



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

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

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

Tuesday 25 February 2020, 9.30am

Council Chamber, Greater Wellington Regional Council,  
Level 2, 15 Walter Street, Te Aro, Wellington

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### **Members**

Cr Kirk-Burnnand (Deputy Chair)

Cr Blakeley

Cr Hughes

Cr Connelly

Cr Lamason

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

## Finance, Risk and Assurance Committee

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Tuesday 25 February 2020, 9.30am  
Council Chamber, Greater Wellington Regional Council,  
Level 2, 15 Walter Street, Te Aro, Wellington

### Public Business

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Finance, Risk and Assurance Committee  
25 February 2020  
Report 20.14



For Decision

## INTERNAL AUDIT PLAN

### Te take mō te pūrongo

#### Purpose

1. To seek the Finance, Risk and Audit Committee's decisions on the proposed business assurance/internal audit arrangements, including an 18-month business assurance programme.

### He tūtohu

#### Recommendations

That the Committee **approves** the proposed Greater Wellington Regional Council Business Assurance Strategy, which is included as [Attachment 1](#).

### Te horopaki

#### Context

##### *Internal audit arrangements*

2. PwC is our current business assurance advisor: PwC has provided us with internal audit services since March 2017.
3. That organisation's role is to provide us with expert business assurance advice, and to conduct internal audits against an agreed programme.
4. The initial internal audit plan agreed with PwC in 2017 was on an 18-month rolling basis. It is timely that it be reviewed and a new plan be developed taking into account current business risks and priorities.
5. [Attachment 1](#) (Greater Wellington Regional Council's Business Assurance Strategy) provides a summary of Greater Wellington's business assurance framework, including the role of PwC, what business assurance is and how it fits into the organisation. [Attachment 1](#) incorporates the proposed business assurance/internal audit plan, including the plan's timing, its focus, rationale and the Executive Leadership Team (ELT) sponsor for each aspect.

##### *Source of internal auditor*

6. It is good practice to undertake internal audit reviews. These internal audits could be completed by dedicated internal auditors or be outsourced, as we have done over the last years.

7. The main advantages of outsourcing are having access to dedicated experts who know what best practice is, can be available to meet our timetables, and deliver best value for money.
8. A detailed analysis that explores auditing resourcing is contained in [Attachment 2](#) (Business assurance update – Report 19.80).

### **Te tātaritanga Analysis**

9. The proposed areas for internal audit have been decided on internally by us after a detailed process.
10. This process included a review of the Long Term Plan priorities, Greater Wellington's risk register, potential audits that could be undertaken, Audit New Zealand's management report, advice from PwC on topical audits, discussion with officers on organisational areas for improvement and areas for audit, as well as a review of the previous business assurance plan.
11. ELT has endorsed the three year plan for presentation to the Finance, Risk and Assurance Committee (the Committee).
12. The plan is based on a delivery of four audits per year - three under the business assurance budget as well as an annual Public Transport (PT) fare-box review undertaken under PT's budget.
13. The plan as presented has assigned dates for the start of each audit programme of work. These are indicative at this point and could change due to business priorities and availability of officers.
14. Other audit priorities could arise, thus the plan needs to be flexible to adapt to change and respond to evolving risks. Therefore, the plan will be reviewed on a regular basis and adjusted to meet business needs.

### **Ngā hua ahumoni Financial implications**

15. The budget for the audits is \$75,000 excluding GST per year which excludes any internal time. Where possible, we will use internal resources to keep the external costs down.

### **Te huritao ki te huringa o te āhuarangi Consideration of climate change**

16. The matters requiring decision in this report were considered by officers in accordance with the process set out in Greater Wellington's *Climate Change Consideration Guide*.

### ***Mitigation and adaption assessments***

17. The matters addressed in this report are of a procedural nature, and there is no need to conduct climate change assessments.



**Ngā tikanga whakatau**  
**Decision-making process**

18. 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**

19. Officers considered the significance (as defined by Part 6 of the Local Government Act 2002) of the matters, taking into account Council's *Significance and Engagement Policy* and Greater Wellington's *Decision-making Guidelines*. Officers recommend that the matters are of low significance given their procedural nature.

**Te whakatūtakitaki**  
**Engagement**

20. Given the low significance of the matters for decision, no external engagement was undertaken.

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

21. Officers will report back to the Committee on the implementation of the internal audit plan as the audits are completed. We will update the progress on the audit recommendations at the Committee's 12 May 2020 meeting.

**Ngā āpitihanga**  
**Attachment**

Number	Title
1	Greater Wellington Regional Council - Business Assurance Strategy
2	Business assurance update – Report 19.80

**Ngā kaiwaitohu**  
**Signatories**

Writer	Mike Timmer - Treasurer
Approver	Samantha Gain – GM Corporate Services

<p><b>He whakarāpopoto i ngā huritaonga</b>  <b>Summary of considerations</b></p>
<p><b><i>Fit with Committee’s terms of reference</i></b></p> <p>The Committee’s Terms of Reference provide for it to “approve an internal audit plan”.</p>
<p><b><i>Implications for Māori</i></b></p> <p>There are no known impacts for Māori.</p>
<p><b><i>Contribution to Annual Plan / Long term Plan / Other key strategies and policies</i></b></p> <p>Internal audit reviews the effectiveness of Greater Wellington’s internal controls framework and processes such that Council can deliver effectively on its objectives, including safeguarding assets as set out in its Long Term Plan and Annual Plans. Internal audit supports the risk management policy and risk management framework.</p>
<p><b><i>Internal consultation</i></b></p> <p>The proposed internal audit arrangements were developed by management in consultation with a number of Greater Wellington’s third tier managers, with ELT oversight and review.</p>
<p><b><i>Risks and impacts: legal / health and safety etc.</i></b></p> <p>Internal audit acts to reduce risk by ensuring controls are operating as Greater Wellington has developed through its policies and procedures.</p>

# Greater Wellington Regional Council

## Business Assurance Strategy

Finance, Risk and Audit Committee  
February 2020



## What is Business Assurance?

GWRC is a complex organisation with a range of accountabilities, services and functions. These are delivered through operational units, related entities, contracted service providers and key change projects.

Within GWRC's operations and wider business environment are a range of risks. These risks pose a threat to the achievement of objectives as set out in the Council's Long Term Plan and supporting Annual Plan.

GWRC has established an approach to the identification and management of risk and rely on a range of internal controls embedded within the core business operating model.

### What is Business Assurance?

Business Assurance is the name used for the Internal Audit function within GWRC. The language of 'Business Assurance' was chosen to reflect a business focused, 'confidence building' assurance emphasis intended. This is opposed to the perception some have of internal audit as a past looking compliance focused 'audit' function just focused on problem identification.

### Why have Business Assurance?

The Council require assurance that the key controls relied on to mitigate risk are in place and working effectively.

### Business Assurance will:



- Provide independent and objective assurance and advice on GWRC's organisational governance, risk management and internal control processes.



- Help GWRC better understand and manage risk and to provide confidence that key elements of the business relied on to manage risk are in place and working effectively.

## Business Assurance design decisions

The Business Assurance Strategy set out in this document addresses the following design decisions for Business Assurance:

- **Purpose:** why do we need Business Assurance?
- **Coverage:** what assurance do we need?
- **Drivers:** what determines the specific programme of Business Assurance activity?
- **Scope:** What is the right balance between a compliance focus vs an effectiveness focus? ... between breadth of coverage vs depth of review? ... between business-as-usual vs change? ... between after-the-fact checking vs upfront advice?
- **Accountability:** where should this assurance come from? (management self review vs Business Assurance vs External Audit)
- **Extent:** how much assurance do we need?
- **Horizon:** how far forward do we plan?
- **Positioning:** how do we want Business Assurance to engage with the Council?

### Accountability for Business Assurance

Overall accountability for the delivery of Business Assurance rests with the Treasurer, Mike Timmer. The role of Treasurer includes accountability for Risk Management and Internal Audit.

The role of PwC is to provide advice and support in the planning and delivery of Business Assurance within the Council. In this regard PwC work under the direction of the Treasurer.

# Relationship between Business Assurance and Risk



**Business Assurance: helping the Council effectively manage risk by building trust and confidence in the core controls relied on by management**

# Business Assurance Framework

**Vision: helping the Council effectively manage risk by building trust and confidence in the core controls relied on by management**

## Risk management accountability

Accountability for identifying risks and implementing controls lies with management. The role of the Risk Manager is to ensure that there is an effective and consistent basis by which GWRC identified, assesses, reports and manages risk. The role of Business Assurance is to confirm that key controls relied on to manage risk are effective in design and operation.

A 'lines of defence' model provides a good basis for delineating the respective roles and accountabilities for providing assurance within GWRC. It is recommended that the following accountabilities be confirmed based on a lines of defence model.

This Lines of Defence model is explained on the right.

## Positioning:

The relationship between Business Assurance and the Council should be a constructive one with a mutual goal of helping GWRC better understand and manage risk within the business through an effective internal control environment.

Business Assurance will balance the need to:

- Work **collaboratively** with management to provide advice and support.
- Provide an **independent** and objective assessment of management's performance in maintaining an appropriate control environment.



## Lines of Defence



# Business Assurance Strategy

**Vision: helping the Council effectively manage risk by building trust and confidence in the core controls relied on by management**

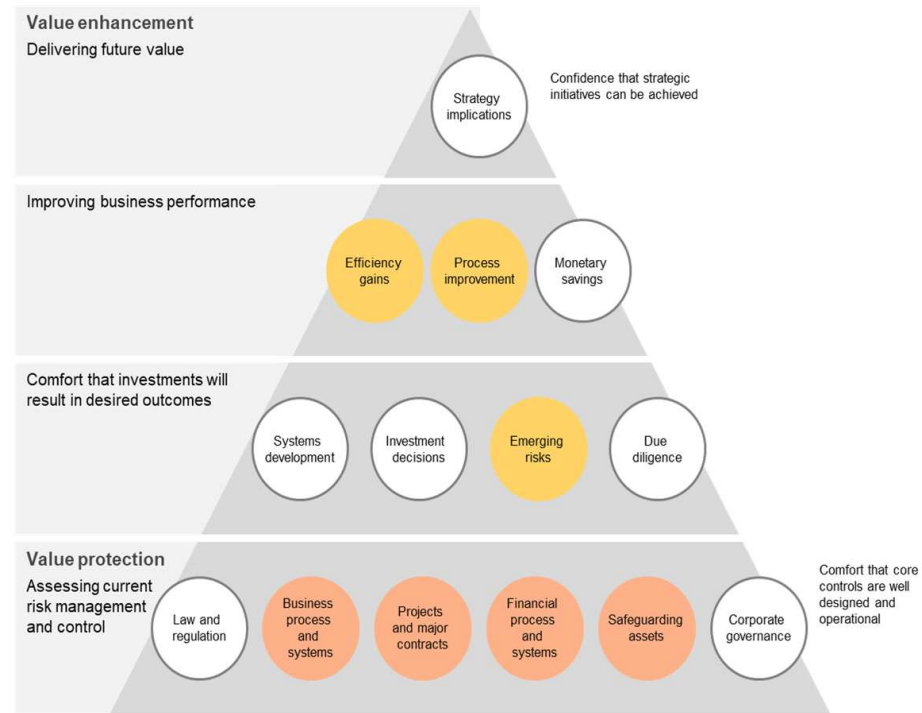
## Principles:

Using the diagram below, a modern Business Assurance function looks to cover both **value protection** and **value enhancement**. The mix of engagements against the triangle is dependent upon the needs of the Council at the time.

- **Value protection**- providing point in time confidence that core elements of your control environment are in place and working effectively.
- **Value enhancement**- providing forward looking assurance and advice on areas of business improvement and change that directly contribute to GWRC's achievement of the 10 Year Plan.

## Strategy for FY21

The focus over the next 18 months is to primarily test existing controls and adequacy of them. Review systems and processes to ensure they are operating effectively and secondly to see where they could be enhanced.



### Key:

- **Primary drivers** in the development on the FY21 strategy and plan
- **Secondary drivers** in the development on the FY21 strategy and plan

# Business Assurance Strategy

**Vision: helping the Council effectively manage risk by building trust and confidence in the core controls relied on by management**

## Considerations

Specific topic areas for review for Business Assurance may be driven by:

**Council and Management request:**  
specific areas for review on based on identified need. For example, to provide a point in time assessment to feed into future business improvement initiatives



**Top risks:**  
top risks identified by GWRC and controls relied on to mitigate these risks

**Issue:**  
areas of common issue, error or concern identified by GWRC in order to understand underlying factors and internal control issues that may be contributing to this

**Control Universe:**  
periodic assessment of the core business processes and control, while not explicitly tied to a key strategic or operational risk, are still important to day to day operations

**Change:**  
projects or initiatives that will impact the Council's operating environment (especially people, process and technology) and underpinning control environment

## Strategy for FY21

The primary driver of the FY21 plan is a combination of Council and management requests and looking at essential controls.

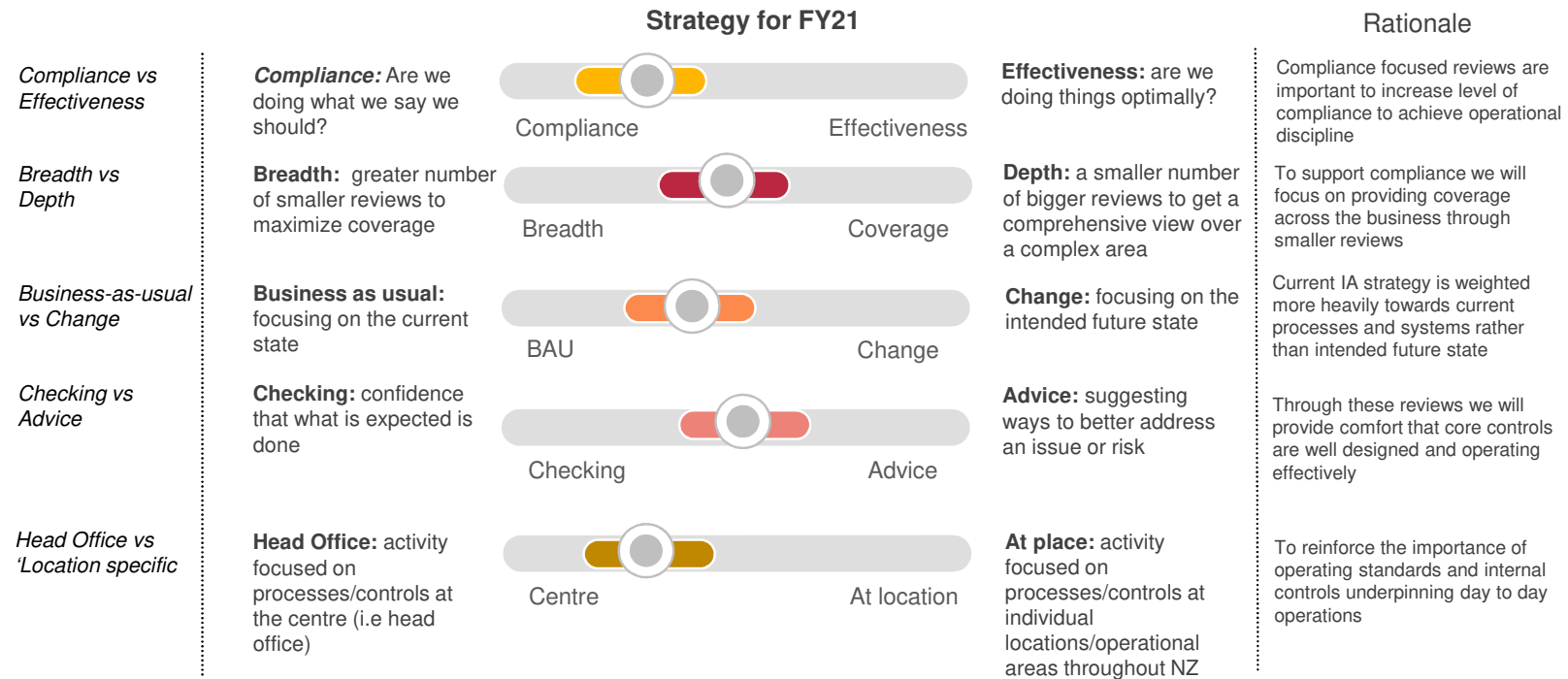


# Business Assurance Strategy

**Vision: helping the Council effectively manage risk by building trust and confidence in the core controls relied on by management**

## Considerations

The following factors have been considered in determining the appropriate trade off between:



Over time, it is expected that the mix above will change more toward the middle and right hand side of the spectrum.

# Business Assurance Strategy

**Vision: helping the Council effectively manage risk by building trust and confidence in the core controls relied on by management**

## Considerations

The **extent** of Business Assurance activity will be driven by the level of investment (dollars and people) to be made by GWRC (for FY21 this will be \$75k). Typically the need for assurance varies depending on whether the business is in a steady state or period of change, has a strong control foundation or is experiencing increased risk/issue and depending on what other self-checking or external assurance activities already occur.

The time **horizon** of the IA plan should be a balance of:

- Short enough to be flexible and adapt to changes within the business or stakeholder assurance needs
- Long enough to give visibility and certainty (especially to the Council and FRAC) of control coverage

## Strategy for FY21

The proposed internal audit plan have been developed taking into consideration the following:

- Providing a **rolling 18 month program** of internal audit activity which is split into 3 six-month tranches. Each tranche will be updated and agreed with the FRAC on a semi-annual basis.
- The budget will enable approximately 30 person-days of effort per annum including annual/semi-annual planning and FRAC reporting
- Balancing coverage with depth, each review will be between 10 – 15 person-days each
- This enables between 2 – 3 specific reviews per annum, depending on the nature, scope and complexity of the review and the role of subject matter specialists

# Business Assurance FY21 plan development

**GWRC Vision: an extraordinary region. Thriving, connected and resilient**

How the plan was developed:



Business Assurance Strategy

## Consultation process

In developing the suggested focus for Business Assurance for the next 18 months, the Treasurer/Risk Manager:

1. Meet with the **Samantha Gain** to agree the overall purpose and role of Business Assurance
2. Reviewed the Council's **key accountability documents** including the strategic direction, 10 Year Plan and business plans
3. considered the risk profile of the Council and the overall approach to risk identification, management through controls and reporting
4. Individually meet with each member of the **Executive Leadership Team (ELT)** to gain their perspective on priority operations, risks, controls and assurance needs, including third tier management:
  - Sue Mclean — Chief Information Officer
  - Julie Barber— H&S Wellbeing Manger
  - Chris Maggs —Program Manager
  - Donna Hickey — HR Manager
  - Alan Bird — CFO
  - Wayne O'Donnell – GM Catchment Management
  - Al Cross – GM Environment
  - Lindsey Brittain – Customer & Engagement Manager
5. Presented the draft Business Assurance Framework and Plan to **ELT**

July 2019

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# Appendix

## FY21 Business Assurance plan

## Suggested Business Assurance Review for the next 18 month

### ICT - Cyber risk

<b>Indicative focus</b>	The audit would involve a technical assessment of our security policy, including compliance, recommended improvements and how it's presently implemented. The outcome will be an agreed set of security controls that GWRC should employ to ensure ICT strategic goals are met, including protecting information assets against unauthorised access.
<b>Rationale for review and linkage to risk</b>	Cyber attack as identified in our risk register, has become an increasing common occurrence in business, with systems becoming compromised by attackers either for fun or ransom. Its timely Council reviewed policies and process so our systems are impenetrable to an attack that could disrupt the business as usual activities ICT provides.
<b>ELT sponsor</b>	GM Corporate Services - Samantha Gain
<b>Suggested timing</b>	Q1 2020

### Project Management

<b>Indicative focus</b>	Review of frame work, fit for purpose, adherence to policy, reporting, culture/optimisation, project governance, multi-party projects, post project review. Are we at best practice and what this might look like for us?
<b>Rationale for review and linkage to risk</b>	Project management is a key discipline for Council to ensure Council delivers on its projects as articulated in the LTP on a timely basis, they are within allocated budget and deliver the outcomes as anticipated. The focus is on reducing risk of not achieving the objectives in the LTP and ensuring our process are at best practice
<b>ELT sponsor</b>	GM Corporate Services - Samantha Gain
<b>Suggested timing</b>	Q2 2020

### Contract Management

<b>Indicative focus</b>	Review of the process of contract generation/templates, delegation/sign offs advice sought, review of the repository of contracts is it fit for purpose. Is there a robust process around reporting/meeting contractual obligations/renewals and can our processes/systems be optimised?
<b>Rationale for review and linkage to risk</b>	Contract management has been identified as an area that needs to be improved. Furthermore it has been raised by Audit New Zealand in their recent Management letter as an area to focus on.
<b>ELT sponsor</b>	GM Corporate Services - Samantha Gain
<b>Suggested timing</b>	Q3 2020

## Suggested Business Assurance Review for the next 18 month (cont.)

### Health & Safety

<b>Indicative focus</b>	This areas has been a focus recently and been resourced up, are we at best practice (policies, systems and processes, culture) and if not where can we improve ? Special focus on processes around working over water.
<b>Rationale for review and linkage to risk</b>	We no longer have ACC's review we have resourced this area up in response to the new legislation. We are wanting to look at the maturity of our processes and where they are in relation to best practice. The audit will also provide comfort in terms of the controls we have in place as part of a health check on key Council processes.
<b>ELT sponsor</b>	GM – People & Customer - Nigel Corry
<b>Suggested timing</b>	Q1 2021

### Payroll

<b>Indicative focus</b>	Standard audit: Rates paid to employee agreed to records including time/attendance, statutory deductions/calculations and reconciliations to GL and bank records.
<b>Rationale for review and linkage to risk</b>	With a change to a new payroll system its important to know its calculating and paying employees correctly. Legislation is complex in the payroll environment and given recent publicity around issues with incorrect pay its important the new system is working correctly.
<b>ELT sponsor</b>	GM Corporate Services - Samantha Gain
<b>Suggested timing &amp; Budget</b>	After implementation of Technology One, Q2 2021 paid out of Optimus Project

### Procurement management

<b>Indicative focus</b>	Review of process, policies and procedures around vendor selection/business cases and evaluation, placement of orders, workflow internal controls, system optimisation/culture, excluding work already performed around core financial controls (Project ArCee).
<b>Rationale for review and linkage to risk</b>	Procurement has been identified as an area that needs to be improved and to this end Council is appointing a Procurement advisor and upgrading its policies with external assistance. Further more it has been raised by Audit New Zealand in their recent Management letter as an area to focus on.
<b>ELT sponsor</b>	GM – Corporate Services - Samantha Gain
<b>Suggested timing</b>	Q3 2021

## Suggested Business Assurance Review for the next 18 month (cont.)

### Asset Management

<b>Indicative focus</b>	Do the plans meet the International Infrastructure Management Manual best practice - appropriate for asset criticality and maturity, is the framework and process for development/maintenance/improvement robust. Do we have confidence our data that underpins our planning is complete and correct? Do we use data at a project scale from capex to operations, from data creation to visualisation, gaining insights and optimized across asset groups (performance analytics and user experiences)?
<b>Rationale for review and linkage to risk</b>	This is part of a regular health check on key Council processes.
<b>ELT sponsor</b>	GM Corporate Services - Samantha Gain
<b>Suggested timing</b>	Q1 2022

### NZTA Funding Allocation

<b>Indicative focus</b>	Review of NZTA funding application process undertaken by us in relation to the RLTP and business case development to support funding requests from NZTA. This will cover our internal budget approvals and how they interface with NZTA and ensuring we are maximizing our funding opportunity. Are our processes efficiently in sync with the requirement of NZTA in terms of their requirements and if not how could we improve.
<b>Rationale for review and linkage to risk</b>	This is a specific request based on business recognising there could be improvement. It is an important from a strategic perspective as NZTA funding is a key contributor to Council's revenue budget.
<b>ELT sponsor</b>	GM Strategy- Luke Troy
<b>Suggested timing</b>	Q2 2022

### Risk Management

<b>Indicative focus</b>	Review of policies, systems and process, is it at best practice and what improvements could be made.
<b>Rationale for review and linkage to risk</b>	This is part of a regular health check on key Council processes.
<b>ELT sponsor</b>	GM Corporate Services -Samantha Gain
<b>Suggested timing</b>	Q3 2022

## Suggested Business Assurance Review for the next 18 month (cont.)

### Core Financial Controls

<b>Indicative focus</b>	Review of newly implemented TechnologyOne systems/process, and related policies and controls to ensure Council's assets are protected against fraud and that the systems/process are efficient/optimised.
<b>Rationale for review and linkage to risk</b>	With the change to Technology One ERP system it is timely this review is completed as part of a regular controls review.
<b>ELT sponsor</b>	GM Corporate Services - Samantha Gain
<b>Suggested timing</b>	Q1 2023

### Indirect Taxes

<b>Indicative focus</b>	Ensuring that the new ERP system coupled with internal process and controls are appropriate to capture and calculate and comply with the statutory requirements.
<b>Rationale for review and linkage to risk</b>	With the change to Technology One ERP system it is timely this review is completed as part of a regular controls review.
<b>ELT sponsor</b>	GM Corporate Services - Samantha Gain
<b>Suggested timing</b>	Q2 2023

### Rating Model

<b>Indicative focus</b>	Check the integrity and accuracy and robustness of the rating model to ensure its calculating rates in accordance with the Rating Act and that scenario testing provides the correct output. Proper system notes and process are included on how to run, adjust and interrogate the model.
<b>Rationale for review and linkage to risk</b>	This is part of a regular health check on key Council processes.
<b>ELT sponsor</b>	GM Corporate Services - Samantha Gain
<b>Suggested timing</b>	Q3 2023



## Suggested Business Assurance Review for the next 18 month (cont.)

### Treasury Management

<b>Indicative focus</b>	Health check on Treasury systems and process to ensure compliance with policy and processes. Follow up on previous Treasury Health check audit.
<b>Rationale for review and linkage to risk</b>	This is part of a regular health check on key Council processes.
<b>ELT sponsor</b>	GM Corporate Services -Samantha Gain
<b>Suggested timing</b>	Q1 2024

### Public Transport Fare box review - Rail & Bus

<b>Indicative focus</b>	Review of Bus – Snapper ticket and issue to cash collection (process, procedures and internal controls), Review of Transdev’s fare box ticket to cash collection process (process, procedures and internal controls). Review of prior year’s audit recommendations
<b>Rationale for review and linkage to risk</b>	Given the amount of funding flowing through this process and one of Councils main sources of funding it is part of an annual health check on key Council processes.
<b>ELT sponsor</b>	GM Public Transport
<b>Suggested timing</b>	Annually (Paid out of PT budget)

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### **Private and confidential**

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

### **Inherent limitations**

Due to the inherent limitations of any internal control structure, it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, GWRC's overall, internal control structure within which the control procedures that we have reviewed operate, has not been audited and no opinion is expressed as to its effectiveness.

