



If calling, please ask for Democratic Services

Finance, Risk and Assurance Committee

Tuesday 14 August 2023, 9.30am

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

Quorum: *Three Members*

Members

Martin Matthews (Chair)

Cr Bassett (Deputy Chair)

Cr Connelly

Cr Kirk-Burnnand

Cr Ropata

Cr Saw

Cr Woolf

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

Finance, Risk and Assurance Committee

1 Purpose

Oversee, review, and report on Greater Wellington's discharge of its responsibilities in the areas of financial management; risk management; statutory reporting; internal and external audit and assurance; and monitoring of compliance with laws and regulations (including health and safety).

2 Specific responsibilities

- 2.1 Apply Council's Te Tiriti o Waitangi principles when conducting the Committee's business and making decisions.
- 2.2 Review and monitor performance under Council's Financial Strategy (adopted under section 101A of the Local Government Act 2002).
- 2.3 Review the effectiveness of Greater Wellington's financial management and performance, including proposed changes, with a particular focus on the effectiveness of Greater Wellington's:
 - a Financial management policies and frameworks for, and the robustness of, the organisation's financial performance
 - b Accounting policies and principles.
- 2.4 Review the effectiveness of Greater Wellington's risk management process, including overseeing changes to the risk management policy and approach, with a particular focus on:
 - a Providing guidance to Council on the appetite for risk
 - b Whether Greater Wellington is taking effective action to mitigate significant risks, including cyber security and climate change.
- 2.5 Review Greater Wellington's systems to manage legislative compliance (including health and safety), significant projects, and work programmes.
- 2.6 Review and monitor Greater Wellington's compliance with regulatory requirements.
- 2.7 Review Greater Wellington's health, safety and wellbeing management system to obtain assurance that the organisation is identifying and managing risks in accordance with the Health and Safety at Work Act 2015.
- 2.8 Approve the internal assurance programme, review the results of internal assurance work, and review the effectiveness of actions to address audit recommendations from Greater Wellington's internal auditors.
- 2.9 Receive, at the start of each external audit, the terms of engagement with the external auditor, including the nature and scope of the audit, timetable and fees.
- 2.10 Review any external audit reports and Greater Wellington's actions on significant issues and audit recommendations raised in these reports.
- 2.11 Review annually the appropriateness of Council's insurance.

2.12 Recommend to Council changes to improve the effectiveness of Greater Wellington's policies and frameworks for financial management, assurance, and risk management.

2.13 Review:

- a The draft Annual Report to ensure it complies with statutory requirements and provides a sound basis for the public accountability of Council's and Greater Wellington's performance and position for each financial year
- b Any proposed formal announcements relating to Council's financial performance.

2.14 Recommend the Annual Report for adoption by Council.

3 Delegations

The Committee has the authority to approve:

- a The internal assurance programme; in particular, whether Greater Wellington's approach to maintaining an effective internal control framework is sound and effective
- b Submissions to external organisations on matters pertaining directly to the Committee's purpose.

4 Members and Chair

4.1 Six Councillors.

4.2 One external member, appointed by Council, who has the necessary independence, expertise, and knowledge of local government relevant to the Committee's purpose and responsibilities.

4.3 Where Council appoints the external member under section 4.2, Council shall also appoint that member as the Chair.

5 Quorum

Three Committee members.

Finance, Risk and Assurance Committee

Tuesday 15 August 2023, 9.30am

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

No.	Item	Report	Page
1.	Apologies		
2.	Conflict of interest declarations		
3.	Public participation		
4.	Confirmation of Public minutes of the Finance, Risk and Assurance Committee meeting on 2 May 2023	23.171	5
5.	Update on Progress of Action Items from Previous Finance, Risk and Assurance Committee Meetings – August 2023	23.226	9
6.	Forward Work Programme	23.334	16
7.	Quarterly Finance Update – Quarter Four	23.366	21
8.	Risk and Assurance Update	23.358	37
9.	Health, Safety and Wellbeing Update	23.364	139
10.	Audit New Zealand Interim Management Report	23.334	146
11.	Greater Wellington Regional Council Audit Engagement, Audit Plan and Audit Proposal	23.335	159
12.	Affordable Waters Reform update	23.328	209
13.	Review of the Financial Delegations	23.327	213
14.	Financial Policies	23.325	217
15.	Greater Wellington’s compliance assessment	23.379	221
16.	Harbour Management – Risk and Compliance Update - August 2023	23.342	233
17.	Environmental Management Risk – Birchville Dam	23.336	238
18.	Resolution to Exclude the Public	23.367	245
Public Excluded			
19.	Confirmation of Public Excluded minutes of the Finance, Risk and Assurance Committee meeting on 2 May 2023	PE23.172	247
20.	Insurance Update	PE23.363	249
21.	Cyber Security Update	PE23.381	258



Please note these minutes remain unconfirmed until the Finance, Risk and Assurance Committee meeting on 15 August 2023

Report 23.171

Public minutes of the Finance, Risk and Assurance Committee meeting on 2 May 2023

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

Members Present

Martin Matthews (Chair)
Councillor Bassett (Deputy Chair)
Councillor Connelly (from 9:57am)
Councillor Kirk-Burnnand
Councillor Ropata (until 11.11am, from 11.15am)
Councillor Saw
Councillor Woolf (from 9:31am until 10:17am; from 10:22am)

Karakia timatanga

The Committee Chair invited Sue McLean, General Manager Corporate Services, to open the meeting with a karakia timatanga

Councillor Woolf arrived at 9:31am at the conclusion of the above item.

Public Business

1 Apologies

Moved: Martin Matthews / Cr Kirk-Burnnand

That the Committee accepts the apology for lateness from Cr Connelly.

The motion was **carried**.

2 Declarations of conflicts of interest

There were no declarations of conflicts of interest.

3 Public participation

There was no public participation.

4 Confirmation of the Public minutes of the Finance, Risk and Audit Committee meeting on 14 February 2023 - Report 23.42

Moved: Cr Bassett / Cr Kirk-Burnnand

That the Committee confirms the Public Minutes of the Finance, Risk and Audit Committee meeting of 14 February 2023 - Report 23.42

The motion was **carried**.

5 Proposed arrangements for Finance, Risk and Assurance Committee reporting to Council – Report 23.148

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

Moved: Martin Matthews / Cr Bassett

Agrees that the Chair of the Finance, Risk and Assurance Committee reports twice a year to Council with an update on the work of the Committee.

The motion was **carried**.

6 Fair Value Assessment of Property Plant and Equipment – Report 23.102

Ashwin Pai, Financial Controller, spoke to the report.

Moved: Cr Ropata / Cr Saw

That the Committee endorses the process for setting materiality for the fair value assessment of property, plant and equipment outlined in this report, including a materiality threshold of ten percent (10%).

The motion was **carried**.

7 Audit NZ Management Report – Report 23.101 [For Information]

Ashwin Pai, Financial Controller and Clint Ramoo, Audit NZ, spoke to the report.

Noted: Mr Ramoo provided a brief update on Council's 23/24 Annual Plan audit.

Noted: The Committee requested that staff provide the Committee with:

- Information on the connection of the Long Term Plan with reporting
- The place of Te Tiriti o Waitangi in reporting.

Councillor Connelly arrived at 9:57am during the above item.

8 Quarterly Finance Report – Quarter 3 – Report 23.159 [For Information]

Darryl Joyce, Manager Accounting Services, Ali Trustrum-Rainey, Chief Financial Officer spoke to the report. The Quarterly Finance Report – Quarter 3 was tabled.

Councillor Woolf left the meeting at 10:17am, returning at 10:22am, during the above item.

Noted: The Committee requested that staff report back to a future Committee meeting on the financial issues and implications for Council on the Affordable Water Scheme.

9 Harbour Management – Risk and Compliance Update – May 2023 – Report 23.137 [For Information]

Grant Nalder, Manager Harbours, spoke to the report. The Harbour Management – Risk and Compliance Update – May 2023 was tabled.

Noted: The Committee requested that staff report back to a future Committee meeting on the separation of swimmers from craft at Oriental Bay.

10 Risk and Assurance update - Report 23.160 [For Information]

Jacob Boyes, Senior Manager, spoke to the report. The Risk and Assurance Update was tabled.

Noted: The Committee requested that staff report back to a future Committee meeting on resource consents held by Greater Wellington and our compliance in meeting our obligations under those consents.

11 Health, Safety and Wellbeing update - Report 23.149 [For Information]

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

Councillor Ropata left the meeting at 11:11am, returning at 11:15am, during the above item.

12 Resolution to exclude the public – Report 23.165

An updated Resolution to Exclude the Public report was tabled.

Moved: Cr Kirk-Burnnand / Cr Saw

That the Committee:

1. Excludes the public from the following parts of the proceedings of this meeting, namely:

PWC Fraud Report – Report PE23.136

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

PWC Fraud Report - Report PE23.136	
<i>Reason for passing this resolution in relation to each matter</i>	<i>Ground/s under section 48(1) for the passing of this resolution</i>
The report contains sensitive information about Greater Wellington’s fraud risks status. Release of this information exposes Greater	The public conduct of this part of the meeting is excluded as per section 7(2)(j) of the Act, on the basis that

<p>Wellington to fraud attacks by making it easier for the public to know Greater Wellington's fraud risk status and utilise the information for improper gain or improper advantage. Consideration of this report in Public Excluded business is necessary to prevent the disclosure or use of official information for improper gain or improper advantage (section 7(2)(j)).</p> <p>Greater Wellington has not been able to identify a public interest favouring disclosure of this information in the public proceedings of the meeting that would override this prejudice.</p>	<p>release of this information would enable the information to be utilised for improper gain or improper advantage.</p>
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This resolution is made in reliance on section 48(1)(a) of the Act and the particular interest or interests protected by section 6 or section 7 of that Act or section 6 or section 7 or section 9 of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public.

2. Permits Philip Riley, Director, PWC, to remain at this meeting, after the public has been excluded, because of their knowledge of the sensitive information about Greater Wellington's fraud risks status. This knowledge, which will be of assistance in relation to the matter to be discussed, is relevant to that matter because PWC were engaged by Greater Wellington to conduct the assessment.

The motion was **carried**.

The public part of the meeting closed at 11:23am

Martin Matthews

Chair

Date:

Finance, Risk and Assurance Committee
15 August 2023
Report 23.226



For Information

UPDATE ON PROGRESS OF ACTION ITEMS FROM PREVIOUS FINANCE, RISK AND ASSURANCE COMMITTEE MEETINGS – AUGUST 2023

Te take mō te pūrongo

Purpose

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

Te horopaki

Context

2. Items raised at Committee meetings, that require actions from officers, are listed in the table of action items from previous Finance, Risk and Assurance Committee meetings ([Attachment 1](#) – Action items from previous Finance Risk and Assurance Committee meetings – August 2023). All action items include an outline of the current status and a brief comment.

Ngā hua ahumoni

Financial implications

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

Ngā tūāoma e whai ake nei

Next steps

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

Ngā āpitihanga

Attachment

Number	Title
1	Action items from previous Finance Risk and Assurance Committee meetings – August 2023

Ngā kaiwaitohu
Signatories

Writers	Ali Trustrum-Rainey – Chief Financial Officer Sue McLean – Group Manager Corporate Services
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He whakarāpopoto i ngā huritaonga Summary of considerations
<i>Fit with Council's roles or with Committee's terms of reference</i> The action items are of an administrative nature and support the functioning of the Committee.
<i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i> Action items contribute to Council's and Greater Wellington's related strategies, policies and plans to the extent identified in Attachment 1 .
<i>Internal consultation</i> There was no internal consultation.
<i>Risks and impacts - legal / health and safety etc.</i> There are no known risks.

Attachment 1 to Report 23.266

Action items from previous Finance, Risk and Assurance Committee meetings

Date	Action item	Status and comment
14 February 2023	<p>Finance, Risk and Assurance Committee Update</p> <p>Noted:</p> <p>The Committee requested that:</p>	
	<p>a. officers arrange a workshop on risk appetite and Greater Wellington's risk framework, and that the invite be extended to all Councillors</p>	<p>Status: In progress and by the time the report is issued in August may be completed.</p> <p>Comment:</p> <p>We have had an initial workshop, in May, with members of FRAC to go through the risk approach and its artifacts.</p> <p>We have developed draft workshop agendas for which we have sort feedback from ELT and the FRAC Chair on our approach to the Risk Appetite workshops.</p> <p>We will look to finalise agendas and scheduled the workshop before August's FRAC meeting.</p>
	<p>b. officers work with the Executive Leadership team at the Committee to identify potential topics for future assurance reviews and workshop identified topics with the Committee in order to shape up the assurance work programme</p>	<p>Status: Completed</p> <p>Comment:</p> <p>We have obtained potential topics from ELT and FRAC.</p> <p>ELT have endorsed the following assurance activities for the 2023/24 financial year:</p>

Attachment 1 to Report 23.266

Action items from previous Finance, Risk and Assurance Committee meetings

Date	Action item	Status and comment
		<ul style="list-style-type: none"> • End-to-end review of fleet management - Review of the end-to-end fleet management process which includes acquisition, management and disposals of vehicles. • Indirect taxes - Assess the approach and enterprise resource planning functionality used to enable GW to fulfil its indirect tax obligations. • Core financial controls - Assess the design, operation and alignment of core financial controls to policy requirements across GW's financial process and ERP and identify any areas of inefficiency or pain points faced by teams. <p>We will seek approval of the amended assurance plan at August's FRAC meeting.</p>
2 May 2023	<p>Finance, Risk and Assurance Committee Update – Report 23.101</p> <p>Noted:</p> <p>The Committee requested that staff provide:</p> <p>a. Information on the connection of the Long Term Plan with reporting</p>	<p>Status:</p> <p>Noted for delivery to future Committee meetings</p> <p>Comment: Officers will deliver the LTP audit plan and engagement letter to FRAC once available. Any Audit</p>

Attachment 1 to Report 23.266

Action items from previous Finance, Risk and Assurance Committee meetings

Date	Action item	Status and comment
		outcomes are also brought to FRAC through Audit Consultation report and Final LTP Audit Report to Council.
	b. The place of Te Tiriti o Waitangi in reporting.	<p>Status: In progress</p> <p>Comment:</p> <p>The inaugural audit will be underway over the next few months (targeting September completion). While the audit is governed by the Te Tiriti o Waitangi Komiti, the audit does form part of the assurance plan, and therefore is overseen by the FRAC.</p> <p>We see reporting on the audit occurring through the following process:</p> <ul style="list-style-type: none"> • Finalised audit report is presented and accepted by the Te Tiriti o Waitangi Komiti • The report presented to the FRAC on a for information basis only. • The Te Tiriti o Waitangi Komiti has the final say over recommendations and their closure. • Recommendation tracking and status is reported through to the FRAC on a for information basis only. <p>We will look to confirm whether this process works for both committees.</p>

Attachment 1 to Report 23.266

Action items from previous Finance, Risk and Assurance Committee meetings

Date	Action item	Status and comment
	<p>Finance, Risk and Assurance Committee Update – Report 23.159</p> <p>Noted:</p> <p>The Committee requested that staff report back to a future Committee meeting on the financial issues and implications for Council on the Affordable Water Scheme.</p>	<p>Status: Completed</p> <p>Comment:</p> <p>A paper updating the Committee is being reported to the August Committee meeting.</p>
	<p>Finance, Risk and Assurance Committee Update – Report 23.137</p> <p>Noted:</p> <p>The Committee requested that staff report back to a future Committee meeting on the separation of swimmers from craft at Oriental Bay.</p>	<p>Status: To be carried over.</p> <p>Comment:</p> <p>The recent incident (in the report) highlights the potential consequences of this issue. We currently do not have capacity to schedule this work and will look to do so.</p>

Finance, Risk and Assurance Committee
15 August 2023
Report 23.334



For Decision

FORWARD WORK PROGRAMME

Te take mō te pūrongo

Purpose

1. To advise the Finance, Risk and Assurance Committee (the Committee) of the the Forward Work Programme ([Attachment 1](#)).

He tūtohu

Recommendation

That the Committee:

- 1 **Endorses** the Forward Work Programme (Attachment 1).

Te horopaki

Context

2. Staff have compiled regular reports for the year and other upcoming items into a Forward Work Programme for the Committee to consider.
3. At each meeting, the work programme will be reviewed and adjusted based on progress, added information, and changing priorities.

Te tātaritanga

Analysis

4. The Forward Work Programme contains the regular and planned upcoming reports for the Committee meetings for the forward 12 months.
5. The Forward Work Programme is scheduled to be presented for each Committee meeting.
6. The Forward Work Programme and associated planning ensures the Committee meets its terms of reference. This includes the review and monitoring of performance under Council's Financial Strategy and to oversee, review, and report on Greater Wellington's discharge of its responsibilities in the areas of financial management; risk management; statutory reporting including the Annual Plan and Long Term Plan; internal and external audit and assurance; and monitoring of compliance with laws and regulations (including health and safety).

Ngā hua ahumoni
Financial implications

7. There are no financial implications arising from this report.

Ngā Take e hāngai ana te iwi Māori
Implications for Māori

8. There are no known implications for Māori.

Ngā tikanga whakatau
Decision-making process

9. The matters requiring decision in this report were considered by officers against the decision-making requirements of Part 6 of the Local Government Act 2002.

Te hiranga
Significance

10. Officers considered the significance (as defined by Part 6 of the Local Government Act 2002) of the matters for decision, taking into consideration Council's *Significance and Engagement Policy* and Greater Wellington's *Decision-making Guidelines*. Officers consider that the matter is of low significance due to its administrative nature.

Te whakatūtakitaki
Engagement

11. Due to the low significance of the matter for decision, no engagement was considered necessary.

Ngā tūāoma e whai ake nei
Next steps

12. Once the Committee endorses the programme, officers will implement the reporting.

Ngā āpitihanga
Attachment

Number	Title
1	Forward Work Programme as at 15 August2023

**Ngā kaiwaitohu
Signatories**

Writer	Ali Trustrum-Rainey – Chief Financial Officer
Approver	Sue McLean – Group Manager Corporate Services

<p>He whakarāpopoto i ngā huritaonga Summary of considerations</p>
<p><i>Fit with Council's roles or with Committee's terms of reference</i></p> <p>The Forward Work Programme is designed to cover the key items in the Committee Terms of Reference</p>
<p><i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i></p> <p>The Committee terms of reference includes the review and monitor performance under Council's Financial Strategy and to oversee, review, and report on Greater Wellington's discharge of its responsibilities in the areas of financial management; risk management; statutory reporting including the Annual Plan and Long Term Plan; internal and external audit and assurance; and monitoring of compliance with laws and regulations (including health and safety).</p>
<p><i>Internal consultation</i></p> <p>Regular report writers to the Committee were consulted.</p>
<p><i>Risks and impacts - legal / health and safety etc.</i></p> <p>There are no known risks for this report.</p>

Attachment 1 to Report 23.334

FRAC Forward Work Programme – August 2023

FRAC Forward Work Programme August 2023

Categories	Item	November	February	May	August
Financial Management	Quarterly report	✓	✓	✓	✓
	Financial policies review	✓			
	Fraud risk updates			✓	
Risk Management	Health Safety and Wellbeing	✓	✓	✓	✓
	Harbours Management – Risk and Compliance	✓	✓	✓	✓
	Risk deep dive paper or workshop	✓	✓	✓	✓
	Risk review and update	✓	✓	✓	✓
	Climate change	✓		✓	
	Legal compliance	✓			
	Cyber security update		✓		✓
	Insurance review				✓
	Risk appetite review				✓
	Affordable water update – as required				
Business Assurance	Assurance update	✓	✓	✓	✓
	Agree programme				✓
Reporting and Accounting	Annual Report – may require special meeting early October				
	Audit report to Council		✓		✓
	Fair Value Assessment of Property Plant and Equipment				✓
	Audit plans				✓
Workshops		✓	✓	✓	✓

Finance Risk and Assurance Committee
15 August 2023
Report 23.366



For Decision

QUARTERLY FINANCE UPDATE – QUARTER FOUR

Te take mō te pūrongo

Purpose

1. To advise the Finance, Risk and Assurance Committee (the Committee) of Greater Wellington Regional Council's (Greater Wellington) financial reports for the financial year ended 30 June 2023.

He tūtohu

Recommendations

That the Committee:

- 1 **Accepts** the financial report, including Attachment 1, noting this is an interim report and subjected to possible change upon completion of the Annual Report audit.
- 2 **Notes** that the final Annual Report will be signed off on or before 31 October 2023.

Te tātaritanga

Analysis

Key results

2. The result to June 2023 is a \$19.0 million operating surplus. Greater Wellington had budgeted for an operating surplus of \$1.5 million, resulting in \$17.5 million favourable variance.
3. The key drivers for this were.
4. Total Revenue was \$9.0 million higher than budget. Materially driven by:
 - a Reduced fare revenue of \$26.0 million, due to lower patronage levels from reduced services and an increase in working from home practices post covid and \$37.7 million due to half price fares.
 - b This has been offset by higher grants and subsidies in Public Transport of \$62.5 million from Waka Kotahi NZ Transport Agency (Waka Kotahi) and Central Government to help bridge the patronage revenue gap and half price fares support.
 - c Additional investment interest revenue of \$7.0 million
5. Total Expenditure was \$5.0 million lower than budget. This was driven by:

- a An underspend in Let's Get Wellington Moving of \$11.8 million. This has been re-budgeted in 2023/24 and across Long Term Plan years.
 - b Delays in Greater Wellington ticketing, Bus Shelter/Stop projects, and reduced level of services from bus operators (totalling \$5.3 million)
 - c However, the large variances are offset by rising interest rates of \$13.0 million since the budget was set.
6. Capital Expenditure for the full year was 30% below budget, with \$130 million spent out of \$187 million budgeted.
 7. Achieving the full Capital Projects (CAPEX) budget has been challenging in 2022/23 due to a number of factors, from construction delays due to poor weather, procurement and contractor availability to delays in the National Ticketing Solution delaying the Greater Wellington ticketing project.
 8. Greater Wellington's response to address these delays has been to engage PWC as part of the business assurance programme and have completed a clean page CAPEX budgeting exercise for the 2023/24 annual plan capital budgets, with a focus on deliverability, affordability, staff wellbeing and high impact on the Region.
 9. The \$19.0 million full year surplus is an accounting surplus and not a cash surplus as the report contains non-cash items such as depreciation and fair value movements in the financial instruments that council holds.

Ngā hua ahumoni
Financial implications

10. There are no known financial implications.

Ngā Take e hāngai ana te iwi Māori
Implications for Māori

11. There are no known implications for Māori.

Ngā tikanga whakatau
Decision-making process

12. The matters requiring decision in this report were considered by officers against the decision-making requirements of Part 6 of the Local Government Act 2002.

Te hiranga
Significance

13. Officers considered the significance (as defined by Part 6 of the Local Government Act 2002) of the matters for decision, taking into account Council's *Significance and Engagement Policy* and Greater Wellington's *Decision-making Guidelines*. Officers consider that the matters outlined in the report are of low significance because of their administrative nature.

Te whakatūtakitaki

Engagement

14. Because of the low significance no external engagement is necessary.

Ngā tūāoma e whai ake nei

Next steps

15. Officers will note any material changes to this report resulting from the year end finalisation of the accounts and report on these separately if any in the first quarterly report of 2023/24.

Ngā āpitihanga

Attachment

Number	Title
1	Financial Report – 30 June 2023

Ngā kaiwaitohu

Signatories

Writer	Darryl Joyce – Manager Accounting Services
Approver	Alison Trustrum-Rainey – Āpiha Mātāmua Pūtea Chief Financial Officer

He whakarāpopoto i ngā huritaonga Summary of considerations
<i>Fit with Council's roles or with Committee's terms of reference</i> The Committee's specific responsibilities include to "review the robustness of the organisation's financial performance".
<i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i> The report reviews performance against the financial statements in Council's 22/23 Annual Plan.
<i>Internal consultation</i> All business groups contribute to Greater Wellington's financial performance.
<i>Risks and impacts - legal / health and safety etc.</i> There are no risks arising from this report.

Financial Report – 30 June 2023

Council Financial Summary – 30 June 2023

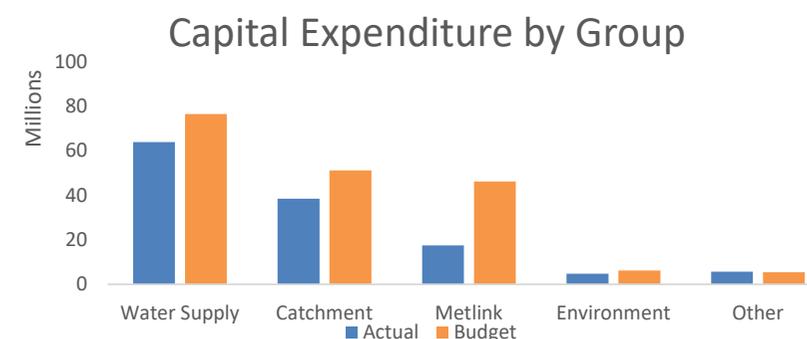
The figure reported is considered as interim and is subjected to change once audited. The final Annual Report will be signed off on or before 31 October 2023. Revised budget is budget set in the 2022-23 Annual Plan plus re-budgets approved by Council.

The result to June 2023 is a \$19.0m operating surplus. GWRC had budgeted for an operating deficit of (\$9.5m), resulting in \$28.5m favourable variance.

This favourable full year variance to budget is primarily due to the below items.

- Farebox revenue was a challenge in 2022/23, down by \$62.5m, of which \$26m was due to changed patronage patterns and \$37.7m from the half price fare central government policy. Noting, network patronage has continued to improve through the year.
- Grants and Subsidies revenue is up by \$62.0m, driven primarily by Metlink receiving additional funding from Waka Kotahi for the half price fares initiative \$37.7m and support for lower patronage with central government providing \$36.0m of additional Crown funding. (\$6m July 22, \$30m June 23).
- Let's Get Wellington Moving is underspent by \$11.8m. Council has approved for \$4.6m of that underspend to be carried over to the next financial year and the remaining will be allocated as part of LTP process.
- Finance costs is up by \$13m due to increased lending rates. The variance has been partially offset by additional investment revenue of \$7m leaving a net negative impact of \$6m in total.
- CAPEX finishes the year being 30% (\$56M) down on budget. Council has approved for \$10.6m of that underspend to be carried over to the next financial year.
- Investment additions for Greater Wellington Rail included in above numbers did deliver their 2022/23 budgeted station infrastructure renewals and improvements.
- \$3.4m of reserves have been applied throughout the year to ensure our funding is balanced. Of this \$1.8M was used from the PT reserve for Driver Wages.

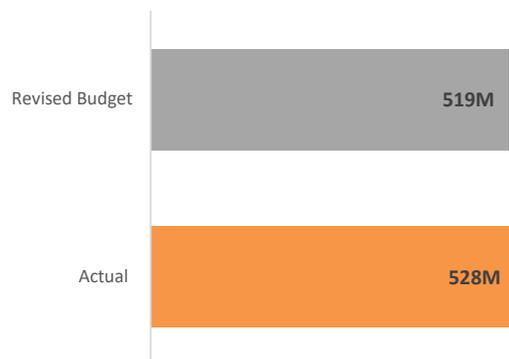
	Full Year			
	Actual	Revised Budget	Variance	
	\$000s	\$000s	\$000s	
Operating Revenue				
Rates and Levies	223,245	222,711	534	0%
Grants and Subsidies	221,886	160,242	61,644	38%
Other Revenue	83,269	136,464	(53,195)	-39%
Total Operating Revenue	528,400	519,417	8,983	2%
Operating Expenditure				
Personnel	74,448	75,241	(793)	-1%
Grants and Subsidies	245,498	252,088	(6,590)	-3%
Consultants, Contractors, and Suppliers	135,182	148,598	(13,416)	-9%
Finance Costs	35,863	22,847	13,016	57%
Depreciation	32,849	30,109	2,740	9%
Total Operating Expenditure	523,840	528,883	(5,043)	-1%
Operating Surplus/(Deficit) before other items	4,561	(9,466)	14,027	-148%
Fair Value Movements	14,455	11,037	3,418	31%
Operating Surplus/(Deficit)	19,016	1,571	17,445	1110%
Capital Expenditure	130,449	187,032	(56,583)	-30%



Financial Report – 30 June 2023

Key Variance Commentary

Total Operating Revenue



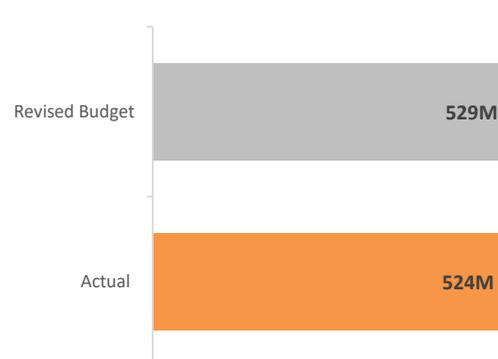
Metlink PT – Unfavourable due to lower patronage levels from reduced services and increase in working from home practices as well as half price fares. (\$5.2m)

Catchment – Favourable due to Kanoa climate resilience programme, Fresh Water Fish Passage project, rental income from Riverlink properties ahead of budget and investment interest above budget. \$5.2m

Water – Favourable due to higher interest on investment. \$1.7m

Investment – Favourable due to additional investment revenue. Offset by rising interest rates since budget was set. \$7.0m

Total Operating Expenditure

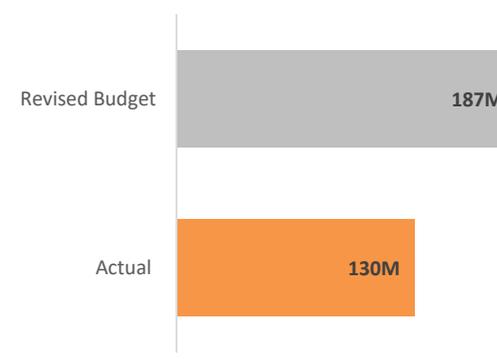


Metlink PT – Favourable due to a reduced level of services from bus operators and delays in GWRC ticketing and Bus Shelter/stop projects. \$5.3m

Strategy – Favourable due to underspent in Let’s Get Wellington Moving and delays in Low Carbon Acceleration Fund. \$14.3m

Investment – Unfavourable due to rising interest rates since the budget was set. This is partially offset by additional investment revenue. (\$13.0m)

Capital Expenditure



Metlink PT – Underspent due to re-schedule of National Ticketing Solution and delays in Real Time Info 2.0 initiation. 28.7m

Catchment – Underspent due to delays in the following projects: Riverlink, Kapiti Flood Management Plan and Wairarapa Flood Management Plan. \$12.9m

Water – Underspent due to delays in the following projects: Kaitoke flume bridge, Te Marua capacity upgrade, Relocate Main on SS Bridge, Kingsley main replacement and Fluoride closing. \$12.7m

Financial Report – 30 June 2023
Detailed Business Groups Reports or June 2023

Catchment

June 2023

	Full Year			
	Actual	Budget	Variance	% Variance
Operational Revenue				
Rates	38,478,643	38,508,084	(29,441)	0%
Grants & Subs	10,456,455	8,957,165	1,499,291	17%
Fees Charges & Other	18,548,151	14,796,332	3,751,820	25%
Total Operating Revenue	67,483,250	62,261,581	5,221,669	8%
Operational Expenditure				
Personnel	14,723,817	15,475,672	(751,854)	-5%
Materials, Supplies & Services	5,679,219	6,192,051	(512,832)	-8%
Contractor & Consultants	14,957,153	17,293,668	(2,336,515)	-14%
Grants & Subsidies Expenditure	265,125	107,738	157,388	146%
Other	5,295,275	3,837,587	1,457,688	38%
Interest	4,990,468	3,848,755	1,141,713	30%
Total Operating Expenditure	45,911,058	46,755,470	(844,412)	-2%
Overheads	11,111,383	11,046,836	64,547	1%
Operational Surplus/(Deficit)	10,460,809	4,459,275	6,001,534	135%
Net Capital Expenditure	38,435,516	51,371,339	(12,935,823)	-25%

Top Capex Projects by Direct Expenditure for Catchment

June 2023

Project Name	Full Year		
	Actual	Budget	Variance %
RiverLink Property Purchase	13,638,019	19,116,250	-28.66%
Kanoa Climate Resilience Programme	13,803,358	8,791,413	57.01%
RiverLink Design & Implementation	8,261,623	5,470,713	51.02%
RiverLink Implementation	964,931	5,000,000	-80.70%
Otaki River	284,462	4,886,168	-94.18%

Favourable:  Caution:  Unfavourable: 

Operating Revenue is **favourable \$5.2m** due to:

- Grants & Subs \$1.5m favourable for the Kanoa climate resilience programme and Fresh Water Fish Passage project offset by additional expenditure.
- Fees Charges and Other \$3.7m favourable. Unbudgeted Riparian 1BT programme revenue \$0.8m, offset by additional expenditure. Akura Nursery revenue \$0.5m above budget. RiverLink rental income \$1.3m ahead of budget (delayed demolition) and investment interest above budget.



Operating Expenditure is **favourable \$0.8m** due to:

- Personnel \$0.8m favourable due to vacancies in Biosecurity and Land Management.
- Materials \$0.5m favourable due to savings in Predator Free Operations offset by reduced revenue.
- Contractor and Consultants \$2.3m favourable - Pinehaven Flood Management Plan (FMP) project \$4.5m below budget due to planning and consent delays, partially offset by RiverLink Impairments
- Interest \$1.1m overbudget.



Capital Expenditure is **\$12.9m underspent** due to:

- RiverLink property purchases \$4.5m behind budget (market driven) & Design/Construction \$1.2m behind budget (alliance partner delays) – \$6.1m has been re-budgeted.
- Kapiti FMP implementation \$5.8m underspent (Otaki FMP review delays)
- Wairarapa FMP's \$2.5m underspent – resourcing issues



Financial Report – 30 June 2023

Environment

June 2023

	Full Year			
	Actual	Budget	Variance	% Variance
Operational Revenue				
Rates	32,439,393	32,463,941	(24,548)	0%
Grants & Subs	1,056,400	-	1,056,400	0%
Fees Charges & Other	7,336,422	7,214,034	122,388	2%
Total Operating Revenue	40,832,214	39,677,975	1,154,240	3%
Operational Expenditure				
Personnel	15,569,900	16,288,654	(718,754)	-4%
Materials, Supplies & Services	2,539,547	3,261,997	(722,450)	-22%
Contractor & Consultants	11,265,972	9,861,270	1,404,702	14%
Grants & Subsidies Expenditure	44,000	-	44,000	0%
Other	597,248	414,582	182,666	44%
Interest	600,743	543,576	57,167	11%
Total Operating Expenditure	30,617,411	30,370,079	247,331	0%
Overheads	11,455,485	11,353,673	101,812	1%
Operational Surplus/(Deficit)	(1,240,681)	(2,045,777)	805,096	-39%
Net Capital Expenditure	4,815,573	6,281,784	(1,466,211)	-23%

Top Capex Projects by Direct Expenditure for Environment

June 2023

Project Name	Full Year		
	Actual	Budget	Variance %
ES Network Capex	742,587	2,179,523	-65.93%
ES Whaitua Capex	557,329	1,012,426	-44.95%
Belmont Asset Management Capex	751,918	775,000	-2.98%
Akatarawa Asset Management Capex	409,491	430,000	-4.77%
East Harbour Asset Management Capex	589,419	415,000	42.03%

Favourable:  Caution:  Unfavourable: 

Operating Revenue is **favourable \$1.1m**

- Grants & Subs has additional revenue (\$1.1m) received for Ruamahanga Aerial Electromagnetic Survey project.



Operating Expenditure is **unfavourable \$0.25m** due to:

- Personnel savings \$0.7m favourable - mostly due to vacancies in Policy.
- Materials \$0.7m favourable – due to savings on Park’s Repair & Maintenance.
- Contractor & Consultants \$1.4m unfavourable due to higher legal costs for Regulation and consultant costs for Policy projects - Natural Resource Plan, Regional Policy Statement and Wairarapa Coast Whaitua, partially offset by personnel savings.



Capital Expenditure is **\$1.5m underspent** due to:

- Science network Capex reduced to provide for increased Ruamahanga (AES) expenditure in 23/24 and 24/25. This has been re-budgeted.
- Collaborative Modelling Project underspent (\$0.5m), to be progressed in 23/24.



Financial Report – 30 June 2023

Attachment 1 to Report 23.366

Attachment 1 to Report 23.366

Financial Report – 30 June 2023

Metlink

June 2023

	Full Year			
	Actual	Budget	Variance	% Variance
Operational Revenue				
Rates	90,572,985	90,673,685	-100,700	0%
Grants & Subs	205,956,223	148,641,823	57,314,400	39%
Fees Charges & Other	43,290,166	105,741,674	-62,451,508	-59%
Total Operating Revenue	339,819,374	345,057,182	-5,237,808	-2%
Operational Expenditure				
Personnel	10,969,756	10,035,832	933,924	9%
Materials, Supplies & Services	10,250,008	10,870,144	-620,135	-6%
Contractor & Consultants	17,392,577	17,158,631	233,946	1%
Grants & Subsidies Expenditure	239,840,689	246,036,043	-6,195,354	-3%
Other	72,539	24,928	47,611	191%
Interest	9,375,633	9,068,639	306,994	3%
Total Operating Expenditure	287,901,203	293,194,216	-5,293,014	-2%
Overheads	16,144,382	16,137,567	6,815	0%
Operational Surplus/(Deficit)	35,773,790	35,725,399	48,390	0%
Net Capital Expenditure	17,531,409	46,204,531	-28,673,122	-62%
Investment in Greater Wellington Rail	18,660,129	18,024,243	635,886	4%

Top Capex Projects by Direct Expenditure for Metlink

June 2023

Project Name	Full Year		
	Actual	Budget	Variance %
GWRC Transition & National Ticketing Solution	8,814,105	25,562,117	-65.52%
Fixed Asset Maintenance CAPEX	6,816,137	8,600,974	-20.75%
Real Time Info (RTI) 2.0 Capex	832,043	9,973,778	-91.66%
Capex Online Channels & Accessibility Improvements	373,230	2,065,996	-81.93%

Favourable:  Caution:  Unfavourable: 

Operating Revenue **unfavourable \$5.2m** due to:

- Fees and Charges are below budget due to reduced fare revenue post covid. \$26.0m due to an increase in working from home practices and \$37.7m due to half price fares.
- Noting Patronage continues to improve
- Movement partially off-set by additional support from Waka Kotahi and underclaim in grant and subsidy Capex due to less work completed vs budget
- Central government provided \$30m of additional Crown funding (\$15m local share) for FY22/23 to support loss fare revenue.



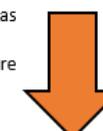
Operating Expenditure is **favourable \$5.3m** due to:

- Personnel variance driven by increase in recruitment/temporary staff costs and higher inflationary pressures within the pay bands.
- Grants and Subsidies expenditure being under budget mainly due to cancelled services on bus operator contracts and deferrals of the EV bus programme offset by increased inflation.
- Materials & supplies is below budget driven by delays in GWRC ticketing and Bus Shelter/stop projects.



Capital Expenditure is **\$28.7m underspent** due to:

- Investment additions (GWRL) have delivered station infrastructure renewals and improvements exceeding expectations.
- GWRC Transition/National Ticketing solution has been re-scheduled. Snapper on Rails is the transitional solution & is OPEX in nature as there is no GW asset.
- Real Time Info (RTI) 2.0 delayed initiation. Expected completion FY24/25.
- Remaining delays in delivery due to inclement weather; resource & material supply constraints for accessibility improvements projects at station and bus stops. These projects to be accelerated in the next financial year.



Financial Report – 30 June 2023

Water Supply

June 2023

	Full Year			
	Actual	Budget	Variance	% Variance
Operational Revenue				
Rates	42,068,773	42,086,525	(17,752)	0%
Fees Charges & Other	2,333,226	573,731	1,759,495	307%
Total Operating Revenue	44,401,999	42,660,256	1,741,743	4%
Operational Expenditure				
Materials, Supplies & Services	7,333,791	8,307,272	(973,482)	-12%
Contractor & Consultants	22,890,889	19,332,758	3,558,131	18%
Grants & Subsidies Expenditure	-	-	-	0%
Other	(328)	1,540	(1,868)	-121%
Interest	5,279,688	5,748,171	(468,483)	-8%
Total Operating Expenditure	35,504,040	33,389,742	2,114,298	6%
Overheads	2,526,363	2,526,363	00	0%
Operational Surplus/(Deficit)	6,371,595	6,744,151	(372,556)	-6%
Net Capital Expenditure	63,903,666	76,594,331	(12,690,665)	-17%

Top Capex Projects by Direct Expenditure for Water Supply

June 2023

Project Name	Full Year		
	Actual	Budget	Variance %
Relocate Kaitoke Main on SS Bridge	20,966,000	25,357,465	17%
Kaitoke Flume Bridge	13,746,000	17,165,000	20%
TM WTP Capacity Optimisation	11,015,000	17,340,000	36%
Regional Fluoride Dosing System	3,202,000	1,935,000	-65%
Kingsley Main Replacement	3,552,000	1,201,000	-196%

Favourable:  Caution:  Unfavourable: 

Operating Revenue is **favourable by \$1.7m** due to:

- Fees Charges and other \$1.7m favourable due to higher interest on investment.



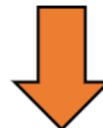
Operating Expenditure is **unfavourable by \$2.1m** due to:

- Materials favourable due to savings on property rates \$0.5m, power \$0.4m due to utilisation of hydro self-generation system during suitable river conditions. Insurance is unfavourable by \$0.2m due to price increase and a net increase in stock on hand of \$0.1m.
- Contractors & consultants unfavourable by \$3.6m due to increased chemical costs.
- Interest \$0.5m favourable due to lower starting debt on prior year.



Capital Expenditure is **\$12.7m underspent** due to:

- Kaitoke flume bridge delay resulting from poor weather and additional extensive slope clearance (\$3.4m).
- Te Marua capacity upgrade project delay on equipment delivery (\$6.3m).
- Relocate Main on SS Bridge project delay with steel delivery (\$4.4m).
- Various small projects including Kingsley main replacement and Fluoride dosing (\$1.4m).



Attachment 1 to Report 23.366

Financial Report – 30 June 2023

Strategy

June 2023

	Full Year			
	Actual	Budget	Variance	% Variance
Operational Revenue				
Rates	13,357,418	13,112,274	245,144	2%
Grants & Subs	2,925,878	2,642,905	282,974	11%
Fees Charges & Other	3,932,621	3,188,043	744,577	23%
Total Operating Revenue	20,215,917	18,943,222	1,272,695	7%
Operational Expenditure				
Personnel	6,210,341	6,628,194	(417,854)	-6%
Materials, Supplies & Services	2,603,104	4,505,864	(1,902,760)	-42%
Contractor & Consultants	9,685,978	21,390,408	(11,704,430)	-55%
Grants & Subsidies Expenditure	4,435,662	4,414,501	21,161	0%
Other	1,923,572	1,481,807	441,766	30%
Interest	233,680	951,819	(718,139)	-75%
Total Operating Expenditure	25,092,336	39,372,592	(14,280,257)	-36%
Overheads	(116,006)	(102,947)	(13,059)	13%
Operational Surplus/(Deficit)	(4,760,412)	(20,326,423)	15,566,011	-77%
Net Capital Expenditure	417,933	679,750	(261,817)	-39%

Top Capex Projects by Direct Expenditure for Strategy

June 2023

Project Name	Full Year		
	Actual	Budget	Variance %
Transport Model	417,933	662,750	-36.94%

Favourable:  Caution:  Unfavourable: 

Operating Revenue is **favourable \$1.3m** due to:

- Fees charges & Other is favourable, with fees from Waka Kotahi offsetting some our costs in LGWM as well as some additional revenue, offsetting expenses in the Regional Transport Planning team.



