ORDINARY MEETING OF

KĀWAI MĀHIRAHIRA - AUDIT AND RISK SUBCOMMITTEE AGENDA

Time: 2:00pm

Date: Tuesday, 3 August 2021

Venue: Ngake (16.09)

Level 16, Tahiwi 113 The Terrace Wellington

MEMBERSHIP

Mayor Foster
Councillor Condie (Deputy Chair)
Liz Kelly
Councillor Pannett
Councillor Paul
Linda Rieper (External)
Councillor Rush
Roy Tiffin (External)

Have your say!

You can make a short presentation to the Councillors at this meeting. Please let us know by noon the working day before the meeting. You can do this either by phoning 04-803-8334, emailing public.participation@wcc.govt.nz or writing to Democracy Services, Wellington City Council, PO Box 2199, Wellington, giving your name, phone number, and the issue you would like to talk about. All Council and committee meetings are livestreamed on our YouTube page. This includes any public participation at the meeting.

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AREA OF FOCUS

The Audit and Risk Subcommittee oversees the work of the Council in discharging its responsibilities in the areas of risk management, statutory reporting, internal and external audit and assurance, monitoring of compliance with laws and regulations, including health and safety.

Quorum: 5 members (at least one external member must be present for a quorum to exist).

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1. Meeting Conduct

1.1 Karakia

The Chairperson will open the meeting with a karakia.

Cease oh winds of the west Whakataka te hau ki te uru,

Whakataka te hau ki te tonga. and of the south

Let the bracing breezes flow, Kia mākinakina ki uta. Kia mātaratara ki tai. over the land and the sea. E hī ake ana te atākura. Let the red-tipped dawn come

He tio, he huka, he hauhū. with a sharpened edge, a touch of frost,

Tihei Mauri Ora! a promise of a glorious day

At the appropriate time, the following karakia will be read to close the meeting.

Unuhia, unuhia, unuhia ki te uru tapu nui Draw on, draw on

Kia wātea, kia māmā, te ngākau, te tinana,

te wairua

I te ara takatū

Koia rā e Rongo, whakairia ake ki runga

Kia wātea, kia wātea Āe rā, kua wātea!

Draw on the supreme sacredness To clear, to free the heart, the body

and the spirit of mankind

Oh Rongo, above (symbol of peace)

Let this all be done in unity

1.2 Apologies

The Chairperson invites notice from members of apologies, including apologies for lateness and early departure from the meeting, where leave of absence has not previously been granted.

1.3 Conflict of Interest Declarations

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have.

1.4 Confirmation of Minutes

The minutes of the meeting held on 9 June 2021 will be put to the Kāwai Māhirahira | Audit and Risk Subcommittee for confirmation.

1.5 Items not on the Agenda

The Chairperson will give notice of items not on the agenda as follows.

Matters Requiring Urgent Attention as Determined by Resolution of the Kāwai Māhirahira | Audit and Risk Subcommittee.

The Chairperson shall state to the meeting:

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- 1. The reason why the item is not on the agenda; and
- 2. The reason why discussion of the item cannot be delayed until a subsequent meeting.

The item may be allowed onto the agenda by resolution of the Kāwai Māhirahira | Audit and Risk Subcommittee.

Minor Matters relating to the General Business of the Kāwai Māhirahira | Audit and Risk Subcommittee.

The Chairperson shall state to the meeting that the item will be discussed, but no resolution, decision, or recommendation may be made in respect of the item except to refer it to a subsequent meeting of the Kāwai Māhirahira | Audit and Risk Subcommittee for further discussion.

1.6 Public Participation

A maximum of 60 minutes is set aside for public participation at the commencement of any meeting of the Council or committee that is open to the public. Under Standing Order 31.2 a written, oral or electronic application to address the meeting setting forth the subject, is required to be lodged with the Chief Executive by 12.00 noon of the working day prior to the meeting concerned, and subsequently approved by the Chairperson.

Requests for public participation can be sent by email to public.participation@wcc.govt.nz, by post to Democracy Services, Wellington City Council, PO Box 2199, Wellington, or by phone at 04 803 8334, giving the requester's name, phone number and the issue to be raised.

2. General Business

AUDIT NZ GOVERNING BODY REPORT

Purpose

1. This report asks the Kāwai Māhirahira | Audit and Risk Subcommittee to receive Audit New Zealand Report to Council on the 2019/20 Annual Report audit.

Recommendations

That the Kāwai Māhirahira | Audit and Risk Subcommittee:

- 1. Receive the information.
- 2. Note the content of the Report to Council on the audit of 2019/20 Annual Report from Audit New Zealand.

Background

- Every year after the completion of the audit of the annual report, Council auditors,
 Audit New Zealand produce a report to the Council on the audit conducted, and within
 the report provide a number of recommendations on matters that they believe will
 strengthen the Council's control environment or enable greater efficiencies or
 effectiveness.
- The report outlines their recommendations and officers response to those recommendations. The progress of implementing these recommendations will be monitored and reported on by Internal Audit.

Discussion

- 4. The key findings from Audit NZ audit of the 2019/20 Annual Report are:
 - A non-standard audit report was issued on the Council parent and group's annual report on 16th December 2020. It comprised a unmodified opinion, a qualified opinion and an emphasis of matter.
 - The unmodified audit opinion was issued on the financial statements, which means Audit NZ were satisfied that the financial statements present fairly the City Council's activity for the year and its financial position at the end of the year.
 - The Council's control environment continues to operate effectively, especially during the Covid-19 lockdown period.

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• The qualified opinion relates to certain performance information required as part of the Department of Internal Affairs (DIA) mandatory performance measures for water activities in relation to water supply, wastewater and stormwater.

The performance measures Audit qualified our opinion on are:

- Fault response times Water supply, Wastewater and Stormwater
- Maintenance of the reticulation network Water supply
- Total number of complaints received Water supply,
 Wastewater and Stormwater
- o Number of dry weather sewerage overflows Wastewater
- Without further modifying Audit's opinion, an emphasis of matter paragraph drawing the reader's attention to the disclosures about the Covid 19 impacts on the City Council. The inclusion of this paragraph is in line with Auditor General expectations across all (Councils) 30 June 2020 audits.
- 5. There are four new recommendations on which officers have provided comments, that cover the following areas: Performance reporting (which impacted on the Audit opinion), Procurement, project management and contract management, Retention of supporting documentation for payroll, and depreciation and amortisation policy.
- 6. The report also has an update on the status of ten previous outstanding recommendations, three of which were implemented or closed.
- 7. Officers have also provided an update with a number of the previous recommendations.

Attachments

Attachment 1. Audit NZ Management letter J

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Author	Richard Marshall, Manager Financial Accounting & Transactional Services
Authoriser Sara Hay, Chief Financial Officer	

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SUPPORTING INFORMATION

Engagement and Consultation

There is no requirement to consult on the issues raised in this paper or report.

Treaty of Waitangi considerations

There are no specific Treaty of Waitangi considerations.

Financial implications

There are no new financial implications arising from this paper.

Policy and legislative implications

There are no new policy or legislative impliciations arising from this paper.

Risks / legal

There are no new risks or legal impliciations arising from this paper.

Climate Change impact and considerations

There is no climate change impliciations arising from this paper.

Communications Plan

No communication plan is required for this paper.

Health and Safety Impact considered

There is no Health and Safety impliciations arising from this paper.

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Mana Arotake Aotearoa

Report to the City Council on the audit of

Wellington City Council

For the year ended 30 June 2020

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Key messages

We have completed the audit for the year ended 30 June 2020. This report sets out our findings from the audit and draws attention to areas where the Wellington City Council (the City Council) is doing well and where we have made recommendations for improvement.

We acknowledge the significant delay in providing this management report to you. We have discussed the findings and recommendations with the City Council during the audit.

Audit opinion

We issued a non-standard audit report on 16 December 2020.

Our audit report included:

- An unmodified opinion on the financial statements, which means we were satisfied that
 the financial statements present fairly the City Council's activity for the year and its
 financial position at the end of the year.
- A qualified opinion on certain performance information relating to the Department of Internal Affairs (DIA) mandatory performance measures for water activities in relation to water supply, wastewater and stormwater.

The performance measures we qualified our opinion on are:

- Fault response times Water supply, Wastewater and Stormwater
- Maintenance of the reticulation network Water supply
- Total number of complaints received Water supply, Wastewater and Stormwater
- Number of dry weather sewerage overflows Wastewater
- Without further modifying our opinion, an emphasis of matter paragraph drawing the readers' attention to the disclosures about the Covid-19 impacts on the City Council. The inclusion of this paragraph is in line with Auditor-General expectations across all 30 June 2020 audits.

Areas of focus

We comment on the following key matters in the report:

• **Performance reporting – DIA three waters mandatory measures** (results provided by Wellington Water) – we identified some significant issues on certain performance information in relation to water supply, wastewater and stormwater which resulted in a qualified opinion (as above).

- Performance reporting Long Term Plan measures (excluding DIA mandatory measures)
 we did not identify any significant issues. However, we have recommended some process improvements be made.
- Valuation of infrastructural assets and investment properties we did not identify any issues with the valuation of the assets. The assets and related disclosures in the financial statements are appropriate.
- Fair value assessment of operational land and buildings we reviewed management's assessment and were satisfied that the carrying value of these assets materially reflects the fair value of assets at 30 June 2020.
- Insurance proceeds from Earthquake damage to Civic Administration Building the insurance settlement has been appropriately accounted for and disclosed in the financial statements.
- Valuation of weathertightness liabilities we did not identify any issues with the valuation of the liability. The liability and related disclosures in the financial statements are appropriate.
- Smart City Council and continuity of the Shared Service Office Operation A transition plan for the Shared Service Office and service transition activities were being developed for when the Dimension Data contract expired in October 2020.
- **Procurement, project management and contract management** we made some recommendations for improvement in these areas. They include developing the framework, capability, maturity and practices in these areas.
- Covid-19 implications for public sector reporting The City Council's control environment
 and controls relating to financial and performance information were operating effectively
 for the full year including the lockdown period.

We undertook some specific work to address the effects of Covid-19 on the value of certain assets and liabilities – we did not identify any issues.

We were satisfied that the impact of Covid-19 in the financial statements and performance information has been appropriately considered and the relevant disclosures made in the annual report.

- **Ethics and Integrity** we did not identify any ethics and integrity issues.
- Risk of management override of internal controls we did not identify any issues indicating management override of internal controls.

Acknowledgement

We would like to thank the Council, management and staff for their assistance in completing the audit, for their preparedness for the audit, and for their engagement with us.

Karen Young Appointed Auditor 26 July 2021

1 Recommendations



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

Priority	Explanation
Urgent Needs to be addressed urgently	
	These recommendations relate to a significant deficiency that exposes the City Council to significant risk or for any other reason need to be addressed without delay.
Necessary Address at the earliest reasonable opportunity, generally within months	
	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.
Beneficial Address, generally within six to 12 months	
	These recommendations relate to areas where the City Council is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
Performance reporting – DIA three water mandatory measures The City Council continues discussions with Wellington Water to understand the plans in place to address the performance reporting issues and any possible impacts on the City Council's	3	Urgent
2020/21 annual report.		

