responsibilities, **there is no ownership** to ensure application and compliance of policies.

<i>Framework component</i>	<i>Expectations</i>	<i>Current status – management policies</i>
<b>Drafting consideration</b>	<ul style="list-style-type: none"> <li>• Clarity over whether policies are expressed as a principle or a rule</li> <li>• Clear distinction between policy and supporting guidance, standards and procedures</li> <li>• Common look and feel of policies to enable ease of use</li> <li>• Drafted in short plain English and easy to read style</li> </ul>	<ul style="list-style-type: none"> <li>✓ The policy framework provides guidance on the consistent approach to be taken to developing policies to ensure they are principle based and have a consistent look</li> <li>× Inspection over sampled policies indicated that policies are not principle based, rather incorporate procedure and guidance</li> <li>× Additional policies are being created which are a subset of existing policies rather than reviewing and making amendments to existing policies</li> <li>– There is opportunity to consolidate and group policies further. For example there are seven purchasing policies (<i>Purchasing, Credit card, IT acquisition, Entertainment and Hospitality, Koha, Purchasing cards and Sensitive expenditure</i>)</li> </ul>

**Meaning that:**

Additional policies are developed by business groups who do not feel a policy is clear enough (rather than requesting changes to the existing policy). This could lead to **inconsistent practices or duplication of effort** across the Council.

<i>Framework component</i>	<i>Expectations</i>	<i>Current status – management policies</i>
<b>Consultation and approval</b>	<ul style="list-style-type: none"> <li>• Input and consultation occurs with impacted stakeholders including finance, people, IT, facilities, communications, and governance</li> </ul>	<ul style="list-style-type: none"> <li>✓ When developing a policy, consultation with the most affected parts of the organisation is expected and outlined in the framework</li> <li>✓ For a document to be adopted as a management policy, it must be endorsed by ELT and approved by the Chief Executive</li> </ul>

**Meaning that:**

**Expectations are clearly defined** in the policy framework allowing for **consistent process** across the Council.

<i>Framework component</i>	<i>Expectations</i>	<i>Current status – management policies</i>
<b>Awareness</b>	<ul style="list-style-type: none"> <li>• There is an effective approach to ensuring those to whom the policies apply are familiar with relevant policies</li> <li>• An overview of policies are built into induction of staff</li> <li>• Regular refresh of policies is provided to all existing staff</li> </ul>	<ul style="list-style-type: none"> <li>✓ Management policies can be located centrally on GWennie</li> <li>× There is no logical order or hierarchy to enable staff to easily identify policies which apply to them. For example security policies are grouped into different areas such as <i>ICT Security and Use policy, policy on the use of camera surveillance systems and PT group CCTV policy</i>, where staff may just look for security.</li> <li>– New staff are made aware of policies during induction however there is no regular refresh required</li> </ul>

**Meaning that:**

Although staff are made aware of where to locate the Council’s policies through induction, **there is no ongoing refresher for existing staff.** Contractors or third parties may not always be aware of the Council’s policies and their compliance obligations.

<i>Framework component</i>	<i>Expectations</i>	<i>Current status – management policies</i>
<b>On going review and relevance</b>	<ul style="list-style-type: none"> <li>• Policies are subject to regular review to ensure they continue to be appropriate and relevant</li> </ul>	<ul style="list-style-type: none"> <li>✓ All policies require review every three years as defined in the framework</li> <li>× A large number of policies with review dates have become overdue</li> <li>× Not all current policies have set review dates</li> <li>– The large number of existing policies and the length of these policies have contributed to the Council being behind in review/update of current policies</li> <li>– Those we interviewed also suggested that review of policies fell relatively low on the priority list, with a host of more immediate business as usual priorities, there is limited appetite for undertaking ongoing and comprehensive review. They also reported a perceived lack of appropriately skilled and available resource to support review and updates of the current high volume of policies.</li> </ul>

**Meaning that:**

**Appetite for improving the Council’s policies,** so that they are principles-based and aligned to the Council’s strategy and risks, **is limited due to prioritisation of other business as usual activities.**

<i>Framework component</i>	<i>Expectations</i>	<i>Current status – management policies</i>
<b>Compliance and addressing non-compliance</b>	<ul style="list-style-type: none"> <li>• A culture of compliance has been developed where individuals understand their responsibilities and report any non-compliance</li> <li>• Regular confirmation is provided e.g. through periodic attestations</li> <li>• Instances of non-compliance are identified and root causes are addressed</li> </ul>	<ul style="list-style-type: none"> <li>× Non-compliance issues are identified and addressed on an exception basis only</li> </ul>

**Meaning that:**

Without **systematic compliance checking or monitoring,** instances of non-compliance would only be identified on an **exception basis** meaning that staff may not follow expectations set by the Council.

---

# *Appendices*

# Survey

We surveyed a sample of key Council staff positions, including:

- Customer Engagement Manager
- Chief Financial Officer
- Strategic and Corporate Planning Manager
- Health, Safety and Wellbeing Manager
- Regional Transport Planning
- Finance Manager
- Treasurer
- WREMO Manager
- People and Customer General Manager
- Environmental Policy Manager
- Public Transport Policy Manager
- Biosecurity Manager



The survey questions helped us gain an understanding of perceptions of

- the policy framework, accountabilities, and any known challenges or concerns they may have
- how they identify what policies are required, and accountability for establishing new/amended policies
- how policies are communicated to staff, monitored and kept up to date
- the level of awareness, understanding and use of the Council’s policies.

# Key Documents

We reviewed the following **documents**:

- Council’s ‘Policy on formulating, adopting and registering Greater Wellington’s management policies’
- Council’s Policy Register
- A sample of seven policies included in the Council’s Policy Register
  - Purchasing Policy
  - Incident Management Policy
  - Policy on the use and security of our Information Technology equipment and resources
  - Policy on Credit Card use (including cash advances)
  - Policy on the use of camera surveillance systems
  - Public Transport Group Camera Surveillance Policy
  - Hazard Management Policy.

# Workshop SWOT analysis

We conducted a **workshop** with key council staff with the following roles:

- Chief Financial Officer
- Finance Manager
- Treasurer
- WREMO Manager
- Strategic and Corporate Planning Manager
- Regional Transport Planning

The **workshop** helped us gain an understanding of perceptions of

- the design of the policy framework, its effectiveness as a fit-for-purpose tool to guide Council main business activities and key legislative requirements
- how policies are identified, developed, and what these should incorporate
- how effectively policies are working from a user’s perspective and to discuss opportunities for further improvement.



# Your team



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*In reading this report, we request you to note the following:*



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**Conclusions**

This assignment does not constitute a review, audit, or assurance engagement as defined in the standards issued by the External Reporting Board. Accordingly, this engagement is not an assurance engagement, nor is it intended to, and will not result in, the expression of an assurance, audit or review opinion, or the fulfilling of any statutory audit or other assurance requirement.



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**Date** 8 May 2019  
**File** CCAB-22-511

**Committee** Finance, Risk and Assurance Committee  
**Authors** Mike Ward, Senior Health, Safety and Wellbeing Adviser  
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Graeme Burnett, Senior Health, Safety and Wellbeing Adviser

## Health, Safety and Wellbeing update

### 1. Purpose

To inform the Finance, Risk and Assurance Committee (the Committee) of the health, safety and wellbeing performance of Greater Wellington Regional Council (GWRC) and activity associated with GWRC’s critical risk areas.

This report incorporates the Wellbeing update, previously requested by members of the Committee.

### 2. Understanding our health and safety risks

During the period from 1 March – 30 April 2019, a total of 128 health and safety-related events were recorded in KESAW (Keeping Everyone Safe at Work). The following table is a breakdown of the events by outcome.

Event type	March - April 2019	YTD (from July 2018)
Total Events Reported	128	598
Fatalities	0	0
Lost Time Injuries (LTI)	1	4
Medical Treatment Injuries (MTI)	1	11
First Aid/Pain & Discomfort	30	102
Property damage	17	62
Near miss & hazard id reports	68	352
Other (not involving GW*)	15	80



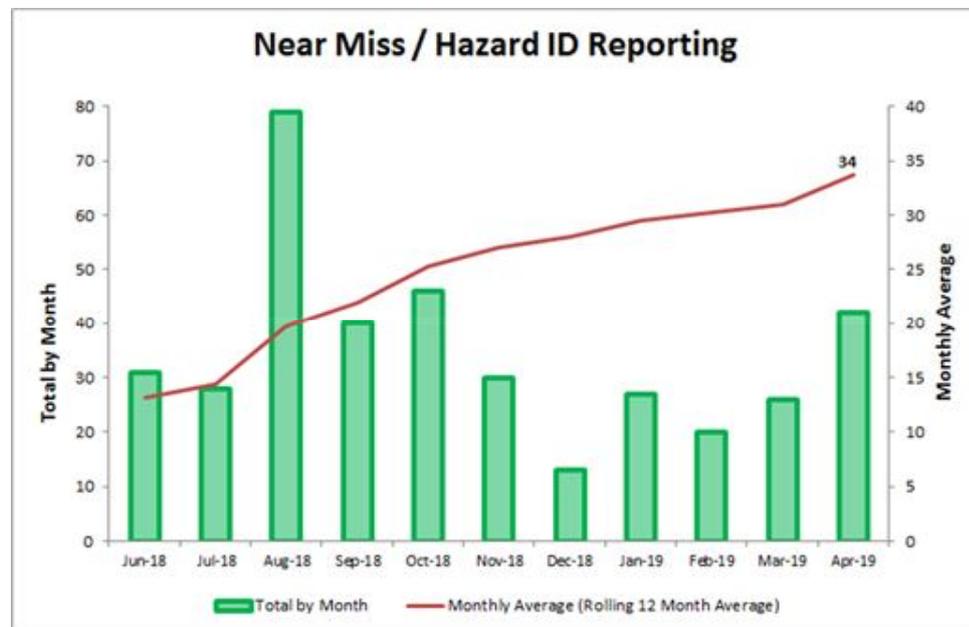
**Note\*:** These are reported events that did not involve GWRC controlled work or activity – e.g. public in parks, contractors or other third party/license holder activity on our land. GWRC have either been involved in the response to the event or have expressed direct interest in the investigations finding of the involved parties.

One Lost Time Injury (LTI) was reported in this period. The injury was a back strain to a Biosecurity field staff member, which occurred while they were setting a pest animal trap. On medical advice, the individual took several days off work to rest their back and have since made a full recovery.

A total of 352 near miss reports have being recorded since 1 July 2018. The total number of near miss reports for FY17/18 was 130.

On a monthly average (rolling 12 month average – as shown by the red line in the figure below) our near miss event report numbers have been growing and appear to continue to grow across this year. Following the whole of organisation ‘Pause 4 Safety’ workshops, we have seen an increase in event reporting. We have also had many more staff requesting new or reactivating their log-in for the KESAW system so that they can report their events directly in the system.

The HS&W Team are working on training and support for the organisation to ensure that the right people within GW are made aware of this growing number of events that they need to appropriately manage to ensure improvements are identified and implemented where possible.



**3. Pause 4 Safety – all staff organisational wide workshops.**

The ‘Pause for Safety’ workshops that were a key component of the GWRC Strategic HS&W Roadmap, were held in the first week of April. A key focus of the workshops was to release and socialize the new GW HS&W Vision and behaviours



I will pause and think – and act if safe to do so



I will speak up about safety



I will prioritise my own health, safety & wellbeing – because I matter



I will look out for my mates – because YOU matter

The workshops were well received with more than 400 staff attending one of the ten held across Masterton, Upper Hutt and Wellington. The feedback from staff, both frontline and management has been very positive.

A big part of the success of these workshops was also down to the wonderful efforts and commitment of the members of staff from the GW HS&W forum. It would not have come into being without their input and, in many cases, their willingness to step well outside their personal comfort zones to share their personal take on it.

For the Health, Safety and Wellbeing Team a significant amount of their work, over the last couple of months has been focused on preparing for the organisational wide “Pause for Safety” workshops. They are now refocusing their efforts on the other elements of the GW HS&W Strategic Roadmap to ensure that they are all picked up again and progressed forward.

## **4. Health and safety critical risk initiatives.**

The following section provides a brief update on initiatives and activities associated with several of GWRC's identified critical risk areas over the period since the previous report, or planned for the near future.

### **4.1 Critical Risks Controls Project**

The improvement programme for critical controls has commenced with the initial focus on Transportation. There have been opportunities following a number of recent transport related near miss events to consider the effectiveness of the current controls as well as reviewing and implementing improved controls.

Examples include the review of:

- Towing fixings and equipment for the recovery of four wheel drive vehicles in off road situations. This will provide a consistent approach and standardised equipment across the GW Fleet. This is being led by the Environmental Science Department,
- Additional emergency equipment held in every vehicle across the whole GW Fleet (cars, utes, quads and Light Utility Vehicles). This will involve working with Health, Safety & Wellbeing Reps and other subject matter experts,
- Processes associated with the trailer braking maintenance and routine checks to ensure early detection of faults,
- The specific training and refreshers for currently provided to staff relating to various aspects of the transportation critical risk, e.g. looking at upskilling staff on trailer maintenance.

Consultation with key GW stakeholders who have direct ownership of the transportation controls is being progressed with the focus on the improvement of whole of fleet management, procurement specification, maintenance and routine monitoring.

