



If calling, please ask for Democratic Services

Finance, Risk and Assurance Committee

Tuesday 13 February 2024, 9.30am

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

Quorum: Three Members

Members

Independent Chair

Martin Matthews (Chair)

Councillors

David Bassett (Deputy Chair)

Chris Kirk Burnnand

Yadana Saw

Ros Connelly

Hikitia Ropata

Simon Woolf

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

Finance, Risk and Assurance Committee

1 Purpose

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

2 Specific responsibilities

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

- 2.12 Recommend to Council changes to improve the effectiveness of Greater Wellington's policies and frameworks for financial management, assurance, and risk management.
- 2.13 Review:
 - a The draft Annual Report to ensure it complies with statutory requirements and provides a sound basis for the public accountability of Council's and Greater Wellington's performance and position for each financial year
 - b Any proposed formal announcements relating to Council's financial performance.
- 2.14 Recommend the Annual Report for adoption by Council.

3 Delegations

The Committee has the authority to approve:

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

4 Members and Chair

- 4.1 Six Councillors.
- 4.2 One external member, appointed by Council, who has the necessary independence, expertise, and knowledge of local government relevant to the Committee's purpose and responsibilities.
- 4.3 Where Council appoints the external member under section 4.2, Council shall also appoint that member as the Chair.

5 Quorum

Three Committee members.

Finance, Risk and Assurance Committee

Tuesday 13 February 2024, 9.30am

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

No.	Item	Report	Page
1.	Apologies		
2.	Conflict of interest declarations		
3.	Public participation		
4.	Confirmation of Public minutes of the Finance, Risk and Assurance Committee meeting on 28 November 2023	23.588	5
5.	Update on progress of action items from previous Finance, Risk and Assurance Committee meetings – February 2024	24.28	8
6.	Forward work programme	24.10	13
7.	Quarterly Finance update – Quarter two	24.38	19
8.	Pricewaterhousecoopers Fraud Framework Maturity Assessment Report	24.18	34
9.	Treasury Risk Management Policy - Draft	24.41	62
10.	Risk and Assurance update	24.37	106
11.	Health, Safety and Wellbeing Update	24.31	193
12.	Harbour Management – Risk and Compliance update – February 2024	24.32	199
13.	Audit New Zealand Management Report	24.15	204
	Resolution to Exclude the Public		
14.	Resolution to Exclude the Public	24.49	240
	Public Excluded		
15.	Cyber Security Update	PE24.44	241



Please note these minutes remain unconfirmed until the Finance, Risk and Assurance Committee meeting on 13 February 2024.

Report 23.588

Public minutes of the Finance, Risk and Assurance Committee meeting on Tuesday 28 November 2023

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

Members Present

Martin Matthews (Chair)
Councillor Bassett (Deputy Chair)
Councillor Kirk-Burnnand
Councillor Ropata
Councillor Saw
Councillor Woolf

Councillor Woolf participated at the meeting remotely, via MS Teams, and counted for quorum in accordance with clause 25B of Schedule 7 to the Local Government Act 2002.

Karakia timatanga

The Committee Chair invited Councillor Duthie to open the meeting with a karakia timatanga.

Public Business

1 Apologies

Moved: Matthews / Cr Ropata

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

The motion was **carried**.

2 Declarations of conflicts of interest

There were no declarations of conflicts of interest.

3 Public participation

There was no public participation.

4 Confirmation of the Public minutes of the Finance, Risk and Assurance meeting of 17 October 2023 – Report 23.540

Moved: Cr Bassett / Cr Ropata

That the Committee confirms the Public minutes of the Finance, Risk and Assurance Committee meeting of 17 October 2023 – Report 23.540.

The motion was **carried**.

5 Forward Work Programme – Report 23.566

Alison Trustrum-Rainey, Group Manager Finance & Risk, spoke to the report.

Moved: Matthews / Cr Bassett

That the Committee endorses the Forward Work Programme (Attachment 1) and notes that it will be subject to regular updates and review at each meeting.

The motion was **carried**.

6 Quarterly Finance update – Quarter One – Report 23.595

Darryl Joyce, Manager Accounting Services, spoke to the report.

Moved: Cr Bassett / Cr Kirk-Burnnand

That the Committee accepts the financial report for the first quarter ended 30 September 2023, including Attachment 1.

The motion was **carried**.

7 Financial Policies and Delegations update – Report 23.579 [For Information]

Kyn Drake, Project Manager – Three Waters Reform and Financial Policies, spoke to the report.

8 Financial Strategy update – Report 23.612 [For Information]

Kyn Drake, Project Manager – Three Waters Reform and Financial Policies and Alison Trustrum-Rainey, Group Manager Finance & Risk, spoke to the report.

Noted: The Committee discussed the need for local government to engage with central government around longer term funding arrangements and revenue generation for local government and requested this to be included in the financial strategy update.

9 Risk and Assurance update – Report 23.622 [For Information]

Jacob Boyes, Head of Corporate, Risk and Assurance, spoke to the report and advised that only one recommendation has been closed since the last meeting as opposed to the two signalled in the report.

10 Health, Safety and Wellbeing update – Report 23.614 [For Information]

Julie Barber, Head of Health and Safety, spoke to the report.

11 Harbour Management – Risk and Compliance update – August 2023 – Report 23.555 [For Information]

Grant Nalder, Manager Harbours, spoke to the report.

12 Update on progress of action items from previous Finance, Risk and Assurance Committee meetings – Report 23.559 [For Information]

Alison Trustrum-Rainey, Group Manager, Finance & Risk, spoke to the report.

Karakia whakamutunga

The Committee Chair invited Alison Trustrum-Rainey to close the meeting with a karakia whakamutunga.

The public meeting closed at 11.03am.

M Matthews

Chair

Date:

Finance, Risk and Assurance Committee
13 February 2024
Report 24.28



For Information

UPDATE ON PROGRESS OF ACTION ITEMS FROM PREVIOUS FINANCE, RISK AND ASSURANCE COMMITTEE MEETINGS – FEBRUARY 2024

Te take mō te pūrongo

Purpose

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

Te horopaki

Context

2. Items raised at Committee meetings, that require actions from staff, are listed in the table of action items from previous Committee meetings ([Attachment 1](#) – Action items from previous Finance, Risk and Assurance Committee meetings – February 2024). All action items include an outline of the current status and a brief comment.

Ngā hua ahumoni

Financial implications

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

Ngā tūāoma e whai ake nei

Next steps

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

Ngā āpitihanga

Attachment

Number	Title
1	Action items from previous Finance, Risk and Assurance Committee meetings – February 2024.

Ngā kaiwaitohu

Signatories

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

Attachment 1 to Report 24.28

Action items from previous Finance, Risk and Assurance Committee meetings

Date	Action item	Status and comment
2 May 2023	<p>Finance, Risk and Assurance Committee Update – Report 23.101</p> <p>Noted:</p> <p>The Committee requested that staff provide:</p>	
	<p>a. Information on the connection of the Long Term Plan with reporting</p>	<p>Status:</p> <p>Completed</p> <p>Comment: Officers will deliver the Long Term Plan (LTP) audit plan and engagement letter to the Finance, Risk and Assurance Committee (FRAC) once available. Any Audit outcomes are also brought to the Committee through Audit Consultation report and the Final LTP Audit Report to Council.</p> <p>The draft Financial Strategy was delivered to the November 2023 meeting and the draft financials for consultation will be delivered to the February meeting.</p>
	<p>b. The place of Te Tiriti o Waitangi in reporting.</p>	<p>Status: Completed delivery to February meeting</p> <p>Comment:</p> <p>The inaugural audit has been completed.</p> <p>While the audit is governed by the Komiti, the audit does form part of the assurance plan, and therefore is overseen by the FRAC.</p>

Attachment 1 to Report 24.28

Action items from previous Finance, Risk and Assurance Committee meetings

<p>2 May 2023</p>	<p>Finance, Risk and Assurance Committee Update – Report 23.137</p> <p>Noted:</p> <p>The Committee requested that staff report back to a future Committee meeting on the separation of swimmers from craft at Oriental Bay.</p>	<p>Status: Completed</p> <p>Comment:</p> <p>The Committee has recommended that as this action is operational, and it has been delegated to the management team for review. Consequently, it is proposed to remove this item from the Committee's list of action items.</p>
<p>17 October 2023</p>	<p>Draft 2022/23 Annual Report – Report 23.529</p> <p>Noted:</p> <p>The Committee requested that Democratic Services explore the opportunity for regular committee time with Audit NZ.</p>	<p>Status: Completed</p> <p>Comment:</p> <p>Given the recent Chief Ombudsman report on workshop and meeting practices, adopting this approach is now discouraged. The Chair and Deputy Chair are able to have one on one meetings with Audit as scheduled by either party.</p>

Finance Risk and Assurance Committee
13 February 2024
Report 24.10



For Decision

FORWARD WORK PROGRAMME

Te take mō te pūrongo

Purpose

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

He tūtohu

Recommendation

- 1 That the Committee **endorses** the Forward Work Programme (Attachment 1).

Te horopaki

Context

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

Te tātaritanga

Analysis

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

Ngā hua ahumoni
Financial implications

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

Ngā Take e hāngai ana te iwi Māori
Implications for Māori

2. There are no known implications for Māori.

Ngā tikanga whakatau
Decision-making process

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

Te hiranga
Significance

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

Ngā tūāoma e whai ake nei
Next steps

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

Ngā āpitihanga
Attachment

Number	Title
1	Forward work Programme as of February 2024

Ngā kaiwaitohu
Signatory

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

13 February 2024
 Report 24.10

FRAC Work Programme 2024

Focus areas	February 2024	May 2024	August 2024	November 2024
Overall meeting focus				
Financial Management	Q2 report	Q3 report	Q4 draft report	Q1 report
	Fraud Maturity Assessment report			Rating software update review?
	Treasury Policy update (for recommendation to Council to approve)	Fraud data analytics report		e-invoicing project?
				Financial Policies review
Risk Management	Health Safety and Wellbeing	Health Safety and Wellbeing	Health Safety and Wellbeing	Health Safety and Wellbeing
	Harbours Management – Risk and Compliance	Harbours Management – Risk and Compliance	Harbours Management – Risk and Compliance	Harbours Management – Risk and Compliance
	Risk workshop (see below)	Risk workshop (see below)	Risk workshop (see below)	Risk workshop (see below)
	Risk review and update (incl. update on water)	Risk review and update	Risk review and update	Risk review and update including legal compliance
	Cyber Security Update	Climate Change	Cyber Security Update	Climate Change
			Interest Risk Management and Position	

Focus areas	February 2024	May 2024	August 2024	November 2024
			Insurance Review	
			Risk Appetite review	
Business Assurance	<ol style="list-style-type: none"> Assurance update Report on fleet management Progress update on Core Financial controls Te Tiriti audit report 	<ol style="list-style-type: none"> Assurance update (incl. Te Tiriti implementation progress) Report on core financial controls Progress update on indirect taxes Proposed assurance plan for 2024-27 	<ol style="list-style-type: none"> Assurance update (incl. Te Tiriti implementation progress) Report on indirect taxes Endorsed assurance plan for 2024-27 Introduce internal audit partner for 2024-27 	<ol style="list-style-type: none"> Assurance update (incl. Te Tiriti implementation progress) Report per endorsed assurance plan for 2024-27
		Paycode review (Post Ngātahi implementation assurance of construction of payroll system)		
Reporting and Accounting	Audit report to Council on the Annual Report	Audit Report to Council on the LTP (consultation document)	Audit Report to Council on the LTP	
			Fair Value Assessment of Property Plant and Equipment	
			Audit Plans	
Strategic financial setting				
Workshops TBD	<ol style="list-style-type: none"> Risk Deep Dive - Managed decline of flood protection assets Risk Appetite – walkthrough Health & Safety example risk appetite statement 	<ol style="list-style-type: none"> Risk Deep Dive - Environment compliance assessment Risk Appetite – present and walkthrough risk appetite statements 	<ol style="list-style-type: none"> Risk Deep Dive - Integrity of the network with a focus on: Kiwirail - network investment backlog and the Wellington Railway Station – earthquake 	Risk Deep Dive - Accountability of technology - No single point of accountability for all technology – in particular Metlink operate a different informal model that is

Focus areas	February 2024	May 2024	August 2024	November 2024
			risk and impact on public transport	exclusive of ICT visibility and control at certain level
Out of cycle items: - Annual Report - Affordable water reforms				

Finance Risk and Assurance Committee
13 February 2024
Report 24.38



For Decision

QUARTERLY FINANCE UPDATE – QUARTER TWO

Te take mō te pūrongo

Purpose

1. To advise the Finance, Risk and Assurance Committee (the Committee) of Greater Wellington Regional Council's (Greater Wellington) financial reports for the quarter ended 31 December 2023.

He tūtohu

Recommendations

That the Committee:

- 1 **Accepts** the financial report for the second quarter ended 31 December 2023, including Attachment 1.

Te tātaritanga

Analysis

Key results

2. [Attachment 1](#) contains the financial information for the period ending 31 December 2023 with comparisons to the budget set in the 2023-24 Annual Plan including re-budgets approved by Council and the projected variance for the full-year comparing the approved budgets to the current full-year forecast.
3. In this report, we have incorporated the year-end forecast to anticipate the end of year position. Commentary has been supplied where there is a material variance to the original budget.
4. The result to December 2023 is a \$21.1 million operating deficit. Greater Wellington had budgeted for an operating deficit of \$7.8 million, resulting in a \$13.3 million unfavourable variance.
5. Total operating revenue was \$20.6 million lower than budget. Materially driven by:
 - a Reduced fare revenue of \$26.2 million. This has the flow on to increase grants and subsidies revenue by \$3.8 million. The reason for this is 51% of all farebox is returned to Waka Kotahi as part of the net cost arrangement. Less fare revenue results in a higher claim as it is offset against the operational costs.
 - b We have forecasted the fare revenue to be down by \$36.0 million by end of the year. This results in increased grant and subsidies revenue by \$18.0 million. The

Long-Term Plan allows for loan funding if the losses are not covered by New Zealand Transport Agency Waka Kotahi. If required a paper for this will go to Council in May 2024.

6. Total Expenditure was \$7.4 million lower than budget. This was driven by:
 - a Consultants, contractors, and suppliers are under by \$14.2 million due to delays in multiple operating expenditure (OPEX) programmes across Metlink, Environment and Strategy. We are expecting \$9.3 million underspend by end of the financial year.
 - b Finance costs are \$4.5 million over budget due to higher interest rates. This is partially offset by \$3.7 million additional interest revenue. As the upward pressure is anticipated to remain, a net impact of \$4.8 million unfavourable variance is estimated by end of June 2024.
7. Capital expenditure (CAPEX) is 24% behind budget mostly due to Riverlink work being heavily scheduled for the second half of the financial year and re-classification of National Ticketing Solution Transition project from CAPEX to OPEX. We are expecting to end the year with 3% underspend as a result of higher cost forecasted for water supply projects (\$22.6 million) offsetting the above two factors.

Ngā hua ahumoni

Financial implications

8. There are no known financial implications.

Ngā Take e hāngai ana te iwi Māori

Implications for Māori

9. There are no known implications for Māori.

Ngā tikanga whakatau

Decision-making process

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

Te hiranga

Significance

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

Te whakatūtakitaki

Engagement

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

Ngā tūāoma e whai ake nei

Next steps

13. The next quarterly report will be presented to the Committee in May 2024.

Ngā āpitihanga

Attachment

Number	Title
1	Financial Report – 31 December 2023

Ngā kaiwaitohu

Signatories

Writer	Darryl Joyce – Manager Accounting Services
Approver	Alison Trustrum-Rainey – Kaiwhakahaere Matua, Pūtea me ngā Tūraru Group Manager Finance and Risk

He whakarāpopoto i ngā huritaonga Summary of considerations
<i>Fit with Council’s roles or with Committee’s terms of reference</i> The Committee’s specific responsibilities include to “review the robustness of the organisation’s financial performance”.
<i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i> The report reviews performance against the financial statements in Council’s 23/24 Annual Plan.
<i>Internal consultation</i> All business groups contribute to Greater Wellington’s financial performance.
<i>Risks and impacts - legal / health and safety etc.</i> There are no risks arising from this report.

FRAC Report (Q2)

This report provides year to date financials for period ending 31 December 2023 with:

1. comparisons to the budget set in the 2023-24 Annual Plan and includes re-budgets approved by Council
2. projected variance for the full-year comparing the approved budgets to the current full-year forecast

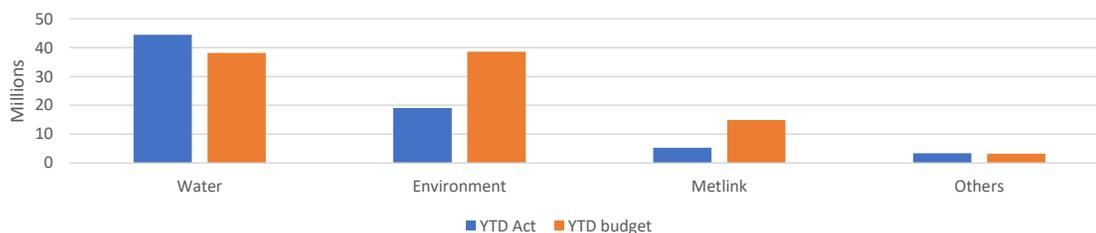
Summarised Profit and Loss as at December 2023

Summarised Profit and Loss as at December 2023

	Year to date				Full Year			
	Actual \$000s	Revised Budget \$000s	Variance \$000s		Forecast \$000s	Revised Budget \$000s	Variance \$000s	
Operating Revenue								
Rates and Levies	132,068	131,811	257	0%	265,118	263,622	1,496	1%
Grants and Subsidies	85,238	79,153	6,084	8%	181,070	157,953	23,117	15%
Other Revenue	51,315	78,277	(26,962)	-34%	123,270	162,189	(38,919)	-24%
Total Operating Revenue	268,621	289,241	(20,620)	-7%	569,458	583,764	(14,306)	-2%
Operating Expenditure								
Personnel	42,113	41,586	527	1%	84,778	83,878	899	1%
Grants and Subsidies	127,313	126,108	1,205	1%	264,658	252,152	12,506	5%
Consultants, Contractors and Suppliers	78,545	92,766	(14,221)	-15%	174,460	183,769	(9,309)	-5%
Finance Costs	24,486	19,964	4,522	23%	52,115	42,252	9,863	23%
Depreciation	17,279	16,662	616	4%	32,581	33,181	(600)	-2%
Total Operating Expenditure	289,735	297,086	(7,351)	-2%	608,590	595,232	13,359	2%
Operating Surplus/(Deficit) before other items	(21,115)	(7,845)	(13,269)	169%	(39,133)	(11,468)	(27,665)	241%
Fair Value Movements	-	-	-	0%	-	-	-	0%
Operating Surplus/(Deficit)	(21,115)	(7,845)	(13,269)	169%	(39,133)	(11,468)	(27,665)	241%
Capital Expenditure	71,997	94,834	(22,837)	-24%	183,941	188,720	(4,779)	-3%

** Revised budget is budget set in the 2023-24 Annual Plan plus re-budgets approved by Council

Capital Expenditure by Group



Quarter 2 FRAC Report for 2023/24 Financial Year

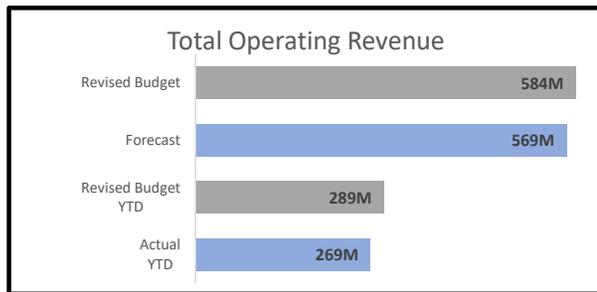
The result to December 2023 is a \$21.1m operating deficit. GWRC had budgeted for an operating deficit of \$7.8m, resulting in \$13.3m unfavourable variance mainly derived by:

- Other revenue is \$27.0m lower. This is as a result of providing half-price fares for public transport through July and August (\$7.1m) which currently has no confirmed Waka Kotahi support. Additionally (\$17.5m) is due to a change in travel choice post Covid against the assumption set in LTP 2021-31 and also due to underclaimed government concessions.
- We have forecasted the fare revenue to be down by \$36m by end of year. This has resulted in the increased the grant and subsidies revenue of \$18m. The LTP allows for loan funding if the losses are not covered by Waka Kotahi. If required a paper for this will go to Council in May.
- Consultants, contractors, and suppliers are under by \$14.2m due to delays in multiple OPEX programmes across Metlink, Environment and Strategy. We are expecting \$9.3m underspend by end of the financial year.
- Finance costs are \$4.5m over budget due to higher interest rates. This is partially offset by \$3.7m additional interest revenue. As the upward pressure is anticipated to remain, a net impact of \$4.8m unfavourable variance is estimated by end of June 2024.
- Capital expenditure is 24% behind budget mostly due to Riverlink work being heavily scheduled for the second half of the financial year and re-classification of National Ticketing Solution Transition project from CAPEX to OPEX. We are expecting to end the year with 3% underspend as a result of higher cost forecasted for water supply projects (\$22.6m) offsetting the above two factors.

Other Items of Interest:

- Council is fully compliant with the Treasury Risk Management Policy as of 31 December 2023.
- Council currently has external debt of \$943m up from a starting balance of \$775m on 1 July 2023, of which \$136m is pre-funded debt.
- Council currently holds investments (excluding subsidiaries) of \$330m up from a starting balance of \$247m on 1 July 2023. This includes water contingency investments of \$50m, and pre-funding of \$136m.

Key Variance Commentary

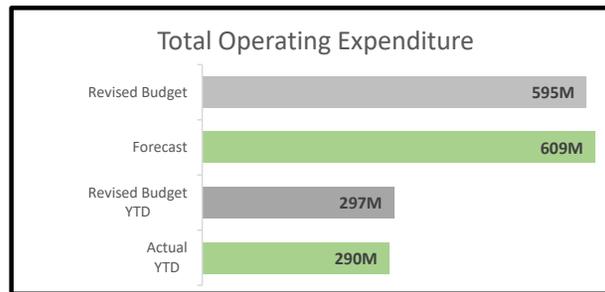


Metlink PT –

Council approved half-price fares for public transport through July and August without Waka Kotahi support this has reduced fare revenue (**estimated \$7.1m**)

The balance of the reduced fare revenue **\$17.5m**, is contributed to a change in travel choice since the patronage level assumptions were set in the 2021-31 LTP, and underclaimed government concession.

Grants and Subsidies is offsetting the reduced revenue by **\$3.8m** as a product of allowable expenditure and revenue claimable from Waka Kotahi. This is due to lower fare revenue off-set by lower operational and capital expenditure.



Metlink PT –

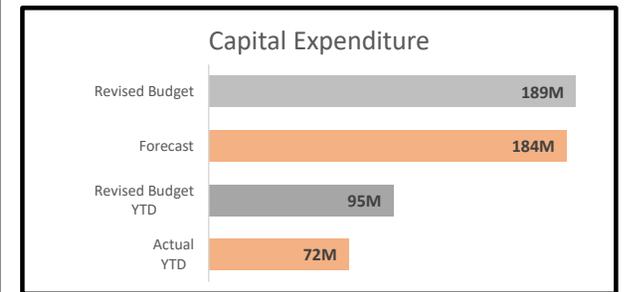
Deferrals of the EV bus programme, bus fleet and regional shelter projects. **\$6.6m**

Environment –

Underspend in Pinehaven, farm environment plans, and numerous monitoring programmes. **\$3.5m**

Strategy –

Contractor & Consultants is underspent driven by Let’s Get Wellington Moving. **\$6.6m**



Metlink PT –

National Ticketing Solution Transition of **\$4.5m** YTD budget has been reclassified as operating instead of capital expenditure.

Environment –

RiverLink implementation is **\$17.0m** behind budget, work is heavily scheduled for the second half of the financial year. Forecasting **\$15.0m** underspend due to alliance program delays and is subject to Mills Street stopbank progress from January 2024.

Environment December 2023

Attachment 1 to Report 24.38

 Favourable: ● Caution: ● Unfavourable: ●

Environment Group

December 2023

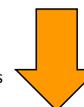
	Year to Date				Full Year			
	Actual \$000	Budget \$000	\$ Variance \$000	% Variance	Forecast \$000	Budget \$000	\$ Variance \$000	% Variance
Operational Revenue								
Rates	42,968	42,969	(01)	0%	85,938	85,938	-	0%
Grants & Subs	2,316	1,712	604	35%	3,382	3,160	222	7%
Fees Charges & Other	11,714	15,387	(3,673)	-24%	23,656	34,861	(11,205)	-32%
Total Operating Revenue	56,998	60,069	(3,070)	-5%	112,976	123,959	(10,983)	-9%
Operational Expenditure								
Personnel	17,244	17,628	(384)	-2%	35,753	36,048	(295)	-1%
Materials, Supplies & Services	4,720	6,239	(1,519)	-24%	10,199	12,393	(2,194)	-18%
Contractor & Consultants	12,283	14,264	(1,981)	-14%	29,490	28,295	1,195	4%
Grants & Subsidies Expenditure	108	57	51	90%	114	114	-	0%
Other	3,325	2,587	738	29%	5,093	4,919	174	4%
Interest	5,048	5,132	(84)	-2%	10,534	11,123	(589)	-5%
Total Operating Expenditure	42,728	45,907	(3,179)	-7%	91,184	92,892	(1,708)	-2%
Overheads	11,753	11,842	(89)	-1%	23,491	23,491	-	0%
Operational Surplus/(Deficit)	2,517	2,320	197	8%	(1,699)	7,576	(9,275)	-122%
Net Capital Expenditure	19,003	38,616	(19,613)	-51%	62,364	77,233	(14,869)	-19%

Top Capex Projects by Direct Expenditure for Environment Group December 2023

Project Name	Year to Date			Full Year		
	Actual	Budget	Variance %	Forecast	Budget	Project Type
RiverLink Implementation	10,660	29,883	0	44,850	59,765	Capital - New
RiverLink Property Purchase	5,654	3,416	0	6,831	6,831	Capital - New
Te Kauru Catchment	74	1,029	0	3,300	2,058	Capital - New
Knowledge Monitoring Capex	355	711	0	1,023	1,423	Capital - New
Flood Risk Management Capex	363	607	0	1,395	1,214	Capital - New

Operating Revenue is **\$3.1m unfavourable** due to:

- Fees and charges is \$3.7m below budget due to reduced consent application and Land & Environment Plan revenue (offsetting costs) and \$2.3m of RiverLink interim property compensation received from Waka Kotahi and retained on the balance sheet until final settlement.
- Grants and subsidies is \$0.6m above budget due to additional revenue for 1 Billion Trees (1BT) and timing of MfE income for various Jobs for Nature (JFN) projects.
- The forecast allows for reduced consent and Hill Country Erosion income and \$10m for RiverLink interim property compensation.



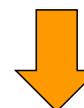
Operating Expenditure is **favourable \$3.2m** due to:

- Personnel is \$0.4m below budget – primarily due to vacancies in Environment Regulation.
- Materials is \$1.5m below budget – Parks relocking expenditure (LCAF) is mainly being coded to contract labour as noted below.
- Contractor & Consultants is \$2.0m below budget - Pinehaven (\$2.0m), farm environment plans (\$0.9m), Hill country erosion (\$0.4m) Environment Restoration expenditure and numerous monitoring programmes \$0.8m. Partially offset by \$2.1m overspend in LCAF.
- Other is \$0.7m over budget due to Akura internal purchases for planting programmes, partly offset by savings in materials and contractors.



Capital Expenditure is **underspent by \$19.6m** due to:

- RiverLink implementation is \$17m behind budget, work is heavily scheduled for the second half of the financial year. Forecasting \$15m underspend due to alliance program delays and is subject to Mills Street stopbank progress from Jan-24.
- Kapiti FMP implementation is \$0.6m behind budget - Otaki FMP review & modelling delays, property purchase delays – forecasting \$1.1m underspend.
- Te Kauru FMP Implementation is \$0.95m behind budget – River Road works scheduled to begin in 2nd half of the financial year. Forecasting \$1.2m overspend – additional rockworks required.



Metlink December 2023

Favourable: ● Caution: ● Unfavourable: ●

Metlink

December 2023

	Year to Date				Full Year			
	Actual \$000	Budget \$000	\$ Variance \$000	% Variance	Forecast \$000	Budget \$000	\$ Variance \$000	% Variance
Operational Revenue								
Rates	56,547	56,505	43	0%	113,009	113,009	-	0%
Grants & Subs	79,657	75,867	3,790	5%	172,679	151,615	21,064	14%
Fees Charges & Other	31,336	57,580	(26,244)	-46%	79,433	115,160	(35,727)	-31%
Total Operating Revenue	167,541	189,952	(22,411)	-12%	365,121	379,784	(14,663)	-4%
Operational Expenditure								
Personnel	6,613	5,750	863	15%	13,099	11,499	1,600	14%
Materials, Supplies & Services	4,278	6,882	(2,604)	-38%	12,216	13,359	(1,143)	-9%
Contractor & Consultants	13,503	17,529	(4,026)	-23%	36,319	35,089	1,229	4%
Grants & Subsidies Expenditure	125,044	122,551	2,493	2%	255,943	245,038	10,906	4%
Other	00	15	(14)	-98%	26	26	-	0%
Interest	6,934	6,626	308	5%	13,372	13,466	(94)	-1%
Total Operating Expenditure	156,373	159,352	(2,980)	-2%	330,975	318,478	12,498	4%
Overheads	8,533	8,629	(96)	-1%	17,065	17,065	-	0%
Operational Surplus/(Deficit)	2,636	21,971	(19,335)	-88%	17,080	44,241	(27,161)	-61%
Net Capital Expenditure	5,231	14,858	(9,626)	-65%	17,517	30,715	(13,199)	-43%
Investment in Greater Wellington Rail	9,308	13,014	(3,706)	-28%	25,387	26,027	(641)	-2%

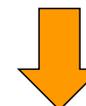
Top Capex Projects by Direct Expenditure for Metlink & Rail

December 2023

Project Name	Year to Date			Full Year	Full Year	Project Type
	Actual	Budget	Variance %	Forecast	Budget	
AI - Fixed Asset Maintenance CAPEX	3,731	7,399	-49.58%	14,046	14,798	Capital - New
AI - Fixed Asset Maintenance Rail CAPEX	4,687	6,162	-23.94%	11,706	12,323	Capital - New
AI - Rolling Stock Capex	4,627	6,520	-29.03%	13,016	13,040	Capital - New
GWRC - Ticketing/Transition	3,328	4,500	-26.04%	6,656	9,000	Opex & Capex

Operating Revenue unfavourable \$22.4m due to:

- Grants and Subsidies – Is a product of allowable expenditure and revenue claimable from Waka Kotahi. This is above budget due to lower fare revenue off-set by lower operational and capital expenditure.
- Fees and Charges are below budget due to providing half price fares for public transport in Jul & Aug (\$7.1m) without Waka Kotahi support. Additionally (\$17.5m) is due to a change in travel choice post Covid against the assumption set pre Covid in 2020 and underclaimed government concessions (estimated to be \$1-2m)



Operating Expenditure is favourable \$3.0m due to:

- Personnel expenditure is unfavourable due to additional FTE that were approved mid budgetary cycle and financed through under-spend in Contractors Consultants of other cost centres.
- Materials & supplies is favourable driven by delays in bus fleet and Regional shelter projects
- Contractors & Consultants & Grants and Subsidies expenditure is favourable mainly due to deferrals of the EV bus programme.
- Full year forecast \$12.5m over budget due to NTS reclassified as Opex instead capex and additional inflationary pressures above budget



Capital Expenditure Bus and Investment in Rail is underspent \$13.3m due to:

- Fixed Asset Maintenance Capex and Rolling Stock Capex (Bus and Rail) is underbudget due to the winter period delays.
- GWRC – Ticketing/Transition (\$4.5m YTD budget) has been reclassified as Opex instead of Capex due to the project being ticketing as a service.



Water Supply December 2023

Attachment 1 to Report 24.38

Favourable: ● Caution: ● Unfavourable: ●

Water Supply

December 2023

	Year to Date				Full Year			
	Actual \$000	Budget \$000	\$ Variance	% Variance	Forecast \$000	Budget \$000	\$ Variance	% Variance
Operational Revenue								
Rates	26,570	26,570	00	0%	53,140	53,140	-	0%
Fees Charges & Other	1,588	1,682	(94)	-6%	3,171	3,171	-	0%
Total Operating Revenue	28,157	28,252	(94)	0%	56,311	56,311	-	0%
Operational Expenditure								
Materials, Supplies & Services	5,153	4,714	440	9%	10,369	9,370	999	11%
Contractor & Consultants	12,927	12,998	(71)	-1%	25,997	25,997	(00)	0%
Other	-	01	(01)	-100%	02	02	-	0%
Interest	5,587	5,429	158	3%	12,326	11,761	565	5%
Total Operating Expenditure	23,668	23,142	526	2%	48,693	47,129	1,564	3%
Overheads	1,103	1,118	(15)	-1%	2,207	2,207	-	0%
Operational Surplus/(Deficit)	3,386	3,992	(605)	-15%	5,411	6,975	(1,564)	-22%
Net Capital Expenditure	44,423	38,194	6,229	16%	99,000	76,388	22,612	30%

Top Projects by Direct Expenditure for Water Supply December 2023

Project Name	Year to Date			Full Year		
	Actual	Budget	Variance %	Forecast	Budget	Project Type
TM WTP Capacity Optimisation	16,704	11,940	39.90%	37,601	28,759	Capital - New
Relocate Kaitoke Main on SS Bridge	9,325	20,778	-55.12%	33,200	29,850	Capital - New
Kaitoke Flume Bridge	7,934	6,017	31.86%	13,309	10,500	Capital - New
George Creek No 2 Bridge Renewal	248	-	100.00%	1,114	-	Capital - New
Other capex projects	10,212		100.00%	13,776	7,279	Capital - New

Operating Revenue is **unfavourable by \$0.1m** due to:

- Fees Charges & Other – decreased property rental income (cell towers /communications ducts/cable).



Operating Expenditure is **unfavourable by \$0.5m** due to:

- Materials, Supplies & Services - mainly due to increased insurance cost and electricity.



Capital Expenditure is **overspent by \$6.2m** due to:

- TM WTP capacity upgrade – cost increased due to scope adjustments, seismic requirements, consultancy and inflation escalation.
- Silverstream Pipe Bridge – this programme is behind schedule due to changes in Road Controlling Authority (RCA) requirements.
- Kaitoke Flume Bridge – this project is tracking ahead of schedule therefore YTD cost is higher than YTD budget
- George Creek No 2 Bridge renewal – this project is unplanned but capital work is required due to tree fall in March this year.



People & Customer December 2023

Favourable:  Caution:  Unfavourable: 

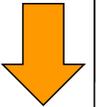
People & Customer

December 2023

	Year to Date				Full Year		
	Actual \$000	Budget \$000	\$ Variance \$000	% Variance	Forecast \$000	Budget \$000	% Variance
Operational Revenue							
Fees Charges & Other	91	142	(51)	-36%	176	284	-38%
Total Operating Revenue	91	142	(51)	-36%	176	284	-38%
Operational Expenditure							
Personnel	5,266	5,430	(164)	-3%	10,861	10,861	0%
Materials, Supplies & Services	902	1,050	(148)	-14%	1,946	2,054	-5%
Contractor & Consultants	329	296	33	11%	592	592	0%
Other	590	506	84	17%	1,282	1,012	27%
Interest	55	07	48	683%	73	73	0%
Total Operating Expenditure	7,143	7,289	(146)	-2%	14,753	14,592	1%
Overheads	(6,991)	(7,152)	161	-2%	(13,981)	(13,981)	0%
Operational Surplus/(Deficit)	(61)	05	(66)	-1463%	(596)	(327)	82%
Net Capital Expenditure	2,507	1,205	1,302	108%	2,410	2,341	3%

Operating Revenue is **\$51k unfavourable** due to:

- lower KESAW (PIKO) charges than budgeted. The forecast has been updated to reflect that.



Operating Expenditure is **favourable by \$146k** due to:

- Personnel costs are favourable by \$0.2m driven by vacancies
- Materials, Supplies & Services are favourable by \$0.1m driven by Customer Engagement with some advertising campaigns yet to launch.
- Other is unfavourable by \$0.1m with higher running costs than budgeted.



Capital Expenditure is **\$0.9m overspent** due to:

- Vehicle purchases were higher than budgeted year to date in December. This variance will reduce in the coming months with older vehicle sales.



Capex Projects by Direct Expenditure for People & Customer
December 2023

Project Name	Year to Date			Full Year		Project Type
	Actual	Budget	Variance %	Forecast	Budget	
Website Development	0	38	0	75	75	Capital - New
Vehicle Purchases	2,507	1,133	0	2,335	2,266	Capital - New

Strategy December 2023

Favourable: ● Caution: ● Unfavourable: ●

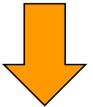
Strategy

December 2023

	Year to Date				Full Year		
	Actual \$000	Budget \$000	\$ Variance \$000	% Variance	Forecast \$000	Budget \$000	% Variance
Operational Revenue							
Rates	6,881	6,885	(04)	0%	13,770	13,770	0%
Grants & Subs	2,147	2,169	(22)	-1%	3,698	3,594	3%
Fees Charges & Other	1,368	1,465	(96)	-7%	2,638	2,770	-5%
Total Operating Revenue	10,396	10,519	(123)	-1%	20,106	20,134	0%
Operational Expenditure							
Personnel	3,551	3,560	(9)	0%	7,035	7,035	0%
Materials, Supplies & Services	875	991	(116)	-12%	1,992	2,099	-5%
Contractor & Consultants	8,365	14,943	(6,579)	-44%	18,262	30,041	-39%
Grants & Subsidies Expenditure	2,295	2,335	(40)	-2%	4,671	4,671	0%
Other	802	808	(6)	-1%	1,616	1,616	0%
Interest	647	677	(30)	-4%	1,396	1,684	-17%
Total Operating Expenditure	16,536	23,315	(6,779)	-29%	34,972	47,146	-26%
Overheads	591	550	40	7%	1,181	1,181	0%
Operational Surplus/(Deficit)	(6,730)	(13,346)	6,616	-50%	(16,047)	(28,193)	-43%
Net Capital Expenditure	110	115	(5)	-4%	215	215	0%

Operating Revenue is **unfavourable \$0.1m** due to:

- Fees Charges & Other is unfavourable due to the phasing of revenue received.



Operating Expenditure is **favourable \$6.8m** due to:

- Contractor & Consultants is underspent by \$6.6m as a result of Let's Get Wellington Moving. The full year budget was \$27.3m for LGWM, this has been reduced to \$15.8m in the forecast. We expect this forecast to go down even more as LGWM works through what the new government direction means for their programme of work.



Capex Project for Strategy

December 2023

Project Name	Year to Date			Full Year		Project Type
	Actual	Budget	Variance %	Forecast	Budget	
Transport Model	110	100	0	200	200	Capital - New

Capital Expenditure is on budget

- The Transport Model is Strategy's only capital project, currently tracking on budget.

Corporate Services December 2023

Favourable:  Caution:  Unfavourable: 

Corporate Services

December 2023

	Year to Date				Full Year		
	Actual \$000	Budget \$000	\$ Variance \$000	% Variance	Forecast \$000	Budget \$000	% Variance
Operational Revenue							
Rates	717	493	224	45%	2,482	986	152%
Grants & Subs	1,118	180	938	521%	1,475	360	310%
Fees Charges & Other	466	485	(19)	-4%	1,051	971	8%
Total Operating Revenue	2,301	1,159	1,143	99%	5,008	2,317	116%
Operational Expenditure							
Personnel	6,108	6,305	(197)	-3%	12,860	12,610	2%
Materials, Supplies & Services	5,620	5,048	572	11%	10,956	10,095	9%
Contractor & Consultants	4,173	4,366	(192)	-4%	10,242	8,789	17%
Other	94	98	(04)	-4%	196	196	0%
Interest	719	750	(31)	-4%	1,477	1,526	-3%
Total Operating Expenditure	16,713	16,566	147	1%	35,732	33,217	8%
Overheads	(15,174)	(15,192)	18	0%	(30,348)	(30,348)	0%
Warm Wellington	(453)	(453)	-	0%	(917)	(917)	0%
Operational Surplus/(Deficit)	1,215	237	978	413%	541	365	48%
Net Capital Expenditure	723	1,472	(749)	-51%	1,688	1,828	-8%

Capex Projects by Direct Expenditure for Corporate Services

December 2023

Project Name	Year to Date			Full Year		Project Type
	Actual	Budget	Variance %	Forecast	Budget	
EUS Hardware	440	430	0	828	828	Capital - New
Office Upgrades (CAPEX)	164	500	0	661	1,000	Capital - New

Operating Revenue is \$1.1m favourable due to:

- Rates \$0.2m favourable, driven by rates penalties
- Grants & Subs \$0.9m favourable driven by DIA revenue for BoF and 3 waters transition projects. This is offset by additional costs below.



Operating Expenditure is \$0.1m unfavourable due to:

- Personnel \$0.2m favourable, due to some vacant positions in the group.
- Materials, Supplies & Services \$0.6m unfavourable, driven by a wash-up of rental insurance payment relating to the last financial year.
- Contractors & Consultants \$0.2m favourable with some initiatives in the ICT space budgeted not yet kicked off. This has been mostly offset by expenses on better-off and 3 waters transition projects.



Capital Expenditure is \$0.7m underspent due to:

- Property upgrades below budget; the security upgrades in Ngāmatuwa Road and the Akura nursery have been budgeted but are yet to start.



Te Hunga Whiriwhiri December 2023

Attachment 1 to Report 24.38

Favourable:  Caution:  Unfavourable: 

Te Hunga Whiriwhiri

December 2023

	Year to Date				Full Year		
	Actual \$000	Budget \$000	\$ Variance \$000	% Variance	Forecast \$000	Budget \$000	% Variance
Operational Revenue							
Rates	2,560	2,541	19	1%	5,082	5,082	0%
Fees Charges & Other	226	-	226	0%	359	-	0%
Total Operating Revenue	2,786	2,541	245	10%	5,441	5,082	7%
Operational Expenditure							
Personnel	1,075	1,162	(87)	-8%	2,185	2,325	-6%
Materials, Supplies & Services	93	07	86	1213%	119	14	737%
Contractor & Consultants	1,828	1,667	161	10%	2,476	2,081	19%
Other	17	06	11	192%	10	11	-12%
Total Operating Expenditure	3,013	2,842	171	6%	4,790	4,432	8%
Overheads	478	486	(09)	-2%	955	955	0%
Operational Surplus/(Deficit)	(704)	(787)	83	-11%	(304)	(305)	0%

Operating Revenue is **favourable** by \$0.2m due to:

- Fees Charges & Other, with internal revenue from the Environment Group for Mauri Tūhono. This is being offset in the OPEX line.



Operating Expenditure is **on budget**

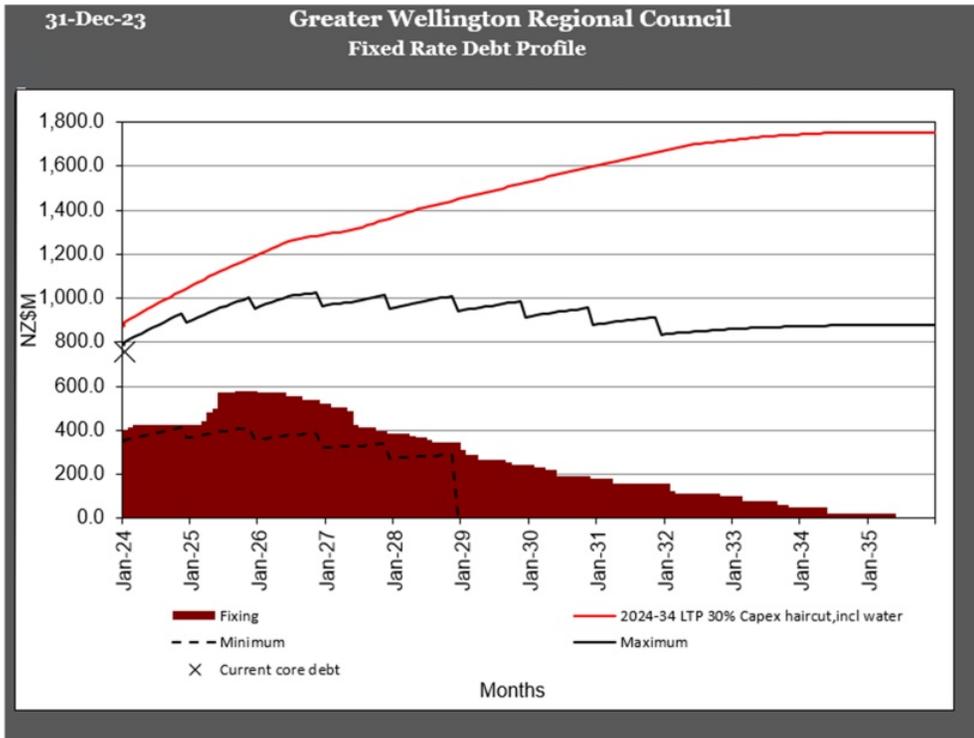
- Personnel costs is \$0.1m favourable with several FTE vacancies in the group.
- Materials, Supplies & Services are \$0.1m unfavourable due to training related costs sitting in this line but with the budget sitting in the Contractor and Consultants line. The forecast has been updated to reflect the new breakdown.
- Contractor & Consultants are \$0.2m unfavourable YTD and forecast to be \$0.4m over budget by the end of the financial year due to Mauri Tūhono unbudgeted costs, offset by the additional internal revenue as well as contractor costs, offset by personnel vacancies.

Capital Expenditure:

Note - There is no budgeted capital expenditure.

Compliance with Treasury Risk Management Policy December 2023

Attachment 1 to Report 24.38



2. COMPLIANCE WITH TREASURY RISK MANAGEMENT POLICY

2.1 Summary Treasury Report As at 31 December 2023

				Compliant		Compliant			
Total Council Limit Compliance Analysis 31 December				Yes	No	actual %	Yes	No	actual %
Debt Interest Rate Policy Parameters - based on 2024-34 proposed LTP less 30% haircut									
Current	40% - 90%	✓	47%	Counterparty credit exposure with New Zealand registered banks which have a credit rating of at least A-, long term, and A2 short term					
year 1	40% - 90%	✓	41%	Other counterparty exposure within policy limits					
year 2	35% - 85%	✓	49%	Maximum counterparty exposure with a NZ registered bank is within \$157 million limit					
year 3	30% - 80%	✓	40%	The repricing of liquid financial investments are to occur within the following timebands					
year 4	25% - 75%	✓	28%	0 - 1 year	70% - 100%	✓	100%		
year 5	20% - 70%	✓	24%	1 - 5 years	0% - 30%	✓	0%		
year 6	0% - 65%	✓	16%	Core Council External Borrowing Limits - Ratios					
year 7	0% - 60%	✓	11%	Net Debt / Total Revenue < 290%					
year 8	0% - 55%	✓	9%	Net interest / Total Revenue < 20%					
year 9	0% - 50%	✓	6%	Net interest / Annual rates and levies < 30%					
year 10	0% - 50%	✓	3%	Liquidity > 110%					
year 11	0% - 50%	✓	1%						
year 12	0% - 50%	✓	0%						
year 13	0% - 50%	✓	0%						
year 14	0% - 50%	✓	0%						
year 15	0% - 50%	✓	0%						
The maturity of total external debt to fall within the following timebands									
0 - 3 years	15% - 60%	✓	29%						
3 - 7 years	25% - 85%	✓	51%						
> 7 years	10% - 60%	✓	20%						

Finance, Risk and Assurance Committee
13 February 2024
Report 24.18



For Information

PRICEWATERHOUSECOOPERS FRAUD FRAMEWORK MATURITY ASSESSMENT REPORT

Te take mō te pūrongo

Purpose

1. To provide to the Finance, Risk and Audit Committee (the Committee) with the PricewaterhouseCoopers (PWC) assessment of Greater Wellington Regional Council's (Greater Wellington) fraud control framework against a good practice model of fraud control effectiveness.

Te tāhū kōrero

Background

2. Greater Wellington is seeking to identify the fraud and corruption risks it faces and understand how it is equipped to respond to, and manage, that risk profile.
3. External auditors Audit New Zealand endorsed that Greater Wellington revisit the effectiveness of the risk and assurance function as a fundamental process to support business decision making by performing a fraud risk assessment. (*Report 23.101 – Audit New Zealand Management Report*)
4. Greater Wellington engaged PWC to assist it with this work, through completing a phased approach as follows:
 - a. **Phase One** – Fraud Risk Assessment, to help Greater Wellington identify and assess fraud risks and controls across its organisation. Phase one was completed and presented in May 2023.
 - b. **Phase Two** – Fraud Framework Maturity Assessment, to assess the maturity of Greater Wellington's Fraud Control Framework against a good practice model of fraud control effectiveness.