Recommendation	Reference	Priority
Procurement, project management and contract management		
We recommend that the City Council:	4.11	Necessary
develop and implement a roadmap of work to improve the procurement capability within the City Council;		
assess its level of project management maturity and consider its future needs and next steps; and		
consider the findings, recommendations, and its response to the three reviews related to the management of the three water networks: Three Waters Review; Mayoral Taskforce review; and a Wellington Water Review.		
Retention of supporting documentation for payroll		
The City Council retains all relevant HR records on employee files	5.2	Necessary
Depreciation and amortisation policy		
The depreciation and amortisation policies are reviewed to ensure it meets sector norms and is sufficiently detailed.	5.3	Beneficial

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 2 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	-	6	1	7
Implemented or closed	-	3	-	3
Total	-	9	1	10

2 Our audit report

2.1 We issued a non-standard audit report



We issued a modified audit report on 16 December 2020.

An unmodified opinion on the financial statements, which means we were satisfied that the financial statements present fairly the City Council's activity for the year and its financial position at the end of the year.

We issued a qualified opinion on certain performance information relating to the Department of Internal Affairs (DIA) mandatory performance measures for water activities in relation to water supply, wastewater and stormwater.

The performance measures we qualified our opinion on are:

- Fault response times Water supply, Wastewater and Stormwater
- Maintenance of the reticulation network Water supply
- Total number of complaints received Water supply, Wastewater and Stormwater
- Number of dry weather sewerage overflows Wastewater

Without further modifying our opinion, an **emphasis of matter** paragraph drawing the reader's attention to the disclosures about the Covid-19 impacts on the City Council. The inclusion of this paragraph is in line with Auditor-General expectations across all 30 June 2020 audits.

In forming our audit opinion, we considered the matters set out in Section 3.1 and the following matters:

2.2 Uncorrected misstatements in the financial statements and statement of service provision

The financial statements and statement of service provision are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. There were no significant misstatements identified during the audit that required correcting.

2.3 Uncorrected disclosure deficiencies in the financial statements and statement of service provision

The financial statements are free from material disclosure misstatements, including omissions. During the audit, we discussed with management any disclosure improvements that we found.

2.4 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the City Council. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management on 6 December 2019. This included the dates we required the information to be provided to us.

We were able to work collaboratively with the City Council, management and staff, and acknowledge their assistance, willingness to help and professionalism throughout the year.

Covid-19 had a significant impact on the financials and performance information. The impacts resulted in more time needed to prepare, review and audit the financial statements and statements of service performance. This was necessary to meet the:

- requirements of the accounting standards, auditing standards, valuation standards; and
- increased complexities brought about by Covid-19, and the additional Covid-19, and related Covid-19 disclosures and commentary.

The areas of increased complexity included consideration of the impact of Covid-19 on the City Council and its operations, and the consequential impact on the financial statements (at an overall level and line-by-line) and statement of service performance (at an overall level and by performance measure), assessment of the fair value assessments, estimates, revaluation of infrastructure assets and investment properties, and performance information.

Covid-19 had an impact on the business, resources and workloads.

The challenges with the audit and reporting on certain three waters mandatory measures had impact on the reporting for these measures in the City Council's annual report.

We have had a debrief with the City Council on the learnings for the preparation of, and audit of the annual report going forward.

3 Performance reporting – DIA three waters mandatory measures

As you are aware there are six councils, including the City Council, that are joint shareholders in Wellington Water Limited (Wellington Water). Wellington Water manages the six councils' water assets and services on their behalf. A Committee represented by a member of each shareholding council monitors the performance of Wellington Water.

Wellington Water reports its performance in respect of water services provided to the six councils. In addition to the performance measures which Wellington Water developed themselves, there are also mandatory performance measures which all Councils (and Wellington Water) are required to report against in their annual report. These measures are mandated by the Department of Internal Affairs (DIA) and cannot be changed or amended.

Our audit approach includes relying on the work of the Wellington Water auditor to provide assurance for certain performance results which are reported by Wellington Water on behalf of the City Council.

We understand that there were a number of changes to the way Wellington Water collated and managed the underlying information for the 2020 financial year which was used to support the results for the performance measures.

We identified a number of significant issues with certain material performance measures. These are described in summary as follows:

Fault response times – Water supply, Wastewater and Stormwater

Wellington Water was unable to accurately report on fault response times for each of the three water services. The information produced by the system used to report on fault response times was not reliable because attendance and resolution times for service requests were not always recorded at the point in time that they occurred.

Maintenance of the reticulation network – Water supply

Wellington Water was unable to report a reliable water loss percentage for each shareholding council due to the limited number of water meters across the reticulation network.

Instead, the water loss percentage for the City Council was reported at a regional level. However, the reliability of this regional water loss percentage was also affected by the limited number of water meters.

 Total number of complaints received – Water supply, Wastewater and Stormwater

Wellington Water was unable to accurately report the number of complaints for each of the three water services. Complete records of all complaints were not available, and the complaints system used also did not classify complaints between wastewater, water supply and stormwater.

Number of dry weather sewerage overflows – Wastewater

Wellington Water was unable to accurately report the number of dry weather sewerage overflows, as the system used for recording events included blockages in the wastewater network that did not necessarily result in an overflow.

As a result of these issues, our work was limited and there were no practicable audit procedures we could apply to obtain assurance over the reported results for the performance measures described above.

We recommend that the City Council continues discussions with Wellington Water to understand the plans in place to address these performance reporting issues and any possible impacts on the City Council's 2020/21 annual report.

Management comment

The Council has had a number of discussions with Wellington Water about these issues.

General:

- Together the Council and Wellington Water are working on improving reporting systems where this is possible and sensible in the light of the impending three waters regulation and reform agenda.
- An externally peer reviewed improvement plan was developed in response to Audit New Zealand's concerns about four DIA mandatory measures. The improvement plan is necessarily pragmatic and primarily considers the cost of the improvement actions against the value and the benefits to our customers. The Council is prepared to accept a response that it is unable to meeting the DIA mandatory measures and therefore is unable to fully meet Audit New Zealand's recommendations if the costs of doing so exceed the expected benefits.
- The improvement plan developed takes into consideration the nature of the data collection and reporting required to meet DIA measures; the expected value to the Council and our customers of collecting and reporting the information; and the options available to fully (where possible) or partially meet the DIA mandatory measures requirement, and their relative costs and benefits.
- In some cases, the planned improvements will not fully achieve the DIA mandatory
 measures and therefore is unable to meet Audit New Zealand's recommendations.
 Fully addressing all the concerns would require significant capital investment (by

Wellington Water). In many instances, this investment is not expected to deliver net service delivery benefits for the Council's customers and also not guarantee that the Council would receive an unqualified result for future audits.

Specifically:

Fault response times – Water supply, Wastewater and Stormwater

Service request resolution times were largely captured through an interim solution during the year ended 30 June 2020; results are now being captured by "Maximo" an improved and more automated information tool.

Improved data collection will allow the Council to gain a deeper understanding of service interruptions and help identify performance improvement opportunities.

We understand Wellington Water intends making additional investment in system improvements to increase the reliability of resolution times.

We were advised Wellington Water implemented additional internal controls to assure the accuracy of results from January 2021.

 Maintenance of the reticulation network – Water supply (percentage of real water loss)

Together the Council and Wellington Water are unable to meet the DIA and Council's 2018/28 Long Term Plan requirement to measure water loss at a by "Council" level and can only report at the existing regional-level approach. In the absence of widespread meter coverage, the regional approach was endorsed by the Council in 2019.

The limited number of residential water meters across the region means the calculation of water losses at both a city- and regional-level are subject to wide margins of confidence. The deployment of an increased number of network-level meters (the small area monitors, or SAMs) is expected to increase the level of accuracy of our water use monitoring, however in the short term it will not be sufficient to achieve the level of accuracy that is being sought by the DIA and the Council's 2018/28 Long Term Plan.

Achieving the water loss measurement accuracy can only be met by a significant increase in domestic customer metering across the network. The investment in metering necessary to achieve compliance is not anticipated within the first three years of the Council's 2021/31 Long Term Plan.

Work is continuing at pace within Wellington Water to develop a more accurate measure that is expected to be in place from early next financial year.

As a result, the council is comfortable continuing the status quo (that is, regional) approach to measuring water loss.

Number of dry weather sewerage overflows – Wastewater

We are satisfied that the intent of the measure to protect the public from harm in the event of wastewater spilling to the surface is met by revising our methodology to ensure we provide a DIA compliant picture of the incident of overflow events and the potential need for investment in this area.

Additional internal controls have been implemented to assure the accuracy of results, and the calculation of results now includes data from the Greater Wellington Regional Council weather model.

Total number of complaints received – Water supply, Wastewater and Stormwater

Audit New Zealand found that all the relevant shareholding councils' of Wellington Water audited by Audit New Zealand and the after-hours contact centre, and Wellington Water by default through reporting council data, are under reporting customer complaints.

Wellington Water is participating in a working group led by the after-hours contact centre on behalf of councils to review guidance for completing DIA measures, including which service requests should be counted as complaints. The working group comprises representatives from DIA, local government, Wellington Water and a number of councils.

4 Matters raised in the Audit Plan



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

Audit risk/issue	Outcome

4.1 Performance reporting – DIA three waters mandatory measures

Wellington Water manages the provision of water services to the Wellington region. As a result, the City Council uses data and information gathered and calculated by Wellington Water to report on the three waters performance measures in its annual report.

Maintenance and operations for the three waters was contracted out to City Care for 10 years. During 2019, Wellington Water entered into a strategic partnership with Fulton Hogan, effective from 1 July 2019. The relationship with Fulton Hogan differs to that with City Care which was a contract out model. Fulton Hogan staff are based at Wellington Water and work in partnership with Wellington Water under an alliance model.

We identified a number of significant issues with certain performance measures.

Refer to section 3.

4.2 Performance reporting – Long Term Plan measures (excluding DIA three waters mandatory measures)

As part of the development of the 2018-28 Long-Term Plan, the City Council reviewed its performance framework and its performance measures. These performance measures will be reported on in the City Council's 2019/20 annual report.

To ensure the integrity and efficiency of reporting, we previously recommended that the City Council:

- develop a measure reference dictionary;
- define each measure, to ensure there is a common understanding of what the measure is intended to measure;
- ensures that it has the appropriate systems, processes, and controls in

We have:

- reviewed the systems, processes, and controls in place to report and collate performance data;
- confirmed that the reference dictionary is a work in progress and has been drafted for all outcomes and most KPIs;
- considered how clearly these processes and key definitions are documented and whether they have been appropriately communicated to staff; and
- considered whether the level of verification or independent review/quality assurance that the City Council is seeking is appropriate.

