

Absolutely Positively
Wellington City Council

Me Heke Ki Pōneke

Ordinary Meeting of Unaunahi Māhirahira | Audit and Risk Committee Agenda

9:30am Wednesday, 10 May 2023

Ngake (16.09)

Level 16, Tahiwī

113 The Terrace

Wellington



MEMBERSHIP

Mayor Whanau
Councillor Apanowicz
Councillor Chung
Pouiwi Kelly
Councillor Pannett
Councillor Randle (Deputy Chair)
Bruce Robertson (Chair)
Wendy Venter

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 Unaunahi Māhirahira | Audit and Risk Committee 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: 4 members

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1. Meeting Conduct

1.1 Karakia

The Chairperson will open the meeting with a karakia.

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

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

Unuhia, unuhia, unuhia ki te uru tapu nui	Draw on, draw on
Kia wātea, kia māmā, te ngākau, te tinana,	Draw on the supreme sacredness
te wairua	To clear, to free the heart, the body
I te ara takatū	and the spirit of mankind
Koia rā e Rongo, whakairia ake ki runga	Oh Rongo, above (symbol of peace)
Kia wātea, kia wātea	Let this all be done in unity
Āe rā, kua wātea!	

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 28 February 2023 will be put to the Unaunahi Māhirahira | Audit and Risk Committee 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 Unaunahi Māhirahira | Audit and Risk Committee.

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 Unaunahi Māhirahira | Audit and Risk Committee.

Minor Matters relating to the General Business of the Unaunahi Māhirahira | Audit and Risk Committee.

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 Unaunahi Māhirahira | Audit and Risk Committee 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

ASSURANCE AND BUSINESS INTEGRITY UPDATE AND APPROVAL OF WORKPLAN 2023/2024

Kōrero taunaki | Summary of considerations

Purpose

1. This report provides the Unaunahi Māhirahira | Audit and Risk Committee with:
 - an update on progress against the Assurance & Business Integrity Workplan 2022-23
 - the proposed Assurance & Business Integrity Workplan for 2023-24
 - an update on elected member gifts and hospitality declarations
2. The information in this report supports the Committee to discharge its responsibility under its Terms of Reference to
 - Have oversight of the internal audit function
 - review and approve the internal audit coverage and annual work plans
 - review and monitor whether management's approach to maintaining an effective internal control framework is sound and effective, including appropriate systems to prevent, detect and effectively investigate fraud

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
- 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

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

Relevant Previous decisions

Outline relevant previous decisions that pertain to the decision being considered in this paper.

Significance

The decision is rated low significance in accordance with schedule 1 of the Council's Significance and Engagement Policy. There is no legal requirement to follow the special consultative procedure.

Financial considerations

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

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

Risk

Low | Medium | High | Extreme

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 the Unaunahi Māhirahira | Audit and Risk Committee:

- 1) Receive the update on the Assurance & Business Integrity Workplan for 2022-23
- 2) Approve the Assurance & Business Integrity Workplan for 2023-24
- 3) Receive information about the completion of the Elected Member Gifts and Hospitality register.

Whakarāpopoto | Executive Summary

5. Delivery of the Assurance & Business Integrity Work Plan for 2022-23 is on track.
6. In accordance with the Committee's terms of reference, the Assurance and Business Integrity Workplan 2023-24 is provided for your approval. Our assurance work is risk-based and intended to provide assurance that internal controls continue to be fit for purpose and operate effectively. The upcoming year's focus includes assurance over credit control operations, grants monitoring, resource consenting operations, significant services contracts, commercial leasing, and working with developers.
7. 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 disclosure completion rate for the quarter January to March 2023 is 87%.

Takenga mai | Background

8. The Assurance & Business Integrity Team's purpose is to enable Council to deliver results and outcomes in a way that meets the public's expectations of accountability and our responsibilities as a public sector organisation.
9. To facilitate our purpose, each year the Assurance & Business Integrity Team develops a risk-based workplan of assurance activities across its core services. The Assurance & Business Integrity Team provides three core services:
 - **Internal audit:** an objective examination of evidence so that we can provide a view of the effectiveness of governance, risk management, and control processes.
 - **Assurance advisory:** activities that improve the organisation's internal control environment. Our advisory activities focus on assuring that actions to manage risks are effective. Activities include advice, facilitation, and training & awareness programmes.
 - **Business integrity:** services that enables our goal to build a strong culture of integrity. Our integrity activities relate to protected disclosure and investigation processes, gifts declaration processes, fraud risk awareness, and ongoing monitoring of sensitive expenditure.

Kōrerorero | Discussion

Progress on Assurance and Business Integrity Workplan 2022-23

10. The Kāwai Māhirahira | Audit and Risk Subcommittee approved the Assurance & Business Integrity Plan 2022-23 on 3 May 2022.

-
11. Since the last Committee meeting in February 2023 three reviews have been completed.
- a) Management requested an additional review to assess how **streetlight faults** had been managed since 2020 and the effectiveness of the risk and issues escalation process. This review was added to the Workplan and completed in April 2023. The review made three key findings and recommendations:
- **The process to identify, assess, monitor and escalate faults is siloed and ineffective.** We recommended introducing a formal issues management process, and reintroducing asset fault reporting to investigate root causes.
 - **There is an operational risk register but improvements to the process and register are required.** We recommended including risk of asset failure on the risk register, increasing the frequency of review, ensuring the Chief Infrastructure Officer has appropriate oversight, and introducing risk identification training for staff.
 - **There were no near-miss health and safety events logged until 2023.** We recommended that all staff be trained in reporting near-misses and events affecting staff or public, and management provide oversight to ensure events are logged.
 - The Risk Management team is already working with managers across each group to advise the importance of good practice and methods for identifying, managing and escalating risks and issues, and to develop operational risk registers
 - A copy of the review is attached.
- b) A review of the effectiveness of the booking system at **Toi Pōneke** and the allocation of resources was also completed in April. We identified two areas of high risk and made recommendations to address them:
- Conflicts of interest must be declared and a plan in place to manage them.
 - Improve the controls and security over cash handling and consideration of going cashless.
- Management accepted and implemented the recommendations during the audit.
- c) A lessons-learned review of the 2019-20 procurement and establishment of WCC's **facilities management** provider. Since 2020 there has been an uplift in maturity in project management and procurement which will prevent some of the issues recurring. We made recommendations to:
- ensure that procurement and project management processes are followed, including appropriate operational ownership and at the executive governance level.

Assurance and Business Integrity Workplan 2023-24

12. The Assurance & Business Integrity Workplan identifies the key assurance activities and focus areas for the coming year. The Workplan has been developed in consultation with management and is presented to the Committee for approval.
13. The Workplan was developed based on an audit risk assessment that considered:
 - last audited date and the audit assessment rating
 - integrity risk exposure
 - recent changes to key roles, systems or processes
 - link to strategic risks, the Chief Executive's KPIs and priority initiatives
 - recent issues or emerging matters and requests for additional work
14. The development of the Workplan included updating the Council's Assurance Map. This shows the key assurance activities across the organisation, including activities conducted by third parties and allows us to identify any assurance gaps and assess assurance needs.
15. Internal audit engagements focus on the effective operations of Council activities including credit control operations, grants monitoring, resource consenting operations, significant services contracts, commercial leasing, and working with developers. Our internal audit engagements are intended to provide assurance that expected internal controls continue to be fit for purpose and operate effectively.
16. All internal audit engagements will include an agreed Terms of Reference to document the review objective and scope of work. We will consider how to include and assess our commitment to Te Tiriti within the scope of all internal assurance engagements.
17. The plan can be delivered with current resources. Based on the number of requests received during 2022/23, we have set aside 15% of our available effort to respond to requests for assurance activities. This also allows for investigations arising from protected disclosures or integrity related complaints and to respond to changes in risks.
18. We will continue to engage with business units throughout the year to identify whether changes or addition to the work plan will be required. Any significant change to the work plan will be brought to the attention of this Committee.

Elected members' gift and hospitality declaration

19. 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.
20. As at late April 2023 there has been an increase in the percentage of returns. The table below 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	50%	2	5	7
1 January to 31 March 2022	43%	4	2	8
1 April to 30 June 2022	57%	2	6	6
1 July to 30 September 2022	87%	7	6	2
1 October to 31 December 2022	53%	4	4	7
1 January to 31 March 2023	87%	5	8	2

Whai whakaaro ki ngā whakataunga | Considerations for decision-making

Alignment with Council's strategies and policies

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

Engagement and Consultation

22. 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

23. 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 engagements.

Financial implications

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

Legal considerations

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

Risks and mitigations

26. There are no additional risk implication arising from this paper.
27. 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

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

Climate Change impact and considerations

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

Communications Plan

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


Health and Safety Impact considered

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

Ngā mahinga e whai ake nei | Next actions

32. Subject to this Committee's approval, the Assurance and Business Integrity team will implement the Plan from 1 July 2023 and provide regular updates to Unaunahi Māhirahira | Audit and Risk Committee as agreed in the Forward Work Plan

Attachments

- | | | |
|---------------|---|---------|
| Attachment 1. | Internal Audit review - Streetlights fault response ↓  | Page 16 |
| Attachment 2. | Assurance and Business Integrity Workplan 2023-24 ↓  | Page 24 |
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TE AHO MARUTAU | ASSURANCE & BUSINESS INTEGRITY Streetlight Fault Response Review

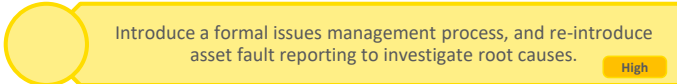
Workplan 2022-23: FINAL REPORT issued 11 April 2023


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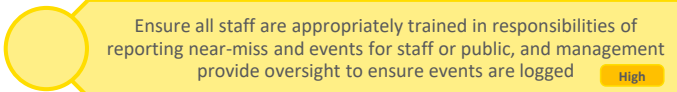
What we found

- The process to identify, assess, monitor and escalate faults is siloed and ineffective.
- There is an operational risk register but improvements to the process and register are required.
- There were no near-miss health and safety events logged until 2023.

We recommend three key actions to manage the risks:

- 

Introduce a formal issues management process, and re-introduce asset fault reporting to investigate root causes. **High**
- 

Improve risk management process by including risk of asset failure on the risk register, increasing frequency of risk register reviews, ensuring Chief Infrastructure Officer has appropriate oversight, and introduce risk identification training for staff **High**
- 

Ensure all staff are appropriately trained in responsibilities of reporting near-miss and events for staff or public, and management provide oversight to ensure events are logged **High**

See Appendix 3 for explanation of risk, issues, and health and safety management.

Audit Assessment Rating:	
Improvements Required	The controls are not effective in managing key risks. Attention is required to manage current risks.
<i>See Appendix 1 for further details about the Audit Assessment Rating</i>	

Context for this review

The objective for this review was to assess how streetlight faults have been managed since 2020 and the effectiveness of the risk and issues escalation process. This review was requested by management and has been added to the Assurance & Business Integrity Workplan for 2022-23.

A media article on 10 February 2023 reported that some of the 17,000 LED streetlights installed around Wellington in 2017 had developed a fault – in some cases the metal spigot between the pole arm would break causing the streetlight to sag and fall. The Council responded with confirmation that it was aware of the fault and estimated that 100 lights were affected. This figure was later revised to approximately 1,000.

The streetlight team had been aware of and was managing the repair or replacement of the faulty lights since approximately 2020. The media reporting of the fault was however the first time the Executive Leadership was made aware of the issue.

Key risks identified for this review are:

- Issues are not appropriately escalated for decision making,
- Document and asset management records are inadequate,
- Assets are not adequately maintained leading to a health and safety risk to members of the public.

A complaints process audit is also scheduled as part of the 2022/23 internal audit plan.

Report distribution list:

For action:	Brad Singh, Manager Transport & Infrastructure Brian Russell, Manager Maintenance and Renewals
For oversight:	Siobhan Procter, Chief Infrastructure Officer
For information:	Executive Leadership Team Rich Leverington, Manager Risk and Assurance

1. Fault and issues reporting, risk assessment, ongoing monitoring, and escalation is inadequate

No fault reporting or monitoring process to track issues.

We found that the process to identify, assess, monitor and escalate faults has been siloed and ineffective.

Asset faults are usually identified by members of the public who call the Service centre or log a report on the Fixit App. Both generate a Freshservice ticket which is tracked to completion. In some cases, fixes are directed to the contractor, while others are escalated to the TL Pedestrian Network Maintenance. The business unit does not have oversight of dangerous hazard tickets as these are sent directly to the contractor. Asset fault information also comes from the contractor, either through discussions or formal reporting to business unit managers.

According to data provided by the Pedestrian Network Maintenance team, 160 streetlights have been reported as hanging, while 16 streetlight lamps have fallen from the top of poles (two in 2019, five in 2020, five in 2021, two in 2022, and two in 2023).

Of the 16 lamps that were reported as fallen:

- 2 resulted from cars bumping / hitting the pole,
- 1 was reported as falling on the roof of a member of public's empty parked car,
- 1 fell into a gutter,
- 3 fell onto footpaths,
- 1 fell onto a road,
- 1 fell onto a grass berm,
- 7 fell to unspecified locations on the ground.

There was no WCC investigation of the event where a light fell onto a car as the ticket was sent directly to the contractor.

Some WCC Staff were aware of breakages and issues occurring during the programme rollout in 2018, resulting in communication with Gess Limited (designer) and the replacement of some spigots. Current staff became aware of hanging lights at various times between 2020 and 2023 but there was no process to handover issues or issue logs to new staff. We also found current WCC staff only became aware of falling lights in 2023, as a result of either the complaint and health and safety log (8th February 2023) or when contacted by the media for information (9th February 2023). See Appendix 2 for timeline.

The Manager Transport & Infrastructure implemented an asset fault report in June 2021. This led to the investigation and determination of the root cause of a pole asset failure. The report provided valuable

Management actions

We recommend management:

1. Introduce a formal issues monitoring system, which includes:
 - (a) criteria to determine what's important,
 - (b) a written record of identified issues,
 - (c) discussion with staff joining roles,
 - (d) visibility across all management levels,
 - (e) a risk assessment or analysis of issue,
 - (f) confirmation of H&S log, and
 - (g) trend analysis and reporting.
2. Re-introduce the asset fault reporting process to ensure asset failures are understood and addressed, and that WCC is able to identify development of widespread issues early.
3. Ensure information from tickets and contractors relating to asset faults, risks, and issues are assessed and addressed as appropriate by the business unit.

Management comments: Agree to implement these actions noting that the issues monitoring system may be in the form of existing systems such as My Safety.

Responsibility: Brad Singh

Timeframe: June 2023

insights about the cause of the asset fault. However, this report was not applied to the streetlight hangs or falls. The asset fault report process has not been used since.

Escalation process is by word of mouth

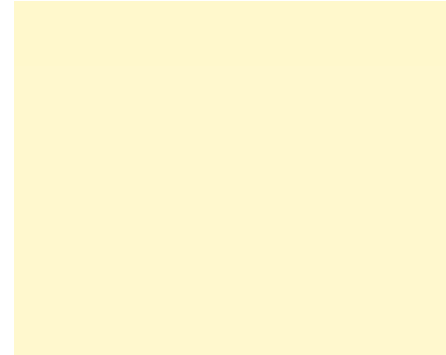
All staff interviewed confirmed escalation of risks and issues is by word of mouth, and only to a one-up manager. For this issue to reach the Chief Infrastructure Officer from the frontline, it would need to pass through three separate managers.