Te tātaritanga

Analysis

5. [Attachment 1](#) – PWC Fraud Framework Maturity Assessment Report, sets out the background, purpose, approach, limitations and key findings of the fraud framework.
6. Overall, the maturity of Greater Wellington's fraud framework and corruption policies & procedures is broadly in the medium-high range.

7. The report notes that Greater Wellington has some key strengths that includes having policies & procedures in place, completing a fraud risk assessment in 2023 and having an overarching fraud control framework in place.
8. The report also identifies some further improvement in the areas of training, monitoring & auditing and reviewing & updating the policies & procedures in place.

Ngā hua ahumoni

Financial implications

9. There are cost implications for improving controls. Management is still determining what actions to undertake and these will be budgeted for or allocated from existing budgets in the years into which they are scheduled. However, Greater Wellington has a range of processes and controls for the identified risk areas and consideration will be given to further strengthen the associated processes and controls.

Ngā Take e hāngai ana te iwi Māori

Implications for Māori

10. There are no known impacts for Māori.

Ngā tūāoma e whai ake nei

Next steps

11. Officers will report to the Committee on progress in implementing the actions to address Audit NZ recommendations.

Ngā āpitihanga

Attachments

Number	Title
1	PWC Fraud Framework Maturity Assessment Report

Ngā kaiwaitohu

Signatories

Writer	Ashwin Pai – Financial Controller
Approver	Alison Trustrum-Rainey – Kaiwhakahaere Matua, Pūtea me ngā Tūraru Group Manager, Finance and Risk

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

Greater Wellington Regional Council

Fraud Framework Maturity Assessment Summary Report

16 January 2024





Strictly private & confidential

Alison Trustrum-Rainey
Group Manager, Finance and Risk
Greater Wellington Regional Council
100 Cuba Street, Te Aro
Wellington, 6011

By email: Alison.Trustrum-Rainey@qw.govt.nz

16 January 2024

Fraud Framework Maturity Assessment - Summary Report

Dear Ms Trustrum-Rainey,

In accordance with our Letter of Engagement with Greater Wellington Regional Council (“GWRC” or “the Council”) dated 9 September 2022, the Terms of Business attached thereto and the Important Notice included at Appendix 1 of this Report, we provide a summary of the **outputs for Phase Two**. The purpose of Phase Two was to assess the maturity of GWRC’s Fraud Control Framework against a good practice model of fraud control effectiveness, so GWRC can determine next steps in this area, if any.

It has been a pleasure to work with you in delivering this work. Please contact me should you wish to further discuss this work.

Yours sincerely

PricewaterhouseCoopers Consulting (New Zealand) LP

A handwritten signature in blue ink, appearing to read 'P. Riley', is written over a light blue horizontal line.

Philip Riley
PwC Director - Wellington
philip.r.riley@pwc.com

Overview

Background

GWRC is seeking to identify the fraud and corruption risks it faces and understand how it is equipped to respond to, and manage, that risk profile. GWRC engaged PricewaterhouseCoopers Consulting (New Zealand) LP (PwC) to assist it with this work, through completing a phased approach as follows:

- **Phase One:** Fraud Risk Assessment. We provided a report on Phase One on 14 April 2023. Refer to **Appendix 2** for objectives and key findings from Phase One.
- **Phase Two:** Fraud Framework Maturity Assessment.

This Report summarises our **Phase Two** work and presents the findings of the Fraud Framework Maturity Assessment.

Purpose

The purpose of this work is to provide GWRC with a:

1. **Fraud Risk Assessment (Phase One)**, to help GWRC identify and assess fraud risks and controls across its organisation.
2. **Fraud Framework Maturity Assessment (Phase Two)**, to assess the maturity of GWRC's Fraud Control Framework against a good practice model of fraud control effectiveness.

Fraud - Definition

Fraud can be committed by anyone at GWRC including management, employees, contractors or by third parties such as suppliers or any of your partners and malicious actors.

GWRC applies the following definitions of fraud. *“The External Reporting Board auditing standard ISA (NZ) 240 defines fraud as “an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.” In addition, the legal definition does not require an advantage but can simply be that a loss is caused. Corruption is the lack of integrity or honesty, or use of a position of trust for personal gain or the advantage of others.”¹*

Common examples of fraud include, false invoicing, ghost employees, misappropriation of funds or other assets, and misuse of a credit card or fuel card.

Fraud does not necessarily have to result in tangible or monetary gain - other forms of deception where the benefit/advantage to the person from the deception may be less tangible are also considered to be fraud. Examples include, theft of time, misreporting key metrics to meet performance goals or publically stated targets, and forgery or unauthorised alteration of any document.

Please note that in the context of this work, the use of the word “fraud” also includes bribery and corruption.

- Bribery refers to the offering, giving, soliciting, or receiving of any thing of value as a means of influencing the actions of an individual holding a public or legal duty. Examples include kickbacks, extortion, gifts (with strings attached) and facilitation payments.
- Corruption is the abuse of entrusted power for private gain, that is, soliciting, receiving or paying gifts or other gratuities to perform part of an official function, or omitting to perform an official duty.

Approach - Phase Two

In completing our Phase Two work we:

- Requested and received relevant documents from you, including policies, procedures and guidelines. A full list of the documents provided by GWRC is referenced in **Appendix 3**.
- Analysed the documents provided by you against our PwC Fraud Maturity Framework.
 - The PwC Fraud Maturity Framework (PwC Fraud Framework) has been developed by PwC based on our experience and alignment with authoritative guidance from global regulators and international standards. The maturity of the fraud and corruption controls, processes and practices which make up GWRC's Overarching Fraud Control Framework (FCF) has been assessed against PwC Fraud Framework. In summary, there are 13 components, across three broad areas of activity for any organisation, being Strategy, Compliance & Assurance and Operations & Management. Further information about our approach is included at **Appendix 4**.
- Facilitated discussions with you to understand gaps, including any controls not recorded within the documents.

Discussions with you

During the course of this work we spoke and corresponded with Kyn Drake (Project Manager – Financial Policies / Affordable Waters Reform) and Ashwin Pai (Financial Controller). We have not formally interviewed any additional GWRC personnel during Phase 2, but we understand from Mr Drake that in some cases to obtain relevant information for this work he communicated with and provided further information from relevant individuals from Finance and Risk, People & Culture, Legal/Procurement, and ICT departments.

Additionally, where relevant, we have also leveraged our findings from Phase 1 work, including our findings from qualitative data gathering completed through workshops and the survey from this phase of work.

Limitations

Our assessment of the maturity of GWRC's relevant fraud and corruption policies, procedures, controls and practices is intended to provide an overall view of maturity. If GWRC wishes to have a detailed assessment of the maturity and operation of each of these components, a targeted review of those components would be required.

Executive Summary

Fraud Framework Maturity Assessment - Executive Summary

GWRC's Fraud Framework Maturity

Overall, when assessed against our PwC Fraud Framework, based on the discussions and documents reviewed, **the maturity of GWRC's framework of fraud and corruption policies and procedures is broadly in the Medium-High range** with relevant policies and procedures largely in place; however, **some areas for improvement have been identified**.

The overall maturity score is based on a weighted calculation of the score for each fraud risk component. Key drivers of GWRC's maturity score for each of these components are recorded on the following pages, including some general recommendations for GWRC's consideration. We do not suggest that GWRC necessarily aims for a 100% overall maturity score.

GWRC's Overall Maturity score and maturity in each component should be considered in the context of its operational requirements, fraud and corruption risk exposure and tolerance, level of investment required to enhance and what is fit-for-purpose.

Key Strengths

- 1. Avenues for Disclosure** - GWRC has relevant policies and procedures in place in respect to Protected Disclosures and Whistleblowing and maintains a number of internal and external channels for disclosure.
- 2. Risk Assessment** - GWRC's commitment to fraud control and further enhancing the maturity of its fraud framework is evidenced by completion earlier this year of the Risk Assessment.
- 3. Overarching Fraud Control Framework** - GWRC has an overarching fraud control framework in place as evidenced in this phase of work. The fraud control framework includes key components of the framework as we would expect it.

Key Areas for Further Improvement

- 1. Training** - While GWRC has specific fraud training delivered periodically, it does not have a training policy in place, nor a formalised training programme or oversight into which training(s) have been completed by which staff member.
- 2. Monitoring and Auditing** - while GWRC has auditing and review mechanisms in place, it could consider enhancing these mechanisms by implementing specific processes for monitoring the performance and effectiveness of its whistleblower system, conflict of interest regular reviews, and "pressure testing" of its fraud and corruption control processes and systems.
- 3. Policies and Procedures** - GWRC maintains a variety of policies and procedures covering a broad range of fraud related matters and subjects. GWRC told us that it has undertaken a significant effort this year of going through the process of reviewing, amending, updating and centralising all their policies.

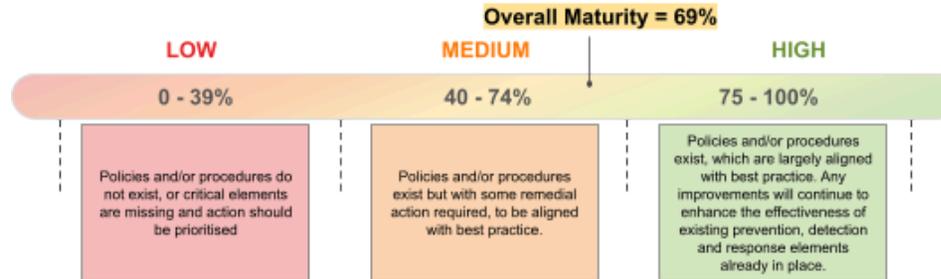
Comparison Against Other Organisations

GWRC faces reputational risks due to its prominence as a large regional council and being entrusted with public funds for the delivery of significant environment, regional/forest park and transport objectives. In a broader context, the inherent significance of fraud and corruption risks in councils around New Zealand is high and there have been recent examples of fraud and corruption issues at comparable organisations causing reputational and financial loss.

Based on our experience working with comparable organisations across both the Public and Private sectors in New Zealand and globally, an assessed Medium level of maturity level or higher indicates that *"policies and/or procedures exist but with some remedial action required to be aligned with best practice"* can frequently be sufficient for the risk appetite and exposure of the organisation.

The infographics on the next page summarise the GWRC's Overall Maturity score and score by each component of the PwC Fraud Framework. Please refer to the next section for Detailed Findings of each component.

Fraud Framework Maturity Assessment - Executive Summary



Activity area maturity scores



Detailed Findings

Fraud Framework Maturity Assessment - Summary

Summary and drivers of GWRC's maturity rating

GWRC has policy and procedure documents, which contribute to its fraud and corruption control and which for the most part appear to be broadly aligned with good industry practice. For that reason, we have estimated the GWRC's overall maturity rating at **69%** with relevant weightings applied. More specifically, GWRC scored a **high maturity rating** in **five** categories and a **medium maturity rating** in **eight** categories (no **low maturity** areas have been identified):

High Maturity Rating	Medium Maturity Rating
1. Avenues for Disclosure	1. Reporting & Investigation
2. Overarching Fraud Control Framework	2. Policies & Procedures
3. Risk Assessment	3. Third Party Due Diligence
4. Tone at the Top	4. Tone in the Middle
5. Staff Vetting	5. Oversight & Capability
	6. Training & Awareness
	7. Incentives & Discipline
	8. Monitoring & Auditing

We note that GWRC has in place following processes and/or policies which positively contribute to the effectiveness of fraud and corruption control (and therefore the Medium-High range maturity rating):

- Commitment to improving its approach to fraud and corruption control, including through the completion of a Fraud Risk Assessment in 2023.
- Overarching Fraud Control Framework in place.
- Variety of policies and procedures covering a broad range of fraud related matters and being accessible to all staff.
- Governance and oversight through the Fraud Risk and Audit Committee (FRAC), including senior leadership, which has a regular oversight of policies/procedures (including Fraud related policies/procedures), implementation of these, how staff react and how new policies are being endorsed

Fraud Framework Maturity Assessment - Key Drivers

Key Drivers of the High Maturity Ratings

Against each component of the framework, we have identified considerations for GWRC to enhance its overall fraud and corruption control framework, in the context of the good practice authoritative guidance which forms the basis of our model. In considering any recommendations below for resolution and/or implementation, GWRC should consider the assessed level of maturity, organisational priorities and risk tolerance, the level of investment required and commercial viabilities to enhance the maturity.

PwC Fraud Framework Component	Maturity Rating	Key Drivers	Relevant recommendations
<p>Avenues for Disclosures</p>	<p>High 82%</p>	<p>GWRC provides the following internal and external avenues for employees to disclose suspected fraud and/or serious misconduct:</p> <p>Internal avenues Employees can make a report to:</p> <ul style="list-style-type: none"> • their immediate Manager • Group Manager, Finance and Risk • General Manager, Corporate Services² • a Protected Disclosures Officer³ • the Chief Executive (if any of the above are suspected of fraudulent or corrupt activities) <p>External avenue Employees can also make a disclosure externally via the Deloitte Whistleblower Service known as 'Halo'. The external whistle-blower channel provides an avenue for confidential disclosures and increases the independence and, where required, ensures anonymity of the process.</p> <p>GWRC has a programme in place for exit interviews, although there is no mention of fraud related matters being able to be disclosed and/or discussed during this process.</p>	<p>To align with the best practice, GWRC should consider:</p> <ul style="list-style-type: none"> • providing and/or including in its existing fraud training consideration of whistleblower systems and how to deal with protected disclosures and taking reports. • updating GWRC's exit checklists, surveys and leaving forms to include elements of fraud and corruption.

² Fraud Response Plan Guideline

³ See GWRC Protected Disclosures (Whistle-blowing) Guidelines for details
GWRC Framework Maturity Assessment Summary Report 16/01/24

PwC Fraud Framework Component	Maturity Rating	Key Drivers	Relevant recommendations
Overarching Fraud Control Framework	High 78%	<p>GWRC has an overarching Fraud and Corruption Control System in place (FCCS) and conducted earlier this year a Risk Assessment with PwC’s assistance. Oversight of the FCCS is primarily the responsibility of the Chief Executive with assistance from others.</p> <p>GWRC’s policies and procedures do not specifically record how GWRC monitors the implementation, operation and maintenance of its FCCS.</p>	<p>To align with the best practice, GWRC should consider:</p> <ul style="list-style-type: none"> • recording in its FCCS plan how it specifically monitors the implementation, operation and maintenance of its FCCS. • ensuring that all risks identified in the Risk Assessment (including PwC recommendations) have been addressed by the FCCS.
Risk Assessment	High 75%	<p>GWRC has recently completed an external Fraud Risk Assessment with PwC’s assistance, which indicates a significant degree of maturity in this area.</p>	<p>To align with best practice, GWRC should:</p> <ul style="list-style-type: none"> • define in the policy how frequently risk assessments will be conducted including, how targeted risk assessments will be and the consideration given when there is a substantial change in the structure, functions or activities of the organisation. • consider a process to systematically monitor and scan for any new and emerging fraud and corruption risks that may be applicable to GWRC.
Tone at the Top	High 75%	<p>The relevant factors of the Tone at the Top at GWRC are primarily demonstrated via the Chief Executive’s monthly updates and communications to all staff, as well as communications from other senior leaders, including commitment to integrity and ethical conduct in general, and fraud and corruption control in particular (from time to time).</p> <p>Further factors include:</p> <ul style="list-style-type: none"> • internal meetings which encourage others to be more responsive to a ‘speak up culture’ and in turn the Protected Disclosures Policy. • messaging to staff to let them know that if they are uncomfortable reporting disclosures/speaking up to their one up manager then they can report to another manager. • relevant matters are discussed and/or elevated to GWRC’s Finance Risk and Audit Committee (FRAC), the Board and the Council. • GWRC Chief Executive’s KPIs are tied, among others, to GWRC being compliant with its statutory responsibilities and Council policies (including fraud and associated 	<p>To align with the best practice, GWRC should consider:</p> <ul style="list-style-type: none"> • making fraud training mandatory for the senior leadership (currently it is optional to all). • specific communications from the senior leadership to specifically promote the awareness of the GWRC’s Protected Disclosures (Whistle-blowing) Guidelines & Policy.

PwC Fraud Framework Component	Maturity Rating	Key Drivers	Relevant recommendations
		policies).	
Staff Vetting	High 75%	GWRC has a policy and procedure in place in relation to recruitment, which includes procedures for vetting of new staff upon employment.	<p>To align with best practice, GWRC should consider implementing systematic reviews and, where required, re-vetting of those:</p> <ul style="list-style-type: none"> • positions with particular risk exposures. • with any changes in an employee's personal circumstances.

Fraud Framework Maturity Assessment - Key Drivers

Key Drivers of the Medium Maturity Ratings

PwC Fraud Framework Component	Maturity Rating	Key Driver	Recommendation
Reporting & Investigation	Medium 74%	<p>GWRC has policies and procedures in place to investigate fraud, corruption, and serious wrongdoing.</p> <p>GWRC has the Protected Disclosures (Whistle-blowing) Guidelines & Policy in place.</p> <p>GWRC has a Fraud Response Plan Guideline, which broadly includes activities consistent with those recorded in the AS8001 standard. There is a dedicated team to respond to a fraud related event with the Chief Executive maintaining primary responsibility for the investigation of all fraudulent or corrupt activities as defined in the policy and guidelines.</p> <p>The Fraud Risk Register is set to maintain records of investigations.</p>	<p>To align with best practice, GWRC should consider recording in its policies:</p> <ul style="list-style-type: none"> • where it decided that no investigation and/or further action is required in respect to the disclosure, it will inform the discloser as to the relevant reasons. • clarify how that it will consider ways to investigate the disclosure without revealing the employee's identity (where relevant). • protocols in place to ensure the safety of all personnel tasked with conducting investigations.
Policies & Procedures	Medium 74%	<p>GWRC maintains a variety of policies and procedures covering a broad range of fraud related matters and subjects.</p> <p>The most recent GWRC policies are all located online (He Kite) and accessible for staff members from there. The Finance related policies have hard-copy distributions as well.</p> <p>If staff do not know the exact name of the policy, they are able to search online for what they may require and the search engine will typically pick up the relevant policy.</p> <p>GWRC told us that they have undertaken a significant effort this year of going through the process of reviewing, amending, updating and centralising all their policies. This is an ongoing effort and includes ensuring that going forward there are relevant triggers in place with policy owners to regularly review</p>	<p>To align with the best practice, GWRC should consider:</p> <ul style="list-style-type: none"> • incorporating review triggers for all policy owners to regularly review and update their respective policies. • assessing whether it may require additional, policies specifically dedicated to: <ul style="list-style-type: none"> ○ Risk Management ○ Recordkeeping ○ Charitable Donations and Sponsorships ○ Facilitation Payments / Bribery ○ Probity • recording in its Conflict of Interest (COI) policy to require employees to update the Conflict of Interest register as soon as practicable after a conflict has arisen or the employee has become aware of it (currently, it is an annual requirement). In relation to this, GWRC should also ensure that the COI register

PwC Fraud Framework Component	Maturity Rating	Key Driver	Recommendation
<p>Policies & Procedures (continued)</p>		<p>and update policy documents.</p>	<p>records actions taken to avoid, eliminate or manage the identified COI.</p> <ul style="list-style-type: none"> ● recording in its Koha Policy that gifts, hospitality, donations and breaches of the policy are to be recorded and kept in a central register. ● recording in its Fraud Response Guideline: <ul style="list-style-type: none"> ○ the specific procedures in place for first response of the capture of digital evidence in relation to a detected or suspected fraud or corruption event ○ whether digital evidence first responders, who are qualified to respond to fraud and corruption events involving digital evidence, will be involved. ● recording in its Whistleblowing Policy and/or Guideline: <ul style="list-style-type: none"> ○ references to the Code of Conduct (e.g. in the "Purpose and Principles" section). ○ how reporting wrongdoing demonstrates commitment of the Council to promote integrity, accountability and good management within the Council and that reporting is highly valued. ○ support provided to staff when making disclosures and that GWRC encourages staff to obtain legal advice, prior to the disclosure of any potentially identifying information. ○ references to the Protected Disclosures (Protection of Whistleblowers) Act 2022 where the documents reference the previous 2000 Act, where required.

PwC Fraud Framework Component	Maturity Rating	Key Driver	Recommendation
<p>Third Party Due Diligence</p>	<p>Medium 71%</p>	<p>GWRC has a Procurement Policy and Manual in place. The Manual records that its purpose is to ensure GWRC is “consistent with national procurement principles and guidelines that deliver the benefits of best procurement practise [sic]”</p> <p>The Procurement Practices within the Manual detail how specific requirements of individual parts of the organisation will be considered during the procurement process.</p> <p>In relation to the procurement of contracts:</p> <ul style="list-style-type: none"> ● All contracts are linked to an active supplier in the organisation's system ● Suppliers are vetted, tender applications compared ● Contract approval system (ERP) that picks up exceptions to authority, delegation, approval and non-compliance ● Procurement advisors and Legal team are engaged throughout the Procurement Process <p>There are additional procurement checks completed for contracts and projects funded by Waka Kotahi. These are also subject to Waka Kotahi audits.</p> <p>Although GWRC is not a Crown mandated agency, it is guided by the Government Procurement Rules⁴ for “all procurement activity undertaken by or on behalf of GWRC”.</p>	<p>To align with the best practice, GWRC should:</p> <ul style="list-style-type: none"> ● consider monitoring and periodically confirming the <i>bona fides</i> of business partners ● ensure that their contractual terms with business partners include, among others, the right for GWRC to: <ul style="list-style-type: none"> ○ obtain attestations, or other forms of evidence, from business partners regarding relevant fraud and corruption controls ○ obtain, examine and audit relevant activities of business partners ○ oblige the business organisation to cooperate with ongoing due diligence activities ○ oblige business partners to cooperate with relevant and reasonable investigations into alleged fraud or corruption ○ termination of contract and the recovery of losses in case of fraud and corruption ○ report fraud and corruption events to relevant law enforcement and external authorities.
<p>Tone in the Middle</p>	<p>Medium 67%</p>	<p>Our Fraud Risk Survey from Phase One indicates that while GWRC staff receive communications from their direct managers of fraud awareness, the communications appear to be somewhat irregular.</p> <p>While the GWRC's Chief Executive has overall accountability for Fraud and Corruption at the organisation, further accountability measures could be considered by GWRC for implementation at the middle management level.</p>	<p>To align with the best practice, GWRC should consider whether:</p> <ul style="list-style-type: none"> ● it needs to undertake further actions to ensure that staff receive regular fraud awareness communications from their direct managers. ● accountability for promptly reporting fraud and corruption matters should be incorporated into the performance management system of line managers.

⁴ <https://www.procurement.govt.nz/procurement/principles-charter-and-rules/government-procurement-rules/>

PwC Fraud Framework Component	Maturity Rating	Key Driver	Recommendation
<p>Oversight & Capability</p>	<p>Medium 63%</p>	<p>Oversight of the FCCS is primarily the responsibility of the Chief Executive with assistance from others with FRAC providing a further layer of oversight as well.</p> <p>Based on the findings from Phases 1, GWRC's Group Manager, Finance & Risk, and Financial Controller have oversight of the underlying processes, appropriate level of capability and that there are relevant governance mechanisms in place overall.</p>	<p>GWRC should consider whether it:</p> <ul style="list-style-type: none"> needs to record in its policies and procedures how those within the fraud and corruption control function collaborate with other internal functions in assisting with ongoing control of fraud and corruption.
<p>Training & Awareness</p>	<p>Medium 50%</p>	<p>While GWRC has relevant fraud training in place delivered periodically by Deloitte, this training is not mandatory to staff. From our work in Phase 1, many staff members reported that they could not recall receiving the fraud training when they started.</p> <p>The training does not include content related to GWRC's whistleblower system.</p> <p>GWRC does not have a training policy in place, nor a formalised training programme and oversight into which training(s) have been completed by which staff member. We understand from discussions with GWRC that this is an area of further development that GWRC is cognisant of.</p>	<p>To align with the best practice, GWRC should consider:</p> <ul style="list-style-type: none"> making fraud training mandatory, if not for all staff, then at least staff with relevant fraud related responsibilities and roles (i.e. senior management, finance team, those conducting investigations). including in the training topic of the whistleblower system. recording in its policies how those engaged in fraud control activities possess relevant qualification or training to carry out their duties and how GWRC monitors this. creating a training policy outlining training expected of staff members, including specifically those who handle protected disclosures and are involved in investigations. implementing a system for managing and recording training. whether it should implement an annual certification of compliance with the code of conduct and other GWRC policies from its staff.

PwC Fraud Framework Component	Maturity Rating	Key Driver	Recommendation
<p>Incentives & Discipline</p>	<p>Medium 50%</p>	<p>GWRC's Conflict of Interest policy records that <i>"when a conflict of interest has been ignored, improperly acted on or influenced actions or decision-making the conduct (not the conflict itself) may be considered as misconduct, abuse of office, or even corruption"</i></p> <p>While GWRC has the Discipline policy, we have been advised that the policy has never been implemented.</p>	<p>To align with the best practice, GWRC should consider:</p> <ul style="list-style-type: none"> ● implementing Discipline policy. ● documenting decisions to use civil, administrative or disciplinary procedures, or when to take no further action in response to a suspected fraud incident.
<p>Monitoring & Auditing</p>	<p>Medium 41%</p>	<p>GWRC has internal and external audit functions in place.</p> <p>Relevant reports from external and internal reviews and audits go to FRAC before going to the Council. FRAC is kept abreast about discussions on policies, updates to policies, how new policies are being endorsed and implemented, reactions from staff, etc.</p> <p>GWRC has relevant policies and procedures in respect to Conflicts of Interest (COIs). It is not evident to what extent GWRC in actuality regularly monitors and resolves its COIs, if any.</p> <p>GWRC does not monitor the performance and effectiveness of its whistleblower system.</p> <p>Fraud Risk Survey carried out during Phase One of our work indicates that the Survey respondents' teams at GWRC generally operate with "high trust" or a "balance of trust and checks".</p>	<p>To align with the best practice, GWRC should consider:</p> <ul style="list-style-type: none"> ● implementing specific processes for monitoring the performance and effectiveness of the whistleblower management system. ● undertaking periodic "pressure testing" procedures involving internal/external individuals or teams initiating test transactions to assess the operational effectiveness of internal controls. ● implementing PwC's recommendations from Phase 1 of our work in respect to internal controls and monitoring including, where GWRC has placed a heavy reliance on external audit procedures to confirm information is accurate, GWRC should consider implementing additional internal controls and procedures, including peer reviews, to provide additional assurance on the accuracy of information ● what policies and procedures could be further enhanced by proactive and targeted monitoring.

Appendices

Appendix 1: Important Notice

- This report has been prepared solely for the use of Greater Wellington Regional Council and for the purposes stated herein. This report should not be relied upon for any other purpose. We accept no liability to any party should this report be used for any purpose other than that for which it was prepared. This report is strictly confidential and (save to the extent required by applicable law and/or regulation) must not be released to any party without our express written consent, which is at our sole discretion.
- We have not independently verified the accuracy of information provided to us, and have not conducted any form of audit in respect to the company. Accordingly, we express no opinion on the reliability, accuracy or completeness of the information provided to us, and upon which we have relied.
- Our engagement did not constitute a statutory audit (the objective of which is the expression of an opinion on financial statements) or an examination (the objective of which is the expression of an opinion on management's assertions).
- To the fullest extent permitted by law, PwC accepts no duty of care to any third party in connection with the provision of this document and/or any related information or explanation (together, the "Information").
- Accordingly, regardless of the form of action, whether in contract, tort (including without limitation, negligence) or otherwise, and to the extent permitted by applicable law, PwC accepts no liability of any kind to any third party and disclaims all responsibility for the consequences of any third party acting or refraining to act in reliance on the Information.
- This report has been prepared with care and diligence and the statements and opinions within are given in good faith and in the belief on reasonable grounds that such statements and opinions are not false or misleading. No responsibility arising in any way for errors or omissions (including responsibility to any person for negligence) is assumed by us or any of our partners or employees for the preparation of the documents to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the documents or assumptions reasonably taken as implicit.
- We reserve the right, but are under no obligation, to revise or amend the documents if any additional information (particularly as regards the assumptions we have relied upon) which exists at the date of these documents, but was not drawn to our attention during preparation, subsequently comes to light.
- This report was issued pursuant to the terms and conditions set out in our Letter of engagement dated 9 September 2022.

Appendix 2: Phase 1 Objectives and Findings

Purpose

The purpose of Phase 1 was to provide GWRC with a summary of the fraud risks identified and survey insights, to assist GWRC in identifying and assessing the fraud risks and controls across GWRC and to determine what action to take in response, if any.

Key Findings

Fraud Risk Assessment

We identified 24 key fraud risks, across eight categories that may impact GWRC.

On the four scale rating system GWRC uses, at a residual level, we assessed 9 of the 24 fraud risks identified as “Moderate”, with two risks rated as “High”. None were rated at the top risk level of “Very High”. The two risk ratings rated as “High” are as follows:

- Cyber-Enabled Fraud - Social engineering (such as phishing and/or cold calling) which could be used to obtain confidential information from employees, with a view to use that information in fraudulent behaviour (e.g. spoof emails which instruct a change to bank account details for invoice payments, account takeover and/or posing as an internal stakeholder and instructing payment to a bank account).
- Data Theft/Exploitation - Inappropriate, or unauthorised access to, misuse and/or theft of sensitive or confidential information, which could facilitate personal gain and/or identity theft. This could include personally identifiable information of GWRC employees or members of the public, payment information and/or confidential or commercially sensitive Greater

Fraud Risk Survey

As part of our information gathering we conducted a survey of the GWRC Executive Leadership Team, Department Managers and Team Leaders to understand awareness and understanding of fraud risk across the organisation.

Key insights from the survey include:

- GWRC has a culture of high trust as well as relying on the processes and controls to manage fraud risk.
- There are opportunities for GWRC to enhance fraud awareness and training - 78% of respondents said they had not received fraud awareness training when they first started at GWRC
- Suspected fraud incidents may not be consistently reported - there were some incidents in which respondents were aware of an actual and/or

suspected fraud at GWRC in the last two years, and did not report it to management, either because they thought the matter was already addressed

Appendix 3: Documents provided by GWRC

Documents provided

Recorded below are the documents provided to us, during the course of this work (by file name):

2023 FINANCIAL POLICIES HANDBOOK	2016 Policy and Procedures for Purchasing Cards (P-Card Policy)
Conflict of Interest Procedures	Asset-Management-Policy-2021-final
GW - Conflict of Interest Policy	Code-of-Conduct-2015
GW Code of Conduct	Credit-Card-Use-2014
GW - Leaving Form	Positive workplace policy - Guidelines
GW - Exit Checklist - Employee	Positive Workplace Policy
GW - Exit Checklist - Manager	Privacy Policy 2020
GW - Exit Survey	Recruitment-and-Selection-Policy-2015
GW - IT & Facilities New User Request - output	Staff-Leaving-Functions-Policy
Koha Policy 2021 Guidance	Core Training Course List 2023
Koha receipt acknowledgement	Fraud and Corruption Response Guidelines
Request for koha	Fraud Register
Protected Disclosures (Protection of Whistleblowers) Guidelines 2023	Procurement Policy
Responsibilities matrix	Sensitive Expenditure Guidance
Catchment Mgmt Flood Protection Org Chart	Sensitive Expenditure Policy
Corporate Services Group Org Chart	GW Protected Disclosures (Whistle-blowing) Guidelines
ELT Members - August 2022	GW Protected Disclosures (Whistle-blowing) Policy
Environment Mgmt Org Chart	Code of Conduct

Attachment 1 to Report 24.18

Environmental Mgmt_Esci Org Chart	Conflict of Interest Policy
Management Teams Org Chart - August 2022	Delegations Manual (30 June 2022) v0.39
Metlink Org Chart	Discipline (one page policy)
People and Customer_Org Chart	Entertainment and Hospitality Expenditure Policy
Strategy Org Chart	Koha Policy
Te Hunga Whiriwhiri Department Org Chart	Policy and Procedures for Purchasing Cards
WREMO org chart	Protected Disclosures Policy
Fraud and Corruption Policy Guidelines	Recruitment and Selection Policy
Fraud and Corruption Policy	Treasury Risk Management Policy 2021 (PwC edits August 2023)
Fraud and Corruption Response Guidelines	
Responsibilities matrix	
Information Management Policy (2)	
Information Technology Security and Appropriate Use Policy	
Procurement Manual	

Appendix 4: PwC Fraud Maturity Framework

This framework for effective fraud and corruption control has been developed based on our experience and aligns with authoritative guidance from domestic and international regulatory and standard-setting bodies, including:

1. Australian Standard for Fraud and Corruption Control (AS 8001:2021);
2. New Zealand Ministry of Justice Example of Fraud and Corruption Policy;
3. New Zealand Ministry of Justice Saying No to Bribery and Corruption – A Guide for New Zealand Businesses;
4. New Zealand Ministry of Justice Facilitation payments and New Zealand's anti-bribery laws;
5. US Department of Justice and Securities and Exchange Commission guidance;
6. COSO Enterprise Risk Management Framework;
7. OECD Good Practice Guidance on Internal Controls, Ethics, and Compliance; and
8. Commonwealth Fraud Control Framework (issued by Australian Government).

We synthesised information from the guidance into discrete requirements for an effective fraud and corruption framework. For each requirement we categorised it into either a policy/procedure or norm/practice requirement:

- A policy/procedure relates to the design of a fraud control; and
- A norm/practice relates to the operation of a fraud control.

We then categorised each requirement against our PwC Fraud Framework. Each section reflects the components of various fraud risk controls and mechanisms. This framework is set out below.

Strategy				Compliance & Assurance		
Overarching Fraud Control Framework	Tone at the Top	Risk Assessment	Oversight & Capability	Reporting & Investigation	Third Party Due Diligence	Monitoring & Auditing
The organisation's overall response to preventing, detecting and responding to fraud.	Tone of the governing body and top management.	Risk identification, analysis and evaluation.	Professionals with relevant skills and qualifications.	The process for investigating fraud once it is reported, recording and reporting it onwards to upper management or external parties.	Due diligence and vetting on third parties.	Reviewing PPC.
Operations & Management						
Policies & Procedures	Training & Awareness	Tone in the Middle	Incentives & Discipline	Staff Vetting	Avenues for Disclosure	
Policies and procedures which are documented.	Ensuring staff are aware of fraud risks and the PPCs addressing them, through training and communication.	Tone of middle management / line managers and any other staff who are not top management.	Targets and discipline for fraud.	Screening staff.	The avenues and processes for reporting fraud in the first instance.	

Attachment 1 to Report 24.18

For each requirement we assessed whether GWRC had the relevant policies/procedures or norms/practices identified in the requirement. We evaluated each requirement as a Yes, Partial or No and scored each response accordingly:

- Yes: all criteria for the requirement are met.
- Partial: some, but not all areas of the requirement are met.
- No: no criteria for the requirement is met.
- N/A: the requirement is not applicable to GWRC.

To calculate the maturity score for each category, we added together the score of each requirement in that category. We took the total score as a percentage of the total possible score for that category. If a requirement was evaluated as N/A, it was not included in the calculation. Each PwC Fraud Risk category is weighted according to its significance by assessing how many requirements fall within the authoritative guidance.

We balanced then each category by applying to each category score a further weighting based on our professional assessment and experience of the significance of each category to the overall fraud maturity framework (i.e. Policies and Procedures being somewhat more important than Incentives & Discipline, etc.).

The overall maturity score took the total score for every requirement as a percentage of the total possible score.

We then categorised the maturity score into a low, medium or high maturity rating:

- **Low** (0 - 39% maturity score): Policies and/or procedures do not exist, or critical elements are missing and action should be prioritised.
- **Medium** (40 - 74% maturity score): Policies and/or procedures exist but with some remedial action required, to be aligned with best practice.
- **High** (75 - 100% maturity score): Policies and/or procedures exist, which are largely aligned with best practice. Any improvements will continue to enhance the effectiveness of existing prevention, detection and response elements already in place.

Thank you

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Finance, Risk and Assurance Committee
13 February 2024
Report 24.41



For Information

TREASURY RISK MANAGEMENT POLICY - DRAFT

Te take mō te pūrongo

Purpose

1. To inform Finance Risk and Assurance Committee (the Committee) about the updated Treasury Risk Management Policy (Draft).

Te tāhū kōrero

Background

2. The Treasury Risk Management Policy is required to be reviewed every three years.
3. The purpose of the policy (also includes Liability Management and Investment Policies) is to provide guidance and directions for the management of Greater Wellingtons Treasury function such as:
 - a. Borrowing, investments, interest risk management and incidental financial arrangements.
 - b. Communications and reporting requirements.
 - c. Delegated authorities.
4. The Policy has been reviewed with PricewaterhouseCoopers (PwC) guidance and organisational changes have been reflected.

Te tātaritanga

Analysis

5. Key changes were made to the Policy as a result of the review. ([Attachment 1](#))

Finance and Risk Group

6. In late 2023, the Corporate Services Group which encompassed the Finance team was restructured resulting in the formation of the Finance and Risk Group. The Policy now reflects these changes and the delegations.
7. The Finance and Risk Group is now Managed by the Group Manager Finance and Risk superseding the Chief Financial Officer position which is no longer included in the Policy.
8. A new position of Head of Finance has been established, who has been given delegated authority between the Financial Controller and the Group Manager Finance and Risk.
9. The previous role of Treasurer is now Manager Treasury.

10. All tables in the Policy that show delegated authorities have been updated to reflect the new structure and roles.

Inclusion of surplus revenue

11. Council may generate operating surpluses due to factors such as the sale of Council assets or increased rateable units throughout a financial year etc. The surplus varies from year to year and is not easily forecasted, however, council uses the revenue consistently to reduce future impacts to ratepayers.
12. Targeted rates may incur a surplus for the same reasons a general rate would, however the use of this surplus is restricted to being utilised for the activity in which that targeted rate was collecting for.
13. The Policy now stipulates that the actual general rates operating surplus is to be allocated to the general rates reserve account for the purpose of reducing future general rates. The targeted rates surplus may be used for reducing the impact to those targeted ratepayers for the same activity or increasing reserves required for the activity. (Refer to page 19 of the Policy).

Carbon Credits

14. The Policy now includes a section on the use of carbon credits and the repayment of the Low Carbon Acceleration Fund (LCAF). (Refer to page 19 of the Policy).
15. Carbon Credits have now been added to the list of investment instruments.

Wellington Regional Council Holdings (WRC Holdings)

16. Specific attention has been included to allow the Group Manager, Finance and Risk the authority to approve the interest rate strategy of WRC Holdings. (Refer to page 24 of the Policy).

Transaction amounts

17. The daily transaction amounts were reviewed to reflect the increasing size of the organisation’s financial operations. The new limits are more fit-for-purpose to allow continuous operations. The new daily limits are as follows (Refer to page 12 of the Policy):

Activity	Delegated Authority	Previous	NEW
Setting maximum daily transaction amount (borrowing, investing, foreign exchange, interest rate risk management and cash management) excluding roll-overs on debt facilities	The Council	Unlimited	Unlimited
	CEO (delegated by Council)	\$75 million	\$150 million
	Group Manager, Finance and Risk (delegated by Council)	\$50 million	\$100 million
	Manager Treasury (delegated by Council)	\$30 million	\$75 million

Reporting

18. The reporting section has been updated to include a monthly Counterparty Credit Compliance report. This report informs the Group Manager, Finance and Risk about our financial exposure to approved banks.

Other Changes

19. Other changes to the policy are minor which include updated information, formatting, improved readability.

Ngā hua ahumoni

Financial implications

20. The information in this report does not have financial implications, however the Policy plays a significant role in managing and securing Greater Wellington's financial position ensuring the Council has the ability to deliver future services in our region.

Ngā Take e hāngai ana te iwi Māori

Implications for Māori

21. There are no known implications for Māori.

Te huritao ki te huringa o te āhuarangi

Consideration of climate change

22. The management of investments such as the LCAF are essential to Greater Wellington's carbon reduction plan. This Policy provides guidance on the debt management and repayment of the LCAF ensuing the ongoing acceleration of decarbonisation and restoration activities.

Ngā tūāoma e whai ake nei

Next steps

23. The policy will be presented to Council on 11 April 2024 for approval.

**Ngā āpitihanga
Attachment**

Number	Title
1	Treasury Risk Management Policy - DRAFT

**Ngā kaiwaitohu
Signatories**

Writers	Kyn Drake – Kaitohutohu Matua Principal Finance Policy Advisor Matthias Zuschlag – Kaitohutohu Matua Principal Advisor Treasury
Approver	Alison Trustrum-Rainey – Kaiwhakahaere Matua, Pūtea me ngā Tūraru Group Manager Finance and Risk

<p style="text-align: center;">He whakarāpopoto i ngā huritaonga Summary of considerations</p>
<p><i>Fit with Council’s roles or with Committee’s terms of reference</i></p> <p>This Policy is part of the Committee’s specific responsibilities, 2.3(a) <i>Financial management policies and frameworks for, and the robustness of, the organisation’s financial performance</i></p>
<p><i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i></p> <p>The Treasury Policy outlines the guidance and processes for the organisation and staff with delegated authorities to appropriately manage Greater Wellington treasury to ensure ongoing prudent management of debt and investments as part of the Annual Plan and LTP.</p>
<p><i>Internal consultation</i></p> <p>There was no internal consultation.</p>
<p><i>Risks and impacts - legal / health and safety etc.</i></p> <p>There are no known risks or impacts with this report.</p>

Kaupapahere Whakahaere Tūraru Rawa – Treasury Risk Management Policy (2024) (Incl. Liability Management and Investment Policies)

Purpose	To outline the approved policies and procedures in respect of all treasury activity to be undertaken by the Wellington Regional Council (the Council). The formalisation of such policies and procedures will enable the prudent management of treasury risks within Council.
Vision	All external borrowing, investments and incidental financial arrangements will fully comply with legislative requirements, while returning benefits to the organisation and its ratepayers.
Rationale	<p>The Council recognises that, as a responsible public authority, any investments that it holds have risk and returns.</p> <p>The Council is currently a net borrower of funds and will generally apply surplus funds to debt repayment and, wherever possible, internally borrow from reserve funds to meet future capital expenditure. This policy mitigates risks associated with this form of fund management.</p> <p>Greater Wellington is accountable for the use of public money; therefore, the highest standards of probity and financial prudence are expected that will enable the Council to withstand public scrutiny.</p>
Policy Owner	Owned by Group Manager, Finance and Risk
Responsibilities	<ul style="list-style-type: none"> - Group Manager, Finance and Risk - Head of Finance - Manager Treasury
Application	The policy will be distributed to all personnel involved in any aspect of the Council's financial management. In this respect, all staff should be completely familiar with their responsibilities under this policy at all times.
Related Policy and Legislation	<p>Local Government (Financial Reporting and Prudence) Regulations 2014, in particular Schedule 4.</p> <p>Local Government Act 2002, in particular Part 6 including sections 101,102, 104, 105, 112 and 116.</p> <p>Trust Act 2019 Part II Investments.</p> <p>Greater Wellington Financial Policy Handbook</p>
Effective Date	The first working day following the date of approval by
Review Date	<p>Before 30 June 2027</p> <p>As circumstances change, the policies and procedures outlined in this policy will be modified to ensure that treasury risks within the Council continue to be well managed. In addition, regular reviews (section 9) will be conducted to test the existing policy against the following criteria:</p> <ul style="list-style-type: none"> • Industry “best practices” for a council the size and type of the Wellington Regional Council.

	<ul style="list-style-type: none"> • The Council’s risk-bearing ability and tolerance levels. • Effectiveness and efficiency of the Treasury Risk Management Policy and treasury management function in recognising, measuring, controlling, managing and reporting on the Council’s financial exposures. • Robustness of the policy’s risk control limits and risk spreading mechanisms against normal and abnormal interest rate market movements and conditions. • The extent to which the policy assists the Council in achieving strategic objectives relating to ratepayers.
<p>Purpose and Principles</p>	<ul style="list-style-type: none"> • All borrowing, investments and incidental financial arrangements (e.g. use of interest rate hedging financial instruments) will meet requirements of the Local Government Act 2002 and incorporate the Liability Management Policy and Investment Policy. • All projected borrowings will be approved by the Council as part its Annual Plan. • All legal documentation in respect to borrowing and financial instruments will be approved by the Council’s solicitors. • The Council will not enter into any borrowings denominated in a foreign currency. • The Council will not transact with any Council Controlled Trading Organisation (CCTO) on terms more favourable than those which the Council would achieve without pledging rates revenue. • A resolution of the Council will not be required for hire purchase, credit or deferred purchase of goods if: <ul style="list-style-type: none"> - the period of indebtedness is less than 91 days (including rollovers); or - the goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding in aggregate, an amount determined by resolution of the Council.
<p>Policy Statement</p>	<p>To enable treasury risks within the Council to be prudently managed.</p>
<p>Guidelines</p>	<p>This document identifies the policy and procedures of the Council in respect of treasury management activities.</p> <p>The policy has not been prepared to cover other aspects of the Council’s operations, particularly transactional banking management, systems of internal control and financial management. Other policies and procedures of the Council cover these matters. Planning tools and mechanisms are also outside of the scope of this policy.</p>

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Kaupapahere Whakahaere Tūraru Rawa - Treasury Risk Management Policy *(Including Liability Management and Investment Policies)*

SECTION ONE

Policy Objectives

1. Statutory objectives

- 1.1. All external borrowing, investments and incidental financial arrangements (e.g. use of interest rate hedging financial instruments) will meet requirements of the Local Government Act 2002 and incorporate the Liability Management Policy and Investment Policy. GWRC is governed by the following relevant legislation:
 - 1.1.1. Local Government Act 2002, in particular Part 6 including sections 101, 102, 104, 105, 112 and 116.
 - 1.1.2. Local Government (Financial Reporting and Prudence) Regulations 2014, in particular Schedule 4.
 - 1.1.3. Trust Act 2019. When acting as a trustee or investing money on behalf of others, the Trust Act highlights that trustees have a duty to invest prudently and that they shall exercise care, diligence and skill that a prudent person of business would exercise in managing the affairs of others. Details of relevant sections can be found in the Trust Act 2019 Part II Investments.
 - 1.1.4. All projected external borrowings are to be approved by Council as part of the Annual Plan or the Long-Term Plan (LTP) process, or resolution of Council before the borrowing is affected.
 - 1.1.5. All legal documentation in respect to external borrowing and financial instruments will be approved by Council's solicitors prior to the transaction being executed.
 - 1.1.6. Council will not enter into any borrowings denominated in a foreign currency.
 - 1.1.7. Council will not transact with any Council Controlled Trading Organisation (CCTO) on terms more favourable than those achievable by Council itself.
 - 1.1.8. A resolution of Council is not required for hire purchase, credit or deferred purchase of goods if:
 - The period of indebtedness is less than 91 days (including rollovers); or
 - The goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding in aggregate, an amount determined by resolution of Council.

2. General objectives

- 2.1. The objective of this Treasury Risk Management Policy is to control and manage costs and investment returns that can influence operational budgets and public equity and set debt levels. Specific objectives are as follows:
 - 2.1.1. Proactively manage the Council's costs and risks in the management of its borrowings and its return on investments.
 - 2.1.2. Proactively manage the Council's exposure to adverse interest rate movements.
 - 2.1.3. Monitor, evaluate and report on treasury performance.

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- 2.1.4. Borrow funds and transact risk management instruments within an environment of control and compliance under the Council-approved Treasury Risk Management Policy so as to protect the Council's financial assets and costs.
- 2.1.5. Arrange and structure appropriate funding for the Council at the lowest achievable interest margin from debt lenders. Optimise flexibility and spread of debt maturity within the funding risk limits established by this policy statement.
- 2.1.6. Monitor and report on financing/borrowing covenants and ratios under the obligations of the Council's lending/security arrangements.
- 2.1.7. Comply with financial ratios and limits stated within this policy.
- 2.1.8. Maintain a long-term S&P Global credit rating at AA- or better.
- 2.1.9. Monitor the Council's return on investments in CCTOs, property and other shareholdings.
- 2.1.10. Ensure management, relevant staff and, where appropriate, the Council are kept abreast of latest treasury products, methodologies, and accounting treatments through training and in-house presentations.
- 2.1.11. Maintain liquidity levels and manage cash flows within the Council to meet known and reasonable unforeseen funding requirements.
- 2.1.12. Proactively manage counterparty credit risk.
- 2.1.13. Adhere to all statutory requirements of a financial nature.
- 2.1.14. Provide adequate internal controls to protect the Council's financial assets and to prevent unauthorised transactions.
- 2.1.15. Develop and maintain relationships with financial institutions, LGFA, credit rating agencies, investors and investment counterparties.
- 2.1.16. Manage foreign exchange risk associated with capital expenditure and goods and services on imported items as outlined in section 5(14) of this policy.
- 2.1.17. Keep Council abreast of macro-economic trends.