An internal audit engagement is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis. Also, an internal audit engagement does not provide all the evidence that would be required to form an audit opinion of the design or operating effectiveness of the controls subject to review.

Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate



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<b>Report</b>	<b>19.80</b>
<b>Date</b>	8 March 2019
<b>File</b>	CCAB-22-472
<b>Committee</b>	<b>Finance, Risk and Assurance Committee</b>
<b>Author</b>	<b>Mike Timmer, Treasurer</b>

## Business assurance update

### 1. Purpose

1. To provide the Finance, Risk and Assurance Committee (the Committee) with thoughts on the current business assurance programme in comparison to in-house internal audit.
2. To explore the cost and benefits and advantages and disadvantages of either option.

### 2. Background and brief update

#### Brief update

At the September 2018 Committee meeting, a report on Business Assurance work was provided in terms of progress to date, what had been the value add, what had been the costs against budget, and what is planned for the future was provided. Since then, work has been undertaken on the Council's Policy Framework and received a report from PricewaterhouseCoopers (PwC). We are in the progress of implementing this. We will report to the Committee in conjunction with PwC on this report's findings, and our progress in terms of actioning its findings, at the next Committee meeting.

#### Background

In September 2016, the Committee was briefed on the proposed approach to internal audit, whereby an external firm would be contracted to provide business assurance, rather than such activities being undertaken by an internal audit person or team. In February 2017, PwC were engaged as Business Assurance Advisor. The model is a partnership one, where PwC provide the framework and expertise for the audits, and Council staff completes the field work where possible, as appropriate.

The Committee endorsed this methodology of Business Assurance, which not only provides value protection to the business by assessing current process and controls, but also looks to provide value enhancement through improving business performance and delivering future value.

In May 2017, officers provided the Committee with an 18 month internal audit/business assurance programme of work. The plan was divided into two sections. The first section was items of a higher priority. The second section included projects being likely or possible, which could be completed after the initial section of work. Subsequent to this, Committee members have raised questions about whether the approach is delivering value for money, and whether it is providing the best outcome, compared to having a devoted internal auditor.

### **3. Business Assurance v Internal audit compliance**

#### **Internal audit**

Most large organisations have an internal audit function as part of best practice, and depending on size, this might be supplemented with outside technical experts where the expertise is not available from the internal resources. For example, this might be the use of specialised software for data interrogation, or forensic capability to detect fraud or suspected fraud, or specialised tax compliance expertise.

The internal audit function in many cases is an internal team of individuals with differing skill sets who operate by visiting the business areas in an organisation and perform a number of tests, to observe what happens and compare these outcomes against organisation policy and procedure guidelines.

It is useful in many cases for the Chief Executive and senior management team, especially in large organisations, to understand how the organisation is operating in terms of its policies and procedures (internal controls) by providing independent assurance to them that the business is compliant or otherwise, whilst indirectly providing feedback on the organisation's attitudes to risk and compliance.

For this function to provide best value for money, it should be risk-focused. This means providing an audit programme and priority to items where the organisation is at risk of not achieving its objectives. This might be directly through what the organisation delivers, or indirectly through functions which support the business.

The traditional internal audit function is compliance-focused. It focuses backward, looking with concern on value protection of the organisation. The focus is not on operational effectiveness and value enhancement, which has a more forward-looking focus.

#### **Business Assurance**

Our approach since we introduced PwC as our internal audit partner was to take a greater focus on value enhancement and less of a focus on value protection. The basis for this is that management believe GWRC has relatively good internal systems and controls<sup>1</sup> and while these do need testing, it is believed a greater focus on improving them will lift business performance and is thus better value for money.

The question is can this best be achieved in house with our own internal auditor and would this be the best value for money proposition?

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<sup>1</sup> 1 This assessment is based on the **Three lines of defence** model. The first line being operational management controls and internal controls; the second line of defence is internal monitoring via reporting of risk management and compliance; the third line being the internal audit/business assurance.

**Advantages and Disadvantages of in-house v externally sourced internal audit**

Section 4 tabulates the advantages disadvantages of the approaches. I have discussed the experiences that other councils have had in the Region, and about how they have found the internal audit process to work. In summary having internal audit works well if you have the right individual and resources. However, individuals generally lack the skills to cover the full gambit of activities if you have just one individual. They need to be very focused on targeting the right areas where the risks of not achieving organisational outcomes are high, rather than focusing on compliance for compliance’s sake and creating additional work that can add little to organisational advancement.

Having an external service provider, whilst proving the flexibility of being able to schedule them to meet with your work needs, is more expensive on an hourly basis than an appointed internal individual. That said, their assigned work then becomes more targeted and costs are controlled through the volume of work performed.

**4. Advantages and Disadvantages of Audit structures**

<b>In-house</b>	<b>Advantages</b>	<b>Disadvantages</b>
Internal audit services are delivered by in-house auditor and managed internally.	<p>Build organisation knowledge over time.</p> <p>Cost is generally fixed, provided there is not reliance on outside expertise.</p>	<p>May be difficult to attract and retain good specialist staff.</p> <p>Quality of audit work is highly dependent on auditor’s skill. In our case one person may not have the expertise to undertake a wide range of differing assurance activities.</p> <p>Limited flexibility to ramp up or scale down.</p> <p>Need to be kept busy, can create unnecessary work and audit points that are low risk.</p>
<b>Partnership model</b>	<b>Advantages</b>	<b>Disadvantages</b>
Internal audit services delivered by a combination of external expertise with some field work performed internally.	<p>Expertise and current best practice can be brought into the business and can value add.</p> <p>Flexible, in that programme can align with staff availability, and programmed flexed to meet budget.</p> <p>Skill transfer to staff from external providers.</p> <p>Cost is likely to be lower than fully outsourced as internal staff</p>	<p>Audit needs to be scheduled to meet staff availability which may lead to work falling behind plan.</p> <p>Lack of organisational knowledge but supported by internal staff.</p> <p>Lack of independence and experience of staff to complete audit programme may impact quality.</p>

	complete part of the work.	
<b>Fully outsourced</b>	<b>Advantages</b>	<b>Disadvantages</b>
Audit is fully out-sourced to a professional provider	<p>External provider provides best practice techniques and has access to high quality staff, compared to in-house approach.</p> <p>External expertise can be brought in for particular projects, no reliance on just one resource or provider in the case of in-house.</p>	<p>Single external provider might not be able, or be perceived as the best specialist to complete the audit, overcome my multiple providers.</p> <p>External provider charge out rate is higher than internal in-house rate due to profit element and overhead costs.</p> <p>Lack of organisational knowledge at the outset, plus ongoing staff changes within provider.</p>

**5. Conclusion**

The current audit programme with PwC has targeted projects which are still to be completed. The costs are contained within the annual \$75,000 budget, with assignments undertaken and flexed to meet this allocation.

The work undertaken to date was provided to the September 2018 meeting, see Report 18.408, and demonstrated the benefits obtained from work under this programme so far.

Given the above advantages and disadvantages, and progress thus far, it is recommended the programme continue for another year and be reassessed at that point with a review of the plan undertaken to confirm it is still current.

**6. Projects for the future**

The next two pieces of work proposed are **Project Management/Governance** and **Discretionary Expenditure**.

In terms of **Project Management/Governance**, we are considering whether PwC is best to perform this task, or whether we should look to a provider who specialises in this field of work.

The **Discretionary expenditure** review is designed to look at the controls and processes around our purchase cards, and to perform data analytics which look at unusual transactions and transactions that do not fit a normal pattern.

A review of the likely and possible projects initially planned will be undertaken to assess their applicability and also the provider who might perform them. This review will also consider other projects that have become topical since the plan was formulated in early 2017.

## **7. Communication**

There is no communication required.

## **8. Consideration of Climate Change**

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

### **8.1 Mitigation assessment**

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

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

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

### **8.2 Adaptation assessment**

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

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

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

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

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

### **9.1 Significance of the decision**

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

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

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

### **9.2 Engagement**

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

## 10. Recommendations

*That the Committee:*

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

Report prepared by:

**Mike Timmer**  
Treasurer

Report approved by:

**Samantha Gain**  
General Manager,  
Corporate Services



**Finance, Risk and Assurance Committee**  
**25 February 2020**  
**Report 20.4**



**For Information**

## **PURCHASE CARD INTERNAL AUDIT AND AUDIT STATUS**

### **Te take mō te pūrongo**

#### **Purpose**

1. To inform the Finance, Risk and Assurance Committee (the Committee) about:
  - a A report from PwC, our internal auditors, on discretionary expenditure related to purchase cards (debit cards)
  - b The status of prior business assurance (internal audit) reviews.

### **Te horopaki**

#### **Context**

##### ***Purchase card internal audit***

2. PwC is Greater Wellington's internal auditor. PwC conducted an audit as part of the audit programme on our purchase cards (P-cards). P-cards are issued to a number of staff to enable payment of small, low value or one-off operational expenditure.
3. P-cards have provided an efficiency gain in that these reduce the need for petty cash and reduce the paper work/invoicing and payment processing.
4. The point of the audit was to assess the overall process, including determining if the policy was fit for purpose and whether policy implementation and internal controls around the process of P-cards was adequate to protect the organisation's assets, and to see where improvements could be made.
5. We opted for financial process analyser (FPA) data analytical testing in conjunction with the normal system and process review audit. This enabled a complete review of all P-card transactions.
6. PwC's review report is appended as **Attachment 1** and includes comments from management.

### ***Policy framework internal audit***

7. The other recently completed internal audit was of Greater Wellington's policy framework for development of management policies. This audit was reported to the Committee in 16 May 2019 (Business Assurance Policy Framework - Report 19.172). An update on implementing the recommendations from that review is also included in this report.

### ***Completed internal audits***

8. Other internal audit reviews have been undertaken of core financials, indirect taxes and Public Transport Operating Model (PTOM) fare revenue. All the recommendations of those reviews have been implemented.

## **Te tātaritanga Analysis**

### ***P-card internal audit***

9. PwC undertook a detailed data analytic approach that essentially interrogated our database for unusual transactions based on a number of criteria. From this a number of transactions were noted and investigated. No significant items of concern were noted other than staff who had left Greater Wellington potentially could still use the card, but these findings were limited to regular payments (e.g. subscriptions) on the P-card which were Greater Wellington-related.
10. The PwC report (an Executive Summary of which is included as [Attachment 1](#)) noted some deficiencies in the policy and its implementation and enforcement.
11. While there were departures from policy, the non-compliant practices were of an administrative nature that stemmed mainly from staff changes and the resultant follow up enforcement.

### ***Recommendations and status of related actions***

12. [Attachment 2](#) summarises the recommendations of both of the above reports and the status of actions to be undertaken to address the recommendations. Progress on these actions will be reported back to the Committee on a regular basis.

## **Ngā hua ahumoni Financial implications**

13. There are no financial implications other than the cost of the audit, which is budgeted for, and time spent to implement the recommendations.

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

14. Officers will report back to the Committee on the implementation of the report's recommendations at the Committee's meeting on 12 May 2020.

**Ngā āpitihanga**  
**Attachments**

<b>Number</b>	<b>Title</b>
1	PwC - Purchase card internal audit – Executive summary
2	Recommendations and responses for internal audit reviews

**Ngā kaiwaitohu**  
**Signatories**

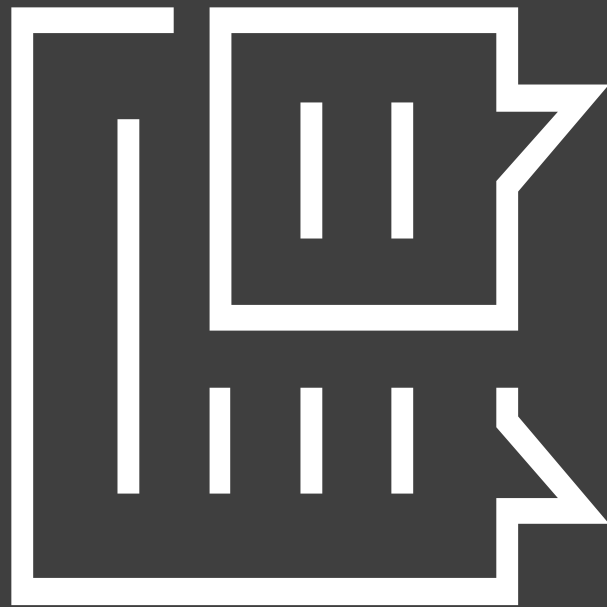
Writer	Mike Timmer - Treasurer
Approver	Samantha Gain – GM Corporate Services

<p><b>He whakarāpopoto i ngā huritaonga</b>  <b>Summary of considerations</b></p>
<p><b><i>Fit with Council’s roles or Committee’s terms of reference</i></b></p> <p>The Committee has specific responsibility “to approve review the effectiveness of the implementation and delivery of actions to address audit recommendations from Greater Wellington’s internal auditors”. Consideration of the P-card audit is part of this process.</p>
<p><b><i>Implications for Māori</i></b></p> <p>There are no known impacts for Māori.</p>
<p><b><i>Contribution to Annual Plan / Long term Plan / Other key strategies and policies</i></b></p> <p>The audit function is about providing assurance that the policies, controls, processes and systems in place at Greater Wellington will enable efficient delivery of the Long Term Plan and safeguard the organisation’s assets. The P-card audit is part of this process. Internal audit supports the risk management policy and risk management framework.</p>
<p><b><i>Internal consultation</i></b></p> <p>There has been consultation with the Finance team and the business groups impacted by these audit reports. This engagement will continue as the actions are implemented.</p>
<p><b><i>Risks and impacts: legal / health and safety etc.</i></b></p> <p>The audits addressed a number of risk factors which will be remedied in accordance with the action plan.</p>

# Purchase card internal audit (with FPA)

Greater Wellington Regional Council  
November 2019





# *Executive Summary*

# Executive Summary

GWRC management requested that this Internal Audit assess the controls environment around discretionary expenditure and P-Card usage across GWRC's various business units

## Background and objectives

Greater Wellington Regional Council (GWRC) issues purchasing cards (P-Cards) to a range of GWRC staff as an additional payment channel for low value or one-off operational or 'discretionary' expenditure.

For this internal audit, the objective was to **assess the design management practices and internal controls** in place over 'discretionary expenditure' and the use of P-Cards to ensure:

- **P-Card expenditure is in line** with applicable policies, guidelines, delegations and financial authorities
- **appropriate controls** are in place to **detect misuse** of P-Cards and unjustified expenditure/undue personal benefit
- **appropriate monitoring and oversight practices** by GWRC are in place and applied.

A summary of the Terms of Reference for this internal audit, agreed in May 2019, is included in **Appendix 2**.

This report sets out the key findings from our work including an overview of how GWRC manages discretionary expenditure and P-Card usage, key themes recurring across the organisations, and recommended actions for where controls currently in place might be refined or extended.

## Acknowledgement

We would like to extend our appreciation for the assistance provided by GWRC in the completion of this review.



David Nalder  
Partner  
PwC

November 2019

PwC

## Approach

To gain an understanding of GWRC's P-card controls environment we:

1. Performed desktop reviews of available process documentation provided by GWRC.
2. Conducted interviews with GWRC staff from different business units with roles and responsibilities in the P-Card process including cardholders, approvers, administrators and Finance.
3. Reviewed a sample of P-Card transactions to ensure key controls were in place and operating effectively.
4. Performed data analytics. using the Financial Processes Analyser (FPA) tool, over 100% of P-Card transactions for the period 30 June 2017 to 30 June 2019.

In assessing GWRC's controls environment we have used good practice guidelines for expenditure by public entities and our experience in conducting similar reviews. Our high level expectations of good practice are included in **Appendix 3**.

# What we found – data summary

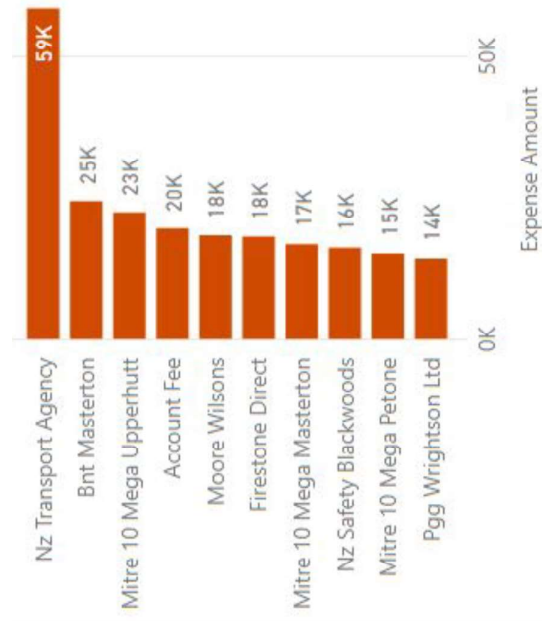
We analysed GWRC's P-Card data over a **two-year period from 30 June 2017 to 30 June 2019** using Financial Process Analyser data analytics tests. We used the results of the data analytics to perform testing on a sample of controls. The data tests and key findings from the testing are set out in the detailed observations section of this report.

Below is a summary of the key figures and statistics of GWRC's P-Card expenditure for this two-year period.

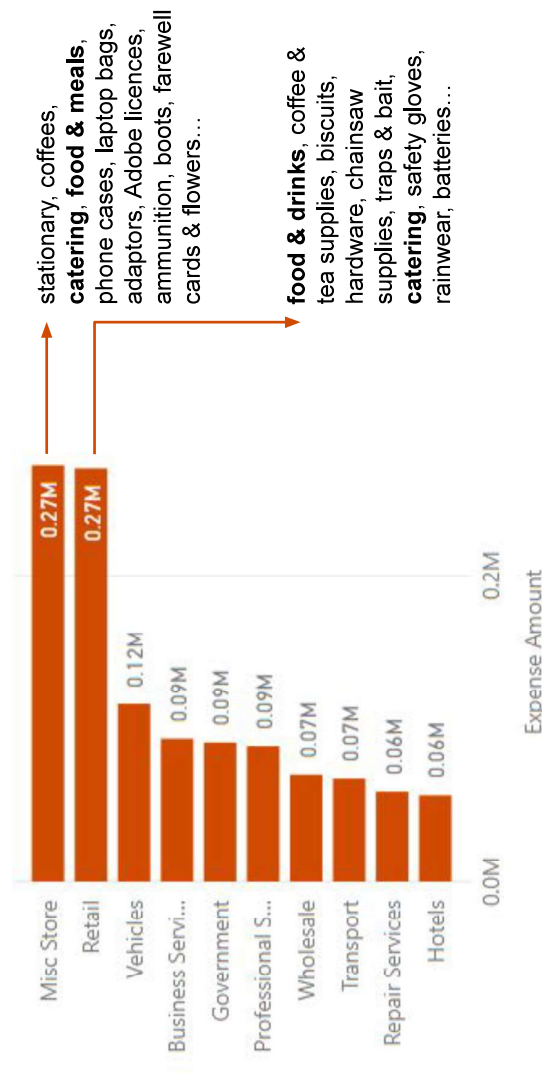
## P-Card expenditure for the **two years from 30 June 2017 to 30 June 2019**:

	<b>\$1.3M</b>		<b>12,300</b>		<b>284</b>		<b>\$2,289</b>		<b>\$89K</b>
Total P-Card expenditure (approx \$650k per annum)	P-Card transactions	Active P-Cards	Average annual spend per cardholder	Average spend per transaction	Administration Masterlton highest cost centre				
	<b>852</b>	Total GWRC staff							

### Top 10 merchants



### Top 10 expenditure categories





# What we found – control assessment summary

GWRC has a range of policies and management processes aimed at ensuring appropriate control and oversight over spend, which, collectively, form GWRC’s internal control environment over P-Cards and discretionary expenditure.

While we did not identify any significant gaps in control **design**, we observed a number of situations where expected controls were not followed across all elements of the P-Card and discretionary expenditure process.

Below is our assessment of where GWRC’s P-Card and discretionary expenditure **control design** sits against what we expect good practice P-Card and discretionary expenditure controls to look like:

What good looks like	What we found
<ul style="list-style-type: none"> <li>• Clear and accessible guidance</li> </ul>	<ul style="list-style-type: none"> <li>✓ P-Card and related expenditure policies are in place</li> <li>x Inaccessible policies: overly complex and difficult to find</li> </ul>
<ul style="list-style-type: none"> <li>• Clear and defined roles and responsibilities</li> </ul>	<ul style="list-style-type: none"> <li>✓ Roles and responsibilities are defined</li> <li>x Multiple and differing descriptions of roles and responsibilities: unclear what is the ‘source of the truth’</li> </ul>
<ul style="list-style-type: none"> <li>• Clear processes</li> </ul>	<ul style="list-style-type: none"> <li>✓ Relevant processes are defined</li> <li>✓ Comprehensive process descriptions</li> <li>✓ Process requirements appear proportionate to business needs</li> <li>x Multiple and differing descriptions of the same parts of the process (e.g. approving)</li> </ul>
<ul style="list-style-type: none"> <li>• Credit limits and spending boundaries</li> </ul>	<ul style="list-style-type: none"> <li>✓ Defined credit limits</li> <li>✓ examples of what is considered justified business expenditure</li> </ul>
<ul style="list-style-type: none"> <li>• Monitoring of P-Card usage and expenditure against expectations</li> </ul>	<ul style="list-style-type: none"> <li>✓ Defined monitoring processes</li> <li>✓ Roles and responsibilities for monitoring P-Card usage defined</li> </ul>
<ul style="list-style-type: none"> <li>• Sanctions for non-compliance</li> </ul>	<ul style="list-style-type: none"> <li>✓ ‘Three strike’ breach policy</li> <li>✓ Examples of breaches</li> <li>✓ Examples of consequences for breaches: e.g. card suspension, zero spending limits, etc</li> </ul>
<ul style="list-style-type: none"> <li>• Offer and awareness of ongoing training and guidance</li> </ul>	<ul style="list-style-type: none"> <li>x No awareness of ongoing training availability</li> <li>x No standalone guidance outside of the P-Card policy itself</li> </ul>

**Overall**, GWRC’s internal control environment for P-Cards and discretionary expenditure **aligns with good practice expectations**, with some opportunities for improvement.

# What we found – control assessment summary

GWRC has a range of policies and management processes aimed at ensuring appropriate control and oversight over spend, which, collectively, form GWRC’s internal control environment over P-Cards and discretionary expenditure.

