
**ORDINARY MEETING
OF
KĀWAI MĀHIRAHIRA | AUDIT AND RISK SUBCOMMITTEE
AGENDA**

Time: 9:30am
Date: Wednesday, 14 September 2022
Venue: Ngake (16.09)
Level 16, Tahiwī
113 The Terrace
Wellington

MEMBERSHIP

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

Have your say!

You can make a short presentation to the Councillors, Committee members, Subcommittee members or Community Board members at this meeting. Please let us know by noon the working day before the meeting. You can do this either by phoning 04-803-8337, 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.

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).

TABLE OF CONTENTS 14 SEPTEMBER 2022

Business	Page No.
1. Meeting Conduct	5
1.1 Karakia	5
1.2 Apologies	5
1.3 Conflict of Interest Declarations	5
1.4 Confirmation of Minutes	5
1.5 Items not on the Agenda	5
1.6 Public Participation	6
2. General Business	7
2.1 Self-assessment survey: Analysis and Recommendations	7
2.2 Te Aho Marutau Internal Audit Report for the year ended 30 June 2022	21
2.3 Strategic Risks Update September 2022	35
2.4 CCO risks that impact on Council's group risk	53
2.5 Insurance Maturity Roadmap report	57
2.6 Health, Safety and Security (Performance) Report	99
2.7 Proposed Workplan	115
2.8 Actions Tracking	119
2.9 Draft 2021/22 Annual Report and Audit Process	123
3. Public Excluded	135

3.1	Wellington Regional Stadium Trust Insurance Options	135
3.2	Legal and Risk Updates	135
	Attachments to 2.9 - Draft 2021/22 Annual Report and Audit Process	135

1. Meeting Conduct

1.1 Karakia

The Chairperson will open the meeting with a karakia.

Whakataka te hau ki te uru, Whakataka te hau ki te tonga. Kia mākinakina ki uta, Kia mātaratara ki tai. E hī ake ana te atākura. He tio, he huka, he hauhū. Tihei Mauri Ora!	Cease oh winds of the west and of the south Let the bracing breezes flow, over the land and the sea. Let the red-tipped dawn come with a sharpened edge, a touch of frost, 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 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, draw on 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 3 May 2022 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:

-
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

SELF-ASSESSMENT SURVEY: ANALYSIS AND RECOMMENDATIONS

Kōrero taunaki | Summary of considerations

Purpose

1. This report provides the results and recommendations from the June-July 2022 Subcommittee self-assessment survey.
2. The paper seeks comment from Kāwai Māhirahira | Audit and Risk Subcommittee members on the proposed recommendations to strengthen the effectiveness of this Subcommittee for consideration by the incoming Mayor and Council.

Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

- Sustainable, natural eco city
- People friendly, compact, safe and accessible capital city
- Innovative, inclusive and creative city
- Dynamic and sustainable economy

Strategic alignment with priority objective areas from Long-term Plan 2021–2031

- Functioning, resilient and reliable three waters infrastructure
- Affordable, resilient and safe place to live
- Safe, resilient and reliable core transport infrastructure network
- Fit-for-purpose community, creative and cultural spaces
- Accelerating zero-carbon and waste-free transition
- Strong partnerships with mana whenua

Financial considerations

- Nil Budgetary provision in Annual Plan / Unbudgeted \$X
Long-term Plan

3. There are no financial considerations associated with this paper.

Risk

- Low Medium High Extreme

4. This paper supports effective risk management and governance by providing Subcommittee members with an opportunity to make recommendations for consideration by the incoming Mayor and Council to strengthen the effectiveness of the Subcommittee.

Author	Richard Leverington, Manager Risk and Assurance
Authoriser	Stephen McArthur, Chief Strategy & Governance Officer

Taunakitanga | Officers' Recommendations

Officers recommend the following motion

That the Kāwai Māhirahira | Audit and Risk Subcommittee:

1. Receive the information.
2. Agree to the recommendations to the incoming Mayor and Council for strengthening the effectiveness of a future Audit and Risk Subcommittee, or equivalent.
3. Note that officers will develop a programme of work to implement the recommendations.

Whakarāpopoto | Executive Summary

1. Survey responses strongly support the current structure and scope of the Subcommittee. They also indicate that the Subcommittee is operating in accordance with good practice published by the Office of the Auditor-General.
2. Respondents have made suggestions for consideration to improve the effectiveness of the Subcommittee. These include reviewing the frequency and reporting line, upskilling both elected and independent members and ensuring that the Subcommittee exercises its full set of responsibilities in the current Terms of Reference.

Takenga mai | Background

3. In early June all Councillors, mana whenua representatives, external appointees and members of the Executive Leadership Team were asked to complete a survey designed to assess the effectiveness of the Kāwai Māhirahira | Audit & Risk Subcommittee.
4. The survey questions were modelled on good practice published by the Office of the Auditor-General and tailored to the Council environment. Responses were anonymous.
5. The survey closed on 8 July 2022. 16 out of 27 (60%) of surveys were returned. There were 10 responses from elected members, iwi representatives and external appointees, and a further six responses from the executive leadership team. Respondents were asked to rate statements and provide commentary

Kōrerorero | Discussion

6. At a high level responses were extremely positive. Excluding the “don't know” responses, **at least 75% of respondents either agreed or strongly agreed with all of the 19 statements in the survey.**
7. The two statements that received less than 75% support were:
 - *The external appointees bring additional insight and expertise:* 73.4% strongly agreed or agreed; 13.3% disagreed and 13.3% didn't know.
 - *Other Council committees and subcommittees are kept sufficiently informed of the work of the Subcommittee:* 62.6% agreed or strongly agreed; 12.5% disagreed and 25% didn't know.



-
8. The “Don’t know” responses don’t necessarily signal any dissatisfaction but may indicate that more effort is required to report and share the work of the Subcommittee with other Council Committees.
9. 25% of respondents either disagreed or disagreed strongly with two statements. These were:
- *Members critically evaluate and challenge executive decision-making.* (Comment: the forward work programme now includes leadership team members who discuss their group risks with Subcommittee members. This provides opportunity for members to evaluate and challenge)
 - *Subcommittee members are up-to-date with relevant developments in other areas of Council.* (Comment: External appointees do not sit on other Council committees or attend workshops other than this Subcommittee so will not be up-to-date)
10. Themes from the verbatim comments are summarised below:
- Strong support for the independent chair who provides a wider perspective on public sector and local government as well as independent advice.
 - Other independent members fill gaps in Councillors’ technical skills, specifically when reviewing internal and external audit plans. However, external members are not as close to detailed subject matter as Councillors. Training for elected members on audit planning would help address the skills gap.
 - The frequency of meetings (3 times per year) does not enable the Subcommittee to gain required in-depth understanding of key risks.
 - Work programme: Coverage of Council Controlled Organisations (CCO) is inadequate. Clarity is required over respective role of Finance & Performance (F&P) Committee with regards to Health & Safety
 - The Subcommittee reporting line through the F&P Committee should be reviewed. Consider reporting direct to Council.
 - Subcommittee only meets with external audit, not internal audit, during public excluded part of meeting.

Ngā mahinga e whai ake nei | Next actions

11. Subject to this Subcommittee’s approval, officers will propose the following points for consideration to the incoming Mayor and Council:
- Continue to appoint independent chair and members. Consider additional briefings to external members to build their subject matter knowledge and so they can provide more input and value.
 - More regular meetings (4 times per year) would allow Leadership team briefings on group risk to be completed over a shorter cycle and build deeper understanding of key risk.
 - CCO risk and impact on wider Council risk should be programmed in to ARS forward programme and coordinated with F&P Committee’s review of CCO Statements of Intent.

-
- Raise understanding of the Subcommittee's role and work through formal updates to Council
 - Training and upskilling for elected members – knowing what to look for in audit plans, risk based H&S training
 - Subcommittee should meet separately with internal audit 1-2 times per year.
12. Officers will develop a programme of work to implement the recommendations.

Attachments

Attachment 1. [Survey responses - summary ratings and narrative comments](#) Page 12
 

Attachment 1: Audit & Risk Subcommittee| Kāwai Māhirahira self-assessment survey results

The summary ratings and detailed narrative responses from those who provided them are displayed below.

1. Subcommittee role and membership: Please rate how much you agree with the following statements

[More Details](#)

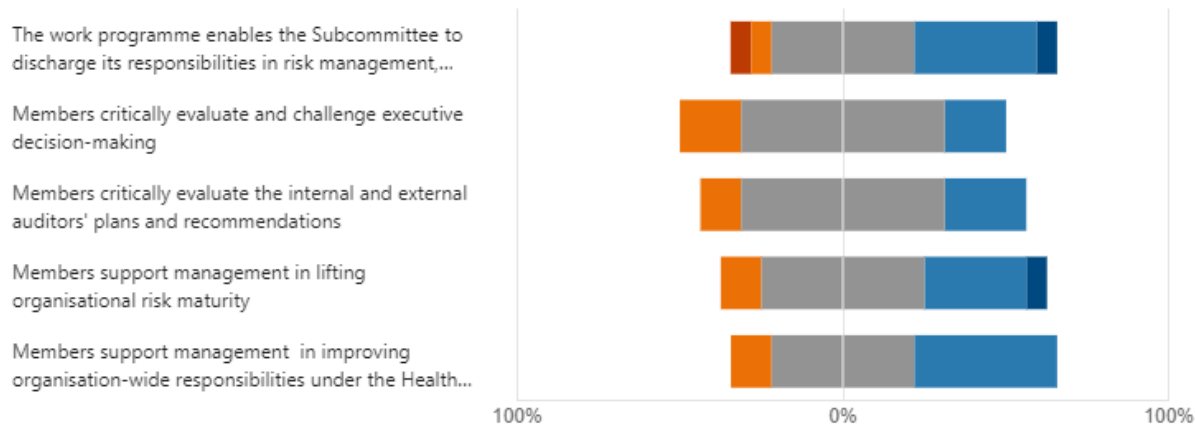
Strongly disagree Disagree Agree Strongly agree Don't know



3. **Subcommittee work programme:** Please rate how much you agree with the following statements

[More Details](#)

■ Strongly disagree
 ■ Disagree
 ■ Agree
 ■ strongly agree
 ■ Don't know



5. Information flows: Please rate how much you agree with the following statements

[More Details](#)

■ Strongly disagree
 ■ Disagree
 ■ Agree
 ■ Strongly agree
 ■ Don't know



ID	Do you have any specific comments about the role and membership of the Subcommittee?	Do you have any specific comments about the Subcommittee's work programme?	Do you have any other suggestions to improve the effectiveness of the Audit & Risk Subcommittee Kāwai Māhirahira?	Do you have any specific comments about the information flows to and from the Subcommittee?
5	The benefits of having an independent Chair, well versed in audit and risk matters is very much appreciated	Since developing the 3 year work programme, there has been a major lift in the focus of the Sub-Committee	Maintaining the ability to refer issues to the Chair for independent comment/advice is helpful	
7	There is some refinement required with its role and how it aligns with the roles of the other committees and Council	Note my earlier comments	The reporting needs line needs to be considered - Please discuss further- from XXXXXXX	No
8	It is essential that external members are appointed to maintain a high level and diversity of skills. Council members are generally not elected for their skills in finance, audit/assurance and risk management. External member are needed to fill in the gaps.	Nothing specific	No	External members in particular do not have comprehensive knowledge of other parts of Council.
10	Appointment of an External Member as Chair in the last year has been very good for the effectiveness of the Committee. The small number of meetings per year does not provide the opportunity for this committee to gain the required in-depth understanding for several key risks facing the Council.	The work programme and longer term plan has improved in the last year. There are still some gaps in areas that are of concern from a risk perspective. While CCOs are included in the Committee's mandate, organisations such as Wellington Water are not - resulting in the Committee being one of the last groups to hear about the details behind serious issues that may arise. A briefing from members of the		Additional briefings in a public excluded environment would help External Members to understand issues and matters - which Councillors may well have good knowledge of.

ID	Do you have any specific comments about the role and membership of the Subcommittee?	Do you have any specific comments about the Subcommittee's work programme?	Do you have any other suggestions to improve the effectiveness of the Audit & Risk Subcommittee Kāwai Māhirahira?	Do you have any specific comments about the information flows to and from the Subcommittee?
		Leadership Team on their areas are spread over several years due to the small number of meetings scheduled.		
13	I am not on this committee but attend some of the meetings. In my view, having an independent chair has been a good move, and gives a wider perspective	There have been some obvious challenges with the timing and scope around the external audits. I'm not sure how effectively the committee evaluates executive decision making, perhaps there needs to be a clearer pathway to do this, similarly with the audit plan.		As I said I am not on the committee so can provide only limited feedback.
15	The role of the independent Chair and independent members is essential to ensure the right mix of experience and expertise. The appointment of an independent Chair in particular has lifted the performance of the committee considerably and I hope will continue into the next triennium.	The work programme is being better supported and understood than it was previously. It is important that the role of this committee is not confused with the Finance and Performance Committee though and there is some evidence of that occurring e.g. health and safety reporting. I suggest this committee should report direct to the Council.	That the role of the committee is not confused with any other standing committee, and it that can be avoided b y having this committee report directly to the Council.	It has improved and staff are responsive to requests for improvement and material too - it is a two way responsibility.

ID	Do you have any specific comments about the role and membership of the Subcommittee?	Do you have any specific comments about the Subcommittee's work programme?	Do you have any other suggestions to improve the effectiveness of the Audit & Risk Subcommittee Kāwai Māhirahira?	Do you have any specific comments about the information flows to and from the Subcommittee?
16	This is a very technical committee, and most cllrs (including me) don't have sufficient experience/knowledge to make a useful contribution; that means the external members are particularly important - and perform their role well. The independent chair is a great step forward!	No	No	No
17	<p>I have not answered the question as I am one of the external appointees. However I appreciate the input of my fellow independent colleagues.</p> <p>Collectively I think we could bring more to the table. But this will be helped by the changes to the agenda and being able to meet in person (as demonstrated with our last Committee meeting in May 2022.</p>	I have answered this as an 'agree'. My view is that we are developing our ability to critique and support management. We are learning and at times we criticise, rather than critique.	The survey is a baseline. I am keen we have the support of council to develop the Subcommittee's role within the roles it has to play.	As an external appointee, I do not know how well our work is understood and am keen through this review we assess this important question. I suspect our work done its value has low profile elsewhere in the council and especially at elected members level.
18	The subcommittee has developed over the past three years to have a clearer understanding of its role. I think this is an area that can still be strengthened, but things are heading in the right direction. Bruce has really elevated the performance of the subcommittee	The work programme has been strengthened and now gives greater confidence that the subcommittee is discharging its responsibilities across all areas not just in the audit space. As a member of the subcommittee I hope that we challenge and support	Possibly better training for elected members about how to evaluate the kinds of reports that come to A&R and what kinds of questions to ask. This subcommittee does very different work to other committees and it is a different skill set. I can	There aren't any formal mechanisms to keep other elected members informed of the subcommittee business. It mostly falls informally to the deputy chair. Perhaps a more formalised update process could add value? Elected members are up to

ID	Do you have any specific comments about the role and membership of the Subcommittee?	Do you have any specific comments about the Subcommittee's work programme?	Do you have any other suggestions to improve the effectiveness of the Audit & Risk Subcommittee Kāwai Māhirahira?	Do you have any specific comments about the information flows to and from the Subcommittee?
	<p>since his arrival and his wide knowledge of public sector and local government has frequently shown its value. The subcommittee has always struggled to get the best value from its other external appointees and that feels like one area where we haven't made much progress this term. For absolute clarity this is not a comment on the performance of those individuals, but about how they can add the most value to meetings particularly when they are not as close to all the details as elected members.</p>	<p>management. Again that is an area where I think there has been improvement over the term, and hopefully the subcommittees contributions are becoming more strategic and constructive. Only management can tell us for sure though! Evaluation of internal and external audit plans is one area where elected members still seem to engage less and perhaps may need more support to understand how to evaluate these plans?</p>	<p>remember during induction we had some training and advice about what types of questions to ask when you're going on a health and safety visit. Similar kind of training across the type of material A&R deal with could be useful at the start of next term.</p>	<p>date on developments, I imagine for external members it is much more difficult. Reporting to the committee is good and has continually improved over the term. I think requests for additional work that happen through the subcommittee meetings are reasonable and staff have a chance to say otherwise. It is hard for subcommittee members to know what requests the Chair is making directly to staff and whether those are reasonable. Certainly in the past it seemed like previous Chairs may have made unreasonable or at least unnecessary requests of staff. We have met with the external auditor several times without management present and I'm confident the external auditor would ask for a meeting if needed. I can't remember ever meeting with the internal auditor in a similar way.</p>
19	<p>Further training for councillors would be helpful. More input from the</p>		<p>More health and safety training would be helpful to discharge our responsibilities. Taking an even more rigorous approach to risk would be</p>	<p>Happy to always talk to the auditors, not sure if they know that they can access councillors. More work is needed to ensure external appointees</p>

ID	Do you have any specific comments about the role and membership of the Subcommittee?	Do you have any specific comments about the Subcommittee's work programme?	Do you have any other suggestions to improve the effectiveness of the Audit & Risk Subcommittee Kāwai Māhirahira?	Do you have any specific comments about the information flows to and from the Subcommittee?
	independents utilising their expertise would also be helpful.		advantageous, I'm not sure for example that we have properly accounted for risks around climate change and insurance for example.	are across council business and there needs to be more joining up of the work done between this committee and others. I'm not sure if it would be correct to say that other committees are aware of the work that we do.
20	I am highly happy with the leadership of the chair Bruce Roberston and heavily value the perspectives of the external appointees. Cr. Condie brings a natural understanding that is also valuable to have a good council lens and can relay the messages back to the council group very well.	I think the only issue I have is with the crossing over of the Health and Safety with the Finance and Performance committee. I think that the whole of council must be aware of our Health and safety status. There seems to be some blurring between where each of these committees picks up what part of the work program. BUT I think it is crucial that the A & R committee have scrutinised much of this critical work before it comes to the F and P committee.	I just think it is a more critical part of council business and not enough councillors are aware of its work and the impacts this has on Council. Cr. Condie does an excellent job of summarising, but I wonder if a summary either verbal or written would be a good way for councillors to sense check what's happened without having to read into the detail, which I suspect they don't. Is there a way to understand how other councils manage the relationship and information flow between audit and Risk and their main finance committees? From this, we could have an opportunity to learn from others and attempt to improve the knowledge transfer.	I am an observer for this committee but it seems to be working well. It seems to be in the right sequence before information comes to F and P. I am concerned about the workload from the final meeting of this Triennium. I also think it important to have diligent councillors on this committee. Possibly consider at least the chair or DC from F and P.

TE AHO MARUTAU | INTERNAL AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 2022

Kōrero taunaki | Summary of considerations

Purpose

1. This report supports the Kāwai Māhirahira | Audit and Risk Subcommittee to discharge its responsibilities under its Terms of Reference to:
 - have oversight of the internal audit function,
 - review and monitor whether management's approach to maintaining an effective internal control framework is sound and effective, and
 - have oversight of the systems in place to manage legislative compliance.

Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

Strategic alignment with priority objective areas from Long-term Plan 2021–2031

- Sustainable, natural eco city
- People friendly, compact, safe and accessible capital city
- Innovative, inclusive and creative city
- Dynamic and sustainable economy
- Functioning, resilient and reliable three waters infrastructure
- Affordable, resilient and safe place to live
- Safe, resilient and reliable core transport infrastructure network
- Fit-for-purpose community, creative and cultural spaces
- Accelerating zero-carbon and waste-free transition
- Strong partnerships with mana whenua

Relevant Previous decisions

The Terms of Reference for this Subcommittee was adopted by the Council on 13 May 2021. The Kāwai Māhirahira 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.

This Subcommittee agreed to receive a statement on the completeness of the quarterly update of the Elected Member Gifts and Hospitality register during its meeting on 12 October 2021. This paper provides that statement of completeness.

Significance

The decision is rated low significance in accordance with schedule 1 of the Council's Significance and Engagement Policy.

Financial considerations

Nil | Budgetary provision in Annual Plan / | Unbudgeted \$X

| Long-term Plan |

2. There are no new financial implications raised in this paper.

Risk

| Low | Medium | High | Extreme

3. There are no new financial implications raised in this paper.

4. This paper supports effective governance of assurance activities. This gives confidence to our stakeholders that the Council is meeting its responsibilities and the public's expectations of accountability.

Author	Richard Leverington, Manager Risk and Assurance
Authoriser	Stephen McArthur, Chief Strategy & Governance Officer

Taunakitanga | Officers' Recommendations

Officers recommend the following motion

That Kāwai Māhirahira | Audit and Risk Subcommittee:

- 1) Receive information about the Council's internal control environment
- 2) Receive information about the legislative compliance system
- 3) Receive information about the completion of the Elected Member Gifts and Hospitality register.

Whakarāpopoto | Executive Summary

5. The Council's internal control system is assessed as 'Core' which is defined as a basic approach and with elements of good practice in place but operating in isolation. This assessment result is generally consistent with last year, with some improvements to control activities and in how we assess risk.
6. The overall legislative compliance control environment is effective. There are adequate systems in place for meeting legislative requirements. There were 12 key Acts with reported non-compliances. The non-compliance with the Vulnerable Children Act to complete 3-yearly safety checks was rated high. These checks are now in progress. The impacts of all other reported non-compliances rated are minor to moderate.
7. We have not received any new protected disclosures since our last report to the Subcommittee on 3 May 2022. We received four other integrity complaints. Three have been resolved with no further investigation required. The other matter is being assessed.
8. Elected members were reminded to disclose any gifts or hospitality that have been offered, in line with the Council's guidance for Gifts and Hospitality. The completion rate for each quarter ranges from 57% to 100%.

A. Internal Audit Report for the year ended 30 June 2022

9. The Internal Audit Report for the year ended 30 June 2022 provides the overall results of the work performed under the Internal Audit Plan 2021-22. This Plan was approved by the Kāwai Māhirahira – Audit and Risk Subcommittee on 9 June 2021.
10. The report includes our overall assessment of the Council's Internal Control System based on the work performed and observations during the year. The Internal Control System is the attitude, actions and processes that assure the achievement of organisation objectives. The Internal Control System comprises:
 - control environment
 - risk assessment
 - control activities
 - information and communication

- assurance and monitoring activities

11. We have identified the key expectations for the Internal Control System for each of these five areas. These key expectations are based on recognised international good practice standards for internal control frameworks.
12. The council's internal control system is assessed as 'Core' which is defined as "a basic approach and with elements of good practices in place but operating in isolation". This assessment result is generally consistent with last year, with some improvements to control activities and in how we assess risks.
13. To move towards a target rating of 'Good', the key area for improvement is in the Control Activity area, where several enterprise-wide initiatives are in progress. This is a continuation of the Council's effort to improve the way we work. Areas with ongoing workplans include risk management, internal policies, finance process improvements, procurement and project management practices.
14. The Internal Audit Report for the year also provides a summary of internal audit performance for the period ending 30 June 2022. During the period, we can confirm that the Internal Audit function received the support of the Executive Leadership Team to perform its role with independence and objectivity.

B. Legislative Compliance

15. The Assurance & Business Integrity team facilitated the annual legislative compliance attestation for the period ending 30 June 2022. The attestation process was carried out as one of the methods in place to assure that the Council has adequate systems to manage compliance with required legislation.
16. The legislative compliance attestation process involves:
 - a) Reviewing the list of key Acts and the assigned Lead Manager with management
 - b) Attestation from Lead Managers about compliance with key Acts and whether the Council has adequate systems in place to manage compliance
 - c) Validation of a sample of attestation by Assurance & Business Integrity
17. The results of the legislative compliance attestation indicate that:
 - a) The overall legislative compliance control environment is effective.
 - b) There are adequate systems in place for meeting legislative requirements.
 - c) There were 12 Acts with reported non-compliances, out of the 48 Key Acts attested to.
 - d) The non-compliance with the Vulnerable Children Act to complete 3-yearly safety checks was rated high. These checks are now in progress. The impacts of all other reported non-compliances are rated minor to moderate.
18. Management have identified appropriate actions to address and continually improve our legislative compliance control environment.

C. Protected disclosures and investigations

19. Assurance & Business Integrity has responsibility to receive protected disclosures and to have oversight of any investigations under the Protected Disclosures Act 2000. We will bring to the attention of the Subcommittee any allegations of internal fraud or other suspected financial misappropriation, and any protected disclosures or investigations instigated.
20. Since our last report to the Subcommittee on 3 May 2022:
 - a) No new protected disclosures have been made to the Assurance & Business Integrity team.
 - b) We received four other integrity complaints relating to conflicts of interest, irregular use of public funds, and theft or corruption. Two matters have been resolved with no further investigation required. Another two matters are being assessed.

D. Compliance with the Holidays Act 2003 - update

21. In May 2022, KPMG completed a peer review of WCC's compliance assessment with the Holidays Act and the plan for rectification. KPMG concluded that WCC's overall approach to non-compliance identification is generally appropriate.
22. WCC is taking a two-step approach:
 - a) Phase 1 Rectification: Correct the configuration of WCC's finance and payroll system (TechnologyOne) and business processes so WCC is compliant with the Holidays Act and is no longer accruing any liability.
 - b) Phase 2 Remediation: Calculate any underpaid leave for current and former staff back to 2013.
23. KPMG made recommendations to:
 - a) Consider also overpayment risks and issues;
 - b) Refresh go-forward compliance tracker and consider if changes to systems or business processes achieve compliance with the Act; and
 - c) Consider additional SME in-house resources for Phase 2.
24. Customisation of TechOne and turnover of project staff has caused some delay to Phase 1 but it remains on track for completion by the end of 2022. The Assurance and Business Integrity team provided procurement support for Phase 1.
25. In late August 2022, WCC issued a Request for Proposal to engage a supplier for Phase 2 to assist with calculating any leave under- and over-payments for the approximately 8,600 staff who have been on Wellington City Council payroll since 2013. This includes Zealandia, Wellington Water and Wellington Venues.

E. Elected members' gifts declaration

26. Elected members are reminded quarterly about their obligation to disclose gifts or hospitality that has been offered to them in their capacity as an elected member, in line with the Elected Member Guidance for Receiving Gifts and Hospitality. Assurance & Business Integrity reviews the register for completeness and consistency with the Council's guidance.
27. The following table shows the quarterly completion rate for elected members gifts and hospitality disclosures:

Period	% Completion rate	Return with no disclosures (Nil return)	Return with disclosures	Pending response
1 July to 30 September 2021	87%	7	6	2
1 October to 31 December 2021	79%	2	6	6
1 January to 31 March 2022	100%	11	3	0
1 April to 30 June 2022	57%	2	6	6

Whai whakaaro ki ngā whakataunga | Considerations for decision-making

Alignment with Council's strategies and policies

28. This report is about the Council's internal control systems that enable the Council to effectively deliver its business objectives.

Engagement and Consultation

29. This paper is low significance as per our Significance and Engagement Policy. This paper is for internal use to support governance of assurance activities and there are no requirements to consult with the public on the matters raised in this paper.

Implications for Māori

30. There are no specific Te Tiriti o Waitangi considerations to note. Our Te Tiriti o Waitangi obligations and our commitment to mana whenua partnerships are considered within each assurance engagement.

Financial implications

31. This paper does not give rise to any financial implications.

Legal considerations

32. There are no specific legislative or regulatory implications raised in this paper.

Risks and mitigations

33. There are no additional risk implication arising from this paper.

-
34. The governance of actions to address assurance recommendations forms part of the Council's risk mitigation to assure that identified risks are appropriately managed. This gives confidence to our stakeholders that the Council is meeting its responsibilities and the public's expectations of accountability.

Disability and accessibility impact

35. The recommendations in this report do not have any impacts on accessibility.

Climate Change impact and considerations

36. There are no climate change implications arising from this paper.



Communications Plan

37. Decisions in this paper does not require a communications plan to inform the community.

Health and Safety Impact considered

38. This report does not create or identify any new health and safety considerations.

Attachments

- | | | |
|---------------|--|---------|
| Attachment 1. | Internal Audit report for the year ended 30 June 2022 ↓  | Page 29 |
| Attachment 2. | Report on Legislative Compliance for the year ended 30 June 2022 ↓  | Page 32 |

Te Aho Maratau | Assurance & Business Integrity
Report for the year ended 30 June 2022

This report provides Audit and Risk Subcommittee – Kāwai Māhirahira and the Executive Leadership Team with:

- an overview of the internal control system for the year ended 30 June 2022.
- a summary of internal audit work completed for the period 2020-22

The information in this report supports the Kāwai Māhirahira – Audit and Risk Subcommittee to discharge their responsibility to:

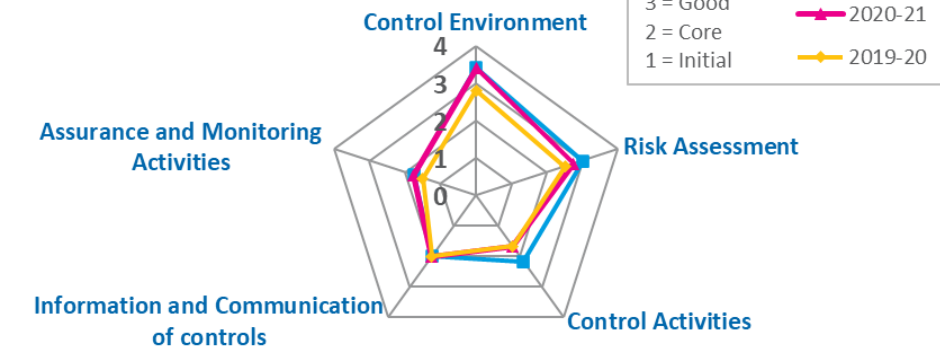
- monitor whether management’s approach to maintaining an effective internal control system is sound and effective, and
- have oversight of the internal audit function.

Internal Control System assessment rating for the year ended 30 June 2022

Internal Control System is the attitude, actions and processes in place to assure achievement of business objectives. The Internal Control System comprises of:

Area	Explanation
Control Environment	The attitude and actions of leadership regarding the importance of control within the organisation, including its values, operating style, accountabilities and competency.
Risk Assessment	The systematic and iterative process of identifying and assessing relevant risks.
Control Activities	The actions established by policies, procedures or practice to ensure that risk management actions are effectively carried out.
Information and Communication of Controls	The flow of timely, accessible and pertinent information to carry out internal control responsibilities.
Assurance and Monitoring Activities	Management review of whether controls are working effectively to manage risks. Control weaknesses are addressed timely and escalated where appropriate.

Internal Control System



The council’s internal control system is assessed as ‘Core’ which is defined as a basic approach and with elements of good practices in place but operating in isolation.

Maturity assessment for key organisational frameworks and processes are rated low to moderate e.g. Risk Management, P3M3, procurement, protective security.

This assessment result is generally consistent with last year, with some improvements to control activities and in how we assess risks.

Appendix Two provides a summary of the internal control assessment results.

Work performed and performance of the Internal Audit function for 2021-22

We have completed our Internal Audit Workplan 2020-22 that was approved by the Kāwai Māhirahira – Audit and Risk Subcommittee on 9 June 2021.

