



greater WELLINGTON
REGIONAL COUNCIL
Te Pane Matua Taiao

If calling please ask for: Democratic Services

13 March 2019

Finance, Risk and Assurance Committee

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

Tuesday, 19 March 2019 at 9.30am

Membership of Committee

Cr Swain (Chair)

Cr Blakeley
Cr Laidlaw
Cr McKinnon

Cr Donaldson
Cr Lamason
Cr Ogden

Kim Skelton

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

Finance, Risk and Assurance Committee

Order Paper for meeting to be held on Tuesday, 19 March 2019 in the Council Chamber, Greater Wellington Regional Council, Level 2, 15 Walter Street, Te Aro, Wellington at 9.30am.

Public Business

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greater WELLINGTON
REGIONAL COUNCIL
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Please note that these minutes remain unconfirmed until the meeting of the Finance, Risk and Assurance Committee on 19 March 2019

Report 18.496

24/10/2018

File: CCAB-22-459

Public minutes of the Finance, Risk and Assurance Committee meeting held in the Council Chamber, Greater Wellington Regional Council, Level 2, 15 Walter Street, Te Aro, Wellington, on Wednesday, 24 October 2018 at 9:32am

Present

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

Kim Skelton.

Public Business

1 Apologies

Moved (Cr Lamason/ Cr Donaldson)

That the Committee accepts the apology for absence from Councillor Blakeley.

The motion was **CARRIED**.

2 Conflict of Interest declarations

There were no declarations of conflict of interest.

3 Public Participation

There was no public participation.

4 Confirmation of the minutes of 18 September 2018

Moved (Cr McKinnon/ Cr Laidlaw)

That the Committee confirms the minutes of 18 September 2018, Report 18.415.

The motion was **CARRIED**.

Noted: The Committee requested officers respond to the matters raised by Mr Mike Mellor during public participation at the Committee meeting on 18 September 2018.

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

Report 18.425

File: CCAB-22-390

Moved

(Cr Swain/ Cr Lamason)

That the Committee:

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

The motion was **CARRIED**.

6 **Annual Report for the year ended 30 June 2018**

Mark Ford, Manager, Strategic Finance, and Helen Guissane, Programme Lead, Corporate Planning and Reporting, spoke to the report.

Jacques Coetzee, Associate Audit Director, Audit New Zealand, recognised the effort of officers and noted the collaborative approach in producing the Annual Report. Jacques Coetzee assured the Committee that adequate disclosure has been made in respect to the ongoing significance of the November 2016 earthquake, and confirmed that Audit New Zealand would be issuing an unmodified sign off of the Annual Report in the following week.

Moved

(Cr Donaldson/ Cr Lamason)

That the Committee:

1. *Receives the report.*
2. *Notes its contents.*
3. *Recommends that Council approves the following net amounts, in addition to those budgeted, being added to (or deducted) from the respective reserves, subject to any changes requested by the Committee:*

Reserve	Balance	Ref.
Public Transport Rate Reserve	1,809,685	B1
Sustainable Transport Department Reserve	37,611	B2
Transport Planning Reserve	(40,271)	B3
Transport Data & Analysis Reserve	231,460	B4
Possum Predator Rate Reserve	28,746	B5
Wai Rating Schemes-Catchment Awhea	(3,001)	A1
Wai Rating Schemes-Catchment Whareama	(602)	A2
Wai Rating Schemes-Catchment Homewood	(4,909)	A3
Wai Rating Schemes-Catchment Mataikona	44	A4
Wai Rating Schemes-Catchment Maungaraki	883	A5
Wai Rating Schemes-Catchment Kaiwhata	(3,607)	A6
Wai Rating Schemes-Drainage	156,513	A7
Wai Shingle Royalty	67,945	A8
Wai Rating Schemes-River LWVD-Opex	60,848	A9
Wai Rating Schemes-River Waiohine-Opex	2,476	A10
Wai Rating Schemes - Gladstone	5,103	B6
Wai Rating Schemes-River Waipoua	29,777	A11
Wai Rating Schemes-River Waingawa	5,875	A12
Wai Rating Schemes-River Lower Taueru	416	B7
Wai Rating Schemes-River Lower Whangaehu	360	A13
Wai Rating Schemes- Te Ore Ore	6,835	A14
Wai Rating Schemes - Mt Bruce	17,780	A15
Wai Rating Schemes - Kopuaranga	1,371	A16
Wairarapa Workshop	7,172	A17
WREMO Reserve (TA contributions)	(9,544)	B8
Biodiversity Key Native Eco System Reserve	18,679	A18
Iwi Projects Reserve	114,000	A19
LTP Reserve (finance audit)	160,000	B9
Annual Plan & LTCCP Costs & Review (SCEG)	160,000	B10
Forestry Infrastructure Reserve	(140,690)	B11
Regional Parks Reserve	10,743	B12
Bioworks	(10,213)	B13
River Rate Reserve-Hutt City	(296,976)	A20
River Rate Reserve-Kapiti Coast	(82,471)	B14
River Rate Reserve-Porirua City	3,518	A21
River Rate Reserve-Upper Hutt City	33,504	A22
River Rate Reserve-Wellington City	4,928	A23
Election Reserve	(90,000)	A24
IT Operations Capex Reserve	(404,745)	A25
IT Operations Capex Reserve	1,343,800	B15
Wgtn Regional Strategy - Office Wakefield street Grow Wellington	325,062	A26
WRS Reserve - Grow Wellington	100,683	B16
2016 Earthquake Insurance Proceeds	562,000	A27
Rebudget 18/19:Parks Policy wbs	70,000	A28
Rebudget 18/19:LM - Riparian Management WBS	527,500	A29
Rebudget 18/19:Tier 2 monitoring	36,121	A30

<i>Rebudget 18/19:Infra Studies/Investigation</i>	19,600	A31
<i>Rebudget 18/19:Trolley Bus - OH Decommissioning</i>	141,705	A32
<i>Rebudget 18/19:Fares and Ticketing Establishment Admin</i>	87,399	A33
<i>Rebudget 18/19:Fares and Ticketing Establishment Other</i>	118,262	A34
<i>Rebudget 18/19:Fares and Ticketing Establishment Admin (b)</i>	178,366	A35
<i>Rebudget 18/19:Masterton Building Strengthening - Capex</i>	11,145	A36
<i>Rebudget 18/19:PC's - Capex</i>	67,437	A37
<i>Rebudget 18/19:IT Capex - SAP (Hardware & Software)</i>	157,400	A38
<i>Rebudget 18/19:Transport Model CAPEX.</i>	44,534	A39
<i>Rebudget 18/19:Resource consent project</i>	13,719	A40
<i>Rebudget 18/19:Te Kauru FMP development</i>	2,541	A41
<i>Rebudget 18/19:Waiohine rive scheme capex</i>	15,103	A42
<i>Rebudget 18/19:Te Kauru capex wbs</i>	18,879	A43
<i>Rebudget 18/19:Pinehaven Stream Improvements</i>	18,124	A44
<i>Rebudget 18/19:Manor Park river and stopbank works</i>	7,136	A45
<i>Rebudget 18/19:Hutt Environmental strategy implementation</i>	4,908	A46
<i>Rebudget 18/19:LWVD River Scheme Capex</i>	30,206	A47
<i>Rebudget 18/19:Whaka Stream Project</i>	6,796	A48
<i>Rebudget 18/19:Ebdentown rocklining</i>	13,404	A49
<i>Rebudget 18/19:Harbours diving platform</i>	5,487	A50
<i>Rebudget 18/19:Akatarawa - Asset Mngt. - Capex</i>	1,699	A51
<i>Rebudget 18/19:Battle Hill - Asset Mngt. - Capex</i>	4,246	A52
<i>Rebudget 18/19:Belmont - Asset Mngt. - Capex</i>	5,096	A53
<i>Rebudget 18/19:QEP - Asset Mngt. - Capex (QEP LTP Heritage Precinct)</i>	21,147	A54
<i>Rebudget 18/19:EH Baring Head Bridges</i>	24,923	A55
<i>Rebudget 18/19:Asset Management Capex - Fences</i>	4,544	A56
<i>Rebudget 18/19:Chemical Tanks Replacement</i>	9,404	A57
<i>Rebudget 18/19:Capex - Bus Stop Facilities New</i>	11,762	A58
<i>Rebudget 18/19:Capex - Bus Stop Facilities Renewals</i>	3,361	A59
<i>Rebudget 18/19:Capex - Customer Information Systems.</i>	5,611	A60
<i>Rebudget 18/19:Matangi 2 Driver Simulator</i>	28,462	A61
<i>Rebudget 18/19:Park and Ride Development</i>	34,534	A62
<i>Rebudget 18/19:SW & SE Cars - Heavy Maint/Overhauls</i>	24,780	A63
<i>Rebudget 18/19:Matangi - Heavy Maint/Overhauls</i>	261,709	A64
<i>Rebudget 18/19:Rail Rolling Stock Minor Improvements</i>	14,340	A65
<i>Rebudget 18/19:Capex Interim Bus Ticketing Solution</i>	25,666	A66

4. *Recommends that Council adopts the Annual Report and Summary Annual Report for the year ended 30 June 2018, subject to receiving final audit clearance and any changes requested by the Committee.*
5. *Acknowledges the considerable work done by officers to produce the report in a timely manner.*

The motion was **CARRIED**.

7 **Summary of financial statements to 30 September 2018**

Mark Ford, Manager, Strategic Finance, spoke to the report

Report 18.475

File: CCAB-22-407

Moved

(Cr Laidlaw/ Cr Ogden)

That the Committee:

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

The motion was **CARRIED**.

8 Fossil Fuel Divestment

Report 18.430

File: CCAB-22-391

Moved

(Cr Laidlaw/ Cr Donaldson)

That the Committee:

- 1. Receives the report.*
- 2. Endorses the content of the report.*
- 3. Notes that Kiwibank and Local Government Funding Agency are not investing in fossil fuels, and other banks are continuing to transition away from fossil fuel investments.*
- 4. Endorses that banks are written to annually, to show them we are monitoring them, and to seek from them what they have done to reduce their investment in fossil fuel industries since last year.*
- 5. Requests officers report to Council on the outcomes of the report.*

The motion was **CARRIED**.

Ian McKinnon left the meeting during discussion of item 8, at 12:14pm.

9 Summary risk report

Colin Crampton, Chief Executive, Wellington Water, and Erin Ganley, Manager, Risk and Assurance, gave the Committee a presentation in relation to key risks, and opportunities focussing on outcomes and projects.

Erin Ganley updated the Committee on the long term sustainability of the Waiwhetu Aquifer as a source of water for the Region within the changing catchment environment, and advised the Committee that when considering the risk of a resilient water supply, it provides an opportunity to be brave in tackling water wastage while achieving growth targets.

Colin Crampton discussed the cross harbour pipeline and the risk of potential cost changes and programme slippage over time in consideration of the project of its scale. The Committee discussed the importance of being kept up to date with cost changes on a regular basis.

Mike Timmer, Treasurer, spoke to the report.

Report 18.462

File: CCAB-22-404

Moved

(Cr Donaldson/ Cr Lamason)

That the Committee:

- 1. Receives the report.*

2. *Notes the content of the report.*
3. *Agrees to reinstate Risk ID 123 and requests officers to reassess the risk and the wording of the description of the risk to reflect the current situation.*

The motion was **CARRIED**.

Noted: The Committee requested officers report back with the governance and reporting structure between Wellington Water Limited and the Wellington Water Committee.

10 **Health, Safety and Wellbeing update**

Lucy Matheson, General Manager, People and Customer, spoke to the report.

Report 18.480

File: CCAB-22-409

Moved

(Cr Lamason/ Cr Donaldson)

That the Committee:

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

The motion was **CARRIED**.

Noted: The Committee requested officers present GWRC's wellness approach at the next Committee meeting.

11 **Exclusion of the public**

Report 18.481

File: CCAB-22-439

Moved

(Cr Lamason/ Cr Laidlaw)

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

Council Lending to WRC Holdings Limited

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

<i>General subject of each matter to be considered:</i>	<i>Reason for passing this resolution in relation to each matter</i>	<i>Ground under section 48(1) for the passing of this resolution</i>
<i>Council Lending to WRC Holdings Limited</i>	<i>The information contained in this report relates to Greater Wellington Regional Council's (GWRC) banking facilities and pricing. Having this</i>	<i>That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which</i>

part of the meeting open to the public would disadvantage the banking providers' commercial position. GWRC has not been able to identify a public interest favouring disclosure of this particular information in public proceedings of the meeting that would override this prejudice. *good reason for withholding would exist under section 7(2)(b)(ii) of the Local Government Official Information and Meetings Act 1987 (i.e. to protect information where the making available of that information would be likely unreasonably to prejudice the commercial position of the person who supplied or is the subject of the information).*

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

The motion was **CARRIED**.

The public part of the meeting closed at 12:47pm.

P Swain
(Chair)

Date:

Report 18.540
Date 12 March 2019
File CCAB-22-462

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

Action items from previous meetings

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

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

Recommendations

That the Committee:

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

Report approved by:

Samantha Gain
General Manager, Corporate
Services

Report approved by:

Nigel Corry
General Manager, People and
Customer

Attachment 1: Action items from previous meetings

Attachment 1 to Report 18.540

Action items from previous Finance, Risk and Assurance Committee meetings

Meeting date	Action item	Status and comment
6 March 2018	<p>Noted</p> <p><i>The Committee requested that a report on the feasibility of a rates postponement policy for over 65s be prepared for a future meeting.</i></p> <p><i>The Committee requested that officers provide an update on the risks relating to the Masterton administration building to Council.</i></p> <p><i>The Committee requested that officers provide an update on Project Optimus at its next meeting.</i></p>	<p>Status: <i>Under action</i></p> <p>Comments:</p> <p>To be discussed at a future Council workshop</p> <p>Staff are now relocated to the “new” Masterton office location in the Departmental building which has a NBS rating of 70% up from 35-45% NBS in the old building.</p> <p>Other potential risks are associated with staff moving (crossing the road) between the new building to old site on Chapel Street where vehicles are parked and staff continue to occupy portacom.</p> <p>See Report 19.87.</p>
17 May 2018	<p>Noted</p> <p><i>The Committee requested officers to consider the best approach for providing regular reputational risk updates to Councillors</i></p>	<p>Status: <i>Under action</i></p> <p>Comments:</p> <p>Matters relating to reputational risk across the organisation will be discussed at a workshop following the 19 March 2019 meeting, and a report will be presented to the Committee at the next meeting.</p>
18 September 2018	<p>Resolution</p> <p><i>Recommends:</i></p> <p>a. <i>making GWRC’s biannual declaration of members’ interests a public document;</i></p> <p>b. <i>publishing GWRC’s policy for managing conflicts of interest.</i></p>	<p>Status: <i>Under action</i></p> <p>Comments:</p> <p>This is currently being actioned.</p> <p>As this is being dealt with by Council it will be removed as a FRAC action item.</p>

Attachment 1 to Report 18.540

24 October 2018	<p>Noted</p> <p><i>The Committee requested officers respond to the matters raised by Mr Mike Mellor during public participation at the Committee meeting on 18 September 2018.</i></p>	<p>Status: <i>Completed</i></p> <p>Comments:</p> <p>Mr Mellor was contacted in January and a letter sent to him subsequently.</p>
24 October 2018	<p>Resolution</p> <p><i>Requests officers report to Council on the outcomes of the [Fossil Fuel Divestment] report</i></p>	<p>Status: <i>Completed</i></p> <p>Comments:</p> <p>Actioned.</p>
24 October 2018	<p>Resolution</p> <p><i>Agrees to reinstate Risk ID 123 and requests officers to reassess the risk and the wording of the description of the risk to reflect the current situation.</i></p>	<p>Status: <i>Completed</i></p> <p>Comments:</p> <p>Actioned.</p>
24 October 2018	<p>Noted</p> <p>The Committee requested officers report back with the governance and reporting structure between Wellington Water Limited and the Wellington Water Committee.</p>	<p>Status: <i>Under action</i></p> <p>Comments:</p> <p>Dealt with in relation to Wellington Water governance document changes. See also Report 19.96 on this agenda.</p>
24 October 2018	<p>Noted</p> <p>The Committee requested officers present GWRC's wellness approach at the next Committee meeting.</p>	<p>Status: <i>Completed</i></p> <p>Comments:</p> <p>See Report 19.94.</p>



Report 19.96
Date 21 March 2019
File LEGL-5-429

Committee Finance, Risk and Assurance Committee
Author Samantha Gain, General Manager, Corporate Services

Wellington Water Proposed Governance Changes

1. Purpose

To advise the Finance, Risk and Assurance Committee (the Committee) of receipt of legal advice regarding the proposed amendments to the governance documentation for Wellington Water Limited (WWL or the Company), requested by the Council at its meeting on 26 February 2019.

2. Background

WWL is a council controlled organisation in the form of a company with (currently) five shareholder councils, being Wellington, Hutt, Upper Hutt and Porirua City councils and Greater Wellington Regional Council (GWRC). The board of WWL is made up of independent directors. Councils influence the governance of WWL through the Wellington Water Committee.

At the meeting of 26 February 2019, the Council considered Report 19.48 on proposed amendments to the Company's Shareholders' Agreement, Constitution, and Terms of Reference (collectively referred to as the Governance Documents).

Report 19.48 was left to lie while the amendments to the Governance Documents were reviewed by external legal counsel prior to Council adopting the same.