Members of the HS&W Team have also been involve in supporting the organisation review of the Un-maned Aerial Vehicles (UAV or Drones) – immerging high risk activity. Although the review has identified that they big risks are operational and reputational risks rather than health and safety. So this work has been handed back to the organisation to develop the standard operating procedures along with other supporting documentation, with further input of the HS&W Team as required

## **4.2 Health and Wellbeing**

### **4.2.1 GWRC Wellbeing Strategy**

There has been a decision to focus on completing the GW Wellbeing Strategy first, clearly aligned to [Te Whare Tapa Whā](#), and then complete the policy document.

Following the ‘Pause 4 Safety’ where wellbeing issues proved to be a significant area of concern for many staff, the HS&W Team have additional expressions of interest from staff members wanting to support and input into the development of the Wellbeing Strategy. This extended working group is currently being brought together along with other key organisational partners, e.g. HR, Corporate Service and Te Hunga Whiriwhiri, to complete the drafting of the Wellbeing Strategy.

The intended outcomes of the strategy remain to:

- Increased mental health literacy across the organisation
- Grow knowledge of how wellbeing is supported at GWRC
- Continue increasing physical health of GWRC staff
- Identify and implement initiatives to improve mind-set of GWRC staff, teams, and as an organisation.

#### 4.2.2 Current Wellbeing Initiatives

The following current wellbeing initiatives have been completed or are underway and will feed into the principles of the GWRC Wellbeing Policy and future strategy activities.

##### (a) Health and Wellbeing Project - Seasonal Flu Vaccination Clinics 2019

Seasonal Flu Vaccination Clinics have been run making free vaccinations available for all staff and councillors during April. These were run on site at Masterton, Upper Hutt, Shed 39 and Walter St, including additional clinics due to extra demand from staff at Walter St and Shed 39. In all, about 240 staff took up the opportunity to receive a free vaccination.

##### (b) Good Yarn Workshop

The initial in-house delivery of the ‘Good Yarn’ workshop is scheduled for late May 2019 and will be delivered to 12 staff from across the organisation. The HS&W Team now hold a license to deliver this workshop to 50 staff member each year, so add further workshops will be scheduled following the completion of this first workshop and the review of how participants found it.

This workshop is designed to make it easier for people to talk about mental health at work – though the skills participants learn may not only benefit their interaction at work, but also with their whānau and in their community too.

The workshop will present a range of useful tools to help participants:

- Recognise the signs and symptoms of stress and common mental health problems,
- Give them confidence and the skills to talk to someone when they’re concerned about them, and;
- Strategies to guide them towards appropriate supports.

It will also help the participants learn about practical things they can do in their day to day lives to protect and improve their mental health and the mental health of those around them.

(c) **Demystifying our Employee Assistance Programme (EAP)**

The series of short EAP question and answer videos have been produced and will be promoted to staff. These are presented by our EAP professionals from InStep and explore common misconceptions about the services provided by EAP.

(d) **HS&W input into Cuba St**

The HS&W Team have been invited to participate in the working group looking the design and fit out of the new Cuba St offices. This is being taken as a great opportunity to ensure wellbeing, as well as safety, considerations are included up front at the start of the process. Ensuring there is some robustness to potential features of the new offices that will help improve staff wellbeing and not just following current fads that are likely to have little or no positive impact on staff wellbeing.

#### **4.3 Safety Leadership training**

Following the success of the 'Pause 4 Safety' that came from a co-design process involving mainly staff from the HS&W Forum working with the HS&W Team, it is proposed that we use the same approach to review and establish GW's HS&W leadership training programme going forward and how this will be best delivered.

A workshop involving the HS&W Team, HS&W Forum and also all Elected HS&W Representative will be run as soon as possible.

Taking a co-designed approach the workshop will enable GW to establish a shared understanding of what:

- What 'Leading by example' actually means to different segments of the organisation and established a shared understanding of what it means for us
- What are our current strengths and capability that already exist and can be tapped into to take us forward on our next steps
- Are our actual development area needs.
- Where there are synergies for delivery with other areas of the organisation (e.g. HR Leadership Framework delivery) or
- Where there is a true need for new skill and knowledge development and how best to deliver this to staff

The outcome of this workshop will be reported back to FRAC.

#### **4.4 Toolbox talks**

The monthly toolbox talk resource has been updated to reflect the new look and feel established from the 'Pause 4 Safety' workshops. The information in the resource will work to build on the new GW HS&W vision and tie content to our HS&W behaviours.

The HS&W Team, with support from ELT, will work to ensure and track the delivery of the Toolbox talks by manager across all areas of the organisation. They will also seek ideas and stories from the organisation to be included in future editions of the toolbox resource.

## **5. Communication**

There is no communication required.

## **6. Consideration of Climate Change**

The matters addressed in this report have been considered by officers in accordance with the process set out in the GWRC Climate Change Consideration Guide.

### **6.1 Mitigation assessment**

*Mitigation assessments are concerned with the effect of the matter on the climate (i.e. the greenhouse gas emissions generated or removed from the atmosphere as a consequence of the matter) and the actions taken to reduce, neutralise or enhance that effect.*

Officers have considered the effect of the matters on the climate. Officers consider that the matters will have no effect.

Officers note that the matter does not affect the Council's interests in the Emissions Trading Scheme (ETS) and/or the Permanent Forest Sink Initiative (PFSI).

### **6.2 Adaptation assessment**

*Adaptation assessments relate to the impacts of climate change (e.g. sea level rise or an increase in extreme weather events), and the actions taken to address or avoid those impacts.*

Officers have considered the impacts of climate change in relation to the matters. Officers recommend that climate change has no bearing on the matters.

## **7. The decision-making process and significance**

No decision is being sought in this report.

## **8. Engagement**

Engagement on this matter is unnecessary.

## **9. Recommendations**

*That the Committee:*

- 1. Receives the report.*
- 2. Notes the content of the report.*

Report prepared by:

**Mike Ward**  
Senior Health, Safety and  
Wellbeing Adviser

Report prepared by:

**Rachael Meikle**  
Health, Safety and Wellbeing  
Adviser

Report prepared by:

**Graeme Burnett**  
Senior Health, Safety and  
Wellbeing Adviser

Report approved by:

**Nigel Corry**  
General Manager, People and  
Customer



Report **19.162**  
Date 16 April 2019  
File CCAB-22-496

**Committee** Finance, Risk and Assurance Committee  
**Author** Ashwin Pai, Financial Controller

## Summary of financial statements until 31 March 2019

### 1. Purpose

For the Committee to receive the summary performance report for the nine months to 31 March 2019 and an updated full year forecast to 30 June 2019.

### 2. Background

This report provides a review of the financial performance of GWRC activities for the year to date 31 March 2019. The year to date operating position is **\$7.9m favourable to budget**. Please refer to [Attachment 1](#) for the detailed report.

### 3. Communication

There is no communication required.

### 4. Consideration of climate change

The matters addressed in this report have been considered by officers in accordance with the process set out in the GWRC Climate Change Consideration Guide.

#### 4.1 Mitigation assessment

*Mitigation assessments are concerned with the effect of the matter on the climate (i.e. the greenhouse gas emissions generated or removed from the atmosphere as a consequence of the matter) and the actions taken to reduce, neutralise or enhance that effect.*

Officers have considered the effect of the matters on the climate. Officers consider that the matters will have no effect.

Officers note that the matter does not affect the Council's interests in the Emissions Trading Scheme (ETS) and/or the Permanent Forest Sink Initiative (PFSI).

#### 4.2 Adaptation assessment

*Adaptation assessments relate to the impacts of climate change (e.g. sea level rise or an increase in extreme weather events), and the actions taken to address or avoid those impacts.*

Officers have considered the impacts of climate change in relation to the matters. Officers recommend that climate change has no bearing on the matters.

**5. The decision-making process and significance**

No decision is being sought in this report.

**6. Engagement**

Engagement on this matter is unnecessary.

**7. Recommendations**

*That the Committee:*

1. *Receives the report.*
2. *Notes the content of the report.*

Report prepared by:

**Ashwin Pai**  
Financial Controller

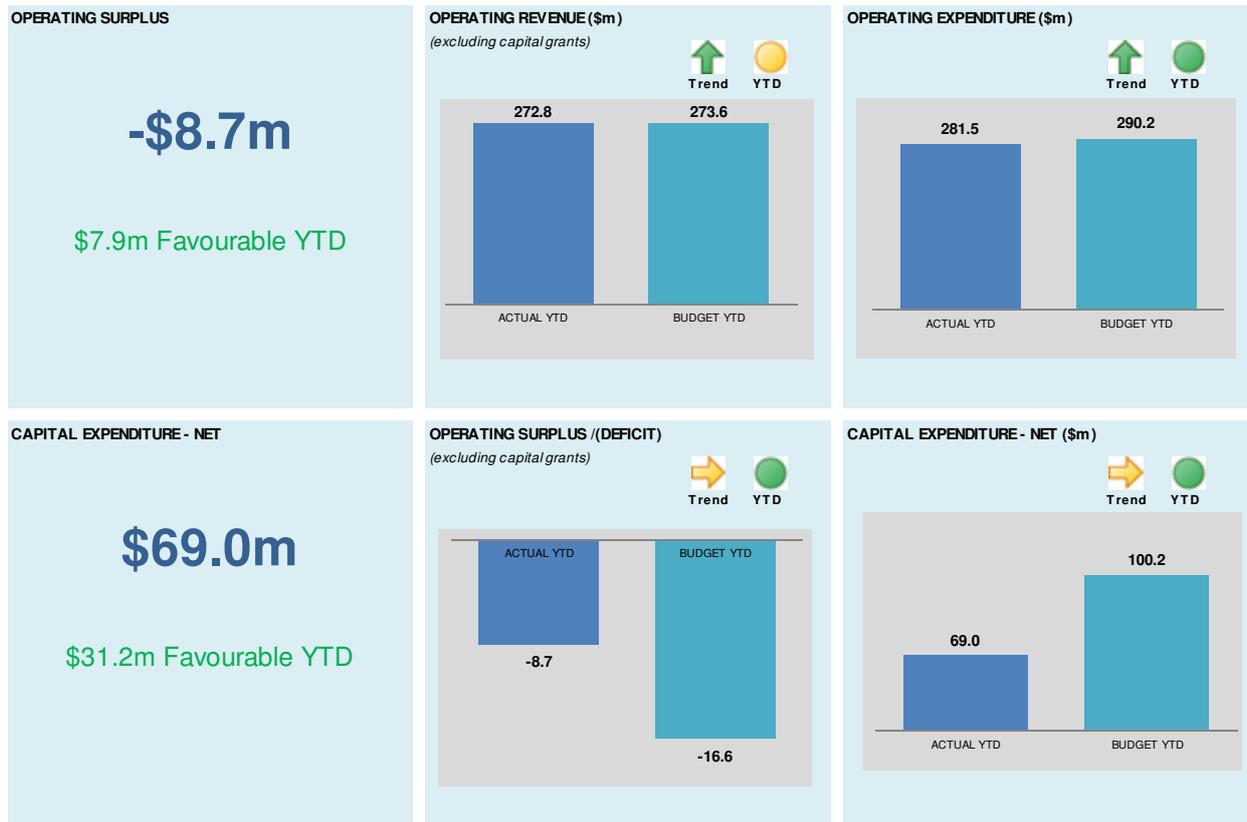
Report approved by:

**Alan Bird**  
Chief Financial Officer

**Attachment 1:** Financial Summary March 2019

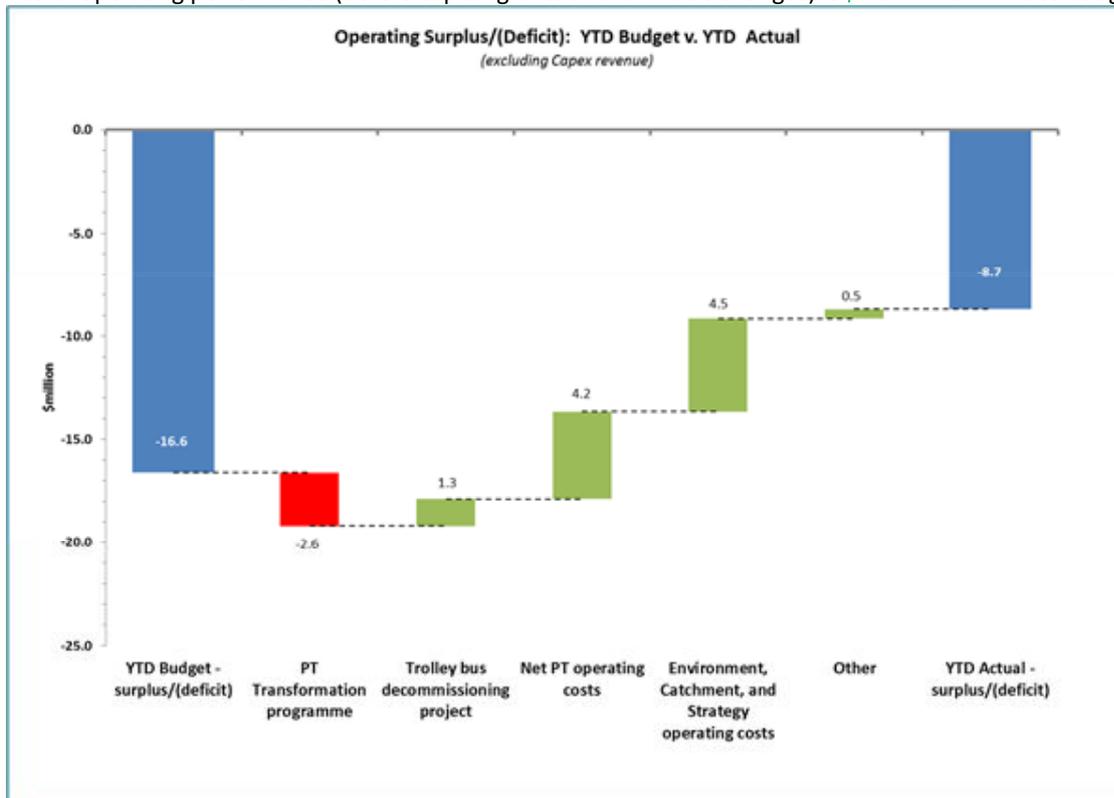
**Attachment 1 to Report 19.162**

## Council Financial Summary – Actual vs Budget Year to Date – 31 March 2019



**Council Summary**

Actual operating performance (before capital grants and fair value changes) is **\$7.9m favourable** to budget.