Health and safety near-miss and event logging can provide a formal escalation point, however there were no logs of hanging or fallen lights until February 8th 2023. Once an event is logged in the new MySafety system, a one-up manager is notified and must investigate. The event and investigation must also reviewed by health and safety staff before it can be closed.

Operational risk register process requires improvement

A Transport and Infrastructure operational risk register is in place and was reviewed in 2022, with the intention of discussing it once a year with the managers. There is no issues register.

The Chief Infrastructure Officer had not sighted the risk register, it did not include the risk of asset faults, and did not refer to the consequences of death or serious injury of staff or public (only unsafe sites) due to asset failure.



Management actions

We recommend:

1. Improve risk management by:
 - (a) inclusion of consequence of serious injury or death of staff or member of public, and risk of asset failure on the operational risk register,
 - (b) Increasing the frequency of risk register reviews,
 - (c) ensuring Chief Infrastructure Officer has appropriate oversight of the risk register,
 - (d) ensuring all staff are appropriately trained to assess risk in line with the WCC's risk framework.

Management comments: Agree to these actions

Responsibility: Brad Singh

Timeframe: End April 2023

Hanging and fallen lights not logged in health and safety tracker as a near-miss prior to 2023

Asset failure is one of WCC's Nasty Nine critical health and safety risks. WCC staff have a responsibility to ensure all reasonable steps are taken to manage health and safety issues, and to comply with health and safety policies. The health and safety log of near-misses and events is critical to ensuring WCC complies with its health and safety obligations. Despite the issues being known to WCC staff since 2018, no near-miss entries relating to hanging or fallen streetlights had been recorded in the health and safety log prior to 8th February 2023.

When the Freshservice ticket (complaint of fallen light) was raised on 8th February, the Team Leader Pedestrian Network discussed it with the H&S Business Partner. The H&S Business Partner advised and assisted with logging the event as a near-miss in Risk Manager (this system was replaced by MySafety on 20th March 2023).

While the Service centre does enter events into MySafety on behalf of the public, they don't review every FreshService ticket for health and safety events. Responsibility lies with the business unit to log H&S events in MySafety.

Management actions

We recommend:

1. Improve health and safety management by:
 - (a) ensuring all staff are appropriately trained in responsibilities for reporting near-miss and events for staff or public,
 - (b) ensuring management provide oversight to confirm staff log events and near misses in MySafety.

Management comments: Agree to these actions

Responsibility: Brad Singh

Timeframe: End April 2023

2. Design control improvements required

There is no documented process to ensure designs and testing of designs are appropriate

A WCC employee signed a drawing of the spigot, which was designed and manufactured by external party Gess Limited. Due to limited records, it is unclear what level of involvement the WCC employee had in the design, or what was being signed-off.

The original testing of the spigot, conducted by Gess Limited and a third party, appears to have been inadequate for Wellington conditions of strong wind gusts in multiple directions and storms. There was no evidence of documentation to confirm whether WCC reviewed the testing results or had a required standard to meet.

We determined there are specific instances where WCC *may* sign off on a design, but only where WCC is peer checking an internal design. In these cases, the sign off should be completed by an appropriately qualified employee. The Chief Infrastructure Officer should approve all exceptions to this process.

Management actions

We recommend

1. Ensuring controls for design sign-off, including:
 - (a) Guidelines on who can sign-off specific designs and under what conditions,
 - (b) A record of who signed-off on a design, their qualifications, and a one-up manager approval.
2. Determine whether WCC should review the testing process for designs that need to meet Wellington specific conditions.

Management comments: Agree to these actions

Responsibility: Brian Russell

Timeframe: July 2023

Appendix 1 – Review objective and audit approach

Review Objective

The objective for this review is to assess how the streetlight faults have been managed since 2020 and the effectiveness of the risk and issues escalation process.

Work performed

Our approach for conducting the audit included:

- Examination of documents relating to the streetlight fault actions including initial complaint, media request and response, media articles, related tickets, H&S logs, risk register, policies, internal memos, emails, remediation plan, proactive release.
- Assessment of the processes including complaints / Freshservice tickets, issues and risk management, escalation, media engagement, health and safety, design.
- Interviews with key staff and other teams across Council

Key people interviewed / sites visited / key documents reviewed

- Brad Singh, Manager Transport & Infrastructure
- Brian Russell, Maintenance and Renewals Manager
- Lionel Kea, Team Leader Pedestrian Network Maintenance
- Siobhan Procter, Chief Infrastructure Officer
- TJ Fowler, Principal Advisor Health & Safety Services
- Jonny Barker, Team Leader Health Safety & Security Business Partners
- Deana Elvins, Team Leader Service Improvement
- Kim Wright, Principal Advisor Risk Management
- Richard MacLean, Manager Media
- Steve Wright, Delivery Project Manager (present at time of roll out in 2018)

Audit fieldwork period

Fieldwork related work for this audit was completed in March 2023

Audit assessment rating

Our report includes an overall rating about how well risks are managed and the effectiveness of controls for processes we assessed.

Our assessment will be based on the following:

Assessment Rating	Description
Excellent	The controls are well designed and are operating effectively to manage risks. No cost beneficial scope for improvements has been identified.
Good	The controls are effective and key risks are managed. Some improvement would be beneficial to improve efficiency or effectiveness of internal controls.
Improvements Recommended	The controls are mostly effective to manage key risks. Attention is required to strengthen the control environment and/or improve process efficiency.
Improvements Required	The controls are not effective in managing key risks. Attention is required to manage current risks.

Follow up on audit recommendations

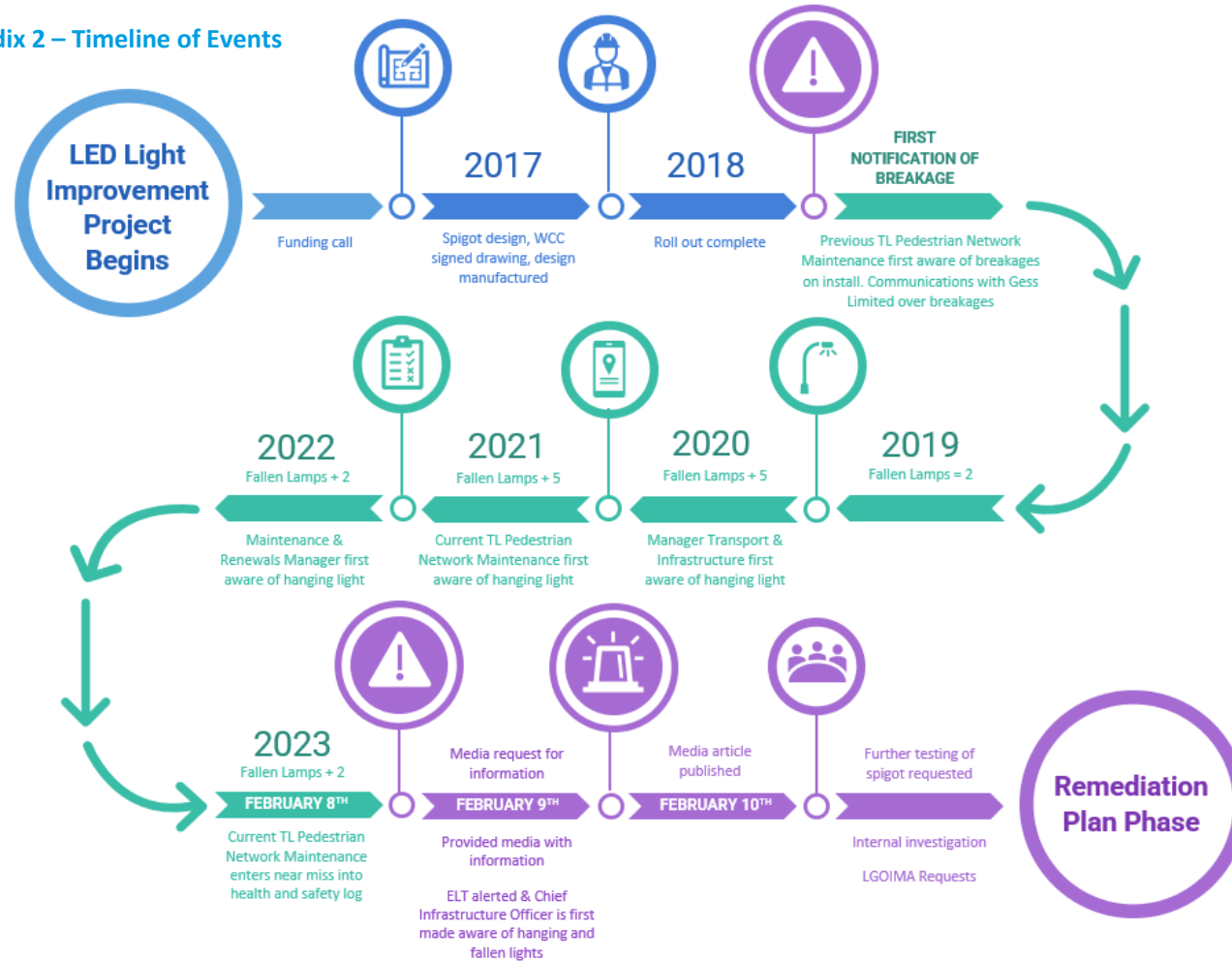
We will continue to engage with key business contacts to understand the progress made in addressing the recommendations in this report.

We will understand from management the progress made to reduce risks and offer management additional support as required.

Progress on all high-risk findings will be reported to the Executive Leadership Team and the Audit and Audit and Subcommittee.

Internal Audit Report | Streetlight Fault Response Review

Appendix 2 – Timeline of Events



Appendix 3 – Definitions: risk management, issues management, health and safety management



TE AHO MARUTAU

ASSURANCE & BUSINESS INTEGRITY

Workplan 2023-24

For approval by Unaunahi Māhirahira | Audit and Risk Committee 10 May 2023



1. Overview of the Assurance & Business Integrity Workplan

Assurance and Business Integrity Workplan for 2023-24	
Internal audit 50%	<ol style="list-style-type: none"> 1. Grants monitoring 2. PSR budgeting and reporting 3. Trespass notices 4. Resource consenting 5. Working with developers 6. Climate response 7. Encroachments 8. Commercial leases 9. Significant service contracts 10. Credit control operations 11. Financial delegations
Assurance advisory 15%	<ol style="list-style-type: none"> 1. Advisory engagements: to improve internal controls including participation in working groups, process improvements, training and assurance advisory 2. Legislative compliance 3. Policy governance framework
Business integrity 10%	<ol style="list-style-type: none"> 1. Protected disclosures 2. Gifts received 3. Conflict of interest 4. Fraud risk awareness 5. Continuous monitoring activities
Responsive review 15%	<ol style="list-style-type: none"> 1. Responsive reviews: Capacity to respond to requests for assurance
Planning and reporting 5%	<ol style="list-style-type: none"> 1. Annual assurance planning 2. Governance reporting 3. Tracking internal and independent review recommendations
Improvement activities 5%	<ol style="list-style-type: none"> 1. Professional development 2. Process improvement

The Assurance & Business Integrity team enables Wellington City Council to deliver results and outcomes in a way that meets the public's expectations of accountability and our responsibilities as a public sector organisation.

Each year, to facilitate our purpose, we develop a risk-based workplan of assurance activities across our core services. This includes recent audit findings, the criticality of a Council function or activity, exposure to integrity risk, links to strategic risk and priorities.

Through our discussions with chief officers and senior managers we have also identified an indicative list of future years' audits. These could be reprioritised to the current year, in response to changing risk profiles and priorities.

The workplan includes planning, governance reporting, and improvement activities to help ensure that we continue to lift our capability to effectively meet the assurance needs of the Council.

Indicative audits for future years
<ol style="list-style-type: none"> 1. Asset management planning: maturity in property portfolio management, PSR vehicle replacement, playground maintenance and renewal 2. Tākina operations: Event and exhibition planning and coordination 3. Water rates: Preparation for billing and collecting water rates under new national delivery model (Advisory) 4. Sub-surface asset data: Prototype system controls and processes (Advisory) 5. Payroll: Compliance with the Holidays Act 2003 and management of over-payments 6. Legal operating model: Follow-up of implementation of recommendations from 2022 independent review

2. About our Assurance Services

Our purpose, how we operate and what we do is documented in our [Charter](#). We develop the **Assurance and Business Integrity Workplan** (Workplan) to deliver on our purpose. This Workplan contains three main type of assurance activities, in line with the services we provide.

1. Internal audit

Internal audit is an objective examination of evidence so that we can provide a view of the effectiveness of governance, risk management, and control processes. Internal audit engagements help provide assurance that risks are managed.

Our work in this space largely focuses on **operational risks and delivery of core services** to provide confidence to stakeholders that:

- processes and controls are operating as intended,
- ways to be more effective are identified, and
- we continually improve the way we work.

All internal audit engagements will include an agreed terms of reference to document the review objective and scope of work. We will consider how we might include and assess our commitment to Te Tiriti within the scope of all internal assurance engagements.

Internal audit engagements will be performed consistent with professional standards for internal auditing and will include a final report of our assessment. A summary of key findings from each audit will be reported to Unaunahi Māhirahira | Audit & Risk Committee.

3. Business integrity

Business integrity services are activities we do that build a strong culture of integrity. This is about making our people feel safe to speak-up and encouraging good systems that discourage fraud and keep our people and organisation safe. Activities include:

- protected disclosure process and investigating integrity related complaints,
- gifts declaration process for staff and elected members,
- fraud awareness week, and
- reviewing sensitive expenditure against probity standards.

Work is ongoing to continually improve and lift the maturity of our systems and processes in this space.

2. Assurance advisory

Assurance advisory services are activities we do that help improve the organisation's internal control environment. They include a range of activities such as participation in working groups, facilitation, training, and awareness programmes.

Our advisory activities are focused on assuring that actions to manage strategic and operational risks are effective. Activities include:

- assessing planned actions and risk treatments are adequate,
- follow up on open audit findings and confirming that risk treatment plans are on track,
- participation in working groups and initiatives to support problem assessment and delivery of risk treatments, and
- supporting education and awareness.

The scope of work and results of advisory activities are documented to the extent appropriate to the nature of the advisory work.



3. Workplan Development and Allocation of Resources

Workplan development

Our Workplan helps assure stakeholders that:

- things are working as expected to manage risk to an acceptable level, and
- actions to reduce risks are effective and action plans are on track.

This Workplan was developed based on an audit risk assessment that considered:

- last audited date and the audit assessment rating,
- integrity risk exposure,
- recent changes to key roles, systems or processes,
- link to strategic risks and priority initiatives, and
- recent issues or emerging events.



Allocation of resources

Delivery of this Workplan will be resourced internally:

- Team Leader – 1 FTE
- Senior Advisors – 1.9 FTE

The Team Leader position is filled temporarily by one of the Senior Advisors until a permanent appointment is made. Depending on the agreed scope of the review of PSR budgeting and reporting, we may engage specialist external consultants. The team is supported by the Manager Risk and Assurance and the wider Assurance, Risk and Official information team.

For 2023-24, our resources are allocated as follows:

Internal audit engagements	50%
Assurance advisory	15%
Business Integrity	10%
Responsive review (unplanned audit work)	15%
Planning and reporting	5%
Improvement activities	5%

Based on the number of requests received in 2022-23 the allocation for contingency has increased from 9 to 15%. This is to respond to requests for assurance activities, investigations from protected disclosures or integrity related complaints.

4. Detailed Assurance Workplan for 2023-24

This section provides further details about the proposed schedule of assurance activities.