Operating Expenditure is **favourable \$14.3m** due to:

- Materials, Supplies & Services are favourable due to delays in expenditure with Low Carbon Acceleration Fund as well as underspend in smaller projects in Regional Transport Planning.
- Contractor & Consultants is underspent by \$11.8m driven by Let's Get Wellington Moving. Council has approved for \$4.6m of that underspend to be carried over to FY23/24.



Capital Expenditure: The **Transport Model** is Strategy's only capital project, and this is currently below budget.

Attachment 1 to Report 23.366

Financial Report – 30 June 2023

People & Customer

June 2023

	Year to Date			
	Actual	Budget	Variance	% Variance
Operational Revenue				
Fees Charges & Other	255,965	188,853	67,111	36%
Total Operating Revenue	255,965	188,853	67,111	36%
Operational Expenditure				
Personnel	9,981,832	9,882,284	99,548	1%
Materials, Supplies & Services	1,931,134	1,978,040	(46,906)	-2%
Contractor & Consultants	1,220,204	347,550	872,654	251%
Other	1,370,952	998,384	372,568	37%
Interest	2,219	4,293	(2,074)	-48%
Total Operating Expenditure	14,506,340	13,210,551	1,295,789	10%
Overheads	(14,057,875)	(13,812,508)	(245,367)	2%
Operational Surplus/(Deficit)	(192,500)	790,810	(983,310)	-124%
Net Capital Expenditure	2,965,883	1,544,477	1,421,406	92%

Top Capex Projects by Direct Expenditure for People & Customer

June 2023

Project Name	Full Year		
	Actual	Budget	Variance %
Website Development	-	53,477	-100.00%
Events Equipment	8,334	-	100.00%
Vehicle Purchases	2,956,883	1,490,999	98.32%

Favourable:  Caution:  Unfavourable: 

Operating Revenue is on budget

Operating Expenditure is **unfavourable** **\$1.3m** due to:

- Contractor & Consultants is higher than budgeted, due to approved contractors
- Other is \$0.3m unfavourable due to higher vehicle running costs than budgeted.



Capital Expenditure is **\$1.4m** overspent due to:

- Additional vehicle purchases above budgeted amount but approved by ELT.

Attachment 1 to Report 23.366

Financial Report – 30 June 2023

Corporate Services

June 2023

	Full Year			
	Actual	Budget	Variance	% Variance
Operational Revenue				
Rates	2,925,082	2,602,101	322,982	12%
Grants & Subs	730,697	-	730,697	0%
Fees Charges & Other	1,355,647	1,424,394	(68,747)	-5%
Total Operating Revenue	5,011,427	4,026,494	984,932	24%
Operational Expenditure				
Personnel	10,418,077	10,147,170	270,906	3%
Materials, Supplies & Services	9,568,591	12,682,314	(3,113,723)	-25%
Contractor & Consultants	8,563,140	5,796,458	2,766,682	48%
Grants & Subsidies Expenditure	78	-	78	0%
Other	33,731	29,646	4,085	14%
Interest	933,172	1,170,490	(237,318)	-20%
Total Operating Expenditure	29,516,790	29,826,078	(309,288)	-1%
Overheads	(27,519,442)	(27,531,534)	12,092	0%
Operational Surplus/(Deficit)	3,014,079	1,731,950	1,282,129	74%
Net Capital Expenditure	2,379,221	4,356,130	(1,968,522)	-45%

Top Capex Projects by Direct Expenditure for Corporate Services

June 2023

Project Name	Full Year		
	Actual	Budget	Variance %
Business Capex	1,926,797	3,569,378	-46.02%
Masterton New Office	264,278	786,752	-66.41%
Upper Hutt Depot	107,712	-	100.00%
Cuba St Design & Construction	80,433	-	100.00%

Favourable:  Caution:  Unfavourable: 

Operating Revenue **favourable \$1.0m** due to:

- Rates is higher rates penalty than budgeted
- Grants & Subs is higher due to better Off funding from central government. The additional Better Off funding has offset some additional OPEX costs.



Operating Expenditure is **\$0.3m favourable** with:

- Materials, Supplies & Services is \$3.1m favourable, driven by Warm Greater Wellington scheme being suspended, and a favourable adjustment to prior year's balance.
- Contractors and Consultants is higher than budgeted, due to budgeted CAPEX IT delivery projects has been re-classified as OPEX as a result of change in accounting. These projects are debt funded due to intergenerational/long term benefit. Some of that expenditure is offset by Better Off revenue.



Capital Expenditure is **\$2.0m underspent** due to:

- With the increase in use of Software as a Service (SaaS), historical ICT CAPEX Software and related projects are classified as OPEX not CAPEX. Hence the underspend in IT delivery projects in Capex and a corresponding overspend in OPEX as mentioned above.
- CAPEX for the Masterton Office expense is below budget.



Attachment 1 to Report 23.366

Financial Report – 30 June 2023

Te Hunga Whiriwhiri

June 2023

	Full Year			
	Actual	Budget	Variance	% Variance
Operational Revenue				
Rates	4,808,384	4,772,684	35,700	1%
Grants & Subs	632,000	-	632,000	0%
Fees Charges & Other	26,265	-	26,265	0%
Total Operating Revenue	5,466,649	4,772,684	693,965	15%
Operational Expenditure				
Personnel	1,697,938	2,211,452	(513,514)	-23%
Materials, Supplies & Services	106,187	13,413	92,775	692%
Contractor & Consultants	2,120,629	1,816,997	303,633	17%
Grants & Subsidies Expenditure	99,361	-	99,361	100%
Other	9,374	10,776	(1,402)	-13%
Total Operating Expenditure	4,033,490	4,052,637	(19,148)	0%
Overheads	848,312	848,312	(0)	0%
Operational Surplus/(Deficit)	584,848	(128,265)	713,113	-556%

Favourable:  Caution:  Unfavourable: 

Operating Revenue is **\$0.7m favourable** due to:

- Grants & Subs, with a contribution from the crown to the Wairarapa Moana board.



Operating Expenditure is **on budget**.

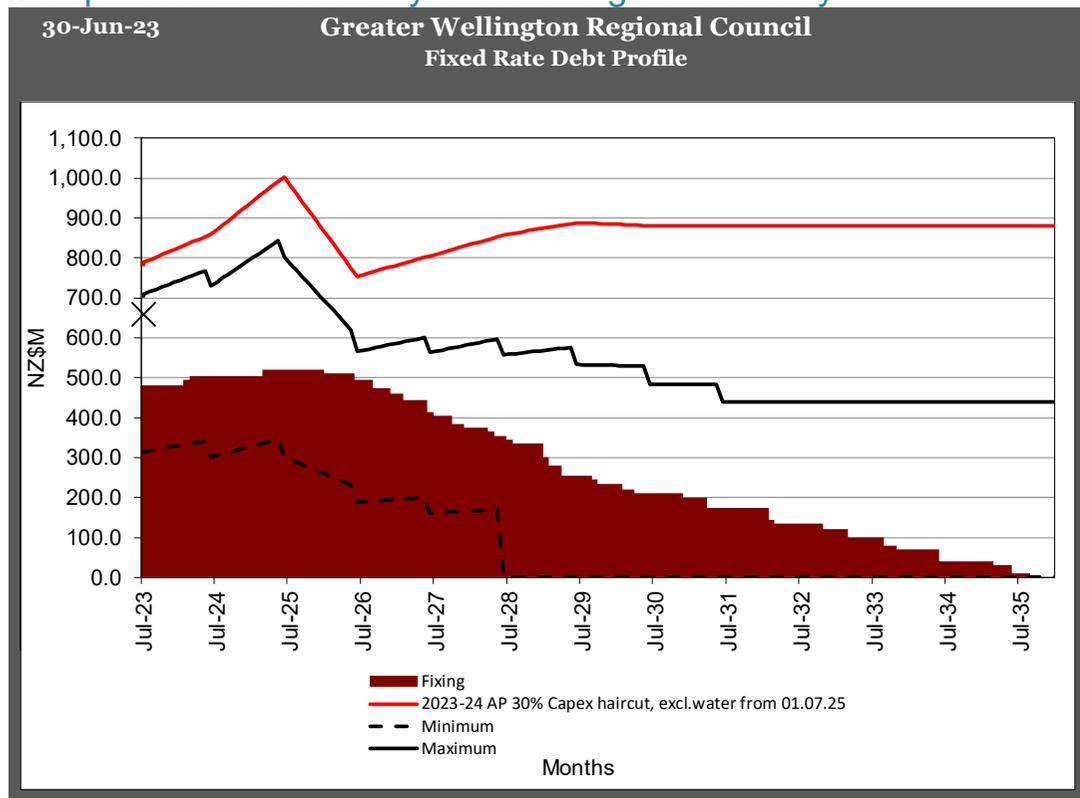
Capital Expenditure:

Note - There is no budgeted capital expenditure.

Attachment 1 to Report 23.366

Financial Report – 30 June 2023

Compliance with Treasury Risk Management Policy



		Compliant		actual %
		Yes	No	
Counterparty credit exposure with New Zealand registered banks which have a credit rating of at least A-, long term, and A2 short term		✓		
Other counterparty exposure within policy limits		✓		
Maximum counterparty exposure with a NZ registered bank is within \$132 million limit		✓		
The repricing of liquid financial investments are to occur within the following timebands				
0 - 1 year	70% - 100%	✓		100%
1 - 5 years	0% - 30%	✓		0%
Core Council External Borrowing Limits - Ratios				
Net Debt / Total Revenue < 295%		✓		115.9%
Net interest / Total Revenue < 20%		✓		4.8%
Net interest / Annual rates and levies < 30%		✓		11.5%
Liquidity > 110%		✓		122%

Total Council Limit Compliance Analysis 30 June 2023				Compliant		actual %
				Yes	No	
Debt Interest Rate Policy Parameters - based on 2021-51 LTP less 35% haircut						
Current	40% - 90%		✓			63%
year 1	40% - 90%		✓			59%
year 2	35% - 85%		✓			52%
year 3	30% - 80%		✓			66%
year 4	25% - 75%		✓			52%
year 5	20% - 70%		✓			41%
year 6	0% - 65%		✓			29%
year 7	0% - 60%		✓			24%
year 8	0% - 55%		✓			20%
year 9	0% - 50%		✓			15%
year 10	0% - 50%		✓			11%
year 11	0% - 50%		✓			5%
year 12	0% - 50%		✓			1%
year 13	0% - 50%		✓			0%
year 14	0% - 50%		✓			0%
year 15	0% - 50%		✓			0%
The maturity of total external debt to fall within the following timebands						
0 - 3 years	15% - 60%		✓			34%
3 - 7 years	25% - 85%		✓			40%
> 7 years	10% - 60%		✓			26%

Finance, Risk and Assurance Committee
15 August 2023
Report 23.358



For Decision

RISK AND ASSURANCE UPDATE

Te take mō te pūrongo

Purpose

1. To provide the Finance, Risk and Assurance Committee (Committee) with an update on:
 - a developments with respect to risk management.
 - b the three-year assurance plan.

He tūtohu

Recommendation

That the Committee:

- 1 **Approves** the assurance plan for 2023/24.

Te tāhū kōrero

Background

Risk Management

2. The latest Executive Leadership Team (ELT) risk dashboard, and the results of workshops undertaken to unpack one page uncertainty statements, have been included in [Attachment 1](#).
3. Since the previous update, we have:
 - a Developed further one page uncertainty statements with 18 of the 22 uncertainties now being defined.
 - b Begun implementing group risk dashboards which are updated on a quarterly basis. This will ensure quarterly risk reporting aligns to the new risk approach.
 - c We will be having the first risk appetite workshop with the Committee in August 2023. This workshop will allow the Committee to input into the design of the risk appetite statements.

Business Assurance action points

4. Updates against the current assurance plan have been included in [Attachment 2](#).
5. Since the previous update to the Committee (Report 23.160) the capital works, asset management maturity and change management audits are now complete and the finalised audit reports have been made available to the Committee ([Attachments 3-5](#)).

Te tātaritanga Analysis

Risk Management

6. A further seven one-page uncertainty statements have been developed for the uncertainties:
 - a Ability to implement change
 - b Quality of relationships with our stakeholders and partners
 - c Population, demographic change & clarity of community need
 - d Reliance on actions of third parties
 - e Ability to fund delivery
 - f Integrity of people, fraud, bribery or corruption
 - g Data and information governance
7. **Attachment 1** provides the Committee with the:
 - a Current ELT risk dashboard, heat-mapped to reflect the perspective of the ELT.
 - b Results of workshops undertaken to unpack the one-page uncertainty statements listed above.
8. From the Committee meeting in October 2023, the ELT dashboard will be heat mapped based on the risk leads, subject matter experts and their sentiment around the uncertainty, which is captured within the one-page uncertainty statements. We will also look to begin deep dives into these uncertainties (one deep dive per Committee meeting).

Updated risk appetite statement

9. We will be having the first risk appetite workshop with the Committee in August 2023. This workshop will allow the Committee to input into the design of the risk appetite statements.
10. Based on the outcome of this workshop, we will work with ELT to develop risk categories, and their risk appetite statements, which will be presented the Committee's meeting in October 2023 for feedback.

Business Assurance arrangements

11. The assurance plan, through to 2024, is set out as a 'plan on a page' in **Attachment 2**. We have provided a progress update on the plan.
12. All activities within the assurance plan for the 2022-23 financial year have been completed. Updates on the capital works, asset management maturity and change management audits have been provided below (points 20-33).
13. We have closed one recommendation since the last Committee meeting. Further details on open actions can be found in **Attachment 2**.

Assurance plan 2023-24

14. We sought input from the Committee (Report 23.17) on assurance activities for 2023-24 which we have taken to ELT for discussion and endorsement on 22 May 2023.
15. Refer to **Attachment 6** for the outcome of ELT's discussion and endorsement of assurance activities for the 2023/24 assurance plan.
16. The ELT endorsed activities are as follows:
 - a End-to-end review of fleet management
 - b Indirect taxes
 - c Core financial controls
17. We are seeking approval from the Committee for the commencement of these assurance activities during the 2023-24 financial year.
18. During the 2023-24 financial year, we will also look to develop the assurance plan for the 2024-27 LTP period. We note that we are looking to present the Committee with a risk-based assurance programme which aligns to our new risk approach.

Treaty of Waitangi audit

19. PWC is currently undertaking Greater Wellington's inaugural Te Tiriti o Waitangi audit, targeting September 2023 completion. The audit is governed by the Te Tiriti o Waitangi Komiti and therefore, the results of the audit will be given to this Committee for informational purposes only.

Capital works programme internal audit

20. PWC have undertaken an internal audit of our capital works programme processes and controls to identify and understand the root causes of the recurring capital expenditure underspend.
21. PWC assessed Greater Wellington's capital works programme maturity as 'Developing', recommending that we focus on improving:
 - a The clarity, consistency and accountability of project governance practices.
 - b Cashflow planning and project financial management expectations.
 - c Project Management Office (PMO) roles and responsibilities.
 - d Estimation of project timelines.
 - e Project management and delivery practices.
22. To implement these recommendations the following activities will be undertaken across the organisation:
 - a **PROCESS:** Through Greater Wellington's business performance improvement capability, establish a capital delivery working group. The group will be made up of Metlink and Environment Group project professionals and the PMO. The group will work alongside the Corporate Collaboration Group to prioritise activities for moving Greater Wellington from Developing to Established capital works programme maturity (the preferred maturity).

- b PMO: To support the working group’s activities, a report is being drafted to ELT summarising the last two years of PWC findings relating to the capital works programme. The report will outline the people, process, and tools we need for us to improve project governance. It will take a portfolio view of the capital works programme and enable better project management practice.
 - c CAPABILITY: Finance will continue to support the business with understanding their required financial support and to help them with ensuring their budgets reflect the Long-Term Plan and align with Activity Management Planning. In addition, Finance will work with the business to develop better process to review business case cost estimates and the methodology for estimating project contingencies. PMO (business partners) will be required work alongside this mahi to increase competency in forecasting/cashflow costs.
 - d RESOURCING: Procurement will investigate with the business around the best method to share the forward works programme with the market to improve the availability of appropriate resources when required.
23. Implementing these recommendations will help Greater Wellington move to a capital works programme maturity of ‘Established’, removing many of the root causes which have resulted in recurring capital expenditure underspend.

24. The report has been finalised and is attached for your perusal (**Attachment Three**).

Asset management internal audit

- 25. PWC have undertaken an assessment of our asset management maturity.
- 26. The assessment found that asset management maturity:
 - a Targets that were set in 2012 remain appropriate.
 - b Targets were meet in most areas.
 - c Results were generally trending upwards.
- 27. These findings are captured in the table below.

	2012 assessment	2015 assessment	2023 assessment ¹	GWRC target maturity ¹	New Zealand Treasury/GHD maturity model definitions (refer Appendix B)
Asset classes assessed by PwC in this internal audit					
Public transport – Bus and ferry	41	56	73 (Intermediate)	68 (Intermediate)	Aware (0 – 20)
Public transport – Rail	53	70	80 (Intermediate)	80 (Intermediate)	Basic (21 – 40)
Flood protection	54	61	71 (Intermediate)	76 (Intermediate)	Core (41 - 60)
Asset classes self-assessed by GWRC management					
Environmental science	44	54	66 (Intermediate)	55 (Core)	Intermediate (61 – 80)
Harbours	45	55	53 (Core) ²	53 (Core)	Advanced (81 – 100)
Parks	53	70	74 (Intermediate)	71 (Intermediate)	
Corporate property	-	-	52 (Core)	61 (Intermediate)	
Water (Wellington Water self-assessment)	66	81	No self assessment (noting the 2015 self assessment score of 81)	85 (Advanced)	

- 28. While the findings were mostly positive, PWC do suggest we focus on:
 - a Finalising our strategic asset management plan which is currently in draft.

- b Reviewing asset-related contractor procurement practices to define our outsourcing policy and to test the market for new opportunities.
 - c Improving the risk management components of the bus & ferry and flood protection asset management plans.
29. The report has been finalised and is attached for your perusal ([Attachment Four](#)).
30. It is important to note that while we have relatively high asset management maturity its does not remove the challenges faced by our asset management teams in ensuring that:
- a Assets remain sufficiently engineered in the face of climate change and the resultant extreme weather events.
 - b There is sufficient internal and external capacity to enable us to do the required maintenance and improvement works.
 - c Service providers maintain their assets to the contracted level of service.

Change management

31. PWC have undertaken an assessment of our current organisational change management approach.
32. The findings were mostly positive with PWC suggesting we focus on:
- a Filling vacant change management positions which will be undertaken through recruiting an organisational change specialist which will reside in the People & Customer group.
 - b Developing a scalable change management approach (framework) which will be led by the appointed organisational change specialist.
33. The report has been finalised and is attached for your perusal ([Attachment Five](#)).

Ngā hua ahumoni Financial implications

34. There are no financial implications arising from this report.

Ngā Take e hāngai ana te iwi Māori Implications for Māori

35. The Te Tiriti o Waitangi audit is currently being undertaken. The report discusses how the audit will form part of the assurance plan will be overseen by the Committee. The audit will, however, will be governed by the Te Tiriti o Waitangi Komiti.

Ngā tikanga whakatau Decision-making process

36. The matters requiring decision in this report were considered by officers against the decision-making requirements of Part 6 of the Local Government Act 2002.

**Te hiranga
Significance**

37. Officers considered the significance (as defined by Part 6 of the Local Government Act 2002) of the matters for decision, taking into account Council’s *Significance and Engagement Policy* and Greater Wellington’s *Decision-making Guidelines*. Officers consider that the matters outlined in the report are of low significance because of their administrative nature.

**Te whakatūtakitaki
Engagement**

38. Because of the low significance no external engagement is necessary.

**Ngā āpitihanga
Attachments**

Number	Title
1	Risk Management Update
2	Assurance Update
3	Capital works programme internal audit report
4	Asset management maturity report
5	Change management internal audit report
6	Proposed Assurance Activities

**Ngā kaiwaitohu
Signatories**

Writer	Jacob Boyes – Head of Risk & Assurance
Approver	Sue McLean – Kaiwhakahaere Matua Ratonga Rangapū Group Manager, Corporate Services

<p>He whakarāpopoto i ngā huritaonga Summary of considerations</p>
<p><i>Fit with Council's roles or with Committee's terms of reference</i></p> <p>The Committee has a specific responsibilities to:</p> <ul style="list-style-type: none"> • review the effectiveness of Greater Wellington's identification and management of risks faced by Council and the organisation; and to • approve an internal audit plan.
<p><i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i></p> <p>Greater Wellington makes decisions every day on order to deliver it's to what it has committed to through the Long Term Plan.</p> <p>Risk management is essentially enabling good decisions to be made that reflects a good understanding of uncertainty within the environment and tradeoffs between competing choices.</p> <p>Internal audit / assurance reviews the effectiveness of Greater Wellington's internal controls framework and processes such that Council can deliver effectively on its objectives, including safeguarding assets as set out in its Long-Term Plan and Annual Plans.</p> <p>Internal audit also supports the risk management framework.</p>
<p><i>Internal consultation</i></p> <p>Consultation and input was provided by</p> <ul style="list-style-type: none"> - The GM Corporate Services - The Executive Leadership Team
<p><i>Risks and impacts - legal / health and safety etc.</i></p> <p>Several areas of risk have emerged from this work. These are described in the body of this paper.</p> <p>Internal audit acts to reduce risk by ensuring controls are operating as Greater Wellington has developed through its policies and procedures.</p>

Attachment 1

Risk Update

Finance, Risk and Assurance Committee
15 August 2023

Status of in progress reviews

Attachment 1 to Report 23.358

The attachment includes:

- The current risk dashboard heat-mapped to reflect the perspective of the ELT.
- The results of workshops undertaken to unpack one page uncertainty statements.

ELT Dashboard

Last updated: 18 July 2023



UNCERTAINTY

Ability to Implement Change

Attachment 1 to Report 24/25B

Last updated: 16 May 2023

Workshop One Pager

Understanding & meeting community needs

Sub Uncertainties

Change culture and purpose
The extent to which new ways of working, thinking and relating are defined.

Roles and responsibilities
The extent to which change management roles and responsibilities are well defined, understood and have the appropriate capability.

Effective communication
The extent to which we know our audience to ensure comms can be targeted to the right people at the right time.

Embedding into process
The extent to which change management is built into core ways of working/process/systems

Capacity
The extent to which there is sufficient capacity to deliver change.

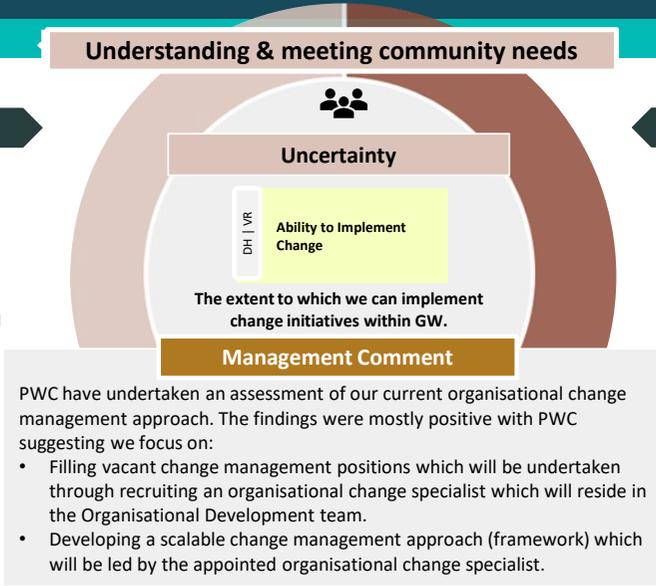
Capability
The extent to which staff have the resources, skills and knowledge to deliver change successfully.

Change planning, delivery and review
The extent to which change management initiatives have a strategy, plan (incl. scope), there is ongoing management, and a review is undertaken (i.e., lessons learned).

Actions & Controls

How are we managing this?

1. Top-down leadership support and endorsement with clear sponsorship at Executive level.
2. Joint up story telling through the communications team.
3. Readiness surveys are undertaken to provide targeted training and communication.
4. Project specific reporting which includes change management.
5. Employee engagement surveys.
6. Change management strategy.



Consequence

Opportunities	Threats
<ul style="list-style-type: none"> • Building a strong change culture provides a helpful foundation for implementing change management initiatives. • Leadership endorsement and advocacy is a key lever to assist change buy-in. • Better storytelling which enables leaders to communicate change. • Taking staff on a journey motivates them to be involved. • Integration of change initiatives across GW (non-silo). • Build change capability and capacity to be able to implement change. • Ensure appropriate change management is considered for projects or work programmes being undertaken. 	<ul style="list-style-type: none"> • Parts of GW (regional offices or other groups) push back as they feel they are not part of the change. • Cannot adapt change staff sentiment is not well understood. • Staff become change fatigued or change resistant. • Change initiatives are not successful, or the benefits are not fully realized. • Employees become less engagement and turnover increases. • Lack of expertise limits undertake and complete successful change. • Change is not well paced which leads to lower engagement or uncertainty in their role. • Over commitment to change

Assurance

How do we know that this is managed effectively?

1. Recently completed PWC change management internal audit

Alignment with Risk Appetite Statement

Risk category	Stance	A
Loss, failure or damage to assets	Balanced	
Services being severely curtailed	Balanced	
Health & safety to staff and contractors	Averse	
Physical harm to the general public	Adverse	
Financial, macroeconomic risk	Balanced	
Subsidiary companies and Trusts	Balanced	
Legislative and regulatory	Adverse	
Political and reputation	Balanced	
Projects	Balanced	
Environmental damage	Adverse	
Human Resources	Balanced	

Measure

Measure	Trend
Readiness surveys	↑
Engagement surveys	▬
Staff Turnover	▬

Response

Action	Date
Appropriate change resources	Ongoing
Recruit change specialist in OD to;	
- Develop a change management framework and tools (e.g., RASCI)	BP 2023/24
- Further embed leadership competency through capability programme	BP 2023/24
- Integration of change management requirements into existing frameworks (e.g., project management framework)	BP 2023/24
- Report on change management	BP 2023/24

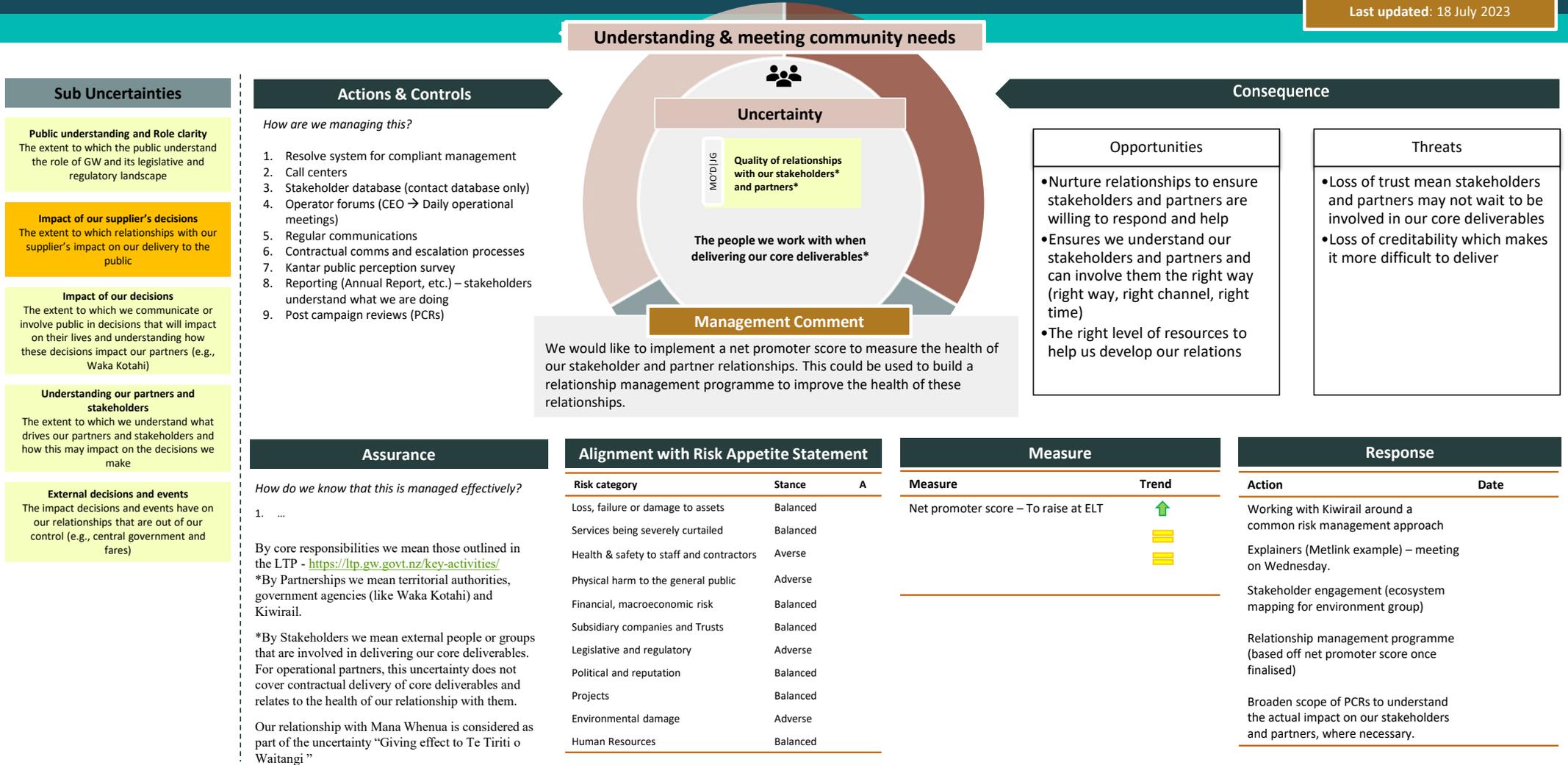


Workshop One Pager

UNCERTAINTY Quality of relationships with our stakeholders and partners

Attachment 1 to Report 23.358

Last updated: 18 July 2023





Workshop One Pager

UNCERTAINTY Demographic change & clarity of community need

Attachment 1 to Report 23/258

Last updated: 16 May 2023

Understanding & meeting community needs

Sub Uncertainties

Regional alignment
The extent to which our projections align to those used by Councils in the region

Societal expectations
The extent to which we understand community needs and we can meet their expectations

Improving outcomes for mana whenua and Māori
The extent to which understand changes their community and how deliver services that meet their needs

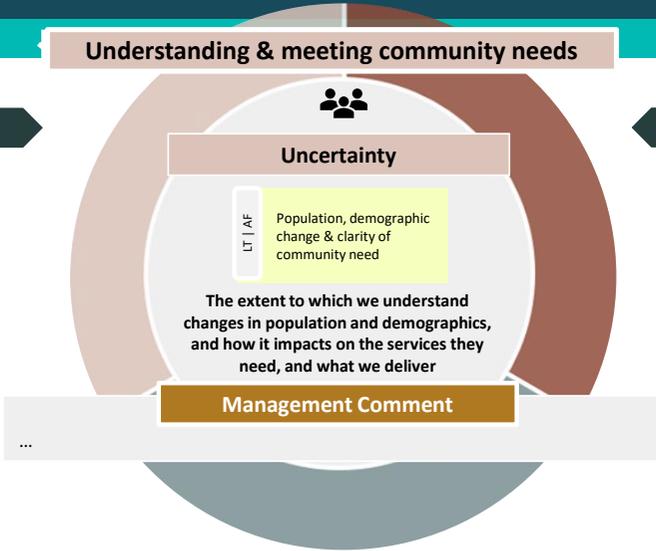
Distribution of population growth
The extent to which we can predict the distribution of population within the region

Forecasting population growth
The extent we can predict population growth based external assumptions (including births & immigration, etc.)

Population demographics
The extent to which we rely on census data and our ability to obtain accurate data between census years

Actions & Controls

- How are we managing this?*
1. Population growth assumptions are revised annually in collaboration with local councils
 2. Spatial planning which helps understand where growth should occur
 3. Census which provides population and demographic data
 4. Public engagement and consultation to understand societal expectations (i.e., RPTP, LTP, etc.)
 5. Regular communications with Mana Whenua and iwi to understand their needs and expectations.



Consequence

- Opportunities**
- An ability to maintain our mandate with the community
 - Planning and investing in the right things that is supported by the community
 - Proactive to shape how our communities grow to meet future needs
 - Strengthening the relationship with communities by involving them in investment decisions
 - The flexibility to adapt our planning based on the latest information

- Threats**
- Unsustainable development though the lack of information for effective planning
 - The inability to put infrastructure in place to service growth areas

Assurance

- How do we know that this is managed effectively?*
1. Third party expert review (Projections are developed as a range to account for any uncertainties)

Alignment with Risk Appetite Statement

Risk category	Stance	A
Loss, failure or damage to assets	Balanced	
Services being severely curtailed	Balanced	
Health & safety to staff and contractors	Averse	
Physical harm to the general public	Adverse	
Financial, macroeconomic risk	Balanced	
Subsidiary companies and Trusts	Balanced	
Legislative and regulatory	Adverse	
Political and reputation	Balanced	
Projects	Balanced	
Environmental damage	Adverse	
Human Resources	Balanced	

Measure

Measure	Trend
Net promoter score?	↑
Public perception survey?	▬
Percentage of positive submissions?	▬
Regional population projections (annual update)	
Change in distribution of forecast regional population (annual)	
Consent, migration and GDP – lead and lag measures for population growth	

Response

Action	Date



Workshop One Pager

UNCERTAINTY Reliance on actions of third parties

Attachment 1 to Report 23-316

Last updated: 18 July 2023

Sub Uncertainties

Clarity of roles of responsibilities
The extent to which unforeseen events (covid, etc.) occur or initiatives (onboard announcements, etc.) are undertaken which results in GW filling a gap.

Legislative compliance
The extent to which third parties understand, manage and monitor legal requirements from deliver their service

Continuity of service
The extent to which third parties are prepared to provide critical services during an emergency response

Internal Capacity & Knowledge
The extent to which we have the capacity and knowledge to manage contracts on a day-to-day basis and the ebbs and flows of contract transitions

Level of service
The extent to which suppliers' have the ability or willingness to meet their contractual levels of service

Our Reputation
The extent to which the decision of third parties impact GW's reputation

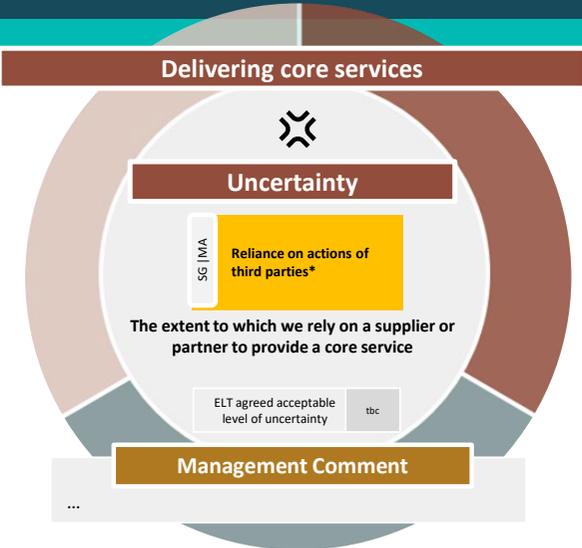
Integrity of the network
The extent to which we rely on external parties in the absence of a contractual relationship to do their role effectively to enable us to deliver our services (for example, Waka Kotahi maintenance of state highways and our public transport network)

Actions & Controls

- How are we managing this?*
1. We maintain information on 3rd party flood protection assets (trust but verify)
 2. Reliance on regulators (such as Waka Kotahi)
 3. Metlink contact centre for 3rd party complaints
 4. 3rd party contract management (includes reporting)
 5. Complywith (our compliance only)
 6. Use of contractual tools – incl. supplier audits
 7. Advocacy – legislative submissions, crisis management, community education and enforcement
 8. Resolve CRM
 9. Contractual requirements – for example data sharing and continuity planning
 10. Public perception surveys and media monitoring

Assurance

- How do we know that this is managed effectively?*
1. Supplier compliance with legislation
 2. Critical infrastructure resilience review
- *By third parties we mean:
- Bus, rail and total mobility ferry operators
 - Waka Kotahi – Riverlink, etc.
 - Kiwirail – Wellington Network Alliance
 - Forestry operations - slash
 - Wellington Water – maintenance of our assets and provision of bulk water who we rely on to deliver a statutory service
- *We have excluded:
- 3rd parties that we do not rely on to provide a service.
 - Cloud tools which are captured within effectiveness of technology
 - We have focused only on material services



Consequence

- Opportunities**
- 3rd parties view GW as a trusted partner
 - Contract management enables better outcomes
 - Innovation through external insights
 - Value for money for the rate payer
 - Social license to operate
 - Appropriate legislative compliance

- Threats**
- Lack of suppliers to provide services
 - Reliance on 3rd party knowledge
 - Reliance on the market to dictate the cost providing services
 - Expectation of parties are not met which results in poor services levels

Alignment with Risk Appetite Statement

Risk category	Stance	A
Loss, failure or damage to assets	Balanced	
Services being severely curtailed	Balanced	
Health & safety to staff and contractors	Averse	
Physical harm to the general public	Adverse	
Financial, macroeconomic risk	Balanced	
Subsidiary companies and Trusts	Balanced	
Legislative and regulatory	Adverse	X
Political and reputation	Balanced	
Projects	Balanced	
Environmental damage	Adverse	
Human Resources	Balanced	

Measure

Measure	Trend
Complywith	
Impact of planned maintenance	
Trend in customer feedback per 100K customers	
Network performance	
Customer satisfaction survey results	
Media monitoring	

Response

Action	Date
Warranted transport officers (Also to help with people's journey)	
Training and knowledge... legislative compliance...	
Additional contract management and partnership capacity (e.g., single point of contact contracts & SRM)	
BCP scenario planning with suppliers	
Review contract audits – gap analysis (e.g., supplier audits, section 17A reviews)	
GW CRM tool	

UNCERTAINTY

Attachment 1 to Report 23/358

Workshop One Pager

Last updated: 16 May 2023

Sub Uncertainties

Debt ceiling
The extent to which we can borrow without breaching policy or impacting our credit rating – impacts on the future cost of funding

Central government funding
The extent to which central government funding is relied on to deliver new policy, key services and capital commitments.

Ratepayers' willingness and ability to pay
The extent to which rate payers can afford to pay and are willing to do so.

Major projects
The extent to which major projects and any cost escalation absorb funding capacity.

Effectiveness of planning
The extent to which planning impact on data and assumptions for our models

Impacts of central government policy
The extent to which government direction can influence funding requirements and delivery

External environment
The extent to which external factors like the economy and the environment impact on our actual funding and revenue

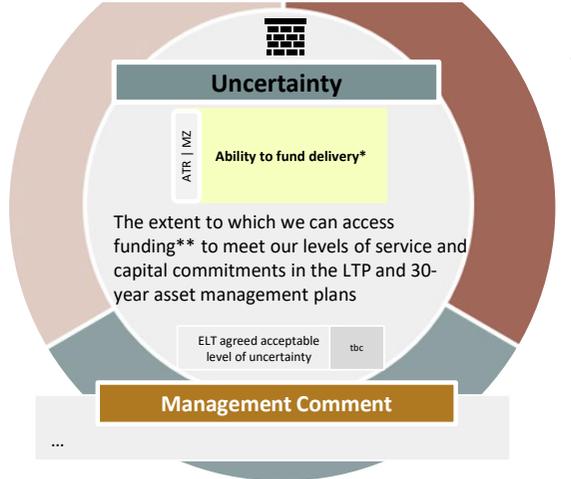
Actions & Controls

- How are we managing this?*
1. Conditional approvals – based on external funding
 2. Effective modelling to determine appropriate funding levels and expectations
 3. Treasury management and forecasting
 4. Public consultation process
 5. Reputations management through effective communications

Assurance

- How do we know that this is managed effectively?*
1. ...
- *By delivery we mean:**
- On time and on budget within the LTP
 - Capital commitments
 - Internal services
 - Levels of service such public transport, water, flood protection, environment, etc.
- **By funding we mean:**
- Access to debt
 - Fees & charges – farebox recovery, advertising, etc.
 - Central government contributions like those from Waka Kotahi or no better off
 - Rating
 - We have excluded self funded processes like consents

Foundation to Success



Consequence

- Opportunities**
- Deliver the services we promised too the community
 - Identify alternative funding sources
 - Community will have trust in the Council to deliver on what they promised
 - Mode shift resulting in increases to farebox recovery
 - Good budgeting will enable us to be responsive to funding opportunities as they arise

- Threats**
- Limitations of central government funding – such as Waka Kotahi, extra money overspends with contracted funding limits
 - Changes in central government policy – i.e., dropping of better off funding
 - Legislative requirements
 - Rate payers dissatisfied with rating increases
 - Impacts of debt on ability to fund delivery in the future
 - Impact on credit rating
 - Escalation between contracting and budgeting
 - The impacts of the economy of the cost of doing business

Alignment with Risk Appetite Statement

Risk category	Stance	A
Loss, failure or damage to assets	Balanced	
Services being severely curtailed	Balanced	
Health & safety to staff and contractors	Averse	
Physical harm to the general public	Adverse	
Financial, macroeconomic risk	Balance	
Subsidiary companies and Trusts	Balanced	
Legislative and regulatory	Adverse	x
Political and reputation	Balanced	
Projects	Balanced	
Environmental damage	Adverse	
Human Resources	Balanced	

Measure

Measure	Trend
Borrowing capacity (greater than \$300M*)	↓
Full year actual vs budgeted borrowing	80% ↑
S&P current credit rating**	AA+ =
Net debt to total revenue	
Net interest to total revenue	
Net interest to annual rates income	
Ratepayers in arrears?	

*\$300M buffer is contingency for any unpanned events
**Needs be equal or better than a rating of A for us to borrow.

Response

Action	Date
Future funding source investigation	
Review of self insurance	



Workshop One Pager

UNCERTAINTY Integrity of people, fraud, bribery or corruption

Attachment 1 to Report 23/358

Last updated: 18 July 2023

Sub Uncertainties

Information technology
The extent to which we use technology to limit the opportunity for fraud and to help identify any fraud that has occurred

Process and Policies
The extent to which we have effective process and policies in place, such as new adding supplier, which limit fraud risk

Tone at the top
The extent to which our leaders follow policy or perform thorough reviews of the transactions they authorise

Culture
The extent to which staff take advantage of practices, which have been historically acceptable, which may not be in the best interest of GW

Staff knowledge and awareness
The extent to which staff have appropriate training and knowledge to detect anomalies and currently use their tools.