	\$m
<b>Budgeted Deficit</b>	<b>-16.6</b>
<u>Key variances to actual surplus are:</u>	
PT Transformation programme	-2.6
Trolley bus decommissioning project	1.3
Net PT operating costs	4.2
Environment, Catchment, and Strategy operating costs	4.5
Other	0.5
<b>Actual Deficit</b>	<b>-8.7</b>

### Statement of Revenue and Expense

\$000	YEAR TO DATE		
	Actual YTD	Budget YTD	Variance
<b>OPERATING REVENUE</b>			
Rates	97,117	96,656	462
Subsidies & Grants	55,202	55,638	436
Other Revenue	116,185	119,185	3,000
Finance Revenue	4,262	2,148	2,115
<b>TOTAL REVENUE</b>	<b>272,767</b>	<b>273,626</b>	<b>860</b>
<b>OPERATING EXPENDITURE</b>			
Personnel	36,540	37,571	1,031
Material & Contractor/Consultant	59,607	63,052	3,445
Depreciation & Amortisation	18,993	20,008	1,013
Grants & Subsidy	143,945	148,250	4,305
Finance Cost	17,456	16,767	689
Other Expense	4,928	4,592	336
<b>TOTAL EXPENDITURE</b>	<b>281,469</b>	<b>290,237</b>	<b>8,769</b>
<b>OPERATING SURPLUS/(DEFICIT)</b>	<b>(8,702)</b>	<b>(16,611)</b>	<b>7,909</b>
Subsidies & Grants - Capex	14,204	23,995	9,791
Fair Value Movement	0	0	0
<b>SURPLUS/(DEFICIT)</b>	<b>5,502</b>	<b>7,384</b>	<b>1,882</b>

### Statement of Revenue and Expense by Business Group - Actual vs Budget

\$000	YEAR TO DATE			YEAR TO DATE			YEAR TO DATE		
	Operational Revenue			Operational Expenditure			Operational Surplus / (Deficit)		
Group	Actual YTD	Budget YTD	Variance	Actual YTD	Budget YTD	Variance	Actual YTD	Budget YTD	Variance
Public Transport	180,024	181,642	1,617	176,705	181,578	4,873	3,320	64	3,256
Catchment Management	30,250	30,255	5	22,217	23,581	1,364	8,033	6,674	1,359
Environment Management	23,545	23,895	351	18,414	19,579	1,165	5,130	4,317	814
Te Hunga Whiriwhiri	1,000	998	3	583	896	314	418	101	317
Strategy	9,679	9,997	318	8,101	10,069	1,968	1,577	(72)	1,650
Corporate Services	1,035	1,602	567	13,915	14,391	476	(12,880)	(12,789)	91
People and Customer	158	135	23	6,560	7,062	503	(6,402)	(6,927)	525
Investment Management	(4,251)	(5,984)	1,733	(581)	(2,627)	2,045	(3,670)	(3,358)	312
Water Supply	25,804	25,659	145	30,588	30,517	70	(4,783)	(4,858)	75
Warm Wellington	2,460	2,428	33	2,460	2,428	33	0	0	0
WREMO	3,062	2,999	63	2,507	2,761	254	555	237	317
<b>TOTAL</b>	<b>272,767</b>	<b>273,626</b>	<b>860</b>	<b>281,469</b>	<b>290,237</b>	<b>8,769</b>	<b>(8,702)</b>	<b>(16,611)</b>	<b>7,909</b>

Key year-to-date variances Actual vs Budget are noted below.

#### **Operating Revenue: \$0.9m Unfavourable**

**Public Transport** is \$1.6m unfavourable

- Lower NZTA grants (\$1.1m) reflecting lower claimable costs, partially offset by higher Crown Super Gold exempt revenue (\$0.7m) (no funding impact - to be moved to offset expenses at year end).
- Bus and train fare revenue (\$0.2m). Lower bus fare revenue due to decreased patronage and delayed start to the bus operating contracts in comparison to budget partially offset by higher rail revenue due to increased patronage of 5.2% YTD.
- Project NEXT (integrated ticketing) partner revenue due to lower than expected costs which are on-charged to project partners (\$0.7m).

- Bus advertising (\$0.4m) due to constraints with placing advertising on the current fleet of buses.

**Investment Management** is \$1.7m favourable

- Additional interest earned from higher interest rates and investing additional funds received on the prefunding of debt and short term excess liquidity. Largely offset by higher interest costs as noted below.

**Operating Expenditure \$8.8m Favourable**

**Public Transport** is \$4.9m favourable

- Rail costs \$1.1m due to lower KPI payments (\$0.6m) and underspend on station maintenance (\$1.1m), partially offset by increased operations on the Kapiti line due to an extra service to accommodate increased patronage of 7.2% YTD (\$0.2m) and rail network renewals brought forward (\$0.6m).
- Bus costs due to the timing of the new operator contracts in comparison to budget, lower costs for performance incentives and special events (\$2.3m). Partially offset by higher than expected indexation payments for diesel fuel (\$1.2m).
- Trolley bus decommissioning project completed under budget (\$1.3m).
- Snapper operating costs due to contracts starting later than expected and BAU/fares transition due to the team focusing on the Public Transport Transformation Project (\$1.5m).
- Project NEXT due to timing as well as lower resourcing and professional services fees (\$1.1m).
- Depreciation and finance costs due to lower than expected capex (\$1.5m).
- Partially offset by increased expenditures in the Public Transport Transformation Project (PTTP) (\$2.6m) due to additional transition and customer engagement resource requirements and the reclassification of capex to opex.

**Catchment** is \$1.4m favourable

- Timing of Flood Protection river maintenance work and financial cost savings due to a lower debt balance (\$0.6m).
- Lower farmer claims for the Riparian programme and lower Wellington Regional Erosion Control Initiative (WRECI) programme spend (\$0.4m) partially offset by lower revenue.

**Environment** is \$1.2m favourable

- Lower consent processing activity primarily in the Roads of National Significance programme (\$0.4m) (offset by lower consent revenue), and personnel vacancies (\$0.3m).
- Timing of Science monitoring programmes (\$0.7m) and Parks maintenance (\$0.1m).
- Partially offset by higher Natural Resources Plan consultant costs (\$0.6m).

**Strategy** is \$2.0m favourable

- Timing of the Regional transport and Let's Get Wellington Moving (LGWM) projects (\$0.8m). This has resulted in lower revenue in the strategy group.
- Strategy support personnel and contractor savings (Future of Port and support administration) (\$0.3m).
- Corporate Planning personnel savings due to unfilled positions and lower spending on transport projects (\$0.3m).

**Investment Management** is \$2.0m unfavourable

- Lower interest recoveries from business groups due to a lower than budgeted internal loan opening balance and lower than budgeted capex spend (\$1.3m).
- Additional interest expense from the prefunding of debt. Largely offset by higher interest revenue as noted above.

## Capital Expenditure by Business Group

\$000	YEAR TO DATE		
	Actual YTD	Budget YTD	Variance
<b>Group</b>			
Public Transport (incl investment)	46,701	64,909	18,209
Catchment Management	11,381	12,960	1,579
Environment Management	2,141	4,297	2,156
Strategy	125	687	562
Corporate Services	3,651	5,632	1,980
People and Customer	151	480	329
Investment Management	807	200	607
Water Supply	4,072	11,029	6,957
<b>TOTAL</b>	<b>69,028</b>	<b>100,194</b>	<b>31,166</b>

Key year-to-date variances Actual vs Budget are noted below.

### Capital Expenditure \$31.2m Underspend

#### Public Transport is \$18.2m Underspend

- Savings on the Driver Simulator. The project is finished and under budget (\$1.1m).
- Deferred rolling stock upgrades relating to Wairarapa Line carriage life extensions (\$3.5m). The life extension work will be re-budgeted to 2019/20.
- Station renewal and upgrades due to the delay with commencing this work (\$3.7m). The expectation is that \$2.5m will be re-budgeted to 2019/20, with \$5.7m to be spent in the remainder of this financial year.
- Train heavy maintenance & minor improvements (\$5.0m). The budget is based on the external supplier's work plan which will extend into 2019/20.
- Park & Ride due to a delayed start, with the expectation that the full budget will be spent this financial year (\$1.6m).
- Real time information systems (\$1.9m). To be re-budgeted.
- Bus shelter and signage upgrade (\$1.9m). Paraparaumu and Waikanae now commencing next year, and a lower than expected rate of spend on new bus stop facilities and standing pads due to a focus on the Public Transport Transformation Project.

#### Catchment is \$1.6m underspend

- Lower spend on Lower Wairarapa Valley Development (LWVD) stop bank upgrades due to delays in landowner negotiations and issues with resourcing the contract (\$1.0m).
- Delay with Otaki River works, stop-bank improvements and land purchase projects due to a review of the Otaki FMP (\$0.6m).
- Delay with Pinehaven Stream improvements (\$0.3m), minor investigations (\$0.3m), and timing of minor projects (\$0.5m).
- Partially offset by Ava to Estuary land purchase for the purpose of future flood protection (\$0.4m), and RiverLink property acquisitions progressing faster than anticipated (\$0.6m).

#### Environment is \$2.2m underspend

- Timing of the Wellington-Hutt Whitua Collaborative Modelling projects (\$0.7m).
- Science network upgrades timing difference (\$0.7m).
- Timing of the infrastructure upgrades at Battle Hill, Queen Elizabeth and Kaitoke Regional Parks (\$1.1m). \$0.7m re-budgeted to 2019/20.

#### Strategy is \$0.6m underspend

- Timing of the transport planning software model. Expected to re-budget \$400k to 2019/20.

#### Corporate Services is \$2.0m favourable

- Timing of Optimus project and various ICT programmes due to the prioritisation of PTOM programmes. \$2.9m full year underspend on Project Optimus re-budgeted to 2019/20.

**Investment Management** is **\$0.6m unfavourable**

- Unbudgeted expenditure for the Optimus project office fit-out (\$0.2m), and unbudgeted ICT and signage costs for the Masterton departmental building.

**Water Supply** is **\$7.0m underspend**

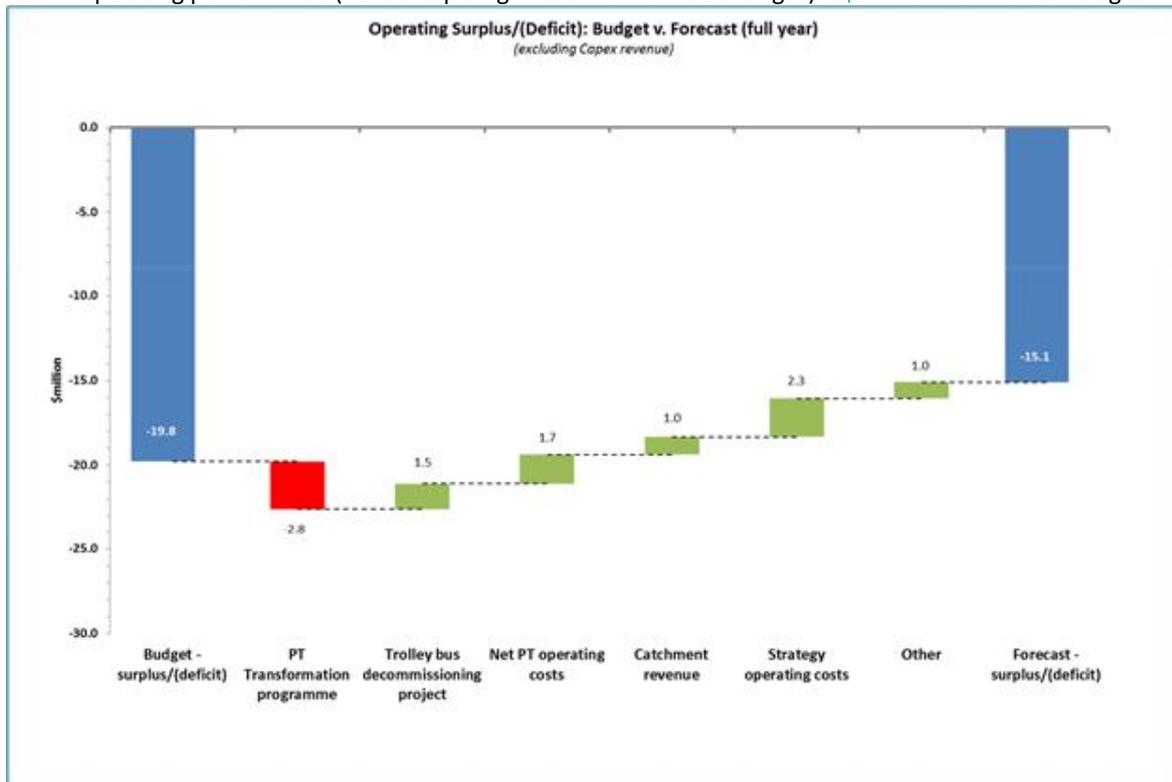
- Timing of the Cross Harbour Pipeline alternate water source project (\$1.5m). Delay due to late commencement of the project including a requirement to complete some pre-investigation studies. The shortfall in spend will be utilised in 2019/20.
- Ngauranga reservoir strengthening (\$2.7m). Delay due to project design review.
- Strategic store project scope change (\$1.4m). Access to new site options via the new alliance partner (Fulton Hogan) has changed the scope of the project. The remaining budget will be used in 2020/21.
- Chemical tanks replacement (\$0.1m). Delayed due to operational considerations but expected to be completed this financial year.
- Other projects contributing to the favourable variance include Whitemans Road rail crossing pipe replacement (\$0.3m), cathodic protection (\$0.2m), & water treatment plant road reseals (\$0.2m).
- Partially offset by other projects brought forward including reservoir seismic strengthening, Porirua branch extension, & GI and WL well seismic upgrade project.