While we did not identify any significant gaps in control design, we observed a large number of control failures (i.e. where expected controls were not followed) across all elements of the P-Card and discretionary expenditure process. A summary of the strengths and weaknesses we identified are set out below:

Strengths identified	Accounting for expenditure	Policies and procedures	Monitoring and oversight
<p>✓ All P-Cards proposed for issue must be approved by a Department Manager, General Manager and the Chief Executive</p> <p>✓ Changes to credit limits for all cardholders must be recommended by a General Manager or higher and approved by the Chief Executive</p>	<p>✓ P-Card transactions are independently reviewed and approved by designated Approvers</p> <p>✓ Cardholders must register their P-Card with a PIN number</p> <p>✓ No instances of cardholders exceeding monthly or individual transaction expenditure limits were found</p>	<p>✓ Transactions submitted for approval without a receipt should be investigated by the Approver before being approved</p> <p>✓ System enforced email reminders on transactions due for coding and approving are sent out before the due date</p> <p>✓ No approvals were identified that exceeded the Approver’s Delegated Financial Authority</p>	<p>✓ Policy sets out the respective roles and responsibilities of Cardholders, Approvers and Administrators</p> <p>✓ Approvers must have Delegated Financial Authority in line with purchasing approvals defined by the GWRC Delegated Financial Authority Policy</p> <p>✓ Ad hoc audits of P-Card usage and expenditure conducted by Finance P-Card Administrators</p>
Provision and issuance of P-Cards	Security and usage	Accounting for expenditure	Policies and procedures
<p>✗ There is <b>no formal process</b> for familiarising new cardholders with P-Card terms and conditions, policies and processes to ensure they have a sufficient understanding of their responsibilities</p> <p>✗ <b>Poor use of GWRC preferred suppliers</b> resulting in cardholders often using non-preferred suppliers without sufficient justification as per the P-Card and Preferred Supplier policies</p> <p>✗ <b>Lack of understanding/awareness</b> of “three strike” breach policy and no record of its enforcement</p>	<p>✗ Significant proportion of transactions <b>not coded and approved</b> within the six working day timeframe</p> <p>✗ <b>Failure to enforce “three strike”</b> policy for coding and approving breaches</p> <p>✗ Frequent <b>insufficient transaction descriptions</b></p> <p>✗ Delegation of coding and approving responsibilities are <b>inconsistently applied</b></p>	<p>✗ P-Card <b>policy is inconsistent, duplicative and not fit for purpose</b></p> <p>✗ <b>No formal or refresher training</b> on P-Card policies and procedures other than initial sighting and signing of the policy</p>	<p>✗ <b>Poor understanding</b> of P-Card policy</p> <p>✗ <b>Finance P-Card Administrator audits</b> of P-Cards in circulation and monitoring of P-Card usage and expenditure are <b>not performed regularly</b></p> <p>✗ <b>P-Cards not consistently surrendered</b> to Finance once staff have terminated employment or moved to new role within GWRC</p>
<p><b>Weaknesses / control failures</b></p>			

# What we found – Key themes

GWRC’s internal controls for P-Cards and discretionary expenditure are not operating in an effective manner

Our testing of a sample of GWRC’s P-Card and discretionary expenditure against the results of the Financial Process Analyser data tests identified a number of control weaknesses. We assessed these controls and identified the following key themes contributing to the control weaknesses:

**P-Card policy is complex and poorly understood**



P-Card participants consistently indicated **low levels of understanding of the P-Card policy** generally, and many were **unaware of the processes for acting on breaches or P-Card cancellation**. Some of this poor understanding is attributable to the **complexity and structure of the P-Card policy** document which, while comprehensive, is **difficult to follow and lacks clarity**.

Our review also indicated that, outside of the policy document, there is a **lack of supporting guidance material or training** for respective P-Card roles and responsibilities.



**Non-compliant practices with administrative aspects of the policy**

Analysis of P-Card data from the period 30 June 2017 to 30 June 2019 identified a number of instances of **non-compliance** with the Councils policy requirements and internal controls. The nature of these issues primarily relate to **transaction descriptions, late approvals and sharing of P-Cards**.



**Lack of monitoring and reporting of P-Card activities and failure to enforce policy**

Regular audit and monitoring of P-Cards is **not performed and no reporting** on actual usage or trends is generated. Staff **responsible for enforcing** various requirements of the P-Card policy commented that they were **mostly unaware** of policy requirements, in particular the ‘three strike’ breach policy, and therefore had **not enforced** them.

# Where to from here?

Despite being consistent with good practice *in design*, our review indicates that the control environment for P-Cards and discretionary expenditure is not consistently *operating* as effectively as it could

The majority of the failures we identified across GWRC's internal control environment are attributable to three key and interrelated root causes which cause increased risk of waste, fraud and abuse in the P-Card program.

Below is a summary of the key root causes and potential actions for addressing them:

Root cause	How to address this
<p>The P-Card policies and procedures are not well understood by staff across GWRC and there is a lack of training or guidance material for respective participants' roles and responsibilities</p> <p><b>Priority rating: High</b></p>	<p>Provide periodic refresher training or guidance for P-Card participants. This should include an emphasis on:</p> <ul style="list-style-type: none"> <li>• cardholders, approvers and administrators' responsibilities for ensuring compliance with policies and procedures</li> <li>• consequences for non-compliance</li> <li>• accountabilities for monitoring and enforcement activity.</li> </ul> <p>Refresher training could be informal, for example issuing periodic email or intranet guidance posts, or formal, for example compulsory digital learning modules.</p>
<p>The current P-Card policy document is complex, poorly structured and inaccessible*</p> <p><b>Priority rating: Medium</b></p>	<p>We note that an updated P-Card policy has been drafted by GWRC that takes into account observations from this review. The updated P-Card policy is due for ELT consideration and approval in February 2020. Broadly, effective policies are:</p> <ul style="list-style-type: none"> <li>• Simple to read and understand (plain English statements of expectations)</li> <li>• Practical to apply (for example approval timeframes and coding requirements)</li> <li>• Make clear the specific accountabilities define (eg for enforcement and audit activities)</li> <li>• Is supported by periodic training and confirmation from staff they have complied with these policies</li> <li>• Is easy to find when needed (for example an easily accessible central repository for all policies, including expenditure policies).</li> </ul>
<p>Lack of regular monitoring or audit of P-Card usage</p> <p><b>Priority rating: High</b></p>	<p>Introduce a monitoring and audit plan for P-Cards and discretionary expenditure with defined deliverables, timeframes and accountabilities for preparing deliverables and acting on findings.</p>

# Overall management response

Management have noted the PwC audit report.

The transactions team responsible for managing the P-Cards process have undergone some key staff changes which can be attributed to some of the audit issues identified in the report.

The P-Card policy was in the process of being updated and has taken into account the audit recommendations. ELT to approve the updated policy in February.

A plan is being developed to provide training and guidance to P-Card users and to address the audit report observations and recommendations.

\_\_\_\_\_  
*Alan Bird*  
*Chief Financial Officer*  
\_\_\_\_\_/\_\_\_\_/\_\_\_\_

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## Recommendations and responses for internal audit reviews

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
<b>P- Card</b>					
Promulgation of P-card policy & procedure, training and guidance to participants, including off-boarding of P-card holders.	CFO	High	September 2020	A dedicated resource within the transactions team to manage P-cards training and providing guidance to staff, including off-boarding of card holders is planned to commence in March 2020 and with on-going training for staff from September 2020.	
P-card policy is complex and poorly structured; policy to be revisited and in newly adopted format.	CFO	Medium	Feb 2020	P-card policy has been updated with the newly approved template and has taken into account the audit recommendations. ELT to approve updated policy in February 2020	✓
Develop programme of regular P-card monitoring/auditing of P-card usage processes.	CFO	High	September 2020	In conjunction with the above plan, regular monitoring and audit of card usage is expected to commence after September 2020.	
<b>Policy Framework</b>					
Adopt a principles-based approach to develop a new policy-based template	GM Strategy	High	Oct 2019	Policy template agreed and signed off by ELT, available on GWennie and currently being used as existing policies expiry.	✓

## Recommendations and responses for internal audit reviews

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
Identify policies that are overdue for review	GM Strategy	High	Ongoing	We have a record of policies that are overdue and GMs are addressing these with their managers on an ongoing basis.	✓
Amalgamate policies that are overlapping	All GMs	High	Ongoing	GMs are aware of the audit review and have advised managers. GMs will consider/check overlaps as policies are refreshed/renewed with new template	✓
Embed policy-related training within staff training and onboarding to ensure all staff/contractors etc. are aware of Council's expectations	GM People & Customer	Medium	Nov 2020	HR are further developing their plans in relation to onboarding staff, including a new HRIS system; which they expect to have implemented later this year.	
Communicate policy framework, policy and policy changes to all staff. Includes policy register on GWennie, based on logical themes so easy to access	GM Strategy GM People & Capability	Medium	March 2020	Policy framework changes and template have been provided to GMs and policy owners. Training on the new Policy on Management Policies will be provided to all policy owners in March 2020, following the roll-out of the new GWennie policy register.	
Embed compliance and monitoring function within the policy framework. Introduce control activities	All GMs	Medium	Ongoing	Compliance and monitoring expectations will be communicated during the policy training. Policy owners will be required to review	



**Recommendations and responses for internal audit reviews**

<b>Audit point action item</b>	<b>Responsibility</b>	<b>Audit Priority</b>	<b>Expected completion date</b>	<b>Action (required/completed) to address audit point</b>	<b>Complete Yes ✓</b>
that enforce policy principles and identify non- compliance. Policy owners to proactively monitor compliance controls and provide risk based reporting				management policies at least every three years. The policy registry will include the most recent review/approval date and when the date by which it must be reviewed again.	

**Finance, Risk and Assurance Committee**  
**25 February 2020**  
**Report 20.6**



**For Information**

## **AUDIT MANAGEMENT REPORT - 30 JUNE 2019**

### **Te take mō te pūrongo**

#### **Purpose**

1. To provide the Finance, Risk and Assurance Committee (the Committee) with the management report from Audit New Zealand (Audit NZ), our external auditors, on the financial year ending 30 June 2019.

### **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 (Council).
3. [Attachment 1](#) (Audit New Zealand's draft audit management report to the Council – 30 June 2019) sets out Audit NZ's findings and draws attention to areas where Greater Wellington is doing well, and where there are recommendations for improvement.

### **Te tātaritanga**

#### **Analysis**

4. [Attachment 2](#) (Audit management report action items) provides a work plan on been the agreed issues and Greater Wellington's actions in response. Progress in implementing the actions will be reported back to the Committee quarterly.

### **Ngā hua ahumoni**

#### **Financial implications**

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

### **Ngā tūāoma e whai ake nei**

#### **Next steps**

6. We will next report to the Committee on progress in implementing the actions to address Audit NZ's recommendations at its meeting on 12 May 2020.

**Ngā āpitihanga  
Attachments**

<b>Number</b>	<b>Title</b>
1	Audit New Zealand's draft audit management report to the Council – 30 June 2019
2	Audit management report action items

**Ngā kaiwaitohu  
Signatories**

Writer	Ashwin Pai – Financial Controller
Approver	Samantha Gain – General Manager Corporate Services

<b>He whakarāpopoto i ngā huritaonga Summary of considerations</b>
<p><b><i>Fit with Council’s roles or Committee’s terms of reference</i></b></p> <p>The Committee’s specific responsibilities include to “review Greater Wellington’s responses to any reports from the external auditors.”</p>
<p><b><i>Implications for Māori</i></b></p> <p>There are no known impacts for Māori.</p>
<p><b><i>Contribution to Annual Plan / Long term Plan / Other key strategies and policies</i></b></p> <p>External audit provides assurance that the policies, controls, processes and systems in place at Greater Wellington will enable efficient delivery of the Long Term Plan and Annual Report.</p>
<p><b><i>Internal consultation</i></b></p> <p>The Finance, Information Technology and Public Transport departments were consulted.</p>
<p><b><i>Risks and impacts: legal / health and safety etc.</i></b></p> <p>Greater Wellington’s management of relevant risks is addressed in the report.</p>

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

For the year ended 30 June 2019

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## Key messages

We have completed the audit for the Greater Wellington Regional Council (the Regional Council) and group for the year ended 30 June 2019.

This report sets out our findings and draws attention to areas where the Regional Council and group are doing well and where we have made recommendations for improvement.

### Audit opinion

We issued an unmodified audit opinion for the Regional Council and group on 10 October 2019. This means that we are satisfied that the financial statements and performance information fairly reflects the activities for the year and their financial position at the end of the year.

We included an emphasis of matter paragraph in the audit reports for the Regional Council and group that refers to the impact of the Kaikoura earthquake in November 2016.

The financial statements and performance information are free from material misstatements, including omissions. There were no significant misstatements identified during the audit that have not been corrected.

### Matters identified during the audit

#### Impact of the November 2016 earthquakes

In the current audit we continued to evaluate the impact of the November 2016 earthquake on the buildings and investment properties owned by the CentrePort Group, the key uncertainties on the impairment of port and investment assets and significant insurance revenue and receivables for assets damaged and business interruption.

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

#### Fair value of infrastructure assets and other revalued assets

The Regional Council revalued its Transport Infrastructure assets (including rolling stock) which resulted in a positive revaluation movement of approximately \$69.2 million.

Management engaged external experts to perform these valuations. We evaluated their findings. We reviewed the valuation methodology and also met with the valuer to discuss the various estimates and assumptions they applied, including the underlying drivers for the increase in fair values.

We assessed the valuations as appropriate for inclusion in the Regional Council's financial statements. The valuations were completed in line with the relevant accounting standard and was appropriately recorded and disclosed in the annual report.

### **Public Transport Operating Model (PTOM)**

Bus contracts under PTOM commenced fully during July 2018. Since then, a number of issues relating to service, performance, and operator capability have arisen. This has resulted in well publicised issues with delayed and cancelled services. The Regional Council has acknowledged that from the commencement of this contract until the time of our review (September 2019) there have been a number of issues which have arisen and areas which require improvement.

During the audit we focussed on the reporting on the related bus measures and ensured that these appropriately reflect the performance of the Regional Council.

The Regional Council engaged consultants to review the implementation of the Wellington (and Hutt Valley) bus network. This stage one review was completed and the findings and recommendations provided to the Regional Council. The Regional Council is in the process of addressing these issues.

We also understand that a stage 2 review has commenced. We will keep updated as these matters progress further and consider their impact on our audit approach for 2019/20.

### **Procurement and contract management**

As part of our value added services we performed a broader risk assessment over the Regional Council's procurement and contract management practices. The results of our assessment is reported in Appendix 2 of this report. Within the report we provide areas where the Regional Council could further improve on its procurement and contract management practices.

### **Adoption of new accounting standard**

For-profit companies must apply a new accounting standard, NZ IFRS 16 *Leases*, in preparing their 30 June 2020 financial statements. This standard is another significant change and we encourage Council to consider the impact on the group in a timely manner. Further information about this new standard is provided in Appendix 3.

### **Thank you**

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

Jacques Coetzee  
Appointed Auditor

**DRAFT**



# 1 Recommendations



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

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

## 1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
<p><b>Revaluation of assets</b></p> <p>To enhance the current practises when revaluing assets we <b>recommend</b> that during the intervening years where formal asset revaluations are not performed, the Regional Council undertake a robust assessment to consider all potential factors to satisfy itself that the fair values of these assets are appropriately reflected in the financial statements on an annual basis. Whilst management have reconsidered the appropriateness of the indices applied in arriving at the assessment they should, in conjunction, also conduct an annual assessment of the asset costs relative to the indices to make an informed decision.</p>	3.2.1	Necessary

Recommendation	Reference	Priority
<p><b>Public transport performance measures</b></p> <p>To support the presentation of accurate and relevant information aligned with the business objectives of the Regional Council we <b>recommend</b> that management:</p> <ul style="list-style-type: none"> <li>• Ensure that the basis for preparing these measures are appropriately aligned, including establishing a consistent basis for extracting and using data from both the Snapper reporting portal and the RTI system.</li> <li>• Review the system and processes for preparing these measures with the aim of reducing manual calculations and process (as these are more time consuming and have a higher risk of error).</li> <li>• Formally document the basis in which the performance measures related to bus services will be measured in the forthcoming years, including key data definitions.</li> </ul>	3.3	Necessary
<p><b>Account lock-out and reset criteria</b></p> <p>Current criteria have only been set up with a short duration. This increases the risk that an automated but low level attack or attempt to gain access to the Regional Council’s network would succeed.</p> <p>To mitigate this risk, we <b>recommend</b> increasing both criteria to at least 15 minutes and consider requiring the service desk to unlock accounts or provide lock-out self-administration processes (which typically require additional information known only by the user), two-factor authentication or both as opposed to the automatic reset as currently configured.</p>	4.1	Beneficial
<p><b>IT Business Continuity Plan Testing</b></p> <p>We note that a large scale “dry-run” of the BCP has not been done. This would provide a better idea of how the BCP may support an actual event. Due to the Wellington region’s recognised risk of a significant disaster event and the role the Regional Council fills in the region, we <b>recommend</b> that this be done.</p> <p>We <b>recommend</b> that other items highlighted be assessed and actioned based on the Council’s risk tolerance and obligations.</p>	4.2	Necessary

## 1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous years’ recommendations. Appendix 1 sets out the status of previous year’s recommendations in detail.

Recommendation	
Open	8
Implemented or closed	6
<b>Total</b>	<b>14</b>

## 2 Our audit report

### 2.1 We issued an unmodified audit report



We issued an unmodified audit report on the Regional Council and Group's financial and performance information on 10 October 2019. This means that we were satisfied that the financial statements and statement of service performance present fairly the Regional Council and Group's activities for the year and their financial position at the end of the year.

We included an emphasis of matter paragraph in the audit report for the Regional Council and Group. This relates to the impact of the Kaikoura earthquake in November 2016 which highlights the considerable uncertainty regarding the final quantification for the settlement of the insurance claim. It also refers to disclosures in the financial statements about the significant uncertainties and judgements involved in the allocation of insurance proceeds, the extent of impairment of assets, and the related tax treatment. This matter is discussed further in section 3.1.

The auditors of CentrePort Group, Deloitte, also issued an unmodified opinion for that group with a similar emphasis of matter paragraph relating to the impact of the Kaikoura earthquake.

In forming our audit opinion, we considered the following matters.

### 2.2 Uncorrected misstatements

The financial statements and performance information are free from material misstatements and disclosure deficiencies, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. There were no significant misstatements identified during the audit that have not been corrected.

### 2.3 Quality and timeliness of information provided for audit



Management is required to provide information for audit relating to the financial statements of the Regional Council and Group. This includes the draft financial statements and performance information with supporting working papers. We provided a listing of information we required to management during our pre final audit visit.

We received financial statements for the Regional Council and Group in a timely manner. We would also like to acknowledge that, despite a significant staff turnover in the finance team at year end, the finance team and support staff endeavoured to deal with all our queries and requests promptly to support the delivery of an efficient audit.

The quality of information, including the draft financial statements and performance information, was good with some misstatements and adjustments being identified through the audit process.

We will continue to work closely with management to enhance the process and support the delivery of an efficient and quality audit.

### 3 Matters raised in the Audit Plan



In our Audit Plan dated 27 March 2019, we identified the following matters as the main audit risks and issues:

#### 3.1 Impact of the November 2016 earthquakes

We are satisfied that the risks, material assumptions and sensitivities related to the impact of the earthquakes have been adequately disclosed in the financial statements for the year ended 30 June 2019.

There was a significant impact on CentrePort Limited (CPL) and its subsidiaries' operations from the earthquakes in November 2016. This included significant damage to port infrastructure and properties, mainly affecting the group's container service operations and its investment property portfolio.

Based on our review of returns submitted by Deloitte (as auditors of CPL) and our review of their audit work papers, insurance income has been recognised to the extent of cash received and payments agreed to by the underwriter. This is below the amount that the final claim is expected to be settled for. We understand that at this point it is not possible to reliably estimate the final settlement amount and therefore a higher amount has not been recognised in the financial statements of CPL. Further the insurance income that is recognised is allocated between business interruption and material damage. The final allocation will not be known until the final settlement is made. This may impact the amount recognised as tax and therefore is disclosed as a key judgement in the taxation note in the financial statements.

As at June 2019, the CPL group has received \$262 million of insurance progress payments against the total assessed earthquake related insurance claims (including loss of profits and rent) of \$312 million, with an outstanding receivable as at 30 June 2019 of \$50 million.

There has been a net impact of \$60.7 million to CPL's total comprehensive income for the 2018/19 financial year.

#### 3.2 Fair value of infrastructural assets and other revalued assets

We assessed the fair values of assets to be appropriately recorded and disclosed in the financial statements.

The Regional Council obtained valuations for its Rolling Stock and Transport infrastructure assets as at 30 June 2019. This resulted in a valuation increase of \$69.2 million in the Regional Council and group's transport infrastructure assets.

We held discussions with the external valuers and performed procedures to satisfy ourselves with the findings of the experts in revaluing the assets. We considered the qualifications of the experts in determining the amounts and disclosures used in the financial statements. We considered and assessed the significant assumptions used by the experts in making accounting estimates, including fair value accounting estimates and are satisfied that these are reasonable.

### 3.2.1 Asset classes not revalued in 2019

Management has considered whether there were any indications of significant fair value movements for the asset classes held at valuation which were not scheduled for revaluation this year. This is a requirement of the relevant accounting standard (PBE IPSAS 17 *Property, Plant and Equipment*). Management performed an assessment based on published indices from Statistics New Zealand. No indications of a significant fair value movement were identified.

We considered the fair value independently and are satisfied that the fair value and carrying value remain materially aligned.

However, we note that the prior year and current year valuation exercises resulted in substantial movements in water infrastructure and transport Infrastructure assets values respectively. These are potential indicators that valuations have not been undertaken with sufficient regularity, or that the annual assessment has not been sufficiently robust to take into consideration all market movements.

From our discussions we understand that management will be increasing the frequency in which assets are valued from five years to three years to mitigate the risk that valuations may not be undertaken with sufficient regularity to reflect major market movements in the value of assets. We consider this to be a positive step.

We **recommend** that during the intervening years where formal asset revaluations are not performed, the Regional Council undertake a robust assessment to consider all potential factors to satisfy itself that the fair values of these assets are appropriately reflected in the financial statements on an annual basis. Whilst management have reconsidered the appropriateness of the indices applied in arriving at the assessment, they should in conjunction, also conduct an annual assessment of the asset costs relative to the indices to make an informed decision.

#### **Management comment**

Management note the audit recommendations. Finance will liaise and work with the various business units to align asset costs with the asset indices to ensure that the values are comparable and take appropriate action.

### **3.3 Public Transport Operating Model (PTOM)**

The PTOM process has progressed significantly with the new bus services commencing in April 2018 in the Wairarapa, June 2018 in the Hutt Valley, and July in Kapiti, Porirua and Wellington City. Introduction of the new bus services included a number of new initiatives, including snapper ticketing on all bus services, new bus routes and services, new buses including double deckers and electric double deckers, and new bus hubs in Wellington City.

Since then, a number of issues relating to service, performance, and operator capability have arisen. This has resulted in well publicised issues with delayed and cancelled services. The Regional Council has acknowledged that from the commencement of this contract until the time of our review (September 2019) there have been a number of issues which have arisen and areas which require improvement.

The Regional Council continues to work on addressing implementation issues. The Council has commissioned an independent review of its implementation work and is acting on the findings of that review including the current and ongoing Bus Network Review. A number of monitoring mechanisms are in place which include quarterly reports, monthly performance management reports, and monthly project reporting access from the Snapper reporting portal and the Real Time Information (RTI) system installed on each bus. Meetings with operators also run regularly, ranging from senior management updates through to weekly operational meetings.

We will keep up-to-date of development with PTOM during our 2020 audit and consider their impact on our audit approach.

### **3.4 Public transport performance reporting**

We performed detailed testing of the reported results for the following performance measures related to bus services:

- percentage of bus users who are satisfied with their trip overall;
- percentage of scheduled services delivered (reliability); and
- percentage of scheduled services on-time (punctuality).

We concluded that the reported results are materially correct. We reviewed the performance story the Regional Council is telling in respect of the buses in their annual report. We are satisfied it fairly reflects the issues the Regional Council has experienced in this space during the financial year.

We also reviewed the Regional Council's underlying systems and processes for reporting against these measures. These involve significant amounts of manual calculations and challenges in consistently extracting the data from the respective systems to accurately report on the performance measures. The Regional Council's methodology for calculating these measures would also have benefited from being formally documented with key definitions clearly defined. Without this, ambiguity can exist on how the year end result should be calculated, which increases the risk of error.

We **recommend** that management:

- Ensure that the basis for preparing these measures are appropriately aligned, including establishing a consistent basis for extracting and using data from both the Snapper reporting portal and the RTI system.
- Review the system and processes for preparing these measures with the aim of reducing manual calculations and process (as these are more time consuming and have a higher risk of error).
- Formally document the basis in which the performance measures related to bus services will be measured in the forthcoming years, including key data definitions.