3. Comment

Generally, the proposed amendments to the Governance Documents have two key purposes:

- a. The ability of other interested local authorities to become shareholders in the Company, and
- b. The desire for partnership with mana whenua and inclusion in decision making processes by making Mana Whenua Partners members of the Wellington Water Committee and ensuring that WWL Board members possess Te Ao Māori knowledge and skills,

(together referred to as the Amendment Aims).

The proposed changes to the Governance Documents of the Company have now been independently reviewed by senior counsel at Simpson Grierson with commercial and local government expertise. The aim of the review was to confirm that the proposed changes gave proper effect to the Amendment Aims and that the process followed to make and correctly adopt the amendments to the Shareholders' Agreement, Constitution and Terms of Reference comply with the Council's statutory and other obligations. The review did not consider the merit of the proposed policy underlying the amendments.

On the above basis, Simpson Grierson has confirmed that the proposed amendments to the Governance Documents are in order for adoption by Council as set out in the letter from Simpson Grierson attached to this report at [Attachment 1](#).

Given the above, officers will be preparing a further report for review at the next Council meeting of 10 April 2019, recommending that the Council formally adopt the proposed amendments to the Governance Documents.

4. Communication

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

5. Consideration of climate change

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

5.1 Mitigation assessment

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

Officers have considered the effect of the matter on the climate. As the matter concerns governance only, officers recommend that the matter be considered to have no effect on the climate.

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

5.2 Adaptation assessment

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

Officers have considered the impacts of climate change in relation to the matter. As the matter concerns governance only, Officers recommend that climate change has no bearing on the matter.

6. The decision-making process and significance

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

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

6.1 Significance of the decision

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

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

- The decision to enable other shareholders to join WWL does not have an impact of itself; specific consideration may need to be given when there is any separate, subsequent decision required relating to a particular proposal to include another shareholder
- The decision to include mana whenua entities as members of the Wellington Water Committee aligns with the Council's approach to involvement of mana whenua.

Officers do not consider that a formal record outlining consideration of the decision-making process is required in this instance. The decision-making process has been reviewed and confirmed as appropriate by external counsel as detailed in the letter at Attachment 1.

6.2 Engagement

Engagement on the matters contained in this report aligns with the level of significance assessed. In accordance with the significance and engagement policy, no engagement on the matters for decision is required. It is noted that the Wellington Water Committee has engaged with relevant mana whenua entities in respect of the proposals.

7. Recommendations

That the Committee:

1. *Receives the report.*
2. *Notes the content of the report.*
3. *Notes the contents of the letter of review from Simpson Grierson dated 12 March 2019 attached as Attachment 1 to the report.*

4. *Notes that the letter of review from Simpson Grierson dated 12 March 2019 will be provided to Council in support of a recommendation to adopt the proposed changes to the Governance Documents, at the next appropriate meeting.*

Report prepared by:

Samantha Gain

General Manager, Corporate Services

Attachment 1: Letter of Review from Simpson Grierson dated 8 March 2019



12 March 2019

Partner Reference
Cath Shirley-Brown

Samantha Gain
Greater Wellington Regional Council
PO Box 11646
Manners Street
WELLINGTON 6142

Writer's Details
Direct Dial: +64-4-924 3451
Email: cath.shirley-brown@simpsongrierson.com

Sent by Email

Dear Samantha

Review of changes to governance documents for Wellington Water Limited

Introduction

1. Thank you for your letter dated 5 March 2019. Defined terms in that document have the same meaning in this letter.
2. We refer to the two key areas of required change to the ToR, SHA and Constitution (**Governance Documents**), being:
 - (a) an ability to allow other local authorities to become shareholders of the Company; and
 - (b) the desire for partnership with mana whenua and inclusion in decision making processes by making Mana Whenua Partners members of the Committee and ensuring that WWL Board members possess Te Ao Māori knowledge and skills(together, the **Amendment Aims**).

Confirmation

3. We confirm that the proposed amendments to the SHA, Constitution and ToR (the **Amendments**) are in order for adoption by the Council, and (specifically):
 - (a) the Amendments are fit for purpose given the Amendment Aims (as described in the Introduction and the Order Paper) as well as GWRC's role as a responsible and proactive manager of water and water assets in the region; and
 - (b) the process followed to make and correctly adopt the Amendments comply with GWRC's statutory and other obligations.

Qualifications

4. We provide the confirmations set out in this letter in our capacity as a legal adviser to GWRC, and accordingly our review has focused on lawfulness and drafting rather than policy and merit-based aspects of the documents and arrangements.

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AUCKLAND: Lumley Centre, 88 Shortland Street, Private Bag 92518, Auckland 1141, New Zealand. T +64 9 358 2222

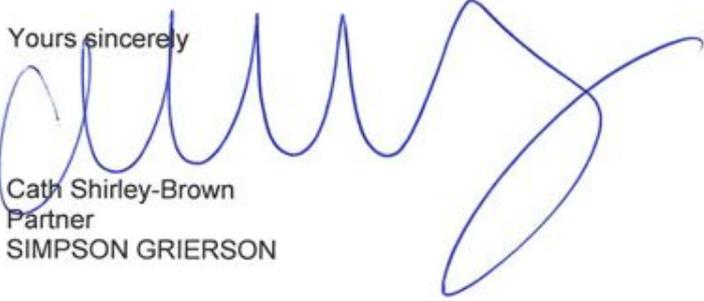
WELLINGTON: HSBC Tower, 195 Lambton Quay, PO Box 2402, Wellington 6140, New Zealand. T +64 4 499 4599

CHRISTCHURCH: Level 1, 151 Cambridge Terrace, West End, PO Box 874, Christchurch 8140, New Zealand. T +64 3 365 9914

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5. As noted above, our review has focussed on whether the Amendments achieve the Amendment Aims. We have not considered the impact of the Amendment Aims on GWRC, given that these have already been considered and agreed.
6. In terms of our confirmation in paragraph 3(b), in providing this confirmation we have reviewed the documents against the requirements of clauses 30A, 31 and 32 of Schedule 7 to the Local Government Act 2002, being the key parameters around joint committees, committee membership and delegations. We understand the Council has separately satisfied itself about compliance with other aspects of the Act including the decision making requirements in Part 6.

Yours sincerely


Cath Shirley-Brown
Partner
SIMPSON GRIERSON



Report 2019.83
Date 12 March 2019
File CCAB-22-480

Committee Finance, Risk and Assurance Committee
Author Grant Nalder, Manager, Harbours (Harbourmaster)

Harbour risks mitigation, current and future.

1. Purpose

This report follows on from the request made at the Environment Committee meeting for a report to come to the Finance, Risk and Assurance Committee (the Committee) about how the identified risks in Wellington harbour are being managed at present and what changes are proposed for the future.

2. Background

2.1 Introduction

Further to the report to the Environment Committee on 14 February 2019, this paper provides information on mitigations in place and how they are managed in relation to the identified risks. There is also information on future risk mitigation measures. The Environment Committee report was based on the review of the Wellington Harbour Risk Assessment, commissioned jointly by us and CentrePort Limited (CPL) in 2013 and carried out by an independent maritime expert, Marico Marine Limited.

Attachment 1 to this report sets out the mapped risk controls, which shows the control measures in place as they relate to the identified risks. The order is not the same as in the Marico Marine Report. The list is adaptive over time and the review has the ranked list as at August 2018. The numbering of the controls relates to the numbered controls in Hazman, our harbour risk and incident management system. The documents and procedures referred to come from a variety of sources including:

- Wellington Harbour Safety Management System
- Navigation and Safety Bylaws
- Beacon Hill Operations Manual
- Harbourmasters Directions
- Navigation aids Asset Management plan
- CPL’s Standard Operating Procedures
- Port Information Manual

- Training and proficiency manuals from CPL and shipping companies
- Ferry Passage plans.

In the process of preparing this report, it was identified that some of the risk controls descriptions in Hazman are not well written or accurately described. This is not ideal. However, it is an issue in how the controls have been described and is not indicative of the overall quality of the controls. The recording and reporting of these controls is something that we are reviewing and addressing.

Our Harbour safety management system is being externally reviewed in May 2019 and the external panel’s findings will be reported to the Environment Committee.

3. Top twenty risks

This table comes from the Marico Marine report. The inherent risk is that risk without controls and the residual risk remain after controls have been applied. In the sections below are some explanations of the significant risks.

Rank	Hazard Ref.	Accident Category	Hazard Title	Inherent Risk	Residual Risk
1	5	Grounding	RoRo Ferry Grounding, Entrance	6.46	5.58
2	20	Collision	RoRo Ferry and large vessel in Conflict (Within Harbour Waters)	5.92	5.01
3	46	Contact Berthing	Contact Berthing, Pilot Exempt Vessel (RoRo Ferry).	5.71	4.9
4	28	Collision	RoRo Ferry and Tanker in conflict within harbour.	5.83	4.88
5	18	Collision	RoRo Ferry and Large Vessel Conflict, Harbour Approaches	5.44	4.35
6	78	Contact Berthing	Tanker Contact Berthing - Seaview Jetty	5.33	4.61
7	1	Grounding	Large vessel Grounding in Harbour Entrance/ Approach	5.44	4.59
8	19	Collision	Pilot Launch and Vessel in Heavy Landing During Transfer Operations	5.34	4.46
9	15	Collision	RoRo Ferry and Large or Deep Draught Vessel Collision	5.14	4.27
10	81	Mooring Breakout	Mooring Breakout (Seaview Jetty)	5.14	4.43
11	76	Grounding	Deep Draught Vessel Grounding (greater than 9m draught)	5.04	4.42
12	83	Collision	Rowing Skiff and Swimmer Collision	4.95	4.76
13	23	Collision	Harbour Ferry in Conflict with Larger Vessel	4.92	4.14

14	70	Fire/Explosion	Fire on RoRo Ferry Within Harbour Limits	4.9	4.54
15	21	Collision	RoRo Ferry and RoRo Ferry in Conflict	5	4.3
16	12	Grounding	Small Passenger Vessel Grounding	5.01	2.85
17	64	Personal Injury	Personal Injury, Pilot Operations, Outer Boarding Areas	4.71	4.18
18	47	Contact Berthing	Vessel in Contact Berthing - Aotea Quay	4.65	3.79
19	54	Mooring Breakout	Mooring Breakout (Main Terminals)	4.67	4.06
20	67	Fire/Explosion	Fire On Small Passenger Vessel	4.66	4.28

3.1 Contact Berthing and Mooring Breakout

These risks at the berths and with mooring lines are predominately dealt with by CPL. This is managed in several ways, such as upgrades to berths and fendering, and assessments on bollard suitability following either a change in conditions or vessel size. This has occurred with the demolition of some of the wharf sheds. The berth was left more exposed to southerly winds, and as a result, weather restrictions are in place on the affected berth until other, more permanent measures, can be taken.

3.2 Collision and grounding – large ships

Risks around collision and grounding are managed by CPL's operation of the pilotage service and our operation of Wellington Harbour Radio (Beacon Hill). The Pilots are trained and equipped to board visiting ships and bring them safely into the harbour. The Pilots have information on wind, wave and other shipping provided from several sources, and much of it is delivered through Beacon Hill. CPL has comprehensive processes and standard operating procedures to cover its operation. These are reviewed, often in conjunction with us, as a result of changes or incidents. For example, in the last week there have been changes to Standard Operation Procedures in relation to ships at anchor, and additional weather advice regarding tankers at Aotea Quay.

Ships waiting for their Pilot in Cook Strait are monitored by Beacon Hill and shipping information is passed on to enable Pilots and Masters to make informed decisions. Beacon Hill has a comprehensive operational manual that is subject to regular review and update. This may be triggered by time, or incident, or change in port procedure. The risk reviewer suggests that Beacon Hill should be more directional than informational. At present, we believe there is merit in increasing the training and technical expertise at Beacon Hill. However, we do not currently consider the necessity of raising this directly to the Vessel Traffic Service level that is proposed. That would be a significant change, and although we are progressing in that direction with our proposed training, any significant change in the nature of the operation would include consultation with the harbour users and carefully evaluation of risks and benefits.

Information is provided to mariners, especially around weather and sea conditions, to enable good decisions to be made. This is relevant both to ships crews and also planning ashore. Anchoring high windage ships in the harbour is a known risk, so with certain forecasts, a ship's arrival will be altered to avoid having them at anchor. Arrival and departure times are varied either for reasons of weather or daylight to improve safety and improve the chance for successful operations. CPL upgraded their Pilot launch to improve their operational weather window and decrease crew fatigue.

Most of the shipping movements in Wellington are not carried out by the CPL Pilots, but by Masters of vessel exercising Pilotage Exemption Certificates (PECs). Wellington has the most PECs in the country, issued for large ships due to the number needed to allow the Cook Strait ferries to operate. The companies with PECs have training and on-going proficiency plans, reviewed by us and approved by Maritime New Zealand. These plans include checks and revalidation of the Masters, some of these carried out by the CPL Pilots. In this way, the aim is to have consistently high standards across all ships moving in the Port.

3.3 Collision – large and small or between smaller recreational vessels

Our Navigation and Safety Bylaws require vessel under 500 Gross Tonnage to keep clear of vessels greater than that size. We work with clubs to ensure their members are educated, and along with information about small boat safety, this messaging is also reinforced when we talk to other recreational vessels on the harbour. Many of our bylaws are aimed at recreational craft (lifejacket requirements, speed rules, dive flags, radio reporting at night, etc) and these tend to be the focus of our summer education and enforcement campaigns. For the last two years, we have worked closely with Maritime New Zealand as part of their nationwide education programmes. We also have a close working relationship with the Maritime Police Unit who aid us with on the water education and enforcement.

3.4 A persistent risk

We have very well qualified, trained and experienced mariners working on ships in the Port. However, that is not enough to prevent risk that is harder to quantify: complacency. There have been some near incidents in recent months. These appear to stem from failing to following existing procedures and possibly relaxed standards about the repetitive nature of the work and being very familiar with navigating in the harbour.

This is a challenging risk to manage. To some extent we are in a position to highlight it. However, most of the mitigation needs to come from the various operators. Awareness of the issue is a first step and that is something that we are working on, including improved information on vessel (crew) behaviour on the harbour and compliance with Bylaws and Standard Operation Procedures, passage plans, etc.

Last year, we met with marine managers from the two ferry companies and indicated an intention to develop a “whole of harbour” discussion group for large commercial shipping. This is intended to include the Pilots and Masters

from the two ferry companies and ourselves. The intention is for these to become a regular event where safety matters can be discussed and issues aired that should lead to improved overall performance in terms of safety.

4. Future risk controls

In the rare situation that all of these measures fail, then response plans come into play, to deal with resolving whatever issue may have arisen. For mechanical fault or breakdown out of the harbour, there are limited resources outside of whatever the ship itself is able to do to rectify the situation.

In the inner part of the harbour, unobserved vessel movements and a lack of ability to detect and track small craft leaves holes in our ability to effectively monitor vessel movement and keep shipping well informed.

4.1 Additional tug capability

The Environment Committee report created a lot of discussion about a potential gap in our ability to respond.

Firstly, it is worth making some clarification from the Environment Committee report and following discussion;

When the current tugs were purchased, there was no formal proposal put to Maritime New Zealand, the plans were discussed and the cost difference between what we have now and a similar tug with limited out-of-harbour capability was discussed. At the time, Maritime New Zealand sought international guidance on what would be suitable and the finding was for a fully crewed salvage tug - the cost of which would be very high in both terms of purchase and maintenance cost. A vessel like this would not be able to function as a harbour tug. In my opinion, a specialised vessel like this would be considered a national asset. However, apart from the port that it was based in, it would likely be too distant to assist other parts of the country in an emergency situation.

We have been asked if passengers are at increased danger due to a lack of assistance. I would say, not significantly. Ships carrying passengers, either ferry or cruise, have two propellers, motors and rudders. In short, they have redundancy in their propulsion. They may be forced to limp along, but they should have the ability to get themselves out of most situations.

4.2 Risk liability

Do we, or CPL, have a liability to recover or save a ship at sea? No, I do not believe we or CPL have any liability in this regard. Although, according to the Navigatus Wreck removal liability report, while we may not have any liability for preventing a wreck, we may have liability for cleaning up:

Maritime Transport Act

33C Functions of regional councils

For the purpose of ensuring maritime safety in their regions, regional councils may regulate—

- a) the ports, harbours, and waters in their regions; and
- b) maritime-related activities in their regions.

Port Companies Act

5. Principal objective to be successful business

- The principal objective of every port company shall be to operate as a successful business.

From the above legislation, recovering broken-down ships from Cook Strait is outside of the **requirements** for both ourselves and CPL. Arguably, no-one is required to provide that sort of protection and coverage. However, if we look at the **consequence** of a significant shipping incident, there are the following areas of impact:

- Environmental damage – we are the guardians of our Region, land, coast and waters. A ship grounding can have significant and long lasting impacts on the environment; there are plenty of examples of that. Any mitigation and recovery work is a poor substitute to prevention.
- Risk to life – getting off a damaged ship is not without risks. Safely landing life rafts and evacuating the passengers to shore can be more problematic. In general, the safest place for people is on-board the ship, and not in life-rafts. Being able to assist the ship, even just to calmer waters, improves the likelihood of a good outcome.
- Economic risk – a grounding or sinking on the reef or in the channel would, at best, restrict traffic in the channel. At worst, it could bring all traffic to a stop. The flow-on from that would be significant for the Region, financially.

The Marico Marine Report considers the Harbour and the area of shared responsibilities between ourselves and CPL. The discussion about the tug is mostly relevant to the area outside of the port, outside CPL's area of operation, but within the regional waters. This is a very low probability event. However, my feeling it is a slightly higher probability than a large scale earthquake, which we do invest for. We have not experienced an incident that has led to a grounding, or would have been resolved if a tug were available. We have had incidents that could have resulted in that but did not.