Policy Exclusion

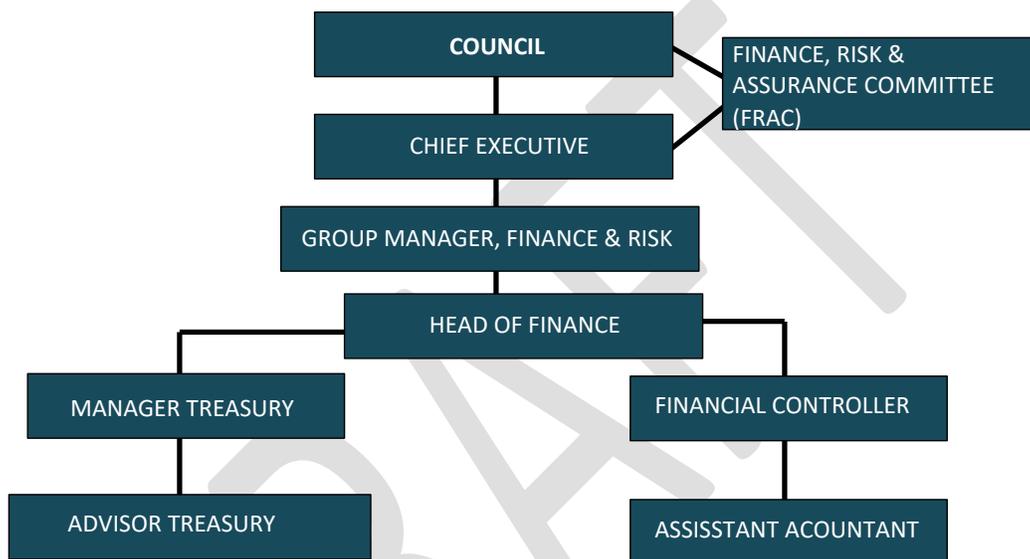
- 3.** This policy includes Welling Regional Council Holdings (WRC) and its subsidiaries, but excludes CentrePort Ltd.

SECTION TWO

Management Responsibilities

1. Overview of management structure

1.1 All of the Council’s treasury management activities are undertaken by the Treasury Management Department. The following diagram illustrates those individuals and bodies who have treasury responsibilities. Authority levels, reporting lines and treasury duties and responsibilities are outlined in this section.



2. Council

2.1 The Council has ultimate responsibility for ensuring that there is an effective policy for the management of its risks. In this respect the Council decides the level and nature of risks that are acceptable.

2.2 The Council is responsible for approving this Treasury Risk Management Policy and any changes required from time to time. While the policy can be reviewed and changes recommended by other persons, the authority to make or change policy cannot be delegated.

2.3 In this respect, the Council has responsibility for:

- a) Approving the long-term financial position of the Council through the 10-year Long-Term Plan (LTP) and the Annual Plan.
- b) Approving new debt/funding via resolution of the Annual Plan.
- c) Approving the Treasury Risk Management Policy, incorporating the following delegated authorities:
 - borrowing, investing and dealing limits and the respective authority levels delegated to the Chief Executive Officer (CEO), Group Manager, Finance and Risk and Head of Finance.

- counterparties and credit limits
 - risk management methodologies and benchmarks
 - guidelines for the use of financial instruments.
- d) Approving budgets and high-level performance reporting.
 - e) Delegating authority to the Group Manager, Finance and Risk and Head of Finance.
 - f) Reviewing and approving the Treasury Risk Management Policy every three years.

2.4 The Council will also ensure that:

- a) It receives appropriate information from management on risk exposure and financial instrument usage in a form that is understood.
- b) Issues raised by auditors (both internal and external) in respect of any significant weaknesses in the treasury function are resolved immediately.
- c) Approval will be gained by the Group Manager, Finance and Risk for any transactions falling outside policy guidelines.

3. Finance, Risk and Assurance Committee

3.1 Finance, Risk and Assurance Committee has the following responsibilities:

- a) Recommending the Treasury Risk Management Policy (or changes to existing policy) to the Council.
- b) Receiving recommendations from the CEO and Group Manager, Finance and Risk and making submissions to the Council on all treasury matters requiring Council approval.
- c) Recommending performance measurement criteria for all treasury activity.
- d) Monitoring six-monthly performance against benchmarks.

3.2 Finance, Risk and Assurance Committee will:

- a) Oversee the implementation of the Council's treasury management strategies and monitor and review the effective management of the treasury function.
- b) Ensure that the information presented to the Council is timely, accurate and identifies the relevant issues and is represented in a clear and succinct report.
- c) Discuss treasury matters on a six-monthly basis (and informally as required).

4. Chief Executive Officer (CEO)

4.1 While the Council has final responsibility for the policy governing the management of the Council's risks, it delegates overall responsibility for the day-to-day management of such risks to the CEO. The Council formally delegates to the CEO the following responsibilities:

- a) Ensuring the Council's policies comply with existing and new legislation.
- b) Approving the register of cheque and electronic banking signatories.
- c) Approving new counterparties and counterparty limits as defined within section 5(11) of this policy and recommended by the Group Manager, Finance and Risk.
- d) Approving the opening and closing of bank accounts.

- e) To sign Debenture Stock and Security Stock certificates in relation to the Council's Debenture Trust Deed, in compliance with sections 112 and 118 of the Local Government Act 2002.

5. Group Manager, Finance and Risk

5.1 The CEO formally delegates the following responsibilities to the Group Manager, Finance and Risk:

- a) Management responsibility for borrowing and investment activities.
- b) Recommending policy changes to Finance, Risk and Assurance Committee for evaluation.
- c) Ongoing risk assessment of borrowing and investment activity, including procedures and controls.
- d) Approving new borrowing undertaken in line with Council resolution and approved borrowing strategy.
- e) Approving re-financing of existing debt.
- f) Approving treasury transactions in accordance with policy parameters outside of the Manager Treasury's delegated authority.
- g) Authorising the use of approved financial market risk management instruments within discretionary authority.
- h) Recommending authorised signatories and delegated authorities in respect of all treasury dealing and banking activities.
- i) Recommending changes to credit counterparties.
- j) Proposing new funding requirements falling outside the Annual Plan and Long-Term Plan (LTP) to Finance, Risk and Assurance Committee for consideration and submission to the Council.
- k) Reviewing and making recommendations on all aspects of the Treasury Risk Management Policy to Finance, Risk and Assurance, including dealing limits, approved instruments, counterparties, working capital policies and general guidelines for the use of financial instruments.
- l) Conducting a triennial review of the Treasury Risk Management Policy, treasury procedures and all dealing and counterparty limits.
- m) Receiving advice of breaches of Treasury Risk Management Policy and significant treasury events from the Financial Controller.
- n) Managing the long-term financial position of the Council in accordance with the Council's requirements.
- o) Ensuring that all borrowing and financing covenants to lenders are adhered to.
- p) Ensuring management procedures and policies are implemented in accordance with this Treasury Risk Management Policy.
- q) Ensuring all financial instruments are valued and accounted for correctly in accordance with current best practice standards.

- r) Monitoring and reviewing the performance of the treasury function in terms of achieving the objectives of proactively managing and stabilising funding costs and investment returns year-to-year.
- s) Managing the organisations exposure and statutory requirements in relation to the holding, acquiring or disposing of Carbon Credits.

6. Manager Treasury

6.1 The Manager Treasury runs the day-to-day activities of the Council's Treasury Management Department. The Manager Treasury has the following responsibilities (which may be delegated to the Advisor Treasury):

- a) Overseeing and managing relationships with financial institutions including the Local Government Funding Agency (LGFA).
- b) Approving treasury transactions in accordance with policy parameters within delegated authority.
- c) Negotiating borrowing facilities.
- d) Authorising interest rate hedge transactions (swaps, forward rate agreements (FRAs) and options) with bank counterparties to change the fixed: floating mix to re-profile the Council's interest rate risk on either debt or investments.
- e) Making decisions and authorisations to raise and lower fixed rate %age of net debt or investment position within interest rate policy risk control limits.
- f) Designing, analysing, evaluating, testing and implementing risk management strategies to position the Council's net interest rate risk profile to be protected against adverse market movements within the approved policy limits.
- g) Monitoring credit ratings of approved counterparties.
- h) Co-ordinating annual reviews with S&P Global credit rating agency.
- i) Investigating financing alternatives to proactively manage borrowing costs, margins and interest rates, making recommendations to Finance, Risk and Assurance Committee as appropriate.
- j) Negotiating bank funding facilities and managing bank and other financial institution relationships.
- k) Executing treasury transactions in accordance with set limits.
- l) Entering into FX transactions to cover foreign currency liabilities.
- m) Entering into FX hedging transactions in accordance with the section in this policy on Foreign Exchange risk.
- n) Monitoring treasury exposure on a regular basis, including current and forecast cash position, investment portfolio, interest rate exposures and borrowings.
- o) Providing written evidence of executed deals on an agreed form immediately to the Head of Finance.
- p) Co-ordinating the compilation of cash flow forecasts and cash management.
- q) Managing the operation of all bank accounts including arranging group offsets, automatic sweeps, and other account features.

- r) Handling all administrative aspects of bank counterparty agreements and documentation such as loan agreements and International Swap Dealer's Association (ISDA) swap documents.
- s) Preparing treasury reports.
- t) Monitoring all treasury exposures monthly.
- u) Forecasting future cash requirements.
- v) Providing regular short-term and long-term cash flow and debt projections to the Group Manager, Finance and Risk.
- w) Completing deal tickets for treasury transactions.
- x) Updating treasury system/spreadsheets for all new, re-negotiated and maturing transactions.
- y) Updating credit standing of approved counterparty credit list on a quarterly basis.

7. Head of Finance

7.1 The Group Manager, Finance and Risk formally delegates the following responsibilities to the Head of Finance, who in turn may delegate these to the Financial Controller.

- a) Checking all treasury deal confirmations against deal documentation and reporting any irregularities immediately to the Group Manager, Finance and Risk.
- b) Ensuring delegated authorities are always up to date and advise counter parties of changes, and ensure they are checked at least every six months and refreshed with the banks annually.
- c) Reconciling monthly summaries of outstanding financial contracts from banking counterparties to internal records.
- d) Reviewing and approving borrowing and investment system/spreadsheet reconciliations to the general ledger.
- e) Accounting for all treasury transactions in accordance with legislation and generally accepted accounting principles and the Council's accounting policy.
- f) Checking compliance against limits and preparing reports on an exceptions basis.
- g) Approving all amendments to the Council's records arising from checks to counterparty confirmations.
- h) Creating batches for borrowing and investment settlements and arranging for approval by authorised signatories.

8. Delegation of Authority and Authority Limits

8.1 Treasury transactions entered into by the Council without the proper authority are difficult to cancel given the legal doctrine of 'apparent authority'. Insufficient authority for a given bank account or facility may prevent the execution of certain transactions (or at least cause unnecessary delays). Therefore, the following procedures will apply:

- i. All delegated authorities and signatories will be reviewed at least every six months to ensure that they are still appropriate and current.

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- II. A comprehensive letter will be sent to all bank counterparties, at least every year, detailing all relevant current delegated authorities of the Council and contracted personnel empowered to bind the Council.
- III. Whenever a person with delegated authority on any account or facility leaves the Council, all relevant banks and other counterparties will be advised in writing on the same day to ensure that no unauthorised instructions are to be accepted from such persons.
- IV. Treasury management responsibilities are retained by Council or delegated, as set out in the following table:

Activity	Delegated Authority	Limit
Approving and changing policy	The Council	Unlimited
Borrowing new debt (excludes prefunding of existing debt, which is re-financing)	The Council CEO (delegated by Council, to implement the Annual Plan) Group Manager, Finance and Risk (delegated by Council, to implement the Annual Plan)	Unlimited (subject to legislative and other regulatory limitations) Subject to Council Resolution and policy, as contained in and approved when the Annual Plan is adopted.
Signing Stock/Debenture Issuance Certificate or any amendments to the DTD as provided for in the Debenture Trust Deed (DTD).	CEO	As per the Annual Council Plan to meet lenders requirements
Acquiring and disposing of investments other than financial investments	The Council	Unlimited
Approving charging assets as security over borrowing	The Council	Subject to terms of the Debenture Trust Deed
Approving new lending activity with CCO/CCTOs	The Council, or as specifically delegated to the Group Manager, Finance and Risk	Unlimited
Approving of Council guarantees or uncalled capital relating to CentrePort or CCO/CCTO indebtedness.	The Council	Unlimited (subject to legislative and other regulatory limitations)
Approve LGFA membership for CCO/CCTOs	The Council	Unlimited
Re-financing existing debt	CEO (delegated by Council) Group Manager, Finance and Risk (delegated by Council) Manager Treasury (delegated by Council)	Subject to policy
Approving transactions outside policy	The Council	Unlimited

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Activity	Delegated Authority	Limit
Acquiring and disposing of Carbon Credits	Group Manager, Finance and Risk	\$5m per transaction
Adjusting net debt or net investment interest rate risk profile	Manager Treasury	Per risk control limits
Managing investments and funding maturities in accordance with Council approved facilities	Manager Treasury	Per risk control limits
Setting maximum daily transaction amount (borrowing, investing, foreign exchange, interest rate risk management and cash management) excluding roll-overs on debt facilities	The Council CEO (delegated by Council) Group Manager, Finance and Risk (delegated by Council) Manager Treasury (delegated by Council)	Unlimited \$150 million \$100 million \$75 million
Authorising lists of bank signatories	CEO	Unlimited
Opening/closing bank accounts	CEO/ Group Manager, Finance and Risk	Unlimited
Reviewing the Treasury Management Policy every three years	Finance, Risk and Assurance Committee	N/A
Ensuring compliance with Policy	Group Manager, Finance and Risk	N/A
Negotiation and ongoing management of lending arrangements to CCO /CCTOs	Group Manager, Finance and Risk / Manager Treasury	Per approval / per risk control limits
Signing of LGFA new Debt confirmations	Group Manager, Finance and Risk / Head of Finance	N/A
Signing of derivative confirmations	Group Manager, Finance and Risk / Head of Finance	N/A

SECTION THREE

Liability Management Policy

1. Liability management

1.1 The Council's liabilities comprise borrowings and various other liabilities. The Council's Liability Management Policy focuses on borrowings as this is the most significant component and exposes the Council to the most significant risks. Other liabilities are generally non-interest bearing. Cash flows associated with other liabilities are incorporated in cash flow forecasts for liquidity management purposes and determining future borrowing requirements.

1.2 The Council's ability to readily attract cost-effective borrowing is largely driven by its ability to rate, maintain a strong credit rating, and manage its relationships with its investors and financial institutions.

2. New Zealand Local Government Funding Agency (LGFA)

2.1 Despite anything earlier in this Policy, the Council may borrow from the LGFA and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

- a) contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA;
- b) provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself;
- c) commit to contributing additional equity (or subordinated debt) to the LGFA if required;
- d) subscribe for shares and uncalled capital in the LGFA; and
- e) secure its borrowing from the LGFA, and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue.

3. Debt Ratios and Limits - new page

3.1 Debt will be managed within limits in the following table, that are consistent with those used by the LGFA.

Ratios (as 1 July 2024) *	
Net interest / Total revenue *	< 20%
Net debt / Total Revenue *	1 July 2024 < 285%
	From 1 July 2025 < 280%
Net interest / Annual rates and levies (debt secured under debenture) *	< 30%
Liquidity (external debt + available committed loan facilities + liquid investments to total external debt) *	> 110%

* Or as amended by the LGFA from time to time.

3.2 Revenue is defined as earnings from rates, grants and subsidies, user charges, interest, dividends, financial and other revenue.

- 3.3 Revenue excludes non-government capital contributions (e.g., vested assets)
- 3.4 Net debt is defined as total external debt less liquid financial assets and investments.
- 3.5 Liquid financial investments are financial assets defined as being:
- a) Overnight bank cash deposits
 - b) Wholesale/retail bank term deposits no greater than 92 days
 - c) Bank issued RCD's less than 181 days
 - d) Allowable fixed income bonds as per approved investment instruments (applying 85% of face value)
- 3.6 External debt funding and associated investment activity relating to LGFA prefunding (e.g., maturing LGFA bonds) is excluded from the liquidity ratio calculation. For internal covenant purposes Disaster recovery/Contingency funds shall not be used as liquid investments in the Liquidity calculation as they are not intended to be used for everyday liquidity purposes.
- 3.7 Debt will be repaid as it falls due in accordance with the applicable loan agreement. Subject to the debt limits, a loan may be rolled over or re-negotiated as and when appropriate.
- 3.8 Financial covenants are measured on Council only (parent) not consolidated group. Council can choose to use either methodology (group or parent) as allowed by the LGFA at the discretion of the Manager Treasury to provide the best outcome for Council. If group methodology is used, it will be reported through to the Finance, Risk and Assurance Committee.
- 3.9 Disaster recovery requirements will be met through Liquid Financial Deposits, Money Market Investments, undrawn credit lines and contingency reserves.

4. Security and Charges

- 4.1 The Council borrows funds and grants security to its lenders via a Debenture Trust Deed (DTD). The DTD gives the lenders a charge or security over the Council's rates and rates revenue. A DTD was entered into during 2011 as part of the Council's initiative and requirements to borrow funds from the LGFA.
- 4.2 Trustee Executors has been appointed to act as Trustee under the DTD for the benefit of the lenders, or stockholders.
- 4.3 From time to time, with prior Council approval, security may be offered by providing a security interest in one or more of the Council's assets other than its rates and rates revenue. Security interest in physical assets will only be granted when:
- a) there is a direct relationship between a debt and the purchase or construction of the secured assets which it funds (e.g. through a finance lease, or some form of project finance).
 - b) the Council considers a security interest or security in the physical assets to be appropriate.
- 4.4 In addition, the Council may grant security interests in physical assets where those security interests are leases or retention of the arrangements which arise under the terms of any lease or sale and purchase agreement.

5. Borrowing Mechanisms

- 5.1 The Council will borrow through a variety of market mechanisms including but not limited to:
- Commercial paper (CP)

- Fixed rate bonds and floating rate notes (FRNs)
- Direct bank borrowing or loans from wholesale private placement investors
- Short and long-term capital markets directly
- Internal reserves and special funds.

5.2 In evaluating strategies for new borrowing (in relation to source, term, size and pricing) the following will be taken into account with a view to maintaining an appropriate balance across the portfolio:

- a) Available terms from banks and capital markets.
- b) The Council's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time.
- c) Prevailing interest rates and margins relative to term for debt issuance, capital markets and bank borrowing.
- d) The market's outlook on future credit margin and interest rate movements.
- e) The Council's outlook on future credit margin and interest rate movements.
- f) Legal documentation and financial covenants, together with credit rating considerations.
- g) Whether retail or wholesale debt issue.

SECTION FOUR

Investment Policy and Limits

1. General Policy

1.1 The Council is currently a net borrower of funds and will generally apply surplus funds to debt repayment and, wherever possible, internally borrow from reserve funds to meet future capital expenditure. The Council may invest liquid funds externally for the following reasons:

- a) Strategic purposes consistent with the Council's LTP.
- b) Holding short term liquid investments for general working capital requirements or any other cash management objective.
- c) Holding investments that are necessary to carry out the Council operations consistent with annual plans.
- d) Holding investments for self-insured infrastructural assets and contingency reserves.
- e) To meet liquidity requirements of S&P Global in terms of their credit assessment criteria.

1.2 The Council recognises that, as a responsible public authority, any investments that it holds should be low risk. It also recognises that lower risk generally means lower returns. The investments tabled in section five are considered low risk.

1.3 Any investments considered by officers considered to be greater than a 'low' risk must be discussed and approved by Council, specifically acknowledging the level of risk.

1.4 In its financial investment activity, the Council's primary objective when investing is the protection of its investment. Accordingly, only credit-worthy counterparties are acceptable.

2. Investment Mix

2.1 The Council maintains investments in the following assets from time to time:

- Equity investments, including CCOs/CCTOs and other shareholdings
- Property investments incorporating land, buildings
- Financial investments incorporating longer term and liquidity investments.

3. Equity Investments

3.1 The Council's current equity investments are held in WRC Holdings Limited (100%):

- WRC Holdings Limited owns the following companies:
 - 76.9% (10/13) of CentrePort Ltd (CentrePort)
 - Greater Wellington Rail Ltd (GWRL)

3.2 CentrePort was established under the Port Companies Act 1998 and GWRL is a CCO.

4. Council Controlled Organisations (CCOs) and Council Controlled Trading Organisations (CCTOs)

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4.1 The Council is responsible for the appointment of the board of directors for the Council's CCOs and CCTOs. Any asset additions or disposals of note are approved by directors, unless they are significant, as defined by the companies' constitutions, at which point shareholder approval is required.

4.2 The objectives of the Council's CCOs and CCTOs are to:

- a) Separate the Council's investments and commercial assets from its public good assets.
- b) Impose a commercial discipline.
- c) Appropriate separation of management and governance.

4.3 The Council manages risk associated with CCOs and CCTOs by:

- a) Appointing suitably qualified external directors
- b) Receiving regular reports from directors
- c) Using external advisors when required
- d) Providing input into the statements of corporate intent and constitutions of the CCOs and CCTOs.

5. New Zealand Local Government Funding Agency Limited Investment

5.1 Despite anything earlier in this Policy, the Council may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Limited (LGFA) and may borrow to fund that investment.

5.2 The Council's objective in making any such investment will be to:

- a) obtain a return on the investment; and
- b) ensure that the LGFA has sufficient capital to become and remain viable, meaning that it continues as a source of debt funding for the Council.

5.3 Because of this dual objective, the Council may invest in LGFA shares in circumstances in which the return on that investment is potentially lower than the return it could achieve with alternative investments.

5.4 If required in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA.

6. Other Investments

6.1 The Council's other investments are:

- CentrePort
- Forestry Investments
- Wellington Regional Stadium Trust advances
- Liquid financial investments
- Contingency funds
- Carbon credits

7. CentrePort

7.1 The Council, through WRC Holdings Ltd owns 76.9% (10/13) of CentrePort. CentrePort operates under the Port Companies Act 1988. It is not a CCTO under the Local Government Act 2002.

7.2 WRC Holdings Limited, along with the other shareholder in CentrePort, is responsible for appointing the CentrePort Board of Directors who, in turn, are responsible for the operation of the company. Any major transactions, as defined in the company's constitution or the Companies Act 1993, require the approval of the shareholders. WRC Holdings Limited, as a shareholder, has input into CentrePort's statement of corporate intent and constitution and receives regular reports and briefings.

7.3 The Council manages risk associated with CentrePort by:

- a) Appointing suitably qualified external directors.
- b) Appointing of the Council's Group Manager, Finance and Risk as reporting officer for the Council in respect of CentrePort.
- c) The Council receiving formal briefings and reports twice a year.
- d) The Group Manager, Finance and Risk receiving quarterly briefings and monthly reports.
- e) Providing input into CentrePort's Statement of Corporate Intent.

8. Forestry Investments

8.1 The Council has investments in forestry which are managed on a commercial basis, but also minimise soil erosion and water sedimentation (for land which is held for water catchment purposes).

Note: The Council sold its cutting rights to its forestry investments for a period of up to 60 years, concluding in 2073/74.

9. Wellington Regional Stadium Trust Advances

9.1 The Council has lent \$25 million to the Wellington Regional Stadium Trust and is proposing to lender further sums. The \$25 million advance is interest free with limited rights of recourse. The Council will continue to hold the advance until repayment. It receives regular reports from the Stadium Trust on the Trust's performance. The Council and Wellington City Council, as the settlors of the Trust, appoint the trustees to the Stadium Trust.

9.2 The Council has provided a \$4.2 million shared credit facility with Wellington City Council. The facility is fully drawn, interest bearing at 3% and due for repayment on 07 December 2030.

10. Liquid Financial Investments

10.1 The Council's primary objective when investing is the protection of its investment capital and the maximisation of its returns. Accordingly, only creditworthy counterparties are acceptable. Creditworthy counterparties and investment restrictions are covered in section 5 (11) of this policy. Credit ratings are monitored on a regular basis by the Manager Treasury.

10.2 For the foreseeable future, the Council will be in a net borrowing position and liquid investment funds will be prudently invested as follows:

- a) Any liquid investments will be restricted to a term that meets future cash flow and capital expenditure projections.
- b) Interest income from financial investments will be credited to general funds.
- c) Internal borrowing will be used wherever possible to avoid external borrowing.

10.3 The Council may invest in acceptable liquid debt instruments and make interest rate duration positions using investor swaps. This will further meet the Council's objectives of investing in high credit quality and highly liquid assets, yet allow for optimal interest rate decisions.

10.4 The Council’s external investment interest rate profile will be managed within the parameters outlined in section 5 (6) of this policy.

11. Contingency Funds

11.1 The Council currently has monies set aside in liquid funds that may be used when an event occurs such that the funds are required by the business.

11.2 From time to time the Council may set aside funds for such contingency purposes, which will be held in a readily available form.

12. Special Funds and Reserve Funds

12.1 Liquid assets will not be required to be held against special funds and reserve funds. Instead, the Council will internally utilise or borrow these funds wherever possible.

12.2 If interest is accrued from these funds, they will be credited to the particular fund.

13. Carbon Credits and Low Carbon Acceleration Fund

13.1 Approved projects will be funded by internal loans. Both principal and interest charges will be repaid by selling Carbon Credits (LCAF NZUs).

13.2 Internal loans must be repaid within 10 years from the date the internal loan becomes a permanent internal loan.

13.3 All interest costs of a permanent internal loan must to be extinguished via the sale of Carbon Credits (LCAF NZUs) in the year the internal loan incurs interest.

13.4 Every year, each internal loan must be repaid at a minimum of 10% of the loan balance at inception via the sale of Carbon Credits (LCAF NZUs). *(This guarantees that the internal loans are repaid 10 years after inception (becoming a permanent loan) at the very latest.)*

13.5 The total value of the unsold Carbon Credits (LCAF NZUs) is required to be at least 90% of the total remaining internal loans and their projected interest it is designed to repay.

Council received an allocation of 255,660 NZUs (Carbon Credits, units used in the NZ Emissions Trading Scheme) for its pre-1990 holdings of exotic forestry from the government. Council will leverage these credits by borrowing internal funds to finance projects that will reduce greenhouse gas (‘carbon’) emissions, this mechanism is known as the Low Carbon Acceleration Fund (LCAF).

Note: The Council has received additional NZUs for carbon sequestration by its post-1989 for its native forests and will continue to do so for their further growth and future new plantings. These NZUs units are not part of the LCAF.

14. Investments in fossil fuels

14.1 The Council has a policy to divest from any direct investment in fossil fuel extraction industries and investigate existing non direct investment with a view to preventing future investment where practical.

15. General Rates Operating Surplus¹

15.1 The actual general rates operating surplus is to be allocated to the general rates reserve account for the purpose of reducing future rates. This could be achieved by:

¹ Council may generate operating surpluses due to factors such as sale of Council assets or increased rateable units throughout a financial year etc. The surplus varies from year to year and is not easily forecasted, however, council uses the revenue to consistently to reduce future impacts to ratepayers.

- a) Repaying debt, or reducing need to raise debt
- b) Funding expenditure that would be funded from general rates revenue

15.2 A surplus general rate revenue is calculated by: General Rates + Other Income (unless for a capital project) – Expenditure (that is not loan funded) – Finance costs – Overheads +/- Investment or Reserve movements.

16. Surplus from targeted rates

16.1 Targeted rates may incur a surplus for the same reasons a general rate would, however the use of this surplus is restricted to being utilised for the activity in which that targeted rate was collecting for.

16.2 This surplus revenue may be used for:

- a) Reducing the impact to those targeted ratepayers for the same activity in the following financial year
- b) Increasing the reserves required for the activity to be spent in later years of the Long-Term Plan

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SECTION FIVE

Risk Recognition / Identification Management

The definition and recognition of interest rate, liquidity, funding, counterparty credit, market, operational and legal risk of the Council, will be as detailed below and will apply to both the Liability Management Policy and Investment Policy.

1. Interest Rate Risk Recognition

- 1.1 Interest rate risk is the risk that investment returns or funding costs will be materially different from those in annual plans and the LTP.
- 1.2 The primary objective of interest rate risk management is to reduce uncertainty to interest rate movements through fixing of investment returns or funding costs. This will be achieved through the active management of underlying interest rate exposures.

2. Approved Financial Instruments

- 2.1 Dealing in interest rate products will be limited to financial instruments approved by the Council. Approved interest rate instruments are:

Category	Instrument
Cash Management and Borrowing	<ul style="list-style-type: none"> ▪ Bank overdraft ▪ Committed cash advance and debt funding facilities (short-term and long-term loan facilities) ▪ Committed standby facilities where offered by the LGFA ▪ Uncommitted money market facilities ▪ Wholesale Bond and Floating Rate Note (FRN) issues ▪ Commercial paper (CP) ▪ New Zealand Dollar (NZD) denominated local or offshore private placements. ▪ Retail bond and FRN issues ▪ Forward starting committed term debt with the LGFA
Investments	<ul style="list-style-type: none"> ▪ Short-term bank deposits ▪ Bank bills ▪ Bank registered certificates of deposit (RCD's) ▪ Local authority stock or State-owned Enterprise (SOE) bonds and FRNs ▪ Corporate / bank senior bonds ▪ Floating Rate Notes ▪ Promissory notes / Commercial paper ▪ Redeemable Preference Shares (RPS) ▪ LGFA borrower notes ▪ Carbon credits
Interest Rate Risk Management	<ul style="list-style-type: none"> ▪ Forward rate agreements (FRAs) on: <ul style="list-style-type: none"> ○ Bank bills ▪ Interest rate swaps including: <ul style="list-style-type: none"> ○ Forward start swaps ○ Amortising swaps (whereby notional principal amount reduces)

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	<ul style="list-style-type: none"> ○ Swap extensions, deferrals and shortenings ▪ Interest rate options on: <ul style="list-style-type: none"> ○ Bank bills (purchased caps and one-for-one collars) ○ Interest rate swaptions (purchased and one-for-one collars only)
Foreign Exchange Risk Management	<ul style="list-style-type: none"> ▪ Foreign currency deposits ▪ Purchased currency options ▪ Collars (one-for-one) ▪ Forward foreign exchange contracts

2.2 Any other financial instrument must be specifically approved by the Council on a case-by-case basis and only be applied to the one singular transaction being approved. Credit exposure on these financial instruments will be restricted by specified counterparty credit limits.

2.3 All unsecured investment securities must be senior in ranking. The following types of investment instruments are expressly excluded;

- I. Structured debt where issuing entities are not a primary borrower / issuer
- II. Subordinated debt (other than Borrower Notes subscribed from the LGFA), junior debt, perpetual notes and debt/equity hybrid notes such as convertibles.

3. Interest rate exposure

3.1 Exposure to interest rate risk is managed and mitigated through the controls defined in the table below: Council's forecast gross external debt should be within the following fixed/floating interest rate risk control limits.

Debt Interest Rate Policy Parameters (calculated on rolling monthly basis)		
Debt Period Ending	Minimum Fixed	Maximum Fixed
Current	40%	90%
Year 1	40%	90%
Year 2	35%	85%
Year 3	30%	80%
Year 4	25%	75%
Year 5	20%	70%
Year 6	0%	65%
Year 7	0%	60%
Year 8	0%	55%
Year 9	0%	50%
Year 10	0%	50%**
Year 11	0%	50%**
Year 12	0%	50%**
Year 13	0%	50%**
Year 14	0%	50%**
Year 15	0%	50%**
Year 16*	0%	50%**

*Council management has delegated authority to tactically position the interest rate risk portfolio within approved ranges out to a maximum period of 16 years, based on anticipated future interest rate movements. The exception to this will be if LGFA introduce funding terms exceeding 16 years; in this event, management can position the interest rate portfolio to maturities that match LGFA funding terms. Council may enter into interest rate swaps beyond 16 years where LGFA debt

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exceeds this term, but only where the swap is used to convert Fixed or Floating rate LGFA debt, i.e. there is a corresponding LGFA debt position.

*** The maximum hedging percentage each year for fixed rate or hedged debt beyond 10 years is 50 % of forecast debt but shall not exceed 100 % of existing debt.*

- 3.2 A fixed rate maturity profile that is outside the above limits, but self corrects within 90-days is not in breach of this Policy. However, maintaining a maturity profile outside of the above limits beyond 90-days requires specific approval by Council.
- 3.3 Forecast gross external debt is the amount of total external debt for a given period. This allows for pre-hedging in advance of projected physical drawdown of new debt. When approved forecasts are changed (signed off by the Group Manager, Finance and Risk or Head of Finance), the amount of interest rate fixing in place may have to be adjusted to ensure compliance with the Policy minimum and maximum limits. Forecast gross external debt excludes any pre-funded debt amounts.
- 3.4 The Group Manager, Finance and Risk can consider alternative debt forecast scenarios that make assumptions around such matters as, the delivery and timing of the capital expenditure programme when designing and approving the interest rate strategy.
- **“Net debt”** is all external debt ((existing and forecast) including WRC Holdings Limited) at the given debt ending period net of any liquid financial assets and investments and excluding CentrePort Limited debt.
 - **“Fixed Rate”** is defined as all known interest rate obligations on forecast gross external debt, including where hedging instruments have fixed movements in the applicable reset rate.
 - **“Floating Rate”** is defined as any interest rate obligation subject to movements in the applicable reset rate.
- 3.5 Fixed interest rate percentages are calculated based on the average amount of fixed interest rate obligations relative to the average forecast gross external debt amounts for the given period (as defined in the table above).

4. Use of Approved Interest Rate Management Instruments

- 4.1 Interest rate options must not be sold outright. However, 1:1 collar option structures are allowable whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option, one side of the collar cannot be closed out by itself, both must be closed simultaneously. The sold option leg of the collar structure must not have a strike rate “in-the-money”.
- 4.2 Purchased borrower swaptions must mature within 12 months.
- 4.3 Interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 2% above the appropriate swap rate, cannot be counted as part of the fixed rate cover percentage calculation.
- 4.4 The forward start period on swap/collar strategies is to be no more than 36 months unless the forward starting swap/collar starts on the expiry date of an existing fixed interest rate instrument (i.e. either derivative or fixed rate borrowings) and has a notional amount which is no more than that of the existing fixed interest rate instrument.

5. Wellington Regional Council Holdings

- 5.1 WRC Holdings has wholesale interest rate risk arising from its borrowing activity from GWRC. This borrowing typically has a term of up to three years and is either on a floating rate or fixed rate basis. WRC Holdings can determine its own mix of fixed and floating rate debt, managing its interest rate risk through either fixed rate debt or using interest rate swaps. Any fixing or hedging of interest rate risk can be no more than 100% of the current, outstanding borrowed amount and for a term of no greater than three years. Any interest rate strategy is approved by the General Manager, Finance and Risk of the Council.

6. Liquid Financial Investment Portfolio

- 6.1 The following interest rate re-pricing percentages are calculated on the projected 12-month rolling Financial Investment Portfolio total. This allows for pre-hedging in advance of projected physical receipt of new funds. When cash flow projections are changed, the interest rate re-pricing risk profile may be adjusted to comply with the policy limits.

Interest Rate Re-Pricing Period	Minimum Limit	Maximum Limit
0 to 1 year	70%	100%
1 to 5 years	0%	30%

- 6.2 To ensure maximum liquidity, any interest rate position up to five years will be made with acceptable financial instruments such as investor swaps.
- 6.3 The re-pricing risk mix may be changed, within the above limits through selling/purchasing fixed income investments and/or using approved financial instruments, such as swaps.

7. Special Funds/Reserve Funds

- 7.1 Where such funds are deemed necessary, they will be used for internal borrowing purposes. This will negate counterparty credit risk and any interest rate gap risk that occurs when the Council borrows at a higher rate compared to the investment rate achieved by special/reserve funds.
- 7.2 Liquid assets will not be required to be held against special funds or reserve funds unless such funds are required to be held within a trust. For non-trust funds, the Council will manage these funds using internal borrowing facilities.

8. Liquidity Risk / Funding Risk

- 8.1 Cash flow deficits in various future periods based on long-term financial forecasts are reliant on the maturity structure of loans and facilities. Liquidity risk management focuses on the ability to borrow at that future time to fund the gaps. Funding risk management centres on the ability to re-finance or raise new debt at a future time, in order to achieve pricing (fees and borrowing margins) and maturity terms that are the same or better than existing facilities.
- 8.2 Managing the Council's funding risks is important as changing circumstances can cause an adverse movement in borrowing margins, term availability and general flexibility such as:
- 8.3 Local Government risk is priced to a higher fee and margin level.
- 8.4 The Council's own credit standing or financial strength as a borrower deteriorates due to financial, regulatory or other reasons.

- 8.5 A large individual lender to the Council experiences its own financial/exposure difficulties resulting in the Council not being able to manage its debt portfolio as optimally as desired.
- 8.6 New Zealand’s investment community experiences a substantial ‘over supply’ of the Council’s investment assets.
- 8.7 A key factor of funding risk management is to spread and control the risk to reduce the concentration of risk at one point in time. Then, if any of the above circumstances occur, the overall borrowing cost is not unnecessarily increased and the desired maturity profile is not compromised.

9. Liquidity/Funding Risk Control Limits

- 9.1 These control limits will be determined by the following:
 - a) Alternative funding mechanisms, such as leasing, will be evaluated. The evaluation will take into consideration, ownership, redemption value and effective cost of funds.
 - b) External debt and available committed loan facilities together with liquid investments, will be maintained at an amount that is greater than 110% of total external debt.
 - c) The maturity profile of total external debt in respect to all loans, bonds and committed facilities, will be controlled by the following:

Period	Minimum	Maximum
0 to 3 years	15%	60%
3 to 7 years	25%	85%
7 years plus	10%*	60%

- d) A funding maturity profile that is outside the above limits, but self corrects within 90-days is not in breach of this Policy. However, maintaining a maturity profile beyond 90-days requires specific approval by Council.
- e) To minimise concentration risk, the LGFA require that no more than the greater of NZD 100 million or 33% of a Council’s borrowings from the LGFA will mature in any 12-month period.

**When total external debt falls below \$400 million this minimum will reduce to 0%.*

- 9.2 The Group Manager, Finance and Risk will have the discretionary authority to re-finance existing debt.
- 9.3 The Council may pre-fund its forecasted debt requirements up to 18 months in advance including the re-financing of existing debt maturities. Once debt has been refinanced with a contracted term deposit (pre-funded), the term deposit amount, will net off the maturing debt amount, from the funding maturity profile percentage calculation.

10. Commercial Paper

10.1 Commercial Paper² (CP) should not be issued to fund core term debt requirements unless there are bank standby, committed bank or committed undrawn lending facilities that are available to cover any

² Commercial Paper is a promissory note, akin to a post-dated cheque. It is colloquially known as one name paper issued by a non-bank borrower, as distinct from bank paper, or a bankers acceptance which has two or more names (parties) who are liable to honour the debt on maturity if the acceptor (bank) fails to.

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outstanding CP. As a result, any undrawn credit lines to cover maturing CP do not count as excess liquidity.

10.2 Nevertheless, the coverage of CP by back-up facilities is a Credit Rating Agency requirement, and the Council will adhere to the requirements of the rating agencies in the first instance.

10.3 The exception to the above is where CP is used for working capital or bridging financing purposes and where certain, known or contracted cashflows are used to repay the CP on maturity.

11. Counterparty Credit Risk

11.1 Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Council is a party. The credit risk to the Council in a default event will be weighted differently depending on the type of instrument.

11.2 Credit risk will be regularly reviewed by the Council. Treasury related transactions will only be entered into with organisations specifically approved by the Council.

11.3 Counterparties and limits may only be approved on the basis of long-term credit ratings (S&P Global or Moody's) being A- and above or short-term rating of A2 or above, with the exception of New Zealand Local Authorities.

11.4 Limits will be spread amongst a number of counterparties to avoid concentrations of credit exposure.

11.5 To avoid undue concentration of exposures, financial instruments will be used with as wide a range of counterparties as possible. Where possible, transaction notional sizes and maturities will also be well spread. The approval process to allow the use of individual financial instruments will take into account the liquidity of the market in which the instrument is traded and repriced.

11.6 The following matrix guide will determine limits:

Issuer / counterparty	Instruments	Minimum credit rating (short-term / long-term)	Maximum exposure per counterparty(NZD) % of rates revenue	Maximum exposure per counterparty grouping as a % of rates revenue
New Zealand Government	Treasury bills, NZ government bonds, debt issued by entities explicitly guaranteed by the NZ Government	n/a	unlimited	100%
RBNZ registered banks	Bank deposits, bank bills, bank bonds, interest rate risk management contracts, foreign exchange contracts	A1+ / AA-	60%	100%
		A1+ / A+	40%	
		A1 / A	25%	
		A1 / A-	15%	
Offshore banks	Bank deposits, bank bills, bank bonds, interest rate risk management contracts, foreign exchange contracts	A1 / A	15%	75%
Local Government Funding Agency	Borrower notes	n/a	60%	60%
Local authorities – rated	Local authority bonds, CP	A1+ / AA-	20%	20%
Local authorities - non rated	Local authority bonds, CP	n/a	10%	10%
Other issuers including state owned enterprises, listed and unlisted companies	Commercial paper, corporate bonds	A1+ / AA-	5%	10%
		A1 / A-	5%	5%

** Current counterparty credit ratings will be reviewed and monitored monthly. The definition of annual rates revenue includes water levy.*

11.7 In determining the usage of the above gross limits, the following product weightings will be used:

- Financial investments (e.g. deposits, bonds) -100% of the principal value.
- Interest Rate Risk Management* (e.g. swaps, FRAs) – Any positive month-end mark to market value (as provided by the treasury management system) plus: 3% of the notional principal for all interest rate hedging instruments.
- Foreign Exchange instruments* (e.g. Forward Exchange Contracts) – Any positive month-end mark to market value (as provided by the treasury management system) plus 30 % of the notional value of the instrument.

**GWRC will not net off marked to market values against counterparties. Only positive marked to market values (from GWRC's perspective) will contribute to the counterparty calculation. Negative marked to market values will always have a value of zero for counterparty calculation purposes.*

11.8 Each transaction will be entered into a reporting spreadsheet and a monthly report will be prepared to show assessed counterparty actual exposure versus limits.

11.9 The above limits may be amended by Council, especially in the case where the NZ Government credit rating is changed.

11.10 Individual counterparty limits will be kept on a register by management and updated on a day-to-day basis. Specific approvals will be made by the Group Manager, Finance and Risk. Credit ratings will be reviewed by the Manager Treasury on an ongoing basis and in the event of material credit downgrades, this will be immediately reported to the Group Manager, Finance and Risk and the Council and assessed against exposure limits. Counterparties exceeding limits will be reported to the Council.

12. Borrowing Mechanisms for Council Controlled Organisations and Council Controlled Trading Organisations

12.1 To better achieve its strategic and commercial objectives, Council may provide financial support in the form of debt funding directly or indirectly to CCO/CCTOs

12.2 Guarantees of financial indebtedness to CCTOs are prohibited, but financial support may be provided by subscribing for shares as called or uncalled capital.

12.3 Any lending arrangement (direct or indirect) to a CCO or CCTO must be approved by Council. In recommending an arrangement for approval the General Manager, Finance and Risk considers the following:

- a) Credit risk profile of the borrowing entity, and the ability to repay interest and principal amount outstanding on due date.
- b) Impact on Council's credit standing and rating, debt cap amount (where applied), lending covenants with the LGFA and other lenders and Council's future borrowing capacity.
- c) The form and quality of security arrangements provided.

Attachment 1 to Report 24.41

- d) The lending rate given factors such as: CCO or CCTO credit profile, external Council borrowing rates, borrower note and liquidity buffer requirements, term etc.
 - e) Lending arrangements to the CCO or CCTO must be documented on a commercial arm's length basis. A term sheet, including matters such as borrowing costs, interest payment dates, principal payment dates, security and expiry date is agreed between the parties.
 - f) Accounting and taxation impact of on-lending arrangement.
- 12.4 All lending arrangements must be executed under legal documentation (e.g. loan, guarantee) reviewed by Council's independent legal counsel and approved by Council.

13. To CentrePort Debt and Guaranteeing Debt

- 13.1 The Council, through its wholly owned CCO WRC Holdings Limited, is a 76.9% (10/13) owner of the Port Company CentrePort Limited. From time to time the Council will guarantee these obligations, given that the level of CentrePort's debt varies over time and the lenders to CentrePort may also change.
- 13.2 The Council, by providing a guarantee, formally recognises this relationship and as a result means CentrePort can borrow funds at a similar cost to the Council. This is cheaper than borrowing on its own, ultimately resulting in a financial benefit to the rate payers.
- 13.3 The Council may lend funds directly to CentrePort when it believes that there is further benefit to be given to the ratepayer.
- 13.4 CentrePort may wish from time to time if it has surplus funds to invest those with Council in the form of short-term debt securities at prevailing rates.

14. Foreign Exchange Risk Recognition

- 14.1 The Council's policy is to identify and record these risks by their respective types and then to manage each risk under predetermined and separately defined policies and risk control limits.
- 14.2 It is prudent practice to pre-hedge potential adverse foreign exchange rate movements on capital imports from the time the capital expenditure budget is approved by Council. There is a risk that the net NZ dollar cost could increase substantially between the time the expenditure is approved by Council and the actual placement of the purchase order. It is expected that the payment currency and payments schedule are known at the time the purchase order is issued and the contract is signed with the supplier.
- 14.3 The Council has foreign exchange risks on imported items or services (capital and operating expenditure). There is a contingent risk when there is a time lapse between expenditure approval and placement of orders or finalisation of contracts and a further risk when the contract is signed, or order is placed.
- 14.4 **Full risk:** is at the time the expenditure is approved and legal commitments are made.

15. Foreign Exchange Risk Control Limits

- 15.1 All individual items/services greater than NZ\$100,000 must be hedged at all times in accordance with the following risk control limits:

Time – point	Exposure hedged by forward exchange contracts or options	Exposure hedged by purchased foreign exchange options
1. Budget approved by Council – (Medium Probability)		Maximum 50%
2. Specific item approved – (High probability)		Maximum 100%
3. Contract / Order confirmed – (Undoubted Risk)	Minimum 100%	

16. Use of Foreign Exchange Instruments and Forecasting

16.1 Financial instruments, other than those stipulated in section 5 (2), will require Council approval. Foreign exchange options will not be sold outright. The purchase price paid for an option (premium) will be amortised (spread) over the period of cover and added to the actual average exchange rate achieved.

16.2 All significant tenders will allow bidders the opportunity to select desired currencies and where possible, allow for suppliers to transparently link price escalations to clear financial market references.

16.3 Project managers will update any assumptions prior to budgets being finalised and, where necessary, discuss with the Manager Treasury and Head of Finance. The following approach will be used when calculating foreign exchange rates for budgeting purposes:

- In determining a suitable foreign exchange rate to use in the calculation of budgets for procurement purposes, a purchased NZD Put option at the market forward rate to the middle of the budgeted financial year is used. The all-up premium cost in dollar terms of the option expressed in foreign exchange points is subtracted from the market forward rate to provide the appropriate budget rate to be used.

17. Managing Operational Risk

17.1 This Policy is designed to reduce the operational risk, which is the risk of loss as a result of human errors including:

- fraud,
- system failures, or
- inadequate procedures and controls.

17.2 Operational risk is very relevant when dealing with financial instruments given that:

- Financial instruments may not be fully understood
- Too much reliance is often placed on the specialised skills of one or two people
- Most treasury instruments are executed over the phone

18. Dealing Authorities and Limits

18.1 Transactions will only be executed by those persons and within limits approved by the Council.

19. Segregation of Duties

19.1 There will be adequate segregation of duties among the core borrowing and investment functions of deal execution, confirmation, settling and accounting/reporting. However, there are a small number of people involved in borrowing and investment activity. Accordingly, strict segregation of duties will not always be achievable.

19.2 The risk will be minimised by the following:

- a) The Head of Finance will report directly to the Group Manager, Finance and Risk to control the transactional activities of the Manager Treasury.
- b) There will be a documented approval process for borrowing and investment activity.

20. Procedures and controls

20.1 The Group Manager, Finance and Risk will have responsibility for establishing appropriate structures, procedures and controls to support borrowing and investment activity.

20.2 All borrowing, investment, cash management and risk management activity will be undertaken in accordance with approved delegations authorised by the Council.

20.3 All treasury products will be recorded and diarised, with appropriate controls and checks over journal entries into the general ledger. Deal capture and reporting will be done immediately following execution and confirmation. Details of procedures, including templates of deal tickets, will be included in a treasury procedures manual separate to this policy. The Council will capture the percentage of deals transacted with banks to determine competitiveness and reconcile the summary.