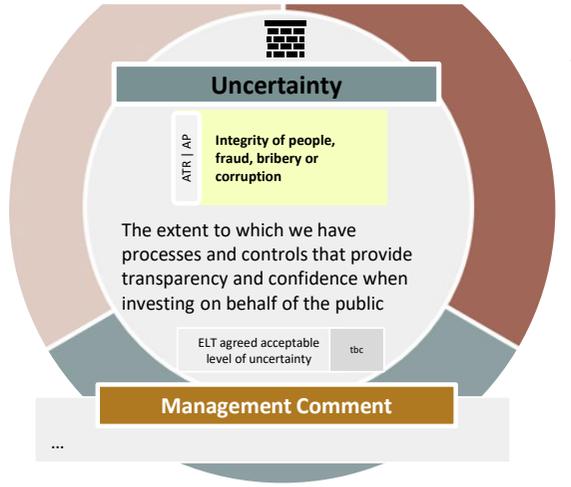
Actions & Controls

- How are we managing this?*
1. PWC Ngatahi analytics
 2. Delegations' policy
 3. Sensitive expenditure
 4. Senior management reporting
 5. Policy review and approval processes
 6. Fraud awareness training
 7. Ngatahi system
 8. Expenditure and procurement process – i.e., supplier Masterfile
 9. COI process
 10. Whistleblower policy and tip line (incl. Fraud)
 11. FRAC – independent chair
 12. Online refund process for incorrect pcard use

Assurance

- How do we know that this is managed effectively?*
1. Core financial controls - Assess the design, operation and alignment of core financial controls to policy requirements across GW's financial process and ERP and identify any areas of inefficiency or pain points faced by teams.
 2. Annual external audit incl. ICT review (super user checks)
 3. Annual Transdev/Snapper revenue review
 4. End to end review of the fleet management process
 5. Pcard review use inline with policy and who has a pcard

Foundation to Success



Consequence

- Opportunities**
- Engaging the correct suppliers to achieve value for money
 - The public trust us when investing money on their behalf
 - Clean audit opinion which is reviewed by financial institutions and insurers
 - Government agencies can trust us to spend their funding as intended
 - Gives us confidence that we have been fiscally and lawfully responsible
 - We can explain how we invest and why we are confident in what we are delivering

- Threats**
- Reputational impact from fraud or corruption being exposed
 - A qualified audit opinion which will result in further oversight
 - Loss of governance through central government intervention
 - Loss of public funds through fraud and corruption
 - Loss of public confidence in our ability to invest on their behalf.

Alignment with Risk Appetite Statement

Risk category	Stance	A
Loss, failure or damage to assets	Balanced	
Services being severely curtailed	Balanced	
Health & safety to staff and contractors	Averse	
Physical harm to the general public	Adverse	
Financial, macroeconomic risk	Balance	
Subsidiary companies and Trusts	Balanced	
Legislative and regulatory	Adverse	X
Political and reputation	Balanced	
Projects	Balanced	
Environmental damage	Adverse	
Human Resources	Balanced	

Measure

Measure	Trend
Effectiveness of the control environment (AuditNZ)	Effective ■
Ngatahi analytics (PWC)	
Fraud maturity survey	
Number of pcards	
Proportion of spend on pcards	

Response

Action	Date
Review new supplier guidelines incl. a check of new creditors against existing suppliers	
Tool that automates data analytics across pcards and expense claims	
Reporting on risk areas like the supplier Masterfile and pcards	
Induction training and awareness	
Review of the supplier Masterfile	

Workshop One Pager

UNCERTAINTY Attachment 1 to Report 23.358 Data and information governance

Last updated: 30 June 2023

Sub Uncertainties

Data sovereignty
The extent to which we have clarity of who owns information and the requirements for its management

Quality
The extent to which data and information is relevant, accurate, adequate, complete and consistent

Social acceptability
The extent to which the public agrees to how we manage data and information

Third parties
The extent to which third parties are aware of and comply with GW requirements in relation to the data and information they manage

Availability
The extent to which systems allow us to access and share information in a timely manner

Awareness and transparency
The extent to which people are proactively made aware of the information we manage and why.

Retention and disposal
The extent to which there are systems in place to retain and dispose of information appropriately

Staff capability and accountability
The extent to which staff are aware of and comply with GW expectations in relation to the data and information we manage

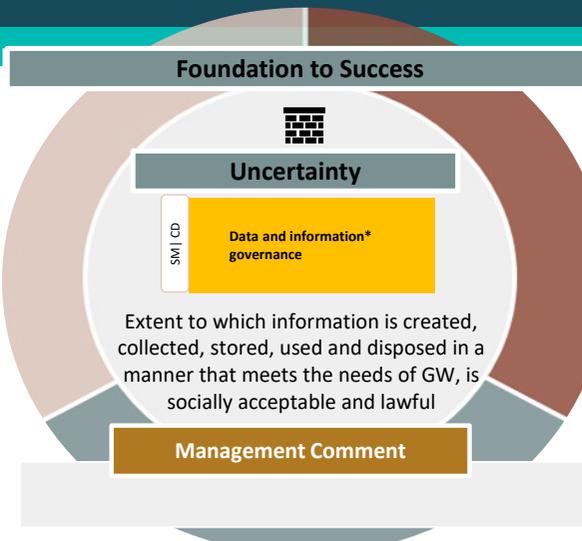
Actions & Controls

- Actions/initiatives**
How are we managing this?
1. Management policies (information management, privacy, etc.)
 2. Procurement & contracting – standard contract, ITC risk assessment and new business & vendor assessments (third party data management)
 3. Business casing – (critical success factors, business requirements)
 4. Public perception survey (includes D&I)
 5. Business continuity plan (DR, critical systems etc.)
 6. Open data tools and public facing website
 7. Systems (Ngatahi, He Kete, etc.)
 8. Retention and disposal policy (near final)
 9. LGOIA policy and process

Assurance

- Assurance**
How do we know that this is managed effectively?
1. Ombudsmen review of LGOIA
 2. Maturity assessment of information management
 3. Maturity assessment of data management
 4. Privacy maturity assessment

- *By information we mean:
- Physical and digital information
 - Information we collect as part of our business processes



Consequence

Opportunities

Our data and information is:

- Well managed through robust data stewardship and governance.
- Trusted and authoritative by Greater Wellington partners and stakeholders.
- Protected and secure through policy and fit for purpose technology.
- Respectful of Te Ao Māori and sovereignty over Mātauranga Maori data.
- Open and available to help us make better decision.
- Reusable and interoperable to efficiency store and access the data.

Threats

- Cyber attack resulting in data or financial loss or being locked out of our systems.
- Loss of public confidence through a breach resulting in the release of commercial or personal information, for example.
- Reduced operational efficiency and effectiveness.
- Non-compliance with legislation or policy.
- Insufficient capability and capacity to effectively implement data and information governance improvements.
- No source of the truth.

Alignment with Risk Appetite Statement [Source FRAC]

Risk category	Stance	A
Loss, failure or damage to assets	Balanced	
Services being severely curtailed	Balanced	
Health & safety to staff and contractors	Averse	
Physical harm to the general public	Adverse	
Financial, macroeconomic risk	Balance	
Subsidiary companies and Trusts	Balanced	
Legislative and regulatory	Adverse	
Political and reputation	Balanced	
Projects	Balanced	
Environmental damage	Adverse	X
Human Resources	Balanced	

Measure

Measure	Trend
Microsoft secure score	↑
Media monitoring (data breach)	↓
OIA Performance	↓
Proportion of documents with security measures in place	↑
Talk to Josie about measures	→
Information management framework being developed, including measures	

Response

Action	Date
Combined data strategy	TBC
ICT data strategy (incl. capability horizon)	TBC
Enterprise data catalogue	TBC
Review of data stewardship maturity	TBC
Review of project (data) release guidelines – destruction policy and confirmation	TBC
Develop D&I culture including: roles and responsibilities, contract compliance, a data working group and training plan	TBC
Comms strategy (internal & public)	TBC
Iwi partnership (Māori data sovereignty)	TBC
Privacy improvements incl. policy & process	TBC
MS teams' governance	TBC
Document security & classification	TBC
Review of retention and disposal policies	TBC
Process automation (disposal flagging, etc.)	TBC
Contact relationship management	TBC
Environmental Outcomes Platform – data	TBC

Attachment 2

Assurance Update

Finance, Risk and Assurance Committee

15 August 2023

Progress on the 2021-24 Assurance Plan

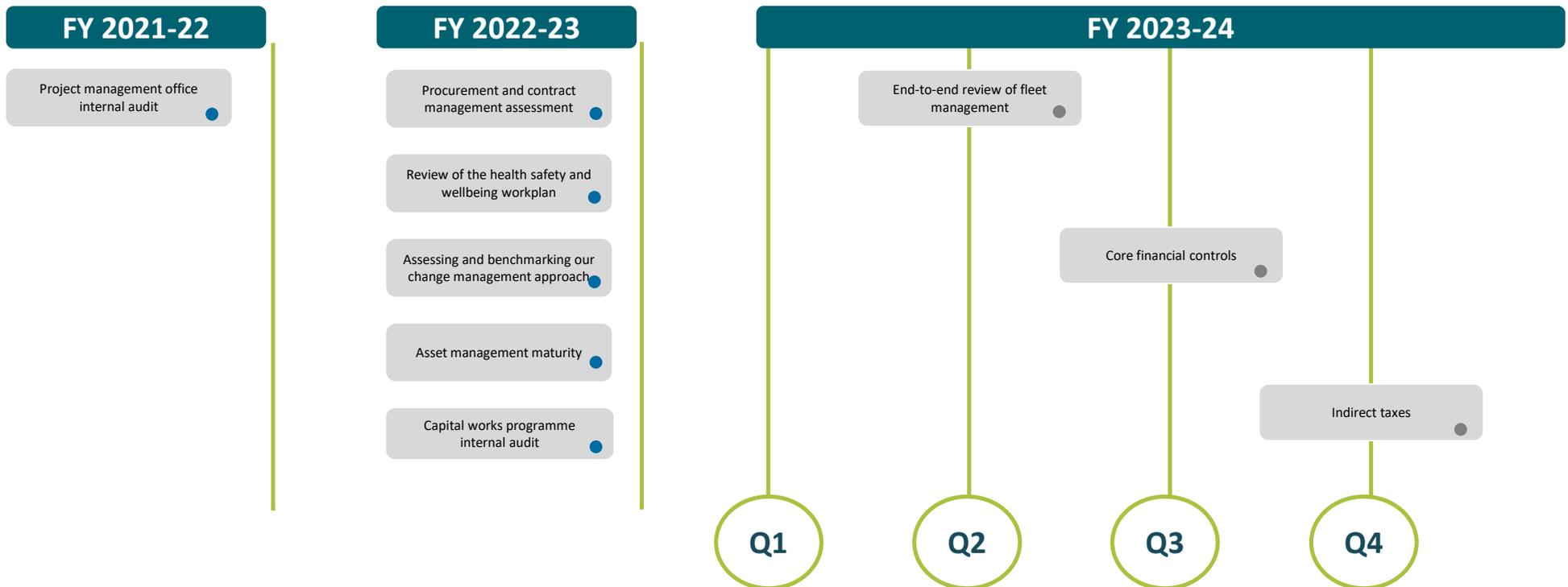
Progress on the 2021- 2024 Assurance Plan

In summary:

- Since the last update, the change management, asset management and capital works programme internal audits are now complete with the reports finalised.
- ELT have also endorsed the 2023/24 assurance plan which includes the activities listed under ‘FY 2023-24’. We are currently seeking approval from FRAC of the 2023-24 assurance plan.

PwC status:

- Completed
- In progress/ on track
- Delays or changes expected
- Not yet started



Status of in progress reviews

Attachment 2 to Report 23.358

The table below provides an update on in progress assurance reviews.

Review	Objective	Scoping	Terms of Reference	Fieldwork	Draft	Management Comments	Final Deliverable	Comments
Change Management Sponsor: Donna Hickey	Assess and understand the Council’s current change management practices and provide ongoing improvement recommendations to ensure that new business initiatives are implemented successfully.							Report finalised and presented to ELT in May and FRAC in August
Asset management plan maturity Sponsor: Alison Trustrum-Rainey	Assess the processes and practices for effective asset management across GW.							Report finalised and presented to ELT in June and FRAC in August <i>Note: Previously Capital works and Asset management plan, processes and maturity. Audit was split to enable clear reporting of outcomes and recommendations.</i>
Capital works programme Sponsor: Alison Trustrum-Rainey	Determine the root cause of recurring capital expenditure underspend while identifying opportunities for improvement and remediation.							Report finalised and presented to ELT in July and FRAC in August <i>Note: Previously Capital works and Asset management plan, processes and maturity. Audit was split to enable clear reporting of outcomes and recommendations.</i>

Update on outstanding recommendations

Follow up of Open Actions

The below table provides an update on current open and completed Business Assurance actions

Business Assurance review	Closed Actions #	Open Actions #	Management commentary
Project management office internal audit	2 (1 new closed)	0	New delegation policy in place and effective from 1 July 2023. Recommendations from the audit are now closed.
Health, Safety & Wellbeing	7	12 (10 in progress)	Updated HSW policy and framework approved by ELT on 03 April. Currently consulting on revised HSW risk guidelines, and incident reporting and event management guidelines. Discussion on H&S KPIs for managers and people leaders is currently underway.
Procurement and Contract Management	2	5 (3 in progress)	Resourcing put in place to undertake work around social procurement which includes baselining current Māori suppliers. The Enterprise Resource Planning team are helping to identify and implement new procurement reports in Ngatahi.
Change Management	0	2 (2 in progress)	People & Customer Group have contracted a resource to support with the development of the change management framework. People & Customer are now looking for a permanent member of staff to fill the role.
Asset management maturity	0	3 (3 in progress)	Work has commenced on updating the existing draft Strategic Activity Management plan. Communication has also been made, through the Asset Management Group, around Risk Management updates required to asset management plans.
Capital works programme	0	15 (2 in progress)	The PMO is working on a paper, to ELT, which will outline options around its roles & responsibilities and resourcing requirements.

Attachment 3 to Report 23.358

Greater Wellington Regional Council

Capital works programme internal audit
July 2023



In reading this report we request you note the following: Attachment 3 to Report 23.358



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Conclusions

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

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



Jacob Boyes
Senior Manager – Corporate Risk and Assurance
Greater Wellington Regional Council
100 Cuba Street, Te Aro
Wellington 6011

18 July 2023

Capital works programme internal audit report

Dear Jacob

In accordance with our Terms of Reference dated 20 December 2022, we have completed our assessment of the root causes of the recurring capital expenditure underspend, and our assessed the capital works programme processes and controls to create a baseline of maturity of delivery framework. Our observations and recommendations are set out in this report and are based on fieldwork completed during and March and April 2023. Please note the observations and findings arising from the asset management scope of our 20 December 2022 Terms of Reference are reported in a separate report

I would like to take this opportunity to acknowledge and thank the Greater Wellington Regional Council personnel for the time and contributions they have made to enable us to perform this engagement.

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

Yours sincerely,

A handwritten signature in black ink that reads 'Vaughan'.

Vaughan Harrison
Partner
vaughan.x.harrison@pwc.com

1

Executive summary

Executive summary

Attachment 3 to Report 23.358

Background

Capital works is a key area of focus for Greater Wellington Regional Council (“GWRC” or “Council”) and Councillors, with recognition the capital plans are not being delivered in full.

The Council leads and delivers a number of capital and operational projects. These projects vary in terms of type, complexity, size and delivery model e.g. multi-agency. The majority of the Council's capital projects fall within flood protection, water supply, and transportation (e.g. Metlink public transport). Many of these projects are also co-managed or delivered by a number of other agencies such as Waka Kotahi, Wellington Water Limited and Department of Conservation, and the Council relies on a mixture of internal and outsourced project and programme managers to plan, deliver and manage these projects.

At the end of each financial year a management review of completed activities to budget is performed, including capital expenditure related to the capital works projects. As part of this review a revised budget is developed based on the rolled-forward underspent amounts. In prior years the Council has recognised capital programme underspend due to range of reasons, for example the 2020/21 budget reported an underspend of \$25 million across 40 projects attributed to COVID delays (\$17.7 million underspend) and other broader project related delays (\$7.3 million).

Objective, scope and approach

In light of the capital programme underspent, the Council and Councillors proactive asked Business Assurance to:

- Identify and understand the root causes of the recurring capital expenditure underspend
- Complete a maturity assessment of the capital works programme processes and controls to create a baseline from which further improvement can be made and subsequently measured.

Our assessment was completed by:

- Working with management to understand the Council's capital programme and project landscape, context, practices, and frameworks, and selecting the following capital projects to be used as a basis for our assessment:
 - Toitū Te Whenua Parks Plan Implementation
 - Wairarapa Moana Wetlands
 - Flood Risk Management (Ruamahanga Groynes and Stokes Valley Erosion Protection Fish Passage Construction)
 - Bus driver toilets replacement
 - Victoria University bus shelter
 - Cuba Street Fitout
- Using PwC's Capital Projects Diagnostic model and 12 Elements of Delivery Excellence model (refer Appendix A), we interviewed Council personnel (refer Appendix B), and read capital programme and project documentation (refer Appendix C) to identify and understand the approaches, process and controls in place across the in-scope projects
- This understanding was then used to:
 - Identify the issues, and root causes, impacting the Council's capital works programme underspend (refer section 2)
 - Assess the maturity of the Council's capital programme and project approaches against our 12 Elements of Delivery Excellence model (refer section 3).

Executive summary (continued)

Attachment 3 to Report 23.358

We identified a number of strengths across the Cuba Street Fitout project responsible for GWRC's head office fit out and related sustainability initiatives

These include:

- The Cuba Street Fitout project followed GWRC's Delivery Framework, as evidenced by the artefacts developed and aligned to Delivery Framework requirements
- A well thought through implementation plan described the approach to manage the relocation of the Council to Cuba Street, and included an overview of implementation delivery, high-level planning, timeframes, budget and resourcing. At a base level it was good to see these areas being considered and planned early in the project
- The Steering Group TOR provided clarity on the role of project governance by outlining the governance structure, roles and responsibilities, Steering Group membership, alignment to the wider GWRC governance framework, and the escalation process
- A project plan contained a number of useful planning and delivery enablers including:
 - Scope and delivery approach
 - Deliverables, critical success factors and prior lessons learned
 - Quality control metrics including percent of scope delivered, percent of time to deliver, and percentage of cost to budget
- Key project controls including:
 - Monthly and quarterly status reports (project summary, achievements and challenges, notable risks/issues, progress to plan, budget vs plan, key milestones over the next month and six months and related activities, areas of concern, and Red Amber Green status across these areas)
 - Monthly dashboard report (provides a snapshot of key information to provide confidence in the project management)

- Steering Group meetings (discussions, progress and input on key decisions)
- Project team meetings (discussions, progress and actions)
- Benefits realisation plan including KPIs, measures, current baseline, date of baseline, forecast measures, stakeholders impacted and responsible parties
- Lessons learned across governance, budget, scope, resourcing, requirement management and change management.

These strengths helped support the deliver of the Cuba Street Fitout project, however a number of underspend drivers were identified across the remaining six projects included in our scope

In carrying out our internal audit, there was a recognition by all Council personnel interviewed of the recurring underspend against plan, and the impact this is having on the Council's delivery of capital projects and the realisation of associated strategic goals.

Whilst we recognise that external factors outside of Council's control have contributed to recent underspend, e.g. COVID-19 and natural disasters, the majority of the underspend has been due to factors within Council's control. We also observed a general over-optimism of project planning and how long it will take to complete projects. This leads to the underestimation of the time and resources required, resulting in missed deadlines, budget underspend, impacted project performance and a lack of contingency to manage the issues faced. We also note this practice leads to unrealistic schedule and budget expectations amongst stakeholders, and in turn creates a lack of trust in the delivery of projects and a loss in confidence in project delivery teams.

These findings have arisen from the 'foundational/101' root causes on the following page which are essential to any programme and project.

Executive summary (continued)

Attachment 3 to Report 23.358

- **Project governance practices lack clarity, consistency and accountability and are not aligned at a portfolio level:** The GWRC Project Management Policy and Framework (Framework) notes a critical success factor for projects is having an appropriate governance structure that enables timely direction and decision-making. The Framework aligns with good practice expectations, however we found these requirements did not consistency come to life across the seven projects sampled with key observations including:
 - Governance roles and responsibilities are not always clearly defined and documented, i.e. expectations for governing project performance to time, scope and cost are not always clearly articulated
 - Whilst governance was in place for each individual project, there is no overall governance applied cross the broader capital portfolio. This can create challenges in understanding common strengths and challenges across capital projects, and driving capital works forward at an organisational level to capital plan requirements
 - Governance does not appear to focus on project performance with attention instead focused on the operational decision-making aspects of governance, and whilst a useful governance reporting format has been defined in the Council's framework, it is not consistently used to help inform governance
- **Limited project cash-flowing and poorly understood expectations for project financial management:** Current project financial planning is not fit for purpose or specific. We found total estimated project costs are proportioned across the life of the project and do not consider the natural variations in spend profiles in different project phases. This creates challenges in developing a realistic spend profile from which the Council can determine if the project financials are on-track, over budget or under spent
- **Project timelines are over optimistic and therefore underestimated:** Common themes exist where projects are not linked to asset management plans and underestimate how long it will take to complete projects. A general consensus also exists that the most significant project delays were experienced in the planning stages of the project. The extra time required to complete these planning activities, and resultant project delays, contribute to capital project underspend. The key activities taking longer than originally planned include:
 - Resource consent processes
 - Procurement processes and activities, including understanding and confirming the future capacity of contractors to complete key capital projects
 - Business case review and approval
 - Approvals from third-party funders, e.g. Waka Kotahi
 - Stakeholder and partner liaison and consultation
 - Additional planning overhead to re-prioritise resources and existing projects when projects take longer than anticipated.
- **Project management and delivery practices are inconsistent and do not consistently align to the Council's Project Management Policy and Framework:** The Council's Project Management Office has an established Project Management Policy and Framework which defines how change should be governed, management and delivered, and provides a number of useful tools and templates aligned to good practice. During our assessment we noted a range of variations between Framework requirements and the project management approaches undertaken and documentation prepared and found:
 - The use of Framework approaches and enablers is not mandatory or enforced and we observed poor uptake and use of these tools across nearly all of the projects in our sample, with the Cuba Street programme the only project we reviewed that consistently used the status reporting tool
 - Based on the projects sampled external project managers can, and often do, apply their own project methodologies and templates to projects they are involved in.

These inconsistent practices impact the quality of key project activities resulting in poor planning and forecasting, delayed delivery, unrealistic phasing and spend estimations, challenges in determining if upcoming phases are set up for success, oversight to address emerging risks and issues, and ultimately project underspend

July 2023

7

Executive summary (continued)

During our assessment, we observed clear indications that Council is on a development journey to improve its capital project delivery landscape, and senior managers demonstrated strong motivation to make lasting changes needed to address the project governance and management changes faced. These changes are needed to lift the Council's project maturity and manage the underspend challenges faced to date. Our recommendations in section two of our report largely relate to improvements needed in the planning and initiation phases of projects which are essential to 'setting projects up for success' by developing clear, realistic and achievable schedules, budgets, and management and delivery approaches that use the Councils PMO Delivery framework.

We have assessed the Council's capital works programme overall maturity as 'Developing'¹

The Council has developed useful processes and controls in place across some of the 12 Delivery Framework elements, with a number of these enabled by the PMO's framework. We note however across the seven capital projects sampled these processes, controls and enablers do not consistently come to life, and do not operate to the expectations required for the successful governance, management and delivery of the Council's capital works programme.

Our 2 February 2021 Programme Management Office internal audit report contains two recommendations (comprising a set of opportunities against each of our 12 scope areas) to further improve and lift the maturity of the Council's programme and project approaches. We recommend this work continues with focus placed on:

- Identifying if any additional support is required to action these recommendations, in light of the PMO resource capacity and capital project findings currently impacting the Council's capital projects
- Provide quarterly reporting to the ELT on planned completion dates and progress made, and where any additional support is required to address any delays.

¹ Developing is defined as 'basic and consistent process or practices established and repeated'

Executive summary (continued)

Attachment 3 to Report 23.358

We also assessed the potential impact/benefit of the widespread adoption of the GovTech project analysis tool which is designed to explore delivery risk and inform if the project should proceed

The Council have leveraged the GovTech project analysis tool to explore and assess the risk profile of Council projects by considering a range of weighted risks (noting we understand the GovTech project analysis tool has not been adopted by Metlink senior management).

The GovTech tool contains a useful range of risk categories, and when applied correctly will help contribute to exploring and understanding the relative risk weighting of each project. We believe there would be value in adopting more broadly noting:

- The GovTech project analysis tool is only a tool, i.e. the quality and thinking of analysis applied to the tool ultimately defines its accuracy and value
- The tool should not be used as a ‘blunt’ decision to determine if a project should or should not progress, i.e. a high-risk project may be strategically important and provide a number of benefits, and focus should therefore be applied on determining how risks could be mitigated before making a decision of whether to proceed or not
- The GovTech project analysis tool does not help define how these risks will be managed, nor will it address the findings in our report alone, i.e. broader capital works programme change is still required to address capital underspend and lift maturity to the required levels
- At an enterprise level the cumulative risk/impact of the risk scores should be considered in light of other BAU commitments and risks to understand the impact to the Council’s overall organisational risk profile
- There would be value in comparing the current risk ratings identified by the tool against prior project performance to determine if the risk profiles are currently over-optimistic or too conservative.

Project name	Risk Score	Project or Programme Type (4)	How or Existing (3)	In-house FTE (2)	External FTE (5)	Total Cost (2)	Start Year (19-23) (4)	Lead Time (5)	Delivery Date (1)	Strategic Outcome (1)
LGWM - Golden Mile	259	5	5	4	5	5	4	1	5	1
Project NEXT national ticketing solution	243	5	5	5	5	5	5	3	3	1
Unlocking Rail Network Capacity	230	4	3	3	5	5	5	4	5	1
New Dual-mode Trains	222	5	3	5	5	5	5	3	4	1
Lower North Island Long Distance Rolling Stock	220	4	4	5	5	5	5	2	4	1
Wellington Bus Interchange	206	3	2	4	3	4	5	3	4	1
RTI Replacement for Bus Network	192	4	3	5	4	5	4	3	3	1
On Bus Announcements	192	3	4	4	2	4	5	4	3	2
Bus Hubs	190	3	3	3	3	5	5	4	3	1
Porirua Bus/Rail Interchange (Rhona)	184	3	2	2	3	4	4	2	4	1
Renewal of Porirua Shelter	181	1	3	2	1	4	4	3	4	2
Waterloo Transit Oriented Development (TOD)	180	4	4	2	1	5	2	2	4	2
Lambton Interchange Kerb Lines Phase 1	176	1	4	2	1	3	5	4	3	2
Project Optimus	175	3	3	5	5	5	5	3	3	3
Kilbirnie Bus Hubs	173	1	2	1	1	3	5	3	3	2
Wellington Station Digital Signage	162	4	3	4	4	3	5	4	4	1
Ava Bridge Earthquake Rebuild	159	3	3	1	1	4	5	5	4	1
Johnsonville D Hub Bus/Rail Interchange	152	1	1	1	1	3	5	4	3	2
Porirua Bus/Rail Interchange (Helen)	142	1	1	1	1	4	4	5	2	1
New Bus Stop Facilities	138	2	1	5	1	3	5	4	3	1
Subway Strengthening - various stations	131	2	3	1	1	5	5	4	2	2
Metlink Website Upgrade	130	1	2	1	1	3	5	5	3	1
WCC New Shelters Programme	127	4	1	3	1	3	5	3	2	1
Regional Transport Model Upgrade	125	2	2	2	3	4	5	5	3	3
Waterloo Park and Ride Carpark Extension	122	1	1	1	1	2	5	4	3	2
Renewal of Bus Stop Facilities	120	1	1	5	1	3	5	4	2	1
Open Data APIs	118	1	3	1	1	3	5	5	3	1
GovTech Test	118	1	3	3	1	2	5	5	3	4
Electronic Train Replacement Signs at Train Stations	117	2	3	2	1	4	4	4	2	2
Waterloo CCTV Installation	116	2	2	1	2	3	5	5	2	1
Waterloo Park and Ride	111	1	1	3	1	4	5	5	1	2
Capex bus network signage	110	1	1	1	1	2	5	5	1	3
KCDC Bus Shelters	106	2	1	1	1	2	5	4	1	1

2

Detailed findings and
recommendations -
capital works
programme
underspend

Detailed finding and recommendations

Attachment 3 to Report 23.358

1. Project governance practices lack clarity, consistency and accountability

Rating: Very concerned
(can't live with the current
state and significant change
required)

What we found

The GWRC Project Management Policy and Framework (the Framework) notes a critical success factor for projects is having an appropriate governance structure that enables timely direction and decision-making. It recommends three tiers of governance with membership based upon the priority ranking of the project. While this aligns with good practice expectations, we found the following key governance challenges:

- **Governance roles and responsibilities are not always well defined and clear:** The definition and description of project governance structures varies across the seven projects sample between high level and unclear descriptions, to very detailed and clear descriptions of roles, responsibilities, accountabilities and performance expectations. For example the Cuba Street programme clearly outlines in its Steering Group Terms of Reference the roles, responsibilities and delegated authorities of Steering Group members, however this level of detail did not exist in the other projects sampled, with a general lack of clearly defined and accessible governance arrangements observed across the projects assessed
- **Governance is focused at an individual project level with no overall governance applied cross the broader capital portfolio:** The seven projects assessed had established (with varying degrees of formality per above) project governance structures, with the Council's Executive Leadership Team (ELT) responsible for overall oversight of project performance. Whilst this helps create ownership for individual projects, our review of project status and portfolio reporting and interviews with key stakeholders found projects are overseen at an individual project level, with no collective capital portfolio oversight in place. This can create challenges in understanding common strengths and challenges across capital projects, and driving capital works forward at an organisational level to capital plan requirements

- **Governance does not appear to focus on project performance and governance reporting formats differ:**
 - The agenda of the governance groups for the projects sampled indicated focus was placed on the operational decision-making aspects of governance and not how the project was performing based on scope/time/cost. This was reflected in stakeholders' views that the project status reports do not drive performance and are perceived simply as a PMO requirement. This in turn creates challenges for ELT oversight. We note however for the two projects in our sample that had external funding from the Ministry for the Environment and Ministry of Business, Innovation and Employment, there was increased governance rigour and scrutiny over project performance, in contrast to those where no external funding was provided
 - The Council has established a standard fit-for-purpose project status report format, however it is not consistently used across the projects sampled with different formats being used by different business units. Additionally for some of the projects sampled it was not clear whether, or to what degree, the status report were used by the Steering Group, or whether Steering Groups were simply endorsing status reports ahead of sharing with upstream governance forums (noting we were not able to confirm this due to a lack of project steering group minutes across all projects in our sample).

Why it matters

Governance sets the 'tone at the top' to help drive a project to deliver to scope, time and cost, creates rigour and control required to manage the risks inherent to capital projects, and drives quality to enable effective schedule and financial planning and the delivery of project spend to budget.

Detailed finding and recommendations (continued) Attachment 3 to Report 23.358

1. Project governance practices lack clarity, consistency and accountability (continued)

Rating: Very concerned
(can't live with the current state and significant change required)

Recommendations

- Define and communicate to relevant personnel the Council's expectations for project governance per PMO requirements. This can be enhanced by the PMO providing further project governance training, and where relevant there could be value in seeking mentoring on good practice project governance to help lift the Council's understanding and practical application of project governance and oversight
- For current and future projects, review Steering Group establishing documents and where necessary update to confirm their purpose, objectives, and roles and responsibilities are adequately defined and fit-for purpose. For critical projects and important BAU initiatives, consideration should be applied to a Steering Group that draws on broader experience and perspectives from across the Council including Finance, PMO and Legal
- Enforce the use of the PMO's project status reporting template across all Council capital projects with business cases and business units to support regular reporting to ELT. This should include setting expectations over the level of detail to record in minutes
- Implement a quarterly portfolio/programme assessment of all projects to understand progress to scope, time and cost (leveraging updated project reporting) to understand where additional support or change is required to manage any emerging challenges. This could be performed by the PMO

Management comment

Agree with the findings and recommendations but we will need ELT support and mandate to effectively implement changes.

The PMO has prepared a draft report for ELT to improve project governance and to take account of structural changes e.g. new Environment group. We will look to formally present the paper to ELT.

The PMO would look to progressively embed new processes and support for project delivery with more visible and governance and reporting.

Detailed finding and recommendations (continued) Attachment 3 to Report 23.358

2. Limited project cash-flow planning and poorly understood expectations for project financial management

Rating: Very concerned
(can't live with the current state and significant change required)

What we found

Understanding the inflows and outflows of cash that will be created by a project is a key element of good practice project management and financial planning. This should include the clear allotment of the project budget to key project stages based on the relevant resource needs, dependencies and volume of work at each stage.

The Council's Project Management Policy and Delivery Framework has been designed to inform the planning, management and delivery of capital projects, including financials, however as noted in finding one the Framework is not consistently applied across Council projects. This was seen during interviews with key stakeholders and review of project documentation where limited project cash-flowing or budget allotment is performed. Where cash-flow practices were applied, for example in the Cuba Street and Bus Driver Toilets projects, key project stakeholders expressed that the initial financial planning and cash-flow forecasts were often unrealistic and were not distributed in alignment with project demands, but rather evenly spread across the project lifecycle. This approach results in a lack of alignment between the capital expenditure and the resources committed to a project in a given period, as it does not take into account when expenditure will occur over different phases of a project.

Additionally the project cash-flow was generally not planned for until the initiation of the on-site delivery phase. This reinforces the consensus observed in discussions with some ELT personnel on 21 February 2023 that there is a general lack of understanding across the organisation of the expectations for good practice project financial management, and of the importance of financial tracking and forecasting aligned to an understood and entrenched project delivery framework.

Why it matters

Projects, and the Council, need to have a clear and realistic project financial baseline to manage the actual financial spend profile and identify emerging underspend risks and issues.

Recommendations

- Align the project financial planning processes to broader Council financial processes to help appropriately plan for financial allotments, tracking and forecasting through project cash-flows.
- For current projects review and reconsider budget allotment forecasts and update where required to align to a more likely spend profile, and for new projects ensure appropriate cash-flow processes are in place as part of project financial planning and project management practices. This should include allocating budget to each project phase
- Consider including additional finance support in the project management processes to assist in the development/review of project budgets and cash-flow forecasting throughout the lifecycle of a project
- Implement a peer review process of project budgets and cash-flows for major or high-risk projects.

Detailed finding and recommendations (continued) Attachment 3 to Report 23.358

2. Limited project cash-flow planning and poorly understood expectations for project financial management (continued)

Rating: Very concerned
(can't live with the current state and significant change required)

Management comment

Agree that project cash-flow planning needs to improve.

Finance, with the business, will develop new rules around when quantity surveyors are required to review business case cost estimates and how any project contingencies are estimated.

Finance will investigate the data we hold in Ngatahi, and our fair value assessments, to enable us to build an evidence base for project costing.

For existing projects, Finance will work with project managers to review projects and their budgets.

For new projects, Finance will initially work with project managers to plan their projects alongside Council timelines and planning documents to ensure budgets reflect the Long Term Plan and align with Activity Management Planning.

For all projects, Finance will work with project managers to understand their required financial support. This includes large projects, where Finance will ensure that project managers have accounted for financial support within their budget. This may be additional to BAU resourcing.

Detailed finding and recommendations (continued) Attachment 3 to Report 23.358

3. Project timelines are over optimistic and therefore underestimated

Rating: Very concerned
(can't live with the current
state and significant change
required)

What we found

Underestimation of how long it will take to complete projects, as well as an absence of a thorough market analysis early in the planning stages, were also observed as key contributors to the Council's capital project underspend. Key stakeholders interviewed for the projects sampled expressed a general consensus that the most significant project delays were experienced in the planning stages of the project with key activities taking longer than originally planned including:

- Resource consent processes
- Procurement processes and activities
- Business case review and approval
- Approvals from third-party funders, e.g. Waka Kotahi
- Mana Whenua liaison and consultation.

For example eight months elapsed between the development of the Bus Driver Toilets business case and project initiation, with no contingency built into the project plan which caused spending delays and resource constraints due to suitable contractors no longer having the capacity to perform the work according to the new timeframes.

Our assessment of project planning documentation for the sampled projects identified a common inadequacy and/or lack of time provided for delays and/or contingency, with timelines developed on the assumption that all planning, design and procurement would be completed in a defined number of weeks. These timelines however were not developed based on any accepted delivery framework, experience or market analysis, but rather were dictated by budget expenditure deadlines.

As noted in finding three, the Council has limited internal resources to carry out projects, both in terms of project management and project delivery. As such the Council often engages specialist contractors to deliver projects through a pool of pre-approved contractors, however the Council does not currently provide the contracting pool with an indicative forward work programme to gain an understanding of the contracting pool capacity to undertake the works per Council timeframes.

In some cases this has resulted in the Council being unable to engage suitable contractors to deliver projects when Council needs them, with stakeholders from our project sample citing the failure to proactively engage with contractors as a significant cause of frustration and delay in procurement and therefore project spend. Performing a market analysis early in project planning would enable the Council to better understand the contractor market capacity, risks and financial sustainability, and confirm that it has the resources to deliver projects at the right time and to budget.

Project stakeholders interviewed also noted the Long Term Planning is not refreshed when the project business case is drafted, with the project scope, timeframes and cost naturally becoming more accurate and better defined as the project progresses through the planning stages and into initiation. We would expect there to be adequate contingency and disclosure of the level of uncertainty in estimates provided when undertaking project planning and the provision of this information to inform central planning documents such as the LTP. However, our review of the projects in our sample did not identify evidence of this being performed.

Why it matters

Unrealistic, untested and unconfirmed schedules lead to project and delivery spend delays and ultimately underspend.

Detailed finding and recommendations (continued) Attachment 3 to Report 23.358

3. Project timelines are over optimistic and therefore underestimated (continued)

Rating: Very concerned
(can't live with the current state and significant change required)

Recommendations

- Develop and provide guidance/principles/repository of planning information teams can draw from in planning, including planning timeframe estimations. This can include leveraging the GovTech project analysis tool to explore and assess the risk profile of Council projects and use this to help inform the prioritisation and scheduling of Council capital projects
- Implement a process and expectations for identifying and undertaking early consultation with key external stakeholders to align contractor capacity with Council delivery timeframes
- Establish guidance and requirements for performing a market analysis as part of project planning to inform the development of the business case and associated project timelines
- Consider implementing a practice of sharing a high-level draft Council forward capital works plan with the contracting pool to gauge the capacity of the contracting pool for scheduled projects and inform prioritisation decisions.

Management comment

PMO is currently developing a SharePoint page which includes the latest guidance, templates, etc.

PMO will work with programme leads from Metlink and the Environment group to ensure their project timelines are realistic. This will leverage GovTech results.

The new activity management planning for the 2024-27 will include a point of entry process which will provide better insights into groups and their projects for the next three years.

The procurement team will work with teams around the best method to share forward capital plans with the market. This could include publishing the plan our webpage, notifying via GETS and/or a supplier open day.

Management comment (continued)

The procurement team will also work on preparing “how to guide” for undertaking market analysis which would include right sizing analysis for the size and risk of your project.

Detailed finding and recommendations (continued) Attachment 3 to Report 23.358

4. Project management and delivery practices are inconsistent and do not consistently align to the Council's Project Management Policy and Framework

Rating: Very concerned
(can't live with the current state and significant change required)

What we found

The Council's Project Management Office has an established Project Management Policy and Framework which defines how change should be governed, management and delivered, and provides a number of useful tools and templates aligned to good practice. This Framework continues to be enhanced following a February 2021 Business Assurance review, and provides a useful foundation from which change can be planned and delivered.

During our assessment we noted a range of variations between Framework requirements and the project management approaches undertaken and documentation prepared and found:

- The use of Framework approaches and enablers is not mandatory or enforced and we observed poor uptake and use of these tools across nearly all of the projects in our sample, with the Cuba Street programme the only project we reviewed that consistently used the status reporting tool
- Based on the projects sampled external project managers can, and often do, apply their own project methodologies and templates to projects they are involved in.

With the PMO's role focused on advising projects, the responsibility for ensuring projects are governed and managed to Framework requirements must sit with project sponsors, and ultimately the Executive owner.

Why it matters

Inconsistent practices that do not align to good practice can impact the quality of project approaches resulting in poor planning and forecasting, delayed delivery, unrealistic phasing and spend estimations, challenges in determining if upcoming phases are set up for success, and ultimately project underspend.

Detailed finding and recommendations (continued) Attachment 3 to Report 23.358

4. Project management and delivery practices are inconsistent and do not consistently align to the Council's Project Management Policy and Framework (continued)

Rating: Very concerned
(can't live with the current state and significant change required)

Recommendations

- ELT needs to mandate the Council's Project Delivery Framework across all business units and capital projects with business cases
- Confirm with ELT the scope of the PMO and whether additional resources are required to deliver on their expectations.
- Collaborate with Council business units to develop consistent and relevant project management resources (e.g. guidance) that leverage existing good practice material (e.g. exemplar business cases, lessons learned) to support consistent project management and delivery across Council
- Develop a competency framework for working with external project management resources that aligns with Council agreed Project Delivery Framework.

Management comment

Agree with the findings and recommendations but we will need ELT support and mandate to effectively implement changes.

The PMO would look to progressively embed new processes and support for project delivery with transparency across the GW projects which will enable early interventions and targeted support.

GW is also in the process of implementing activity management plans for groups which includes a 3 year view of proposed activities for inclusion into the LTP. This is an enabler for better project management, governance and decision making.

3

Detailed findings and
recommendations -
capital works
programme maturity
assessment

Capital works programme maturity assessment Attachment 3 to Report 23.358

In summary: We have assessed the Council's capital works programme maturity as 'Developing'¹

The Council has developed useful processes and controls in place across some of the 12 Delivery Framework elements used to complete our maturity assessment, with a number of these enabled by the PMO's framework. We note however across the seven capital projects sampled these processes, controls and enablers do not consistently come to life, and do not operate to the expectations required for the successful governance, management and delivery of the Council's capital works programme. In light of this we have assessed the Council's capital works programme maturity as 'Developing' (i.e. basic and consistent process or practices are established) considering the following key themes:



Capital works programme governance

Project-specific governance practices, for example project governance groups and ELT portfolio progress reporting, were observed across the sample projects, however they remain focused at the individual project level. Additionally project performance to time, scope and cost, and risks and issues are raised and discussed at project governance meetings but little evidence was observed that a cross-programme or portfolio view is developed by Council.

Bringing a portfolio view of projects and programmes to project governance meetings is crucial for ensuring that Council is approaching governance strategically. A portfolio view enables decision-makers to access the overall impact of projects against Council's strategic objectives, rather than just focusing on individual projects. This allows better prioritisation, resource allocation, and risk management leading to more effective and efficient project delivery.