The nature of our coastline and the shipping that both comes in, and passes by here, leaves us vulnerable to a ship with mechanical breakdown coming ashore. Last year we had a bulk carrier (not coming here) drifting in Cook Strait, in a southerly, which came within four nautical miles of the south coast. That ship was able to move away from the coast under its own power. Within the last three years we had a cruise ship south of Karori with a fire on board and the passengers called to muster stations. That was likely a precautionary step. However, it is the last step before abandoning ship. The fire was extinguished and the ship continued on its way.

4.3 The case for out of harbour towing capability

The focus has been on outside of the Harbour. However, I believe there have also been incidents within the Harbour in recent years where the ability for a harbour tug to tow over the stern (rather than just the bow winch the current tugs have) would have aided their response to ships having difficulties inside the harbour.

As far as I am aware, CPL is not currently considering a third tug. They are undergoing significant planning and development issues as a result of the earthquake damage and this also means a change in the type and volume of ships passing through the port. This will impact on their future decisions regarding marine plant.

As a result of increasing shipping movements and work on crew fatigue in the Marine service area, this has necessitated increased restrictions on calling out of tugs and the pilot launches at short notice. These policy changes are understandable and safety-based. However, in the short term, this is a concern. CPL are working with their customers to consider weather forecasts and anticipate likely provision of services where required. What CPL cannot factor in are last minute changes, such as unexpected weather or mechanical breakdown. There is a proposal to consider the resourcing required to provide a true 24/7 service and should this be accepted by CPL management, it will be a very positive step for safety of shipping on the harbour.

If there is no out-of-port tug capability what does this mean? We work to minimise the risk in other ways. In the Bylaws review that will occur this year, we will consider placing restrictions on ships over 500 Gross Tonnage from entering our Bylaws area (three nautical miles off the coast) unless approaching the Harbour, or with Harbourmaster's permission. This works towards creating a safety buffer around our coast, provides some margin for error and more time in case of a mechanical fault. There would be few ships coming closer than this at present. However, proposing such rules is a positive action we can take. Increased Automatic Identification System coverage from Beacon Hill would give us the ability to monitor this. That work is intended to happen this year.

Purchasing a stand-alone salvage tug to be used only in emergency, while a superb mitigation measure, cannot be justified in terms of cost. Extending the capability of a harbour tug that will be in the Port and working on a daily basis at relatively low cost, is a more cost-effective and pragmatic option. This will require further discussion between CPL and GWRC, and possibly Maritime New Zealand, when a tug purchase is next planned. This could be a replacement or an additional tug, but at this stage the timetable is set by CPL as they look at their future business requirements.

4.4 Inner harbour radar

The main wharves and Lambton Harbour are two areas that cannot be visually observed from Beacon Hill, but have a high volume of recreational traffic and potential for interaction between recreational and commercial vessels. There are also many smaller commercial vessels that do not have Automatic

Identification System tracking that work in this part of the harbour. The inner harbour addition to the radar coverage would give Beacon Hill a more complete picture of what is happening on the harbour and allow them to provide better traffic information.

The logical addition to a radar installation would be a camera with thermal imaging capability that would enable observation of vessel too small for radar or without Automatic Identification System or even possibly people in the water. Again, this allows for better information for harbour users. In terms of following up with incidents involving vessels in this part of the harbour, the improved coverage would provide recorded information that is not currently available to us.

While Automatic Identification System is a reliable system, it is not infallible. Radar provides a good back up to this system and provides reassurance for the data being provided and can help with error detection. It is a strong risk mitigation measure.

5. Communication

The Wellington Harbour Navigational Risk Assessment has been made available to some harbour users that are directly involved in activities on the harbour; this includes CPL and the ferry operators. It will be made available electronically on request. No additional external communications is proposed as an outcome of this report.

6. Consideration of climate change

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

6.1 Mitigation assessment

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

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

6.2 Adaptation assessment

Officers have considered the impacts of climate change in relation to the matter. The increase in extreme weather events could be considered an additional driver behind some of the work here. In terms of berthage and wind loading, an increase in severe weather events combined with larger windage vessels requires on-going berth upgrades. Similarly these same conditions will require developing strategies and systems to handle more frequent occurrences of extreme weather.

7. 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 matters requiring decision in this report have 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.

7.1 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.

7.2 Engagement

Copies of the Risk Assessment review have been provided to the two ferry companies and Central Region Coastguard; further copies are available on request. The review will provide input for the on-going discussions we have with the various stakeholders on issues on navigation safety and harbour management. Work done as a result of this report will be communicated with other harbour users by various means, depending on the requirement. CPL, as a co-partner and co-funder of the report, has copies and will be reporting internally to their Board.

8. Recommendations

That the Committee:

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

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Attachment 1: Mapped risk controls

Attachment 1 to Report 19.83

Rank	Hazard Ref.	Accident Category	Hazard Title/Area Affected	Existing Risk Control Harbour Regulator	Existing Risk Control Centreport	Notes
1	5	Grounding	<p>RoRo Ferry Grounding, Entrance/ Approaches; Entrance;</p>	<p>6.3 PEC Handbook 1.9 Recommended Tracks 6.1 Maritime Rule MNZ 90 2.5 Webcam covering entrance 2.1 Wellington Weather and Wave Data Information Service 2.3 Incident communication facility 7.2 Other local SAR resources 4.0 Aids to Navigation Cook Strait RoRo Operators Systems 2.4 Leading light manual control 1.7 Wave rider buoy 1.6 Information notes on charts 7.1 Police on-water capability and control 1.0 Harbour Organization 2.6 Beacon Hill Traffic Monitoring Service 6.2 Exemption process</p>	<p>CP6.0 CP Metconnect site</p>	<p>Bylaw provisions in place for inbound ships to join the leads at a minimum of 2 nautical miles off Barret Reef buoy.</p> <p>Centreport, Harbourmaster and Beacon Hill have access to MetConnect harbour weather, Baring head wave rider plus MetOcean View forecasts.</p> <p>Beacon Hill monitoring.</p>

Rank	Hazard Ref.	Accident Category	Hazard Title/Area Affected	Existing Risk Control Harbour Regulator	Existing Risk Control Centreport	Notes
2	20	Collision	RoRo Ferry and large vessel in Conflict (Within Harbour Waters)/ Main Harbour;	2.6 Beacon Hill Traffic Monitoring Service 1.0 Harbour Organization 1.9 Recommended Tracks 7.1 Police on-water capability and control 6.2 Exemption process 7.2 Other local SAR resources Cook Strait RoRo Operators Systems 2.3 Incident communication facility 1.6 Information notes on charts 3.4 Directions for harbour navigation 2.1 Wellington Weather and Wave Data Information Service 4.0 Aids to Navigation 6.3 PEC Handbook	CP2.5 Leading vessels to/from Area Delta CP4.2 Pilot launches CP4.1 Tugs CP2.3 Recommended track compliance CP3.1 Marine Personnel experience and expertise CP3.3 Interface with yacht clubs CP2.2 Pilot/Master exchange CP2.6 Use of outer boarding areas CP3.2 Management Practice	
3	46	Contact Berthing	Contact Berthing, Pilot Exempt Vessel (RoRo Ferry). / Main Harbour; Lambton Harbour;	1.0 Harbour Organization 2.6 Beacon Hill Traffic Monitoring Service 7.2 Other local SAR resources 6.2 Exemption process 7.1 Police on-water capability and control 2.1 Wellington Weather and Wave Data Information Service 2.3 Incident communication facility	CP4.3 Fendering CP6.0 CP Metconnect site CP4.1 Tugs	Centreport are upgrading fendering as required and also as part of berth rebuilding

Rank	Hazard Ref.	Accident Category	Hazard Title/Area Affected	Existing Risk Control Harbour Regulator	Existing Risk Control Centreport	Notes
4	28	Collision	RoRo Ferry and Tanker in conflict within harbour./ Main Harbour;	<p>4.0 Aids to Navigation</p> <p>2.1 Wellington Weather and Wave Data Information Service</p> <p>7.2 Other local SAR resources</p> <p>1.0 Harbour Organization</p> <p>3.4 Directions for harbour navigation</p> <p>6.3 PEC Handbook</p> <p>1.9 Recommended Tracks</p> <p>2.6 Beacon Hill Traffic Monitoring Service</p> <p>2.3 Incident communication facility</p> <p>6.1 Maritime Rule MNZ 90</p> <p>6.2 Exemption process</p> <p>Cook Strait RoRo Operators Systems</p>	<p>CP3.1 Marine Personnel experience and expertise</p> <p>CP3.2 Management Practice</p> <p>CP2.3 Recommended track compliance</p> <p>CP2.2 Pilot/Master exchange</p> <p>CP4.1 Tugs</p>	Tracks to Seaview and Evans Bay oil terminals are included in recommend tracks and Centreport's Pilot procedures.
5	18	Collision	RoRo Ferry and Large Vessel Conflict, Harbour Approaches/ Approaches;	<p>1.6 Information notes on charts</p> <p>7.1 Police on-water capability and control</p> <p>6.3 PEC Handbook</p> <p>1.9 Recommended Tracks</p> <p>1.0 Harbour Organization</p> <p>3.4 Directions for harbour navigation</p> <p>7.2 Other local SAR resources</p> <p>6.1 Maritime Rule MNZ 90</p> <p>2.4 Leading light manual control</p> <p>4.0 Aids to Navigation</p> <p>2.3 Incident communication facility</p> <p>Cook Strait RoRo Operators Systems</p> <p>2.1 Wellington Weather and Wave Data Information Service</p> <p>6.2 Exemption process</p> <p>2.6 Beacon Hill Traffic Monitoring Service</p>	<p>CP3.1 Marine Personnel experience and expertise</p> <p>CP4.1 Tugs</p> <p>CP4.2 Pilot launches</p> <p>CP3.2 Management Practice</p> <p>CP2.6 Use of outer boarding areas</p> <p>CP2.5 Leading vessels to/from Area Delta</p> <p>CP3.3 Interface with yacht clubs</p> <p>CP2.3 Recommended track compliance</p> <p>CP2.2 Pilot/Master exchange</p>	

Rank	Hazard Ref.	Accident Category	Hazard Title/Area Affected	Existing Risk Control Harbour Regulator	Existing Risk Control Centreport	Notes
6	78	Contact Berthing	Tanker Contact Berthing - Seaview Jetty/ Seaview;	2.6 Beacon Hill Traffic Monitoring Service 2.1 Wellington Weather and Wave Data Information Service 2.3 Incident communication facility 1.0 Harbour Organization	CP3.2 Management Practice CP6.0 CP Metconnect site CP3.1 Marine Personnel experience and expertise CP4.1 Tugs CP2.2 Pilot/Master exchange CP2.10 Centreport SOPs Seaview Wharf CP4.2 Pilot launches CP2.1 Key Port Limiting Parameters (Vessels) CP2.11 Portable Pilot Unit CP2.4 Pilot allocation/movement planning	Seaview fenders are due for replacement.
7	1	Grounding	Large vessel Grounding in Harbour Entrance/ Approach / Entrance;	7.2 Other local SAR resources 2.1 Wellington Weather and Wave Data Information Service 2.5 Webcam covering entrance 2.6 Beacon Hill Traffic Monitoring Service 1.5 Tide Gauge 6.1 Maritime Rule MNZ 90 7.1 Police on-water capability and control 3.4 Directions for harbour navigation 1.0 Harbour Organization 4.0 Aids to Navigation 1.4 Hydrographical survey 1.6 Information notes on charts 2.3 Incident communication facility 2.4 Leading light manual control 1.7 Wave rider buoy	CP2.5 Leading vessels to/from Area Delta CP2.6 Use of outer boarding areas CP3.2 Management Practice CP2.2 Pilot/Master exchange CP3.1 Marine Personnel experience and expertise CP3.3 Interface with yacht clubs CP2.3 Recommended track compliance CP6.0 CP Metconnect site CP2.11 Portable Pilot Unit	More use of weather forecast to avoid ships coming through at higher risk times. Weather and swell information allows ferries to make better informed decisions on when to cancel sailings. Pilots can be over carried on outbound ships or join inbound ships at previous ports to avoid Pilot transfer from launch in high sea conditions.

Rank	Hazard Ref.	Accident Category	Hazard Title/Area Affected	Existing Risk Control Harbour Regulator	Existing Risk Control Centreport	Notes
8	19	Collision	Pilot Launch and Vessel in Heavy Landing During Transfer Operations/ Approaches; Entrance;	New Pilot Boat	CP4.2 Pilot launches New Pilot Boat- Fatigue Improvement CP2.4 Pilot allocation/movement planning CP2.6 Use of outer boarding areas CP2.5 Leading vessels to/from Area Delta	Newer and larger pilot vessel. Outbound Pilots being over carried. Pilot on in-bound vessel joining the ship at its previous port.
9	15	Collision	RoRo Ferry and Large or Deep Draught Vessel Collision/ Entrance;	7.2 Other local SAR resources 3.4 Directions for harbour navigation 6.1 Maritime Rule MNZ 90 Cook Strait RoRo Operators Systems 2.4 Leading light manual control 1.9 Recommended Tracks 2.3 Incident communication facility 2.6 Beacon Hill Traffic Monitoring Service 6.3 PEC Handbook 6.2 Exemption process 1.0 Harbour Organization 4.0 Aids to Navigation 7.1 Police on-water capability and control 1.6 Information notes on charts	CP2.3 Recommended track compliance CP4.2 Pilot launches CP2.3 Recommended track compliance CP4.2 Pilot launches CP3.2 Management Practice CP3.1 Marine Personnel experience and expertise CP2.5 Leading vessels to/from Area Delta CP2.2 Pilot/Master exchange CP4.1 Tugs	

Rank	Hazard Ref.	Accident Category	Hazard Title/Area Affected	Existing Risk Control Harbour Regulator	Existing Risk Control Centreport	Notes
10	81	Mooring Breakout	Mooring Breakout (Seaview Jetty)/ Seaview;		CP2.8 Mooring guidelines CP3.1 Marine Personnel experience and expertise CP4.3 Fendering CP4.1 Tugs CP2.10 Centreport SOPs Seaview Wharf CP6.0 CP Metconnect site	
11	76	Grounding	Deep Draught Vessel Grounding (greater than 9m draught)/ Approaches; Entrance;	2.3 Incident communication facility 4.0 Aids to Navigation 2.1 Wellington Weather and Wave Data Information Service 6.1 Maritime Rule MNZ 90 7.1 Police on-water capability and control 3.4 Directions for harbour navigation 1.4 Hydrographical survey 1.5 Tide Gauge 2.4 Leading light manual control 2.5 Webcam covering entrance 2.6 Beacon Hill Traffic Monitoring Service 1.7 Wave rider buoy 1.0 Harbour Organization 7.2 Other local SAR resources 1.6 Information notes on charts	CP2.2 Pilot/Master exchange CP3.2 Management Practice CP2.3 Recommended track compliance CP2.11 Portable Pilot Unit CP2.5 Leading vessels to/from Area Delta CP3.1 Marine Personnel experience and expertise CP2.6 Use of outer boarding areas	

Rank	Hazard Ref.	Accident Category	Hazard Title/Area Affected	Existing Risk Control Harbour Regulator	Existing Risk Control Centreport	Notes
12	83	Collision	Rowing Skiff and Swimmer Collision/ Lambton Harbour;	4.1 Upcoming Buoy Installation for Recommended Swimming Lanes 1.0 Harbour Organization		Maintain contact with group representing both parties. Provide education and information on risks and responsibilities.
13	23	Collision	Harbour Ferry in Conflict with Larger Vessel/ Main Harbour;	1.9 Recommended Tracks 3.4 Directions for harbour navigation 4.0 Aids to Navigation 2.6 Beacon Hill Traffic Monitoring Service 6.1 Maritime Rule MNZ 90 2.1 Wellington Weather and Wave Data Information Service 7.2 Other local SAR resources 1.0 Harbour Organization 6.2 Exemption process 2.3 Incident communication facility	CP4.1 Tugs CP3.2 Management Practice CP3.1 Marine Personnel experience and expertise CP2.3 Recommended track compliance CP2.2 Pilot/Master exchange	
14	70	Fire/Explosion	Fire on RoRo Ferry Within Harbour Limits/ Approaches; Entrance; Main Harbour; Lambton Harbour;	1.0 Harbour Organization 2.3 Incident communication facility 1.8 Dangerous Goods Notification 7.1 Police on-water capability and control 7.2 Other local SAR resources	CP4.1 Tugs	

Rank	Hazard Ref.	Accident Category	Hazard Title/Area Affected	Existing Risk Control Harbour Regulator	Existing Risk Control Centreport	Notes
15	21	Collision	RoRo Ferry and RoRo Ferry in Conflict/ Approaches; Entrance; Main Harbour;	6.1 Maritime Rule MNZ 90 2.6 Beacon Hill Traffic Monitoring Service 2.1 Wellington Weather and Wave Data Information Service 1.9 Recommended Tracks 7.1 Police on-water capability and control 4.0 Aids to Navigation 6.2 Exemption process 2.4 Leading light manual control 1.6 Information notes on charts 6.3 PEC Handbook 1.0 Harbour Organization 3.4 Directions for harbour navigation Cook Strait RoRo Operators Systems 2.3 Incident communication facility	CP2.3 Recommended track compliance	
16	12	Grounding	Small Passenger Vessel Grounding/ Entrance; Main Harbour; Lambton Harbour; Evans Bay;	3.5 Restricted Areas 3.7 Speed restrictions 1.2 Education 1.5 Tide Gauge Near shore traffic monitoring 3.9 Carriage of lifejackets 4.0 Aids to Navigation		