20.4 Procedures and controls will include:

- a. Regular management reporting
- b. Regular risk assessment, including review of procedures and controls
- c. Organisational systems, procedural and reconciliation controls to ensure:
 - All borrowing and investment activity is bona fide and properly authorised
 - Checks are in place to ensure the Council's accounts and records are updated promptly, accurately and completely
 - All outstanding transactions are revalued regularly and independently of the execution function to ensure accurate reporting and accounting of outstanding exposures and hedging activity
 - Cheque/Electronic Banking Signatories will be approved by the CEO. Dual signatures will be required for all cheques and electronic transfers.
- d. All counterparties will be provided with a list (at least annually or at the time of key personnel changes) of personnel approved to undertake transactions, standard settlement instructions and details of personnel able to receive confirmations.
- e. All deals will be recorded on properly formatted deal tickets by the Manager Treasury and approved, where required, by the Group Manager, Finance and Risk. Market quotes for deals (other than cash management transactions) will be perused by the Manager Treasury before the transaction is executed. Deal summary records for borrowing, investments, interest rate risk management and cash management transactions (on spreadsheets) will be maintained and updated promptly following completion of transaction.
- f. GWRC generated deal tickets may be approved by electronic /email means where the approver is not in the office or its more efficient to do so.

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- g. All inward letter confirmations, including registry confirmations, will be received and checked by the Head of Finance against completed deal tickets and summary spreadsheets records to ensure accuracy.
- h. Deals, once confirmed, will be filed (deal ticket and attached confirmation) in deal date/number order.
- i. Any discrepancies arising during deal confirmation checks which require amendment to the Council records will be signed off by the Group Manager, Finance and Risk.
- j. The majority of borrowing and investment payments will be settled by direct debit authority.
- k. For electronic payments, batches will be set up electronically. These batches will be checked by the Head of Finance to ensure settlement details are correct. Payment details will be authorised by two approved signatories as per Council registers.
- l. Bank reconciliations will be performed monthly by the Head of Finance. Any unresolved unreconciled items arising during bank statement reconciliation which require amendment to the Council's records will be signed off by the Group Manager, Finance and Risk. A monthly reconciliation of the Debt Management system and borrowing and investment spreadsheets to the general ledger will be carried out by the Manager Treasury and reconciliation reviewed by the Head of Finance.

21. Managing legal risk

21.1 Legal and regulatory risks relate to the unenforceability of a transaction due to an organisation not having the legal capacity or power to enter into the transaction, usually because of prohibitions contained in legislation. While legal risks are more relevant for banks, the Council may be exposed to such risks.

21.2 In the event that the Council is unable to enforce its rights due to deficient or inaccurate documentation, the Council will seek to minimise this risk by:

- a) The use of standing dealing and settlement instructions (including bank accounts, authorised persons, standard deal confirmations, contacts for disputed transactions) to be sent to counterparties.
- b) The matching of third-party confirmations and the immediate follow-up of anomalies.
- c) The use of expert advice for any non-standardised transactions.

22. Agreements

22.1 Financial instruments will only be entered into with banks that have in place an executed International Swap Dealer's Association (ISDA) Master Agreement with the Council. All ISDA Master Agreements for financial instruments will be signed under seal by the Council.

22.2 The Council's internal/appointed legal counsel will sign-off on all documentation for new loan borrowings, re-financings and investment structures.

22.3 Currently, the Council has ISDA agreements with the following banks:

- Bank of New Zealand
- ANZ Banking Group (New Zealand) Ltd

- ASB/CBA Bank
- Westpac
- Kiwibank

23. Financial Covenants and Other Obligations

23.1 The Council will not enter into any transactions where it would cause a breach of financial covenants under existing contractual arrangements.

23.2 The Council will comply with all obligations and reporting requirements under existing funding facilities and legislative requirements.

24. Diesel hedging

24.1 Other risks, such as commodity price risk associated with diesel, will be considered for risk management by the Council. Management is aware of the indirect risk to diesel procurement that is embedded in existing transport contracts. To this end the Council has delegated to the Group Manager, Finance and Risk the power to enter into any price hedges or options with the following conditions:

- a) The Group Manager, Finance & Risk will report any hedges to the Council on a quarterly basis
- b) Maximum term of a hedge or option contract once it becomes operational is one year
- c) Contracts shall only be with a counterparty with a S&P rating of at least A.

25. Electricity Hedging

25.1 Wholesale electricity spot market price risk will be considered for risk management by the Council. Management is aware of the inherent price volatility of the electricity spot market. To this end, the Council has delegated to the CEO the power to enter into price hedges with the following conditions:

- a) An electricity hedge contract will be in place for the duration of any spot market physical supply agreement.
- b) The price exposure can be hedged via an over-the-counter electricity swaps contract, a contract for difference or a futures contract.
- c) The notional value of the hedge contract will be in New Zealand dollars.
- d) The hedge contract will be for a maximum duration of no more than three years and will be signed no earlier than 12 months prior to contract commencement.
- e) The expiry of any hedge contract will be no more than four years.
- f) For any given reporting year, the hedge volume will be between 85% and 115% of the expected actual consumption. The hedge ratio will be monitored and reported annually.
- g) The credit rating of the hedge counterparty will be at least investment grade from Standard and Poor's at the time of entering into the contract (i.e., a long-term rating of not less than BBB-). In the event of the rating falling below this, the Council would be advised and a recommendation on how to deal with existing hedges and any new hedges contemplated would be made to the Council. If the preferred hedge counterparty does not have an external credit rating with S&P Global the Group Manager, Finance and Risk

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may review the financial position of the proposed counter-party and provide a recommendation for approval by the CEO.

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SECTION SIX

Cash

1. Cash Management

1.1. The Manager Treasury has the responsibility to carry out the day-to-day cash and short-term debt management activities. The Manager Treasury will:

- Calculate and maintain comprehensive cash flow projections on a daily (two weeks forward), weekly (four weeks forward), monthly (12 months forward) and annual (five years) basis
- Electronically download all the Council bank account information daily
- Co-ordinate the Council's operating units to determine daily cash inflows and outflows with the objective of managing the cash position within approved parameters
- Undertake short-term borrowing functions as required, minimising overdraft costs
- Ensure efficient cash management, through improvement to accurate forecasting using spreadsheet modelling
- Minimise fees and bank/Government charges by optimising bank account/facility structures
- Monitor the Council's usage of cash advance facilities
- Match future cashflows to smooth over time

1.2. Maximise the return from available funds by ensuring significant payments are made within the vendor's payment terms, but no earlier than required, unless there is a financial benefit from doing so.

SECTION SEVEN

Measuring Treasury Performance

1. Measuring Treasury Performance

1.1. In order to determine the success of the Council's treasury management function, benchmarks and performance measures have been prescribed. Those performance measures that provide a direct measure of the performance of treasury staff (operational performance and management of debt and interest rate risk) will be reported to Finance, Risk and Assurance Committee on a quarterly basis.

2. Operational performance

2.1. All treasury limits will be complied with, including, but not limited to, counterparty credit limits, dealing limits and exposure limits. All treasury deadlines will be met, including reporting deadlines.

3. Management of debt, investments and interest rate risk

3.1. The actual funding cost for the Council (taking into consideration costs of entering into interest rate risk management transactions) will be below the budgeted interest cost and investment returns will be above the budgeted interest rate income.

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SECTION EIGHT

Reporting

1. Reporting – Performance Measurement

1.1 When budgeting forecast interest costs/returns, the actual physical position of existing loans, investments and interest rate instruments must be incorporated.

2. Treasury Reporting

2.2 The following reports will be produced:

Report Name	Frequency	Prepared by	Recipient
Treasury Exceptions Report	Upon occurrence	Manager Treasury	Group Manager, Finance and Risk and Head of Finance
Risk Exposure position	Monthly	Head of Finance / Manager Treasury	
Policy Compliance			
Interest rate exposure			
Funding risk report			
Cash flow forecast			
Treasury investments			
Cost of funds		Quarterly	
Borrowing limits	Quarterly		
Summary Treasury Report	Monthly Quarterly		
Limits Report	Daily on exceptions Quarterly on exceptions	Head of Finance	Manager Treasury / Finance, Risk and Assurance
Revaluation of financial instruments	Quarterly	Manager Treasury	Group Manager, Finance and Risk / Finance, Risk and Assurance
LGFA covenant reporting	At least annually	Manager Treasury	LGFA and Group Manager, Finance and Risk
Counterparty credit compliance report	Monthly	Manager Treasury	Group Manager, Finance and Risk and Head of Finance

3. Accounting treatment of financial instruments

- 1.1 The Council uses financial arrangements (derivatives) for the primary purpose of reducing its financial risk to fluctuations in interest rates. The purpose of this section is to articulate Council's accounting treatment of derivatives in a broad sense.
- 1.2 Under NZ IPSAS changes in the fair value of derivatives go through the Income Statement unless derivatives are designated in an effective hedge relationship.
- 1.3 Council's principal objective is to actively manage the Council's interest rate risks within approved limits and chooses not to hedge account. Council accepts that the marked-to-market gains and losses on the revaluation of derivatives can create potential volatility in Council's annual accounts.
- 1.4 The Head of Finance is responsible for advising the Group Manager, Finance and Risk of any changes to relevant NZ IPSAS which may result in a change to the accounting treatment of any financial derivative product.
- 1.5 All treasury financial instruments must be revalued (marked-to-market) at least every six months for risk management purposes.

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SECTION NINE

Policy Review

1. Review of the Treasury Risk Management Policy

- 1.1 This Treasury Risk Management Policy will be formally reviewed every three years. The Group Manager, Finance and Risk has the responsibility to prepare a review report (following the preparation of annual financial statements) that is presented to Finance, Risk and Assurance. The report will include:
 - a) Recommendations on changes, deletions and additions to the policy.
 - b) Overview of the treasury management function in achieving the stated treasury objectives, including performance trends in actual interest cost against budget (multi-year comparisons).
 - c) Summary of breaches of policy and one-off approvals outside policy to highlight areas of policy tension.
 - d) Analysis of bank and lender service provision, share of financial instrument transactions, etc.
 - e) Comments and recommendations from the Council's external auditors on the treasury function, particularly internal controls, accounting treatment and reporting.
 - f) Total net debt servicing costs.
- 1.2 The policy review will be completed and presented to Finance, Risk and Assurance Committee. The Finance, Risk and Assurance Committee will approve any resulting policy changes.

ABBREVIATIONS REFERENCE:

CCO	Council Controlled Organisation
CCTO	Council Controlled Trading Organisation
CEO	Chief Executive Officer
CP	Commercial Paper Commercial Paper is a promissory note, akin to a post-dated cheque. It is colloquially known as one name paper issued by a non-bank borrower, as distinct from bank paper, or a bankers acceptance which has two or more names (parties) who are liable to honour the debt on maturity if the acceptor (bank) fails to.
DTD	Debenture Trust Deed
FRA's	Forward Rate Agreements
FRN's	Floating Rate Notes
GWRL	Greater Wellington Rail Ltd
LGFA	Local Government Funding Agency
LTP	Long-Term Plan
NZU	New Zealand Units used in the NZ Emission Trading Scheme
RCD's	Registered certificates of deposit
RPS	Redeemable Preference Shares
S&P Global	Standard & Poors (Credit Rating Agency)
SOE	State-owned Enterprise
WRC	Wellington Regional Council Holdings Limited

Finance, Risk and Assurance Committee
28 November 2023
Report 24.37



For Information

RISK & ASSURANCE UPDATE

Te take mō te pūrongo

Purpose

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

Te horopaki

Context

Risk Management

2. The latest Executive Leadership Team (ELT) risk dashboard has been included in [Attachment 1](#).
3. Since the previous update we will be having a third risk appetite workshop with the Committee in February 2024. This workshop will allow the Committee to explore an example risk appetite statement and how it will be applied by the Council.

Business Assurance action points

4. Updates against the current assurance plan have been included in [Attachment 2](#).
5. Since the previous update to the Committee (*Risk and Assurance Update - Report 23.622*) the end-to-end fleet management review has been completed with the audit report attached. We have also commenced the core financial controls internal audit in which we expect to have the finalised audit report available at the Committee's meeting in May.

Te tātaritanga

Analysis

Risk Management

6. **Attachment 1** provides the Committee with the current ELT risk dashboard, heat-mapped to reflect the perspective of the ELT.

Updated risk appetite statement

7. In November 2023, we held the second workshop with the Committee where we sort feedback on the risk categories.

8. Feedback on the risk categories, from this workshop, was positive. We also note that these risk categories were supported by ELT.
9. We are presenting the Health and Safety risk appetite statement at a Committee workshop in February 2024. The Health and Safety team will be attending this workshop, where we will walkthrough examples of how the risk appetite statement can be applied.
10. In a workshop in May 2024, we will look to obtain further feedback on the remaining risk appetite statements, before seeking formal endorsement of the completed risk appetite statements from the Committee in August 2024.
11. The example Health and Safety risk appetite statement has been included as [Attachment 3](#) to this report.

Business Assurance arrangements

12. Planning has commenced for the “Core Financial Controls” internal audit which is scheduled for completion in March 2024.
13. We are looking to develop our 2024-27 assurance plan. We are looking to take a risk-based approach to form a view on the activities to be included within the plan. We will seek feedback on the proposed plan from the Committee in May 2024.
14. To support the delivery of the 2024-27 assurance plan, we have completed planning and request for proposal documentation for our procurement of an internal audit service provider. The procurement timeline is as follows:
 - a February 2024 – Request for proposal issued.
 - b April 2024 – Evaluation undertaken, and contract signed.
 - c July 2024 – Contract starts.
15. We have also closed seven recommendations since the last Committee meeting. Further details on open actions can be found in **Attachment 2**.

Fleet management review

16. Price Waterhouse Coopers (PWC) have undertaken an internal audit of our fleet management processes and controls. The review supports the centralisation of the fleet eighteen months ago and recognises the significant work that has been completed by the Fleet team already.
17. The review supports a number of activities that were already captured within the fleet roadmap but also makes suggestions for further improvements.

Ref	Area	Finding	Risk Rating
1	Governance and policy	Oversight and management of special vehicles (for example, diggers, mowers, and quads) remains decentralised	Very concerned
2	Governance and policy	There is some ambiguity and uncertainty regarding the specific roles and responsibilities between operational teams and the fleet management team	Some concerns
3	Processes and approach	Fleet processes exhibit deficiencies characterised by being outdated, inconsistent and undocumented	Very concerned
4	Processes and approach	Instances of non-compliance with the vehicle policy have occurred within the Council	Extremely concerned
5	Processes and approach	A substantial asset value has not been capitalised within the finance system	Some concerns
6	Processes and approach	Documentation and record keeping practices require strengthening	Very concerned
7	Processes and approach	Discrepancies exist between the current vehicle policy mandating vehicle inspections before use and actual practice	Extremely concerned
8	Training and awareness	The Council is experiencing significantly low completion rates for training initiatives	Very concerned
9	Tools and technology	Low adoption of fleet management systems that provide insights into vehicle utilisation and driver behaviour	Very concerned

18. The findings of the report are grouped into four areas:
- a **Governance & Policy** – The move to centralised fleet management has already seen significant improvements to processes and controls. Further improvements can be made through centralisation of special vehicles, which was out of scope of the initial centralisation of fleet management, and clarification of roles and responsibilities between the fleet and operational teams (i.e., vehicle maintenance).
 - b **Process & approach** – Improvements to documentation and guidance and culture change to ensure staff understand and follow proper process and policies.
 - c **Training & awareness** – Completion of core fleet coach training is low. We need to review the use of fleet coach to ensure driver training is correctly targeted.
 - d **Tools & technology** – Improve the use of available data, for reporting on fleet, to management.
19. Since the report was finalised and released in December 2023, the fleet team have made the following improvements to processes so far:
- a Establishing a review mechanism to remind those that do not log into EROAD when driving fleet vehicles. This mechanism was used pre-Christmas which saw an immediate improvement in EROAD log in compliance. This mechanism will be built on to look at other EROAD data that can be used to monitor for adherence to vehicle policy and reporting through to Senior Leaders.
 - b All listed vehicles have now been capitalised. A process is currently being agreed on to ensure the timely capitalisation of new vehicles when they become operational.
 - c A trailer audit was completed and identified at risk trailers which have now been disposed or repaired. A prototype trailer and bike carrier has also been developed which will prevent the need for further modifications to trailers in the future.
20. Please refer to [Attachment 4](#) for a copy of the completed fleet management internal audit report.

Treaty of Waitangi audit

21. PWC completed Greater Wellington's inaugural Te Tiriti o Waitangi audit with the report being presented to the Te Tiriti o Waitangi Komiti in November 2023.
22. We are in the process of developing an implementation plan for the audit recommendations. Once in place we will report on the plan to the Committee, alongside the audit recommendation.
23. Please refer to [Attachment 5](#) for a copy of the completed Te Tiriti o Waitangi internal audit report.

Insurance

24. Insurance for Metlink rolling stock and the Electric Multiple Unit (EMU) depot was renewed for the period of 1 January 2024 until 1 January 2025. The policy was renewed with no material policy changes.
25. The estimated premium is \$2.09 million which is a 6% year on year premium increase. While the estimated premium increase is lower than expected, we still expect Transdev to seek premium assistance. If received, we will review and consider Transdev's request alongside the finalised insurance premium.

Update on water

26. Water restrictions are currently at level 2 and will remain in place due to bulk water supply shortages.
27. Current modelling sees a high risk between January and March 2024 with 2-3 weeks of intermittent rain being sufficient to sustain the network through this period.
28. There remains a 23% likelihood of going to level 4 which is an imminent risk of failure. Wellington Region Emergency Management Office (WREMO) remains active and prepared to respond in case the region does move to level 4 restrictions.
29. Wellington Water have investigated several scenarios in order to optimise the system and ensure water is available to respond to any fire emergency events.
30. Weekly meetings are held by WREMO, which includes stakeholders such as Councils, Wellington Water, Greater Wellington, Fire & Emergency, Territorial Authorities to ensure all parties have up to date information and are ready to respond to any changes in water restrictions. These meetings sit alongside weekly Chief Executive catch ups between Wellington Water, Taumata Arowai and Greater Wellington.
31. Leakages remain high (circa 40% of treated water lost) but this will take an extended 10+ year work programme to remedy. We continue to support Wellington Water in encouraging Territorial Authorities to adopt household & commercial water metering across the region. Metering would help identify and prioritise the largest leaks within the network.

Ngā hua ahumoni

Financial implications

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

Ngā Take e hāngai ana te iwi Māori

Implications for Māori

33. This report includes an update on the Treaty of Waitangi audit. FRAC have an oversight role for ensuring recommendations from the audit are implemented.

Ngā āpitihanga

Attachments

Number	Title
1	Risk management update
2	Assurance update
3	Health & safety risk appetite statement
4	Fleet management internal audit
5	Te Tiriti o Waitangi audit

Ngā kaiwaitohu

Signatories

Writer	Jacob Boyes – Head of Corporate Risk & Assurance
Approver	Alison Trustrum-Rainey – Kaiwhakahaere Matua, Pūtea me ngā Tūraru Group Manager, Finance and Risk

He whakarāpopoto i ngā huritaonga Summary of considerations
<p><i>Fit with Council's roles or with Committee's terms of reference</i></p> <p>The Committee has specific responsibilities to review the effectiveness of Greater Wellington's identification and management of risks faced by Council and the organisation and to approve an internal audit plan.</p>
<p><i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i></p> <p>Greater Wellington makes decisions every day on order to deliver what it has committed to through the Long-Term Plan.</p> <p>Risk management is essentially enabling good decisions to be made that reflects a good understanding of uncertainty within the environment and tradeoffs between competing choices.</p> <p>Internal audit / assurance reviews the effectiveness of Greater Wellington's internal controls framework and processes such that Council can deliver effectively on its objectives, including safeguarding assets as set out in its Long-Term Plan and Annual Plans.</p> <p>Internal audit also supports the risk management framework.</p>
<p><i>Internal consultation</i></p> <p>Consultation and input were provided by the Group Manager, Finance and Risk and ELT.</p>
<p><i>Risks and impacts - legal / health and safety etc.</i></p> <p>Several areas of risk have emerged from this work. These are described in the body of this paper.</p> <p>Internal audit acts to reduce risk by ensuring controls are operating as Greater Wellington has developed through its policies and procedures.</p>

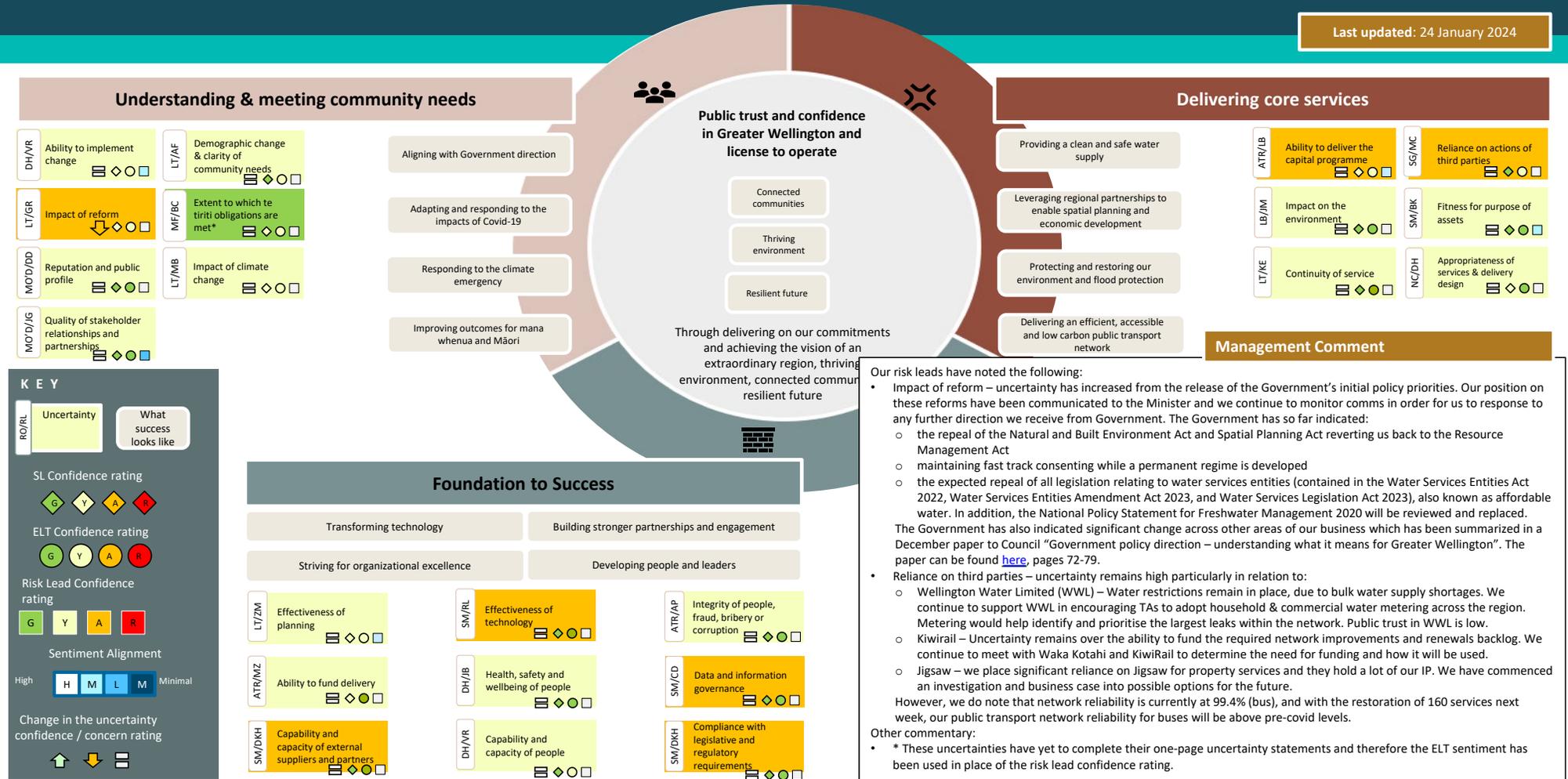
Attachment 1

Risk Update

Finance, Risk and Assurance Committee
13 February 2024

ELT Dashboard

Last updated: 24 January 2024



Attachment 2

Assurance Update

Finance, Risk and Assurance Committee
13 February 2024

Progress on the 2021-24 Assurance Plan

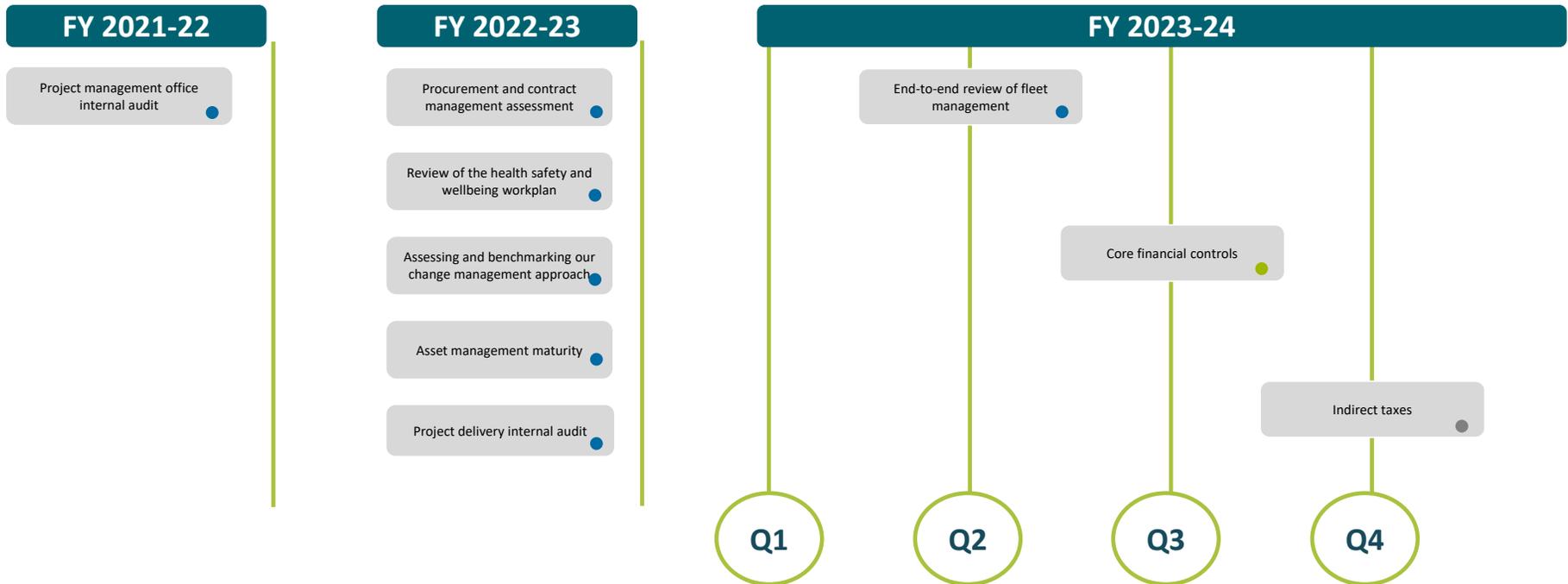
Progress on the 2021- 2024 Assurance Plan

In summary:

Since the previous update to the Committee the end-to-end fleet management review has been completed with the audit report attached. We have also commenced the core financial controls internal audit in which we expect to have the finalised audit report available at May’s Committee meeting.

PwC status:

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



Status of in progress reviews

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

Review	Objective	Scoping	Terms of Reference	Fieldwork	Draft	Management Comments	Final Deliverable	Comments
Core financial controls Sponsor: Alison Trustrum-Rainey	Assess the design, operation and alignment of core financial controls to policy requirements across GW's financial processes and ERP and identify any areas of inefficiency or pain points faced by teams.						Actual end date: March 2024	Underway and expect to have the finalised audit report available at May's Committee meeting.

Update on outstanding recommendations

Follow up of Open Actions

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

Business Assurance review	Closed Actions #	Open Actions #	Management commentary
Health, Safety & Wellbeing	9	10 (8 in progress)	Remaining HSW recommendations have been reviewed and incorporated into the H&S improvement project. These recommendations will be implemented over the next 12-18 months.
Procurement and Contract Management	2	5 (5 in progress)	Dashboard has been established based on informatino in Ngatahi and will look to begin work on trend analysis. Forward tenders pipeline has been developed. Regular catch ups on the pipeline have commence with Metlink with a similar approach looking to be put in place for the other groups. Gwennie procurement page updated with 2 training and face to face training is also being offered. Templates for procurement planning and contract management have been made available on Gwennie Full comms around the available training and guidance with be made when the procurement page is transferred to Sharepoint
Change Management	1	1 (1 in progress)	Change specialist has been appointed. Draft thinking/direction around the change management framework was taken to ELT at the end of last year.
Asset management maturity	0	3 (3 in progress)	The Strategic Asset Management Plan is almost finalized. We are just waiting on numbers for the long-term plan to be finalized for consultation.
Capital works programme internal audit	0	15 (5 in progress)	The PMO has prepared a draft report for ELT to improve project governance and to take account of structural changes e.g. new Environment Group. We will look to formally present the paper to ELT. Work has begun on portfolio reporting which will be review monthly with each of the groups. New guidance has been developed which includes business case exemplars.
Revenue collection controls assessment internal audit report	5	14 (5 in progress)	Snapper has committed to providing the monthly ops report to GWRC by the 7th business day. Storeroom and cash machine cameras reactivated Cash machine booked for service/recalibration every 4 months Transdev agreed and will ensure IT service tickets for Greentree are closed within timeframes
Fleet management	1	20 (1 in progress)	Established a review mechanism to remind those that do not log into EROAD when driving fleet vehicles. This mechanism was used pre-Christmas which saw an immediate improvement in EROAD log in compliance. This mechanism will be built on to look at other EROAD data that can be used to monitor for adherence to vehicle policy and reporting through to Senior Leaders.

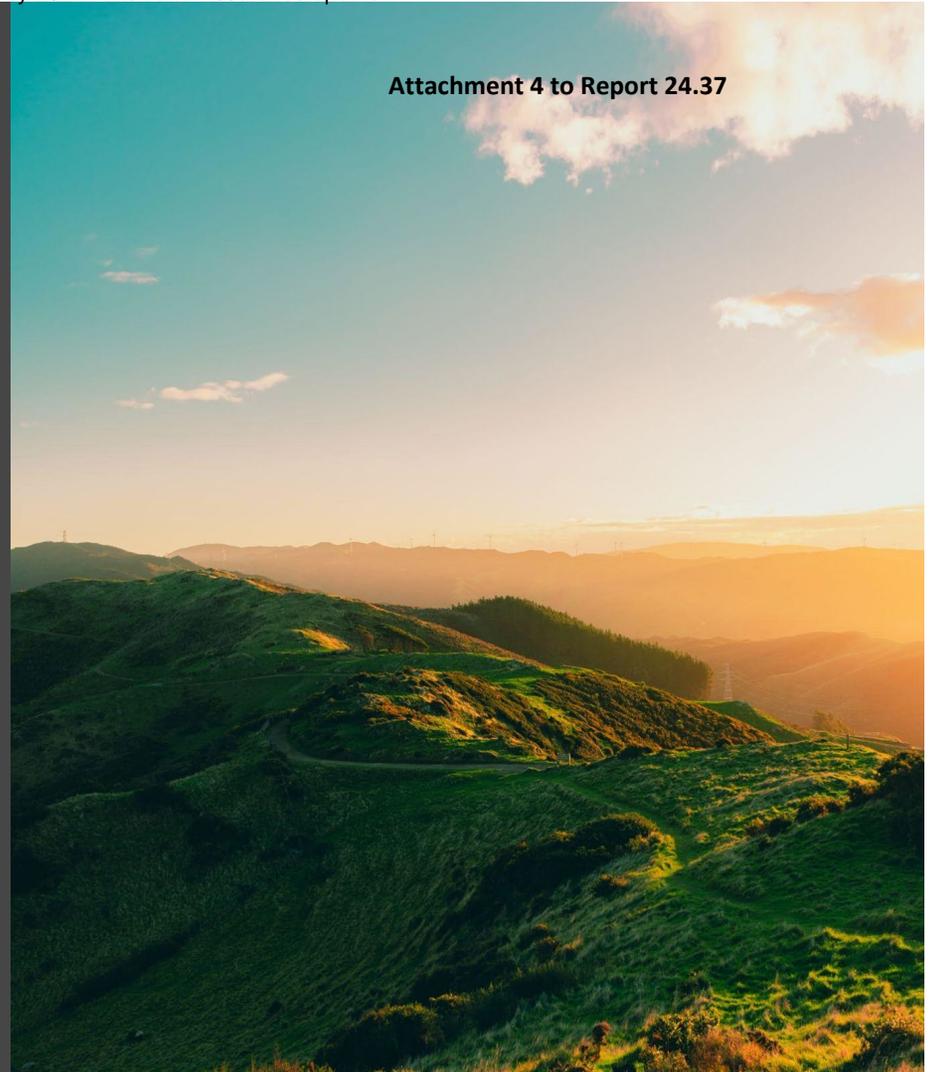
<p>Risk category Health & safety</p>	
<p>Risk category description How we promote and manage conversations around effective and reliable health & safety controls, especially in complex situations, allowing us to carry out our activities with a higher degree of certainty that work can be done safely, successfully and without risk of harm as far as reasonably practical.</p>	
<p>Risk appetite statement We operate in dynamic and often challenging circumstances to improve our communities and the environment, and to deliver essential services. We will act in a timely, responsible, and proportionate way to mitigate Health, Safety and Wellbeing risk to an acceptable level when controls are considered. This balanced approach will enable our people to work in a safe, healthy, and secure environment, as reasonably possible within any given situation. Everyone has a part to play, and no one should or is expected to place themselves at serious or unnecessary risk to meet our objectives.</p>	
<p>Risk stance We will focus on our critical risk and control verification to ensure the highest level of protection from harm wherever possible and practical.</p>	
<p>Risk tolerance <i>High level category that captures the acceptable level of uncertainty</i></p>	<p>Medium tolerance provided controls are in place effective and monitored</p>
<p>Council will tolerate:</p> <ul style="list-style-type: none"> • <i>Our riskier work being undertaken only with a high degree of certainty that controls are in place, effective and monitored e.g. critical controls verification, approved safety plans,</i> • <i>GW workers empowered to stop or pause work if controls are not available, they fail, or the situation changes e.g. scope of work changes outside of accreditation or training emerging and dynamic risk in the field</i> 	<p>Council will not tolerate:</p> <ul style="list-style-type: none"> • <i>People being put at undue risk in any circumstances to achieve our objectives e.g. allowing uncontrolled work to proceed or continue to meet deadlines or budget</i> • <i>Workers undertaking work who are not trained, competent or fit for the task, or adequately supervised e.g. Assigning activities to workers where competency and training has not been verified, workers undertaking work outside approved skill sets, physical or mental wellbeing is compromised</i>
<p>Associated Uncertainties (ELT Dashboard)</p> <ul style="list-style-type: none"> • Health, Safety & Wellbeing of People • Capability and capacity of people • Reputation and public profile • Compliance with legislative & regulatory requirements 	

Attachment 3 to Report 24.37

Greater Wellington Regional Council

Fleet management internal audit report

6 December 2023



Jacob Boyes
Head of Corporate Risk and Assurance
Greater Wellington Regional Council
100 Cuba Street, Te Aro
Wellington, 6011

6 December 2023

Fleet management internal audit report

Dear Jacob

In accordance with our Terms of Reference dated 3 October 2023, we have completed our fleet management internal audit.

Our internal audit was performed per our agreed scope described in Appendix A, and is based on our fieldwork performed during October and November 2023.

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

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

Yours sincerely



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



Inherent Limitations

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



Private and Confidential

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1

Executive summary

Executive summary

Attachment 4 to Report 24.37

Introduction and background

In response to evolving operational demands and a commitment to bolstering efficiency and effectiveness of Council services, the Council has made significant changes to its operating model. Among these changes is the strategic shift from a decentralised to a centralised model for the management of the Council's vehicle fleet¹. Since July 2022 the Council has been progressively establishing more robust fleet management practices to enable greater transparency and oversight of the Council's fleet. This transition represents the Council's commitment to optimising fleet operations and consolidating efforts to provide uniformity, efficiency, and improved governance in managing the Council's fleet of vehicles.

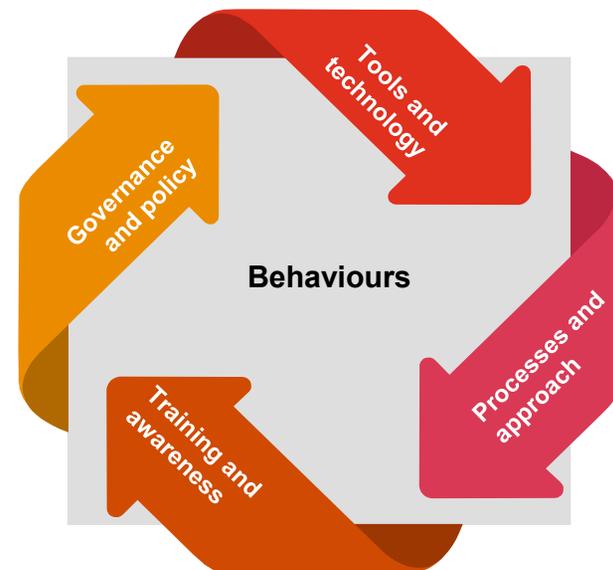
Council management recognise more work is required to further improve fleet management practices and associated management and oversight, and in response to this recognised the value an internal audit would provide to confirm the strengths in place and priority areas to focus on in the future.

Our internal audit scope included assessing the Council's:

- Fleet management policies
- Procurement and acquisition of fleet vehicles
- Utilisation and deployment
- Maintenance and repair procedures
- Disposals
- Asset track and inventory management
- Documentation and record keeping.

Please refer to Appendix A for our detailed objectives, scope and approach.

To identify the common themes across our findings, we have used the capability model at right (please refer to Appendix B for further information on this model).



¹ Based on the Council's fleet register, asset register and fleet disposal records, the Council's fleet comprises 162 vehicles, 42 motorbikes, quad bikes and LUVs, 36 trailers, and 51 specialised equipment items e.g. excavators.

(continued)

Attachment 4 to Report 24.37

Overall assessment

The Council has made considerable progress over the past eighteen months to mature its fleet management practices, with particular highlights including:

- A shift to a centralised fleet management model and a refreshed vehicle policy that outlines the Council's requirements in relation to the purchase, disposal, maintenance and use of vehicles
- Appointment of a fleet manager to drive the implementation of the vehicle policy and the overarching fleet management roadmap that provides a range of initiatives designed to strengthen the Council's fleet management practices
- A shift towards a more standardised fleet of vehicles across the Council.

This progress marks a significant step forward in addressing historical risks and issues and demonstrates the Council's commitment to continuous improvement. We have however, consistent with management's perspectives and the duration required to establish effective and repeatable fleet management ways of working aligned to Council policy, identified a series of findings that will help mature and further improve the Council's fleet management approach.

We have grouped our findings into four key themes across **Governance and Policy**, **Tools and Technology**, **Processes and Approach**, and **Training and Communications**. It is noteworthy that Council fleet management is cognisant of these themes and the detailed findings in this report, and is already actioning a number of recommendations in this report.

Key themes

Governance and policy

Governance and policy serve as the backbone of effective fleet management, by providing a structured framework that sets the tone, direction and parameters for operational behaviours. Whilst the shift to a more centralised model is enabling better governance, the centralised fleet management team primarily oversees standard vehicles, whilst specialised equipment such as diggers and mowers fall outside of their oversight. This can cause difficulties in implementing uniform best practices across the entire fleet, and maintaining appropriate oversight over the management of these important assets.

Additionally there is some ambiguity and uncertainty regarding the specific fleet management roles and responsibilities as these have not been comprehensively defined. For example we observed uncertainty amongst operational teams as to who is responsible for certain equipment.

(continued)

Attachment 4 to Report 24.37

Processes and approach

Processes are critical for efficient fleet related activities and provide structured ways of working to support consistency, clarity, and effectiveness in achieving the Council's fleet management strategies and objectives. Overall there is an absence of defined and documented fleet processes. This is leading to varied interpretations, practices and execution across teams which can impede operational cohesion and efficiency.

Additionally there is a significant gap between the Council's prescribed vehicle policies and their implementation, which is exposing the Council to safety risks. This is evident in a recent incident known by management whereby an inappropriate modification caused several quad bikes to come off a trailer and crash into an occupied parked car. Accordingly, there is a need for process alignment and fostering a culture of adherence to established policies and procedures.

Training and awareness

Training and communication are the ways in which Council employees gain knowledge of fleet management activities. Council vehicle training records highlight a substantial discrepancy between the number of drivers eligible for training and the considerably lower counts of those who have successfully completed the driver-focused training programmes in FleetCoach. Overall, training programme completion across all drivers was just 42% for core training courses at the time of this internal audit. Our interviews indicate several potential factors contributing to the observed low completion rates including:

- Potential gaps in the accessibility or effectiveness of training delivery methods tailored specifically for drivers' needs
- Absence of any mandatory training requirements for driver-focused training programmes.

Tools and technology

Tools are the enabling systems and technology that improve the efficiency and effectiveness of fleet management activities. Currently there are three key tools which the Council uses to manage fleet information (EROAD, Ngātahi and Excel spreadsheets).

A key strength we observed is the EROAD system which is used to track and manage the fleet. EROAD is able to provide reporting on a range of factors that contribute to vehicle utilisation and driver behaviour.

Currently however these systems are not being used to their full potential as they are only being used on a reactive basis. As a result the Council is missing an opportunity to monitor driver behaviours and vehicle utilisation.

(continued)**Attachment 4 to Report 24.37****Findings summary**

We have identified nine findings comprising two “Extremely Concerned”, five “Very Concerned” and two “Some Concerned” risk ratings (refer to Appendix C risk rating definitions).

Ref	Area	Finding	Risk Rating
1	Governance and policy	Oversight and management of special vehicles (for example, diggers, mowers, and quads) remains decentralised	Very concerned
2	Governance and policy	There is some ambiguity and uncertainty regarding the specific roles and responsibilities between operational teams and the fleet management team	Some concerns
3	Processes and approach	Fleet processes exhibit deficiencies characterised by being outdated, inconsistent and undocumented	Very concerned
4	Processes and approach	Instances of non-compliance with the vehicle policy have occurred within the Council	Extremely concerned
5	Processes and approach	A substantial asset value has not been capitalised within the finance system	Some concerns
6	Processes and approach	Documentation and record keeping practices require strengthening	Very concerned
7	Processes and approach	Discrepancies exist between the current vehicle policy mandating vehicle inspections before use and actual practice	Extremely concerned
8	Training and awareness	The Council is experiencing significantly low completion rates for training initiatives	Very concerned
9	Tools and technology	Low adoption of fleet management systems that provide insights into vehicle utilisation and driver behaviour	Very concerned

(continued)

Attachment 4 to Report 24.37

Overall recommendation

Our report highlights several findings. Whilst these findings are known to fleet management we encourage the Council to:

- Create a comprehensive implementation plan aligned with the Council's fleet management strategies and the existing roadmap. This plan should delineate specific actions, timelines, responsible stakeholders, and resource allocation to address the above themes and our detailed findings and recommendations provided in section two of this report
- Allocate the necessary resources to support the delivery of the implementation plan
- Establish a mechanism for communication, continuous monitoring and adjustment of the implementation plan.

Management comment

While there may be some quick wins, we note that these recommendations are ambitious and will take many years to implement and maintain without additional resource. Significant support will also be required from areas like Health & Safety, Organisational Development and Procurement, and will need change management and project management input.

We will also look to review our fleet management roadmap in light of these recommendations.

2

Detailed findings and recommendations

Finding 1: Oversight and management of special vehicles (e.g. diggers, mowers, and quads) remains decentralised

Attachment 4 to Report 24.37

Finding	Recommendation(s)
<p>Historically the Council's fleet management approach adopted a decentralised structure, encompassing diverse management practices and decision making processes across various teams. Recognising the need for greater cohesion, streamlined operations and enhanced oversight and risk management, the Council has embarked on a shift towards a centralised fleet management model.</p> <p>The centralised fleet management team primarily oversees standard vehicles, yet specialised equipment like diggers, tractors, trailers and mowers fall outside of their oversight or responsibility. The responsibility for specialised equipment continues to reside with the Council's operational teams.</p> <p>Risk/impact</p> <ul style="list-style-type: none"> • Fragmented oversight and management of specialised equipment can result in inefficiencies, increased maintenance costs, and suboptimal utilisation • Potential compliance gaps due to differing process not overseen by the centralised fleet management team • Difficulty in implementing uniform best practices across the entire fleet, hindering efforts to optimise performance and resource allocation. <p>Risk rating: Very concerned</p>	<p>To enable the consistent oversight and governance of special vehicles to Council expectations, we recommend accountability for oversight is moved to the central fleet management team, noting the day-to-day management of special vehicles can still remain with operational teams.</p>
Management comment	
<p>We agree with this finding and a paper will be taken to ELT which would cover; the rationale, approach, cost/benefit, proposed resourcing, proposed timeline, and change management issues.</p>	

Finding 2: There is some ambiguity and uncertainty regarding the responsibilities between operational teams and fleet management

Attachment 4 to Report 24.37

Finding	Recommendation(s)
<p>The demarcation of roles and responsibilities between operational teams and the central fleet management team are not clearly defined, for example:</p> <ul style="list-style-type: none"> • There is some uncertainty amongst operational teams as to who is responsible for the management and maintenance of certain assets. This is especially significant where an asset is used by two different teams • There is ambiguity around the Council's expectations for the cleanliness and tidiness of vehicles. There has been no direction as to who is responsible for cleaning the vehicles and how often this should be taking place. <p>This ambiguity can blur the line between the Council's tactical daily operations and the overarching management of the Council's fleet and increases the risk of inefficiencies and/or unclear expectations on how vehicles and special equipment are managed and used.</p> <p>Risk/impact</p> <ul style="list-style-type: none"> • Unclear delineation of roles and responsibilities leads to inefficiencies, duplication of effort, and potential gaps in managing day-to-day vehicle operations and procurement activities • Misuse of company vehicles and special equipment. <p>Risk rating: Some concerns</p>	<p>Clearly define and document the roles and responsibilities of operational teams and the central fleet management team, outlining the specific functions, decision making authority, and escalation pathways to minimise overlaps and gaps in responsibilities.</p>
<p>Management comment</p>	
<p>We agree with this finding and will look to:</p> <ul style="list-style-type: none"> • Document and agree roles and responsibilities • Review the existing policy to see if it needs updating. • Transfer guidance from Gwennie to a new Sharepoint page for Fleet which would include an update to this guidance. • Leverage policy roadshows to get further exposure around roles and responsibilities of operational teams and the central Fleet management team. 	

Finding 3: Fleet processes exhibit deficiencies characterised by being outdated, inconsistent and undocumented

Attachment 4 to Report 24.37

Finding	Recommendation(s)
<p>Through interviews we noted the Council's fleet processes are in some cases outdated, inconsistent, and/or undocumented. For example:</p> <ul style="list-style-type: none"> • Teams who are responsible for special equipment have different processes for management and maintenance of these assets • Process for specialised equipment (which sit outside the vehicle policy) have not been comprehensively documented, including the management of disposals of these kinds of assets • Processes for capitalising assets in the Council's finance system have not been updated for the change to the Technology One platform. <p>Risk/impact</p> <ul style="list-style-type: none"> • Inconsistencies in processes across teams and assets may result in deviations from Council expectations and regulatory requirements and lead to compromised safety and exposing the Council to regulatory risks and penalties • The lack of comprehensive documentation could create uncertainty among Council staff regarding established processes, leading to varied interpretations and inconsistent application of fleet management practices. <p>Risk rating: Very concerned</p>	<ol style="list-style-type: none"> 1. Establish a unified and standardised set of processes across all fleet management activities to support consistency, clarity and adherence to uniform operational practices 2. Implement a structured process for regular reviews and updates of fleet processes, incorporating feedback, emerging best practice, and changes in regulations to maintain relevance and effectiveness 3. Establish a centralised repository or easily accessible platform for fleet processes.
Management comment	
<ol style="list-style-type: none"> 1. We agree with this finding and note that this has already been encapsulated within our Fleet roadmap. We planned to: <ul style="list-style-type: none"> • Revise existing process documentation to reflect the new centralised approach to fleet management • Standardise processes that sit outside fleet management (modifications, special equipment). 2. We agree with this finding and note that this has already been encapsulated within our Fleet roadmap. We will look to align to the policy review process (3 Years). 3. We agree with this finding and note that this has already been encapsulated within our Fleet roadmap. We will look to use Sharepoint as our central repository. 	