#### **Management comment**

The underlying systems used for extraction of data are complex and will involve a significant effort to resolve. The systems and processes for preparing the measures will be reviewed as part of the next Long Term Plan development process. Management note that some of the key data definitions relating to the performance measures need to be improved.

### **3.5 Accounting for the Wellington city bus contracts**

The implementation of the new performance-based bus contracts required significant changes to the Regional Council's internal systems and controls for managing bus contracts and accounting for revenue from ticket sales.

Snapper provides revenue collection and reporting services for the Regional Council. They deposit ticket sales revenue directly in the Regional Council's bank account and provide them reporting about sales trends.

Deloitte was engaged by the Regional Council to perform a review of Snapper's systems and controls for managing fare revenue collection and reporting. We reviewed Deloitte's findings and met directly with Deloitte to discuss their approach and conclusions. We are satisfied that Snapper's control environment and systems are appropriate for the collection and reporting of bus fare revenue.

The Regional Council has implemented its own systems and controls to obtain comfort over the accuracy and completeness of bus fare revenue recognised within its financial records. We have reviewed these and concluded they are appropriate. We made recommendations to management to enhance current practises in our interim report. We comment on progress made on these recommendations in Appendix 1 of this report.

We performed substantive testing of bus fare revenue to confirm it had been fairly stated in the Regional Council's financial statements. No issues were noted.

The bus contracts include performance related penalties in the event that the bus providers fail to deliver key contractual deliverables. We understand that the Regional Council is regularly meeting with bus providers to discuss instances of non-delivery and the potential



contractual impacts of this. We understand that the imposition of contractual penalties is a complex matter given the potential flow on impact on services.

We will continue to review how the Regional Council is monitoring these contracts and accounting for any penalties in our 2020 audit.

### **3.6 Procurement of new Financial Management System (Project Optimus)**

We noted in our audit plan that the Regional Council was looking to replace its core information system. This project was put on hold during 2018/19 as Council is re-assessing its requirements. No cost was capitalised into intangible assets in respect of this project.

Given this, we have not performed any further testing over this project.

### **3.7 Risk of management override of controls**

Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We have carried out procedures to address the risk of management override. These included:

- 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.

We have not identified any indication of management override from these procedures.

However as previously communicated to management, the lack of independent review processes for journals by a delegated person remains a risk to the Regional Council. Good practice would be for manual journals to be independently reviewed, given the elevated risk of fraud associated with them.

## 4 Review of information technology general controls

As part of our audit, we performed an information technology general controls (ITGC) review.

The ITGC review consisted of two parts.

The first being a risk assessment of the entity level controls in place. These controls are management’s activities in the following areas:

- IT governance and strategic planning.
- IT processes, organisation, and relationships.
- Assess and manage IT risks.
- Monitor and evaluate performance.
- Monitor and evaluate internal control.

The second part of the review is an assessment as to the design and operating effectiveness of activity level controls. These controls cover the Regional Council’s ability to manage risks associated with the following areas:

Activity-level Control Processes	Design effective/ineffective	Operating effective/ineffective
Manage Security Services	Effective	Effective
Manage Changes, Change Acceptance and Transitioning	Effective	Effective
Manage Service Requests and Incidents	Effective	Not tested
Manage Continuity	Effective	Not tested
Manage Availability and Capacity	Effective	Not tested

We identified the following matters to bring to your attention:

### 4.1 Account lock-out and reset criteria

We noted that the computer account lock-out criteria was set to a five minute lock-out duration and also that the reset of the lock-out (failed log-in attempt counter) occurs automatically after five minutes. The short duration of these two criteria increase the risk that an automated but low level attack or attempt to gain access to the Regional Council’s network could succeed.

**We recommend** increasing both criteria to at least 15 minutes and consider requiring the service desk to unlock accounts or provide lock-out self-administration processes (which typically require additional information known only by the user), two-factor authentication or both as opposed to the automatic reset as currently configured.

**Management comment**

ICT are currently building a standard operating environment for support and maintenance capability. Features including 2 factor authentication that enhance and increase security, will be a constant theme for iterative deployment to GWRC devices.

**4.2 IT Business Continuity Plan Testing (BCP) (and other IT BCP, DR and back-up considerations)**

We note that a large scale “dry-run” of the BCP has not been done. This would provide a better idea of how the BCP may support an actual event. Due to the Wellington region’s recognised risk of a significant disaster event and the role the Regional Council fills in the region, we recommend that this be done.

**Management comment**

GWRC has experienced the effects of the both sets of major recent earthquakes affecting Wellington - moving from the damaged Regional Council Centre at 142 Wakefield St to Shed 39 after the Seddon earthquake in 2013 and re-locating the ground floor staff of Shed 39 to Walter St after the Kaikoura earthquake in 2016. The lessons learnt from these experiences have been incorporated into the ICT BCP, DR and backup plans and will add value to a “dry-run” exercise.

We noted some changes or upcoming changes that have the potential to affect the Regional Council’s back-up, disaster recovery and business continuity planning processes:

- The Masterton location, used for disaster recovery and off site replication of council data was expected to be decommissioned no later than 1 December 2019 (with a target by 30 October). It was planned that the replication equipment be moved to the Revera Trentham location and be incorporated into the production environment. We understand that IT is currently looking at other options for a DR solution elsewhere, including out of region in Auckland. Until such a solution is implemented, this increases the risk of losing a remote DR location and losing off site replication.
- The off-site back-up is also being maintained at Masterton. The added resilience and recovery ability of the back-ups being remotely located will be lost until a new approach is implemented.

We also note:

- The Outlook 365 council data is reliant on the back-up and recovery provided as part of the standard Microsoft All of Government offering. There may be unexpected costs involved if recovery of data is required through this service compared to the Regional Council also maintaining a back-up.

- Server by server recovery testing has worked as expected. A full recovery test of all systems has not been performed.
- The replication in place at the time of the audit visit was taking most of the night time window to complete due to bandwidth constraints.
- The “M” drive is planned to transition to “OneDrive” and this may place further demands on bandwidth and potential costs implications for recovery, if ever required, if reliant on the default Microsoft recovery options.

We realise that the above items are a small subset of the considerations required by the Regional Council as its back-up, DR and BCP strategies and plans are updated. However, the risks, benefits and cost implications should be assessed as the Regional Council moves forward with its plans.

We **recommend** that these items be assessed and actioned based on the Council’s risk tolerance and obligations.

#### **Management comment**

The Masterton site has successfully been decommissioned. ICT have established the replication equipment into the hosted data centre with Revera. All backup data is migrated to the Revera site and then migrated to the cloud through the ICT Cloud Storage project due to complete in Q3 2020.

The office 365 data within exchange online email have in place hold and/or litigation hold enabled. Whilst it is not a backup, it is an archive and it means that we can search for emails to fulfil OIA requests. All business critical information is encouraged to be stored in the appropriate electronic records management system or Sharepoint.

Full tests have been performed on individual servers within GWRC, including restoration from the GWRC instance of Veeam for backups. Server replication no longer occurs due to the decommissioning of the Masterton site therefore the bandwidth issue is eliminated with the cloud storage solution.

Moving M drives to OneDrive will be delivered as part of the ICT SOE project. OneDrive has some native built in document version control, and some ability to recover deleted documents. As we mature with our Information Management framework, the idea of restoring old documents from previous versions would be superseded with good information management lifecycle management.

## 5 Public sector audit



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

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

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

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

There are no issues to bring to your attention as a result of our audit work in the above areas.

## 6 Group audit



The Regional Council and group comprises of:

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

### 6.1 Working with management and Centerport's auditors

A key aspect of the Group audit this year has been working throughout the year with management and with the auditors of the CenterPort Group (Deloitte) to:

- work through the various earthquake matters which impact on the annual reports of each entity;
- anticipate with management any associated risks to the timetable for finalising the annual reports; and
- consider consistency of treatment of issues arising between the audits of each entity.

During the course of our audit we liaised with CentrePort Group's auditors to obtain an understanding of the audit procedures performed over the impact of the earthquake on CentrePort's financial statements. We reviewed areas of work completed by CentrePort Group's auditors that we assessed as relevant to enable us to form our own judgement on the validity and completeness of the disclosures and accounting treatment for the impact of the earthquakes. We assessed their work as reasonable.

There are no issues to bring to your attention.

## 7 Useful publications



Based on our knowledge of the Regional Council and group, we have included some publications that the Regional Council and management may find useful.

Description	Where to find it
<b>Public accountability: A matter of trust and confidence</b>	
<p>Public accountability is a cornerstone of our system of government. Knowledge on what the public is getting for their taxes and rates, how well that is being spent, and the integrity of the overall system are the basics of public accountability.</p> <p>This discussion paper is the first phase in a programme of work about the future of public accountability.</p> <p>The next phase of our research on public accountability will build on what we have learned here and focus on how well the current public accountability system is positioned to respond to the challenges and opportunities the public sector faces. This research will inform what the Auditor-General's Office does to improve trust and promote value in the public sector.</p>	<p>On OAG's website under 2019 publications.</p> <p>Link: <a href="#">public-accountability</a></p>
<b>Post implementation reviews</b>	
<p>The OAG have recently completed a review of Auckland Council's post implementation review process. While many aspects of the report are specific to Auckland Council, it documents the process that Auckland Council uses, and includes a post implementation review checklist.</p>	<p>On the OAG's website under publications.</p> <p>Link: <a href="#">Post-implementation review process</a></p>
<b>Inquiry into Waikato District Health Board's procurement of services from HealthTap</b>	
<p>Findings of the inquiry into the decision of Waikato District Health Board in 2015, to enter into a contract with the United States-based company HealthTap Inc to provide "virtual care" services through an online service.</p> <p>There are important lessons about a good procurement process that can be learned and applied to other procurements in the public sector – in particular, when seeking to be innovative.</p> <p>Innovation in the public sector is important. It can lead to new and better services for the public and more efficient ways to deliver current services. However, when public organisations seek to innovate, it is all the more important to respect the disciplines of good procurement. Innovative service delivery and good procurement practice are not mutually exclusive.</p>	<p>On OAG's website under 2019 publications.</p> <p>Link: <a href="#">inquiry-waikato-dhb</a></p>

Description	Where to find it
<b>Inquiry into procurement of work by Westland District Council at Franz Josef</b>	
<p>This report concerns a decision of the Westland District Council to carry out work at Franz Josef to protect the town's wastewater treatment plant from flooding. The work was carried out on an urgent basis and resulted in the construction of a new 700-metres-long stopbank on the bank of the Waiho River.</p> <p>This report identifies numerous examples of poor decision-making and poor procurement practice. They include the lack of any proper risk analysis or consideration of alternative options, the failure to seek expert advice on either the immediacy of the flood risk or whether building a stopbank was the right response, an inadequate planning and procurement process for a project of this type and scope, an apparent disregard for legislated decision-making requirements, and a failure to consult those affected by the work until the work was already under way.</p>	<p>On OAG's website under 2019 publications.</p> <p>Link: <a href="#">westland-dc-procurement</a></p>
<b>Water reports</b>	
<p>A number of reports on water have been released:</p> <ul style="list-style-type: none"> <li> <p>• <b>Crown investment in freshwater clean-up</b></p> <p>The OAG examined how the Ministry for the Environment administered four Crown freshwater clean-up funds for improving lakes, rivers, streams, and wetlands. Our primary objective was to assess whether Crown funding was being used effectively to improve freshwater quality.</p> </li> <li> <p>• <b>Observations on Waikato River Authority's freshwater restoration operations</b></p> <p>The OAG looked at the operational approach of the Waikato River Authority to restoring and protecting the Waikato and Waipā Rivers for additional insight into how different entities manage Crown funds.</p> </li> <li> <p>• <b>Managing freshwater quality: Challenges and opportunities</b></p> <p>The OAG published a report on how effectively Waikato Regional Council, Taranaki Regional Council, Horizons Regional Council, and Environment Southland managed the effects of land use on freshwater quality in their regions. We found that the effectiveness of the four regional councils' approaches was variable. In this report, we assess the progress they have made since 2011.</p> </li> </ul>	<p>On OAG's website:</p> <p>Link: <a href="#">freshwater-clean-up</a></p> <p>Link: <a href="#">wra-freshwater-restoration</a></p> <p>Link: <a href="#">freshwater-quality</a></p>



Description	Where to find it
<b>Good practice</b>	
<p>The OAG's website has been updated to make it easier to find good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> <li>• audit committees;</li> <li>• conflicts of interest;</li> <li>• discouraging fraud;</li> <li>• good governance;</li> <li>• service performance reporting;</li> <li>• procurement;</li> <li>• sensitive expenditure; and</li> <li>• severance payments.</li> </ul>	<p>On the OAG's website under good practice.</p> <p>Link: <a href="#">Good practice</a></p>
<b>Tax matters</b>	
<p>As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.</p>	<p>On our website under publications and resources.</p> <p>Link: <a href="#">Tax Matters</a></p>
<b>Earthquake accounting matters</b>	
<p>The OAG's website includes earthquake accounting matters which will be relevant to the City Council.</p>	<p>On our website under publications and resources.</p> <p>Link: <a href="#">Earthquake accounting</a></p>
<b>Reporting fraud</b>	
<p>The OAG have released data from 2012-2018 on fraud in public entities. This includes how the fraud was detected, the type of fraud and the methods and reasons for the fraud. The graphs show the high-level sector, and this can be broken down further into sub-sectors by opening the spreadsheets available.</p>	<p>On the OAG's website under data.</p> <p>Link: <a href="#">Reporting Fraud</a></p>
<b>Client substantiation file</b>	
<p>When you are fully prepared for an audit, it helps to minimise the disruption for your staff and make sure that we can complete the audit efficiently and effectively.</p> <p>We have put together a tool box called the Client Substantiation File to help you prepare the information you will need to provide to us so we can complete the audit work that needs to be done. This is essentially a tool box to help you collate documentation that the auditor will ask for.</p>	<p>On our website under publications and resources.</p> <p>Link: <a href="#">Client Substantiation File</a></p>

## Appendix 1: Status of previous recommendations

### Open recommendations

Recommendation	First raised	Status
<b>Necessary</b>		
<b>Policy refresh</b>		
<p>We noted that the Procurement/ Purchasing policy was last reviewed in 2007. Internal policies and guidance should be reviewed every three years to ensure relevance with the current Regional Council operating philosophy.</p>	<p><b>2016</b></p>	<p><b>In progress</b></p> <p>The draft procurement policy is currently being revisited by the Regional Council.</p> <p>We also noted that several other policies have not been reviewed and updated in a timely manner. These include the Asset Management policy, Credit Card use policy, Entertainment and Hospitality Expenditure policy, Internal Fraud policy, Sensitive Expenditure policy, and ICT Security and Use policy. We recommend that these policies are refreshed also.</p>
<b>Risk and Assurance</b>		
<p>We <b>recommend</b> 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"> <li>• performing a fraud risk assessment;</li> <li>• developing and formalising the assurance function in addressing the key risks facing the Regional Council;</li> <li>• enhancing the Regional Council’s risk management approach by implementing an integrated entity-wide approach which incorporates strategic, operational and programme/project risks; and</li> <li>• updating its risk management policy/framework so it aligns with an entity-wide risk approach.</li> </ul>	<p><b>Interim 2019</b></p>	<p><b>In progress</b></p> <p>The risk management policy is due to be updated and a new risk management procedures document will also be produced that will provide the detail on how risk management operates at the Regional Council.</p> <p>Council is also in the process of updating the Business Assurance programme, which will be risk based and align with the risk management framework.</p>

Recommendation	First raised	Status
<b>Procurement and Contract Management</b>		
<p>We <b>recommend</b> that the Regional Council:</p> <ul style="list-style-type: none"> <li>reviews its procurement and contract management processes to ensure there is sufficient central oversight over individual business unit practices;</li> <li>ensures that its organisational procurement policy and guidelines are finalised; and</li> <li>consider the benefit of working towards implementing a centralised contract management system that is linked to its financial management systems. Alternatively, the Regional Council should consider implementing levels of oversight which will ensure that all contracts are stored on the intranet and are actively managed.</li> </ul>	<p><b>Interim 2019 and 2017 (point 3)</b></p>	<p><b>In progress</b></p> <p>Council is focused on the continued improvement of procurement process and contract management practices. The Integral Group Ltd has been engaged to assist in completing the procurement policy, develop relevant guidance materials, procurement templates and complete training across the relevant business units.</p>
<b>Transdev (Rail revenue)</b>		
<p>We <b>recommend</b> that the Regional Council:</p> <ul style="list-style-type: none"> <li>obtains formal feedback from Transdev on its progress against the recommendations made by PwC last year; and</li> <li>continue with the annual assurance reviews over the farebox revenue process to provide comfort and assurance over the implemented Transdev systems and controls.</li> </ul>	<p><b>Interim 2019</b></p>	<p><b>In progress</b></p> <p>Management are working through the PwC recommendations with Transdev and seeking their feedback as to the appropriateness of implementing the recommendations.</p> <p>Management are also currently engaging with PwC as to an appropriate process to obtain assurance from Transdev on their systems and controls going forward.</p>
<b>Snapper (Bus revenue)</b>		
<p>Currently the Regional Council has no implemented processes or control in place to provide comfort over the revenue received from Snapper.</p> <p>We <b>recommend</b> that management utilise Snapper's data to develop tools and diagnostics to help assess the accuracy and completeness of bus fare revenue reported by Snapper to the Regional Council.</p>	<p><b>Interim 2019</b></p>	<p><b>In progress</b></p> <p>Management have signed off a business case and are in the first phase of implementing a project to leverage Snapper data to develop additional Business Intelligence capabilities. The first phase is intended to be completed next financial year with a view of expanding the scope in future years. This is additional to existing controls in</p>

Recommendation	First raised	Status
		place to review completeness and accuracy of bus fare revenue and key KPIs.
<b>Beneficial</b>		
<b>Commitments disclosure</b>		
We recommend that the Regional Council implement a formal quality assurance process around the preparation of the commitments disclosure in the upcoming annual report. This will minimise the risk of error.	<b>2017</b>	<b>In progress</b> We identified a number of errors within the commitments disclosure again this year. We encourage management to continue refining its quality assurance process in advance of the 2019/20 year end.
<b>Payroll controls</b>		
<p>We <b>recommend</b> management:</p> <ul style="list-style-type: none"> <li>ensure that the review of payroll masterfile reports are formally documented as evidence supporting the review; and</li> <li>review the basis used to generate the payroll variance report and ensure these are appropriate to assist management in identifying remuneration changes made.</li> </ul>	<b>Interim 2019</b>	<b>In progress</b> Management are currently reviewing this process and will implement appropriate changes.  The payroll variance report is being reviewed by technical support and will be updated as part of the technical changes being worked on.
<b>Expenditure controls</b>		
We <b>recommend</b> that the approval process for expenditure, not processed through the purchase order system, be reviewed to ensure appropriate supporting documentation is provided and uploaded on the SAP system to approve the expense before it is paid.	<b>Interim 2019</b>	<b>In progress</b> The expenditure issues highlighted relate to file uploads into SAP. The Transactions Team Leader checks the file uploads before payment. However management will work on another process whereby the file is reviewed by business before payment.

**Implemented or closed recommendations**

Recommendation	First raised	Status
<b>Impact of the new “for profit” accounting standards on the Group audit</b>		
<p>Management should engage early in the financial year with the CentrePort Group and implement appropriate systems and processes to accurately capture and report on the requirements of the new accounting standards and adequately consider the “mixed group” reporting issues on the Regional Council and group.</p>	<b>2018</b>	<p><b>Closed</b></p> <p>CentrePort has applied NZ IFRS 9 Financial Instruments and NZ IFRS 15 Revenue from Contracts with Customers. We have confirmed that the adoption of the standards only related to changes in accounting policies and additional disclosure changes. These changes have not impacted the current or comparative financial position or performance of the Group.</p> <p>The Regional Council has not yet adopted PBE IFRS 9 and is not required to do so until report periods starting on or after 1 January 2022. The Regional Council has not early adopted this standard when preparing the 2019 accounts. We are satisfied that the Regional Council has appropriately considered the impact of CentrePort’s financial statements being prepared in line with PBE IFRS 9 when preparing the Regional Council’s group accounts.</p>
<b>Transdev fare revenue reconciliation</b>		
<p>The monthly and daily reconciliations of Transdev revenue received and banked should be formally documented going forward to enhance the effectiveness of the control.</p>	<b>2018</b>	<p><b>Closed</b></p> <p>Management are comfortable that there are comprehensive documents and process maps on the Transdev-Farebox revenue process.</p>
<b>Useful economic lives of Property, Plant and Equipment</b>		
<p>The residual value and useful life of assets should be reviewed at least annually in accordance with the accounting standard. The condition of assets as well as their ability to provide services should also be considered as part of the verification process.</p>	<b>2018</b>	<p><b>Closed</b></p> <p>Management completed the review of useful lives of all assets. We reviewed the assessment and related accounting adjustments and did not identify any issues.</p>

Recommendation	First raised	Status
<b>Impairment assessment for operational land and buildings</b>		
<p>The Regional Council should review their approach to assessing impairment of operational land and buildings to ensure that all asset classes are appropriately considered.</p>	<b>2018</b>	<p><b>Closed</b></p> <p>Management completed an impairment assessment of all operational land and buildings as at 30 June 2019. We reviewed the assessment and related accounting adjustments and did not identify any issues.</p> <p>We remind the Regional Council that management is required to complete such an impairment assessment at each balance date. This should be factored into the standard year end planning.</p>
<b>Declaration of interest</b>		
<p>Councillors and other key management personnel should be encouraged to disclose all interests held in a timely manner.</p> <p>The interest register should include the Regional Council's assessment of the associated risk and mitigating actions of the declared interest.</p>	<b>2018</b>	<p><b>Closed</b></p> <p>We have reviewed the completeness of declarations during our final audit. We did not identify any issues.</p>
<b>Service performance information – Percentage of FMP implemented</b>		
<p>We recommended that the Regional Council review if a more accurate proxy could be used for this measure, and include a clarification to this effect in the annual report.</p>	<b>2017</b>	<p><b>Closed</b></p> <p>The measurement methodology for this performance measure has been updated as part of the 2018-28 Long Term Plan process to address this recommendation. We have audited the measure and did not identify any issues.</p>

## Appendix 2: Helping you to understand your risks: procurement and contract management

### Why it matters

Procurement and contract management carry high risk in terms of costs, public and political profiles, reputation, and performance. Delivering services well depends on doing procurement and contract management well.

### Understanding your risks

We have used our sector expertise, and recognised best practice, to develop a standardised risk assessment tool to analyse your local authority’s procurement and contract management risks. We have included the sector context by displaying your position compared to other entities in the sector<sup>1</sup>.

### What do we mean by procurement and contract management?

Procurement is the overarching term used to describe all the business processes associated with purchasing goods and services. Procurement is much more than “buying something” – it includes all the processes involved in acquiring goods and services from a third party. Effective contract management helps ensure goods and services are delivered well, to specification, and in full. Both go together to ensure public value is realised.

Figure 2  
The eight-stage life cycle of procurement



Source: (Recoloured from) the Ministry of Business, Innovation and Employment.

### The Auditor-General’s work programme – Procurement

The Office of the Auditor-General is part way through its work programme on Procurement. Earlier this year performance auditors visited 22 local authorities in the Waikato, Bay of Plenty, Canterbury, and Wellington Regions to talk about how local authorities in those regions carry out procurement. This audit identified some challenges that local authorities need to respond to so that procurement can continue to support the delivery of infrastructure and services to local areas. This will be particularly important with the significant growth that is forecast in many areas.

The Office of the Auditor-General plans to publish its findings by the end of 2019. It will be important for each local authority to consider the Auditor-General’s findings in order to determine priorities for further improving or developing the approach to procurement.

<sup>1</sup> This analysis is limited to entities audited by Audit New Zealand only.

### How do we assess risk?

Our assessment tool considers risk from two angles:

- The risk in the environment. This is the inherent risk. It is influenced by complexity, instability, change, delivery of critical services, interdependencies, and reliance on third parties. Size, strategic direction, and the nature of services are also important.
- The effectiveness of management systems and processes. This is control risk and covers the main aspects of good practice that we would expect to be applied. Effective management systems and processes mitigate aspects of inherent risk and reduce the risk of something going wrong.