Rank	Hazard Ref.	Accident Category	Hazard Title/Area Affected	Existing Risk Control Harbour Regulator	Existing Risk Control Centreport	Notes
17	64	Personal Injury	Personal Injury, Pilot Operations, Outer Boarding Areas / Approaches; Entrance;	New Pilot Boat- Fatigue Improvement New Pilot Boat	CP2.4 Pilot allocation/movement planning CP3.1 Marine Personnel experience and expertise CP2.6 Use of outer boarding areas CP2.2 Pilot/Master exchange CP4.2 Pilot launches CP2.5 Leading vessels to/from Area Delta	Newer and larger pilot vessel. Outbound Pilots being over carried. Pilot on in-bound vessel joining the ship at its previous port.
18	47	Contact Berthing	Vessel in Contact Berthing - Aotea Quay/ Main Harbour; Lambton Harbour;	2.1 Wellington Weather and Wave Data Information Service 1.0 Harbour Organization 2.3 Incident communication facility 6.2 Exemption process 2.6 Beacon Hill Traffic Monitoring Service	CP4.1 Tugs CP3.3 Interface with yacht clubs CP2.1 Key Port Limiting Parameters (Vessels) CP3.2 Management Practice CP2.7 Berthing Planning CP2.11 Portable Pilot Unit CP2.2 Pilot/Master exchange CP3.1 Marine Personnel experience and expertise CP2.4 Pilot allocation/movement planning	

Rank	Hazard Ref.	Accident Category	Hazard Title/Area Affected	Existing Risk Control Harbour Regulator	Existing Risk Control Centreport	Notes
19	54	Mooring Breakout	Mooring Breakout (Main Terminals)/ Main Harbour; Lambton Harbour;	2.1 Wellington Weather and Wave Data Information Service 2.6 Beacon Hill Traffic Monitoring Service 1.0 Harbour Organization 2.3 Incident communication facility	CP4.1 Tugs CP3.3 Interface with yacht clubs CP2.13 Windspeed Limits - Container Cranes CP2.2 Pilot/Master exchange CP3.1 Marine Personnel experience and expertise CP3.2 Management Practice CP2.7 Berthing Planning CP2.4 Pilot allocation/movement planning	Berth wind loading assessment carried out as a result of changing conditions at berths or change in type of vessel at specific berths. Limitation introduced where required as a result.
20	67	Fire/Explosion	Fire On Small Passenger Vessel/ Approaches; Entrance; Main Harbour; Lambton Harbour; Evans Bay;	7.2 Other local SAR resources 1.0 Harbour Organization 2.3 Incident communication facility 7.1 Police on-water capability and control 1.8 Dangerous Goods Notification	CP4.1 Tugs	

Rank	Hazard Ref.	Accident Category	Hazard Title/Area Affected	Existing Risk Control Harbour Regulator	Existing Risk Control Centreport	Notes
21	17	Collision	RoRo Ferry / Large Vessel and Fishing Vessel Conflict./ Approaches; Entrance; Main Harbour;	7.2 Other local SAR resources 6.3 PEC Handbook 2.6 Beacon Hill Traffic Monitoring Service 1.6 Information notes on charts Cook Strait RoRo Operators Systems 2.4 Leading light manual control 4.0 Aids to Navigation 2.1 Wellington Weather and Wave Data Information Service 3.4 Directions for harbour navigation 7.1 Police on-water capability and control 1.9 Recommended Tracks 1.0 Harbour Organization 6.2 Exemption process 6.1 Maritime Rule MNZ 90 2.3 Incident communication facility	CP3.1 Marine Personnel experience and expertise CP3.3 Interface with yacht clubs CP2.3 Recommended track compliance CP2.2 Pilot/Master exchange CP3.2 Management Practice CP4.1 Tugs	
22	59	Foundering	Recreational Craft Foundering/ Approaches; Entrance; Main Harbour; Lambton Harbour; Evans Bay; Seaview;	2.3 Incident communication facility 1.2 Education 7.2 Other local SAR resources 7.1 Police on-water capability and control 3.9 Carriage of lifejackets		

Rank	Hazard Ref.	Accident Category	Hazard Title/Area Affected	Existing Risk Control Harbour Regulator	Existing Risk Control Centreport	Notes
23	9	Grounding	Harbour Craft (Commercial Service) Grounding / Approaches; Entrance; Main Harbour;	1.0 Harbour Organization 2.3 Incident communication facility Near shore traffic monitoring 7.2 Other local SAR resources 7.1 Police on-water capability and control 2.6 Beacon Hill Traffic Monitoring Service 2.5 Webcam covering entrance 2.1 Wellington Weather and Wave Data Information Service		
24	79	Equipment Failure	Personnel Injury during Life Boat Deployment/ Main Harbour; Lambton Harbour; Evans Bay; Seaview;	3.16 Lifeboat/Workboat Deployment		

Rank	Hazard Ref.	Accident Category	Hazard Title/Area Affected	Existing Risk Control Harbour Regulator	Existing Risk Control Centreport	Notes
25	53	Mooring Breakout	Mooring Breakout - Finger Berth/ Lambton Harbour;	7.1 Police on-water capability and control 1.2 Education 3.7 Speed restrictions 3.2 Event Management 7.2 Other local SAR resources 2.3 Incident communication facility 1.0 Harbour Organization 1.1 Event Promulgation 3.9 Carriage of lifejackets 3.5 Restricted Areas 3.8 Operating Requirement		
26	34	Collision	Rowing skiff and vessel in conflict/ Lambton Harbour;	5.0 Signage, shore markings and buoys 1.9 Recommended Tracks 2.6 Beacon Hill Traffic Monitoring Service 4.0 Aids to Navigation		
27	48	Contact Berthing	Contact with Container Crane/ Main Harbour;	2.3 Incident communication facility 1.0 Harbour Organization 2.6 Beacon Hill Traffic Monitoring Service 2.1 Wellington Weather and Wave Data Information Service	CP4.1 Tugs CP2.7 Berthing Planning CP3.2 Management Practice CP3.1 Marine Personnel experience and expertise CP2.4 Pilot allocation/movement planning CP2.1 Key Port Limiting Parameters (Vessels) CP2.2 Pilot/Master exchange	

Rank	Hazard Ref.	Accident Category	Hazard Title/Area Affected	Existing Risk Control Harbour Regulator	Existing Risk Control Centreport	Notes
28	14	Grounding	Dragging Anchor - Main Harbour Area/ Main Harbour;	2.0 Beacon Hill Communications Station 1.6 Information notes on charts 2.6 Beacon Hill Traffic Monitoring Service	CP2.3 Recommended track compliance CP4.1 Tugs CP2.4 Pilot allocation/movement planning	
29	57	Foundering	Fishing Vessel Foundering/ Approaches; Entrance;	2.1 Wellington Weather and Wave Data Information Service 2.6 Beacon Hill Traffic Monitoring Service		

Rank	Hazard Ref.	Accident Category	Hazard Title/Area Affected	Existing Risk Control Harbour Regulator	Existing Risk Control Centreport	Notes
30	16	Collision	<p>RoRo Ferry and Leisure Craft Conflict/ Approaches; Entrance; Main Harbour;</p>	<p>2.1 Wellington Weather and Wave Data Information Service 6.1 Maritime Rule MNZ 90 4.0 Aids to Navigation 2.4 Leading light manual control 3.3. Enforcement officers 7.2 Other local SAR resources 1.9 Recommended Tracks 7.1 Police on-water capability and control 2.3 Incident communication facility 3.2 Event Management 1.1 Event Promulgation 2.6 Beacon Hill Traffic Monitoring Service 6.2 Exemption process Cook Strait RoRo Operators Systems 1.6 Information notes on charts 1.2 Education 3.8 Operating Requirement 1.0 Harbour Organization 3.1 500 ton rule Section 6.3 5.0 Signage, shore markings and buoys</p>		<p>Education of recreational boating population. Signage and safety information, distributed via clubs, by signage, by media and directly to boats. Enforcement by way of following up on incidents. On water presence, including Police Maritime Unit.</p>



Report 19.94
Date 11 March 2019
File CCAB-22-481

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

Health, Safety and Wellbeing update

1. Purpose

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

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

2. Understanding our health and safety risks

During the period from 1 October 2018 to 28 February 2019, a total of 266 health and safety-related events were recorded in KESAW (Keeping Everyone Safe at Work). The following diagram is a breakdown of the events by outcome.

Event type	October 2018 – February 2019	YTD (from July 2018)
Total Events Reported	266	470
Fatalities	0	0
Lost Time Injuries (LTI)	1	3
Medical Treatment Injuries (MTI)	7	10
First Aid/Pain & Discomfort	47	73
Property damage	36	45
Near miss & hazard id reports	137	284
Other (not involving GW*)	50	65

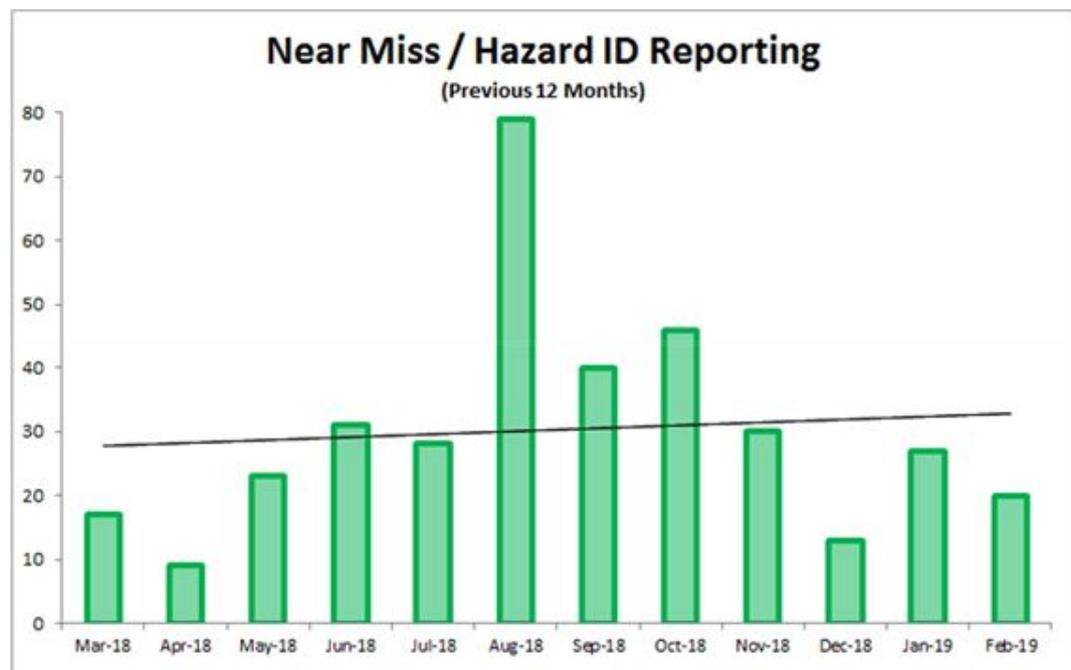


Note*: These are reported events that did not involve GWRC controlled work or activity – e.g. public in parks, contractors or other third party activity on our land. GWRC have either been involved in the response to the event or have expressed direct interest in the investigations finding of the involved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

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

A total of 284 near miss reports have being recorded since 1 July 2018. The total number of near miss reports for FY17/18 was 130.

The increase in near miss reporting has slowed over the summer period, although we expect this to rise when the all staff “Pause for Safety” workshops are held in early April 2019. The “Pause for Safety” workshops are a key component of the GWRC Health, Safety and Wellbeing Roadmap and will include a session on near miss reporting and the significance of ensuring that they are reported.



3. Health and safety critical risk initiatives.

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

3.1 Health and Wellbeing

3.1.1 GWRC Wellbeing Policy

The draft GWRC Wellbeing Policy has been reviewed and updated by the GWRC Wellbeing Working Group.

Core to this policy will be application of the Māori model [Te Whare Tapa Whā](#), which has four balanced dimensions that underpin Hauora - health and wellbeing. These dimensions will lead our strategic approach to improve wellbeing.



It is intended to put this policy to the Executive Leadership Team for final sign-off and promotion during the fourth quarter.

3.1.2 GWRC Wellbeing Strategy

To compliment and bring focused action under the four dimensions of Te Whare Tapa Whā, a Wellbeing Strategy will be developed for consultation in quarter four. The intended outcomes of this strategy are:

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

3.1.3 Current Wellbeing Initiatives

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

(a) Mental Health Awareness

Investigation of possible programmes to raise mental health awareness has been progressing. We have been looking for providers to help work with us to provide information and skills to staff around wellness and wellbeing. This work will be communicated with the Wellbeing Working Group for their participation in the final provider selection.

(b) Round the Bays Fun Run/Walk

The 2019 Round the Bays Fun Run/Walk Wellbeing initiative recruited ten staff members as “active starters” to utilise GWRC’s ten free sponsor tickets. The “active starters” are staff who do not normally enter these types of events. The aim is to encourage them to increase their activity levels and experience some GWRC comradery. This year, in total, over 60 GWRC staff will have participated in the event - more than twice the number of previous years.



(c) Demystifying our Employee Assistance Programme (EAP)

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

In the Masterton office, an EAP professional spent time on site with staff, answering their questions regarding access and services provided to staff and their families.

We are seeing a positive increase in the use of EAP by managers and team leaders to get advice on how to support the wellbeing of their workers.

(d) Workstation assessment for Masterton staff

Workstation assessments have been completed for Masterton staff as part of the move into the new office. Over 70 staff were assessed by an external provider and a number of the recommendations identified are already in place.

(e) 2019 Seasonal Flu Vaccination Clinics

Planning is well underway for the 2019 Seasonal Flu Vaccination clinics for GWRC staff. This will occur across Masterton, Upper Hutt and Wellington offices in April and May.

3.2 Critical Risks Controls Project

GWRC’s critical risks’ (transportation, lone/remote working, wellbeing, working near and around water, and hazardous materials) controls have been drafted and are now progressing to the review and consultation stage.

In February, the Health, Safety and Wellbeing Employee Representatives had the first opportunity, before wider consultation across GWRC, to provide feedback into how the critical controls for transportation are documented and utilised to support risk assessment when planning and carrying out work.

A critical control register has been drafted for all five critical risks, with the next step underway to establish the effectiveness of these controls and to provide a detailed action plan for each critical risk.

In the next quarter, the GWRC processes for critical control management will be reviewed, and further consultation with GWRC stakeholders will occur. On

completion of these steps, a presentation will be provided to the GWRC Executive Leadership Team for review and approval of the GWRC Health, Safety and Wellbeing critical control management and action plan processes.

The outcome of this next step, for each critical risk, will be presented to the Committee for its information once completed.

3.3 Operational Safety Leadership and Core Health, Safety and Wellbeing training

The Health, Safety and Wellbeing team member has returned from Public Transport secondment and is re-establishing activity in these key areas of the GWRC Health, Safety and Wellbeing Roadmap.

3.4 Toolbox talks

The monthly toolbox talk pack continues to be developed, published and circulated for discussion across the organisation. There have now been 11 editions of the toolbox packs

The use of the toolbox talk packs has bedded in well in a number of teams and is gaining uptake across the wider organisation, with work continuing to ensure this is picked up and adding value across the organisation.

The look and feel of the toolbox pack is planned to be updated in the fourth quarter, to produce a more engaging and user-friendly resource pertinent to all areas of the business.

4. Communication

There is no communication required.

5. Consideration of Climate Change

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

5.1 Mitigation assessment

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

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

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

5.2 Adaptation assessment

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

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

6. The decision-making process and significance

No decision is being sought in this report.

7. Engagement

Engagement on this matter is unnecessary.

8. Recommendations

That the Committee:

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

Report prepared by:

Mike Ward
Senior Health, Safety and
Wellbeing Adviser

Report prepared by:

Rachael Meikle
Health, Safety and Wellbeing
Adviser

Report prepared by:

Graeme Burnett
Senior Health, Safety and
Wellbeing Adviser

Report approved by:

Nigel Corry
General Manager, People and
Customer



Report	19.91
Date	4 March 2019
File	CCAB-22-473
Committee	Finance, Risk and Assurance Committee
Author	Ashwin Pai, Financial Controller

Summary of financial statements until 31 January 2019

1. Purpose

For the Finance, Risk and Assurance Committee (the Committee) to receive the summary performance report for the seven months to 31 January 2019. An updated full year forecast to 30 June 2019 will be provided in the Committee meeting.

2. Background

This report provides a review of the financial performance of Greater Wellington Regional Council activities for the year to date 31 January 2019. The year to date operating position is **\$6.7m favourable to budget**.

[Attachment 1](#) provides a full detailed report.

3. Communication

There is no communication required.

4. Consideration of climate change

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

4.1 Mitigation assessment

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

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

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

4.2 Adaptation assessment

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

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

5. The decision-making process and significance

No decision is being sought in this report.

6. Engagement

Engagement on this matter is unnecessary.