Internal Audit receives the support of ELT to perform their role objectively. During 2020-22, Internal Audit was able to:

- determine the scope of matters to be audited and to set audit objectives
- have access to appropriate resources to carry out our purpose, and
- make balanced evidence-based assessments.

Our actual allocation of resources (time) was in line with our audit plan, with just over half of our resources on audit engagements and responsive audit reviews.

During 2021-22, we completed nine internal audit engagements, five integrity related investigations, monitored sensitive expenditure and gifts reviewed programme, and various other advisory engagements to support and strengthen our internal control system.

Appendix One summarises the results of our work.

Actual allocation of resources for 2021-22

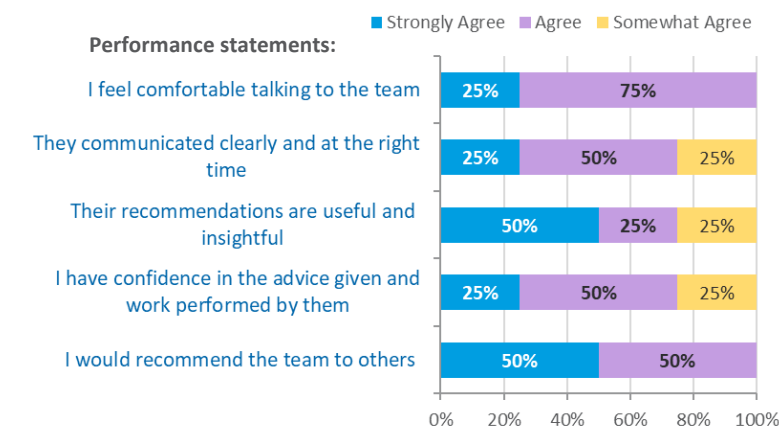


We issue customer feedback forms after the completion of each assurance engagement. Customers were asked to rate (on a scale of 1-5 stars) their overall experience when engaging with the Assurance & Business Integrity team. Our average customers rated us 4.3/5.

We also request our customers to rate how much they agreed with key performance statements that is focus on assessing trust and confidence.

Overall feedback has been positive with an average of 85% ‘Strongly Agree’ or ‘Agree’ with our performance statements.

Overall experience when engaging with the Assurance & Business Integrity team
★★★★★
4.3 Average Rating



Appendix 1: Summary of internal audit and other assurance activities

The Internal Audit Workplan 2021-22 was approved by the Kāwai Māhirahira – Audit and Risk Subcommittee on 9 June 2021. This section summarises the results of our work.

Internal Audit Engagements

Audit	Work Performed and Results	Audit Rating
Alcohol licensing	<p>The objective of this review was to assess the effectiveness of processes and controls for alcohol licensing, including the administration support provided to District Licensing Committees (DLC) and compliance monitoring activities.</p> <p>We found that the processes and controls for alcohol licensing are appropriate to meet the Council's regulatory purpose. We recommended:</p> <ul style="list-style-type: none"> Improving the reporting for compliance monitoring and annual premises inspections records A decision on how outstanding alcohol licensing fees should be managed Strengthening administrative support to the DLC, specifically the conflict-of-interest declaration process for DLC meetings 	Good
Membership and booking payments system	<p>The objective of this review was to assess the design and operating effectiveness of the Envibe membership and booking payment processes used by the Council's pools, recreation centres and sports fields. We recommended three actions to improve efficiency or effectiveness of internal controls:</p> <ul style="list-style-type: none"> Ensure effective use of the supervisor code and provide guidance for discretionary decisions Explore options for integration and automation of financial processes Create consistency of the debt collection process across Council sites 	Good
Privacy	<p>The objective for this review is to assess the Council's privacy maturity level and the effectiveness of systems in place to manage personal information.</p> <p>Maturity level assessed at "Foundational". An organisation-wide approach to privacy is developing. Good privacy practices are siloed, happening at the individual initiative and team level.</p> <p>We recommended clarifying the governance oversight for the Privacy Programme including ELT sponsor, accountabilities, target maturity levels and ensuring sufficient resources to achieve purpose and goals of the programme.</p>	Improvements recommended
Tenancy services	<p>The objective of this review is to provide assurance that the new tenancy management system business processes are effectively designed and fit for purpose.</p> <p>We conclude that the design approach for new tenancy management business processes is effective. Attention will be needed to ensure that risks do not materialise into issues that will threaten achievement of the project objectives.</p>	Improvements recommended
Cash handling and reconciliations	<p>The objective of this review is to assess the effectiveness of controls and processes for cash handling and bank reconciliation at selected Council sites.</p> <p>We recommended improvements to physical controls, phasing out petty cash, clearer guidance for the reconciliation process and better records of staff with access to safes/lockboxes</p>	Improvements required
Cybersecurity	<p>The objective of this review is to assess the effectiveness of systems in place to consider and effectively address enterprise information security requirements.</p> <p>The key theme noted during this review was the absence of key policies and procedure documents that provide guidance and set the tone for the organisation. We recognise that the current approach taken by the SmartCouncil is to establish ground-level procedures and practices initially then ratify this with an overarching policy.</p> <p>We also identified improvement opportunities for the SmartCouncil to consider and help ensure strategic objectives are met, including efficient delivery of initiatives.</p>	Improvements recommended
Project Management Office	<p>The objective of this review is to assess the progress in establishing the Project Management Office and to provide assurance over the design of project governance, assurance and delivery.</p> <p>There is a well-documented plan in place to lift the Council's project management practice and capability, however most actions have not yet been completed and several tasks are overdue.</p> <p>There is no governance framework to provide oversight over all projects underway across the Council.</p>	Improvements required
World of Wearablearts funding request	<p>The Council had agreed to make funding available to World of WearableArt Limited (WOW) if the Awards Show 2021 was disrupted by the COVID-19 pandemic. Management had requested assurance over the costs submitted in the funding request made by WOW. We concluded that the funding request was reasonable and in line with the funding agreement.</p>	Good
Evans Bay Parade cycleway	<p>The objective of our review was to assess the effectiveness of issues escalation and contract management processes. We concluded that the issues escalation process including communications with residents needs to be strengthened. We found that:</p> <ul style="list-style-type: none"> Issues raised, decisions made, and the actions taken to resolve had not been clearly documented. There was no management plan for escalated complaints to ensure our people were safe from personal confrontation and felt supported whilst carrying out their roles. 	Improvements Required

Integrity Activities

- As part of the fraud risk identification process, we introduced a process to capture fraud 'red flags and any integrity concerns raised with us whether verbally or through our SpeakUp channel, including protected disclosures. Each matter raised to us is assessed for further action, including whether an investigation is required.
- We received two **protected disclosures** during the year.
 - One protected disclosure about the use of public money and health & safety concerns. This matter was closed when the person chose to withdraw from the protected disclosure process and bring the matter directly with the business area of concerned.
 - One protected disclosure was about the risk to individual or public health and safety, and corrupt or irregular use of public funds. Allegations were investigated and/or escalated to appropriate channels for resolution. Appropriate actions were taken. This matter is closed.
- Other received three **other integrity related reports**. All reports to us remain confidential:
 - We received one report of improper use of a Council purchasing card. This matter was closed when it was established that there was no malicious intent. The Finance team had reminded the staff involved and their manager of their obligations and the seriousness of this matter.
 - We received one integrity complaint from a member of the public about our staff. Following initial enquiry, we have assessed that no further investigation was required and the matters were closed.
 - We received one report where information in an email provided by the Council was manipulated by a member of the public for possible financial gain. We made a police report about this matter.
- Sensitive Expenditure:** We reviewed a sample of credit card transactions to assess appropriateness and compliance with internal policies. Based on the work performed, we concluded that:
 - No inappropriate use of funds was identified. However, there were instances of non-compliance with internal policies including incorrect cost centre authorisation, incomplete tax invoice, incorrect coding, and insufficient narration of business purpose.
 - Improvements are required to improve the effectiveness of internal controls, specifically the internal policies, procedures and communications guiding the use of purchasing cards. These improvements are in progress.
- Staff Gift Register Completeness:** We reviewed all gift register entries (including declined gifts and zero gift attestations) between 1 July 2021 to 30 June 2022 to assess compliance with internal policy and completeness. Quarterly completion rate is between 16% and 41%. The completeness of gifts declaration is dependent on staff attesting to nil gifts. We recommended improvements to the gift policy and process. The gifts policy has since been updated and work underway to communicate expectations and increase awareness.
- Elected member gifts and hospitality declaration:** During the year we developed guidance and facilitated the process for elected members to declared gifts and hospitality they received every quarter.
- Integrity awareness:** We organised a Fraud Awareness Week from 15-21 November 2021. It included internal communications on fraud awareness, quiz, and a webinar by the Director of New Zealand Police's National Organised Crime Group on the changing landscape of fraud, corruption and organised crime in NZ and globally.

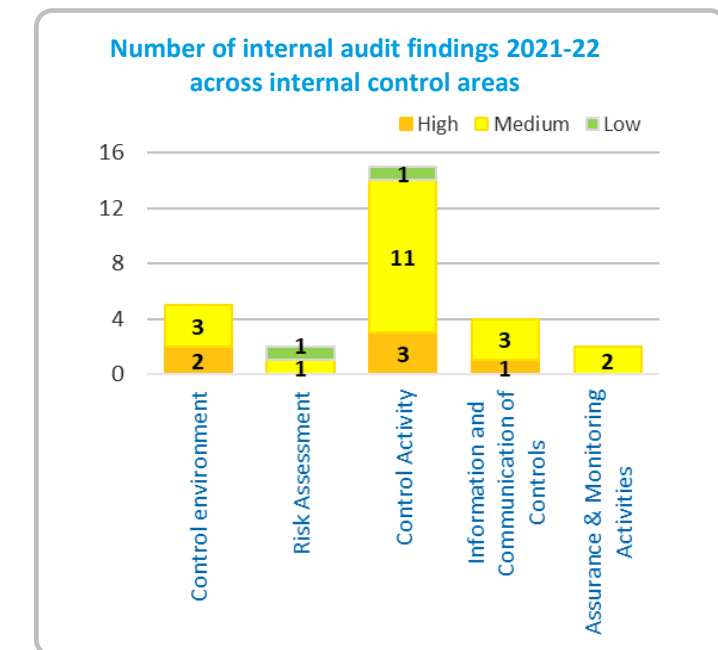
Assurance Advisory Activities

- We facilitated the annual legislative compliance attestation for the period ending 30 June 2022. The overall legislative compliance control environment is effective. The Council has processes in place for meeting legislative compliance. The consequences for one of the non-compliance was rated high. Actions are underway to address this.
- We worked with the Risk team as they refresh the Enterprise Risk Management Framework and update the strategic reporting. We note the alignment of the Framework with good practice standards (ISO31000). We are assured that a robust process was followed to ensure that the Framework continues to be appropriate and fit for purpose.
- Other assurance advisory work completed during the year included assurance support for the Holiday Act compliance project, watching brief on the finance system upgrade, internal policy governance framework, and participation in the Protective Security Requirement working group.

Appendix 2: Overview of the Council's Internal Control System

The following is our assessment of the Internal Control System at the organisational-wide level. The assessment is based on judgement and supported by observations and results of Internal Audit assurance and advisory activities.

Area	Expectations	Assessment	Comments
Control Environment The attitude and actions of leadership regarding the importance of control within the organisation, including its values, operating style, accountabilities and competency.	1. demonstrates a commitment to integrity and ethical values 2. governing body demonstrates independence from management and exercises oversight responsibilities 3. establishes structures, authority and responsibilities to achieve objectives 4. demonstrates a commitment to attract, develop, and retain competent individuals 5. holds individuals accountable for their internal control responsibilities	Good	<ul style="list-style-type: none"> No significant change - the Council continues to demonstrate a strong commitment to Our Values. The Code of Conduct is established and sets expectations of our people to conduct business legally, ethically, responsibly and in alignment with the Council's values. Improvements to governance were implemented, following an independent governance review of the Council. Independent chair of the Audit and Risk Subcommittee in place during the year, in line with good practice. Noted improvement to the control environment with new look Council committee operating during the year and stronger alignment allocation of responsible ELT for each of the governing committees. The annual Kōrero Mai staff engagement survey is a recognised and independent tool for diagnosing organisational culture and continues to be used to provide feedback to the organisation on areas for attention. Overall kaimahi engagement has increased from 66% to 69% this year. Stronger emphasis on ensuring Whare Tapa Toru (Development Plans) are in place for all staff. There continues to be a strong tone-at-the-top from the CE, leading with a 'First team' approach to work together as a cohesive unit towards a shared vision. <p>Two high rated findings raised in this area relating to governance and visibility of all projects and to establish and from a security governance perspective, to establish Information Security Policy.</p>
Risk Assessment The systematic and iterative process of identifying and assessing relevant risks.	6. specifies objectives with sufficient clarity – a precondition to effective risk assessment 7. identifies and assesses risks to the achievement of objectives 8. considers fraud risks to achievement of objectives 9. identifies and assesses significant change	Good	<ul style="list-style-type: none"> Clear unifying purpose has been established and communicated by leaders: Kia mahi ngātahi mō Pōneke mō tōna āpōpō. Priorities linked to the Long Term Plan have been established. Refreshed Strategic Risk Profile in place. The approach includes a clear focus on those risks that could prevent us from achieving our strategic priorities. Operational risk tool rolled out and workplan to increase organisational risk maturity is in place. Enterprise risk maturity is assessed annually using the All-of-Government Risk Maturity Assessment to inform the workplan to increase organisational risk maturity. Fraud risks has been assessed by the Executive Leadership Team as part of the Enterprise Strategic Risk review. Work is ongoing to understand our fraud and integrity risk exposure. <p>One medium and one low rated finding relating to prioritisation and better utilisation of risk registers.</p>
Control Activities The actions established by policies, procedures or practice to ensure that risk management actions are effectively carried out.	10. implement control activities to mitigate risks to acceptable levels 11. establishes appropriate controls to manage technology infrastructure, security and change processes that are aligned to business objectives 12. deploys policies that establish what is expected	Initial	<ul style="list-style-type: none"> Several initiatives that will support the establishment of robust organisational level control activities are in progress. Enterprise-wide controls are generally at early maturity stages. These include procurement and contract management practices, project management, privacy, and protective security requirements. Noted that elements of good practice are in place at some site and business units. Progress in organisation wide business planning processes, with improvement made to the guidance and templates following the initial rollout last year. Some progress in establishing the Internal Policy Governance Framework, with further work underway to review all organisational policy. <p>15 findings related to the design and effectiveness of internal controls across various processes.</p>
Information and Communication of controls The flow of timely, accessible and pertinent information to carry out internal control responsibilities.	13. uses relevant, quality information to support effective functioning of internal controls 14. internally communicates to so that people understand and carry out their internal control responsibilities 15. communicates externally matters affecting the functioning of internal control and provide channels to allow input, including whistle-blower process	Core	<ul style="list-style-type: none"> Availability of information to support effective function of internal controls is variable. There are strategies being considered to address some of these challenges e.g. new HSS tool, HRIS information to support managers, and centralising statutory and non-statutory delegations Established business reporting mechanism in place. There is an ongoing process to understand the information needs to support ELT decision and oversight e.g. financial dashboard. Whare Tapa Toru process for performance, career and development supports understanding of individuals responsibilities Protected disclosure and whistle-blower processes are established with channels for reporting any concerns. <p>One high finding related to visibility of issues escalated. Three medium findings on access to information or tools to be able to perform control functions effectively.</p>
Assurance and Monitoring Activities Management review of whether controls are working effectively to manage risks. Control weakness are addressed timely and escalated where appropriate.	16. management performs ongoing assessments to ascertain whether the processes and controls are working 17. management has processes to identify internal control improvements and monitors timely corrective action	Core	<ul style="list-style-type: none"> There are pockets of good quality control and management assurance processes as part of operational quality management systems. The Council has a formal assurance framework in place, but with varying levels of understanding about management assurance activities over areas of responsibility. There are opportunities to improve visibility and coordination across the three lines of defence to better integrate risk and assurance activities. <p>Two medium rated findings relating better monitoring and management assurance.</p>



Number of findings raised during 2020-21

Audit engagements 2021/22	High	Medium	Low	Total
Alcohol Licensing		3		3
Cash Handling & Reconciliation	1	2		3
Cyber Security	1	3	2	6
Evans Bay Parade Cycleway - Contract and issues management	1	1		2
Memberships & Bookings		3		3
Privacy Review		3		3
Project Management Office	2			2
Tenancy Management System		3		3
Integrity monitoring: Gift Register		1		1
Integrity monitoring: Sensitive Expenditure	1	1		2
Total	6	20	2	28

Internal Control System assessment rating scale

Advanced	All elements of good practice are in place and operating effectively. High maturity rating for supporting elements.
Good	Most elements of good practice in place and operating effectively. Moderate to high level of maturity rating for supporting elements. May be some minor weaknesses.
Core	A basic approach with elements of good practice in place but operating in isolation. Low to moderate level of maturity rating for supporting elements. Areas for improvement noted.
Initial	Undefined or basic approach. Low level of maturity rating for supporting elements. Areas for improvements noted.

Report on Legislative Compliance for the year ended 30 June 2022

Purpose

This report provides the Executive Leadership team with:

- a summary of results for the legislative compliance attestation process for the financial year July 2021 to June 2022
- an overview of the legislative compliance control environment
- an understanding of key acts that are important to Council business.

What we found

The overall legislative compliance attestation control environment is **effective**. There are adequate systems in place for managing compliance. Business Units with lead responsibility for key Acts have appropriate controls and processes in place for meeting legislative compliance.

Overall, 12 of the 48 Key Acts reported partial or non-compliances. The causes and/or actions to improve compliance were identified by Lead Managers. The non-compliance with the Vulnerable Children Act to complete 3-yearly safety checks was rated high. These checks are now in progress. We rate the consequences of the non-compliances for all other Acts as minor to moderate.

Key themes from the reported non-compliances

Managers identified that recruiting and retaining staff remain challenges to maintaining compliance. Non-compliances and causes are consistent with previous attestations. These include:

- **Meeting statutory timeframes** – issuing resource and building consents, dealing with official information requests, and completing verifications for food businesses. Improvements in statutory timeframes have not all been fully realised because of engineer, staff vacancies and interruptions with Covid-19. These breaches were reported as part of the Council’s KPI reporting framework.
- **Process refinement** – refined processes and more information needed to meet legislative requirements. This includes Holiday Act and Vulnerable Children Act processes for compliance, system fixes and liability for payroll. Process refinements to meet the Local Government Rating Act, monitoring of organisational record keeping and performing cost effectiveness review of services for meeting the needs of communities.
- **Privacy breaches** – Inadvertent releases of information which have resulted in complaints and corrective action.

There was good progress made by some Lead Managers to carry out planned actions to strengthen compliance. This includes the Local Government and Official Information and Meetings Act 1987 Section 44A Land information Memoranda, following a process review and training for new staff which saw improvements in the statutory timeframes for issuing land information memoranda.

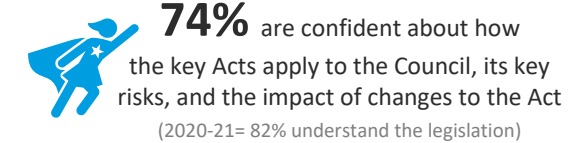
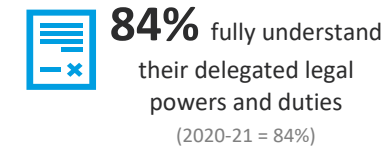
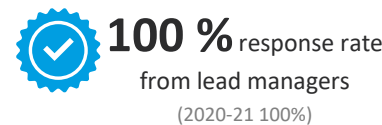
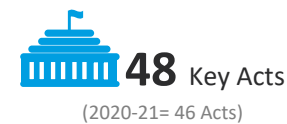
Next steps

There is more work to do to improve the effectiveness of some policies and procedures, implementing training and tools. This includes Locosoft software, a collaboration tool that once fully implemented will assist with managing and understanding organisational delegations.

The Assurance & Business Integrity team is working with Lead Managers and Legal over the next three months to resolve questions identified during the attestation about specific roles and responsibilities under the various Acts. We will also be following up with Lead Managers on the improvement actions identified, particularly where the consequence for non-compliances is rated high.

Legislative compliance attestation for 1 July 2021 to 30 June 2022

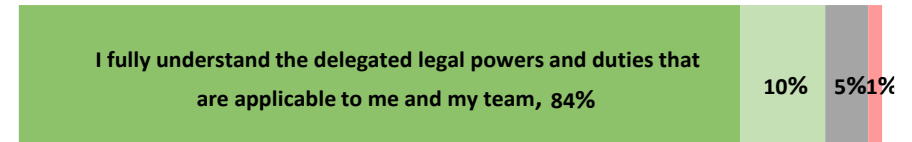
Lead T3 Managers were asked to attest compliance with key Acts and whether the Council has adequate systems in place to manage compliance.



Our legislative compliance control environment

Understanding of legal powers and duties delegated to their team

- 84% fully understand the delegated legal powers and duties that are applicable to them and their teams
- 10 % generally, understand the delegated legal powers and duties that are applicable to them and their teams
- 5% no legal powers conferred by the Act – not applicable
- 1% not yet clear about delegations conferred by the Act



Understanding of the Acts and the degree of confidence about sharing their knowledge of how the Act applies to the Council, its key risks, and the impact of changes made or proposed to the Act

- 74% understand the Act and can confidently share how the Act applies to the Council, its key risks, and the impact of changes made or proposed to the Act since 1 July 2020
- 21% understand the Act but are not fully confident about sharing their knowledge with others
- 3% did not complete the question
- 2% cannot confirm that they fully understand the Act yet



We have a solid understanding about some Acts. More work is required to clarify wider business units’ responsibilities including LGA, Climate Change, Urban Development and Construction Contracts Acts and what business units are doing to meet Treaty of Waitangi requirements.

Effectiveness of systems in place to monitor and report on legislative compliance

- 66% confirmed that systems, policies, procedures and controls to monitor and report on legislative compliance are effective
- 26% confirmed that the monitoring and reporting system is somewhat effective
- 5% cannot confirm the systems, policies and procedures are fully effective
- 3% don’t yet know if the systems, policies are fully effective



Complex resource applications and rules in the RMA, processes and checks to support the Local Government Rating Act, remediation work with Holidays Act, policies and processes for Vulnerable Children Act and Crimes Act-involving Computers.

Effectiveness of tools and training for key staff to develop competency in legislative responsibilities

- 54% confirmed that the tools and training for key staff are effective
- 39% confirmed that the tools and training for key staff are mostly effective
- 5% cannot yet confirm tools and training are fully effective
- 2% don’t yet know if tools and training are effective



Managers identified opportunities to improve the tools and training including the following: Local Government Act, Utilities Act, Public Records Act, Land Transport Management Act, Reserves Act, Climate Change and RMA.

Non-compliances reported for the period 1 July 2021 to 30 June 2022

1 Non-compliance, 11 Partial non-compliances and 3 Don't know/No compliance attestations were reported across 48 Acts.

Act	Group	Description	Management Actions	Key
LGOIMA 1987	Planning & Environment	Partial compliance with the statutory time frames for issuing LIMS. LIMS were not issued within the 10-day timeframes during the year where additional staff and a review of processes were deployed to help with workloads.	Resolved – Management has made timely progress with actions and in the remaining four months of the year has achieved full compliance.	
	Strategy and Governance	Partial compliance with decision making. 94% of decisions were within 20 working day statutory timeframes .	In progress – The Official Information team has updated its internal procedures and publishes LGOIMA responses to those of wide public interest. Training for business units and senior leaders will encourage greater transparency. The Ombudsman will report following its investigation into two complaints.	
Resource Management Act 1991	Planning & Environment	Non-compliance with the statutory time frames for issuing resource consents. Delays have arisen due to complex applications, staff vacancies and advisors being short-staffed.	In progress – Staff appointments will assist with improving timeframes. Complexity is about to increase with District Planning and new standards being introduced.	
Building Act 2004	Planning & Environment	Partial compliance with the 20-day clock and statutory timeframes for issuing building consents has improved since last year. It now sits at 75% for issuing building consents and 91% for issuing Code Compliance Certificates. Target – 100% of building consents issued within 20 days.	In progress – Significant work has been undertaken to address issues. Additional engineering firms have been engaged however liability settings and the ability to purchase insurance to assist council is proving to be a challenge. Recruitment to fill vacancies is continuing as is the work to ensure all Officers have a relevant competency so that less supervision by competent Officers is required, freeing up time for processing of consents.	
			The Business Unit has proactively been working with Wellington Water to address, manage and mitigate the impacts on Code Compliance Certificate (CCC) timeliness, however this is a continued risk to the 20-day time frame. This will continue to be a risk to timelessness compliance as the risk of issuing CCC without collecting the appropriate documentation in establishing compliance with the building code or the approved building consent could open the council to other liability and claims.	
Food Act 2014	Planning & Environment	Partial compliance with undertaking and completing food business verifications within statutory timeframes . Management has been dealing with a backlog of verifications due to closure of businesses, sickness of operators and staff.	In progress – Due to the current backlog of verifications, the Public Health team is prioritising verifications of operators that produce high risk food and also those that have attracted low scores in previous verification visits.	
Holidays Act 2003	People & Culture	Partial compliance - issues with complex rules, configurations and payment types for leave codes existing in the payroll system.	In progress – Management is currently working through the project remediation phase to meet holiday act compliance. The team is exploring options of a new payroll system.	
Public Records Act 2005	Smart Council	Partial compliance - Exceptions related to adequate monitoring and reporting on organisational recordkeeping .	In progress – We have moved into a new system that has better monitoring and reporting, and we plan to develop in this in 2022/23.	

Act	Group	Description	Management Actions	Key
Privacy Act 2020	Strategy & Governance	Partial compliance – inadvertent releases of information which have resulted in complaints and corrective action.	In progress – A Privacy Maturity Assessment was conducted by the Business Assurance & Integrity team in late 2021. The recommendations will help identify where and how to focus efforts to strengthen compliance.	
Sale and Supply of Alcohol Act 2012	Planning & Environment	Partial compliance – relating to collection of unpaid alcohol licensing fees to assist the hospitality area.	In progress – Discussions over debt management have taken place. The business unit is also introducing a new QMS for alcohol processes.	
Vulnerable Children Act 2014	People & Culture	Partial compliance – the three yearly safety re-check requirements for children's workers were not all completed.	In progress – The Council has completed an initial review of the existing policy. Re-checks are in progress.	
Local Government Acts 1974 & 2002	Strategy and Governance + All service delivery areas	Partial compliance with Section 17A to review the cost-effectiveness of services delivered for meeting the needs of communities for good quality local infrastructure, local public services, and performance of regulatory functions.	In progress – Section 17A of the Act remains an area where further work is required. This requirement is being built into either business planning activity service plans to achieve greater consistency and compliance in the organisation.	
	Infrastructure & Delivery	Obligations and restrictions relating to provision of water services	In progress – More work is needed to understand the Act and its requirements. A new lead manager was appointed during the year.	
	Finance & Business	Part 6 Subpart 4 - borrowing, along with clause 104 and 105 Partial compliance attestation. A new lead manager has been appointed during the year.	In progress – Actions to enhance team capability and upskilling on relevant sections of the Act. Ensuring we are continuously monitoring for compliance against policies.	
Climate Change Response Act 2002	Planning & Environment	Partial compliance – Requirements including financial and forestry obligations are not currently attested to.	In progress – Responsibilities of business unit managers under this Act need to be clarified.	
Land Transport Act 1998	Planning & Environment	Partial compliance attestation. A new lead manager has been appointed for the act during the year.	In progress – Additional training for compliance with the Act.	
Trusts Act 2019	Strategy & Governance	Partial compliance attestation. A new lead manager has been appointed during the year.	No actions were reported.	
Te Tiriti o Waitangi	Strategy & Governance	No compliance attestation. The embodiment of Te Tiriti o Waitangi, its principles and specific provisions for Māori are included in other Acts, in particular: Local Government, Reserves, Land Transport Management, and Public Works Acts.	In progress – Work in progress to understand how business units can demonstrate and confidently attest to the specific provisions for Māori outcomes. Tupiki Ora Māori Strategy has been adopted and development of the action plan is in progress.	
Civil Defence Emergency Management Act 2002	Infrastructure & Delivery	Breaches to act conditions are unlikely. A new lead manager has been appointed for the act during the year.	In progress – There is a continued focus on developing systems and processes.	