## Council Financial Summary – Full Year Forecast vs Budget – 31 March 2019



### Council Summary

Actual operating performance (before capital grants and fair value changes) is \$4.7m favourable to budget.



	\$m
<b>Budgeted Deficit</b>	<b>-19.8</b>
<u>Key variances to actual surplus are:</u>	
PT Transformation programme	-2.8
Trolley bus decommissioning project	1.5
Net PT operating costs	1.7
Catchment revenue	1.0
Strategy operating costs	2.3
Other	1.0
<b>Forecast Deficit</b>	<b>-15.1</b>

Statement of Revenue and Expense by Business Group - Forecast vs Budget

\$000 Group	FULL YEAR			FULL YEAR			FULL YEAR		
	Operational Revenue			Operational Expenditure			Operational Surplus / (Deficit)		
	Forecast	Budget	Variance	Forecast	Budget	Variance	Forecast	Budget	Variance
Public Transport	241,678	241,612	66	239,953	240,715	762	1,725	897	828
Catchment Management	41,341	40,293	1,049	31,229	31,172	57	10,112	9,121	992
Environment Management	31,182	31,723	542	25,783	26,328	545	5,399	5,396	3
Te Hunga Whiriwhiri	1,330	1,330	0	1,092	1,192	100	238	138	100
Strategy	13,305	13,329	24	11,954	14,229	2,275	1,351	(900)	2,251
Corporate Services	2,190	2,137	53	19,026	19,388	362	(16,837)	(17,252)	415
People and Customer	200	180	20	9,292	9,376	83	(9,092)	(9,195)	103
Investment Management	(4,384)	(6,003)	1,619	(2,731)	(4,051)	1,320	(1,653)	(1,952)	299
Water Supply	34,458	34,308	150	41,125	40,651	474	(6,666)	(6,342)	324
Warm Wellington	3,237	3,237	0	3,237	3,237	0	0	0	0
WREMO	3,999	3,999	0	3,684	3,684	0	314	314	0
<b>TOTAL</b>	<b>368,536</b>	<b>366,145</b>	<b>2,391</b>	<b>383,646</b>	<b>385,921</b>	<b>2,275</b>	<b>(15,110)</b>	<b>(19,776)</b>	<b>4,666</b>

Key full year variances Forecast vs Budget are noted below.

**Operating Revenue: \$2.4m Favourable**

**Public Transport is \$0.1m favourable**

- Higher NZTA grants (\$1.5m) reflecting higher full year claimable expenditure of \$3.0m.
- Bus and train fare revenue (\$0.0m). Lower bus fare revenue due to decreased patronage and delayed start to the bus operating contracts in comparison to budget partially offset by higher rail revenue due to increased patronage.
- Partially offset by Project NEXT (integrated ticketing) partner revenue due to lower than expected costs which are on-charged to project partners (\$0.7m), and
- Bus advertising (\$0.3m) due to constraints with placing advertising on the current fleet of buses.

**Catchment Management is \$1.0m favourable**

- Land Management due to an increase to WRECI programme with increased MPI grants and landowner income (\$0.5m) and Riparian programme income (\$0.3m), offset by higher expenditure.
- Biosecurity due to increased Predator Free Wellington works (\$0.8m), offset by higher costs.

**Environment is \$0.5m unfavourable**

- Mainly due to lower consent activity and processing costs as the demand from the Roads of National Significance projects reduce (\$0.6m) (offset by lower consent costs – refer below), partially offset by increased revenue from Parks camping and concessions and revenue.

**Investment Management is \$1.6m favourable**

- Additional interest earned from higher interest rates and investing additional funds received on the prefunding of debt and short term excess liquidity. Offset by the deferral of \$0.6m subvention

revenue from CentrePort into 2019/20, lower debt guarantee revenue, and by higher interest costs as noted below.

### **Operating Expenditure \$2.3m favourable**

#### **Public Transport is \$0.8m favourable**

- Rail costs \$0.1m due to lower spend on Wellington Railway station toilet reconfiguration (\$0.6m to be re-budgeted to 2019/20), lower KPI payments (\$1.0m) and underspend on special events (\$0.3m) partially offset by higher than expected train replacement costs (\$1.8), increased operations on the Kapiti line due to an extra service to accommodate increased patronage (\$0.5m) and associated incentive payment to Transdev (\$0.3m).
- Lower bus costs for performance incentives and special events (\$1.1m), trolley bus decommissioning project completed under budget (\$1.5m), and underspend on bus stop rationalisation and a delay to the Lambton Interchange lease (\$0.7m), partially offset by higher than expected indexation payments for diesel fuel (\$2.0m).
- Favourable variances on Snapper operating costs due to contracts starting later than expected and leasing rather than directly resourcing the solution (\$0.8m).
- Project NEXT due to timing as well as lower resourcing and professional services fees (\$1.0m).
- Lower depreciation and finance charges (\$1.8m).
- Partially offset by increased expenditures in the Public Transport Transformation Project (PTTP) (\$5.5m) due to additional transition and customer engagement resource requirements and the reclassification of capex to opex.

#### **Catchment is \$0.1m unfavourable**

- Biosecurity due to increased Predator Free Wellington works (\$0.4m), offset by higher revenue.
- Land Management due to an increase to WRECI programme expenditure offset by higher MPI grant and landowner income (\$0.1m).

#### **Environment is \$0.5m favourable**

- Re-phasing the Soil Mapping Project (\$0.2m), lower consent processing activity (\$0.4m) (offset by lower consent revenue), and personnel vacancies (\$0.3m).
- Partially offset by higher Natural Resources Plan costs, and
- Delay of the sale of the two Belmont properties – decision deferred to next year (\$0.4m).

#### **Strategy is \$2.3m favourable**

- Regional transport, LGWM, Ngauranga to Petone Cycleway projects behind schedule (not expected to be completed in June) (\$1.4m).
- Corporate and Strategic Planning personnel savings due to unfilled positions and lower spending on transport projects (\$0.4m).

#### **Investment Management is \$1.3m unfavourable**

- Lower interest recoveries from business groups due to a lower than budgeted internal loan opening balance and lower than budgeted capex spend (\$0.6m).
- Additional interest expense from the prefunding of debt. Largely offset by higher interest revenue as noted above.

## Capital Expenditure by Business Group

\$000 Group	FULL YEAR		
	Forecast	Total Budget	Variance
Public Transport (incl investment)	54,341	76,785	22,444
Catchment Management	17,147	18,203	1,056
Environment Management	4,926	6,839	1,913
Strategy	515	915	400
Corporate Services	7,569	10,433	2,864
People and Customer	200	700	500
Investment Management	771	250	521
Water Supply	9,154	14,645	5,491
<b>TOTAL</b>	<b>94,624</b>	<b>128,770</b>	<b>34,146</b>

Key full year variances Forecast vs Budget are noted below.

### Capital Expenditure \$34.1m Underspend

#### Public Transport is \$22.4m underspend

- Savings on the Driver Simulator. The project is finished and under budget (\$1.0m).
- Deferred rolling stock upgrades including Wairarapa Line carriage life extensions (\$4.5m). The life extension work will be re-budgeted to 2019/20.
- Station renewal and upgrades due to the delay with commencing this work (\$4.1m). The expectation is that \$2.5m will be re-budgeted to 2019/20.
- Park & Ride development ( \$1.8m).
- Wellington Station information systems to be re-budgeted to next year (\$0.9m).
- Train heavy maintenance & minor improvements (\$6.1m). The budget is based on the external supplier's work plan which will carry over to 2019/20.
- Real time information systems (\$1.4m). To be re-budgeted.
- Bus shelter and signage upgrade (\$1.8m). Paraparaumu and Waikanae now commencing next year, and a lower than expected rate of spend on new bus stop facilities and standing pads due to a focus on the Public Transport Transformation Project.
- Partially offset by bus hubs largely due to the shifting of work from 2017/18 to this year under an approved change request (\$4.1m).

#### Catchment is \$1.1m undersepend

- Lower spend on Lower Wairarapa Valley Development (LWVD) stop bank upgrades due to delays in landowner negotiations and issues with resourcing the contract (\$0.8m).
- Delay with Otaki River works, stop-bank improvements and land purchase projects due to a review of the Otaki FMP (\$1.3m).
- Delay with Pinehaven Stream improvements (\$0.5m), minor projects and investigations (\$0.6m).
- Partially offset by Ava to Estuary land purchase for the purpose of future flood protection (\$0.4m), and RiverLink property acquisitions progressing faster than anticipated (\$1.3m).

#### Environment is \$1.9m underspend

- Timing of the Wellington-Hutt Whaitua Collaborative Modelling projects due to planning process delays (\$0.8m).
- Timing of the infrastructure upgrades at Belmont, Battle Hill, Queen Elizabeth, Pakuratahi Forest and Kaitoke Regional Parks (\$1.5m). \$0.7m re-budgeted to 2019/20.

#### Strategy is \$0.4m underspend

- Timing of the transport planning software model. Expected to re-budget \$400k to 2019/20.

**Corporate Services** is **\$2.9m underspend**

- Timing of Optimus project. \$2.9m full year underspend on Project Optimus re-budgeted to 2019/20.

**People and Customer** is **\$0.5m underspend**

- Deferral of Customer Engagement website development, to be re-budgeted to 2019/20.

**Investment Management** is **\$0.5m unfavourable**

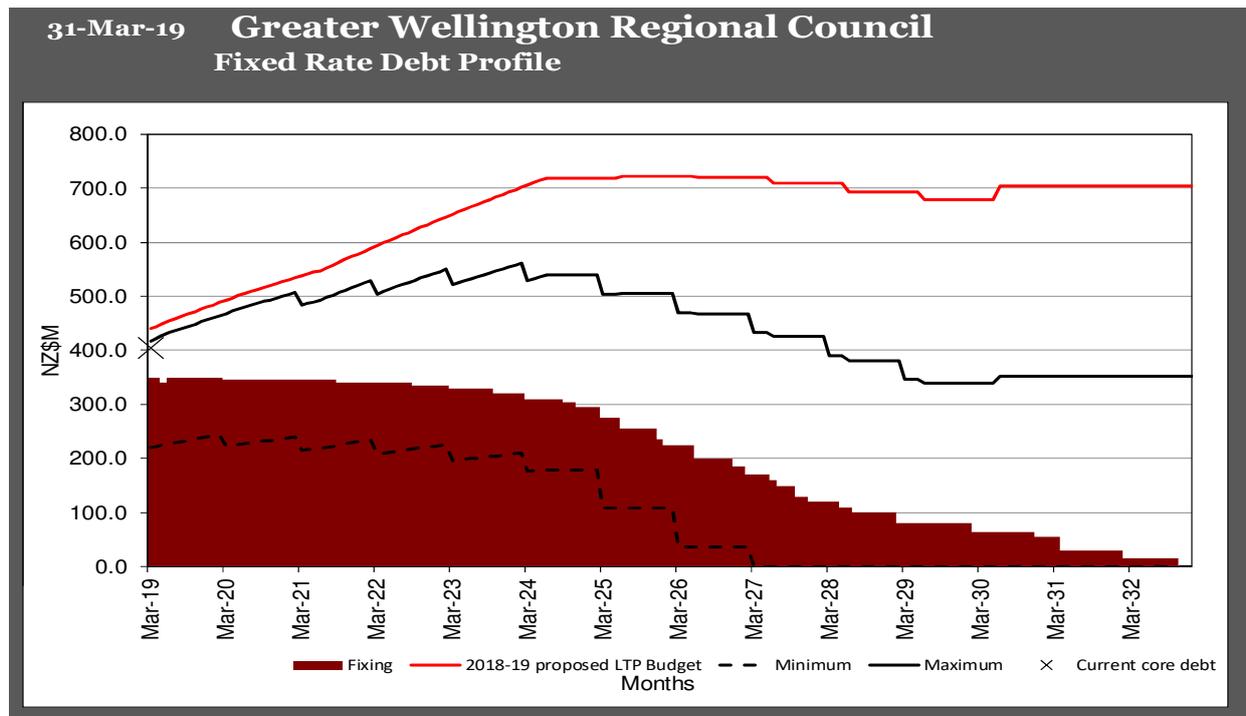
- Unbudgeted expenditure for the Vivian Street project office fit-out and unbudgeted ICT and signage costs for the Masterton departmental building.