7. Recommendations

That the Committee:

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

Report prepared by:

Ashwin Pai
Financial Controller

Report approved by:

Alan Bird
Chief Financial Officer

Report approved by:

Samantha Gain
General Manager, Corporate
Services

Attachment 1: Financial Summary to 31 January 2019

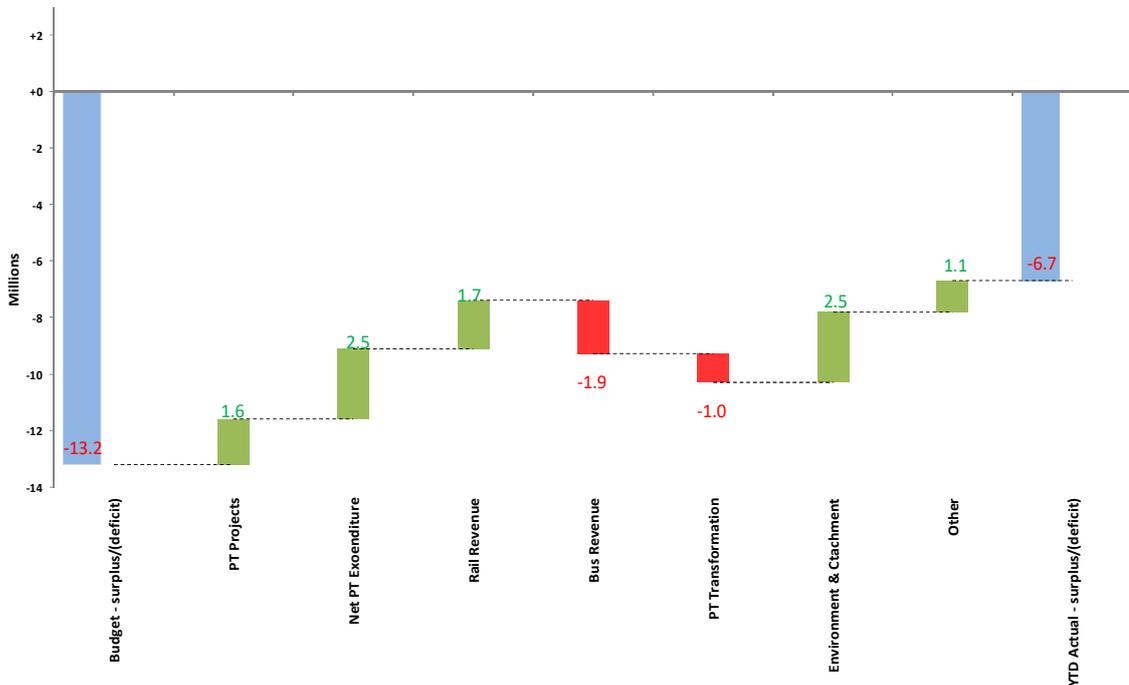
Council Financial Summary – Actual vs Budget Year to Date - 31 January 2019



Council Summary

Actual operating performance (before capital grants and fair value changes) is **\$6.7m favourable** to budget.

Operating Surplus/(Deficit): YTD Budget v. YTD Actual
(numbers exclude Capex revenue)



	<u>\$m</u>	
Budgeted deficit	(13.2)	
<i>Key variances to actual surplus are:</i>		
PT Projects	1.6	Trolley buses \$1.3
Net PT operating costs	2.5	Largely timing
Higher rail revenue	1.7	
Lower bus revenue	(1.9)	
PT Transformation costs	(1.0)	
Environment & Catchment costs	2.5	Largely timing
Other	<u>1.1</u>	Largely timing
Actual deficit	<u>(6.7)</u>	

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

	YEAR TO DATE			YEAR TO DATE			YEAR TO DATE		
	Operational Revenue			Operational Expenditure			Operational Surplus / (Deficit)		
\$000	Actual YTD	Budget YTD	Variance	Actual YTD	Budget YTD	Variance	Actual YTD	Budget YTD	Variance
Group									
Public Transport	138,427	141,301	2,875	136,515	142,575	6,060	1,912	(1,273)	3,185
Catchment Management	23,834	23,975	141	17,304	18,914	1,610	6,530	5,061	1,469
Environment Management	18,197	18,683	486	14,233	15,118	885	3,964	3,565	399
Te Hunga Whiriwhiri	778	776	2	327	668	341	451	108	343
Strategy	7,488	7,775	288	6,418	7,429	1,011	1,070	347	723
Corporate Services	893	1,246	353	10,530	11,193	663	(9,637)	(9,947)	310
People and Customer	128	105	23	5,259	5,439	180	(5,131)	(5,334)	202
Investment Management	(3,315)	(4,627)	1,312	(408)	(2,045)	1,636	(2,907)	(2,582)	325
Water Supply	20,103	19,987	116	23,716	23,722	6	(3,614)	(3,735)	121
Warm Wellington	1,915	1,888	26	1,915	1,888	26	0	0	0
WREMO	2,816	2,743	73	1,968	2,146	178	848	597	251
TOTAL	211,262	213,854	2,592	217,777	227,047	9,270	(6,515)	(13,193)	6,678

Operating Revenue: \$2.6m Unfavourable

Public Transport is \$2.9m unfavourable

- Lower NZTA grants (\$1.8m) reflecting lower claimable costs.
- Bus fare revenue (\$1.9m) due to timing of new bus operator contracts and lower patronage.
- Project NEXT (integrated ticketing) partner revenue (\$0.6m).
- Partially offset by an increase in rail fare revenue (\$1.7m) due to an increase in patronage.

Environment is \$0.5m unfavourable

- Lower consent revenue, resulting in lower consent costs.

Investment Management is \$1.3m favourable

- Additional interest earned from the prefunding of debt, short-term investments and higher interest rates. Largely offset by higher interest costs noted below.

Operating Expenditure \$9.3m Favourable

Public Transport is \$6.1m favourable

- Lower trolley bus decommissioning (\$1.3m).
- Timing of new bus contracts (\$1.1).
- Station, platform and rail network maintenance (\$1.1m).
- Depreciation and finance costs (\$1.0m).
- Project NEXT (\$0.9m).
- Snapper operating costs (\$0.7m).
- Partially offset by increased expenditures in Public Transport Transformation Project (\$1.0m) due to additional resource requirements.

Catchment is \$1.6m favourable

- Timing of river maintenance (\$0.5m).
- Riparian and Environment Plan programme claims (\$0.5m).

Environment is \$0.9m favourable

- Timing of Science monitoring programmes, park maintenance (\$0.8m).
- Lower consent processing and staff costs (\$0.5m).
- Partially offset by higher Natural Resources Plan hearing costs (\$0.5m).

Strategy is \$1.0m favourable

- Personnel savings (\$0.5m).
- Timing of Future of Port and Sustainable Transport (\$0.3m).

Corporate Services is \$0.7m favourable

- Personnel savings (\$0.5m).

Investment Management is \$1.6m unfavourable

- Lower interest recoveries from business groups due to lower Capex spend and additional expense from the prefunding of debt.

Capital Expenditure by Business Group

\$000	YEAR TO DATE			FULL YEAR
	Actual YTD	Budget YTD	Variance	Total Budget
Group				
Public Transport (incl investment)	47,395	59,307	11,912	76,785
Catchment Management	7,894	9,438	1,543	18,203
Environment Management	1,671	2,790	1,119	6,839
Strategy	148	525	377	915
Corporate Services	2,475	4,083	1,609	10,433
People and Customer	74	363	288	700
Investment Management	782	200	582	250
Water Supply	3,023	7,605	4,582	14,645
TOTAL	63,462	84,310	20,848	128,770

Public Transport is \$11.9m favourable

- Station renewals and upgrades (\$3.5m). Limited spend to date, budget expected to carry forward to 19/20 and 20/21.
- Rolling stock and depot shunt (\$2.7m). Work yet to occur, some capital budget expected to carry forward to 19/20.
- Train heavy maintenance (\$2.6m). Limited spend to date, however not expecting to impact future years.
- Real time information systems (\$1.2m). Limited spend to date, some capital budget expected to carry forward to 19/20.
- Bus shelter and signage upgrade (\$1.1m). Lower spend due to increased focus on delivering bus hubs. Some capital budget expected to carry forward to 19/20.
- Park and ride developments (\$1.0m). Limited spend to date, however it is a timing difference.
- Matangi 2 driver simulator (\$1.1m). The project is nearly complete and expected to be under budget.

Catchment is \$1.5m favourable

- Wairarapa Valley Development stopbank upgrade (\$0.5m). Lower spend due to delay in landowner negotiations and issues resourcing the contract.
- Vehicle replacements (\$0.6m), timing difference.
- Pinehaven work programme (\$0.3m). Due to delays, some capital budget expected to carry forward to 19/20.

Environment is \$1.1m favourable

- Wellington-Hutt Whaitua Collaborative Modelling projects (\$0.5m). Delay in project, some capital budget expected to carry forward to 19/20.
- Science network upgrades (\$0.6m), timing difference. Some capital budget expected to carry forward to 19/20.

Corporate Services is \$1.6m favourable

- Limited spend in Optimus project and various ICT programmes due to the prioritisation of PTOM programmes. Some capital budget expected to carry forward to 19/20.

Investment Management is \$0.6m unfavourable

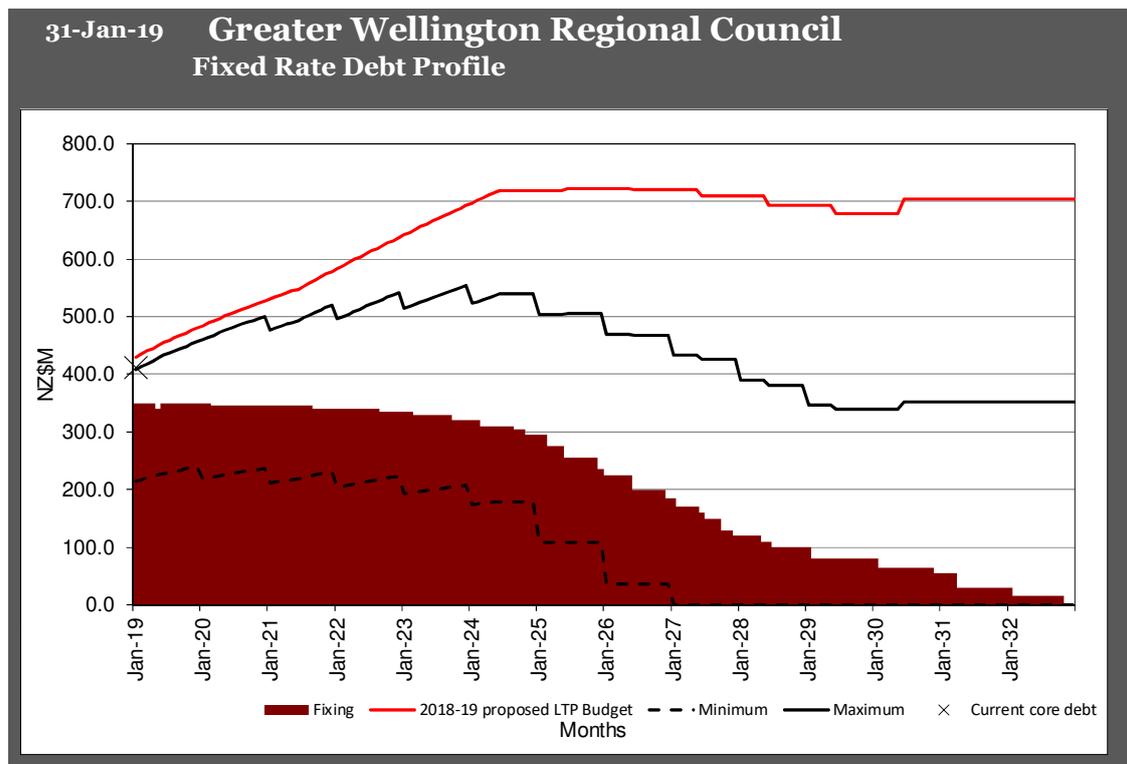
- Additional Vivian Street and Masterton Departmental building fit out costs.

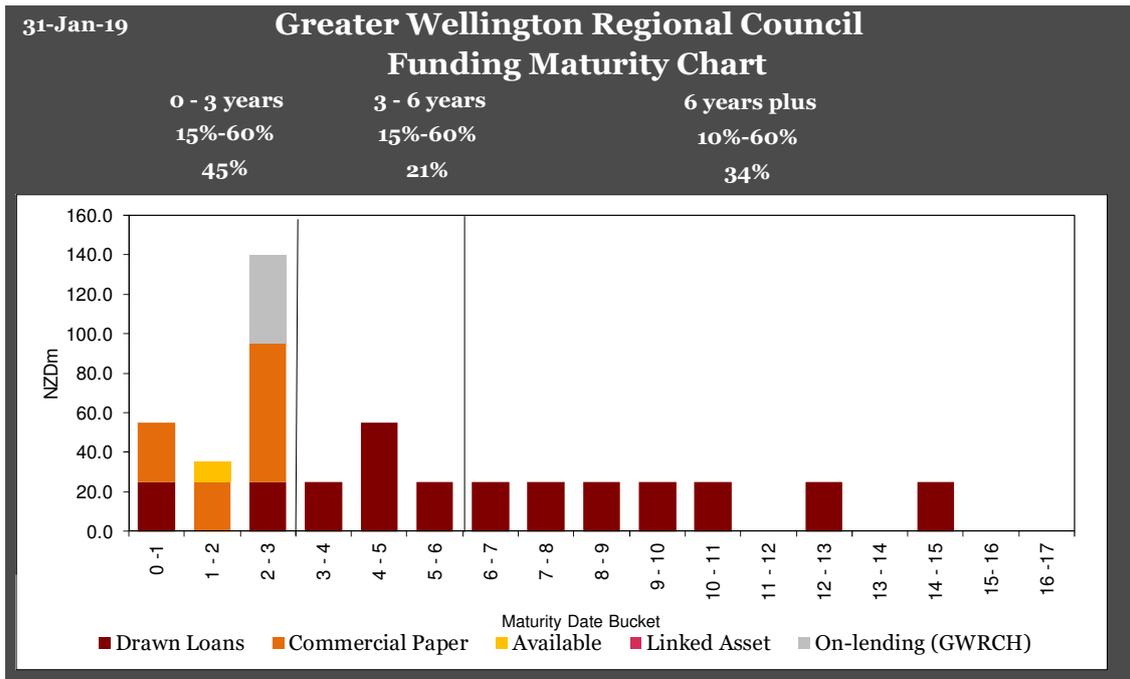
Water Supply is \$4.6m favourable

- Cross Harbour Pipeline alternate water source project (\$1.3m). Delay due to late commencement of the project including a requirement to complete some pre-investigation studies. Some capital budget expected to carry forward to future years.
- Ngauranga reservoir strengthening (\$1.6m). Delay due to project design review.
- Strategic store project scope change (\$1.1m). Delay due to project scope change. Some capital budget expected to carry forward to future years.

Compliance with Treasury Risk Management Policy

Total Council Limit Compliance Analysis				Compliant						Compliant				
				Yes	No	actual %					Yes	No	actual %	
Debt Interest Rate Policy Parameters						Countparty credit exposure with New Zealand registerd banks which have a credit rating of at least A-, long term, and A2 short term						✓		
Current	50% - 95%			✓		82%	Other counterparty exposure within policy limits				✓			
year 1	45% - 95%			✓		72%	Maximum counterparty exposure with a NZ registered bank is within \$99 million limit				✓			
year 2	40% - 90%			✓		65%	The repricing of liquid financial investments are to occur within the following timebands							
year 3	35% - 85%			✓		58%	0 - 1 year	40% - 100%		✓		96%		
year 4	30% - 80%			✓		52%	1 - 3 years	0% - 60%		✓		4%		
year 5	25% - 75%			✓		46%	3 - 5 years	0% - 40%		✓		0%		
year 6	15% - 70%			✓		41%	5 - 10 years	0% - 20%		✓		0%		
year 7	5% - 65%			✓		31%	Core Council External Borrowing Limits - Ratios							
year 8	0% - 60%			✓		26%	Net Debt / Total Revenue < 250%				✓		88.5%	
year 9	0% - 55%			✓		17%	Net interest / Total Revenue < 20%				✓		4.7%	
year 10	0% - 50%			✓		14%	Net interest / Annual rates and levies < 30%				✓		11.1%	
year 11	0% - 45%			✓		12%	Liquidity > 110%				✓		120%	
year 12	0% - 40%			✓		8%								
year 13	0% - 35%			✓		4%								
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%			✓		25%								
3 - 5 years	15% - 60%			✓		28%								
> 5 years	10% - 60%			✓		47%								







Report 2019.89
Date 11 March 2019
File CCAB-22-478

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

Audit management report for the year ended 30 June 2018

1. Purpose

For the Finance, Risk and Assurance Committee (the Committee) to receive the audit management report issued to Greater Wellington Regional Council (GWRC) by Audit NZ.

2. Background

Audit NZ completes audit reviews on a yearly basis as part of the 30 June financial year-end audit of GWRC. The review sets out their findings from the audit and draws attention to areas where the Council is doing well, or where they have made recommendations for improvement. **Attachment 1** notes the audit matters raised and GWRC feedback. A work plan has been developed to address the agreed issues.

3. Communication

There is no communication required.

4. Consideration of climate change

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

4.1 Mitigation assessment

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

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

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

4.2 Adaptation assessment

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

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

5. The decision-making process and significance

No decision is being sought in this report.

6. Engagement

Engagement on this matter is unnecessary.

7. Recommendations

That the Committee:

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

Report prepared by:

Ashwin Pai
Financial Controller

Report approved by:

Alan Bird
Chief Financial Officer

Report approved by:

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General Manager, Corporate
Services

Attachment 1: Audit management report

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

For the year ended 30 June 2018

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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 2018.

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 31 October 2018. 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.

Subsequent to year end an offer from the insurer confirmed the material damage amounts previously recognised by CentrePort Group and the latest estimates for insurance proceeds in excess of amounts recognised.