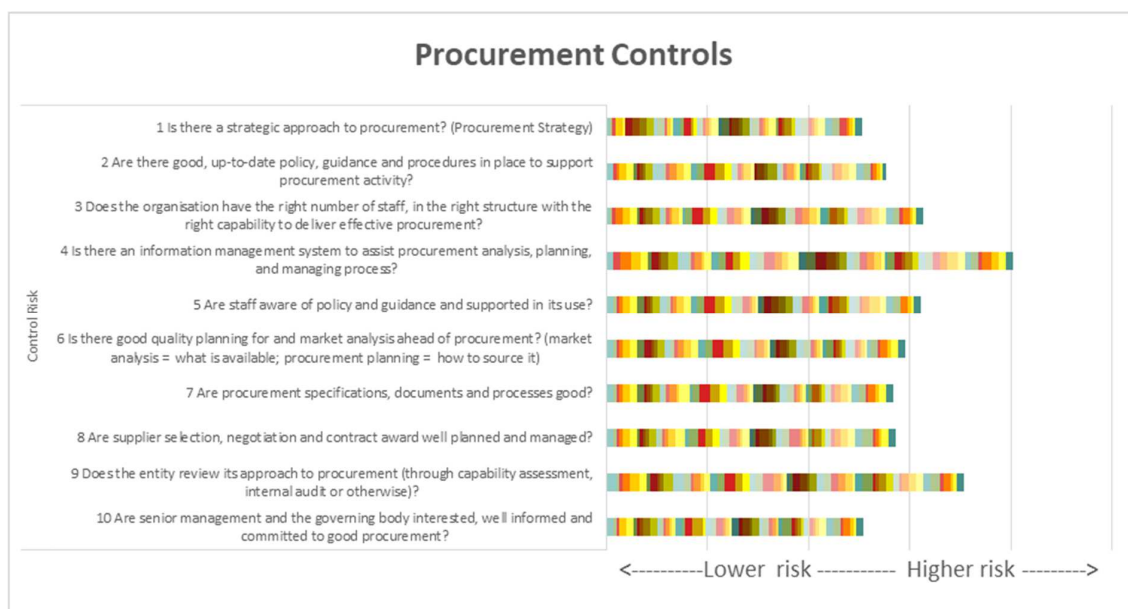
The risk assessment process we have undertaken is based on the design of the controls only. We have not performed testing to ensure the controls are operating effectively.

### What are the assessments telling us?

Procurement is particularly important for local authorities, in which investment in developing, renewing and maintaining infrastructure is typically outsourced to private sector providers. In addition, many local authorities have entered into alliances, partnerships or other collaborative arrangements to support service delivery. With continued pressure on rates and other sources of funding, the need to achieve good value for money remains an important consideration. However, many local authorities have told us that they aim to use their spend to deliver other benefits, such as supporting the local economy.

### Common areas of risk across local government

In the graph below we have summed the risk rating we assessed for each of ten procurement controls across all the local authorities we audit.





Two areas stand out across local government as priorities for improvement:

- Ensuring there is an appropriate information management system so that staff can analyse procurement spend, plan and manage procurement processes, and keep good records.
- Being open to continuous improvement through reviewing procurement practices and capability.

The graph below shows a similar analysis for contract management controls. Overall this indicates that contract management controls are weaker than those covering the purchasing stage of the procurement cycle. We encourage all local authorities to consider whether their approach to contract management is as clearly defined, well-resourced and implemented as it needs to be.



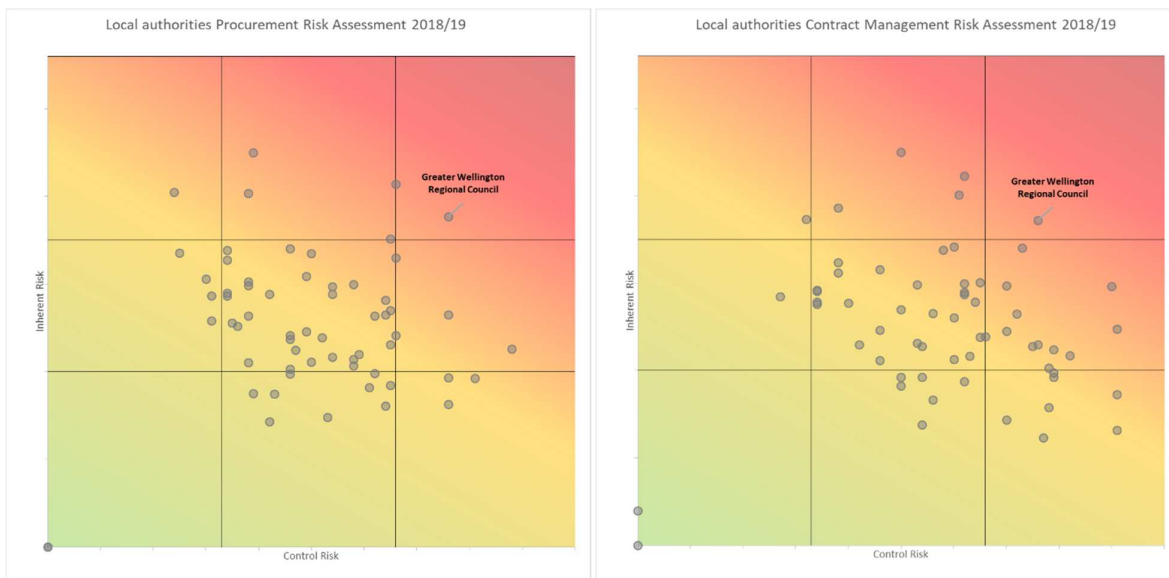
Three aspects of contract management might provide a focus for this consideration:

- assessing whether there is a strategic approach to supplier relationship management;
- making sure there are good, up to date policies, guidance and procedures in place to help staff manage contracts effectively; and
- ensuring there is an appropriate contract management system in place.

Each grey dot in the graphs below represents a local authority mapped according to our assessment of its inherent and control risk.

Procurement Risk levels

Contract Management Risk levels



Local authorities use a range of procurement approaches and have a significant number of contracts for a diverse range of goods and services. Levels of inherent risk vary widely depending on the size of local authorities, as well as the extent of and approach to outsourcing.

The Regional Council has high levels of inherent risk for both procurement and contract management.

There is little the Regional Council can do to reduce its level of inherent risk. However, it can strengthen its systems and processes to bring down the overall level of risk. In our view the controls for procurement and contract management put the council in the high risk category. In our view the Regional Council could strengthen its contract management systems and processes, to bring the overall level of risk down from what we have assessed to be at a high level overall.

## **Our view on priorities for strengthening the Regional Council's control over procurement and contract management**

We expect up to date policy, procedures and guidance to form a sound basis for controlling contract management. Policy needs to be regularly updated to make sure it continues to comply with the good practice promoted by the Government Procurement Rules.

In our view, the area we believe would make the most difference to strengthening the Regional Council's controls would be:

- reviewing its procurement and contract management processes to ensure there is sufficient central oversight over individual business unit practices;
- ensures that its organisational procurement policy and guidelines are finalised; and
- Ensuring there is a fit-for-purpose contract management or supplier relationship management system, which might involve:
  - putting in place a functional contract management system in place to capture key information on all contracts;
  - making links to the FMIS / payment system to help staff manage contracts;
  - storing documentation electronically in easily accessible ways (original agreement, record of contract progress claims and payments, monitoring and inspection or meeting records, relevant correspondence, records of any variations or claims, producer statements and/or guarantees, completion certificates);
  - maintaining appropriate physical security and disaster recovery arrangements in place for contracts and associated information;
  - allowing contract information to inform or be integrated with budget setting and monitoring; and
  - making links between performance information, payments and contract renewal decisions.

## **Continuing focus on risk for 2019/20**

As part of our 2019/20 audit we will consider procurement-related risks during our audit planning, based on our knowledge of the Regional Council, your pattern of spend and the range of contracts you have in place.

## Appendix 3: Adoption of new accounting standards

### NZ IFRS 16 Leases

Some key facts about NZ IFRS 16:

- Applies to for-profit entities with reporting periods that commence on or after 1 January 2019.
- Replaces NZ IAS 17 *Leases*, and lease related interpretations.
- Lessees will no longer apply the finance and operating lease distinction. Lessees will need to recognise most leases on the statement of financial position as a lease liability and “right to use” asset. The lease liability and right to use asset will generally be initially recognised at the present value of the lease payments. The asset will then be depreciated over the term of the lease while an interest expense recognised on the lease liability based on the discount rate determined at the commencement of the lease. Recognition exemptions are available for low value and short-term leases.
- For lessees, significant judgement may need to be exercised when determining the lease term for a lease with renewal and termination options.
- Lessors continue to apply the finance and operating lease distinction.

### Mixed group issues

This is applicable where the PIL group is consolidated into the WRCH group.

In submitting information to the parent for consolidation purposes, consolidation adjustments may be necessary due to the different for-profit and PBE accounting requirements – e.g. for revenue, financial instruments, and leases.

Adjustments that arise on transition to new for-profit standards also need to be assessed as to whether they need to be reversed for PBE consolidation purposes.

We encourage management to engage early in the financial year with PIL and its subsidiaries, including the CentrePort Group, and implement appropriate systems and processes to accurately capture and report on the requirements of any new accounting standards and adequately consider the “mixed group” reporting issues on WRCH and group.

## Appendix 4: Disclosures

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

Area	Key messages
Fees	<p>The audit fees for the year are detailed in our Audit Proposal Letter as:</p> <ul style="list-style-type: none"> <li>• Greater Wellington Regional Council \$225,158</li> <li>• WRC Holdings Limited \$19,590</li> <li>• Port Investments Limited \$6,838</li> <li>• GW Rail Limited \$17,706</li> </ul> <p>We also performed a limited assurance engagement related to the Regional Council’s debenture trust deed \$4,300.</p> <p>We also recovered our costs for the prior year audit due to additional work related to the LTP, earthquake related matters and new revenue streams added.</p> <p>No other fees have been charged in this period.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Regional Council or its subsidiaries that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Regional Council or its subsidiaries during or since the end of the financial year.</p>



AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

PO Box 99  
Wellington 6140  
Phone: 04 496 3099

[www.auditnz.govt.nz](http://www.auditnz.govt.nz)



## Audit management report action items

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
<b>Audit management report</b>					
Asset classes not revalued in 2019	CFO	Medium	June 2020	Management note the audit recommendations. Finance will liaise and work with the various business units to align asset costs with the asset indices to ensure that the values are comparable and take appropriate action.	
Public transport performance reporting	GM Public Transport	Medium	Ongoing	The underlying systems used for extraction of data are complex and will involve a significant effort to resolve. The systems and processes for preparing the measures will be reviewed and documented as part of the next Long Term Plan development process. Management note that some of the key data definitions relating to the performance measures need to be improved.	
Account lock-out and reset criteria	CIO	Medium	Ongoing	ICT are currently building a standard operating environment for support and maintenance capability. Features, including two factor authentication that enhances and increases security, will be a constant theme for iterative deployment to the Council's devices.	
IT Business Continuity Plan Testing (BCP) (and other IT	CIO	Medium	Ongoing	The Council has experienced the effects of the both sets of major recent earthquakes affecting Wellington. This resulted in us moving from the	



Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
BCP, DR and back-up considerations)				damaged Regional Council Centre at 142 Wakefield St to Shed 39 after the Seddon earthquake in 2013, and re-locating the ground floor staff of Shed 39 to Walter St after the Kaikoura earthquake in 2016. The lessons learnt from these experiences have been incorporated into the ICT BCP, DR and backup plans and will add value to a “dry-run” exercise.	
Loss of off-site resilience and recovery ability due to Masterton location decommissioning.	CIO	Medium	Ongoing	The Masterton site has successfully been decommissioned. ICT has established the replication equipment into the hosted data centre with Revera. All backup data is migrated to the Revera site and then migrated to the cloud through the ICT Cloud Storage project due to complete in April 2020.	

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
The Outlook 365 council data is reliant on the back-up and recovery provided as part of the standard Microsoft All of Government offering. There may be unexpected costs involved if recovery of data is required through this service compared to the Regional Council also maintaining a back-up.	CIO	Medium	Completed	The Office 365 data within exchange online email have in place hold and/or litigation hold enabled. Whilst it is not a backup, it is an archive and it means that we can search for emails to fulfil OIA requests. All business critical information is encouraged to be stored in the appropriate electronic records management system or Sharepoint.	✓
Server by server recovery testing has worked as expected. A full recovery test of all systems has not been performed.	CIO	Medium	Completed	Full tests have been performed on individual servers within the Council, including restoration from the Council instance of Veeam for backups.	✓
The replication in place at the time of the audit visit was taking most of the night time window to complete due to bandwidth constraints.	CIO	Medium	Completed	Server replication no longer occurs due to the decommissioning of the Masterton site therefore the bandwidth issue is eliminated with the cloud storage solution.	✓

Audit point action item	Responsibility	Audit Priority	Expected completion date	Action (required/completed) to address audit point	Complete Yes ✓
The “M” drive is planned to transition to “OneDrive” and this may place further demands on bandwidth and potential costs implications for recovery, if ever required, if reliant on the default Microsoft recovery options.	CIO	Medium	Ongoing	Moving M drives to OneDrive will be delivered as part of a ICT project. OneDrive has some native built in document version control, and some ability to recover deleted documents. As we mature with our Information Management framework, the idea of restoring old documents from previous versions would be superseded with good information management lifecycle management.	

**Finance, Risk and Assurance Committee**  
**25 February 2020**  
**Report 20.59**



**For Information**

## **HEALTH, SAFETY AND WELLBEING UPDATE – JANUARY 2020**

### **Te take mō te pūrongo**

#### **Purpose**

1. To inform the Finance, Risk and Assurance Committee (the Committee) of Greater Wellington’s Health, Safety and Wellbeing (HSW) performance and activity for January 2020.

### **Te tāhū kōrero**

#### **Background**

#### ***HSW performance scorecard***

2. The HSW performance scorecard for January 2020 is outlined in [Attachment 1](#).

#### ***HSW risks in Quantate***

##### *Transportation and driving risk*

3. The transportation and driving risk in Quantate was revised in January 2020 to bring this in line with the risk profile determined by bowtie analysis in 2019 (see the Risk profile and treatment plan – transportation - [Attachment 2](#)).
4. Carrying out the bowtie analysis allowed us to better understand the nature of the risk and expected response, and to establish priorities and evaluate the best controls to reduce the risk to as low as reasonably practicable.
5. The residual risk is rated high currently. It is the top organisational risk, primarily due to the absent and /or inconsistent application of controls and a lack of documented evidence and assurance to support controls in place are effective.
6. The treatment plan in progress specifically targets those gaps and as a result we expect to reduce the risk to medium over the next 6 to 12 months.
7. Transport and driving-related incidents were the main risk event reported in January 2020, in particular vehicle damage from slow speed collisions, mechanical and electrical faults and drivers required to take evasive action to avoid collision.
8. Driving has been identified as the leading cause of workplace fatality by WorkSafe, with upstream factors such as vehicle management and maintenance fatigue, and unrealistic work schedules as major contributors. Our treatment plan addresses all of these elements.

### *Mental health and wellbeing risk*

9. Mental health and wellbeing was added as a new organisational HSW risk in January 2020. This is due to the prevalence of mental wellbeing issues in the population generally, the impact this can have on organisations, and the need for better training awareness and support for mental wellbeing in Greater Wellington’s workplaces.
10. The residual risk is medium currently, which we expect to reduce to low over the next 12 months as actions in the Wellbeing Plan are implemented.

### ***Fatal and Severe (critical) risk controls programme***

11. FSR work streams currently underway are transportation and driving, lone and remote working, and wellbeing (with a focus on mental health and wellbeing). Progress is outlined below.

#### *Transportation and driving*

12. The key progress elements are:
  - a The draft ‘Driving for Greater Wellington Standard’ and the essential (non-negotiable) controls and supporting guidelines for on- and off-road driving are out for consultation with Facilities, Human Resources and other key other key stakeholders, such as HSW representatives
  - b The fleet optimisation review is underway
  - c The EROAD vehicle inspect template has been developed and the app is scheduled for trial with a selected group of users
  - d The preferred solution for online driver training, FleetCoach, is in procurement.

#### *Lone and remote working*

13. Key progress was:
  - a Consultation workshops are underway to determine essential controls for lone and remote working
  - b The Radio Controls Network Project, which provides the solution for full radio coverage across the region, is progressing with installation of the three remote repeater stations (Mt Climie, Orongoronga and Mt Wainui) due for completion by the end of April 2020.

#### *Wellbeing*

14. The Wellbeing Plan 2020-2025 has been finalised, ([see Attachment 3](#)), and the action plan for the next 12 months is underway. Actions include planning for mental health and wellbeing training to be delivered to ELT initially and then to managers and team leaders, and a wellbeing expo across three Greater Wellington locations to promote healthy lifestyle choices

### **COVID-19 Virus update**

15. Greater Wellington is maintaining a daily watching brief and providing regular updates to the General Manager People and Customer on the progress of the COVID-19 virus (Coronavirus), including information and recommendations from the Ministry of Health as the single source of truth. This information is also being provided to Councillors.
16. Based on the most up-to-date information available, the likelihood of sustained transmission in New Zealand is low-moderate, but the risk of outbreaks may be higher in some settings. The risk of the virus entering New Zealand is high as it would be for any virus or biological incursion.
17. For Greater Wellington, the current management of this event is one of monitoring and reacting as required, with the appropriate advice and good communication with staff.
18. We are confident our recently updated pandemic plan covers Greater Wellington appropriately in the event of a COVID-19 outbreak in the Wellington Region. We have sufficient stocks of pandemic supplies, if these are required.

### **HSW Policy and Framework**

19. The revised HSW policy, in both English and Te Reo, has been approved and signed by our Chief Executive, (see [Attachments 4 and 5](#) respectively), and is now in circulation.
20. The draft HSW management framework, which describes Greater Wellington’s operating model for HSW and supports the implementation of the policy, is in development.

### **Ngā tūāoma e whai ake nei**

#### **Next steps**

21. No further action is required.

### **Ngā āpitihanga**

#### **Attachments**

<b>Number</b>	<b>Title</b>
1	Health, Safety and Wellbeing Performance Dashboard - January 2019
2	Risk Profile and Treatment Plan -Transportation
3	Wellbeing Plan 2020-25
4	Health, Safety and Wellbeing Policy - English version
5	Health, Safety and Wellbeing Policy – Te Reo version

### **Ngā kaiwaitohu**

#### **Signatories**

Writer	Julie Barber, Health Safety and Wellbeing Manager
Approver	Nigel Corry, General Manager People and Customer

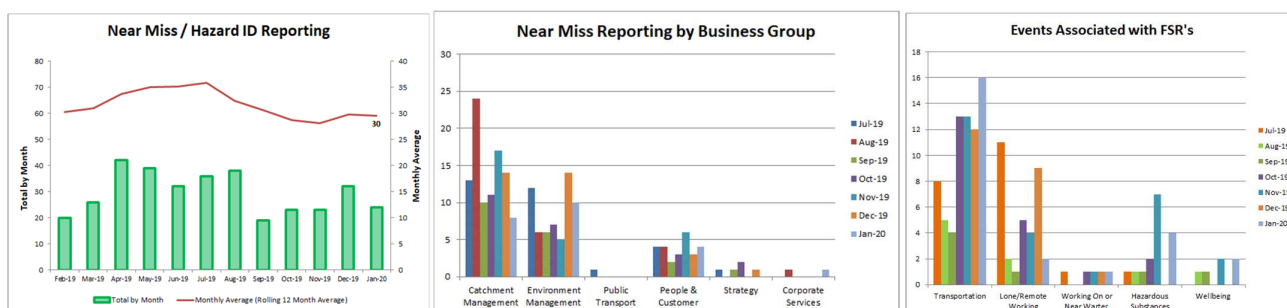
<p><b>He whakarāpopoto i ngā huritaonga</b>  <b>Summary of considerations</b></p>
<p><b><i>Fit with Council’s roles or Committee’s terms of reference</i></b></p> <p>This report assures Council that Greater Wellington’s legal obligations under the Health and Safety at Work Act (the Act) 2015 are met.</p>
<p><b><i>Implications for Māori</i></b></p> <p>There are no known implications for Māori.</p>
<p><b><i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i></b></p> <p>The HSW policy and Wellbeing Strategy are included in Greater Wellington’s Annual Plan 2019/20.</p>
<p><b><i>Internal consultation</i></b></p> <p>Reference paragraph 3.</p>
<p><b><i>Risks and impacts: legal / health and safety etc.</i></b></p> <p>The HSW risks and treatment are outlined in paragraphs 12 and 13.</p>

**Health, Safety and Wellbeing Performance Scorecard – January 2020**

**Progress against key work streams this month**

Status	Work stream	Update
On track	Fatal and Severe Risk (FSR) controls – transportation	Draft Transportation and Driving Standard and essential (not negotiable) controls ready for consultation with HSW reps and key stakeholders.
	Lone / remote working	Planning for a trial of the EROAD Inspect App (pre use and monthly checks). Preparation completed for the lone and remote consultation workshop with HSW reps, in February
On track	Wellbeing Plan	2020-2025 wellbeing plan finalised Planning for ELT mental health training (9 March) and Wellbeing Expo late April /May.
On track	KESAW upgrade & app	Speak-Up Event reporting mobile app released. Changes to simplify event processing implemented. Review of Contractor HS&W Management functionality initiated.
On track	HSW training & competence	High level training matrix completed. Further work paused pending review of of Tech One HSW module functionality. Development of Pause 4 Safety v2 and Tier 3 Managers HS&W Leadership workshop

**Event reporting**



**New / emerging trends this month:**

- Transport and driving were the main risk events reported over the last month, in particular vehicle damage from slow speed collisions, mechanical and electrical faults and a near miss requiring evasive action.
- Seasonal increase in interactions with the public at camping grounds, some needing police intervention, managed by GW Park rangers, and increase in wasp stings and the effects of the extreme hot weather / fatigue

Event status	Jan	Last 12 months	Event by person	Jan	Last 12 months
Total Events Reported	46	682	GWRC employee	34	601
Managed - 'Closed' state	23 (50%)	575 (84%)	Contractor	2	34
In progress – 'Report Review' state	2 (4%)	36 (5%)	Volunteer	1	10
Unmanaged - 'Reported' state	21 (46%)	71 (11%)	Public	9	37

ACC work Injury claims	Jan	YTD	Top 5 claims by nature	Jan	YTD	Top 5 claims by cause	Jan	YTD
New Claims	0	31	Bruising	0	16	Manual handling	0	0
Medical treatment	0	8	Sprain/Strain	0	18	Fall from	0	4
Restricted duties	0	3	Laceration/Cut	0	11	Slip/fall	0	2
Lost time	0	3	Scratch/Abrasion	0	6	Hit/struck by	0	2
Total days lost	0	5	Dislocation	0	1			

**Comment:** No work related ACC claims were received in January.





## Attachment 1

## Health, Safety and Wellbeing Performance Scorecard – January 2020

Health and wellbeing					
<b>Rehabilitation support</b>	<b>Jan</b>	<b>Update</b>	<b>EAP January:</b>		
Work injury	2	Liaison with staff and managers to ensure appropriate return to work plan	New cases: 2 Ongoing cases: 1		
Non-work injury	3	Liaison with staff, managers and medical professionals to ensure return to work plan	Work related use: 1 Non work use: 2		
Medical	5	Liaison with staff, managers and medical professionals to ensure return to work plan	Top 3 reasons for work related referral:		
<b>Wellbeing initiatives</b>	1	MHFA establishing their presence and services in workplace, were contacted by 8 GW staff for support	<ul style="list-style-type: none"> <li>• Workplace stress</li> <li>• Grief/loss</li> </ul>		
<b>Comment:</b> Bereavement support via EAP on site offered to teams in recognition of long term staff member who passed away this month.			<b>Comment:</b> Low usage over holiday period is usual. All users this month were female.		
Training and engagement			Recognition this month		
	<b>Jan</b>	<b>Update</b>	<ul style="list-style-type: none"> <li>• Masterton new building project team for working collaboratively to design a new layout for the specific needs for each department, hazardous material storage, safe working and for traffic management.</li> <li>• Tait Mobile Radio Wellington Contractors, for safety in design work on the solar panels structure Orongorongo, utilising new technology for support columns, where conventional piling was not possible due to ground conditions.</li> <li>• The QEP park ranger who pulled over and took a rest when he recognised he was too fatigued to be driving.</li> </ul>		
Pause to talk	1				
Pause for safety	0	V2 in development			
Other training					
HSW rep meetings	0	None scheduled this month			
Consultation	0	None scheduled this month			
Leadership walk arounds	0	None scheduled this month			
Other					
High consequence events January 2020					
Kesaw ref	Event type	Department	Description	Initial /corrective action	Status
3264	Near Miss	Parks	Evasive action to avoid head on collision with speeding car on corner	Driver of the speeding car apologized and was instructed to slow down.	Report
3273	Near Miss	Parks	CCVC (Cross Country Vehicle Club Wellington) vehicle slid off road onto its side in Akatarawa Park	Occupants unharmed and able to be helped from vehicle.	Report
3274	Near Miss	Parks	QEP transformer left open overnight	Door secure and Electra contacted	Closed
3283	Other / Hazard	Parks	QEP A 4 party horse trek on trial mountain bike trail.	Kapiti Stables advised of permitted route.	Closed
3286	Other / Hazard	Customer Contact	Two incidents (a week apart) of a CentrePort contractor drilling holes through the level 1 ceiling at Shed 39 immediately below staff working area on level 2	Followed up with CentrePort, with no further occurrence	Report