Type	Ref.	Assurance activity	Scope Explanation (to be refined at engagement planning stage)	Planned quarter
Internal audit engagements	A1.	Grants monitoring	Due diligence of organisations in line with WCC's Relationship Management Framework	Q3
	A2.	PSR budgeting and reporting	Assess the efficiency of financial processes and reporting	Q1
	A3.	Trespass notices	Review the consistency of process, efficiency of delegations, reporting and monitoring	Q1
	A4.	Resource consenting	Review timeliness and efficiency of resource consenting process	Q2
	A5.	Working with developers	Compliance with the Investment Delivery Framework Controls, process for ensuring best outcomes for city and assessment of Commercial negotiation capability (process and resources)	Q3
	A6.	Climate response – implementation of Te Atakura	Assess the quality of climate change commentary in Council papers and in procurement plans	Q3
	A7.	Encroachments	Consistency in processing encroachment applications and terminations. Assessment of fees relative to ground lease	Q2
	A8.	Commercial leases	Review of probity over commercial leasing process	Q4
	A9.	Significant service contracts	Alignment with Government Significant Service Contracts Framework. Value for money for significant spend. Consideration of s17A reviews for significant service contracts	Q2
	A10.	Credit control operations	Review of consistency and good practice management of accounts receivable	Q1
	A11.	Financial delegations	Review to assess awareness and application of Financial Delegations Policy	Q4

Type	Ref.	Assurance activity	Scope Explanation (to be refined at engagement planning stage)	Planned quarter
Assurance advisory activities	V1.	Advisory engagements	<ul style="list-style-type: none"> Participate in selected initiatives and working groups and provide assurance advice as required. Activity areas include the following: <ul style="list-style-type: none"> Holidays Act Compliance (assurance support) Risk champions network (education and awareness) Purchasing Officer and P-Card forums (education and awareness) Land and Property information – ensuring final product and reporting is auditable, with controls over information flows and reconciliations between systems (assurance support) 	Q1-Q4
	V2.	Internal policy governance	<ul style="list-style-type: none"> Continue to embed the Internal Policy Governance Framework as part of an initiative under the Working Better Together programme Support the Internal Policy Working Group to lead the update and refresh of internal policies 	Q1-Q4
	V3.	Follow up on independent recommendations	<ul style="list-style-type: none"> Follow up and on internal audit recommendations, and report on the status of open high/moderate risk rated findings Follow up findings from other independent reviews, statutory and regulatory audits, including: <ul style="list-style-type: none"> Audit New Zealand annual external audit IIANZ Building Consent Accreditation Assessment of rates processes NZIER quality of Council papers 	Q1-Q4
	V4.	Legislative compliance	<ul style="list-style-type: none"> Facilitate the completion of management compliance attestation and assess the results to provide assurance as to whether systems are in place to effectively manage legislative compliance 	Q4

Type	Ref.	Assurance activity	Scope Explanation (to be refined at engagement planning stage)	Planned quarter
Business integrity activities	BI1.	Protected disclosures	<ul style="list-style-type: none"> Receive protected disclosures and take or recommend appropriate actions Maintain Protected Disclosures Policy, procedures and reporting channels 	Q1-Q4
	BI2.	Gifts received	<ul style="list-style-type: none"> Review gifts received declaration 	Q1-Q4
	BI3.	Conflict of interest declarations	<ul style="list-style-type: none"> Work with relevant business areas to establish organisation-wide view of interest declarations 	Q2
	BI4.	Fraud risk awareness	<ul style="list-style-type: none"> Deliver actions to raise fraud risk awareness, promote channels for reporting Work with relevant business areas to update our understanding of integrity risks Targeted response for protected disclosure and investigation as required 	Q2
	BI5.	Continuous Monitoring Activities	<ul style="list-style-type: none"> Provide regular assurance over integrity controls including sensitive expenditure, gifts declaration, and conflicts of interest through data matching, analysis and transaction testing 	Q1-Q4
Planning and reporting	1.	Annual assurance planning	<ul style="list-style-type: none"> Develop the annual programme of work 	Q4
	2.	Governance reporting	<ul style="list-style-type: none"> Regular reporting to the Audit and Risk Committee and the Executive Leadership Team 	Q1-Q4
Improvement activities	1.	Professional development	<ul style="list-style-type: none"> Training and meeting the required continuous professional education hours Sector catch up, professional group networking 	Q1-Q4
	2.	Process improvement	<ul style="list-style-type: none"> Update internal assurance procedures, processes, and guidelines Kōrero mai action plans, team business plans and activities 	Q1-Q4

Appendix 1 – Assurance Map

Assurance Areas	Summary of key activities	Assurance Line One & Two Key sources of Management Assurance	Assurance Line Three		Assurance Line Four (External Assurance)	
			Previous Internal Audit and Other Independent Assurance Reviews	Proposed Workplan for 2023-24		
Customer & Community	<p>City Housing</p> <ul style="list-style-type: none"> Tenancy operations and facilities management <p>Creative Capital</p> <ul style="list-style-type: none"> Aho Tini Programme delivery City events and City Art collection Toi Pōneke Ars centre operations <p>Parks, Sports and Recreation</p> <ul style="list-style-type: none"> Pools and recreation centres management Mowing, horticulture and arboriculture operations Community sports and club partnerships Open spaces, town belt and reserves management Biodiversity and biosecurity operations Cemetery operations <p>Parking Services</p> <ul style="list-style-type: none"> Parking operations and resolutions On-street support and services <p>Community Services</p> <ul style="list-style-type: none"> Community safety & resilience City Partnerships and Funding <p>Libraries & Community Spaces</p>	<ul style="list-style-type: none"> Deed of Grant monitoring & reporting Tenants Satisfaction Survey Training and Competency Framework Management reporting to Grants Subcommittee Quality management systems standards, policies and procedures & checks Outcome Indicators and Performance Measures KPI operational audits Health and safety assessments Enforcement management system 	<ul style="list-style-type: none"> Creative Spaces (2022-23) Cemetery operations (2022-23) Marina (2022-23) pending Whakahui Tenancy Management System (2022-23) Cash handling and reconciliation (2021-22) Membership and booking system (2021-22) Tenancy Management System – Phase 1 (2021-22) Grants (2019-20) PSR operations (2018-19) Parking (2016-17) Playgrounds (2016-17) Swimming Pools (2016-17) Burials and Cremations (2015-16) Art and Cultural Activities (2015-16) Housing (2015-16) 	<ul style="list-style-type: none"> Grants monitoring: due diligence of organisations in line with WCC's Relationship Management Framework Parks, Sport & Recreation budgeting: Assess the efficiency of financial processes and reporting Trespass notices: consistency of process, delegations, reporting and monitoring 	<ul style="list-style-type: none"> Asset Management Plans: Property asset management; PSR asset management –vehicle replacement schedules, playground maintenance and renewal Tākina operations 	<ul style="list-style-type: none"> Telarc NZ annual audit on the ISO:9001 Quality Management System Accreditation (burials and cremation) Greater Wellington Regional Council (relating to the management of pests and animals) Worksafe Hazardous Substance Audit MBIE Tenancy Compliance Audit HUD Deed of Grant compliance
Planning & Environment	<p>City Consenting and Compliance</p> <ul style="list-style-type: none"> Building and plumbing inspections and consents Resource consent and compliance Land information Public health and alcohol management <p>City Design</p> <ul style="list-style-type: none"> Urban regeneration strategy and projects Streets for people and Bike Network Masterplan Transitional programme delivery Public space design and delivery <p>Strategic Planning</p> <ul style="list-style-type: none"> District plan delivery City insights and GIS Culture and Heritage Strategy and Build Heritage Incentive Fund <p>Climate Change Response</p> <ul style="list-style-type: none"> Deliver Te Atakura - First to Zero programme Transport behaviour change initiatives Climate action and Climate and Sustainability Fund <p>Housing Development</p> <ul style="list-style-type: none"> Te Kainga programme <p>City Development</p> <ul style="list-style-type: none"> Precinct and development management Business engagement 	<ul style="list-style-type: none"> Quality Management Systems & Assessments Consultation and engagements Approvals and authorisations Licensing Marking Programme Regulatory audits and inspections programmes Officer Qualification system Competency Assessments Professional development & training Investment delivery framework Project assurance 	<ul style="list-style-type: none"> Customer enquiries, complaints and escalation (2022-23) Follow up review on Building Consent Authorities accreditation readiness assessment (2022-23) Follow up on findings from statutory and regulatory audits (advisory) (2022-23) Alcohol licencing and compliance monitoring (2021-22) BCA Readiness Assessment (2020-21) Building Consents (2017-18) Transport and Place planning (2019-2020) Public Spaces & Centre Development (Bond St) (2015-16) Alcohol Licencing (2015-16) Public Health (Dogs) (2015-16) 	<ul style="list-style-type: none"> Resource consenting: efficiency and timeliness of processing Working with developers: Compliance with the Investment Delivery Framework Controls, process for ensuring best outcomes for city and assessment of Commercial negotiation capability (process and resources) Climate response: Implementation of Te Atakura – quality of climate change commentary in Council papers and/or in procurement plans 	<ul style="list-style-type: none"> Building consent authority accreditation by IANZ (every 2 years) and technical reviews by MBIE MPI accreditation (food safety – to assess competency to verify National Programmes) Independent review of RMA Delegations 2020 	
Infrastructure & Delivery	<p>Transport & Infrastructure</p> <ul style="list-style-type: none"> Transport infrastructure planning National Land Transport Programme implementation Roading Transport assets management Kiwi Point Quarry operations <p>Resilience</p> <ul style="list-style-type: none"> Business Continuity, Emergency Management and Earthquake-Prone Buildings Landfill operations and waste management, minimisation, and landfill strategies City Engineer and Three Waters <p>Property</p> <ul style="list-style-type: none"> Energy Management Property management, leasing, sales and acquisitions Facilities Maintenance <p>Strategic Asset Management</p> <p>Enterprise Project Management Office</p> <ul style="list-style-type: none"> Investment Delivery Framework 	<ul style="list-style-type: none"> Professional memberships, development & training Alignment to relevant national standards e.g. infrastructure & service provision, conditions of contract for build and civil engineering Independent road safety audits Compliance activities including Traffic Management Plan approval and reinstatement audits Recycling audit & litter enforcement Resident's Monitoring Survey Project, Programme and Portfolio management maturity assessment 	<ul style="list-style-type: none"> Customer enquiries, complaints, and escalation (2022-23) Facilities management (2022-23) PMO Establishment (planned for 2021-22) Evans Bay Cycleway Parade Cycleway – contract & issues management (2021-22) Business continuity processes (2020-21) Town Hall Project Health Check (2020-21) Asset Management Maturity Assessment (2021) CE review of levels of engagement between the Wellington City Council and Wellington Water Limited (2020) Tip Shop – staff purchases (2019-2020) Property Management (2019-20) FM contract control design review (2019-2020) 	<ul style="list-style-type: none"> Encroachments: Consistency in processing applications and terminations. Consider how fees compare with ground lease Commercial leases: review of probity arrangements 	<ul style="list-style-type: none"> Advisory work: Preparation for billing and collecting Three Waters rates post July 2024 and sludge levy Sub-surface asset data: Advisory work over system controls and processes of prototype (available mid-2024) 	<ul style="list-style-type: none"> NZTA technical & procedural audits every 2-3 years Greater Wellington Regional Council consenting checks Targeted Investment Reviews (Te Matapihi, sludge, LGWM)

Assurance Areas	Summary of key activities	Assurance Line One & Two Key sources of Management Assurance	Assurance Line Three			Assurance Line Four (External Assurance)
			Previous Internal Audit and Other Independent Assurance Reviews	Proposed Workplan for 2023-24	Possible activities for out years	
			<ul style="list-style-type: none"> Landfill operations (2018-19) Transport operations (2018-19) Procurement – Project Town Hall (2017-18) 			
Smart Council	<p>Technology Services</p> <ul style="list-style-type: none"> Service desk, deskside and application support, Infrastructure service <p>Customer Experience</p> <ul style="list-style-type: none"> Service design and project management Contact centre and service centre operations <p>Data and Insights</p> <ul style="list-style-type: none"> Information Management Support, Corporate GIS & Business Intelligence, City Archives, and Land, Customer & Property information <p>Architecture and Digital Innovation</p> <ul style="list-style-type: none"> Systems development, Digital Innovation & Solutions Architecture 	<ul style="list-style-type: none"> Customer feedback surveys IT Architecture review Disaster recovery review Compliance against PCI Security Council Standards 	<ul style="list-style-type: none"> Customer enquiries, complaints and escalation (2022-23) Information data strategy (advisory) (2022-23) Cyber and Information Security (2021-22) Service Centre cash handling (2021-22) IT Infrastructure (2014-15) 	<ul style="list-style-type: none"> Land and property information (rates database): Advisory work alongside Smart Council to improve efficiency of rating information collection and reconciliation between systems, and controls over security of data, key-person risk 	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> Audit New Zealand review of IT general controls
People & Culture	<p>HR Services</p> <ul style="list-style-type: none"> Talent acquisition Payroll, remuneration, analysis, and reporting Organisation change management <p>Culture & Capability</p> <ul style="list-style-type: none"> Organisation culture Learning and development <p>Safety, Security & Wellbeing</p> <ul style="list-style-type: none"> Injury and incident prevention & investigations Wellness programme Security 	<ul style="list-style-type: none"> Korero Mai Engagement Survey Code of conduct acknowledgement Holiday Act compliance review HRIS dashboard Approvals and authorisations Protective Security Requirements Assessment Safety Observations 	<ul style="list-style-type: none"> Recruitment process (2022-23) Protective Security Requirements maturity assessment (advisory) (2022-23) Holiday Act Compliance (advisory) (2022-23) Holiday pay peer review (2021-22) Actions Plans for Nasty Nine (2020-21) Independent H&S Audit 2021 H&S Assurance Framework (Advisory) (2018-19) Payroll (2017-18) 	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> Payroll risk: overpayment and compliance with Holidays Act HR delegations: implementation and awareness of delegations approved late 2022 	<ul style="list-style-type: none"> ACC Audit for Accredited Employers Programme WorksafeNZ reviews
Finance & Business	<p>Financial Policy & Planning</p> <ul style="list-style-type: none"> Financial strategies and policies Financial advice for strategic business activities <p>Treasurer</p> <ul style="list-style-type: none"> Funding, investments and organisational balance sheet management Financial risk management & insurance <p>Financial Operations</p> <ul style="list-style-type: none"> Rates, Payment services & Credit Control <p>Finance Business Partnering</p> <ul style="list-style-type: none"> Business reporting, budgeting & forecasting and financial analysis & advice <p>Commercial Partnership</p> <ul style="list-style-type: none"> Commercial procurement, contracts and planning <p>Financial Controller</p> <ul style="list-style-type: none"> Financial internal control environment Financial systems strategy and management External financial reporting 	<ul style="list-style-type: none"> Management annual letter of responsibility and accountability Financial dashboard Approvals and authorisations Quality checks, reconciliation, and reporting processes Payments monitoring and reporting P-card compliance monitoring Conflict of interest declarations Management reporting to the Finance & Performance Committee 	<ul style="list-style-type: none"> TechOne Financial System Upgrade and finance process improvements (advisory) (2022-23) Continuous monitoring activities: gifts declaration, conflicts of interest, sensitive expenditure (integrity) (2022-23) Reconciliations (part of Cash Handling audit - 2021-22) WOW Funding Request (2021-22) Continuous Monitoring Activities: gifts declaration, conflicts of interest, sensitive expenditure (2020-21) Purchase – to – pay (2020-21) Procurement and contracts management (2018-19) Sensitive Expenditure (2018-19, 2017-18, 2016-17) Balance sheet reconciliation (2016-17) Accounts Receivable (2015-16) Business Reporting (2015-16) 	<ul style="list-style-type: none"> Commercial management approach: Alignment with Govt Significant service contracts framework. Value for money for significant spend. Consideration of s17A reviews for significant service contracts Credit Control Operations: Consistency and good practice management of accounts receivable Rates operations: follow up on the recommendations from EY 2022 report Financial delegations: compliance with policy approved February 2023 Management of Koha: continuous monitoring audits / of sensitive expenditure 	<ul style="list-style-type: none"> 	<ul style="list-style-type: none"> Audit New Zealand annual audit of financial statements and service performance information Audit New Zealand audit of the Long-Term Plan and Consultation Document
Mataaho Aronui	<p>Māori partnerships</p> <p>Māori strategy</p>	<ul style="list-style-type: none"> Information to be gathered 	<ul style="list-style-type: none"> Consider how we might include and assess our commitment to Te Tiriti within the scope of all other internal assurance engagements (2022-23) 	<ul style="list-style-type: none"> Weave contribution to Māori outcomes / Tūpiki Ora into all audits and reviews of activities. 	<ul style="list-style-type: none"> 	
Strategy & Governance	<p>Risk & Assurance</p> <ul style="list-style-type: none"> Official information and privacy requests, Internal Audit, Integrity services, Risk management <p>Communications & Engagement</p> <ul style="list-style-type: none"> External communication and engagement, Internal communications and Media services, Creative and brand services <p>Governance</p> <ul style="list-style-type: none"> Elected Members Support, Democracy Services, Mayor's Office, Corporate Library 	<ul style="list-style-type: none"> Risk Management Maturity Assessment Professional memberships, development & training Quality checks, reconciliation, and reporting processes Research and evaluation quality methodology Standing order guidelines 	<ul style="list-style-type: none"> Organisational internal controls assessment (audit) (2022-23) Internal policy governance framework (advisory) (2022-23) Legislative compliance annual attestation (advisory) (2022-23) Gifts received (integrity) (2022-23) Protected disclosures monitoring & investigations (integrity) (2022-23) 	<ul style="list-style-type: none"> Trespass process: consistency, reporting and monitoring. Issuing of warnings to comply with legislation 	<ul style="list-style-type: none"> Legal operating model: Follow up implementation of recommendations in 2022 review 	<ul style="list-style-type: none"> Ombudsman determinations Office of the Privacy Commissioner investigations Review of Legal operating model (2022)