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

Fair value of infrastructure assets and other revalued assets

The Regional Council revalued its water infrastructure, parks and forest assets which resulted in a positive revaluation movement of \$195.3 million.

Management engaged external experts to perform these valuations. We evaluated their findings. This included meeting the valuers to obtain an understanding of the drivers for the fair value increase. We also reviewed the valuer's underlying methodology and assumptions.

We assessed the valuation as appropriate for inclusion in the Regional Council's financial statements. The valuation has been appropriately recorded and disclosed in the Annual Report.

Public Transport Operating Model (PTOM)

The PTOM process has progressed significantly with the new bus contracts and Wellington city bus network commencing July 2018. Since then a number of issues relating to service, performance and operator capability have arisen.

The Regional Council is in the process of addressing these issues. We will keep updated as these matters progress further and consider their impact on our audit approach for 2018/19.

Risk of management override of controls

We assessed the accounting treatment of journal entries and supporting evidence for these adjustments. Based on our testing, we are satisfied that journals were appropriately prepared and there were no issues with the accuracy or level of support for journals. However the risk control deficiency of the lack of independent review processes of journals by a delegated person remains a risk to the Regional Council.

During the audit we did not identify significant transactions considered as outside the normal course of business. We also did not identify any indications of bias associated with estimates as part of the audit.

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
12 December 2018

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

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
<p>Revaluation of assets</p> <p>The substantial movement in water infrastructure asset values during the 2017/18 year has highlighted the risk that valuations may not be undertaken with sufficient regularity, or that annual assessments are not sufficiently robust to take into consideration all market movements.</p> <p>The Regional Council should undertake a robust assessment to consider all potential factors to satisfy themselves that the fair values of these assets are appropriately reflected in the financial statements on an annual basis.</p>	3.2.1	Necessary

Recommendation	Reference	Priority
<p>Transdev fare revenue reconciliation</p> <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>	4.1	Necessary
<p>IT Business Continuity Plan Testing</p> <p>The Regional Council should undertake a large scale “dry-run” of the Business Continuity Plan Testing (BCP) to have a better idea how the BCP may support an actual event due to our region’s recognised risk of a significant disaster event and the role council fills in the region.</p>	4.2	Necessary
<p>Useful economic lives of Property, Plant and Equipment</p> <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>	4.3	Beneficial
<p>Impairment assessment for operational land and buildings</p> <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>	4.4	Beneficial
<p>Declaration of interest</p> <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>	4.5	Beneficial
<p>Impact of the new ‘for profit’ accounting standards on the Group audit</p> <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>	Appendix 2	Beneficial

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	4
Implemented or closed	6
Total	10

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 31 October 2018. 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.

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 on 7 August 2018.

We received financial statements for the Regional Council and Group in a timely manner and received all information required within one day of requesting it. We would also like to acknowledge that the finance team and support staff assisted the audit team with their queries in a timely manner. We are pleased to note an improvement in the overall process and would like to acknowledge the investment made by management in this area.

Certain delays were experienced in receiving the consolidation workings and group financial statements due to delays from the CentrePort Limited audit led by Deloitte.

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 26 June 2018, we identified the following matters as the main audit risks and issues:

3.1 Impact of the November 2016 earthquakes

The November 2016 earthquakes caused damage to several Regional Council owned property and assets, particularly buildings and investment properties owned by the CentrePort Group. Key areas of uncertainty which affected the Regional Council and group financial statements included:

- potential further impairments of assets due to additional information which came to light during 2017/2018; and
- significant insurance revenue and receivables for assets damaged and business interruption.

As at June 2018, the CentrePort Group has received \$162 million of insurance progress payments against the total assessed earthquake related insurance proceeds receivable (including loss of profits and rent) of \$217 million. The latest loss adjuster's report estimates the overall insurance payments to the CPL to be around \$400 million. However this is a high level estimate and is not based on finalised damage assessments.

Based on work carried out by the auditors of the CentrePort Group, we understand that negotiations are still ongoing with the insurance assessors, with further damage assessments being undertaken to arrive at the final settlement amount. Subsequent to year end the Board of CentrePort Group approved to proceed with an offer from the insurer to reach a settlement for the property group. The offer from the insurer confirmed the material damage amounts previously recognised by CentrePort Group and the latest reliable estimates for the insurance proceeds in excess of amounts recognised.

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

3.2 Fair value of infrastructural assets and other revalued assets

We assessed the valuation of the Regional Council's water infrastructure, park and forest assets as appropriate for inclusion in the financial statements. The valuation has been appropriately recorded and disclosed in the Annual Report.

The Regional Council periodically revalues its infrastructure asset classes. The relevant accounting standard, PBE IPSAS17, *Property, Plant and Equipment*, requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.

Management undertook a revaluation of the Regional Council's water infrastructure, parks and forests assets in the current year. This revaluation exercise led to an increase of \$195.3 million in the Regional Council's water infrastructure, park and forest assets in the current year.

Water infrastructure assets have increased significantly in value (\$182.7 million – 45%). The increase has been driven by recent infrastructure works providing improved information on the remaining lives and replacement costs for significant assets.

We performed procedures to satisfy ourselves with the findings of the experts in evaluating the assets. We adequately 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.

Given their significance, we assessed whether the changes in remaining useful lives and replacement costs for water infrastructure assets should have been considered when the 2016/17 financial statements were prepared. Based on our above mentioned work, we are satisfied that these changes relate to new information identified in 2017/18 which could not have expected to be known when preparing the 2016/17 financial statements.

3.2.1 Asset classes not revalued in 2018

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 themselves that the fair values of these assets are appropriately reflected in the financial statements on an annual basis.

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.

Management has concluded that there have been no indications of significant fair value movements. We considered the values independently and are satisfied that the reported values are reasonable based on when the last valuation was performed and a consideration of when significant assets were purchased. However, based on the substantial movement in water infrastructure asset values as noted above, there 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.

Management comment

Management is of the view that valuation of assets based on published indices from Statistics NZ is a recognised and acceptable way of assessing the movement in asset values

and consistent with GW practise. The significant increase in the water infrastructure assets is driven by a number of exceptional circumstances and has not occurred in the past, and not expected to reoccur in the future. In conjunction with the indices, Management will also conduct an annual assessment of the asset costs relative to the indices to make an informed decision.

3.3 Public Transport Operating Model (PTOM)

Bus contracts under PTOM commenced in July 2018. Since then, a number of issues relating to service, performance, and operator capability have arisen. In our discussions with the Regional Council staff we understand that there is potential for financial penalties as a result of non-performance of KPIs being invoked in line with terms set out in the contract agreement. The Regional Council has acknowledged that from the commencement of this contract until the time of our update there have been a number of issues which have arisen and areas which require improvement.

Planning for increased resources and changes to key roles, particularly in project management, has also now begun. We note that a possible restructure had been provided for in the financial model during the planning stages of PTOM. The implementation of a Commercial Manager to manage the contract with the operators has been another change to the management model.

A number of monitoring mechanisms are in place which include quarterly reports, monthly performance management reports, and monthly project reporting. Meetings with operators also run regularly, ranging from senior management updates through to weekly operational meetings. A risk register is also maintained.

In comparison, rail has had relatively fewer issues. A number of strategic projects are being focused on though these are largely managed by KiwiRail with the Regional Council providing funding support.

We will continue to monitor the Regional Council's progress with PTOM during next year's audit. This will include considering how the Regional Council has remediated the issues experienced, lessons the Regional Council has learnt and how it will apply these to the implementation of future projects. We will also monitor developments and review any new issues or information that arises to decide whether those warrant any further reviews.

Revenue from bus ticketing sales will be a significant new revenue stream for the Regional Council in 2018/19. We will review the systems and controls the Regional Council has implemented for this revenue stream to assess whether they appropriately ensure that bus ticketing revenue recorded is materially accurate and complete.

3.4 Contract management

A draft procurement policy is currently being tested by the Regional Council. The policy covers expectations for planning, method of procuring, and key documentation at each value threshold. High level guidance on contract management expectations are also embedded within the policy. The Regional Council currently does not have dedicated

contract management system. We understand that analysis of appropriate systems is being undertaken though no formal planning documentation has yet been produced.

As part of our 2017 audit we identified a number of improvements which the Regional Council could take to improve contract management activity. We understand that there has been some improvements in policy though these have not been fully implemented in overall procurement practice. We will update progress on these recommendations as part of our 2019 audit.

3.5 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 completed audit procedures on journal entries and considered significant transactions outside the normal course of business for the Regional Council. We assessed the accounting treatment for identified transactions fitting this criteria as reasonable.

We reviewed a sample of journals and concluded they were appropriately prepared and there were no issues with the accuracy or level of support for journals.

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.

Management comment

Management is comfortable with the current process of uploading journals into the general ledger. The journal preparers exercise caution and care when uploading journals which are backed by supporting documentation. There have been no issues arise with this process in the past. Full analytical review is completed of financial results on a monthly basis which identifies any unusual results.

Greater Wellington is currently replacing its current financial system. In the new system journals prepared by one person will be reviewed by a delegated authority through electronic workflows.

4 Other matters arising from the audit



4.1 Transdev fare revenue reconciliations

We **recommend** that the daily reconciliation is formally documented going forward as currently, this reconciliation is not formally documented.

The Regional Council receives train fare revenue from Transdev on a daily basis. To provide assurance over the completeness and accuracy of the revenue recorded in the Regional Council's General Ledger, monthly and daily reconciliations are performed of amounts received in the bank, recognised in the GL and reported by Transdev.

Formalising the documentation would provide management with greater comfort that appropriate checks are occurring and being reviewed. This will be of increasing importance in 2018/19 as GWRC receives increased public transport revenue from the new Bus operations.

Management comment

Management are comfortable that there are comprehensive documents and process maps on the Transdev – Farebox revenue process. There is also a detailed document on how the revenue is accounted for which includes Transdev fare revenue reconciliations. Additionally, PWC conduct an annual audit of the Transdev process with no significant matters arising. Appropriate controls are in place at Greater Wellington to recognise Transdev revenue. Management will consider documenting a full life cycle of the fare revenue.

4.2 Financial information systems and controls

We reviewed the internal controls in place for your key financial information systems. Internal controls are the policies and processes that are designed, implemented and maintained by Councillors and management to provide reasonable assurance as to the reliability and accuracy of financial reporting, as well as compliance with significant legislative requirements. Both “design effective” and “operationally effective” internal control is important to minimising the risk of either fraud or misstatement occurring. The responsibility for the effective design, implementation and maintenance of internal control rests with Councillors, as the governing body of the Regional Council.

Overall controls are satisfactory and reliance can be placed on Greater Wellington Regional Council's IT environment. One new item was noted:

IT Business Continuity Plan Testing (BCP)

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

Management comment

A full review of the organisational BCP process was completed in 2017. Included in the process were several simulated scenarios to test the BCP plans at an organisational level. A number of recommendations from this review are to be implemented upon the appointment of a new Emergency and Business Continuity Manager which is currently being recruited. Management notes that IT is only one aspect of the BCP.

4.3 Carrying value and useful lives of property, plant and equipment

We **recommend** that the Regional Council review the residual value and useful lives of assets at least annually in accordance with the accounting standard. The condition of the assets as well as their ability to provide services should also be considered as part of the verification process.

In accordance with PBE IPSAS 17, *Property, plant and equipment*, the useful life of an asset shall be reviewed at least at each annual reporting date. The useful life of an asset is defined in terms of the asset's expected utility to the entity.

Based on analytical procedures and further consideration of the fixed asset register, we identified approximately 680 assets with an original cost of almost \$19 million which were fully depreciated and recognised within property, plant and equipment. We were not able to confirm during the audit whether these assets were still in use.

We also noted three instances where the useful lives of assets did not agree to the Regional Council's accounting policy. Management should ensure that the useful economic lives of assets is aligned to the accounting policy going forward.

Management comment

The financial reporting team will start to review the carrying value and useful lives of property, plant and equipment from the 2018/19 financial year.

4.4 Impairment assessment for Operational Land and Buildings

We **recommend** that the Regional Council review its approach to assessing impairment of operational land and buildings. This should be conducted by the responsible departments and provide comfort over the entire asset class. This will provide assurance that fair value of the Regional Council's property, plant and equipment is fairly reflected in the Regional Council's financial statements.

PBE IPSAS 21 – *Impairment of Non Cash Generating Assets* requires an entity to assess at each reporting date whether there is any indication that an asset may be impaired.

The Regional Council performed an impairment assessment for property, plant and equipment as at 30 June 2018. We identified that the impairment assessment for operational land and buildings omitted a significant portion of this asset class.

By not assessing all assets for impairment as at 30 June 2018, there is a risk that the Regional Council fails to recognise significant impairments.

Management comment

The finance team will ensure that the impairment assessment of all operational land and buildings is complete from the 2018/19 financial year.

4.5 Declaration of interest

We **recommend** that Councillors and other key management personnel are reminded of the requirement to complete interest declarations in a timely manner. These declarations should include all potential interests.

The interest register should be updated with all declared interests, along with the Regional Council's assessment of the associated risk and mitigating actions.

We reviewed the interest declarations Councillors and ELT staff are required to complete. We have noted the following matters:-

- One member of ELT had not completed their declaration form. This was not followed up until we enquired after it.
- The interest register had not been updated with all declared interests.
- We compared the completed declaration forms to Councillors' and ELT interests per the Companies Register. We noted instances where Councillors and ELT had not included all interests per the Companies Register in their declaration of interest forms. We performed a review and are satisfied that the Council did not transact with these entities.

There is no requirement to declare all interests; however, the above matters increase the risk that related party relationships and transactions are not identified in a timely manner and appropriate mitigation actions are not taken.

Management comment

Councillors are requested to complete an interests' disclosure on a biannual basis – January and July. They are also encouraged to advise officers of personal interests that may intersect with their GWRC responsibilities at any time. It should be noted that there is no legal requirement for a Councillor to complete an interests' disclosure – a Councillor has a legal obligation to declare a conflict of interest relating to an item on the agenda for a Council and committee meeting. On 31 October 2018 the Council resolved that interests disclosed by Councillors (and appointed committee members) shall be published on the GWRC website to provide an additional level of transparency – this will take effect for the January 2019 biannual interests' declarations.

Interests' disclosures are scrutinised by officers to determine whether any specific assistance can be provided to Councillors to help them in managing their interests that may intersect with their GWRC responsibilities.

The processes and considerations for Councillor disclosures of interest (which are voluntary) and company director declarations (which are mandatory) are quite distinct. The regime of section 140 of the Companies Act 1993 specifically applies to an interest a company director has in a transaction or proposed transaction with the company, while the voluntary disclosures of interest (as distinct from conflicts of interest) made by a Councillor relate to the actual or potential overlap between their personal interests and their GWRC responsibilities. In this context, it is reasonable that a Councillor's declarations under the Companies Act, made in their capacity as a company director, may materially differ from their disclosures made as a GWRC Councillor. Moreover the transactions if any are on an arms length basis. The declaration forms will be reviewed for completeness as part of the year end process.

5 Public sector audit



The Greater Wellington 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 Greater Wellington Regional Council group comprises:

- 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 Limited) to:

- work through the various earthquake related impacts 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 the 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 Adoption of new accounting standards



As “for profit” entities, PIL and its subsidiaries (subsidiaries within the Regional Council and group) must apply new revenue and financial instrument accounting standards in preparing the 30 June 2019 financial statements. Refer to Appendix 3.

Management is responsible for performing the necessary transition work to successfully implement these new standards. This includes:

- Documenting an impact assessment of the new standards and identifying changes required to accounting practices.
- Implementing changes to systems and processes that may be necessary to support changes in accounting practices.
- Updating PIL and its subsidiaries’ accounting policies.
- When required, making adjustments to the financial statements in accordance with the transitional provisions of the new standards and providing support for these adjustments.
- Updating PIL and its subsidiaries’ revenue and financial instrument related disclosures in the financial statements.
- Keeping relevant parties informed, such as your auditor and audit committee.

The transition to these new standards may be complex and time consuming for the CentrePort Group and resulting impact on PIL, WRCH and the Regional Council and their respective group financial statements. It is therefore important that the respective entities substantially completes its transition work on these new standards well in advance of 30 June 2019.

Further information about these new standards is provided in Appendix 3. We also provide information in the Appendix about NZ IFRS 16 *Leases*, which applies in preparing the 30 June 2020 financial statements.