# Fatal and Severe Risk Profile:Transportation

<b>Risk description</b>	GW people, or other road users could be killed or seriously harmed in an accident involving GW vehicles, or other vehicles used to carry out GW duties
<b>What we know about the risk</b>	Driving is a known work related risk. 300 – 400 people are killed on NZ roads each year with approx. 300 injuries / 100,000 population
<b>What we know about this risk in our operating environment</b>	Driving requires on and off road capability and involves the use of various types of vehicles such as utes, quads, LUV's, motor cycles, trailers. Driving can occur in remote locations and in extreme conditions. In the past 12 month period GW vehicles covered 2.1 million km's on sealed roads.
<b>Who is exposed</b>	All GW staff who drive for work, passengers and other road users
<b>Risk Owner</b>	Nigel Corry, GM People and Customer

<b>Key Risk Event : Loss of control of vehicle during work activity</b>	
Drivers of the risk include	Which could result in
<ul style="list-style-type: none"> <li>Inconsistent fleet specifications and driver unfamiliarity / competency for multiple types of vehicle</li> <li>GW driver - driving perception, attitudes and behaviours, over speeding</li> <li>Distracted driver e.g. phone use</li> <li>Impaired driver – e.g. alcohol/ medication</li> <li>Length of journey - fatigue / stress</li> <li>Third party drivers</li> <li>GW staff travelling in third party vehicles</li> <li>Mechanical fault</li> <li>Person or animal crossing vehicle path</li> <li>Vehicle not suitable for task / terrain</li> <li>Unknown / changing environmental and weather conditions</li> <li>Unsecured loads falling from vehicle / trailers detaching</li> <li>Unauthorised vehicle modifications</li> <li>Use of own vehicle – lack of visibility and assurance vehicle is fit for purpose, insured and maintained to minimum standard</li> </ul>	<ul style="list-style-type: none"> <li>Injury / death - GW driver, passenger or other road users</li> <li>Vehicle / property damage</li> <li>Prosecution by statutory authorities</li> <li>Increased insurance premiums</li> <li>Reputational damage</li> </ul>

<b>Risk Assessment - October 2019</b>			
Inherent Risk	Residual Risk	Comment	Treatment plan
High	High	Risk drivers and controls were determined by bow-tie analysis and the GW HSW risk matrix applied to calculate the level of inherent and residual risk. Residual risk is currently assessed as high due to absent and /or inconsistent application of controls and the lack of documented evidence and assurance to support the controls in place are effective.	Required

<b>Controls : How we manage the risk</b>						
Full / effective  Partial  Not effective 						
<b>Control category</b>	<b>Control Description</b> (what's currently in place to manage the risk)	<b>Status</b>	<b>Effective?</b>	<b>Monitoring</b>	<b>References</b>	<b>Owner</b>
Driver competency and behaviour	Drivers required to provide evidence of current clean NZ (or equivalent) for class of vehicle used	Full	Effective	EROAD data base	Vehicle policy Recruitment procedures	Finance
	Recruitment includes licence requirements for specific driving task (e.g. forklift, HGV)	Full	Effective	Recruitment / training records	Vehicle policy Recruitment procedures HSW competency framework	Finance HR HSW
	Training to meet/maintain competency required for specific vehicles (e.g. trailer use)	Partial	Partial	Training records	HSW competency framework Core training	HSW HR
	Requirement to follow NZTA regulations (speed limits, use of seat belts. use of mobile phones etc)	Full	Partial	Line management	Vehicle policy Code of conduct	Finance HR
	Requirement to follow protocols and SOP's in place for specific driving conditions e.g. driving through water	Partial	Partial	Line management	SOP's	Department
	Practical / defensive driver training	Partial	Partial	Training records	HSW competency framework Core training	HSW HR
	Driver vehicle induction	Partial	Partial	Unknown	Induction records	Department
	EROAD – driver alerts	Full	Partial	EROAD data base	EROAD data base	Facilities
	EROAD driver performance monitoring and processes to address non-conformance with minimum requirements.	Partial	Not effective	EROAD data base	EROAD data base	Facilities

	Requirement to follow dynamic risk assessment and FSR essential controls for transportation	Partial	Partial	Line management	FSR standard.	HSW
	Requirement to report incidents and near misses in KESAW	Full	Partial	KESAW data base	Vehicle policy Event policy	HSW
<b>Control category</b>	<b>Control Description</b> (what's currently in place to manage the risk)	<b>Status</b>	<b>Effective?</b>	<b>Monitoring</b>	<b>References</b>	<b>Owner</b>
<b>Vehicle</b>	GW fleet vehicles fit for purpose / task	Partial	Partial	Vehicle asset data base	Vehicle policy Procurement	Finance Facilities
	Standardised fleet and vehicle specifications and minimum ANCAP rating, for purchasing new / replacement vehicles	Partial	Partial	Vehicle asset data base	Vehicle policy	Finance Facilities
<b>GW fleet vehicle</b>	Vehicle modifications approved, and carried out by authorised person only	Partial	Partial	Unknown	Unknown	Facilities
	Regular maintenance / WOF checks	Full	Effective	EROAD data base Asset register	Vehicle policy	Facilities
	Vehicle / trailer pre-use checks/ quarterly checks	Partial	Partial	EROAD data base	FSR standard Trailer SOP	HSW Facilities Department
<b>Use of own vehicle</b>	Bluetooth / hands free kits installed and use required	Partial	Partial	Line management	Vehicle policy	Finance Facilities
	Loads firmly secured and not exceeding gross and axle weights	Partial	Partial	Line management	SOP's FSR standard	Department
	Evidence of vehicle fitness for purpose, condition, registration current WOF and full insurance required	Full	Unknown	Line management	Vehicle policy	Finance
	Requirement for manager approval to use own vehicle for GW purposes	Full	Unknown	Line management	Vehicle policy	Finance
<b>Control category</b>	<b>Control Description</b> (what's currently in place to manage the risk)	<b>Status</b>	<b>Effective?</b>	<b>Monitoring</b>	<b>References</b>	<b>Owner</b>
	EROAD – GPS tracking	Full	Effective	EROAD data base	EROAD	Faculties
	Personal locator beacons for remote and off road driving	Full	Partial	PLB data base	PLB Register	Facilities HSW

<b>Emergency response</b>	Adherence to essential FSR controls for Lone working	Partial	Partial	In progress	FSR standard FSR essential controls	HSW
	4WD vehicles equipped with recovery equipment and drivers trained in vehicle recovery	Partial	Partial	Training records Vehicle inventory	Asset register	
	Means of mobile communication provided (e.g. mobile phone, VHF radio etc.)	Partial	Partial	Unknown	Unknown	TBD
	Up to date emergency contact details maintained	Partial	Partial	Data base	Data base	HR
	Vehicles equipped with emergency response equipment, e.g. first aid kits, fire extinguishers, hiz viz vests, safety triangles	Partial	Partial	Vehicle inventory	Vehicle policy	Finance Facilities
	Roadside assist and recovery and adherence to emergency response procedures	Full	Partial	KESAW	FSR standard Event reporting policy	HSW
<b>Control category</b>	<b>Control Description</b> (what's currently in place to manage the risk)	<b>Status</b>	<b>Effective?</b>	<b>Monitoring</b>	<b>References</b>	<b>Owner</b>
<b>Wellbeing</b>	Driving/ worktime restrictions and rest requirements to manage fatigue	Partial	Partial	Line management Time sheets	Fatigue Policy Vehicle policy	HSW HR Finance
	Requirement to advise manager of medication / medical conditions which could impair driving	Partial	Partially	Unknown	Vehicle policy HR policy	Finance HR
	Drug and alcohol policy	Partial	Partially	Unknown	Code of Conduct	HSW HR
	Health monitoring	Partial	Partial	Unknown	Fatigue policy	HSW Departments Finance

## Proposed Risk Treatment Plan – Transportation

Inherent Risk	<b>High</b>	Residual risk	<b>High</b>	Target risk level	<b>Medium</b>
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<b>Proposed Risk Treatment</b> (to reduce the risk to target level)		<b>Control owner(s)</b>	<b>Target completion</b>	<b>Comment / Dependencies</b>
1.	Ownership of GW vehicle policy (currently out of date) is transferred from Finance to People and Customer. This separated into (a) vehicle policy which deals with procurement, maintenance and disposal of vehicles and (b) driver policy which deals with required behaviours and competencies. This is consulted, widely and all GW drivers (existing and new) required to read and sign the driver policy.	HR, HSW, Facilities	June 2020	
2.	Fleet optimisation review and standardisation of vehicle specifications and fitness for purpose	Facilities	March 2020	External review scheduled
3.	Essential controls for transportation categories prioritised and implemented, and a monitoring framework established	HSW	March 2020	In development
4.	EROAD driver performance data monitored monthly and processes for addressing behaviours where thresholds are exceeded, developed and implemented. Includes awareness and education, and enforcement where required.	HR, HSW, Facilities	March 2020	Department capacity to monitor data
5.	Online driver training programmes evaluated and a business case brought back to ELT for consideration. If approved all drivers will be re	HSW, Facilities	June 2020	Potential cost constraints due to activity review
6.	Improved monitoring and assurance programmes implemented to demonstrate controls are and continue to be effective	HWS, HR Facilities	June 2020	

# Wellbeing Plan 2020–2025



**EVERYONE, EVERY DAY - HOME, SAFE AND WELL**

Ngā tangata katoa, mo nga rā katoa, ka hoki ora ai ki te kainga

**Our vision is thriving, connected and resilient people working together to support thriving, connected and resilient communities.**

This plan supports our vision and overarching People Strategy by providing a range of holistic and accessible wellbeing options and opportunities based on what our people tell us they need and value to support their wellbeing at work.

It embraces Te Whare Tapa Whā principles of mental, physical, social and spiritual wellbeing and is supported by annual action plans which work to achieve our vision in a sustainable way over the next five years.

## By 2025

- Wellbeing is an active choice and instinctive in the way we work.
- We care for ourselves and others. The right resources are in place to make it easy.
- We work in a holistic way that energises and inspires our people.
- Our people are connected across locations and teams. They are productive, engaged and committed to our vision.
- Success is celebrated and GWRC is recognised as a great place to work.

This is achieved by:

### Empowered people

- Our people’s voice and choice
- Facilitating people-led and-owned cross-organisational initiatives
- Support and give permission to invest in wellbeing at work

### Prepared for the future

- Understanding and addressing the varied needs of an increasingly intergenerational workforce
- Modern, inspirational agile workplaces and flexible work arrangements
- Ongoing support for change and emerging challenges

### Healthy minds

- Authentic conversations to break down barriers and support psychologically safe workplaces
- Awareness, training and accessible resources
- Manager capability to identify issues and support mental wellbeing in teams

### Healthy bodies

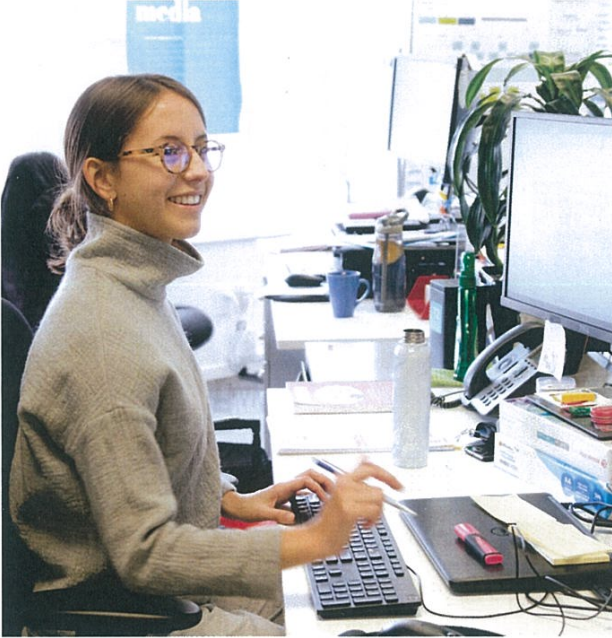
- A choice of meaningful accessible workplace physical activities and programmes
- Increased awareness of lifestyle factors and support for change
- Promotion of healthy work practices



# Everyone, Every Day, Home Safe and Well



## Greater Wellington Regional Council's Health Safety and Wellbeing (HSW) Policy



### We believe:

Greater Wellington people and others affected by our activities have the right to go home safe and well every day.

We achieve this by:

- Living our HSW values and behaviours
- Meeting our moral and legal HSW obligations
- Maintaining safe and healthy workplaces, practices and equipment
- Focussing on HSW risk, and controls that really matter
- Actively promoting health and wellbeing as a choice
- Consulting, empowering and involving our people
- Providing the right resources, training and supervision
- Reinforcing a no blame reporting culture, investigating and learning from incidents
- Providing workplace based rehabilitation opportunities regardless of the cause
- Working with and alongside others we work with or engage to provide services
- Aspiring to continually improve our HSW and wellbeing practice and performance

### We're all responsible:

Collectively and individually for our own and others' Health Safety and Wellbeing in GW workplaces.

A handwritten signature in black ink, appearing to read "Greg Campbell".

Greg Campbell

CEO, Date 31/1/2020





# Ngā tāngata katoa mō ngā rā katoa, ka hoki ora ai ki te kāinga

Tā Te Pane Matua Kaupapa Here mō te  
Whakahaumarū i te Hauora (WTH)



## E whakapono ana tātou:

E tika mō ia rā, kia tae ora atu, kia tae pai hoki ki te kāinga te hunga katoa e pā ai ki ngā mahi a Te Pane Matua.

Ka tutuki i a tātou taua whakapono mā te:

- whakatinana i ō mātou uara me ngā whanonga mahi o te WTH
- ū ki ngā whanonga tika me ngā ture e here ai te WTH
- tiaki tonu i ngā wāhi mahi, ōna tikanga, me āna taputapu hoki
- arotahi ki ngā tūraru o WTH, me ngā tikanga whakatika ka tino whai hua
- whakatairanga i te noho haumarū hei whakaaro tuatahi
- ui atu, te whakamana, me te whātoro atu ki a tātou katoa
- whai wāhi atu ki ngā rauemi, ngā akoranga me te ārahitanga tika mā ngā kaimahi
- whakanui i te whanonga kia ako i ngā take me ngā tikanga i raru ai a mua, kua ko te whiu heitara
- whakaatu he wāhi whakaora tūroro ahakoa te take i whara ai
- mahi tahi ki ō hoa e hāpai ana i ngā ratonga
- āhei ki te whakawhakanake i tā tātou WTH, te whakatinana tikanga, me te pai o aua mahi

## Kei a tātou katoa te tikanga:

Kia haumarū ai ngā wāhi mahi katoa o GW mō te katoa me te kotahi.

Nā Greg Campbell

Te Kaiwhakahaere, Te Rā 31/1/2020

**Finance, Risk and Assurance Committee  
Report 20.52**

**For Information**



**QUARTERLY FINANCIAL REPORT TO DECEMBER 2019**

**Te take mō te pūrongo**

**Purpose**

1. To provide the Finance, Risk and Assurance Committee (the Committee) with Greater Wellington Regional Council's (Greater Wellington) financial reports for the quarter ended 31 December 2019.

**Te tāhū kōrero**

**Background**

2. This report provides a review of the financial performance of Greater Wellington's activities for the first six months of the 2019/20 financial year. The year-to-date operating position is \$4.0 million favourable to budget.

**Te tātaritanga**

**Analysis**

3. The finance report is for the six months ended 31 December 2019 (see [Attachment 1](#)). The key results are:
  - Revenue was \$15.3 million higher than budget
  - Operational expenditure was \$11.3 million above budget
  - This gave an operational surplus of \$2.5 million, \$4.0 million above budget
  - Capital expenditure was underspent by \$17.2 million.

**Ngā tūāoma e whai ake nei**

**Next steps**

4. A further financial update will be provided at the Committee's meeting on 4 May 2020.

**Ngā āpitihanga**

**Attachment**

Number	Title
1	Financial Report – 31 December 2019

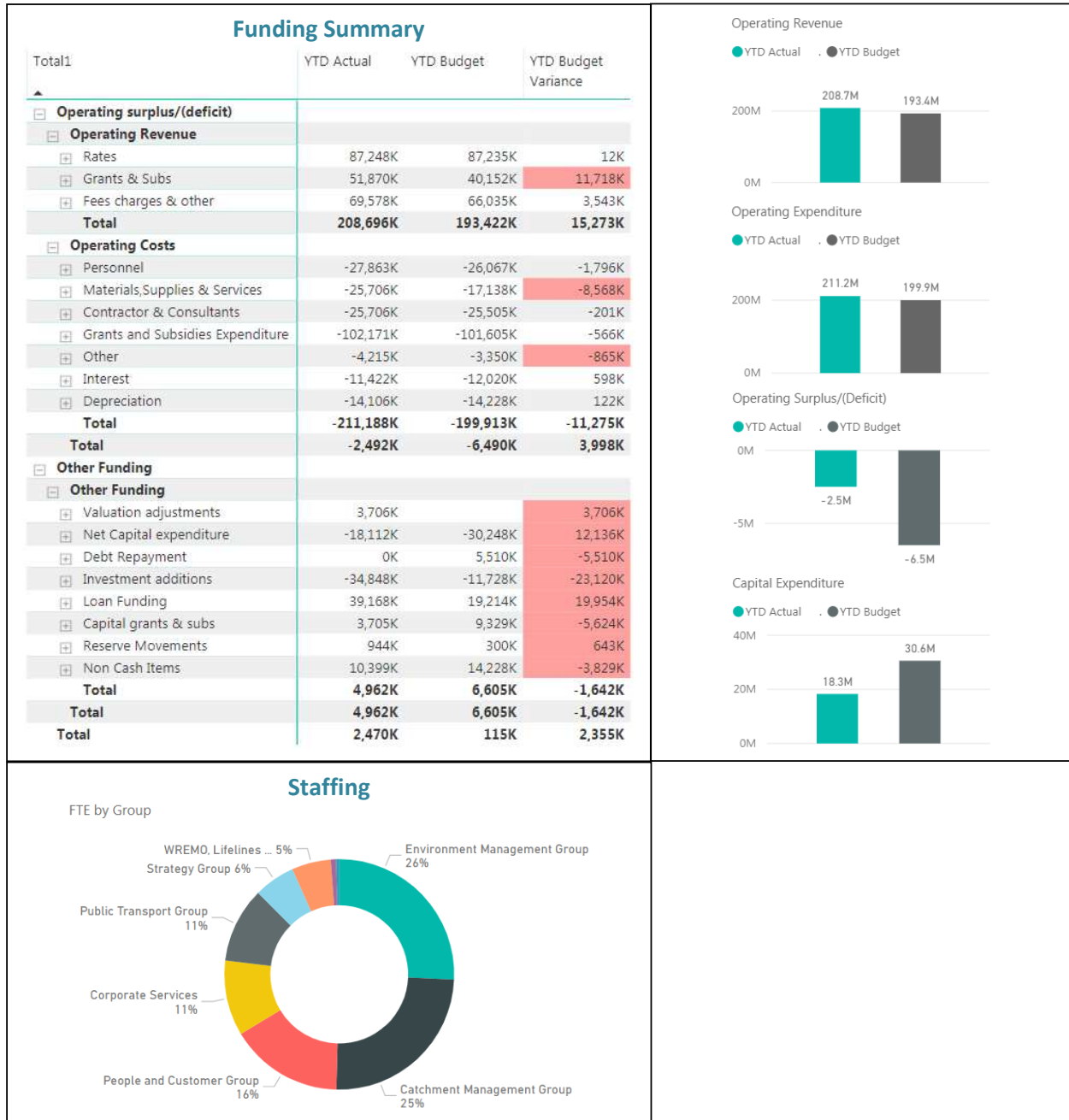
**Ngā kaiwaitohu**  
**Signatories**

Writer	Robert Glennie – Accounting Services Manager
Approver	Samantha Gain – General Manager Corporate Services

<b>He whakarāpopoto i ngā huritaonga Summary of considerations</b>
<p><b><i>Fit with Council’s roles or Committee’s terms of reference</i></b></p> <p>The Committee’s specific responsibilities include to “review the robustness of the organisation’s financial performance”.</p>
<p><b><i>Implications for Māori</i></b></p> <p>There are no known implications for Maori.</p>
<p><b><i>Contribution to Annual Plan / Long term Plan / Other key strategies and policies</i></b></p> <p>The report reviews performance against the financial statements in Council’s Annual Plan 2019/20.</p>
<p><b><i>Internal consultation</i></b></p> <p>All business groups contribute to Greater Wellington’s financial performance.</p>
<p><b><i>Risks and impacts: legal / health and safety etc.</i></b></p> <p>There are no risks arising from this report.</p>

Greater Wellington Finance Report – 31 December 2019

Greater Wellington Financial Summary – 31 December 2019



## Greater Wellington Finance Report – 31 December 2019

### Summary of Key Issues & Forecast Update

#### Key Issues

Key issues impacting the 2019/20 financial result:

- Personnel costs currently running ahead of budget partially offset by savings in contractors & consultants in People & Customer and Public Transport due to higher staffing levels than budgeted.
- Snapper service cost increase of \$2.3m over the year
- Other cost increases within Public Transport
- Riverlink: lower rental revenue and higher property maintenance costs \$0.4m
- Natural Resource Plan: higher plan preparation and appeal costs \$0.4m
- Public Transport fare revenue volatility

NB: Increases in Public Transport costs are partially offset by higher fare revenue and higher NZTA payments

#### Forecast Update

During November 2019 an update of the expected year end position was completed.

For areas funded by the general rate and the river management rate this forecast update indicated that we are largely on track with the budget.

For areas funded by the public transport rate there have been a number of costs increases that were not foreseen when the budget was approved by Council. These include:

- Increase in Snapper charges
- Higher indexation payments to operators
- Changes within the operational staffing within Public Transport
- Enhanced service schedules within the bus network

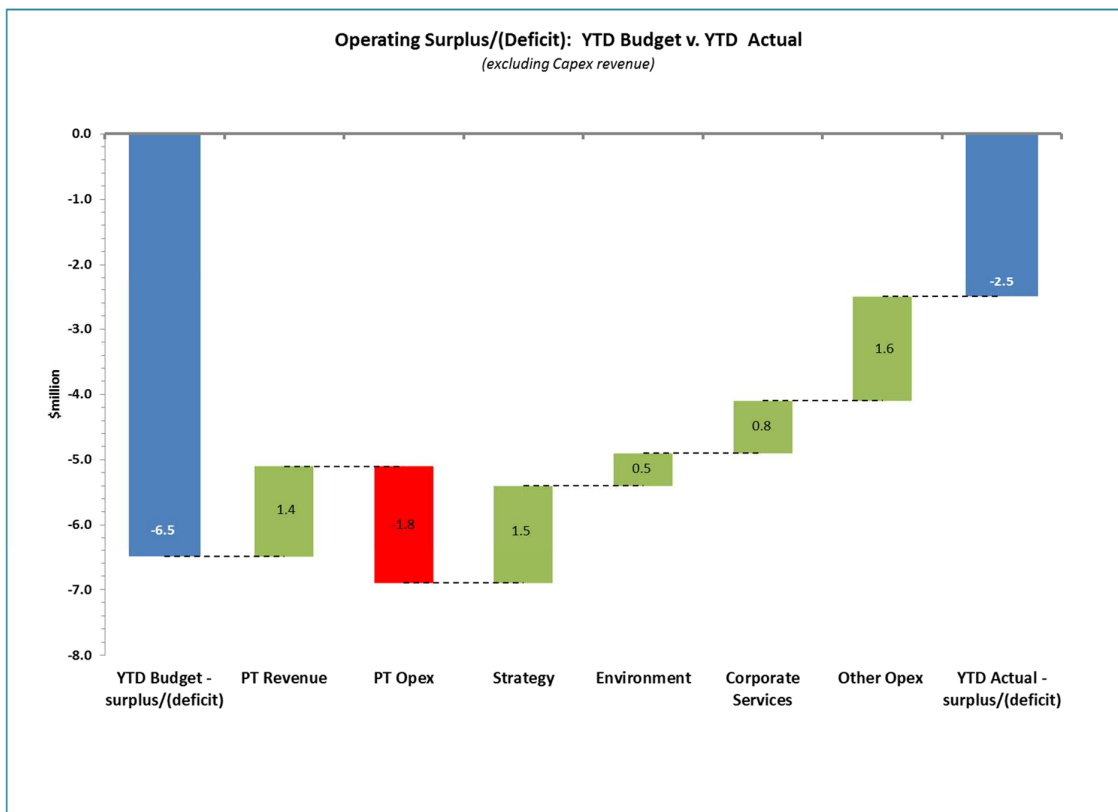
These cost increases have been partially offset by increased fare revenue.