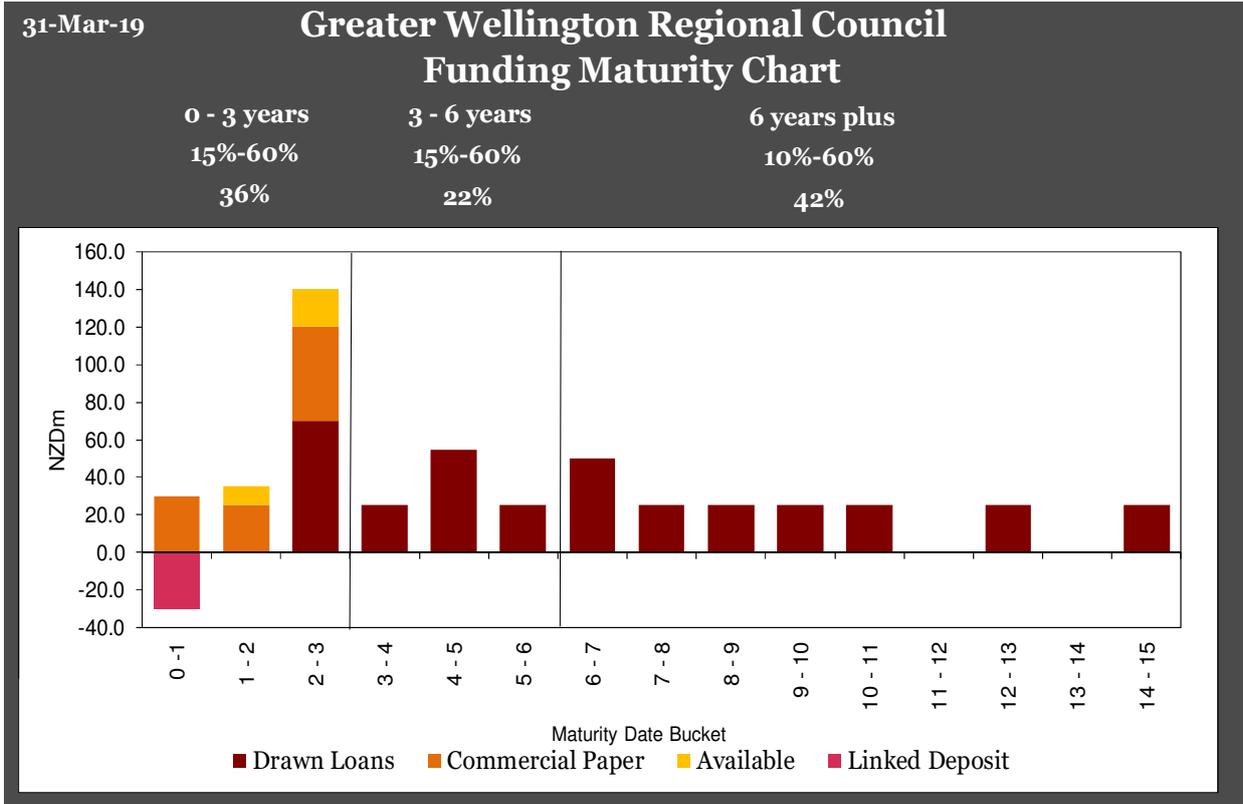
**Water Supply** is **\$5.5m underspend**

- Timing of the Cross Harbour Pipeline alternate water source project (\$1.9m). Delay due to late commencement of the project including a requirement to complete some pre-investigation studies. The shortfall in spend will be utilised in 2019/20.
- Ngauranga reservoir strengthening (\$3.6m). Delay due to project design review. Underspend in 2018/19 will be transferred to 2019/20.
- Strategic store project scope change (\$1.7m). Access to new site options via the new alliance partner (Fulton Hogan) has changed the scope of the project. The remaining budget will be used in 2020/21.
- Partially offset by other projects brought forward including reservoir seismic strengthening, Porirua branch extension, & GI and WL well seismic upgrade project (\$2.4m).

# Compliance with Treasury Risk Management Policy

Total Council Limit Compliance Analysis				Compliant						Compliant				
				Yes	No	actual %					Yes	No	actual %	
Debt Interest Rate Policy Parameters						Countreparty credit exposure with New Zealand registered banks which have a credit rating of at least A-, long term, and A2 short term						✓		
Current	50% - 95%			✓		78%	Other counterparty exposure within policy limits				✓			
year 1	45% - 95%			✓		70%	Maximum counterparty exposure with a NZ registered bank is within \$99 million limit				✓			
year 2	40% - 90%			✓		64%	The repricing of liquid financial investments are to occur within the following timebands							
year 3	35% - 85%			✓		57%	0 - 1 year	40% - 100%	✓	96%				
year 4	30% - 80%			✓		51%	1 - 3 years	0% - 60%	✓	4%				
year 5	25% - 75%			✓		44%	3 - 5 years	0% - 40%	✓	0%				
year 6	15% - 70%			✓		38%	5 - 10 years	0% - 20%	✓	0%				
year 7	5% - 65%			✓		31%	<b>Core Council External Borrowing Limits - Ratios</b>							
year 8	0% - 60%			✓		24%	Net Debt / Total Revenue < 250%					✓	86.3%	
year 9	0% - 55%			✓		17%	Net interest / Total Revenue < 20%					✓	4.7%	
year 10	0% - 50%			✓		12%	Net interest / Annual rates and levies < 30%					✓	11.0%	
year 11	0% - 45%			✓		10%	Liquidity > 110%					✓	122%	
year 12	0% - 40%			✓		8%								
year 13	0% - 35%			✓		2%								
year 14	0% - 30%			✓		0%								
year 15	0% - 25%			✓		0%								
The maturity of total external debt less liquid financial investments to fall within the following timebands														
0 - 3 years	15% - 60%			✓		21%								
3 - 5 years	15% - 60%			✓		27%								
> 5 years	10% - 60%			✓		52%								





## WRC Holdings Group Financial Summary – 28 February 2019

WRC HOLDINGS GROUP INCOME STATEMENT FOR THE PERIOD ENDING 28 FEBRUARY 2019	YTD 28 February 2019			Full Year 18/19		
	Actual \$000	Budget \$000	Variance \$000	Forecast \$000	Budget \$000	Variance \$000
<b>Total Revenue</b>	69,961	65,566	4,395	101,898	98,467	3,431
<b>Operating Expenses</b>	64,961	64,372	(589)	99,189	96,139	(3,050)
<b>Earnings before interest &amp; tax ( EBIT )</b>	<b>5,000</b>	<b>1,195</b>	<b>3,806</b>	<b>2,709</b>	<b>2,328</b>	<b>381</b>
<b>Less:</b>						
Finance costs	853	1,003	150	989	1,420	431
Revaluation gain/(loss)				-	-	
<b>Net surplus (deficit) before tax &amp; revaluations</b>	<b>4,147</b>	<b>192</b>	<b>3,955</b>	<b>1,720</b>	<b>908</b>	<b>812</b>
CentrePort Fair Value Movements	-	-	-	-	-	-
CentrePort Earthquake claims - Net	(7,699)	(37,303)	(29,604)	(205,932)	(80,063)	125,869
<b>Net surplus (deficit) before tax &amp; after earthquake costs</b>	<b>11,846</b>	<b>37,495</b>	<b>(25,649)</b>	<b>207,652</b>	<b>80,971</b>	<b>126,681</b>

The analysis below is for the net surplus before tax and earthquake costs (EQ) in order to focus the commentary on core business operations. CentrePort EQ cost recovery is \$29.6m unfavourable year-to-date, but is forecast to be \$125.9m favourable for the year due to the anticipated settlement of insurance pay-out. The budget included a conservative estimate of the insurance pay-out and the forecast is based on current estimates.

### **Key Variances Year-to-Date Actual vs Budget: Net surplus before tax & EQ \$4.0m Favourable**

#### **CentrePort \$3.4m favourable**

- \$3.8m favourable due to the higher earnings from its associated companies due to the property insurance settlement
- \$1.6m favourable mainly due to higher log volumes.

#### **Greater Wellington Rail Ltd \$0.4m favourable**

- \$0.4m lower station cleaning and maintenance expenditure
- \$0.3m lower depreciation

Note that GWRL is funded by GWRC and therefore GWRL net operating costs are recorded in the Council's financial results.

### **Key Variances Full-Year Forecast vs Budget: Net surplus before tax & EQ: \$0.8m Favourable**

#### **CentrePort \$0.3m favourable**

- \$2.2m favourable revenue due to the property insurance settlement
- \$1.1m favourable revenue mainly due to higher log volumes.
- Partially offset by higher operating costs of
  - \$2.5m due to additional personnel costs in Container and Break Bulk Cargo services.
  - \$0.4m additional cost to settle the Mandatory Convertible Notes

#### **WRC Holdings Ltd \$0.3m favourable**

- Lower finance costs due to lower than anticipated interest rates on borrowings.

Report **19.161**  
Date 15 April 2019  
File CCAB-22-494

**Committee** Finance, Risk and Assurance Committee  
**Author** Ashwin Pai, Financial Controller

## **Audit plan for the year ended 30 June 2019**

### **1. Purpose**

For the Committee to receive the audit plan issued to Greater Wellington Regional Council (GWRC) by Audit NZ.

### **2. Background**

The Auditor-General has appointed Audit NZ to carry out the audit of GWRC for the 2018/19 financial year.

As required by the Auditor-General, Audit NZ have provided GWRC with an audit plan. The audit plan sets out the areas of audit focus, risks & issues, audit timelines and audit process for 2018/19 financial year. Refer [Attachment 1](#).

### **3. Communication**

There is no communication required.

### **4. Consideration of climate change**

The matters addressed in this report have been considered by officers in accordance with the process set out in the GWRC Climate Change Consideration Guide.

#### **4.1 Mitigation assessment**

*Mitigation assessments are concerned with the effect of the matter on the climate (i.e. the greenhouse gas emissions generated or removed from the atmosphere as a consequence of the matter) and the actions taken to reduce, neutralise or enhance that effect.*

Officers have considered the effect of the matters on the climate. Officers consider that the matters will have no effect.

Officers note that the matter does not affect the Council's interests in the Emissions Trading Scheme (ETS) and/or the Permanent Forest Sink Initiative (PFSI).

**4.2 Adaptation assessment**

*Adaptation assessments relate to the impacts of climate change (e.g. sea level rise or an increase in extreme weather events), and the actions taken to address or avoid those impacts.*

Officers have considered the impacts of climate change in relation to the matters. Officers recommend that climate change has no bearing on the matters.

**5. The decision-making process and significance**

No decision is being sought in this report.

**6. Engagement**

Engagement on this matter is unnecessary.

**7. Recommendations**

*That the Committee:*

- 1. Receives the report.*
- 2. Notes the content of the report.*

Report prepared by:

**Ashwin Pai**  
Financial Controller

Report approved by:

**Alan Bird**  
Chief Financial Officer

**Attachment 1:** GWRC audit plan 2018-19

# Audit plan

## Greater Wellington Regional Council

For the year ending 30 June 2019

## Audit plan

I am pleased to present the arrangements for the audit of the Greater Wellington Regional Council for the year ending 30 June 2019. The purpose of this audit plan is to discuss:

Audit risks and issues .....	2
Our audit process .....	9
Reporting protocols.....	13
Audit logistics .....	13

The contents of this plan should provide a good basis for discussion when we meet with you.

We will be happy to elaborate further on the matters raised in this plan.

We are committed to delivering a high-quality audit. Our audit is risk based, which means that we focus on the areas that matter. Every member of the audit team will contribute to achieving the highest standard of professional excellence.

If there are additional matters that you think we should include, or any matters requiring clarification, please discuss these with me.

Yours sincerely



Jacques Coetzee  
Appointed Auditor  
27 March 2019

## Audit risks and issues

### Focus areas



Based on the planning work and discussions that we have completed to date, this table sets out the main audit risks and issues.