8 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
Audit Committees	
The OAG has released various best practice information on Audit Committees.	On the OAG’s website under “Our Work – Audit Committee Resources”. Link: Audit Committee Resources
Earthquake accounting matters	
The operations of the Regional Council and group was significantly impacted by the Kaikoura earthquake in November 2016. The guidance on Earthquake accounting will be relevant as CentrePort Limited Group continues to account for the impact of the earthquake.	On our website under publications and resources. Link: Earthquake accounting
Model financial statements	
Our model financial statements reflect best practice we have seen to improve financial reporting. This includes: <ul style="list-style-type: none"> • significant accounting policies are alongside the notes to which they relate; • simplifying accounting policy language; • enhancing estimates and judgement disclosures; and • including colour, contents pages and subheadings to assist the reader in navigating the financial statements. 	On our website under publications and resources. Link: Model Financial Statements
Tax matters	
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.	On our website under publications and resources. Link: Tax Matters

Description	Where to find it
Data in the public sector	
<p>The Office of the Auditor-General (OAG) has published a series of articles about how data is being used in the public sector. These cover:</p> <ul style="list-style-type: none"> • functional leadership; • building capability and capacity; • collaboration; and • security. <p>These articles may be of use to the Regional Council as the review and implementation of a new financial management information system is finalised.</p>	<p>On the OAG’s website under publications and resources.</p> <p>Link: Data in the public sector</p>
Matters arising from the 2016/17 audits	
<p>The OAG has published a report on the results of the 2016/17 audits for the sector.</p> <p>The OAG observed increasing pressure from international changes in shipping and logistics, a trend towards consolidation and bigger ships, and an increasing interest in investment property. They are conscious of these continued influences on individual port companies and the wide sector.</p> <p>Our audits identified two main matters that the OAG want to draw to your attention and invite you to consider:</p> <ul style="list-style-type: none"> • consistency in individual port companies’ reported returns, in particular the valuing of property, plant and equipment; and • consequences of earthquake damage on your business continuity and insurance cover. 	<p>On the OAG’s website under publications and resources.</p> <p>Link: Recent publications</p>
Infrastructure as a Service	
<p>The OAG has completed a performance audit on Infrastructure as a Service and considered whether the benefits are achieved.</p>	<p>On the OAG’s website under publications and resources.</p> <p>Link: Infrastructure as a Service</p>

Appendix 1: Status of previous recommendations

Implemented or closed recommendations

Recommendation	First raised	Status
<p>Policy refresh</p> <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>	2016	<p><i>In progress</i></p> <p>The Regional Council undertook a review of this policy in the current year. We understand that there has been some improvements in policy though these have not been fully implemented in overall procurement practice.</p> <p>The draft procurement policy is currently being tested 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.</p> <p>Management should look to update these policies and ensure that they are reviewed in line with its policy review schedule going forward.</p>
<p>Commitments disclosure</p> <p>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.</p>	2017	<p><i>In progress</i></p> <p>The Regional Council implemented a quality assurance process for 2017/18. However, we identified a number of errors within the commitments schedule again.</p>

Recommendation	First raised	Status
		We encourage management to continue refining its quality assurance process in advance of the 2018/19 year end.
<p>Service performance information – Percentage of FMP implemented</p> <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>	2017	<p><i>In progress</i></p> <p>We note that the measurement methodology for this performance measure has been updated as part of the 2018-28 Long Term Plan process to address this recommendation.</p> <p>We will confirm the appropriateness of the updated methodology when it is applied next year.</p>
<p>Centralised Contract Management System</p> <p>We recommended that the Regional Council consider the benefit of working towards implementing a centralised contract management system that is linked to its financial management systems. This will better manage the implementation of contracts, reconcile contract expenditure with other financial management systems, and provide strategic procurement management information.</p>	2017	<p><i>In progress</i></p> <p>The Regional Council currently does not have dedicated contract management system. We understand that analysis of appropriate systems is being undertaken though no formal planning documentation has yet been produced.</p>

Implemented or closed recommendations

Recommendation	Status
<p>Consolidation and reporting</p> <p>We recommend formalising processes and procedures for the consolidation process to reduce potential risks.</p> <ul style="list-style-type: none"> Where the group uses spreadsheets, a separate master file should be created where all this data is managed and collected. 	<p><i>Implemented</i></p> <p>The consolidation process is automated through Value Financial Statements.</p> <p>There were no significant issues noted from our audit of the 2017/18 consolidation.</p>

Recommendation	Status
<ul style="list-style-type: none"> Where possible, consideration be given toward an automated process through consolidation software. 	
<p>Service performance information – <i>Flood warning information is relayed to WREMO within one hour of receipt</i></p> <p>We recommended that the Regional Council review its performance reporting of flood warnings to include a measure that is supported by underlying systems which can be reliably measured and reported.</p>	<p>Implemented</p> <p>As part of the 2018-28 LTP process management has updated its performance framework for the Flood Protection activity. We note that this measure no longer forms a part of the performance framework and has instead been replaced by more accurately measureable targets.</p>
<p>Opportunity to mature incident management process and support environment</p> <p>We recommended that management assess the risk to the Regional Council, and the Wellington region, of key systems interruptions outside the current support window and ensure that incident management and response resources are available in-line with the Regional Council’s accepted risk tolerance.</p>	<p>Implemented</p> <p>24/7 service desk after hours support is now in place and handled by “ComSmart”. This went live on 10 July 2018.</p>
<p>Use of generic Administrator network login</p> <p>We recommended that a review of elevated access accounts be performed, to ensure that access is limited to those people who need it. The password for the generic “Administrator” account should then be locked away by relevant staff for use only in an emergency. Our review of users with elevated access rights noted there are a high number of IT staff with domain Administrator access, and a generic “Administrator” login account. Use of the generic Administrator account prevents the ability to track who made changes.</p>	<p>Implemented</p> <p>Access rights were reviewed and updated accordingly.</p>
<p>Improvements to management of server configurations</p> <p>Configuration changes and patching of servers is not being done on a timely basis. There is no formalised “Outage window” in which servers can be patched or reconfigured and restarted.</p>	<p>Implemented</p> <p>Server patching has been automated and on a regular schedule since September 2017 and servers now receive patches on a timely basis.</p>

Recommendation	Status
<p>There are different versions of the Antivirus management software on servers and some servers have not had anti-virus signature updates loaded this year. Furthermore, patches have not been loaded on to the SAP servers for a few years.</p> <p>Formal reporting on patching and virus management should be established. All Servers should be patched and have anti-virus signatures updated regularly. A formal after hour's outage window should also be established so that configuration and restarting of servers can be done when required.</p>	
<p>Formally test restores from backup</p> <p>There are no formal restore tests being performed to ensure that systems could be re-established after a disaster.</p> <p>Once the problems with backups have been resolved, the Regional Council should implement regular formalised restore tests to ensure that systems can be recovered.</p>	<p><i>Implemented</i></p> <p>Full restores of all systems from back up have been completed and are done periodically for all systems in the Masterton DR location on a rotating basis.</p>

Appendix 2: Adoption of new accounting standards

NZ IFRS 15 Revenue from Contracts with Customers

Some key facts about NZ IFRS 15:

- Applies to for-profit entities with reporting periods that commence on or after 1 January 2018.
- Replaces NZ IAS 18 *Revenue* and NZ IAS 11 *Construction Contracts*, and revenue related interpretations.
- Revenue is recognised by applying a five step revenue recognition model, which is applied at the contract level.
- Depending on the contract, revenue may be recognised over time as performance obligations are satisfied, or at a point in time.
- The standard permits an entity to apply the standard either, retrospectively by restating comparatives for the previous reporting period, or prospectively from the start of the current financial period.
- There are new revenue disclosures, including disclosures about the transition. These new disclosures will need to be carefully considered on transition.

Under NZ IFRS 15, revenue is recognised by applying the five step model below, to its contracts with customers:

1. Identify the contract(s) with a customer.
2. Identify each of the separate and distinct performance obligations in the contract.
3. Determine the consideration to be received. NZ IFRS 15 provides guidance on variable consideration, such as volume pricing or discounts, and bonus or incentive payments.
4. Allocate the consideration to be received to each of the separate performance obligations.
5. Recognise revenue when (or as) the separate performance obligations are satisfied.

NZ IFRS 15 includes detailed guidance on the application of these five steps.

Application of this five step model may be time consuming and complex, particularly if an entity has a wide range of contractual terms with its customers. Significant judgement may also be required in applying the five step revenue recognition model.

NZ IFRS 9 Financial Instruments

Some key facts about NZ IFRS 9:

- Applies to for-profit entities with reporting periods that commence on or after 1 January 2018.
- Replaces NZ IAS 39 *Financial Instruments: Recognition and Measurement*.
- Introduces new criteria for determining whether a financial asset is subsequently measured at fair value (and whether fair value movements are recognised in profit/loss or reserves) or amortised cost.
- For share investments not held for trading, fair value movements are recognised in profit/loss unless an entity makes an irrevocable designation at acquisition to measure the shares at fair value through other comprehensive income.
- The impairment model is based on expected credit losses, meaning credit losses may be recognised earlier than under NZ IAS 39. Application of the expected credit loss model may be complex for some entities.
- The hedge accounting requirements have been updated, including changes to hedge effectiveness testing, and hedging with options. However, transition to the new NZ IFRS 9 hedging requirements is currently optional. This means entities have a choice in the meantime to either transition to the new NZ IFRS 9 hedging requirements or continue to apply the NZ IAS 39 hedging requirements.
- There are options on whether to adopt NZ IFRS 9 by restating comparatives or adopting from the start of the first year of applying the standard. The transition provisions are complex.
- The disclosure requirements of NZ IFRS 7 have been amended by NZ IFRS 9. These revised disclosures will need to be carefully considered on transition.

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 are 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 for revenue, financial instruments, and leases.

Adjustments that arise on transition to the new for-profit standards will 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 the new accounting standards and adequately consider the “mixed group” reporting issues on WRCH and group.

Appendix 3: 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 have audited the Regional Council's 2018-28 long term plan, performed a limited assurance engagement related to the Regional Council's debenture trust deed, and a probity audit for the Public Transport Operating Model. Other than these engagements, we have no relationship with, or interests in, the Regional Council or its subsidiaries and controlled entities.</p>
Fees	<p>The audit fees for the year are detailed in our Audit Proposal Letter as:</p> <ul style="list-style-type: none"> • Greater Wellington Regional Council \$218,600 • WRC Holdings Limited \$19,370 • Port Investments Limited \$6,765 • GW Rail Limited \$17,514 • Long Term Plan 2018-28 audit \$140,000 • PTOM review \$7,800 <p>We also performed a limited assurance engagement related to the</p>

Area	Key messages
	<p>Regional Council’s debenture trust deed \$4,000.</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>

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Report 19.77
Date 19 March 2019
File CCAB-22-467

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

Summary risk report

1. Purpose

1. Update the Finance, Risk and Assurance Committee (the Committee) with changes to the risk register during the December quarter.
2. The Environment Group to provide presentations to the Committee on water risk management and regional park fire risk management, as part of the on-going reporting by each group within Greater Wellington Regional Council (GWRC).

2. Background

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

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

The Quarterly Risk Report, containing the top 10 risks, is included at [Attachment 1](#). Commentary on changes and on the report follows.

3. Comment on risk changes during the quarter

During the December quarter, one new risk was added to the register, one archived risk has been re-activated, and one risk was archived ([Attachment 2](#)).

New Risks

Risk No 149: Inadequate coverage to meet a seismic event for the bulk water supply underground assets arising from significantly increased Damage/Loss Estimates.

- The damage/loss estimate for damage caused by a seismic event to the underground bulk water supply assets varies significantly between Aon/Tonkin+Taylor and the assessment of Wellington Water's engineers.
- Based on recent asset replacement cost increases we have an exposure that needs to be covered via insurance.
- This matter is an agenda item for this meeting.

Re-activated risk

Risk No 123: Reduction of bus service levels with transition to a new network, fleet and contracts

The risk has been re-activated as the transition to the new network fleet and contracts is still occurring.

Archived Risks

Risk 124: Patronage remains static or falls due to transition to new fare structures and fare products.

This has been archived as the new fare transition has been implemented.

3.1 Change in Residual Risk level (High, Medium, Low) or Risk score (number)

There were no changes to the Residual Risk level and/or the Risk Score during the quarter.

3.2 Additional Information "Outlook/Trending"

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

Five risks indicate that the outlook is stable/unchanged, and three risks (No 59, 115 and 106) are trending better. Risks 51 and 123, however, are trending lower/potentially getting worse, as the quantum of bus driver shortages, etc, has been identified.

As with most things in risk management, this assessment is subjective and does not necessarily mean the risk will be re-rated.

As this is a new indicator, time will tell if the risk requires a re-rating, and will provide us with a potential likelihood of a re-rating. I.e. as in a one in three chance of a re-rating once a risk is identified as trending lower or higher.

4. Interpretation of the Quarterly Risk Report

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

Overall ranking: by residual risk score

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

Risk ID:

This is a unique system number assigned to each risk.

Risk Category

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

Description

Brief description of the risk.

Inherent Risk level

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

Controls

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

Residual Risk level

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

Risk Owner/Business Unit

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

Outlook/Trending – trial at this stage only

Providing an outlook of how the business sees the risk developing in the next six to 12 months.

Comment/Details

This provides a current discussion around the risk.

5. Presentations

Wayne Boness, Principal Ranger, will attend the meeting to provide insight into fire risks.

6. Communication

There is no communication required.

7. Consideration of climate change

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

7.1 Mitigation assessment

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

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

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

7.2 Adaptation assessment

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

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

8. The decision-making process and significance

No decision is being sought in this report.

9. Engagement

Engagement on this matter is unnecessary.

10. Recommendations

That the Committee:

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

Report prepared by:

Mike Timmer
Treasurer

Report approved by:

Samantha Gain
General Manager, Corporate
Services

Attachment 1: Quarterly Risk Report

Attachment 2: Risks archived, re-activated and added during the quarter

QUARTERLY RISK REPORT 31 DECEMBER 2018										
Overall ranking by residual score 1)	Risk Id	Risk category	Description	Inherent risk level before Controls	Controls	Residual risk level after Controls	Risk owner	Residual score 2)	Outlook / Trending	Status Change since last quarterly review plus risk treatments being considered
1 (1)	51	<ul style="list-style-type: none"> Services are severely curtailed Political 	Currently contracted bus services fail to meet acceptable levels of service reliability and/or quality targets due to reasons within the control of the bus operator	High Risk	Enforceable Contracts with suppliers Department Business Continuity Plans Disaster Recovery Plan Maintain strong relationships with bus operators including regular meetings and reporting on performance Ensure bus operators have an operational plan for managing minimum service levels in the event of prolonged industrial action Ensure bus operators have maintenance programmes that ensure ongoing assessment of compliance, as well as suitable preventative maintenance programmes Ensure that contingency plans are considered at the first sign of pending insolvency Ensure bus operators have appropriate health and safety procedures and reporting Move to performance based contracts that promote compliance with performance targets	Medium Risk	Wayne Hastie	630 (630)	↘	In this quarter GW has: <ul style="list-style-type: none"> CE took direct control over bus transition with the GM working directly with him. Additional senior resources hired to work with operators. Commitment to review of the network and implementation. Independent Review by LEK consulting completed in December 2018. Additional review scheduled for Q1 of 2019 calendar year.
2 (2)	77	<ul style="list-style-type: none"> Health and safety of staff and contractors & volunteers Environmental damage Legislative and regulatory Political 	Contaminated site(s) either known or unknown that results in harm to environment and/or health	Very High Risk	Resourcing - additional admin resource has been provided to ensure that the database is updated regularly. Also the reports provided to the public have been reviewed and reformatted to be more user friendly. Additional technical expertise has also been allocated to review the data provided by the TA's.	Medium Risk	Lucy Baker	630 (630)	→	No change since September 18 reporting: Contaminated land continues to be managed through the SLUR database, with an allocated resource. One of MfE's top ten contaminated sites is Miramar gasworks. An investigation of possible soil vapour migration from this contaminated site has been completed. It was found that the soil gas vapour levels were not a concern for public health. A cross-agency project team had been established for this work that was comprised of WCC, Regional Public Health and MfE. A Communications Plan was developed before investigations began. The next phase of investigations will be of contaminants in the groundwater and the soil. An application has been made to the Contaminated Sites Remediation Fund run by MfE to assist with the costs of this next investigative phase. MfE has recently released an updated version of the "Top 10" and have included two other Wellington sites on the list - we have asked for clarification about why they have been included.
3 (5) ↑	141	<ul style="list-style-type: none"> Legislative and Regulatory Political 	Breach of privacy	High Risk	Enforceable Contracts with suppliers Statutory Compliance Training Privacy Policy	Medium Risk	Francis Ryan	525 (525)	→	Overall risk ranking has moved from 5 to 3. To reflect increased quantity of data held by multiple parties.

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 2018

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 (6) ↑	59	• Services are severely curtailed • Loss, failure or damage to assets • Political	Rolling stock unable to meet passenger demand due to multiple vehicles not being operational	Medium Risk	Ensure maintenance inspection regimes are followed GW ensures that maintainer effectively manages fleet failure modes and issues through FRACAS process, and ensures GW maintains full visibility of this Train manufacturer undertakes maintenance Maintain close working relationships with train suppliers, original equipment manufacturers (OEM's), operational and maintenance contractors Employ appropriately skilled and trained people Regulatory obligations of operators and providers	Medium Risk	Barry Fryer	490 (490)	→	There has been no change to the assessment of this risk. In the quarter GW has: • Maintained strong relationships with operators, including regular meetings & performance reporting • Continued to closely monitor operational activities across the rail system to ensure that safety, quality standards and reliability of information are maintained by the operators, maintainers and network owners • Worked closely with operators to ensure on heavy maintenance plan and agreed over closer working relationships
5 (reactivated) ↑	123	• Services are severely curtailed • Loss, failure or damage to assets • Political	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	Andrew Cooper	490 (0)	↓	The risk has been reinstated after being removed at the last quarter. The risk was removed as it was considered that the risk had eventuated and had become an issue. At the request of FRAC, the removal of this risk has been reconsidered. This reconsideration has led to its reinstatement. For the following reason: • Transition to the new network fleet and contracts is still occurring Before the risk was removed from the register it had an overall ranking score of 3. In this quarter GW has: • CE took direct control over bus transition with the GM working directly with him. Additional senior resources hired to work with operators. • Commitment to review of the network and implementation. Independent Review by LEK consulting completed in December 2018. Additional review scheduled for Q1 of 2019 calendar year.
6 (7) ↑	103	• Health and safety of staff, contractors and volunteers • Political	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)	→	Biosecurity: Regular quad and off road bike maintenance is ensured by regular pre use inspections as well as more thorough quarterly inspections at the beginning of each quarter. Only staff assessed as competent quad riders (by internal and/or external assessors) are allowed to use quads. Land Management: All LM staff that use these vehicles are trained by GWRC's external training provider "CARNZ" and also assessed as being competent by experienced LM staff. Quarterly checks are being co-ordinated by one staff member to ensure that no vehicles are missed. Contractors quads and LUV's are being assessed through JSR's and contractor H & S audits randomly undertaken throughout winter.
7 (8) ↑	136	• Services are severely curtailed	Inability to adequately respond to another significant seismic event damaging Shed 39 and potentially the Masterton Office given high probability of another event	Medium Risk	Insurance is in place Department Business Continuity Plans Disaster Recovery Plan	Medium Risk	Samantha Gain	456 (456)	→	The November 2016 earthquakes in Kaikoura have significantly raised the chances of another magnitude 7 event that could impact Shed 39 again. Council is currently negotiating a long term lease with Willis&Bond in the old Farmers building in Cuba street which would be refurbished and strengthened to 100% NBS. Until the anticipated move in late 2020 Wellington staff are situated at Shed 39 (90-100% NBS), 15 Walter St (100% NBS) and 181 Vivian St (Optimus, 80% NBS). In Masterton an alternative building has been leased for 2.5 years and staff relocated there from the existing building in October 2018. The NBS code of the alternative accommodation is in the vicinity of 70% improving the resilience to EQ. The alternative building is an interim location until longer term accommodation plans for Masterton can be finalised, currently under consideration via a procurement process.