Capital works programme investment

Although some capital investment practices on projects were observed (e.g. net present values and whole of life costing at business case stage), overall there is recognition that investment practices need to improve to demonstrate capital investments are being managed strategically, and are measured to demonstrate progress against the Council's strategic aims.

Additionally, the cumulation of risks arising from not having robust strategies to evaluate the market for opportunities or its capacity to deliver, and a lack of robust change control process, has resulted in the Council setting capital spend profiles that have not positively confirmed leading to capital works delays and underspend.



Capital projects management and delivery

During our assessment we saw little evidence that the Council's project delivery framework was being consistently used. The use of a well developed project delivery framework can allow Council to better measure its programme and consistently achieve its capital works objectives.

A project prioritisation tool also does not exist, and is essential for helping Council to align its portfolio with budgets and objectives. It allows decision-makers to evaluate and compare potential impacts, risks and costs of different projects to determine which should be given priority. By using a project prioritisation tool the Council will help deliver greater clarity and confidence it is investing its resources in projects that will deliver the most value, and are most likely to deliver the desired outcomes and maximise return on investment.



Capital works programme risk and quality management

We found project risks and issues are managed to a basic and appropriate degree, however the Council does not employ effective quality management practices or a continual improvement process.

Without effective quality management practices, the current challenges will continue to impact future capital works projects. Additionally a lack of an entrenched lessons learnt practice for projects means Council misses the opportunity to improve practices and drive efficiencies.

Capital works programme maturity assessment (continued) Attachment 3 to Report 23.358

Next steps to lift the Councils capital works programme maturity to an agreed 'Established' maturity

Our 2 February 2021 Programme Management Office internal audit report two recommendations (comprising a set of opportunities against each of our 12 scope areas) to further improve and lift the maturity of the Council's programme and project approaches. We recommend this work continues with focus placed on:

- Identifying if any additional support is required to action these recommendations, in light of the PMO resource capacity and capital project findings currently impacting the Council's capital projects
- Provide quarterly reporting to the ELT on planned completion dates and progress made, and where any additional support is required to address any delays.

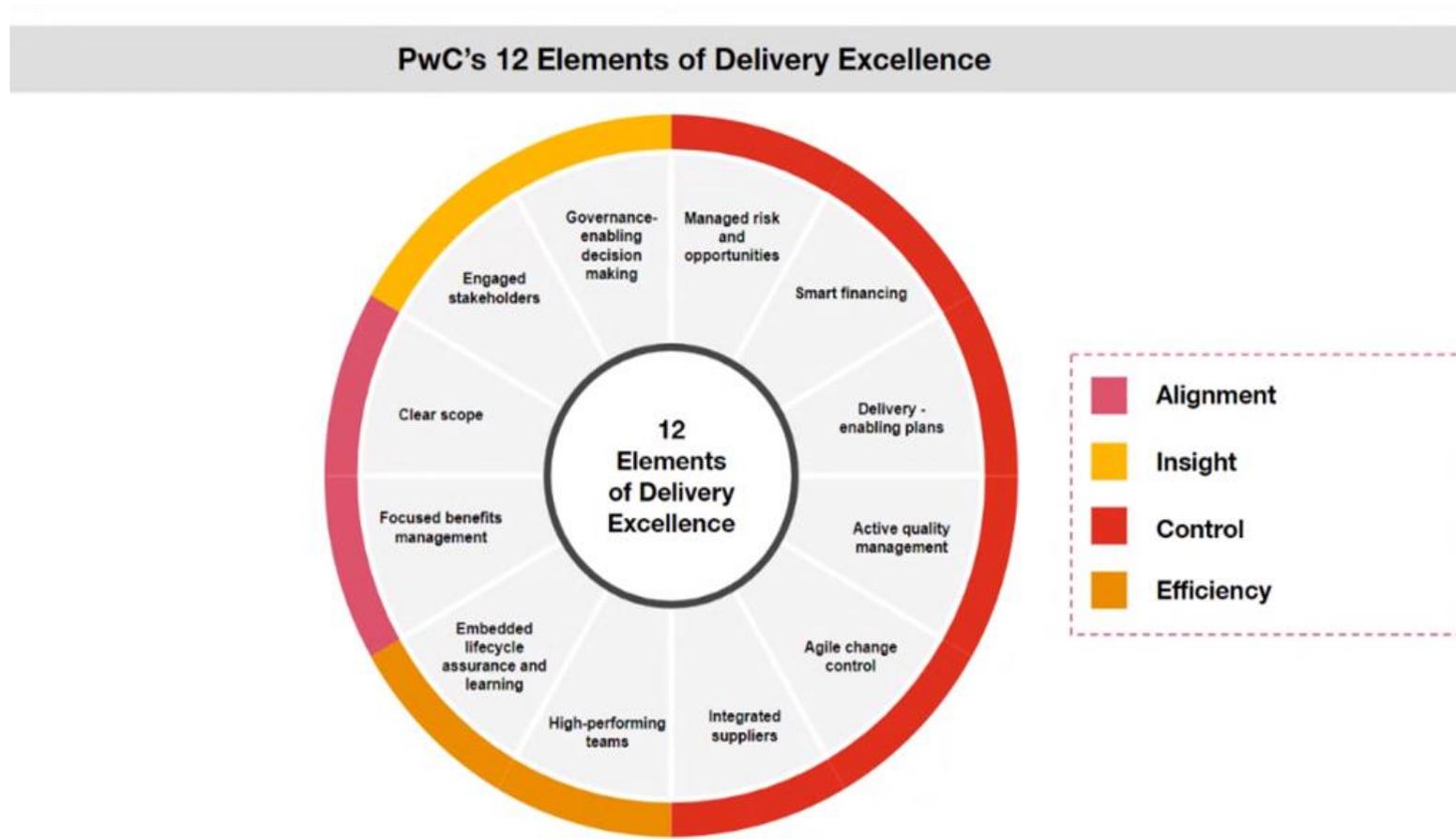
¹ Established is defined as 'processes and practices are well defined, documented, standardised and consistently applied'

4

Appendices

Appendix A: PwC's 12 Elements of Delivery Excellence Attachment 3 to Report 23.358

Our 12 Elements of Delivery Excellence was used to assess the maturity of the Council's capital work programme approaches



Appendix B: Personnel interviewed

Attachment 3 to Report 23.358

The following personnel were interviewed during our fieldwork:

Interviewee	Role	Project role (where relevant)
Jacob Boyes	Senior Manager, Corporate Risk and Assurance	
Tim Penwarden	Contractor	Cuba Street Fitout (Project Manager)
Fiona Colquhoun	Strategic Planner, Parks	Toitū Te Whenua Parks Plan Implementation (Master Planning)
Toby Barach	Contractor	Toitū Te Whenua Parks Plan Implementation, Wairarapa Moana Wetlands (Recloaking Papatūānuku)
Simon Harper	Business Programme Delivery Manager	Bus Driver Toilets Replacement, VUW Bus Shelter
Carlos Parinas	Contractor	Bus Driver Toilets Replacement
Ella Makan	Communicator and Engagement Advisor	Wairarapa Moana Wetlands
Janet Lawson	Team Leader, Biodiversity Projects	Wairarapa Moana Wetlands
Sharyn Westlake	Team Leader, Floodplain Management Plan Implementation	Flood Risk Management (Ruamahanga Groynes and Stokes Valley Erosion Protection Fish Passage Construction)
Andrew Marais	Senior Advisor, Project Management Office	
Chris Maggs	Programme Manager, Project Management Office	
Brady Corkill	Finance	
Luke Baron	Strategic Business Partner/Accountant for Metlink, Finance	

Appendix C: Documentation read

Attachment 3 to Report 23.358

The following documentation was read during our fieldwork:

Cuba Street Precent project

- 20191029 Agenda Item 3 - Terms of Reference
- 20200422 Steering Agenda
- 20200424 Steering Group Minutes
- Agenda Item 6b - Dependency Register
- April 2020 GWCuba Monthly Status Report TP 06.05.20
- August 2020 Dashboard Report
- Benefit Map
- Benefits Realisation Plan
- Communications and Stakeholder Management Plan v1.0
- Council Report - Wellington Long Term Accommodation Preferred Option
- Cuba street asset list FINAL
- Cuba Street Health and Safety Audit
- CUBASTREET_RBW_HANOVER2BAU-CLOSURE - [1853434]
- Gantt as at 3 November
- GW Cuba - Cost Control 1
- GW Cuba - Payment Schedule 13(3484978.1)
- GW Cuba Business Case Budget 29.02.2020 WORKING
- GW Cuba Closure Report v0.3 Final November 2022
- GW Cuba Payments Summary
- GW Cuba Programme Rev_4_ 20190628
- GW Cuba Project Control Book
- GW Cuba Project Plan v1.0
- GWCuba Change Management Plan V1.0
- GWCuba Lessons learned
- GWRC Future Accommodation Update Report - FINAL v3 15.08.19
- MARCH 2020 Procurement Plan Office Furniture
- Meeting Room Services Procurement Memo and Procurement Plan Lite
- new GW Cuba governance structure Resource
- Risks and Issues Register_GWCuba
- Survey_Responses_Report_Anonymised
- X001 ROC Budget Estimate GWRC Fitout 15 March 2019 DRAFT
- X020 Detailed Design Estimate GWRC Fitout DRAFT
- X022 Detailed Design Estimate GWRC Fitout - Reconciliation DRAFT
- X023 DRAFT GWRC Fitout DD1 Review Nov 2019
- X115 - GWRC MCHF Payment Schedule No 15
- X213 - GWRC SHF Payment Schedule No.13
- X509a GWRC Cuba Fitout Financial Report No. 9 DRAFT.

Appendix C: Documentation read (continued)

Attachment 3 to Report 23.358

Bus Driver Toilets Replacement project

- 1. Bus Driver Toilets BC - Approved
- 2. Business Case Appendix -Bus Driver Toilets TCO table
- 3. GWRC Bus Driver Toilet Supplier Procurement Plan_14112022
- 4. Procurement Approval Memo - Bus Driver Toilets Combined_01112022
- 5. DRAFT Metlink PMP - Bus Driver Toilets
- 7. BDT Cost Plan Tracker 06032023
- 8. Bus Driver Toilets Project Status Report - November 2022
- 9. Bus Driver Toilets Project Status Report - Jan 2023
- 10. Bus Driver Toilets Project Status Report - February 2023
- 11. Bus Driver Prefabricated Toilet Units - RFQ
- 12. Appendix 1 - Pricing Schedule
- 13. Appendix 2 - Scope of Supply
- 14. Appendix 3 - Bus Driver Toilet Services Investigation Schedule
- 15. Appendix 4 - Draft Contract for Goods
- 16. Appendix 5 - Draft Contract for Services
- 17. Bus Driver Prefabricated Toilet Units - Response Form Part A
- 18. Bus Driver Prefabricated Toilet Units - Response Form Part B.

Wairarapa Moana Wetlands project

- 22-34 PWER006_Wairarapa Moana Wetlands Restoration
- DCR 3 PWER006 - Change to AWP timeline _EB signed
- DRAFT Wairarapa Moana Restoration Project - Worksite HSW Risk Register and Plan.docx

- draft year two annual work plan.docx
- Evaluation Report for procuring
- PMO Project Status Report April 2021
- Project Development of Plans 2021-2025.docx
- Project -MfE PWER Fund Annual Report 2020_2021.docx
- Project_Countersigned Deed 23708.pdf - Folder View (sharepoint.com)
- PWER006 Wairarapa Moana Work Programme for Wairarapa Moana Wetlands Project
- PWER006 Y1 Annual Report_3-06-2021
- PWER006 Y2 Annual Report_11-8-2022
- PWER006 Y3 AWP - Updated with change request
- PWER006_Quarterly Report_Q2_Year 1
- Report to Wairarapa Moana Governance Group - 2021_22 Quarter 1 Report.docx
- Report to Wairarapa Moana Governance Group 26 July - Wairarapa Moana
- Report to Wairarapa Moana Governance Group_Wairarapa Moana Project
- RFP for Wairarapa Moana
- Risks and Issues Register_Wairarapa Moana Wetlands Project Expansion.xlsx
- Wairarapa Moana development of plans.docx
- Wairarapa Moana Governance Group minutes and agendas

(Appendix C: Documentation read (continued))

Attachment 3 to Report 23.358

- Wairarapa Moana Wetlands Project Expansion - Copy 14-
- Whangai Repo Report to Wairarapa Moana Governance Group.docx
- WM expansion Business Case.docx
- WM expansion status report 202012 December.docx
- WM expansion status report November 2020.docx
- WM expansion status report October 2020.docx
- WM Master Budget Tracker Yr1
- Year 2 21-22 Budget tracker - USE ME
- Year 3 22-23 budget tracker - USE ME.

Toitū Te Whenua Parks Plan Implementation project

- FW_ Council Actions on LCAF in 2020 - Fund Approval and Initial Projects
- LCAF Parks Restoration Budget forecasts 2022-2025
- LCAF Risks planner
- Parks mahi and mana whenua partnerships
- Parks Restoration Planting Planning
- Recloaking Papatuanuku - Technical Restoration Guide Draft V2
- Risks and Issues Register_Recloaking Papatuanuku Restoration Project
- Terms of Reference for Toitu Te Whenua Parks Plan implementation Steering Group
- Terms of Reference Restoration Services Steering Group
- Toitū Te Whenua Implementation STEERING GROUP MEETING AGENDAS AND MINUTES
- Toitū Te Whenua Parks Plan Implementation PMO Report February 2023.

Victoria University Bus Shelter

1. The Living Pa Procurement Approval Memo and Lite Procurement Plan
2. VUW Bus Stop Project Brief - February 2022
3. Kelburn Parade bus stop - temporary relocation staging
4. VUW Shelter BC Drawings
5. GWRC Approval Memo - The Living Pa Shelter Project
6. WCC Traffic Resolution Approval
7. VUW Murphy Building Bus Shelter
8. Consent Application The Living Pa
9. VUW Bus Updated Project Brief - Dec 2022
10. Approved Documents - Building Consent Approval Letter
11. VUW Bus Stop Risk Register
12. May 2021- The Living Pa Project Status Report
13. June 2021 - The Living Pa Project Status Report
14. August 2021 - The Living Pa Project Status Report
15. December 2021- January 2022 - The Living Pa Project Status Report
16. April 2022 - The Living Pa - Project Status Report
17. August 2022 - The Living Pa Project Status Report
18. September 2022 - The Living Pa Project Status Report
19. October 2022 - The Living Pa Project Status Report
20. November 2022 - The Living Pa Project Status Report
21. December 2022 – January 2023 - The Living Pa Project Status Report

Appendix C: Documentation read (continued)

Attachment 3 to Report 23.358

- 22. February 2023 - The Living Pa Project Status Report
- GWRC VUW Bus Shelter Project Information
- GWRC VUW Bus Project Information.

General artefacts

- 11 September Draft Implementation Plan
- Capex Solution Storyboard(1)
- Copy of Prototype Sensitivity Testing
- Final Report to ELT - GovTech
- GW Projects - Actual Budget Variance (10)
- Historical Capex Graphic
- PMO ELT June Reporting Financial data
- PMO ELT Projects Report June 22
- Project Management Policy and Framework Feb 2017 (1)
- WWL-Y23-Capital-Delivery-Plan-advice-to-GWRC_FINAL_30Jun22.

Thank you



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Greater Wellington Regional Council

Asset management internal audit
May 2023



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Conclusions

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

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



Jacob Boyes
Senior Manager – Corporate Risk and Assurance
Greater Wellington Regional Council
100 Cuba Street, Te Aro
Wellington 6011

19 May 2023

Asset management internal audit report

Dear Jacob

In accordance with our Terms of Reference dated 20 December 2022, we have completed our assessment of the maturity of Greater Wellington Regional Council's asset management system and processes. Our observations and recommendations are set out in this report and are based on fieldwork completed during February and March 2023. Please note the observations and findings arising from the capital works scope of our 20 December 2022 Terms of Reference are reported in a separate report.

I would like to take this opportunity to acknowledge and thank the Greater Wellington Regional Council personnel for the time and contributions they have made to enable us to perform this engagement.

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

Yours sincerely

A handwritten signature in white ink that reads 'Vaughan Harrison'.

Vaughan Harrison
Partner
vaughan.x.harrison@pwc.com

1

Executive summary

Executive summary

Background

Asset management is one of the Greater Wellington Regional Council ("GWRC" or "Council") major organisational objectives as a Regional Council. The Council's assets must operate in an environment across a group of territorial local authorities, both city and district councils, that must work in cooperation with GWRC. Further, depending on the nature of the assets, many are maintained and operated by third parties, such as bus operators, Transdev and KiwiRail, and these stakeholders hold significant operational and condition information on GWRC assets.

Objective, scope and approach

In light of the size and importance of the Council's assets, our internal audit assessed the maturity of the Council's assessment management system and processes using the ISO 55000 Asset Management standard across the following asset classes:

- Bus and ferry assets
- Rail
- Flood protection.

As GWRC has previously used the New Zealand Treasury/GHD maturity model based on the International Infrastructure Management Manual that has been restructured to reflect the ISO 55000 standard, we repeated this methodology which allowed us to compare prior scores identified in 2015. As part of our internal audit GWRC management also self-evaluated the following asset classes:

- Environmental science
- Harbours
- Parks
- Corporate property.

Our maturity assessment was completed by:

- Interviewing key Council personnel (refer Appendix A) to gain an understanding of the asset management plans, context, practices, and frameworks across the Council
- Obtaining and reading key documentation related to the planning, delivery and management of assets including frameworks, templates and reports.
- Using this information to assess GWRC's asset management maturity using New Zealand Treasury/GHD maturity model which is based on ISO 55000 (refer Appendix B).

Our scope did not include testing the operation of asset management processes and controls, i.e. our assessment is based on the documentation and commentary shared by Council personnel.

(continued next page)

(continued)

- **GWRC investment in its asset management approaches over the past ten years has overall seen a lift in its asset management maturity. A key enabler of this improvement has been the implementation of GWRC's new ERP (Ngātahi) which has provided useful asset information to inform and improve GWRC's asset management strategies, asset condition assessments, investment strategies, service delivery models, and asset quality management**
- **Based on our assessment GWRC is meeting or exceeding its asset management maturity targets, with the exception of flood protection whose overall maturity is slightly below target. Management however have a number of flood protection asset management initiatives planned including balancing stakeholder engagement across the asset management plans, closing residual asset data gaps, lifting risk management, developing standard operating procedures, and understanding the opex implications arising from future capex work**

	2012 assessment	2015 assessment	2023 assessment ¹	GWRC target maturity ¹	New Zealand Treasury/GHD maturity model definitions (refer Appendix B)
Asset classes assessed by PwC in this internal audit					
Public transport – Bus and ferry	41	56	73 (Intermediate)	68 (Intermediate)	Aware (0 – 20)
Public transport – Rail	53	70	80 (Intermediate)	80 (Intermediate)	Basic (21 – 40)
Flood protection	54	61	71 (Intermediate)	76 (Intermediate)	Core (41 - 60)
Asset classes self-assessed by GWRC management					
Environmental science	44	54	66 (Intermediate)	55 (Core)	Intermediate (61 – 80)
Harbours	45	55	53 (Core) ²	53 (Core)	Advanced (81 – 100)
Parks	53	70	74 (Intermediate)	71 (Intermediate)	
Corporate property	-	-	52 (Core)	61 (Intermediate)	
Water (Wellington Water self-assessment)	66	81	No self assessment (noting the 2015 self assessment score of 81)	85 (Advanced)	

Please refer to Appendix C for full details.

In light of the current maturity, we recommend GWRC management continue with their flood protection and core property asset management initiatives designed to further enhance the maturity of these areas. To help support this we have identified three development areas over page where GWRC could enhance its asset management practices across all asset classes.

¹ The Council's target maturity levels were set in 2012 and for the Council's more important assets the upper end of 'Intermediate' (60 – 80) was chosen (with 'Advanced' rated 80 – 100), and as part of this internal audit we confirmed with Council management the target maturity levels remain appropriate.

² Whilst the Harbours asset management maturity has reduced slightly by two points, overall maturity remains aligned to Council's target maturity.

(continued)

Looking forward: Three key opportunities are available to further increase the maturity of the Council's asset management system and processes

1

GWRC should reconcile its individual asset management plans into an overarching Strategic Asset Management Plan responsible for assessing the effect of planned expenditure over the next three years to affordability and alignment with overall GWRC asset objectives

- GWRC has developed asset management plans for each of its asset classes. These plans are brought together into the Council's broader Long Term Plan (LTP). The LTP does contain a significant portion of what would constitute a Strategic Asset Management Plan (SAMP) including capital operational funding requirements and expenditure plans, but does not include a direct discussion and decisions on the overall GWRC asset management objectives to which each of the individual asset management plans should be aligned to
- We recommend developing a SAMP, or considering enhancing the LTP, to define the Council-wide asset management objectives

2

Consistent with our findings arising from our July 2022 Procurement and Contract Management internal audit, an opportunity exists to review asset-related contractor procurement practices and where required refresh existing contractor relationships (noting this is underway following our broader July 2022 procurement and contract management internal audit)

In our discussions Council Asset Managers noted some asset classes have had long term contracting relationships and there are opportunities to review existing outsourcing arrangements to test the market. An opportunity therefore exists to leverage the recommendations from our July 2022 Procurement and Contract Management internal audit and review the Council's asset management outsourcing strategies and:

- Define an asset management outsourcing policy, as part of the GWRC SAMP and broader procurement strategy, including plans and approaches to test the market for each asset class and outsourcing service currently provided
- Set intervals aligned to the policy where the market is tested for outsourcing opportunities.

3

GWRC should consider raising risk management capability for asset management plans that scored less than 80 for managing risk

Risk management is an important part of asset management planning, and is used to prioritise effort into higher risk asset areas when there is a competition for asset resources or investment

Positively the rail asset management class approach to risk management was assessed at 80 (Intermediate), however flood protection asset risk management was assessed at 60 (target 75) and bus and ferry asset risk management, which whilst aligned to its target, was also assessed at 60. We recommend:

- Establishing the expected level of risk management maturity in the SAMP document, including risk appetite tables
- Leveraging rail asset risk management practices and applying to the flood protection and bus and ferry asset management plans.

2

Detailed findings and recommendations

Detailed finding and recommendations

1. GWRC should reconcile its individual asset management plans into an overarching Strategic Asset Management Plan responsible for assessing the effect of planned expenditure over the next three years to affordability and alignment with overall GWRC asset objectives

Rating: No concern
(missed opportunity)

What we found

- Section 4.4 (Asset Management System) of the International Standards Organisation (ISO) 55001 recommends “The organisation shall develop a [Strategic Asset Management Plan] (SAMP) which includes documentation of the role of the asset management system in supporting achievement of the asset management objectives”. Additionally Section 5.3 notes ‘top management’ are responsible for establishing and updating the SAMP and asset management objectives, and are accountable for an asset management system to support those objectives
- GWRC has developed asset management plans for each of its asset classes. These plans are brought together into the Council’s broader Long Term Plan (LTP). The LTP does contain a significant portion of what would constitute a SAMP including capital operational funding requirements and expenditure plans, but does not include a direct discussion and decisions on the overall GWRC asset management objectives to which each of the individual asset management plans should be aligned to.

Why it matters

Strategic asset management objectives assist in delivering equitable asset management initiatives across different asset classes, and help ensure asset objectives are coherent and, where appropriate, aligned between the individual asset management plans and the SAMP.

Recommendation

- Develop a SAMP, or consider enhancing the LTP, to define the Council-wide asset management objectives aligned to the following ISO55001 Section 6.2.1 which notes asset management objective requirements should be:
 - Consistent and aligned with the organisational objectives
 - Consistent with the asset management policy
 - Established and updated using asset management decision-making criteria
 - Established and updated as part of the SAMP
 - Measurable (if practicable)
 - Monitored
 - Communicated to relevant stakeholders
 - Reviewed and updated as appropriate
- Review and confirm the individual asset management plans are aligned to the SAMP objectives individually and collectively.

Management comment

SAMP have been in development for GWRC since before 2014 and currently sits in draft.

We will look to finalise the SAMP as part of the wider work programmes in the Corporate Services area. This will include ensuring the SAMP aligns to underlying AMPs.

(continued)

2. Consistent with our findings arising from our July 2022 Procurement and Contract Management internal audit, an opportunity exists to review asset-related contractor procurement practices and where required refresh existing contractor relationships

**Rating: Some concerns
(we can live with this
but we can do better)**

What we found

- In our discussions Council Asset Managers noted some asset classes have had long term contracting relationships (also referred to as outsourcing in ISO 55001) and there are opportunities to review existing outsourcing arrangements to test the market
- We note in some cases there may be only limited outsourcing options available due to the specialised nature of some services used by GWRC, but even in these cases, a market test may identify new entrants that were unknown to GWRC, or services may be provided from contractors outside the region.

Why it matters

Outsourcing to long-term providers can lead to higher costs, or services not evolving to provide the best outcomes and value for money. Going to market as needed can mitigate those problems, as well as provide opportunities to further increase the effectiveness and efficiency of Council asset management approaches.

Recommendation

GWRC should continue with the recommendations arising from our July 2022 procurement and contract management internal audit, with specific asset management considerations including:

- Defining an asset management outsourcing policy, as part of the GWRC SAMP, including plans and approaches to test the market for each asset class and outsourcing service currently provided
- Set intervals aligned to the policy where the market is tested for outsourcing opportunities.

Management comment

We are in the process of reviewing and finalising our SAMP which currently sits in draft. As part of this review, we will look to define an asset management outsourcing policy including intervals where the market is tested for outsourcing opportunities.

As part of our response to the July 2022 procurement and contract management internal audit, we have already begun developing a new:

- Dashboard to establish automated trend analysis; and
- Process to identify education requirements (dashboard includes compliance checks) and new procurement opportunities (example, large or long-term suppliers which have not been reviewed).

(continued)

3. GWRC should consider raising risk management capability for asset management plans that scored less than 80 for managing risk

**Rating: Some concerns
(we can live with this
but we can do better)**

What we found

- Risk management is an important part of asset management planning, and is used to prioritise effort into higher risk asset areas when there is a competition for asset resources or investment
- GWRC has a guideline on asset criticality, but risk management also includes developing a risk register for an asset plan, including mitigation strategies
- Positively the rail asset management class approach to risk management was assessed at 80 (vs a target of 80), however:
 - Flood protection asset risk management was assessed at 60 (target 75)
 - Bus and ferry asset risk management was assessed at 60, noting whilst this aligns to the target of 60, risk management is a useful tool in identifying where asset management investment is best focused.

Why it matters

Risk management is a useful tool to help develop asset management plans that address GWRC asset risks, and provides a structured approach in treating those risks. It also allows GWRC management to track how risk mitigation strategies are progressing and whether their intended effect is occurring, and also provides the opportunity to develop Key Performance Indicators in critical areas of asset management.

Recommendation

- Establish the expected level of risk management maturity in the SAMP document, including risk appetite tables
- Leverage rail asset risk management practices and apply to the flood protection and bus and ferry asset management plans.

Management comment

GWRC's approach to risk management and uncertainty has developed since the AMPs were last reviewed. The intent is to bring the renewed approach into the SAMP and corresponding AMPs. The targets for risk management maturity warrant review as they were initially set in 2012. This change will take account of the organisational tolerance to risk and uncertainty.

Conceptually, the risk management approach described in Metlink's AMP provides a good model for other areas to consider. The risk management context for Flood Protection assets differs from Metlink, in the sense the Flood Protection assets are more entwined with dynamic natural systems and the natural hazard exposure is of a higher order (as noted in the climate change/risk assessment). The SAMP will suggest maturity targets for the FP AMP to work towards, considering FP's current approach which is based primarily on FP's 'Asset Performance Tool' and risk protocols and processes associated with the management of large dams (under the NZSOLD guidelines).

Recent systems and data structure improvements provide a more cohesive approach to the application of risk assessment information at a granular level - with potential to improve risk measurement and decision making. The SAMP will seek to embed these changes as an improvement to better support the existing flood risk and incident management systems and GW's strategic asset management modelling.

3

Appendices

Appendix A: Personnel interviewed

The following personnel were interviewed during our fieldwork:

Interviewee	Role
Bronek Kasmirov	Principal Advisor - Asset Management
Hamish Burns	Manager Bus and Ferry Assets
Lucy Ashford	Section Leader Operations Planning
Jacky Cox	Team Leader Operations, Delivery and Planning
Barry Fryer	Manager Rail Assets

Appendix B: New Zealand Treasury/GHD maturity model (based on ISO 55000)

	Aware (0 - 20)	Basic (21 - 40)	Core (41 - 60)	Intermediate (61 - 80)	Advanced (81 - 100)
Understanding and defining requirements					
Asset management policy and strategy	The organisation is aware of the benefits of asset management.	Corporate expectations are expressed in relation to the development of AM Plans and AM objectives.	AM Policy, Strategy and Objectives are developed, and are aligned to corporate goals and the strategic context.	AM System scope is defined and documented. Strategic context (internal, external, customer environment) is analysed and implications for AM System documented in the AMP / AM Strategy.	AM Policy and Strategy is fully integrated into the organisation's business processes and subject to defined audit, review and updating procedures.
Levels of service and performance management	The organisation recognises the benefits of defining levels of service but they are not yet documented or quantified.	Basic levels of service have been defined and agreed, along with the contribution of asset performance to the organisation's objectives. Customer Groups have been defined and requirements understood.	Levels of service and appropriate performance measures are in place covering a range of service attributes. There is annual reporting against targets. Customer Group needs analysed. Level of service and cost relationship understood.	Customers are consulted on significant service levels and options.	Customer communications plan in place. Customer levels of service and technical (i.e. asset performance) levels of service are an integral part of decision making and business planning.
Forecasting demand	Future demand requirements generally understood but not documented or quantified.	Demand forecasts are based on experienced staff predictions, with consideration of known past demand trends and likely future growth patterns.	Demand Forecasts are based on robust projections of a primary demand factor (e.g. population growth) and extrapolation of historic trends. Risk associated with changes in demand is broadly understood and documented. Demand management is considered as an alternative to major project development.	A range of demand scenarios is developed (e.g. high/medium/low). Demand management is considered in all strategy and project decisions.	Risk assessment of different demand scenarios, and mitigation actions are identified.
Asset register data	The organisation has an awareness of need to collect asset data.	Basic physical information recorded in a spread sheet or similar (e.g. location, size, type), but may be based on broad assumptions or not complete.	Sufficient information to complete asset valuation (basis attributes, replacement cost and asset age/life) and supports prioritisation of programmes (criticality). Asset hierarchy, identification and attribute systems documented. Metadata held as appropriate.	A reliable register of physical and financial attributes recorded in an information system with data analysis and reporting functionality. Systematic and documented data collection process in place. High level of confidence in critical asset data.	Information on work history type and cost, condition, performance, etc. recorded at asset component level. Systematic and fully optimised data collection programme with supporting metadata.
Asset performance and condition	Condition and performance understood but not quantified or documented.	Adequate data and information to confirm current performance against AM objectives.	Condition and performance information is suitable to be used to plan maintenance and renewals over the short term.	Future condition and performance information is modelled to assess whether AM objectives can be met in the long term. Contextual information such as demand is used to estimate likely performance.	The type, quality and amount of data are optimised to the decisions being made. The underlying data collection programme is adapted to reflect the assets' lifecycle stage.

(continued)

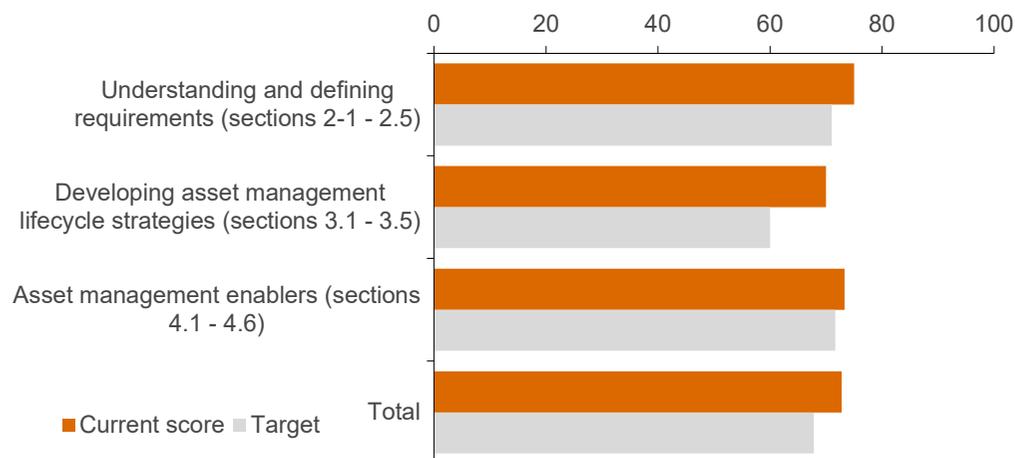
	Aware (0 - 20)	Basic (21 - 40)	Core (41 - 60)	Intermediate (61 - 80)	Advanced (81 - 100)
Lifecycle decision making					
Decision making	AM decisions are based largely on staff judgement.	Corporate priorities incorporated into decision making.	Formal decision making techniques (e.g. using MCA/BCA) are applied to major projects and programmes, where criteria are based on the organisations' AM objectives.	Formal decision making and prioritisation techniques are applied to all operational and capital asset programmes within each main budget category/business unit. Critical assumptions and estimates are tested for sensitivity to results.	AM objectives/targets are set based on formal decision making techniques, supported by the estimated costs and benefits of achieving targets. The framework enables projects and programmes to be optimised across all activity areas. Formal risk-based sensitivity analysis is carried out.
Managing risk	Risk management is identified as a future improvement.	Critical services and assets understood and considered by staff involved in maintenance / renewal decisions. Risk framework developed.	Critical assets and high risks identified. Documented risk management strategies for critical assets and high risks.	Current resilience level assessed and improvements identified. Systematic risk analysis to assist key decision-making and reported. Risk register regularly monitored and reported. Risk managed and prioritised consistently across the organisation.	Resilience strategy and programme in place including defined levels of service for resilience. A formal risk management policy in place. Risk is quantified and risk mitigation options evaluated. Risk is integrated into all aspects of decision making.
Operational planning	Operational processes based on historical practices.	Operating procedures are available for critical operational processes. Operations organisational structure in place and roles assigned.	Operating procedures are available for all operational processes. Operational support requirements are in place.	Risk and opportunity planning completed. Operational objectives and intervention levels defined and implemented. Alignment with organisational objectives can be demonstrated.	Continual improvement can be demonstrated for all operational processes. Comparison with ISO 55001 requirements complete.
Capital works planning	Capital investment projects are identified during annual budget process.	There is a schedule of proposed capital projects and associated costs for the next 3-5 years, based on staff judgement of future requirements.	Projects have been collated from a wide range of sources and collated into a project register. Capital projects for the next three years are fully scoped and estimated. A prioritisation framework is in place to rank the importance of capital projects.	Formal options analysis and business case development has been completed for major projects in the 3-5 year period. Capital intentions reports identify all major capital projects for the next 10 or more years and broad estimates of the costs and benefits are available.	Long -term capital investment programmes are developed using advanced decision techniques, such as predictive renewal modelling.
Financial planning	Financial planning is largely an annual budget process, but there is intention to develop longer term forecasts. The organisational focus is on the operating statement rather than the balance sheet.	Assets are re-valued in accordance with financial reporting and accounting standards. Five to nine year financial forecasts are based on extrapolation of past trends and broad assumptions about the	Asset revaluations based on reliable asset data. Ten year financial forecasts based on current comprehensive AMPs with detailed supporting assumptions/reliability factors. Significant assumptions are specific and well reasoned. Expenditure captured at a level useful for AM analysis.	10 year plus financial forecasts based on current comprehensive AMPs with detailed supporting assumptions/reliability factors and high confidence in accuracy. Funding sources are fully understood and matched with expenditure forecasts over the long term. Alternative funding sources have been fully explored. Asset expenditure information is linked with asset performance information.	The organisation publishes reliable ten year+ financial forecasts based on comprehensive, advanced AMPs with detailed underlying assumptions and high confidence in accuracy. Advanced financial modelling provides sensitivity analysis, evidence-based whole of life costs and cost analysis for level of service options.

(continued)

	Aware (0 - 20)	Basic (21 - 40)	Core (41 - 60)	Intermediate (61 - 80)	Advanced (81 - 100)
Asset management enablers					
Asset management leadership and teams	The organisation recognises the benefits of an asset management function within the organisation, but has yet to implement a structure to support it.	Asset Management functions are performed by a small groups and roles reflect requirements.	Position descriptions incorporate AM roles. AM co-ordination processes established. Ownership and support of AM by the leadership. Awareness of AM across most of the organisation.	Organisational structure supports AM. Roles reflect AM resourcing requirements and reflected in position descriptions for key roles. Consistent approach to AM across the organisation. Internal communication plan established.	Formal documented assessment of AM capability and capacity requirements to achieve AM objectives. Demonstrable alignment between AM objectives, AM systems and individual responsibilities.
Asset management plans	The organisation has a stated intention to develop AM plans.	AM Plans contain basic information on assets, service levels, planned works and financial forecasts (5-10 years), and future improvements	AM objectives are defined with consideration of strategic context. Approach to risk and critical assets described, top down condition and performance assessment, future demand forecasts, description of supporting AM processes, 10 year financial forecasts, 3 year AM improvement plan.	Analysis of asset condition and performance trends (past/future), effective customer engagement in setting LoS, ODM/risk techniques applied to major programmes. Strategic context analysed with risks, issues and responses described.	Evidence of programmes driven by comprehensive ODM techniques, risk management programmes and level of service/cost trade-off analysis. Improvement programmes are largely complete with focus on maintaining appropriate practices.
Management systems	The organisation has an awareness of the need to formalise systems and processes.	Simple process documentation in place for service-critical AM activities.	Basic Quality Management System in place that covers all organisational activities. Critical AM processes are documented, monitored and are subject to review. AM system meets the requirements of ISO 55001.	Process documentation has been implemented in accordance with the AM system to appropriate level of detail. Internal management systems are aligned.	ISO certification to multiple standards for large asset intensive organisations, including ISO 55001. Strong integration of all management systems within the organisation.
Asset management information systems	The organisation has an intention to develop an electronic asset register/AMIS.	Asset register can record core asset attributes - size, material, location, age etc. Asset information reports can be manually generated for AM Plan input.	Asset register enables hierarchal reporting (at component level to facility level). Customer service request tracking and planned maintenance functionality enabled. System enables manual reports to be generated for valuation and renewal forecasting.	Spatial relationship capability. More automated asset performance reporting on a wider range of information.	Financial, asset and customer service systems are integrated and all advanced AM functions are enabled. Asset optimisation analysis can be completed.
Service delivery mechanisms	Asset management roles (owner and service delivery) are generally understood.	Service delivery roles are clearly allocated (internal and external) generally following historic approaches.	Core functions defined. Procurement strategy/policy in place. Internal service level agreements in place with the primary internal service providers and contract for the primary external service providers.	Risks, benefits and costs of various outsourcing options have been considered and determined. Competitive tendering practices applied with integrity and accountability.	All potential service delivery mechanisms have been reviewed and formal analysis carried out to identify the best delivery mechanism.
Audit and improvement	The organisation recognises the benefits of improving asset management processes and practises, but has yet to develop an improvement plan.	Improvement actions have been identified and allocated to appropriate staff.	Current and future AM performance has been assessed and gaps used to drive the improvement actions. Improvement actions identified to close the gaps. Improvement plans identify objectives, timeframes, deliverables, resource requirements and responsibilities.	Formal monitoring and reporting on the improvement programme to the Executive Team. Project briefs have been developed for all key improvement actions.	Improvement plans specify key performance indicators (KPIs) for monitoring AM improvement and these are routinely reported.

Appendix C: Asset management maturity assessment summary results

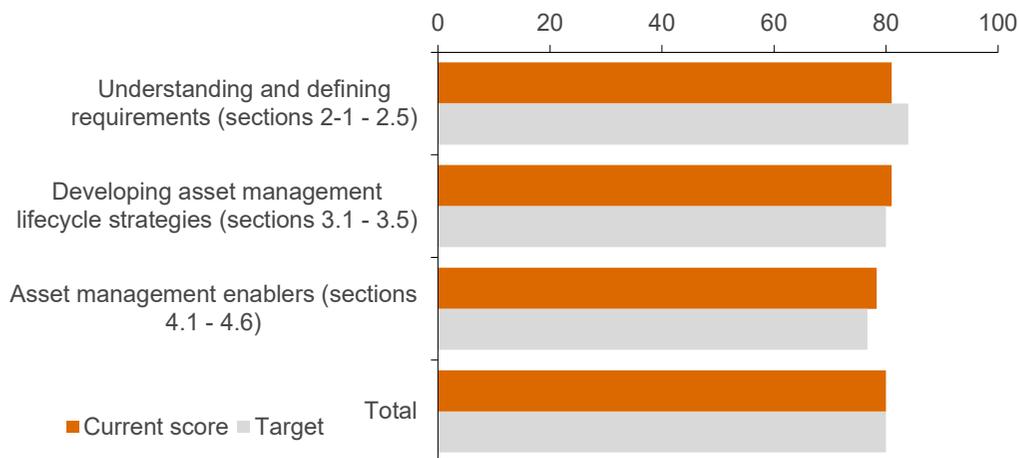
Bus and ferry assets



Reference	Description	Current score	Target	Difference
IIMM 2.1	Asset management policy and strategy	75	80	-5
IIMM 2.2	Levels of service and performance management	75	70	5
IIMM 2.3	Forecasting demand	80	75	5
IIMM 2.4	Asset register data	70	65	5
IIMM 2.5	Asset performance and condition	75	65	10
IIMM 3.1	Decision making	75	50	25
IIMM 3.2	Managing risk	60	60	0
IIMM 3.3	Operational planning	75	70	5
IIMM 3.4	Capital works planning	70	50	20
IIMM 3.5	Financial planning	70	70	0
IIMM 4.1	Asset management leadership and teams	80	80	0
IIMM 4.2	Asset management plans	70	70	0
IIMM 4.3	Management systems	60	60	0
IIMM 4.4	Asset management information systems	75	70	5
IIMM 4.5	Service delivery mechanisms	80	80	0
IIMM 4.6	Audit and improvement	75	70	5
	Overall score	73	68	5

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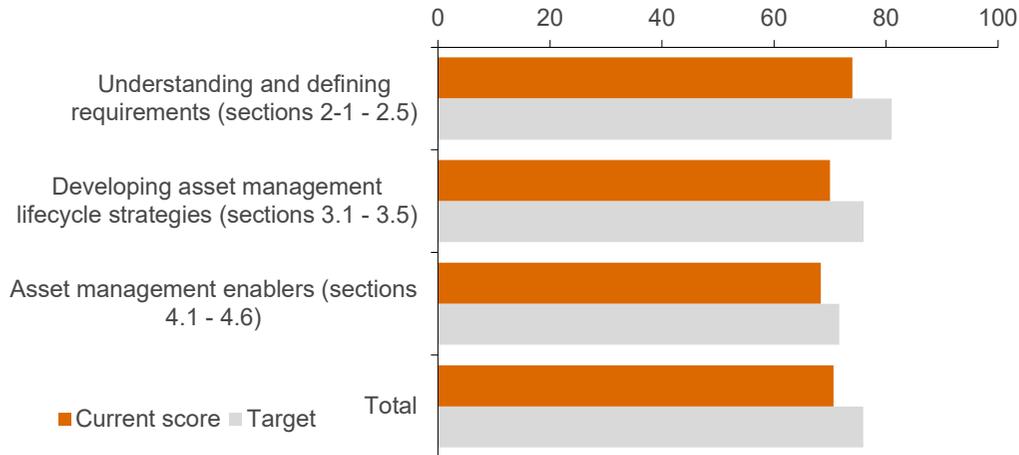
Rail assets



Reference	Description	Current score	Target	Difference
IIMM 2.1	Asset management policy and strategy	75	80	-5
IIMM 2.2	Levels of service and performance management	85	85	0
IIMM 2.3	Forecasting demand	85	85	0
IIMM 2.4	Asset register data	80	85	-5
IIMM 2.5	Asset performance and condition	80	85	-5
IIMM 3.1	Decision making	85	80	5
IIMM 3.2	Managing risk	80	80	0
IIMM 3.3	Operational planning	80	80	0
IIMM 3.4	Capital works planning	80	80	0
IIMM 3.5	Financial planning	80	80	0
IIMM 4.1	Asset management leadership and teams	85	85	0
IIMM 4.2	Asset management plans	80	80	0
IIMM 4.3	Management systems	70	60	10
IIMM 4.4	Asset management information systems	80	80	0
IIMM 4.5	Service delivery mechanisms	80	80	0
IIMM 4.6	Audit and improvement	75	75	0
Overall score		80	80	0

(continued)

Flood protection assets



Reference	Description	Current score	Target	Difference
IIMM 2.1	Asset management policy and strategy	75	80	-5
IIMM 2.2	Levels of service and performance management	70	80	-10
IIMM 2.3	Forecasting demand	70	80	-10
IIMM 2.4	Asset register data	75	85	-10
IIMM 2.5	Asset performance and condition	80	80	0
IIMM 3.1	Decision making	80	80	0
IIMM 3.2	Managing risk	60	75	-15
IIMM 3.3	Operational planning	60	70	-10
IIMM 3.4	Capital works planning	75	75	0
IIMM 3.5	Financial planning	75	80	-5
IIMM 4.1	Asset management leadership and teams	65	80	-15
IIMM 4.2	Asset management plans	80	70	10
IIMM 4.3	Management systems	65	60	5
IIMM 4.4	Asset management information systems	70	80	-10
IIMM 4.5	Service delivery mechanisms	65	70	-5
IIMM 4.6	Audit and improvement	65	70	-5
	Overall score	71	76	-5

Thank you

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Attachment 5 to Report 23.358

Greater Wellington Regional Council

Change management internal audit
June 2023



In reading this report we request you note the following: Attachment 5 to Report 23.358



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Conclusions

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

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



Sue McLean
General Manager - Corporate Services Group
Greater Wellington Regional Council
100 Cuba Street, Te Aro
Wellington 6011

2 June 2023

Change management internal audit

Dear Sue

In accordance with our Terms of Reference dated 13 December 2022, we have completed our assessment of Greater Wellington Regional Council's change management processes. Our observations and recommendations are set out in this report and are based on fieldwork completed during February and March 2023.