Audit risk/issue	Outcome
place to accurately report and collate	For the material performance measures, we:
 the data; and consider what level of verification or independent review/quality assurance is 	 performed testing to confirm that the reported performance in the statement of service provision is fairly reflected;
appropriate.	 reviewed the reasons for any significant variation between the levels of service achieved and the intended level of service; and
	 considered the effectiveness of the overall performance story in communicating the City Council's achievements for the year.
	Based on the results of the above procedures, we have concluded that the City Council's performance information is fairly stated.
4.3 Valuation of infrastructural assets	
The City Council's policy is to revalue its infrastructural assets every three years. The City Council last revalued its infrastructural	The City Council performed a full revaluation of its infrastructure assets as at 30 June 2020 which resulted in the following revaluation increases:
assets in 2016/17. Therefore, a full revaluation	Three waters: \$404. 6 million (27%)
is required in 2019/20.	• Roading: \$90.8 million (7.5%)
The valuation is required to be accounted for in accordance with PBE IPSAS 17 <i>Property,</i>	We:
Plant and Equipment.	obtained an understanding of the City Council's infrastructure asset valuation and reviewed the valuation report to assess whether the requirements of the relevant accounting standard (including the appropriateness of the valuation basis) have been met;
	 reviewed the valuer's work, their valuation methodology and the key assumptions and ensured changes to useful lives have been appropriately taken up, and values and depreciation charges have been appropriately accounted for;
	reviewed the valuer's work, their valuation methodology and the key assumptions and ensured changes were made with relation to the impact of Covid-19 on the assumptions, market and relevant indices used;

Audit risk/issue	Outcome
	reviewed the additional disclosures the valuers made as a result of Covid-19 and the material uncertainty involved and confirmed that the valuers appropriately considered Covid-19 and its effects in its report to the City Council;
	 held discussions with the valuer to understand their process and assumptions and the impact of Covid-19 on these; and
	 assessed the presentation and disclosure of information related to the valuation in the financial statements.
	We are satisfied that infrastructural assets have been accounted for, and appropriately disclosed in the financial statements.
4.4 Valuation of investment properties	
Due to the uncertain impact of Covid-19 on the markets and relevant indices, the valuation of investment properties is considered a heightened risk and additional work needed to be performed to gain assurance on the assumptions and indices used.	• obtained an understanding of the City Council's investment property valuation and reviewed the valuation report to assess whether the requirements of PBE IPAS 16 Investment Property (including the appropriateness of the valuation basis) have been met;
	 reviewed the valuer's work, their valuation methodology and the key assumptions and ensured changes were made with relation to the impact of Covid-19 on the assumptions, markets and relevant indices used;
	held discussions with the valuer to understand their process and assumptions and the impact of Covid-19 on these; and
	 assessed the presentation and disclosure of information related to the valuation in the financial statements.
	We are satisfied that investment properties are fairly reflected in the financial statements and the disclosures are appropriate.

Audit risk/issue Outcome

4.5 Fair value assessment of operational land and buildings

The City Council's policy is to revalue its operational land and buildings every three years.

Operational land and buildings assets were last revalued as at 30 June 2018. As such they are not scheduled for revaluation this year.

In between valuations, management is required to make an assessment of whether the carrying value of land and buildings materially reflects the fair value of assets at 30 June 2020.

Management performed a fair value assessment as at 30 June 2019 by applying cost indices obtained from BERL. BERL cost indices may not reflect the cost pressures that exist within New Zealand and Wellington's construction industry and the limited availability of resources in the sector (including various trades and project managers).

We reviewed management's assessment, the valuation, and the disclosure in the financial statements.

We are satisfied that the:

- assessment complies with the relevant accounting standards;
- carrying value of land and buildings does not differ materially from fair value; and
- disclosures in the financial statements are appropriate.

4.6 Impairment of property, plant and equipment held at cost - Civic Square complex

The Civic Square complex had a carrying value of \$47 million as at 30 June 2019. This asset class is measured at historical cost less accumulated depreciation.

There are ongoing seismic issues at a number of the assets within the Civic Square complex, such as the Town Hall, Municipal Office Building (MOB), Civic Administration Building (CAB), Central Library, City to Sea Bridge, Capital E. Seismic and/or engineering issues can be considered an indicator of potential impairment in PBE IPSAS 21: Impairment of non-cash generating assets.

PBE IPSAS 21 requires the City Council at 30 June 2020 to consider if there is any indication that an asset may be impaired. If any such indication exists, the City Council is required to estimate the recoverable service amount of the asset. If this is less than the asset's carrying amount, an impairment loss must be recognised.

The City Council has performed an impairment assessment of the Civic Square complex. Certain assets which have previously been impaired, have been written down to zero to reflect the service potential of that asset.

The impairment expense of \$8.1 million comprised of:

- Town Hall \$4.9 million
- MOB \$2.2 million
- CAB \$0.474 million
- Central Library \$0.359 million
- Capital E \$0.076 million

We have reviewed the City Council's impairment review. We are satisfied that it complies with the requirements of PBE IPSAS 21 – Impairment of non-cash generating assets.

We are satisfied that the impairment has been appropriately accounted for within the financial statements. The City Council has made

Audit risk/issue	Outcome
	appropriate disclosures about the nature of the impairments – these disclosures comply with the requirements of the relevant accounting standard.

4.7 Insurance proceeds from earthquake damage to Civic Administration Building

The November 2016 earthquakes caused damage to several City Council properties.

Civic Administration Building (CAB) was earthquake damaged and has remained closed since the earthquake.

The insurance claim for CAB covers both the repair cost and the relocation cost (the City Council relocated to a new premises in December 2018) is still in progress.

The accounting treatment for any insurance claims need to be considered carefully. We have provided our view on the accounting transactions that may arise. These views are available on Audit New Zealand's website and can be found by searching for "earthquake accounting issues paper".

The City Council settled its insurance claim on 20 November 2020. \$33 million (settlement of \$38 million less excess of \$5 million) has been appropriately accounted for (as insurance recoveries revenue) and disclosed in the financial statements.

4.8 Valuation of the City Council's weathertightness liabilities

The City Council's liability for weather tightness claims remains significant, totalling \$38 million at 30 June 2019. There is a high degree of judgement and estimation in the calculation of the liability.

The provision as at 30 June 2020 was \$39.4 million.

As in previous years, the City Council engaged an external valuer, Melville Jessup Weaver, to perform the valuation.

We reviewed the valuer's work, their valuation methodology and the key assumptions.

We are satisfied that these are appropriate, and the liability and related disclosures are fairly stated in the City Council's financial statements and comply with the relevant accounting standard.

4.9 Other accounting matters

Arrangements with government and non-government organisations

To deliver on the City Council's Strategic Housing Development Plan, the City Council has entered into partnerships with central government and non-government The Let's Get Wellington Moving initiative is in the early stages. Therefore, no accounting entries have been required for it in the financial

Audit risk/issue Outcome

organisations. The Let's Get Wellington Moving initiative will involve partnerships with government and non-government organisations, operating models and investment vehicles.

It is important that the accounting treatment for these contractual arrangements are considered early on. The City Council may have to obtain external accounting advice on the tax implications and accounting treatment in its financial statements. The City Council should engage with us early, provide position papers on each matter which includes sufficient support (for example, external accounting advice) for the accounting treatment chosen.

statements as at 30 June 2020. We are satisfied that this approach is appropriate.

We will continue to monitor developments in this project as part of our 2021 audit and consider the potential accounting implications.

Mixed group (for-profit and public benefit entity) issues

We have assessed Wellington International Airport Limited (WIAL) as a significant component for the City Council group audit.

WIAL is a for-profit entity and the City Council group is a public benefit entity. Different accounting standards apply to public benefit entities and for-profit entities resulting in differences in the treatment of certain transactions and events.

New and effective for the year ended 30 June 2020, there is one accounting standard that will apply to WIAL, NZ *IFRS 16 Leases*, but not the City Council.

There is the potential for significant adjustments being required when for profit entities are consolidated into group financial statements prepared in accordance with the public benefit entity standards.

WIAL is a for-profit entity and the City Council group is a public benefit entity. New and effective for the year ended 30 June 2020, there is one accounting standard that will apply to WIAL, NZ IFRS 16 *Leases*, but not the City Council.

As the City Council is a public benefit entity, these accounting standards do not apply to it.

We have liaised with WIAL's auditors (KPMG). WIAL have adopted both standards and KPMG have confirmed to us that WIAL's financial statements appropriately comply with them.

KPMG outlined any adjustments made on transition. No material adjustments were identified which would impact on the City Council group's financial statements.

Adoption of IPSAS based group accounting standards

Public benefit entities are required to adopt a new suite of IPSAS based group accounting standards for periods beginning on or after 1 January 2019. Of note are:

 PBE IPSAS 35: Consolidated Financial Statements We have reviewed management's impact assessment which considers whether these new standards change how the City Council currently accounts for and discloses controlled entities, associates, joint ventures and joint arrangements.

We considered the following:

Audit risk/issue Outcome discussed these changes with PBE IPSAS 36: Investments in Associates and Joint Ventures management; PBE IPSAS 37: Joint Arrangements reviewed the robustness of management's impact assessment and PBE IPSAS 38: Disclosure of interests in concluded on whether its conclusions other entities comply with the new standards; and The key changes arising from these new reviewed group disclosures in the standards are: financial statements to ensure they Varied the definition of control that may comply with the new standards. result in additional entities which were We are satisfied that the new accounting previously accepted as not controlled standards have been appropriately accounted now being assessed as controlled. for within the financial statements. The City Introduced the concept of an Council has made appropriate disclosures about investment entity. its interests in other entities. The Joint Arrangement standard has changed the classifications and subsequent treatment of joint arrangements. A new standard which is specific to disclosures on an entity's interest in other entities. This has increased the amount of disclosures required in an entity's financial statements.

Adoption of IPSAS based impairment standards

Public benefit entities are required to adopt the amendment to the existing PBE IPSAS 17 standards effective for the 30 June 2020 financial statements.

Of note are:

- PBE IPSAS 17: Property, plant and equipment
- PBE IPSAS 21: Impairment of non-cash generating assets
- PBE IPSAS 26: Impairment of cash generating assets

Key changes from the amendments are the requirement to assess revalued assets for impairment in addition to those assets that are held at cost.

Management should prepare an assessment of impairment for all assets at year end, inclusive

We considered the following:

- discussed these changes with management;
- reviewed the robustness of management's impact assessment and concluded on whether its conclusions comply with the new standards;
- reviewed accounting entries posted to recognise changes arising from the adoption of the new standards; and
- reviewed group disclosures in the financial statements to ensure they comply with the new standards.

We reviewed the City Council's impairment assessment and are satisfied that the new accounting standards were appropriately considered and applied.

Audit risk/issue	Outcome
of the assets held under the revaluation model.	

4.10 Smart City Council and continuity of the Shared Service Office operations

The City Council is dependent on its information technology systems, and it also manages the Shared Services Office (SSO) operations. The City Council has reviewed its information technology environment and delivery model to ensure that it is able to support its organisational goals in Our Plan for a Smarter City Council, the Long-Term Plan 2018-28 and Smart City 2040 Vision.

Continuity of the Shared Service Office (SSO) Operation - The City Council is considering a transition plan for the SSO and a review of the Dimension Data support contract.

The process of transition planning and support has many objectives which primarily deal with planning, coordination, standardisation, and improvement. There will be significant challenges during the service transition process. These include building the right relationships with the various stakeholders involved in the service transition and coordinate their activities.

The City Council has developed a transition plan for the SSO and a review of the Dimension Data support contract.

The process of transition planning and support has many objectives which primarily deal with planning, coordination, standardisation, and improvement.

There will be significant challenges during the service transition process. These include building the right relationships with the various stakeholders involved in the service transition and coordinating their activities.

Another challenge lies in coordinating and prioritising the services which have been newly introduced or modified and giving special attention if there are delays or failures of tests, as these can cause projects to fail.

We were advised that Dimension Data's contract will expire in late 2020 and it will not be renewed in its current form. The City Council will implement a different operating model to prevent too much reliance placed on one supplier that could put the City Council at risk. There has been a consideration to have a mix of outsourcing to a number of providers and in-house IT services such as IT service desk support. We acknowledge that relevant service transition activities are currently in progress.

We will review the new IT Services arrangements as part of the 2021 audit.

Audit risk/issue Outcome

4.11 Procurement, project management and contract management

A significant area of spend for the City Council is procuring goods and services needed to deliver their services and achieve the results sought.