Key: Timeframe Process improvements Roles & responsibilities Other

Attachment 1: Key Acts for 2021-22

List of key Acts and the Lead Manager responsible for completing the annual legislative attestation form:

#	Key Act	Lead ELT	Lead T3 Manager
1.	Residential Tenancies Act 1986	Chief Customer and Community Officer	Angeliqe Jackson
2.	Summary Proceedings Act 1957	Chief Customer and Community Officer	Kevin Black
3.	Biosecurity Act 1993	Chief Customer and Community Officer	Paul Andrews
4.	Burial and Cremation Act 1964	Chief Customer and Community Officer	Paul Andrews
5.	Reserves Act 1977	Chief Customer and Community Officer	Paul Andrews
6.	Wellington Town Belt Act 2016	Chief Customer and Community Officer	Paul Andrews
7.	Freedom Camping Act 2011	Chief Customer and Community Officer	Paul Andrews
8.	Companies Act 1993	Chief Strategy and Governance Officer	Anna Calver
9.	Trusts Act 2019	Chief Strategy and Governance Officer	Anna Calver
10.	Public Records Act 2005	Chief Digital Officer	Nadia Webster
11.	Rating Valuations Act 1998	Chief Digital Officer	Nadia Webster
12.	Crimes Act 1961 – involving computers	Chief Digital Officer	Hein Beukes
13.	Local Government (Rating) Act 2002	Chief Financial Officer	Richard Marshall
14.	Goods and Services Tax Act 1985	Chief Financial Officer	Raina Kereama
15.	Income Tax Act 2007	Chief Financial Officer	Raina Kereama
16.	Rates Rebate Act 1973	Chief Financial Officer	Michael Nyamudeza
17.	Land Transport Management Act 2003	Chief Infrastructure Officer	Brad Singh / Vida Christeller
18.	Land Transport Act 1998	Chief Infrastructure Officer	Brad Singh / Vida Christeller
19.	Utilities Access Act 2010	Chief Infrastructure Officer	Brad Singh
20.	Civil Defence Emergency Management Act 2002	Chief Infrastructure Officer	Chris Mathews
21.	Climate Change Response Act 2002	Chief Planning Officer	Alison Howard
22.	Waste Minimisation Act 2008	Chief Infrastructure Officer	Chris Mathews
23.	Employment Relations Act 2000	Chief People & Culture Officer	Carla Flynn
24.	Holidays Act 2003	Chief People & Culture Officer	Carla Flynn
25.	Human Rights Act 1993	Chief People & Culture Officer	Carla Flynn
26.	Wages Protection Act 1983	Chief People & Culture Officer	Carla Flynn
27.	Health and Safety at Work Act 2015	Chief People & Culture Officer	Wendi Henderson
28.	Vulnerable Children Act 2014	Chief People & Culture Officer	Wendi Henderson
29.	Building Act 2004	Chief Planning Officer	Mark Pattemore
30.	Dog Control Act 1996	Chief Planning Officer	Mark Pattemore
31.	Food Act 2014	Chief Planning Officer	Mark Pattemore
32.	Hazardous Substances and New Organisms Act 1996	Chief Planning Officer	Mark Pattemore
33.	Health Act 1956	Chief Planning Officer	Mark Pattemore
34.	Litter Act 1979	Chief Planning Officer	Mark Pattemore
35.	Resource Management Act 1991	Chief Planning Officer	Mark Pattemore / Vida Christeller
36.	Sale and Supply of Alcohol Act 2012	Chief Planning Officer	Mark Pattemore
37.	Construction Contracts Act 2002	Chief Planning Officer	Phil Becker
38.	Public Works Act 1981	Chief Planning Officer	Phil Becker
39.	Urban Development Act 2020	Chief Planning Officer	Phil Becker
40.	Heritage NZ Pouhere Taonga Act 2014	Chief Planning Officer	Sean Audain
41.	Weathertight Homes Resolution Services Act 2006	Chief Strategy and Governance Officer	Beth Keightley
42.	Copyright Act 1994	Chief Strategy and Governance Officer	Jennifer Parker
43.	Local Authorities (Members' Interests) Act 1968	Chief Strategy and Governance Officer	Jennifer Parker
44.	Local Electoral Act 2001	Chief Strategy and Governance Officer	Jennifer Parker
45.	Local Government Acts 1974 & 2002	Chief Strategy and Governance Officer	Multiple managers – see LGA* table
46.	Local Government Official Information and Meetings Act 1987 (LGOIMA)	Chief Strategy and Governance Officer	Richard Leverington, Jennifer Parker, Mark Pattemore
47.	Privacy Act 2020	Chief Strategy and Governance Officer	Richard Leverington
48.	Protected Disclosures Act 2000	Chief Strategy and Governance Officer	Richard Leverington

*Local Government Act 2002

Key Sections of the LGA	Lead ELT	T3 Managers
Part 2 Purpose of local government, and role and powers of local authorities	Chief Strategy and Governance Officer	Baz Kaufman
Part 4 Governance and management of local authorities and community boards	Chief Strategy and Governance Officer	Jennifer Parker
Part 5 Council-controlled organisations and council organisations	Chief Strategy and Governance Officer	Anna Calver
Part 6 Planning, decision-making, and accountability	Chief Strategy and Governance Officer	Baz Kaufman
Subpart 2 Reporting	Chief Financial Officer	Richard Marshall Sarah Houston-Eastergaard
Subpart 3 Financial management		
Subpart 4 Borrowing & Security		
Part 7 Specific obligations and restrictions on local authorities & other persons	Chief Infrastructure Officer	Chris Mathews
Subpart 1 Specific obligations to make assessments of water and sanitary services		
Subpart 2 Obligations and restrictions relating to provision of water services		
Subpart 3 Restrictions on disposal of parks, reserves, and endowment properties	Chief Customer and Community Officer	Paul Andrews
Subpart 4 Public libraries	Chief Customer and Community Officer	Laurinda Thomas
Part 8 Regulatory, enforcement & coercive powers of local authorities	Chief Strategy and Governance Officer Chief Infrastructure Officer Chief Financial Officer	Baz Kaufman Chris Mathews Brad Singh Richard Marshall
Subpart 1 Powers of local authorities to make bylaws		
Subpart 2 Enforcement powers		
Subpart 3 Powers in relation to private land		
Subpart 4 Powers in relation to water services and trade waste		
Subpart 5 Development contributions		
Subpart 6 Removal orders		

Note: This list of Acts is not exhaustive. All managers are responsible for ensuring that they have systems in place to ensure that the work completed by their teams complies with all relevant legislation.

Criteria for key Acts

The list of Key Acts for inclusion in the attestation process were identified with management. The list is based on judgement and guided by the following:

- scope of the Act can be applied to the Council (has specific TA powers & responsibilities)
- have implications for the Council as a regulator
- are important to achieving our strategic priorities
- have specific responsibilities and/or consequences for elected members
- policies, systems, and training are expected to be in place to manage compliance
- compliance is monitored and reported
- risk of non-compliance may lead to significant consequences
- require active management and plans to address compliance improvements.

STRATEGIC RISKS UPDATE SEPTEMBER 2022

Kōrero taunaki | Summary of considerations

Purpose

1. This report to Kāwai Māhirahira | Audit and Risk Subcommittee includes an update and papers related to the management of Wellington City Council's strategic risks. The paper covers:
 - a. strategic risks exception reporting
 - b. a proposed date of February 2023 for the annual review and update of the Strategic Risk Register
 - c. the results of our annual Enterprise Risk Maturity survey.
 - d. proposed work to align the strategic risk framework with Tūpiki Ora, our Māori Strategy

Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

- | | |
|--|---|
| Strategic alignment with priority objective areas from Long-term Plan 2021–2031 | <input type="checkbox"/> Sustainable, natural eco city |
| | <input type="checkbox"/> People friendly, compact, safe and accessible capital city |
| | <input type="checkbox"/> Innovative, inclusive and creative city |
| | <input type="checkbox"/> Dynamic and sustainable economy |
| | <input type="checkbox"/> Functioning, resilient and reliable three waters infrastructure |
| | <input type="checkbox"/> Affordable, resilient and safe place to live |
| | <input type="checkbox"/> Safe, resilient and reliable core transport infrastructure network |
| | <input type="checkbox"/> Fit-for-purpose community, creative and cultural spaces |
| | <input type="checkbox"/> Accelerating zero-carbon and waste-free transition |
| | <input type="checkbox"/> Strong partnerships with mana whenua |

Relevant Previous decisions

In February 2022, this subcommittee agreed to a strategic risks reporting format of a dashboard summary accompanied by exception reporting of risk profiles. It was also agreed that the full risk register would be reviewed annually to ensure it remains fit-for-purpose.

Significance

The decision is rated low significance in accordance with schedule 1 of the Council's Significance and Engagement Policy. The low rating is applied because there is no public involvement in any of the work outlined, and all work reported on has been previously outlined within the Risk Management team workplan, approved by this subcommittee in May 2022.

Financial considerations

- | | | |
|---|--|---|
| <input checked="" type="checkbox"/> Nil | <input type="checkbox"/> Budgetary provision in Annual Plan / Long-term Plan | <input type="checkbox"/> Unbudgeted \$X |
|---|--|---|

2. There are no financial considerations arising from this paper.

Risk

| Low | Medium | High | Extreme

3. This paper is assessed as low risk using the enterprise risk framework. The paper is not expected to introduce or exacerbate any risks to WCC. The paper outlines initiatives underway to build risk management maturity at WCC.

Author	Kim Wright, Principal Advisor Risk Management
Authoriser	Stephen McArthur, Chief Strategy & Governance Officer

Taunakitanga | Officers' Recommendations

Officers recommend the following motion

That Kāwai Māhirahira | Audit and Risk Subcommittee:

- 1) Receive the information
- 2) Agree the February 2023 date for a review of the WCC Strategic Risk Register
- 3) Agree to participation of subcommittee and elected members in WCC Strategic Risk Register review workshop(s)

Whakarāpopoto | Executive Summary

4. This report to Kāwai Māhirahira | Audit and Risk Subcommittee notes that while considerable work is in progress across the Council related to our Strategic Risks, there is not yet sufficient progress to change risk ratings. A February 2023 full review of the Strategic Risk Register is proposed, including elected members, members of this subcommittee, ELT and subject matter experts. The results of our annual enterprise risk maturity survey show an increase in maturity in all areas. The paper also notes plans to align our strategic risk framework with our Tūpiki Ora Māori Strategy and Tā kai Here partnership agreement with mana whenua.

Takenga mai | Background

5. In February 2022, this subcommittee approved an updated approach to reporting on WCC's Strategic Risks. At each subcommittee meeting a summary dashboard and exception reporting on significant changes to risks or implementation of key risk treatments is provided, as well as commentary on any emerging risks.

Kōrerorero | Discussion

Strategic Risks exception reporting

6. The summary dashboard is provided as Attachment 1. The Risk Management team with support from subject matter experts, has reviewed several risk profiles since our last reporting in May 2022 and noted key updates in the dashboard summary.
7. There has been progress in many areas, in particular capability and capacity building, key decisions at committee level (E.g., LGWM preferred option), and new digital tools to support maturity of processes and practice. At this time no risk assessments for any of our 14 threats require a review of the Maximum Credible Scenario assessment or a possible change in risk rating. A plan to review all threats and their risk assessment as part of a regular annual review of the Strategic Risk Register is discussed later in this paper.
8. Key risk treatments added to Strategic Risk Profiles reviewed since May 2022 are summarised below. More detail is provided in the Strategic Risks Summary Dashboard.

Threat	Key additions or highlights
Fraud	The indicative timeline for an update of digital financial systems is outlined
Cyberattack	WCC is considering support of CCO's cybersecurity
Earthquake and tsunami	An all-of-council Insurance Roadmap is under development
Other hazard emergency	Work underway on a review of our escalation pathways for events, and role clarification between WCC and Wellington Region Emergency Management Office
Inadequate planning and prioritisation	Implementation and testing are underway for WCC's new digital portfolio programme and project management software
Inadequate Harm Prevention	The Health Safety and Security team has grown in capability and capacity. The replacement for the <i>Risk Manager</i> incident reporting software has been purchased and implementation is in progress
Inadequate climate change response	LGWM preferred option agreed with partners. Business case approval for Wellington's Sludge minimisation solution.
Inadequate partnership practice	Signing of Tākai Here and release of co-authored Māori Strategy Tūpiki Ora. Increase in partnership capability and capacity through establishment of the Economic Wellbeing and CCOs Unit
Inadequate financial planning and practice	Agreement to establish a Community Housing Provider. An all-of-council Insurance Roadmap is under development

9. All current risk profiles are available to the Kāwai Māhirahira subcommittee members on request. We have not included any updated risk profiles as attachments to this report, as our risk treatment tracking has not indicated a change to the overall risk rating for any of our threats. The ratings provided in February 2022 stand. The exception is the updated rating for the COVID-19 scenario likelihood (from Likely to Almost Certain) provided at the May 2022 meeting.

Strategic Risks Register annual review

10. This subcommittee approved an updated approach to strategic risk assessment and reporting, and the contents of the revised Strategic Risk Register in February 2022. The updated approach includes an annual review of the risk register, to ensure the risk register remains fit-for-purpose. The contents of the risk register should provide this subcommittee with assurance that WCC is:
- identifying key threats to its day-to-day functioning and to delivery of its long-term strategic outcomes.
 - assessing the risks arising from these threats in a way that identifies the drivers and triggers of risks, what could be affected, contributing vulnerabilities, and the scale and nature of impacts on WCC and the city.

- managing risks through appropriate risk treatments, such as mitigation of impacts, decision-making to avoid risks, transfer via insurance, or acceptance of tolerable risks.
 - monitoring and reporting on risks and their management through the appropriate channels, such as KPI reporting, reports to ELT and committee and subcommittee reporting.
11. In February 2023, it will be one year since the adoption of the updated strategic risk framework. The Risk Management team proposes a workshop in this month to review the Strategic Risk Register contents. This workshop will include elected members, independent subcommittee members, ELT and subject matter expert representatives. A February workshop allows suitable orientation time for new elected and subcommittee members and avoids the busyness of end-of-year reporting. This report seeks your approval for the Risk Management team to work with Democracy Services to find a suitable date in February to hold the review workshop.
12. The Strategic Risk Register approved in February 2002 was developed through risk assessments involving ELT and officer subject matter experts. This subcommittee reviewed and provided feedback on the threats identified and their associated risk profiles. For the proposed review, involvement of this subcommittee and elected members is encouraged in particular for reassessment of risks arising from the external threats faced by WCC. As the internal threats focus on internal polices, operational systems and business processes, it may be more appropriate for assessment of these risks to remain officer-only, with subcommittee review. It is likely because of the number of threats identified, that external and internal threats will be assessed in separate workshops.
13. This paper provides options to gauge the subcommittee's views on the timing of the risk register review and degree of involvement in risk assessment for the agreed threats.

Annual Enterprise Risk Maturity Survey results

14. Each year WCC uses the Department of Internal Affairs provided All-of-government Enterprise Risk Maturity Assessment Framework (gERMAF) to self-assess our risk maturity performance. The Executive Leadership Team, Tier 3 managers, WCC Risk Champions and WCC risk practitioners are invited to participate. Our long-term target is a rating of 4 (out of a possible 5). Four is the maturity level recommended for an organisation of our size and complexity. This year's results show an increase in maturity in all areas.
15. Compared with last year, our overall rating has improved from 1.92 to 2.53. Of the twelve assessment themes, the greatest increases were in Strategic Risk Management (2.04 to 2.96) and Risk Monitoring and Reporting (1.59 to 2.47). While we still have work to do to reach our target maturity level, this is a positive result that reinforces the approach we are taking to build maturity and also reinforces areas where we can focus our efforts, such as resources, skills and training. A full report of the results is provided in Attachment 2.

Alignment of our Strategic Risk Framework with Tūpiki Ora

16. WCC's Tūpiki Ora Strategy outlines a vision, principles, outcomes and actions for the pursuit of wellbeing. The strategy guides the way for the Council, mana whenua and

Māori to work together for a thriving Wellington future. Tākai Here is the Council's partnership agreement with mana whenua and establishes the way the Council and Mana Whenua may partner to achieve mutually beneficial outcomes for the city.

17. The intention of this alignment work is not to substantially change our risk assessment framework but to enhance it with a clear narrative. This means better representing how risk management links to objectives and outcomes, and how it helps us to navigate that journey through building resilience and addressing vulnerabilities.
18. The Western-based concepts of 'risk' and 'hazard' are viewed differently within a Te Ao Māori | Māori worldview. However, there is alignment between Tūpiki Ora/ Tākai Here and our strategic risk approach because the intent of both is to describe actions to improve our ability to achieve objectives and outcomes for Wellington. Tūpiki Ora describes the shared journey to resilience and wellbeing, of Te hekenga waka, the voyaging waka. From a risk perspective, on such a journey we can expect to face setbacks and challenges. Risk management helps us understand our strengths and vulnerabilities and agree actions to maintain progress. By aligning our risk management narrative with Tūpiki Ora, WCC can provide important context on how understanding and managing risks helps our Council to function, and our communities to thrive. The alignment will also assess how we can better reflect consequences on the things most important to mana whenua, such as our wahi tapu and culturally important places and other Taonga.
19. This work is in the preliminary phases and will be delivered jointly by the Risk Management and Mataaho Aronui team. The anticipated timeframe for this update is six months. Incorporation of the aligned updates to the framework will ideally coincide with the February 2023 review of our Strategic Risks Register.

Whai whakaaro ki ngā whakataunga | Considerations for decision-making

Alignment with Council's strategies and policies

20. This paper provides an update on Strategic Risks to WCC's functioning and delivery of BAU services and work to support delivery of WCC's goals and priorities.

Engagement and Consultation

21. This paper does not involve public consultation or participation. Risk profiles are reviewed in consultation with appropriate subject matter experts.

Implications for Māori

22. We will align the Strategic Risk Framework with the Tūpiki Ora, our Māori Strategy and Tākai Here our mana whenua partnership agreement. It is anticipated this alignment will largely focus on the language we use to describe risks, as well as how we capture vulnerabilities of, and consequences to, elements of importance to Māori outcomes. This work will be undertaken jointly by the Risk Management team and the Mataaho Aronui Māori Strategy team. While the results will of this work not directly impact Māori citizens of Wellington, this alignment demonstrates WCC's commitment to representation of Te Ao Māori in the work we do for our city.

Financial implications

23. There are no financial implications arising from this paper

Legal considerations

24. There are no legal considerations associated with this paper

Risks and mitigations

25. This paper is assessed as low risk using the enterprise risk framework. The paper is not expected to introduce or exacerbate any risks to WCC. The paper outlines initiatives underway to build risk management maturity at WCC.

Disability and accessibility impact

26. There are no disability or accessibility impacts or implications from this paper

Climate Change impact and considerations

27. Risks and their treatment associated with Inadequate Climate Change Response are included in Strategic Risk reporting as part of summary dashboard an exception reporting. Communications Plan

28. This paper describes work internal to WCC with no public participation. The results of all strategic risks work are provided to the ELT as part of our monthly reporting.





Health and Safety Impact considered

29. There are no health and safety impacts arising from this paper.

Ngā mahinga e whai ake nei | Next actions

30. The Risk Management Team will:
- continue work on alignment of the Strategic Risk Framework with Tūpiki Ora and Tākai Here and provide an update at the next subcommittee meeting.
 - The Risk Management Team will plan for a review of the Strategic Risk Register
 - The Risk Management Team will continue monitoring on progress across to manage our Strategic Risks

Attachments

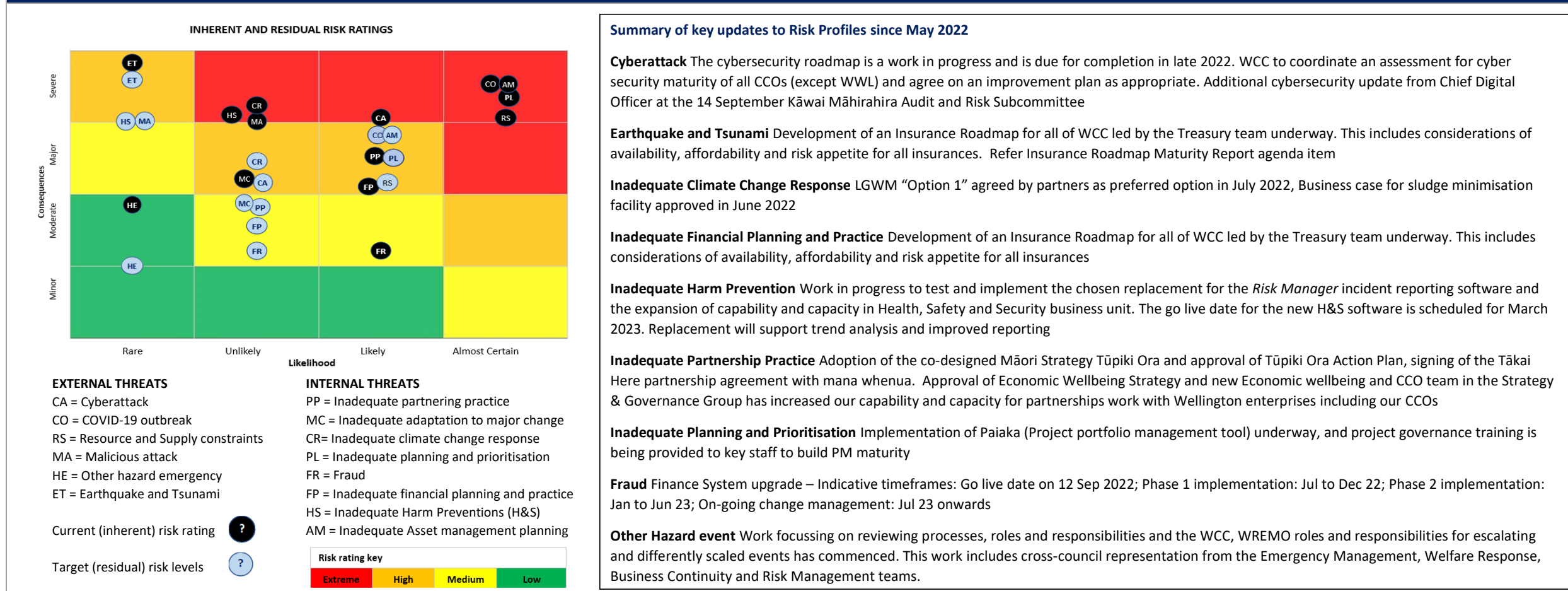
Attachment 1.	Strategic Risks Summary Dashboard August 2022  	Page 43
Attachment 2.	Enterprise Risk Survey Results 2021-22  	Page 45

WELLINGTON CITY COUNCIL STRATEGIC RISKS SUMMARY

August 2022

Ratings as of August 2022	EXTERNAL THREATS						INTERNAL THREATS								
	Cyber-attack (CA)	Covid-19 outbreak (CO)	Resource & supply constraints (RS)	Malicious attack (MA)	Other hazard emergency (HE)	Earthquake and tsunami (ET)	Inadequate partnering practice (PP)	Inadequate adaptation to major change (MC)	Inadequate response to climate change (CR)	Inadequate planning & prioritisation (PL)	Fraud (FR)	Inadequate financial practice (FP)	Inadequate harm prevention (HS)	Inadequate Asset Management Planning (AM)	
Overall Risk Rating (max credible - inherent)	Extreme/High	Extreme	Extreme	Extreme/High	Low	High	High	High	High	High	Extreme	Medium	High/Medium	Extreme/High	Extreme
Likelihood	Likely	Almost certain	Almost certain	Unlikely	Rare	Rare	Likely	Unlikely	Unlikely	Almost certain	Likely	Likely	Unlikely	Almost Certain	
Overall Consequences Rating	Severe	Severe	Severe	Severe	Moderate	Severe	Major	Major	Severe	Severe	Moderate	Major	Severe/Major	Severe	
Target Risk rating (max credible - residual)	High	High	High	High	Low	Rare	Medium	Medium	High	High	Medium	Medium	High/medium	High	
Target likelihood	Unlikely	Likely	Likely	Rare	Rare	Rare	Unlikely	Unlikely	Unlikely	Likely	Unlikely	Unlikely	Rare	Likely	
Target consequences	Major	Major	Major	Severe/major	Minor/Moderate	Severe/Major	moderate	Moderate	Major	Major	Moderate	Moderate	Severe/Major	Major	
Change in reporting period (overall risk)	↔	↔	↔	↔	↔	↔	↔	↔	↔	↔	↔	↔	↔	↔	

Risk summary



Reviewed August 2022

Inherent risk levels and consequences ratings summary - Maximum credible scenarios with no additional risk management in place

	EXTERNAL THREATS						INTERNAL THREATS							
Ratings as of April 2022	Cyber-attack (CA)	Covid-19 outbreak (CO)	Resource & supply constraints (RS)	Malicious attack (MA)	Other hazard emergency (HE)	Earthquake and tsunami (ET)	Inadequate partnering practice (PP)	Inadequate adaptation to major change (MC)	Inadequate response to climate change (CR)	Inadequate planning & prioritisation (PL)	Fraud (FR)	Inadequate financial practice (FP)	Inadequate harm prevention (HS)	Inadequate asset management planning (AM)
Overall Risk Rating (max credible – inherent)	Extreme/High	Extreme	Extreme	Extreme/High	Low	High	High	High	High	Extreme	Medium	High/Medium	Extreme/High	Extreme
Likelihood	Likely	Almost certain	Almost certain	Unlikely	Rare	Rare	Likely	Unlikely	Unlikely	Almost certain	Likely	Likely	Unlikely	Almost certain
Overall Consequences Rating	Severe	Severe	Severe	Severe	Moderate	Severe	Major	Major	Severe	Severe	Moderate	Major	Severe/Major	Severe
Democracy and governance	Moderate	Moderate	Minor	Moderate	Minor	Major	Moderate	Minor	Minor	Minor	Minor	Minor	Minor	Minor
Partnerships and relationships	Minor	Minor	Moderate	Minor	Minor	Moderate	Major	Moderate	Major	Moderate	Minor	Minor	Moderate	Moderate
Critical service delivery	Moderate	Moderate	Moderate	Minor	Minor	Severe	Minor	Minor	Severe	Moderate	Minor	Minor	Minor	Severe
Wellbeing services delivery	Moderate	Major	Moderate	Moderate	Minor	Major	Minor	Minor	Moderate	Moderate	Minor	Minor	Minor	Moderate
Community wellbeing	Moderate	Severe	Minor	Moderate	Moderate	Severe	Minor	Minor	Major	Minor	Minor	Minor	Moderate	Severe
Priority Investment projects & programmes	Moderate	Severe	Severe	Minor	Minor	Severe	Major	Moderate	Major	Severe	Minor	Major	Moderate	Major
Environment	Minor	Moderate	Moderate	Minor	Minor	Major	Minor	Moderate	Moderate	Moderate	Minor	Minor	Minor	Major
Reputation and trust	Major	Moderate	Moderate	Minor	Moderate	Moderate	Major	Moderate	Major	Severe	Moderate	Moderate	Major	Major
Health & Safety	Moderate	Major	Moderate	Severe	Major	Severe	Moderate	Major	Moderate	Major	Moderate	Minor	Severe	Moderate
Capability and capacity	Minor	Major	Moderate	Major	Minor	Major	Minor	Minor	Moderate	Major	Minor	Minor	Moderate	Minor
Our critical assets	Minor	Moderate	Moderate	Minor	Minor	Severe	Minor	Minor	Moderate	Moderate	Minor	Minor	Minor	Major
Our finances	Moderate	Severe	Major	Moderate	Minor	Severe	Minor	Moderate	Moderate	Major	Minor	Moderate	Minor	Major
Data, information and tools	Severe	Minor	Minor	Minor	Minor	Major	Minor	Moderate	Minor	Minor	Minor	Minor	Minor	Moderate
Legal regulatory and compliance	Major	Minor	Minor	Moderate	Moderate	Moderate	Moderate	Minor	Major	Moderate	Minor	Minor	Major	Major

This table indicates key vulnerabilities or consequence areas of focus for reducing strategic risks to our organisation. Our Priority Investment projects and programmes are shown as most vulnerable to a range of threats, followed by the physical and mental wellbeing (Health & Safety) of WCC staff.

Emerging Risks

Emerging Risks or items of note for Kāwai Mahirahira

Staff capability and capacity: The pressures driving the *Resource and Supply* risk continue to increase and WCC is experiencing continued recruitment challenges for skilled workers. In addition to Staff capacity and capability being pressured both by resource and supply change constraints, we are now seeing impacts from “the Great Resignation”. This is being demonstrated through an increase in turnover rates and pandemic-driven changes in workforce attitudes, and remuneration expectations. *Carried over from May 2022 reporting – this remains a concern in August 2022 A new risk treatment in place is that WCC is now an accredited employer and able to recruit talent from outside New Zealand.*

Climate change influence on natural hazards: Although not a new risk and covered in both the *Inadequate climate change response* and *Other hazard emergency* risk profiles, the heavy rainfall in August 2022 and number of urban landslide events identified challenges due to risks associated with *resource (contractor) supply pressures*. When our neighbouring councils are also affected by events competition for response contractors can be tight. If emergency response structures are not in place, coordination of limited resources across jurisdictions is unclear and our capacity to respond may be delayed.

Lowering social cohesion: This threat is not associated with peaceful and legitimate protest, rather a breakdown of trust and societal cohesion with specific individuals and groups. The recent occupation of parliament has highlighted that disaffected and marginalised members of society are becoming increasingly influenced by misinformation and/or conspiracies and becoming more distrustful of central and local government and the mainstream media. There are also individuals and groups with malicious intent that are increasingly targeting government pandemic response initiatives. As the nation’s capital, Wellington is a target for anti-government sentiment, and this increase the risk for our City. This lowering of trust and societal cohesion has created an environment where WCC staff and the people of Wellington have experienced during the occupation, and still perceive, an increased threat of online or physical harm or disruption. *This remains a concern throughout the election period as WCC due to a rise in anti-democracy rhetoric in the current local government election period*

Reviewed August 2022



OUR RISK MANAGEMENT MATURITY HEALTH CHECK

ENTERPRISE RISK MATURITY BENCHMARK SURVEY RESULTS | 2021-22

Presented to Audit and Risk Subcommittee 14 September 2022

1. Executive Summary

This report highlights the results of Wellington City Council's fifth Annual Enterprise Risk Maturity Benchmark Survey conducted between 05-26 August 2022. Risk Maturity is assessed using the All-of-Government (AoG) Enterprise Risk Maturity Assessment Framework (gERMAF) (Figure 1), administered by the Department of Internal Affairs (DIA).

The purpose of this self-assessment is to support Council to track our maturity over time and identify areas for improvement to lift risk management capability across the organisation. The results help us to better engage and manage risks and opportunities at strategic and operational level and align our risk management practice with Risk Management Standard ISO31000 (2018) principles and frameworks.

Council's target maturity level is 4 out of a possible 5, based on our size and complexity. This target score has been consistent since 2017-18 as there have been no significant changes in our size or function.

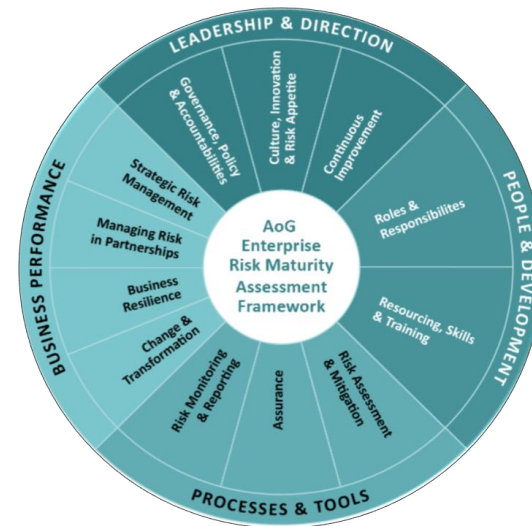
Forty-three council staff took part in the survey. **Our overall risk maturity level has increased by 32% to 2.53.** This compares favourably with a rating of 1.92 and 33 participants in 2021.

Although our overall results are encouraging, with an increase in rating for every attribute, at an individual level, 4 of the 12 attributes are clearly weaker: Managing Risk in Partnerships, Resourcing, Skills and Training, Culture, Innovation and Risk Appetite, Change and Transformation.