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 2018										
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
8 (9) ↑	115	<ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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:	Medium Risk	Angus Gabara	455 (455)	↗	There has been no change to the assessment of this risk. In the quarter GW has: <ul style="list-style-type: none"> Used Real Time Information (RTI) to monitor performance Maintained strong relationships with operators, including regular and specific meetings & performance reporting Detailed conversations with operators being had in respect to missed trip management Received \$200 m of additional funding for network upgrades
9 (10) ↑	126	<ul style="list-style-type: none"> Health and safety of staff, contractors and volunteers Physical harm to the general public 	Fatality or harm to staff working in or near water	High Risk	FPSOP46 Working in or near water Driver training general and 4WD	Medium Risk	Wayne O'Donnell	432 (432)	→	Biosecurity: Pest Animals staff completed the "Bush craft" training that includes teaching staff advanced bush navigation and water safety risk assessment skills. We are reviewing applicability of this course for the rest of the department. All other staff attended Water Safety training except two new recruits who are scheduled to attend. Land management: Operational contract management and supervision staff within LM are trained specifically for working in or near water. All LM staff are trained in the use of 4WD vehicles and this includes driving through water crossings. Flood Protection Staff exposed to this risk undertake 'Working in and around water' training and review the Working alone policy/procedures.
10 (11) ↑	106	<ul style="list-style-type: none"> Services are severely curtailed Physical harm to the general public Political 	Failure of KiwiRail network or third party assets, or network operations causes serious injury	High Risk	GW ensures that KiwiRail has a robust network management plan that: <ul style="list-style-type: none"> focuses funded renewal activities on critical components of the network provides for infrastructure maintenance, monitoring and inspections GW ensures that KiwiRail has an emergency response plan with the network owner and operator Maintain strong relationships with the network operator, including regular meetings and reporting against a clear set of performance targets GW ensures that KiwiRail has a safety plan and current safety case GW partners application to the crown (via NZTA) for additional funding for 'catch up renewals' for network infrastructure \$98m received for traction poles	High Risk	Angus Gabara	430 (430)	↗	There has been no change to the assessment of this risk. In the quarter GW has: <ul style="list-style-type: none"> Maintained strong relationships with operators, including regular meetings & performance reporting Continued reviewing timetable performance using data available from the Rail Performance Monitoring System Continued to ensure that safety, quality standards and reliability of information are maintained by the operators Received \$200 m of additional funding for network upgrades

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.

Risks archived during the quarter

QUARTERLY RISK REPORT 31 DECEMBER 2018									
Ranking per 30.09.18	Risk Id	Risk Category	Description	Inherent risk level	Controls	Residual risk level	Risk owner	Status Change since last quarterly review, including any risk treatments being considered	
22	124	<ul style="list-style-type: none"> Financial Political 	Patronage remains static or falls due to transition to new fare structures and fare products	High Risk	Appropriate project management in place - risks identified - external assistance - contingency built in to the model Peer reviews of modelling	Medium Risk	Paul Kos	The implementation of the new fare structure and new fare products has been completed. The risk has now been archived.	

Risks Re-activated

QUARTERLY RISK REPORT 31 DECEMBER 2018									
Ranking per 31.12.18	Risk Id	Risk Category	Description	Inherent risk level	Controls	Residual risk level	Risk owner	Status Change since last quarterly review, including any risk treatments being considered	
5	123	<ul style="list-style-type: none"> Services are severely curtailed Loss, failure or damage to assets Political 	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	Andrew Cooper	The risk has been reinstated after being removed at the last quarter. The risk was removed as it was considered that the risk had eventuated and had become an issue. At the request of FRAC, the removal of this risk has been reconsidered. This reconsideration has led to its reinstatement. For the following reason: <ul style="list-style-type: none"> Transition to the new network fleet and contracts is still occurring Before the risk was removed from the register it had an overall ranking score of 3. In this quarter GW has: <ul style="list-style-type: none"> CE took direct control over bus transition with the GM working directly with him. Additional senior resources hired to work with operators. Commitment to review of the network and implementation. Independent Review by LEK consulting completed in December 2018. Additional review scheduled for Q1 of 2019 calendar year. 	

New Risks added during the quarter

QUARTERLY RISK REPORT 31 DECEMBER 2018									
Overall ranking	Risk Id	Risk Category	Description	Inherent risk level	Controls	Residual risk level	Risk owner	Status Change since last quarterly review, including any risk treatments being considered	
19	149	<ul style="list-style-type: none"> Financial Political 	Inadequate coverage to meet a seismic event for Wellington Water for their underground assets arising from significantly increased Damage Estimates.	High Risk	\$33Million of contingency funds available to meet a seismic event for WW Underground Assets	High Risk	Mike Timmer	We have been working with WW and Aon/Tonkin+Taylor to come up with an appropriate Damage Estimate after a seismic event for WW underground assets (Pipelines, Tunnels, Lakes). The estimate has been fraught with differences between engineers. We are now pretty certain given the recent asset replacement cost increases and further estimates that we have an exposure that needs to be covered via insurance. A paper for FRAC and then Council is prepared recommending insurance (unbudgeted) with present estimates in the vicinity of \$850k.	



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

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 controls¹ 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?

¹ 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

In-house	Advantages	Disadvantages
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>
Partnership model	Advantages	Disadvantages
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.	
Fully outsourced	Advantages	Disadvantages
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



Report 19.87
Date 11 March 2019
File CCAB-22-477

Committee Finance Risk and Assurance Committee
Author Mike Sheedy, Optimus Programme Manager

Optimus Programme update

1. Purpose

This report provides an update on The Optimus Programme (the Programme). We last reported to the Finance, Risk and Assurance Committee (the Committee) in May 2018, when the Programme was about to commence. This paper provides an update on progress, including the current status, how risks are being managed, and notable risks to be aware of.

2. Background

2.1 Drivers for the Optimus Programme

Our current financial and asset management system, SAP, will be out of support in 2025. The change in technology from the SAP product we implemented in 1999 to SAP Hana (SAP’s next generation software), is not considered an upgrade, but a full scale reimplementation. This means that a major project is needed to implement a new financial and asset management system. Optimus is that project.

2.2 Chosen Solution

GW has chosen a two system solution as per the figure below. Contracts with the Prime Vendor (Agilyx) were signed in June 2018 for the initial Design Phase. At the end of the Design Phase is a formal Stage Gate that must



be passed prior to the Programme progressing into the Build Phase. It is best practice to have formal check points of progress at key junctures in a Programme.

3. Progress to date

The project team has been established as per the organisation chart set out in [Attachment 1](#).

The two “Consultative Groups”, as well as the involvement of the Subject Matter Experts and the Business Owners, act as key linkages anchoring the Programme to the needs of the business. They assist in defining business requirements; communicating to and from the Programme; act as a sounding board; and provide guidance to the Programme at a more operational level. They do not have any decision making abilities. This rests with the Steering Committee.

The Programme has established disciplines around risk and issue management, project plans, financial control, reporting, staff induction and so forth. These are noted in a “Project Management Plan” (PMP) agreed with the Vendors (Agilyx and Accela). Responsibilities between the Vendors and Greater Wellington Regional Council (GWRC) are defined in a RASCI¹ table within the PMP.

Risks are recorded and managed according to standard GWRC practices and significant risks are recorded in Quantate. The Programme has arrangements with PricewaterhouseCoopers and can call on their expertise should specialist matters arise. An example of this related to an assessment of the revised and strengthened Design Phase methodology and whether this was fit for purpose (it was).

Governance oversight is provided by the Steering Committee, which is chaired by the Sponsor, Samantha Gain, General Manager, Corporate Services. The Steering Committee meets at least monthly, and will be actively involved in the Stage Gate reviews. PricewaterhouseCoopers will provide an independent assessment during Stage Gate reviews.

4. Current Status

As of early March 2019, the Programme is in the Design Phase, which is forecast to complete in August 2019. The Design Phase is taking longer than anticipated, mainly driven by the challenge of creating a single integrated solution comprised of two systems. This aspect continues to be closely monitored by the Programme and the Steering Committee, and is noted as one of the Programme’s two key risks (noted below).

Spend to-date is currently below budget, and within the Long Term Plan. The extended Design Phase is likely to utilise the underspend to date, and may

¹ Defines, for each key activity, which party is: “Responsible, or Accountable, or provides Support, or is Consulted or Informed”.

require some funds earmarked for later Phases. At the end of the Design Phase a robust update can be provided.

The solution is expected to go-live in the fourth quarter of 2020. However, care will be taken to avoid clashing with GWRC's planned move to new premises, which may also be around this time.

5. Risk Management

Risks are recorded and managed according to standard GWRC practices and significant risks are recorded in Quantate. At the time of writing, there are 58 open risks; of which 19 are classified as Low; 28 Moderate; nine High; and two Very High (noted below).

Two key risks are currently registered in Quantate:

1) Integrated solution:

- If the Design Phase methodology is not effective in delivering a design for an integrated solution (Unit 4 Business World and Accela Asset Management), then GWRC could effectively be delivered two separate systems that deliver a clunky and hard to use customer experience (particularly for processes that span both systems); and/or is technically poor performing.
 - To mitigate, we have revised and strengthened the Design Phase methodology and had this assessed and endorsed by PricewaterhouseCoopers. From a technical perspective, additional resources from both GWRC and the vendors have been applied, which is starting to have an effect. This risk is being closely monitored by the Programme and the Steering Committee.

2) Licence discounts expiring:

- If additional licenses are not purchased before 30 June 2019 (a spend of \$1 million), then the discounted licence arrangements will expire, which will see an uplift of circa \$2.2m over a ten year period to GWRC.

Note: purchasing before 30 June 2019, could mean making a decision prior to the Stage Gate review being complete; and risks buying licences for a Programme that may not pass that review (scheduled for July/August 2019).

- To mitigate, we are exploring with the Vendors whether the discount arrangements can be extended, and/or some other arrangement can be agreed upon.

6. Communication

There is no communication required.

7. Consideration of Climate Change

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

7.1 Mitigation assessment

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

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

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

7.2 Adaptation assessment

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

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

8. The decision-making process and significance

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.

8.1 Significance of the decision

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.

8.2 Engagement

Engagement on this matter is unnecessary.

9. Recommendation

That the Committee:

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

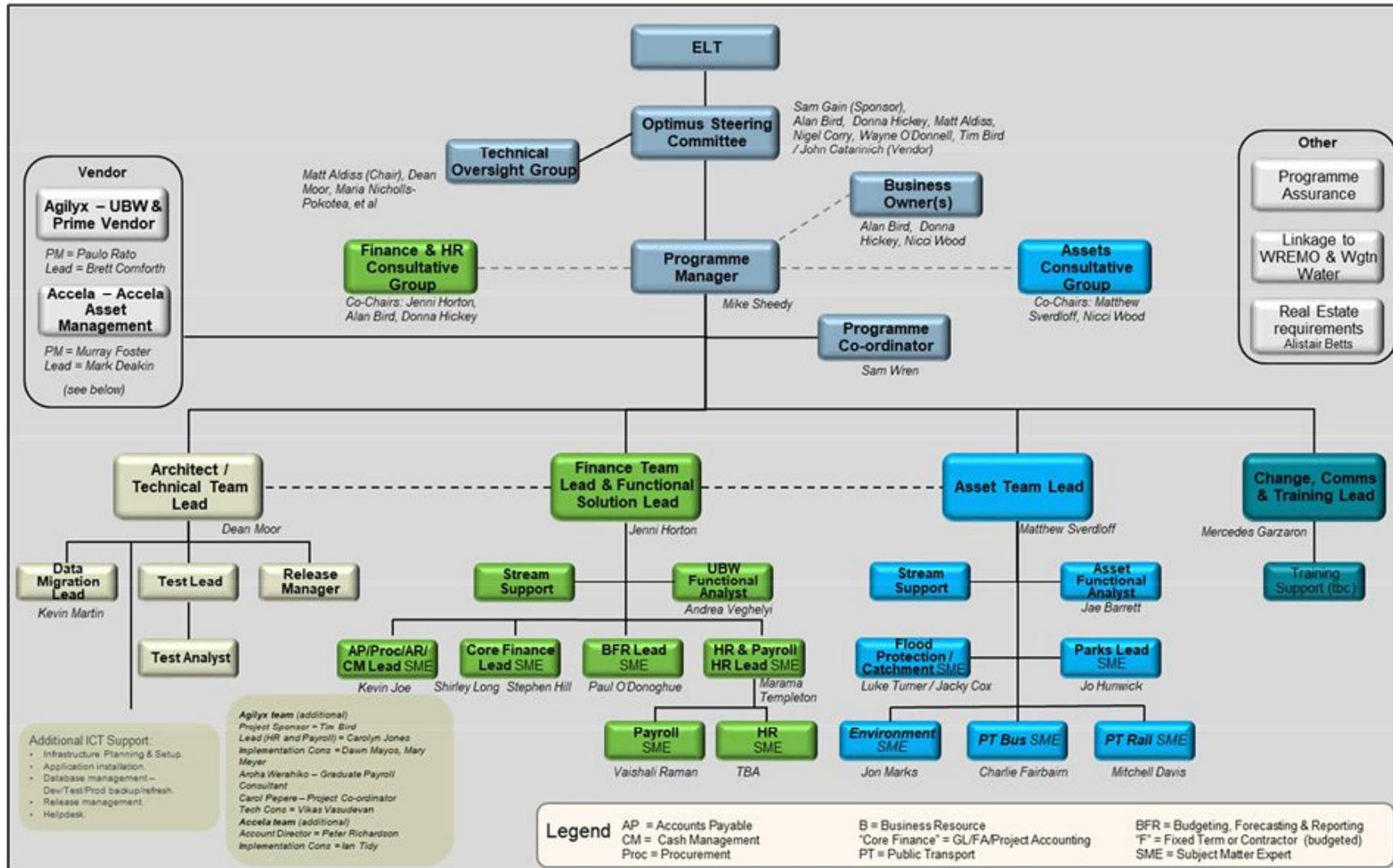
Report prepared by:

Mike Sheedy
Optimus Programme Manager

Report approved by:

Samantha Gain
General Manager, Corporate Services

Attachment 1: Optimus Programme Organisation Chart



Exclusion of the public

Report 19.99

That the Committee:

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

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

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

General subject of each matter to be considered:	Reason for passing this resolution in relation to each matter	Ground under section 48(1) for the passing of this resolution
<p>1. <i>Confirmation of the Public Excluded minutes of 24 October 2018</i></p>	<p><i>The minutes contain information provided by insurance providers relating to pricing for the renewal of GWRC’s insurance. Release of this information would likely prejudice the insurers’ commercial position as it would reveal their pricing. GWRC has not been able to identify a public interest favouring disclosure of this particular information in public proceedings of the meeting that would override this prejudice to the insurers’ commercial position.</i></p>	<p><i>That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 7(2)(b)(ii) of the Local Government Official Information and Meetings Act 1987 (the Act) (i.e. to protect information where the making available of that information would be likely unreasonably to prejudice the commercial position of the person who supplied or is the subject of the information).</i></p>
<p>2. <i>Insurance – Below Ground Bulk Water Supply Assets</i></p>	<p><i>The report contains information provided by insurance providers relating to pricing for the renewal of GWRC’s insurance. Release of this information would likely prejudice the insurers’ commercial position as it would reveal their pricing. GWRC has not been able to</i></p>	<p><i>That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 7(2)(b)(ii) of the Act (i.e. to protect information where the making available of</i></p>

identify a public interest that information would be likely favouring disclosure of this particular information in public proceedings of the meeting that would override this prejudice to the insurers' commercial position. unreasonably to prejudice the commercial position of the person who supplied or is the subject of the information).

3. *Insurance Renewal 2018/20 and property loss exposure* *The report contains information provided by insurance providers relating to pricing for the renewal of GWRC's insurance. Release of this information would likely prejudice the insurers' commercial position as it would reveal their pricing. GWRC has not been able to identify a public interest favouring disclosure of this particular information in public proceedings of the meeting that would override this prejudice to the insurers' commercial position.* *That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 7(2)(b)(ii) of the Act (i.e. to protect information where the making available of that information would be likely unreasonably to prejudice the commercial position of the person who supplied or is the subject of the information).*

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