During the audit we used our sector expertise, recognised good practice, and a risk assessment tool to analyse the City Council's procurement and contract management risks.

The two areas that we believed would make the most difference to the City Council's contract management practices were:

- ensuring that the City Council has the right number of staff, the right structure, and the right capability to manage contracts effectively; and
- ensuring that there is a structured and suitably formal approach to contract completion and transition.

Our observations and recommendations to improve procurement practices were incorporated in our detailed review of procurement practices report.

We reviewed the procurement function (including the governance and management arrangements), the investment delivery framework, and project management governance in place for a sample of projects and the monitoring and oversight arrangements in place for the programme of projects managed by Wellington Water Limited (Wellington Water).

We recommended that the City Council:

- develop and implement a roadmap of work to improve the procurement capability within the City Council;
- assess its level of project management maturity and consider its future needs and next steps; and
- consider the findings, recommendations, and its response to the three reviews related to the management of the three water networks: Three Waters Review; a Mayoral Water Taskforce review; and a Wellington Water review.

Audit risk/issue	Outcome	
	We provided a report to management on our findings and recommendations relating to procurement and project management in October 2020. This was presented to, and discussed at, the Finance, Audit and Risk Sub-Committee in November 2020.	
	Management comment	
	With regards to procurement, the improvement journey that the City Council has commenced continues and is making good progress. Since October 2020:	
	the procurement function has been transitioned to a Commercial partnerships function based on a revised number and scope of the roles and an updated business unit focused on end-to-end commercial partnership services, including on strategic procurement, commercial and supplier management services;	
	 acknowledging global challenges with resourcing, recruitment of the new team is progressing with around 405 of the permanent team now recruited, and contractors providing additional capacity and capability; and 	
	 an enterprise-wide procurement strategy was adopted by the Council in February 2021, with a focus on achieving good public value and wider strategic outcomes (social, economic, cultural, environmental and public wellbeing) in line with the Broader outcomes framework. 	
	A range of activities are underway as part of the strategy implementation plan, including the extension of the organisation's contract register to ensure consistent use across the Council, establishment of a work in progress pipeline for the Commercial Partnerships function and developing a roadmap of the enterprise-wise initiatives.	
4.12 Covid-19 implications for public sector reporting		
Covid-19 has had extraordinary and profound implications on the City Council, region,	We discussed with the City Council:	

Audit risk/issue Outcome country, and the world. This in turn has had the performance of pandemic and implications for the City Council's business and business continuity plans; operations, and financial and performance how the control environment and information. controls have been maintained, and The Auditor General has written to chief managing the increased risk of fraud; and executives about the important governance the impact on: matters to consider during the response to logistics, business and operations; Covid 19 Guidance on governance during Covid-19 (OAG) and we have provided advice prioritisation of services and 0 on the use of emergency procurement activities: procedures, National Emergency Procurement. revenue and expenditure, the 0 The City Council should consider the impact of balance sheet, commitments and Covid-19 and its response to Covid-19, which contingencies; includes Government and the Commission's performance information; 0 policy decisions, on the items in the financial statements and performance information. In the Group including the Council 0 addition, we expect there may be some Controlled Organisations; and significant variances between budgeted and contracts, including commercial 0 actual figures/results which will require contracts for the delivery of explanation and Covid 19 context provided if services and leases. Covid related. The City Council considered the impact of Covid-19 on its operations and assessed the effect this had on its controls and on its financials and performance information. From our audit work and review of the annual report, we found that: The City Council's control environment and controls relating to financial and performance information were operating effectively for the full year including the lockdown period. The disclosures of the impact of Covid-19 on the financial statements and performance information were appropriate. We undertook specific work to address the effects of Covid-19 on: the valuation of infrastructural assets and investment properties; indices used for fair value assessment of operational land and buildings; and

Audit risk/issue	Outcome
	 the impact of changes in discount rates on assets and liabilities carried at present value.
	We did not identify any issues.

4.13 Ethics and integrity

Ensuring that the public sector is effective and, above all, trusted, requires transparency, honesty, and accountability. For that reason, ethics and integrity is an area of interest for the Auditor General.

There are examples where public entities have not had the right culture, leadership, or systems in place to ensure the high levels of integrity and ethical behaviour that Parliament and the public expect. There have also been a number of high-profile instances of fraud in the public sector, unethical behaviour, dishonesty, and corruption erode New Zealanders' trust and confidence in our in our public sector, and can affect New Zealand's international reputation. We therefore consider that public sector ethics and integrity is a critical issue for us to focus on now and in future years.

We held discussions with management and the finance team and considered the ethics and integrity of management and the Finance Team throughout the audit. We did not identify any breakdown in the ethics and integrity of management of the City Council.

We assessed that:

- the management and organisational culture create an environment that promotes transparency and ethical behaviour;
- management provides clear and consistent communication about expected behaviours; and
- the City Council has controls and processes to mitigate risks.

4.14 The risk of management override of internal controls and fraudulent reporting

There is an inherent risk in every organisation of fraud resulting from management override of internal controls.

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

Auditing standards require us to treat this as a risk on every audit.

To reduce the risk of material misstatement due to fraud to an acceptable level we completed the following audit work:

- Tested the appropriateness of journal entries recorded in the general ledge and other adjustments made in the preparation of the financial statements.
- Reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud.
- Tested the property, plant and equipment fair value assessments (including key assumptions and estimates) and management's conclusions were appropriate.

Audit risk/issue	Outcome
	Maintained awareness of any significant transactions that were outside the normal course of business, or that otherwise appear to be unusual given our understanding of the City Council and its environment, and other information obtained during the audit.
	From our testing we did not identify any issues that indicated management override.

5 Other audit findings

5.1 Information technology general controls

We undertook an IT General Controls review. This review consisted of two parts.

The first is a high-level assessment on IT Governance effectiveness. We considered the overall attitude, awareness, and actions of the Chief Information Officer (CIO) and ICT Management in establishing and maintaining effective management procedures and internal controls.

IT Governance was found to be effective.

The second part is an assessment as to the design effectiveness of Activity Level controls. These control areas cover the organisation's ability to manage risk and include the following areas: Manage Security Services, Manage Changes, Change Acceptance and Transitioning, Manage Service Requests and Incidents, Manage Continuity, and Manage Availability and Capacity.

Activity Level controls were found to be effective.

5.2 Retention of supporting documentation for payroll

We tested a sample of employees by following amounts per the payroll system back to supporting documents - including contracts, termination letters, and salary increase letters. For two of the 16 employees we reviewed, relevant supporting documentation for salary and job position changes were not retained on the on the employee's HR file.

We **recommend** that the City Council retains all relevant HR records on employee files.

Management comment

We are aware of this issue. During Covid-19 we changed how we managed employment documentation from a paper-based system to an electronic process using AdobeSign. Due to the timing of this transition and the requirement for us to work from home at short notice it does appear that some of the employment paperwork has not made it to staff electronic files. We are currently working through a process to audit what is missing to then ensure this paperwork is paced onto employee files.

Annual remuneration increase letters, through our performance and remuneration processes, are the responsibility of business managers to save onto employee files. We will reinforce the requirement to save these documents to files this remuneration round.

5.3 Depreciation and amortisation policy

As part of testing the appropriateness of the useful lives disclosed by the City Council in its annual report, we agreed them to the sector norms and the useful lives assigned by other councils across New Zealand.

From our review of the sector norms of depreciation policies and the valuation report, we have concluded that the depreciation and amortisation policy is not sufficiently detailed.

We **recommend** that the depreciation and amortisation policy is reviewed to ensure it meets sector norms and is sufficiently detailed.

Management comment

Council will review the level of detail disclosed for depreciation rates in its accounting policies.

6 Public sector audit



The City Council is accountable to their local community 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 City Council 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 City Council has fairly reflected the results of its activities in its financial statements and non-financial information.

We also considered 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 City Council carrying out its activities effectively and efficiently;
- the City Council incurring waste as a result of any act or failure to act by a public entity;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the City Council or by one or more of its Councillors, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by a public entity or by one or more of its Councillors, office holders, or employees.

We did not identify any issues with relation to the above items.

7 Group audit



The group comprises:

- Kaori Sanctuary Trust
- Wellington Museums Trust
- Wellington Cable Car Limited
- Wellington Waterfront Limited
- Wellington Economic Development Agency Limited (including their subsidiary, Creative HQ)
- Wellington Zoo Trust
- Chaffers Marina Holdings Limited (including their subsidiary, Chaffers Marina Limited)
- Wellington International Airport Limited
- Wellington Water Limited

We have not identified any of the following during our audit for the year ended 30 June 2020:

- 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.

Wellington Water Limited and Wellington Cable Car Limited did not comply with section 67 of the Local Government Act 2002 which requires them to complete the annual report, deliver it to shareholding councils and make it available to the public by 30 November 2020 (the statutory deadline was extended from 30 September in 2020 due to Covid-19). The non-compliance in meeting the statutory deadline together with the explanation was appropriately disclosed in the respective annual reports.

Appendix 1: Status of previous recommendations

Open recommendations

Recommendations	First raised	Status
Necessary		
Timely preparation and review of reconciliations		
We recommend that on a monthly basis the City Council reconcile the general ledger with the underlying systems and that these reconciliations are independently reviewed. Timely preparation and review of reconciliations is a key control. It is good practice that reconciliations are prepared and reviewed in the month following that to which the reconciliation relates. This assists in identifying unexplained differences between accounts and addressing the risk of possible misappropriation.	Interim 2020	In progress This was followed up as part of the final audit and we identified that there were still some reconciliations for the remainder of the year, being December 2019 to June 2020, which were not prepared and reviewed in a timely manner.
Performance measures: Controls over customer co	mplaints to be	implemented
To ensure that calls logged by the City Council are being addressed by Wellington Water, the City Council should obtain assurance over the integration of CONFIRM, with Maximo the system (effective from 1 July 2019) used by Wellington Water's Alliance partner Fulton Hogan.	2019	In progress The City Council is in the process of addressing this issue and as of September 2020, had progressed its wider customer experience enhancement programme by implementing FreshService. This is a precursor to the introduction of solution for complaint management that will provide better visibility and tracking of contacts across all interactions not just with Wellington Water. We were advised that this issue will need to be resolved on Wellington Water's side as well.

Recommendations	First raised	Status
New performance framework and performance measures		
To ensure the integrity and efficiency of reporting, the City Council should: develop a data dictionary; define each measure, to ensure there is a common understanding of what the measure is intended to measure;	2018	In progress All outcome indicators have a draft measure information sheet created. A draft measure information sheet, where possible supporting evidence/ source file links have been attached, has been created for a large number of KPIs.
 ensure that it has the appropriate systems, processes and controls in place to accurately report and collate the data; and consider what level of verification or independent review/quality assurance is appropriate. 		The City Council is in the process of testing the Opal3 solution which also allows it to load the measure information against each KPI – currently information files have not yet been attached, only the data results and commentary. Opal3 is an online management tool that will allow the City Council to update and track information against KPI measures and outcomes quarterly. This tool will allow efficient reporting, for example, quarterly reporting to the Executive Leadership Team and annual report. Opal3 will hold reporting templates that will need to be completed by the KPI/ Outcome owner (Manager) and timeframes for reporting deadlines. The aim was to roll this out the business units in May/June 2020 and was to be assessed this as part of the final audit. However, the rollout plan was deferred because of Covid-19 impact on workload and resources. A new implementation timeline is being considered against other priorities (LTP and KPI review).