Audit risk/issue	Our audit response
<b>Fair value of infrastructural assets and other revalued assets</b>	
<p>The Regional Council periodically revalues its infrastructure asset classes. The relevant accounting standard, PBE IPSAS 17, <i>Property, Plant and Equipment</i>, requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.</p> <p>The Regional Council revalues its assets on a cyclical basis. The public transport assets are to be revalued this year.</p> <p>The revaluation represents a risk to the Regional Council because the estimate involves expert judgements, assumptions and is subject to inherent uncertainty.</p> <p>For revalued asset classes which are not scheduled to be revalued this year, the Regional Council and group are required to assess whether the asset classes' fair value has significantly moved compared with their carrying value as at 30 June 2019. If a significant movement has occurred, the Regional Council and group are required by accounting standards to perform a full revaluation of the affected asset classes.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>obtain copies of the valuation reports prepared by the valuers and discuss the valuation process with them, focusing in particular on their assumptions;</li> <li>review the valuation methodology and test the validity of the assumptions adopted and whether they have been applied consistently;</li> <li>test the integrity of the underlying data used for the valuation; and</li> <li>ensure that the Regional Council has correctly accounted for and disclosed the revaluation in the financial statements in accordance with the accounting standard.</li> </ul> <p>We will also review the robustness of the Regional Council's assessment of fair value against carrying value for asset classes not scheduled for revaluation this year.</p> <p>We understand, through our communications with the CentrePort Limited auditors, that similar work will be performed during their audit to obtain the required comfort. We will consider the work performed in this area as part our audit, including the impact on the group.</p>
<b>Impact of the November 2016 earthquakes</b>	
<p>The November 2016 earthquakes caused damage to several Regional Council owned property and assets, particularly buildings and investment properties owned by the CentrePort Group.</p> <p>Key areas of uncertainty remaining which may</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>review the Regional Council's assessment of any further potential building and infrastructure asset impairments due to the earthquake;</li> </ul>

Audit risk/issue	Our audit response
<p>affect the Regional Council financial statements include:</p> <ul style="list-style-type: none"> <li>significant insurance revenue and receivables for assets damaged and business interruption; and</li> <li>potential further impairments of assets due to additional information which has come to light during 2018/19.</li> </ul> <p>Management should keep us updated on the ongoing impact of the earthquake on the wider operations of the Regional Council, its progress with insurance recoveries and specifically how CentrePort Limited is dealing with these issues.</p>	<ul style="list-style-type: none"> <li>review the accounting treatment of any insurance recoveries recorded in the financial statements and ensure disclosures are accurate; and</li> <li>continue to liaise with the auditors of CentrePort Limited to understand the impact of the earthquake on CentrePort Limited's financial statements and its audit opinion (in order to understand any possible flow-on impacts for the Regional Council's own financial statements and audit opinion).</li> </ul> <p>We will also continue to collaboratively work together with the OAG to consider the current year impact on the Regional Council's audit opinion.</p>
<b>Public Transport Operating Model and Contract Management</b>	
<p>The Regional Council has, as part of its Public Transport Operating Model approach, implemented a refreshed Wellington city bus network in July 2018.</p> <p>There were well publicised issues with the implementation of this new model which has resulted in ongoing issues with delayed and cancelled services.</p> <p>Following our prior year review of contract management practices at the Regional Council, we made some recommendations for potential areas of improvement. We have also in the past recommended the implementation of a centralised contract management system at the Regional Council.</p>	<p>We will consider the Regional Council's progress in respect to contract management, including:</p> <ul style="list-style-type: none"> <li>updating our understanding on the related arrangements for contract management;</li> <li>assessing progress made on the implementation of a contract management system through discussions with management; and</li> <li>assessing the progress against other contract management recommendations made in the previous year.</li> </ul> <p>We will discuss with the Regional Council what lessons learnt reviews have been performed in respect to the bus operating model implementation. We will also consider how the Regional Council is applying these lessons learnt to upcoming significant projects, such as the Integrated Ticketing project.</p>
<b>Accounting treatment for the Wellington city bus contracts</b>	
<p>The Regional Council's new performance-based bus contracts went live in July 2018. This new operating model required changes to the Regional Council's internal systems and controls for managing bus contracts.</p> <p>The Regional Council is also now receiving revenue from ticketing sales made in its bus network.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>obtain an understanding of the Regional Council's systems and controls for monitoring the collection of fare revenue from the bus operations; and</li> </ul>

Audit risk/issue	Our audit response
	<ul style="list-style-type: none"> <li>discuss the accounting treatment for bus revenue and consider compliance with the relevant accounting standards.</li> </ul>
<b>Procurement of a new Financial Management System (Project Optimus)</b>	
<p>The Regional Council is currently designing new technologies that will replace its core information system.</p> <p>This is a complex project which will lead to a significant redesign of the Regional Council's financial systems and processes.</p> <p>The Regional Council accounts for the development of its IT systems (including Project Optimus) in accordance with PBE IPSAS 31 <i>Intangible Assets</i>. This standard contains specific criteria that must be met in order for an intangible asset to be recognised.</p> <p>Due to the significance of Project Optimus in particular, and the level of estimation associated with assessing the costs incurred against the required criteria, there is an increased risk of error.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>review the internal policy for the capitalisation of costs and assess whether this complies with generally accepted accounting practice;</li> <li>review the project scope for the Project Optimus to determine the nature of the costs being incurred;</li> <li>review the finance team's consideration of the various costs incurred and the appropriateness of the accounting treatment (including, if significant, any employee time capitalised); and</li> <li>test a selection of transactions capitalised to the project to assess whether the policy and the requirements of PBE IPSAS 31 <i>Intangible Assets</i> have been met.</li> </ul> <p>We will also consider the Regional Council's governance arrangements for this project, specifically how the Regional Council is managing the risks around the transition from the old system.</p> <p>Once the project is at the appropriate stage, we will seek to review the Regional Council's proposed systems and controls, as well as the process for data migration.</p>
<b>The risk of management override of internal controls</b>	
<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 includes:</p> <ul style="list-style-type: none"> <li>testing the appropriateness of selected journal entries;</li> <li>reviewing accounting estimates for indications of bias; and</li> <li>evaluating any unusual or one-off transactions, including those with related parties.</li> </ul>

Please tell us about any additional matters we should consider, or any specific risks that we have not covered. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

### **Fraud risk**

Misstatements in the financial statements and performance information can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. In considering fraud risk, two types of intentional misstatements are relevant – misstatements resulting from fraudulent reporting, and misstatements resulting from misappropriation of assets.

The primary responsibility for the prevention and detection of fraud and error rests with the Council (as the governing body of the Regional Council), with assistance from management. In this regard, we will discuss the following questions with you:

- What role does the Council play in relation to fraud? How do you monitor management's exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, is the Council satisfied that it had appropriate input into this process?
- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the Council and management to keep you informed of instances of fraud, either actual, suspected, or alleged?
- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to the Council? Has appropriate action been taken on any lessons learned?

### ***Our responsibility***

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement resulting from fraud. Our approach to obtaining this assurance is to:

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls in mitigating the risks;
- perform substantive audit procedures; and
- remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at [oag.govt.nz/reports/fraud-reports](http://oag.govt.nz/reports/fraud-reports).

***Wrongdoing including bribery and corruption***

Parliament's Finance and Expenditure Select Committee has expressed an interest in understanding whether the public sector has effective corruption prevention and detection processes in place.

As part of its response to the Committee, the Office of the Auditor-General has asked auditors to undertake some work for all public entities to better understand the controls in place in public entities to reduce the risk of wrongdoing, particularly bribery and corruption.

In this regard, we will discuss the following questions with you:

- Is there an appropriate code of conduct or ethical guidelines that encompasses bribery and corruption?
- Has the Regional Council undertaken an effective risk assessment to identify where it is most at risk for bribery and corruption?
- How does the Regional Council make the appropriate policies and guidelines related to bribery and corruption available to staff?
- How does the Regional Council ensure all staff are aware of the policies and guidelines related to bribery and corruption?
- How does the Regional Council provide additional training and support to staff in key positions that could be susceptible to bribery and corruption (either inbound or outbound)?
- What mitigations and controls been put in place to reduce the risk of bribery and corruption?
- Who is responsible for maintaining adequate internal controls over bribery and corruption?
- Is there a process for staff involved in high risk roles (procurement, grants, funding processes, issuing permits or consents, conferring benefits, or punishments) to declare any possible bribery or corruption?
- What mechanisms are there for handling instances of attempted bribery and corruption?
- What mechanisms are in place to notify and deal with breaches of the policies relating to bribery and corruption?
- Are senior management and the governing body that is, the Council interested, well informed and committed to mitigating the risks of bribery and corruption?
- How do management and the governing body that is, the Council monitor the controls in relation bribery and corruption?
- How do management and the governing body that is, the Council ensure the controls in relation bribery and corruption are adequate?

## Group audit



The group comprises:

- Greater Wellington Regional Council;
- Wellington Regional Council Holdings Limited;
- Port Investments Limited;
- Greater Wellington Rail Limited; and
- CentrePort Limited

Our auditor’s report covers the group as a whole. Our audit approach is developed to ensure we have sufficient information to give an opinion on the group. In designing our group audit approach, we considered the structure of the group and identified the entities which are included in the group financial statements. Each entity is referred to as a component. We have assessed the risks of material misstatement and have identified our approach for each component. The table below shows the work planned for each component.

Component	Work to be performed
CentrePort Limited	<p>This component will be audited by a different Appointed Auditor from Deloitte.</p> <p>Group instructions will be issued to the component auditor that will specify information we require.</p> <p>The group audit risks relevant to this component are:</p> <ul style="list-style-type: none"> <li>• impact of the November 2016 earthquakes;</li> <li>• fair value of infrastructural assets and other revalued assets; and</li> <li>• risk of management override of controls.</li> </ul> <p>The audit work on this component will be a full financial statement and performance report audit.</p>
Wellington Regional Council Holdings Limited, Port Investments Limited and Greater Wellington Rail Limited.	<p>These components will be audited by the same Appointed Auditor from Audit New Zealand.</p> <p>The audit work on this component will be a full financial statement audit.</p>

For non-significant components, we will perform analytical procedures at the group level to identify unexpected movements.

We will report any significant internal control deficiencies to the Council and management of the group. This will include any deficiencies identified by the group engagement team or brought to our attention by the component auditor. We will communicate deficiencies related to:

- group-wide internal control; or
- internal controls at each component.

We will also communicate any fraud identified by the group engagement team or brought to our attention by the component auditor.

### **New accounting standards**

The following new accounting standards which affect the group audit are applicable from this financial year:

#### ***NZ IFRS 15 Revenue from Contracts with Customers***

There is a new for-profit standard for revenue: NZ IFRS 15 *Revenue from Contracts with Customers*. For-profit entities are required to adopt NZ IFRS 15 for reporting periods ending on or after 31 December 2018. This will affect CentrePort Limited.

The Regional Council will need to ensure that CentrePort Limited has completed an assessment which considers the new standard's impact on its approach for recognising and measuring revenue.

The Regional Council will need to consider what consolidation adjustments will be needed to consolidate CentrePort Limited's numbers into the Regional Council's financial statements. NZ IFRS 15 can lead to different accounting treatments to PBE IPSAS 9 *Revenue from exchange transactions* and PBE IPSAS 23 *Revenue from non-exchange transactions*. Therefore, there is the potential for significant adjustments being required when for-profit entities are consolidated into group financial statements prepared in accordance with the public benefit entity standards.

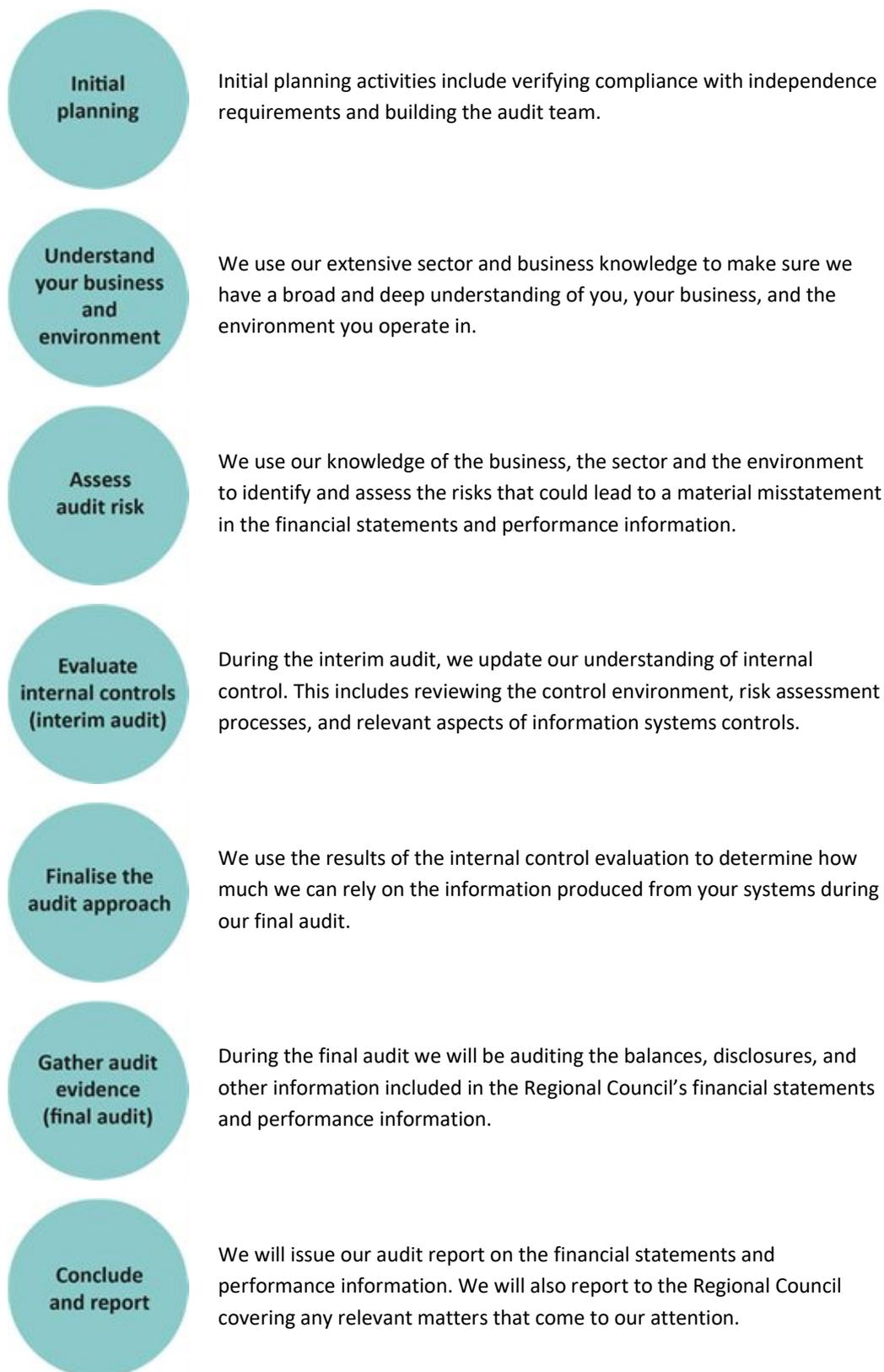
#### ***NZ IFRS 9 Financial Instruments***

For-profit entities are required to adopt NZ IFRS 9 *Financial Instruments* for reporting periods beginning on or after 1 January 2019. This will affect CentrePort Limited.