Assurance Areas	Summary of key activities	Assurance Line One & Two Key sources of Management Assurance	Assurance Line Three			Assurance Line Four (External Assurance)
			Previous Internal Audit and Other Independent Assurance Reviews	Proposed Workplan for 2023-24	Possible activities for out years	
	<p>Strategy, Policy & Research</p> <ul style="list-style-type: none"> • Strategy, policy, research and evaluation • Annual Plan Annual and Quarterly Reports • International Relations <p>Legal Services</p> <p>Economic Wellbeing and CCOs</p> <ul style="list-style-type: none"> • CCO governance, economic wellbeing & funding 	<ul style="list-style-type: none"> • Annual legislative compliance attestation • CCO governance & reporting 	<ul style="list-style-type: none"> • Privacy management 2021-22) • Project Assurance – Elections and Transition Readiness Assessment (2018-19) • Organisational Policies (2016-17) • Complaints Resolution (2015-16) • Consultation & Engagement and consultation (2015-16) • Elections 2016 Assurance Review (2016-17) 			<ul style="list-style-type: none"> • NZIER annual review – quality of Council papers • 2021 Ross Tanner Comms and Engagement Review

STRATEGIC RISKS UPDATE, RISK APPETITE STATEMENTS DEVELOPMENT AND APPROVAL OF THE RISK MANAGEMENT WORKPLAN 2023-24

Kōrero taunaki | Summary of considerations

Purpose

1. This report to Unaunahi Māhirahira | Audit and Risk Committee provides exception reporting on the Council's Strategic Risks. It also includes for your approval the Risk Management Team workplan for 2023-24, and information for decision-making regarding the development of Risk Appetite Statements for Wellington City 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
- 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

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

Relevant Previous decisions

Outline relevant previous decisions that pertain to the decision being considered in this paper.

Significance

The decision is **rated low significance** in accordance with schedule 1 of the Council's Significance and Engagement Policy. The contents of the paper are for internal use only and do not require public consultation or engagement.

Financial considerations

2. None
- Nil
 Budgetary provision in Annual Plan / Long-term Plan
 Unbudgeted \$X

Risk

- Low
 Medium
 High
 Extreme
3. This paper does not raise or exacerbate risks to the Council. It provides a summary of progress on Strategic Risk management, and discussion of emerging risks and further developing and maturing our organisational risk culture.

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

Taunakitanga | Officers' Recommendations

Officers recommend the following motion

That the Unaunahi Māhirahira | Audit and Risk Committee:

- 1) Receive the information
- 2) Approve the Risk Management Workplan for 2023-24
- 3) Agree to recommend the Risk Appetite Statements as set out in clause 16 and 17 to the Council for adoption.
- 4) Agree to support future work on expanding the range of Risk Appetite statements at an appropriate time, including after supporting LTP level of service work has been completed (likely Q2 2023-24)

Whakarāpopoto | Executive Summary

4. There is no major change in the status of our strategic risks since the February 2023 meeting of this Committee. However, there are now implications for the *Inability to adapt and anticipate to Major Change* risk profile, following the central government decision to delay establishing amalgamated water management bodies (previously referred to as Three Waters reforms). There are also additions to the work in progress and work completed on the *Other major hazard emergency* and *Magnitude 7.5 earthquake and tsunami* risk profiles. These updates do not meet exception reporting threshold.
5. Work has begun to develop the new Strategic Risk Register risk profiles and refocus others as agreed at the last meeting of this Committee (ref [Agenda and Minutes](#)). We report on the current suite of risk profiles at this meeting. The new profiles could be provided to you at the next Committee meeting in September or earlier as they are finalised (refer discussion section).
6. The Committee's attention is also drawn to two emerging risks in the Summary Dashboard:
 - implications on the increase of common use Artificial Intelligence (AI) systems on the future of work and organisational operations and communications
 - the increase in public and media attention regarding how complaints and issues are escalated and communicated within Wellington City Council.
7. We are also monitoring the national governance landscape for any further changes in central government frameworks or policies that may have significant risk management implications, such as the recent Three Waters decision.
8. In accordance with the Committee's terms of reference, a copy of the Risk Management Team 2023-24 Workplan is provided for your approval. The workplan summarises the activities to continue organisational risk management maturity improvements.
9. This paper also summarises significant work led by the Risk Management team in 2022-23 to lift organisational risk management maturity. All work outlined in last year's workplan has been completed or is underway, with the exception of work that we anticipate will be substantially advanced this quarter, in particular adoption of Risk Appetite Statements and Risk Champion training workshops.

10. We will present in person the results of the follow up survey requested at the 1 May workshop to develop Risk Appetite Statements. We recommend Risk Appetite Statements supported by this Committee be progressed to the full Council for adoption.
11. Subject to Council's approval, Risk Appetite Statements will directly feed into aligned work such as the Insurance Roadmap and Asset Management Planning guidance. We will seek to update the templates for Committee and Subcommittee reporting. This will prompt officers to identify whether work or options for consideration in papers aligns with, or sits outside, the Council's risk appetite. Risk Appetite Statements will also provide a useful reference for officers in operational business planning and risk management.

Takenga mai | Background

12. The Risk Management Team is comprised of two FTEs and the workplan is developed accordingly. Last year's plan included a full review of the Strategic risk Register, progress on the development of Risk Appetite Statements, strengthening guidelines and frameworks to support consistent practice in strategic and operational risk management, fostering the WCC Risk Champions and providing ad-hoc risk advice.
13. The focus for 2023-24 includes consolidation of documentation into one coherent risk management guideline and an education and engagement risk and issues management 'roadshow' with all Business Units. The 'roadshow' which has been requested by ELT, will focus on education regarding the difference between risks and issues, tools and resources for risk and issues identification and the importance of appropriately escalating both significant issues and unacceptable risks. The workplan also focusses on increasing our Risk Champions membership and capability and conducting the annual All of Government Enterprise Risk Maturity Assessment Framework (gERMAF) survey. We will continue to support operational risk management and provide responsive (ad-hoc) risk advice.
14. We are developing Risk Appetite Statements based on the consequence elements in the Enterprise Risk Framework. The preliminary risk appetite workshop on 14 March resulted in initial indications of where the Council's appetite could sit. This was followed up with an online survey to further gauge views. The survey results were discussed at a second workshop on 1 May and several Risk Appetite Statements were agreed for advancement to the approval process. Participants requested a follow-up survey to ensure maximum participation from elected members for decision on the remaining Risk Appetite Statements. The results of this survey will be provided as a presentation at this meeting.

Kōrerorero | Discussion

15. We will present the following new risk profiles to the September Audit and Risk Committee meeting:
 - Inadequate implementation of Tūpiki Ora and Tākai Here
 - Workforce constraints and the future of work
 - Inadequate strategic planning (merge of current planning-related profiles)
 - Inadequate policies and controls

Note: We anticipate four new risk profiles will be completed and approved by ELT by the end of Q4. We will load the updated risk profiles into Diligent and advise you when they are available should you wish to view them prior to the September meeting.

-
16. At the 1 May workshop, the following Risk Appetite Statements were supported for advancement to the Committee and Council approval process. We ask that the Committee recommends these to the full Council for adoption.
- Staff health and safety: **Cautious** The health and safety of WCC staff is important. We will avoid all preventable risks to staff physical and mental health and safety unless they can be mitigated to minor risks. We will proactively monitor, manage and report health and safety risks in exceedance of legal requirements. All staff will have access to H&S training.
 - Strategic partnerships (except mana whenua): **Cautious** WCC recognises the value of partnerships in our work. The council will build partnerships and collaborate to deliver shared benefits and outcomes
 - Transparency and public participation: **Cautious** Council governance meetings should be transparent and open to the public, minutes and agendas must be available. Key strategic decisions require effective public participation and consultation. The default position is to share all information, but some information will be withheld in specific circumstances and makes use of the public exclusion process
 - Reputation and perception: **Flexible** Council acknowledges that Wellingtonians have diverse opinions and that some decisions may be controversial or unpopular and result in negative perceptions of us. Council will engage in good faith with the media
17. We also recommend additional Risk Appetite Statements be considered for advancing to the full Council. Agreement will be dependent on the results of the second online survey presented at this Committee meeting, and the subsequent discussion. We request that the Committee recommend the following Risk Appetite Statements to the Council for adoption:
- Community health and safety
 - Capital budget and insurance headroom
 - Operational budget
 - Environment
 - Mana whenua partnership
 - Legal Compliance
 - Private and sensitive data and information

Kōwhiringa | Options

18. Not applicable

Whai whakaaro ki ngā whakataunga | Considerations for decision-making

Alignment with Council's strategies and policies

19. This paper focuses on enabling work within the Council to drive risk management maturity. The strategies and policies of Council provide the framework for the objectives and outcomes for Wellington and for our organisation that are central to management of Strategic Risks. Through improved strategic and operational risk management, we improve our resilience to threats, uncertainties and shocks that could disrupt our strategic and operational objectives. Once in place, our Risk Appetite Statements will provide guidance on how we intend to balance risks and opportunities in order to achieve its strategic objectives. The new *Inadequate policies and controls* risk profile will focus on the risks associated with inadequate implementation and gaps in our internal policies and key processes.

Engagement and Consultation

20. This paper discusses internal engagement only. It is rated low significance using Council's Significance and Engagement Policy.

Implications for Māori

21. This paper does not include any partnering for decision making. However, one of the Strategic Risk Profiles to be developed by 30 June is the *Inadequate implementation of Tūpiki ora and Tākai Here* profile. This will provide an assessment of the risks to Council and City of inadequate partnering with mana whenua and the measures we have in place and planned to ensure we manage these risks.

Financial implications

22. There are no financial implications for Council from this paper.

Legal considerations

23. There are no legal implications for Council from this paper.

Risks and mitigations

24. There are no risks to Council from the contents of this paper. It describes work in progress to support improved risk management maturity and build our risk culture.

Disability and accessibility impact

25. There are no disability and accessibility implications for Council or the people of Wellington from this paper.

Climate Change impact and considerations

26. There are no climate change implications for Council or the people of Wellington from this paper. However, climate change risks are considered in the *Inadequate Climate Change Response* Strategic Risk Profile.

Communications Plan

27. This contents of this paper do not require a communications plan.

Health and Safety Impact considered

28. There are no health and safety implications for Council or the people of Wellington from this paper. However, risks to staff and public health and safety are considered in the in-progress Risk Appetite Statement work and as part of each Strategic Risk Profile.

Ngā mahinga e whai ake nei | Next actions

29. The Risk Management team will continue updates to the Strategic Risk Register.
30. Majority supported Risk Appetite Statements will be presented to Council for approval and adoption as a cohesive, non-binding document that summarises Council's agreed risk appetite.
31. Further work on risk appetite for community services will be undertaken following the conclusion of the level of service work (September 2023).

Attachments

- Attachment 1. Risk Management Workplan 2023-24 [↓](#)  Page 43
- Attachment 2. Strategic Risks Summary Dashboard 2023-24 [↓](#)  Page 47



Risk Management Team Workplan 2023-24

Prepared for the Unaunahi Māhirahira | Audit and Risk Committee
May 2023



Summary

Risk management is a critical business discipline that reduces uncertainty in the achievement of Wellington City Council’s (the Council) objectives. It also strengthens and complements other Business Units’ (BUs) initiatives.

The Risk Management Team’s (the Team) role and responsibilities are to:

- Maintain oversight of the Council’s risks,
- Report on the Council’s risks to the Unaunahi Māhirahira | Audit and Risk Committee (UMARC) and Executive Leadership Team (ELT),
- Lift maturity in risk management practice at the Council, and;
- Monitor internal and external environments for any emerging risks in conjunction with business units.

In 2022-23, we contributed to increased risk management maturity across all levels of the organisation through:

- Strategic risk monitoring and reporting,
- Support for BU operational risk identification and management
- Responsive (ad-hoc) expert risk advice to BUs (31 instances in 2022-23),
- Facilitation of the Risk Champions Group, and;
- Development of risk resources and tools.

Our risk maturity rating increased from 1.92 (2021 survey) to 2.53 (2022 survey).

For 2023-24, we will build on the previous year’s work by continuing to support organisational success through the following key initiatives:

- Continued development and refresh of risk resources such as the risk management framework/guide,
- Continued monitoring of strategic and operational risks, and
- Facilitation of workshops and development of risk and issue communications to the organisation.

The key activities of the team are summarised in the table (right). The activities table on the next two pages, provides a more detailed breakdown.