Finding 4: Instances of non-compliance with the vehicle policy have occurred within the Council

Attachment 4 to Report 24.37

Finding	Recommendation(s)
<p>The Council has implemented a vehicle policy which outlines the Council's requirements in relation to the purchase, disposal, maintenance, and use of Council vehicles.</p> <p>Through interviews and sample testing we noted some instances of non-compliance with this policy including:</p> <ul style="list-style-type: none"> • Some drivers are failing to sign into the vehicle's EROAD reader unit prior to commencing driving. For example on: <ul style="list-style-type: none"> – 16 November 2023 there were 569 registered trips and 64 instances (11%) across 16 drivers where the EROAD reader unit was not signed into – 17 November 2023 there were 781 registered trips and 201 instances (26%) across six drivers where the EROAD reader unit was not signed into • Drivers are failing to complete pre-use vehicle inspection checks and whilst reporting on exact completion numbers is not available we understand this is prevalent throughout the Council • Instances of unauthorised and/or inappropriate modifications have been identified by management. During the course of this internal audit we were informed of quad bikes falling off of a trailer and hitting an occupied parked vehicle. The cause of this was traced back to an inappropriate trailer modification. Whilst this modification was completed prior to the shift to a centralised fleet management model there is no ongoing process to confirm the presence of any further modifications that could pose a safety risk for the Council. <p>Risk/impact</p> <p>Vehicle policies are established to ensure safety, efficiency and adherence to regulations. Non-compliance with the vehicle policy by GWRC staff may lead to increased risks of accidents, compliance violations and suboptimal driving behaviours. This could impact operational costs and also tarnish the Council's reputation regarding safety and responsible fleet management.</p> <p>Risk rating: Extremely concerned</p>	<ol style="list-style-type: none"> 1. Encourage a culture of safety by promoting awareness and recognising safe driving behaviours. This could include the following: <ul style="list-style-type: none"> – Ensuring that all management and staff understand driver focused policies, their implications, and the reasons behind their implementation – Encouraging management and staff to provide input on policy effectiveness, offering channels for suggestions or observations that could enhance policy implementation – Including vehicle management and compliance employee performance measures. 2. Establish mechanisms to periodically audit policy adherence and effectiveness, making adjustments as needed based on feedback and the Council's operational requirements.

(continued)

Attachment 4 to Report 24.37

Management comment

1. We agree with this finding and note that this has already been encapsulated within our Fleet roadmap. We will look to include the aspects mentioned in an upcoming meeting with Human Resources and Health & Safety to support managing these areas for non-compliance.
2. We agree with this finding and note that this has already been encapsulated within our Fleet roadmap. We will look to develop improved reporting that measures adherence in such areas as EROAD logons, safe driving (for example, overspeed events) and vehicle inspection. Note: this will include any policy review and privacy implications.

Finding 5: A substantial asset value has not been capitalised within the finance system

Attachment 4 to Report 24.37

Finding	Recommendation(s)
<p>We understand that a substantial asset value, categorised under work in progress, has not been capitalised in the finance system. The total asset value that has not been capitalised is approximately \$100 million. Of this \$1.4m relates to 24 vehicles which are awaiting capitalisation. Refer to Appendix D for the breakdown of this.</p> <p>Our interviews indicate several potential factors contributing to this including:</p> <ul style="list-style-type: none"> • The provision of incomplete and/or inaccurate information from Council entities, for example Wellington Water • Inadequate resources to support capitalisation processes. <p>Risk/impact</p> <p>A substantial asset value that has yet to be capitalised can lead to inaccurate financial statements and non-compliance with Council's asset management policies.</p> <p>Risk rating: Some concerns</p>	<ol style="list-style-type: none"> 1. Comprehensively review asset capitalisation protocols and resourcing with a view of ensuring accurate and timely capitalisation of assets 2. Continue to work with finance to ensure the 24 vehicles awaiting capitalisation are capitalised in a timely manner.
Management comment	
<ol style="list-style-type: none"> 1. We agree with this finding and will work with Wellington Water to improve asset capitalisation processes. 2. We agree with this finding and will look to capitalise these assets to reflect that they are now in use. 	

Finding 6: Documentation and record keeping practices require strengthening

Attachment 4 to Report 24.37

Finding

Fleet document and record keeping practices have been developed and improved with the centralisation of the Council's fleet management. This includes the use of Ngātahi (Council's financial management system) as the single source of the truth for fleet asset information, and the development of fleet register which is indented to serve a working spreadsheet for the fleet management team.

Notwithstanding the above developments and improvements we noted the following:

- The fleet register has some incomplete and inconsistent data entries
- The structure and design of the fleet register could be enhanced to improve user friendliness
- There is an absence of a dedicated fleet risk register coupled with an overarching critical risk register. Further, there are no specific driving risks for various vehicle categories which presents a gap in effectively identifying and documenting fleet management risks and controls.

Additionally our testing of a sample of vehicle acquisitions and disposals found some information for vehicles/special equipment sampled was unavailable including:

- The Fleet management team does not hold all records relating to vehicles or specialised equipment that was ordered or purchased prior to centralisation
- For vehicle acquisitions several Vehicle Requirement Forms were missing signatures from the required approvers, and on several occasions the required approvals had not been obtained
- Not all sale invoices could be located for all disposed vehicles.

Risk/impact

- The lack of proper records may hinder efficient fleet management across end-to-end processes. It can lead to difficulties in scheduling maintenance, tracking vehicle usage, and planning for replacements or upgrades
- Increased risk of non-compliance with Council policies and regulatory requirements due to inadequate document of fleet management activities
- Difficulty in accessing and interpreting information for the fleet management register may impede operational transparency and efficient management of the fleet.

Risk rating: Very concerned

Recommendation(s)

1. Conduct a comprehensive review and audit of existing records to identify and rectify gaps and inconsistencies within the fleet register, EROAD and the financial management system. In doing this consideration should be given to enhancing the design and usability of the fleet management register by reorganising data fields, improving labelling, and implementing user-friendly interfaces or software solutions
2. Implement standardised data entry protocols and guidelines to support consistency and completeness in recording vehicle related information
3. Provide training and guidance to personnel responsible for record keeping to support adherence to documentation standards and practices.

(continued)

Attachment 4 to Report 24.37

Management comment

1. We note that the fleet register is not intended to serve as a comprehensive repository of vehicle information; it is a working spreadsheet for the fleet management team. We know that there are data improvements can be made to the register, but we intend for Ngātahi to remain as the source of truth for our fleet.
2. We agree with this finding and will continue to work with the Ngātahi Asset team to develop our required fields for vehicles. We will reflect these updates in our guidance that will be released on Sharepoint.
3. We agreed with this finding, and it will form part of our development for the fleet team.

Finding 7: Discrepancies exist between the current vehicle policy mandating vehicle inspections before use and actual practice

Attachment 4 to Report 24.37

Finding	Recommendation(s)
<p>The vehicle policy requires Council personnel to undertake a pre-use inspection before driving or operating a vehicle to confirm roadworthiness and safety. We note however there is a prevalent practice among some vehicle users to only conduct weekly or monthly checks on specific vehicles rather than adhering strictly to the pre-use inspection guidelines. Our interviews indicate several potential factors contributing to the discrepancy including:</p> <ul style="list-style-type: none"> • Perceived inadequacy or irrelevance of the vehicle checks that are required to be completed before use in the Inspect application. A common view amongst those interviewed was that not all vehicle checks need to be completed pre-use • Some checks appear twice in inspection checklists • Potential gaps in driver-focused training to provide drivers the requisite skills to complete vehicle checks. <p>Risk/impact</p> <ul style="list-style-type: none"> • Inconsistent adherence to pre-use inspections increases the likelihood of undetected vehicle defects or safety hazards being overlooked, potentially leading to accidents or breakdowns • Divergence from policy guidelines introduces operational inefficiencies, as weekly checks might not adequately confirm vehicle readiness before each use • Increased exposure to liability and compliance risks due to deviations from established Council policy. <p>Risk rating: Extremely concerned</p>	<ol style="list-style-type: none"> 1. Ensure pre-use inspection practices are consistent with the vehicle policy through the use of the Inspect application 2. Implement regular checks to monitor compliance with the pre-use inspection policy and address any discrepancies promptly.
<p>Management comment</p>	
<ol style="list-style-type: none"> 1. We agree with this finding and note that this has already been encapsulated within our Fleet roadmap. We will look to clarify expectations around inspections. Fleet have also identified an opportunity to have new vehicle service warranty option available which has cost and administrative benefits. 2. We agree with this finding and note that this has already been encapsulated within our Fleet roadmap. We will look to implement monitoring around the inspect app. 	

Finding 8: The Council is experiencing significantly low completion rates for training initiatives

Attachment 4 to Report 24.37

Finding	Recommendation(s)
<p>Analysis of FleetCoach training records highlighted a substantial discrepancy between the number of drivers eligible for training, and the considerably lower counts of those who have successfully completed the driver-focused training programmes. Overall the training programme completion across registered drivers was:</p> <ul style="list-style-type: none"> • 18% across all available courses at the time of this internal audit. Refer Appendix E for FleetCoach training statistics • 42% across core training courses at the time of this internal audit. <p>Our interviews indicate several potential factors contributing to the low completion rates including:</p> <ul style="list-style-type: none"> • Perceived inadequacy or irrelevance of training content • Potential gaps in the accessibility or effectiveness of training delivery methods tailored specifically for drivers' needs • Absence of any mandatory training requirements for driver-focused training programmes. <p>Risk/impact</p> <ul style="list-style-type: none"> • Low completion rates of driver-specific training programmes may lead to critical gaps in drivers' understanding of safety measures, operational protocols, and efficient driving protocols, potentially compromising safety standards and vehicle running costs • Increased risks of accidents, compliance violations, and suboptimal driving behaviours. Such incidents could not only impact operational costs but also impact the Council's reputation regarding safety and responsible fleet management. <p>Risk rating: Very concerned</p>	<ol style="list-style-type: none"> 1. Implement strategies to enhance drivers' participation and engagement in driver-focused training programmes. This might include: <ul style="list-style-type: none"> – Fostering a culture among drivers that emphasises the importance of continuous learning and safety awareness, highlighting the value of ongoing training in enhancing driving skills, safety practices and regulatory compliance – Ensuring the target audience for driver-focused training programmes is appropriate – Making core driver-focused training programmes mandatory and ensuring that training is completed before EROAD logins are provided 2. Establish mechanisms to regularly assess and refine the effectiveness of driver-focused training programmes, seeking feedback from participants to continuously enhance the quality and impact of training programmes.
<p>Management comment</p>	
<p>We agree with the finding and will set up a project, alongside Fleet, Human Resources and Health & Safety, to determine the best approach for using Fleetcoach.</p> <p>Note: we also have other practical training which we will look to capture within the Learning Management System when it is available.</p>	

Finding 9: Low adoption of fleet management systems that provide insights into vehicle utilisation and driver behaviour

Attachment 4 to Report 24.37

Finding	Recommendation(s)
<p>All motor vehicles, bikes, and LUVs are fitted with EROAD which allows the Council to track their vehicles in real time. Alongside tracking, EROAD provides insights into vehicle utilisation, fleet maintenance, fuel management and driver behaviour. Through interviews we noted that EROAD information is only used on a reactive basis (for example, to respond to a speeding incident or locate a vehicle or driver). This includes:</p> <ul style="list-style-type: none"> • Vehicle utilisation, including how often vehicles are being used and whether vehicles are being used by staff for personal use • If vehicle inspections are being conducted on the EROAD inspect application by staff prior to driving the vehicle inline with Vehicle Policy • Driver behaviour such as speeding, excessive acceleration, and excessive braking. While Fleet management are automatically alerted if a driver exceeds 115km, other speeding events are not being monitored • Trailers' utilisation is not currently monitored as they are not fitted with EROAD systems. Recently, there was an instance of a trailer receiving a speeding ticket and a manual process had to be taken by the fleet management team to work out who was driving the trailer and responsible for paying the fine. <p>Additionally some interviewees shared that their teams have a general distrust with the EROAD platform. Some feel that EROAD vehicle data is not accurate and that the notifications for speeding infringements, harsh braking, and accelerating that the drivers receive while operating the vehicle are not precise.</p> <p>Risk/Impact</p> <ul style="list-style-type: none"> • Lack of insights into vehicle utilisation and driver behaviour means the Council may miss opportunities to address unsafe driving habits. This can result in a higher risk of accidents. • Inadequate access to vehicle utilisation and driving behaviour insights deprives leaders of valuable information necessary for strategic decision making. <p>Risk rating: Very concerned</p>	<ol style="list-style-type: none"> 1. Establish a streamlined reporting mechanism that regularly provides comprehensive insights on vehicle utilisation patterns, mileage data, driver behaviours, and maintenance records to leaders 2. Conduct training sessions for leaders to familiarise them with the available data and empower them to interpret and utilise the insights for informed decision making 3. Implement regular review meetings or forums where the Fleet management team can present insights, discuss trends, and address concerns directly with leadership 4. Encourage a culture of data-driven decision making, emphasising the importance of leveraging insights to optimise fleet operations, enhance safety measures, and drive efficiency improvements.

(continued)

Attachment 4 to Report 24.37

Management comment

We agree with this finding and note that this has already been encapsulated within our Fleet roadmap. We will look to develop a plan for access and use of EROAD data to create meaningful reporting to business group leaders and ELT.

3 Appendices

Appendix A – Internal audit approach

Attachment 4 to Report 24.37

Scope

The objectives of this internal audit were to:

- Assess the design of the Council's fleet management processes and controls to determine if the Council is effectively managing and operating its fleet throughout its lifecycle
- Confirm through sample testing key controls are operating as intended
- Provide recommendations for addressing any improvement opportunities identified.

The scope of this internal audit includes an assessment of the following fleet management activities:

- Fleet management policies
- Procurement and acquisition of fleet vehicles
- Utilisation and deployment
- Maintenance and repairs to fleet vehicles
- Disposals of fleet vehicles
- Asset tracking and inventory management
- Documentation and record keeping (including processes and control for capitalising vehicles within the Council's financial management systems).

Methods

In assessing fleet management processes and controls, we drew on a variety of evidence sources including interviews, data analysis, and documentation review.

Interviews

We undertook 13 interviews with teams across the Council. We used information from these interviews to build our understanding of our scope areas and to inform documentation requests and follow-up questions. Interviewees were identified by the Council and were selected based on their fit between their job role and expertise and the focus of each interview.

(continued)

Attachment 4 to Report 24.37

Council management and staff we met with were:

- Clint McDonald, Health and Safety Manager
- Steven Fargher, Team Leader Parks Maintenance
- Shaun Andrewartha, Team Leader Environmental Regulation
- Myfanwy Hill, Environmental Operations Manager
- Jack Mace, Director, Delivery
- Joanna Adams, Manager Business Support
- Bruce Horsefield, Head of Customer and Business Support
- David Boone, Manager Ecosystems and Community
- Mark McAlpine, Team Leader - Biosecurity - Pest Plants
- Jane Moran, Fleet Manager
- Mike Jensen, Lead Operations Delivery for Flood Protection
- Tim Sayegh, Finance Business Partner
- Rasa Pereira, Financial Accountant

Documentation assessment

We read and assessed a range of documents which were provided by the Council. These included:

- Governance documents such as the Council's vehicle policy
- Briefings for Council, including on policy decisions for the design of fleet management strategies
- Documentation on fleet management activities
- Monitoring data dashboard available through EROAD on fleet management activities.

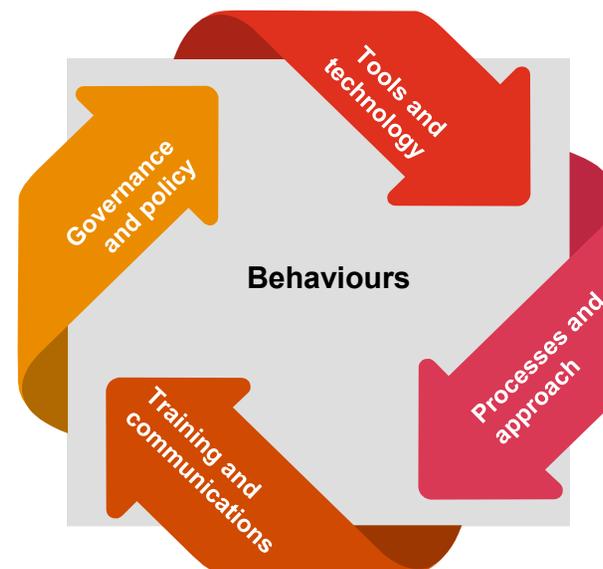
Appendix B - Definition of a capability

Attachment 4 to Report 24.37

A capability is a deeply ingrained ability to do something well in a way that improves performance. At the core of a capability are behaviours, i.e. the activities, interactions, and decisions made by a set of individuals who exemplify that capability. To enable and sustain these behaviours there are four underlying components:

- **Competencies:** The skills, knowledge, and beliefs held by employees.
- **Tools:** Enabling technology and systems
- **Processes:** Activities, resources, and responsibilities that govern the way work is divided and done
- **Governance:** Accountability, KPIs, incentives, and reporting structures.

Collectively, these four components reinforce each other to enable and sustain behaviours with the ultimate objective of helping an organisation achieve its strategic and operational objectives.



We have utilised this definition of a capability to present a thematic view of the findings and recommendations identified during the course of this internal audit.

Appendix C - Risk rating definitions

Attachment 4 to Report 24.37

The following Council rating definitions are used to define the ratings for our findings and the recommended next steps to be taken:

Risk rating	Definition
Extremely concerned	Corrective action needs to be taken now
Very concerned	Can't live with the current state as significant change required
Some concerns	We can live with this but we can do better
No concerns	Missed opportunities

Appendix D – Vehicles awaiting capitalisation Attachment 4 to Report 24.37

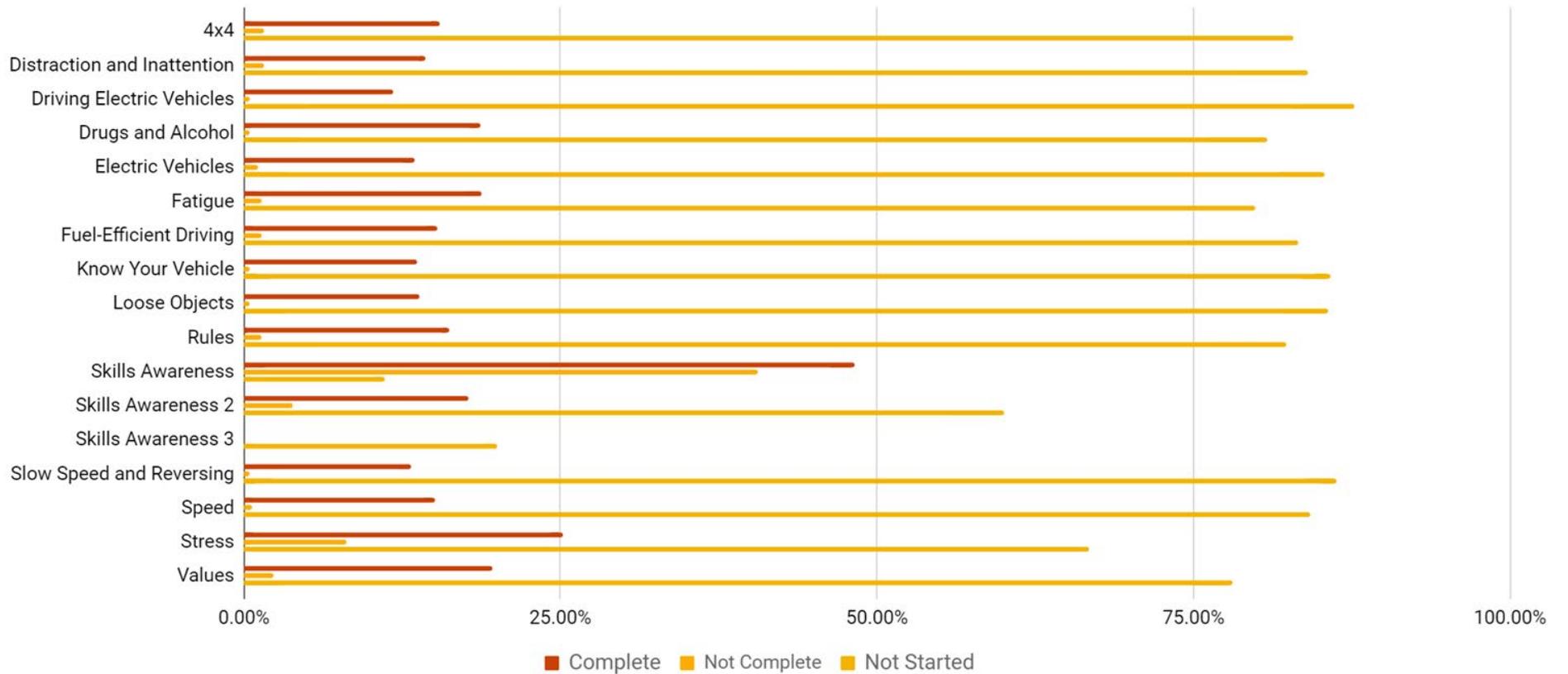
The following tables detail the vehicles that are sitting in WIP and have yet to be capitalised.

Description	WIP Balance
PZZ507 - 2023 Toyota Hilux	76,004.95
PZZ508 - 2023 Toyota Hilux	72,242.74
PZZ506 - 2023 Toyota Hilux	61,191.90
PTZ375 - Toyota Hilux replace GTD995	57,636.28
PTD267 - Hyundai Kona - Cuba Pool	50,215.45
PTD268 Hyundai Kona - Cuba Pool	50,215.45
PTD269 - Hyundai Kona - Cuba Pool	50,215.45
PTD272 - Hyundai Kona - Cuba Pool	50,215.45
PQU612 - Mitsu Outlander replace NNC338	56,902.93
PQU613 - Mitsu Outlander replace FHD988	56,530.93
PQU611 - Mitsu Outlander replace GJD572	58,591.93
PUP60 - 2023 Toyota Hilux	55,427.98

Description	WIP Balance
PTD271 - Hyundai Kona 2022 - Cuba Pool	50,215.45
PTD270 - Hyundai Kona 2022 - Cuba Pool	50,215.45
PTR994 - Polestar 2 - Replace MSE829	59,271.30
QAL304 - Skoda Octavia - Replace MCA52	59,626.63
QAA743 - 2023 Toyota Hilux - Mabey Pool	54,958.37
PTD273 - Hyundai Ioniq 2023 - REM	43,812.06
2023 Hyundai Tucson - REM Jack Mace	63,145.66
PWT742 - 2023 Toyota Hilux	61,952.62
PWU993 - 2023 Toyota Hilux	48,777.04
PWU992 - 2023 Toyota Hilux	74,929.64
2023 Mitsu Outlander - Monica Fraser	59,329.53
Mitsu Eclipse - Replace KPY694 - UH Pool	45,133.76
Total	1,366,758.95

Appendix E – FleetCoach training statistics Attachment 4 to Report 24.37

The following graph highlights the completion status of driver-focused training programmes within the Council.



Attachment 4 to Report 24.37

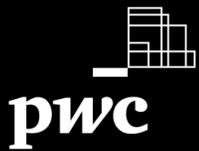
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Te Tiriti o Waitangi Audit

8 November 2023

Final report



Mihi

Acknowledgements

Tēnā koutou e Te Pane Matua Taiaoa koutou hoki e Ngā Hapū o Ōtaki, e Te Ātiawa ki Whakarongotai, e Te Rūnanga o Toa Rangatira, e Ngāti Kahungunu ki Wairarapa, e Port Nicholson Block Settlement Trust, e Rangitāne o Wairarapa Inc.

Koutou e pupuri tonu nei ki te mauri ora o te iwi Māori e noho kainga ana ki Te Whanganui-a-Tara nei.

Ko Manukura tēnei e tuku ana i te reo o mihi, i te reo rāhiri ki a koutou katoa.

He tika kia tuku i ngā mihi ki a rātou kua ngaro ki te pō. E moe koutou i te moe rangimārie, whakangaro atu rā. Koutou o te pō, ko tātou o āpōpō. Tihei mauri ora.

Anei e iri ana ki ngā whārangi o ēnei tuhinga kōrero ko ngā hua o ngā mahi arotake kua oti e mātou i roto i ngā marama kua taha ake.

Me whakahihi ka tika i ngā mahi kua tutuki i a koutou katoa. E kauanuanu ana ō koutou moemoeā i whatua mai ngā hua nui o ngā tāngata katoa me te oranga o tō tatou taiao, ināianei me ngā wā ā mua.

E ao ia ngā mihi ki a koutou katoa!

A kāti ake, ko te kōrero nui rā tēnei, mā tō rourou, mā tōku rourou ka ora ai te iwi. Anei te whakatutukitanga o tēnei whakatauki.

Mauri Ora!

We acknowledge you the Greater Wellington Regional Council as well as Ngā Hapū o Ōtaki, Te Ātiawa ki Whakarongotai, Te Rūnanga o Toa Rangatira, Ngāti Kahungunu ki Wairarapa, Port Nicholson Block Settlement Trust, and Rangitāne o Wairarapa Inc.

You who have been tasked with protecting and growing the mauri ora for Māori living in the greater Wellington region.

PwC acknowledges all of you.

We pay special acknowledgements to those who have been lost to the night, may they rest peacefully, farewell. It is the night for them, and it is the world of light for us. Tihei mauri ora.

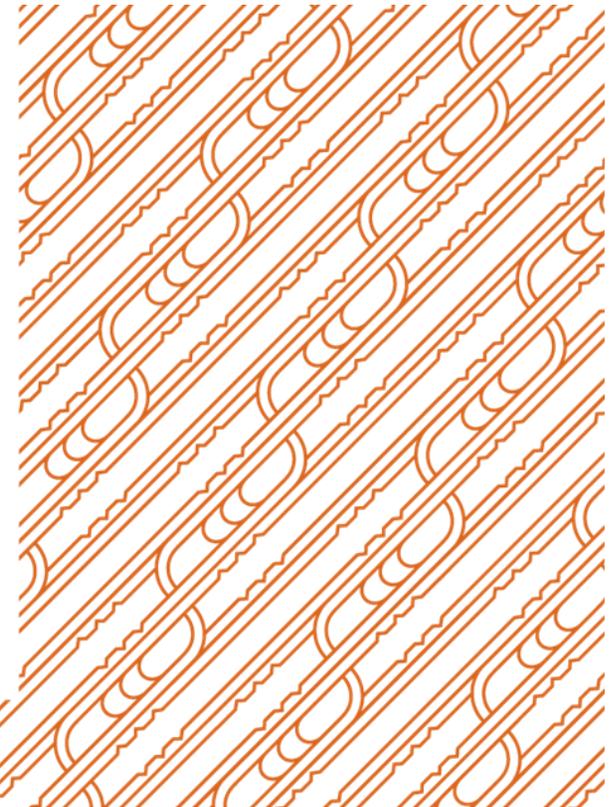
Written in this document are the observations of the internal audit work we have conducted over the past few months.

All of you should be proud of the work that has been achieved. Your shared vision of partnership and co-existence for the mutual benefit of all people and the wellbeing of our environment now and into the future is admirable.

Our mihi to all of you.

To conclude we leave you this, the famous Māori proverb, “with your basket and with mine, the people will flourish”. Indeed, you are the examples of this saying.

Mauri Ora!





8 November 2023

Nigel Corry, Monica Fraser
Te Tumu Whakarae, Te Pou Whakarae
Greater Wellington Regional Council
100 Cuba Street, Te Aro
Wellington 6011

Tēnā kōrua Nigel and Monica

He mihi tēnei ki Te Pane Matua Taiao i runga i te āhuratanga o kāwanatanga, tino rangatiratanga me te mana o te whenua nei mai i ngā mahi o Te Tiriti. He kaupapa rangatira tēnei. Thank you for the opportunity to work with you on Greater Wellington Regional Council's Te Tiriti o Waitangi Audit.

Our engagement was performed and this report was developed, in accordance with our Consultancy Services Order dated 07 July 2023, and is subject to their terms and conditions within.

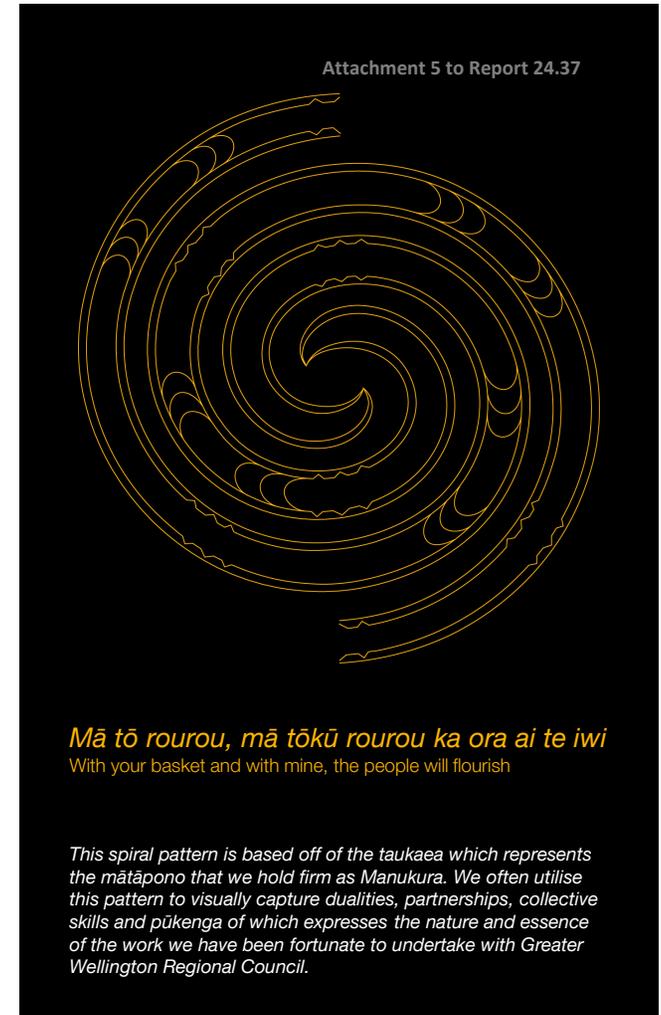
We would like to take this opportunity to acknowledge and thank both Greater Wellington Regional Council and your mana whenua partners for the time and contributions they have made to enable us to perform this engagement.

Please feel free to contact us if you have any questions or require any further information.

Nā māua noa, nā

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Attachment 5 to Report 24.37

Mā tō rourou, mā tōkū rourou ka ora ai te iwi
With your basket and with mine, the people will flourish

This spiral pattern is based off of the taukaea which represents the mātāpono that we hold firm as Manukura. We often utilise this pattern to visually capture dualities, partnerships, collective skills and pūkenga of which expresses the nature and essence of the work we have been fortunate to undertake with Greater Wellington Regional Council.

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The statements in our report have been made in good faith and on the basis that all information provided to us that we have relied upon is reliable, accurate and complete. This information provided to us has not been subject to verification unless otherwise stated in this report.



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Tahi

Executive summary

Executive summary

Background - Greater Wellington's commitment to upholding Te Tiriti o Waitangi and effective partnership

The Greater Wellington Regional Council Te Pane Matua Taiao ("GWRC" or "Greater Wellington") is committed to upholding Te Tiriti o Waitangi obligations, commitments and responsibilities to ensure equitable outcomes for Māori.

Greater Wellington recognise and seek to support their six mana whenua partners (Ngā Hapū o Ōtaki, Ātiawa ki Whakarongotai Charitable Trust, Te Rūnanga o Toa Rangatira Inc, Port Nicholson Block Settlement Trust, Ngāti Kahungunu ki Wairarapa Charitable Trust and Rangitāne o Wairarapa Inc) in maintaining their role as kaitiaki (guardians) of their ancestral lands.

This partnership is guided by local government legislation that requires Greater Wellington to take account of the perspectives of Māori on various matters, including:

- Under the Resource Management Act (RMA) 1991, GWRC must consult and engage with iwi authorities on resource planning and consenting matters that enhance opportunities for iwi participation in the RMA plan-making processes.
- The Local Government Act 2002 requires GWRC to take appropriate account of the principles of Te Tiriti o Waitangi, as well as maintaining and improving opportunities for Māori to contribute to local decision-making processes.
- The Conservation Act 1987 requires that the Reserves Act 1977 should be interpreted and administered so as to give effect to the principles of the Treaty of Waitangi.

GWRC is required to act in accordance with a range of other statutory references to Te Tiriti o Waitangi and statutory responsibilities to Māori.

Context - how Council drive this commitment

'Improving outcomes for mana whenua and Māori' is one of Greater Wellington's four strategic priorities within the 2021-31 Long Term Plan, which has signalled significant organisational change.

Te Hunga Whiriwhiri (Greater Wellington's Māori Outcomes and Relationships team) leads the implementation of Te Whāriki - Māori Outcomes Framework across the organisation, and assist and guide Greater Wellington in its relationships and engagement with mana whenua. Te Whāriki formalises GWRC's commitment to Te Tiriti o Waitangi and the organisation's broader legal obligations to Māori. Its key focus areas and outcomes are:

- Effective partnering
- Engagement for equitable outcomes
- Strong, prosperous and resilient Māori communities
- A capable workforce.

The first phase of implementation was to focus on 'a capable workforce'. The programme is now in the second phase, which focuses on implementing all key focus areas and outcomes.

Objective and scope of Te Tiriti o Waitangi Audit

The objective of this Audit was to assess GWRC's statutory compliance against key Te Tiriti o Waitangi legislative provisions, how mātauranga Māori influences core activities and working relationships with mana whenua.

The scope of this engagement includes Greater Wellington's key plans, frameworks, levers and enabling policies, plans, processes and systems that give effect to its Te Tiriti o Waitangi key statutory obligations (as defined in GWRC's Te Tiriti o Waitangi Audit Framework).

Te Tiriti o Waitangi Komiti, a Committee of the Whole, was established in 2022 to enable Council, committees, and Greater Wellington to implement robust decisions that uphold Te Tiriti o Waitangi obligations, commitments and responsibilities to ensure equitable outcomes for Māori. The Terms of Reference for this Komiti identifies Council's Te Tiriti o Waitangi principles as:

- 1. Pātuitanga | Relationships and Partnerships** – ensure decisions are based on shared knowledge, expertise and values maintained and sustained through active relationships and partnerships with mana whenua. These relationships and partnerships will influence Greater Wellington's core business services, functions, and systems to develop and deliver our shared aspirations across our Greater Wellington rohe.
- 2. Kōwhiringa | Options** – actively partner with mana whenua to enable effective governance decision making that is informed by kaupapa Māori and mātauranga Māori analytical frameworks and knowledge systems in identifying feasible and meaningful options and solutions.
- 3. Tino rangatiratanga | Self Determination** – position Greater Wellington to give effect to Te Tiriti o Waitangi and uphold the interests of mana whenua in exercising their tino rangatiratanga in planning and promoting quality services that enable self-determination for whānau and community.
- 4. Whakamaru | Active protection** – assess how decisions work towards protecting mana Motuhake (rights and interests of mana whenua) thorough relevant mutually beneficial strategies, policies, plans, programmes and initiatives.
- 5. Oritetanga | Equity** - uphold the principle of fairness in the design and distribution of Greater Wellington's resources and services through the Long Term Plan to meet the needs and aspirations of whānau within our Greater Wellington rohe.

There are a range of frameworks, plans, policies and processes/activities across the Council, as well as agreements with mana whenua, Advisory Groups and other arrangements that guide how Greater Wellington acts in accordance with Te Tiriti o Waitangi.

Executive summary

Audit approach

The key steps in our approach were:

- Phase 1: Planning to agree Audit participants and documentation required.
- Phase 2: Performing a high level/desktop Stocktake and Maturity Assessment of key overarching frameworks that enable compliance. This Maturity Assessment is shown in Appendix V and covers a range of areas including commitment, awareness and training, structure and accountability, policies and plans.
- Phase 3: Conducting hui with mana whenua to understand their perspectives of their relationships and Greater Wellington's practices.
- Phase 4: Conducting deep dives into specific statutory provision compliance across the core activities. We interviewed kaimahi across the core business units during August and September.
- Phase 5: Reporting to collate insights, findings and recommendations into this Audit Report.

The detailed scope and approach can be found in Appendix I.

The Audit findings in this report are based on meetings held with a sample of key stakeholders (see Appendix II) and assessments of a sample of relevant documentation (see Appendix III).

Key messages

As an organisation, GWRC shows a strong willingness to fulfil their Te Tiriti responsibilities, and key plans that prioritise Māori outcomes are being operationalised. All mana whenua partners interviewed confirmed that their existing relationships and partnerships with GWRC are positive and commended the Council on their efforts to date.

Key frameworks (referenced earlier) provide a clear vision for what is to be achieved and where the organisation is heading. However, there are inconsistencies in how this vision is being brought to life across Greater Wellington, and some key foundations that enable success are missing or need to be further matured.

Overall, the key policies/expectations, processes, systems, roles, capability building initiatives and oversight structures that enable compliance with GWRC's statutory provisions and the achievement of Te Whāriki outcomes require improvement or development to ensure they actively support Greater Wellington to uphold Te Tiriti o Waitangi obligations, commitments and responsibilities.

There are areas and examples of effective engagement with mana whenua across Greater Wellington, driven by some more mature activities or exceptional people. In some areas the requirements and guidance are formally documented, however, further work is required to fully embed consistent processes, so that objectives and intended outcomes will be met continuously - and through a systematic process driven approach rather than on reliance of key individuals.

There are some strong governance structures (e.g. Advisory Groups) in place to enable the voice and representation of mana whenua as kaitiaki. However, a number of these committees/groups have not met in some time, or have recently been established and predominantly focus in the operational/management space - limiting the ability to achieve the desired state of mana motuhake and tino rangatiratanga.

With these gaps, the overarching risk is that GWRC may not be able to uphold the principles of Te Tiriti o Waitangi (Pātuitanga, Kōwhiringa, Tino rangatiratanga, Whakamaru or Oritetanga); resulting in disintegration of essential relationships and partnerships with mana whenua, leading to non compliance with statutory requirements and Māori outcomes. This in turn affects GWRC's ability to sustainably manage and protect natural resources for the benefit of current and future generations.

Overall, our high level/stocktake Maturity Assessment rated Greater Wellington's **maturity at level 2 out of 5**. This means that while **some expected processes and structures are documented and repeatable, enhancements are required** to ensure:

- all expected processes and structures are clearly defined and consistently executed; and
- there are defined measures that allow for quality assurance/self assessments to inform key decisions and continuous improvement.

Within the next 3 years, GWRC aim to increase their maturity levels across the different component areas to achieve a maturity of between 3 to 5. The results of the Maturity Assessment are in Appendix V. It is against this backdrop of target ratings that the recommendations for Greater Wellington have been set.

Key Recommendations

A more mature approach, which has a clear articulation of what it means for Greater Wellington (and each business unit/core activity) to live Te Tiriti o Waitangi principles, and how great practices are driven, would improve Council's ability to meet its statutory obligations and therefore enhance overall Māori outcomes. This should also include Māori statutory requirements and outcomes clearly embedded, assigned and monitored throughout the Council.

We recognise the challenges of the mahi - these are not new obligations for Greater Wellington and business-as-usual continues, while at the same time Te Hunga Whiriwhiri is undergoing change and rolling out Te Whāriki framework, which in and of itself creates complexity. We recognise this is a challenge with significant capability uplift and capacity ask, and so we have considered how GWRC pause and set foundations properly as you seek to achieve your vision.

Generally, what we are seeing in some key frameworks/plans/policies indicates a potential for higher maturity if they are implemented as designed across the whole of the organisation. This is positive - meaning that while some significant priorities exist, the opportunity is there for some quick wins.

Executive summary

To uplift maturity, focus needs to be targeted on these three key foundational levers:

- creating a clear view of organisational and specific business area commitments and obligations, and what this means from a practical activity lens;
- a robust training strategy and plan to raise awareness and upskill staff on how to give effect to these; and
- clear accountability for performance in accordance with these obligations specific to roles, and for leaders to have oversight of delivery of these.

We acknowledge that time is naturally required to develop, embed and realise the benefits of these levers.

Furthermore, there needs to be consideration of organisational capacity and of Te Hunga Whiriwhiri to support in the development and embedding of these levers in the short to medium term.

Once these foundations are laid, the next major shift is:

- cascading Te Whāriki outcome framework down, reporting up
- this in turn will enable improvements in Policies and Plans
- establishing performance monitoring to track realisation of sought outcomes.

Detailed findings

The Detailed Findings (with specific observations and recommendations) in this report are contained within Section 2. Each Finding has a priority rating assigned - Significant, High, Moderate or Low. The definitions for these ratings are in Appendix IV.

#	Observations	Priority	Suggested timing
1	There is a lack of clarity around GWRC's collective Te Tiriti o Waitangi obligations and the organisation's approach to enacting the principles of Te Tiriti o Waitangi	High	1 st tranche
2	Expected policy guidance over GWRC's Te Tiriti o Waitangi statutory provisions are mostly documented but there are gaps, and good practices are not consistently operating across all business units	Significant	Across both 1st and 2nd tranches
3	Some of GWRC's processes to deliver on key activities need to be refined or defined to ensure consistent application and practice that supports the achievement of its Te Tiriti obligations, commitment and responsibilities	Moderate	2 nd tranche
4	Significant organisational change is underway to better define roles and responsibilities that give effect to GWRC's Te Tiriti o Waitangi statutory responsibilities as historical governance and delivery structures were often siloed; thus providing limited oversight	High	1 st tranche
5	GWRC's vision to effectively partner with mana whenua as kaitiaki in the co-governance and co-management models concerning shared interests are evolving but some practices need further enhancement	High	Across both 1st and 2nd tranches
6	The implementation of, and deep understanding of te ao Māori in the context of the Wellington region, is an ongoing journey at GWRC to continue to develop internal capability across the entire organisation (hearts and minds)	High	1 st tranche
7	Monitoring and reporting systems, processes and procedures that provide centralised oversight of the GWRC giving effect to its Te Tiriti o Waitangi responsibilities are still evolving as part of the Te Whāriki – Māori Outcomes Framework Implementation plan	Moderate	2 nd tranche

Executive summary

The recommendations for each of these observations seek to lift the maturity of Greater Wellington's approach to the target maturity agreed. We recognise that these levers will take time to develop and embed, and we have split them as there is some natural phasing required - again looking at a 3 year timeframe. A number of these are higher Priority and we suggest these are considered within a 'first tranche' of action. The rest can be addressed in the next 'tranche'.



Next steps

Recommended next steps for Greater Wellington to:

- Clearly reinforce, with their teams, GWRC's commitment to uphold Te Tiriti o Waitangi obligations, commitments and responsibilities that ensure equitable outcomes for Māori, the reason for that commitment (why it matters for their business unit), and how they will be supported to make any required changes.
- Identify, prioritise and commit resources to key Māori outcome initiatives that support Te Whāriki Māori - Outcomes Framework, Te Iti Kahurangi - Māori Capability Framework (both organisational and individual) and Greater Wellington's Te Tiriti o Waitangi Audit Framework within forward work programmes and business plans. This includes assigning clear accountabilities and responsibilities to individuals to drive momentum. Effective organisational investment prioritisation is a must.
- Develop an Audit Response Plan to allocate responsibilities, actions plans and target dates for each recommended action.
- Implement a monitoring, evaluation and reporting framework to assess progress against action plans, including who will provide oversight as 'line 2'. Given the cross-organisational nature of some findings, the oversight role of ELT and Te Tiriti o Waitangi Komiti should be considered.
- Undertake periodic reviews/audits to determine the extent to which improvements are being achieved.



GWRC's Management response

Management comment from the Chief Executive, Greater Wellington Te Pane Matua Taiao

Tēnā koutou katoa,

Ko ngā pae tawhiti, whaia kia tata,

Ko ngā pae tata, whakamaua kia tina

The potential for tomorrow depends on what we do today

Te Pane Matua Taiao, Greater Wellington Regional Council has embarked on a journey of transformative change as we recognise and understand the importance of our partnership with mana whenua and working together to enable equitable outcomes for Māori.

In the past, Greater Wellington hasn't had a consistent track record of meetings its Te Tiriti obligations and having genuine partnerships with mana whenua. A lot of work has been done to change this, but we still have a lot of work to do.

Our decision to proactively commission this Audit is an important step towards upholding our Te Tiriti o Waitangi obligations, commitments, and responsibilities. It is a start to benchmark our organisation's current state and to provide a foundation for our ongoing change and growth.

We would like to acknowledge and thank our mana whenua partners for their continuous support to collaborate, challenge and guide us to shape how we partner effectively and determine areas for improvement.

Through the Audit we understand where we are in our maturity and where we need to get to. It will help shape how we build our organisation's Māori capability and measure progress in the future. In taking this direction we are guided by foundational frameworks and commitments such as:

- 'Improving outcomes for mana whenua and Māori' is one of our four strategic priorities within the 2021-31 Long Term Plan. It helps shape the strategic direction of Greater Wellington including significant organisational change
- Te Whāriki our Māori Outcomes Framework, which provides clear focus areas, strategic Māori outcomes and formalises our commitment to Te Tiriti o Waitangi
- Mana whenua representatives have been appointed to committees including the Long-Term Plan Committee and Te Upoko Taiao Natural Resources Plan Committee, and to advisory groups to Council including our Whaitua committees.
- Our tūāpapa and kaupapa funding agreements that help us address the resourcing in equity between Greater Wellington and our partners
- Greater Wellington has established Te Tiriti o Waitangi Komiti as part of its new committee structure

As we embrace this journey together, we look forward to continuing to build stronger partnerships between the Greater Wellington business groups, Te Tiriti Komiti, and the mana whenua and mātāwaka of Te Upoko o te Ika a Maui.

Ngā mihi,

Nigel Corry

Chief Executive



Rua

Detailed findings

Summary of observations and recommendations

This section sets out the detailed observations and recommendations which provide increased comfort that Te Tiriti o Waitangi obligations, commitments, responsibilities and outcomes are achieved. The priority rating table (see Appendix IV) has been used to assess the significance of the observations identified during the Audit. The observations and recommendations include findings from the interviews, deep dives and Māori Responsiveness Maturity Assessment (see Appendix V). Actioning these recommendations will enable Greater Wellington to be more mature across all key component areas of the Maturity Assessment Model (see linkages in the Audit Scope theme column), working towards their desired target maturity levels.