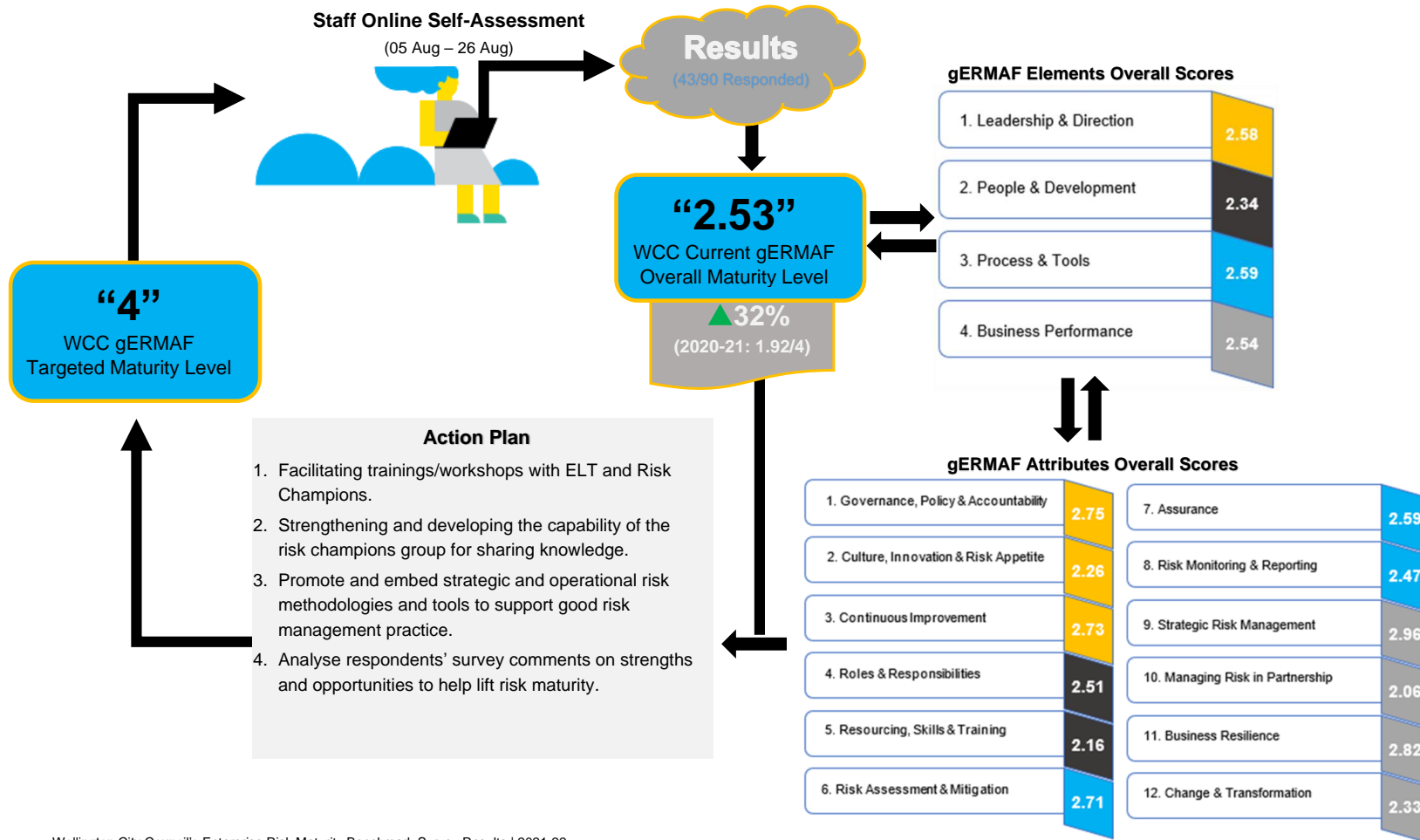
The Risk Management Team's annual work plan approved by the Audit and Risk Subcommittee includes activities to lift scores in these attributes, including development risk appetite statements, facilitating workshops, further work to embed and promote our updated operational risk management processes, methodologies, and reporting, strengthening our Risk Champions network and working directly with our Business Units. The team will analyse respondents' survey comments on strengths and opportunities for further consideration as part of our work plan where appropriate.

Note on participation: We invited the largest number of staff to participate yet (90). Forty-three staff completed the survey. This compares with 2020-21 (69) and 2019-20 (34). Invitations to participate were sent to ELT members, Tier 3 managers, and to the WCC Risk Champions.

Figure 1: gERMAF Overview showing the four main themes of risk maturity “elements” and their composite twelve areas explored in the survey “attributes”. (Refer Appendix 1 for details)



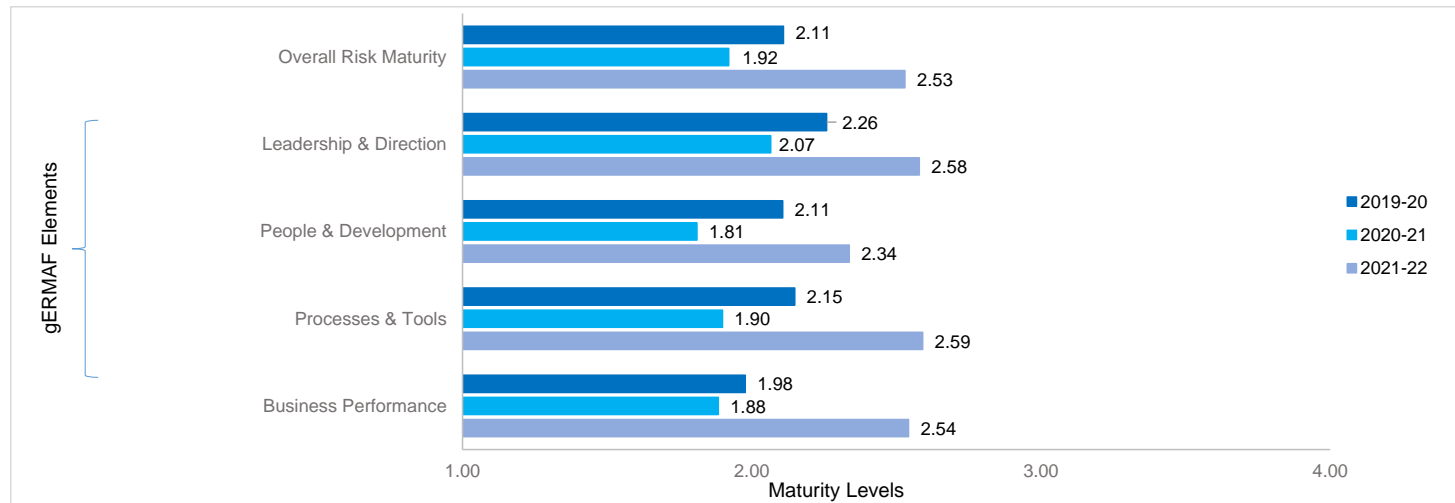
2. Annual survey process overview



Wellington City Council’s Enterprise Risk Maturity Benchmark Survey Results | 2021-22

3. Detailed results and commentary

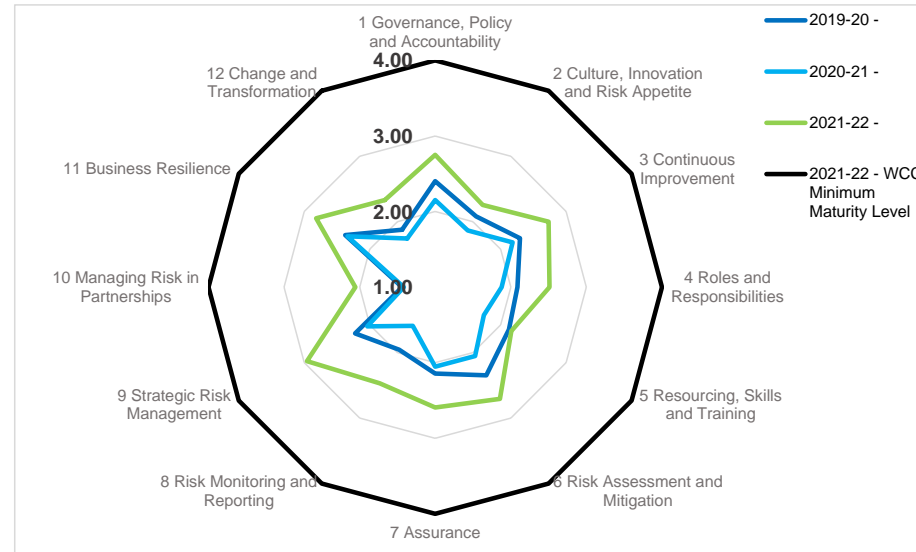
Figure 2: Overall WCC risk maturity and gERMAF element level maturity



Overall Risk Maturity: WCC overall risk maturity has significantly improved in the past 3 years, with an increase in maturity level by 32% from 43 out of 90 participants who completed the survey. There is a gap of 1.47 to achieve our current targeted maturity level set at 4.

Elements commentary: There have been improvements across all elements and while three are similar in their ratings *People and development* scores lower than the three other areas. The past year has been largely focussed on improving strategic and operational risk assessment and reporting tools and methods to support officers to improve their risk practice. The focus in the 2022-23 year will be to continue improvements in those areas but the key focus will be on promotion, training and advisory support to spread and embed improved risk management practice throughout the organisation.

Figure 3: What is WCC Risk Maturity at the gERMAF Attributes Level?



gERMAF Attributes	2019-20	2020-21	2021-22
1. Governance, Policy and Accountability	2.40	2.15	2.75
2. Culture, Innovation and Risk Appetite	2.08	1.86	2.26
3. Continuous Improvement	2.29	2.18	2.73
4. Roles and Responsibilities	2.09	1.88	2.51
5. Resourcing, Skills and Training	2.13	1.74	2.16
6. Risk Assessment and Mitigation	2.35	2.05	2.71
7. Assurance	2.14	2.05	2.59
8. Risk Monitoring and Reporting	1.96	1.59	2.47
9. Strategic Risk Management	2.22	2.04	2.96
10. Managing Risk in Partnerships	1.44	1.42	2.06
11. Business Resilience	2.38	2.34	2.82
12. Change and Transformation	1.88	1.74	2.33
Total	2.11	1.92	2.53

Attributes: Each of these twelve attributes supports the four elements described in *Figure 2*. These attributes provide more detail on our strengths and weaknesses. The general pattern of areas of strength and weakness has remained similar over the years, with all attributes showing a maturity increase in 2021-22.

The actions below are included in the 2022-23 Risk Management Workplan and target specific areas for improvement [attribute number shown in brackets].

Action: Risk Management team has a strong focus on outreach in this year's work plan [3, 5]

Action: The Risk Management Team has secured a corporate membership with [RiskNZ](#), which allows WCC to register up to 40 staff to access online resources and webinars, in-person seminars, as well as make connections with risk practitioners. Those with access will be encouraged and supported to share lessons with others at WCC [3, 5]

Action: Our Risk Champions 2022-23 Workplan covers training and development as one of the high priority areas, including practical workshop-based training [3, 5].

Action: Development of Risk Appetite statements [2]

Action: Supporting BUs in their operational risk assessments, recording and reporting risks using the operational risk register [5, 6].

Action: Analysis of all risk information included in Business Unit plans to provide all-of-council operational risk reporting to ELT [8]

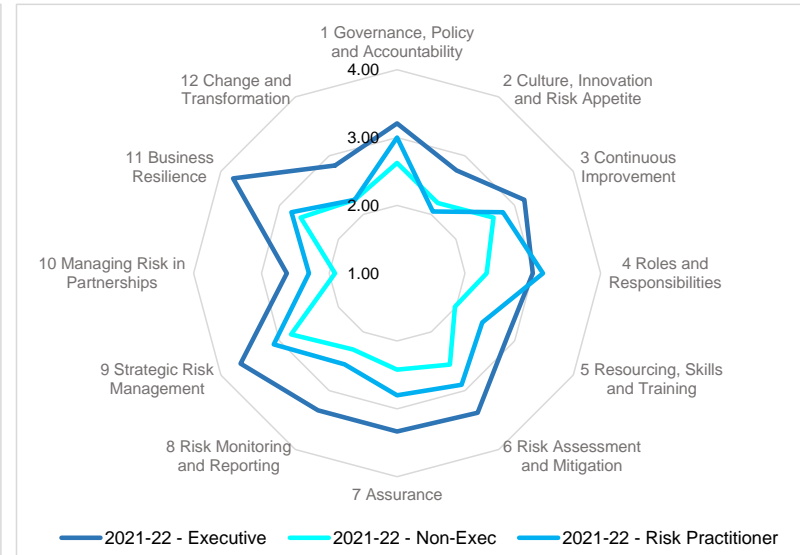
Action: Alignment of the risk management framework with Tūpiki Ora Māori Strategy and Tākai Here partnership agreement [1, 3]

However, *Managing risks in partnerships*, and *Change and transformation* will require significant cross-council effort, outside of the Risk Management team's workplan. These are both areas that also rated lower in other Public Service Agencies.

Figure 4: Do risk management perspectives vary based on organisational role?



Figure 5: 2021-22 gERMAF Attributes Maturity – by role



ELT members have a more positive perception of risk maturity than non-executives and risk practitioners.

Action: Through our 2022-23 work plan, the Risk Management team is focussed on risk engagement through increasing the visibility and accessibility of risk management tools for non-executives and risk practitioners by providing advice, resources and training for both strategic and operational risk management.

Appendix 1 – Maturity Element and Attribute Descriptions

Table 1: Attribute Description

Elements	Attributes	Descriptions
Leadership & Direction	Governance, Policy & Accountabilities	There is a comprehensive governance framework in place that explicitly assigns individual roles and responsibilities for managing risks, including risks with core partners.
	Culture, Innovation & Risk Appetite	Organisational values and behaviours clearly support risk informed decision making and there is a comprehensive risk appetite statement in place that includes a common definition of innovation.
	Continuous Improvement	There is a regular formal review of risk management practices to identify improvements.
People & Development	Roles & Responsibilities	Risk management roles and responsibilities are documented and communicated for all risk areas and are consistently reflected in position descriptions.
	Resources, Skills & Training	Risk management activities are adequately resourced with assessment of skills and training undertaken on a regular basis.
Processes & Tools	Risk Assessment & Mitigation	Risk assessment processes and templates are defined and applied consistently across the Council. Risk mitigation plans align to agreed tolerance levels.
	Assurance	Risk-based assurance is consistently provided over Council changes, policy and operational areas including activities undertaken by core partners.
	Risk Monitoring & Reporting	The senior management team regularly receives risk information aligned to business outcomes to support decision making and management action.
Business Performance	Strategic Risk Management	Strategic risks and opportunities are explicitly identified and documented in the Council's strategic plan together with planned responses.
	Managing Risk in Partnerships	There is a comprehensive partnering policy that addresses how to identify, assess and manage risks, including arrangements for risk ownership and sharing of risk information.
	Business Resilience	Disruptive and extreme events are comprehensively assessed on a regular basis and there are mechanisms in place to monitor, respond, anticipate and learn from these events.
	Change & Transformation	There is a comprehensive risk assessment process for approving significant change initiatives based on a portfolio view of risk related to change and transformation.

Source: All-of-Government Enterprise Risk Maturity Assessment Framework – Core Expectations - <https://www.digital.govt.nz/assets/Standards-guidance/Governance/AoG-enterprise-risk-maturity-assessment-framework.xlsx>

CCO RISKS THAT IMPACT ON COUNCIL'S GROUP RISK

Kōrero taunaki | Summary of considerations

Purpose

1. This report to Kāwai Māhirahira | Audit and Risk Subcommittee outlines:
 - How Council Controlled Organisation (CCO) risks are managed and reported.
 - CCO risks that have an implication for WCC group risk.

Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

- | | |
|--|--|
| Strategic alignment with priority objective areas from Long-term Plan 2021–2031 | <input checked="" type="checkbox"/> Sustainable, natural eco city |
| | <input checked="" type="checkbox"/> People friendly, compact, safe and accessible capital city |
| | <input checked="" type="checkbox"/> Innovative, inclusive and creative city |
| | <input checked="" type="checkbox"/> Dynamic and sustainable economy |
| | <input type="checkbox"/> Functioning, resilient and reliable three waters infrastructure |
| | <input checked="" type="checkbox"/> Affordable, resilient and safe place to live |
| | <input type="checkbox"/> Safe, resilient and reliable core transport infrastructure network |
| | <input checked="" type="checkbox"/> Fit-for-purpose community, creative and cultural spaces |
| | <input checked="" type="checkbox"/> Accelerating zero-carbon and waste-free transition |
| | <input checked="" type="checkbox"/> Strong partnerships with mana whenua |

Relevant Previous decisions

CCO risk registers were presented as part of the process of approving the 22/23 CCO Statements of Intent at the June 2022 Finance & Performance Committee meeting.

Significance

The decision is rated low significance in accordance with schedule 1 of the Council's Significance and Engagement Policy.

Financial considerations

- | | | |
|---|--|---|
| <input checked="" type="checkbox"/> Nil | <input type="checkbox"/> Budgetary provision in Annual Plan / Long-term Plan | <input type="checkbox"/> Unbudgeted \$X |
|---|--|---|

Risk

- | | | | |
|---|---------------------------------|-------------------------------|----------------------------------|
| <input checked="" type="checkbox"/> Low | <input type="checkbox"/> Medium | <input type="checkbox"/> High | <input type="checkbox"/> Extreme |
|---|---------------------------------|-------------------------------|----------------------------------|

2. This paper is reporting on risk. It does not create or exacerbate risks to the Council. It provides a summary of CCO risks and those that have an implication for WCC.

Author	Jamie Crump, Manager CCO Partnerships & Planning
Authoriser	Stephen McArthur, Chief Strategy & Governance Officer

Taunakitanga | Officers' Recommendations

Officers recommend the following motion

That Kāwai Māhirahira | Audit and Risk Subcommittee:

- 1) Receive the information.
- 2) Note the Council Controlled Organisation (CCO) risks that have an implication for Council group risk.
- 3) Note that more fulsome CCO risk information is contained in CCO Statements of Intent and regular reporting through the Pūroro Tahua | Finance & Performance Committee.

Takenga mai | Background

How CCO risks are managed and reported

3. CCOs independently manage Council facilities and deliver services and activities to Wellington residents and visitors to Wellington.
4. Each CCO has a robust risk management framework and register that is reviewed regularly at executive and Board level to identify events and/or circumstances as well as the probability and impact that these have on their operation. Each CCO risk register is available to Council to view on request.
5. Each CCO Board operates a Finance, Audit & Risk Committee that meets regularly throughout the year (the only exception being the Cable Car due to the size of the organisation).
6. CCO risks are operational risks as opposed to strategic risks. These operational risks are managed through existing work programmes.
7. Each CCO has a business continuity plan, and where applicable has a plan for each individual site/venue that it manages.
8. CCO risks are formally highlighted and reported as and when necessary as part of their quarterly reports to Council and in their Statement of Intent to the Finance and Performance Committee. On an informal basis risks are highlighted as part of regular in person meetings that the WCC Economic Wellbeing and CCO team has with each individual CCO.

CCO risks that have an implication for WCC group risk

9. Some CCO risks have implications for Wellington City Council (WCC), these are captured through our strategic risk assessment and reporting framework to the Audit and Risk Subcommittee.
10. These CCO risks are not assessed as standalone threats to WCC but as possible contributors to WCC's strategic risks.
11. The ongoing impacts of COVID-19, closure of venues, and cancellation of events on international and local visitor-derived revenue has been a significant risk for several of our CCOs. This is captured in our strategic risk reporting through noting in our COVID-19 risk profile that the pandemic is impacting on delivery of our community wellbeing

services, including those of our partners/CCOs, and that additional financial support for businesses impacted by COVID provided through response mechanisms such as the Covid Relief Package have had implications on WCC's budget.

12. Cybersecurity risks to our CCO's have recently been added to our cyberattack risk profile. Work is being planned to coordinate an assessment for cyber security maturity of all CCOs (except Wellington Water Limited) and agree on an improvement plan as appropriate.
13. The changing insurance landscape for CCOs could have financial implications for WCC. A new risk treatment recorded on our Inadequate Financial Planning and Practice risk profile is development of an all-of-Council Insurance Maturity Roadmap, led by WCC Treasury (NB: the Audit & Risk subcommittee will be receiving a paper on this initial roadmap as part of the 14 September 2022 meeting). This includes considerations such as future pricing and availability of insurance in a city known to be seismically active, and taking climate change impacts on other natural hazards into account.
14. A further CCO risk that has an implication for WCC group risk are health and safety risks predominantly related to building assets (e.g. the Opera House and the Bond Store) as a result of natural disasters.
15. The risks referred to in this paper do not include Wellington Water Limited (WWL). Reporting on risks associated with major infrastructure projects delivered in partnerships, including with WWL, is provided to Pūroro Waihanga | Infrastructure Committee. It is also captured in WCC's Inadequate partnership practice strategic risk.

Kōwhiringa | Options

16. A potential improvement to how CCO risks are reported could be for the Strategic Risk Register dashboard 'Emerging Risks' content to include commentary on any new or increasing CCO risks that may have implications for WCC in the future.
17. Continue with the current frequency and process of formally reporting CCO risks to Council (i.e. via formal CCO Quarterly Reporting, Statements of Intent and an annual summary paper on CCO risks that have an implication for WCC), OR should they be desired, suggest enhancements for reporting CCO risks.

Ngā mahinga e whai ake nei | Next actions

18. Make any desired enhancements to how CCO risks are formally reported to Council.

Attachments

Nil

INSURANCE MATURITY ROADMAP REPORT

Kōrero taunaki | Summary of considerations

Purpose

1. This report to Kāwai Māhirahira | Audit and Risk Subcommittee is intended to outline current market trends, summarise work done since last meeting, and introduce the work currently being performed to align our insurance workstreams with best practice.
2. The recommended workplan, developed by officers and AON, is intended to transition Wellington City Council out of a transactional insurer cycle to a strategic insurer position over a 3 – 6 year timeframe.

Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

- | | |
|--|---|
| Strategic alignment with priority objective areas from Long-term Plan 2021–2031 | <input type="checkbox"/> Sustainable, natural eco city |
| | <input type="checkbox"/> People friendly, compact, safe and accessible capital city |
| | <input type="checkbox"/> Innovative, inclusive and creative city |
| | <input checked="" type="checkbox"/> Dynamic and sustainable economy |
| | <input type="checkbox"/> Functioning, resilient and reliable three waters infrastructure |
| | <input checked="" type="checkbox"/> Affordable, resilient and safe place to live |
| | <input type="checkbox"/> Safe, resilient and reliable core transport infrastructure network |
| | <input type="checkbox"/> Fit-for-purpose community, creative and cultural spaces |
| | <input type="checkbox"/> Accelerating zero-carbon and waste-free transition |
| | <input type="checkbox"/> Strong partnerships with mana whenua |

Relevant Previous decisions

At the Kāwai Māhirahira | Audit and Risk Subcommittee on 3 May 2022, it was agreed for council officers to report back in September with an action plan for insurance.

Significance

The decision is rated low significance in accordance with schedule 1 of the Council's Significance and Engagement Policy as it is a strong logical step from a prior decision.

Financial considerations

- | | | |
|------------------------------|---|---|
| <input type="checkbox"/> Nil | <input checked="" type="checkbox"/> Budgetary provision in Annual Plan / Long-term Plan | <input type="checkbox"/> Unbudgeted \$X |
|------------------------------|---|---|

3. Financial considerations and risks have been discussed throughout the paper and the attached report

Risk

- | | | | |
|---|--|-------------------------------|----------------------------------|
| <input checked="" type="checkbox"/> Low | <input checked="" type="checkbox"/> Medium | <input type="checkbox"/> High | <input type="checkbox"/> Extreme |
|---|--|-------------------------------|----------------------------------|
4. Financial considerations and risks have been discussed throughout the paper and the attached report

Author	Sarah Houston-Eastergaard, Treasurer
Authoriser	Sara Hay, Chief Financial Officer

Taunakitanga | Officers' Recommendations

Officers recommend the following motion

That Kāwai Māhirahira | Audit and Risk Subcommittee:

- 1) **Receive** AON's Insurance Roadmap report and workplan.
- 2) **Endorse** the work plan set out in Appendix A to the Insurance Roadmap report (Attached).
- 3) **Agree** that Council officers will report back to the committee on a regular basis as a standing item on the Kāwai Māhirahira | Audit and Risk Subcommittee on progress against the workplan.

Whakarāpopoto | Executive Summary

5. As insurance markets react to larger and more frequent risk events, Wellington City Council faces higher costs for less insurance cover.
6. Council officers, working with our insurance brokers, AON, have initiated a work programme to assess the current insurance landscape for Council and how we can do better in this space to ensure we are managing risks in the most cost effective and efficient manner.

Takenga mai | Background

7. In 2015 Wellington City Council were one of the first councils in New Zealand to develop an Insurance and Risk Management Strategy, an internal document outlining the council's key insurance risks and how these risks should be managed.
8. This document enabled Council to look at the risks and dependency on the insurance market and developed the current thinking around how we manage insurance.
9. Since 2015 insurance markets have hardened significantly in response to evolving risks. The Material Damage markets began hardening, with the Liability markets following this trend from 2017.
10. The 2015 Insurance Strategy recognised that Council was under insured for Material Damage risks and recommended that the amount of insurance purchased was increased. At the time this was practical.
11. Since 2017 Council has struggled to fill its full requirement for cover with capacity in the market being restricted and in some instances unavailable, particularly for the Wellington market. Noting these capacity constraints are not limited the Council, but is also an issue being faced by commercial and residential ratepayers alike.
12. Insurance markets are under pressure from increased global weather events, large international fire events and increasing claims numbers. All of this contributes to increased premiums and restrictions to policy cover terms.

13. Council's balance sheet continues to come under pressure as we support large capital projects including Town Hall strengthening, Te Matapihi, Tākina and with upcoming large projects like Let's Get Wellington Moving (LGWM).
14. There are also external pressures such as 3-Waters Reform and increased market valuations for our assets that present as yet unknown cost pressures.
15. The combination of these and more factors, put extra pressure on the headroom housed on the balance sheet which is notionally retained for use in a significant event impacting the city.
16. As Council's asset base grows, with no additional insurance available for purchase for the above reasons, Council's exposure to the risk posed by a significant event continues to increase.
17. For a number of years now, Wellington City Council has recognised that the insurance market is failing to meet the growing insurance requirements of the city. Continuing to simply buy insurance to cover the risks inherent in owning and operating infrastructure on this level is not sustainable, especially when this intersects with the balance sheet pressures laid out above.
18. Council, along with most asset owners, have evolved from a total replacement insurance policy to a more cost-effective approach of taking a sum insured approach. Thus ensuring we maintain insurance cover to rebuild the city in a significant seismic event, but at a lower level of cover that reflects the expected losses.
19. Cover for the majority of assets peaked at \$575m for the 2016 renewal. This cover has slowly eroded over time and we now ensure less assets for ever increasing premiums, in a city where our insurance needs continue to grow.
20. It gets more obvious every year that the transactional nature of purchasing insurance is not sustainable if Council is to best protect itself from a major event.
21. Some of these tensions were also called out in the 2019 Mayor's insurance Taskforce Discussion document.
22. At the Kāwai Māhirahira | Audit and Risk subcommittee meeting on 3 May 2022, it was agreed for officers to report back in September and provide an update on how we can look to overcome some of the shortcomings in our insurance programme.
23. Over the last three months, the internal Insurance team have worked alongside a team from AON to develop the Insurance Roadmap (attached to this paper).
24. During this work, the team have engaged with a large number of officers across council to understand the current state of play. This will be used to map out a way forward to ensure Council's insurance programme is future proofed and by extension the city and our communities against increasing risks. This includes taking a number of additional steps including assessment of needs, prioritisation, adaption, building resilience before transferring residual risk via purchased insurance cover. Essentially, reacting to current and future potential risk in a proactive and strategic manner.
25. The key output of the report is a workplan for officers in partnership with the Council (through Kāwai Māhirahira | Audit and Risk subcommittee) to ensure that there is ongoing improvement in our insurance position and to move from a transactional risk transferer to a strategic risk manager in this space.

Kōrerorero | Discussion

26. Aon, working alongside, council officers have prepared the attached report which outlines current market conditions and trends, highlights the risks of continuing to maintain the status quo and makes a number of recommendations to address how we can evolve our insurance approach while managing associated risks.
27. The AON report notes the following objectives and outcomes:
 - a. Protect the Council from financial loss, by ensuring that the required financial resources are made available when needed to help Council recover from unforeseen losses impacting on its assets and service operations.
 - b. Enable the continuity of services to the community.
 - c. Ensure that any risk transfer is carried out in a cost effective and prudent manner that best serves the community.
28. The key output of the report is a workplan for officers and the Council (through Kāwai Māhirahira | Audit and Risk subcommittee) to work on, to ensure that there is ongoing continuous improvement in the Council's position in relation to insurance risks.
29. There are four workstreams within the workplan which can be initiated either immediately or at the beginning of the next financial year and will begin the journey for Council.
30. These workstreams are
 - a. Governance
 - b. Internal partnership
 - c. Data collection, analysis and optimisation (including risk assessments)
 - d. Purchasing decisions
31. These workstreams are intended to be run in parallel but they will all be ongoing pieces of work, the whole work programme is estimated to take at least 1 – 2 Triennium to arrive at a best in class position.
32. Officers are bringing this report and work plan to Kāwai Māhirahira | Audit and Risk subcommittee to discuss the observations within the report and obtain the mandate to initiate the stated workstreams, where approved.

Kōwhiringa | Options

33. Maintain status quo where insurance will get more and more expensive and less and less available – creating more risk to Wellington City Council.
34. Adopt all recommendations in the report (officers recommendation); or
35. Adopt the workstreams separately as follows:
 - e. Initiate the Governance workstream according to the timeline set out in the work plan.
 - f. Initiate the Internal Partnership workstream according to the timeline set out in the work plan.

-
- g. Initiate the Data collection, analysis and optimisation workstream according to the timeline set out in the work plan.
 - h. Initiate the Purchasing Decisions workstream according to the timeline set out in the work plan.
36. Include any further recommendations from the Kāwai Māhirahira | Audit and Risk subcommittee on work to be undertaken to reach the desired outcomes.

Whai whakaaro ki ngā whakataunga | Considerations for decision-making

Alignment with Council's strategies and policies

37. This Insurance roadmap introduces a new workstream to Council that will compliment a number of Councils strategies and policies, including but not limited to:
- i. Liability management policy
 - j. Finance and Infrastructure Strategy
 - k. Revenue and Financing policy
 - l. Resilience Strategy
 - m. Te Atakura – First to Zero
 - n. Economic Wellbeing strategy

Engagement and Consultation

38. The approval of the workstreams under the options section of this paper will determine the level of engagement undertaken with both elected officials and across council.
39. Community engagement is not contemplated at this time, though may be considered in the future.

Implications for Māori

40. Mana whenua partners are key stakeholders in the assets being assessed for insurance purposes. In line with Tākai Here we will work with them to understand any aspirations and risk appetite.
41. We will also look to take input and guidance on the best and most appropriate way to protect our assets with Mana whenua having a unique relationship with the natural environment as kaitiaki along with our built environment.

Financial implications

42. Financial risks continue to increase as the transfer of risk becomes more expensive and less available. The headroom on the balance sheet set aside for recovery measures is eroded with every incremental increase in debt utilised for capital projects and debt funded operating expenditure – both large and small. This puts Wellington City Council at ever increasing risk of failing to meet the objectives set out in the report.
43. Adopting the four workstreams to more proactively diversify the management of the risk transfer will help to mitigate the growing demands on our financial resources to ensure we have sufficient funding to meet demands post a significant event.

Legal considerations

44. The approval of the workstreams under the options section of this paper will determine the legal considerations required.
45. Some insurance cover is already linked to legal issues and the legal team are called out as key stakeholders in a number of the recommended workstreams.

Risks and mitigations

46. Risk of retaining status quo position – insurance will get more and more expensive and less and less available based on current advice.
47. There will also be risks to changing the status quo and officers will look to bring these to Kāwai Māhirahira | Audit and Risk subcommittee as and when they are recognised, as part of the ongoing engagement with elected officials (should the relevant workstreams be approved).

Disability and accessibility impact

48. N/A

Climate Change impact and considerations

49. Climate change is one of the key drivers and emerging material risks for insurance going forward.
50. Officers will ensure that Te Atakura goals are recognised through the workstreams and ensure cross council engagement is continued and will include working with our sustainability team.

Communications Plan

51. A communication plan will be developed as the workstreams contained within the roadmap plan touch on a large number of areas across council.
52. There are also external factors to be considered as a number of workstreams need to be outsourced as officers do not have the technical expertise or capacity inhouse to address these factors.



Health and Safety Impact considered

53. N/A

Ngā mahinga e whai ake nei | Next actions

54. Begin work on the workstreams according to the report / as approved by Kāwai Māhirahira | Audit and Risk subcommittee as per the timeframes set out above/in the report.
55. Report back to Kāwai Māhirahira | Audit and Risk subcommittee on an ongoing basis on progress against the workplan.