Recommendations	First raised	Status
Procurement		
Procurement strategy	2014	In progress
The City Council documents an overall procurement strategy. This should be a long-term strategy that has been approved at service management level.		The City Council-wide Procurement Strategy and Procurement Policy will be undergoing a refresh - to ensure alignment with current Council priorities. These will be supported by a refreshed suite of guidance and templates. This work, together with other initiatives are part of the City Council's improvement journey.
		We recommended that a roadmap of work be developed and implemented to improve the procurement capability within the City Council. This roadmap should include short, medium and long term key deliverables with timeframes and responsible owner/s assigned for each deliverable.
		Management update
		 An enterprise-wide procurement strategy was adopted by Council in February 2021, with a focus on achieving good public value and wider strategic outcomes (social, economical, cultural, environmental and public wellbeing) in line with the Boarder Outcomes framework.
		 The suite of policy, procedures, templates and guidance are undergoing a refresh as part of the procurement strategy implementation.
		As the Commercial Partnerships team completes its resourcing, initiatives are being developed to both improve procurement and commercial capability within the team, to lift capability more broadly across the Council, and to better support the Council from a guidance and self-service perspective.

Recommendations	First raised	Status
Procurement policy	2018	In progress
The City Council should: add brief policy statements (or provide		Refer to procurement strategy status above.
 links to separate policy) on: receipt of gifts or hospitality by staff; the need to carefully control communications with potential suppliers during a procurement process; tender closing and in particular how to handle late tenders; the need for debriefs to be offered to unsuccessful tenderers. We find that this is useful to help manage relations with the market; and the need to ensure a smooth transition from one contract to another to ensure continuous supply where this is necessary. Provide clear guidance, either within the policy or separately, on how the economic development principle is given effect, and how this can be done consistently with the other principles to which the City Council has signed up. 		 The procurement policy and related policies and procedures are due to be refreshed as part of the procurement strategy implementation. Discussions are underway with other policy refresh initiatives (such as for the Delegations Policy) that will be core inputs to the Procurement Policy refresh. Guidance is being provided on an initiative by initiative basis in the meantime.
Patch management process can be improved		
The Shared Services Office (SSO) has now provided the City Council and other participating agencies with a Patching Compliance Report detailing the patching status and remedial work (if any). This compliance status report is presented within SSO monthly report. We reviewed reported patch compliance status for June 2018 and found patch compliance is very low (8%) for all agencies' servers and 1.14% for the City Council's desktops (overall 2.27% for all agency desktops). We also noted the City Council has engaged an external consultant to perform penetration test of systems. The test report recognised an underlying problem with existing Dimension Data patch management process. This cause a low patch compliance rate. We understand Dimension Data (that is SSO IT services suppliers) is currently working through	2018	In progress We acknowledge that relevant IT service transition activities are currently in progress as a result of discontinuation of Shared Service Office (SSO). We will review the follow up actions and the new IT Services arrangements as part of the 2020/21 audit. Management update We are happy to report that our overall patch management has improved significantly. With the insourcing of services away from Dimension Data, we have managed to uplift our patch management compliance to the following compliance:

Recommendations	First raised	Status
monitoring configuration and patching process including documentation. It was decided that patching is placed on hold and to be resumed in August 2018 for all agencies. Patches have the particularly important role of fixing security holes. The low rate patch compliance increases the risk of unauthorised access to sensitive organisation data using security holes for which patches were not applied. It leads to the risk of accidental or deliberate access, alteration, corruption and deletion of data. The City Council should actively monitor the finalisation of the improved patch management policy and processes and strongly request SSO and Dimension Data to implement good patching processes as soon as possible.		 Desktop patch compliance has increased from 1.14% (2018) to 99.2 % (May 2021). For Servers patching compliance has increased from 8% (2018) to 56 % (May 2021). Smart Council has and continues to focus on Cyber Security maturity, along with more flexible and dev/ops-based processes including change, incident and problem management. Our intent is to uplift server patch compliance to above 80% within the next two months.
High number of local administrator rights for staff		
The City Council:	2017	In progress
 Perform a risk assessment and review users with local administrator rights, reconsider their appropriateness, and block such access unless it is absolutely necessary. When local administrator rights are deemed as appropriate, provide user education. There is no technical replacement for common sense. The first line of defence is to educate users on the best practices for securing their data and raising awareness of the potential risks involved with public internet access – especially when they have local administrator rights to their PC. 		Relevant IT service transition activities are currently in progress as a result of discontinuation of Shared Service Office (SSO). We will review the follow up actions and the new IT Services arrangements as part of the 2020/21 audit. Management update We have managed to reduce the number of Global administrators from 75 (June 2019) to 4 (May 2021). Local administrative accounts have also been reduced significantly to 25, following a security compliance audit.

Recommendations	First raised	Status
Beneficial		
Compliance with the Holidays Act 2003		
The City Council ensure that cash-out payments are added to the average weekly earnings calculation. Before doing so, the City Council may wish to take some legal advice in this area. To ensure that the Council and the City Council's management team and sighted on the City Council's compliance with the Act, we recommend that management report a summary of the approach that it has taken, the positive assurance it has gained, the source of the assurance, and any resultant risks and how it plans to address them.	2018	In progress The City Council has completed an independent external audit to assist in determining the level of compliance with the Holidays Act. Through this process the City Council has found it has paid some payment types with incorrect Holidays Act configurations. However, the City Council is yet to do the work to understand the level of remediation required.

Implemented or closed recommendations

Recommendation	First raised	Status
Incorrect classification of investments held in trusts		
The City Council update its disclosure in the 2019/20 financial statements to disclose the interest in two trusts as investments in unstructured entities, rather than as an associate. As the investments were not equity accounted, no figures will be affected but disclosures will have to be updated. We have determined that the interest in the following trusts were incorrectly classified: Basin Reserve Trust Wellington Regional Stadium Trust These were accounted for as "associates - not equity accounted" by the City Council. PBE IPSAS 36 - Investments in Associates and Joint Ventures, para 10 states that the Standard applies only to those associates in which an entity holds a quantifiable ownership interest either in the form of a shareholding or other formal equity structure. We have determined that the City Council does not hold a quantifiable ownership interest and that the trusts do not have a formal equity structure. The investments in these trusts can therefore not be classified as investments in associates. We further confirmed that the City Council does not have control or joint control over the trusts and that neither PBE IPSAS 35 - Consolidated Financial Statements nor PBE IPSAS 37 - Joint Arrangements relate to the interests. We therefore conclude that the interests in the trusts should be disclosed as investments in unstructured entities.	Interim 2020	The City Council has ensured that the annual report complies with PBE ISAS 36 - Investments in Associates and Joint Ventures. The City Council's interests in the Basin Reserve Trust and Wellington Regional Stadium Trust are correctly disclosed.
Leavers accounts still active	2046	Classid
All business units should communicate leavers to ICT on a timely basis to ensure that the users' account is deactivated.	2019	Closed We tested a sample of 25 random leavers and found their network and TechOne Cloud accounts had been disabled or deleted from the production environment.

Recommendation	First raised	Status
Assessment of fair value of property, plant and equipment in a non-revaluation year		
In between revaluations, the City Council is required to make a fair value assessment at each reporting date to ensure that that the carrying value of assets is not materially different to the fair value, and if it is it will be required to revalue its assets.	2018	Closed We tested the assumptions made and indices used by the City Council in assessing the fair value of its assets (operation assets this year) in a non-revaluation year.
 To strengthen the 2019 fair value assessment, we recommend that management: factor in its own cost information into the fair value assessment. The City Council has cost information available to it from ongoing infrastructure construction projects, this should be factored into the analysis; and 		We are satisfied that the City Council has used appropriate indices in determining the fair value of its assets in a non-valuation year.
 consult with its Valuers who performed the valuation in 2017, as they will have localised construction cost data available which will further improve the City Council's assessment. 		
The City Council should also consider if it would be useful to have the assessment reviewed by an independent valuer.		

Appendix 2: Mandatory disclosures

Area	Key messages
Our responsibilities in conducting the audit	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.
	The audit of the financial statements does not relieve management or the Council (as the governing body of the City Council) of their responsibilities. Our Audit Engagement Letter contains a detailed explanation of the
	respective responsibilities of the auditor and the Council.
Auditing standards	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 all 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.
Auditor independence	We are independent of the City Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i> , issued by New Zealand Auditing and Assurance Standards Board.
	Other than the audit, we have no relationship with, or interests in, the City Council or its subsidiaries.
Fees	The audit fee for the year is \$354,226 (including GST) as detailed in our Audit Proposal Letter.
	Other fees charged in the period are:
	Debenture Trust Deed: \$5,800
	Clifton Terrace Carpark: \$7,000
Other relationships	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 City Council or its subsidiaries that is significant to the audit.
	We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the City Council or its subsidiaries during or since the end of the financial year.

Appendix 3: Useful publications



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

Description	Where to find it
Conflicts of interest	
The Auditor-General has recently updated his guidance on conflicts of interest. A conflict of interest is when your duties or responsibilities to a public organisation could be affected by some other interest or duty	On the OAG's website under publications. Link: Conflicts of interest
that you have. The update includes a printable A3 poster, an animated video on predetermination and bias, gifts and hospitality, and personal dealings with a tenderer. There is also an interactive quiz.	
These can all be used as training resources for your own employees.	
Sensitive expenditure	
The Auditor-General has updated his good practice guide on sensitive expenditure. The guide provides practical guidance on specific types of sensitive expenditure, outlines the principles for making decisions about sensitive expenditure, and emphasises the importance of senior leaders "setting the tone from the top". It also describes how organisations can take a good-practice approach to policies and procedures for managing sensitive expenditure.	On the OAG's website under publications. Link: Sensitive expenditure
Model financial statements	
Our model financial statements reflect best practice we have seen. They are a resource to assist in improving financial reporting. This includes:	On our website under good practice.
 significant accounting policies are alongside the notes to which they relate; 	Link: Model Financial Statements
 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.	

Description	Where to find it
Severance payments	
Because severance payments are discretionary and sometimes large, they are likely to come under scrutiny.	On the OAG's website under publications.
The Auditor-General's good practice guidance on severance payments is intended to help public sector employers when considering making a severance payment to a departing employee. It encourages public organisations to take a principled and practical approach to these situations.	Link: Severance payments
Good practice	
The OAG's website has been updated to make it easier to find good practice guidance. This includes resources on:	On the OAG's website under good practice.
audit committees;	Link: Good practice
conflicts of interest;	
discouraging fraud;	
good governance;	
service performance reporting;	
procurement;	
sensitive expenditure; and	
severance payments.	
Procurement	
In this article, the OAG ask a series of questions about the procurement practice and culture in a council. These questions have been informed by some of the concerns that we heard from council staff and observations that we have made from our other work. The topics the questions cover are:	On the OAG's website under publications. Link: Procurement article
good governance for procurement;	
planning for significant capital projects;	
conflicts of interest;	
emergency procurement;	
procurement capability and capacity;	
procurement policies and training;	
contract management; and	
achieving broader outcomes through procurement.	



KĀWAI MĀHIRAHIRA - AUDIT AND RISK SUBCOMMITTEE 3 AUGUST 2021

Absolutely Positively Wellington City Council
Me Heke Ki Pöneke

AUDIT NEW ZEALAND JUNE 2021 AUDIT PLAN

Purpose

 This report asks the Kāwai Māhirahira | Audit and Risk Subcommittee to take note of Audit New Zealand arrangements for the audit of financial statements, including statements of service performance for the year 30 June 2021.