#	Audit scope theme	Observations	Recommendations	Priority rating
1	Knowledge of obligations (Maturity Assessment Model Commitment and Recognition/Awareness and Training)	There is a lack of clarity around GWRC's collective Te Tiriti o Waitangi obligations and the organisation's approach to enacting the principles of Te Tiriti o Waitangi	Continue with planned initiatives and in addition consider how all business units contribute to GWRC's organisational approach by: <ul style="list-style-type: none"> • Providing clear understanding and awareness of GWRC's organisational and individual business unit's Te Tiriti o Waitangi expectations, requirements and principles. • Defining Te Tiriti o Waitangi expectations and requirements, and monitoring these for compliance at both a 1st Line of Defence and 2nd line of Defence. Develop reporting to the relevant governance authority to inform decisions and hold the organisation accountable. 	High 
2	Policies (Maturity Assessment Model Policies and Plans)	Expected policy guidance over GWRC's Te Tiriti o Waitangi statutory provisions are mostly documented but there are gaps, and good practices are not consistently operating across all business units	Design, finalise and issue policy guidance for: <ul style="list-style-type: none"> • Te Tiriti o Waitangi Policy that includes principles, rules and guidelines to direct GWRC actions in giving effect to Treaty principles • Consultation and Engagement Policy and Significant Decisions Policy guidance • The protection and management of mātauranga Māori / data • Management of Treaty settlement requirements for Council • Overseeing how Māori freehold land is classified as 'used' or 'unused' (for rating purposes) in other districts to ensure rates are consistently assessed for charging or remission and that mana whenua are correctly charged • Good employer provisions – policies that have clear monitoring and reporting requirements. Council should consider which policies require input from Māori, and this input should be sought in accordance with the Consultation and Engagement policy. Establish recurring review processes that ensure policies, frameworks, and procedures are regularly checked to ensure they are current, aligned to the Council's Te Tiriti expectations, or incorporate mātauranga Māori / te ao Māori practices and values (where necessary).	Significant 
3	Processes and procedures (Maturity Assessment Model Māori Responsiveness Frameworks and Compliance Programme)	Some of GWRC's processes to deliver on key activities need to be refined or defined to ensure consistent application and practice that supports the achievement of its Te Tiriti obligations, commitment and responsibilities	The gaps identified in this Finding need to be rectified to ensure robust processes are in place to manage each of these areas. Controls are also required to ensure that processes operate as intended. Specifically the processes and procedures that need to be designed/refined to enable partnership, participation and protection of Māori interests: <ul style="list-style-type: none"> • Progressing with the snapshot tool for notified consents • Oversight processes for Māori freehold land assessment • Clarifying the Accidental Discovery Protocols to be followed • Protection and access to mātauranga Māori. 	Moderate 

Summary of observations and recommendations

#	Audit scope theme	Observations	Recommendations	Priority rating
4	Role and responsibilities (Maturity Assessment Model Awareness and Training / Structure and accountability / Capacity)	Significant organisational change is underway to better define roles and responsibilities that give effect to GWRC's Te Tiriti o Waitangi statutory responsibilities as historical governance and delivery structures were often siloed; thus providing limited oversight	<ul style="list-style-type: none"> Implement a formal change management process that is reported on and monitored by ELT to ensure Te Whāriki – Māori outcomes initiatives are adopted across the business. The change programme should include roadshows to communicate revised roles and responsibilities across the business units, specifically around engaging with mana whenua. Reararticulate and communicate the role, responsibilities and core structure of Te Hunga Whiriwhiri to ensure the organisation collectively takes responsibility for delivering Te Whāriki – Māori outcomes framework. Update key leadership role descriptions with the new template to reflect their commitments to Te Tiriti o Waitangi in the context of their business unit. Cascade responsibility and accountability for actions and outcomes achievement from Te Whāriki to business units, including capturing this in their business plans. Continue to manage key person risks through shadowing and succession. 	High 
5	Governance and decision making (Maturity Assessment Model Māori participation in decision-making processes)	GWRC's vision to effectively partner with mana whenua as kaitiaki in the co-governance and co-management models concerning shared interests are evolving but some practices need further enhancement	<ul style="list-style-type: none"> Māori contribution to decision making should occur in the planning and service design stages such that Māori are treated as a partner, and not merely as an input or stakeholder into a project. Advice given to decisions makers needs to be shared earlier in the decisions making process and with all leadership so required considerations can be contemplated sooner. Develop a centralised significant decision database to monitor and track significant decisions across GWRC. Implement independent/specialist monitoring of the Implications on Māori section in reports to ensure quality of advice. Council should consider where discretionary input from mana whenua could be sought, and provide guidance on this to staff. Council should consider mana whenua representation for connection to Te Tiriti o Waitangi Komiti. Complete the review and update of the Significance and Engagement Policy. Define and clarify responsibilities for signification decision consultation and oversight for the oversight of successful achievement of these aspects. As referenced in observation 2, continue with the development and implementation of the Partnership and Engagement Framework, ensuring that it includes how business are to conduct engagement with mana whenua. 	High 
6	Capability building (Maturity Assessment Model Commitment and Recognition/ Awareness and Training)	The implementation of, and deep understanding of te ao Māori in the context of the Wellington region, is an ongoing journey at GWRC to continue to develop internal capability across the entire organisation (hearts and minds)	<ul style="list-style-type: none"> Develop a training competency framework that defines, and enables assessment of, individual and organisational development and upskilling requirements particular to Māori outcomes. Implement or provide access to intermediate and advanced levels of training in te reo Māori, tikanga Māori and mātauranga Māori in partnership with Mana Whenua. Design and implement procurement and onboarding guidance to ensure contractors come with the right experience and/or gain an awareness and understanding of GWRC's Māori outcomes, responsiveness programmes, guidelines and Te Tiriti statutory obligations specific to their area. Establish organisational wide reporting metrics and key performance indicators to monitor achievement of Te Iti Kahurangi – Māori Capability Framework (Individual). 	High 
7	Monitoring and reporting (Maturity Assessment Model Goals and metrics / Māori Outcomes Framework and measurement)	Monitoring and reporting systems, processes and procedures that provide centralised oversight of the GWRC giving effect to its Te Tiriti o Waitangi responsibilities are still evolving as part of the Te Whāriki – Māori Outcomes Framework Implementation plan	<ul style="list-style-type: none"> Establish metrics and data (key performance indicators) to measure success and help senior leaders make informed decisions over both Te Whāriki programme initiatives or Māori outcomes being targeted by business units other than status/progress. 	Moderate 

Detailed findings | Knowledge of obligations

Observation 1 | There is a lack of clarity around GWRC’s collective Te Tiriti o Waitangi obligations and the organisation’s approach to enacting the principles of Te Tiriti o Waitangi

Priority rating High

Overall findings

Te Tiriti o Waitangi obligations, Māori legislative rights, and requirements of mana whenua agreements have not been consistently translated into GWRC’s delivery model for enacting its Te Tiriti responsibilities, which is resulting in varying degrees of practice when partnering, engaging and consulting with Māori.

- ▶ Whilst GWRC have recently identified specific legislative obligations for Te Tiriti o Waitangi in their Te Tiriti Audit Framework, there is a lack of understanding of their achievement outside of Te Hunga Whiriwhiri. Discussions with GWRC staff indicated that those who worked in the operational space (consents, plans, parks and reserves) were mostly aware of the obligations, whereas those within corporate functions were unsure how their role contributed to the enactment of GWRC’s Te Tiriti obligations and responsibilities.
- ▶ GWRC’s documentation indicates a clear desire for the organisation to evolve and shift their thinking towards being more responsive to Māori, however there is inconsistent action and focus to ensure these behaviours are effectively embedded. Legislative compliance processes and key policies that give effect to Te Tiriti are either being revised to align to GWRC’s Te Whāriki - Māori Outcomes Framework or non-existent.
- ▶ Currently, GWRC has no oversight of their legislative compliance over key Te Tiriti statutory obligations. We were advised that specific obligations will be incorporated within GWRC’s ComplyWith software, which is a customised self assessment tool managed by the Legal team that allows managers to determine legislative compliance within their respective areas. While the tool only provides a snapshot in time, it gives senior leaders insights into potential performance issues.

Building internal capability is a key focus area under Te Whāriki, which aims to build cultural capability, increase te reo use, awareness of Te Tiriti settlements and historical accounts, as well as establishing best practice tools (policies, models, and frameworks) to support staff to engage with Māori.

Risk

Limited knowledge of obligations can lead to staff making decisions that conflict with the Council’s vision and intent of upholding its Te Tiriti o Waitangi obligations, commitments, and responsibilities that ensure equitable outcomes for Māori. For example, not giving proper effect to Te Tiriti principles when granting consents or engaging on GWRC projects may limit opportunities for Māori (either economically or in their capacity as kaitiaki), and in turn result in Council be challenged on non-compliance.

Additionally, misalignment to the Councils vision and intent is further impacted by the Reserves Acts 1977, Local Government Act 2002 and Resources Management Act 1991 that provide differing requirements for recognising Te Tiriti principles. They either require the Council to account for (consider and evaluate implications in decision making and policy development) or give effect to (actively implementing and applying the principles) Te Tiriti of Waitangi principles. Subsequently, this can result in GWRC not engaging to the level required with mana whenua on initiatives that significantly impact their interests.

Recommendation

Greater organisational awareness and monitoring of GWRC’s Te Tiriti o Waitangi statutory obligations, requirements and principles will provide improved clarity and certainty that the Council is consistently delivering and enacting its Te Tiriti responsibilities.

It provides improved direction for staff; empowering them to make informed decisions and ensure appropriate considerations, protects the organisation’s reputation and enables effective partnerships with mana whenua to be upheld.

GWRC has some good plans in place as mentioned in the overall findings. We recommend that you continue with these and in addition consider how all business units contribute to GWRC’s organisational approach by:

- Providing a clear understanding and awareness of GWRC’s organisational and individual business unit’s Te Tiriti o Waitangi expectations, requirements and principles.
- Defining Te Tiriti o Waitangi expectations and requirements, and monitoring these for compliance at both a 1st Line of Defence and 2nd line of Defence.
- Develop reporting to the relevant governance authority to inform decisions and hold the business accountable.

KEY ▲ Expected processes and procedures observed ▶ Some expected processes and procedures observed but improvement plans are either underway or yet to start ▼ No processes or procedures in place and there are no planned actions identified

Detailed findings | Policies

Observation 2 | Expected policy guidance over GWRC's Te Tiriti o Waitangi statutory provisions are mostly documented but there are gaps, and good practices are not consistently operating across all business units

Priority rating Significant

Overall findings

GWRC articulates Māori interests and values within their annual plan, Long Terms Plan, co-management plans with mana whenua

- ▲ GWRC have demonstrated a commitment to Te Tiriti o Waitangi with the external facing documents. Furthermore, we observed that pockets of the organisations working well with mana whenua to enact the expectations of these documents. For example, the Environmental Group incorporating te ao Māori, values and approaches into resource plan development.
- ▶ There is no policy that outlines Council's position, commitment, principles rules and guideline on Te Tiriti o Waitangi that guides action in pursuit of this commitment.

Our initial high level/desktop stocktake and maturity assessment of key policies that enable compliance with GWRC's statutory provisions identified that existing practices are mostly documented but are immature and require further work to consistently embed good practices across the organisation (Refer to Appendix V for more details on the Maturity Assessment)

- ▲ Through Te Whāriki Implementation Plan, Te Hunga Whiriwhiri will conduct a review and gap analysis of all policies, frameworks and guidelines in place across GWRC to check for alignment and inclusion of Te Tiriti o Waitangi expectations.

While some expected policy guidance and frameworks are in place to assist staff effectively manage Māori outcome initiatives (in turn achieving performance with statutory provisions), some key policy guidance is under development:

- Significance and Engagement Policy guidance documents are currently under review to ensure they align and better support the Council's Te Tiriti o Waitangi expectations. The existing policy only provides expectations for engaging with Māori and has limited details on the key requirements. For example, the policy directs staff to the Memorandum of Partnership 2013 and the Resource Management Act 1991 that provide high level expectations rather than clear and simple instructions of how the Council are to engage and consult.
- Some policies within the organisation are outdated and have not been reviewed in accordance with their stated reviewed date. For example, Te Reo and Tikanga Policy 2019, Policy for Official Geographic Names, and the Learning and Development Policy 2016.
- The Accidental Discovery Protocol was last updated in 2016 and does not reflect the current practice. Additionally, some staff are still using the 2013 version.

Some expected policies are not yet in place

- ▼ Guidance for protection and management of mātauranga Māori / data,
- ▼ Management of Treaty Settlement requirements for Council, and
- ▼ Rating Māori freehold land (for Territorial Authorities (TA's) to ensure consistent application),
- ▼ Partnership and Engagement Framework
- ▼ Good employer provisions for Māori - While GWRC aspires to be a good employer of Māori, they are relatively early on in their maturity journey. Internal policy guidance and frameworks (Recruitment Policy, Diversity and Equity Plan) with clear outcomes and metrics for employing Māori will be established as policies are revised such as the recruitment policy. An internship programme for Māori and Pasifika graduates run with Tupu Toa was piloted in 2022, but no enduring plans are in place.

Absence of recurring policy review process

- ▼ We did not identify any recurring review processes that ensured policies, frameworks, and procedures were regularly checked to ensure they were current, aligned to the Councils Te Tiriti expectations, or incorporated mātauranga Māori / te ao Māori practices and values (where necessary).

KEY

- ▲ Expected processes and procedures observed
- ▶ Some expected processes and procedures observed but improvement plans are either underway or yet to start
- ▼ No processes or procedures in place and there are no planned actions identified

Detailed findings | Policies (continued)



Risk

GWRC are obliged to have policies, processes, and plans in place to guide staff on engaging with Māori and mana whenua and contributing to an overall internal understanding of facilitating Māori input in these spaces.

Having robust and clear policy guidance provides a framework for decision makers, promotes fairness and equality, helps the organisation achieve its goals, and ensures better transparency and accountability.

Without clear policy in guidance in place there is a risk GWRC may breach its Te Tiriti obligations that may result in strained relationships with mana whenua and scrutiny from the Minister.

With regard to mātauranga, mana whenua raised concerns that it may be released or used in a way that is not aligned in accordance with its provision.

Recommendation

Design, finalise and issue policy guidance for:

- Te Tiriti o Waitangi Policy that includes principles, rules and guidelines to direct GWRC actions in giving effect to Treaty principles
- Partnership and Engagement Framework and Significance and Engagement Policy
- The protection and management of mātauranga Māori / data
- Management of Treaty settlement requirements for Council
- Overseeing how Māori freehold is classified as 'used' or 'unused' (for rating purposes) in other districts to ensure rates are consistently assessed for charging or remission and that mana whenua are correctly charged
- Good employer provisions – policies that have clear monitoring and reporting requirements.

Council should consider which policies require input from Māori, and this input should be sought in accordance with the Partnership and Engagement Framework.

Establish recurring review processes that ensure policies, frameworks, and procedures are regularly checked to ensure they are current, aligned to the Council's Te Tiriti expectations, or incorporate mātauranga Māori / te ao Māori practices and values (where necessary).

Detailed findings | Processes and procedures

Observation 3 | Some of GWRC’s processes to deliver on key activities need to be refined or defined to ensure consistent application and practice that supports the achievement of its Te Tiriti obligations, commitment and responsibilities

Priority rating	High
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Overall finding

The Annual Plan, Long Term Plan and Te Whāriki – Māori Outcomes Framework detail GWRC’s commitment and vision of improving better outcomes for mana whenua, tangata whenua and Māori. While GWRC have a clear vision, existing processes and systems are still evolving to ensure GWRC account for or give effect to Te Tiriti o Waitangi principles. Te Hunga Whiriwhiri is supporting the business to design and develop revised processes and procedures to meet the this goal, which we understand is creating significant demand and reliance on the team to provide this advice and guidance.

We conducted walkthroughs of some key Council activities to understand the effectiveness of Council’s structures and processes at enabling mana whenua participation and partnering. A summary of our observations are below:

- ▲ **Non-notifiable consents** – For the sample examined, Mana whenua actively participated and acted as kaitiaki within the consents process. Key documents and emails showed GWRC inviting mana whenua to participate and advise on applications. While the final decision rests with the Council, we could see mana whenua concerns had been addressed before the consent was granted. Additionally, the Resources Consent Summary of Decisions outlined key statutory obligations that the Council had considered as part of the approval process, which included requirements to engage mana whenua.
- ▶ **Consents process** – The processes to review notified consents is time consuming for mana whenua, particularly as they have limited capacity to meet demand, which impacts their ability to effectively engage and advise on consents. Subsequently, GWRC are working on a snapshot tool that consolidates the consent information to ease the burden, which is appositive initiative.
- ▼ **Māori freehold land rates assessment** - Council have no oversight of how Māori freehold land is classified as ‘used’ or ‘unused’ in other districts for rating purposes, which presents a risk that rates are not consistently assessed for charging or remission, throughout the region and mana whenua are incorrectly charged rates. Furthermore, GWRC has not issued guidance to Territorial Authorities and have placed reliance on them to interpret the legislation.

- ▶ **Accidental discovery protocol** - While GWRC have a clear process to follow, it is not consistently used as some staff use a Heritage New Zealand guidance document. Neither of these protocols capture the tikanga specific to each mana whenua partner. Mana whenua partners have also developed their own accidental discovery protocol, which in some cases differs from GWRC’s. As such, may create uncertainty and differing expectations around roles and responsibilities.
- ▶ **Regional Policy Statement changes** – Council’s processes and procedures to enable mana whenua participation in changes to the Regional Policy Statement has improved over time and continues to evolve. Mana whenua have clearly articulated their aspirations within the draft Regional Policy Statement, however feedback from mana whenua partners indicated that some input had been incorrectly captured and interpreted. While minimum statutory obligations appear to be achieved through regular consultation, we acknowledge that GWRC’s is committed to going beyond this and continuously improving processes that enable effective partnering through co-design, co-management and co-governance. Improvements in mātauranga Māori policy, engagement policy, capability, roles and responsibilities will all contribute to improving this area.
- ▶ **Protection of and access to mātauranga Māori** – There is no defined process to manage access to mātauranga Māori. Also, mana whenua do not have access to the mātauranga that is held within GWRC databases; which is a significant taonga for their descendants.

Risk

In general, the Local Government Act 2002, Resource Management Act 1991, Local Government Rating Act 2002, Reserves Act 1977 and Heritage NZ Pouhere Taonga Act 2014 require Council to either “give effect to” or “account for” the principles of the Te Tiriti o Waitangi within aspects of their governance and decision making processes.

Therefore, Council must design effective processes and procedures that actively address historic injustices, promote equality, facilitate enduring partnership, and establish mutual respect between the Crown (government) and mana whenua through shared decision making and governance to protect Māori interests.

Without clear processes the organisation needs to rely on people to do the right thing, which is difficult in large organisations. There is a risk that inconsistent processes and practices are followed or practices do not achieve statutory obligations, responsibilities and commitments.

Recommendation

The gaps identified (to the left) must be rectified to ensure robust processes are in place to manage each of these areas. Controls are also required to ensure that processes operate as intended.

Specifically the processes and procedures that need to be designed/refined to enable partnership, participation and protection of Māori interests are:

- Progressing with the snapshot tool for notified consents
- Oversight processes for Māori freehold land assessments of ‘unused’ land
- Clarifying the Accidental Discovery Protocols to be followed
- Protection of and access to mātauranga Māori.

KEY	▲ Expected processes and procedures observed	▶ Some expected processes and procedures observed but improvement plans are either underway or yet to start	▼ No processes or procedures in place and there are no planned actions identified
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Detailed findings | Roles and responsibilities

Observation 4 | Significant organisational change is underway to better define roles and responsibilities that give effect to GWRC's Te Tiriti o Waitangi statutory responsibilities as historical governance and delivery structures were often siloed; thus providing limited oversight

Priority rating	High
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Overall finding

Māori outcomes roles and responsibilities have historically been siloed within each business unit. Consequently, the organisational delivery and governance models, including roles and responsibilities, that support and assist with the implementation of Te Whāriki outcomes are being revised to optimise and streamline GWRC's collective efforts to better work with mana whenua partners.

The revised programme governance and delivery structures clearly define roles and responsibilities within Te Whāriki Programme and appoints members at the senior management level who have the ability influence decisions, enforce accountability and allocate resources. For example:

- ▲ The lead role for championing Te Whāriki outcomes through the organisation and implementation at a departmental/team level has been assigned to ELT, which ensures strategic decision making, accountability, risk management, representation, and access to expertise and experience.
- ▲ The revised governance groups have sufficient representation from across the organisation to ensure better oversight, collaboration, prioritisation of Council resources, and consistent messaging across business units.
- ▲ Greater Wellington has an intention to ensure mana whenua have influence on Te Whāriki in both setting direction and maintaining accountability over outcomes, which will be addressed through the implementation phase. Mana whenua are also represented on GW LTP committee which sets the governance level framework. This promotes active protection of Māori rights and interests, upholds the principle of fairness in the design and distribution of GWRC's resources and services, and shared decision making (to a degree).
- ▲ GWRC have a dedicated team, Te Hunga Whiriwhiri, who are responsible for leading, monitoring, auditing, and reporting on Te Whāriki Māori Outcomes Framework. As such, proposed changes will enable GWRC's to have improved organisational oversight of processes and procedures that give effect to their Te Tiriti o Waitangi statutory responsibilities to Māori.

▲ The delivery of Te Whāriki strategic outcomes is the responsibility of all GWRC business units, not just Te Hunga Whiriwhiri team.

While the aspirations of the Te Whāriki Implementation Programme are good, we understand that change management processes have not effectively facilitated the smooth and successful implementation of organisational changes to minimise resistance and disruption while maximising the benefits of the change.

For example:

- ▼ While the Chief Executive's job description includes specific Māori outcomes, consideration has not yet been given to updating all job descriptions across the GWRC, particularly those at manager and above, staff who directly work, support or enable in the Māori outcomes space.
- ▶ As the role of Te Hunga Whiriwhiri is somewhat unclear across the organisation they are constantly being pulled into mahi outside of their delivery scope thus impacting their capacity to focus on core Te Whāriki deliverables. There is a perception that te ao Māori and mātauranga Māori Kaupapa solely belong to Te Hunga Whiriwhiri.
- ▼ The revised approach was not clearly articulated and communicated across to staff, which is resulting in inconsistent engagement processes operating across the business units and a degree of frustration due to uncertainty.
- ▶ Organisational monitoring and reporting of Te Whāriki Māori outcomes is yet to be established in the short term, however will be included under the Forward Work Programme of all GWRC projects and initiatives with Te Whāriki outcomes.

Through Te Hunga Whiriwhiri, GWRC is transforming the way they engage and work with mana whenua, which will require significant organisational change and involvement from all business units. The proposed changes aim to create improved processes and procedures that enable GWRC to work with mana whenua in a more strategic and deliberate way that enhances relationships, participation and protection of Māori interests.

- ▲ Te Hunga Whiriwhiri have been transforming the way GWRC work with mana whenua by streamlining internal engagement processes to ensure constrained mana whenua capability is focused on strategic priorities, avoids duplication of effort and provides better oversight of who, where and how the Council are engaging.
- ▲ Under Te Whāriki, Te Hunga Whiriwhiri are responsible for leading the development of a Partnership and Engagement Framework in collaboration with mana whenua, which is yet to be developed.
- ▶ Historically, business units and teams have engaged directly with mana whenua on individual kaupapa, however the global relationship has always been held by Te Hunga Whiriwhiri. As GWRC work through this organisational change, some business units feel that their front line roles and relationships with mana whenua are being eroded due to the changes for engaging with mana whenua. All business units are required to work through Ngā Whenu (a Te Hunga Whiriwhiri led programme team comprising of management from key business groups) who perform risk assessments to triage and prioritise planned Māori outcomes initiatives to minimise the demand and workload on mana whenua partners.

KEY

▲ Expected processes and procedures observed	▶ Some expected processes and procedures observed but improvement plans are either underway or yet to start	▼ No processes or procedures in place and there are no planned actions identified
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Detailed findings | Roles and responsibilities (continued)

Overall finding

The current partnerships with mana whenua are dependent on key relationships held by existing GWRC staff and committee chairs and are not enduring. “Mana whenua are constant, whereas Council staff come and go”

While the relationships with mana whenua partners interviewed are mostly strong, GWRC’s existing processes are not enduring as the relationship and engagement model is still evolving, and the current process have a reliance on key staff maintaining the relationships. Some interviewees raised concerns that Council may cease to engage with them as political agendas and key Council staff change. This is a possible risk as currently policies, processes and procedures are yet to translate the Council’s intent of how to effectively engage with Māori.

This is an inherent risk and will need to be continuously managed as with other key person risks.

Te Hunga Whiriwhiri is concurrently delivering Te Whāriki while also rebuilding and transforming their function; which puts additional stress on existing resources and jeopardises the delivery of outcomes.

- ▼ While change management was considered in Te Whāriki Implementation Plan, we did not observe a change management framework that detailed how the changes were going to be implemented within GWRC. Governance oversight is more focussed on programme delivery.

GWRC’s delivery of Te Whāriki has been delayed due to limited time, resources and funding from business units, and limited inclusion of Māori outcomes within business plans.

- ▼ There is a perception that Te Hunga Whiriwhiri are solely responsible for the delivery of Te Whāriki, however Te Whāriki Programme governance and delivery structures assigns ELT members with accountability for implementing Māori outcomes within their business units. We understand that business units are yet to incorporate Māori outcomes within their business plans.

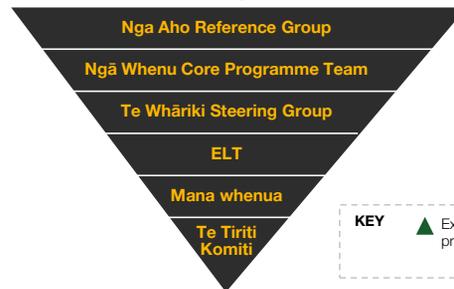
Risk

- A lack of clarity around the roles and responsibilities that facilitate the achievement of GWRC’s Māori legislations rights and Te Whāriki outcomes can lead to over reliance on Te Hunga Whiriwhiri to deliver initiatives beyond their intended scope, or a risk that delivery timelines are not achieved.
- Consequently, Te Hunga Whiriwhiri are at times reactive and responsive rather than being able to guide the organisation in fulfilling their statutory obligations to Māori and enabling the Council to act in a true Partnership manner with Māori.
- Concurrently managing a function rebuild as well as leading organisational change can cause communication breakdowns, pressure on existing staff, misunderstandings, confusion, change fatigue and misalignment of outcomes.
- Building a new function while implementing organisational change may result in integration issues, which if not properly managed could lead to conflicts, inconsistencies, or gaps between the new function and the organisation change efforts. This requires careful coordination and integration.
- Failure to authentically engage mana whenua may result in Council repeating past injustices resulting poorer outcomes and inequity for Māori and scrutiny from the Minister through over risks of Te Tiriti breaches.

Recommendation

- Implement a formal change management process that is reported on and monitored by ELT to ensure Te Whāriki – Māori outcomes initiatives are adopted across the business. The change programme should include internal communications and engagement strategies and roadshows to communicate revised roles and responsibilities across the business units, specifically around engaging with mana whenua.
- Rearticulate and communicate the role, responsibilities and core structure of Te Hunga Whiriwhiri to ensure the organisation collectively takes responsibility for delivering Te Whāriki – Māori outcomes framework.
- Update key leadership role descriptions with the new template to reflect their commitments to Te Tiriti o Waitangi in the context of their business unit.
- Cascade responsibility and accountability for actions and outcomes achievement from Te Whāriki to business units, including capturing this in their business plans.
- Continue to manage key person risks through shadowing and succession.

Te Whāriki Programme’s revised governance and delivery structure



KEY

- ▲ Expected processes and procedures observed
- ▶ Some expected processes and procedures observed but improvement plans are either underway or yet to start
- ▼ No processes or procedures in place and there are no planned actions identified

Detailed findings | Governance and decision making

Observation 5 | GWRC’s vision to effectively partner with mana whenua as kaitiaki in the co-governance and co-management models concerning shared interests are evolving but some practices need further enhancement

Priority rating

High

Overall finding

Good guidance on decision making considerations exists but needs to be considered earlier in decision making processes to better enable Council to uphold their Te Tiriti obligations and commitments

- ▶ While GWRC have identified key decision making processes that require contribution from mana with in the *‘Advice Guide – Implications for Māori – guidance on understanding Te Tiriti o Waitangi and Māori outcomes in Greater Wellington decision making’* document, the purpose of this guidance is for report writers when preparing reports to Council Committees. There is comprehensive and good guidance in this document and value in sharing in much early in the decision making process and to all leadership so that required considerations can be contemplated earlier. Therefore, better setting up GWRC to enable Māori participation decision making early on, which achieve the principles of pātuitanga (relationships and partnership), kōwhiringa (options), tino rangatiratanga (self determination), whakamaru (active protection, and oritetanga (equity).
- ▶ Additionally, the advice guidance above is still being embedded within Committees. Feedback received was while some exemplar reports have been prepared, others do not adequately reflect the guidance requirements. There is no independent/specialist monitoring control to check the quality of advice with regard to the Implications for Māori section, and therefore non compliance could be missed and the legitimacy of decisions challenged. We note that there is already a recognised need for this to improve, and observed that the Long Term Planning Committee made specific reference to abiding by GWRC’s report and writing guidance, and outlined a criteria for engaging with mana whenua as part of their Strategic Framework for the 2024 – 34 Long Term Plan.
- ▶ While GWRC has aspirations to go beyond minimum statutory requirements, and enable Māori input into discretionary decisions, guidance to enable this has not been developed.

There is no centralised systems to collate and monitoring significant decisions across GWRC

- ▶ There is no centralised significant decision database to monitor and track significant decisions across GWRC, which restricts senior leaders of their organisational visibility. Currently, significant decisions are tracked and monitored by individual business units. We understand that the resolutions registers only captures decisions from Committee hui.

GWRC’s ability to fully honour the principle of partnership commitment to Te Tiriti o Waitangi is limited in mana whenua representation at the governance level.

While GWRC aspire to actively partner with mana whenua to enable effective governance decision making that is informed by kaupapa Māori and mātauranga Māori analytical frameworks and knowledge systems, mana whenua are not represented on Council decision-making bodies and only act in an advisory capacity. They can only influence final decisions as Councillors hold the mandate.

Mana whenua representatives sit on 13 of GWRC’s Committees and reference groups, of which are advisory bodies to Council, Environment Committee or Wairarapa Committee. The Committees mostly oversee the implementation of plans, frameworks or the management of natural resources within the region. Three of the committees have been recently established and are two yet to hold their first meeting, while Ara Tahī and Te Upoko Taiao – Natural Resources Committee have been inactive since 2019/2020 - although we understand Te Upoko Taiao has recently held a workshop. More detail on this is in pages 23 - 24.

Mana whenua have equally voting rights and are remunerated for their time either via annual honorarium payments or time and expenses claims.

- ▶ Additionally, there is no mana whenua representation on Te Tiriti o Waitangi Committee (whose memberships consists of all 13 councillors) which is responsible for reviewing and monitoring GWRC’s performance in giving effect to the Te Tiriti o Waitangi statutory responsibilities. We would expect mana whenua to either be represented or have a direct line to this Committee to provide feedback on GWRC’s performance.

GWRC have implemented Tūapapa and Kaupapa funding initiatives that enable their representative organisations to uplift capability and resource themselves to better support and deliver on their kaitiaki duties as well as shared Māori interests.

GWRC has acknowledged that significant input is required from mana whenua to actively perform their kaitiaki role and meet the increasing demands of Council, while also assisting other Crown agencies. Mana whenua are thankful for Council’s contribution to uplifting their capability and capacity, which has enabled dedicated mana whenua representatives to contribute to various committees and initiatives.

- ▲ GWRC have established agreements with each mana whenua partner that cements their commitment to mana whenua and provides a framework to guide the way they work together. The agreements are bases on a high trust relationship.
- ▲ Throughout interviews, mana whenua have expressed how helpful the funding has been to ensure they have the right capability and dedicated resources to effectively collaborate GWRC to actively participate and protect their interests.

KEY

▲ Expected processes and procedures observed

▶ Some expected processes and procedures observed but improvement plans are either underway or yet to start

▼ No processes or procedures in place and there are no planned actions identified

Detailed findings | Governance and decision making (continued)

Overall findings

- ▲ GWRC have realised that mana whenua capacity is limited as they often manage conflicting requests from other Government agencies, thus are implementing an internal triaging process to ensure mana whenua capability is used efficiently and directed on the right priorities.
- ▲ Council also work with mana whenua at a management and operational level to deliver consents, regional policy statement changes, and the implementation of various plans etc, however the co-management models are still establishing.

The existing consultation, engagement and communication processes are not fit for purpose and are currently being enhanced to facilitate effective partnerships/relationships with mana whenua, upholding mana whenua interests, and decision making that is informed by kaupapa and mātauranga

- ▼ While key documents highlight the need to consult with mana whenua, it is unclear how business units are to conduct the engagement – ensuring the Council's Te Tiriti o Waitangi principles are upheld, what their ongoing role is while engaging mana whenua on particular projects/initiatives and how and in what capacity Te Hunga Whiriwhiri plays in the process.
- ▶ There is a lack of formally established responsibility for significant decision consultation. Council organisation staff interviewed were unable to provide definitive answers as to who was responsible for this. In some cases multiple personnel and business units across Council are involved. However, responsibility for ensuring the successful operation of these aspects has not been clearly assigned.
- ▶ Furthermore, while GWRC's Significance and Engagement Policy is outdated it is under review to ensure that it better aligns to GWRC's strategic intent of engaging with Māori in an authentic way, as outlined in observation 2.

Risk

With these gaps, the overarching risk is that Greater Wellington may not be able to uphold the principles of Te Tiriti o Waitangi. Failure to act in a way that achieves Pātuitanga, Kōwhiringa, Tino rangatiratanga, Whakamaru or Oritetanga, brings risk to the enduring and essential partnerships with mana whenua partners, and could result in non compliance and the legitimacy of decisions challenged. This in turn affects GWRC's ability to sustainably manage and protect natural resources for the benefit of current and future generations.

Recommendation

- Māori contribution to decision making should occur in the planning and service design stages such that Māori are treated as a partner, and not merely as an input or stakeholder into a project. Advice given to decisions makers needs to be shared earlier in the decisions making process and with all leadership so required considerations can be contemplated sooner.
- Develop a centralised significant decision database to monitor and track significant decisions across GWRC.
- Implement independent/specialist monitoring of the Implications on Māori section in reports to ensure quality of advice.
- Council should consider where discretionary input from mana whenua could be sought, and provide guidance on this to staff.
- Council should consider mana whenua representation for connection to Te Tiriti o Waitangi Komiti.
- Complete the review and update of the Significance and Engagement Policy.
- Define and clarify responsibilities for signification decision consultation and oversight for the oversight of successful achievement of these aspects.
- As referenced in observation 2, continue with the development and implementation of the Partnership and Engagement Framework, ensuring that it includes how business are to conduct engagement with mana whenua.

KEY

▲ Expected processes and procedures observed

▶ Some expected processes and procedures observed but improvement plans are either underway or yet to start

▼ No processes or procedures in place and there are no planned actions identified

Mana whenua representation on governance committees

Committee/Advisory Group	Purpose	Committee type	Voting rights	Meeting frequency	Last meeting	Comments
Long Term Plan Committee	Develop and approve Greater Wellington's 2024–34 Long Term Plan Consultation Document and Supporting Information and recommend a final Long Term Plan to Council for adoption.	Advisory Committee to Council	Full	N/A	01 Aug 2023	<ul style="list-style-type: none"> • Mana whenua receive annual honorarium. Others members get daily allowances/expenses • Each mana whenua partner is entitled to have a member, an alternate member and a Rangatahi Observer • An Alternate receives standard daily meeting allowances and expenses
Wellington Regional Leadership Committee – Joint Committee	Responsible for key matters of regional importance – Wellington Regional Growth Framework, Regional Economic Development, and Regional Recovery.	Joint Committee	Full	As required (four scheduled annually)	19 Sep 2023	<ul style="list-style-type: none"> • Membership includes Mayors of TAs and mana whenua representatives • Mana whenua members may have alternates
Wellington Water Committee	Lead and ensure good governance in water service management, promote consistency in service levels, and facilitate collaboration among stakeholders	Joint Committee	Full	N/A	N/A	<ul style="list-style-type: none"> • Hutt City Council is the administering authority • Shareholders and mana whenua oversee Wellington Water Limited and its infrastructure for water services in its operational areas.
Ara Tahī (Sitting in Abeyance)	Influence and guide Council's decision making and uphold the Memorandum of Partnership.	Advisory Committee to Council		Quarterly	19 Feb 2020	
Te Awa Kairangi/Hutt River Valley Subcommittee	Oversee development, implementation and review of floodplain management plans (FMPs) for the Te Awa Kairangi / Hutt River floodplain.	Subcommittee of the Environment Committee	Full	As required (four scheduled annually)	22 Aug 2023	<ul style="list-style-type: none"> • Expenses of elected members are met by Council and non-elected members can claim GWRC's standard daily meeting allowances and expenses.
Wairarapa Committee	Consider areas and matters of strategic importance to the Wairarapa, and recommend to Council (e.g. flood protection, land mgmt, and natural resource management, biodiversity etc).	Committee	Full	As required (six scheduled annually)	28 Feb 2023	<ul style="list-style-type: none"> • Expenses of elected members are met by Council and non-elected members can claim GWRC's standard daily meeting allowances and expenses.

Mana whenua representation on governance committees

Committee/Advisory Group	Purpose	Committee type	Voting rights	Meeting frequency	Last meeting	Comments
Lower Ruamahanga Valley Floodplain Management Advisory Committee	Oversee the development, implementation and review of the Lower Wairarapa Valley Development Scheme and floodplain management plans for the Lower Ruamahanga Valley floodplains.	Advisory body to Wairarapa Committee	Full	As required	20 Jul 2023	
Whaitua Kāpiti Committee	To give effect to the National Policy Statement for Freshwater Management 2020 (NPSFM) through the development of regulatory and non-regulatory proposals to be documented within the Whaitua Kāpiti Implementation Programme.	Advisory body to Council	N/A	N/A	Nil	<ul style="list-style-type: none"> New committee - first meeting TBC
Waiōhine River Plan Advisory Committee	Oversee implementation and operation of the Waiōhine River Plan.	Advisory body to Wairarapa Committee	Full	As required	Nil	<ul style="list-style-type: none"> New committee - first meeting TBC
Upper Ruamahanga River Management Advisory Committee	Oversee the implementation of the Te Kāuru Upper Ruamāhanga Floodplain Management Plan.	Advisory body to Wairarapa Committee	Full	As required	11 Jun 2019	
Te Upoko Taiao – Natural Resources Committee	Promote the sustainable management of the region's natural and physical resources by overseeing the review and development of regional plans, changes and variations for the Wellington Region, as required under the Resource Management Act 1991.	Advisory body to Environment Committee	Full	N/A	11 Jun 2019 (lapsed)	<ul style="list-style-type: none"> Workshop held on 24 October 2023
Wairarapa Moana Wetlands Project Governance Group	To oversee the Wairarapa Moana Wetlands Project to direct effort towards achieving the Project's objectives.	Advisory Body	N/A	N/A	N/A	<ul style="list-style-type: none"> TOR provides for representation from the following mana whenua parties; (1) Kahungunu ki Wairarapa (2), Rangitane o Wairarapa (2) and Wairarapa Moana hapu
Whaitua Te Whanganui-a-Tara Reference Group	Inform and provide feedback on Greater Wellington's implementation of the recommendations of Te Whanganui-a-tara Implementation Programme.	Advisory body to Environment Committee	N/A	Every 2 months	30 Aug 2023	<ul style="list-style-type: none"> New committee. Mana whenua representatives can receive annual honorarium or direct payment to the mana whenua entity

Detailed findings | Capability building

Observation 6 | The implementation of, and deep understanding of te ao Māori in the context of the Wellington region, is an ongoing journey at GWRC to continue to develop internal capability across the entire organisation (hearts and minds)

Priority rating

High

Overall finding

GWRC have committed to building a capable workforce through the implementation of Te Whāriki – Māori Outcomes Framework

▲ GWRC has prioritised 'building internal capability' over the other strategic focus areas (effective partnering, engagement for equitable outcomes and strong, prosperous and resilient Māori communities). Key outcomes sought in building a capable workforce are implementing processes and procedures that support staff to develop, strong, meaningful and enduring relationships with Māori; increase value and recognition of staff cultural competence; increase Te Tiriti o Waitangi settlement and historical accounts; establish policies, frameworks and models that support staff to engage with Māori; and reviewing competency measures.

GWRC are making positive steps to lift internal capability to better support Māori outcomes through internal training courses and policies; however, other planned improvements are yet to be developed

- ▲ GWRC has a Te Reo and Tikanga Policy that supports the revitalisation of te reo Māori, and provides staff with a basic understanding of tikanga.
- ▲ GWRC has implemented basic training that covers te reo Māori, pronunciation, marae tikanga. Though our interviews, most business units were supportive of their staff attending but this is at the discretion of the manager.
- ▲ Mātauranga Māori, Te Ao Māori, Māori values and tools are readily available to staff on intranet (Pātai Mai, Te Whāriki, mana whenua and governance pages), however are not mandatory to those who work directly with mana whenua.
- ▲ GWRC staff attend training offered by Ngāti Toa Rangitira that teaches them how to work with them through their Ūpane initiative.
- ▲ GWRC have implemented Te Iti Kahurangi – Māori Capability Framework (individual) that sets out the key Māori capability areas to be attained.

- ▶ While the Chief Executive's job description includes specific Māori outcomes, consideration has not yet been given to updating all job descriptions across the GWRC, particularly those at manager and above, staff who directly work, support or enable others in the Māori outcomes space.
- ▼ There is minimal guidance on effectively engaging and partnering with Māori for staff who work at an advanced or strategic relationship level.

Organisational awareness of Māori outcomes, responsiveness programmes, guidelines and legislative requirements

- ▶ Staff are only aware of Māori outcomes, responsiveness programmes, guidelines and legislative requirements specific to their area. Staff are expected to come with prior knowledge and experience. Awareness was greater amongst staff who worked in the operational space rather than traditional corporate functions.
- ▼ External contractors awareness of Māori outcomes, responsiveness programmes, guidelines and legislative requirements is not specified. GWRC have no specific procurement guidance that requires contractors to be aware of their Māori outcomes, responsiveness programmes and Te Tiriti statutory responsibilities. Reliance is on individual business units to brief contractors during onboarding.

Monitoring and achievement of Te Iti Kahurangi –Māori Capability Framework (Individual) is yet to be established

- ▼ While Te Hunga Whiriwhiri are responsible for monitoring Māori outcomes, business units are yet to articulate how they plan to meet the expectations of Te Iti Kahurangi – Māori Capability Framework and define the metrics to be achieved.

Risk

A lack of staff training and awareness in te reo, tikanga me mātauranga Māori can lead to Māori outcomes initiatives being poorly designed, not meeting the expectations of mana whenua, which may result in rework, strained relationships and delivery delays that breach statutory requirements.

Furthermore, having clear policy guidance and frameworks that support and enable Māori outcomes will assist managers to better execute their duties; particularly those teams that engage with mana whenua or Māori outcomes on a daily basis.

Additionally, some external contractors should have the same base level awareness and understanding of Māori outcomes, responsiveness programmes, guidelines and legislative requirements awareness and capability expectations as internal staff to ensure Te Tiriti o Waitangi expectations are met and relationships with mana whenua remain strong.

Recommendation

- Develop a training competency framework that defines, and enables assessment of, individual and organisational development and upskilling requirements particular to Māori outcomes.
- Implement or provide access to intermediate and advanced levels of training in te reo Māori, tikanga Māori and mātauranga Māori in partnership with Mana Whenua.
- Design and implement procurement and onboarding guidance to ensure that required contractors come with the right experience and/or gain an awareness and understanding of GWRC's Māori outcomes, responsiveness programmes, guidelines and Te Tiriti statutory obligations specific to their area.
- Establish organisational wide reporting metrics and key performance indicators to monitor achievement of Te Iti Kahurangi – Māori Capability Framework (Individual).

KEY

▲ Expected processes and procedures observed

▶ Some expected processes and procedures observed but improvement plans are either underway or yet to start

▼ No processes or procedures in place and there are no planned actions identified

Detailed findings | Monitoring and reporting

Observation 7 | Monitoring and reporting systems, processes and procedures that provide centralised oversight of GWRC giving effect to its Te Tiriti o Waitangi responsibilities are still evolving as part of the Te Whāriki – Māori Outcomes Framework Implementation plan

Priority rating

Moderate

Overall finding

Centralised monitoring and reporting of GWRC's Māori outcomes and Te Tiriti o Waitangi performance is yet to be developed

A centralised monitoring and reporting framework will be developed as part of Te Whāriki programme's long term plan. It is intended that this will outline the reporting requirements for the Māori outcomes targeted by other business units.

While monitoring processes and procedures are still evolving, we observed some good practices operating:

- ▲ Strategic Māori outcomes are actively monitored, tracked and periodically reported through GWRC's long-term plan and annual report.
- ▲ Te Tiriti o Waitangi Komiti, a Committee of the Whole, was established in 2022 to enable Council, committees, and Greater Wellington to implement robust decisions that uphold Te Tiriti o Waitangi obligations, commitments and responsibilities to ensure equitable outcomes for Māori. The role of this Komiti includes oversight of the development of a work programme across GWRC that improves outcomes and upholds priorities for mana whenua and Māori, as well as reviewing and monitoring the implementation of this work programme using Te Tiriti o Waitangi principles.
- ▲ Te Whāriki – Māori Outcomes Framework Implementation Plans is monitored by:
 - ELT, who has overall responsibility for decisions over Te Whāriki implementation programme. ELT monitor and review progress, while considering the programme alongside other organisational projects. Programme updates are reported to ELT on a monthly basis with any significant changes, issues or risks, being reported as required.

- Te Whāriki Steering Group (whose membership consists of key 2nd Tier senior leaders who have the expertise, knowledge, access and resources to direct appropriate action) is responsible for reviewing and monitoring the delivery of Te Whāriki implementation programme. Te Hunga Whiriwhiri are responsible for leading, monitoring, auditing and reporting on Te Whāriki – Māori Outcomes Framework.

- ▶ While there is no centralised reporting over all Māori outcomes being targeted, Te Hunga Whiriwhiri report progress of the implementation of Te Whāriki Implementation Programme to ELT, who are accountable for ensuring business units implement their Māori outcomes and making decisions on strategy, funding, resourcing, and escalation of major issues.

- ▲ Te Hunga Whiriwhiri have developed and implemented Te Tiriti o Waitangi Audit Framework that provides a qualitative perspective from mana whenua partners on GWRC's performance on key Te Tiriti o Waitangi statutory obligations. This framework details key areas the GWRC's performance against expectations, requirements and principles of Te Tiriti o Waitangi will be assessed, such as:
 - compliance against statutory requirements (and processes emerging from statutory requirements);
 - knowledge, utilisation and status of mātauranga Māori; and
 - the experiences of mana whenua partners in working with Greater Wellington.

- ▶ Each business unit is expected to identify its own Te Whāriki Māori outcomes action plans specific to their area, which are to be included in their annual business plans. Monitoring and reporting against the Te Whāriki Action plans will be completed through the business plan quarterly reporting process and will assist Te Hunga Whiriwhiri to understand what the organisation is doing. We understand that this initiative is still in progress.

There is no clear assurance map and assessment of processes and controls to confirm compliance over GWRC giving effect to its Tiriti o Waitangi statutory responsibilities

- ▼ As mentioned in Observation 1, specific obligations will be incorporated within GWRC's ComplyWith software that is managed by Legal. While this self-assessment provides a degree of comfort that business units are adequately managing their risks, we are unsure what level of independent follow-up and assessment will be completed.
- ▼ There are no reported metrics and data (key performance indicators) to measure success and help senior leaders make informed decisions over both Te Whāriki programme initiatives or Māori outcomes being targeted by business units other than status/progress.

KEY

- ▲ Expected processes and procedures observed
- ▶ Some expected processes and procedures observed but improvement plans are either underway or yet to start
- ▼ No processes or procedures in place and there are no planned actions identified

Detailed findings | Monitoring and reporting (continued)

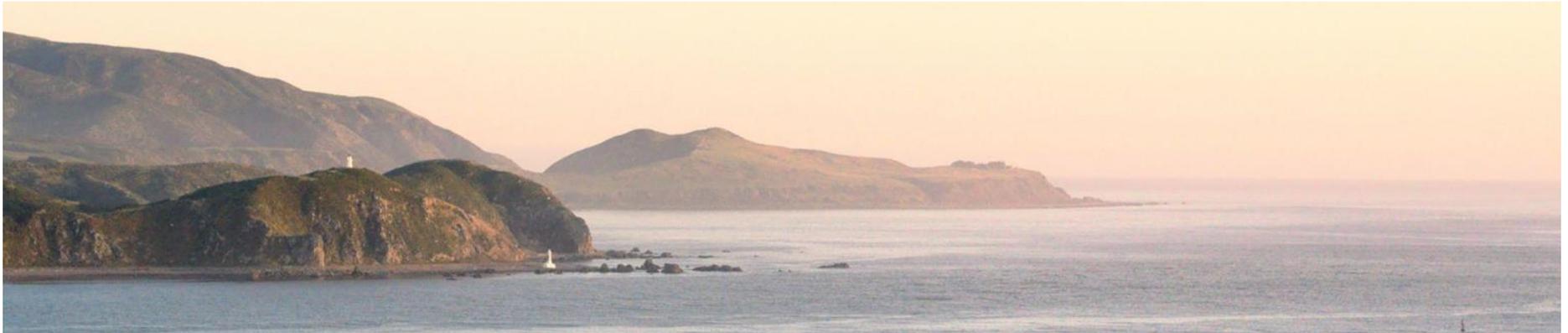
Risk

An absence of centralised monitoring of Māori outcome achievement, progress of initiatives, and compliance-driven processes and controls will prevent, restrict or obscure:

- GWRC tracking and evaluating their progress towards meeting their Te Tiriti statutory obligations, and assessing if they are making meaningful progress
- senior leaders identifying and addressing issues/challenges quickly
- GWRC from gathering valuable data, analysis and insights that inform decisions, improve processes and optimise resource allocation, and
- accountability and transparency over GWRC's Te Tiriti performance, which may reduce trust and confidence, both internally and externally.

Recommendation

- Establish metrics (key performance indicators) and data to measure success and help senior leaders make informed decisions over both Te Whāriki programme initiatives or Māori outcomes being targeted by business units.





Toru

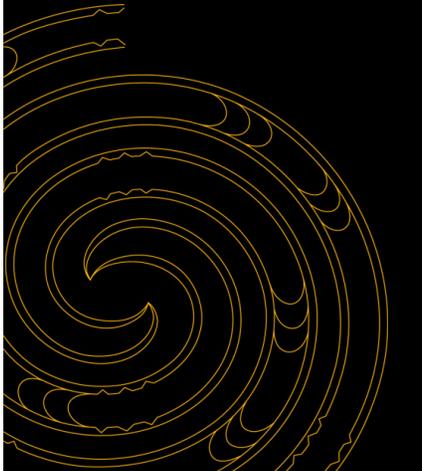
Appendices

Te awhe me te ara whakamua

Appendix I: Scope and approach

Objective

To conduct a comprehensive assessment of GWRC statutory compliance against key Te Tiriti o Waitangi legislative provisions that provides an understanding of how mātauranga Māori influences (or is incorporated into the delivery) of core activities, and working relationships with mana whenua.