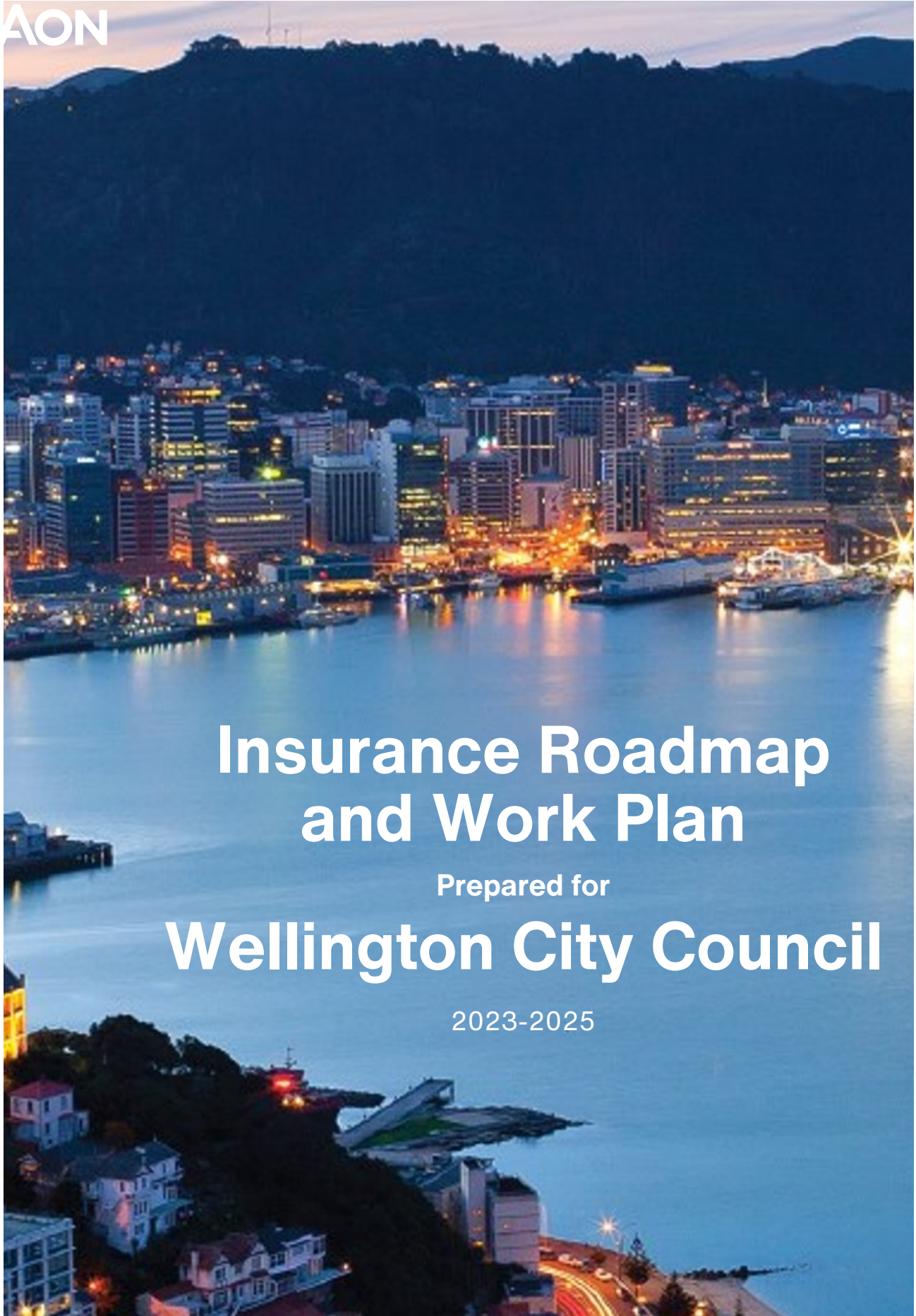
Attachments

- Attachment 1. Wellington City Council Insurance Roadmap - AON report - Page 65
Appendix A [↓](#) 
- Attachment 2. Wellington City Council Insurance Roadmap - AON report [↓](#)  Page 67
-

Appendix A: Plan and Actions and suggested prioritisation

Workstream	Year 0 activities – FY 22	Year 1 activities – FY 23	Year 2 activities – FY 24
Governance	Develop and plan for Elected member workshops on risk and insurance	Undertake financial risk tolerance exercise	Monitor and revisit financial risk tolerance and risk appetite within Council and with elected members
	Review council's limits of retentions and covers	Develop risk appetite for key risk areas with elected members	
	Monitor changes to legislation and policy	Elected member workshops and risk and insurance roadmap roll out	
Internal Partnership	Enhancing relationships between legal, risk and insurance	Creation of standardised tools and guidance material to support insurance management for council	Review of BCP and alignment to critical functions and asset selection criteria
	Increased communication between all functions and departments across Council		Develop critical asset selection criteria and consolidation
	Engagement with Regulatory and Legal to ensure there are no emerging risks impacting on insurability		
Risk Modelling		Completion of project for consolidation of data	Undertake cumulative loss modelling
		Update Asset valuations	Undertake deep dive on cyber risk
		Update Asset condition assessments	Climate change modelling
		Complete earthquake risk modelling	Undertake deep dive on fraud risk
		Update Insurance property schedule	
Purchasing Decisions	Review decision-making for procurement of insurance	Develop options for inclusion of selected CCOs, and other entities, within insurance programme	Review of non-Council arranged insurance cover
	Continue to review placement strategy	Review council's limits of retentions and covers	Review and as appropriate implement Risk Financing Model structure
	Analysis of reserve fund to identify adverse trends and recurring themes	Consideration of alternative risk financing models	
	Continue to develop long term relationship with the Broker and Insurers		

AON



Insurance Roadmap and Work Plan

Prepared for

Wellington City Council

2023-2025



Wellington City Council
Level 16
113 The Terrace
Wellington

For: Sarah Houston-Eastergaard & Andie Thompson

Dear Sarah and Andie

Thank you for giving Aon the opportunity to develop an Insurance Work Plan for the Council. We thank you for the time and resources you have provided and in supporting and championing this important piece of work. We have enjoyed every interaction with yourselves and your wider teams and have gained better knowledge and understanding of the Council through the process.

In the following pages we outline the roadmap, reflecting our current understanding of your objectives, and the current state of Council's insurance maturity journey against the outcomes sought.

We look forward to continuing to support you throughout this process of implementing and embedding the insurance roadmap. Our aim is to provide the best value, best talent, and optimised results to the Council, its ratepayers and the communities it serves.

It has been our pleasure working with you and we look forward to continuing our relationship with you further.

Sincerely,

Aon New Zealand
September 2022



Confidentiality Notice

This report contains information and analysis which is confidential to you and Aon New Zealand. It is provided in confidence and may not be reproduced in any form or communicated to any other person, firm, or company without the prior approval of Aon. This document has been prepared by Aon using information made available from various sources and is subject to the limitations and disclaimers set out within it.



Contents

Executive Summary.....	2
Introduction.....	5
Risk Management Overview.....	5
Insurance as a Risk Management Tool.....	7
Insurance Objectives and Principles.....	7
Drivers.....	11
Overview.....	11
Risk Profile Optimisation.....	15
Overview.....	15
Data Driven Decision-Making.....	16
Strategic Purchasing.....	17
Overview.....	17
Moving to a Strategic Purchaser of Insurance.....	17
Leveraging Size and Scale.....	18
Building long term relationships.....	18
Insurer Selection and Competitive Tension.....	18
Risk Management Maturity.....	19
Marketing and Communication.....	19
Summary of Findings and Recommendations.....	20
Conclusion.....	27
Supplied Separately	
Appendix A: Actions and Recommendations Work Plan.....	
Appendix B: Workshop Attendees.....	

Executive Summary

Against a backdrop of accelerated change globally, nationally, and regionally, the way organisations view risks and purchase insurance is evolving. Global insurance markets have been severely impacted by natural catastrophe events, Covid-19, and major cyber-attacks. This creates challenges such as increased market pricing, reduced coverage and reduced capacity for organisations that use insurance as a risk management tool.

Wellington's geography and built environment raise unique seismic challenges. The city is located on a major fault line, and much of the central city is built on reclaimed land - these characteristics combine to increase the risk posed by earthquakes in Wellington. Additionally, legislative and proposed regulatory reforms and stakeholder expectations necessitate a more informed and strategic approach to optimising insurance and risk management strategies.

Historical approaches, typically transactional in nature, need to be replaced by a more strategic approach to ensure insurance can be used as a long-term sustainable source of risk financing.

Wellington City Council engaged Aon's expertise to develop an insurance roadmap and plan. Throughout this engagement Aon consulted with Council staff, reviewed information and data provided by Council, considered internal and external drivers, risk optimisation options and available procurement strategies to optimise insurance outcomes.

This Insurance Roadmap is developed with the following objectives and outcomes in mind:

- Protect the Council from financial loss, by ensuring that the required financial resources are made available when needed to help Council recover from unforeseen losses impacting on its assets and service operations.
- Enable the continuity of services to the community.
- Ensure that any risk transfer is carried out in a cost effective and prudent manner that best serves the community.

Based on the analysis the following is an outline summary of the Insurance Roadmap for the Council:

1. Informed Insurance Purchasing

The Council's insurance procurement is informed by reliable and up-to-date information. This includes data, analytics and information about its key risk exposures including its risk tolerance.

Council will insure exposures where the risk exceeds Council's risk appetite/tolerance and the benefits exceed the costs, or where there is a contractual or legal requirement to insure. Council's risk tolerance and appetite should be understood and applied in decision-making.

We understand that a central asset database for the Council is being developed collating the various systems into one place, and in the long-term creating a single 'source of truth'.

2. Regularly Reviewing and Validating Assumptions

Council regularly reviews and tests assumptions that underpin key decisions to ensure they remain valid and fit for purpose taking into account internal and external drivers including changes to legal or regulatory requirements and the external insurance market.

Council will undertake relevant data analytics, scenario and loss modelling analysis to inform decision-making for example the basis of valuations for insurance purposes, the exposures to hazards and the potential impacts on funding/ revenue stream for future transfer of risks.

3. Leveraging on size and scale

Where appropriate, the Council procures insurance in a group programme where it is cost efficient and effective to do so. This includes incorporating insurance procurement from within Council departments and CCOs.

For example - inclusion of Council groups and selected CCOs within Council's insurance programme.

4. Risk Management Maturity

The Council continues to focus and prioritise resources to lift Council's risk management maturity to respond to potential limitations of insurance coverage in some markets, as well as differentiating Council as a better risk to underwrite for insurers. The Council takes a holistic approach to risk management and considers other options for risk management (apart from risk transfer) as appropriate.

5. Move to a Strategic Purchaser of Insurance

Council moves towards becoming a strategic insurance purchaser, taking actions now that will positively impact in the medium to long term. Examples include exploring alternative ways to finance risks for example managed funds, self-insurance, parametric solutions, and captives.

6. Internal processes and Communication

Council continues to improve its internal processes and communication to maximise shared knowledge and learnings on key risk and insurance issues across the Council. For example, there are subject matter experts sitting within the Legal, Risk, IT and Procurement teams that can provide valuable input into the Council's wider risks and impacting on Council's risk profile and ultimately insurance procurement decisions.

Related to this is the review of Council's existing accountabilities to support good decision-making on risk and insurance matters. For example, delegations relating to placement of annual insurance programmes and the relationship with governance Committees and the Council which has ultimate accountability.

7. Internal Engagement and Development

Council regularly engages with staff and elected members on risk and insurance topics and provide opportunities for upskilling and engagement where required. These could be by way of workshops, forums and formal training and development for key staff.

8. Regular monitoring of trends and lessons learnt

Council implements regular and continuous monitoring and improvement processes to understand trends and investigate incidents and near-misses, incorporating the outcomes into business improvement processes to improve overall risk management.

9. Build Long-term Relationships

Council continues to invest in building strong relationships with its broker and insurers, CCOs and other partners and stakeholders, focusing on long-term partnerships.

10. Insurer Marketing and Competitive tension

Council continues to work with its broker to implement an insurer selection strategy having regard to the financial strength of insurers, diversification of Council's programme portfolio and taking into account market dynamics.

A suggested workplan is outlined in Appendix A.

Introduction

Risk Management Overview

Wellington City Council (Council) undertakes a diverse range of activities and faces a wide range of risks which can affect the organisation's ability to meet its objectives as outlined in the Long-term Plan. It is the organisation's responsibility to identify these risks and determine appropriate responses. There are various risk management options available, including:

- **Terminating** – electing to not undertake any activity that creates the risk in the first place, or terminating the activity, thereby eliminating the risk.
- **Treating** – using a range of techniques or activities to prevent the risk occurring or mitigate the consequences if it does.
- **Tolerating** – acknowledging the risk and choosing not to avoid or further reduce or transfer the risk.
- **Transferring** – assigning or moving the consequences of the risk to a third-party.

Risk management involves selecting from the above options to modify the risk to a residual level that is acceptable to the organisation based on its risk tolerance, risk appetite and risk criteria.

However, what has worked up until today, might not work for tomorrow and beyond. Risk management methods evolve, and their effectiveness can vary significantly over time. An increase in the cost of one method, for example the cost of risk transfer, can act as a stimulus for the development or application of alternative methods, such as enhancements in risk reduction or informed risk acceptance.

Over the past three years the Council has put plans in place to ensure that Wellington is a capital city fit for the future. The core purpose of local government is to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.

As part of its Pre-election Report 2022¹, the Council has identified some key opportunities and challenges it expects to face over the next 3 years as “**A city in transition, a sector in transition**”. These include the changing local government sector through reforms, infrastructure and planning for future growth, funding, and resourcing, and developing resilience and adaptability to climate and environmental impacts.

Wellington's geography and built environment raise unique seismic challenges- the city is located on a major fault line, and much of the central city is built on reclaimed land. These characteristics combine to increase the risk posed by earthquakes in Wellington. The Council continues to undertake seismic strengthening work on its buildings to meet new guidelines affecting the City's building stock in the next three years. Issues surrounding insurance affordability and accessibility, understanding of natural hazards and data availability have been the topic of discussions raised in the past, including in the Mayoral Insurance Taskforce² in June 2019.

The Council owns more than \$6 billion worth of assets, including tunnels, bridges, reservoirs and retaining walls. The rising cost of insuring the Council's risk for the same level of cover is a challenge as these assets are potentially impacted by seismic and other natural disaster events.

¹ [Elections - Pre-election report - Wellington City Council](#)

² [Mayor's Insurance Taskforce - Discussion document, November 2019 \(wellington.govt.nz\)](#)

Additionally, the impacts of climate related changes will mean that risk exposure move from the *sudden and unforeseen* to the *known and anticipated*, which impacts on the availability of insurance coverage over time.

Insurance as a Risk Management Tool

Insurance is one of the most important and commonly implemented methods of risk management. It is a form of risk transfer for unforeseen events that result in financial loss, for example through loss of, or damage to, property or liability to a third party.

Insurance is currently the Council's major risk transfer vehicle. The management of Council's risk through transfer is a key focus as the council continues to explore how the city can better manage its risks with an improved mix of transfer, treatment, tolerance, and termination of risks.

Future trends observed includes the following:

- Provision for emerging and less tangible risks – for example impacts of climate change, risks relating to Intellectual Property and reputation
- Some covers are becoming more restricted – for example Cyber, some liability with this trend continuing to accelerate
- More consideration of alternative risk transfer options - for example resurgence of captives, parametric solutions.

This trend has triggered the need for the Council to adopt an Insurance Roadmap, supported by a plan of action to future proof the Council's position as part of the consideration on how it manages key risks.

Insurance Objectives and Principles

The core objectives of Council's Insurance are to:

- *Protect the Council from financial loss, by ensuring that the required financial resources are made available when needed to help Council recover from unforeseen losses impacting on its assets and service operations.*
- *Enable the continuity of services to the community.*
- *Ensure that any risk transfer is carried out in a cost effective and prudent manner that best serves the community.*

To achieve these objectives, the Council's roadmap takes into consideration the following:

1. **Drivers:** Critical elements of internal and external context that influence the optimal insurance strategy.
2. **Risk Profile Optimisation:** Methods to improve the effectiveness, transparency, and cost-efficiency of internal decisions around risk and insurance.
3. **Strategic Purchasing:** Methods of strategic transactions that extracts the most value from risk transfer and the insurance markets.

The high-level framework guiding the development of the Insurance Roadmap are shown in the tables 1, 2 and 3.

Table 1:

Drivers
<p>Legal & Regulatory</p> <p>Meeting Council's legal and regulatory obligations under various legislation including (but not limited to) the Local Government Act 2002, Building Act, Resource Management Act, and taking into consideration proposed changes to legislation including RMA and 3 Waters reforms.</p>
<p>Fit for purpose Council Insurance Programme</p> <p>Council's size, financial position, assets, activities, Long-term Plan, and internal policies are factored in. Council operates under the principles of transparency and accountability, ensuring prudent stewardship and efficient use of resources.</p>
<p>External Insurance Market Dynamics</p> <p>Local and international insurance market dynamics and factors, such as market pricing, coverage and capacity availability are considered as well as their impacts on the financial sector and ultimately the consumer.</p>
<p>Commercial Considerations</p> <p>Conducting commercial transactions according to sound business practices.</p>
<p>Role of Government / Crown</p> <p>Potential funding and support from Central Government is understood and considered and leveraged where appropriate.</p>
<p>Regular Reviews</p> <p>Regular monitoring and reviewing of changes to both the internal and external environment and adapting the strategy to respond to impacts of any changes.</p>
<p>Communication, Understanding and Awareness</p> <p>Regular communication and training to relevant Council staff (including elected members) to enhance awareness and understanding of Council's insurance programme.</p>

Table 2:

Risk Profile Optimisation
<p>Risk Management & Insurance</p> <p>The Council's Enterprise Risk Management sets the overarching basis of Council's approach to insurance. Other options for risk management have been considered and transfer of risk is evaluated as the most appropriate option.</p>
<p>Decision-making</p> <p>In general, decisions on procurement of insurance / risk transfer are deliberate and:</p> <ul style="list-style-type: none"> • aligns with Council's risk appetite / tolerance • in line with legal / contractual obligations • protects assets deemed critical to Council's business • enables continuity of services to the Community (for example providing regulatory services) • the cost of insurance justifies the expected benefits which may not be purely financial.
<p>Insurable exposures</p> <p>Insurable exposures are accurately identified, analysed, and evaluated when considering options on risk management.</p>
<p>Evidence based</p> <p>Decision-making on the scope of insurance and key insurance parameters (for example retentions and limits) are transparent and evidenced-based.</p> <p>Meaningful retentions consistent with balance sheet capacity and risk appetite.</p>
<p>Testing Assumptions</p> <p>Assumptions that underpin decisions are regularly reviewed and tested to ensure they remain valid and fit for purpose.</p> <p>For example, valuation assumptions and methodologies.</p>
<p>Data Integrity</p> <p>Decisions are made on the basis of good data with Council having confidence in the information it holds (e.g., Property Information / Valuations) to eliminate risk of under or over insurance, including standardisation of information / approach.</p>
<p>Claims, Trends and Settlements</p> <p>Claims are proactively managed (including of the Reserve Fund), and trends are investigated, from below and above excess claims and settlements, to understand and improve overall risk management.</p>

Table 3:

Strategic Purchasing
<p>Moving to a Strategic Purchaser of Insurance</p> <p>Council considers moving away from being a transactional to a strategic insurance purchaser including considering alternative ways to transfer risks, for example managed funds, self-insurance, parametric solutions, and captives.</p>
<p>Leveraging on size and scale</p> <p>Council and CCOs take advantage of their size and scale to procure appropriate insurance.</p>
<p>Building long-term relationships</p> <p>Council continues to build strong relationships with its broker and insurers, focusing on long-term partnerships.</p>
<p>Insurer selection and Competitive tension</p> <p>Broker's insurer selection methodology considers financial strength, diversification, and levels of market competition.</p>
<p>Risk management maturity</p> <p>Council and broker continue to raise risk management maturity to respond to future potential for limited insurance availability in some markets or for certain exposures, including leveraging full value and benefit.</p>
<p>Marketing and Communication</p> <p>Council and broker engage in proactive marketing and risk communication to differentiate its risk profile to insurers.</p>
<p>Internal Communication, Collaboration and Implementation</p> <p>Ongoing communication and collaboration within the Council (internal departments, CCOs and elected members) is required to enable the successful implementation of the Insurance Roadmap.</p>

Drivers

Overview

This section outlines in further detail some of the key drivers highlighted in table 1 impacting on the Council's insurance programme:

Local Government Responsibilities

Local Government Agencies in New Zealand have an extensive range of legal and regulatory obligations and responsibilities, including:

- Promoting prudent, effective and efficient management of insurance expenditure (Section 122B, Local Government Act 2002).
- Managing and protecting revenues, expenses, assets, liabilities, investments, and financial dealings generally, in accordance with the principles that are detailed in the Act (S122C, Local Government Act 2002).
- Ensuring the cost-effectiveness of current insurance arrangements for meeting the ongoing needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions (Section 17A, Local Government Act 2002).
- Disclosing risk management arrangements, such as insurance, for physical assets (2014 Amendment to the Local Government Act 2002)
- Complying with Audit New Zealand best practice guidance and international risk management standards (i.e., AS/NZS ISO31000 Risk Management Principles and Guidelines, SAA/SNZ HB 141:2011 Risk Financing Guidelines).

The expectation is that the Council's insurance programme is placed having regard to these statutory requirements and principles of good governance including transparency and accountability.

Three-waters Reform

The government has proposed the creation of four new, publicly owned water service delivery entities. These entities will be responsible for the management of New Zealand's three water services: drinking water, wastewater, and stormwater. The reform would result in the transfer of ownership of three-waters assets from local government to the new entities.

At time of writing, there remains uncertainty around the three-waters reform and we note that the Council is closely monitoring the status of the proposal. The Council has indicated that the development of the insurance roadmap is on the basis that the infrastructure components will no longer form part of the assets of the Council consistent with the current three-waters reformation.

Fit for purpose Council Insurance Programme

Council operations include activities that carry many risks and potential financial liabilities. While insurance is often seen as financial cover for damage to physical assets, it is also available to cover potential financial losses from adverse events or actions affecting Council's operations.

Largely, the placement of insurance covers have been historical and transactional. Council's activities, asset portfolio and asset prioritisation change from time to time, with the needs of the communities and the changing council strategy and long-term-plan. This roadmap takes into consideration where

the Council is in terms of a risk and insurance maturity spectrum and identifies opportunities for improvement to deliver on its Long-term Plan, the priorities of which are summarised below.

Long-term Plan

The priority objectives for the Council for the next three years are summarised in the Long-term Plan as:

<p>1 A functioning, resilient and reliable three waters infrastructure - with improving harbour and waterway quality and, reducing water usage and waste.</p>	<p>4 The city has resilient and fit-for-purpose community, creative and cultural spaces - including libraries, marae, museums and community halls, where people connect, develop and express their arts, culture and heritage.</p>
<p>2 Wellington has affordable, resilient and safe housing - within an inclusive, accessible, connected, and compact city.</p>	<p>5 An accelerating zero-carbon and waste-free transition - with communities and the city economy adapting to climate change, development of low carbon infrastructure and buildings, and increased waste minimisation.</p>
<p>3 The city's core transport infrastructure is a safe, resilient, reliable network - that supports active and public transport choices, and an efficient, productive and an environmentally sustainable economy.</p>	<p>6 Strong partnerships with mana whenua - upholding Te Tiriti o Waitangi, weaving Te Reo Māori and Te Ao Māori into the social, environmental and economic development of our city and, restore the city's connection with Papatūānuku (nature).</p>

Internal Strategies and Policies

The Council's insurance roadmap is developed taking into consideration internal strategies, policies, and plans such as those mentioned below in table 4.

Table 4:

<ul style="list-style-type: none"> ▪ Vision ▪ Community Outcomes ▪ Long-term Plan ▪ Risk Strategy ▪ Risk Policy ▪ Risk Management Framework 	<ul style="list-style-type: none"> ▪ Activity / Asset Management Plans ▪ Business Plans ▪ Treasury Policy ▪ Procurement Policy ▪ Infrastructure Strategy ▪ Finance Strategy
---	---

External Insurance Market Dynamics

Insurance works on the premise that premium paid by the many is sufficient to pay for the losses of the few, as well as providing a return on the insurer's capital investment. When large catastrophic or cumulative losses destroy insurer profitability, capital moves away from insurance markets causing a shortage in capacity, and rates are then increased to recoup past losses.

We are currently facing a challenging insurance market, characterised by constrained capacity, increasing rates, prudent insurer attitudes and overall challenging conditions from a purchasing perspective.

Key observations of current insurance markets include:

- **Cyber risk** – the Cyber landscape has remained volatile and Cyber risk, especially ransomware, is growing in complexity and volatility and, as insurer appetite adjusts, coverage options and pricing models continue to evolve.
- **Conflict in Eastern Europe** – direct and indirect impacts relating to the unfolding geopolitical events in Eastern Europe have been profound. These are expected to continue as rising commodity prices fuel inflationary pressures, decreased demand dampens global trading, and global supply chains suffer further disruptions. Insurers, looking to manage volatility, have already begun modifying coverage terms and conditions - including those related to cyber, terrorism, sanctions, and war, as well as coverage territories.
- **Underwriting rigor continues** – balancing the focus on reducing volatility against competitive pricing - for example challenges from exponential increase in asset values and increase in frequency of secondary natural catastrophes (e.g., floods) events.
- **ESG** - insurers are becoming increasingly focused on Environmental, Social and Governance (ESG), looking carefully at their own, their clients' and their business partners environmental, social, and ethical risks that can arise from a myriad of complex, interconnected factors related to the evolution of business practices and operations.
- **Climate change means more claims from more frequent storms, floods, droughts, and fires** - climate risks will progressively be priced into insurance for properties exposed to changes such as sea level rise. Organisations could potentially face removal of capacity for some sites or enforced sub-limits or higher deductibles.

Recent years have been significantly challenging globally due to natural disasters, pandemics, and cyber-attacks. Table 5 shows the current status of key insurance market factors.



Table 5 - Summary of Insurance Market Dynamics³

Factor	Description	Status
Overall Conditions	Synthesis of all factors below.	Stabilising
Rates	Unit of cost that is multiplied by an exposure base to determine the insurance premium.	+ 1-10%
Capacity	The largest amount of insurance or reinsurance available from a company or the market in general.	Stable
Insurer Attitudes	Insurers' chosen approach to underwriting in the face of uncertainty.	Prudent
Limits	The maximum amount payable by the insurer under a section or sections of each insurance policy.	Flat
Deductibles	The first amount of any loss which is payable by the insured.	Flat
Coverages	The scope of insurance provided by insurers for a specific risk.	Stable

The business climate has never been more complex and connected. Business models are being reshaped, while organisations across the globe are responding to and, at the same time, recovering from the once-in a lifetime set of challenges posed by the Covid-19 pandemic. Financial losses from large scale natural disasters and man-made events continue to loom and adversely impact lives and businesses.

Insurance market conditions are still challenging for transitional exposures, with limited appetite for emerging exposures, and negotiations with insurers are increasingly complex. There is continued evolution of underwriting practices in the industry as a growing number of insurers transition to centralised underwriting for many risks. There is also the issue for both insureds and insurers that for some risks we are moving away from 'sudden and unforeseen' to 'known and anticipated'. From a material damage perspective, unexpected events may include floods, earthquakes, a car accident, a house fire, or theft. Insurance only covers things that happen suddenly, not gradually. In particular, the impact of climate change will potentially see a reduction of cover for such events since the impacts are gradual.

The same principles apply to liability cover. Legal liability is the state of being legally responsible for a loss. In insurance, this usually means the responsibility to another person for negligence resulting in financial loss. Councils will be aware of exclusions on certain liability policies for example weathertightness claims against the Council acting in its regulatory capacity. Whilst this was a risk that was transferable to insurance many years ago, the nature and frequency of losses have moved from unforeseen and as a result councils including Wellington City Council are requiring to deploy other means of risk management to manage those risks to protect its financial position.

Challenges such as increasing pricing, cover reductions, risk exclusions, lowering limits, and changes to terms and conditions can substantially impact insurance policies. Conversely, the insurance market is cyclical and there is expectation that some lines of insurance will become more affordable and available. Therefore, the insurance roadmap needs to be able to respond to both negative and positive market trends to optimise the costs and benefits of the insurance programme.

³ Summary of general insurance market dynamics based on available information at the time of writing.

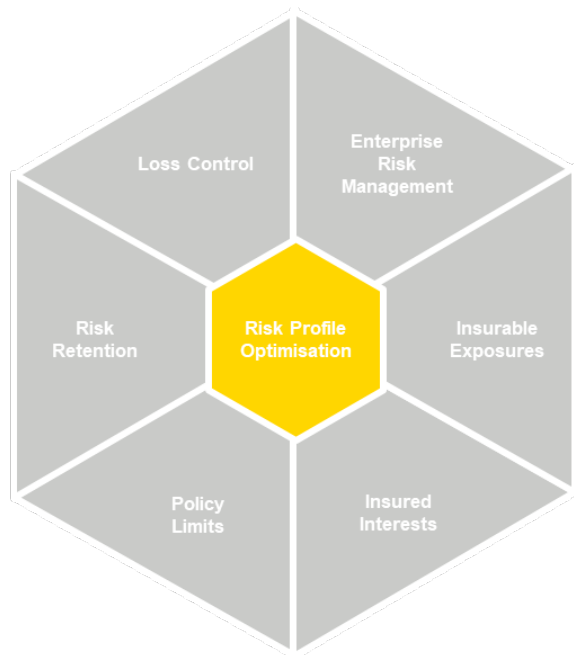
Risk Profile Optimisation

Overview

This section outlines some of the key components of Risk Profile Optimisation outlined in table 2 above.

Key elements of an optimised programme include:

- **Enterprise Risk Management** - the overarching driver of an organisation's approach to insurance and risk management.
- **Insurable Exposures** - types of assets or activities that create the potential for a financial loss which Council may elect to transfer to insurers.
- **Insured Interests** - specific assets or activities that an insurance policy actually covers, and that can be claimed against following a loss.
- **Policy Limits** - the maximum amount payable by the insurer under a section or sections of each insurance policy.
- **Risk Retention** - represents the proportion of a risk not transferred to insurers, which is payable by the insured in the event of a loss.
- **Loss Control** - risk management activities that seek to reduce the likelihood that loss or damage will occur and reduce the severity of any that does occur.



These components come together to create what would be an optimised risk and insurance programme – one that is formed through decision-making based on reliable and up to date information held by the Council.

Another way of considering the diagram above is determining the Total Cost of Insurable Risk (TCOIR) and the ways that this can be managed and reduced. TCOIR is a quantifiable, controllable number that can be identified, and is the total cost of your insurance premiums, retained losses (above limit / deductibles / uninsured losses) and internal / external risk control costs. TCOIR can fluctuate because of losses and market fluctuations, however, once a TCOIR benchmark is determined, long tail risk treatment approaches, such as a managed fund (or captive), that can increase retentions (and reduce premiums) can be analysed to show the long-term benefits and ideally reduction in the overall TCOIR.