Summary of Risk Management Team Workplan Activity Areas 2023-24		
Governance		
1	Consolidate and strengthen risk frameworks and resources	 
2	Strategic risk register maintenance and reporting	  
Capability		
3	Annual All of Government Enterprise Risk Maturity Assessment (gERMAF)	  
4	Refresh of the Risk Champions Group	 
5	Operational risk and issue management support and risk assessment for business units	  
6	Risk Management Team resource and capability building	 
7	Ad-hoc risk advisory support	  

Working Better Together | Kia kotahi rā – Focus Areas



Accountable Leaders



The Way We Work



Connected Council



Living our Values

Risk Management Team Workplan Activities (2023-24)

#	Risk Management Activity	Activity Description	Proposed Timeframe
Governance			
1	Consolidate and strengthen risk frameworks and resources	Consolidate and strengthen risk frameworks and resources to provide the Council sufficient support to access risk information easily and correctly apply the risk management frameworks and process. <i>Rationale: supports consistent practice and reporting of risks.</i>	Q1
2	Strategic risks monitoring and reporting	Maintenance of the Strategic Risk Register including development of new risk profiles. Regular monitoring and reporting of strategic risk status to ELT and UMARC. Implications for strategic risks included in committee papers and reported to ELT and/or UMARC as required. <i>Rationale: Required to meet the Terms of Reference for UMARC and to support governance oversight and accountability for risks to the Council.</i>	Q1 – Q4 (Ongoing)
Capability			
3	All of Government Enterprise Risk Maturity Assessment (gERMAF)	Facilitate and complete the annual gERMAF survey to identify priority areas for risk maturity uplift within the organisation. Report results to ELT and UMARC <i>Rationale: The gERMAF survey assist us to identify areas of lowest maturity and tracks our maturity progress as an organisation.</i>	Q2 – Q3
4	Refresh of the Risk Champions Group	Review and refresh Risk Champions Group’s Terms of Reference. Develop and implement annual work plan. The key focus for the Team is to communicate updated risk information and tools to support the Risk Champions to advocate for risk management within their own BUs. <i>Rationale: Last year the Group was active but not actively growing. This year’s focus is to grow and energise the Group to make their role more meaningful in lifting capability in their own parts of the organisation.</i>	Q1 – Q4 (Ongoing)

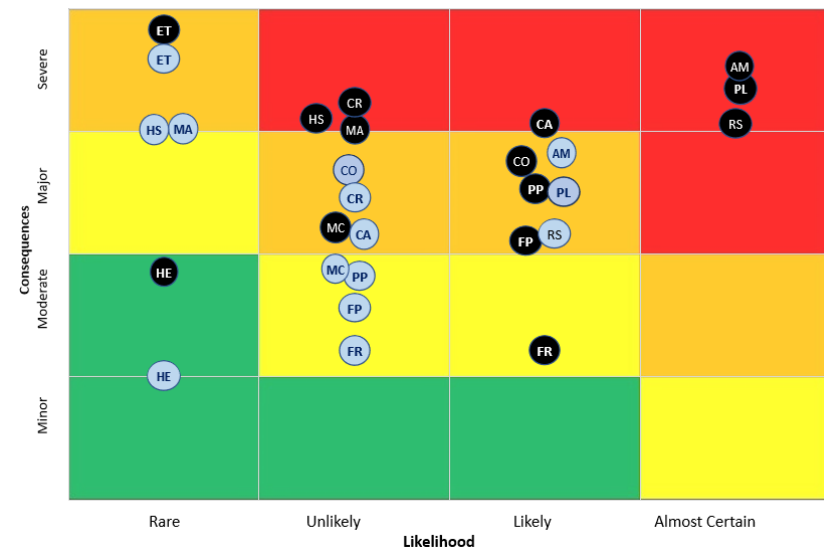
5	Operational risk and issue management support and risk assessment for business units	<p>Communicate risk and issue management resources and tools to all BUs. Facilitation support for risk and issue assessment workshops. Ongoing and ad-hoc capability building training and support.</p> <p><i>Rationale: Use of standard frameworks and tools will support good practice risk management. Improved, identification, escalation and management of issues is an area of focus for the Council and the Team will support this work.</i></p>	Q1 – Q4 (Ongoing)
6	Risk Management Team resource and capability building	<p>The Team to continue to maintain and grow technical expertise through a series of different mechanisms: RiskNZ membership, risk seminars and conferences, courses, local government risk forum, etc. This will ensure that the Council continues to receive the appropriate advice and support from the Team.</p> <p><i>Rationale: As trusted advisors, the Team must maintain and expand their knowledge as risk management theory and practice evolves.</i></p>	Q1 – Q4 (Ongoing)
7	Ad-hoc risk advisory support	<p>Provide ongoing and/or ad-hoc risk management expertise to business units on request.</p> <p><i>Rationale: The Team provides an independent risk lens to challenges faced by BUs and ad-hoc advice provides the opportunity for lifting understanding of good practice in risk management.</i></p>	Q1 – Q4 (Ongoing)



Ratings as of August 2022	EXTERNAL THREATS						INTERNAL THREATS							
	Cyber-attack (CA)	Covid-19 outbreak (CO) (estimated change)	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	High	Extreme	Extreme/High	Low	High	High	High	High	Extreme	Medium	High/Medium	Extreme/High	Extreme/High
Likelihood	Likely	Likely	Almost certain	Unlikely	Rare	Rare	Likely	Unlikely	Unlikely	Almost certain	Likely	Likely	Unlikely	Likely
Overall Consequences Rating	Severe	Major	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	Unlikely	Likely	Rare	Rare	Rare	Unlikely	Unlikely	Unlikely	Likely	Unlikely	Unlikely	Rare	Unlikely
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

INHERENT AND RESIDUAL RISK RATINGS



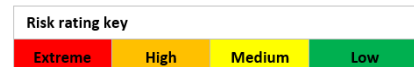
EXTERNAL THREATS

- CA = Cyberattack
- CO = COVID-19 outbreak
- RS = Resource and Supply constraints
- MA = Malicious attack
- HE = Other hazard emergency
- ET = Earthquake and Tsunami

INTERNAL THREATS

- PP = Inadequate partnering practice
- MC = Inadequate adaptation to major change
- CR = Inadequate climate change response
- PL = Inadequate planning and prioritisation
- FR = Fraud
- FP = Inadequate financial planning and practice
- HS = Inadequate Harm Preventions (H&S)

Current (inherent) risk rating ?
Target (residual) risk levels ?



Notes on the heatmap

The heatmap shows the Maximum Credible Event scenario inherent and residual risk ratings for all threats. It provides a high-level summary of the worst-case outcome if our risks are not adequately managed. Note that each threat has a range of scenarios that can eventuate so we assess the worst case, but in most cases our risk management treatments target what is achievable, affordable and practical. The Council will always hold some level of risk due to the complexity and scale of the services we provide. Strategic risks are by their nature complex and challenging and mitigation progress may take multiple years. The heatmap indicates the relative severity and likelihood of our maximum credible scenarios but there is a richer body of information that sits behind these assessments, in particular impacts on the various elements that contributing to the overall consequence ratings. This heatmap should be considered alongside the consequences ratings summary on p2.

Summary of key updates to Risk Profiles since February 2023

There have been no substantive changes in the status of our Strategic Risks since the late February Audit and Risk Committee meeting. Work is in progress to establish new risk profiles for the following threats:

- Inadequate implementation of Tūpiki Ora and Tākai Here
- Workforce constraints and the future of work (replacing the Resource and supply chain constraints risk profile)
- Inadequate strategic planning (merge of three current planning-related profiles)
- Inadequate policies and controls

Refocus of several risk profiles

The COVID-19 risk profile will be updated to a more general Pandemic threat risk profile but include all of the risk treatments in place and in progress for COVID-19. The *Inadequate Partnership Practice* risk profile will be refocussed to all non-mānua whenua strategic partnerships; that is central government agencies, other territorial authorities, CCOs and key Wellington communities (e.g. businesses groups).

Reviewed May 2023

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) (will change after new assessment)	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	Major ↓
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	Moderate ↓
Environment	Minor	Moderate	Moderate	Minor	Minor	Major	Minor	Moderate	Moderate	Moderate	Minor	Minor	Minor	Moderate ↓
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	Moderate ↓
Data, information and tools	Severe	Minor	Minor	Minor	Minor	Major	Minor	Moderate	Minor	Minor	Minor	Minor	Minor	Minor ↓
Legal regulatory and compliance	Major	Minor	Minor	Moderate	Moderate	Moderate	Moderate	Minor	Major	Moderate	Minor	Minor	Major	Moderate

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 Unaunahi Mahirahira

Disruptive technologies (AI) There is a growing interest and adoption of Artificial Intelligence (AI). The most likely implications for Wellington City Council are an increase in use of AI such as ChatGPT or BingChat. There are some risks and opportunities associated with use of AI such as:

- Governance implications
- Security risks on information entered into AI (e.g., privacy and storage),
- General information risk: How can we verify that information submitted to the Council is true and accurate? (e.g. possibility of AI developed employment applications or public submissions)
- Opportunity to determine governance arrangements and develop communication to the Council for use of AI, and
- Opportunity for task automation and how this may impact future roles and responsibilities.

Due to recent high-profile incidents such as the failing streetlights, there is an increase in public and media attention regarding how complaints and issues are escalated and communicated within Wellington City Council. There are multiple pathways for occurring or imminent incidents and issues to be first notified or identified, including by staff, contractors or the public via a range of channels and systems. There is no all-of-Council solution in place to manage these separate sources of information and therefore no simple solution for standardised escalation. This is an area of focus for the in-development *Inadequate Policies and Controls risk profile* and an area of focus for ELT and in the Risk Management team workplan.

Reviewed May 2023

1. HEALTH AND SAFETY PERFORMANCE REPORT

Kōrero taunaki | Summary of considerations

Purpose

1. This report to Unaunahi Māhirahira | Audit and Risk Committee is to review the Council's health and safety performance for the period 1 January 2023 to 31 March 2023.

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

- 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

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

Relevant Previous decisions

2.

Financial considerations

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

Risk

- Low Medium High Extreme

3.

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 Unaunahi Māhirahira | Audit and Risk Committee:

1. Receive the information.

Whakarāpopoto | Executive Summary

4. 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.
5. This report comprises qualitative commentary on activities that have occurred in the last four months, and are presented in three categories:
 - Risks
 - Relationships
 - Resources.
6. The dashboard reporting (attachment 1) provides quantitative leading and lagging indicators to measure health and safety performance within Council.
7. 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.
8. Additionally, this report also provides commentary and a draft version of the five-year organisational health and safety strategy for noting.

Takenga mai | Background

9. Not applicable.

Kōrerorero | Discussion

Risk

Critical risk observations

10. Late in 2022, an updated approach to how critical risk observations for officers (both elected members and the executive leadership team) was confirmed.
11. The updated approach began at the end of February with a new schedule of observations.
12. Early feedback has been that the overall process is much easier than it has been previously.
13. That is reflected in the forward programme where there are more officers booked in for visits than ever before.

14. While the attached report will not reflect the increase in activity, the next quarter's dashboards will clearly demonstrate the positive impact these changes have made on being able to complete these observations.

COVID-19

15. The Council requires all positive COVID-19 cases in its workforce to be reported so there is accurate data to understand the ongoing impacts of the pandemic.

Number of active cases over time



16. Case numbers within our workforce remain low this quarter, as they did in the last, reflecting the same trends as within the community.
17. As has been previously reported, the number of reinfections continues to rise. This is expected given decreasing immunity between either vaccinations or initial infection. The reinfection rate in our workforce this quarter rose to 44%, from 35% last quarter.
18. With the winter season approaching it is expected we will see some increase in COVID-19 numbers, alongside other seasonal illnesses.
19. Our annual workplace influenza vaccination programme will be delivered through April and May, and we are encouraging staff who are eligible to also seek out additional COVID-19 vaccinations.
20. Specific dates have been arranged for elected members to receive their influenza vaccinations.

Relationships

Health and Safety Good Sorts

21. A refreshed approach to health and safety recognition, Good Sorts, will launch next quarter (Q4).
22. During the 2022 ACC audit it was recommended work be done to improve recognition initiatives specific to health and safety.
23. The new approach is designed to make recognition more accessible across the organisation. Noting that any positive action, big or small, has an influence on improving safety culture in the organisation.
24. Recognition is one part of how the organisation identifies and promotes worker participation.
25. After successful pilots in selected business units earlier this year, it is expected there will be a demonstrable increase in recognition behaviour across the organisation related to health and safety.

-
26. By having a more visible and active recognition programme there will be additional information for officers to verify the provision of appropriate resources and processes (part of officer due diligence).

Resources

The MySafety project

27. A new technology system for reporting and recording health and safety information successfully launched on 20 March 2023.
28. Feedback from users has been unanimously positive, citing its ease of use and clear upgrade over the previous system.
29. Heightened awareness and ease of use has had a positive impact already on our near miss reporting metrics which you will see outlined in the attached dashboard reporting.
30. Before launching, over 800 staff in high-risk areas were trained in the platform, and that number continues to grow following the launch.
31. Training for new staff has been embedded in regular induction activity; existing staff have the option to request facilitated training or complete an online learning module through our learning management system.
32. Elected members have been provided access to MySafety to report health and safety events, training on how to report an event has been provided in the form of an instructional video.
33. Phase one of the launch included modules for reporting health and safety events, sensitive events, and COVID-19 test results (or isolation).
34. Further developments to the system will happen continuously, with a new module for recording safety observations expected to launch in May – followed by risk management, recognition, audits, contractor health and safety management, trespasses, and bans.
35. A detailed plan of future module development, including timing, will be produced in alignment with the upcoming health and safety strategy (and subsequent annual plans).

Health and Safety Strategy

36. A long-term health and safety strategy has been drafted to give direction for the organisation on what it needs to focus on to achieve a proactive workplace health and safety culture.
37. The strategy is a result of extensive external and internal research, drawing on industry knowledge as well as feedback from a wide selection of staff within the Council.
38. The purpose of the strategy is to set the high-level roadmap for how the Council will proactively and continuously improve workplace health and safety; to ensure employees, contractors, and volunteer workers are protected from unnecessary harm.
39. The strategy aims to close the gap in understanding and maturity across teams, and to equip everyone with the tools, technology, and systems necessary to create a proactive culture of great safety behaviour.
40. It outlines three pillars; strong culture, enabled systems and equipped people that together will enable the organisation to achieve its vision of having a proactive safety culture that is integrated into everyday work life.

41. In the strategy there are details about what each of the pillars encompass, including a glance at what our current state is compared to what proactive looks like.
42. Over the next five years a series of organisational health and safety plans (with clear actions and accountabilities) will be produced in alignment with this strategy, which will influence connected business unit plans, so the entire organisation is working toward the same target of proactive by 2028.
43. When looking at this strategy in a national context, it has strong alignment with the priorities set out in New Zealand's Health and Safety at Work Strategy which are:
 - Encourage leaders at all levels to integrate health and safety.
 - Enable workers to be represented, engaged and to participate.
 - Lift capability of health and safety practitioners.
 - Develop and share better data and insights to improve decision making.

Ngā mahinga e whai ake nei | Next actions

44. None

Attachments

Attachment 1. [Q3 Health and Safety Performance Dashboards](#)  

Page 54

Health, Safety & Security Performance

Reporting Period 1 January 2023 – 31 March 2023

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	Q3	Prev	Change	FYTD	Prev	Diff
Active health and safety representatives (HSR)	145	148	-3	145	125	+20
Health and safety representatives trained	0	2	-2	23	51	-28
Leadership training attendance	6	16	-10	22	33	-10
Physical first aid training	44	32	+31	89	1	+88
Mental health first aid training	29	33	-4	89	9	+80
Resilience training	12	13	-1	45	60	-15
Failed random drug and alcohol tests	0	0	0	0	1	-1
Early intervention physio (Mirimiri) sessions	0	1	-1	2	1	+1
Early intervention physio (European) sessions	5	5	0	23	36	-13
Employee assistance programme hours	149.5	208.5	-59	569	722	-153
Elected member critical risk observations	1	0	+1	6	1	+5
Executive team critical risk observation	2	2	0	17	20	-3
Near misses reported	316	229	+87	753	961	-208

Insights

All lead indicators are tracking either as expected or in a positive direction. Numbers for both types of first aid training are tracking extremely positively, and more work is being undertaken to further customise the mental health first aid offering to the context of our organisation.