I would like to take this opportunity to acknowledge and thank the Greater Wellington Regional Council personnel for the time and contributions they have made to enable us to perform this engagement.

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

Yours sincerely

A handwritten signature in white ink that reads 'Vaughan Harrison'.

Vaughan Harrison
Partner
vaughan.x.harrison@pwc.com

1

Executive summary

Executive summary: Introduction

Attachment 5 to Report 23.358

Background

Greater Wellington Regional Council ('GWRC' or 'Council') are currently undertaking significant internal change to reform their operational delivery processes.

Due to this significant change the Council are seeking to identify and understand the internal and external drivers of change, assess and prioritise the change portfolio, proactively plan and implement change, and monitor and assess the outcomes of the planned change.

One of the significant change initiatives, Fit for the Future, is impacting over 50% of GWRC staff by redesigning and changing the way the Council operates. As an organisation which is lead by its heart, GWRC recognise it is important their people remain centre of these initiatives and are taken along on the journey.

In light of the Council's planned change, this internal audit is designed to provide trust and confidence in the Council's change management approaches and their ability to support the realisation of planned change outcomes.

Objective and scope

The objective of this internal audit is to assess GWRC's current organisational change management approach, and the associated planning and management approaches, to identify strengths and any opportunities to further strengthen in the context of GWRC's planned change. Our scope included:

1. An assessment of the change management approaches for internal organisational change including a view on foundational elements of change (e.g. communication, stakeholder engagement, training etc) using PwC's Fit for Transformation model of Change Management (refer section 3) which provides flexible approaches and enablers for different types of change. The GWRC programmes and projects described over page were used to complete our internal audit

2. Identifying how GWRC reports, monitors and assesses change management related activities, progress and realisation of intended outcomes
3. Considering whether GWRC is carrying out change management in a way that brings people along the journey
4. A view of potential risks and considerations for the future to strengthen the change management approaches.

Out of scope

The following was excluded from our scope:

- A deep dive into any external change projects or programmes such as Let's Get Wellington Moving, Riverlink, Three Waters reform or Predator Free Wellington
- A deep dive into any particular area, programmes and/or processes, i.e. our internal audit focused on the Council's change management approaches.

Executive summary: Our approach

Attachment 5 to Report 23.358

Our internal audit assessed the change management practices (refer section 3) across the following three change programmes:

Programmes in scope	Programme status
<p>Environment Group change which is responsible for designing and implementing sustainable structures, processes and relationships to make GWRC more effective in working together</p>	<p>The Environment Group's new operating model and structure will take effect on 22 May 2023. Stakeholders report positive feedback on the leader-led change approach and have noted a clear case for change, leadership endorsement and effective governance arrangements. Feedback highlights that there have been several opportunities for engagement and consultation, including an online consultation tool that was well received. Further change readiness checks are planned and those completed to date have helped to flag key risks and inform planning considerations, e.g. using plain English for communications and documentation, and enabling a speedy and effective recruitment process to support implementation.</p>
<p>Te Whāriki which is responsible for enabling GWRC to achieve their strategic priority to deliver better outcomes for mana whenua, tangata whenua and Māori</p>	<p>Te Whāriki has been deliberately woven through Environment Group change to help embed desired behaviours and practices as a way of working. This programme continues in delivery and there is genuine desire, intent and willingness across GWRC to support as best possible. Feedback suggests that engagement for this programme has been most effective when using face-to-face channels and workshops. The change readiness and capability survey from September 2022 helped identify existing levels of comfort and competency around Te Ao Māori, Te Reo, Tikanga, Te Tiriti, and provided insight into areas where specific support would be required. Guidance resources have since been developed and are available to all staff via the intranet.</p> <p>Moving forward a deliberate and targeted approach for communications will be beneficial as staff from regional offices have reported limited visibility, awareness and understanding of the Te Whāriki programme or related support resources.</p>
<p>Modern Workplace is responsible for delivering leading technologies and innovations that enable employees to work from anywhere, using any connected device, and at any time</p>	<p>Modern workplace was delivered as a technology focused programme using an Agile methodology to rebuild all Council laptops and provide an updated version of Windows 10, the latest Microsoft 365 Office applications and integration with OneDrive. This will help Council employees to work from anywhere, provide Office365 features, enhance collaboration tools, and implemented security measures to help mitigate inherent cyber risks.</p>

In undertaking our internal audit we have spoken with key stakeholders across the Council and have held focus groups with team members and people leaders (refer Appendix A). In addition we have also read relevant programme documentation (refer Appendix B) provided to us. Please note that we have relied on information provided by GWRC and have not conducted any further verification and validation.

Executive summary: Strengths identified

Attachment 5 to Report 23.358

A number of change management strengths were identified across the three programmes of work included in our scope – collectively these are important foundational enablers to manage Council change:

- 1 The stakeholders interviewed reported **a strong sense of GWRC culture and purpose**, and employees are deeply committed and passionate about the work they do. This sense of purpose provides a helpful foundation for implementing change management initiatives.
- 2 Change management capability sits within the Council's Human Resources team, and also exists throughout the Council including the leaders we spoke to.
- 3 **Storytelling** has been seen as an important tool for leaders to communicate how GWRC's culture is changing, and there has been some face-to-face engagement and workshops that have received positive feedback. Leadership endorsement and advocacy has been a key lever to assist buy-in from teams.
- 4 Personnel report a strong desire to do the right thing with change initiatives, and are motivated to involve, engage and consult as required.
- 5 For all three programmes in scope of our internal audit, stakeholders report top-down leadership support and endorsement with **clear sponsorship at Executive level**. It is important to note however the level of enthusiasm, engagement and awareness across the organisation varies, for example the Environment Group programme presents a higher degree of awareness and engagement compared to the Modern Workplace programme which is viewed as a technology-led programme rather than a change programme.
- 6 There has been a deliberate effort to **integrate Te Whāriki into the Council's ways of working and Environment Group change**. This integrated approach has helped to embed, support and communicate the change, ways of working and the desired behaviours. While there are opportunities to further strengthen the approach, targeted communication strategies and a high degree of stakeholder engagement have led to an overall good level of awareness among stakeholders.
- 7 Readiness surveys were conducted for Te Whāriki to identify existing competency and comfort levels and specific needs of users, and allowed for targeted **training and communication efforts**. This has helped align initiatives with Council and personal needs to help improve the likelihood of the successful adoption of the new ways of working and resources. The use of readiness surveys also provides insight into the level of buy-in and readiness for change among stakeholders, allowing change management efforts to be tailored accordingly. Further readiness surveys are planned to monitor progress as part of the Environment Group Change.
- 8 The Environment Group and Te Whariki **Programmes report on regular project progress** through to Steering Committee, and Modern workplace use agile, SCRUM channels of reporting.

Executive summary: Key findings

Attachment 5 to Report 23.358

Whilst these strengths are helping support the Council manage and enable change, we identified some common change management findings across the programmes assessed

- **Regional office personnel had perceived less visibility and understanding of the changes and associated learning resources compared to Head Office personnel:** Overall the programmes assessed the change impact to personnel and developed a number of communications, training approaches and learning resources. A common theme however exists amongst the Regional Office personnel interviewed that their specific needs were not fully understood and they were less aware of Modern Workplace and Te Whāriki changes and learning resources
- **There is no common approach to assessing how the change management approaches have helped realise the new ways of working once live and are delivering planned business outcomes and benefits:** This can create challenges in tracking change progress across the Council once initiatives are live, and providing a clear view on whether the change investment has supported Council personnel and realised planned business benefits
- **Opportunities exist for broader Council personnel to support change:** There is a common tendency to view change initiatives as the responsibility of the team driving the change (e.g. People & Culture or Information Technology) rather than broader shared Council ownership or responsibility for organisational change. Going forward broadening the scope of change support provided will help programme teams deliver the change, and help further manage the impact to Council personnel
- **An opportunity exists to prepare a scalable change management approach, and manage and enable change at a Council level beyond the current programme-by-programme approach:** Each programme in scope had dedicated change management approaches in place that considered the impact to affected personnel. These approaches provided a useful foundation, however a number of personnel interviewed noted there is a range of change occurring across the Council. An opportunity therefore exists to:
 - Enhance PMO documentation to include change management approaches and enablers that can be leveraged by all future change
 - Understand the change impact to individuals and teams across the broader suite of changes, which will help with developing a full understanding of the change impact, help programme teams share change management information and enablers with each other, and streamline communications from multiple programmes (with personnel commenting on the large volume of change communications received from across the Council)
- **The Modern Workplace programme was seen as a technology project rather than a broader organisational change:**
 - Stakeholders interviewed noted GWRC is not accustomed to having an ICT lead strategic change, and as a result Modern Workplace was viewed as an IT project built and delivered by IT and received by the rest of the organisation. There is an opportunity to strengthen the approach taken with more deliberate and targeted key messages to support greater awareness, engagement and buy-in, and consider how the impact of new programme approaches is perceived by personnel and factor into change management planning
 - Due to security requirements, users were mandated to comply with changes, however the absence of clear and targeted planning for engagement, communications and training resulted in an inconsistent and bumpy experience for some stakeholders
 - Training workshops were not re-run for those who had missed the opportunity to attend them in person, leading to challenges by some stakeholders in operating the new technology. A number of stakeholders also reported feeling like they were left to find their own way, or that the IT support was not customised to best meet their needs e.g. needing to sit down with IT for over three hours for desktop re-configuration

(continued next page)

Executive summary: Key findings (continued)

Attachment 5 to Report 23.358

6. The Environment Group change was responsible for managing the last change impacts across the programmes assessed with a number of useful change management enablers in place:

- At the time of our fieldwork the organisational restructure had resulted in some disruption to business as usual which is to be expected for a change programme of this scale. Additionally there was also reports of employee anxiety or uncertainty around the new operating model. With the new operating model however now in place, we recommend the Council maintain oversight to confirm the new ways of working are coming to life and are transitioning into the new normal
- Additionally a number of programme documents were still in draft during our fieldwork, e.g. Change Management Strategy and Measures of Success workpaper. Whilst the new Environment Group operating model is now in place, going forward we recommend important change management artefacts prepared for other programmes and projects are approved to create a confirmed view of the change impact and approaches to manage

7. A number of our observations arose from change management resourcing not always consistently being available to support the planning and delivery of change: The Environment Group Change Manager role remained vacant following a departure in 2022 and the Te Whāriki and Modern Workplace programmes did not have dedicated change specialists. Whilst a number of useful change management approaches were established, having these dedicated roles and personnel would have helped navigate the change management observation shared by the stakeholders interviewed.

Next steps

In section two we describe two findings designed to address these observations by building on the Council's useful change management foundation developed to date by:

- Preparing a scalable change management approach that leverages the change management strengths identified and the challenges shared
- Filling vacant change management positions to help support the development of the change management approach and the execution of future change initiatives.

2

Detailed findings and recommendations

Detailed findings and recommendations

Attachment 5 to Report 23.358

1. An opportunity exists to prepare a scalable change management approach, that leverages the change management strengths identified and challenges shared

**Rating: Some concerns
(we can live with this
but we can do better)**

What we found

Each programme in our scope had dedicated change management approaches in place that considered the impact to affected personnel. These approaches provided a useful foundation, however a number of personnel interviewed noted there is a range of change occurring across the Council, and there are a number of useful lessons learned from the change management strengths and challenges observed. An opportunity therefore exists to enhance the PMO change management approach to include a scalable change management approach and enablers that can be leveraged by all future change. A range of industry methodologies are available to support this, e.g. Prosci.

In developing this scalable change management approach there is an opportunity to define how key findings arising from our assessment, including the change management lessons learned from Modern Workplace, can be addressed by future changes including:

- Understanding the change impact to individuals and teams across the broader suite of Council change, which will help with developing a full understanding of the change impact, help programme teams share change management information and enablers with each other, and streamline communications from multiple programmes
- Ensuring important change management artefacts, e.g. change management strategies, are finalised and approved at key milestones
- Leveraging broader Council personnel beyond programme teams to support change: There is a common tendency to view change initiatives as the responsibility of the team driving the change (e.g. People & Culture or Information Technology) rather than broader shared Council ownership or responsibility for organisational change. Going forward broadening the scope of change support provided will help programme teams deliver the change, and help further manage

the impact to Council personnel

- Lifting regional office personnel visibility and understanding of the changes and associated learning resources: Overall the programmes in our scope assessed the change impact to personnel and developed a number of communications, training approaches and learning resources. A common theme however exists amongst the Regional Office personnel interviewed that their specific needs were not fully understood and they were less aware of Modern Workplace and Te Whāriki changes and learning resources
- Defining an approach to assess how the change management approaches have helped realise the new ways of working once live and are delivering planned business outcomes and benefits. This will help tracking change progress across the Council once initiatives are live, and provide a clear view on whether the change investment has supported Council personnel and realised planned business benefits.

Why it matters

A defined scalable change management approach will:

- Provide consistency to how the Council approaches future change across the range of change initiatives, and allow change management enablers to be leveraged by each programme and project
- Help form a collective view of Council change to understand the cumulative impact to individuals and teams, and define common approaches that can be leveraged to manage change across programmes and projects, and streamline change communications
- Provide confidence the changes implemented are realising their planned business outcomes and benefits.

Detailed findings and recommendations (continued) Attachment 5 to Report 23.358

1. An opportunity exists to prepare a scalable change management approach, that leverages the change management strengths identified and challenges shared

Rating: Some concerns
(we can live with this
but we can do better)

Recommendation

Define and develop a scalable change management approach, and enablers, that leverages the strengths and industry methodologies that have worked well elsewhere (e.g. Prosci), and manages the findings identified in our internal audit.

Management comment

The consistent approach, in GW, to change is leader lead and we have a specific change leadership competency in our leadership framework. HR, as the owner of change management has a number of roles with change expertise in a number of different areas who advise and support.

Projects generally include change management specialist support where there is significant change however for projects with less change, change advice is available within the HR team. The key is ensuring HR are across projects that require change management, able to advise on the need for specialist support and that the frameworks used aligns with our approach of staff participation and buy in.

Rōpū Taiao (Environment Group) had specific change manager support for all but a few months. It was a deliberate choice, at implementation phase, to move to workstreams supported by internal organisational development change advice and support.

This also reflected the move to leader led implementation and embedding of change by the new leadership director cohort within Rōpū Taiao. Implementation is going well.

Now that the audit has been done, we will adapt the vacant role that we have to focus on a flexible and scalable framework for change and building leader capability and staff resilience.

Detailed findings and recommendations

Attachment 5 to Report 23.358

2. Fill vacant change management positions to help support the development of the change management approach and the execution of future change initiatives

**Rating: Some concerns
(we can live with this
but we can do better)**

What we found

A number of our observations arose from change management resourcing not always consistently being available to support the planning and delivery of change:

- The Environment Group Change Manager role remained vacant following a departure in 2022
- The Te Whāriki and Modern Workplace programmes did not have dedicated change specialists.

Whilst a number of useful change management approaches were established, having these dedicated roles and personnel would have helped navigate the change management observation shared by the stakeholders interviewed including:

- Regional office personnel had less visibility and understanding of the changes and associated learning resources compared to Head Office personnel
- Due to security requirements, users were mandated to comply with Modern Workplace changes, however the absence of clear and targeted planning for engagement, communications and training resulted in an inconsistent and bumpy experience for some stakeholders. Training workshops were also not re-run for those who had missed the opportunity to attend in person, leading to challenges by some stakeholders in operating the new technology. A number of stakeholders also reported feeling they were left to find their own way, or that the IT support was not customised to best meet their needs e.g. needing to sit down with IT for over three hours for desktop re-configuration.

Why it matters

Change management plays an important role in enabling and supporting end users through change, and importantly providing a return on the change investment by helping realise the planned business outcomes and benefits. Recruiting to fill vacant change management roles will help support the development of the scalable change management approach, support the delivery of change management, and allow broader programme and project personnel to focus on their broader key responsibilities.

Detailed findings and recommendations (continued) Attachment 5 to Report 23.358

2. Fill vacant change management positions to help support the development of the change management approach and the execution of future change initiatives

**Rating: Some concerns
(we can live with this
but we can do better)**

Recommendation

Continue with plans to recruit and fill the vacant change management positions, noting we have not conducted a full operating model assessment to consider specific role requirements or further resourcing support, however this will need to be considered when establishing change management resourcing needs and requirements.

Management comment

ELT has previously approved a dedicated change manager role. We found however that it was impossible for them to provide the necessary advice across the full range of change management initiatives and projects and that others did not see themselves as having a role in managing Change. GW sees Change management as a function rather than solely sitting in one or two roles. We adapt how and where we provide change management expertise to fit the project or initiative, which could include a dedicated resource or drawing on internal staff.

GW's change approach is leader lead, and we have specific change leadership competencies. HR, as the owner of change management, has a number of existing staff with change management expertise in different areas who can advise, and support change initiatives and projects as needed.

To implement this recommendation, we will continue to develop change management capability within the HR team and our leaders. Considering the audit findings, alongside the HR team and its work programme, we will adapt the change manager role to a change specialist role and try to recruit someone who is able to articulate and further develop our framework, providing advice as needed, building capability, and ensuring change management is a consideration in all projects and initiatives.

3

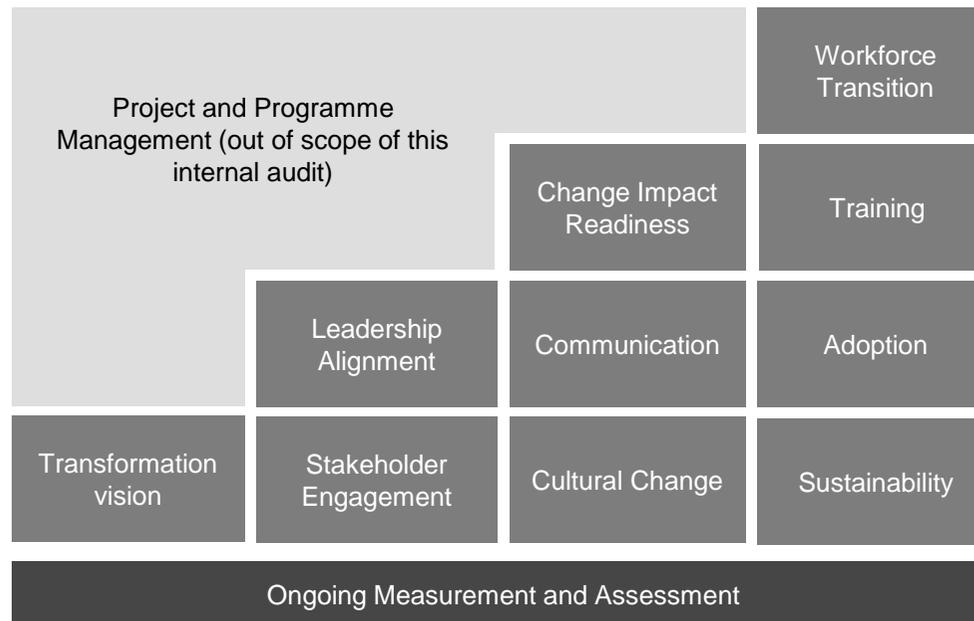
Detailed assessment results

Detailed assessment results

Attachment 5 to Report 23.358

The following pages provide our detailed assessment of each programme against the components of the PwC’s fit for Transformation Change Management methodology

Our methodology outlines the key change management disciplines and building blocks (outlined below), with a foundational view of people-centric change. Our detailed assessment included the following (refer over page for detailed descriptions):



(continued)

Attachment 5 to Report 23.358

Our scope	What we expect to see
Transformation vision	There is a clearly expressed case for change for all initiatives and these are contextualised for stakeholders – both internal and external as appropriate. Clear and consistent articulation of changes, anticipated outcomes and benefits for stakeholders are described in a way that is meaningful to those who are most impacted.
Leadership alignment	Leaders are supported to champion and model in both their behaviours and words what success will look like in the GWRC workplace of the future. This involves early engagement, targeted leadership action plans and leading through change interventions. Leaders feel equipped to navigate their teams through change as well as BAU.
Stakeholder engagement	The programmes assess stakeholder impacts and needs and use this information to develop tailored journeys which will allow each workstream to map the events, interactions and engagement touchpoints targeted at the critical stakeholder groups. Stakeholder touch points are coordinated, especially in relation to those which are common across the programmes.
Change impact and readiness	Impacts are assessed at initiative level and consolidated at workstream and programme level. Readiness is assessed at key milestones so strategies can be modified and tailored to stakeholder needs. Impacts are validated with the front line to explore practicalities of change and surface hidden implications and/or risks. Business involvement in risk and readiness activities helps the stakeholders to understand their role and what they can do to make the change efforts successful.
Communication	Communication plans are linked to comprehensive stakeholder maps and are appropriately tailored to ensure they are relevant to specific stakeholder groups. Communication delivery channels are targeted, yet familiar to stakeholders.
Cultural change	A programme level culture change strategy and plan are developed, supported by workstream and initiative culture plans. Shifts in the organisational culture is achieved as a result of activities and interventions tailored to specific initiatives.
Workforce transition	Workforce transition strategies are developed to support people to transition to the future state positions. Function based design approaches are used for bottom up design, and the timing and sequencing of BAU organisational changes is a critically considered by the programmes.
Training	Blended learning approaches support the specific learning needs and styles of stakeholders. Alignment between learning objectives and work related competencies, via fit for purpose delivery methods is in place.
Adoption and sustainability	Workstreams and initiatives prepare business transition plans cognisant that changes are being implemented from across the programmes that collectively have a significant impact on stakeholders and BAU operations. Change planning considers the best fit change approach for every programme - taking into account the type, size and complexity. Lessons learnt through implementations are applied quickly to refine and fine tune change plans.
Ongoing measurement and assessment	Measures that address change management maturity and impact on BAU operations include both lead and lag indicators, feedback loops, readiness assessments and stakeholder engagement assessments. Success of change initiatives is monitored early enough so change management strategies can be modified to respond to feedback, with lessons learned shared across the workstreams.

Environment Group change management strengths and findings

In summary: The new Environment Group operating model went live on 22 May 2023. We identified a number of strengths across the change management approach used, with key findings to consider for future programmes including:

- There was no shortage of communications and in some instances stakeholders felt there was an overload of communications, which was compounded by the high number of concurrent change programmes underway across the Council
- The Environment Group Change Manager role was vacant following a departure in 2022, and some stakeholders interviewed noted the absence of this role did result in a reduced focus on the change impact, support and tracking of change progress
- At the time of our fieldwork a number of programme documents were still in draft, e.g. Change Management Strategy and Measures of Success workpaper. Whilst the new Environment Group operating model is now in place, going forward we recommend important change management artefacts prepared for other programmes and projects are approved to create a confirmed view of the change impact and the approaches to manage
- At the time of our fieldwork the organisational restructure had resulted in some disruption to business as usual which is to be expected for a change programme of this scale. Additionally there was also reports of employee anxiety or uncertainty around the new operating model. With the new operating model however now in place, we recommend the Council maintain oversight to confirm the new ways of working are coming to life and are transitioning into the new normal.

Strengths observed and findings

Our scope	Strengths	Observations
<ul style="list-style-type: none"> • Transformation vision • Leadership alignment 	<ul style="list-style-type: none"> • The Transition Strategy, Approach and Resource, and Business Case and Programme Management Plan supported the overall transformation vision • Stakeholders report that extensive consultation and engagement had been undertaken ahead of go-live planned for 22 May 2023 • Stakeholders reported that there was clear leadership accountability, advocacy and sponsorship, a high degree of engagement from stakeholders, and positive overall buy-in across the need and benefits the project is seeking to achieve • Regular and clear channels of engagement for reporting, project updates, governance and support were established • There was clear leadership accountability, advocacy and sponsorship from Senior Leadership. 	-
<ul style="list-style-type: none"> • Stakeholder engagement • Change impact and readiness 	<ul style="list-style-type: none"> • A steering group was established to provide strategic oversight and direction for the change initiative. A champion group was established to aid in the integration of the change • Stakeholders noted the ongoing ELT support provided the project with the right levels of capacity and capability at the right time to support business-as-usual resources • The Programme sponsor was appointed and accountable for aligning the change to the Council’s strategic objectives, and the change received the necessary resources and support • An impact analysis was performed to identify the areas requiring additional attention and support. This helped GWRC to anticipate and prepare for the effects of the change, minimise negative impacts and increase awareness. 	-

(continued)

Attachment 5 to Report 23.358

Our scope	Strengths	Observations
Communication	<ul style="list-style-type: none"> • A stakeholder engagement and staff communications strategy was established to identify stakeholders, set objectives and goals, and appropriate communication channels and tools to engage with them • A Programme Stakeholder Communication and Engagement Plan was established and regularly reviewed and updated to enable stakeholders to be informed and engaged throughout the programme • Workshops were held to deliver the communications implementation plan • Stakeholders have spoken positively about the online channel for gathering feedback and opportunities to provide feedback • There has been a high volume of communications around Environment Group Change and all stakeholder interviewed have expressed a strong level of awareness of the programme • Face to face communications have generally been positively received. 	<p>There was no shortage of communications for this programme of work and in some instances, stakeholders felt like it was an overload, particularly compounded by the high number of concurrent change programmes underway.</p>
Cultural change	<ul style="list-style-type: none"> • Storytelling has become a critical tool for leaders to share examples of how the GWRC culture is evolving • Alignment of accountabilities helped support positive change management activity and behaviours • Positive and expected behaviours and capabilities were acknowledged to successfully drive change • Change planning looked to identify the culture levers that were most relevant to enable the change • Leaders were equipped to talk to their teams about what the change meant for them. 	-
Workforce transition	<ul style="list-style-type: none"> • A Change Management Strategy was developed and approved by the Steering Group to facilitate the implementation of required organisational, process and people changes • We understand the process of implementing structural changes included consultation, making final decisions as well as recruitment for new roles for the new structure that went live on 22 May 2023. 	<p>At the time of our fieldwork the organisational restructure had resulted in some disruption to business as usual which is to be expected for a change programme of this scale. Additionally there was also reports of employee anxiety or uncertainty around the new operating model. With the new operating model however now in place, we recommend the Council maintain oversight to confirm the new ways of working are coming to life and are transitioning into the new normal.</p>

(continued)

Attachment 5 to Report 23.358

Our scope	Strengths	Observations
Training	<ul style="list-style-type: none"> A training needs analysis was conducted to identify the specific skills and knowledge gaps that exist within GWRC A leading change course was conducted through HR, which was accessible through the hub EAP, CV writing, managing resilience and outplacement support services was made available to employees. 	-
Adoption and sustainability	<ul style="list-style-type: none"> The project team, including workstream leads and key stakeholders, met regularly to review and track progress, plan upcoming work and interdependencies Readiness checks were designed and used to establish a baseline of people's readiness in preparing for Stand-up of the new Environment Group structure and operating model The programme team have reported using organisational templates for key documentation, noting this is currently not mainstream practice for other Council programmes. 	Refer 'Workforce transition' above.
Ongoing measurement and assessment	<ul style="list-style-type: none"> Programme benefits and measures were developed as a part of the Business Case and Programme Management Plan Work was underway at the time of our fieldwork to develop Measures of Success to capture the benefits realisation framework and mapping Regular reporting has been provided to the Steering group to monitor ongoing progress, manage risks and support decision making. 	<p>Common finding across in-scope programmes: The approach to the on-going measurement and assessment of change initiatives is inconsistent across programmes, which can create challenges in tracking change progress across the Council.</p>
General/common themes		<ul style="list-style-type: none"> At the time of our fieldwork a number of programme documents were still in draft, e.g. Change Management Strategy and Measures of Success workpaper. Whilst the new Environment Group operating model is now in place, going forward we recommend important change management artefacts prepared for other programmes and projects are approved to create a confirmed view of the change impact and approaches to manage. Common finding across in-scope programmes: The Environment Group Change Manager role was vacant following a departure in 2022. Stakeholders interviewed noted the absence of this role did result in a reduced focus on the change impact, support and tracking of change progress.

Te Whāriki change management strengths and findings Attachment 5 to Report 23.358

In summary: A number of Te Whāriki change management strengths were identified, however findings similar to those faced by other programmes must be considered for future Council changes:

- Staff from Regional Offices reported having very limited visibility, awareness and understanding about this programme or related learning resources
- There is a common tendency to view change initiatives as the responsibility of the team driving the change (e.g. People & Culture or Information Technology) rather than broader shared Council ownership or responsibility for organisational change. Going forward this broader support will help programme teams deliver the change, and help further manage the impact to Council personnel
- The approach to the on-going measurement and assessment of change initiatives is inconsistent across programmes, which can create challenges in tracking change progress across the Council.

Strengths observed and findings

Our scope	Strengths	Observations
<ul style="list-style-type: none"> • Transformation vision • Leadership alignment 	<ul style="list-style-type: none"> • The Implementation Plan outlines the key focus areas of the Māori Outcome Framework, approach and implementation, monitoring and reporting activities • Whilst stakeholders perceived Te Whāriki was initially developed with limited resources during the early stages, and pandemic disruptions were reported to have impacted planning and scoping activities, overall stakeholders recognise there has been a conscious and deliberate effort to weave and embed Te Whāriki within the Environment Group programme • Stakeholders reported that there was clear leadership accountability, advocacy and sponsorship, a high degree of engagement from stakeholders, and positive overall buy-in across the need and benefits the project is seeking to achieve • Regular and clear channels of engagement for reporting, project updates, governance and support were established • There was clear leadership accountability, advocacy and sponsorship from Senior Leadership. 	-
<ul style="list-style-type: none"> • Stakeholder engagement • Change impact and readiness 	<ul style="list-style-type: none"> • The role of a Project Manager - Te Whariki was established to manage the project and work alongside the Māori Relations team (Te Hunga Whiriwhiri). The role is responsible for regular reporting to the Chief Executive on the project deliverables across different workstreams • The Programme sponsor was appointed and accountable for aligning the change to the Council's strategic objectives, and the change received the necessary resources and support • A dedicated Project Manager role with expertise in Tikanga Māori has been established to provide all stakeholders a voice and to help understand what the change means for them • An anonymous change readiness assessment was run to assess readiness for change and levels of competency, confidence and comfort with Te Ao Māori, Principles of Te Tiriti and Tikanga. 	<ul style="list-style-type: none"> • Although the related change readiness survey was made available across the organisation, some stakeholders interviewed reported having limited visibility and awareness of the programme and related learning resources • Common finding across in-scope programmes: Staff from Regional Offices report having very limited visibility, awareness and understanding about this programme or related learning resources

(continued)

Attachment 5 to Report 23.358

Our scope	Strengths	Observations
Communication	<ul style="list-style-type: none"> The need for joined-up communications and key messages around the new Environment Group operating model and partnering with Te Hunga Whiriwhiri to implement Te Whāriki, creating a culture and behaviours and new ways of working that uphold te ao Māori and honour Te Tiriti o Waitangi was recognised and addressed Stakeholders report positive feedback on face-to-face engagement opportunities with the project team, particularly as the initial communication and engagement efforts were not sufficient in achieving their desired outcome. 	<p>Common finding across in-scope programmes: Per prior page Stakeholder engagement findings, staff from Regional Offices report having very limited visibility, awareness and understanding about this programme or related resources.</p>
Cultural change	Refer to Environment Group strengths.	<p>Common finding across in-scope programmes: There is a common tendency to view change initiatives as the responsibility of the team driving the change (e.g. People & Culture or Information Technology) rather than broader shared Council ownership or responsibility for organisational change. Going forward this broader support will help programme teams deliver the change, and help further manage the impact to Council personnel.</p>
Workforce transition	The Māori Relations team (Te Hunga Whiriwhiri) has undergone internal expansion to provide additional support for the organisational transformation and facilitate the delivery of Te Whāriki.	<p>Common finding across in-scope programmes: There was no dedicated Change Specialist to help build a structured and consistent approach for change management support activities.</p>
Training	<ul style="list-style-type: none"> GRWC is currently reviewing its Te Tiriti o Waitangi and Te Reo learning offerings including further Mātauranga training courses A further training programme is being developed based on survey results to address gaps and meet the needs of stakeholders. 	<p>Common finding across in-scope programmes:</p> <ul style="list-style-type: none"> A number of stakeholders, particularly in regional offices, have reported not being aware of training resources, or the programme at large Although there is a Te Whāriki landing page in SharePoint, stakeholders report that it is not widely known.
Adoption and sustainability	<ul style="list-style-type: none"> The project team, including workstream leads and key stakeholders, met regularly to review and track progress, plan upcoming work and interdependencies Readiness checks were designed and used to establish a baseline of people's readiness 	<p>Common finding across in-scope programmes: There does not appear to be a clear plan in place to be able to track and monitor progress, embedding of learning, new ways of working or for capturing learnings and feedback.</p>
Ongoing measurement and assessment	Stakeholder report that measures and key milestones were set to help track programme progress, with quarterly reports provided to ELT steering group on the progress of the Te Whāriki implementation plan.	<p>Common finding across in-scope programmes: The approach to the on-going measurement and assessment of change initiatives is inconsistent across programmes, which can create challenges in tracking change progress across the Council.</p>

Modern Workplace change management strengths and findings Attachment 5 to Report 23/358

In summary: Modern Workplace introduced new technology designed to help support and evolve the Council's ways of working. This is an important change across Council designed to deliver a number of benefits. Key findings arising include:

- The Council is not accustomed to ICT led strategic changes and the project was perceived as a technology project rather than a broader organisational change. This was further impacted by the use of an Agile delivery methodology which is relatively new for the Council and its approach was not fully understood by stakeholders
- Similar to other programmes, a common theme exists where Regional Office personnel felt their change needs and priorities were understood and a more targeted engagement plan would have been beneficial. The absence of clear and targeted planning for engagement, communications and training also resulted in an inconsistent and bumpy experience for some stakeholder, and a number of stakeholders reported feeling like they were left to find their own way, or that the IT support was not customised to best meet their needs
- A number of these challenges arose from no dedicated change specialist being available to support stakeholder engagement

Strengths observed and findings

Our scope	Strengths	Observations
<ul style="list-style-type: none"> • Transformation vision • Leadership alignment 	<ul style="list-style-type: none"> • The programme was planned and delivered using an Agile approach. This enables a flexible and iterative process, designed to minimise and alleviate the challenges associated with traditional project management methodologies • This programme was sponsored by the Chief Technology Officer as a technology driven programme of change • We understand less leadership support and endorsement was present in the early phases of the Modern Workplace programme was resulted in less organisational awareness, however stakeholders noted this improved as the programme progressed. 	<ul style="list-style-type: none"> • Stakeholders report that GWRC is not accustomed to having an ICT led strategic change, and as a result the project was viewed primarily as a technology project rather than broader organisational change • Modern Workplace has used an Agile approach which stakeholders interviewed note is relatively new for GWRC and naturally differs to the more traditional delivery models. Going forward there is an opportunity to consider how the impact of new programme approaches is perceived by personnel and factor into change management planning.
<ul style="list-style-type: none"> • Stakeholder engagement • Change impact and readiness 	<ul style="list-style-type: none"> • A project sponsor was appointed to ensure that the change initiative aligned with the organisation's strategic objectives, and that it received the necessary resources and support • Stakeholder readiness for change was managed through an ongoing basis through SCRUM methodology and a continuous cycle of planning, communication, and feedback. 	<ul style="list-style-type: none"> • Common finding across in-scope programmes: Stakeholders noted the programme did not consider the needs, priorities and wants of different stakeholders and a further targeted and detailed engagement plan for Regional offices versus Head office would have helped increase buy-in. This was driven from no dedicated Change Specialist being available to help support stakeholder engagement.

(continued)

Attachment 5 to Report 23.358

Our scope	Strengths	Observations
Communication	<ul style="list-style-type: none"> An informing and advising approach was generally adopted for communications Helpdesk support was available to all users affected by the change Face to face communications have generally been positively received. 	<ul style="list-style-type: none"> Due to security requirements, users were mandated to comply with changes, however the absence of clear and targeted planning for engagement, communications and training resulted in an inconsistent and bumpy experience for some stakeholders A number of stakeholders, including at senior levels report having little awareness of the programme or the Agile methodology used. This suggests limited engagement outside of the IT focused teams through phases of planning and delivery.
Cultural change	<ul style="list-style-type: none"> Agile ways of working, practices and processes which promote new ways of working and shifts in culture and how things are typically done were used for the Modern Workplace programme. 	Modern Workplace was viewed as an IT project built and delivered by IT and received by the rest of the organisation. There is an opportunity to strengthen the approach taken with more deliberate and targeted key messages to support greater engagement and buy-in.
Workforce transition	N/A, i.e. no organisational roles beyond the SCRUM team were affected or impacted by Modern Workplace.	-
Training	<ul style="list-style-type: none"> An autopilot approach was used for device sign-in and user profile building which included individual user requirements Workshops were offered to help users understand and learn about the new technology Helpdesk support was available to all users affected by the change. 	<ul style="list-style-type: none"> Workshops were not re-run for those who had missed the opportunity to attend them in person, leading to challenges by some stakeholders in operating the new technology A number of stakeholders reported feeling like they were left to find their own way, or that the IT support was not customised to best meet their needs e.g. needing to sit down with IT for over three hours for desktop re-configuration.
Adoption and sustainability	<ul style="list-style-type: none"> A Modern Workplace Familiarisation and Testing Plan was developed to support end-users and their preparation to operate and maintain the system being implemented Planning and delivery often happened alongside through a flexible Agile planning and delivery model. 	Common finding across in-scope programmes: There does not appear to be a clear plan in place to be able to track and monitor progress, embedding of learning, new ways of working or for capturing learnings and feedback.
Ongoing measurement and assessment	The programme followed Agile methodology and techniques to monitor and track progress on an ongoing basis.	Common finding across in-scope programmes: The approach to the on-going measurement and assessment of change initiatives is inconsistent across programmes, which can create challenges in tracking change progress across the Council.

3 Appendices

Appendix A: Stakeholders interviewed

Attachment 5 to Report 23.358

The following stakeholders were interviewed during our fieldwork:

Interviewee	GWRC Role
Sue McLean	General Manager, Corporate Services Group / Kaiwhakahaere Matua, Ratonga Rangapū
Donna Hickey	General Manager, People and Customer Group / Kaiwhakahaere Matua, Whakamāhorahora
Monica Fraser	General Manager, Māori / Te Pou Whakarae
Matt Tebbs	Design & Delivery Manager
Victoria Raeburn	Organisational Development Manager
Charmaine Love	Manager, Brand Insights and Design
Matthew O'Driscoll	Manager Customer Engagement
Ricky Clarkson	Principal Ranger, Eastern Parks
Bruce Brewer	Biosecurity Officer Pest Animals
Lisa Kenny	Team Leader, Maori Advisory Support
Mark McAlpine	Team Leader Pest Plants
Tash Styles	Team Leader, Land Management Planning
Amanda Death	Environmental Planner, Flood Protection
Roger Uys	Senior Environmental Scientist
Jonathan Rowe	Senior Business Analyst & Workstream Lead, Environment Group

Interviewee	GWRC Role
Dougall Gordon	Senior Advisor Environment
Joshua McLennan-Deans	Senior Biodiversity Advisor
Tim Sharp	Programme Manager Whaitua
Chris Maggs	Programme Manager, Project Management Office
Andrew Marais	Senior Advisor, Project Management Office
Ana Nicholls	Project Manager, Te Whāriki
Lisa Young	Project Manager Mahi Waiora
Bruce Geden	Project Manager WWUP

Appendix B: Documentation read

Attachment 5 to Report 23.358

The following documentation and project collateral was provided and read during our fieldwork:

Document title		
<ul style="list-style-type: none"> • Benefits Roadmap • Benefits Slides Sampler • Benefits Slides Sampler - Nonsuch • Benefits workshop - OUTPUTS • RASCI • dec 2020 Survey - priorities to address • Dec survey results • GW 2022 Gallup Engagement Survey Results • Pulled info 9Dec • Pulled info 13Dec2020 v1.1 • Pulse Engagement Survey Results December 2022 (including ethnicity data) • Pulse Survey Organisation Wide Results 2022 (1) • Change Awareness v0.4 • Change Management Strategy v3 - Environment Group • ENV Group Sharepoint Page Preparing for Change 1 • ENV Group Sharepoint Page Preparing for Change 2 • ENV Group Sharepoint Page Preparing for Change 3 • ENV Group Sharepoint Page Preparing for Change 4 	<ul style="list-style-type: none"> • FFF Change Strategy v1 • Final People leaders guide phase 1 Decision • J001450 Navigating Successful Change web • Leading your team through change FFF consult 1 • 2021 10 12 Stakeholder engagement and staff communications strategy for FFF Programme • Change Communications Mini Workshop - Agenda (25 Jan 2023) • EG transition Communications Plan - draft of 21Feb23 • EG-THW transition comms-change approach Hadyn Handover (24 Jan 23) • FFF Early Comms Plan - change-comms opportunities_HadynC - (Dec 21 - Jan 22) • Phase one and Two Stakeholder Engagement Plan draft • Phase One Consultation rollout AW's Briefing Sessions • Phase One Consultation Rollout Briefing calendar & Runsheet • Phase One Consultation Rollout Key dates • tracking EG transition comms - at 21Feb23 • EGTT Corporate Systems and Processes - change impact 	<ul style="list-style-type: none"> • Readiness Baseline High Level Summary • Readiness Baseline Questions1 • A3 EG-THW Transition Strategy Approach & Resource Reset – December 2022 • EG Transition Programme Planner-Phase 3 2022 • Fit For the Future Phase Two Programme Business Case and Plan - Signed • Measures of Success • 1_Capability_Survey_Of_M_Ori_Capability_Assessment_Survey_14_September_22_To_13_October_22 • Implementation Plan • Leaders forum feedback • Māori Capability Assessment Survey story • Project on a Page - Comms Plan • Reflections and feedback - 11 October 2022 • Survey_Responses_Report • Te Whariki Communications Plan- FILE TO USE • Te Whāriki implementation January - June 2023 • Day One instructions for ICT MW Pilot

We have not validated the authenticity, accuracy, and reliability of the documents provided to us.