Recommendations

That the Kāwai Māhirahira | Audit and Risk Subcommittee:

- 1. Receive the information.
- 2. Note the draft Audit Plan prepared by Audit New Zealand (attachment 1) and their approach to auditing the Council and Group.
- 3. Delegate the authority to finalise the Audit Plan to the Chief Financial Officer and Chair of the Audit and Risk Subcommittee.
- 4. Delegate the authority to finalise the proposed audit fees letter for June 201 and June 2022 to the Chief Financial Officer and Mayor.

Background

- 2. At the end of the Financial Year, it is appropriate to review the draft approach Audit New Zealand is proposing to take with the audit of the financial statements and provide the Subcommittee the opportunity to highlight any others matters or areas that they would like Audit New Zealand to focus on during the audit.
- 3. The Audit Plan is consistent with the audit plans of previous years but has added what the audit materiality levels are for the financial statements for greater clarity.
- 4. Management is working with Audit NZ on the audit timetable and timing of the adoption date, which are being reviewed due to resourcing constraints. The audit timetable is not included in the attached draft Audit Plan but will be finalised shortly.
- 5. Management has in place a programme of work to ensure the Annual Report will be completed within the necessary timeframe.

Discussion

6. Audit New Zealand's approach to the audit is set out on page 2 of attachment 1 of the Audit Plan to Council where it identifies business risks and issues. Management has no other business risks or issues to bring to the Subcommittee or Audit New Zealand's attention.

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KĀWAI MĀHIRAHIRA - AUDIT AND RISK SUBCOMMITTEE 3 AUGUST 2021

Absolutely Positively Wellington City Council
Me Heke Ki Pöneke

- 7. Karen Young, Appointed Auditor and Audit Director will be in attendance. If there are any matters which the Subcommittee would like to discuss, seek clarification on or if there are additional matters that the Subcommittee think should be included, they can be discussed at the meeting.
- 8. Audit NZ professional fees for the audit has been indicated to be \$362,000 (excl disbursements and GST), an increase of \$55,977 over last year's audit fee (2020 \$306,023).
- 9. Audit NZ are currently finalising their proposed audit fees and will be reviewed by management. Due to the timing of papers, it is proposed this is finalised by the Chief Financial Officer.

Attachments

Attachment 1. WCC Audit Plan J

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Author	Richard Marshall, Manager Financial Accounting & Transactional
	Services
Authoriser	Sara Hay, Chief Financial Officer

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KĀWAI MĀHIRAHIRA - AUDIT AND RISK SUBCOMMITTEE 3 AUGUST 2021

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SUPPORTING INFORMATION

Engagement and Consultation

There are no requirements to consult on the issues raised in this paper or report.

Treaty of Waitangi considerations

There are no specific Treaty of Waitangi considerations.

Financial implications

There are no new financial implications arising from this paper.

Policy and legislative implications

There are no new policy or legislative impliciations arising from this paper.

Risks / legal

There are no new risks or legal impliciations arising from this paper.

Climate Change impact and considerations

There is no climate change impliciations arising from this paper.

Communications Plan

No communication plan is required for this paper.

Health and Safety Impact considered

There is no Health and Safety impliciations arising from this paper.

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Mana Arotake Aotearoa

Audit plan

Wellington City Council

For the year ended 30 June 2021

Audit plan

I am pleased to present our audit plan for the audit of Wellington City Council for the year ending 30 June 2021. The purpose of this audit plan is to discuss:

Audit risks and issues	2
Group audit	12
Our audit process	14
Reporting protocols	22
Audit logistics	23
Expectations	25

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

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

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

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

Yours sincerely

Karen Young Appointed Auditor 27 July 2021

Audit risks and issues

Focus areas



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

Audit risk/issue

Our audit response

Three waters DIA mandatory performance measures

The City Council makes use of a service provider, Wellington Water Limited (Wellington Water), for specific services relating to (water supply, wastewater and stormwater) and to provide the results for certain performance measures that the Council uses for reporting in the annual report.

As a result of a number of significant issues with the performance measures in the prior year, our audit opinion for 2019/20 was modified on certain performance information.

It is important that the City Council continues discussions with Wellington Water to ensure that there are appropriate performance results available and there is robust evidence available to support the performance results provided.

We will continue discussions with the City Council about how this matter has progressed and its plans to resolve the issues identified in the past.

We will complete our planned audit approach, which will include engagement with the Wellington Water auditor to seek assurance over the performance information which the City Council will rely on for its performance reporting.

If the issues identified in the past are not addressed and improvements made, our audit opinion may continue to be modified for these measures.

Valuation of property, plant and equipment (subject to revaluation)

The City Council revalues its operational land and buildings assets and infrastructure assets on a three-year rolling cycle. This year, the City Council will be revaluing its operational land and buildings as at 30 June 2021.

Both operational assets and infrastructure assets need to be revalued with sufficient regularity to ensure that their carrying amount does not differ materially from their fair value. The relevant accounting standard is PBE IPSAS 17 *Property, Plant and Equipment*.

For operational land and building assets we will:

- assess the valuation process, including the competence and experience of the person completing the valuation;
- review the valuation report to assess whether the requirements of PBE IPAS 17 (including the appropriateness of the valuation basis) have been met;
- ensure changes to useful lives have been appropriately taken up, and values and depreciation charges have been appropriately accounted for; and

Audit risk/issue	Our audit response
	assess the presentation and disclosure of information related to the valuation in the financial statements.
	As part of the process, we will:
	 enquire into the processes employed by the City Council to ensure that the items revalued are complete. If any items have been excluded from the revaluation we will enquire into the reasons for this;
	review how the City Council satisfies itself that the revaluation is appropriate; and
	discuss the results with, and obtain an assurance letter from, the valuers.

Fair value assessment of property, plant and equipment (non-revaluation year)

Infrastructure assets were last revalued as at 30 June 2020 and are not scheduled for revaluation this year per the accounting policy.

For those assets that are not due to be revalued, accounting standards require the City Council to perform a comprehensive analysis to determine whether there is a significant difference between the fair value and the carrying value that would trigger the need for the City Council to revalue (a fair value assessment).

Accounting standards also require the City Council to complete an assessment of whether there are potentially any indications of impairment (an impairment assessment), and whether an adjustment is needed to the value of any assets as a result of this.

Management should perform a fair value assessment as at 30 June 2021 by applying relevant cost indices taking into account the cost pressures that exist within New Zealand and Wellington's construction industry and the limited availability of resources in the sector (including various trades and project managers).

We will review the robustness of the City Council's assessment of whether the asset class' fair value has significantly moved compared with its carrying value. This will include considering the appropriateness of the City Council's methodology and key assumptions.

To strengthen the 2021 fair value assessments, we recommend that management:

- Factor in its own cost information into the fair value assessment. The City Council has cost information available to it from ongoing construction projects; this should be factored into the analysis;
- Consult with the valuers who performed the valuations in 2020 - they will have construction cost data available which will further improve the City Council's assessment; and
- should also consider if it would be useful to have the assessment reviewed by an independent valuer.

Audit risk/issue

Our audit response

Impairment of property, plant and equipment held at cost – including the Civic Square complex

The Civic Square complex had a carrying value of \$51 million as at 30 June 2020. This asset class is measured at historical cost less accumulated depreciation.

There are ongoing seismic issues at a number of the assets within the Civic Square complex, such as the Town Hall, Civic Administration Building, Central Library, City to Sea Bridge, Capital E. Seismic and/or engineering issues can be considered an indicator of potential impairment in PBE IPSAS 21 – Impairment of non-cash generating assets.

PBE IPSAS 21 requires the City Council at 30 June 2021 to consider if there is any indication that an asset may be impaired. If any such indication exists, the City Council is required to estimate the recoverable service amount of the asset. If this is less than the asset's carrying amount, an impairment loss must be recognised.

We will continue to review the Council's impairment assessments, with specific focus on significant assets in the Civic Square complex and other assets held at cost such as the St James Theatre.

This will include considering the appropriateness of the City Council's methodology and key assumptions.

Valuation of the City Council's weathertightness liabilities

The City Council's liability for weathertightness claims remains significant, totalling \$39.4 million at 30 June 2020. There is a high degree of judgement and estimation in the calculation of the liability.

We will review the valuation of the weathertightness homes provision as at 30 June 2021. This will include testing of the underlying information used in the valuation, reviewing the valuation methodology and key assumptions, and reviewing the disclosure in the financial statements.

Accounting for items from major litigation activity - Legal claim by BNZ

BNZ leased a premise for which the City Council issued a building consent for the superstructure of the Building on 16 November 2006, a code compliance certificate on 27 March 2009 and the final code of compliance was issued on 29 June 2010.

During the Kaikoura Earthquake in November 2016, BNZ claims the building suffered irreparable damage and was unable to be occupied by BNZ from that date.

This litigation activity can result in liabilities for the City Council.

Determining whether there is a contingent liability requiring disclosure in the financial statements generally requires judgement given the specific circumstances and facts of the legal matter.

Our audit response to this risk includes:

- understanding the City Council's approach to monitoring the litigation activity and how it makes decisions as to whether a contingent liability (and/or asset) should be disclosed, including the Council's involvement in this;
- obtaining confirmation from the City Council's external legal advisers as to the legal matters they have assisted the City Council with during the financial year, their assessment of the likely outcome;
- any likely financial impact of this outcome; and

Audit risk/issue	Our audit response	
	discussing the status of the litigation with the City Council's internal legal counsel and external legal advisors.	

Mixed group (for-profit and public benefit entity) issues – refer also to the section on Group audits in this Audit Plan

We have assessed Wellington International Airport Limited (WIAL) as a significant component for the City Council group audit.

WIAL is a for-profit entity and the City Council group is a public benefit entity. Different accounting standards apply to public benefit entities and for-profit entities resulting in differences in the treatment of certain transactions and events.

There is the potential for significant adjustments being required when for profit entities are consolidated into group financial statements prepared in accordance with the public benefit entity standards. For example, WIAL applied NZ *IFRS 16 Leases*, effective from 30 June 2020, which requires all leases to be recognised on the balance sheet. The equivalent accounting standard for public benefit entities only requires finance leases to be recognised on the balance sheet.

The City Council will have to consider whether there are any consolidation adjustments that will be necessary to adjust WIAL figures to comply with PBE IPSAS (e.g. capitalised interest at the WIAL level should be expensed at the City Council group level).

Accounting implications of arrangements with government, non-government organisations and private sector

To deliver on the Council's 2021/31 Long Term Plan and specific plans for affordable housing, social housing, sludge and waste minimisation and Let's Get Wellington Moving, the City Council may enter into arrangements with government, non-government organisations and private sector.

It is important that the accounting treatment for these contractual arrangements are considered early on. The City Council may have to obtain external accounting advice on the tax implications and accounting treatment in its financial statements.

The City Council should engage with us early, and provide position papers on each matter which includes sufficient support (for example, external accounting advice) for the accounting treatment chosen.

We will gain an understanding of these arrangements and discuss with the City Council whether, for these arrangements, it has considered the tax and accounting treatment and disclosures in the financial statements.

Audit risk/issue

Our audit response

Information technology general controls review and new information operating model

The City Council is dependent on its information technology systems.

The City Council has recently reviewed its information technology environment and delivery model to ensure that it is able to support its organisational goals.