The Regional Council will need to ensure that CentrePort Limited has completed an impact assessment for the effect of the new standard on its financial statements.

The Regional Council will have to consider whether consolidation adjustments will be necessary to adjust CentrePort Limited's figures to comply with PBE IPSAS 28/29/30: *Financial Instruments: Presentation, Recognition and Measurement, and Disclosures* when consolidated into the Regional Council's financial statements.

## Our audit process



## **Enhancing year-end processes**

The year-end financial statement close process and the preparation of the annual report requires a large number of resources to be committed to complete it effectively. This diverts the attention of your staff away from the current financial year and focuses them on past events. We want the audit process to run smoothly and we will work with management to achieve this through bringing forward the timing of audit procedures.

## **Bringing forward audit procedures**

Substantive audit procedures are traditionally performed after the year-end. Where possible, we will aim to bring audit procedures earlier in the year. This will be focused on:

- year-to-date transactions for revenue; expenditure, payroll and depreciation;
- year-to-date property, plant and equipment and intangible asset additions and disposals (including work-in-progress);
- revaluation of public transport infrastructure assets;
- fair value assessments for revalued classes of property, plant and equipment not revalued this financial year;
- impairment assessments for property, plant and equipment and intangible assets; and
- selected non-financial performance reporting measures.

Completion of these tests earlier in the year should allow for more timely identification and resolution of errors.

This testing will be completed during the pre-final visit.

We will work with management to facilitate getting the information required at the right time. We will communicate with management if information is not available as agreed, including any impact on the year-end audit.

## **Materiality**

In performing our audit, we apply the concept of materiality. In the public sector, materiality refers to something that if omitted, misstated, or obscured could reasonably be expected to:

- influence readers' overall understanding of the financial statements and performance information; and
- influence readers' in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

Accounting standards also require the Regional Council and management to consider materiality in preparing the financial statements. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer's perspective.

Whether information is material is a matter of judgement. We consider the nature and size of each item judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Materiality will be lower for some items due to their sensitivity.

## **Misstatements**

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements and performance information. During the audit, we will provide details of any such misstatements we identify to an appropriate level of management.

We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations, in the usual year-end representation letter, from the Council Chair and the Chief Executive that specify the reasons why the corrections will not be made.

## **Professional judgement and professional scepticism**

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term "opinion" reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

Exercising professional scepticism means that we will not accept everything we are told at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

## **How we consider compliance with laws and regulations**

As part of the Auditor-General's mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach involves first assessing the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance on our audit.

## **Wider public sector considerations**

A public sector audit also examines whether:

- The Regional Council carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act by the Regional Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by the Regional Council or by one or more of its Councillors, office holders, or employees; and
- there is 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 of more of its Councillors, office holders, or employees.

## Reporting protocols

### Communication with management and Council



We will meet with management and the Regional Council (normally via the Audit Committee) throughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are “no surprises”.

## Audit logistics

### Our team



Our senior audit team members are:

Jacques Coetzee

Appointed Auditor

Stephen Lucy

Engagement Quality Control Director

Matthew Geddes

Audit Manager

Rashika Rabichand

Assistant Manager

## Timetable



Our proposed timetable is:

11 March 2019	Interim audit (two weeks).
12 April 2019	Interim report to Council issued in draft.
23 April 2019	Management comments on the interim report to Council received.
29 April 2019	Interim report to Council issued as final.
4 June 2019	Pre-final audit (two weeks).
12 August 2019	Draft financial statements and performance information available for audit (including notes to the financial statements).
19 August 2019	Final audit begins (four weeks).
9 September 2019	GWRC Group consolidated financial statements available, including workings and supporting schedules for all notes.
13 September 2019	Final full Annual Report and Summary Annual Report available.
17 September 2019	Verbal audit clearance given on the Financial Statements.
24 September 2019	Draft management report issued.
2 October 2019	Audit opinion for Full and Summary Annual Report issued. Annual report adopted by Council.
2 October 2019	Management comments on draft management report.
9 October 2018	Final management report issued.

## Expectations



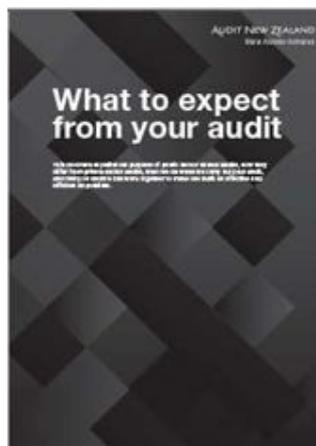
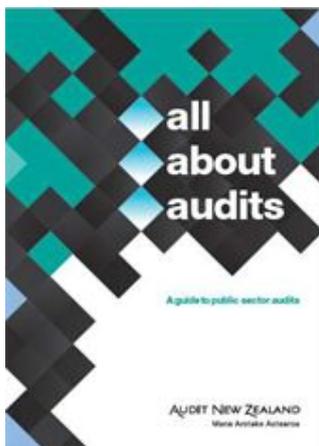
For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our audit engagement letter.

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit. We have also published information to explain what to expect from your audit:



## Health and safety



The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required.

We also expect management to provide our audit staff with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.



AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

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**Report** 19.167  
**Date** 6 May 2019  
**File** CCAB-22-500

**Committee** Finance, Risk and Assurance Committee  
**Author** Mike Timmer, Treasurer

## Summary risk report

### 1. Purpose

1. Update the Finance, Risk and Assurance Committee (the Committee) with changes to the risk register during the March quarter.
2. For Wellington Water to provide a presentation to the Committee on bulk water risk management as part of the on-going reporting by each group within Greater Wellington Regional Council (GWRC).

### 2. Background

Each quarter, the risks at group level are considered and reported to the Chief Executive. This process involves adding new risks, archiving old risks if they are no longer relevant, reviewing the controls (risk mitigation/modifying management strategies) and checking that the scoring of the risk reflects its current state.

Each group's risks are reviewed by the Chief Executive, in conjunction with the General Managers and the General Manager, Corporate Services, at the quarterly review meetings.

The Quarterly Risk Report, containing the top 10 risks, is included at **Attachment 1**. Commentary on changes and on the report follows.

### 3. Comment on risk changes during the quarter

During the March quarter, three new risks were added to the register and three risks were re-rated. See **Attachment 2** for New Risks added during the quarter.

#### 3.1.1 New Risks

**Risk No 151:** Optimus project delivers a non-integrated solution leading to a poor performing system from a technical performance and a user perspective.

**Risk No 152:** Potential that the Optimus Payroll solution cannot be configured correctly.

**Risk No 153:** Real Time Information failure caused by defective server resulting in inability to measure and enforce KPIs, operator monitoring and customer dissatisfaction. (Public Transport).

### **3.1.2 Movement in the top 10 risks**

The top ten risks remained the same since last quarter, but with some changes within the ranking order.

### **3.1.3 Risk archived during the quarter**

There were no risks archived during the quarter.

### **3.1.4 Change in Residual Risk level (High, Medium, Low) or Risk score (number)**

There were three changes to the risk levels during the quarter.

**Currently contracted bus services fail to meet acceptable level of service reliability and/or quality targets due to reasons within the control of the bus operator- Risk 51**

The residual risk score has increased from 630 to 1,900 which moves it from a medium risk as reported in last meeting using December reporting date to 'high risk' this meeting as per end of March. This reflects the pressure from ongoing bus driver shortage and recent amendments to the Employment Relations Act.

**Rolling stock unable to meet passenger demand due to multiple vehicles not operating – Risk 59**

The residual risk score of this risk has increased from 490 to 1,330 and moves it from a medium risk as reported in last meeting using December reporting date to 'high risk' this meeting as per end of March. This reflects the maintenance delivery issues with Rotem and subsequent reduction of available units for the network.

**Delivery of the Regional Public Transport Plan (RPTP) put at risk due to delay or cancellation of one or more interrelated projects – Risk 141**

Was re-evaluated during the quarter. The overall Council ranking of the risk has declined from 13 to 31 with the residual risk declining from 385 (medium risk) as at December to 120 (medium risk) at the end of March 2019.

These changes are the result from the fact that most interrelated projects which could affect delivery of the PT plan have been completed.

### **3.1.5 Additional Information “Outlook/Trending”**

In the Risk Report, we are continuing to trial the new column, “Outlook/Trending”, which captures the direction the business units see the risk heading in the coming six to 12 months.

In terms of the Risk 51 mentioned above we indicated last month that this risk was trending down i.e. getting worse which has now eventuated.

The balance of the top ten risks are trending the same.

#### **4. Interpretation of the Quarterly Risk Report**

A brief description of the columns in the Quarterly Risk Report in Attachment 1, and what they mean, is as follows:

##### **Overall ranking: by residual risk score**

Residual risk is the risk that remains after controls have been applied and is discussed further below. A lower number means it has a higher residual risk 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 each risk.

##### **Risk Category**

This is the category that the risk belongs to, and can be more than one category. Each category has a risk appetite which measures GWRC's propensity to accept risk. Health and safety of staff and contractors, legislative and regulatory compliance, and environment damage are areas where we have a low appetite for risk.

##### **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 the 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**

This is the risk classification category after the controls have been put in place and are working as expected. The residual score as per the end of the last quarter is shown in (brackets).

##### **Risk Owner**

The person responsible for the risk. There is also a person assigned to each control which is not normally the risk owner.

##### **Residual Risk Score**

This is a mathematically derived score determined by the Quantate software which weights the likelihood of the risk occurring and the consequences of the risk, the produce of which is a numerical score.

##### **Residual Outlook/Trending – trial at this stage only**

Provides an outlook of how the business sees the risk developing in the next six to 12 months. An arrow up means a risk is expected to get worse and an arrow down mean a risk is expected to reduce as the risk score reduces.

### **Status Change since last quarter.**

This provides a current discussion around the risk.

## **5. Presentation**

Erin Ganley – Manager Risk & Assurance from Wellington Water, will attend the meeting to provide information on risk management and topical issues at Wellington Water.

**Risk No 148: Wellington Water fails to deliver on its contracted services with GWRC.** The main areas of focus for Wellington Water risk are presently:

- Market costs escalations impacting the projects within the LTP
- Project scope changes for projects within the LTP.
- Cross Harbour pipeline – the potential for cost changes over time with such a large scale project.
- Long term sustainability of the Waiwhetu Aquifer as a source of water for the region.
- Level of service shortfall - capacity issues at Te Marua water treatment plant mean there is a shortfall in being able to meet the water supply level of service standard – normal demand can be met in a drought with a return period of 50 years.
- Growth and sustainability of water infrastructure - the potential that water allocations may be restricted and or reduced impacting the ability to support growth.
- The Three Waters review and the potential this creates for change in the way Wellington Water operates.

This risk assessment of Wellington Water remains at Medium Risk with a residual score of 42.

## **6. Communication**

There is no communication required.

## **7. Consideration of climate change**

The matters addressed in this report have been considered by officers in accordance with the process set out in the GWRC Climate Change Consideration Guide.

### **7.1 Mitigation assessment**

*Mitigation assessments are concerned with the effect of the matter on the climate (i.e. the greenhouse gas emissions generated or removed from the atmosphere as a consequence of the matter) and the actions taken to reduce, neutralise or enhance that effect.*

Officers have considered the effect of the matters on the climate. Officers consider that the matters will have no effect.

Officers note that the matter does not affect the Council's interests in the Emissions Trading Scheme (ETS) and/or the Permanent Forest Sink Initiative (PFSI).

## 7.2 **Adaptation assessment**

*Adaptation assessments relate to the impacts of climate change (e.g. sea level rise or an increase in extreme weather events), and the actions taken to address or avoid those impacts.*

Officers have considered the impacts of climate change in relation to the matters. Officers recommend that climate change has no bearing on the matters.

## 8. **The decision-making process and significance**

No decision is being sought in this report.

## 9. **Engagement**

Engagement on this matter is unnecessary.