(continued)

Attachment 5 to Report 23.358

Document title		
<ul style="list-style-type: none"> • FAQs • Modern Workplace Rollout Comms • Modern Workplace Testing Plan • MW ICT Pilot comms • MW Laptop Enrolment Guide - New User - July 2021 • MW Laptop Enrolment Guide Draft - v2 • MW Laptop Enrolment Guide Draft • MW Laptop Enrolment Guide • MW Pilot - ICT Change Request • Pre-work for ICT MW Pilot • EUS Advice post for MS Teams • ICT Yodeck Slides - Modern Work Place August • Modern Workplace - Tier 3 Managers - July 2021 • Modern Workplace Gwennie blog - Part Two • Modern Workplace Gwennie blog - Part One • Modern Workplace Gwennie page - July 2021 • Modern-workplace-message-all-staff • MW - Message from CIO - July 2021 • MW-FAQs - September 2021 • Notification - Modern Workplace - July 2021 	<ul style="list-style-type: none"> • AllCuba • Early adopters on Tuesday lunchtime • ICT Yodeck Slides - Modern Work Place December 2021 • Modern Workplace - CIO Teams post - November 2021 • Modern Workplace - FAQs • Modern Workplace - GWennie pages-GW-5Z3B163 • Modern Workplace GWennie pages • Modern Workplace - Tier 3 Managers - November 2021 -v2 • Modern Workplace - Tier 3 Managers - November 2021 • MW Bus roll-out - final • MW-FAQs • MW-message-all-staff - final • Prework for MW • Reminder comms to Cuba Street folk • Action required - MS Patching • Action required - OurSpace links • Action required - Pilot closed • Information Only - Hibernate Option • Notification MW - Removal of M drive - June 2021 • Notification MW - Removal of M drive - Tranche 2 - July 2021 	<ul style="list-style-type: none"> • Call for users to join the MW Business Pilot • Comms for Tranche 3 PUG • Custom dictionary backups • Drop off check-list for MW • Export and Import Favorites from IE • Last call for volunteers - Pilot Phase 3 • Local Admin comms • MW - FAQs - v2 • MW Laptop Enrolment Guide Draft • MW Pilot GWennie page • Opening OurSpace links • Prework for MW bus pilot users • Welcome comms for MW Business Pilot • MW POSTER for drop-in session at Cuba • Notes from prep session • Slides - MW Show and tell session • Action Required • Information Only • New Feature

Thank you



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Proposed Assurance Activities

Activity	Description	Endorsed by ELT for inclusion in the 2023/24 assurance plan
End-to-end review of fleet management	Review of the end-to-end fleet management process which includes acquisition, management and disposals of vehicles.	<p style="text-align: center;">Endorsed for Inclusion</p> This area has not previously been reviewed and a new end to end fleet management process has been implemented. Previous process had significant inefficiencies with how we acquire, manage and disposal of our vehicles.
Indirect taxes	Assess the approach and enterprise resource planning functionality used to enable Greater Wellington to fulfil its indirect tax obligations.	<p style="text-align: center;">Endorsed for Inclusion</p> We currently do not have a tax management policy which is being developed over the next 12 months. Review covers an area of high reputational risk with Greater Wellington having incorrectly paid our tax in the past (Kiwisaver withholding tax). The review would provide assurance to ELT, the Committee and AuditNZ that taxes are being correctly managed.
Core financial controls	Assess the design, operation and alignment of core financial controls to policy requirements across Greater Wellington’s financial process and ERP and identify any areas of inefficiency or pain points faced by teams.	<p style="text-align: center;">Endorsed for Inclusion</p> Review would help support the implementation of the new Ngatahi system with findings also being shared with AuditNZ.
Levels of self-insurance	Explore Greater Wellington’s preparedness for reduced insurance capacity and the need to take on higher degrees of self-insurance.	<p style="text-align: center;">Not endorsed</p> Work will form part of our normal (BAU) work programme. The work will be progressed working alongside AON to analyse the level of self-insurance that appropriate for Greater Wellington.
End to end consenting process	A review of our consenting process to determine if it is fit for purpose and whether the have sufficient oversight of the consents we issue	<p style="text-align: center;">Not endorsed</p> Paper has been submitted to the Committee “Greater Wellington’s Compliance Assessment” which includes next steps around how we are looking to address the Committee’s concerns.
Organisational readiness for reform	Assess the preparedness for Greater Wellington to successfully undertake and implement the required reforms.	<p style="text-align: center;">Not endorsed</p> Will be considered as part of the 2024/27 assurance programme
Engineering assumptions	A review of our assets and assumptions used for their maintenance and improvement to ensure they remain fit for purpose in light of climate change and the more regular severe weather events.	<p style="text-align: center;">Not endorsed</p> Will be considered as part of the 2024/27 assurance programme

**Finance Risk and Assurance Committee
15 August 2023
Report 23.364**



For Information

HEALTH, SAFETY AND WELLBEING UPDATE

Te take mō te pūrongo

Purpose

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

Te horopaki

Context

2. The HSW performance scorecard is outlined in [Attachment 1](#).

Te tātaritanga

Analysis

HSW improvement project

3. A dedicated project manager has been employed on a 12-month fixed term contract to lead and support the delivery of the Health, Safety and Wellbeing improvement project.
4. The key workstreams for this project are:
 - a Fatal and severe risk review and critical control assurance framework
 - b Contractor HSW management
 - c HSW training, competency, and verification
 - d Hazardous substances
5. Progress against project activity will be brought back to the Committee on a regular basis.
6. This work is also integral to supporting the new Environment Group to deliver their three-year HSW plan currently in development.

Metlink operator HSW audit

7. We are working proactively with the four Metlink bus operators to address improvement actions identified at external HSW audit in early 2023, with a focus on HSW requirements of the PTOM (Public Transport Operating Model) contract.
8. Progress is being demonstrated across all operators and we are looking to close out all actions by end 2023.

9. As a direct result of the audit, one smaller operator (Mana) identified the need for and has employed a dedicated HSW manager to drive their HSW practice and performance, rather than managing HSW as an adjunct to existing roles.

WorkSafe Duty Holder review

10. The voluntary WorkSafe duty holder review (DHR) process Greater Wellington undertook following the notifiable event where a Greater Wellington employee suffered multiple fractures to the lower right leg in April 2023, has been completed to WorkSafe's satisfaction and the case closed.
11. Several corrective actions are now in place or underway including:
 - a An updated risk assessment of tree and chainsaw work and critical controls
 - b A review of Greater Wellington's safe operating procedure (SOP) for tree works, including consideration or recognised standards and industry best practice
 - c A review of competency frameworks for chainsaw and tree works
 - d Ensuring tree work, including chainsaw work is properly scoped and shared with contractors.
 - e Ensuring safety plans are completed and shared ahead of work starting, including review of contractor's safety information.
12. A pause on all chainsaw works across Greater Wellington was put in place in June 2023 pending the review and update of the chainsaw SOP.
13. This requires any chainsaw work to be approved on a case-by-case basis, including work undertaken any contractors before it can start and is still in place as we work through updating the SOP in consultation with workers and other key stakeholders.

Wellbeing

14. 142 operational field staff undertook annual health monitoring as part of our revised and updated programme in 2023 – this represents 54% of eligible staff and will form the benchmark for uptake in following years.
15. 195 staff took advantage of Greater Wellington funded flu injection in 2023 compared to 161 in 2022, representing an 18.5% increase uptake.
16. Successful biannual Wellbeing (Hauora) expos were held in Masterton, Cuba St and Upper Hutt in June 2023.
17. Exhibitors ranged from CPR and defibrillator training, lifestyle testing (blood sugar, cholesterol, blood pressure), flu jabs, blood typing, rehabilitation, Rongoa Māori traditional healing, art therapy and neurodiversity in the workplace.
18. We received extremely positive feedback from staff and exhibitors on the ways Greater Wellington supports staff wellbeing.

HSW steering committee

19. The inaugural HSW steering committee meeting was held in June 2023. Members include representation from senior leadership from corporate groups, Metlink, Environment Group and WREMO functions in addition to two elected health and safety representatives.

20. This has been established to support the governance and strategic direction for HSW by maintaining oversight of HSW risk management strategies to allow good decision making to improve HSW performance and make recommendations requiring decisions to ELT.
21. The committee will meet bi-monthly.

Lone and remote working solutions

22. The Get Home Safe intentions and tracking phone application has been rolled out to 269 users from 34 operational teams (34% of Greater Wellington staff) to end of June 2023.
23. This is the final piece in our suite of lone worker risk management solutions, including the comprehensive Greater Wellington radio network, personal locator beacons, mobile phones and ERoad to track and assist employees in an emergency in the field or who are overdue and can't be contacted.
24. Roll out continues in July 2023 to corporate staff who need to work lone or remote.
25. The radio project is now complete and has been handed over into business-as-usual operations.
26. Benefits of our integrated lone and remote worker solutions were demonstrated recently when a field worker fell and dislocated his shoulder in back country location in the Remutakas.
27. Co-workers were able to get the injured worker to the Alpha Hutt, their planned overnight location and establish radio communications to call for assistance.
28. Despite two attempts, low cloud and drizzle meant helicopter evacuation was not possible that evening.
29. Radio communication was maintained with Greater Wellington, the ambulance service and LandSAR (Land Search and Rescue) through the evening for ongoing advice until LandSAR could walk a medical team in early the next morning to assist with medical care and pain relief.
30. A successful helicopter evacuation occurred around mid-day. The injured worker was flown to hospital and discharged later that evening.
31. Although we classified this incident as high consequence because of remote location and time and complexity to get the injured worker to medical help, WorkSafe was not notified as it did not meet the definition of a notifiable event.

High consequence events – Wellington Water

32. We were advised of two high consequence events involving Wellington Water contractors at the Greater Wellington owned Te Marua Water Treatment plant in June 2023.
33. In the first a piling operation collapsed burying the worker to their waist and the in the second a fibreglass lime hopper became over pressured and ruptured causing 150 kg of lime to be spilled.
34. There were no injuries in either event, and WorkSafe advise they will not be taking further action.

Ngā hua ahumoni
Financial implications

35. There are no financial implications.

Ngā Take e hāngai ana te iwi Māori
Implications for Māori

36. There are no known implications for Māori

Ngā āpitihanga
Attachment

Number	Title
1	HSW performance scorecard April – July 2023

Ngā kaiwaitohu
Signatories

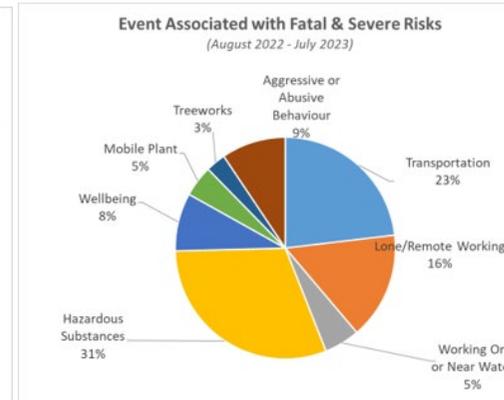
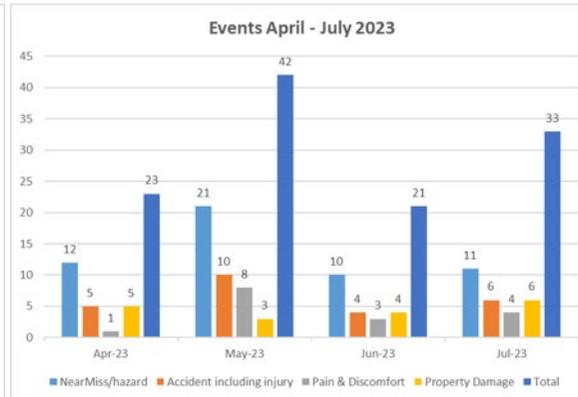
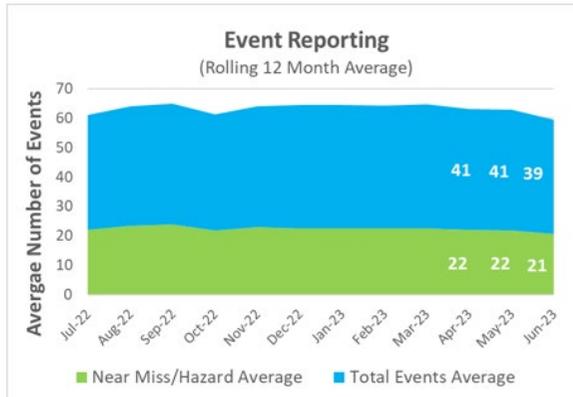
Writer	Julie Barber – Head of Health Safety and Wellbeing
Approvers	Donna Hickey – Group Manager People and Customer Sue McLean – Group Manager Corporate Services

<p style="text-align: center;">He whakarāpopoto i ngā huritaonga Summary of considerations</p>
<p><i>Fit with Council's roles or with Committee's terms of reference</i></p> <p>This report assures the Committee that Greater Wellington's legal obligations under the Health and Safety at Work Act 2015 are maintained and met.</p>
<p><i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i></p> <p>The HSW Policy and Wellbeing Strategy are included in Greater Wellington's Annual Plan 2023/24.</p>
<p><i>Internal consultation</i></p> <p>No internal consultation was required</p>
<p><i>Risks and impacts - legal / health and safety etc.</i></p> <p>The HSW risks and treatment are outlined in paragraphs 3-15 and 22-25 inclusive</p>

Health, Safety and Wellbeing Performance Scorecard April to July 2023

Attachment 1 to report 23.364

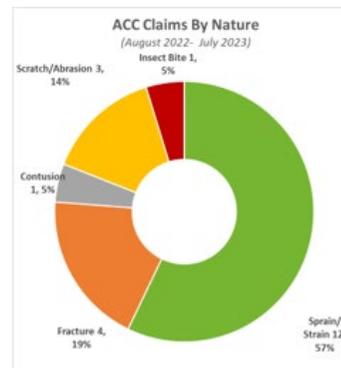
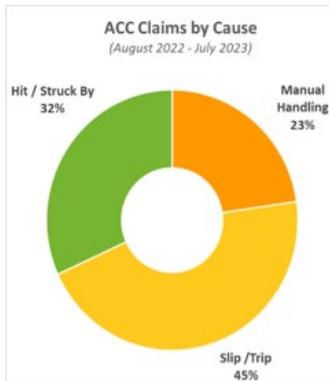
Event Reporting



Emerging trends

- A decrease in reports of seasonal slips and falls and loss of vehicle traction due to a dry start to winter.
- Increase in rehabilitation support requests for medical cases due to increase in awareness of service

ACC injury claims

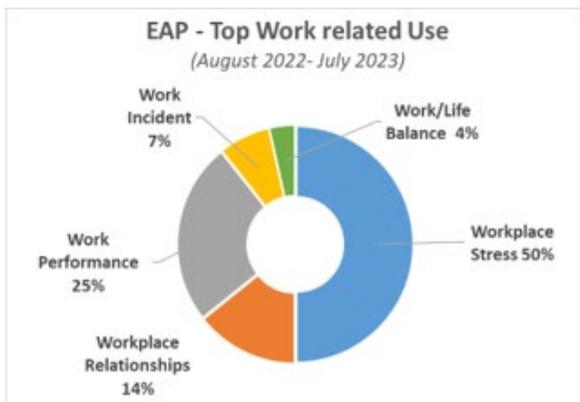


ACC Work Injuries		
	Reporting period	Last 12 months
Total claims	6	19
Lost time claims	3	7
Total days lost	68	132
Commentary		
2 of the 3 lost time claims relate to minor injuries and lost days, the 3 rd a dislocated shoulder accounts for most lost days in this reporting period		

Health, Safety and Wellbeing Performance Scorecard April to July 2023

Attachment 1 to report 23.364

Wellbeing



Wellbeing insights April - July

-  79 mental health first aider conversations.
-  36 rehabilitation support (work / non work injury & medical)
-  195 flu jabs administered (28% of staff)
-  142 annual health checks completed.
-  2 Well at work (confidential) reports

HSW training activity April -July

Course	Pax
GW outdoor first aid	42
LUV (light utility vehicle)	17
4WD	18
Chainsaw	11
Quad bike	10
Trailer	11

Finance, Risk and Assurance Committee
15 August 2023
Report 23.334



For Information

AUDIT NEW ZEALAND INTERIM MANAGEMENT REPORT

Te take mō te pūrongo

Purpose

1. To provide to the Finance, Risk and Audit Committee (the Committee) the June 2023 interim management report from external auditors Audit New Zealand (Audit NZ).

Te tāhū kōrero

Background

2. Audit NZ completes annual audit reviews as part of the 30 June financial year-end audit of Greater Wellington Regional Council (Greater Wellington).
3. Following the audit reviews, Audit NZ send an interim management report and a final management report to the Council.
4. This report is on the interim audit progress. The report sets out Audit NZ's assessment of Greater Wellington's financial systems and internal control environment and highlights any associated findings.
5. The report notes that Audit NZ:
 - a. assessed the overall control environment as effective for the purpose of the audit;
 - b. have not identified any significant issues to bring to management's attention;
 - c. have identified a number of balance sheet reconciliations were not completed in a timely manner;
 - d. have agreed to defer the work on fair value assessment for assets not subject to a full valuation to the final audit;
 - e. are still in the process of reviewing the IT General control environment.
6. **Attachment 1** – Greater Wellington Regional Council - Interim report to Council 2023, sets out the audit findings, draws attention to areas where Greater Wellington is performing well and recommends areas for improvement.
7. The attachment also notes the previous years' audit recommendations.

**Te tātaritanga
Analysis**

- 8. Greater Wellington management comments on the audit findings are included in the report at Attachment 1.
- 9. The report includes both current year and prior year audit recommendations with the associated management responses to them.
- 10. Progress in implementing the recommendations and associated actions will be reported back to the Committee on a quarterly basis.

**Ngā hua ahumoni
Financial implications**

- 11. There are no financial implications arising from this report.

**Ngā Take e hāngai ana te iwi Māori
Implications for Māori**

- 12. Greater Wellington’s 2022/23 Annual Plan outlines numerous initiatives that have implications for Mana Whenua and Māori. *“Improving outcomes for Mana Whenua and Māori”* is one of four overarching strategic priorities, and alongside Te Whariki, our Māori Outcomes Framework, underpin Greater Wellington’s 2021-31 Long Term Plan, and therefore 2023/24 Annual Plan.

**Ngā tūāoma e whai ake nei
Next steps**

- 13. Audit NZ will commence the work for the final audit of Greater Wellington’s 2022/23 Annual Report in August 2023, working to the timelines outlined in the audit plan.
- 14. It is intended that the draft Annual Report will be brought to the Committee at its next meeting on 17 October 2023.
- 15. Further, it is intended that the final Annual Report (including the audit report) will be presented to Council for adoption at its meeting on 26 October 2023.

**Ngā āpitihanga
Attachments**

Number	Title
1	Greater Wellington Regional Council - Interim report to Council 2023

Ngā kaiwaitohu
Signatories

Writer	Ashwin Pai – Financial Controller
Approver	Alison Trustrum-Rainey - Chief Financial Officer

<p>He whakarāpopoto i ngā huritaonga Summary of considerations</p>
<p><i>Fit with Council's roles or Committee's terms of reference</i></p> <p>The Committee's specific responsibilities include to 'review the Council's responses to any reports from the external auditors'.</p>
<p><i>Contribution to Annual Plan / Long term Plan / Other key strategies and policies</i></p> <p>External audit provides assurance that the policies, controls, processes and systems in place at the Council will enable efficient delivery of the Long Term Plan, Annual Plan and Annual Report.</p>
<p><i>Internal consultation</i></p> <p>The Finance, Strategy and Information & Communication Technology departments were consulted.</p>
<p><i>Risks and impacts: legal / health and safety etc.</i></p> <p>The Council's management of relevant risks is addressed in the report.</p>



Attachment 1 to Report 23.334

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Level 2, 100 Molesworth Street
Thorndon
PO Box 99, Wellington 6140

12 July 2023

Daran Ponter
Council Chair
Greater Wellington Regional Council
P O Box 11 646
Wellington
6142

Kia ora Daran

Report to the Council on the interim audit of Greater Wellington Regional Council for the year ending 30 June 2023

We have completed our interim audit of the Greater Wellington Regional Council (the Regional Council) for the year ending 30 June 2023.

The primary purpose of our interim audit was to update our knowledge of the Regional Council's financial and non-financial systems and control environment and to gain an understanding of any issues facing the Regional Council.

Audit progress to date

During our interim audit, we:

- updated our understanding and assessment of the Regional Council's control environment and internal controls; and
- updated our assessment of the significant audit risks and our areas of audit focus.

Summary of our interim audit findings

Based on our audit work completed to date, our preliminary conclusion is that the overall control environment remains effective for the purposes of our audit.

While we do not have any significant issues to report to you, we make the following observations in respect of the control environment:

Reconciliation Testing

Finding and impact

We have noted that bank reconciliations and balance sheet reconciliations were not prepared in a timely manner. We consider timely to be within 10 working days of the end of a reporting period. Account receivable and account payable report generated, reconciled, and prepared at day 1 of month end process.

There is a risk that there could be reconciling items that might not be followed up within required time which could result to incorrect financial reporting.

We also could not confirm whether reconciliations for rates bank account were performed as the information was not submitted to us to complete our testing.

Recommendation

Management should ensure that reconciliations are prepared timeously, and reconciling items are followed up. In addition, evidence of reviews of reconciliations should be retained.

Management response

Some of the bank and other balance sheet reconciliations were not prepared in a timely manner at the start of the year due to resourcing constraints. Further, we also had system related issues that made checking this process even more difficult. Going forward, with a full team strength, we will ensure that the reconciliations are completed on time.

Assessment of your control environment

The control environment reflects the overall attitudes, awareness, and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting and performance estimates and its external reporting philosophy and is the context in which the accounting system and control procedures operate. Management, with the oversight of elected members, need to establish, and maintain a culture of honesty and ethical behaviour through implementation of policies, procedures and monitoring of controls. This provides the basis to ensure that the other components of internal control can be effective.

We performed a high-level assessment of the control environment, risk management process, and monitoring of controls relevant to financial and service performance reporting. We considered the overall attitude, awareness, and actions of the Council and management in establishing and maintaining effective management procedures and internal controls.

Internal controls

We reviewed the internal controls in place for your key financial and non-financial information systems, as detailed below. Internal controls are the policies and processes that are designed to provide reasonable assurance as to reliability and accuracy of financial and non-financial reporting, as well as compliance with significant legislative requirements.

Attachment 1 to Report 23.334

These internal controls are designed, implemented, and maintained by the Council and management. Internal control is important in minimising the risk of either fraud or misstatement occurring. The responsibility for the effective design, implementation, and maintenance of internal control rests with management.

We reviewed the following systems:

- revenue/accounts receivable;
- expenditure/accounts payable;
- payroll;
- fixed assets;
- cash and bank;
- legislative compliance;
- key performance measures;
- journals; and
- general ledger reconciliations.

Outstanding work

General IT Controls

We are still in the process of carrying out work over the IT General Control (ITGC) environment. We will conclude fully on our assessment of the Information Systems (IS) control environment once this is completed. If our preliminary conclusion in this report changes as a result of our IS findings, we will report this to you separately

Fair value assessment

We could not perform any work over the fair value assessments for property plant and equipment as part of our interim audit as the assessments were not complete. It was agreed with management to defer this work to the final audit.

Performance reporting

We have selected additional material measures for which the system description and walkthrough could not be finalised due to staff availability. Walkthroughs on these measures will be completed as part of our final audit visit and relate to measures in respect of major flood protection and control works.

Prior year recommendation

We had previously reported a number of recommendations for the Regional Council to consider. Five of these recommendations are still in progress. Details on the status of these recommendations is included in Appendix 2.

Attachment 1 to Report 23.334

Quality and timeliness of information provided for audit

We received some information required for our interim audit related work in a timely manner and would like to acknowledge the finance team and strategy and performance team for their support. We will continue to work closely with management to enhance the process and support the delivery of an efficient and quality final audit.

Thank you

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

Should you require clarification on any of the matters raised in this letter please contact me.

Ngā mihi

A handwritten signature in black ink, appearing to read 'Clint Ramoo', with a horizontal line underneath.

Clint Ramoo
Appointed Auditor

Appendix 1: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carry out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Board and management are responsible for implementing and maintaining systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>To date, other than the audit, we have no relationship with, or interests in, the Council.</p>
Fees	<p>The audit fee for the year is \$384,814 (excl. GST) as detailed in our Audit Proposal Letter.</p> <p>To date, no other fees have been charged in this period.</p>
Other relationships	<p>To date, we are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Council is significant to the audit.</p> <p>We are not aware of any situations to date where a staff member of Audit New Zealand has accepted a position of employment with the Council during or since the end of the financial year.</p>

Appendix 2: Prior year recommendations

Open recommendations

Recommendation	Status	First raised	Priority
<p>Improper Fixed Asset Capitalisation – We recommended management review the processes within Ngatahi - TechOne for creating fixed assets to ensure fixed asset records are not created in error. We also recommended management perform a retrospective review of asset capitalisations within Ngatahi – TechOne to ensure no further improper capitalisations have occurred.</p> <p>Management response</p> <p><i>Taking on board the audit finding, the Ngātahi system has been updated to ensure that there are controls in place before a financial asset can be created in the fixed asset register.</i></p>	Open- To be reviewed as part of completion of IT audit	Final 2022	Necessary
<p>Shared Administrator account use for privileged network access - We recommended that the generic Administrator network login account be locked and only used in extreme emergencies.</p> <p>Management response</p> <p><i>As with all policies and rules there are situations that require an exception to be made. A new and specific shared use account may be created. These exceptions are actively managed and reviewed. The requirement for exception, specific risks and mitigations encountered by not following policy are weighed and appropriate mitigations are put in place. The exceptions to policy/rules are periodically reviewed to ensure the outcomes, mitigations and risk are still relevant.</i></p> <p><i>Passwords are periodically reviewed and changed based on the specific circumstances of that account. Built-in or default accounts are not typically eligible for exception, and are not made available for routine use.</i></p>	Open- To be reviewed up as part of completion of IT audit	Final 2022	Necessary
<p>Sensitive Expenditure – Approval of the Chairs and CE sensitive expenditure - We recommended that Council and management formalise the process for approving the Chair and CE’s sensitive expenditure to ensure proper documentation of approval is maintained.</p> <p>Management response</p> <p><i>Finance policies are currently being updated. The Chief Executive’s expenditure will be approved by the Council Chair, while the Council Chair’s expenditure will be approved by the FRAC Chair.</i></p>	Open- To be reviewed as part of completion of IT audit	Final 2022	Necessary

Attachment 1 to Report 23.334

<p>Compliance with section 67 (4) of the Local Government Act 2022 – We recommended that the Regional Council put in place processes to ensure the timely publication of council-controlled organisations annual reports on its website.</p> <p>Management response</p> <p><i>The above issue has been resolved and Officers have put in appropriate processes to ensure that going forward there is full compliance with the Local Government Act 2002.</i></p>	<p>Closed</p>	<p>Final 2022</p>	<p>Necessary</p>
<p>Risk and Assurance</p> <p>We recommended that the Regional Council revisit the effectiveness of the risk and assurance function as a fundamental process to support business decision making by:</p> <ul style="list-style-type: none"> • performing a fraud risk assessment; • developing and formalising the assurance function in addressing the key risks facing the Regional Council; • enhancing the Regional Council’s risk management approach by implementing an integrated entity-wide approach which incorporates strategic, operational and programme/project risks; and • updating its risk management policy/framework so it aligns with an entity-wide risk approach. <p>Management response</p> <p><i>A fraud risk assessment has been completed and the results presented to FRAC in May 2023.</i></p> <p><i>The assurance function has been formalised as part of the Risk & Assurance (R&A) team. The R&A team is responsible for establishing the 3-year assurance programme, working alongside PWC to plan and close out internal audits, tracking the implementation of audit recommendations, and reporting on audit outcomes and recommendation tracking through to ELT & FRAC. From LTP 2024-27 onwards our 3-year assurance programme will be develop based on our risk framework. Planning for the 2024-27 assurance programme will commence in the 2023-24 financial year.</i></p> <p><i>An integrated entity wide new risk approach has been implemented which considers strategic, operational and programme/project risks.</i></p> <p><i>An updated risk management policy has been endorsed by ELT. The policy will be formally approved by ELT when we have completed our work with FRAC to update our risk appetite statements. We expect to have this work completed within the 2023-24 financial year.</i></p>	<p>Open- To be followed in 2023/24 upon completion of work by R & A team.</p>	<p>Final 2019</p>	<p>Necessary</p>

Attachment 1 to Report 23.334

<p>Redundant user accounts on the network need review and removal</p> <p>As part of our IS audit in 2021 we noted that there are a high number of older user accounts on the network that are redundant.</p> <p>Some of these accounts are generic network logins that are no longer required by the business.</p> <p>Redundant user accounts on the network raises the risk that these accounts may be used inappropriately.</p> <p>We recommended that a full review of network users accounts be done and redundant accounts deleted</p> <p>Procedures should be established for regular reviews to ensure that user access to the Regional Council’s network and systems remains appropriate</p> <p>Management response</p> <p><i>An automated daily process is in place to sync Ngātahi and AD user account details.</i></p> <p><i>An automated guest user management solution is in development with our supplier Information Leadership, this is expected to go live this quarter.</i></p>	<p>Open- To be reviewed as part of completion of IT audit</p>	<p>Final 2021</p>	<p>Necessary</p>
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Finance, Risk and Assurance Committee
15 August 2023
Report 23.335



For Information

GREATER WELLINGTON REGIONAL COUNCIL AUDIT ENGAGEMENT, AUDIT PLAN AND AUDIT PROPOSAL

Te take mō te pūrongo
Purpose

1. For the Finance, Risk and Audit Committee (the Committee) to receive the audit engagement, audit plan and audit proposal issued to Greater Wellington Regional Council (GWRC) by external auditors Audit New Zealand (Audit NZ).

Te tāhū kōrero
Background

2. The Auditor-General has appointed Audit NZ to carry out the audit of GWRC for the period 30 June 2023 to 30 June 2025 financial years.
3. The engagement letter outlines the terms, nature & limitations of the annual audit and the respective responsibilities of the Council and Audit NZ ([Attachment 1](#)).
4. As required by the Auditor-General, Audit NZ have provided GWRC with an audit plan.
5. The audit plan sets out the areas of audit focus, risks & issues, audit timelines and audit process for 2022/23 financial year ([Attachment 2](#)).
6. To conduct the audit of GWRC and Group, Audit NZ have also provided an audit proposal for the period 30 June 2023 to 30 June 2025 financial years ([Attachment 3](#)).

Te tātaritanga
Analysis

7. The audit timetable is outlined below:

Audit visit	Dates
Interim audit	29 May to 16 June 2023
Final audit	21 August to 21 September 2023

8. The draft annual report is intended to be presented to the Committee on 17 October 2023 and the final annual report is expected to be adopted by the Council on 26 October 2023.
9. Audit NZ will cover the below key audit risks during their audit visit:

- a. The risk of management override of internal controls
- b. Measurement of greenhouse gas emissions
- c. Three waters reform
- d. Fair value assessment of property, plant and equipment (non-revaluation year).
- e. New accounting standard – adoption of PBE FRS 48 Service Performance Reporting.
- f. New accounting standard – first time adoption of PBE IPSAS 41 Financial Instruments.

10. The proposed audit fees from Audit NZ have been summarised below:

Financial year	Amount (GST exclusive)
30 June 2023	\$355,401
30 June 2024	\$416,467
30 June 2025	\$448,276

11. The audit fees show an increasing trend and is mainly attributed to changes within GWRC or environment with respect to activities, systems, risk profile & complexity and predicted charge out rate movements in Audit NZ.

Ngā hua ahumoni
Financial implications

12. There are no financial implications arising from this report. The audit fees for the 30 June 2023 year have been agreed and budgeted.

Ngā Take e hāngai ana te iwi Māori
Implications for Māori

13. Greater Wellington’s 2022/23 Annual Plan outlines numerous initiatives that have implications for Mana Whenua and Māori. “Improving outcomes for Mana Whenua and Māori” is one of four overarching strategic priorities, and alongside Te Whariki, our Māori Outcomes Framework, underpin Greater Wellington’s 2021-31 LTP, and therefore 2023/24 Annual Plan.

14. There are no known impacts for Maori.

Ngā tūāoma e whai ake nei
Next steps

15. Officers will report to the Committee on progress of the audit in future Committee meetings.

Ngā āpitihanga
Attachments

Number	Title
1	GWRC Audit Engagement Letter
2	GWRC Audit Plan
3	GWRC Audit Proposal Letter

Ngā kaiwaitohu
Signatories

Writer	Ashwin Pai – Financial Controller
Approvers	Alison Trustrum-Rainey – Chief Financial Officer

He whakarāpopoto i ngā huritaonga Summary of considerations
<i>Fit with Council's roles or Committee's terms of reference</i> The Committee's specific responsibilities include to 'review the Council's audit plan from the external auditors.
<i>Contribution to Annual Plan / Long term Plan / Other key strategies and policies</i> External audit provides assurance that the policies, controls, processes and systems in place at the Council will enable efficient delivery of the Long Term Plan, Annual Plan and Annual Report.
<i>Internal consultation</i> The Finance and relevant people involved with the audit plan were consulted.
<i>Risks and impacts: legal / health and safety etc.</i> The Council's management of relevant risks is addressed in the report.



Attachment 1 to Report 23.335

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

27 July 2023

Daran Ponter
Chair
Greater Wellington Regional Council
PO Box 11646
Wellington 6142

Level 1, 100 Molesworth Street
Thorndon
PO Box 99, Wellington 6140

Tēnā koe Daran

Audit Engagement Letter

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all “public entities”, including Greater Wellington Regional Council and Group, under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Clint Ramoo, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audits of Greater Wellington Regional Council and Group’s financial statements and performance information. We will be carrying out these annual audits on the Auditor-General’s behalf, for the years ending 30 June 2023 to 30 June 2025

This letter outlines:

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

The objectives of the annual audit are:

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

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

Attachment 1 to Report 23.335

concern to the Auditor-General. Such issues tend to relate to matters of financial management and accountability.

Your responsibilities

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

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

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

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

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

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

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

Our responsibilities

Carrying out the audit

We are responsible for forming an independent opinion on whether the financial statements of the Greater Wellington Regional Council and Group:

- present fairly, in all material respects:
 - its financial position; and
 - its financial performance and cash flows for the financial year;
- comply with generally accepted accounting practice in New Zealand in accordance with the applicable financial reporting framework.

We are also responsible for forming an independent opinion on whether the performance information of the Greater Wellington Regional Council and Group:

- presents fairly, in all material respects, the performance for the financial year, including:
 - its performance achievements as compared with forecasts included in the forecast performance report for the financial year; and
 - its actual revenue and expenses as compared with the forecasts included in the Forecast performance report for the financial year; and
- complies with generally accepted accounting practice in New Zealand.

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

Attachment 1 to Report 23.335

accounting policies and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements and performance information.

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

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

During the audit, the audit team will:

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

Our independence

It is essential that the audit team and Audit New Zealand remain both economically and attitudinally independent of the Greater Wellington Regional Council and Group; including being independent of management personnel and members of the Council. This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with the objectivity of the audit team and the Audit New Zealand.

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

Attachment 1 to Report 23.335

Reporting

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

We will also issue a report to the Council. This report communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the Council. Typically, those matters will relate to issues of financial management and accountability. We may also provide other reports to the Greater Wellington Regional Council Group from time to time. We will inform the Council of any other reports we have issued.

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

Next steps

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

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

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

Nāku noa, nā



Clint Ramoo
Appointed Auditor
On behalf of the Auditor-General

Attachment 1 to Report 23.335

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

Signature: _____ Date: _____
Name: Daran Ponter
Title: Chair

Appendix 1: Respective specific responsibilities of the Council and the Appointed Auditor

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities for the financial statements and performance information	
<p>You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards.</p> <p>You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.</p> <p>You are required by legislation to prepare the financial statements and performance information and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, we are dependent on receiving the financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.</p>	<p>We are responsible for carrying out an annual audit, on behalf of the Auditor-General. We are responsible for forming an independent opinion on whether the financial statements:</p> <ul style="list-style-type: none"> • present fairly, in all material respects: <ul style="list-style-type: none"> ○ the financial position; and ○ the financial performance and cash flows for the financial year; • comply with generally accepted accounting practice in New Zealand in accordance with the applicable financial reporting framework. <p>We are also responsible for forming an independent opinion on whether the performance information:</p> <ul style="list-style-type: none"> • presents fairly, in all material respects, the performance for the financial year, including: <ul style="list-style-type: none"> ○ the performance achievements as compared with forecasts included in the forecast performance report for the financial year; and ○ the actual revenue and expenses as compared with the forecasts included in the forecast performance report for the financial year. • complies with generally accepted accounting practice in New Zealand <p>We will also read the other information accompanying the financial statements and performance information and consider whether there are material inconsistencies with the audited financial statements and performance information.</p>

Attachment 1 to Report 23.335

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence the audit report addressee’s overall understanding of the financial statements and performance information.</p> <p>If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General’s preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion.</p> <p>An audit also involves evaluating:</p> <ul style="list-style-type: none"> • the appropriateness of accounting policies used and whether they have been consistently applied; • the reasonableness of the significant accounting estimates and judgements made by those charged with governance; • the appropriateness of the content and measures in any performance information; • the adequacy of the disclosures in the financial statements and performance information; and • the overall presentation of the financial statements and performance information. <p>We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> • the adoption of the going concern basis of accounting is appropriate; • all material transactions have been recorded and are reflected in the financial statements and performance information;

Attachment 1 to Report 23.335

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<ul style="list-style-type: none"> • all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to us; and • uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information. <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p> <p>We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non-receipt or condition of the financial statements and performance information, or for some other reason beyond our control, as soon as possible after that.</p> <p>The work papers that we produce in carrying out the audit are the property of the Auditor-General. Work papers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.</p>
Responsibilities for the accounting records	
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> • correctly record and explain the transactions of the Greater Wellington Regional Council and Group • enable you to monitor the resources, activities, and entities under your control; • enable the Greater Wellington Regional Council and Group’s financial position to be determined with reasonable accuracy at any time; • enable you to prepare financial statements and performance information that comply with legislation and that allow the financial statements and performance information to be readily and properly audited; and • are in keeping with the requirements of the Commissioner of Inland Revenue. 	<p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities for accounting and internal control systems	
<p>You are responsible for establishing and maintaining accounting and internal control systems appropriate to the size of the Greater Wellington Regional Council and Group supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of financial and performance information reporting.</p>	<p>The annual audit is not designed to identify all significant weaknesses in your accounting and internal control systems. We will review the accounting and internal control systems only to the extent required to express an opinion on the financial statements and performance information.</p> <p>We will report to you separately, on any significant weaknesses in the accounting and internal control systems that come to our notice and that we consider may be relevant to you. Any such report will provide constructive recommendations to assist you to address those weaknesses.</p>
Responsibilities for preventing and detecting fraud and error	
<p>The responsibility for the prevention and detection of fraud and error rests with you, through the implementation and continued operation of adequate internal control systems appropriate to the size of the Greater Wellington Regional Council and Group supported by written policies and procedures.</p> <p>We expect you to formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with. Fraud also includes bribery and corruption.</p> <p>We expect you to consider reporting all instances of actual, suspected, or alleged fraud to the appropriate law enforcement agency, which will decide whether proceedings for a criminal offence should be instituted. We expect you to immediately inform us of any suspected fraud where you, and/or any individuals within the Greater Wellington Regional Council and Group delegated authority have a reasonable basis that suspected fraud has occurred - regardless of the amount involved.</p>	<p>We design our audit to obtain reasonable, but not absolute, assurance of detecting fraud or error that would have a material effect on the financial statements and performance information. We will review the accounting and internal control systems only to the extent required for them to express an opinion on the financial statements and performance information, but we will:</p> <ul style="list-style-type: none"> • obtain an understanding of internal control and assess its ability for preventing and detecting material fraud and error; and • report to you any significant weaknesses in internal control that come to our notice. <p>We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected, or alleged fraud.</p> <p>As part of the audit, you will be asked for written confirmation that you have disclosed all known instances of actual, suspected, or alleged fraud to us.</p>

Attachment 1 to Report 23.335

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>If we become aware of the possible existence of fraud, whether through applying audit procedures, advice from you, or management, or by any other means, we will communicate this to you with the expectation that you will consider whether it is appropriate to report the fraud to the appropriate law enforcement agency. In the event that you do not report the fraud to the appropriate law enforcement agency, the Auditor-General will consider doing so, if it is appropriate for the purposes of protecting the interests of the public.</p>
Responsibilities for compliance with laws and regulations	
<p>You are responsible for ensuring that the Greater Wellington Regional Council and Group has systems, policies, and procedures (appropriate to the size of the Greater Wellington Regional Council and Group) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of the Greater Wellington Regional Council and Group are complied with. Such systems, policies, and procedures should be documented.</p>	<p>We will obtain an understanding of the systems, policies, and procedures put in place for the purpose of ensuring compliance with those legislative and regulatory requirements that are relevant to the audit. Our consideration of specific laws and regulations will depend on a number of factors, including:</p> <ul style="list-style-type: none"> • the relevance of the law or regulation to the audit; • our assessment of the risk of non-compliance; and • the impact of non-compliance for the addressee of the audit report. <p>The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance.</p> <p>We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws and regulations.</p>

Attachment 1 to Report 23.335

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

Attachment 1 to Report 23.335

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

Appendix 2: Health and safety of audit staff

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 you to keep our audit staff safe while they are working at your premises. We expect you to provide a safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

AUDIT NEW ZEALAND

Attachment 2 to Report 23.335

Mana Arotake Aotearoa

Audit plan

Greater Wellington Regional Council

For the year ending 30 June 2023

Audit plan

I am pleased to present our audit plan for the audit of Greater Wellington Regional Council (the Regional Council) for the year ending 30 June 2023. The purpose of this audit plan is to discuss:

Audit risks and issues	2
Group audit	8
Our audit process	9
Reporting protocols	16
Audit logistics	17
Expectations	20

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.