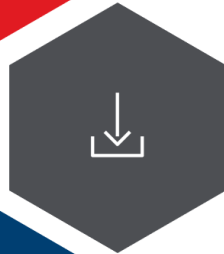
Data Driven Decision-Making

To support better decision-making, Council should hold reliable and up-to date information. The next step is to convert data to usable information for example through analytics and trends and then using loss modelling or loss scenarios to form the basis of decision-making. ⁴



What data are we talking about?

- Asset data, valuations, claims data, loss trends
- Digital twins (of buildings and people), real time sensors
- More hazard information, more science and engineering analysis



Turning data into information

- Are we capturing assumptions, are we testing these?
- Loss modelling
- Trends analysis
- Actuarial analysis and engineering assessment combined



Evolution of solution development

- Risk understanding, risk quantification, informing decision making
- Multi-discipline approach is essential
- Public – private collaboration

⁴ Consistent with the Office of the Auditor General recommendations October 2021 on using sophisticated techniques for identifying and managing risks e.g., use of quantitative risk assessments. [Our observations on local government risk management practices – Office of the Auditor-General New Zealand \(oag.parliament.nz\)](#)

Strategic Purchasing

Overview

This section outlines some of the components of Strategic Purchasing outlined above in table 3.

Moving to a Strategic Purchaser of Insurance

Taking into consideration the drivers identified above, including changes to market dynamics and challenges from a natural hazard perspective and increasing climate impacts, the Council's historical approaches to insurance procurement are no longer sustainable for the future. The Council should consider a range of other options include alternative risk financing, increasing levels of retentions while improving on other risk management approaches outside of risk transfer.

The strategic purchasing principles is illustrated below, showing the total costs of risk and how it is reflected in Council's purchasing.

Figure 1 shows a typical frequency-loss curve for an insurable risk. The cost of capital (or insurance rate) correlates closely to frequency; when the likelihood of loss is high, the insurance cost is also high. There are four zones of the curve to consider, the area where risk must be retained, this is usually the 'deductible' (amount deducted before a loss is paid by an insurer) of the insurance arrangement. The 'can' and 'should' transfer are the areas where risk transfer can be optimised. The limit of the insurance (known as the Loss Limit) is the maximum amount payable in the event of a loss. Above this limit, the probability of loss may be deemed to be so infrequent that risk retention becomes an appropriate option. What 'can', and what 'should' be transferred should be continuously reviewed, based on the organisation's risk appetite and tolerance, plus the understanding of the market dynamics. Alternative options within this range also include captives, managed funds, and other risk financing mechanisms.

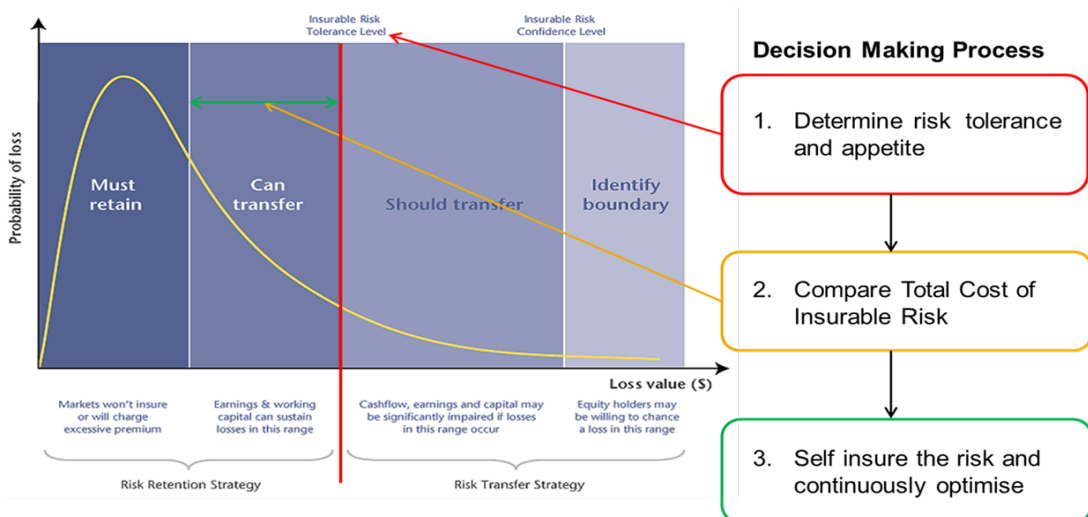


Figure 1: How to define the risk transfer and risk retention strategy

Leveraging Size and Scale

Additionally, group or shared procurement for Council and CCOs provides the benefits of economies of scale (set out below) and should be considered as appropriate depending on the cost and benefits to the parties which should be analysed independently:

- Ability to maximise premium savings in soft markets and minimise premium increases in challenging markets.
- Access to offshore markets that would not otherwise be available to individual Council groups and CCOs.
- Greater ability to negotiate specialist covers / policy enhancements.
- Mitigation of claims impacts, due to larger premium pool being established that is less affected by claims performance, which therefore reduces overall loss ratio.
- Creation of exclusive Council schemes, for example staff health and benefits.

Building long term relationships

It is important that Council continues to build a strong relationship with its broker and insurers focusing on long-standing relationships with every approved insurer, both locally and overseas. The strength of the relationship can be leveraged to the benefit of Council in terms of:

- Achieving the broadest cover available.
- Reducing total cost of risk (premiums + administration costs + fees + retained claims costs).
- Favourable claims results.

This expertise and market leverage will continue to be used to the benefit of Council, in terms of pricing, coverage and access to markets in New Zealand and overseas.

Insurer Selection and Competitive Tension

Financial Strength

The usefulness of insurance is dependent on the insurer's ability and willingness to pay at the time of a loss. An Insurance Roadmap needs to consider the financial strength and resilience of insurers as well as the aggregate dependency on any one insurer. In accordance with the Insurance (Prudential Supervision) Act 2010, insurers selection should meet minimum required financial strength ratings (for example as indicated by Standard & Poor's). Only engaging insurers with sound financial ratings results in best claims paying ability.

Diversification of Insurer

A blend of local and overseas markets works for clients with significant natural hazard exposure. This strategy has become more important in the current challenging market and has worked well for other Councils in recent years. The use of overseas markets is vital in achieving best cover, price, and ability to withstand market shifts.

Competitive Tension

The blended placement (local and international) allows a wider range of insurers to participate on Council's programme. This means more available capacity and the generation of competitive tensions, which alleviates the pressure to increase premium.

Risk Management Maturity

Insurers, looking to deploy their capital at an affordable price, seek detailed information to optimise the amount of cover they will provide and the premium they require to deploy it. An evolving understanding of risk is vital for Council. An Insurance Roadmap needs to involve increasing the understanding of risk and risk management practices, improve risk maturity and ensuring that the insurance programmes in place are fit-for-purpose, within the respective Council risk profiles, by tailoring policies accordingly.

Developing risk management maturity across Council leads to more efficient and cost-effective solutions in the future. Benefits include:

- Access to market-leading commercial terms and conditions particularly in challenging markets.
- Access to market-leading risk management approaches and technologies.
- Better risk governance, monitoring and reporting and accountability to communities, stakeholders, partners, and ratepayers.
- Alignment with government's broader risk financing strategies.

The Council's risk management maturity plays a key role not only as an insurance lever but importantly holistically to protect value for the Council.

Marketing and Communication

In a challenging marketplace, it is vital to differentiate Council's insurance programmes when marketing to insurers. The Council renewal strategy has a strong focus on Council involvement in the process of proactive marketing to insurers. This is critical to achieving the best results and differentiates Council from other insurance buyers seeking the same capacity.

Benefits of this approach include:

- Allowing underwriters to see locations first-hand on an annual or biennial basis (when global travel restrictions permit).
- Building long term relationships with insurance markets. The results can often be preferential pricing and cover over several years.
- A differentiator of Council's risk to overseas underwriters, who see hundreds of submissions each year.
- Allowing direct questions, answers and negotiation across the table. Premium and coverage advantages far outweigh the cost outlay of this approach.
- Enhanced claims outcomes as underwriters become invested in Council's risk when they meet staff in person.

Summary of Findings and Recommendations

Through a series of discovery workshops undertaken with key staff, key findings relating to the Council's current status, actions and initiatives in response to the drivers are summarised below.

1. Risk Management

The internal Risk team is responsible for leading risk management activities and supports Council staff. There is a risk framework, and risk reporting and activities are underway to improve on risk reporting to the Audit and Risk subcommittee. There is limited risk reporting up to full Council from the subcommittee. Council has not formally adopted a risk appetite, with staff expressing a view that the Council's appetite tends to be low. Risks are primarily discussed at management level and then at Audit and Risk meetings. Risks could be usefully discussed with elected members as part of regular workshops to help inform and support elected members, particularly focusing on strategic risks.

Recommendation:

Management works with the Audit and Risk subcommittee to develop risk appetites for key risk areas for the Council, for approval by full Council. For example, these can include Financial, Legal and Regulatory, Service Delivery and Reputation.

The risk appetites to be communicated to staff with the intention that decisions are made in alignment with Council's risk appetite and on the understanding of its financial risk tolerance.

Run workshops with elected members on a regular basis, and work with the Council's Governance team as part of an Elected Member Onboarding programme with a new council coming in October 2022.

2. Relationship between Insurance, Risk, Legal and Procurement

Insurance and risk advice are usually provided by the respective teams currently reporting to different General Managers. There are informal processes to guide staff in seeking advice on risk, insurance and related legal issues. While this has worked in the past, there is a potential for inconsistency in approach and a lack of monitoring in applying insurable and risk issues across the business. Steps are underway to improve processes for communication between the teams in terms of risk and insurance to better support risk and insurance management and related legal impacts within the Council.

Recommendation:

Council teams continue to create an internal channel to enable staff to seek relevant support on key risk and insurance issues by referencing to the subject matter expert teams within Council.

There is an opportunity to enhance internal collaboration, by setting up regular forums as a platform for discussing key risk and insurance issues including any learnings that could be usefully shared more widely across the Council. If risk appetite and tolerance were defined (as per recommendation 1) then it would be much easier for staff to align to this and then to report by exception if there were issues outside of the agreed levels.

3. Third party contractual risk/insurance management

At present the management of risk and insurance within contracts tends to be inconsistent with many examples of decisions made on a case-by-case basis. There is presently a lack of clarity on the delegated approval to approve contractual terms outside of legal, insurance or risk advice. The Procurement team is presently undertaking a project to create standardised tools and a database to enable better co-ordination and management of contracts within Council. These include, for example, procurement plans, and registers of Vendors and Contractors. The risk-based approach will help support staff and enable the monitoring of insurance compliance by contractors, by for example through the repository in TechOne (due to be upgraded). We understand that this is expected to be completed within six to 12 months of the date of this report.

Recommendation:

Council may consider developing a decision-tree for risk and insurance within the Procurement tools being developed. A process / flow chart or guidelines will support those working on projects (including pre-RFP / RFT stage) on insurance and risk issues and enable early advice to be received.

Council could consider developing and implementing training and awareness programme workshops across Council departments to inform relevant staff on contractual risks and the role of insurance.

4. Three-waters Reform and other policy changes

Council is considering the potential impact of the 3 Waters reform on its financial balance sheet. This includes provision for incoming financial payouts from the government as well as reduction of asset/revenue on the Council balance sheet. The Council is working with other government sectors to better understand implications of changes, for example 60:40 rules on its infrastructure not covered by three-waters reformation.

Recommendation:

Council staff continues to monitor changes to the legislation and policies and incorporate these changes into future renewals, for example developing scenarios for an insurance programme with / without the underground Three Waters infrastructure included. The three-waters reform programme may also provide an opportunity to consider long term forms of risk financing. The option of either a captive or protected cell could be a positive outcome from the reform and enable the creation of a long-term risk transfer/financing arrangement that could reduce Council's exposure to premium volatility and reduce the Total Cost of Insurable Risk.

5. CCOs and Other Council affiliated parties

The Council team (Treasury) supports in principle, a group purchasing approach with CCOs particularly smaller CCOs, where it is cost efficient to do so. It was acknowledged that there are still potentially challenges issues given the way the CCO portfolios are managed including asset ownership. Examples are Sky Stadium, Wellington Cable Car and Zealandia. Each of these have particular features which will need to be taken into consideration if / when moving them into the group procurement. Conversations with selected CCOs are continuing through the development of options with the Stadium and proposed similar exercise for the Cable Car.

Recommendation:

Council and CCO staff continue to develop options for the inclusion of selected CCO assets within the Council insurance programme with advice from the Insurance broker on its feasibility and potential cost efficiency.

6. Data Integrity

All asset classes are managed differently and are stored in different asset management systems e.g., Building and Open spaces in OneCouncil, Wellington Water in InfoNet, Transport data in RAMM. Condition assessment of assets is held in SPM and spatial data in GIS, roading condition assessments are undertaken by contractors (Fulton Hogan and Downers). As built data is also held separately between houses and commercial property. A project is underway by the Data team to consolidate the data held to meet the next LTP in July 2024, with a draft (including a programme of work) anticipated for July 2023. It is expected the data will provide information on criticality and vulnerability of assets including key aspects such as building conditions and NBS rating, presence of asbestos and valuations. The existence of a consistent and cohesive data asset system will enable future planning e.g., which assets to sell, retain or re-develop.

Recommendation:

We note that the project is underway for data consolidation. We recommend that the project be completed as soon as possible. If an update on progress can be provided to the insurers, at the next renewal, this will increase the level of confidence of the underwriters in what they are underwriting.

Any data consolidation process should include Information on the following:

- a. Accurate property schedule, new assets should be clearly identified
- b. Current condition assessment
- c. Location, ideally in GIS
- d. Valuations, including insurance reinstatement valuations
- e. Hazard/Exposure information.

7. Loss Modelling and analytics

Wellington's geography and built environment raise unique seismic challenges, however there are also other natural hazard exposures that the city faces, such as flooding, landslip and even tsunamis. As outlined in Figure 1, it is important that council understands both frequency and severity of risks in order to determine the best risk management pathway, or pathways, to be used to manage the risk. Severity events define programme limits or sub-limits, and frequency events define deductible levels. Understanding loss estimates from loss modelling, when combined with Council's tolerance of risk, can help to inform and optimise the insurance programme structure. It is also important that loss modelling is updated on a regular basis since both the asset data (i.e., new and disposed assets), asset values and scientific understanding of risk continually evolves.

There has been limited loss modelling undertaken to understand the potential financial impacts (including business interruptions) from a major event. This modelling was also undertaken a number of years ago and with the rate of inflation, the loss estimates are not based on current values.

If the loss modelling is sufficiently detailed, it is also possible to define the potential impacts of climate change. Organisations are now using climate scenarios to better understand the impacts by applying certain climate stressors for example, sea level rise, increase in severity

of storms, flooding inundation and increased high winds to better understand the long-term impacts on their asset portfolios.

So, in addition to informing suitable risk transfer arrangements, and helping Council determine worse-case scenarios for disaster funding and disaster response, the information from the analysis can be used to assist with decision making particularly on planning, for example re-location of certain critical assets that may be affected by climate change in the future.

Information from the exercise will enable the Council to consider alternative ways of funding losses that might not have been transferred by way of insurance.

Staff is aware of the need to undertake modelling and data analysis to inform limits and retention levels, for example, including information on potential aggregated loss, hazard and vulnerability risk assessments.

Recommendation:

In order to better inform decision-making, we would recommend that Council considers undertaking loss modelling, for example:

- a. Detailed Earthquake loss modelling. This will help define the maximum credible event that could impact Council
- b. A cumulative loss modelling exercise to understand the financial impact of a broad range of natural hazard events and return intervals on all assets owned by Council (and CCOs). This will help define deductible levels and likely losses for Council in the near future
- c. Scenario modelling to understand the potential impacts of climate related risks to the Council portfolio. This will help inform council around potential issues and inform future planning / strategy decisions.

8. Cyber and Crime / Fraud risks

The Council does not presently hold a cyber security insurance cover. The market for cyber cover is challenging and capacity is restricted. We note that the Council has engaged an external party Grant Thornton to conduct a review of the Cyber Framework. The Council presently has cover for Crime/Fraud risks. The Council's internal audit team (as part of Risk and Assurance) reviews the effectiveness of the protection and disclosure of fraud through the Council's audit programme.

Recommendation:

The Risk and Insurance team undertake deep dives into the Cyber and Fraud risks to understand the causes, impacts and treatments of those risks including evaluating the effectiveness of the treatments, applying scenarios to test the potential losses to determine if a transfer of risk to insurance is appropriate in the circumstances. In some cases, it may be appropriate to apply funds (what would have been premiums for insurance cover) to an effective training programme instead which may prove to be a more effective preventative measure.

9. Review of non-Council arranged insurance programmes

Certain assets, for example Clyde Quay Wharf and TSB Arena, are insured by third parties. There is presently an agreement with the Body Corporate of the apartments on the wharf covering insurance obligations, as Council owns the wharf itself with some critical

infrastructure sitting underneath it. A similar arrangement applies to the TSB Arena, whereby the building, which is owned by Council is insured within the Queens Wharf Holdings insurance policy.

The insurance arrangements for Clyde Quay Wharf are presently outside of Council's insurance programme and the Council team is keen to have Council make proactive decisions regarding insurance of these assets rather relying on a third party.

Recommendation:

The Council reviews the terms of the agreement with the Body Corporate and Queens Wharf Holdings in relation to insurance and engages both internally and externally on the risks and develops a strategy for these assets.

10. Insurance Programme – limits, retentions and covers

The Council's retention levels have not been changed since 2008. Decisions have been made historically on levels of limits and deductibles and these are raising concerns amongst staff within the Finance team.

Recommendation:

The Council uses valuations, modelling and data analysis information to review the limits and retentions on the various material damage policies it holds to determine if:

- a. They are still appropriate, noting this may be driven by insurers looking for an upwards adjustment in deductibles in line with the significant increases in values
- b. They should still be held or retained by the Council (self-insurance below and above retention level)
- c. if there is sufficient premium reduction to justify increases in risk retention.

Additionally, for non-asset based covers (e.g., Professional Indemnity, General liability), we recommend the Council and the insurance broker jointly undertake an insurance risk profiling exercise by way of a workshop to understand risks and appropriateness of retention levels.

11. Critical assets

Different groups (for example Rooding and Transport; Parks, Sports and Recreation, Resilience, Facilities etc.) have identified their respective list of critical assets. There is a lack of an agreed prioritised critical asset list. Agreement on the criticality of assets will guide decisions on procurement of insurance to ensure these can be restored as soon as possible when an event occurs. The development of the asset list will relate to the Council's view of its strategic assets and its role in the Lifelines.

Recommendation:

The Council develops a Critical asset selection criterion working with relevant stakeholders. The Council may apply the risk transfer/retention principles to determine the best way to optimise its risk transfer whether through insurance or not.

12. Regulatory and Legal Liability

The regulatory area is observing the same trends as some of the larger councils – a reduction in Weathertightness claims although increasingly novel claims made on the basis of joint and several liability. The regulatory teams (building and resource consent) seek advice and undertake workshops including lessons learnt from a claim or settlement.

Some judicial reviews from RMA decisions are observed although these are not insurable. There is a process in place (including delegations for ex-gratia settlements) from complaints involving the team leaders and escalations to lawyers as required.

Recommendation:

The regulatory and legal teams in conjunction with the Insurance Broker to continue to monitor for any trends for claims which may indicate a systemic issue (for example fire/structural inspection failure, or failure to correctly interpret planning rules) which may impact on the Professional Indemnity cover.

13. Financial Risk tolerance

As part of the development of risk appetites, Council develops an understanding of its financial risk tolerance to enable it to understand what level of financial headroom is (or isn't) available as this will allow the Council to increase its risk appetite if required. This includes understanding the aggregation of retentions and impact of recoveries. As an insured, the Council needs to be comfortable taking the level of risks it decides and doing this in a structured approach rather than in an ad-hoc manner.

Recommendation:

We recommend that Council undertakes a financial risk tolerance exercise so that it may better understand the limits and retentions that it can safely tolerate when purchasing insurance. It is also useful to guide decision making on alternative risk transfer options for example the use of reserve funds, captives or parametrics in the future.

14. Reserve Fund

Council presently uses a Reserve Fund managed by its Broker to make payment on claims (from within Council and third parties). The Reserve Fund is based on criteria agreed with Council. Claims that meet the criteria and are considered a valid insurance claim are settled by the Broker on Council's behalf. Council makes payment to the Broker for the claims paid monthly, and there is no current limit on the Reserve Fund. Any claim under the agreed threshold is paid by the respective business unit. The current threshold is \$1,000 for claims via Ventia and \$250 for all other claims. The claims and management of the Fund has been taking place without issues.

To date there has been limited analysis undertaken on the types and causes of claims, as well as the department or business unit making claims.

Recommendation:

That Council and Broker undertakes an analysis of claims for trends and, depending on the outcomes of the analysis, take further action to address the particular risks to Council. This could include, for example, instigating training and awareness workshops with staff if several of the claims stems from poor driver behaviours that result in vehicle damage.

In other instances, this may require input from the internal legal team to assist with legal support, for example on regulatory mistakes or payments and fines for breaches of statutory provisions, including breaches of Privacy, etc.

Additionally, it is useful to consider if this fund may also be expanded to allow for higher retentions.

15. Insurance – governance and decision-making

Decisions on insurance strategy and procurement presently sit with management. The responsibility largely lies with the Treasury function where the Insurance team sits. Annually at renewals, management approaches the Audit and Risk subcommittee to update the Committee on the insurance programme including the procurement of covers.

The procurement of insurance as a key risk transfer including any alternative risk transfer decisions may be regarded as strategic decisions. As such, the Council may wish to consider if its Committees or Subcommittees (such as the Audit and Risk subcommittee and/or Finance and Performance Committee) may have a role in approving the insurance procurement for the Council.

Recommendation:

At an appropriate opportunity, review and refine the Terms of Reference for the Council Sub Committee and Committee with the view to incorporating a decision-making role on insurance procurement for the Council.

16. Insurer selection and competitive tension

The Council utilises capacity from existing and new insurers in New Zealand, London, Asia, and Bermuda, which creates competitive tension and best placement outcome. While Council would have liked to have more local participation across its property programme, it recognises there is constrained capacity in New Zealand.

Through Council's broker, the insurer selection methodology considers financial strength, diversification and levels of market competition.

Recommendation:

Ahead of renewals Council and Broker continue to review the placement strategy to ensure the approach and ongoing strategy allows for:

- a. Appropriate diversification of portfolio across local and international insurers
- b. Enabling ongoing competitive placement of insurance in the market
- c. Leveraging existing relationships with insurers
- d. Engaging insurers with no less than an A- S&P rating (or equivalent).

17. Long term relationship and proactive marketing of Council

Council continues to build a strong relationship with its broker and insurers focusing on long-term partnerships. Pre-Covid, Council visited London annually for face-to-face presentations with the insurers. These presentations provide Council an opportunity to underscore its risk management principles and commitment to de-risking its portfolio and allows Council to build long term relationships with the markets, resulting in preferential pricing and cover over a number of years.

From time-to-time insurers attend Council sites to visit key assets to understand the risks better.

Recommendation:

Council, Broker and insurers engage regularly throughout the year and a plan is developed to establish and maintain a good working relationship.

Council and Broker continue to engage in proactive marketing and communication to differentiate Council's risk profile to insurers.

Conclusion

Council is on an insurance maturity journey. It recognises that shifting its maturity takes time. The starting point is the development of a roadmap and a plan which will help focus the Council by prioritising actions in a logical sequence.

Some of the actions are already underway whilst others have been considered but not formally planned or actioned.

The process that has been undertaken in the development of this insurance roadmap has been beneficial, not just in terms of enabling the development of the strategy, but also allowing internal connections to be made between Council functions, for example the understanding of the role of risk in the Council and the experts managing the insurance.

Through a roadmap that takes into account internal and external drivers such as council's legal and regulatory obligations, external insurance market dynamics, and commercial considerations, the Council will optimise its risk profile, move away from transactional and historical procurement, and reduce its Total Cost of Insurable Risk, and better data will help validate assumptions and enable better decisions.

About

Aon plc (NYSE: AON) exists to shape decisions for the better—to protect and enrich the lives of people around the world. Our colleagues provide our clients in over 120 countries with advice and solutions that give them the clarity and confidence to make better decisions to protect and grow their business.

© Aon plc 2022. All rights reserved.

The information contained herein and the statements expressed are of a general nature and are not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information and use sources we consider reliable, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the situation.

www.aon.com

HEALTH, SAFETY AND SECURITY (PERFORMANCE) REPORT

Kōrero taunaki | Summary of considerations

Purpose

1. This report to Kāwai Māhirahira | Audit and Risk Subcommittee to review the Council's health and safety performance for the period 1 April 2022 to 30 June 2022.

Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

- | | |
|--|--|
| Strategic alignment with priority objective areas from Long-term Plan 2021–2031 | <input type="checkbox"/> Sustainable, natural eco city |
| | <input checked="" type="checkbox"/> People friendly, compact, safe and accessible capital city |
| | <input type="checkbox"/> Innovative, inclusive and creative city |
| | <input type="checkbox"/> Dynamic and sustainable economy |
| | <input type="checkbox"/> Functioning, resilient and reliable three waters infrastructure |
| | <input type="checkbox"/> Affordable, resilient and safe place to live |
| | <input type="checkbox"/> Safe, resilient and reliable core transport infrastructure network |
| | <input type="checkbox"/> Fit-for-purpose community, creative and cultural spaces |
| | <input type="checkbox"/> Accelerating zero-carbon and waste-free transition |
| | <input type="checkbox"/> Strong partnerships with mana whenua |

Relevant Previous decisions

Financial considerations

- | | | |
|---|--|---|
| <input checked="" type="checkbox"/> Nil | <input type="checkbox"/> Budgetary provision in Annual Plan / Long-term Plan | <input type="checkbox"/> Unbudgeted \$X |
|---|--|---|

Risk

- | | | | |
|------------------------------|---------------------------------|-------------------------------|----------------------------------|
| <input type="checkbox"/> Low | <input type="checkbox"/> Medium | <input type="checkbox"/> High | <input type="checkbox"/> Extreme |
|------------------------------|---------------------------------|-------------------------------|----------------------------------|

Authors	Thomas Fowler, Principal Advisor Health & Safety Services Wendi Henderson, Health, Safety & Security Manager
Authoriser	Meredith Blackler, Chief People and Culture Officer

Taunakitanga | Officers' Recommendations

Officers recommend the following motion

That the Kāwai Māhirahira | Audit and Risk Subcommittee:

1. Receive the information.
2. Recommend to the Pūroro Tahua | Finance Performance Committee to receive the information on 28 September 2022.

Whakarāpopoto | Executive Summary

2. The Report provides information that aligns with the Officer due diligence responsibilities under the Health and Safety at Work Act 2015 (HSWA), specifically having:
 - Knowledge of work health and safety matters
 - An understanding of the nature of operations and the hazards and associated risks
 - Appropriate resources and processes to eliminate or minimise risk
 - Appropriate resources to receive and consider information
 - Verification of the provision and use of resources and processes
 - Processes for compliance with duties or obligations under the HSWA.
3. This report comprises qualitative commentary on activities that have occurred in the last four months, and are presented in three categories:
 - Risks
 - Relationships
 - Resources.
4. The dashboard reporting (attachment 1) provides quantitative leading and lagging indicators to measure health and safety performance within Council.
5. This style of reporting is based on the Business Leader's Health and Safety Forum: 'Monitoring what matters in Health and Safety' – a guide for CEOs. The Council is a member of the Business Leader's Forum.

Takenga mai | Background

1. Not applicable

Kōrerorero | Discussion

Risk

Incidents

6. Eight of the nasty nine critical health and safety risks show either a decreasing or flat trend, giving confidence that the controls in place are still effective.
7. As has been previously reported, we continue to see more personal confrontation in our public-facing services. The Health, Safety and Security Business Partner team are working in partnership with highly affected areas so ensure all mitigations and controls

have been considered – including rolling out new signage and following up on training for new and existing staff.

8. Compared to last year, the severity (risk) of incidents recorded have reduced.
9. Pain and discomfort continue to be our most common reported injury types. The process to identify potential issues early has been enhanced, meaning more staff are receiving proactive health support before potentially suffering a more severe injury.
10. There were five incidents in this reporting period rated as high and are detailed in the attachment. Of the five, four were outside of the control of the Council.

Annual ACC audit

11. In July, the Council underwent its annual audit as part of the ACC Accredited Employers' Programme.
12. This year, the Council was audited against all elements of the programme, which looks at the Health and Safety Management System as well as our injury management practices.
13. ACC selects a primary and secondary site at random to audit – this year our primary site was Kai Ūpoko, and our secondary site was Cemeteries (Karori).
14. Following a review of all our documentation, seven focus groups and two site visits; the auditor found the Council continues to demonstrate the practices required to retain its tertiary status – the highest status of the programme.
15. In their summary notes, the auditor mentioned that consensus across all focus groups was that the Council's commitment to great health and safety practices was well understood and demonstrated.
16. Of the 20 elements in the programme standards, the auditor returned 11 recommendations. These recommendations are all either planned activities, have been included in the annual business unit plan, or will be part of the upcoming Health, Safety and Security Strategy.
17. They are:
 - The HERO Card system used for recognition of health and safety initiatives, or improvements is not well used (only two in the last year). This should be better promoted throughout the Council.
 - Records of consultation of the annual self-assessment process should be improved. A number reviewed were incomplete.
 - The Health and Safety Committee structure as shown in the worker participation agreement should be included in the procedure that is available on the intranet site "Pokapū".
 - It was noted that the electrical test and tag were due at 79 Boulcott Street. This should be completed as soon as possible.
 - As the Council is about to implement a new health and safety compliance tool it may be an opportune time to consider including the completion of an initial needs assessment by the claimant's manager. This would greatly improve timeframes and ensure prompt needs are provided as required.
 - The copy of the Injury Management manual on the Council Intranet requires updating. It includes some errors i.e. <name here>, reference to a different company.