The City Council previously outsourced IT operations to Shared Service Office (SSO); it returned to a mix of in house and cloud-based IT infrastructure model in October 2020.

There may have been significant challenges during the service transition process. These include building the right relationships with the various stakeholders involved in the service transition and coordinating their activities.

Another challenge lies in coordinating and prioritising the services which have been newly introduced or modified and giving special attention if there are delays or failures of tests, as these can cause projects to fail. We will update our understanding of the information systems governance, accountability arrangements and organisational structure.

Our review consists of reviewing:

- ICT governance
- Information technology general controls activity level controls to manage:
 - security services;
 - changes, change acceptance and transitioning;
 - service requests and incidents
 - o continuity;
 - availability and capacity;
 - o suppliers; and
 - programme and projects high level project governance and monitoring of ICT projects.

We will review IT service transition process to understand the challenges the Council faced while making this switchover and the impact of the new operation model to the IT services quality levels and controls.

We will also perform data analysis on selected business processes, such as journals, and test automated information technology application controls, such as in payroll and expenditure systems.

Audit risk/issue

Our audit response

Procurement, project management and contract management

A significant area of spend for the City Council is procuring goods and services needed to deliver their services and achieve the results sought.

Last year we made recommendations to improve governance, the programme delivery against its objectives and outcomes, people and culture, and systems and processes.

We will:

- follow up on prior year recommendations relating to procurement management arrangements. This may also select individual procurements for review against good practice and Council's policies and guidance;
- follow up on prior year recommendations relating to project, programme and portfolio management;
- review how the programme is responding to and implementing recommendations. As the programme's establishment stage progresses, the scope of our review may expand to selected areas of focus where risks are present or presenting; and
- review how recommendations from internal and/or external reviews carried out on the programme, are being addressed.

Any new areas of focus will be discussed at the time with the Council.

Covid-19: Impact on public sector reporting

The long-term impact of Covid-19 in New Zealand, and how it might affect public entities, is unknown. However, aspects of the City Council's operations continue to be impacted by Covid-19.

These business risks may also have an impact for the financial statements and performance information, and public sector reporting and therefore an audit risk and impact.

We will be updating our understanding of:

- the risks the City Council faces, and how these are being managed;
- the Covid-19 planning and budgeting assumptions;
- any Covid-19 response initiatives;
- the effect of Covid-19 on the management control environment, strategy, strategic priorities, workforce capacity and capability, and operations;
- whether the internal control and reporting systems are in place and functioning effectively;
- how, and how well, the above factors are being reflected in the City Council's financial and performance reporting, including how performance is being assessed;

Audit risk/issue	Our audit response	
	how the going concern status of the City Council is impacted and considerations that management has made with terms of the going concern assessment; and	
	any implications the above factors might have for the audit and audit risk.	
	We will ask the City Council to update its 2019/20 Covid-19 risk assessment and will review this assessment to identify any potential risks for the audit and develop an audit response to address these risks.	
Wellington City Council Mayoral Taskforce review of Wellington Water		
The purpose of the review is for the City Council to conduct an inquiry into the nature and scale of issues facing the water services network and its management. The report which includes recommendations from the Mayoral Taskforce on Three Waters (water services) has been published.	 We will obtain an understanding of: the outcome of the review including how the City Council and Wellington Water Limited intend to respond to the recommendations; and the impact of the recommendations for the City Council. 	
The risk of management override of internal controls		
There is an inherent risk in every organisation of fraud resulting from management override of internal controls.	Our audit response to this risk includes: testing the appropriateness of selected journal entries;	
Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by	 reviewing accounting estimates for indications of bias; and 	

Auditing standards require us to treat this as a risk on every audit.

overriding controls that otherwise appear to be

operating effectively.

 evaluating any unusual or one-off transactions, including those with related parties.

Sector matters

We have identified the following sector matters for the 2020/21 audit.

The Authority also issued a Covid-19 related

receiving remuneration over \$100,000.

determination, with remuneration reductions for a

period from July 2020 to January 2021 for people

Our audit response
For 2021, we will again consider the City Council's compliance with aspects of the LGRA that materially impact on the financial statements. Principally this means a focus on the rates setting process – the consistency and completeness of the resolution and the Funding Impact Statement (FIS), and a review of a sample of differentially set and/or targeted rates to assess whether the matters, and factors used, are consistent with the LGRA. Our review of compliance with legislation is completed for the purposes of expressing our audit opinion. It is not, and should not be seen, as a comprehensive legal review. This is beyond the scope of the audit, and our expertise as auditors. The City Council has the ultimate responsibility for ensuring that it complies with applicable laws and regulations.
assess the City Council's compliance with the requirement to disclose the remuneration of each member of the local authority in the annual report against the relevant Local Government Elected Members Determination and any amendment to that Determination; confirm the payments are within the Determination set by the Authority; and

January 2021 for people receiving remuneration

over \$100,000.

Audit risk/issue	Our audit response	
Audit of Debenture Trust Deed		
Local authorities are able to secure borrowings including using future rates revenue as security. A debenture trust deed provides the benefit of the charge, through a trustee, to the lender.	We will agree with the City Council separate terms of engagement in relation to the Debenture Trust Deed.	
As the City Council's appointed auditor, we also issue an assurance report to the Trustees of the City Council's Debenture Trust Deed (the deed). This requirement is included in the City Council's Trust Deed dated 11 May 2005 and as amended in the Deed of Amendment dated 5 December 2011.		
Sensitive expenditure good practice guide – Office of the Auditor-General (OAG)		
The Auditor-General has written to all chief executives across central and local government to provide them with an update on the OAG's integrity work programme. The OAG's first areas of focus are the management of sensitive expenditure and conflicts of interest. These are both areas of interest given that public organisations have not always managed these matters as well as they could have.	We will follow up with the City Council as to whether it has reviewed its sensitive expenditure policies against the Guidance and whether it will be making any changes to its policies.	
The OAG has issued a good practice guide on sensitive expenditure https://oag.parliament.nz/good-		

Adoption of PBE FRS 48 Service Performance Reporting

practice/sensitive-expenditure.

PBE FRS 48 Service Performance Reporting replaces that part of PBE IPSAS 1 Presentation of Financial Statements that deals with service performance reporting requirements and is effective for annual reporting periods beginning on or after 1 January 2022.

PBE FRS 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". Paragraph 47 allows an entity to cross-reference this disclosure to another document, such as the document that sets out the forecast service performance information. Most of these judgements are made at the time the LTP is adopted.

Although it is not yet applicable, we encourage the Council and management to assess the impact of adopting PBE FRS 48 and consider what disclosure changes will be required in future annual reports.

Fraud risk

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

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

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

Our responsibility

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

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

The Auditor-General has published useful information on fraud that can be found at oag.parliament.nz/reports/fraud-reports.

Group audit



The Wellington City Council group comprises of the City Council and the following entities:

- Karori Sanctuary Trust
- Wellington Museums Trust
- Wellington Cable Car
- Wellington Waterfront Limited
- Wellington Economic Development Agency Limited (including its subsidiary, Creative HQ)
- Wellington Zoo Trust
- Chaffers Marina Holdings Limited (including its subsidiary, Chaffers Marina Limited)
- Wellington International Airport Limited
- Wellington Water Limited.

Our auditor's report covers the group as a whole. Our audit approach is developed to ensure we have sufficient information to give an opinion on the group. In designing our group audit approach, we considered the structure of the group and identified the entities which are included in the group financial statements. Each entity is referred to as a component. We have assessed the risks of material misstatement and have identified our approach for each component. The table below shows the work planned for each significant component (other than the City Council which is set out in the earlier sections of this Audit Plan).

Significant component	Work to be performed
Wellington International Airport Limited (WIAL)	WIAL is audited by KPMG. WIAL is a for-profit entity. There are no new for-profit standards in the current year.
	Group instructions will be issued to the component auditor that will specify information we require.
	We will review the results of KPMG's audit and consider if any of their findings impacts our audit of the group.
	We will obtain WIAL's audited financial statements and confirm the audited results have been appropriately consolidated into the City Council's group financial statements.

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

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

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

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

Our audit process

Initial planning

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

Understand your business and environment

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

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

Evaluate internal controls

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

Finalise the audit approach

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

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

Conclude and report

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

Enhancing year-end processes

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

Bringing forward audit procedures

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

- year-to-date transactions for revenue, operating expenditure and payroll;
- revaluation of operational assets;
- fair value assessments of infrastructure assets;
- impairment assessments for property, plant and equipment; and
- valuation of investment properties.

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

This testing will be completed during the interim and pre-final audit. This requires us to have the right information available during this visit to enable us to complete this work.

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

Materiality

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

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

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

It is a matter of judgement whether information is material. We consider the nature (qualitative) and amount (quantitative) of each item judged in the surrounding circumstances and its impact. In the public sector qualitative considerations are of equal significance as quantitative considerations.

Qualitative considerations are of primary importance in our assessment of materiality in the context of disclosures for transparency and accountability reasons, and in evaluating any non-compliance with laws and regulations.

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

Financial statements materiality

For planning purposes, we have set **overall Group materiality** for the financial statements at \$774 million based on 2020/21 financial year's budgeted total assets. This is subject to change once the actual results for the current year are available. For this audit we are only applying this overall materiality to the fair value of property, plant and equipment.

Overall Group materiality	\$774,000,000
Specific Group materiality	\$17,500,000
Group clearly trivial threshold	\$875,000
Overall Parent materiality	\$670,000,000
Specific Parent materiality	\$17,000,000
Parent clearly trivial threshold	\$850,000

For this audit we have set a lower, **specific Group materiality** of \$17.5 million for all

items not related to the fair value of property, plant and equipment. A lower specific materiality is also determined separately for some items due to their sensitive nature. For example, a lower specific materiality is determined and applied for related party and key management personnel disclosures.

We have set **overall Parent materiality** for the financial statements at \$670 million based on 2020/21 budgeted total assets. This is subject to change once the actual results for the current year are available. For this audit we are only applying this overall Parent materiality to the fair value of property, plant and equipment. We have set a lower, **specific materiality** of \$17 million for all items not related to the fair value of property, plant and equipment. We also set a lower, specific materiality for some items due to their sensitivity. For example, we apply a lower specific materiality to related party and key management personnel disclosures.

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

We will report all uncorrected misstatements to the Council other than those that are **clearly trivial**. We consider misstatements of less than \$875,000 to be clearly trivial for the **Group** financial statements and misstatements of less than \$850,000 to be clearly trivial for the **Parent** financial statements unless there are qualitative considerations that heighten its significance. We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a

Misstatements

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

misstatement, we will seek written representations from management and the City Council (in the usual year-end representation letter) on the reasons why the corrections will not be made.