There was no health and safety representative training available for this quarter, but we have already trained more representatives this year than we have in the previous.

An updated process for critical risk safety observations was confirmed at the end of 2022, with a new schedule commencing the end of February 2023. All sessions for the remaining calendar year have been booked on to so we expect to see these numbers continue to rise.

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	Q3	Prev	Change	FYTD	Prev	Diff
Work related ACC injury claims	6	6	-0	26	58	-32
Claim costs to date	\$3,490	\$2,512	+\$978	\$14,687	\$30,024	-\$15,337
Number of workdays lost	9	8	+1	57	104	-47
Personal confrontation incidents	188	160	+28	551	813	-262
Bans issued	0	1	-1	3	24	-21
Trespass notices issued	1	0	+1	2	13	-12
Police reports	69	38	+31	126	121	+5

Insights

Much like the lead indicators, almost all lag indicators are trending positively or neutral.

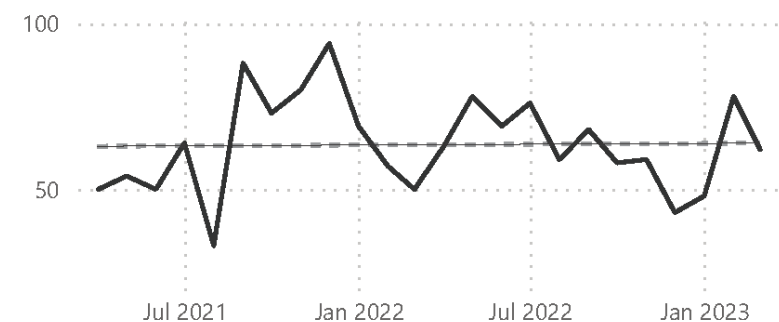
We are tracking well to have less claim costs for this financial year, reflecting both that our staff have been injured less but also the injuries themselves are less severe and/or complex (meaning lower costs).

Numbers for trespasses and bans remain unusually low which may indicate a lack of available data. As MySafety matures there are plans to centralise records for bans and trespasses issued making the reporting more accurate.

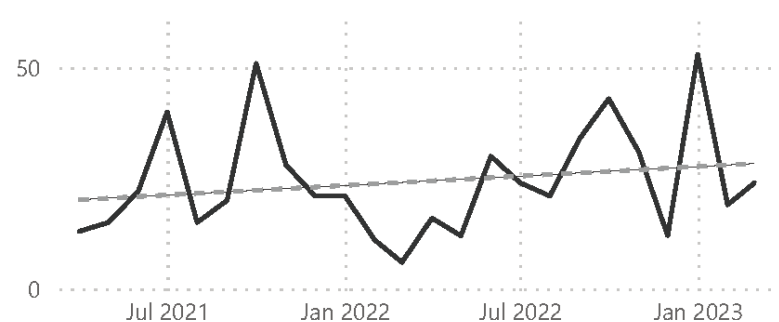
Section 3: Trends and graphs

3.1 Two-year risk trends (1 April 2021 to 31 March 2023)

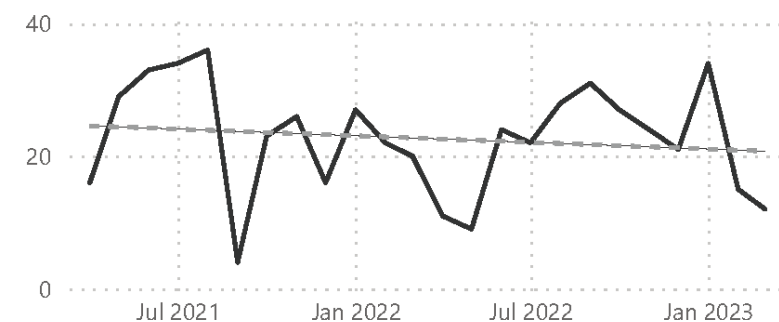
Personal confrontation



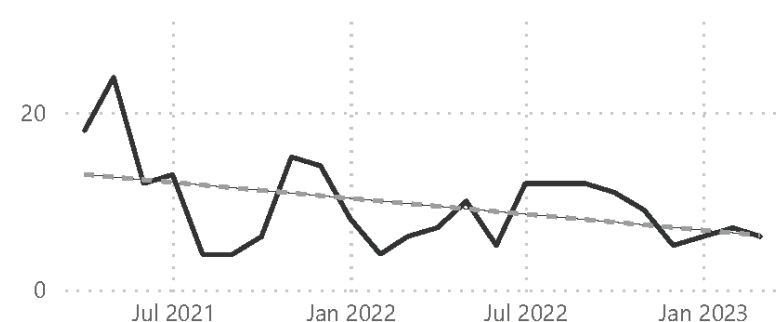
Events on/in WCC facilities or land



Near, on or in water



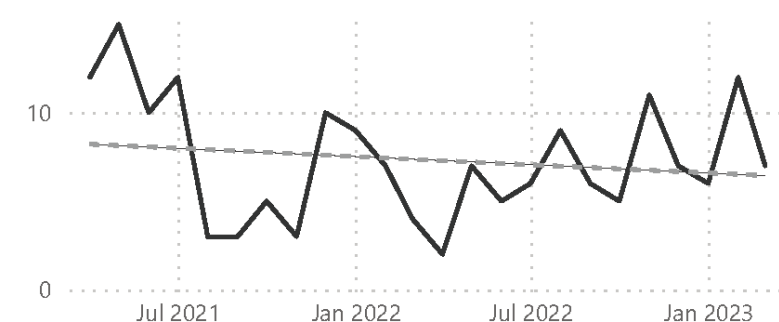
Surface conditions



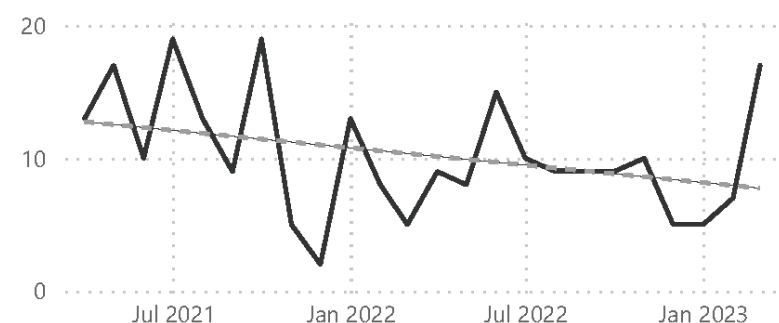
Manual handling



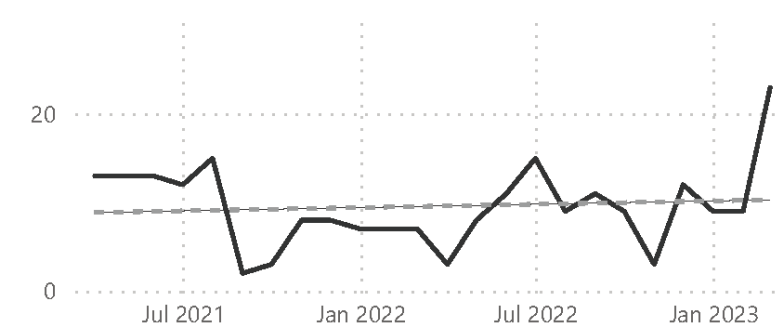
Biological agents



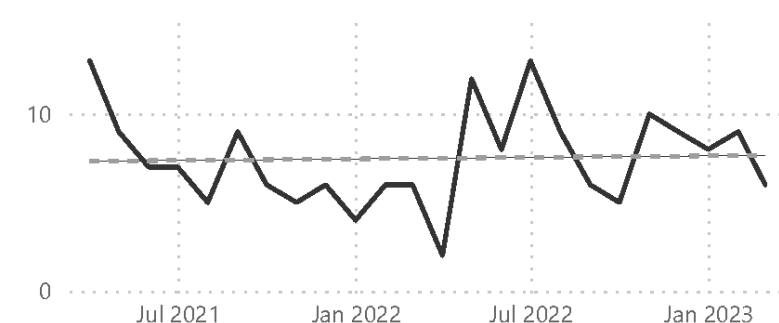
Health and impairment



Asset failure

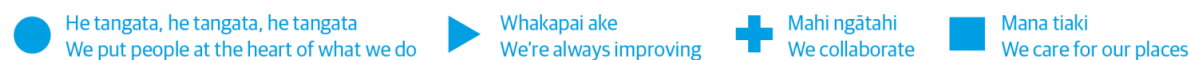


Vehicles (including bicycles)



Insights

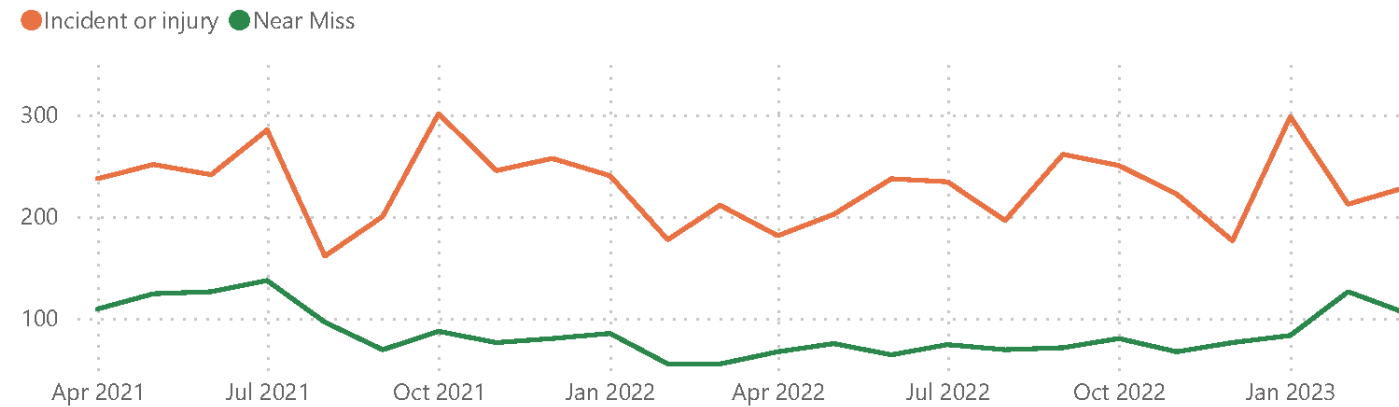
As displayed in previous reports, top presenting risk categories are either mostly trending down or stable – except for events on/in WCC facilities or land which increased through summer season. As we’ve seen with previous seasons, we expect to see this fall again and the trend stabilise. There are some other uncharacteristic increases in event numbers against certain risk categories; this could be a result of increased awareness and/or knowledge about reporting due to the MySafety project. Over the next six months we will be able to set a new baseline to understand what is actual trend information versus increased reporting.



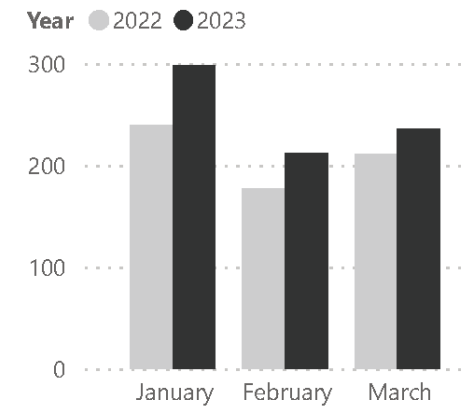
Health, Safety & Security Performance

3.2 Two-year incident, injury and near miss trends (1 April 2021 to 31 March 2023)

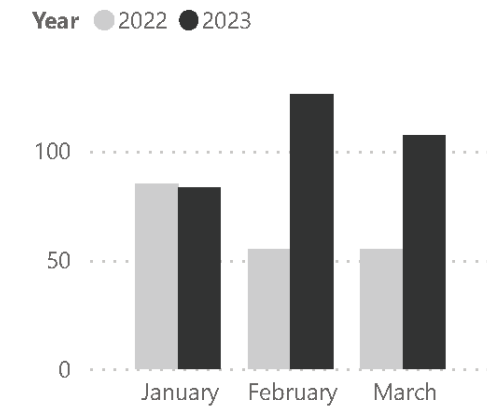
Total number of events over two years



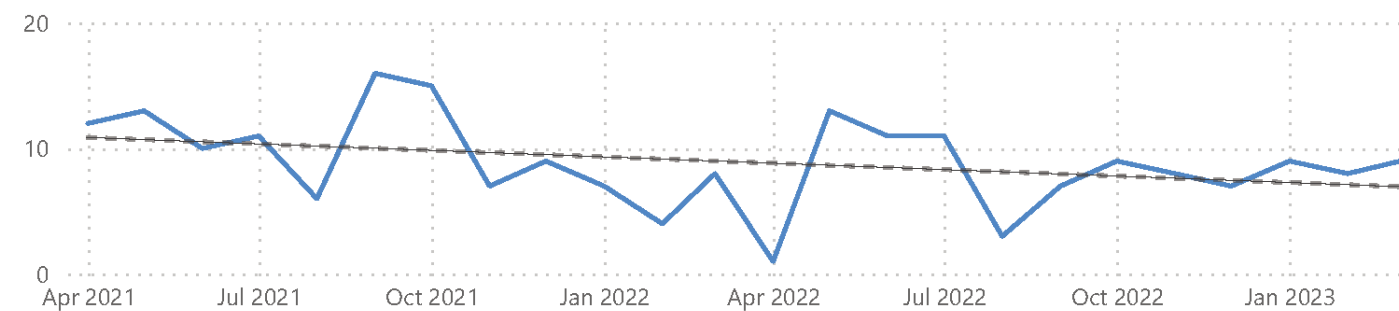
Incident annual comparison



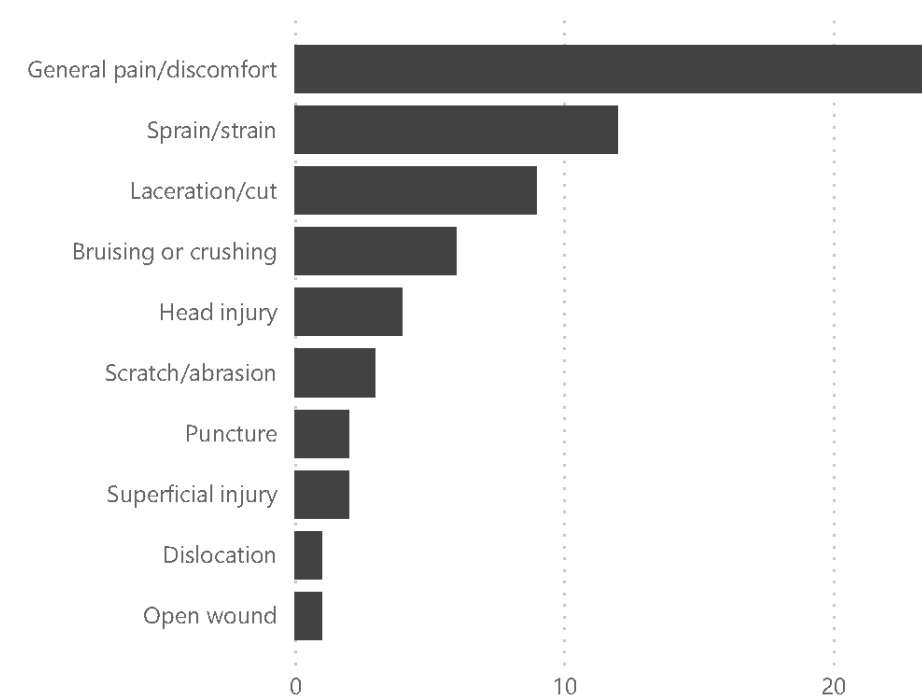
Near miss annual comparison



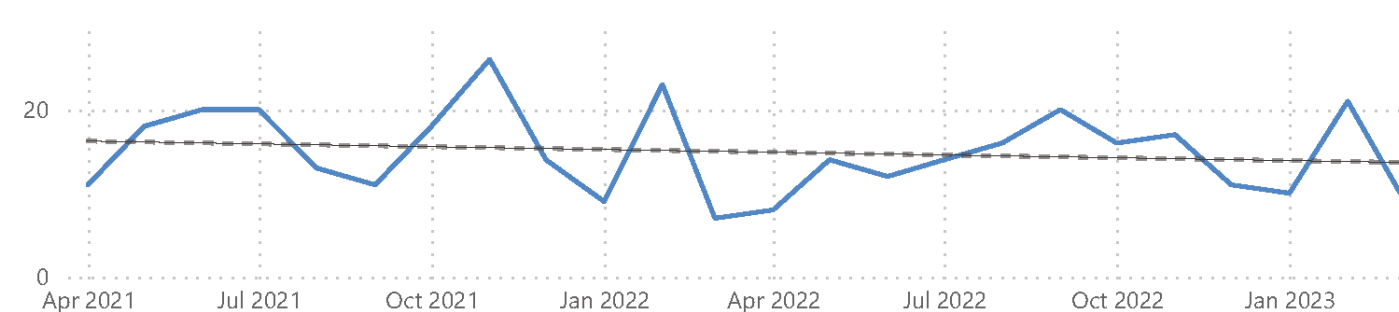
Total number of injuries requiring medical treatment over two years (WCC staff)



Top injury types last three months (WCC staff)



Total number of first aid injuries over two years (WCC staff)



Insights

While the two-year trend appears relatively flat for near miss and incident reporting, when the quarter is compared to the same period in the previous year there are indicators the organisation is reporting more than it has previously – this is particularly noticeable when looking at the number of near misses which has risen sharply. This may be due to increased awareness of near miss reporting importance (a key message in the lead up to and launch of our new reporting system).