## 10. **Recommendations**

*That the Committee:*

1. *Receives the report.*
2. *Notes the content of the report.*

Report prepared by:

**Mike Timmer**  
Treasurer

Report approved by:

**Samantha Gain**  
General Manager, Corporate  
Services

**Attachment 1:** [Quarterly Risk Report](#)

**Attachment 2:** [Risks added during the quarter](#)

QUARTERLY RISK REPORT 31 MARCH 2019										
Overall ranking by residual score 1)	Risk Id	Risk category	Description	Inherent risk level before Controls	Controls	Residual risk level after Controls	Risk owner	Residual score 2)	Outlook / Trending	Status Change since last quarterly review plus risk treatments being considered
1 (1)	51	<ul style="list-style-type: none"> <li>Services are severely curtailed</li> <li>Political</li> </ul>	Currently contracted bus services fail to meet acceptable levels of service reliability and/or quality targets due to reasons within the control of the bus operator	High Risk	Enforceable Contracts with suppliers Department Business Continuity Plans 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 industrial action 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 Ensure bus operators have appropriate health and safety procedures and reporting Move to performance based contracts that promote compliance with performance targets	High Risk	Greg Pollock	1900 (630)	Would have been 'risk expected to reduce'. However, need to say that risk will stay the same as we will need to reconsider changes to ERAA (after 12 mth lead in time), so still some unknowns	The overall ranking of this risk has remained at 1. <ul style="list-style-type: none"> <li>While the overall ranking has not changed there has been a change to the residual risk score – it has increased from 630 to 1,900. This change has been caused by the following changes:                             <ul style="list-style-type: none"> <li>amended residual likelihood to near certain (from likely)</li> <li>operational capability has been increased to &gt;2mths diversion (from Managed).</li> </ul> </li> </ul> These changes reflect the driver shortage issues being faced by NZ Bus which will take time to resolve. We are working with them to help resolve the issue. In addition, the Employment Relations Amendment Act -rest breaks changes come in effect on 6 May 2019. We are working with operators and the minister of Transport to determine the impact of these changes. In this quarter GW has: <ul style="list-style-type: none"> <li>Worked with operators to resolve the issue</li> <li>Requested a cure plan to address service level improvements from NZ Bus</li> <li>Commenced a driver recruitment campaign</li> <li>Commenced the second stage of the post implementation review.</li> </ul>
2 (4) ↑	59	<ul style="list-style-type: none"> <li>Services are severely curtailed</li> <li>Loss, failure or damage to assets</li> <li>Political</li> </ul>	Rolling stock unable to meet passenger demand due to multiple vehicles not being operational	High Risk	Ensure maintenance inspection regimes are followed GW ensures that maintainer effectively manages fleet failure modes and issues through FRACAS process, and ensures GW maintains full visibility of this Train manufacturer undertakes maintenance Maintain close working relationships with train suppliers, original equipment manufacturers (OEM's), operational and maintenance contractors Employ appropriately skilled and trained people Regulatory obligations of operators and providers Enforcement of contract (legal)	High Risk	Angus Gabara	1330 (490)	risk expected to reduce ↓	The overall ranking moved from 4 to 2nd place. The risk has been reassessed as follows: <ul style="list-style-type: none"> <li>Inherent and Residual Risks amended from Likely to near certain to reflect reality of maintenance issues with rolling stock.</li> </ul> There residual risk scores increased to 1330 from 490 as a result of the risk reassessment. A new control has been added - We are using legal measures to ensure contract is adhered to. Risk owner has been changed from Barry Fryer to Angus Gabara. In the quarter GW has: <ul style="list-style-type: none"> <li>Engaged a consultant to review options to remedy issues and implement the preferred option</li> <li>Expressed ongoing concern to Australasian Transdev Senior Executives who have agreed to follow recommendations from our investigations (and their own too.)</li> <li>Maintained strong relationships with operators, including regular meetings &amp; performance reporting</li> <li>Continued to closely monitor operational activities across the rail system to ensure that safety, quality standards and reliability of information are maintained by the operators, maintainers and network owners</li> <li>Worked closely with operators to ensure on heavy maintenance plan and agreed over closer working relationships</li> </ul>

QUARTERLY RISK REPORT 31 MARCH 2019										
Overall ranking by residual score 1)	Risk Id	Risk category	Description	Inherent risk level before Controls	Controls	Residual risk level after Controls	Risk owner	Residual score 2)	Outlook / Trending	Status Change since last quarterly review plus risk treatments being considered
3 (2) ↓	77	<ul style="list-style-type: none"> <li>Health and safety of staff and contractors &amp; volunteers</li> <li>Environmental damage</li> <li>Legislative and regulatory</li> <li>Political</li> </ul>	Contaminated site(s) either known or unknown that results in harm to environment and/or health	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	Lucy Baker	630 (630)	→	No change. Still waiting to hear back from MFE about funding for the Miramar gasworks water and soil testing.
4 (3) ↓	141	<ul style="list-style-type: none"> <li>Legislative and Regulatory</li> <li>Political</li> </ul>	Breach of privacy	High Risk	Enforceable Contracts with suppliers Statutory Compliance Training Privacy Policy	Medium Risk	Francis Ryan	525 (525)	risk expected to reduce ↓	Overall risk ranking is unchanged. Privacy Officer commenced in September 2018. Legislative changes are being monitored to assess their impacts on Council's privacy framework. Consideration is being given to moving the residual risk from likely to unlikely given the appointment of a Privacy Officer.
5 (5)	123	<ul style="list-style-type: none"> <li>Services are severely curtailed</li> <li>Loss, failure or damage to assets</li> <li>Political</li> </ul>	Reduction of bus service levels with transition to a new network, fleet and contracts	High Risk	Appropriate programme management in place - projects identified - responsibility allocated - regular monitoring - escalation - staggered transition - contingency planning - customer communications through channels and use of AmBusadors - transition support provided to operators - daily management monitor and review meetings	Medium Risk	Greg Pollock	490 (490)	risk expected to reduce ↓	The overall ranking of this risk has not changed.  Risk level considered appropriate at this stage.  Risk owner changed from Wayne Hastie to Greg Pollock  We continue to work towards the transition completion.  In this quarter GW has: <ul style="list-style-type: none"> <li>Continued to work with operators to transition to new fleet (17 double decker buses arrived in Wellington and have commenced operation)</li> <li>Continued to work with NZ Bus together on the provision of buses to replace the retired trolley bus fleet.</li> <li>Commenced the second stage of the post implementation review.</li> </ul>
6 (6)	103	<ul style="list-style-type: none"> <li>Health and safety of staff, contractors and volunteers</li> <li>Political</li> </ul>	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	Wayne O'Donnell	468 (468)	→	<b>Land Management:</b> New staff and those requiring a refresher have recently undertaken training in how to safely operate a quad and light utility vehicles (LUV). Training is on-going and three yearly refreshers are undertaken, particularly with the rapid advance in technology - descent, braking, gears, safety features. An incident where the active descent failed, highlights the flaws in the technology and reliance on it can prove costly - need to understand the basics so if there is a failure staff are able to deal with it. <b>Biosecurity:</b> Regular quad and off road bike maintenance is ensured by regular pre use inspections as well as more thorough quarterly inspections at the beginning of each quarter. Only staff assessed as competent quad riders (by internal and/or external assessors) are allowed to use quads. No incidents on quads were reported during the quarter.

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 31 MARCH 2019										
Overall ranking by residual score 1)	Risk Id	Risk category	Description	Inherent risk level before Controls	Controls	Residual risk level after Controls	Risk owner	Residual score 2)	Outlook / Trending	Status Change since last quarterly review plus risk treatments being considered
7 (7)	136	• Services are severely curtailed	Inability to adequately respond to another significant seismic event damaging Shed 39 and potentially the Masterton Office given high probability of another event	Medium Risk	Insurance is in place Department Business Continuity Plans Disaster Recovery Plan	Medium Risk	Samantha Gain	456 (456)	→	The November 2016 earthquakes in Kaikoura have significantly raised the chances of another magnitude 7 event that could impact Shed 39 again. Council has entered into a development agreement and long term lease with Willis Bond for new premises in the old Famers building in Cuba Street which will be refurbished and strengthened to 100% NBS. Until the anticipated move in late 2020 Wellington staff are situated at Shed 39 (90-100% NBS), 15 Walter St (100% NBS) and 181 Vivian St (Optimus, 80% NBS). Appointment of Business Continuity Manager (commencing early May) will provide increased focus on business continuity plans.
8 (8)	115	• Services are severely curtailed • Financial • Political	Failure of KiwiRail network assets or network operations causes damage to GWRL assets or cancellation of multiple services	High Risk	GW ensures that KiwiRail has a robust emergency response plan that: - provides for efficient bus replacements - provides for effective customer communications in the event of a failure - includes a separate set of operational parameters relating to earthquake magnitudes and readings from network based ground acceleration sensors 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 Maintain strong relationships with network owner and the rail operator, including regular meetings and reporting against a clear set of performance targets GW partners an application to the crown (via NZTA) for additional funding for 'catch up renewals' for network infrastructure GW participates in Metro Operating Model review led by MoT & Treasury \$98.5m received for traction poles	Medium Risk	Angus Gabara	455 (455)	risk expected to reduce ↘	The overall ranking of this risk has not changed. Risk level considered appropriate at this stage. In the quarter GW has (in addition to regular monitoring): • Agreed funding mechanisms for the \$200m of additional funding for network upgrades with KiwiRail • Joined the project governance boards with KiwiRail. Note: Projects are in early stages of engagement of professional services to undertake detailed design and implementation planning.
9 (9)	126	• Health and safety of staff, contractors and volunteers • Physical harm to the general public	Fatality or harm to staff working in or near water	High Risk	FPSOP46 Working in or near water Driver training general and 4WD	Medium Risk	Wayne O'Donnell	432 (432)	→	<b>Land management:</b> Will be looking at refresher 4WD training post winter. Require the training to include driving through waterways. Often working close to waterways with diggers and guys with chainsaws. The key to managing risk in these environments is good effective communications. Looking into the use of comms systems that are in-built into hard hats - allow digger operator and ground staff to be in constant communication with each other. This is particularly risky when clearing flood debris. <b>Biosecurity:</b> New staff attend water safety course as part of their induction and competency building for the role. No incidents while working near water were reported in the quarter.

QUARTERLY RISK REPORT 31 MARCH 2019										
Overall ranking by residual score 1)	Risk Id	Risk category	Description	Inherent risk level before Controls	Controls	Residual risk level after Controls	Risk owner	Residual score 2)	Outlook / Trending	Status Change since last quarterly review plus risk treatments being considered
10 (10)	106	<ul style="list-style-type: none"> <li>Services are severely curtailed</li> <li>Physical harm to the general public</li> <li>Political</li> </ul>	Failure of KiwiRail network or third party assets, or network operations causes serious injury	High Risk	GW ensures that KiwiRail has a robust network management plan that: <ul style="list-style-type: none"> <li>- focuses funded renewal activities on critical components of the network</li> <li>- provides for infrastructure maintenance, monitoring and inspections</li> </ul> GW ensures that KiwiRail has an emergency response plan with the network owner and operator Maintain strong relationships with the network operator, including regular meetings and reporting against a clear set of performance targets GW ensures that KiwiRail has a safety plan and current safety case GW partners application to the crown (via NZTA) for additional funding for 'catch up renewals' for network infrastructure \$98m received for traction poles	High Risk	Angus Gabara	430 (430)	risk expected to reduce 	The overall ranking of this risk has not changed. Risk level considered appropriate at this stage. In the quarter GW has (in addition to regular monitoring): <ul style="list-style-type: none"> <li>• Agreed funding mechanisms for the \$200m of additional funding for network upgrades with KiwiRail</li> <li>• Joined the project governance boards with KiwiRail.</li> </ul> Note: Projects are in early stages of engagement of professional services to undertake detailed design and implementation planning.

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.

Attachment 2 to Report 19.167

New Risks added during the quarter

QUARTERLY RISK REPORT 31 MARCH 2019									
Overall ranking	Risk Id	Risk category	Description	Inherent risk level	Controls	Residual risk level	Risk owner	Residual Risk	Status Change since last quarterly review, including any risk treatments being considered
24	152	<ul style="list-style-type: none"> <li>Financial</li> <li>Political</li> </ul>	Potential that the Optimus Payroll solution can not be configured correctly	Medium Risk	Awaiting Deloittes Report	Medium Risk	Mike Sheedy	180	We have escalated this risk with the Vendor and seeking further information from them to give GW assurance that the Payroll module of UBW can be configured correctly at reasonable cost for GW.
36	151	<ul style="list-style-type: none"> <li>Financial</li> <li>Political</li> </ul>	Optimus project delivers a non-integrated solution leading to a poor performing system from a technical performance and a user perspective	Medium Risk	System not accepted if design requirements are not met by Vendors to satisfaction of Council. Skilled GW systems architect to be involved and technical design reviewed early in the project. Robust test plan and test performance at earliest possible opportunity	Medium Risk	Mike Sheedy	96	The Design Phase methodology has been amended and strengthened to ensure an integrated technical and functional solution. This methodology has been independently endorsed by PwC. Further work is underway on the technical integration design, to further mitigate this risk.
40	153	<ul style="list-style-type: none"> <li>Services are severely curtailed</li> <li>Financial</li> <li>Political</li> </ul>	Real Time Information failure caused by defective server resulting in inability to measure and enforce KPIs , operator monitoring and customer dissatisfaction.	Medium Risk	Vendor compliance with ISO 9001 Upgrade the OS and database	Low Risk	Greg Pollock	75	The full extent of the risk has recently been identified. We are curently undertaking a review and audit of the system with a goal to implement more robust disaster recovery and high availability servers.

**Exclusion of the public**

**Report 19.187**

*That the Committee:*

*Excludes the public from the following part of the proceedings of this meeting namely:*

- 1. Business Assurance – ticketing processes*

*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:*

<b><i>General subject of each matter to be considered:</i></b>	<b><i>Reason for passing this resolution in relation to each matter</i></b>	<b><i>Ground under section 48(1) for the passing of this resolution</i></b>
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<i>1. Business Assurance – ticketing processes</i>	<i>The report contains information provided by a third party relating to their systems, processes and pricing used by GWRC. Release of this information is subject to confidentiality agreements and would prejudice future negotiations by GWRC with third parties. GWRC 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 confidentiality requirements and prejudice to future negotiations..</i>	<i>This is because the information contained in this report relates to information provided by third parties that is the subject of a non- disclosure agreement and the negotiation of documents related to the proposed change of ownership consent. Release of this information would likely prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied and to enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations.</i>
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*This resolution is made in reliance on section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as specified above.*