The effect of these changes is currently indicating that the public transport reserves will be drawn down by an additional \$2m above the budgeted amount. It should be noted that the volatility experienced in public transport fare revenue creates a level of uncertainty regarding this forecast.

A further update will take place in March 2020

Greater Wellington Finance Report – 31 December 2019

Operating Surplus



Operating Surplus Variance

**Public Transport Revenue** – higher patronage growth than expected in annual plan

**Public Transport Operating Costs** – rail maintenance, workplace change, snapper contract increases

**Strategy** – mainly due to timing delay in LGWM costs, TA election costs and sustainable transport projects

**Environment** – mainly increased revenue from WRECI, Riparian and Predator Free Wellington

**Corporate Services** – expenditure lower than expected due to delay in Project Optimus

**Other Operating Costs** - underspend mainly in Water Supply and Finance & Support Group

Greater Wellington Finance Report – 31 December 2019

Operating Revenue

-208,695,517

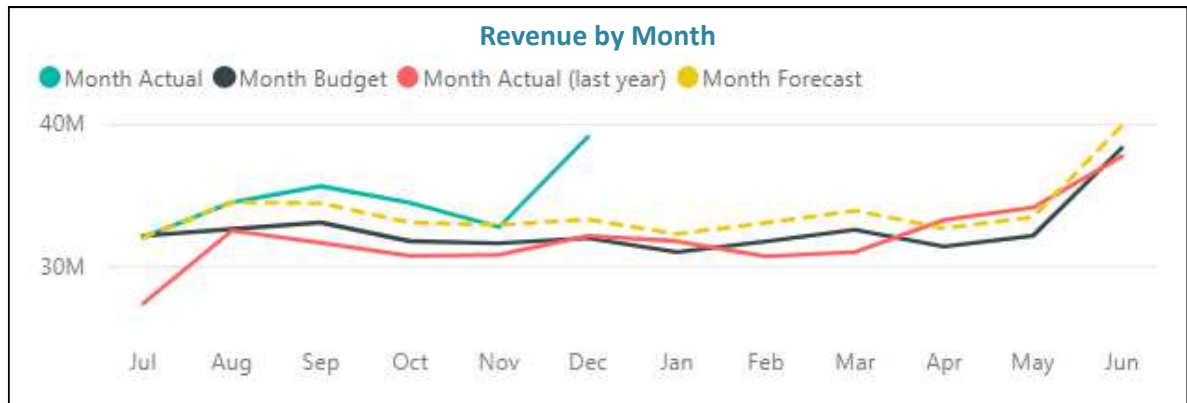
YTD Actual

-193,422,378

YTD Budget

-15,273,138

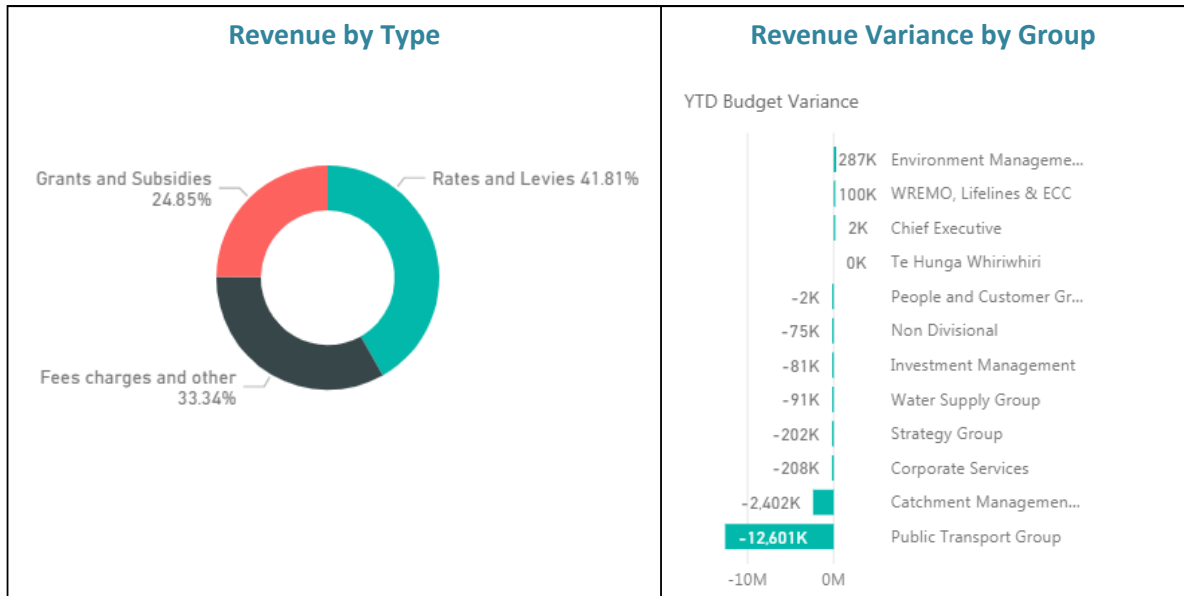
YTD Budget Variance





**Attachment 1 to Report 20.52**

**Greater Wellington Finance Report – 31 December 2019**



Greater Wellington Finance Report – 31 December 2019

### Revenue Key Variances

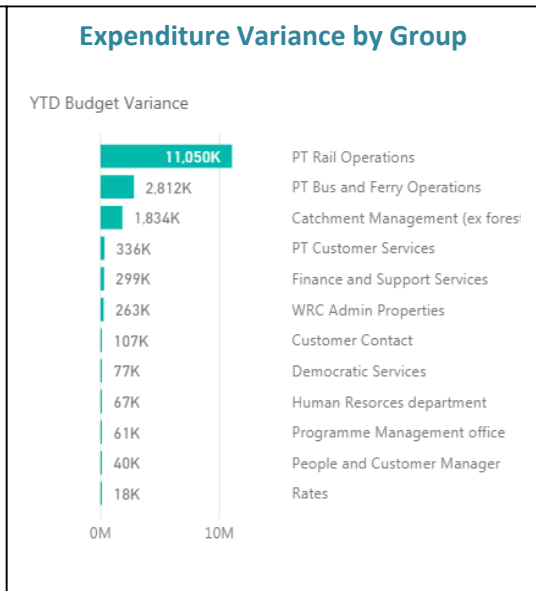
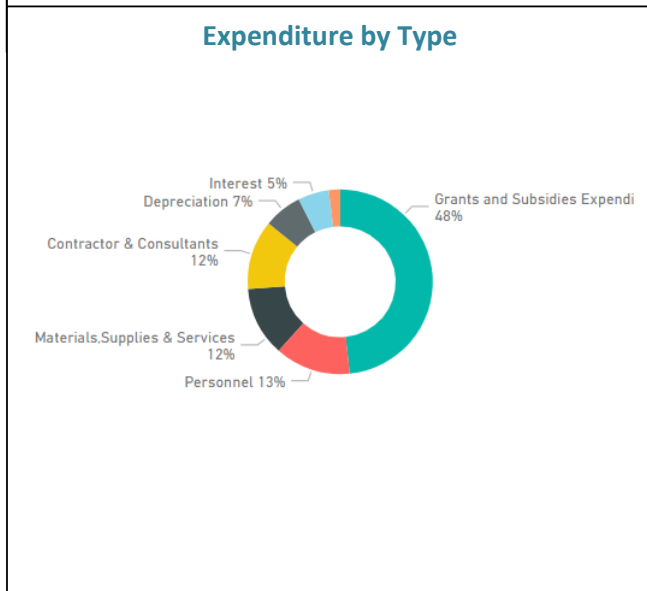
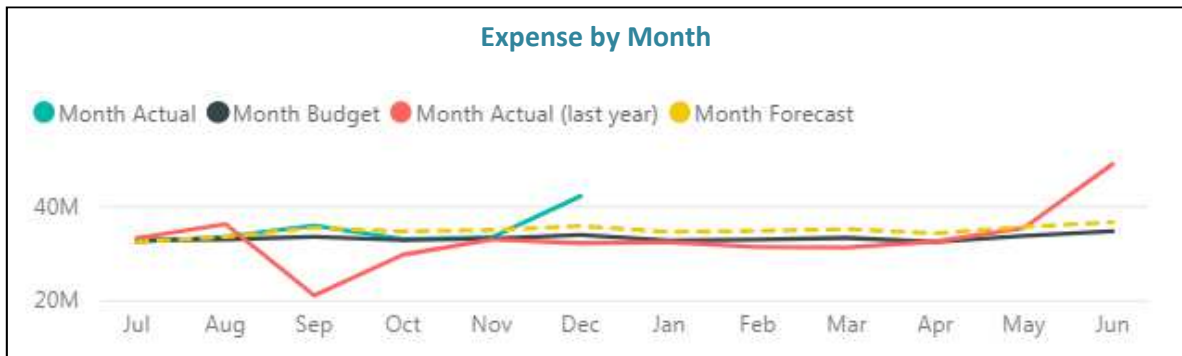
- \$10.2m** KiwiRail pass-through payment, fully offset by higher expenditure - *Permanent difference*
- \$1.4m** Fare Revenue – higher patronage growth than expected in annual plan - *Permanent difference*
- \$1.6m** Biosecurity, due to unbudgeted Predator free Wellington pest eradication work. Offset by unbudgeted expenditure - *Permanent difference*
- \$1.3m** Favourable variance due to increased Opex claimable expenditure. More expenditure equates to more Grants and Subsidies revenue. This is partly due to timing-*Temporary difference*

Operating Expenditure

211,188,004  
YTD Actual

199,912,524  
YTD Budget

11,275,479  
YTD Budget Variance



Greater Wellington Finance Report – 31 December 2019

**Expense Key Variances**

**\$10.2m** Public Transport - Materials, Suppliers & Services - Higher rail pass-through costs to KiwiRail (offset by revenue) - *Permanent difference*

**\$1.4m** Unbudgeted Predator Free Wellington pest eradication work. Personnel \$0.3m, contractors \$0.3m. Offset by unbudgeted revenue - *Permanent difference*

**\$2.3m** Public Transport Contractor & Consultants **\$1.8m** and Grants and Subsidiary **\$0.5m** analysed together due to mismatch between actuals and budget.

- **\$0.9** Rail – mainly network maintenance carried out during Christmas break.
- **\$0.6** Policy, plan and design - workplace change costs.
- **\$0.7** Bus – phasing of bus network enhancements and snapper contract increases offset by underspend on bus shelters and signage maintenance.

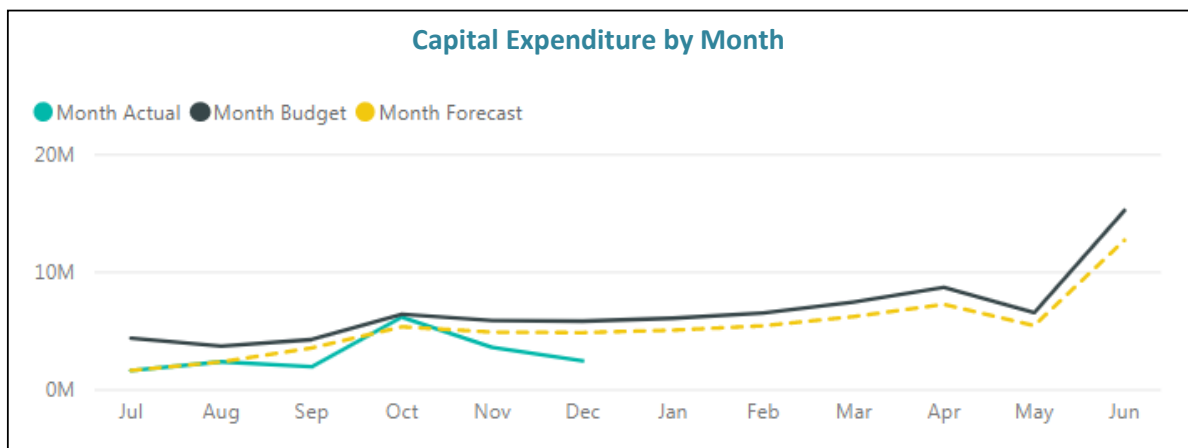
**\$2.6m** Various timing differences across a range of groups - *Temporary difference*

**Capital Expenditure**

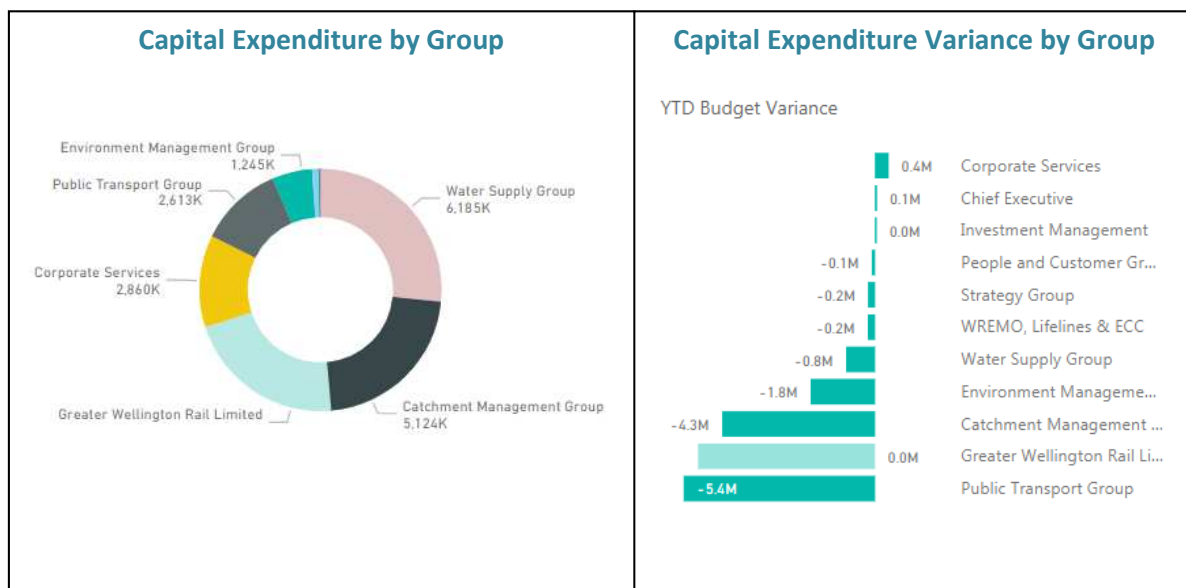
18,290,930  
YTD Actual

30,576,902  
YTD Budget

-12,285,972  
YTD Budget Variance



Greater Wellington Finance Report – 31 December 2019



**Capital Expenditure Key Variances**

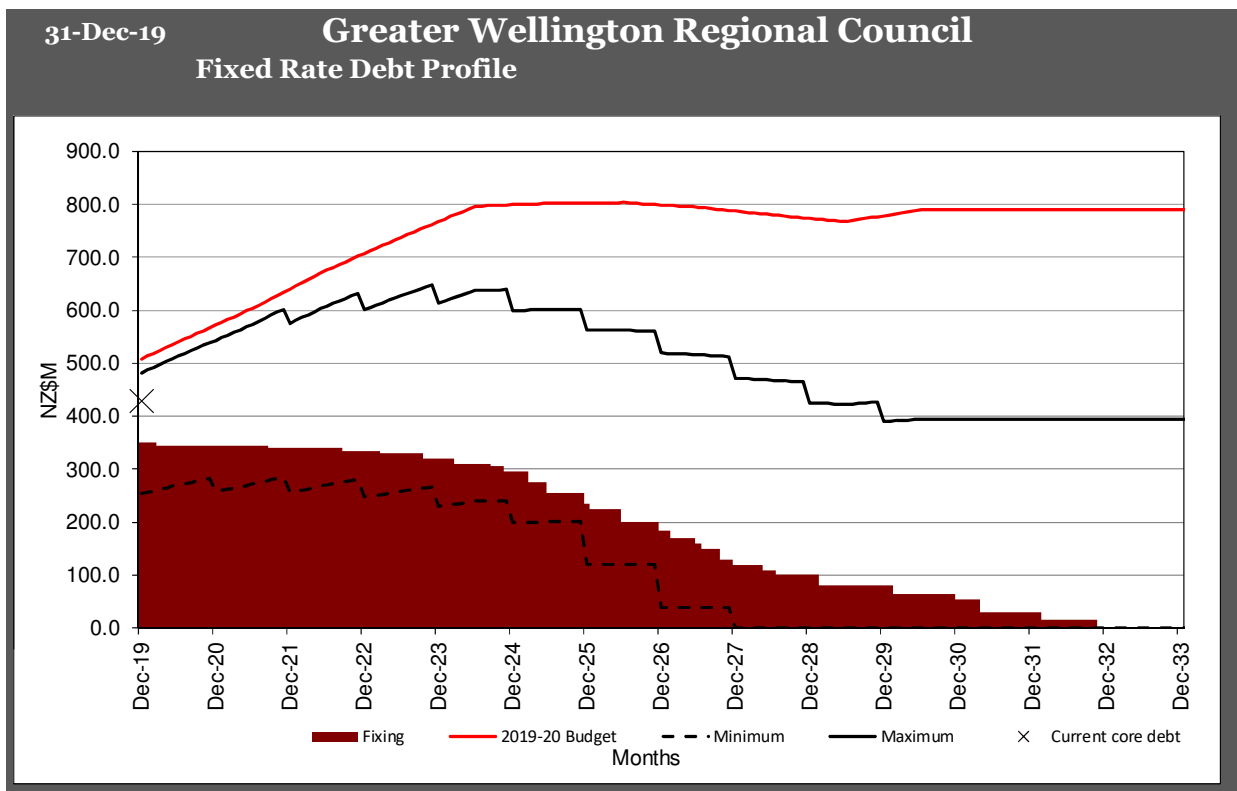
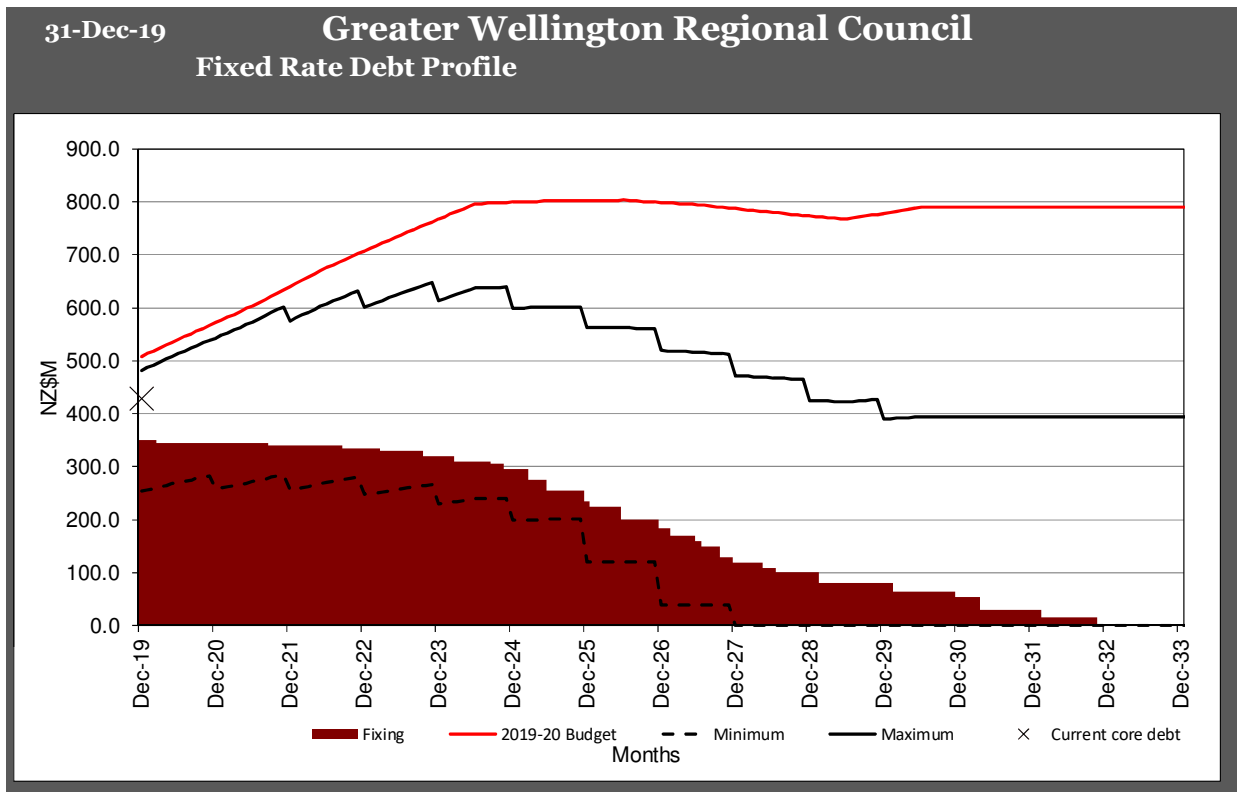
- \$5.0m** Project Next – still in the procurement phase, therefore it is likely no Capex spend will happen in FY19/20 (full year budget \$10m). - *Permanent difference*
- \$3.0m** Station renewals & upgrades - *Temporary Difference due to resource/3<sup>rd</sup> party constraints*
- \$1.0m** Heavy Maintenance - *Temporary difference- 3<sup>rd</sup> party appointed to manage maintenance*
- \$1.2m** Other rail underspends - *Temporary difference*
- \$2.5m** Flood Protection - RiverLink design and property acquisitions underspent - *Temporary difference*

Greater Wellington Finance Report – 31 December 2019

Compliance with Treasury Risk Management Policy

Total Council Limit Compliance Analysis				Compliant						Compliant			
				Yes	No					actual %	Yes	No	actual %
Debt Interest Rate Policy Parameters						Counterparty credit exposure with New Zealand registered banks which have a credit rating of at least A-, long term, and A2 short term						✓	
	Current	50% - 95%		✓	68%	Other counterparty exposure within policy limits						✓	
	year 1	45% - 95%		✓	60%	Maximum counterparty exposure with a NZ registered bank is within \$105 million limit						✓	
	year 2	40% - 90%		✓	53%	The repricing of liquid financial investments are to occur within the following timebands							
	year 3	35% - 85%		✓	47%	0 - 1 year	40% - 100%		✓	96%			
	year 4	30% - 80%		✓	42%	1 - 3 years	0% - 60%		✓	4%			
	year 5	25% - 75%		✓	37%	3 - 5 years	0% - 40%		✓	0%			
	year 6	15% - 70%		✓	29%	5 - 10 years	0% - 20%		✓	0%			
	year 7	5% - 65%		✓	23%	<b>Core Council External Borrowing Limits - Ratios</b>							
	year 8	0% - 60%		✓	15%	Net Debt / Total Revenue < 250%						✓	88.5%
	year 9	0% - 55%		✓	13%	Net interest / Total Revenue < 20%						✓	4.4%
	year 10	0% - 50%		✓	10%	Net interest / Annual rates and levies < 30%						✓	10.9%
	year 11	0% - 45%		✓	7%	Liquidity > 110%						✓	122%
	year 12	0% - 40%		✓	4%								
	year 13	0% - 35%		✓	0%								
	year 14	0% - 30%		✓	0%								
	year 15	0% - 25%		✓	0%								
The maturity of total external debt less liquid financial investments to fall within the following timebands													
	0 - 3 years	15% - 60%		✓	26%								
	3 - 5 years	15% - 60%		✓	38%								
	> 5 years	10% - 60%		✓	36%								

Greater Wellington Finance Report – 31 December 2019



## Greater Wellington Finance Report – 31 December 2019

## WRC Holdings Group Financial Summary

FOR THE PERIOD ENDING 31 DECEMBER 2019				
WRC HOLDINGS GROUP INCOME STATEMENT FOR THE PERIOD ENDING 31 DECEMBER 2019	31 December 2019			Full Year 19/20
	Actual \$000	Budget \$000	Variance \$000	Budget \$000
<b>Total Revenue</b>	52,390	59,335	(6,945)	110,893
<b>Operating Expenses</b>	46,644	60,972	14,328	110,131
<b>Earnings before interest &amp; tax ( EBIT )</b>	<b>5,746</b>	<b>(1,637)</b>	<b>7,384</b>	<b>763</b>
<b>Less:</b>				
Finance costs/(net interest earned)	(1,598)	(370)	1,228	2,121
<b>Net surplus (deficit) before tax &amp; revaluations</b>	<b>7,344</b>	<b>(1,268)</b>	<b>8,612</b>	<b>(1,358)</b>
CentrePort Fair Value Movements	-	-	-	-
<b>CentrePort Earthquake costs (Revenue)</b>	<b>(140,964)</b>	<b>(193,369)</b>	<b>(52,405)</b>	<b>(193,369)</b>
<b>Net surplus (deficit) before tax &amp; after earthquake co</b>	<b>(133,620)</b>	<b>(194,637)</b>	<b>(61,017)</b>	<b>(194,727)</b>

**Notes:**  
(1) Includes a summary consolidation of CentrePort Ltd's results before providing for minority interests

The analysis below is for the net surplus before tax, earthquake costs (EQ) and fair value movements in order to focus the commentary on core business operations.