AUDIT NEW ZEALAND GOVERNING BODY REPORT 2021/22

Kōrero taunaki | Summary of considerations

Purpose

1. This report to Unaunahi Māhirahira | Audit and Risk Committee provides the findings from Audit New Zealand's audit for the year ended 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 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 checked="" 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

Audit New Zealand's report for the previous year was presented to Kāwai Māhirahira | Audit and Risk Subcommittee on 2 February 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 funding or revenue implications.

Risk

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

3. Audit New Zealand's report identifies and assesses risks and issues arising during their audit. It does not create additional risk.

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

Taunakitanga | Officers' Recommendations

Officers recommend the following motion

That the Unaunahi Māhirahira | Audit and Risk Committee:

1. Receive the information.
2. Note the content of Audit New Zealand's Report to Council for the year ended 30 June 2022.

Whakarāpopoto | Executive Summary

4. Audit NZ has made 10 new recommendations which they have rated as 'Necessary':
"Address at the earlier reasonable opportunity, generally within six months."
5. The recommendations relate to:
 - Performance measures for three water complaints and WCC Group greenhouse gas emissions (these impacted on the audit opinion)
 - Procurement conflict of interest management plans
 - Controls over the Rating information database
 - Information technology access controls and policies
 - Controls over purchase cards and approval.
6. Audit NZ was satisfied that WCC had properly completed revaluations, fair value assessments and impairments of property, infrastructure assets, land and buildings and property plant and equipment. Audit NZ noted that these had all been appropriately accounted for and properly disclosed in the financial statements.
7. The report also has an update on the status of eleven previous outstanding recommendations, eight of which were implemented or closed
8. A copy of Audit New Zealand's report is attached.

Takenga mai | Background

9. Every year after the completion of the audit of the annual report, Council's appointed auditors, Audit New Zealand, produce a report to the Council on the audit conducted. Their report makes recommendations on matters that they believe will strengthen the Council's control environment or enable greater efficiencies or effectiveness
10. The report outlines their recommendations and officers' responses to those recommendations. Council's Assurance and Business Integrity team monitors the progress of implementing these recommendations.

Ngā mahinga e whai ake nei | Next actions

11. Council officers have accepted the recommendations. Internal Audit will report back to Unaunahi Māhirahira | Audit and Risk Committee on progress to address the recommendations.

Attachments

Attachment 1. [Audit New Zealand Report to Council 2022](#)  

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**Report to the Council
on the audit of**

Wellington City Council

For the year ended 30 June 2022

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Key messages

We have completed the audit for the year ended 30 June 2022. This report sets out our findings from the audit and draws attention to areas where the Wellington City Council (the City Council) is doing well and where we have made recommendations for improvement.

Audit opinion

We issued a non-standard audit report on 15 December 2022.

Our audit report included:

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

The performance measures we qualified our opinion on are:

- WCC Group GHG greenhouse gas emissions – Scope three emissions.
- Total number of complaints received – Water supply, Wastewater and Stormwater.
- Maintenance of the reticulation network – Water supply (prior year comparatives only).
- We included an emphasis of matter paragraph drawing the readers' attention to the disclosure in the annual report which outlines the impact of the three water reforms could be significant, but is uncertain.

Areas of focus

We comment on the following key matters in the report:

- **Three waters performance measures** – As a result of the improvements during the year, we were able to gain sufficient appropriate assurance over one of the two performance measures we qualified last year. That performance measure was *Maintenance of the reticulation network – Water supply* (measures "water loss").

The reported results for the performance measure *Total number of complaints received – Water supply, Wastewater and Stormwater* (three waters) was qualified again this year. We were unable to form a view on the accuracy and completeness of complaints because the

recommendations we made in previous years have not been implemented and the City Council was unable to reconcile its information with that held by Wellington Water.

- **WCC Group GHG emissions performance measure** – In measuring the GHG emissions associated with certain goods and services purchased by the City Council, including capital goods, the City Council has relied on spend based emissions factors based on 2007 data. There is insufficient evidence to show that these factors are relevant for use in measuring the City Council’s GHG emissions for the years ending 30 June 2021 and 2022. Therefore, the reported results for the performance measure was qualified.
- **Information technology general controls review** – The City Council has completed transitioning all information technology (IT) services to in house service delivery and is continuing to mature processes as part of the new IT Operating Model. Overall, we are satisfied activity controls have remained design and operationally effective. Therefore, we placed reliance on these (where efficient to do so) for the purposes of our audit.
- **Covid-19 impacts** – Covid-19 continued to have an impact on the City Council during the year. We are satisfied that the City Council has included appropriate disclosure about the impact of Covid-19.
- **Valuation of investment property** – we did not identify any issue with the valuation of investment property. We are satisfied that the valuation of these assets and related disclosures in the financial statements are appropriate.
- **Valuation of infrastructure assets** – we did not identify any issues with the valuation of the infrastructure assets. We are satisfied that the valuation of these assets and related disclosures in the financial statements are appropriate.
- **Fair value assessment of operational land and buildings** – we reviewed management’s assessment and were satisfied that the carrying value of these assets materially reflects the fair value of assets at 30 June 2022.
- **Impairment of property, plant and equipment held at cost** – We reviewed the City Council’s impairment assessments, with specific focus on significant assets in the Civic Square complex and other assets held at cost such as the St James Theatre. We consider that Council’s methodology and key assumptions applied to this assessment are appropriate.
- **Accounting for impairment and capitalisation of work in progress** – We are satisfied that impairment has been appropriately accounted for within the financial statements and that appropriate disclosures about the nature of the impairment and capitalisation of work in progress– these disclosures comply with the requirements of the relevant accounting standards.
- **Valuation of City Council’s weathertightness liabilities** – We did not identify any issues with the valuation of the liability. The liability and related disclosures in the financial statements are appropriate.

- **Accounting for items from major litigation activity** – We have confirmed that contingencies are fairly reflected in the annual report.
- **Mixed group (for profit and public benefit entity) issues** – We have reviewed the City Council’s consideration as to whether there are any consolidation adjustments that will be necessary to adjust Wellington International Airport Limited figures to comply with PBE IPSAS. We did not identify any issues.
- **Accounting implications of arrangements with government, non-government organisations and private sector** – We have confirmed that the specific plans for affordable housing, social housing, and wastewater sludge minimisation from the 2021/31 Long Term Plan are post balance date events and we have not performed any work over these in 2021/22.

We have reviewed the accounting entries and disclosures made for the Water Stimulus Funding and have not identified any issues to be reported. We have also concluded that where applicable, appropriate disclosures have been made.

- **Holidays Act 2003 compliance** – The City Council is still in the process of determining the amount for the Holiday Act provision and the liability cannot be quantified. We are therefore satisfied that any Holidays Act liability has been appropriately disclosed as a non-quantified contingent liability as at 30 June 2022.
- **Configuration and customisations costs for Software as a service (SaaS)** – We reviewed the City Council’s assessment of the SaaS arrangements and satisfied that no adjustment is necessary in the financial statements.
- **Procurement** – We followed up prior year recommendations relating to procurement management arrangements. We reviewed the Procurement Policy and Procedures against good practice and assessed them as Good.
- **Contract management** – We reviewed the City Council’s draft Contract Management Policy and Procedures against good practice for public sector contract management and assessed them Good. The City Council advised there is a revised plan in place to lift project, programme and portfolio management practice and capability.
- **Project, programme and portfolio management** – We have followed up on prior year recommendations relating to procurement management arrangements. We are satisfied that a number of prior year recommendations have been addressed.
- **Let’s Get Wellington Moving (LGWM)** – We are satisfied that the City Council’s accounting treatment is in line with the external technical opinion.
- **The risk of management override of internal controls** – we did not identify any issues indicating management override of internal controls.

Thank you

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

Karen Young

Karen Young
Appointed Auditor
26 April 2023

1 Recommendations



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

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

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
<p>Three waters complaints performance measures</p> <p>The City Council:</p> <ul style="list-style-type: none"> continue discussions with Wellington Water to understand the plans in place to address this performance reporting issue and any possible impacts on the City Council's 2022/23 annual report; and reconcile complaint records to Wellington Water's. 	4.1	Necessary
<p>WCC Group GHG emissions performance measure</p> <p>Ensure that there are reliable systems in place to capture the data on GHG emissions and any possible impacts on the City Council's 2022/23 annual report.</p>	4.2	Necessary

Recommendation	Reference	Priority
<p>Procurement – conflict of interest management</p> <p>To ensure the City Council does not take risks outside of its risk appetite, declared issues should be reviewed management, and any resulting conflict management plans (where these are judged to be required) reviewed and approved by management.</p>	4.16	Necessary
<p>Rating Information Database (RID)</p> <p>The City Council:</p> <ul style="list-style-type: none"> • put in place a process to ensure the monthly reconciliations are reviewed and signed off by an independent person; and • identify all the masterfile changes that can be made in the RID and develop appropriate monitoring reports for detection of anomalies. 	5.1	Necessary
<p>Information technology</p> <ul style="list-style-type: none"> • Review Pathway users and their access rights Pathway users and their access rights report be generated and reviewed on a regular basis to ensure users’ access is aligned with their roles and responsibilities and any obsolete users be removed in a timely manner. • Information systems policies need to be reviewed, updated and re-issued Information system and digital policies should be reviewed, updated and all users advised of changes. • Review of users on the network and applications to ensure appropriateness We recommend: <ul style="list-style-type: none"> ○ establishing regular review processes to ensure user access remains appropriate to the City Council’s network and applications; and ○ establishing procedures for approval and management of generic (shared) user accounts be established. And perform regular reviews. • Improve network password minimum settings Conduct a review of standards for password controls. 	5.2	Necessary

Recommendation	Reference	Priority
<ul style="list-style-type: none"> • Improve privileged network users access management We recommend: <ul style="list-style-type: none"> ○ Actions be taken to improve the management of privileged access. ○ As part of the development of information system security policies, processes for the approval, management and review of privileged network accounts be formalised. 		
<ul style="list-style-type: none"> • Purchase card expenditure practices The City Council: <ul style="list-style-type: none"> ○ put in place a process for all leaving staffs' P-card to be returned to Finance for timely cancellation; ○ strengthen monitoring controls for P-card claims including follow up on supporting documentation for expenses incurred; and ○ update the sensitive expenditure policy in relation to the approval of the Chief Executive's credit card expenses to align it with the Delegation Policy and Office of the Auditor-General's good practice guidance on sensitive expenditure. 	5.3	Necessary

1.2 Status of previous recommendations

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

Status	Priority			
	Urgent	Necessary	Beneficial	Total
Open	-	3	-	3
Implemented or closed	-	7	1	8
Total	-	10	1	11

2 Our audit report

2.1 We issued a non-standard audit report



We issued a modified audit report on 15 December 2022.

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

A qualified opinion on certain performance information relating to the Department of Internal Affairs (DIA) mandatory performance measures for water activities in relation to water supply, wastewater and stormwater and measurement of Wellington City Council (WCC) Group greenhouse gas emissions.

The performance measures we qualified our opinion on are:

- WCC Group GHG greenhouse gas emissions (tCo2-e decreasing) – Scope three emissions.
- Total number of complaints received – Water supply, Wastewater and Stormwater.
- Maintenance of the reticulation network – Water supply (prior year comparatives only).

Without further modifying our opinion, we included an emphasis of matter paragraph drawing the readers' attention to the disclosure in the annual report which outlines that that, in June 2022, the Government introduced legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities with effect from 1 July 2024. The impact of these proposed reforms, once legislated, will mean that the City Council will no longer deliver three waters services or own the assets required to deliver these services. The Water Services Entities Bill had its Third Reading on 7 December 2022 and is awaiting Royal Assent. In December 2022, the Government introduced the Water Services Legislation Bill, which will transfer assets and liabilities to the water service entities.

In forming our audit opinion, we considered the following matters. Refer to section 4 for further detail on these matters.

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

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

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

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

2.4 Quality and timeliness of information provided for audit



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

The City Council was good in the delivery of support during the final audit and utilised the AuditDashboard to ensure documentation was provided within a reasonable timeframe.

As in the previous year, having a project manager for the annual report worked well.

The first draft annual report was complete and had been appropriately quality assured.

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

3 Assessment of internal control



The Council as the governing body, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal control relevant to preparing the financial statements and the service performance information.

We review internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances. Our findings related to our normal audit work and may not include all weaknesses for internal controls relevant to the audit.

Control environment

The control environment reflects the overall attitudes, awareness, and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting and performance estimates and its external reporting philosophy and is the context in which the accounting system and control procedures operate. Management, with the oversight of the Council, need to establish and maintain a culture of honesty and ethical behavior through implementation of policies, procedures, and monitoring controls. This provides the basis to ensure that the other components of internal control can be effective.

We have performed a high-level assessment of the control environment, risk management process, and monitoring of controls relevant to financial and service performance reporting. We considered the overall attitude, awareness, and actions of the Council and management to establish and maintain effective management procedures and internal controls.

We consider that a culture of honesty and ethical behavior has been created. The elements of the control environment provide an appropriate foundation for other components of internal control.

Based on our audit work, we have concluded that the management control environment is effective and therefore there was no change to our planned approach for specific account balances.