Our work improves the performance of, and the public's trust in, the public sector. Our role as your auditor is to give an independent opinion on the financial statements and performance information. We also recommend improvements to the internal controls relevant to the audit.

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

Yours sincerely



Clint Ramoo
Appointed Auditor
30 June 2023

Audit risks and issues

Focus areas



Based on the planning work and discussions that we have completed to date, we set out in the table below the main audit risks and issues. These will be the main focus areas during the audit.

Audit risk/issue	Our audit response
The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls.</p> <p>Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to treat this as a risk on every audit.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • testing the appropriateness of selected journal entries; • reviewing accounting estimates for indications of bias; and • evaluating any unusual or one-off transactions, including those with related parties.
Measurement of greenhouse gas emissions	
<p>The Regional Council has included two measures of greenhouse gas emissions (GHG) in its performance information. We consider these to be material performance measures because the Regional Council has declared a climate emergency and because of the public interest in climate change related information.</p> <p>Reduction in tonnes of CO2 equivalent (tCO2e) emissions</p> <p>The Regional Council’s performance information includes a performance measure on the quantity of GHG emissions from the Regional Council and Group. This includes emissions generated directly by the Group itself, emissions from the services that the Council is responsible for (such as public transport) and emissions from the use of the Council’s assets (such as grazing in regional parks). The Regional Council is still developing the systems and controls needed to produce reliable evidence to support the data inputs and estimations used in the measurement of GHG emissions. This includes the measurement of material emissions from public transport and grazing activities which rely on data from third parties.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • obtaining sufficient appropriate evidence to conclude whether the reported performance is materially correct. • If we are unable to obtain sufficient audit evidence, we will consider alternative audit procedures, failing which we will consider the impact on our audit report.

Attachment 2 to Report 23.335

Audit risk/issue	Our audit response
<p>Tonnes of CO2 emitted per year on Metlink Public Transport Services</p> <p>The Regional Council's performance information also includes a performance measure specifically on the quantity of emissions generated from Metlink Public Transport services.</p> <p>In the 2021/22 financial year we modified our opinion, because we did not obtain sufficient appropriate evidence to conclude whether the reported performance for both measures was materially correct.</p>	
<p>Three waters reform</p>	
<p>The Three waters reform programme (the Reform) is expected to result in significant structural changes to the management, funding and ownership of water supply, wastewater, and stormwater assets in the local government sector.</p> <p>The Government has recently announced a number of changes to the reform. On 13 April 2023, the Government outlined changes to the number of water services entities and a staggering of their establishment dates starting from early 2025, with all the water services entities to be established by 1 July 2026. The timing of the transfer of assets and liabilities is therefore uncertain until amendments to existing legislation are passed.</p> <p>The Bill to enable the transfer of three waters related assets and liabilities to the water services entities is currently with the select committee and will need to be passed to enable water assets to transfer to the related water entity.</p> <p>The timing of the legislation through Parliament will impact the 30 June 2023 Annual Report. If the legislation has not passed before 30 June an updated disclosure may still be appropriate. If the legislation is passed before 30 June, there will likely be some additional accounting and disclosure requirements.</p> <p>The Regional Council should ensure that sufficient disclosure about impact of the reform (to the extent that the impact is known) is included in the Annual Report.</p>	<p>We will review the Regional Council's disclosures to ensure they accurately reflect the significance and uncertainty of the Reforms on the Regional Council.</p> <p>Because the impact could be significant, but is uncertain, we are likely to include information in our audit report to draw a reader's attention to Regional Council's disclosure about the Reform.</p>

Attachment 2 to Report 23.335

Audit risk/issue	Our audit response
Fair value assessment of property, plant and equipment (non-revaluation year)	
<p>For those assets that the Council is not planning to revalue, the Regional Council should perform a fair value movement assessment (assessment) to determine whether there is a significant difference between the fair value and the carrying value. Where the estimated difference is significant a revaluation may be necessary.</p> <p>An assessment should:</p> <ul style="list-style-type: none"> • factor in local cost information; • utilise relevant and reliable price movement indicators; and • involve consulting with valuers, if necessary. <p>Alternatively, the Regional Council could engage valuers to assist in preparing a fair value assessment.</p>	<p>We will review the reasonableness of Regional Council's assessment including the appropriateness of the assumptions used in the assessment. If the movement of the assets individually or in combination with other asset classes is significant the Regional Council may need to complete a revaluation. In certain circumstances it <i>may</i> be acceptable to make an adjustment based on the desktop revaluation.</p>
New accounting standard - Adoption of PBE FRS 48 Service Performance Reporting	
<p>Accounting Standard PBE FRS 48 Service Performance Reporting replaced that part of PBE IPSAS 1 Presentation of Financial Statements that deals with service performance reporting requirements and is effective for Annual Reporting periods beginning on or after 1 January 2022, i.e., for Council, it is for the year ending 30 June 2023.</p> <p>The objective of the standard is "to establish principles and requirements for an entity to present service performance information that is useful for accountability and decision-making purposes in a general purpose financial report". PBE FRS-48 requires an appropriate and meaningful mix of performance measures and/or descriptions, including, where appropriate, measures of both the goods and services provided and of what has been achieved in the Regional Council's areas of responsibility.</p> <p>In addition, PBE FRS 48 imposes additional disclosure obligations on entities. For example, paragraph 44 requires an entity to "disclose those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information reported in accordance with this Standard that are relevant to an understanding of the entity's service performance information". Further if the Regional Council changes what it reports as service performance information compared to the previous year,</p>	<p>We will review Council's compliance with the new standard. We are providing a PBE FRS 48 <i>Service Performance Reporting</i> checklist to the Council to perform a self-review.</p>

<p>then PBE FRS 48 requires the Regional Council to explain the nature of the changes and their effect.</p>	
<p>New accounting standard - First-time adoption of PBE IPSAS 41 <i>Financial Instruments</i></p>	
<p>PBE IPSAS 41: <i>Financial Instruments</i> is effective for periods beginning on, or after 1 January 2022. Earlier application was permitted however the Regional Council did not early adopt the standard.</p> <p>The standard introduces new and amended classification, measurement, impairment and hedging requirements and disclosure for financial assets and financial liabilities. This standard replaces both PBE IPSAS 29 and PBE IFRS 9.</p> <p>PBE IPSAS 41 is based on PBE IFRS 9 and has been amended to include additional PBE guidance relevant to the New Zealand context.</p> <p>As the Regional Council is transitioning from PBE IPSAS 29, the transition may result in a number of significant changes.</p> <p>The main changes introduced by PBE IPSAS 41 are that the standard:</p> <ul style="list-style-type: none"> • Introduces a new classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held. This could result in some instruments moving from amortised cost accounting to fair value accounting, or vice versa. • Applies a forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing. • Introduces a hedge accounting model that broadens the hedging arrangements in scope of the guidance and removal of the 80-125% effectiveness “bright line” test. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. Entities that adopt PBE IPSAS 41 have a choice of either adopting the new hedging model of PBE IPSAS 41 or continuing to apply the hedging model of PBE IPSAS 29. • There are also new disclosure requirements as the standards setters believe additional information on risks such as credit risk are increasingly important to users of the financial statements. 	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • Reviewing the transition/first time adoption analysis prepared by the Regional Council for reasonability. • Reviewing that the updated accounting policies, presentation and disclosure in the financial statements is in accordance with the requirements of the standard. • Reviewing the expected credit loss assessment for significant receivables and other financial assets.

Attachment 2 to Report 23.335

<p>The Regional Council will need to prepare an analysis of the classification of its financial instruments in terms of the standards and determine the necessary accounting and disclosure adjustments required.</p> <p>The Regional Council will need to update its accounting policies and disclosures in the financial statements to reflect the adoption of the new standard. The 21J Local authorities model financial statements reflect the early adoption of this standard and provide illustrative disclosures.</p>	
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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), with assistance from management. In this regard, we will discuss the following questions with you:

- What role does 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 ? 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.parliament.nz/reports/fraud-reports.

Group audit



The group comprises:

- Greater Wellington Regional Council;
- Wellington Regional Council Holdings Limited and its subsidiaries:
 - 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 significant component.

Significant component	Work to be performed
CentrePort Limited	<p>This component will be audited by Hamish Anton 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"> • CentrePort's fair value assessment of property, plant and equipment (non-revaluation year); and • Risk of management override of controls. <p>The audit work on this component will be a full financial statements and performance report audit.</p>
Wellington Regional Council Holdings Limited	<p>These components will be audited by me.</p> <p>The audit work on these components will be a full financial statements and performance report audit.</p>
Greater Wellington Rail Limited	

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 controls; 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.

Our audit process

Initial planning

Initial planning activities include verifying compliance with independence requirements and building the audit team.

Understand your business and environment

We use our extensive sector and business knowledge to make sure we have a broad and deep understanding of Greater Wellington Regional Council, your business, and the environment you operate in.

Assess audit risk

We use our knowledge of the business, the sector and the environment to identify and assess the risks that could lead to a material misstatement in the financial statements and performance information.

Evaluate internal controls

We update our understanding of internal controls relevant to the audit. This includes reviewing the control environment, risk assessment process, and relevant aspects of information systems controls. Most of this work is done during the initial audit visits. We evaluate internal controls relevant to the audit for the whole financial year, so we consider internal controls relevant to the audit at all visits.

Finalise the audit approach

We use the results of the internal control evaluation to determine how much we can rely on the information produced from your systems during our final audit.

Gather audit evidence

During the final audit we audit the balances, disclosures, and other information included in the Regional Council's financial statements and performance information.

Conclude and report

We will issue our audit report on the financial statements and performance information. We will also report to the Council covering any relevant matters that come to our attention.

New auditing standard

ISA (NZ) 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*, is effective for the audit of your financial statements for the first time this year. The standard sets out how auditors identify and assess the risks of material misstatement in financial statements. The standard requires the auditor to understand the entity, its environment, and its internal controls and use that knowledge to identify and assess risks. There are changes to how this is done compared to the previous standard.

There will be additional work required on your audit compared to previous years. In your case, the impact will be in the following areas:

- A greater emphasis on identifying and understanding the IT applications and the other aspects of your IT environment that are subject to risks arising from the use of IT.
- Evaluating the design and implementation of the general IT controls that address the risks arising from the use of IT.
- Considering the new inherent risk factors and updating our risk assessment documentation where relevant to address these risk factors.
- Revisions to the matters we consider in evaluating your system of internal control.
- Strengthened documentation requirements relating to the exercise of professional scepticism. There is a greater emphasis on demonstrating a questioning mind and a critical assessment of audit evidence gathered when performing our risk assessment procedures.

Materiality

In performing our audit, we apply materiality. In the public sector, materiality refers to information 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.

It is a matter of judgement whether information is material. We consider the nature (qualitative) and amount (quantitative) of each item judged in the surrounding circumstances and its impact. In the public sector qualitative considerations are of equal significance as quantitative considerations. Qualitative considerations are of primary importance in our assessment of materiality in the context of disclosures for transparency and accountability reasons, and in evaluating any non-compliance with laws and regulations.

The Council and management need to consider materiality in preparing the financial statements and service performance information and make their own assessment of materiality from a preparer's

Attachment 2 to Report 23.335

perspective. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer's perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities. Management and the Council should not rely on our materiality assessment as a basis for owning and making judgements about the integrity of the financial statements and service performance information.

Financial statements materiality

For planning purposes we have set **overall group materiality** for the financial statements at \$180,100,000 based on the forecasts for the 2023 financial year. This is subject to change once the actual results for the current year are available. For this audit we are only applying this overall group materiality to the fair value of property, plant and equipment.

For this audit we have set a lower, **specific group materiality** of \$16,700,000 for all items not related to the fair value of property, plant and equipment.

Overall group materiality	\$180,100,000
Specific group materiality	\$16,700,000
Group clearly trivial threshold	\$835,000
Overall parent materiality	\$117,300,000
Specific parent materiality	\$13,200,000
Parent clearly trivial threshold	\$660,000

We have set **overall parent materiality** for the financial statements at \$117,300,000 based on forecasts for the 2023 financial year. This is subject to change once the actual results for the current year are available. For this audit we are only applying this overall parent materiality to the fair value of property, plant and equipment. We have set a lower, **specific materiality** of \$13,200,000 for all items not related to the fair value of property, plant and equipment.

We also set a lower, **specific materiality** for some items due to their sensitivity. For example, we apply a lower specific materiality to related party and key management personnel disclosures.

We design our audit procedures to detect misstatements at a lower level than overall materiality. This takes account of the risk of cumulative misstatements and provides a safety net against the risk of undetected misstatements.

We will report all uncorrected misstatements to the Council other than those that are **clearly trivial**. We consider misstatements of less than \$835,000 to be clearly trivial for the **group** financial statements and misstatements of less than \$660,000 to be clearly trivial for the **parent** financial statements unless there are qualitative considerations that heighten its significance. 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 from management and the Council on the reasons why the corrections will not be made.

Misstatements
 Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader’s overall understanding of your financial statements and service performance information. The effects of any detected and uncorrected misstatements, individually and in aggregate, are assessed against overall materiality and qualitative considerations.

Overall financial statement materiality does not apply to any matters of effectiveness and efficiency, waste, or a lack of probity or financial prudence.

Attachment 2 to Report 23.335

Materiality for service performance information

At an overall level, we assess whether the service performance information is suitable, given your purpose and the nature of your activities, and whether the reporting allows for an informed assessment of the 's performance. In doing this we consider whether the information is relevant, complete, reliable, neutral, and understandable.

We set materiality for service performance information at an individual measure level based on what we expect would influence readers' overall understanding, decision making, or assessment of Greater Wellington Regional Council's performance. We consider a variety of factors including the level of public interest and potential public risk. Because of the variety of measurement bases applied, we normally express this materiality as a percentage of the reported result.

We have identified the following measures as material and assessed materiality for planning purposes. We will reassess this during the audit.

Material measure	Materiality
Percentage of scheduled bus trips that depart their timetabled starting location on time (punctuality) – to 5 minutes	5% of result
Percentage of scheduled rail services on-time (punctuality) – to 5 minutes	5% of result
Tonnes of CO2 emitted per year on Metlink Public Transport Services	8% of result
Reduction in tonnes of CO2 equivalent emissions	8% of result
Monitor compliance with resource consents: rates of compliance for high-risk activities where historical compliance rates are below 80%	5% of result
Major flood protection and control works are maintained, repaired, and renewed to the key standards defined in the relevant planning documents.	0% (Target is Yes or No)
Percent of identified vulnerable floodplains with a FMP in place	8% of result
Number of events in the bulk water supply preventing the continuous supply of drinking water to consumers	5% of result
Compliance with part 4 of the drinking water standards (bacteria compliance criteria)	0% of result
Compliance with part 5 of the drinking water standards (protozoal compliance criteria)	0% of result
Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured:	
1 attendance of urgent call-outs: time from local authority receiving notification to service personnel reach the site	8% of result
2 resolution of urgent call-outs: time from local authority receiving notification to service personnel confirming resolution	8% of result

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:

- Greater Wellington 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 Greater Wellington Regional Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by Greater Wellington Regional Council or by one or more of its members, office holders, or employees; and

Attachment 2 to Report 23.335

- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by Greater Wellington Regional Council or by one or more of its members, office holders, or employees.

Reporting protocols

Communication with management and the Council



We will meet with management and the Council 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 engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge. Each member of the audit team has received tailored training to develop their expertise.

Our senior audit team members are:

Clint Ramoo

Appointed Auditor

Debbie Perera

Engagement Quality Review Director

Nosiviwe Tsotso

Audit Manager

The Engagement Quality Review (EQR) Director forms an important part of our internal quality assurance process to maintain and enhance the quality of your audit. The EQR Director is an experienced Audit Director who has sufficient and appropriate experience to objectively evaluate the judgements made by the audit team. They are independent from the day to day audit field work, and so can provide an independent challenge to the audit team on their judgements. The EQR will work with your Appointed Auditor and the audit team, but will not have direct contact with you.

Timetable



We set out below the proposed dates for our interim and final audit as well as the planned adoption date of the Annual Report based on discussions with management. The timetable is subject to change due to the impact of the nationwide auditor shortage and any Covid-19 related implications.

	Dates
Planning audit begins (for 1 week)	03 April-11 April 2023
Interim and Pre-final audit begin (for 2 weeks)	29 May - 16 June 2023
Draft interim report	30 June 2023
Draft financial statements (Council only) and council services statements available for audit (including notes to the financial statements) with actual year-end figures	21 August 2023
Final audit begins (4 weeks)	21 August - 21 September 2023
Consolidated Annual Report available, including Chair and Chief Executive's overview or reports	25 September 2023
Provide audit feedback and audit adjustment	4 September 2023
Summary of Annual Report	29 September 2023
Final financial statements available, incorporating all the amendments agreed to between us and the Annual Report available, including any Chair and Chief Executive's overview or reports	13 October 2023
Verbal audit clearance given	20 October 2023
Draft report to the Council issued	20 October 2023
Audit opinion issued	26 October 2023

AuditDashboard

In 2022, we used AuditDashboard, our online portal, to transfer files between your employees and Audit New Zealand. Overall, the use of AuditDashboard was well received and ensured the audit ran smooth with information being available in a timely manner.

We will again use AuditDashboard for transferring audits as part of the audit.

The benefits of AuditDashboard

Your team will be invited to collaborate on one central request list in a shared space. The ability to drag and drop files makes it easy to fulfill requests. Real-time status updates provide greater visibility to everyone and helps to keep everyone organised and on the same page. It will be easy to:

- see what has been asked for;
- assign specific tasks to your own people and see who each request is assigned to;
- see when each request is due and track the progress of requests;
- exchange information securely; and
- see what has been uploaded.

There will be no change to the information that the audit team asks for. Rather than emailing an Excel spreadsheet, we will request information using AuditDashboard, which your team will then use to upload files.

Expectations



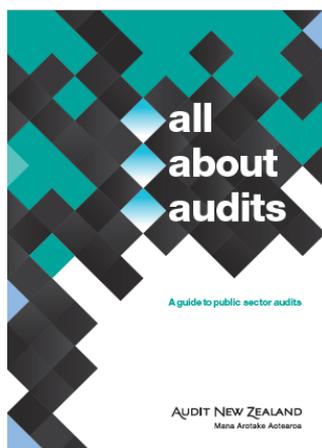
For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

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 help explain the audit process:



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

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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Level 1, 100 Molesworth Street
Thorndon
PO Box 99, Wellington 6140

21 July 2023

Daran Ponter
Council Chair

Greater Wellington Regional Council
PO Box 11646
Wellington, 6140

Ref: EN/LCA/02-0011/W010
Copy: Manager, Auditor
Appointments
Office of the Auditor-General
PO Box 3928
Wellington 60140

Tēnā koe Daran

Proposal to conduct the audit of Greater Wellington Regional Council and Group on behalf of the Auditor-General for the 2023, 2024, and 2025 financial years

1 Introduction

As required by the Office of the Auditor-General (OAG), I set out below information relating to the audit of Greater Wellington Regional Council and Group for the three financial years ending 30 June 2023, 2024, and 2025.

The purpose of this proposal is to provide information on:

- the statutory basis for the audit and how audit fees are set;
- the entities covered by this proposal;
- key members of the audit team;
- the hours we plan to spend on the audit and reasons for any change in hours;
- our proposed fees for the audit for the financial years ending 30 June 2023, 2024, and 2025;
- assumptions relating to the proposed audit fees, including what we expect of your Council;
- what the OAG Audit Standards and Quality Support charge provides;
- certification required by the Auditor-General; and
- our commitment to conduct the audit in accordance with the Auditor-General's Auditing Standards.

2 Statutory basis for the audit and how audit fees are set

The audit of Greater Wellington Regional Council and Group is carried out under section 15 of the Public Audit Act 2001, which states that “the Auditor-General must from time to time audit the financial statements, accounts, and other information that a public entity is required to have audited”.

Fees for audits of public entities (including Councils) are set by the Auditor-General under section 42 of the Public Audit Act 2001. However, your Council and I can reach agreement first and recommend those fees for approval. The Auditor-General, with assistance from the OAG, will set audit fees directly only if we fail to reach agreement.

The Public Audit Act 2001 requires the Auditor-General to make sure that audit fees are “reasonable” for the auditors and for each of the entities audited. Parliament has indicated that it expects the cost of annual audits under the Act (which include an OAG Audit Standards and Quality Support charge) to be funded by public entities.

Over recent years, audit fees for many public entities have not kept pace with the real costs of the audit for a range of reasons, including the effect of new accounting and auditing standards and the changing scale and complexity of many public entities’ activities. A general concern about low fees impacting on auditors’ ability to maintain consistent audit quality has also been raised by regulatory bodies here in New Zealand and overseas.

Low fees are unsustainable and need to be rectified. The Auditor-General has decided to allow fee increases to a level that reflects the real time and cost of the audit. The size of increases will vary depending on the reasonableness of the current fee paid by each entity and any changes that have occurred since the last fees were agreed.

Our fees will take account of the nature and extent of the audit requirements for each Council. The audit hours in this proposal reflect the time required to complete a high-quality public sector audit efficiently.

The fees are based on charge-out rates that will ensure we can maintain the capacity needed to complete your audits. The global and local auditor shortage is having a continuing impact and has resulted in significant salary inflation. The current economic uncertainty and general inflation have also contributed to charge out rates increasing significantly.

Our proposed audit fees are set out in this letter and include an estimate of the reasonable cost of disbursements (including travel and accommodation where necessary).

The Office of the Auditor-General will be monitoring the outcome of the negotiations to ensure that fees are reasonable.

Councils can take actions to ensure the efficiency of their audit. This includes being well prepared for audit, ensuring complex judgement issues are addressed early, regularly communicating with your auditor about any changes that might impact your reporting or the audit, having tidy systems and controls, and ensuring that relevant people are available to assist the auditors as they carry out their audit work. I welcome further discussion with you on opportunities for reducing the time and costs of your audit.

Attachment 3 to Report 23.355

3 Entities covered by this proposal

This proposal covers the audit of Greater Wellington Regional Council and Group.

A separate Engagement Letter and fee proposal will be provided for the Debenture Trust Deed audit and for each council-controlled organisation, where an audit is required.

4 Key members of the audit team

Appointed Auditor	Clint Ramoo
Engagement Quality Reviewer	Debbie Perera
Audit Manager	Nosiviwe Tsotso
Tax Director	Jason Biggins
Information Systems Director	Dieter Röhm
Specialist Audit and Assurance Specialist	Steven Heath

5 Estimated audit hours

We estimate that the following hours will be required to carry out a quality public sector audit for your Council efficiently. We have also included some information to help you understand how this compares with budgeted and actual data from the previous financial year):

Audit team member	2022 budget	2022 actual *	2023	2024	2025
Appointed Auditor	104	110	115	115	115
Engagement Quality Reviewer	18	15	30	30	30
Audit Manager	175	190	200	200	200
Other staff(AA-5AM)	880	1,340	1,200	1,200	1,200
Information Systems Auditor	40	55	60	60	60
Audit assurance and other specialist	48	7	49	49	49
Tax support	6	0	6	6	6
Total audit hours	1,271	1,717	1,660	1,660	1,660

***Note** – actual hours have been adjusted to eliminate any hours that were due to auditor inefficiencies (247). The actual hours that remain are the reasonable hours that were attributable to the audit in that year.

5.1 Reasons for changes in audit hours

The major reasons for the changes in hours for your Council's audit are:

Reasons for increased audit hours compared to previous period <i>budgeted</i> hours:	2023
<p>Changes within your Council, or in its environment – such as high-risk accounting estimates- GWRC has various classes of assets which are valued on a cyclical basis; however, economic conditions have triggered full valuation in recent years and likely to continue for the foreseeable future.</p> <p>Service performance reporting - In addition to the changes as a result of PBE IFRS 48, the Council is continually revisiting its measures and the underlying systems and controls at each LTP. The current measures are extremely complex to audit as reliance is placed on third parties (public transport) or inherently riskier measures such as emissions reductions. While we have qualified the Regional Council for some measures and will continue to do so, we are still required to perform a minimum level of audit work.</p>	160
<p>Changes to applicable accounting or financial reporting standards which result in additional audit work.</p> <ul style="list-style-type: none"> • PBE FRS 48 • PBE IPSAS 41 • ISA (NZ) 315 (2019 REVISED) 	26
<p>Other adjustments to base fees</p> <p>The increased hours to the base is largely driven by the increased hours for the assistant manager. While the overall group is not complex, it requires a significant amount of logistics to ensure the audit team receiving the necessary information in a timely manner but also auditing the entity specific risks (valuations).</p> <p>The team mix has been changed which better reflects the overall risks associated with the Council</p>	163
<p>Impact of continual challenges with client delivery (more than just one year)</p> <p>This relates to late submission of information and more clarity required by audit team on information submitted as well as changes to Regional Council personnel.</p>	40

Attachment 3 to Report 23.355

Reasons for increased audit hours compared to previous period <i>budgeted</i> hours:	2023
Total increase in audit hours	389

5.2 Other matters that may impact the scope of the audit and actual audit hours

There are several emerging reporting and auditing challenges in the sector that will potentially require additional audit effort and cost over the next three years. At this point the impact of these on your Council is unknown, so we have not included any allowance in our audit hours or fees. They include:

- The impact of extreme weather events ;
- The impact of implementation of new legislation, including that relating to three waters reform, and/or Resource Management Act reforms;
- The impact of any climate reporting requirements, or Greenhouse Gas (GHG) performance measures;
- CCO performance measures related to climate change or GHG that are material to a group;
- Out of cycle, additional revaluations, including as a result of continued movements in property values and infrastructure construction costs;
- The impact of future growth of your Council, including changes within your Council's group structure; and/or
- Changes in the number of material measures, for example, new water loss measures.

Where costs related to these issues cannot be absorbed within the agreed fee, we will inform management and seek additional fee recoveries through our normal processes.

6 Proposed audit fees

Our proposed fees for the next three audits (compared to budgeted and actual data from the previous financial year) are:

Attachment 3 to Report 23.355

Structure of audit fees	2022 budget	2022 actual costs*	2023	2024	2025
	\$	\$	\$		
Net audit fee (excluding OAG Audit Standards and Quality Support charge and disbursements)	250,027	370,443	354,602	382,875	413,199
Discount	-	-	(31,373)	-	-
Net discounted audit fee	250,027	370,443	323,229	382,875	413,199
OAG Audit Standards and Quality Support charge	20,735	20,735	31,572	32,992	34,477
Total audit fee (excluding disbursements)	270,762	391,178	354,801	415,867	447,676
Estimated disbursements*	500	8,114	600	600	600
Total billable audit fees and charges	271,262	399,292	355,401	416,467	448,276
GST	40,689	59,894	53,310	62,470	67,241
Total (including GST)	311,951	459,186	408,711	478,937	515,517

*Note – actual fee billed was \$290,762 and disbursements to \$589.

These audit fees allow for the audit team to carry out specific tasks identified in the OAG Sector Brief and for the OAG Audit Standards and Quality Support charge.

6.1 Reasons for changes in audit fees

In table 5.1 we showed the factors that have resulted in a change of audit hours. The cost impacts of those changes are shown in the table below.

Reasons for increased audit fees compared to previous period <i>budgeted</i> fees.	2023
Changes to applicable accounting or financial reporting standards which result in additional audit work. <ul style="list-style-type: none"> • PBE FRS 48 • PBE IPSAS 41 • ISA (NZ) 315 (2019 REVISED) 	8,686
Changes within entity or environment (activities, systems, risk profile, complexity)	38,635

Reasons for increased audit fees compared to previous period <i>budgeted</i> fees.	2023
Impact of continual poor client delivery	8,240
Predicted charge out rate movements.	49,014
Total increase in audit fees	104,575

7 Assumptions relating to our audit fee

You are responsible for the production of Greater Wellington Regional Council financial statements and anything else that must be audited. Our proposed audit fees are based on the assumption that:

- you will provide to us, in accordance with the agreed timetable, the complete information required by us to conduct the audit;
- your staff will provide us with an appropriate level of assistance;
- your Council's annual report and financial statements (including Statements of Service Performance) will be subject to appropriate levels of quality review by you before being submitted to us for audit;
- your Council's financial statements will include all relevant disclosures;
- we will review **up to two** sets of draft annual reports, **one** printer's proof copy of the annual report, and one copy of the electronic version of the annual report (for publication on your website);
- there are no significant changes to the structure and/or scale of operations of the entities covered by this proposal (other than as already advised to us);
- there are no significant changes to mandatory accounting standards or the financial reporting framework that require additional work (other than as specified in tables 5.1);
- there are no significant changes to mandatory auditing standards that require additional work other than items specifically identified in the tables above; and
- there are no significant changes to the agreed audit arrangements (set out in the audit plan) that change the scope of, timing of, or disbursements related to, this audit.

If the scope changes and/or the amount of work we do increases, we will discuss this with you and potentially seek additional fees from you. The Office of the Auditor-General will be monitoring these recoveries to ensure that they are reasonable.

8 What the OAG Audit Standards and Quality Support charge provides

Parliament has indicated that it expects the cost of annual audits under the Public Audit Act (including an OAG Audit Standards and Quality Support charge) to be funded by public entities.

The OAG Audit Standards and Quality Support charge partially funds a range of work that supports auditors and entities, including:

- development and maintenance of auditing standards;
- technical support for auditors on specific accounting and auditing issues;
- ongoing auditor training on specific public sector issues;
- preparation of sector briefs to ensure a consistent approach to annual audits;
- development and maintenance of strategic audit plans; and
- carrying out quality assurance reviews of all auditors, and their audits and staff on a regular (generally, three-year) cycle.

Appointed Auditors are required to return the OAG Audit Standards and Quality Support charge portion of the audit fee, to the OAG.

9 Certifications required by the Auditor-General

We certify that:

- the undertakings, methodology, and quality control procedures that we have declared to the OAG continue to apply;
- our professional indemnity insurance policy covers this engagement; and
- the audit will be conducted in accordance with the terms and conditions of engagement set out in the audit engagement agreement and schedules.

10 Conclusion

As the Appointed Auditor, I am committed to providing you and the Auditor-General with the highest level of professional service. I intend to work with you, the OAG, and the Auditor-General in a partnership environment to resolve any issues that may arise.

If you require any further information, please do not hesitate to contact me.

Please counter-sign this letter (below) to confirm that you, and the governing body of your organisation, agree with its contents. This letter will then form the basis for a recommendation to the Auditor-General on the audit fee that should be set. The schedules of audit hours and fees will also be incorporated into my audit engagement agreement with

the Auditor-General to carry out the audit of your organisation as the agent of the Auditor-General.

Yours sincerely



Clint Ramoo
Appointed Auditor

I accept the audit fees for the audit of the three financial years as stated above.

Full name:	<u>Daran Ponter</u>	Position:	<u>Council Chair</u>
Authorised signature:		Date:	<u>24 July 2023</u>
Entity name:	<u>Greater Wellington Regional Council</u>		

Actions to take when agreement has been reached:

- o Make a copy of this signed proposal and keep it for your file.
- 2 Send the original to: Clint Ramoo
Audit New
Zealand
PO Box 99
Wellington

Or by email to: Clint.Ramoo@auditnz.parliament.nz

Finance, Risk and Assurance Committee
15 August 2023
Report 23.328



For Information

AFORDABLE WATERS REFORM UPDATE

Te take mō te pūrongo

Purpose

1. To update the Finance, Risk and Assurance Committee (FRAC) on the process and impacts of the Affordable Waters Reform on Greater Wellington Regional Council (Greater Wellington).

Te tāhū kōrero

Background

2. The 'Affordable Waters Reform' aims to ensure that New Zealand's three waters (drinking water, wastewater and stormwater) infrastructure networks and services are planned, maintained and delivered to be affordable and fit for purpose.
3. Following the Havelock North drinking water inquiry in 2017, a decision to create Taumata Arowai (a new water services regulator) happened in 2019, followed by the Government's launch of the Three Waters reform programme in 2020.
4. Since then, councils have participated in various 'requests for information' (RFIs) in 2021 and 2022, multiple rounds of legislation changes or new legislation has been introduced, and the new entity structures have been declared.
5. In 2023, Prime Minister Chris Hipkins announced changes to the reform, including the number of entities, delivery timeframes and changes to funding support packages.
6. Greater Wellington has been working through the reform process in collaboration with Wellington Water Limited (WWL) and the shareholding Councils, as well as other councils in the Wellington Region and the National Transition Unit (NTU).

Te tātaritanga

Analysis

Timeframes

7. The original reform proposal had all Councils converting the new Water Service Entities (WSE) as of 1 July 2024, however following the Prime Ministers announcements, the WSEs will now be staggered, with only Entity A (Auckland and Northland) being confirmed for a 1 July 2024. The go-live date for Entity G (Wellington Region) is yet to be confirmed.

Support funding

8. To help councils through the reform process, the Department of Internal affairs (DIA) has supplied councils with two main funding packages: 'Transitional Support Funding Package' and the 'Better-off Funding Support Package'.
9. Greater Wellington's Transitional Support Funding Package, tranche 1, was \$523,000. To be used to support internal processes, co-fund the WWL processes and the joint programme costs. Tranche 2 has not yet been confirmed but has been announced in principle, a further six months support valued at \$260,000. An amendment to the funding agreement, which the Chief Executive is required to sign, is expected in September.
10. Greater Wellington was allocated \$5,080,000 in the Better-off Funding Support Package, tranche 1. The funds were split among five projects for Greater Wellington that meet the funding criteria. Tranche 2, which was announced with tranche 1, has been terminated as part of the recent changes to the reform.
11. There is a third funding package that DIA has factored into the reform, the "No Worse-off Funding Package". The amount that each council will receive will be worked through with the NTU to ensure that no council is left carrying additional debt because of the reform. Councils are not expected to receive this until several months after the new WSE comes into effect. This package is hoped to pay for abandoned overheads for a year or two. This is around \$3,000,000 for Greater Wellington.

Ngā hua ahumoni Financial implications

12. Greater Wellington worked with the NTU on a debt settlement process, however this now needs to be reassessed once new legislation is passed and a go-live date for Entity G is confirmed.
13. As of 30 June 2023, Greater Wellington's net debt allocated to affordable waters activity was around \$150 million and it is expected to be around to \$210 million by mid-2024 due to ongoing debt funded capital expenditure. Gross debt as of 30 June 2023 is around \$200 million and it is expected to be around to \$268 million by mid-2024.
14. The current forecasts of water debt and subsequent loss of revenue will result in debt headroom of approximately \$100 million.
15. Post water reform, Greater Wellington will also lose water revenue. An indication of this is the actual for 2022/23 was \$42 million and the 2023/24 year is budgeted at just over \$53 million.
16. Greater Wellington collects water levies through rates collection from the four metropolitan cities for WWL for the cost of bulk drinking water. Until the new WSE go-live date is official and/or the WSE entity develops its own revenue collection abilities, Greater Wellington will continue to collect water levies to support the Long Term Plan and Annual Plan(s).
17. If the timing of the Entity G WSE happens mid-year, the debt headroom can easily account back to DIA due to separate water levy and not being tied up in water levies.

18. Greater Wellington will renegotiate the debt settlement agreement with the NTU.
19. Recovery of funds is unlikely to happen day one of the new WSE, however Greater Wellington will recover from DIA the debt, interest and any fees incurred in the 'no worse-off funding package'.

Ngā Take e hāngai ana te iwi Māori
Implications for Māori

20. DIA and the NTU have a specific workstream to include and work with Iwi.

Ngā tūāoma e whai ake nei
Next steps

21. Greater Wellington will continue to work with the NTU and Entity G councils to transition to the new WSE effectively and at no unexpected or additional expense to Greater Wellington.

Ngā kaiwaitohu
Signatories

Writer	Kyn Drake – Project Manager, Three Waters Reform and Financial Policies
Approvers	Alison Trustrum-Rainey – Chief Financial Officer Sue McLean – Group Manager Corporate Services

<p>He whakarāpopoto i ngā huritaonga Summary of considerations</p>
<p><i>Fit with Council's roles or with Committee's terms of reference</i></p> <p>Council has agreed to take part in the "Affordable Waters reform" and this update is a summary of what has taken place thus far.</p>
<p><i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i></p> <p>The Long Term Plan review process is underway, and the project team are being kept informed of what is required for the Long Term Plan as Greater Wellington will still supply bulk water until an official transfer date is agreed.</p>
<p><i>Internal consultation</i></p> <p>Various teams across Greater Wellington have been included in the Affordable Waters reform process, providing information on assets, calculating financial positions, reviewing legal matters, providing feedback to process and submissions on legislation etc.</p>
<p><i>Risks and impacts - legal / health and safety etc.</i></p> <p>The biggest risk/impact to the reform will be the central government elections. A change of government is highly likely to make changes to the reform.</p> <p>However, the funding Greater Wellington has secured has a contractual agreement and is guaranteed regardless of which party is in power following the elections.</p>

Finance, Risk and Assurance Committee
15 August 2023
Report 23.327



For Information

REVIEW OF THE FINANCIAL DELEGATIONS

Te take mō te pūrongo

Purpose

1. To update the Committee on the process undertaken to review and restructure the financial delegations for Greater Wellington staff.

Te tāhū kōrero

Background

2. The Council delegated various financial powers, duties, and responsibilities to the Chief Executive (CE) who then sub-delegated the financial authority to approve expenditure related to area of responsibility, in accordance with the limits and conditions set out in that instrument of delegation.
3. In February 2021, PWC released their report of a Programme Management Office internal audit at Greater Wellington. In this report, PWC suggested that Greater Wellington test the maturity of the organisation and explore where there may be potential to adjust the delegated financial authority (DFA) levels, bringing in line with comparable organisations.
4. In February 2023, the Executive Leadership Team requested an investigation to test the maturity levels and propose adjustments to the financial delegations.
5. Revised financial delegations also needed to incorporate the new Environment Group structure and the Riverlink programme.

Te tātaritanga

Analysis

6. The previous financial delegations were set at a 'low level', requiring a high volume to be signed off by the Chief Executive, heavily consuming time and increasing risks as the understanding of each approval was diminished. This burden also created, in some cases, unnecessary delays to delivery.
7. An investigation into how other councils structure their financial delegations and their expenditure limits was completed to help inform a range of structures and changes to Greater Wellington's financial delegations.

8. A 'role-based' approach was chosen as it generated and more 'fit-for-purpose' structure, offering a more efficient and effective approval process for each group which have considerably different budgets deliverables.
9. The new structure uses groups A-F and not management tiers. The basic structure is:

Group A	Reserved for the Chief Executive who has the limits approved in the Long Term Plan and Annual Plans.	
Group B	Up to \$10 million (OPEX & CAPEX)	Each group has a range of roles specifically allocated a financial delegation grouping. Their nominated group is suitable based on their budget, reporting line position, responsibilities and expected deliverables as well as any contractual management or agreements they may have.
Group C	Up to \$1.5 million (OPEX & CAPEX)	
Group D	Up to \$800,000 (OPEX & CAPEX)	
Group E	Up to \$250,000 (OPEX & CAPEX)	
Group F	Up to \$120,000 (OPEX & CAPEX)	
Group G	Up to \$60,000 (OPEX only)	
Group H	Up to \$25,000 (OPEX only)	

10. Greater Wellington is the parent organisation of the Wellington Region Emergency Management Office (WREMO). WREMO uses Greater Wellington financial policies and delegations to operate. Therefore, WREMO positions were reviewed too and have been specifically included.
11. A range of safeguard mechanisms were also considered to improve the financial delegation's processes, protecting both the organisation and staff. Some of these safeguard mechanisms include:
 - a. No financial delegation for last 30 days of employment. Statistically, financial fraud or inappropriate or misuse of funds happens following a resignation. Therefore, financial delegations and use of P-cards are not permitted in the last 30 days of employment.
 - b. Changes to Ngātahi, the software system that manages requisitions and automates approval processes.
 - c. A supporting 'Financial Delegations Guidelines' document to provide principles, terms and conditions, processes, templates and guidance for future changes to the instrument.

Ngā hua ahumoni
Financial implications

12. The new structure allows staff with a more comprehensive understanding of the expenditure to be able to do the approvals. This means the rationale and/or information for justifying the expense will be more appropriate and withstand scrutiny better.
13. The changes allow processes to be faster, meaning some contracts or services continue efficiently, reducing the risks of penalties or additional costs for missing deadlines.

Ngā tūāoma e whai ake nei

Next steps

14. The financial delegation's structure will be reassessed in approximately six months' time to gauge whether or not it is 'fit-for-purpose' as it was intended. If not, it may require further changes.
15. New roles, or changes to roles are able to be added or removed from the financial delegation's instrument whenever needed, through a process led by Democratic Services and approved by the Chief Executive.

Ngā kaiwaitohu

Signatories

Writer	Kyn Drake – Project Manager, Three Waters Reform and Financial Policies
Approvers	Alison Trustrum-Rainey – Chief Financial Officer Sue McLean – Group Manager, Corporate Services

<p>He whakarāpopoto i ngā huritaonga Summary of considerations</p>
<p><i>Fit with Council's roles or with Committee's terms of reference</i></p> <p>The financial delegations instrument offers FRAC assurance that expenditure is being managed appropriately at the right level by the right people.</p>
<p><i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i></p> <p>The delegations guide staff to manage expenditure the right way, being accountable for the funds collected to implement the LTP and/or Annual Plan.</p>
<p><i>Internal consultation</i></p> <p>A range of staff, including finance, legal and procurement, ERP, and democratic services were involved in shaping the financial delegations.</p> <p>During the process, the corporate collaboration group and ELT workshopped the options and structure a couple of times.</p>
<p><i>Risks and impacts - legal / health and safety etc.</i></p> <p>The changes to the financial delegations were reviewed by Audit and legal. No new or additional risks or impacts were identified. The new structure should actually reduce risks.</p>

Finance, Risk and Assurance Committee
15 August 2023
Report 23.325



For Information

FINANCIAL POLICIES

Te take mō te pūrongo

Purpose

1. To update the Committee on the internal financial policies that have recently been reviewed, including the process and what policies are next in line for a review.