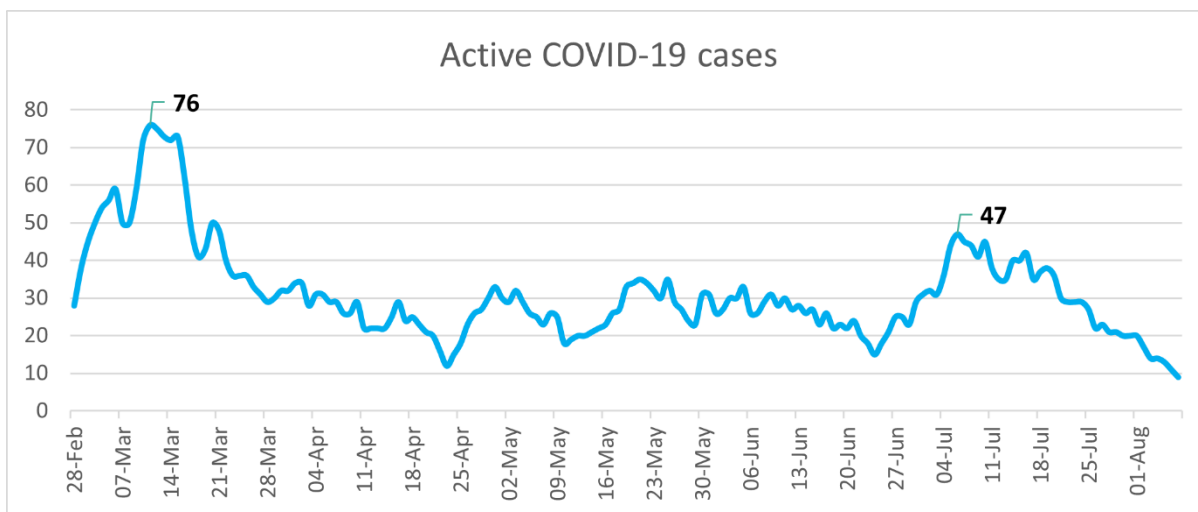
- Training or refresher sessions (or similar awareness programmes) for managers who complete weekly monitoring should be recorded and managed in the Council's LMS system to ensure refresher training is planned every 24 months.
- The current rehabilitation goals and objectives could be included in the Council's annual health and safety strategy documents to ensure a more holistic approach for both health and safety and injury management. This would also ensure reviews are completed together.
- Several claimants had reported their injury late. The Council should seek to further reinforce the need for reporting incidents in the Risk Manager or on the paper form at the time of the incident to ensure Managers can then forward to WellNZ.
- None of the focus groups knew the Council paid 100% compensation instead of 80%. This should be better publicised across Council staff.
- The nasty nine critical hazards were not well known by employees. This should be further reinforced with employees. Consider posting throughout Council notice boards to make these more visible.

2023 – 2028 Health, Safety and Security Strategy

18. A development plan has been approved for the upcoming 2023 – 2028 Health, Safety and Security Strategy.
19. Elected members attended a preliminary workshop in August to get insight of what the strategy seeks to achieve.
20. Through the development of the strategy Elected Members will be updated through regular health and safety performance reporting.
21. In lieu of a full strategy, the Health, Safety and Security business unit has produced a one-year strategic plan. This plan is a continuation of the 2020 – 2022 strategic plan which business units at the Council use to support their health and safety initiative planning.

COVID-19

22. Since the last report, the second COVID-19 wave has come and gone through the Wellington Region.
23. While we saw larger numbers recently than we have for months prior, the wave was significantly smaller than that of the first Omicron wave. We recorded our peak for the second wave at 47 active cases on 6 July 2022 compared to 75 active cases on 12 March 2022 (63% less).



24. As of 31 August 2022, we have had 781 reported cases of COVID-19 in the workforce (41%).
25. Six (6) months on from the first wave, we are starting to see some cases of reinfections in our workforce. As of 8 August 2022, we have seven (7) recorded reinfections; measured by somebody returning a positive test more than 29 days after an initial positive test. All seven (7) cases were recorded in the last three (3) months. This represents 0.9% of our total cases.
26. In comparison, statistics from the community estimate that up to 30% of the recent COVID-19 cases are reinfections.
27. Our workplace controls continue to reduce the risk of workplace transmission, of which we have not recorded any significant clusters.
28. Work is now being done to prepare for changes in COVID-19 restrictions and controls, ensuring our workforce and operations are prepared to adjust swiftly should any changes be announced.
29. Guidance for how managers and staff can respond to instances of long COVID has been developed and is being reviewed before being distributed to managers and staff. The Council is taking a similar approach to how it manages chronic long-term illness.

Relationships

30. The Council has several internal and external relationships to support its best practice, knowledge uplift and collaboration. In this reporting period, the following interactions were undertaken:
 - The Health, Safety and Security leadership team met with health and safety leaders from Greater Wellington Regional Council and Hutt City Council to reconnect after COVID-19 disrupted the regular regional meetings that were being had.
 - The Health, Safety and Security Business Partner model continues to generate positive relationship across the organisation. The team is continuously receiving positive feedback from leaders about the quality of advice and accessibility of the team.

- The Q4 Health and Safety Representative forum – a forum of all HSR from the organisation – had its biggest turnout since before COVID-19. Feedback from reps was that the forum was one of the most engaging and informative forums they have attended. Nearly all reps attended.

Resources

Protective Security Requirements Framework (PrSR)

31. A Wellington City Council-wide threat assessment will be presented to the Security Reference Group (SuRGe) in September outlining what threats the Council is currently facing and initial recommendations for what can be done to address or minimise those threats.
32. Following that, a Protective Security Risk Assessment will be undertaken in three segments: governance, physical security, and personnel security. These assessments will take up to four (4) months to complete.
33. Results of these assessments will lay out the required actions to meet the 'managed' criteria of the PrSR. It is expected the actions will be part of a three-year programme of work and will be captured in the overall Health, Safety and Security five-year strategy as well.

Health, Safety and Security information management system

34. We have signed a contract with EcoPortal to deliver a new Health, Safety and Security information management system – replacing the existing Risk Manager system.
35. EcoPortal is an Auckland-based family-owned and operated technology company specialising in providing flexible but fit-for-purpose information, management, and workflow systems.
36. The evaluation panel which recommended EcoPortal was unanimously in agreement that of all the systems that had been demonstrated, this application was the most user-friendly and would be adopted by users with ease.
37. Through the procurement process, EcoPortal demonstrated how their application would not only deliver our requirements but provide the necessary flexibility for the system to change as we do.
38. EcoPortal also demonstrated strong reporting abilities, meaning we will be able to produce reports faster and more effectively.
39. The project team has begun configuration of the new system, with a target go-live date in early March 2023.
40. Initially, the system will be configured to manage the following information registers and workflows:
 - Events (incidents, injuries, near misses, sensitive events)
 - Risks and hazards
 - Actions (initially from event investigations, but will capture actions from additional registers)
 - COVID-19 management
41. Following the first phase of implementation, additional registers and workflows will be added as part of a continuous improvement programme for the system – this will open additional functionality as we become more familiar with the tool.

Being Well at WCC

42. We continue to embed an integrated approach to wellbeing, focusing on support, protection, and promotion to ensure all WCC staff are looked after.
43. Our wellbeing programme (Being Well at WCC) provides ongoing support for our staff, teams, and leaders. In May, we engaged Callum McKirdy – a speaker, author, facilitator and host of the 'You, Me & ADHD' podcast – to provide a webinar on harnessing neurodiversity at the Council that:
 - outlined what neurodiversity is and is not
 - provided practical tips on how we (leaders, staff and teams) can work better with our Council staff with autism, ADHD, dyslexia among other 'labels'
 - debunked the myths and misunderstandings about these labels and what leaders and team members-alike can do to assist and accommodate neurodiversity for everyone's collective benefit, and
 - provided a forum for Q&A / conversation about Callum's experience as neurodiverse leader in the public sector.
44. We are in the process of reviewing and refreshing Being Well at WCC and will continue to evolve the programme to reflect the needs of our diverse WCC communities.
45. Further work has also been undertaken to ensure that wellbeing is top of mind for leaders as they set up their annual performance, career and development plans with staff to ensure wellbeing is a key consideration in setting up each team member for success.
46. Jonny McKenzie, Manager Culture and Capability, recently presented on our wellbeing approach over the last two years to a Local Governance Excellence Network in Australia.
47. Our Being Well at WCC framework and respective programme roll out was a highly commended entry in the recent Taituarā Local Government Excellence Awards.

Wellbeing and the Employee Assistance Programme

48. The recent Kōrero Mai staff engagement survey, which included a section for wellbeing questions, provided some insights into factors impacting staff wellbeing right now.
49. In the survey, 10% of respondents indicated their mental well-being was either injured or unwell.
50. For those who answered as either being injured or unwell, both had work environment and personal health as leading contributing factors.
51. In assessing the comments provided with the answers, key themes that were presented were staff turnover, cost of living, COVID-19, workload, and personal confrontation (from customers).
52. To understand whether the same issues were present in our EAP usage, Benestar has provided some insights into what they are seeing in our cases.
53. Overall, the Council has an EAP utilisation rate of 3.8%, down 1.6% from last year's 5.4% utilisation rate. Our rate is also slightly lower than the Local Government average of 4.7%.
54. The care recommendation for people self-identifying as unwell (2% of survey respondents) is a referral to specialist services like EAP. While our utilisation is below



average, it is not far off the Kōrero Mai indicators and demonstrates that those who need the hands-on support are accessing it.

55. Like all other Council's using Benestar as an EAP provider – 'personal relationship issues' presented as a top three theme, no deviation from what we have seen in the past.
56. Throughout the year 'personal' remains the dominant reason for accessing EAP (consistently above 50% of all cases), but slowly this has moved from just personal to more dual presenting reasons.
57. There has been a 22% increase in dual (personal and work) presenting issues – with 48% of cases in Q4 presenting with dual reasons compared to 26% in the same quarter the previous year.
58. This year 'work stress' entered our top three prime presenting reasons – with 14% of cases presenting this as a cause.
59. It has been a hard two years for our staff and the community, with resilience being tested regularly and growing external pressures. It is why wellbeing is a key strategic focus for the People and Culture group, and we will continue to invest and respond to the feedback we receive.
60. In the same Kōrero Mai survey, 87% of respondents said the Council proactively supports them to look after their well-being; with 75% of people saying they feel safe to talk openly with their team about their mental wellbeing.

Ngā mahinga e whai ake nei | Next actions

61. None

Attachments

Attachment 1. [Health, Safety and Security Quarter 4 Performance Report](#)   Page 107

Health, Safety & Security Performance

Reporting Period 1 April 2022 – 30 June 2022

Wellington City Council (WCC) has a responsibility to regularly monitor its health, safety and security (HSS) performance to ensure it is on track to meet both its related policy expectations and HSS Strategy. To monitor its performance, WCC will collect data and use a range of indicators as part of regular reporting protocols. These measures include a balance of leading and lagging indicators and are selected to outline improving, consistent or deteriorating H&S performance.

Section 1: Lead indicators

Lead indicators provide information about trends which may lead to an accident, injury, or disease. Insights from lead indicators help prioritise proactive HSS activity to further improve health and safety performance and reduce the probability of serious accidents.

1.1 Key lead indicators

Metric	Q4	Q3	Change	FY21/22	FY20/21	Change
health and safety representatives (HSR)	125	112	+13	125	108	+17
representatives trained (HSR) during period	12	7	+5	51	27	+24
leaders trained Health and Safety during period	10	9	+1	33	N/A	N/A
physical first aiders trained (SSW Coordinated)	1	0	+1	+1	4	-3
mental health first aiders trained	0	0	0	9	121	-112
personal confrontation training	41	18	+23	81	62	+19
Resilience training	10	29	-19	60	52	+8
health and safety heroes	0	0	0	0	2	-2
random drug and alcohol tests – passed	27	21	+6	94	192	-99
random drug and alcohol tests – failed	0	0	0	1	1	0
early intervention physio (Mirimiri) sessions	1	0	+1	1	0	+1
early intervention physio (European) sessions	13	8	+5	36	58	-22
employee assistance programme hours	179	240	-61	722	807	-85

Insights

Lead indicators for the most part all show positive movement for both the quarter and full financial year comparisons.

There has been a significant push of personal confrontation training amidst an upward trend of incidents. This is also supported by related resilience training which has also been taken up in larger numbers this year.

Numbers for mental health first aid were significantly lower this year than last, which has been impacted largely by a disrupted training schedule and COVID-19 impacts on the provider, St John. We are working with St John to firm up dates for the rest of this calendar year which will see our update increase for both mental health, and physical first aid training.

A piece of work to review the health and safety heroes programme has begun to investigate why the activity has received little interest in the two years it has been running. We know anecdotally there is interest in celebrating safety success, so we need to provide an appropriate mechanism for that to happen.

Health, Safety & Security Performance

1.2 Critical risk observations

Officer group	Q4	Q3	Change	FY21/22	FY20/21	Change
Elected members	1	0	+1	1	20	-19
Executive leadership team	8	3	+5	20	23	-3

Insights

COVID-19 continued to impact our ability to schedule and run critical risk safety observations at the same rate as we have seen in the past. We have also identified some gaps in the organising process for these observations that we will be addressing.

1.3 Near miss reporting

Risk rating	Q4	Q3	Change	FY21/22	FY20/21	Change
Extreme	0	0	0	0	1	-1
High	2	6	-4	14	8	+6
Medium	23	23	0	106	59	+47
Low	137	111	+26	663	847	-184
Unassigned	39	54	-15	157	167	-10
Total	201	194	+7	940	1082	-142

Insights

Overall, our near miss reporting numbers have decreased. However, this isn't cause for concern considering our total number of recorded events also displays a similar trend.

With the introduction of a new HSS information management system we expect to see better reporting culture and potentially the number of near misses begin to increase again. We continue to see most reports being rated low risk.

Section 2: Lag indicators

Lag indicators measure loss events that have occurred. They quantify WCC's HSS performance in terms of past incident statistics. We use these indicators to measure the outcomes of WCC's management of HSS. Noting, they provide insufficient information to ensure the success of the health and safety management process since they promote reactive rather than proactive management.

2.1 Key lag indicators

Metric	Q4	Q3	Change	FY21/22	FY20/21	Change
Work related ACC injury claims	7	16	-9	58	84	-26
Claim costs to date	\$605	\$2,299	-1694	\$30,024	\$148,587	-118563
Number of workdays lost	3	16	-13	104	441	-337
Average delay in incident reporting (days)	3.16	4.03	-0.87	3.74	4.64	-0.9
Personal confrontation incidents	207	175	+32	813	576	+237
Bans issued	7	9	-2	24	24	0
Trespass notices issued	1	0	+1	13	12	+1
Police reports	42	23	+19	121	125	-4

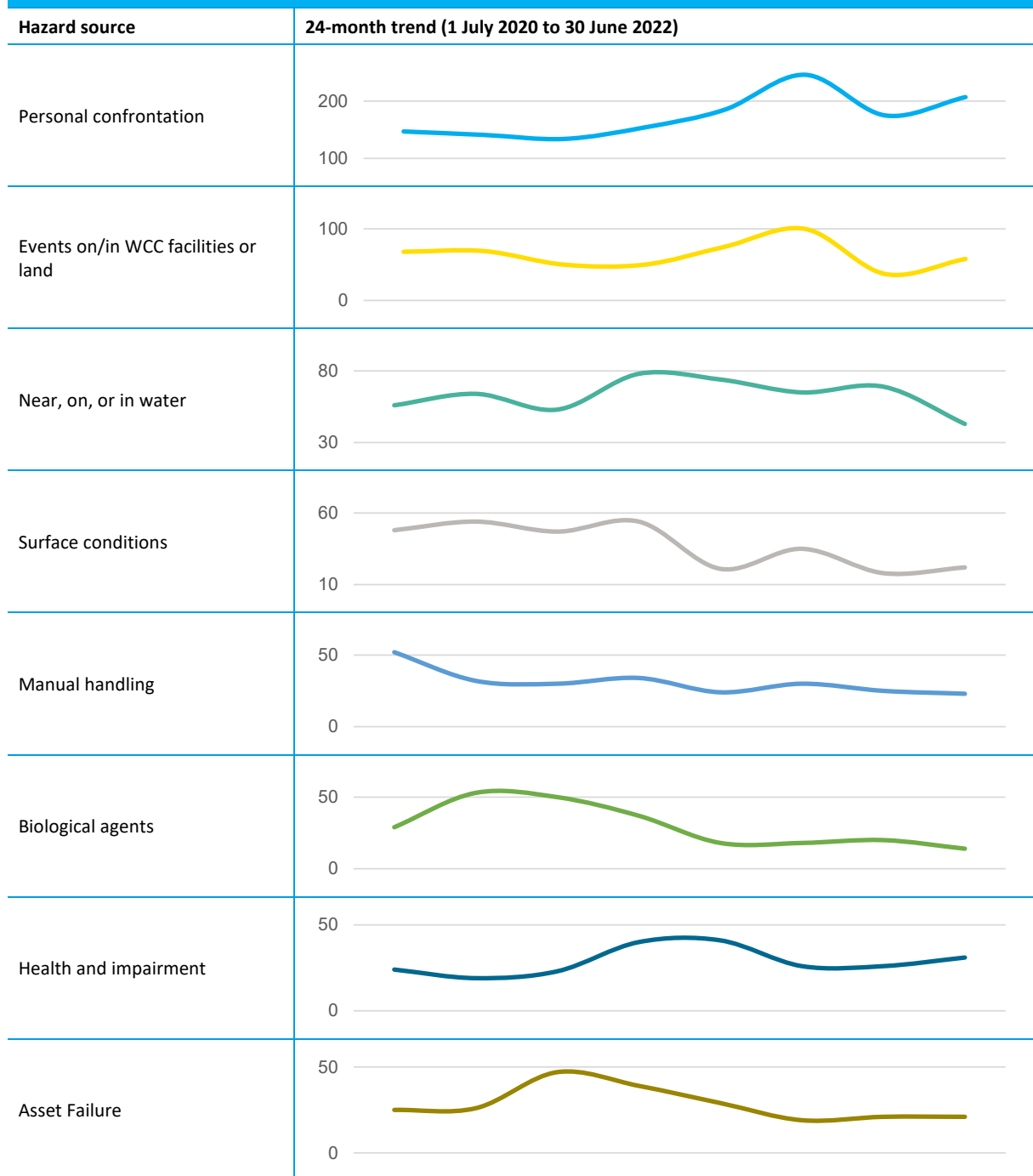
Health, Safety & Security Performance

Insights

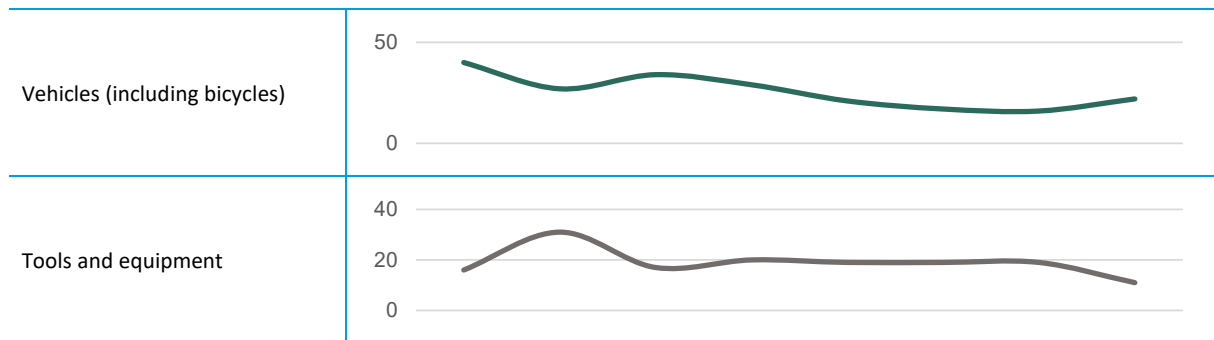
Much like our lead indicators, our lag indicators all are displaying a health trend. We have had less ACC claims, meaning less claim costs; as well as less time lost to injuries and a reduction in incident reporting delay.

Unsurprisingly, given what has been discussed in prior papers, the area where we continue to see concern is in the growing trend of personal confrontation incidents. We are increasing our efforts to mitigate the impact of this through training; understanding that minimising the risk itself is somewhat out of the control of the Council.

2.2 Risk trends



Health, Safety & Security Performance



Insights

Except for personal confrontation, our nasty nine critical risks all show flat or decreasing trends over a 24-month period. Areas where the Council has a strong ability to mitigate risk i.e., tools and equipment, and manual handling are all showing a healthy decline in incident numbers, validating our existing controls.

We will continue to invest in training and investigate further mitigations for the risk of personal confrontation.

2.3 Injury trends by risk rating (includes first aid, medical treatment, notifiable events, fatalities)

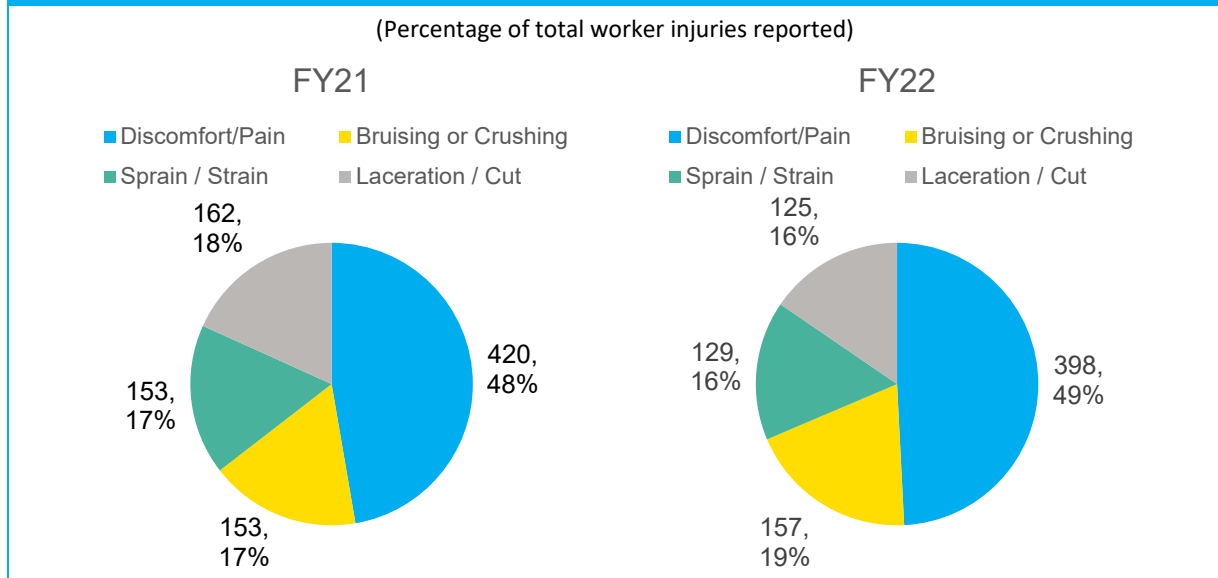
Risk rating	Q4	Q3	Change	FY21/22	FY20/21	Change
Extreme	0	0	0	0	0	0
High	2	2	0	7	17	-10
Medium	32	29	+3	158	173	-15
Low	205	238	-33	950	949	+1
Unassigned	45	43	+1	160	312	-152
Total	284	312	-28	1277	1451	-174

Insights

Overall, the Council has recorded significantly less injury events this year, with no areas of concern to highlight. There are many events which have not been risk rated – the new HSS information management system will make it easier to do this assessment and we should see the number of unassigned events reduce as a result.

Health, Safety & Security Performance

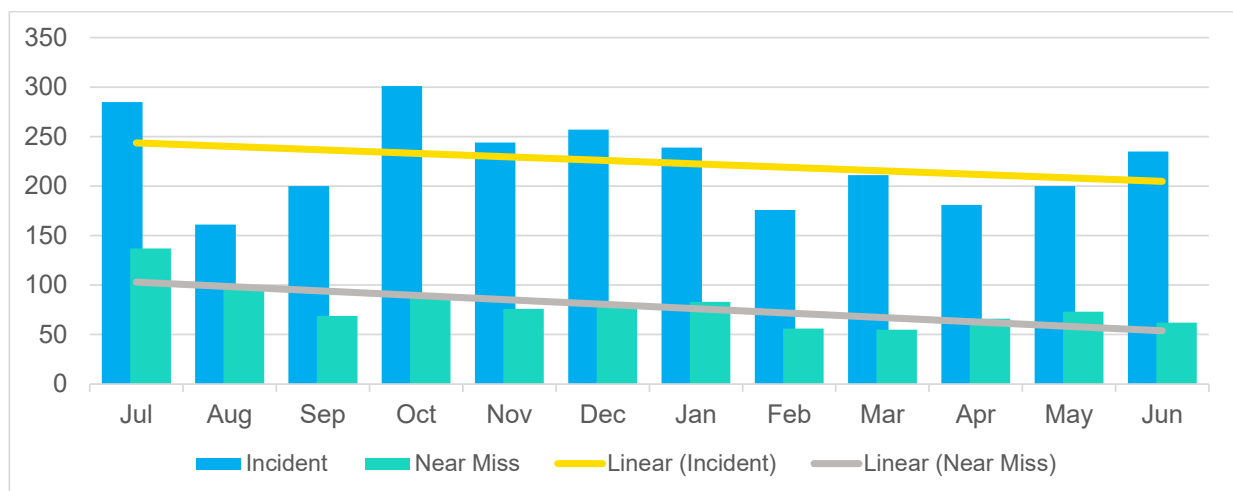
2.4 Reported injury type breakdown (top 4)



Insights

Discomfort, bruising, sprains, and lacerations remain the top four (4) injury types for Council workers – with the percentage share of each remaining largely unchanged from the last financial year. Given pain and discomfort makes up half of the top recorded injury type, we have adjusted our processes to better triage and refer Council staff to early intervention medical treatment (through traditional physiotherapy or alternative mirimiri) to prevent injury escalations.

2.4 Event trends



Health, Safety & Security Performance

Insights

Both near misses and incidents are both displaying a downward trend. While it is good to see the number of incidents overall reduce – to give us better information about unsafe conditions and areas for proactive intervention, it would be better to see near miss numbers slightly higher (at least a third of the number of incidents). Reporting will become easier with the introduction of the new HSS information management system.

Health, Safety & Security Performance

Section 4: Critical and high risk events

Key for acronyms: KPI - Key Person Involved; MOP - Member of Public; LG - Life Guard; DM - Duty Manager; OP - Operations Manager; PO - Parking officer

ID	Date	Group/Unit	Location	Description	Actions taken	Critical risk	Risk rating
1271246	07/04/2022	Parking Services	Kai Ūpoko	During a team meeting, KPI who had previously had a heart attack the week prior began to slump in their chair and briefly lost consciousness. It was suspected KPI was having another heart attack.	KPI was put in recovery position and an ambulance called. A defibrillator was available on-site should it be needed. KPI was taken to hospital.	Health and impairment	High
1278736	24/05/2022	Parks, Sport and Recreation	Parks and Gardens	MOP let a concrete truck into the reserve with a temporary vehicle access pass – they did not have permission to let other vehicles in. As the truck drove through the park it reached a grass slope, slid down and got stuck on the grass bank.	Keys have been collected from the MOP to prevent further unauthorised access. Digger came to reinstate the site, so it is safe to occupy. Further remediation and hydro seeding will be needed.	Vehicles on/off roads (including bicycles)	High
1281895	09/06/2022	Hapai Ake	Kai Ūpoko	KPI had a seizure while outside the office.	KPI was placed in the recovery position and an ambulance called. KPI has previously diagnosed epilepsy, and recent personal activities have triggered new seizures. KPI returned to work the next day with advice from medical staff on what activities to avoid as to prevent further seizures.	Health and impairment	High
1282393	13/06/2022	Parking Services	Massey Road	PO was accompanied by police while attending to a derelict vehicle in a no radio coverage area. While processing the derelict vehicle, PO was confronted by members of the public asking questions about why the vehicle was being ticketed.	PO was advised by police to continue to process the derelict vehicle but hold issuing certificate of fitness (COF) and registration tickets while there were people present. PO left the area and reconvened with police to continue processing the derelict vehicle.	Personal confrontation	High
1283699	20/06/2022	Parks, Sport and Recreation	Hawkins Hill Road	While clearing shrub and levelling ground a contractor struck a power cable buried approximately 200mm below ground belonging to airways. Power was cut to a nearby airways building. No injuries.	Contractor contacted Wellington Electricity to understand more about the cable. Location services have come to site to mark remaining cable path and no further work will commence on site until a new plan for the fence can be made.	Excavations	High

PROPOSED WORKPLAN

Kōrero taunaki | Summary of considerations

Purpose

1. This report provides the Proposed Workplan for Kāwai Māhirahira | Audit and Risk Subcommittee.

Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

- Sustainable, natural eco city
 - People friendly, compact, safe and accessible capital city
 - Innovative, inclusive and creative city
 - Dynamic and sustainable economy
- Strategic alignment with priority objective areas from Long-term Plan 2021–2031**
- Functioning, resilient and reliable three waters infrastructure
 - Affordable, resilient and safe place to live
 - Safe, resilient and reliable core transport infrastructure network
 - Fit-for-purpose community, creative and cultural spaces
 - Accelerating zero-carbon and waste-free transition
 - Strong partnerships with mana whenua

Financial considerations

- Nil Budgetary provision in Annual Plan / Long-term Plan Unbudgeted \$X

Risk

- Low Medium High Extreme

Author	Richard Leverington, Manager Risk and Assurance
Authoriser	Stephen McArthur, Chief Strategy & Governance Officer

Taunakitanga | Officers' Recommendations

Officers recommend the following motion

That the Kāwai Māhirahira | Audit and Risk Subcommittee:

1. Receive the information.

Whakarāpopoto | Executive Summary

2. The proposed Workplan sets out the reports coming to the Kāwai Māhirahira | Audit & Risk Subcommittee until September 2024.
3. A rolling work programme beyond September 2024 will be developed for approval in February 2023 once there is certainty about the future role of the Subcommittee.

Attachments

Attachment 1. Forward Work Plan [↓](#) 

Page 117

Kāwai Māhirahira | Audit & Risk Subcommittee: Proposed Workplan

	Sep 2022	Feb 2023	June 2023	Sep 2023	Feb 2024	June 2024	Sep 2024
Subcommittee governance							
o Forward programme and workplan update	♦	♦	♦	♦	♦	♦	♦
o ARS self-assessment of performance and effectiveness	♦		♦			♦	
o Elected member disclosure of gifts and hospitality	♦		♦			♦	
Assurance and Business Integrity (Internal Audit)							
o Approval of the Assurance work plan			♦			♦	
o Update on the Assurance work plan	♦	♦			♦		
o Update on Protected Disclosures and investigations		♦			♦		
o Status of internal and third-party audit recommendations	♦	♦		♦	♦		♦
o Update on fraud risk		♦			♦		
o Annual Internal Control report	♦			♦			♦
o Annual legislative compliance attestation report	♦			♦			♦
o Subcommittee briefing with no management present (+ as required)			♦			♦	
o Review Internal Audit Charter							♦
External Audit and Statutory Reporting							
o Audit plan and engagement letter		♦			♦		
o Progress to address matters of emphasis in 20/21 audit opinion		♦	♦			♦	
o Proforma Annual Report (financial statements & accounting policies)			♦			♦	
o Draft Annual Report and letters of representation	♦			♦			♦
o Year-end management letter	♦			♦			♦
o Subcommittee briefing with no management present (+ as required)	♦			♦			♦
Risk Management							
o Strategic Risk Management Framework - profile update	♦	♦		♦	♦		♦
o Annual refresh of strategic risks			♦			♦	
o Approval of annual Risk work plan			♦			♦	
o Risk Maturity update			♦			♦	
o Group Risk Management – Chief Officer updates							
• Chief Executive (as required)	♦	♦	♦	♦	♦	♦	♦
• Chief Planning	♦						
• Chief Customer and Community			♦				
• Chief People and Culture		♦					
• Chief Infrastructure							
• Chief Māori				♦			
• Chief Financial					♦		
• Chief Strategy & Governance						♦	
• Chief Digital	♦						♦

Kāwai Māhirahira | Audit & Risk Subcommittee: Proposed Workplan

	Sep 2022	Feb 2023	June 2023	Sep 2023	Feb 2024	June 2024	Sep 2024
Council Controlled Organisations							
o CCO annual reports on risk that impact on Council's group risk	◆			◆			◆
Finance							
o Insurance Strategy update	◆	◆			◆		
Health and Safety							
o Performance report	◆	◆	◆	◆	◆	◆	◆
Legal Risk							
o Litigation matters update (Public excluded)	◆	◆	◆	◆	◆	◆	◆
Long Term Plan							
o 2024 LTP Development Programme – project plan			◆				
o LTP forecasting assumptions				◆			
o Asset Management Planning – assurance			◆				
o Audit New Zealand LTP assurance plan				◆			
o Audit NZ LTP Management letter							◆
o Cyber security risk and incident response	◆						
o Programme Management Office – P3M3 maturity			◆				
o Procurement Strategy			◆				
o Holidays Act compliance							
o Building consenting liability							
o Procurement and unsolicited bids risk (date TBC)							

◆ Item brought forward from previous meeting

ACTIONS TRACKING

Kōrero taunaki | Summary of considerations

Purpose

- This report provides an update on the past actions agreed by the Kāwai Māhirahira | Audit and Risk Subcommittee at its previous meetings.

Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

- | | |
|--|---|
| Strategic alignment with priority objective areas from Long-term Plan 2021–2031 | <input type="checkbox"/> Sustainable, natural eco city
<input type="checkbox"/> People friendly, compact, safe and accessible capital city
<input type="checkbox"/> Innovative, inclusive and creative city
<input type="checkbox"/> Dynamic and sustainable economy

<input type="checkbox"/> Functioning, resilient and reliable three waters infrastructure
<input type="checkbox"/> Affordable, resilient and safe place to live
<input type="checkbox"/> Safe, resilient and reliable core transport infrastructure network
<input type="checkbox"/> Fit-for-purpose community, creative and cultural spaces
<input type="checkbox"/> Accelerating zero-carbon and waste-free transition
<input type="checkbox"/> Strong partnerships with mana whenua |
|--|---|

Relevant Previous decisions

Not applicable.

Financial considerations

- | | | |
|---|--|---|
| <input checked="" type="checkbox"/> Nil | <input type="checkbox"/> Budgetary provision in Annual Plan / Long-term Plan | <input type="checkbox"/> Unbudgeted \$X |
|---|--|---|

Risk

- | | | | |
|---|---------------------------------|-------------------------------|----------------------------------|
| <input checked="" type="checkbox"/> Low | <input type="checkbox"/> Medium | <input type="checkbox"/> High | <input type="checkbox"/> Extreme |
|---|---------------------------------|-------------------------------|----------------------------------|

Author	Emily Deans, Democracy Advisor
Authoriser	Stephen McArthur, Chief Strategy & Governance Officer

Taunakitanga | Officers' Recommendations

Officers recommend the following motion

That the Kāwai Māhirahira | Audit and Risk Subcommittee:

- 1) Receive the information.

Whakarāpopoto | Executive Summary². This report lists the dates of previous committee meetings and the items discussed at those meetings.

3. Each clause within the resolution has been considered separately and the following statuses have been assigned:
 - In progress: Resolutions with this status are currently being implemented.
 - Complete: Clauses which have been completed, either by officers subsequent to the meeting, or by the meeting itself (i.e. by receiving or noting information).
4. All actions will be included in the subsequent monthly updates, but completed actions will only appear once.

Takenga mai | Background

5. At the 13 May 2021 Council meeting, the recommendations of the Wellington City Council Governance Review (the Review Report) were endorsed and agreed to be implemented.
6. The purpose of this report is to ensure that all resolutions are being actioned over time. It does not take the place of performance monitoring or full updates. The committee could resolve to receive a full update report on an item if it wishes.

Kōrerorero | Discussion

7. Following feedback, the status system has been changed so that resolutions either show as 'in progress' or 'complete'.
8. Of the 16 resolutions of Kāwai Māhirahira | Audit and Risk Subcommittee in May 2022
 - 15 are complete.
 - One item is still in progress.
9. Note that there were resolutions made in the public excluded portions of the previous Kāwai Māhirahira | Audit and Risk Subcommittee meetings.
10. For a public excluded resolution, each individual clause will not be reported on in a public meeting. These resolutions have been treated as a whole.
11. Updates on individual clauses of a public excluded resolution can be provided to councillors outside of a formal meeting.
12. Further detail is provided in Attachment One.

Attachments

Attachment 1. [Actions Tracking](#)  

Page 121

	Committee	Title	#	Clause	Status	Comment
5/2022	Kāwai Māhirahira Audit and Risk Subcommittee	2.1 Audit & Risk Subcommittee Kāwai Māhirahira self-assessment survey 2022	1	Receive the information	Completed	The subcommittee formally received the information in the relevant report.
5/2022	Kāwai Māhirahira Audit and Risk Subcommittee	2.2 Assurance & Business Integrity Plan 2022-23	1	Receive the information	Completed	The subcommittee formally received the information in the relevant report.
5/2022	Kāwai Māhirahira Audit and Risk Subcommittee	2.2 Assurance & Business Integrity Plan 2022-23	2	Receive information about the completion of the Elected Member Gifts and Hospitality register.	Completed	The subcommittee formally received the information in the relevant report - May 2022 Agenda item 2.2. Information is provided to each meeting as part of the Assurance programme update.
5/2022	Kāwai Māhirahira Audit and Risk Subcommittee	2.3 Health, Safety and Security (Performance) Report	1	Receive the information	Completed	The subcommittee formally received the information in the relevant report.
5/2022	Kāwai Māhirahira Audit and Risk Subcommittee	2.3 Health, Safety and Security (Performance) Report	2	Recommend to the Pūroro Tahua – Finance Performance Committee to receive the information on 19 May 2022.	Completed	The information was received by Pūroro Tahua Finance and Performance Committee on 19th of May.
5/2022	Kāwai Māhirahira Audit and Risk Subcommittee	2.4 Draft 2021/22 Annual Report Format Including Financial Statements and Proposed Sign-Off Process	1	Receive the information	Completed	The subcommittee formally received the information in the relevant report.
5/2022	Kāwai Māhirahira Audit and Risk Subcommittee	2.4 Draft 2021/22 Annual Report Format Including Financial Statements and Proposed Sign-Off Process	2	Note the approach and structure for the 2021/22 Annual Report (and Summary Annual Report) is similar to the 2020/21 Annual Report. This is subject to: a. The key themes and final performance story for actual full year results; and b. The key messages for the summary story for the year.	Completed	The subcommittee formally noted the information.
5/2022	Kāwai Māhirahira Audit and Risk Subcommittee	2.4 Draft 2021/22 Annual Report Format Including Financial Statements and	3	Note the Audit Plan for the year ending 30 June 2022.	Completed	The subcommittee formally noted the information.
5/2022	Kāwai Māhirahira Audit and Risk Subcommittee	2.4 Draft 2021/22 Annual Report Format Including Financial Statements and Proposed Sign-Off Process	4	Approve the proposed format and disclosures for the 2021/22 financial statements subject to: a) Consideration of the implications of any changes in NZ GAAP arising up to 30 June 2022 which may be required to be applied retrospectively; and b) The determination and disclosure of the results of operations, cash-flows and financial position for the year ending 30 June 2022 (and any subsequent impact on the notes to the financial statements); and c) Receiving final clearance from Audit New Zealand.	Completed	
5/2022	Kāwai Māhirahira Audit and Risk Subcommittee	2.4 Draft 2021/22 Annual Report Format Including Financial Statements and	5	Approve the sign-off process and timetable for the 2021/22 financial statements	Completed	
5/2022	Kāwai Māhirahira Audit and Risk Subcommittee	2.5 Strategic Risks Update April 2022	1	Receive the information	Completed	The subcommittee formally received the information in the relevant report.
5/2022	Kāwai Māhirahira Audit and Risk Subcommittee	2.5 Strategic Risks Update April 2022	2	Approve the Risk Management Team Workplan	Completed	
5/2022	Kāwai Māhirahira Audit and Risk Subcommittee	2.6 Actions Tracking	1	Receive the information	Completed	The subcommittee formally received the information in the relevant report.
5/2022	Kāwai Māhirahira Audit and Risk Subcommittee	2.7 Forward Programme and Workplan Update	1	Receive the information	Completed	The subcommittee formally received the information in the relevant report.
5/2022	Kāwai Māhirahira Audit and Risk Subcommittee	3.1 Legal and Risk Updates		all clauses	Completed	The subcommittee formally received the information in the relevant report.

Committee	Title	#	Clause	Status	Comment
5/2022 Kāwai Māhirahira Audit and Risk Subcommittee	3.2 Wellington City Council Building Consent Risks and Liabilities		all clauses	In progress	<p>In July 2022 MBIE commenced a review into the Building Consent system. In addition to core consultation materials, MBIE released a companion document outlining and reinforcing the current approach to risk and liability issues, effectively placing it out of scope of the Building Consent system review. WCC has prepared a response to the consultation, highlighting the ongoing and critical influence that current risk and liability settings have on the operation of the building consent system. WCC will respond to future rounds of consultation, as the opportunities arise.</p> <p>With respect to each action:-</p> <p>(a) An engagement plan has been prepared and initiated. Specifically WCC has worked collaboratively with LGNZ to present an item on risk and liability to the August Metro meeting, with a view to gauging other TA's appetite for coordinated action/approaches to Central Government. Officers are currently assessing next steps. In addition a letter from WCC CE Barbara McKerron to MBIE CE Carolyn Tremain has been drafted, outlining and proposing a meeting to discuss relevant issues.</p> <p>(b) WCC will continue to raise its concerns through the 'future for local government' consultation process and the MBIE led Building Consent System review, and any other opportunities that arise.</p> <p>(c) The option of a referral mechanism for complex applications was highlighted through the response to MBIE's Building Consent System review, and was also referenced in the letter from WCC CE Barbara McKerron to MBIE CE Carolyn Tremain.</p> <p>(d) Building Consenting and Compliance continues to decline applications where there is insufficient evidence about meeting required building standards.</p> <p>(e) Refer to the response to item (a) above.</p> <p>(f) This is pending.</p> <p>(g) Investigations into the cost of insurance to cover liability, and at what cost, are ongoing.</p> <p>(h) The opportunity for a self-insurance scheme/rates based provision for dealing with future liability claims, is continuing to be investigated.</p> <p>(i) An additional 0.5 FTEs have been employed to assist in processing complex/structure focused consents. CCC continues to pursue opportunities for suitably qualified structural engineers.</p>

DRAFT 2021/22 ANNUAL REPORT AND AUDIT PROCESS

Kōrero taunaki | Summary of considerations

Purpose

1. This report to Kāwai Māhirahira | Audit and Risk Subcommittee is to review the draft 2021/22 Annual Report with Financial Statements and Statements of Service Provision for Wellington City Council (the Council) for the year ended 30 June 2022.

Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

- Sustainable, natural eco city
- People friendly, compact, safe, and accessible capital city
- Innovative, inclusive, and creative city
- Dynamic and sustainable economy

Strategic alignment with priority objective areas from Long-term Plan 2021–2031

N/A – this Annual Report is the first report against the 2021-31 Long-term Plan

- Functioning, resilient and reliable three waters infrastructure
- Affordable, resilient, and safe place to live
- Safe, resilient, and reliable core transport infrastructure network
- Fit-for-purpose community, creative and cultural spaces
- Accelerating zero-carbon and waste-free transition
- Strong partnerships with mana whenua

Relevant Previous decisions

The proposed format and disclosures for the 2021/22 Annual Report were reviewed and agreed by the Subcommittee at its meeting on 3 May 2022.

The draft Statements of Service Provision and Financial Statements were also workshopped with the Subcommittee on 30 August 2022 and, where possible, amendments recommended by the Subcommittee and other elected members at those workshops have been made. Major changes and notes are highlighted in yellow.

Significance

The decision is **rated medium significance** in accordance with schedule 1 of the Council's Significance and Engagement Policy.

Financial considerations

- Nil Budgetary provision in Annual Plan / Long-term Plan Unbudgeted \$X

2. Includes full Financial Statements for the Council and the Group for the 2021/22 financial year. These are still subject to an independent audit by AuditNZ, due to be completed by 28 November 2022.
3. There are no financial implications arising from this paper as it is a backwards reflection of performance.

Risk

| Low | Medium | High | Extreme

4. Overall, the review and adoption of the Annual Report is of low risk.
5. The draft results show a much larger surplus than the previous year, however this is mostly due to the large non-cash dollar value of vested revenue recognised this year and therefore unlikely to be an impact on the Council’s future credit rating. For the 2020-21 Annual Report the Council-Controlled Organisation Wellington Water Limited was qualified on two key performance indicators. Subject to the view of the Auditors in the Annual Audit, it is expected that the qualification of Wellington Water’s performance indicators will flow through to the 2021-22 Annual Report. This is expected to be confirmed or otherwise by AuditNZ by 28 November 2022.

Authors	Bronwen Green, Senior Advisor, Planning and Reporting Joy Volkerling, Senior Advisor, Planning & Reporting Raina Kereama, Financial Controller Annemarie Booth, T/L Financial Accounting Lloyd Jowsey, Team Leader, Planning and Reporting
Authoriser	Baz Kaufman, Manager Strategy and Research Sara Hay, Chief Financial Officer Stephen McArthur, Chief Strategy & Governance Officer

Taunakitanga | Officers' Recommendations

Officers recommend the following motion that Kāwai Māhirahira | Audit and Risk Subcommittee:

1. Receive the information.
2. Receive the draft 2021/22 Annual Report for Wellington City Council and Group for the year ended 30 June 2022, noting the audit is not complete until 28 November 2022.
3. Note that the draft Statements of Service Provision and Financial Statements were workshopped with the Subcommittee on 30 August 2022 and, where possible, amendments recommended by the Subcommittee and other elected members at those workshops have been made. Major changes and notes are highlighted in yellow.
4. Agree that the financial statements for the year ended 30 June 2022 fairly reflect the financial position, results of operations and service performance achievements of the Wellington City Council and Group.
5. Recommend that the Finance and Performance Committee recommend that the Council:
 - a. Approve the Accounting Policies contained in the draft financial statements (Attachment 2, Public Excluded) for adoption for the financial statements for the year ended 30 June 2022.
 - b. Approve the draft Financial Statements and Statements of Service Provision for Wellington City Council and Group within the draft Annual Report for the year ended 30 June 2022, subject to the resolution of any matters identified during the meeting and those arising from year-end and annual audit from Audit New Zealand.
 - c. Approve the draft Annual Report for Wellington City Council and Group for the year ended 30 June 2022 (Attachment 1 and 2, Public Excluded).
 - d. Approve the request for the elected Council formed after the 2022 election, to adopt the Annual Report for Wellington City Council and Group for the year ended 30 June 2022 (Attachment 1 and 2, Public Excluded) subject to changes under recommendations e) and f).
 - e. Delegate to the Chair and Deputy Chair of the Audit and Risk Subcommittee the authority to deal with any significant issues arising after this meeting that are under the delegations of the Subcommittee, ensuring they are appropriately addressed through discussions with Officers and liaison with other Subcommittee members if necessary
 - f. Delegate to the Chief Executive Officer the authority to make minor editorial changes that may arise as part of the finalising of the draft 2021/22 Annual Report before presentation to the 2022 elected Council following the 2022 election
6. Note that while the Subcommittee is made aware of any issues with the Group entities' audits, it does not review the Financial Statements of the Group entities in detail. Due to the size and structure of the Group, the individual results of operations from each Group entity are unlikely to be material, either individually or taken as a whole, in relation to the consolidated financial statements.

Whakarāpopoto | Executive Summary

7. The audit of the financial and non-financial performance is scheduled for October 2022, with sign-off by the audit opinion by 28 November from Audit New Zealand.
8. The draft Annual Report (Attachment 1 and 2), including the Financial Statements and Statements of Service Provision, is subject to final review and clearance by Audit New Zealand ahead of the adoption set for the 15 December 2022 meeting of the new Council. As the audit of these documents will not occur before the 2022 elections, the attachments to this report are Public Excluded to allow the Annual Audit to be completed.
9. The Annual Report development process includes five layers of internal and external benchmarking review and assurance. This drives the continuous improvement of the content, structure, layout and presentation of the final documents. The 2020-21 Annual Report received a gold award in the Australasian Annual Report Awards (AARA) the first New Zealand Local Authority to achieve this level of external award.
10. The Subcommittee has primary responsibility for the review of the Council's annual financial statements (Attachment 2). This responsibility is delegated to it by the Finance and Performance Committee. The overall responsibility for the adoption of the Annual Report remains with Council.
11. The draft financial statements include all known year-end adjustments required in order to fairly reflect the Council's and Group's results of operation, cash flows and financial position for the 2021/22 financial period.
12. The draft 2021/22 Annual Report includes a full narrative about our performance story and work programme for the year. It is supported by all our performance measures and outcome indicators.
13. Audit New Zealand will provide an update to the Subcommittee at this meeting on the status of the interim Audit, ahead of the full Annual Audit scheduled to commence on 3 October 2022.
14. While the majority of Council's subsidiary entities are still in the process of finalising their financial statements and performance results, we do not expect this to have any marked impact on the results.

Takenga mai | Background

15. As a result of the continued impact of the COVID-19 pandemic, Parliament passed legislation in July 2021 to extend the statutory reporting time frames by up to two months for several different entities, including local authorities.
 - This means that the Council is required to prepare and adopt an Annual Report containing audited Statements of Service Provision and Financial Statements within six months of balance date.
 - These amendments to time frames aim to mitigate the impacts of a severe shortage of auditors on obtaining robust audit opinions on end-of-year reporting.
16. The above Parliamentary extension of the reporting timeline included the Auditor-General assuring Parliament that priority Councils (of which Wellington is one) would still be completed within the regular October deadline. However significant capacity constraints at Audit New Zealand, means that Wellington City Council's Annual Audit

will be completed by 14 November. Consequently, the Annual Audit will not be completed before the local body elections, and that the final Annual Report will be adopted by the first meeting of the newly elected Council on 15 December 2022.

17. Further information on the legislation change can be found here:
<https://legislation.govt.nz/bill/government/2021/0053/6.0/whole.html>

Kōrerorero | Discussion

Process and Timetable

18. Following the legislation change, the timetable for the development and adoption of the Annual Report was confirmed as follows:

Date	Action
3 May 2022	<i>Audit and Risk Subcommittee meeting</i> Subcommittee reviewed and conditionally approved draft format for the 2021/22 Annual Report.
27 June 2022	Audit New Zealand commence interim/pre-final audit fieldwork.
18 August 2022	Finance and Performance committee – progress update
30 August 2022	Audit and Risk Subcommittee (and all elected members) workshop on <ul style="list-style-type: none"> Review of full annual report including Statements of Service Provision as per Section 4: Our performance in detail, and financial results, key judgements, major provisions and issues
14 September 2022	<i>This Audit and Risk Subcommittee meeting</i> <ul style="list-style-type: none"> Subcommittee to review draft Annual Report. Audit New Zealand to provide update on interim audit findings. Subcommittee to recommend “agree to adopt” of 2021/22 Annual Report to Finance and Performance Committee for 2022 elected Council.
28 September 2022 (scheduled)	<i>Finance and Performance Committee meeting to recommend</i> <ul style="list-style-type: none"> Council to recommend 2021/22 Annual Report to 2022 elected Council to adopt subject to AuditNZ signoff.
29 September 2022	<i>Council meeting</i> <ul style="list-style-type: none"> To recommend 2021/22 Annual Report to 2022 elected Council to adopt subject to AuditNZ signoff.
28 November 2022	Audit opinion available
8 December 2022	Brief incoming council
15 December 2022	<i>Council meeting</i> <ul style="list-style-type: none"> Council to adopt 2021/22 Annual Report. Management Letter of Representation issued to Audit New Zealand. Audit New Zealand sign audit opinion. Media release – financial results for the year ending 30 June 2022.
TBC January 2023	Release of published Summary Annual Report 2021/22
TBC January 2023	Release of published Annual Report 2021/22

19. Section 111 requires the Council to comply with generally accepted accounting practice (GAAP) in preparing the Annual Report. GAAP is defined by the Local Government Act to mean:
- approved financial reporting standards (within the meaning of section 2(1) of the Financial Reporting Act 1993) so far as those standards apply to local authorities and council-controlled organisations; and
 - in relation to matters for which no provision is made in approved financial reporting standards and that are not subject to any applicable rule of law, accounting policies that –
 - are appropriate to the local authority or council-controlled organisation; and
 - have authoritative support within the accounting profession in New Zealand

Review and Assurance

20. The Annual Report development process includes five layers of internal and external review and assurance:
- A.** early in the development process there is a review of the previous year's Annual report to identify areas of continuous improvement. This includes both legislative compliance as well as content, structure, layout and the visual presentation of both financial and non-financial information. The improvements for the 2021-22 Annual Report focus on the:
 - continued simplification of the front-end summary and visual presentation of both financial and non-financial performance information; and
 - further refinement of the report layout and presentation.
 - B.** the internal ELT and, peer review of information supplied from across the organisation to ensure the accuracy, consistency, and honest accounting of performance of the report. This includes cross-checking of previous results against last year's reported information and these checks continue throughout the development programme up to adoption.
 - C.** a legislative compliance and audit standards review of relevant information by the Council's external auditors in both the Interim and final Annual Audit for the year covered by the Annual Report. This includes ensuring the financial statements comply with PBE Accounting Standards, LGA requirements, and Local Government (Financial Reporting and Prudence) Regulations 2014.
 - D.** plain English and public audience focused review and editing of the whole document. The focus here is to ensure the report structure, visual elements and language support a readable Annual and easily navigable document.
 - E.** an additional layer of external benchmark review and feedback from the Australasian Annual Reporting Awards (AARA) judging panel against international standards of excellence for external accountability reporting. The 2020-21 Annual Report received a gold award the first New Zealand Local Authority to achieve this level of award.

Format of Financial Statements

21. There have been no significant changes to the format of the financial statements presented to the Finance, Audit and Risk Subcommittee at the 3 May 2022 meeting.
22. There have been two additional adjustments, with minimal impact on the resulting surplus, to the financial statements presented to the Audit and Risk Subcommittee at the 30 August 2022 workshop, as outlined in Additional Annual Report Information (Attachment 3 – Public Excluded).
23. Some minor disclosure changes have been made since the 30 August workshop, as outlined in Additional Annual Report Information (Attachment 3 – Public Excluded).

Group Consolidation and Reporting

24. The attached financial statements include the results of operations of Wellington City Council as a separate legal entity together with Wellington Venues Project and the Council's interests in its joint venture arrangements. The financial statements also include the various Group interests in Council-controlled entities and associates.
25. The Subcommittee has the primary responsibility for the review of the Council's consolidated financial statements. This includes both the Council and the Group.
26. Although the Subcommittee is made aware of any issues with the Group entities' audits, it does not review the financial statements of the Group entities in detail. However, due to the size and structure of the Group the individual results of operations from each Group entity are unlikely to be material, either individually or taken as a whole, in relation to the consolidated financial statements.
27. In preparing the Group financial statements consolidated results are set out in the consolidation packages returned in July. Where adjustments have been made subsequent to the completion of these consolidation packages these are assessed and adjusted if material.
28. Most Group entities have also been impacted by the Audit NZ resource shortage and as a result are not yet substantially advanced in their audit process. There are currently no significant matters related to the financial results of groups entities that have been brought to the Council's attention.

Management Letter of Representation

29. The management letter of representation is to be signed by the Mayor, Chief Executive and Chief Financial Officer. The letter of representation forms part of the overall audit procedures carried out by Audit New Zealand. The letter of representation will be signed on the same day the Annual Report is adopted by Council.
30. The Mayor, Chief Executive and Chief Financial Officer obtain support for their sign-off through Council business unit managers completing a package of schedules for key financial information.
31. Letters of representation are also obtained from our Group entities these include specific representations relating to the financial results of the entities.

Audit New Zealand fraud questions

32. Audit New Zealand has placed an increased emphasis on the disclosure of possible and actual fraud within Council, with the expectation that Council provides an assurance to them on this matter.
33. Once we receive the relevant questions from Audit NZ we will present to the Subcommittee for discussion.

Financial Statements

34. The Financial Statements are included as Attachment 2 – Public Excluded. These are still subject to Audit. A summary is included in the Additional Annual Report Information document (Attachment 3 – Public Excluded).

Underlying result

35. A detailed breakdown of the Underlying result is in Attachment 4 – Public Excluded. It is subject to Audit. A summary is included in the Additional Annual Report Information document (Attachment 3 – Public Excluded).

Annual Report non-financial content

36. The aim of the Annual Report is to produce a concise, readable and audit compliant performance story for 2021/22. This includes explaining our forward direction and the environment we operate in and includes the ongoing impact of the COVID-19 pandemic.

Structure and Content

37. As in previous years, the Annual Report is structured in sections plus appendices, across two volumes and a summary report. This is also consistent with how we publish our Long-term Plan.
38. **Volume 1:** The overview of all performance and the details of the non-financial performance. introduction from the Mayor and CEO
 - **Section 1: Our city** – city profile, key facts and figures, location, demographics and calendar of community events
 - **Section 2: Our leaders and strategic direction:** profile of our elected members and executive leadership team, and strategic direction.
 - **Section 3: Summary of Our Year:** response to climate change, council vision, highlights and challenges, and financial and non-financial performance summaries.
 - It will provide the majority of content for the Annual Report summary document which recognises that some readers will only be interested in a summary of performance, and
 - outlines our community well-being and outcome indicators
 - lists key project and programmes as outlined in LTP
 - **Section 4: Our Performance in Detail:** these are the Statements of Service Provision for each of the Council's seven activity areas, This year is the first year of reporting against the 2021-31 Long-term Plan

- Key performance measures and cost of service statements are included in this section. Including results from Council-Controlled Organisations.
 - Variances within 10% of target are considered substantially met. Commentary on trends and variance to targets are only included for those not met (10%+ below target) and exceeded (10%+ above target).
 - **Section 5: Our council and organisation;** overview of our Governance structure (including elected members, community boards, advisory groups and stakeholders, Council-Controlled Organisations), and our Management structure (including staff diversity, accountability and assurance, and health and safety).
39. **Volume 2:** Detailed financial statements and notes, treasury reports, and funding impact statements.
- **Section 4:** Financial Statements contains the financial statements which are covered earlier in this report.
40. The **Summary Annual Report 2021/22** is produced following the completion of the Audit. This summary will provide a self-contained summary of the full Annual Report. The summary conveys sufficient information to enable reader to gain an understanding of the year's performance without necessarily having to read the full document.

Audit New Zealand

41. Audit New Zealand will provide the Subcommittee a verbal update at this meeting on the status of the Interim Audit, as at 14 September. This provides the Subcommittee with an opportunity to ask Audit New Zealand questions regarding the draft Financial Statements and Statements of Service Provision.
42. The full year audit is due to commence on 3 October. A written opinion is to be available by 28 November, ahead of the release of the committee papers for newly elected Council to adopt the Annual report at its 15 December 2022 meeting.

Kōwhiringa | Options

43. Not applicable.

Whai whakaaro ki ngā whakataunga | Considerations for decision-making

Alignment with Council's strategies and policies

44. The Annual Report is a detailed look at Council financial and non-financial performance in the 2021/22 year. This includes how we have performed in implementing Council's strategies and policies.

<https://wellington.govt.nz/your-council/plans-policies-and-bylaws/policies>.

Engagement and Consultation

45. No consultation is required for the Annual Report, but it includes information on consultations that were carried out in 2021/22 on key projects.

Implications for Māori

The Annual Report contains a review of 2021/22 delivery against our priority objective: strong partnerships with mana whenua – upholding Te Tiriti o Waitangi, weaving Te Reo Māori and Te Ao Māori into the social, environmental, and economic development of our city, and restoring the city’s connection with Papatūānuku (nature). Also, our engagement with the Māori community for the 2021/22 year, including changes that were made and the focus for the future. Outline any partnering with Iwi and opportunities to contribute to decision-making – including reference to Te Tiriti o Waitangi, mana whenua, cultural implications (tikanga), social and environmental implications. Note if there are no known implications for Iwi.]

Financial implications

47. The Annual Report includes full Financial Statements for 2021/22. There are no financial implications arising from this paper as it is a backwards reflection of performance. The results for the year are strong and there is unlikely to be an impact on our future credit rating.

Legal considerations

48. The Annual Report is a requirement under the Local Government Act 2002. Failure to adopt by 31 December 2022 will breach the act.

Risks and mitigations

49. Overall, this proposal is rated as low risk on the Council’s risk framework. It also includes information on our Council risks and assurance processes in Section 3.

<http://wccecm/otcs/trovequest.asp?doc=22083952&action=download>

Disability and accessibility impact

50. The final Annual Report and Summary will be uploaded to the Council website as a fully designed pdf and as an accessible document.

Climate Change impact and considerations

51. The progress made on Te Atakura in 2021/22 features under delivery against our priority objectives for the 2021/31 Long-term Plan.

Communications Plan

52. The Local Government Act required Annual Report and summary to be published within one month of adoption. Copies are held in libraries, service centres and on the Council’s website, as well as available on request. Some information from this public excluded report will be made public once the Audit is concluded and the report is final. This will be done through Committee agendas and paper.

Health and Safety Impact considered

53. There are no impacts on Health and Safety, but the Annual Report includes a summary of the Health and Safety performance for 2021/22.

Ngā mahinga e whai ake nei | Next actions

54. The next actions in the Annual Report development process are:

- The draft Annual Report to the Finance and Performance Committee 29 September 2022. Which includes a request that current Council approve a recommendation to the incoming Council to adopt the Annual report, subject to any external audit related change.
 - November 2022 - completion of the Annual Audit by AuditNZ, and the Audit opinion issued by 28 November.
 - Officers work with AuditNZ, Chair and Deputy Chair of Audit and Risk Subcommittee to address any audit related changes to the Annual report and prepare briefing documents for newly elected Council.
 - The final Annual Report with audit opinion will be presented to a briefing of the newly elected Council by 8 December 2022, to support the recommendation to adopt.
 - The Annual Report is adopted by the elected Council on 15 December 2022.

Attachments

- Attachment 1. Attachment 1 Volume 1 - **Confidential** [↓](#)
 - Attachment 2. Attachment 2 Volume 2 Our Finances - **Confidential**
 - Attachment 3. Attachment 3 Additional information - **Confidential**
 - Attachment 4. Attachment 4 Detailed underlying result calculation - **Confidential**
 - Attachment 5. Attachment 5 Change log - **Confidential**
-

3. Public Excluded

Recommendation

That the Kāwai Māhirahira | Audit and Risk Subcommittee Kāwai Māhirahira | Audit and Risk Subcommittee:

1. Pursuant to the provisions of the Local Government Official Information and Meetings Act 1987, exclude the public from the following part of the proceedings of this meeting namely:

General subject of the matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
3.1 Wellington Regional Stadium Trust Insurance Options	7(2)(b)(ii) The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.	s48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.
3.2 Legal and Risk Updates	7(2)(g) The withholding of the information is necessary to maintain legal professional privilege. 7(2)(i) The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	s48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.
Attachments to 2.9 - Draft 2021/22 Annual Report and Audit Process	Section 7(2)(c)(ii) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to damage the public interest.	Section s48(1)(a) - That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.