Scope

This engagement included Greater Wellington Regional Council's key plans, frameworks, levers and enabling policies, plans, processes and systems that give effect to GWRC's Te Tiriti o Waitangi key statutory obligations (as defined in their Te Tiriti o Waitangi Audit Framework). This includes sections within the following acts:

- Local Government Act 2002
- Resource Management Act 1991
- Local Government (Rating) 2002
- Reserves Act 1977
- GWRC Accidental Discovery Protocol (under Heritage NZ Pouhere Taonga Act 2014).

Our engagement with mana whenua was limited to representatives (as directed by GWRC) from Ngā Hapū o Ōtāki, Ātiawa ki Whakarongotai Charitable Trust, Te Rūnanga o Toa Rangatira Inc, Port Nicholson Block Settlement Trust and Ngāti Kahungunu ki Wairarapa Charitable Trust. Rangitāne o Wairarapa Inc were unable to meet during the Audit timeframe.

Approach

The key steps in our approach were:

- Phase 1: Planning to agree Audit participants and documentation required
- Phase 2: Performing a high level/desktop Stocktake and Maturity Assessment of key overarching frameworks that enable compliance. This Maturity Assessment is shown in Appendix V and covers a range of areas including commitment, awareness and training, structure and accountability, policies and plans etc.
- Phase 3: Conducting hui with mana whenua to understand their perspectives of their relationships and Greater Wellington's practices.
- Phase 4: Conducting prioritised deep dives into specific statutory provision compliance across the core activities. We interviewed kaimahi across the core business units during August and September.
- Phase 5: Reporting - development of Audit deliverables/outputs: collation of insights, findings and recommendations and development of this Audit Report.

Team conducting the Audit

The team conducting the Audit included:

- Jade Collins, Partner
- Tamati Shepherd-Wipiti, Partner (now retired from PwC)
- Mel Chase, Associate Director
- Adele Hawk, Manager
- Keriata Royal-Taeao, Senior Analyst
- Wairua Pukeiti, Analyst.



Ngā hoa kua oti te arotake

Appendix II: Audit stakeholders engaged

The table lists the key people (roles) who were interviewed as part of this Audit from both GWRC and their mana whenua partners.

Position and business unit	Coverage						
	Te Tiriti O Waitangi principles	Settlements Acts, bills & deeds of settlement obligations for co-governance/co-mgmt.	Local Government Act 2002	Resource Management Act 1991	Local Government (Rating) Act 2002	Reserves Act 1977	Heritage NZ Pouhere Taonga Act 2014
Greater Wellington Regional Council							
Hautū Mātauranga Taiao, Te Hunga Whiriwhiri	✓						
Project Manager, Te Hunga Whiriwhiri	✓		✓				
Principal Advisor, Te Hunga Whiriwhiri	✓	✓	✓				
General Manager, Te Hunga Whiriwhiri	✓	✓					
Director Māori Outcomes, Te Hunga Whiriwhiri	✓		✓				
Manager of Environment Policy, Environment	✓			✓			
Manager of Environmental Regulation, Environment	✓	✓		✓			
Resource Advisor, Environmental Regulation	✓	✓		✓			
Pest Team Leader, Biosecurity	✓						
Biosecurity Peace Plants Team Leader, Biosecurity	✓						
Environmental Policy Advisor, Biosecurity	✓						
Manager of Land Management, Parks	✓					✓	
Strategic Planner Parks, Parks	✓					✓	
Park Ranger, Parks	✓					✓	✓
Principal Ranger, Parks	✓					✓	
Park Ranger, Parks	✓					✓	



Ngā hoa kua oti te arotake

Appendix II: Audit stakeholders engaged

Position and business unit	Coverage						
	Te Tiriti O Waitangi principles	Settlements Acts, bills & deeds of settlement obligations for co-governance/co-mgmt.	Local Government Act 2002	Resource Management Act 1991	Local Government (Rating) Act 2002	Reserves Act 1977	Heritage NZ Pouhere Taonga Act 2014
Greater Wellington Regional Council (continued)							
Head of Legal and Procurement	✓		✓	✓			
Head of Governance and Democracy	✓	✓	✓				
Head of Strategy and Planning	✓		✓				
General Manager People and Customer, Human Resources	✓		✓				
Manager Organisational Development, Human Resources	✓		✓				
Chief Finance Officer and Financial Controller, Finance	✓				✓		
Mana Whenua Partners							
Chairperson and Secretary, Ngā Hapū o Ōtaki	✓	✓	✓	✓	✓	✓	✓
Chief Executive Officer, Te Ātiawa ki Whakarongotai	✓	✓	✓	✓	✓	✓	✓
Chief Executive Officer, Te Rūnanga o Toa Rangatira	✓	✓	✓	✓	✓	✓	✓
General Manager, Business Services & Operations Taranaki Whānui	✓	✓	✓	✓	✓	✓	✓
General Manager and Environmental Consultant, Ngāti Kahungunu ki Wairarapa	✓	✓	✓	✓	✓	✓	✓

Ngā tuhinga matua i titiro

Appendix III: Key documents assessed

We assessed the following documentation as part of this Audit:



Frameworks/documents from Te Hunga Whiriwhiri

- Te Whāriki Programme
- Te Whāriki – Māori Outcomes Framework
- Te Whāriki – Māori Outcomes Framework Implementation Plan
- Te Whāriki and New Environment Group Transition Programmes Report
- Te Whāriki Programme and Governance Delivery Report ELT



Mana whenua agreements

- Rangitāne o Wairarapa Inc Funding Agreement, 2021
- Ngā Hapū o Ōtaki Funding Agreement, 2021
- Kahungunu Ki Wairarapa Funding Agreement, 2021
- Ātiawa Ki Whakarongotai Funding Agreement, 2021
- Port Nicholson Block Settlement Trust Funding Agreement, 2021
- Memorandum of Partnership, 2013
- Te Matarau a Maui Charitable Trust Memorandum of Understanding, 2023



Human Resources policies and frameworks

- Greater Wellington Core Competency Framework
- Diversity and Inclusion Plan
- Position Description Template
- Position Description, Senior Advisor Catchment
- PSA Collective Employment Agreement Extract
- Learning and Development Policy, 2016
- Te Reo Māori and Tikanga Policy, 2019



Learning and development

- Pakiaka Course Materials
- Mātauranga Māori Course Materials
- Te Tiriti Course Materials
- Te Iti Kahurangi – Māori Capability Framework – Individual
- Te Iti Kahurangi – Māori Capability Framework – Organisational



Finance policies

- Revenue and Financing Policy, 2022
- Financial Policies Handbook, 2023
- Rates Remission on Māori Land Policy, 2022



Other GWRC policies and frameworks

- Procurement Policy, 2021
- Procurement Manual, 2021
- Koha Policy, 2021
- Official Geographic Place Names Policy
- Greater Wellington Accidental Discovery Protocol, 2016
- Committee and Advisory Group Terms of References and agendas
- Key process documents and examples of processes operating



Engagement guidelines

- Significance and Engagement Policy, 2019
- Draft Significance and Engagement Policy, 2023
- Koha Guidance, 2021
- Guidance on Understanding Te Tiriti o Waitangi and Māori Outcomes in Greater Wellington Decision Making



Long Term Plan

- Long Term Plan, 2021-2031



Regional Plans

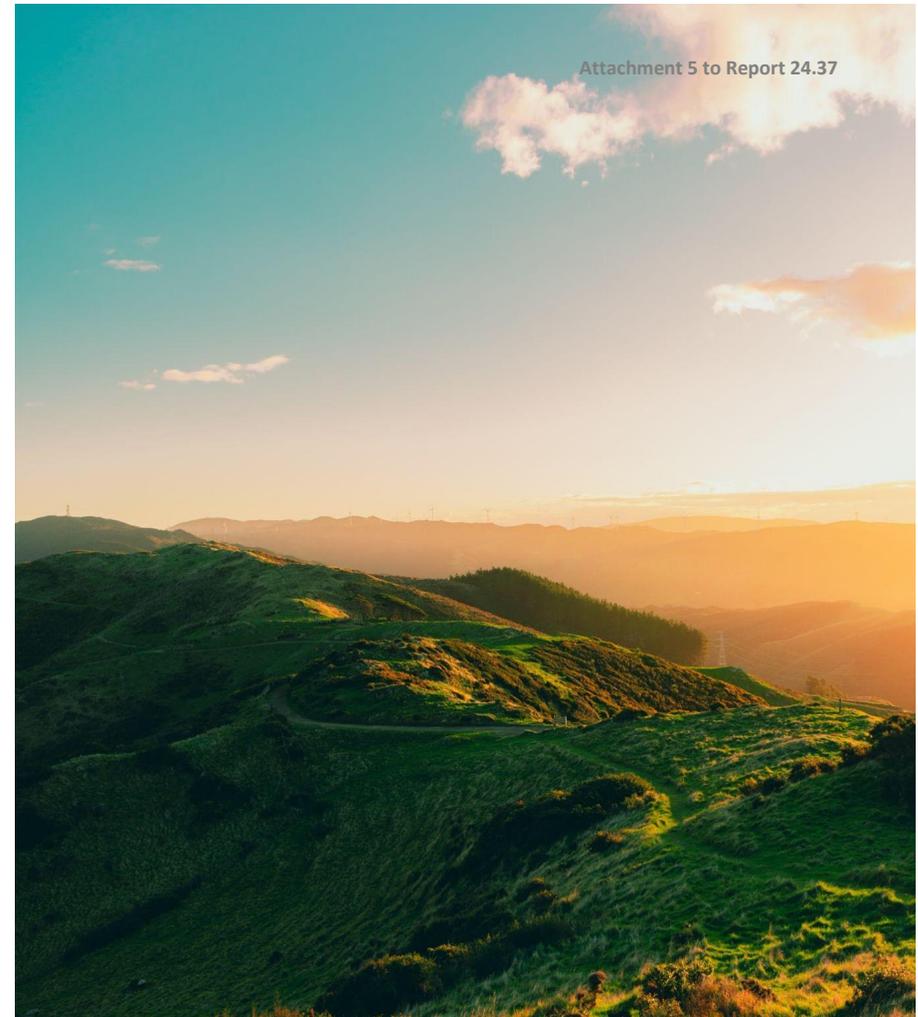
- Natural Resource Plan, 2023
- Parks Network Plan, 2020

Priority rating scale

Appendix IV

The table below outlines the priority ratings for each of our findings highlighted in this report.

Priority rating	Definition
	<p>Significant</p> <p>A significant weakness or gap in process or control that may compromise Māori legislative rights.</p> <p>Issues of this nature relate to fundamental weaknesses in the core building blocks of a robust control framework, or critical elements required to give effect to Treaty principles.</p>
	<p>High</p> <p>A serious weakness or gap in process or control that is likely compromise Māori legislative rights and should therefore be addressed as a matter of importance.</p>
	<p>Moderate</p> <p>A moderate weakness or gap in process or control that may compromise Māori legislative rights and should therefore be addressed as a medium term priority.</p>
	<p>Minor</p> <p>A minor weakness that is unlikely to compromise Māori legislative rights, however may improve or refine a process.</p>



Māori Responsiveness Maturity Assessment Model

Appendix V – (a) Model Background and context

Māori responsiveness as a framework includes the key plans, frameworks and levers, and enabling policies, systems and processes that GWRC has in place to ensure it delivers on its goals for responsiveness to Māori, statutory obligations to Māori and Te Tiriti o Waitangi. The kinds of key elements in a Māori responsiveness framework are shown in the triangle diagram below.

Overview of the base model

PwC has developed a maturity model assessment to provide a clear view of the steps – and maturity (or developmental state) of the frameworks/processes – required to ensure an effective approach to Māori responsiveness, and in turn better support the systematic achievement of outcomes for and with Māori.

This model is based on structures and components from the following sources:

- Governance, risk and compliance; process and compliance and ethics program maturity models
- The fundamental structures within which a framework for internal control should operate and key mechanisms to enable compliance with statutory provisions relating to Te Tiriti o Waitangi – identified through past Te Tiriti engagements that PwC has conducted.
- Our understanding/views of the critical elements/components likely to improve an organisation’s ability to fulfil statutory Māori obligations, and to be a high performing Māori responsive organisation.

Why this approach was selected to assess GWRC’s Māori Responsiveness

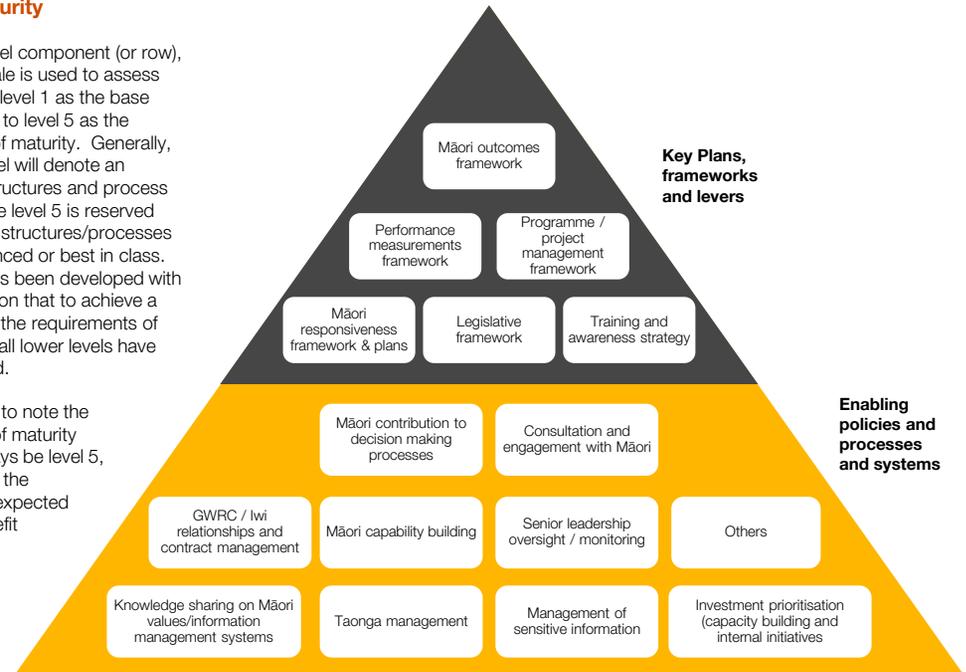
This kind of assessment approach was selected for the GWRC as it:

- **Enables a holistic approach to assessing a Māori responsiveness framework**
 - It considers the elements needed in an integrated control framework to ensure that objectives will be achieved, including: leadership and commitment, guiding policies/expectations, processes that drive actions and controls to ensure consistent execution, structures and accountabilities, outcome setting and performance measurement to tell you how well you are doing it.
- **Provides a vision of the building blocks that will inform the development of improvement plans to enable higher maturity and performance**
 - It is an ideal high-level assessment that quickly recognises successes, and provides a view of the key areas requiring further improvement.

Using the model to assess maturity

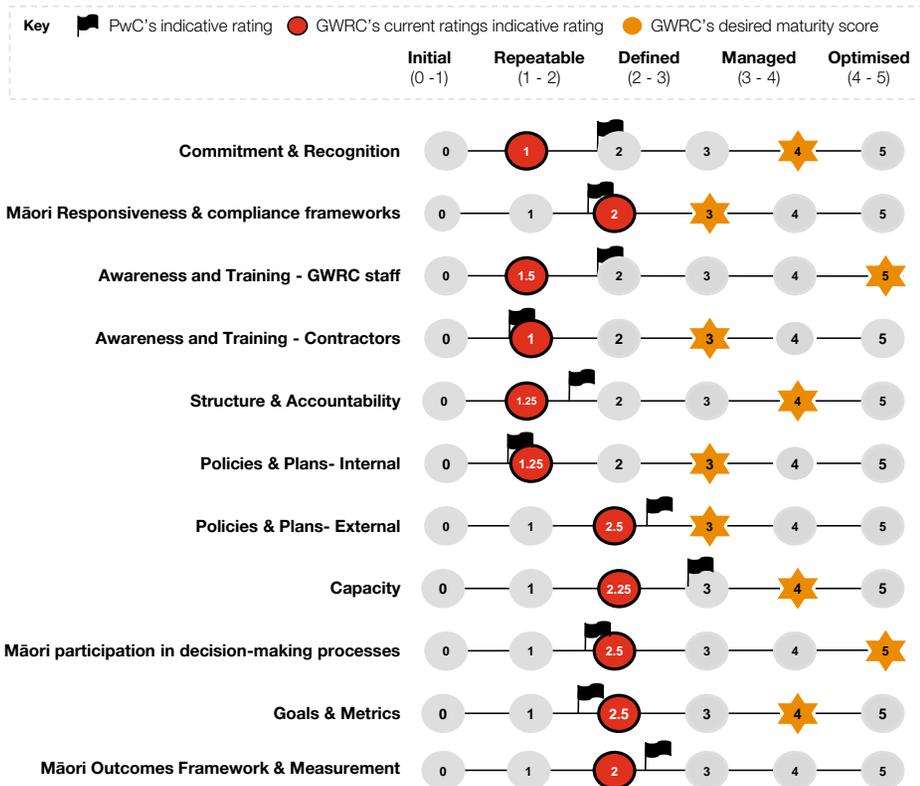
For each model component (or row), a five level scale is used to assess maturity, with level 1 as the base level going up to level 5 as the highest level of maturity. Generally, the lowest level will denote an absence of structures and process discipline while level 5 is reserved only for those structures/processes that are enhanced or best in class. This model has been developed with the presumption that to achieve a given level, all the requirements of that level and all lower levels have been achieved.

It is important to note the desired level of maturity need not always be level 5, depending on the achievement expected and cost/benefit analysis.



Māori Responsiveness Maturity Assessment Model

Appendix V – (b) Maturity Assessment results summary



High level/stocktake Māori Responsiveness maturity assessment

Overall, our Māori Responsiveness assessment highlighted that GWRC's processes and relatively immature, as they are still being formally defined, implemented across the business units or were operating in pockets of the organisation. Observations have been weaved into out detailed findings.

This illustration represents a collective (PwC and GWRC) view of GWRC's current maturity, using our tailored Māori Responsiveness Maturity Model. PwC's assessment does not assess the implementation of planned activities.

This model provides a clear view of the steps – and maturity (or developmental state) of the frameworks/processes – required to ensure an effective approach to Māori responsiveness, and in turn better support the systematic achievement of outcomes with and for Māori.

To determine the maturity level of a component, all aspects of a level must be consistently demonstrated (across GWRC) to be at that level. i.e. a threshold view is taken, rather than a gravity score or average score across levels.

PwC's assessment only assesses the desktop design of existing frameworks, plans and policy documents and does not assess the implementation on planned activities. GWRC (Te Hunga Whiriwhiri) participants in the self assessment have considered actual implementation, and an overarching comment is that this is variable across the organisation, and have therefore scored GWRC lower within the maturity scale.

Our assessment used the PwC Māori Assessment Maturity Model Framework, which is provided as a supplementary paper to Management.

Additional detail on policies (relating to observation 2)

Appendix VI – The table below outlines the policies we expected GWRC to have in place, their current status and the required action. This provides additional detail for the findings in observation 2.

#	Expected policy areas	Status	Te Tiriti principle / legislation	Observations
1	Commitment to Te Tiriti of Waitangi and principles Council have defined their position on Te Tiriti o Waitangi and how they are committed to enacting the principles under Te Tiriti.	Partially documented Te Tiriti o Waitangi Komiti ToR Long Term Plan (2021-31) Approval of Te Whāriki Māori Outcomes Framework	Partnership, Participation, & Protection	Council have defined their position and commitments to Te Tiriti in their Long Term Plan through their strategic priorities specifically on improving outcomes for mana whenua and Māori. Te Tiriti o Waitangi Komiti Terms of Reference articulates what Council's Te Tiriti principles are, but there are no guidelines to direct GWRC's actions or behaviours to give effect to these principles.
2	Consultation, engagement and communications with mana whenua Council have defined clear processes and procedures that dictate who, what, how and when staff engage with mana whenua	Under review Guidance on understanding TToW and Māori outcomes in GWRC decision making	Local Government Act 2022 Resources Management Act 1991, Local Government Ratings Act 2022, Reserves Act 1977	Te Hunga Whiriwhiri have released guidance for report writing to ensure that staff provide comprehensive advice to decision makers regarding implications of decisions on mana whenua and Māori.
3	Identification and management of wāhi tapu and sites of significance Council has a process in place for the identification and management of wāhi tapu sites.	Documented Parks Network Plan (2020-30), Natural Resources Plan (2023)	Resource Management Act 1991, Sections 6, 7, 8	Council have a process in place for the management of wāhi tapu sites which is documented in their Parks Network Plan as well as their Natural Resources Plan.
4	Commitment of partnership Council have defined how they will commit to mana whenua to enact the principle of partnership under Te Tiriti.	Documented Memorandum of Partnership 2013, Individual mana whenua agreements, & Long Term Plan (2021-31)	Partnership/ Local Government Act 2002, Sections 4, 77, 81, 82(2)	Council have defined their expectations for working within mana whenua through individual agreements, and memorandum of partnership. Council has also defined their strategic priorities in their Long Term Plan of how they will work with iwi.
5	Co-management and co-governance agreements Mana whenua are involved of the co-management and co-governance of specific parks	Documented Parks Network Plan (2020-30), Natural Resources Plan (2023), Parangarahu Lakes Area Co-Management Plan	Partnership, Protection, Participation, Reserves Act 1977	Council have objectives and policies in place to guide staff throughout their environmental plans. There are provisions within the plans which give effect to Māori values and the protection of significant mana whenua sites. Also, kaitiakitanga is recognised under the Natural Resources Plan where mana whenua should be involved in the assessment and decision-making processes associated with the use of and development of natural and physical resources.
6	Māori freehold land and rates remissions A policy is in place that outlines the remission and postponement of rates on Māori freehold land as part of the statutory obligations under the Local Government (Rating) Act 2002.	Partially documented Remission of Rates on Māori Land Policy, 2022 No policy guidance that provides a consistent and clear criteria for assessing Māori freehold land	Local Government Act 2002, Local Government (Rating) Act 2002 Schedule 1	Council have a policy in place in line with their statutory obligations to the Local Government Act 2002, and Local Government (Rating) Act 2002. The policy outlines how remissions and postponement of rates on Māori freehold land is dealt with. However, Council have no oversight of how Māori freehold land is classified as 'used' or 'unused' in other districts for rating purposes, which presents a risk that rates are not consistently assessed for charging or remission, throughout the region and mana whenua are incorrectly charged rates. Furthermore, GWRC has not issued guidance to Territorial Authorities and have placed reliance on them to interpret the legislation.
7	Recognition of aims and aspirations of Māori in local government	Under development	Local Government Act 2002, Schedule 7, clause 36 (2), (d)	Council are developing policies to explicitly articulate their commitments to being a good employer: "or the purposes of this clause, a good employer means an employer who operates a personnel policy containing provisions generally accepted as necessary for the fair and proper treatment of employees in all aspects of their employment, including provisions requiring— (d) recognition of (i)the aims and aspirations of Māori; and (ii) the employment requirements of Māori; and (iii) the need for greater involvement of Māori in local government employment"

Additional detail on policies (relating to observation 2)

Appendix VI – The table below outlines the policies we expected GWRC to have in place, their current status and the required action. This provides additional detail for the findings in observation 2.

#	Expected policy areas	Status	Te Tiriti principle / legislation	Observations
7	<p>Management of taonga</p> <p>Council have an Accidental Discovery Protocol in place in line with the Heritage NZ Pouhere Taonga Act 2014. The protocol clearly outlines the specific process staff must adhere too at the discovery of Taonga.</p>	<p>Documented but needs updating</p> <p>GWRC Accidental Discovery Protocol</p>	<p>The right of development/ Heritage NZ Pouhere Taonga Act 2014</p>	<p>Council have an Accidental Discovery Protocol in place that is mostly used in the parks space, however we are aware that some staff are using outdated versions.</p> <p>Additionally, mana whenua have also established their own versions that are specific to their tikanga and kawa.</p>
8	<p>Protection and management of Mātauranga Māori / data</p> <p>There is no policy in place covering the protection and management of the use and access of Mātauranga gifted by mana whenua</p>	<p>No policy</p>	<p>Resource Management Act 1991, Section 6</p>	<p>Te Hunga Whiriwhiri have requested that for a policy to be written but is yet to be prioritised by the policy owner. A Māori data sovereignty policy needs to cover the protection and management of Mātauranga Māori, which also includes principles, rules and guidelines to direct GWRC staff on how appropriately care for this taonga.</p>
9	<p>Management of Treaty Settlement requirements for Council</p> <p>Clear guidance that details how council staff are to manage Treaty settlement requirements.</p>	<p>No policy</p>	<p>Settlement Acts</p>	<p>Council do not currently have clear guidance or a policy in place for the management of Treaty settlement requests.</p>
10	<p>Management of Memorandum of Understandings</p> <p>Council have agreements in place with each of its six mana whenua partners that outline the expectations of the relationship between mana whenua and Council.</p>	<p>Documented</p> <p>Memorandum of Partnership 2013 Individual mana whenua Agreements</p>	<p>Service agreements</p>	<p>Council has established formal agreements with all six mana whenua partners as well as an overarching Memorandum of Partnership.</p>
11	<p>Contribution of Māori in decision making</p> <p>Clear guidance on how, when and what capacity mana whenua have on Māori outcomes or areas of interest</p>	<p>Under development</p> <p>Guidance on understanding TToW and Māori outcomes in GWRC decision making</p>	<p>Local Government Act 2002, Section 77, Requirements in relation to decisions</p>	<p>Te Hunga Whiriwhiri have created guidance to guide and prepare Council staff on the implications of decisions on mana whenua and Māori. The guidance is tailored towards report writers.</p>
12	<p>Local governance statement</p> <p>The Local Governance Statement sets a position on the option of establishing Māori constituencies, and the opportunity to change these. It also include policies for liaising with, and memoranda or agreements with, Māori.</p>	<p>Documented</p> <p>Local Governance Statement 2022-25</p>	<p>Local Government Act 2002, Section 40</p>	<p>Council have their Local Governance Statement published that outlines their governance structure, membership and delegations. Mana whenua are represented across several committees and advisory groups in Council although, some of these committees are inactive or disestablished.</p>
13	<p>Significant Decisions</p> <p>Council have a Significance and Engagement Policy in place which details considerations that may be used to assess the level of significance under specific criteria.</p>	<p>Under review</p> <p>Significance and Engagement Policy (2019)</p>	<p>Local Government Act 2002 s77(1)(c)</p>	<p>Council have a Significance and Engagement Policy for significant decisions to guide staff on GWRC's decision making processes and the general approach to identifying the significance of decisions.</p> <p>The draft policy will include improved guidance for assessing the level of significance of mana whenua or Māori interests, which the current policy does not have.</p>

Additional detail on processes (relating to observation 3)

Appendix VII – The table below outlines how effective GWRC’s structures and processes for enabling Māori participation within the consents, projects/plans, rating of Māori freehold land, governance, accidental discovery protocol and good employer provisions are, and supports observation 3.

Te Tiriti Principle / Legislative requirement	How effective are structures and processes for enabling effective Māori participation within key Council activities?	Risk rating	Comment
<p>Resource Management Act 1991 Sections 6, 7, 8</p> <p><i>...recognise and provide for the following matters of national importance;</i></p> <p><i>(e) the relationship of Māori and their culture and traditions with their ancestral lands, water, sites, waahi tapu, and other taonga;</i></p> <p><i>(g) the protection of protected customary rights... have particular regard to –</i></p> <p><i>(a) kaitiakitanga;...take into account the principles of the Te Tiriti o Waitangi etc</i></p>	<p>Non-notified consents Process – Ngā Hapū o Ōtaki</p> <p>Key process steps - Non-notified Resource consents</p> <ol style="list-style-type: none"> 1. Application submission – Applicant submits a resource consent application to GWRC for an activity within a Schedule C Site of significance to mana whenua (Significant sites pertaining to each mana whenua are as prescribed in the Natural Resources Plan). 2. Necessity assessment – Applicant justifies the necessity of using the site, exploring other options and explaining why they are not viable. 3. Impact assessment - If site use is unavoidable, the application is assessed for the impact on the site values categorised as “less than minor,” “minor,” “more than minor,” or “significant” according to mana whenua. 4. Approval – If the adverse effects of the proposed activity on the significant mana whenua values of the site are less than minor or minor the Environmental Regulation team can grant consent without a CIA, without section 95 approval, and the policy (Policy P45, <i>Managing adverse effects on sites with significant mana whenua values</i>) will have been met. <p>General process steps – Te Wāhi (consents software application)</p> <ol style="list-style-type: none"> 1. Consent Application Lodged – Resource consent application is received by GWRC. The application and related documents are uploaded into Te Wāhi by the Business Support within 1 working day. 2. Snapshot Creation – A “snapshot” of the consent is created by a Resource Advisor. The snapshot utilises the application documents and available information about the site within days 1-6 of the process. By working day 6 the snapshot is shared with the relevant mana whenua partners for response. 3. Mana whenua response – Mana whenua partners are given the opportunity to respond and express whether they wish to be actively involved in the consent process. This response is expected by working day 11. If no response a Resource Advisor will initiate a follow up phone call with mana whenua. 4. Consent Processing – The Resource Advisor proceeds with processing the consent based on the involvement decision made by mana whenua. This phase includes collaboration with mana whenua if they choose to participate where CIA’s, updates, and consent condition reviews occur. This process extends from working days 11 to 19. 5. Consent Granted – By working day 20 a resource consent is granted unless the timeframes are extended or the application is put on hold. 	<p style="text-align: center;">●</p> <p style="text-align: center;">No concerns</p>	<p>We performed a walkthrough of a non-notified consent that involved Ngā Hapū o Ōtaki and a company wanting to discharge waste water near the Ōtaki river. Mana whenua and Greater Wellington have a partnership that recognises the role and responsibilities of mana whenua as kaitiaki (guardians) within their own boundaries and particularly within their sites of significance.</p> <p>Overall, we observed that the Te Tiriti o Waitangi principles had been taken into account, and that mana whenua were able to contribute to key decisions as kaitiaki.</p> <ul style="list-style-type: none"> ▲ The GWRC website provides guidance for the public of when to consult with mana whenua. When the applicant has not actively engaged with mana whenua prior to making an application, GWRC will request that they consult (in instances where mana whenua may have interests). ▲ GWRC will notify mana whenua through the non-notified consents process who will either agree or oppose the application. ▲ If the application is opposed by mana whenua, GWRC requests the applicant to consult with them and provides the relevant contact details. ▲ During consultation, Mana whenua work with the applicants to agree consent conditions. ▲ GWRC update mana whenua during the process to communicate any mitigations the applicant has agreed to. ▲ Resource Consent Summary of Decision provides a checklist of all Resource Management Action statutory decisions that must be considered, which include engaging with mana whenua, recognition and protection of Māori interests and internal frameworks such as Te Mana o te Wai (derived from Te Ao Māori, this concept recognises the intrinsic value of New Zealand’s freshwater, whose health is integral to the social, cultural, economic and environmental wellbeing of communities). ▶ The final decision to grant a consent rests with the GWRC, as mana whenua provide advice only and do not sign off on the summary decision. However, we observed email acceptance and support from mana whenua. ▼ Mana whenua are not notified informed of the final outcome.

Additional detail on processes (relating to observation 3)

Te Tiriti Principle / Legislative requirement	How effective are structures and processes for enabling effective Māori participation within key Council activities?	Risk rating	Comment
<p>Heritage NZ Pouhere Taonga Act 2014</p> <p><i>All persons performing functions and exercising powers under this Act must recognise—</i></p> <p><i>(d) the relationship of Māori and their culture and traditions with their ancestral lands, water, sites, wāhi tūpuna, wāhi tapu, and other taonga.</i></p>	<p>Accidental Discovery Protocol - Te Atiawa ki Whakarongotai</p> <p>Purpose: To understand how Council is recognising the relationship of Māori and their culture with their ancestral lands and is fulfilling the principle of Protection by reviewing their accidental discovery protocols</p> <p>Key Process Steps – Accidental Discovery Protocol</p> <ol style="list-style-type: none"> 1. Site work suspension – Work halts immediately on the discovery site and within a 20 meter perimeter. 2. Securing and notification – GWRC staff to secure the area to prevent further damage and notify the GWRC Manager on site promptly. 3. Manager Notification – GWRC Manager notifies iwi contact, Greater Wellington’s Iwi Liaison Officer, and Heritage New Zealand (HNZ) Regional Archaeologist. 4. Handling of Remains – If human skeletal remains are suspected, GWRC Manager immediately informs NZ Police, HNZ Regional Archaeologist, and relevant iwi groups as legally required. 5. Confidentiality and media communication – Discovery of remains is confidential, and no media information is released without GWRC Manager’s authorisation, in consultation with the above parties. 6. Approval for resuming work – Works impacting the archaeological site do not resume until approvals from HNZ, Police (if skeletal remains involved), and relevant iwi or descent group are obtained. 7. Compliance – If HNZ mandates an archaeological authority, work ceases until the authority is granted and conditions are met. 	<p style="text-align: center;">●</p> <p style="text-align: center;">Some concerns</p>	<ul style="list-style-type: none"> ▲ GWRC have established a basic protocol to manage accidental discoveries found within parks and reserves. ▲ We understand GWRC have implemented new requirements whereby mana whenua play a more leading role. Mana whenua have established their own protocols, which GWRC have limited visibility over. ▼ We observed that revised processes are not well communicated, understood and lacked visibility across the organisation. For example, revised processes have not been communicated well to GWRC staff as Heritage NZ guidelines are being used rather than the existing GWRC or mana whenua guidelines, which may result in inconsistent processes or wrong tikanga being performed.

Additional detail on processes (relating to observation 3)

Te Tiriti Principle / Legislative requirement	How effective are structures and processes for enabling effective Māori participation within key Council activities?	Risk rating	Comment
<p>Resource Management Act 1991 Section 66 (2Aa) <i>When a regional council is preparing or changing a regional plan...(a) the council must take into account any relevant planning document recognised by an iwi authority</i> Resource Management Act 1991 Schedule 1 Clause 3B <i>Consulting with iwi authorities</i></p>	<p>Regional Policy Statement - Ngāti Kahungunu ki Wairarapa, and Rangitāne o Wairarapa expressions of Te Mana o Te Wai (freshwater management) and proposed regional policy statement policies. Purpose: To understand how GWRC has engaged with mana whenua in the preparation and changing of their regional policy statement in line with the Resource Management Act 1991. Key process steps: 1. Initial Engagement – Mana whenua parties are notified through consultation of regional policy statement changes. 2. Consultation – The Environmental Policy Team liaise with mana whenua on a regular basis discussing key updates, action items, and priorities for the regional policy statement change. 3. Regional policy statement change – The Environmental Policy Team and mana whenua work collaboratively on assigned sections (a Senior Policy Advisor was leading the RPS change in this case) of the RPS change. For example, mana whenua were asked to draft their expression for Te Mana o Te Wai for the RPS. In some instances Council will write the section on behalf of mana whenua. 4. Review and commentary – Policy Advisors review and provide feedback to mana whenua on assigned sections (This process occurs throughout the lifetime of the drafting until complete). Tweaks are made by Policy Advisors to ensure the draft document is coherent and it matches mana whenua comments. In the instance that Council has wrote a section on behalf of mana whenua, mana whenua will be asked to approve the section. 5. Feedback and Outcome – A Policy Advisor sends out a document of how mana whenua feedback has been incorporated within the RPS, as well as a notification of the final document to mana whenua entity concerned.</p>	<p> Some concerns</p>	<p>Overall, we observed that GWRC are still strengthening the structures and processes for working with mana whenua on regional policy statement changes. The way GWRC engage with mana whenua has been an evolving process. Over the last 2 years we observed that GWRC and mana whenua had been meeting regularly to discuss concerns, review changes and provide feedback. Mana whenua aspire to have co-governance and decision making authority over freshwater within their areas, which is hoped to be achieved through the revised regional policy statement. Mana whenua had initially expressed concerns that their comments were not accurately reflected in earlier versions of the draft regional policy statement, engagement was just consultation, Council staff did not have the capability to understand Te Ao Māori, and jobs for Nature Projects were not offered to mana whenua. We would expect that the concerns raised above will be addressed as part of Te Whāriki Implementation Programme i.e., capability uplift, engagement for equitable outcomes, effective partnering and strong, prosperous and resilient Māori communities.</p>
<p>Reserves Act 1977 Section 4 of the Conservation Act 1987 <i>This Act shall so be interpreted and administered as to give effect to the principles of the Te Tiriti o Waitangi</i></p>	<p>Incorporation of mātauranga Māori into Greater Wellington's parks planning and management practices Purpose: To understand how mātauranga Māori is considered within the design of the Toitū Te Whenua Parks Network Plan 2020 – 30</p>	<p> Some concerns</p>	<p>Toitū Te Whenua Parks Network Plan 2020 – 30 provides detailed expectations and policies to work with mana whenua to co-manage parks (particularly where there are Te Tiriti o Waitangi Settlement redress requirements). As part of this, mana whenua values, mātauranga Māori knowledge and kaitiakitanga priorities are to be built into the approach of programmes, works and plans (where applicable). While GWRC has outlined clear requirements to understand and consider mātauranga Māori within the design of the Parks Network Plan, bringing this to life in practice is still evolving as:</p> <ul style="list-style-type: none"> • Building strong working relationships with mana whenua continues to evolve and remains a goal of GWRC. • Lifting internal capability to understand and deliver on Te Tiriti, te ao Māori and mātauranga concepts is a work in progress. • There is still an element of consulting rather than partnering with mana whenua in their engagement approach. • The strength of mana whenua relationships are dependent on key people. • There is some uncertainty around roles and responsibilities, and when and how to engage with mana whenua. <p>Observations and recommendations for each of these areas relate to the whole of GWRC and are captured in various findings in Section 2 of this report.</p>

Additional detail on processes (relating to observation 3)

Te Tiriti Principle / Legislative requirement	How effective are structures and processes for enabling effective Māori participation within key Council activities?	Risk rating	Comment
<p>Local Government Act 2002 Sections 4, 77, 81, 82(2)</p> <p><i>..take appropriate account of the principles of the Te Tiriti o Waitangi and to maintain and improve opportunities for Māori to contribute to local government decision-making processes</i></p>	<p>Walkthrough - Governance</p> <p>Purpose: To understand how Council is fulfilling their obligations under the principles of Te Tiriti in providing opportunities for mana whenua to contribute to local government decision-making. Te Hunga Whiriwhiri also has guidance for decision making on implications with Māori for all staff to make sure they are informed and prepared on decisions that affect mana whenua and Māori.</p> <p>Key Process Steps:</p> <ol style="list-style-type: none"> 1. Meetings – Committee members will meet on a regular basis to discuss relevant agendas and provide feedback/input where required 	<p style="text-align: center;"></p> <p>Some concerns</p>	<p>There is no mana whenua representation on Te Tiriti o Waitangi Committee (whose memberships consists of all 13 councillors) who are responsible for reviewing and monitoring GWRC's performance in giving effect to the Te Tiriti o Waitangi statutory responsibilities. We would expect mana whenua to either be represented or have a direct line to this committee to provide feedback on GWRC's performance.</p> <p>We also noted:</p> <ol style="list-style-type: none"> 1. Limited membership engagement: Some provisions within committee and advisory group terms of reference allow for mana whenua involvement but they are not apart of certain groups as membership is optional 2. Delayed or Incomplete Representation: In committees where mana whenua representation is mandatory, some groups are yet to confirm their representatives. Capacity constraints and new group establishment might be contributing factors 3. Incomplete Meeting Attendance: Mana whenua were not consistently present in meetings where their attendance and input were required across various committees and advisory boards
<p>Local Government Act Schedule 7 Clause 36 (1) and (2)</p> <p><i>A local authority... must operate a personnel policy ...including provisions requiring—</i></p> <p><i>(d) recognition of— (i) the aims and aspirations of Māori; and (ii) the employment requirements of Māori; and (iii) the need for greater involvement of Māori in local government employment</i></p>	<p>Walkthrough - Employment</p> <p>Purpose: To understand how Council is meeting their obligations in providing employment opportunities and requirements for Māori in local government via interviews with key Human Resource staff.</p> <p>Key Processes:</p> <ol style="list-style-type: none"> 1. Policy guidance – nil in place 	<p style="text-align: center;"></p> <p>Very concerned</p>	<p>Our review of GWRC's Annual Plan, Long Term Plan, and Diversity and Inclusion Plan identified that while GWRC aspires to be a good employer of Māori, they are relatively early on in their maturity journey. GWRC piloted an internships programme with in collaboration with Tuputoa (who aim to build Māori and Pasifika representation in organisations) in 2022.</p> <p>We observed that there is :</p> <p>No clear and measurable goals and aspirations specific for Māori employment targets –</p> <ul style="list-style-type: none"> • Diversity and Inclusion plan falls short of meeting expectations in providing for the aims and aspirations of Māori. • Recruitment and selection policy ito be updated by the end of year.
<p>Local Government (Ratings) Act 2002 Sections 6, 7, 8</p> <p><i>Schedule 1: Land fully non-rateable</i></p>	<p>Rates remissions on Māori Freehold Land</p> <p>Purpose: To understand how Territorial Authorities are determining what is Māori freehold land to ensure all Māori land is consistently rated. And, how Council is rating Māori freehold land and providing for rates remissions and/or the postponement of rates.</p>	<p style="text-align: center;"></p> <p>Some concerns</p>	<p>GWRC outsources its collection of rates to Territorial Authorities, who also make decisions on remission of rates on Māori freehold land within their areas. As GWRC have not provided specific guidance that clarifies their expectations to rate Māori freehold land, we observed:</p> <ul style="list-style-type: none"> ▼ GWRC have no visibility around how TA's rate unused Māori freehold land. Reliance is place on each TA to implement an approach, which will meet the requirements of the Act. Additionally, there was no consistent definition of what constitutes Māori freehold land within TA ratings policies to provide consistent classification. Most often staff were directed to the Local Government (Rating) Act 2002 Act for guidance or had high level definitions i.e.; "Māori-owned land may have particular conditions, features, ownership structures, or other circumstances." ▼ GWRC have no oversight or monitoring over Māori freehold land within each district nor are any quality assurance checks completed to ensure rates are accurately assessed over Māori freehold land.

Ngā mihi nui



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Finance Risk and Assurance Committee
13 February 2024
Report 24.31



For Information

HEALTH, SAFETY AND WELLBEING UPDATE

Te take mō te pūrongo

Purpose

1. To advise the Finance, Risk and Assurance Committee (the Committee) of Greater Wellington's health, safety and wellbeing (HSW) performance and activity.

Te horopaki

Context

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

Te tātaritanga

Analysis

HSW improvement project update

3. The HSW improvement project commenced in September 2023. Progress is on track, including:
 - a Procurement of bowtie risk assessment software following ICT security assessment approval
 - b Based on feedback from operational managers we have revised the original number of fatal and severe risk (FSR) workshops planned and extended the time frame for completion to end 2024. This is to reduce the impact on operational teams to an acceptable level and project fatigue for the HSW delivering them.
 - c Physical works, including tree works (one of Greater Wellington's riskier activities) are the first workshops scheduled in February, followed by contractor and volunteers as the next priority.
 - d A new standard operating procedure (SOP) template is out for testing with end users for feedback on functionality as a single consistent Greater Wellington-wide operational resource. Once in place this will remove the multitude of SOP formats with variable content in place currently.
 - e A single source repository has also been created in He Kete Greater Wellington's document management system (*He Kete*) for operational teams to store and access common information e.g. SOP's and safety plans to ensure consistency.
 - f A review of HSW training and competency for specific tasks is underway.

- g Internal movement and subsequent vacancy within the HSW team has provided the opportunity to create a project coordinator role on secondment for the next 12 months.
- h We are grateful for the continued support from the new Environment Group leaders and enthusiasm from the operational teams for this project.

Metlink operator HSW update

- 4. In May 2023 we reported our concerns around significant HSW failings and non-conformance with the Public Transport Operating Model (PTOM) identified across the four main bus operators.
- 5. Since then, we have worked closely with operators individually and collectively to address the issues. As a result:
 - a Two of the four operators have employed an additional HSW resource to boost capacity
 - b One operator has commenced working towards International Organisation For Standardization – (Iso45001 Health And Safety) Accreditation, which requires a high degree of structure and evidence of continual improvement in HSW practice and performance.
 - c The operator who failed the ACC Accredited Employer audit at primary level in November 2022 passed at tertiary level on re-audit in October 2003, having implemented a rigorous improvement plan.
- 6. Our continued work with operators and based on evidence we have to date we have a higher degree of assurance the issues identified have and continue to be addressed and monitored and PTOM requirements met.

Health, Safety and Wellbeing risk appetite

- 7. We are working with Greater Wellington Corporate Risk and Assurance to update Greater Wellington’s HSW risk appetite to better reflect the level of risk (uncertainty) Council can accept to deliver on our mandated and strategic priorities.
- 8. This takes a balanced approach which allows us to carry out our riskier activities by managing safe work through the presence, effectiveness, and reliability of risk controls to prevent harm (tolerance), as far as possible and practical.
- 9. The revised risk appetite is presented in draft format for discussion at the workshop following this meeting.

Wellbeing

- 10. The annual round of health monitoring has commenced for operational staff.
- 11. This allows us to monitor exposures and lifestyle factors and provide early intervention if required, to make sure our field STAFF stay fit and healthy for their jobs.
- 12. No issues for concern have been identified to date.
- 13. The focus of the Monthly Pause2Talk presentation, relaunched in November 2023 focussed on seasonal wellbeing risk including hydration, sun smart, wasps and fatigue.

Ngā hua ahumoni
Financial implications

14. There are no financial implications.

Ngā Take e hāngai ana te iwi Māori
Implications for Māori

15. There are no known implications for Māori.

Ngā āpitihanga
Attachment

Number	Title
1	HSW performance scorecard November – December 2023.

Ngā kaiwaitohu
Signatory/Signatories

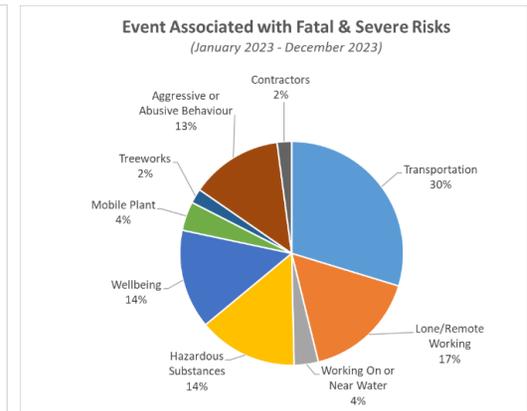
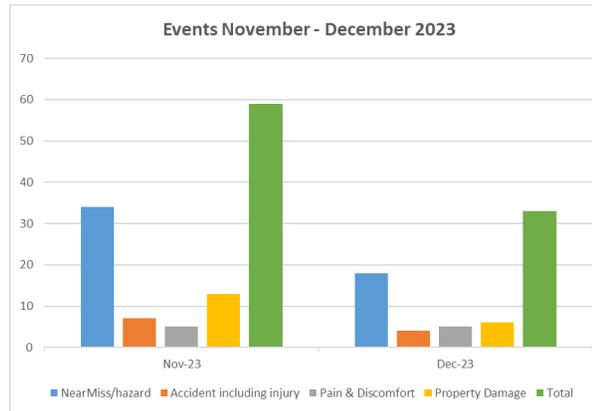
Writer	Julie Barber – Head of Health Safety and Wellbeing.
Approver	Donna Hickey – Kaiwhakahaere Matua – Whakamāhorahora Group Manager People and Customer.

He whakarāpopoto i ngā huritaonga Summary of considerations
<i>Fit with Council's roles or with Committee's terms of reference</i> The Committee has responsibility to review Greater Wellington's systems to manage legislative compliance (including health and safety) (2.5); and to review Greater Wellington's health, safety and wellbeing management system to obtain assurance that the organisation is identifying and managing risks in accordance with the Health and Safety at Work Act 2015 (2.7).
<i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i> The HSW Policy and Wellbeing Strategy are included in Greater Wellington's Annual Plan 2023/24.
<i>Internal consultation</i> No internal consultation was required.
<i>Risks and impacts - legal / health and safety etc.</i> The HSW risks and treatment are outlined in paragraphs 3-12 inclusive.