Te tāhū kōrero

Background

2. Greater Wellington has a range of management policies and guidelines to ensure staff know what the right processes are to follow, which in effect protects both them and the organisation from negative consequences.
3. In general, management policies are required to be reviewed once every three years to keep them current and applicable.
4. In late 2022, a handful of financial policies were overdue their review, so the decision to review a suite of policies was made.
5. In late June 2023, ELT endorsed the Financial Policy Handbook, which consisted of all the financial policies as a one-stop-shop to help staff manage expenditure the right way.

Te tātaritanga

Analysis

6. The financial policies that underwent a full review were influenced by the 'Auditor General – Sensitive expenditure guidelines for public organisations' (2020).
7. Considerations for Fringe Benefit Tax have been included where appropriate.
8. This was also an opportunity for Greater Wellington to enhance its efforts towards implementing the Māori Outcomes framework by utilising the Te Upoko o Te Ika a Māui Commitment in these policies.
9. Some of the key takeaways from each policy are:

Entertainment and Hospitality Expenditure Policy

10. Expenditure on alcohol is reserved only for 'all of Greater Wellington' functions and approved by the Chief Executive, such as the awards/Christmas function.

11. Leaving functions have new expenditure limitations. In some cases, these are lower than previous limits. Greater Wellington aligned its financial contributions to be similar to that of the territorial authorities in the Wellington Region.

P-Card Policy

12. Staff with P-Cards and financial delegations need to improve and demonstrate they understand their obligations and responsibilities for spending public funds.
13. Staff need to consider the sensitive expenditure principles better to make sure they are spending public funds appropriately.
14. Staff who leave Greater Wellington, or are seconded into another role, must hand their P-Card back to finances the day they give notice, NOT on their last day of work.

Vehicle policy

15. Driver safety and training (Fleetcoach) is available to all staff and all staff are encouraged to undertake the training.
16. The fleet is to undergo transition to electric wherever possible, including remuneration vehicles.
17. Drivers are required to carry out a check of the vehicle before they use it. The EROAD Inspect app is available to help all drivers do an appropriate check before driving.

Travel Policy

18. This is a new policy. Previously it was only guided by the Sensitive Expenditure Policy.
19. An emphasis on considering how staff travel, if travel is required, has been included. This is to support Greater Wellington's climate change goals (carbon reduction policy) and encourage the use of bikes, public transport and other shared forms of transport over private or unnecessary travel modes.
20. Booking travel and accommodation is not acceptable on P-Cards. All booking arrangements are to be made via the Business Support Team.

Personal Effects Cover for Greater Wellington Employees Policy

21. No significant changes were made to this policy. Main changes included the guidance from the 'Flexible Working Policy' to incorporate working spaces other than the main office.
22. Greater Wellington continues to take no responsibility for damage to personal items.

Out of Region Deployment Policy

23. This is a new Policy to help better equip staff that may be requested to assist in cases of emergency outside of the Wellington Region. This Policy pulls together the key areas of information from other policies that staff on deployment need to understand.

Ngā hua ahumoni

Financial implications

24. As the business becomes more aware and adopting of these policies, we expect the expenditure to reduce as unnecessary or inappropriate expenditure is no longer

ambiguous and therefore will not be approved. Some ways we expect expenditure to reduce are:

- Food and/or catering – short meetings or training sessions, team morning teas, etc. will not be allowed to have catering provided.
- Staff leaving or celebration functions have had the expenditure allowance reduced by approx. 30 percent.
- More emphasis on prohibited purchase on P-cards will reduce inappropriate expenses and significantly reduce bank transaction fees which are incurred on very low value purchases.
- Travel and accommodation bookings via our travel booking agent will receive discounts, and monitor the acceptable costs which will stop staff booking excessively expensive accommodation etc.

Ngā tūāoma e whai ake nei

Next steps

25. To ensure staff utilise these policies and do their best to improve how they manage expenditure, an education and awareness campaign is being implemented, making sure everyone is aware these policies exist and when they should be using them.
26. There are more financial policies that need to be reviewed, and over the 2023/24 financial year will be. They are:
 - a Sensitive Expenditure policy
 - b Tax Management Policy (New)
 - c Risk Management Policy
 - d Fraud and Corruption Policy
 - e Koha policy
 - f Asset Accounting Policy
 - g Treasury Risk Management Policy (incl. Liability Management and Investment Policies)
 - h Corporate Apparel Policy

Ngā kaiwaitohu

Signatories

Writer	Kyn Drake – Project Manager, Three Waters Reform and Financial Policies
Approvers	Alison Trustrum-Rainey – Chief Financial Officer Sue McLean – Group Manager, Corporate Services

<p>He whakarāpopoto i ngā huritaonga Summary of considerations</p>
<p><i>Fit with Council's roles or with Committee's terms of reference</i></p> <p>These policies are a tool that offers FRAC assurance that expenditure is being managed appropriately to meet the requirements of Audit, IRD, and the rate payers.</p>
<p><i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i></p> <p>These policies guide staff to manage expenditure the right way, being accountable for the funds collected to implement the LTP and/or Annual Plan</p>
<p><i>Internal consultation</i></p> <p>A range of staff, including field staff, human resources, finance, legal and procurement, business support, and democratic services were involved in shaping the policies.</p> <p>The review of these policies was a very collaborative exercise. Various workshops were originally held to understand issues and set a direction for outcomes. Throughout the forming of the policies, staff from across the business provided inputs, challenged processes and peer reviewed the final policies.</p>
<p><i>Risks and impacts - legal / health and safety etc.</i></p> <p>No impacts identified.</p>

Finance, Risk and Assurance Committee
15 August 2023
Report 23.379



For Information

GREATER WELLINGTON'S COMPLIANCE ASSESSMENT

Te take mō te pūrongo

Purpose

1. To update the Finance, Risk and Assurance Committee (FRAC) on the compliance status of consents held by Greater Wellington Regional Council (Greater Wellington)

Te horopaki

Context

2. In May 2022, FRAC requested from Greater Wellington the following requirements to understand the compliance status of consents issued by Greater Wellington to Greater Wellington:
 - a A list showing all the Resource Management Consents that Greater Wellington has applied for
 - b The list should also include consents applied by Greater Wellington from any other Territorial Authorities (TAs)
 - c For each consent we need to know what the request was and why this was being requested, and the upshot of the request
 - d The outcome of every consent that has been granted (or activities that should have been consented but were not) – no issues, slight non-compliance but remediated or serious non-compliance.
 - e For any kind of non-compliance, we will need more details about how this non-compliance occurred and any learnings, changes to policy or processes.
 - f a list of Resource Management (RM) enforcement action that has been taken against us (by ourselves or by other TAs). This includes everything on the enforcement spectrum from 'education' through to 'prosecution'
 - g FRAC would like a quarterly report of the above requests

Te tātaritanga

Analysis

Greater Wellington's current systems and processes are not set up to provide information on consents and compliance in the way FRAC has requested it.

3. Under the Resource Management Act 1991 (RMA), local authorities (i.e. councils) are responsible for monitoring to ensure activities meet requirements under the RMA, plan rules and resource consents. Likewise, the consent holder has a legal responsibility (under the RMA) to ensure ongoing compliance with their consents.
4. Therefore, the consent holder should be managing their ongoing compliance with the consent they hold. The role of the Regulator is to encourage compliance. At Greater Wellington we do this through our strategic compliance framework, with targeted inspections/compliance checks according to risk. Where non-compliance is detected, we have a subsequent follow up through the use of appropriate enforcement tools. It is important to note that low risk activities may not be inspected or have any compliance checks undertaken on them.
5. OZONE is a database owned by the Environmental Regulation unit and is a system used to track the resource consents we have issued. While the system can be used to identify active resource consents, it cannot be used to determine the current compliance status of these consents. The reason being:
 - The system does not capture the consent holder's assessment of their own compliance with consents.
 - While the results of regular compliance checks are captured within the system, as noted above, the regulator does not undertake inspections for all consents. This is because some consents do not warrant ongoing inspections (for eg: consents assessed as low risk).
 - For those consents that do have compliance checks, the compliance status is only reported as an overall annual assessment for the previous year. Therefore, compliance checks are a point in time assessment and cannot ensure ongoing compliance.
 - Any compliance action will result in the consent not being updated in the system until the action is complete.
6. Consequently, reporting based on data in OZONE to address the request by FRAC will provide an incomplete view of the current compliance status of consents issued by Greater Wellington to Greater Wellington.

Greater Wellington has a strategic compliance programme that has limited compliance monitoring of permitted activities.

7. To manage within our resource allocation, our compliance teams are limited in pro-actively monitoring all consented activities. Therefore, Greater Wellington currently monitors consented activities according to our strategic compliance assessment. This effectively ranks consented activities from high to low risk. Our programme will attempt to undertake a [once a year] compliance check on all high-risk activities and some medium risk activities. Low risk activities will not be checked unless we are notified through our incident response service.
8. Permitted activities are those activities that are allowed without the need for a resource consent through a Rule in either the Natural Resources Plan (NRP) or through a National Environmental Standard (NES). Many such rules come with conditions akin to a resource consent. We currently do not undertake any monitoring for our permitted activities in

the NRP. We do undertake some monitoring for the Plantation Forestry NES – again this is determined according to risk or through notifications from the Public.

9. If non-compliance is detected, we then have to consider our enforcement approach. Non-compliance can be detected through a number of mechanisms including through detection through our compliance programme as set out above or through notifications from our incident response service (and subsequent follow up work). Enforcement action can range from doing nothing, to education and engagement right through to more punitive action such as infringement notices (fines), Abatement Notices and in severe cases Enforcement Orders and Prosecutions – the type of action depends on the individual circumstances of the case including the level of environmental harm.

With consideration to the above, we have compiled information based on data from OZONE to partially meet the FRAC request.

10. We have collated a total list showing all the RM consents that Greater Wellington has applied for in **Attachment 1: Greater Wellington held Consents**. In summary:
 - a As of 1 May 2023, we have **427 RM consents** that GW has applied to Greater Wellington.
 - b These active consents on OZONE were issued between 1978 – 2023.
 - c Of these consents 21 RM consents are noted as expired in the list. However, consents with the status expired by the subtype 'S124' are still considered active consents in OZONE. These are consents that have active renewal or replacement applications that are currently being assessed.
11. We also looked at consents applied by Greater Wellington to any other TAs.
12. For the 23/24 insurance renewal purposes, Greater Wellington updated our information on the number of consents we hold with other TAs in April 2023. Information from this update shows the relevant council and number of active consents we hold:

Kapiti Coast District Council	44
Hutt City Council	35
South Wairarapa District Council	18
Upper Hutt City Council	18
Carterton District Council	6
Porirua City Council	4
Masterton District Council	3
Wellington City Council	2

13. In the updated consents list in **Attachment 1**, we provide the *description of the activity* for the consent.
14. In the updated consents list in **Attachment 1**, we have not been able to provide you information on the compliance status of each consent as assessed by the consent holder – in this case Greater Wellington. This is because our systems are not set up to do this consistently.
15. A summary of our compliance status as the regulator is provided in the table below. This information is summarised from the consent list provided to you in **Attachment 1**.

Note that these assessments of compliance are from a point in time only and for consents that warrant inspections.

Assessment of Compliance	# of Consents
Full compliance	153
Low risk non-compliance	27
Moderate non-compliance	5
No Inspection	21
Not Ready for inspection	11
No information available	208
Significant non-compliance	2
Grand Total	427

16. The notes associated with the compliance status is provided in Column U of **Attachment 1**. However, we acknowledge this information is incomplete for all consents that are non-compliant. This will be a key part of our improvements on how we assess the compliance status of our consents.
17. We have provided you a record of our enforcement data from 2009 till present outlining all prosecutions, abatement notices, and infringement notices in **Attachment 2** – Greater Wellington Enforcement Data.
18. Greater Wellington currently does not have any 'active' enforcement actions against Greater Wellington. Most non-compliance for consented activities held by Greater Wellington is worked through and do not result in formal enforcement action.
19. Notably Greater Wellington's more recent significant enforcement actions have not been for 'RM consented activities'. These enforcements have occurred because of activities that were in direct breach of our rules set out in the Natural Resources Plan.

Ngā tūāoma e whai ake nei

Next steps

20. We acknowledge the information provided as part of this request may not address the concerns of FRAC in terms of understanding the risk associated with our current consents. Therefore, we would like to understand what risks across our RM consents that FRAC would like to understand, and we can ensure a programme of work is in place to address this request.

We are looking to improve our processes on ensuring the compliance status across Greater Wellington's consents are current and up-to-date

21. With the new Environment Group and additional resourcing across our functions including in the Delivery area, we are looking into systems we need to set up to improve our compliance as a consent holder. This work will be a focus of our work programme for the 23/24 financial year.
22. Our Compliance, Monitoring and Enforcement (CME) function review and next steps were discussed at the Environment Committee workshop in August. This discussion aimed to provide background and context on Greater Wellington's compliance management framework and potential priority areas to focus compliance on. Input of

councillors on our compliance regime and what your priorities are across our consenting environment is a key input to help shape our ongoing regulation framework.

Ngā āpitihanga

Attachments

Number	Title
1	Greater Wellington held Consents
2	Greater Wellington Enforcement data

Ngā kaiwaitohu

Signatories

Writer	Fathima Iftikar – Director, Strategy, Policy and Regulation
Approvers	Lian Butcher – Group Manager, Environment Sue McLean – Group Manager, Corporate Services

<p>He whakarāpopoto i ngā huritaonga Summary of considerations</p>
<p><i>Fit with Council's roles or with Committee's terms of reference</i></p> <p>FRAC has the responsibility to review and monitor Greater Wellington's compliance with regulatory requirements.</p>
<p><i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i></p> <p>The consents that GW hold are required in order for us to carry out our work described in annual and long-term plans.</p>
<p><i>Internal consultation</i></p> <p>This paper was drafted in consultation with the Environment Regulation and Delivery teams in the Environment Group, and with the Risk team in the Corporate Services Group.</p>
<p><i>Risks and impacts - legal / health and safety etc.</i></p> <p>GW needs to improve our understanding on the compliance across all our consents. We've only achieved this partially for most consents and therefore carry risk of not understanding how to comply with the RMA and potentially breaching the RMA. The improvements we are making to understand our compliance status will support us in ensuring that we remain compliant.</p>

Attachment 1 to Report 23.379

Consent number	Significant consent?	Reason for significance	Permit Type	Other permit types	Consent Type	Other consent types	Consent Sub-type	Consent Holder	Description of Activity	Status	Consenting Authority	Decision date	Expiry date	Date of self assessment	Self assessed compliance	If non-compliant why?	Monitoring officer	Last Impact Assessment	EREG Compliance Status	EREG Compliance Notes
WAI02011			Land Use	Water Use	LUC - STREAMWORK	WP - SURFACE WATER OVERFLOW		GWRC, LAND MANAGEMENT DEPT.	To work in the bed of Hardy's Stream and the Awha River, including diverting the lower reach of Hardy's Stream and to divert the lower reach of Hardy's Stream	Granted	MANAGER/TEAM LEADER	0/04/2010	30/09/2045				Christine Scherzer	#####	Moderate non-compliance	
WAI13090			Land Use		LUC - GENERAL STRUCTURE			GWRC, LAND MANAGEMENT DEPT.	to install an erosion mitigation structure in an unnamed tributary of the Tinui River	Granted	MANAGER/TEAM LEADER	18/11/2012	18/11/2047				Jack Farrow	1/02/2013	Moderate non-compliance	
WGN150128			Discharge		DP - INDUSTRIAL WASTE TO WF DP - DISCHARGE TO WATER			WRC, BULK WATER DEPT.	Discharge permit to intermittently discharge supernatant from the washwater recovery plant, Wairarapa Water Treatment Plant, into the Wairarapa River and Discharge permit to discharge water and water containing sand and gravel via an existing discharge structure at the inlet to the Water Treatment Plant to the Wairarapa River and Discharge permit to discharge partially treated raw water from the Wairarapa Water Treatment Plant from two existing scum valves to the Wairarapa River and Discharge permit to discharge fully treated water from the Wairarapa Water Treatment Plant to the Wairarapa River via an existing scum valve located approximately 2km south of the treatment plant	Granted	MANAGER/TEAM LEADER	24/06/2016	10/06/2036			Lyndon Dearlove	#####	Moderate non-compliance	133101 - Condition 2 - Explanation for June and August 2022 133101 - Condition 5 - Disabled Aluminium - Condition 6 - No Notification 133101 - Condition 13 - No October Sample 133101 - Condition 15 - No Notification 133101 - Condition 19 - Flow Limit Exceeded 133101 - Condition 20 - Free lead 0, wet lead soluble aluminium, fluoride 133101 - Condition 24 and 27 - Residual Chlorine High and Totalphosphate Dosing Not Working	
WGN170158			Land Use		LUC - STREAMWORK			GREATER WELLINGTON REGIONAL COUNCIL	Land use consent to maintain an existing twin culvert located in the bed of a tributary to the Pakaraka River by placing rock rip rap at the culvert outlet and using concrete to repair the inside of the culvert, including any associated discharge of re-suspended stream sediment, diversion of water within the stream bed and disturbance to the stream bed during the works period.	Granted	MANAGER/TEAM LEADER	2/02/2017	2/02/2052				Doug Fletcher	#####	Moderate non-compliance	no correspondence from parks regarding this consent, just has photographic record requirement so will not generate another schedule. On 24.07.2022 received photographic monitoring photos for Cond 20. requirements. Received before and after photos only. No during works photos, no date and time info for photos or identification of what photos are supposed to show. Also did not receive notification of commencement of works in accordance with Cond 2. Cond 17 restricts works from occurring between 11 May and 15 August as photos received 14.07.2022 suggest this cond was ignored. Works exceeded length of rip rap & gabion baskets specified in the application. No adverse effects in a result. Compliance inspection undertaken by Craig Press.
WGN09012102			Land Use		LUC - HAZARD MITIGATION STRUCTURE			Wellington Regional Council Recreat	To place up to 2 m of gabion baskets and rock rip rap (CD: 8) a digger	Granted	MANAGER/TEAM LEADER	12/01/1999	12/01/2054				Susan Shearer	#####	Moderate non-compliance	

Attachment 1 to Report 23.379

Row Labels	Count of Consent_number
Full compliance	153
Low risk non-compliance	27
Moderate non-compliance	5
No Inspection	21
Not Ready	11
NULL	208
Significant non-compliance	2
Grand Total	427

Attachment 2 to Report 23.379

Notice Number	File number	Date of Incident	Incident ref.	Name	Address of Recipient	Issued Under	Contravened	For:	To:	Legal description	Location the notice applies to	TA	Issuing Officer	Date of Service	Method of service	Date Compliance Due
A 427	SN/03/333/04			Flood Protection Department, Wellington Regional Council	142-146 Wakefield Street, Wellington 6011 Attn: Graeme Campbell	322(1)(a)(i)	9(2) and 15(2A)	Unauthorised discharges of contaminants to land	Cease the unauthorised discharges of contaminants to land from the Waiwhetu Stream remediation project		The Wellington Region	Wellington	Trudy Richards	9-Dec-09	Post	Immediately
A 429	SN/03/333/04			Flood Protection Department, Wellington Regional Council	142-146 Wakefield Street, Wellington 6011 Attn: Graeme Campbell	322(1)(b)(i)	9(2) and 15(2A)	Unauthorised dumping of contaminated material in cleanfill	Remove all contaminated material discharged from the Waiwhetu Stream remediation project, provide evidence of the removal of the contaminated material	Lot 1 DP 41540	7A Waiu Street, Wainuiomata, Lower Hutt	Hutt City	Trudy Richards	9-Dec-09	Post	1700hrs 16 dec 09
A 524	SN/04/272/04			Forestry Department, Utilities and Services Group, Wellington Regional Council	142 Wakefield Street, Wellington 6011	322(1)(a)(i)	139(1)(d), 15(1)(b), 15(2A)	unauthorised discharges of sediment to water	cease the authorised discharges of contaminants, namely sediment, to water in the Akatarawa Forest, Lindsays Road, Valley View, Upper Hutt		Boiler Gully, Raupo Saddle and Clarkes Creek, Akatarawa Forest, Lindsays Road, Valley View, Upper Hutt	Hutt City	Trudy Richards	28-Sep-10	Post	Immediately
A983	ENV-17-12-195	20 January 2021		GWRC Parks Department	100 Cuba Street, Te Aro, Wellington, 6011	Section 322(a)(1) of the RMA	Section 9(2)(a) and Section 15(1)(b) of the RMA	The unauthorised use of land, namely earthworks for the construction of tracking that contravenes the regional rules. 2. The discharge of contaminants to land where it may enter a waterway. 3. The unauthorised deposition of material to river beds	1. Cease the unauthorised use of land, namely earthworks for the construction of tracking that contravenes the regional rules. 2. Cease the discharge of contaminants to land where it may enter a waterway. 3. Cease the unauthorised deposition of material to river beds	the area indicated in S.O. Plan No.35951	The Wellington region	WCC	Nikki Fenn	1-Dec-21	Email	Immediately and continue to comply thereafter

Attachment 2 to Report 23.379

Date letter sent	Incident ref.	File number	Name	Address	Issuing Officer	Date reply to be received	Incident Date	4 months from date of incident	
28-Sep-10		SN/04/272/0 3	Forestry Department, Utilities and Services Wellington Regional Council	142 Wakefield Street, Wellington 6011	Trudy Richards	Unauthorised works in Akatarawa Forest, Upper Hutt	20-Oct-10	13-Sep-10	13-Jan-11
10-Nov-11		SN/04/088/0 3	Greater Wellington Regional Council: Water Supply	Waterloo Operations Centre, 44 Oxford Terrace, Lower Hutt 5011	Olivia Vorwerk	Unauthorised discharge of hydrocarbons to stormwater network, and tributary of the Hutt River, from works at Te Marua Water Treatment Plant	21-Nov-11	28-Oct-11	28-Feb-12
26/03/2015		ENV/17/10/5 8	Greater Wellington Regional Council	34 Chapel Street, Masterton 5840	Edward Lee	Drain Spraying of the Solway Stream Mania Road	3-Apr-15	18-Mar-15	18-Jul-15

Attachment 2 to Report 23.379

Party	Case Name/Ref	Date of Offence	Number of Charges	Description of Charges	TA	Date of Charge	Outcome	Additional Details	Amount of fine	Sentencing date (or other)	Mode of Case
Greater Wellington Regional Council (Park Department)	Birchville	between 22 and 26-Sep-2019	2	Damage to Clarke's Stream and discharge of sediment, contravening 13(2A) and 15(1)(b)	UHCC	20-Mar-20	Convicted and fined		\$ 90,000	20-Nov-20	Guilty Plea

Finance, Risk and Assurance Committee
15 August 2023
Report 23.342



For Information

HARBOUR MANAGEMENT – RISK AND COMPLIANCE UPDATE – AUGUST 2023

Te take mō te pūrongo

Purpose

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

Te tātaritanga

Analysis

Shelly Bay wharves

2. Positive progress was being made on the removal of these wharves; the removal work confirmed the very poor condition of the decking.
3. Work was halted due to the asbestos risk following the June 7, 2023, fire. At this stage it is unknown when the work will continue.
4. An exclusion zone is on place both on land and water in relation to the asbestos contamination and clean-up work.

Channel Risk Assessment

5. In 2020, CentrePort and Greater Wellington commissioned South Maritime Solutions to review navigation safety in the Wellington Harbour entrance channel and approaches. The review considered the infrastructure, current practice, best practices and possible future changes. The final report was received in October 2020.
6. Proposals coming from some of the recommendations were discussed in June 2023 harbour users meetings. Feedback is being received as a result of that work. These are focused around how ships navigate in the narrow part of the harbour entrance and will likely require some significant changes to harbour Navigations aids.
7. At this stage proposals include adjusting the recommended tracks in and out of the harbour to create better separation between ships near Steeple Rock and the option of a 'one way' system near the harbour entrance, as well as adjustments to how ships approach the entrance. The proposals are creating good discussion.

Falcon shoal dredging

8. Last year, in conjunction with Centreport, we undertook dredging work near Falcon Shoal. This was to enable movement of the navigation pile and adjusting the outward track. Recently Centreport undertook survey work in this area, and this has indicated

there are still a few lumps in this area that can be removed, again in conjunction with Centreport's planned maintenance dredging in the 2024/25 year.

Sunken/Derelict vessels

9. We continue to assist the Porirua and Wellington City Councils with removal/disposal of damaged or abandoned vessels as well as similar vessels on moorings. These vessels are generally around 10 metres or less in length and relatively easily dealt with. Where possible we recover any associated costs for these activities.
10. We have disposed of a small yacht from Mana that the owner was unable to maintain, both Wellington and Porirua Councils have each removed a vessel from their areas with our assistance.
11. A small yacht came off its mooring in Evans Bay on July 29, 2023, and due to landing ashore in a good position, was recovered with little damage assisted by our Harbour Rangers and the Maritime Police.

Navigation issues

Shiling

12. Subsequent to the loss of power in the harbour in April 2023, the vessel was detained by Maritime NZ and then once released complied with a Harbourmaster's Direction for engine trials in the harbour and weather conditions before departing.
13. On 12 May 2023, the ship lost power off Farewell Spit. The Master declared a Mayday and the Skandi Emerald, an anchor handling tug working out of New Plymouth, proceeded at speed to assist. That tug took around eight hours to get there and tow the vessel and a very grateful crew into the shelter of Tasman Bay. On 23 May she returned to Wellington under tow. For the next approximately six weeks significant work was carried out before she sailed, escorted (not towed) by the tug MMA Vision on 7 July. The ship is now at a repair facility in Indonesia, after discharging her remaining cargo in Singapore.
14. This was a significant piece of work that took up the time and resources of a lot of people from many organisations, local and from overseas. It was a credit to Wellington and Centreport that the ship was able to be managed here and then safely sail from here.

Navigation aids

15. The rear leading light in Wellington harbour has behaved erratically on a couple of occasions, shipping is warned when this happens. This light will be upgraded as part of the channel review changes.
16. The Island Bay lead lights have been out for a protracted period this winter. This affects the local fishing vessels in Island Bay. We have taken the opportunity to replace them with brighter and more reliable lights. Changing contractors and delays for traffic management due to the FIFA event has delayed this work. We expect the new lights to be operational before this meeting.

Emergency Ocean Response Capability

17. This was previously called “out of port support”. Emergency Ocean Response Capability (EORC) is the preliminary advice being provided to the Ministers of Transport by Maritime NZ that has assessed the current procedures and options for supporting ships in difficulties outside of ports. Maritime NZ consulted broadly, and this advice is waiting to be presented to the Ministers. It is initially focused on Cook Strait, however, does have wider implications. It will first be presented to the Associate Minister of Transport who will decide the next steps. Councillor Ponter and Mayor Taylor (Marlborough) have written to the new Transport Ministers encouraging progress with this work. Maritime NZ are actively seeking to engage with the Ministers when possible.
18. We have been talking to Centreport about local steps regarding supporting vessels (specifically the ferries) in an emergency. Centreport has provided a preferred specification for a tow line for the ferries. We are discussing this with the ferry companies and our preference is for having one on each ship and practising with them. This is on-going at the time of writing.

Cruise ship visits

19. The cruise ship season is beginning in early November 2023, later than usual. There are currently 106 visits booked, with 24 “two ship” days. There will not be any vessels anchoring and transferring passengers ashore by smaller boats, as was requested last season.

Bunker barge

20. We are in discussion with the operator of a bunker barge (a small oil tanker that remains in the port to fuel other ships) about an operation due to start this year in Wellington. This has implications in terms of a training for the masters for operating within the harbour without a Pilot and changes to oil spill prevention transfer plans. We are working with Centreport and Maritime NZ in relation to this activity.

Port and Harbour Marine Safety Code

21. Centreport and Greater Wellington completed the annual self-assessment and reported to the Code working group in June. This included reviewing last year’s targets and setting objective for the coming year. The assessment concluded we continue to be Code compliant. At the same time, we continue to work through the recommendations from the 2022 peer review.

Safety incident

22. On Sunday 30 July a swimmer was struck by a powerboat in Oriental Bay.
23. The swimmer was grazed on their leg but avoided the outboard motor and propellor. The swimmer was wearing a bright swim cap and towing a float. The incident took place inside the line of the five knot buoys.
24. The powerboat stopped briefly before moving on, the vessel had a name on it, and this is useful to try and locate the owner.
25. The incident was notified to Maritime NZ and the Police Maritime Unit. We are working with these organisations in terms of follow up.

Ngā hua ahumoni
Financial implications

- 26. The disposal of derelict or uninsured vessels will present unplanned expenditure from the operating budget.
- 27. Recommendations arising from the channel risk assessment may have a variety of financial implications for both CentrePort and Greater Wellington. Options for mitigating any financial impacts will be investigated.

Ngā kaiwaitohu
Signatory/Signatories

Writer	Grant Nalder – Manager, Harbours, Harbourmaster
Approvers	Jack Mace – Delivery Director Lian Butcher – Group Manager, Environment Group Sue McLean - Kaiwhakahaere Matua Ratonga Rangapū Group Manager, Corporate Services

He whakarāpopoto i ngā huritaonga Summary of considerations
<p><i>Fit with Council's roles or with Committee's terms of reference</i></p> <p>This report allows the Committee to “review... Greater Wellington’s identification and management of risks faced by Council and the organisation... [including]... whether Greater Wellington is taking effective action to mitigate significant risks.”</p>
<p><i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i></p> <p>This report does not contribute directly to Council’s or Greater Wellington’s key strategies, plans, or policies.</p>
<p><i>Internal consultation</i></p> <p>Environmental Regulation was consulted relating to wharves.</p>
<p><i>Risks and impacts - legal / health and safety etc.</i></p> <p>Specific risks and related mitigations are discussed in the Analysis section of this report.</p>

Finance, Risk and Assurance Committee
15 August 2023
Report 23.336



For Information

ENVIRONMENTAL MANAGEMENT RISK – BIRCHVILLE DAM

Te take mō te pūrongo

Purpose

1. To inform the Finance, Risk and Assurance Committee (the Committee) on the management and associated risks of the Birchville Dam.

Te horopaki

Context

2. Birchville Dam, a single curvature arch dam, was originally constructed for water supply but is now kept as a public amenity and for historical purposes.
3. The 2019 prosecution of Greater Wellington Parks over work on Birchville dam and its consequences following recently completed sediment survey work, as well as the current management and monitoring practices in place, is covered in [Attachment 1](#).
4. Over the years, Dam Safety Reviews (DSRs) have been conducted, leading to necessary adjustments to manage the dam as a Medium Potential Impact Classification (PIC) dam. However, through the 2021 comprehensive DSR we commissioned a survey of the valley below the dam to work out the risk of damaging the houses downstream. It was determined that the water level in a complete failure of the dam would be 1.5m below the finished floor level of the lowest house. As a result, the dam now classifies it as a Low PIC dam and does not require the exercising of the scour valve that resulted in the 2019 prosecution.
5. Our process for continued improvements are:
 - a Following the recommendations of the DSR for the safety of the people and property.
 - b Check compliance with the Resource Management Act before all work for the safety of the environment.
 - c Continuously look to improve how we undertake any work on the dam.
6. In previous sediment surveys, the planned approach involved partially de-watering the dam to facilitate the process. However, during the last survey our team collaborated with the contractor to explore alternative methods. This resulted in a fractional loss of detail of the sediment survey, while still providing sufficient information to assess the sediments' effects on the dam. Importantly, this alternative method ensured the safety of the dam while minimizing potential risks associated with de-watering.

**Ngā āpitihanga
Attachment**

Number	Title
1	Birchville Dam - briefing to councillors 21 June 2023

**Ngā kaiwaitohu
Signatories**

Writers	Steven Fargher – Kaiwhakahaere Matua / Team leader Parks maintenance Rachael Boisen Round - Kaitohutohu Papa Rēhia / Parks Resource Management Advisor
Approver	Jack Mace – Delivery Director Lian Butcher – Kaiwhakahaere Matua Taiao Group Manager Environment Sue McLean - Kaiwhakahaere Matua Ratonga Rangapū Group Manager, Corporate Services

<p>He whakarāpopoto i ngā huritaonga Summary of considerations</p>
<p><i>Fit with Council’s roles or with Committee’s terms of reference</i></p> <p>This report allows the Committee to “review... Greater Wellington’s identification and management of risks faced by Council and the organisation... [including]... whether Greater Wellington is taking effective action to mitigate significant risks.”</p>
<p><i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i></p> <p>Development and implementation of related work programmes falls under the core activities of the 2021-2031 Long Term Plan. This update specifically speaks to the potential for impacts on freshwater quality relating to the management of Birchville Dam.</p>
<p><i>Internal consultation</i></p> <p>There was internal consultation between the Delivery and Regulation teams.</p>
<p><i>Risks and impacts - legal / health and safety etc.</i></p> <p>There are no known risks and impacts related to this report.</p>

Attachment 1 to Report 23.336**Birchville Dam - briefing to councillors 21 June 2023****Context**

Birchville Dam is a 15m high single curvature arch dam on Clarkes Creek/Birchville Stream, which is a west bank tributary of Te Awa Kairangi/Hutt River. The dam is located on the Cannon Point trig track within the Akatarawa Regional Park. On behalf of the landowner GWRC, it is managed by the Delivery function within the Environment Group (previously Parks). The dam was built as part of Upper Hutt's water supply in 1930 but is now a public amenity used for recreational purposes.

There are two valves in the dam structure:

- a. the **scour valve** in the lower true left side of the dam face, which is no longer maintained/used as it is located below the reservoir's sediment level; and
- b. the **outlet valve** on the true right side of the dam, which takes water via the intake tower structure from the upper/middle water column of the lake i.e. clean water, not within the lake sediments.

The current normal operating situation at the dam is that all valves are closed off and water is allowed to overtop the dam spillway naturally (i.e. we do not control the water discharged via the dam).

Legislative requirement for the management of Birchville Dam

Up until May 2022 when the Government released new regulations¹, the safety and resilience of dams was managed using the Dam Safety Guidelines produced by the New Zealand Society on Large Dams (NZSOLD). These regulations ensure that classifiable dams are well operated, maintained and regularly monitored. They also ensure that potential impacts of dam incidents and failures are reduced, protecting people, property, and the environment. To be a classifiable dam, a dam must be >4m in height and >20,000L storage of fluid, or >1m height and >40,000L storage.

Parks have had several Dam Safety Reviews (DSR) done for Birchville Dam over the years, with the most recent being a Comprehensive Dam Safety Review (CDSR) in June 2021. This assessment, supported by dam break analysis, changed the Potential Impact Classification (PIC) from Medium to Low. The CDSR stated that the dam is in great shape, and we are not putting any property or life at risk with the volume of water stored in the dam, including while the reservoir is full and overtopping the dam crest. The 2021 CDSR is **available on request** if required.

2019 prosecution and follow up actions

The 2016 DSR classified the dam as Medium PIC due to the possibility that if the dam failed it may damage two houses downstream. Over the next two years and on the advice of dam safety experts, work was completed to get our systems up to speed with managing a Medium PIC dam. This included reducing the volume of water (lowering level) in the dam reservoir by having the outlet valve permanently open, and the monthly exercising (opening fully then

¹ [Building \(Dam Safety\) Regulations 2022 \(SL 2022/133\) – New Zealand Legislation](#)

Attachment 1 to Report 23.336

closing) of the two dewatering valves (scour and outlet) to ensure that if there was an emergency, we would be able to operate them.

During one of the monthly valve exercise tests in mid-2019, a large tree branch became stuck in the opening of the scour valve on the reservoir side. The decision was made to empty the reservoir to ensure safe working conditions to unblock the scour valve. The scour valve was left open, and a significant amount of sediment was released into the stream. Following an enforcement investigation, GWRC Environment Regulation (EReg) prosecuted GWRC Parks, with a resulting \$90,000 fine.

Throughout 2020 several options were investigated to address the scour valve, which was/is closed but still partially blocked and positioned under a significant amount of silt in the bottom of the reservoir. This included various discharge proposals, engineering options, consenting requirements and longer-term dam and/or sediment removal options. We fitted a steel cage over the inlets into the tower that feeds the outlet valve to ensure the pipework and valve doesn't get blocked by debris.

Then, in conjunction with the 2021 CDSR and on the advice of experts, we had:

- a. the reservoir's sediments surveyed using bathymetry to enable a comparison against subsequent surveys (at two-yearly intervals) to assess if the sediment levels behind the dam are increasing at a faster rate than that assumed in the 2006 stability analysis; and
- b. the valley below the dam surveyed and a dam break analysis completed i.e. what level any water and sediment released in a dam failure might reach at the two houses adjacent to the confluence of Clarkes Creek and Te Awa Kairangi.

The dam break analysis estimated that any potential dam failure would result in a flow of water and sediments that would reach no higher than approx. 1.5m below the finished floor height of the lowest house. Based on the expert's assessment of several factors, Birchville dam was classified as a Low PIC. The experts advised us that the Low PIC rating meant there was no reason to exercise the scour valve (i.e. not required in an emergency), and no reason against closing the outlet valve and allowing water to overtop the dam crest again, which we have done.

Current management and monitoring of the dam

There are different management and monitoring requirements for each PIC level. To manage the Birchville Dam to meet the requirements of a Low PIC dam we undertake the following:

- Maintenance plan to include:
 - Two-yearly bathymetry survey, next in 2023.
 - Intermediate DSR every two years, next in 2023 / after bathymetry survey
 - Comprehensive DSR every 10 years, next in 2031
 - Visual inspections by trained internal staff, quarterly and after any significant earthquakes – emphasis on regular monitoring of the abutments to ensure that indications of instability are quickly identified
 - Regularly clearing/spraying of vegetation on abutments to enable visual inspections
- Ongoing action: update/finalise a GWRC-wide Dam Safety Management Strategy (DSMS) and Emergency Action Plans (e.g. including Flood Protection dams).

Attachment 1 to Report 23.336**Proposed works relating to the GWRC Facebook post 19.06.2023**

We have contracted consultants to undertake a follow-up bathymetric survey of the sediment levels in the dam reservoir in preparation for the Intermediate DSR. This is done by boat using non-intrusive surveying equipment. To ensure cost-effectiveness, ease of measurement and comparison with the survey completed in 2021, we planned to lower the level of water behind the dam to a similar level to what was in 2021 (when the outlet valve was fully open).

Therefore, we planned to open the outlet valve in the true right side of the dam, which draws water from approx. 1.5m below the crest of the dam in clear water, about 3m above the sediment level. Once the reservoir reduced to the appropriate level of the survey, the valve would then be partially closed to keep the lake water level constant, while still allowing water to discharge so the stream downstream of the dam doesn't run dry. The scour valve would not be opened.

We estimated it would take 1-2 days of discharge from the outlet valve pipe to drop the water level behind the dam structure to a level approx. 1.5m below dam spillway. The outlet valve would then be left partially open for up to two weeks to allow the bathymetric survey to be done, dependent on weather conditions. The valve would not be completely closed again until the dam has re-filled, and water overtops the spillway as per the current situation (i.e. the stream will not be allowed to run dry at any time).

Resource consent requirements for this activity

Opening the outlet valve would discharge water from the dam reservoir and it's contributing streams into Clarkes Creek and ultimately Te Awa Kairangi / Hutt River. For an initial period, this discharge would be in addition to the water that overtops the dam spillway into the stream. Following discussions with EReg in May 2023, we consider that this meets the permitted activity rule R43 in the proposed Natural Resources Plan for the Wellington region (pNRP). Therefore, no resource consent is required to discharge water through the outlet valve, provided the permitted activity conditions can be met.

Note: in follow-up discussion with EReg², we agreed that a reasonable time period within which any minor residual sediment settled in the tower and outlet valve pipework could be discharged (until the water was running clean/clear) would be a maximum of 5mins, provided that two people onsite were in radio contact and could communicate whether or not the R43 effects were being observed in the stream beyond a zone of reasonable mixing (50m downstream). If the R43 effects are observed beyond 50m downstream at the 5min post-opening time period, the valve would be immediately closed.

Measures that will be in place during any opening of the outlet valve

During any opening of the outlet valve, the Parks Maintenance team (led by Steven Fargher) would ensure:

² Between Rachael Boisen Round (Delivery) and Genevieve Walker (Regulation) on 19.06.2023

Attachment 1 to Report 23.336

1. Before lowering the level of the dam, a leaflet drop, including contact information, to be delivered to the residence of Bridge Road
2. At the initial opening of the valve, there is at least two people onsite:
 - a. one person manually opening the outlet valve gradually (flow rate can be increased or decreased but is ultimately limited by the pipe size) and
 - b. a second person 50m located approx. 50m downstream of the pipe outlet (beyond a zone of reasonable mixing) to monitor the effects of the discharge against the pNRP permitted activity rule R43 conditions.
3. The flowrate through the outlet would be adjusted to ensure there is:
 - a. no greater flow in the stream than during an average rainfall event (when a greater volume of water overtops the dam crest) and
 - b. no overtopping of banks at downstream neighbours' properties.
4. While the lake level is dropping using the outlet valve, the team will monitor the stream and the dam at least twice daily for any R43 effects and to check water levels in the dam.
5. While the outlet is open and level is lowering, if any of the R43 effects are observed, the outlet valve will be mostly closed and flows reduced to a minimum until the water naturally flows back over the dam, then the valve will be fully closed. Leaving the outlet valve open slightly will allow the stream to have some residual water flow until the water reaches overtopping level.

Prepared by:

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Finance, Risk and Assurance Committee
15 August 2023
Report 23.367



For Decision

RESOLUTION TO EXCLUDE THE PUBLIC

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

Insurance Update – Report PE23.363

Cybersecurity Update – Report PE23.381

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:

Insurance Update – Report PE23.363	
<i>Reason for passing this resolution in relation to each matter</i>	<i>Ground(s) under section 48(1) for the passing of this resolution</i>
<p>The report contains information provided by insurance providers relating to pricing for the renewal of Greater Wellington’s insurance. Release of this information would likely prejudice the insurer’s and Greater Wellington’s commercial position in the market as it would reveal the related pricing.</p> <p>Greater Wellington has not been able to identify a public interest favouring disclosure of this particular information in public proceedings of the meeting that would override this prejudice to the insurers’ commercial position.</p>	<p>The public conduct of this part of the meeting is excluded as per section 7(2)(b)(ii) of the Act, as making available the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.</p>
Cybersecurity Update – PE23.381	
<i>Reason for passing this resolution in relation to each matter</i>	<i>Ground(s) under section 48(1) for the passing of this resolution</i>
<p>The report contains information about Greater Wellington’s cyber security status. Release of this information exposes Greater Wellington to cyber-attack threats by making it easier for the</p>	<p>The public conduct of this part of the meeting is excluded as per section 7(2)(j) of the Act, to prevent the disclosure or use of official</p>

<p>public to know Greater Wellington's cyber security status and utilise the information for improper gain or improper advantage. It is necessary for Greater Wellington to exclude the information contained in this report from the public domain to protect our information assets and reduce the likelihood of cyber-attack and the information contained in this report being used for improper gain or advantage.</p> <p>Greater Wellington has not been able to identify a public interest favouring disclosure of this particular information in public proceedings of the meeting that would override this risk.</p>	<p>information for improper gain or improper advantage.</p>
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This resolution is made in reliance on section 48(1)(a) of the Act and the particular interest or interests protected by section 6 or section 7 of that Act or section 6 or section 7 or section 9 of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public.