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

Materiality for service performance information

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

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

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

Ref. in 2018/28 Long Term Plan	Material measure	Materiality % of the reported result
2.3	Water – Clean and safe	0%
	Compliance with Drinking Water Standards for NZ 2005 (revised 2008) (Part 4 bacterial compliance criteria) and (Part 5 protozoal compliance criteria)	
	Water – Meeting customer expectations	5%
	Number of complaints about the drinking water's clarity, taste, odour, pressure or flow, continuity of supply, and supplier responsiveness, expressed per 1000 connections (mandatory measure)	

Ref. in 2018/28 Long Term Plan	Material measure	Materiality % of the reported result
	Water – Efficiency and sustainability Percentage of real water loss from networked reticulation system and description of methodology used	5%
	Water – Continuity of supply and resolution of faults Median response time for resolution for urgent call outs	5%
	Water – Continuity of supply and resolution of faults Median response time for resolution for non-urgent call outs	5%
2.4	Wastewater – Compliance and sustainability Dry weather wastewater overflows, expressed per 1000 sewerage connections (mandatory measure)	5%
	Wastewater – Compliance and sustainability (Mandatory measure) Compliance with the resource consents for discharge from its sewerage systems, measured by the number of: abatement notice infringement notices enforcement orders convictions	0%
	Wastewater – Meeting customer expectations Number of complaints about the wastewater odour, system faults, blockages, and supplier responsiveness, expressed per 1000 connections (mandatory measure)	5%
	Wastewater – Continuity of service and resolution of faults Median response time for wastewater overflows (resolution time)	5%
2.5	Stormwater – Continuity of service and resolution of faults (Mandatory measure) Compliance with the resource consents for discharge from its sewerage systems, measured by the number of: abatement notice infringement notices enforcement orders convictions	0%

Ref. in 2018/28 Long Term Plan	Material measure	Materiality % of the reported result
	Stormwater – Meeting customer expectations Number of complaints about Stormwater system performance per 1000 connections (mandatory measure)	5%
5.2	Community Support – Housing upgrade project Agreed milestones, design standards and budgets are met in accordance with the agreed works programme and Deed of Grant between the Crown and the Council	
6.1	Urban planning, heritage and public spaces development – Housing affordability and supply Overall housing affordability and proportion of housing stock classed as 'affordable' (methodology to be scoped)	5%
	Urban planning, heritage and public spaces development – Housing affordability and supply Net number of new housing units	5%
	Urban planning, heritage and public spaces development – Housing affordability and supply Medium house price and housing affordability	5%
6.2	Building and development control – <i>Timeliness</i> Building consents (%) issued within 20 working days	5%
	Building and development control – Compliance Building Consent authority (BCA) accreditation retention (2-yearly)	0%
	Building and development control – Resilience Residents (%) who believe that Wellington City Council is making adequate progress on addressing building resilience-related issues in the City.	8%
	Building and development control – Resilience Seismic reliance index (new indicator combining measures of household readiness, community connectedness, residential housing stock, commercial building stock).	8%
7.1	Transport – Network condition and maintenance Roads (%) that meet smooth roads standards – high volume and regional roads	

Ref. in 2018/28 Long Term Plan	Material measure	Materiality % of the reported result
	Transport – Network condition and resilience Roads (%) that meet smooth roads standards – all other roads	8%
	Transport – Network efficiency and congestion Residents (%) who think peak travel times are acceptable	8%

Professional judgement and professional scepticism

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

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

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

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

How we consider compliance with laws and regulations

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

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

Wider public sector considerations

A public sector audit also examines whether:

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

Reporting protocols

Communication with management and the Council



We will meet with management and the Council's audit committeethroughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are "no surprises".

Reports to the Council



We will provide a draft of all reports to management for discussion/clearance purposes. Once management comments are received the report will be finalised and provided to the Council.

We will also follow up on your progress in responding to our previous recommendations.

Audit logistics

Our team



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

Our senior audit team members are:

Karen Young Appointed Auditor

Stephen Lucy Engagement Quality Review Director

Handri Goosen Audit Manager

Brandan Botha Audit Manager

Leticia Chettiar Assistant Manager / Audit Supervisor

Alan Clifford Director, Information Systems Audit and Assurance

Ridwan Manager, Information Systems Audit and Assurance

Martin Richardson Director, Audit Services/Specialist Audit and Assurance

Services

Nicol Stevens Associate Director, Specialist Audit and Assurance Services

Jason Biggins Tax Director

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

Timetable

We are discussing the timetable for the preparation and audit of the City Council's annual report with management. Also, audit reporting on the audit of the annual report.

AuditDashboard

During the audit, your staff provide us with a significant number of files. These files contain information that we have asked for about your internal controls or financial and non-financial information to support the contents of your annual report. When all of this information is available in a timely manner, it helps the audit process to run as smoothly and effectively as possible for both you and us.

During 2021 we have implemented a new online portal called AuditDashboard. AuditDashboard allows for easier collaboration and file sharing between the City Council and your audit team. It is a robust, secure digital platform that is specifically designed to streamline the process of sharing information with us. More information on this new tool can be found at: Information about AuditDashboard.

The benefits of AuditDashboard

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

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

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

We started using AuditDashboard at our pre-final audit. We have provided the Chief Financial Officer with an overview and agreement to use AuditDashboard. We expect compliance with this agreement will already be covered by your computer-use policy.

We have worked with your team to onboard them to AuditDashboard, answered any questions you might have had, and ensured your team understand how to use it.

Expectations



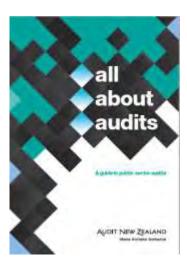
For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

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

We expect that:

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

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit.



Health and safety



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

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

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

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



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WAKA KOTAHI NZ TRANSPORT AGENCY AUDIT

Purpose

 This report summarises the results of the Waka Kotahi NZ Transport Agency audit of Wellington City Council for noting by the Kāwai Māhirahira | Audit and Risk Subcommittee.

Recommendation/s

That the Kāwai Māhirahira | Audit and Risk Subcommittee:

1. Note the finding actions to implement recommendations.

Background

2. Waka Kotahi/NZ Transport Agency audit provides assurance that their investment in Wellington City Council's land transport programme is being well managed and delivering value for money. The fieldwork took place in July 2020 and the audit report was issued in 2021.

Discussion

- 3. The executive summary of Waka Kotahi's report is copied below along with the status of recommendations.
- 4. Wellington City Council's road network is generally in good condition, but needs closer attention paid to routine maintenance, notably road opening operations. While the network is predominately urban (92%) there are rural roads to maintain and ensure they are safe for all users. In-particular we noted a lack of consistency in the application of delineation against road classifications or national guidelines.
- 5. The network continues to be the most expensive when measured by dollars spent over network length for all Local Authorities. Some costs can be attributed to a high asset density, for example Wellington has a high number of retaining walls compared to other urban authorities. However, this does not fully explain the high cost of maintenance and renewal activities across all asset groups. Further analysis is required to demonstrate why the cost to maintain the network is so much higher than its peers.
- 6. The number of annual deaths and serious injuries (DSIs) on Wellington City's roads shows no decline in numbers over the last 5 years. This is a concern given the Government priority is to reduce the number of DSIs on the network. Of note, 59% of DSIs occurred on the Arterial network. This statistic dominates the other One Network Road Classification road classes for DSIs. The Arterial network accounts for 17% of the network length but carries 61% of traffic. We encourage Wellington city to review crash records and identify where improvements can be made to reduce the DSI count on Arterial roads.
- 7. Recording data that is complete, timely and accurate is well done. The Road Efficiency Group's report does note a few areas to improve data quality, though these are minimal. There are good systems in place to ensure expenditure is categorised to

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appropriate work categories and good supporting information was available to assist the financial reconciliation process.

8. Council's procurement procedures are sound and comply with Waka Kotahi requirements and its Procurement Strategy. And appropriate processes are in place to ensure that it is getting value for money from its delivery of professional services.

9.

	9.					
We recommend that Wellington City		Implementation	Progress			
Cound		date				
R4.1	Ensures that reinstatement of all road openings complies with Council's engineering standards	End 2020/21	We have engaged WSP to undertake a best practice review of how to manage road openings, along with a training guide for our Compliance Officers so that we can do this work ourselves. All our existing road openings are due to be evaluated by end of the 20/21 FY.			
R4.2	Reviews the quantity of asphalt surfacing undertaken by investigating the option to use alternative materials.	Complete	This has been completed with a new ratio of chipseal to asphalt being proposed in the 2021 AMP.			
R4.3	Review the preferred option for the pavement rehabilitation project planned for Normanby Road	Complete	This has been completed. It will now be a paving site that will be programmed for 21/22.			
R5.1	Investigates and identifies the cause of the high cost of network maintenance	Complete	This has been completed with a full discussion in the 2021 AMP as well as recommended proposals going forward.			
R5.2	Investigates and trials new engineering solutions to reduce the whole of life costs to maintain the network while meeting current levels of service targets	End 2023	This is underway and is likely to be a longer-term project. It requires working with Waka Kotahi and other councils to review new engineering solutions. New completion date is 2023.			
R5.3	Ensure that all project elements, including finance, are included in the AMP improvement plan.	End 2020/21	This is being incorporated into the 2021 AMP as a new chapter – Financial Case.			
R6.1	Investigates, identifies and implements a data improvement plan to address data gaps identified in the REG Data Quality report	Ongoing	This is an ongoing project and we have an improvement plan that has seen us get better each year thus far.			
R7.1	Undertakes a safety review to identify where immediate lowcost engineering solutions can be introduced to reduce the incidence	End 2022	We are engaging with a consultant to review our arterials to understand what low-cost improvements			

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	and severity of road crashes on the arterial network		could be made.
R7.2	Ensure the maintenance contractor maintains delineation devices in accordance with the Traffic Control Devices manual	Ongoing	This is an ongoing action which we are managing through our maintenance contract.

Next Actions

10. The subcommittee will be provided with updates at future meetings on the implementation of recommendations.

Attachments

Nil

Author	Brad Singh, Transport Assets Manager
Authoriser	Tom Williams, Chief Infrastructure Officer

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SUPPORTING INFORMATION

Engagement and Consultation

There are no requirements to consult on matters raised in this report.

Treaty of Waitangi considerations

There are no specific Treaty of Waitangi considerations.

Financial implications

There are no new financial implications raised in this paper.

Policy and legislative implications

There are no new policy or legislative implications raised in this paper

Risks / legal

There are no risks or legal implications raised in this paper.

Climate Change impact and considerations

There are no climate change implications arising from this paper.

Communications Plan

No communication plan is required for this paper.

Health and Safety Impact considered

There is no health and safety implications arising from this paper

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FORWARD PROGRAMME

Purpose

1. This report provides the Forward Programme for the Kāwai Māhirahira | Audit and Risk Subcommittee for the next two meetings.

Summary

- 2. The Forward Programme sets out the reports planned for Kāwai Māhirahira | Audit and Risk Subcommittee in the meeting that require committee consideration.
- 3. The Forward Programme is a working document and is subject to change on a regular basis.

Recommendation/s

That the Kāwai Māhirahira | Audit and Risk Subcommittee:

1. Receive the information.

Discussion

- 4. Wednesday 15 September 2021:
 - Management Letter Audit of Long-term Plan 2021-2024 (Chief Strategy and Governance Officer)
 - Internal Audit Update (Chief Strategy and Governance Officer)
 - Strategic Risk Profile (Chief Strategy and Governance Officer)
 - Legislative Compliance Update (Chief Strategy and Governance Officer)
 - Health and Safety Report (Chief People and Culture Officer)

Attachments

Nil

Author	Hedi Mueller, Democracy Advisor
Authoriser	Jennifer Parker, Democracy Services Manager

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SUPPORTING INFORMATION

Engagement and Consultation

N/A

Treaty of Waitangi considerations

N/A

Financial implications

N/A

Policy and legislative implications

Timeframes and deliverables are reliant on organisational resourcing and priorities.

Risks / legal

N/A

Climate Change impact and considerations

N/A

Communications Plan

N/A

Health and Safety Impact considered

N/A

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