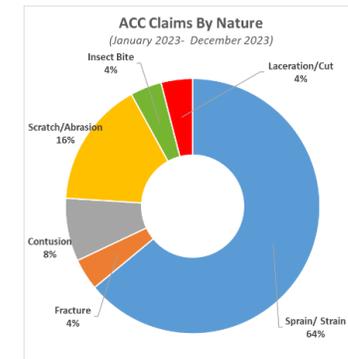
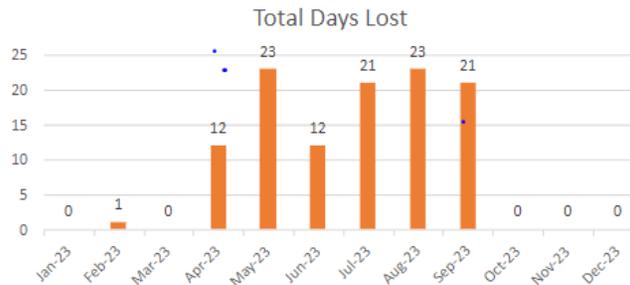
Health, Safety and Wellbeing Performance Scorecard November - December 2023

Attachment 1 to report 24.31

Event Reporting



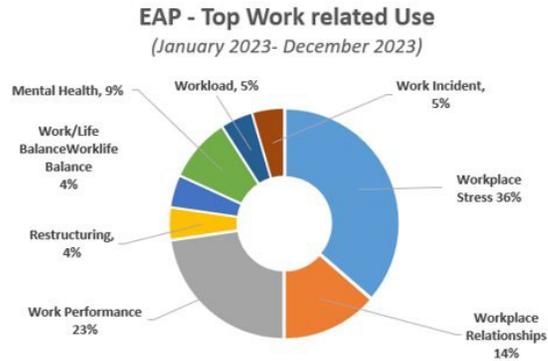
ACC injury claims



Health, Safety and Wellbeing Performance Scorecard November - December 2023

Attachment 1 to report 24.31

Wellbeing



Wellbeing insights November – December 2023



19 Mental health first responder conversations



15 Oku Raukura Atawhai (EAP, Manawa Ora) sessions



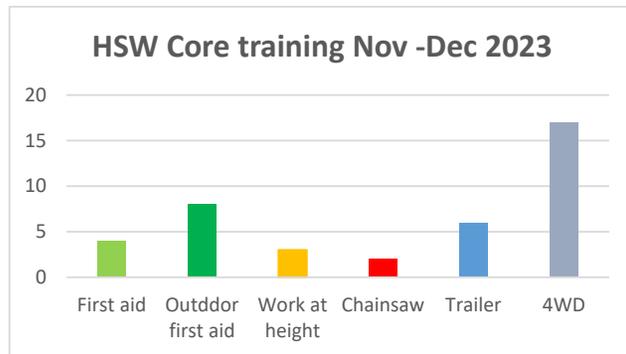
2 Pax formal clinical support



17 Pax rehabilitation support (work / non work injury & medical)

34 Health monitoring assessments

HSW training activity



Emerging Trends November - December 2023



Manawa Ora (Rongoa Māori) EAP sessions (lead indicator)



Lost time ACC claims and days lost due to work injury



Seasonal decrease in incident reporting due to holiday periods



Decreased reports of seasonal anti-social behaviour in GW parks



**Finance, Risk and Assurance Committee
13 February 2024
Report 24.32**

For Information

HARBOUR MANAGEMENT – RISK AND COMPLIANCE UPDATE – FEBRUARY 2024

Te take mō te pūrongo

Purpose

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

Te tātaritanga

Analysis

Shelly Bay wharves

2. Demolition work should restart in late February 2024.

Channel Risk Assessment

3. In 2020, CentrePort and Greater Wellington commissioned South Maritime Solutions to review navigation safety in the Wellington Harbour entrance channel and approaches. The review considered the infrastructure, current practice, best practices, and possible future changes. The final report was received in October 2020.
4. A meeting was held with stakeholders in late 2023, proposed changes were discussed and generally agreed. More details will follow in 2024 including starting to plan harbour works, such as changes to navigation lights and navigation marks.

Sunken/Derelict vessels

5. We are working with Wellington City Council (WCC) in relation to a steel yacht in Clyde Quay marina under a Harbourmaster's direction from last year, finding space to lift this from the water has caused delays.
6. This again highlights the issue of derelict vessels being sold when near their end of life and the previous owner has no obligation for disposal, this is a nationwide issue.
7. We are working with Seaview marina to assist them with management of an unseaworthy 18m sailing catamaran, a Harbourmaster's Direction has been used.
8. The solo sailor reported on previously, safely completed their Cook Strait crossing with a motor and additional crew person.

Navigation aids

9. The access platform to the rear leading light (near Makaro/Ward Island) is being replaced. This is replacing a wooden piled structure, parts of which would be around 40 years old, with an above water steel platform that will reduce maintenance.
10. As part of the channel risk review work most of the channel lights are likely to be renewed and upgraded over the next two years.

Navigation issues

Rangitata

11. The 67m domestic cargo ship *Rangitata* experienced engine troubles off Cape Palliser on Friday, 3 November 2023. The ship was on her way from Lyttleton to Tauranga. The ship was only capable of very low speeds but did not request assistance or make any distress call. A small coastal tug assisted her into Wellington.
12. The vessel left Wellington, under Maritime NZ conditions, accompanied by a tug to go to dry dock in Auckland for repairs.

Emergency Ocean Response Capability

13. This was previously called “out of port support”. Emergency Ocean Response Capability (EORC) initial advice has been provided to a former Transport Minister who indicated that Maritime NZ should continue working on options.
14. We understand Maritime NZ are talking to service providers in relation to this.

Cruise ship visits

15. The cruise ship season has carried on, without incident, some visits have not happened due to weather.
16. Visible water vapour and exhaust gasses from exhaust scrubbing systems continue to attract attention and comment.

Bunker barge - Kokako

17. This vessel has been delivering fuel to ferries and cruise ships when the weather has permitted.
18. The vessel was delayed with motor problems over the New Year period.
19. The first shipment of fuel oil has been delayed due to the requirement for better spill contingency planning at the shore terminal.
20. A Harbourmaster’s Direction was provided to clarify berthing and movements to mitigate possible interaction between the *Kokako* (double banked with ships) adjacent ferry movements.

Port and Harbour Marine Safety Code

21. Feedback from the November 2023 meeting will be used to firm up proposals and move towards design and implementation plans in 2024/25.

22. Follow up reminders were sent to some local charter vessels regarding the requirement to have AIS (Automatic Identification System – a radio based vessel id and information sharing system) transmitters so they can be observed by Harbour Radio and larger harbour traffic. This was made a requirement for certain types of vessels in the last Navigation Bylaw review.

Safety incidents

23. On 29 November 2023 a small fishing vessel attempted to berth where a Pilot was about to berth a car carrier. This followed a non-standard entry into the harbour. The Master was spoken to at the time, and this is being followed up with the fishing company.
24. On 6 January 2024 a local outbound fishing vessel made an unexpected turn across the bow of an approaching ferry while south of Island Bay. This was a near miss situation, the ferry took all the appropriate action, and this is being referred to Maritime NZ.
25. On 10 January 2024 there was a close quarters incident between two ships entering Wellington Harbour. We are seeking details from the operators concerned and Maritime NZ has been informed of the incident. There will be more detail provided at a later date.
26. Police rescued two kayaks, one in the harbour and one from Lake Ferry who were caught out by offshore winds.
27. The Harbour Rangers spent some time at Castle Point educating boaties and providing safety information.
28. We have had some interactions with jet-skiers where the individuals did not provide details, as required by the Maritime Transport Act 1994. These are being followed up with the Maritime Police.
29. In the last month we have had a couple of interactions, related to water safety, where members of the public have been hostile and aggressive. In this situation the intention is for staff to pull back, gather any information that they can safely and refer the incident to Police. These are also logged in the Greater Wellington health, safety and wellbeing system.
30. A swimmer jumped from the top of the 34m crane Hikitia on 26 January 2024 and unfortunately did not survive the fall. Police recovered his body and incident is likely to be included in WCC's on-going work around waterfront safety.

Ngā hua ahumoni

Financial implications

31. The disposal of derelict or uninsured vessels will present unplanned expenditure from the operating budget.
32. Recommendations arising from the channel risk assessment may have a variety of financial implications for both CentrePort and Greater Wellington. Options for mitigating any financial impacts will be investigated.

**Ngā kaiwaitohu
Signatories**

Writer	Grant Nalder – Manager, Harbours, Harbourmaster
Approvers	Jack Mace – Delivery Director Lian Butcher – Kaiwhakahaere Matua Taiao Group Manager, Environment

He whakarāpopoto i ngā huritaonga Summary of considerations
<p><i>Fit with Council’s roles or with Committee’s terms of reference</i></p> <p>This report allows the Committee to “review... Greater Wellington’s identification and management of risks faced by Council and the organisation... [including]... whether Greater Wellington is taking effective action to mitigate significant risks.”</p>
<p><i>Contribution to Annual Plan / Long Term Plan / Other key strategies and policies</i></p> <p>This report does not contribute directly to Council’s or Greater Wellington’s key strategies, plans, or policies.</p>
<p><i>Internal consultation</i></p> <p>Environmental Regulation was consulted relating to wharves.</p>
<p><i>Risks and impacts - legal / health and safety etc.</i></p> <p>Specific risks and related mitigations are discussed in the Analysis section of this report.</p>

Finance, Risk and Assurance Committee
13 February 2024
Report 24.15



For Information

AUDIT NEW ZEALAND MANAGEMENT REPORT

Te take mō te pūrongo

Purpose

1. To provide to the Finance, Risk and Audit Committee (the Committee) the June 2023 management report on any arising issues from Audit New Zealand (Audit NZ), the Council's external auditors.

Te tāhū kōrero

Background

2. Audit NZ completes annual audit reviews as part of the 30 June financial year-end audit of Greater Wellington Regional Council (Greater Wellington).
3. Following the audit reviews, Audit NZ have sent an audit management report on Greater Wellington.
4. The report sets out the audit findings, draws attention to areas where Greater Wellington is performing well and recommends areas for improvement.

Te tātaritanga

Analysis

5. **Attachment 1** - Audit NZ management report to the Council – 30 June 2023, provides the audit report to Greater Wellington.
6. The report notes that:
 - a Audit NZ issued a non-standard audit report for the June 2023 financial year.
 - b Audit NZ have qualified their audit opinion on the Council's service performance information relating to the reporting on greenhouse gas emissions.
 - c There is an emphasis of matter paragraph in the audit opinion relating to the Government's three water reform programmes.
 - d Apart from the above, the financial statements and performance information are free from material misstatements.
7. Officers have also provided an update to the issues raised in the 30 June 2023 audit management report.
8. An action plan and progress in implementing the recommendations and associated actions will be reported back to the Committee on a quarterly basis.

Ngā hua ahumoni
Financial implications

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

Ngā Take e hāngai ana te iwi Māori
Implications for Māori

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

Ngā tūāoma e whai ake nei
Next steps

11. Officers will report to the Committee on progress in implementing the actions to address Audit NZ recommendations.

Ngā āpitihanga
Attachments

Number	Title
1	Audit NZ management report to the Council - June 2023

Ngā kaiwaitohu
Signatories

Writer	Ashwin Pai – Financial Controller
Approver	Alison Trustrum-Rainey – Kaiwhakahaere Matua, Pūtea me ngā Tūraru Group Manager, Finance and Risk

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

Report to the Council on the audit of

Greater Wellington Regional
Council

For the year ended 30 June 2023

Contents

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Key messages

We have completed the audit for the year ended 30 June 2023. This report sets out our findings from the audit and draws attention to areas where the Greater Wellington Regional Council (Regional Council) is doing well and where we have made recommendations for improvement.

Audit opinion

We have issued a non-standard audit report.

We qualified our audit opinion on the Regional Council's service performance information. The Regional Council reported on its group level Greenhouse Gas (GHG) emissions and its public transport operations emissions as performance measures.

The reported results included a significant amount of scope 3 GHG emissions which are inherently difficult to obtain reasonable assurance over due to the emission sources sitting outside of the Regional Council's control.

Without further modifying our audit opinion, we also included an emphasis of matter paragraph in our report drawing attention to disclosures relating to the Government's three water reform programme.

Apart from the above-mentioned matters, we were satisfied that the financial statements and performance information are free from material misstatement.

Matters arising during the audit

Rates collection error

There was an incorrect application of the general rate differential by Wellington City Council from 2019/20 to 2022/23 which resulted in an under payment of rates by business ratepayers and an over payment of rates by residential and rural ratepayers over the four-year period.

Council resolved not to take any retrospective remedial action, including no provision for refunds, but that it will seek to identify a Wellington City Member of Parliament who would be willing to sponsor a local bill to validate the collection of rates for the four-year period.

As the amount of any claims cannot be quantified, we concurred with management's proposal to disclose a unquantifiable contingent liability until legislation is passed validating the rates for the four-year period.

Non-current asset held for sale

At year end, the Regional Council entered into a sale agreement with NZTA Waka Kotahi for the sale of properties purchased for the Riverlink development. The draft financial statements provided to us on 31 August 2023 included an asset held for sale asset on the Statement of Financial Position of \$32m with no operating surplus or deficit impact. Our review of the workpapers supporting the transaction indicated that the workings supporting this amount was not well supported or referenced to the appropriate accounting standards. There was also no analysis of the transaction against the accounting standards to determine based on the agreement whether a sale had taken

place, how the asset should be classified, the measurement of the assets and the impairment or derecognition of the assets. We understand that the lateness of the transaction and breakdown in communication between the environment group and finance team gave rise to the original accounting treatment.

After several iterations of the calculations, we agreed on an acceptable accounting treatment which resulted in the asset held for sale reducing to \$1.8m and an adjustment of \$37m to the surplus/deficit for the year as well as a \$36m adjustment to the revaluation reserve. Total comprehensive income changed from a surplus of \$11m to a deficit of \$67m.

We recommend that where the Regional Council enters into complex transactions that the business units engage with the Finance team upfront to determine the appropriate accounting treatment and secondly that a detailed analysis of the contract is undertaken against the relevant accounting standards.

Reliance of third parties for financial information and service performance reporting

The Regional Council relies on third party entities for financial information such as revenue from public transport as well as service performance information to report on either its greenhouse gas targets or public transport services.

In almost all instances the Regional Council does not have appropriate processes or controls in place to ensure that the information is complete and accurate.

There is an elevated risk that:

- revenue recognised or performance information is incomplete or inaccurate; and
- transactions are not recognised in accordance with the Regional Council's accounting policies.

We recommend that the Regional Council develop an assurance programme that provides the right level of assurance over information used by the Regional Council for external reporting purposes.

Thank you

We would like to thank the Council, management and staff for their positive engagement and assistance during the audit. The audit was completed ahead of the original schedule and in a timelier manner, despite challenges with certain transactions, than prior years. This is attributable to the open and collaborative way management and staff worked with us to address audit queries and findings.



Clint Ramoo
Appointed Auditor
20 December 2023

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 the Regional Council. We use the following priority ratings for our recommended improvements.

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

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
<p>Rates collection error</p> <p>We recommend advise be obtained on how to treat the rates collection error in the 2023/2024 financial year should the current circumstances change such as having the rates validated or receiving claims from ratepayers.</p>	4.1	Necessary
<p>Non-current asset held for sale</p> <p>We recommend that where the Regional Council enters into complex transactions that the business units engage with the Finance team upfront to determine the appropriate accounting treatment and secondly that a detailed analysis of the contract is undertaken against the relevant accounting standards.</p>	4.2	

Recommendation	Reference	Priority
<p>Monitoring of compliance with resource consents</p> <p>We recommend that a tool be developed to record the monitoring of compliance consents results for high- risk activities in order to obtain assurance over the completeness of the results which informs the development of plans.</p>	4.3	Necessary
<p>Reliance of third parties for financial information and service performance reporting</p> <p>We recommend that the Regional Council develop an assurance programme that provides the right level of assurance over information used by the Regional Council for external reporting purposes.</p>	4.4	Necessary

1.2 Status of previous recommendations

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

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	-	3	-	3
Implemented or closed	-	3	-	3
Total	-	6	-	6

2 Our audit report

2.1 We issued a non- standard audit report



We issued a non-standard audit report which included a qualified opinion on the Regional Council's service performance information relating to greenhouse gas emissions and an emphasis of matter paragraph drawing attention to disclosures relating to the Government's three water reforms. We issued our report on 31 October 2023.

This means we were satisfied that the financial statements and statement of service performance (excluding the two performance measures relating to greenhouse gas emissions) present fairly the Regional Council's activities for the year and its financial position at the end of the year.

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

Measurement of greenhouse gas emissions

The Regional Council included two measures on greenhouse gas (GHG) emissions as part of its performance information. We considered these measures to be material because of the Regional Council's declared climate emergency and because of the public interest in climate change related information. The two measures were:

- Reduction in tonnes of CO₂ equivalent (tCO₂e) emissions
- Tonnes of CO₂ emitted per year on Metlink Public Transport Services

The reported results measures emissions generated directly by the Regional Council Group, emissions from the services that the Regional Council is responsible for (such as public transport) and emissions from the use of the Council's assets (such as grazing in regional parks).

The Regional Council is still developing systems and controls needed to produce reliable evidence to support the data inputs and estimations used in the measurement of GHG emissions. This includes the measurement of material emissions from public transport and grazing activities which rely on data from third parties. Therefore, we were unable to obtain sufficient appropriate evidence to conclude whether the reported performance is materially correct.

Governments Three Waters Reform

Due to its importance and future impact on the Regional Council, our report also included an emphasis of matter paragraph drawing the reader's attention to the Government's three waters reform programme.

2.2 Uncorrected misstatements

During the audit, we have discussed with management any misstatements that we found, and the below misstatement was not corrected.

Detail of disclosure deficiency	Explanation why not corrected
<p>Non-current asset held for sale classification.</p> <p>Assets transferred to held for disposal do not meet the requirements of NZ IFRS 5 in that the sale will not be concluded within 1 year.</p>	<p>Management considers the amount to be immaterial and classification is immaterial for adjustment.</p>

Note	Statement of comprehensive income		Statement of financial position	
	Dr \$000	Cr \$000	Dr \$000	Cr \$000
1			Inventory \$1,827	Non-current assets held for sale \$1,827

Explanation for not correcting

1 Management considers this to be immaterial.

2.3 Corrected misstatements

During the audit, we have discussed with management any misstatements that we found, and the below misstatement were corrected for disclosure deficiencies.

Note	Statement of comprehensive income		Statement of financial position	
	Dr \$000	Cr \$000	Dr \$000	Cr \$000
1	Impairment on buildings \$36,720	Land and buildings \$36,720		
2	Revaluation reserve \$40,530	Flood protection assets \$40,530		

Note	Statement of comprehensive income		Statement of financial position	
	Dr \$000	Cr \$000	Dr \$000	Cr \$000
3	Flood protection assets \$30,489			Non-current assets held for sale \$30,849

- 1 Relates to the impairment of buildings recorded at cost that will be demolished as part of the Riverlink project.
- 2 Relates to fair value write down of land earmarked for Riverlink project that was revalued post signing of agreement. Write down is largely due to change in use of land from commercial to flood protection/restricted land.
- 3 Relates to reversal of original amount transferred to assets held of sale based on revised calculations.

Detail of disclosure deficiency	How deficiency was corrected
Statement of changes in equity Operating surplus/(deficit) after tax amount incorrectly disclosed in the statement	Management accepted the issue and confirmed it was an error and that was corrected in version 2 of the draft AFS.
Equity disclosure There was no accounting policy disclosed for two components of the equity which is not in line with the model financial statements. The components not disclosed was Property revaluation reserve and Fair value through other comprehensive revenue and expense reserve.	Management agreed with the issue and corrected in the second version of the draft financial statements.

Detail of disclosure deficiency	How deficiency was corrected
<p>Financial Instruments disclosure: Note 26</p> <p>The disclosure headings were not in line with PBE IPSAS 41- Measured at FVTSD instead of Mandatorily measured at FVTSD</p> <p>Derivative financial instruments to be changed to Derivative financial assets. Liabilities to be changed to financial liabilities</p> <p>Derivative financial instruments change to Derivatives financial liabilities</p>	<p>Management accepted the issue and corrected the financial statements.</p>
<p>Note 28 Related party transactions disclosure</p> <p>No disclosure made for related party transactions with GWRail and WRCHL in the note</p>	<p>Management accepted the issue and corrected in the version 2 of the draft financial statements.</p>
<p>Note 4 Employee benefits</p> <p>No accounting policy disclosure for Other- employee benefits expense under the above note</p>	<p>Management accepted the issue and corrected in the version 2 of the draft financial statements.</p>
<p>Taxation Note 9</p> <p>The OCRE sections mentions revaluations after tax while the figures are before tax so the words after tax needed to be deleted.</p> <p>Tax Note was missing the heading Unrecognised deferred tax balances</p>	<p>Management accepted the issue and corrected in the version 2 of the draft financial statements.</p>
<p>PBE IPSAS 1- Presentation and disclosure</p> <p>The financial statement disclosure is not in line with the standard as it does not have a standard note of where variances are explained for each statement in the financial statements.</p>	<p>Management accepted the issue and corrected in the version 2 of the draft financial statements.</p>
<p>Disclosure on the performance measures – bus punctuality</p> <p>The current disclosure has excluded the untracked and cancelled buses.</p>	<p>Management accepted the issue and corrected in the version 2 of the draft financial statements.</p>

Detail of disclosure deficiency	How deficiency was corrected
<p>Pages 25 to 27 Information of the GHG measurement and uncertainty</p> <p>The disclosure mentioned that the carbon footprint was audited by Toitu, and it should be corrected to read carbon footprint was verified/validated by Toitu</p>	<p>Management accepted the issue and corrected in the version 3 of the draft financial statements.</p>
<p>The annual report paragraph on Other Greater Wellington GHG exclusion but excluded two lines that were part of the paragraph in the prior year.</p> <ul style="list-style-type: none"> • Whole of life emissions from purchased goods and services and capital goods, other outsourced services/contractors, and remote ICT services. • Some other GHG sources which were determined as de minimis and therefore excluded from our GHG inventory. 	<p>Management accepted the issue and corrected in the version 3 of the draft financial statements.</p>
<p>The annual report on page 27 for the 2018/19 baseline change- The wording should be revised to exclude the word "audit" and the date 13-14 December 2022.</p> <p>The wording should read as "As part of the 2022 verification process, Greater Wellington revised its 2018/19 baseline".</p>	<p>Management accepted the issue and corrected in the version 3 of the draft financial statements.</p>
<p>Page 48 since baseline was revised to be 51,044.61 tCO₂e therefore the results for 2021/122 should be achieved instead of Not achieved.</p>	<p>Management accepted the issue and corrected in the version 3 of the draft financial statements.</p>
<p>The annual report was not prepared in compliance with PBE FRS 48:</p> <p>Reviewed the annual report and confirmed that Note 2.1 only refers to financial statements being prepared in accordance with the requirements of GAAP and no mention of performance information.</p>	<p>Management accepted the issue and corrected in the version 3 of the draft financial statements.</p>

Detail of disclosure deficiency	How deficiency was corrected
Annual report Page 11 only stated that information reported in Section two is non-financial performance and did not mention pages where the user can find service performance information in the annual report.	Management accepted the issue and corrected in the version 3 of the draft financial statements.

2.4 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the Regional Council and Group. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management via the AuditDashboard. This included the dates we required the information to be provided to us. We were satisfied that the delivery of audit requests was done in a timely manner, however we recommend that management consider how it could improve the timeliness of the delivery of the full financial statements to allow for a more efficient audit.

We received the full group financial statements on 29 September, this being the Thursday of the fourth week we were on site for the final audit. A significant amount of audit work is involved in checking the disclosures associated with transactions and balances which cannot be completed until we receive the first draft of the financial statements. The late delivery of the financial statements did cause inefficiencies in the completion of our audit work. The non-current asset held for sale disclosure and the late receipt of the required information and also not applying the standard correctly until the we reviewed the submission and interpreted the standard and suggested more work to be done, contributed to delays.

Though the delivery of the full financial statement is ultimately the responsibility of management, we suggest that management prioritise preparing a first draft of financial statements for the Council (parent) excluding group accounts and that this be made available to the audit team prior to the site visit commencing. We could then plan to complete the audit of the group financial statements at a later point the audit as and when the subsidiary audits are completed and cleared.

Management comment

Management acknowledge the audit comments and going forward, will endeavour to provide the group financial statements earlier to the audit team.

Management noted that this year the parent financial statements were prioritised and provided to the audit team in August 2023.

As regards held for sale assets, initially management had adopted an approach to its accounting based on its understanding of the relevant standards and had also discussed it with audit. However, through further discussion with the audit team, the approach was amended which resulted in changes.

This was a complex matter that required technical advice. As a result, Greater Wellington were not advised of the audit outcome prior to the Council meeting and this created an uncertainty on the adoption of the annual report.

Auditor's response

As noted, the treatment for the assets held for sale was a complex matter and the Regional Council had not undertaken a detailed analysis of the underlying agreement and the related accounting implications. There was also an insufficient analysis done of the properties that formed part of the sale which resulted in the material adjustments that had to be processed post receipt of the first draft of the financial statements. Council undertook a revaluation and considered the implications of the demolition plan as part of the impairment assessment in September and provided this information for auditing on 28 September 2023 one week after we had completed our final audit site visit. Work relating to this aspect of the audit was therefore done outside our planned audit timetable and involved significant inputs from our specialist and senior members of the audit team that was not planned for.

3 Matters raised in the Audit Plan



In our Audit Plan of the Regional Council, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>Our audit response to this risk included:</p> <ul style="list-style-type: none"> • testing the appropriateness of selected journal entries; • reviewing accounting estimates for indications of bias; and • evaluating any unusual or one-off transactions, including those with related parties. <p>There are no matters which we need to bring to your attention</p>
Three waters reform	
<p>The Three waters reform programme (the Reform) is expected to result in significant structural changes to the management, funding and ownership of water supply, wastewater, and stormwater assets in the local government sector.</p> <p>The Government has recently announced a number of changes to the reform. On 13 April 2023, the Government outlined changes to the number of water services entities and a staggering of their establishment dates starting from early 2025, with all the water services entities to be established by 1 July 2026. The timing of the transfer of assets and liabilities is therefore uncertain until amendments to existing legislation are passed.</p> <p>The Bill to enable the transfer of three waters related assets and liabilities to the water services entities is currently with the select committee and will need to be passed to enable water assets to transfer to the related water entity.</p>	<p>We have reviewed the Regional Council's disclosures and ensured that they have accurately reflected the significance and uncertainty of the reforms on the Regional Council.</p> <p>We have included an emphasis of matter paragraph in the audit report to draw the readers' attention to the disclosure about the three waters reform.</p>

Audit risk/issue	Outcome
<p>The timing of the legislation through Parliament will impact the 30 June 2023 annual report. If the legislation has not passed before 30 June an updated disclosure may still be appropriate. If the legislation is passed before 30 June, there will likely be some additional accounting and disclosure requirements.</p> <p>The Regional Council should ensure that sufficient disclosure about impact of the reform (to the extent that the impact is known) is included in the annual report.</p>	
Fair value assessment of property, plant and equipment (non-revaluation year)	
<p>For those assets that the Council is not planning to revalue, the Regional Council should perform a fair value movement assessment (assessment) to determine whether there is a significant difference between the fair value and the carrying value. Where the estimated difference is significant a revaluation may be necessary.</p> <p>An assessment should:</p> <ul style="list-style-type: none"> • factor in local cost information; • utilise relevant and reliable price movement indicators; and • involve consulting with valuers, if necessary. <p>Alternatively, the Regional Council could engage valuers to assist in preparing a fair value assessment.</p>	<p>We reviewed management's workings and replacement cost information. We reperformed the calculation and estimated a fair value movement of all the assets that were fair valued. Managements calculations and ours were below managements threshold to trigger a full revaluation. Our threshold of asset intensive materiality of \$85.3m was also not breached.</p> <p>Based on this we are satisfied that the carrying value is not materially different to the fair value for the flood protection, park and forests and water infrastructure assets at year end.</p>
New accounting standard - First-time adoption of PBE IPSAS 41 Financial Instruments	
<p>PBE IPSAS 41: Financial Instruments is effective for periods beginning on, or after 1 January 2022. Earlier application was permitted however the Regional Council did not early adopt the standard.</p>	<p>We have reviewed the disclosures for compliance with the standard and concluded that the Regional Council has updated the accounting policies, presentation and disclosure as well as accounting for expected credit losses for any significant receivables and other financial assets.</p>

Audit risk/issue	Outcome
<p>The standard introduces new and amended classification, measurement, impairment and hedging requirements and disclosure for financial assets and financial liabilities. This standard replaces both PBE IPSAS 29 and PBE IFRS 9.</p> <p>PBE IPSAS 41 is based on PBE IFRS 9 and has been amended to include additional PBE guidance relevant to the New Zealand context.</p> <p>As the Regional Council is transitioning from PBE IPSAS 29, the transition may result in a number of significant changes.</p> <p>The main changes introduced by PBE IPSAS 41 are that the standard:</p> <ul style="list-style-type: none"> • Introduces a new classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held. This could result in some instruments moving from amortised cost accounting to fair value accounting, or vice versa. • Applies a forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing. • Introduces a hedge accounting model that broadens the hedging arrangements in scope of the guidance and removal of the 80-125% effectiveness "bright line" test. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. 	

Audit risk/issue	Outcome
<ul style="list-style-type: none"> • Entities that adopt PBE IPSAS 41 have a choice of either adopting the new hedging model of PBE IPSAS 41 or continuing to apply the hedging model of PBE IPSAS 29. • There are also new disclosure requirements as the standards setters believe additional information on risks such as credit risk are increasingly important to users of the financial statements. <p>The Regional Council will need to prepare an analysis of the classification of its financial instruments in terms of the standards and determine the necessary accounting and disclosure adjustments required.</p> <p>The Regional Council will need to update its accounting policies and disclosures in the financial statements to reflect the adoption of the new standard. The 21J Local authorities model financial statements reflect the early adoption of this standard and provide illustrative disclosures.</p>	
Measurement of greenhouse gas emissions	
<p>The Regional Council has included two measures of greenhouse gas emissions (GHG) in its performance information. We consider these to be material performance measures because the Regional Council has declared a climate emergency and because of the public interest in climate change related information.</p> <p>Reduction in tonnes of CO2 equivalent (tCO2e) emissions</p>	<p>Our enquires of management indicated that they have not progressed the systems and processes needed for reporting on this measure. We therefore could not consider alternative audit procedures and for this reason we concluded that the qualification included on the 2021/22 audit report be retained in 2022/23.</p>

Audit risk/issue	Outcome
<p>The Regional Council's performance information includes a performance measure on the quantity of GHG emissions from the Regional Council and Group. This includes emissions generated directly by the Group itself, emissions from the services that the Council is responsible for (such as public transport) and emissions from the use of the Council's assets (such as grazing in regional parks). The Regional Council is still developing the systems and controls needed to produce reliable evidence to support the data inputs and estimations used in the measurement of GHG emissions. This includes the measurement of material emissions from public transport and grazing activities which rely on data from third parties.</p> <p>Tonnes of CO2 emitted per year on Metlink Public Transport Services</p> <p>The Regional Council's performance information also includes a performance measure specifically on the quantity of emissions generated from Metlink Public Transport services.</p> <p>In the 2021/22 financial year we modified our opinion, because we did not obtain sufficient appropriate evidence to conclude whether the reported performance for both measures was materially correct.</p>	
New accounting standard - Adoption of PBE FRS 48 Service Performance Reporting	
<p>PBE FRS 48 <i>Service Performance Reporting</i> (PBE 48) replaced that part of PBE IPSAS 1 <i>Presentation of Financial Statements</i> that deals with service performance reporting requirements and is effective for the current year ending 30 June 2023.</p>	<p>We assessed the Regional Council's reporting against significant mandatory performance measures as part of our overall audit of the performance framework.</p>

Audit risk/issue	Outcome
<p>PBE 48 imposes additional reporting obligations on entities. For example, paragraph 44 requires an entity to “disclose those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information reported in accordance with this Standard that are relevant to an understanding of the entity’s service performance information”.</p> <p>PBE 48 also requires that the Regional Council has:</p> <ul style="list-style-type: none"> • applied the qualitative characteristics in determining the mix of its performance measures to ensure service performance information is appropriate and meaningful to people outside the organisation; and • focused its performance reporting on what it is accountable and responsible for to ensure the service performance information is relevant and understandable to readers of the annual report. <p>The Regional Council should complete an assessment to understand the impact how the application of PBE 48 will affect its statement of service performance.</p>	<p>We have also:</p> <ul style="list-style-type: none"> • followed up on the Regional Council’s progress to address our prior year recommendations; • completed appropriate testing of material performance measures to determine the accuracy of results; • completed an appropriateness review through assessing the elements, and the measures/descriptions reported for material deficiencies; and • reviewed the adequacy of disclosures under PBE 48. <p>We are satisfied that the Regional Council has complied with PBE FRS 48 other than the qualification relating to the reporting of greenhouse gases and recommendations included in 4.3 below.</p>

4 Matters raised during the audit



4.1 Rates collection error

We recommend advice be obtained on how to treat the rates collection error in the 2023/2024 financial year should the current circumstances change such as having the rates validated or receiving claims from ratepayers.

Background

There was an incorrect application of the general rate differential by Wellington City Council from 2019/20 to 2022/23 which resulted in an under payment of rates by business ratepayers and an over payment of rates by residential and rural ratepayers over the four-year period.

The Council considered four options to resolve the issue, being:

- 1 Validation of the collection of rates for the period through legislation.
- 2 Taking no retrospective remedial action.
- 3 Providing a refund to residential and rural ratepayers.
- 4 Providing a credit to affected rateable dwellings.

Council decided to take no retrospective remedial action, including no provision for refunds, but will seek to identify a Wellington City Member of Parliament who would be willing to sponsor a local bill to validate the collection of rates for the four-year period. Until legislation is passed, Council will be at risk of an unquantifiable level of potential rebates or refunds to affected rate payers until the earlier of June 2029 or the passing of the local bill.

Management comment

In consultation with audit, management disclosed an unquantified contingent liability in the 2022/23 annual report relating to the rates collection error.

Should the current circumstances change, management will seek legal advice on how to treat the rates collection error in the 2023/24 financial year.

4.2 Non-current assets held for sale treatment

We recommend that where the Regional Council enters into complex transactions that the business units engage with the Finance team upfront to determine the appropriate accounting treatment and secondly that a detailed analysis of the contract is undertaken against the relevant accounting standards.

Background

The first draft of the financial statements disclosed a non-current asset held for disposal amounting to \$32,676,000, these assets held for disposal comprised of residential and commercial units on Pharazyn, Marsden, Mills and Rutherford Streets and Block Road. These properties are expected to be demolished to enable the Riverlink project works to commence and there is an expectation that the properties will be disposed to Waka Kotahi within 12 months of year end.

We requested the supporting evidence for this accounting treatment, and we received the agreement signed between Minister of Land information (the Crown) and the Regional Council dated 29 June 2023, along with the list of properties earmarked for demolition.

Our review of the agreement that Waka Kotahi had made an advance payment of \$21.5million for the required under the properties but also noted that the calculations for the non-current asset held for disposal only included the buildings and not the land which in our view was the asset that was the subject of the agreement.

We recommended that the land be included as part of the calculations of the disposal and that the be done on a fair value basis and that any gains or loss be recognised in other comprehensive income/expenditure before the assets are transferred to non-current held for sale. The buildings which were carried at cost, also needed to be assessed for impairment and as there was an intention to demolish these buildings within the next twelve months we considered them to be virtually fully impaired. This would require a write off against operating surplus or deficit. We also noted the need for depreciation be accelerated for those buildings that are part of the Riverlink project but are not to be demolished within 12 months.

After numerous engagements with management on the potential treatment, in order to ensure that the requirements of the standard are met, we received updated calculations that indicated an adjustment for the land and buildings of \$18,553,000. We reviewed the workings and identified that the buildings were apportioned for the same square metres as the required land which was incorrect. Finally, after we consulted with our technical team on the correct treatment of these Riverlink assets, it was agreed that impairment loss need to be booked for all buildings undergoing demolishing, depreciation be accelerated for those buildings that are not due for demolishment as well as fair value gain/loss calculated for Land.

A non-current asset held for sale amounting to \$1,827,000 was recognised in the final version of the financial statements. We however we are of the view that this is not an asset held for sale but rather inventory. Given the amount involved is not material, we have accepted the current classification.

In addition to this a further, \$36m was recognised as an impairment cost on the buildings and \$30m a fair value write down on the land against the revaluation reserve.

Management comment

Management acknowledge the audit comments and going forward, the Finance Team will actively engage with the wider business units to determine the correct accounting treatment for complex transactions if any.

4.3 ENV1: Monitor compliance with resource consents- No supporting evidence to support how compliance was assessed before implementing a strategy for high-risk activities

We recommend that a tool be developed to record the monitoring of compliance consents results for high- risk activities in order to obtain assurance over the completeness of the results which informs the development of plans.

Background

As part of our testing of the performance measure “Where rates of compliance for high-risk activities are less than 80 percent, develop and implement a strategy to improve the rate of compliance”, we noted that there is no supporting evidence to support compliance was assessed before implementing a strategy for high-risk activities.

In our discussions with the project team responsible for this measure we noted that there are no requirements for officers undertaking the reviews to keep documentation or use template to reach the conclusion of the assessment. The officer could make phone calls, texts, in person meeting or undertake a desktop review to make the decision on the compliance conclusion.

Management comment

The Corporate Planning and Reporting team are working with the team who are responsible for this measure to ensure the appropriate procedure and tool is in place to record the results of consent compliance monitoring for high-risk activities.

4.4 Reliance of third parties for assurance on Revenue controls

We recommend that the Regional Council develop an assurance programme that provides the right level of assurance over information used by the Regional Council for external reporting purposes.

Background

The Regional Council relies on third party entities for financial information such as revenue from public transport as well as service performance information to report on either its greenhouse gas targets or public transport services.

The Regional Council places significant reliance on the controls of these third parties and engages independent reviewers to undertake limited assurance reviews at year end. These reviews by their very nature don't address all controls and are usually focussed on year-end reporting and does not necessarily provide assurance over the full year.

In almost all instances the Regional Council does not have appropriate processes or controls in place to ensure that the information is complete and accurate.

There is an elevated risk that:

- revenue recognised or performance information is incomplete or inaccurate; and
- transactions are not recognised in accordance with the Regional Council's accounting policies.

Management comment

Management acknowledges the audit comments and will engage with the relevant people on the best way forward to address this matter.

5 Public sector audit



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

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

We also 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;
- waste being incurred as a result of any act or failure to act by Regional Council and Group;
- 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 members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by the Regional Council and Group or by one or more of its members, office holders, or employees.

There were no new matters to bring to your attention other than previous issue we raised regarding approval of the Chair and CE sensitive expenditure as noted in Appendix 1.

6 Group audit



The group comprises:

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

We have not identified any of the following during our audit for the year ended 30 June 2023:

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

7 Useful publications



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

Description	Where to find it
Performance reporting	
Public organisations are responsible for reporting their performance to Parliament and the public in a way that meaningfully reflects their organisation's aspirations and achievements. The Auditor-General published a discussion paper that explores five areas for improvement in performance reporting.	On the Office of the Auditor-General's website under publications. Link: The problems, progress, and potential of performance reporting
The Office of the Auditor-General, the Treasury and Audit New Zealand have jointly prepared good practice guidance on reporting about performance. The guidance provides good practice examples from public organisations in central government. Those working in other sectors may also find this useful.	On Audit New Zealand's website under good practice. Link: Good practice in reporting about performance — Office of the Auditor-General New Zealand (oag.parliament.nz)
Local government risk management practices	
The Covid-19 pandemic is a stark reminder for all organisations about the need for appropriate risk management practices. In our audit work, we often see instances where councils do not have effective risk management. This report discusses the current state of local government risk management practices and what councils should be doing to improve their risk management.	On the Office of the Auditor-General's website under publications. Link: Observations on local government risk management practices
Public accountability	
Public accountability is about public organisations demonstrating to Parliament and the public their competence, reliability, and honesty in their use of public money and other public resources. This discussion paper explores how well New Zealand's public accountability system is working in practice.	On the Office of the Auditor-General's website under publications. Link: Building a stronger public accountability system for New Zealanders

Description	Where to find it
Setting and administering fees and levies for cost recovery	
<p>This good practice guide provides guidance on settings fees and levies to recover costs. It covers the principles that public organisations should consider when making any decisions on setting and administering fees and levies. It also sets out the matters public organisations should consider when calculating the costs of producing goods or providing services and setting charges to recover those costs.</p>	<p>On the Office of the Auditor-General's website under publications.</p> <p>Link: Setting and administering fees and levies for cost recovery: Good practice guide</p>
<p>The Office of the Auditor-General, the Treasury and Audit New Zealand have jointly prepared good practice guidance on reporting about performance. The guidance provides good practice examples from public organisations in central government. Those working in other sectors may also find this useful.</p>	<p>On Audit New Zealand's website under good practice.</p> <p>Link: Good practice in reporting about performance — Audit New Zealand (auditnz.parliament.nz)</p>
Managing conflicts of interest involving council employees	
<p>This article discusses findings across four councils on how conflicts of interest of council employees, including the chief executive and staff, are managed.</p>	<p>On the Office of the Auditor-General's website under publications.</p> <p>Link: Getting it right: Managing conflicts of interest involving council employees</p>
Model financial statements	
<p>Our model financial statements reflect best practice we have seen. They are a resource to assist in improving financial reporting. This includes:</p> <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. 	<p>Link: Model Financial Statements</p>
Tax matters	
<p>As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.</p>	<p>On our website under good practice</p> <p>Link: Tax Matters</p>

Description	Where to find it
Client substantiation file	
<p>When you are fully prepared for an audit, it helps to minimise the disruption for your staff and make sure that we can complete the audit efficiently and effectively.</p> <p>We have put together a collection of resources called the Client Substantiation File to help you prepare the information you will need to provide to us so we can complete the audit work that needs to be done. This is essentially a toolbox to help you collate documentation that the auditor will ask for.</p>	<p>On our website under good practice.</p> <p>Link: Client Substantiation File</p>
The Auditor-General's report on the results of recent audits	
<p>The OAG publishes a report on the results of the each cycle of annual audits for the sector.</p>	<p>On the OAG's website under publications.</p> <p>Links:</p> <p>Insights into local government: 2021 (oag.parliament.nz)</p>
Good practice	
<p>The OAG's website contains a range of good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> • audit committees; • conflicts of interest; • discouraging fraud; • good governance; • service performance reporting; • procurement; • sensitive expenditure; and • severance payments. 	<p>On the OAG's website under good practice.</p> <p>Link: Good practice</p>
Procurement	
<p>The OAG are continuing their multi-year work programme on procurement.</p> <p>They have published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened.</p> <p>Whilst this is focused on local government, many of the questions are relevant to all types of public sector entities.</p>	<p>On the OAG's website under publications.</p> <p>Links: Strategic suppliers: Understanding and managing the risks of service disruption</p> <p>Getting the best from panels of suppliers</p> <p>Local government procurement</p>

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
<p>Sensitive Expenditure – Approval of the Chairs and CE sensitive expenditure</p> <p>We recommend that Council and management implement the policy in place for approving the Chair and Chief Executive’s sensitive expenditure and ensure proper documentation of approval is maintained and approvals are done timeously.</p>	Final 2022	<p>In progress</p> <p>No management response received yet after interim management report</p>
<p>Risk and Assurance</p> <p>We recommended that the Regional Council revisit the effectiveness of the risk and assurance function as a fundamental process to support business decision making by:</p> <ul style="list-style-type: none"> performing a fraud risk assessment; developing and formalising the assurance function in addressing the key risks facing the Regional Council; enhancing the Regional Council’s risk management approach by implementing an integrated entity-wide approach which incorporates strategic, operational and programme/project risks; and updating its risk management policy/framework so it aligns with an entity-wide risk approach. 	Final 2019	<p>In progress</p> <p>Part of the recommendation implemented but not fully and team will follow up during 2023/24 audit</p> <p>Management response</p> <p><i>A fraud risk assessment has been completed and the results presented to FRAC in May 2023.</i></p> <p><i>The assurance function has been formalised as part of the Risk & Assurance (R&A) team. The R&A team is responsible for establishing the 3-year assurance programme, working alongside PWC to plan and close out internal audits, tracking the implementation of audit recommendations, and reporting on audit outcomes and recommendation tracking through to ELT & FRAC. From LTP 2024-27 onwards our 3-year assurance programme will be developed based on our risk framework. Planning for the 2024-27 assurance programme will commence in the 2023-24 financial year.</i></p>

Recommendation	First raised	Status
		<p><i>An integrated entity wide new risk approach has been implemented which considers strategic, operational and programme/project risks.</i></p> <p><i>An updated risk management policy has been endorsed by ELT. The policy will be formally approved by ELT when we have completed our work with FRAC to update our risk appetite statements. We expect to have this work completed within the 2023-24 financial year.</i></p>
<p>Shared Administrator account use for privileged network access</p> <p>We recommended that the generic Administrator network login account be locked and only used in extreme emergencies.</p>	<p>Final 2021</p>	<p>Open</p> <p>The generic Administrator account is still in use.</p> <p>Management response</p> <p><i>As with all policies and rules there are situations that require an exception to be made. A new and specific shared use account may be created. These exceptions are actively managed and reviewed. The requirement for exception, specific risks and mitigations encountered by not following policy are weighed and appropriate mitigations are put in place. The exceptions to policy/rules are periodically reviewed to ensure the outcomes, mitigations and risk are still relevant.</i></p> <p><i>Passwords are periodically reviewed and changed based on the specific circumstances of that account. Built-in or default accounts are not typically eligible for exception, and are not made available for routine use.</i></p>

Closed recommendations

Recommendation	First raised	Status
<p>Redundant user accounts on the network need review and removal</p> <p>During our IS audit last year we noted that there are a high number of older user accounts on the network that are redundant.</p> <p>Some of these accounts are generic network logins that are no longer required by the business.</p> <p>Redundant user accounts on the network raises the risk that these accounts may be used inappropriately.</p> <p>We recommended that a full review of network users accounts be done and redundant accounts deleted.</p> <p>Procedures should be established for regular reviews to ensure that user access to councils' network and systems remains appropriate</p>	Final 2021	<p>Closed</p> <p>Removal of network and Technology One access is now operating effectively.</p> <p>Management response</p> <p><i>An automated daily process is in place to sync Ngātahi and AD user account details.</i></p> <p><i>An automated guest user management solution is in development with our supplier Information Leadership, this is expected to go live this quarter.</i></p>
<p>Improper Fixed Asset Capitalisation –</p> <p>We recommended management review the processes within Ngatahi - TechOne for creating fixed assets to ensure fixed asset records are not created in error. We also recommended management perform a retrospective review of asset capitalisations within Ngatahi – TechOne to ensure no further improper capitalisations have occurred.</p>	Final 2022	<p>Closed</p> <p>Audit team performed work on additions in the current year and no asset was found to not be recorded in the fixed asset register.</p> <p>Management response</p> <p><i>Taking on board the audit finding, the Ngātahi system has been updated to ensure that there are controls in place before a financial asset can be created in the fixed asset register.</i></p>
<p>Compliance with section 67 (4) of the Local Government Act 2022</p> <p>We recommended that the Regional Council put in place processes to ensure the timely publication of council-controlled organisations annual reports on its website.</p>	Final 2022	<p>Closed</p> <p>Audit team confirmed that the CCO's annual reports were published in the Council website.</p> <p>Management response</p> <p><i>The above issue has been resolved and Officers have put in appropriate processes to ensure that going forward there is full compliance with the Local Government Act 2002.</i></p>

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Regional Council and Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to our audit and our report on the disclosure requirements, we have performed a limited assurance engagement related to the Regional Council's debenture trust deed. This engagement is compatible with those independence requirements.</p> <p>Other than this engagement, we have no relationship with or interests in the Regional Council or its subsidiaries and controlled entities.</p>
Fees	<p>The audit fee for the year is \$354,801 as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are \$6,000 for the limited assurance engagement relating to the Regional Council's debenture trust deed.</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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Finance, Risk and Assurance Committee
13 February 2024
Report 24.49



For Decision

RESOLUTION TO EXCLUDE THE PUBLIC

That the Finance, Risk and Assurance Committee excludes the public from the following parts of the proceedings of this meeting, namely:

Cyber Security update – Report 24.44

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:

Cyber Security update – Report 24.44	
<i>Reason for passing this resolution in relation to each matter</i>	<i>Ground(s) under section 48(1) for the passing of this resolution</i>
<p>The report contains information about Greater Wellington’s information security and cybersecurity status. Release of this information exposes Greater Wellington to cyber-attack threats by making it easier for the public to know Greater Wellington’s cyber security status and utilize the information for improper gain or improper advantage (section 7(2)(j)). It is necessary for Greater Wellington to exclude the information contained in this report from the public domain to protect our information and assets and reduce the likelihood of cyber-attack.</p> <p>Greater Wellington has not been able to identify a public interest favouring disclosure of this particular information in public proceedings of the meeting that would override this risk.</p>	<p>The public conduct of this part of the meeting is excluded as per section 7(2)(j) of the Act in order to prevent the disclosure of official information for improper gain or improper advantage.</p>

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