#### Key Variances

- Total revenue \$6.9m unfavourable. This is mainly due to CentrePort shipping volumes below budget with Greater Wellington Rail Grants Revenue marginally unfavourable.
- Operating expenses \$14.3m favourable. This is mainly due to reduced shipping volumes, particularly reduced logs leasing costs due to reduced port storage requirements.
- Financing Costs favourable \$1.2m variance. Interest earned CentrePort's cash investments has more than offset loan financing costs within the group.
- CentrePort Earthquake includes a net recovery \$52.4m unfavourable due to the actual remittance falling short of the full settlement figure as budgeted and this receipt was recorded net of a \$10.4m deferred tax charge.

Re-forecasting results has been completed for Greater Wellington Rail. No changes were assessed for WRC Holdings Limited and Port Investments Limited (under active consideration for amalgamation).

## Attachment 1 to Report 20.52

## Greater Wellington Finance Report – 31 December 2019

<b>WRC HOLDINGS GROUP BALANCE SHEET FOR THE PERIOD ENDING 30 SEPTEMBER 2019</b>	<b>30-Sep-19 Actual \$000</b>	<b>30-Jun-19 Actual \$000</b>	<b>Full Year 19/20 Budget \$000</b>
<b>Equity</b>			
Ordinary Shares	274,144	269,145	-
Retained Earnings	343,844	241,868	-
Reserves	56,724	124,946	-
<b>Total Equity</b>	<b>674,712</b>	<b>635,959</b>	<b>744,662</b>
Represented by:			
Current Assets	155,129	160,699	242,499
Non Current Assets	695,768	669,242	666,753
<b>Total Assets</b>	<b>850,897</b>	<b>829,941</b>	<b>909,252</b>
Current Liabilities	19,173	24,503	33,669
Non Current Liabilities	157,012	169,479	130,921
<b>Total Liabilities</b>	<b>176,185</b>	<b>193,982</b>	<b>164,590</b>
<b>Net Assets</b>	<b>674,712</b>	<b>635,959</b>	<b>744,662</b>

**Notes:**

(1) Equity includes CentrePort non-controlling Interest (last reported 30 June 2019: \$70m)

(2) On 13 September 2019 Greater Wellington subscribed \$5m in funds to WRCH share issue to support Greater Wellington Rail.



**Finance, Risk and Assurance Committee**  
**25 February 2020**  
**Report 20.5**



**For Information**

**QUARTERLY RISK UPDATES – JULY TO DECEMBER 2019**

**Te take mō te pūrongo**

**Purpose**

1. To update the Finance, Risk and Assurance Committee (the Committee) on:
  - a Changes to Greater Wellington’s risk register during the July to December 2019 period
  - b Risk management in the Public Transport group, as part of ongoing risk reporting to the Committee by each group within Greater Wellington.

**Te horopaki**

**Context**

2. Each quarter, the risks at group level are considered and reported to the Chief Executive. This process involves adding new risks, archiving old risks if these are no longer relevant, reviewing the controls (risk mitigation/modifying management strategies) and checking that the scoring of the risk reflects its current state.
3. The Quarterly Risk Report for October to December 2019, containing the top 10 risks, is included as **Attachment 1**. Definitions of the columns in the Quarterly Risk Report are included in **Attachment 1**. Commentary on changes to risks, and on the Quarterly Risk Report, follows.
4. At each Committee meeting a business group, including Wellington Water, reports on their risks. This process ensures the bulk of the risk register is covered over a yearly reporting cycle. An indicative schedule of the dates for group risk presentations is included as **Attachment 4**.

**Te tātaritanga**

**Analysis**

***Changes to the risks – July to December 2019:***

5. During the July to December 2019 period, as part of the review of Greater Wellington’s risk register, three new risks were added to the risk register and two risks were archived. See **Attachment 2** for new risks added during the reporting period, and **Attachment 3** for risks archived during the last six months.

### ***Summary of new risks***

6. Over the preceding six months (July to December 2019), the following three risks were added to Greater Wellington's risk register (see **Attachment 2**):
  - a **Risk No 158**: relating to the delay or non-delivery of the national ticketing programme
  - b **Risk No 159**: relating to service providers / suppliers failing to deliver services relied upon by Metlink
  - c **Risk No 162**: relating to staff mental health and wellbeing affected by stress and other workplace issues.

### ***Summary of archived risks***

7. Over the last quarter (October to December 2019), the following risks were archived (see **Attachment 3**):
  - a **Risk No 123**: Reduction of bus service levels with the transition to a new network has been archived as the transition is completed and the new network is operating
  - b **Risk No 156**: A qualified audit opinion is received. The risk has been archived as Audit NZ issued an unqualified audit opinion for the accounts for the year ending 30 June 2019.

### ***Summary of changes to the top 10 risks***

8. The following is a summary of the changes to the top 10 risks over the last six months. Risks a – d moved out of the top 10 and have been replaced by risks e – h. Detail of all risks which entered the top 10 are part of **Attachment 1**.
  - a **Risk 51**: The contracted bus services fail to meet acceptable level of service. This risk was the highest risk as at 30 June 2019. It has been re-rated as the operator performance has improved and controls are having a positive impact. It is now the 11th highest risk and has reduced from a high residual risk to a medium residual risk
  - b **Risk 59**: Rolling stock unable to meet passenger demand due to multiple vehicles not being operational. The risk was the second highest risk as at 30 June 2019. It has been re-rated as work has been undertaken to address these matters. It is now the 15th highest risk and has reduced from a high residual risk to a medium residual risk.
  - c **Risk 106**: Failure of KiwiRail network or third party assets, or network operations causes serious injury. The risk has been re-assessed and the consequences reduced as residual consequences had been overstated based on the controls in place. It is now the 37th highest risk and has reduced from high risk to low risk.
  - d **Risk No 123**: Reduction of bus service levels with the transition to a new network has been archived as the transition is completed and the new network is operating

- e **Risk 155:** Greater Wellington staff or other road users could be killed or seriously harmed in an accident involving Greater Wellington vehicles. The risk description has been clarified and re-evaluated. The residual risk has increased from 18th place to being the highest risk
- f **Risk 135:** Potential loss of life from dam break flood of the Birchville Dam. The inability to operate the scour valve has increased this risk. The reservoir cannot be emptied quickly to reduce the likelihood of a dam failure in case of a large earthquake. The risk moved from 19th place at 30 June 2019 to being in second place as at 31 December 2019.
- g **Risk 130:** Timetabled services and public transport facilities are insufficient to meet capacity demand from customers. The risk moved from 14th place at 30 June 2019 to being in third place as at 31 December 2019.
- h **Risk 162:** This a new risk altogether and deals with the impact of stress and other workplace issues on staff mental health and the possible resulting adverse physical and psychological effects. It is ranked as the sixth highest risk.

***Presentation on risks in public transport***

- 9. Public Transport will provide a presentation on their topical risk issues. The presentation will be available at the meeting.

**Ngā tūāoma e whai ake nei**

**Next Steps**

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

**Ngā āpitihanga**

**Attachments**

Number	Title
1	Quarterly Risk Report - October to 31 December 2019
2	New risks added during the July to December 2019 period
3	Risks archived during the July to December 2019 period
4	Indicative schedule of Group risk presentations for 2020




**Ngā kaiwaitohu**

**Signatories**

Writer	Mike Timmer - Treasurer
Approver	Samantha Gain – GM Corporate Services

<b>He whakarāpopoto i ngā huritaonga</b> <b>Summary of considerations</b>
<p><b><i>Fit with Committee’s terms of reference</i></b></p> <p>The Committee has a specific responsibility under its Terms of Reference to “review the effectiveness of Greater Wellington’s identification and management of risks faced by Council and the organisation. This review includes whether Greater Wellington is taking effective action to mitigate significant risks”</p>
<p><b><i>Implications for Māori</i></b></p> <p>There are no known impacts for Māori arising from this report.</p>
<p><b><i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i></b></p> <p>Risk management is about considering impediments to achieving Greater Wellingtons objectives in the Long Term Plan, with policies and processes designed to support delivery of these and act as controls. The risk management policy and risk management framework support the risk management function at Great Wellington.</p>
<p><b><i>Internal consultation</i></b></p> <p>All business groups contribute to Greater Wellington’s risk register, with that contribution reflected under the specific risks and controls stated.</p>
<p><b><i>Risks and impacts: legal / health and safety etc.</i></b></p> <p>This report is focused on the identification and management of risks to Council and Greater Wellington.</p>

Quarterly Risk Report - October to 31 December 2019

QUARTERLY RISK REPORT 31 DECEMBER 2019										
Overall ranking by residual score 1)	Risk Id	Risk category	Description	Inherent risk level before Controls	Controls	Residual risk level after Controls	Risk owner	Residual score 2)	Outlook / Trending	Status Change since last quarterly review plus risk treatments being considered
1 (18)	155	<ul style="list-style-type: none"> <li>Health and safety of staff, contractors and volunteers</li> <li>Political</li> </ul>	GW people, or other road users, could be killed or seriously harmed in an accident involving GW vehicles, or other vehicles used to carry out GW duties. This includes all on and off road (4WD, LUV's, quads & motorcycles) fleet, rented vehicles and use of personal vehicles for GW duties.	Very High Risk	Statutory Compliance Health & Safety Plan Standard Operating Procedures E Road monitoring system as part of vehicle policy Standard Operating Procedures for Quad bikes, trailers and Motor bikes Vehicle Procurement policy provides minimum safety standards e.g. for 4 star ANCAP rating Monitoring via E Road system of Statutory requirements COF and WOF for Vehicles. Core driver training as part of Induction Process	High Risk	Nigel Corry	1,295	 improving	Risk description has been updated to better describe the risk. Risk has been re-evaluated to reflect current understanding of existing controls and their effectiveness. A Treatment plan has been devised and added to record planned future additional risk controls implementation. Key parts of the treatment plan are: - the transfer of the vehicle policy to People and Customer and separating it into a vehicle and a driver policy - introducing standard specifications for vehicle purchases and modifications using EROAD data to address driver behaviour - introduction of interactive online driver training
2 (19)	135	<ul style="list-style-type: none"> <li>Financial</li> <li>Loss, failure or damage to assets</li> <li>Political</li> <li>Physical harm to the general public</li> </ul>	Parks - potential loss of life from dam break flood of the Birchville Dam.	Very High Risk	Active programme to remove risky/poor assets Dam Safety Assurance Programme Parks asset management plan Special inspections of high risk assets following earthquakes/floods	High Risk	Broniek Kazmierow	1,200		Investigation still in process. Consent preparation underway, although further progress on this is contingent on outcome of the investigation. Risk remains at heightened level due to inability to operate or maintain the valves on this dam.
3 (14)	130	<ul style="list-style-type: none"> <li>Services are severely curtailed</li> <li>Political</li> </ul>	Timetabled services and public transport facilities are insufficient to meet capacity demand from customers	High Risk	Ongoing major and minor timetable reviews/enhancements Rail contractual provisions requiring the operator to adjust consist size to meet demand Development of plans for future services Control of fares to ensure imbalances don't occur that put unnecessary stress on the public transport system Targeted bus services to relieve Park & Ride congestion Inform customers of capacity and constraints, communicating expectation in levels of service Park & Ride strategy under development Additional busses has been put on certain routes (banker busses)	High Risk	Greg Pollock	950	 worsening	The overall ranking of this risk has moved from 14 to 3. This residual risk score for this risk is high for the following reasons: - Metlink has recently agreed a NZ Bus timetable change for January 2020 which improves service reliability but is able to only provide a service frequency and capacity within existing resources. This has resulted in peak capacity in some areas being constrained particularly in a time of patronage growth. - Further pressure on resources is likely with the implementation of the Employment Relations Amendment Act in May 2020 - Planned cancellations for Transurban and NZ Bus remain in place to meet driver shortage issues. - There is need for additional vehicles to meet projected patronage growth (it takes 8-18 months to procure new vehicles for bus). - Wellington City bus patronage has increased at a higher rate than the total bus network. - Rail peak patronage is higher than projected growth. In this quarter we have: - Worked in partnership with NZ Bus to develop and agree timetables that aligns vehicle size to passenger demand using existing resources (to minimise, to the extent possible, the impact on customers). - Continued to work closely with operators on driver shortage matters - Extended the driver recruitment campaign - Submitted the business case for Longer Distance Rolling Stock to NZ Transport Agency on 28 November 2019 – if approved will help address capacity issues Continued to work to prepare for the Employment Relations Amendment Act which comes into force on 6 May 2020 (we are working at a national and regional level with unions and operators to resolve issues related to the implementation of the legislation)

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

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

QUARTERLY RISK REPORT 31 DECEMBER 2019										
Overall ranking by residual score 1)	Risk Id	Risk category	Description	Inherent risk level before Controls	Controls	Residual risk level after Controls	Risk owner	Residual score 2)	Outlook / Trending	Status Change since last quarterly review plus risk treatments being considered
4 (3)	77	<ul style="list-style-type: none"> <li>Health and safety of staff and contractors &amp; volunteers</li> <li>Environmental damage</li> <li>Legislative and regulatory</li> <li>Political</li> </ul>	Contaminated site(s) either known or unknown that results in harm to environment and/or health	Very High Risk	Resourcing - additional admin resource has been provided to ensure that the database is updated regularly. Also the reports provided to the public have been reviewed and reformatted to be more user friendly. Additional technical expertise has also been allocated to review the data provided by the TA's.	Medium Risk	Lucy Baker	630 (630)	→	GWRC secured funding from MfE to investigate the historic Miramar gasworks site. Jacobs have been engaged to carry out the environmental monitoring for the project and have completed the drilling and soil sampling collection phase. A final report is programmed to be received in mid-February, but initial results indicate that the contaminant levels have been falling over time. Risk treatment has included the use of a Communications Plan, which has involved making affected parties aware of the work.
5 (4)	141	<ul style="list-style-type: none"> <li>Legislative and Regulatory</li> <li>Political</li> </ul>	Breach of privacy	High Risk	Enforceable Contracts with suppliers Statutory Compliance Training Privacy Policy Appointment of Privacy Officer	Medium Risk	Sandra Kelman	525 (525)	worsening ↓	Overall risk ranking is unchanged. Privacy Officer has resigned and will need to be replaced.
6 (new)	162	<ul style="list-style-type: none"> <li>Health and safety of staff, contractors and volunteers</li> <li>Political</li> </ul>	Staff mental health and wellbeing affected by stress and other workplace issues leading to adverse physical and psychological effects, increased sick leave, turn-over and loss of productivity.	Very High Risk	Employee Assistance Programme Good Yarn - staff mental health awareness training Organisation 5 Year Wellbeing plan as part of the GW People Strategy Rehabilitation Support for remaining and/or returning to work after a mental wellbeing event Trained Mental Health First Aiders	Medium Risk	Nigel Corry	490 (new)	↑ improving	New risk added. The risk is one of the organisational HSW focus Fatal and Severe Risk (FSR's). As a first step the treatment plan includes a mental Health training and awareness workshop for ELT members by an external provider. Further training will then made available to all people leaders.
7 (6)	103	<ul style="list-style-type: none"> <li>Health and safety of staff, contractors and volunteers</li> <li>Political</li> </ul>	Fatality or permanent disability to CM staff arising from use of a quad bike in a manner that doesn't comply with organisational Health and Safety	Very High Risk	Department Hazard Registers Working Alone Procedures & Equipment Departmental Plans - Maintenance Schedules Health & Safety Plan Standard Operating Procedures	Medium Risk	Wayne O'Donnell	468 (468)	→	<b>Biosecurity:</b> Regular quarterly maintenance on quads and equipment continues. There were five new staff trained and assessed for competence in using quads in that last quarter. <b>Land Management:</b> Our fleet of quads and LUV's will all be CanAm models once the Polaris Ranger has been sold and this will ensure that all training and maintenance will be standardised to fit the CanAm specifications. Having different makes and models has resulted in confusion when staff swap between the different machines - as they all have their own nuances and peculiarities.

QUARTERLY RISK REPORT 31 DECEMBER 2019											
Overall ranking by residual score 1)	Risk Id	Risk category	Description	Inherent risk level before	Controls	Residual risk level after	Risk owner	Residual score 2)	Outlook / Trending	Status	Change since last quarterly review plus risk treatments being considered
				Medium Risk		Medium Risk					
8 (7)	136	• Services are severely curtailed	Inability to adequately respond to another significant seismic event damaging Shed 39 and potentially the Masterton Office given high probability of another event	Medium Risk	Insurance is in place Department Business Continuity Plans Disaster Recovery Plan Appointment of Business Continuity and Emergency Manager	Medium Risk	Samantha Gain	456 (456)	→		The November 2016 earthquakes in Kaikoura have significantly raised the chances of another magnitude 7 event that could impact Shed 39 again. Council has entered into a long term lease in Cuba Street of a building which is 100% NBS. Until the move in late 2020 Wellington staff are situated at Shed 39 (90-100% NBS), 15 Walter St (100% NBS) and 181 Vivian St (Some PT Staff, 80% NBS) some exposure remains to business interruption. The recently appointment of Business Continuity & Emergency Manager provides increased focus on business continuity planning which is expected to lessen the risk by providing a better response through being better prepared and organised should such an event occur again.
9 (8)	115	• Services are severely curtailed • Financial • Political	Failure of KiwiRail network assets or network operations causes damage to GWRL assets or cancellation of multiple services	High Risk	GW ensures that KiwiRail has a robust emergency response plan that: - provides for efficient bus replacements - provides for effective customer communications in the event of a failure - includes a separate set of operational parameters relating to earthquake magnitudes and readings from network based ground acceleration sensors GW ensures that KiwiRail has a robust network management plan that: - focuses funded renewal activities on critical components of the network - provides for infrastructure maintenance, monitoring and inspections Maintain strong relationships with network owner and the rail operator, including regular meetings and reporting against a clear set of performance targets GW partners an application to the crown (via NZTA) for additional funding for 'catch up renewals' for network infrastructure GW participates in Metro Operating Model review led by MoT & Treasury \$98.5m received for traction poles	Medium Risk	Angus Gabara	455 (455)	↗ improving		The overall ranking of this risk has moved from 8 to 9.  There has been no change to the assessment of this risk. Control descriptions have been updated as required  In the quarter we have: • Continued regular monitoring • Increased worksite handback processes with KiwiRail contractors. • Continued membership of the project governance boards with KiwiRail.  Business case work has resulted in major network funding packages received form Crown/NZTA: - \$98.5m received for traction poles - \$100m received for Catch-up infrastructure renewals - \$100m received for Unlocking Network Capacity These funding packages will help to reduce the risk.
10 (9)	126	• Health and safety of staff, contractors and volunteers • Physical harm to the general public	Fatality or harm to staff working in or near water	High Risk	FPSOP46 Working in or near water Driver training general and 4WD SOP for working with heavy machinery	Medium Risk	Wayne O'Donnell	432 (432)	→		<b>Biosecurity:</b> Four new staff are booked to attend water safety course as part of their induction and competency building for the role. No incidents while working near water were reported in the quarter. <b>Land management:</b> To assist with communication between staff on chainsaws and contractors in heavy machinery when working adjacent to water - new Bluetooth forestry helmets have now been procured. This will enable good effective communication between the digger operators and ground staff - particularly when clearing flood debris. <b>Flood Protection:</b> Staff exposed to this risk undertake 'Working in and around water' training and review the Working alone policy/procedures.

1) The number in brackets is the risk ranking as per the end of June 2019.

2) The number in bracket is the residual risk score as at the end of June 2019.

## Interpretation of the Quarterly Risk Report

### Overall ranking: by residual risk score

Residual risk is the risk that remains after controls have been applied and is discussed further below. A lower number means it has a higher residual risk relative to others. The risk rating as per the end of the last quarter is shown in (brackets).

### Risk ID:

This is a unique system number assigned to each risk.

### Risk Category

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

### Description

Brief description of the risk.

### Inherent Risk level before controls

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

### Controls

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

### Residual Risk level after controls

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

### Risk Owner

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

### Residual Risk Score

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

### Residual Outlook/Trending

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

### Status Change since last quarter.

This provides a current discussion around the risk.



New risks added during the July to December 2019 period

QUARTERLY RISK REPORT 31 DECEMBER 2019									
Overall ranking	Risk Id	Description	Inherent risk level	Controls	Residual risk level	Risk owner	Residual Risk	Status Change since last quarterly review, including any risk treatments being considered	
6	162	Staff mental health and wellbeing affected by stress and other workplace issues leading to adverse physical and psychological effects, increased sick leave, turn-over and loss of productivity.	Very High Risk	Employee Assistance Programme Good Yarn - staff mental health awareness training Organisation 5 Year Wellbeing plan as part of the GW People Strategy Rehabilitation Support for remaining and/or returning to work after a mental wellbeing event Trained Mental Health First Aiders	Medium Risk	Nigel Corry	490	New risk added, including treatment plan. Risk is one of the organisational HSW focus Fatal and Severe Risk (FSR's)	
13	158	Significant delay in (or non-delivery of) national ticketing programme resulting in customer dissatisfaction, inability to deliver on RPTP and compromised revenue protection (particularly on rail services).	High Risk	Governance, project management External audit Multi-party commitment to project Phased introduction of ticketing	Medium Risk	Wayne Hastie	385	In the quarter we have: <ul style="list-style-type: none"> <li>NZTA released an independent review of its involvement in the programme. The report acknowledged that governance needed to be refreshed</li> <li>The Mobility Payments Governance Group held its first meeting after a 15 month hiatus.</li> <li>GWRC IFT project for future implementation of Project NEXT has been initiated with a governance and management (including operational structure)</li> <li>A new option for a Shared Services Organisation was identified that will, if ultimately approved, simplify procurement, funding and contracting arrangements.</li> <li>A number of options for transition were identified and considered by the participating authorities.</li> </ul>	
16	159	Contracted Operator, service provider, or supplier fails to deliver services relied on by Metlink to support the operation of public transport resulting in: a) Interruption to Public Transport services; and/or b) failure to collect fare revenue; and/or c) market failure (supply does not equal demand) leading to GW having to contract with uncompetitive alternatives or deal with a monopoly situation in the short term to ensure services continue. d) increase in cost to GW / LTMA due to need to procure under pressure and without a competitive process.	High Risk	Performance based operator contracts Partnership performance management contractual exit planning	Medium Risk	Greg Pollock	280	In the quarter we have: <ul style="list-style-type: none"> <li>Concluded commercial discussions with Snapper regarding the delivery of ongoing products and services and the development of further service capabilities</li> <li>Continued performance management of operators</li> <li>Commenced reviewing technology vendor relationships previously administered by ICT</li> </ul>	

We have identified a new risk around the contamination of the Hutt aquifer due to open bores which have not been sealed. The risk will be reported in full at the end of March as it has not been scored at the reporting time of this register.

**Risks archived during the July to December 2019 period**

QUARTERLY RISK REPORT 31 D E C E M B E R 2 0 1 9								
Ranking per 30.06.19	Risk Id	Description	Inherent risk level	Controls	Residual risk level	Risk owner	Residual Risk	Status Change since last quarterly review, including any risk treatments being considered
5	123	Reduction of bus service levels with transition to a new network, fleet and contracts	High Risk	Appropriate programme management in place - projects identified - responsibility allocated - regular monitoring - escalation - staggered transition - contingency planning - customer communications through channels and use of AmBusadors - transition support provided to operators - daily management monitor and review meetings	Medium Risk	Greg Pollock	490	The transition to a new network, fleet and contracts has been completed. The risk has been archived.
61	156	A qualified Audit Opinion is received and/or the annual report is not completed on time	Medium Risk	Statutory Compliance Detailed Year end plan in conjunction with Audit NZ plan is devised and regularly updated / worked on	Low Risk	Alan Bird	20	Audit NZ issued an unqualified Audit Opinion for the financial year ending 30.06.2019. The risk has been archived.

**Indicative schedule of Group Risk presentations – 2020 year**

February - Public Transport

May – Catchment Management

August – Wellington Water

October – Environment (if time allows)

December – Environment or Corporate/Strategy.