Our work also included considering the City Council's Information Technology (IT) general controls. We have assessed the control environment as operationally effective, and we have not identified any new significant deficiencies in internal control with regards to the City Council's IT governance process.

There are no new control environment matters that we need to bring to the attention of the Council.

Internal controls

Internal controls are the policies and processes that are designed to provide reasonable assurance as to the reliability and accuracy of financial reporting. These internal controls are designed, implemented and maintained by the Council and management.

We reviewed the internal controls, in your information systems and related business processes. This included the controls in place for the City Council's key financial and non-financial information systems:

- revenue (including statutory and other revenue streams) and related receivables;
- expenditure (including sensitive expenditure) and related payables;
- payroll and related employee entitlements;
- property, plant and equipment;
- performance reporting;
- treasury functions;
- cash and bank;
- general ledger and journals; and
- legislative compliance.

We did not identify any new deficiencies with the control environment that we need to bring to the attention of the Council.

Information technology

General controls review

As part of our 2022 audit, we performed an IT general controls review. There are two parts to the review:

- 1 We reviewed the high-level assessment on IT governance effectiveness. We considered the overall attitude, awareness, and actions of Chief Digital Officer and Smart Council Management in establishing and maintaining effective management procedures and internal controls. We have not identified any significant deficiencies in internal control with concerning the City Council's IT governance process.
- 2 We made an assessment as to the design effectiveness and operation of activity level controls during the transition period. These control areas cover the organisation's ability to manage risk and include the following areas: Manage Security Services, Manage Changes, Change Acceptance and Transitioning, Manage Service Requests and Incidents, Manage Continuity, Manage Availability and Capacity, and Manage Suppliers.

Overall, we are satisfied activity controls have remained design and operationally effective. Therefore, we can place reliance on these for the purposes of our audit.

The City Council has completed transitioning all IT services to in-house service delivery and is continuing to mature processes as part of the new IT Operating Model. We noted significant improvement in the maturity of IT service management processes.

Our recommendations to improve patch management process has been satisfactorily resolved.

We have made some recommendations for improvement (refer to section 5.2) and note that these are already underway at the City Council.

4 Matters raised in the Audit Plan



In our Audit Plan for 2021/22, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Our audit response
4.1 Three waters performance measures	
<p>The City Council makes use of a service provider, Wellington Water Limited (Wellington Water), for specific services relating to (water supply, wastewater and stormwater) and to provide the results for certain performance measures that the Council uses for reporting in the annual report.</p> <p>As a result of a number of significant issues with the performance measures in the prior year, our audit opinion for 2020/21 was modified on certain performance information – including maintenance of the reticulation network – Water supply and total number of complaints received – Water supply, Wastewater and Stormwater.</p> <p>It is important that the City Council continues discussions with Wellington Water to ensure that there are appropriate performance results available and there is robust evidence available to support the performance results provided.</p>	<p>Our audit approach included relying on the work of the Wellington Water auditor to provide assurance for certain performance results which are reported by Wellington Water on behalf of the City Council.</p> <p>As a result of the improvements during the year, we were able to gain sufficient appropriate assurance over measure on the <i>Maintenance of the reticulation network – Water supply</i> that was qualified last year.</p> <p>The City Council was unable to provide a complete record of all complaints received as some complaints were made directly to Wellington Water. The City Council was unable to reconcile its information with that held by Wellington Water. There were no practical audit procedures we could apply to obtain assurance over the completeness or accuracy of reported results for these performance measures. Therefore, the measure for the <i>Total number of complaints received – Water supply, Wastewater and Stormwater</i> was qualified again this year.</p> <p>We recommend that the City Council continue discussions with Wellington Water to understand the plans in place to address these performance reporting issues and any possible impacts on the City Council's 2022/23 annual report. The City Council should also ensure it is able to reconcile its records to Wellington Water's records.</p> <p>Management comment</p> <p><i>We continue to work with Wellington Water to reconcile the total number of complaints. This measure will be considered, in conjunction with other DIA statutory measures, as part of the LTP review.</i></p>

Audit risk/issue	Our audit response
4.2 WCC Group GHG emissions performance measure	
<p>The Council’s 2021/31 Long term plan includes performance measures relating to Greenhouse gas (GHG) emissions including a measure of the quantity of greenhouse gas emissions (GHG) emissions from the City Council and group in its performance information. This includes emissions generated directly by the Group itself, as well as indirect emissions related to the products and services used by the City Council and Group. We consider this material performance information because the City Council has declared a climate emergency and because of the public interest in climate change related information.</p>	<p>Our work over measuring the WCC Group GHG greenhouse gas emissions measure involved understanding the systems in place for measurements, testing inputs into the various calculations, obtaining confirmations from relevant parties providing input into the calculations and reperforming the calculations ourselves.</p> <p>In measuring the GHG emissions associated with certain goods and services purchased by the City Council, including capital goods, the City Council has relied on spend-based emissions factors based on 2007 data. There is insufficient evidence to show that these factors are relevant for use in measuring the City Council’s GHG emissions for the years ending 30 June 2021 and 2022, and we were unable to obtain sufficient alternative evidence to conclude that the reported performance is materially correct.</p> <p>As a result of this issue, our work over the City Council’s scope three emissions was limited and there were no practicable audit procedures we could apply to obtain assurance over the reported results for the performance measure described above. We will discuss with management a cost recovery for considerable level of work we were required to do over the Greenhouse Gas Emissions measure.</p> <p>We recommend that the City Council ensures that there are reliable systems in place to capture the data on GHG emissions to address these performance reporting issues and any possible impacts on the City Council’s 2022/23 annual report.</p> <p>Management comment</p> <p><i>The Council has an ongoing data improvement process for this measure, which includes communication with key Capital Goods suppliers to obtain more direct data to better reflect actual emissions. However, capturing all value chain emissions data will require estimation and the use of some spend-based emissions factors, where actual data is not available. From FY23, Council will use updated emissions factors for spend-based Scope 3 data, using the 2018 ThinkStep report, and will recalculate the FY21 and FY22 years using these emissions factors, to ensure consistency in reporting.</i></p>

Audit risk/issue	Our audit response
4.3 Covid-19 impacts	
<p>Aspects of the City Council's operations continue to be impacted by Covid-19.</p> <p>These business risks may also have an impact for the financial statements and performance information, and public sector reporting and therefore an audit risk and impact.</p>	<p>Covid-19 continued to have an impact on the City Council during the year with \$26.6 million in lost revenue and \$9.6 million of additional expenditure being incurred as a result. We have not identified control weaknesses resulting from Covid-19 impacts..</p> <p>We are satisfied that the City Council has included appropriate disclosures about the impact of Covid-19.</p>
4.4 Valuation of investment property	
<p>The City Council revalues its investment property annually. The relevant accounting <i>standard is PBE IPSAS 16 Investment Property.</i></p>	<p>The City Council performed a revaluation of its investment property which resulted a revaluation increase of \$20.6 million (7.4%).</p> <p>We:</p> <ul style="list-style-type: none"> • reviewed the valuation report to assess whether the requirements of PBE IPSAS 16 have been met; • held discussions with the valuer to understand their process, methodology used and the assumptions; • assessed the valuation process including the competence and experience of the person completing the valuation, and obtained an assurance letter from the valuers; • assessed the presentation and disclosure of information related to the valuation in the financial statements; and • enquired into the processes employed by the City Council to ensure that the items revalued are complete and how the City Council satisfies itself that the revaluation is appropriate. • We are satisfied that investment property has been accounted for, and appropriately disclosed in the financial statements.

Audit risk/issue	Our audit response
4.5 Valuation of infrastructure assets	
<p>The City Council revalues its infrastructure assets on a three- year rolling cycle. The last revaluation was performed in 2019/20. With the current environment having a significant impact on costs – for example, supplies and labour cost escalations, the City Council’s existing revaluation policy has been reviewed to assess whether the current three -year cycle is appropriate.</p> <p>Currently, there are indications there maybe potential material changes to the fair value of infrastructural assets. The City Council has decided to bring forward its infrastructural asset revaluation to 2021/22.</p>	<p>The City Council performed a full revaluation of its infrastructure assets which resulted in the following revaluation increases:</p> <ul style="list-style-type: none"> • Drainage, waste and water (Three Waters): \$1.585 billion (88%). • Roading: \$232.67 million (21%). <p>We:</p> <ul style="list-style-type: none"> • assessed the valuation process including the competence and experience of the person completing the valuation, and obtained an assurance letter from the valuers; • held discussions with the valuer to understand their process, methodology used and the assumptions; • reviewed the valuation report to assess whether the requirements of PBE IPSAS 17 have been met; • ensured changes to useful lives have been appropriately taken up; • ensured the information on the condition of assets for the three waters have been taken into consideration. The condition information of critical pipe assets was performed in 2020/21, and the condition assessment of the remaining pipe assets is currently taking place; • assessed the presentation and disclosure of information related to the valuation in the financial statements; and • enquired into the processes employed by the City Council to ensure that the items revalued are complete and how the City Council satisfies itself that the revaluation is appropriate. <p>We are satisfied that infrastructure assets have been accounted for, and appropriately disclosed in the financial statements.</p>

Audit risk/issue	Our audit response
4.6 Fair value assessment of operational land and buildings	
<p>Operational land and building assets were last revalued as at 30 June 2021 and are not scheduled for revaluation this year.</p> <p>For those assets that are not due to be revalued, accounting standards require the City Council to perform a comprehensive analysis to determine whether there is a significant difference between the fair value and the carrying value that would trigger the need for the City Council to revalue (a fair value assessment).</p> <p>Accounting standards also require the City Council to complete an assessment of whether there are potentially any indications of impairment (an impairment assessment), and whether an adjustment is needed to the value of any assets as a result of this.</p> <p>Management should perform a fair value assessment as at 30 June 2022 by applying relevant cost indices taking into account the cost pressures and significant constraints that exist within New Zealand and Wellington’s construction industry and the limited availability of resources in the sector (including various trades and project managers).</p>	<p>The City Council has performed a fair value assessment of operational land and buildings which indicated a movement of \$76 million (5.75%). This movement is immaterial hence no off-cycle revaluation was performed for the year ended 30 June 2022.</p> <p>We have reviewed the City Council’s fair value assessment and we are satisfied that the fair value assessment complies with the requirements of PBE IPSAS 17 – <i>Property, plant, and equipment</i>.</p> <p>We are satisfied that the carrying value of these assets materially reflects the fair value of operational land and buildings at 30 June 2022.</p>
4.7 Impairment of property, plant, and equipment held at cost – including Civic Square complex	
<p>The Civic Square complex had a carrying value of \$50 million as at 30 June 2021. This asset class is measured at historical cost less accumulated depreciation. Assets held at cost are required to be assessed for indicators of impairment on an annual basis.</p> <p>There are ongoing seismic issues at a number of the assets within the Civic Square complex, such as the Town Hall, Civic Administration Building, Central Library, City to Sea Bridge, Capital E. Seismic and/or engineering issues can be considered an indicator of potential impairment in PBE IPSAS 21: <i>Impairment of non-cash generating assets</i>.</p>	<p>The City Council performed an impairment assessment of the Civic Square complex.</p> <p>As a result of this review, the City Council has recognised an impairment expense of \$2.8 million of work in progress related to the Municipal Office Building due to uncertainty around whether resource consent will be granted for its demolition and the fact the final decision is still subject to final Council resolution.</p> <p>We have reviewed the City Council’s impairment review and we are satisfied that the impairment assessment complies with the requirements of PBE IPSAS 21 – <i>Impairment of non-cash generating assets</i>.</p>

Audit risk/issue	Our audit response
<p>PBE IPSAS 21 requires the City Council at 30 June 2022 to consider if there is any indication that an asset may be impaired. If any such indication exists, the City Council is required to estimate the recoverable service amount of the asset. If this is less than the asset's carrying amount, an impairment loss must be recognised.</p>	<p>We are satisfied that impairments have been appropriately accounted for within the financial statements and that appropriate disclosures about the nature of the impairments – these disclosures comply with the requirements of the relevant accounting standards.</p>
4.8 Accounting for impairment and capitalisation of work in progress	
<p>Assets held at cost are required to be assessed for indicators of impairment on an annual basis, work in progress (WIP) values on projects that span an extended period of time should be assessed regularly for impairment over the period of the project.</p> <p>The City Council needs to ensure that as phases of a project are completed, and assets become operational, capitalisation of the WIP balance occurs in a timely manner. This will ensure that depreciation expense on these assets is recognised and accounted for appropriately.</p> <p>The City Council will need to complete an assessment of impairment of assets (as above) and all significant WIP balances.</p>	<p>We are satisfied that impairment has been appropriately accounted for within the financial statements and that appropriate disclosures about the nature of the impairment and capitalisation of work in progress – these disclosures comply with the requirements of the relevant accounting standards.</p>
4.9 Valuation of the City Council's weathertightness liabilities	
<p>The City Council's liability for weathertightness claims remains significant, totalling \$33.2m at 30 June 2021. There is a high degree of judgement and estimation in the calculation of the liability.</p> <p>The City faces a number of on-going legal issues and court cases. The City Council will need to consider the accounting and disclosure implications of these legal issues and cases when preparing the financial statements.</p>	<p>We reviewed the valuation of the weathertightness homes provision as at 30 June 2022.</p> <p>This included testing of the underlying information used in the valuation, reviewing the valuation methodology and key assumptions, and reviewing the disclosure in the financial statements.</p> <p>We have not identified any issues to be reported.</p> <p>We are satisfied that the disclosures for the claim in the financial statements are appropriate.</p>

Audit risk/issue	Our audit response
4.10 Accounting for items from major litigation activity – Legal claim by BNZ and other significant legal matters	
<p>BNZ leased a premise for which the City Council issued a building consent for the superstructure of the building on 16 November 2006, a code compliance certificate on 27 March 2009 and the final code of compliance was issued on 29 June 2010.</p> <p>During the Kaikoura Earthquake in November 2016, BNZ claims the building suffered irreparable damage and was unable to be occupied by BNZ from that date.</p> <p>This litigation activity can result in significant liabilities for the City Council.</p> <p>Determining whether there is a contingent liability requiring disclosure in the financial statements generally requires judgement given the specific circumstances and facts of the legal matter.</p>	<p>Our audit response to this risk included:</p> <ul style="list-style-type: none"> • understanding the City Council’s approach to monitoring the litigation activity and how it makes decisions as to whether a contingent liability (and/or asset) should be disclosed, including the City Council’s involvement in this; • obtaining confirmation from the City Council’s external legal advisers as to the legal matters they have assisted the City Council with during the financial year, and their assessment of the likely outcome; • determining any likely financial impact of this outcome; and • discussing the status of the litigation with the City Council’s internal legal counsel and external legal advisors. <p>We have confirmed that there has been no movement in the BNZ claim during the year and that it is appropriately reflected as an unquantified contingent liability in the annual report.</p>
4.11 Holidays Act 2003 compliance	
<p>During 2019/20, the City Council completed a review of payroll processes, which identified instances of non-compliance with the Holidays Act 2003 (the Act).</p> <p>The City Council established a project team to review systems configuration and business processes to better understand the areas of non-compliance with the Act. This work has continued into 2021/22. The project is split into two phases: phase one is the rectification of known system configuration and business process issues while phase two will be the remediation.</p>	<p>We:</p> <ul style="list-style-type: none"> • met with the project team to obtain an update on the progress of the Holiday Pay provision calculation; • reviewed the information available including relevant calculations, the KPMG peer review recommendations paper, the Holiday Pay Governance Group Initiative Meeting minutes, and other documentation; and • reviewed appropriateness of the accounting and disclosure based on above understanding and information.

Audit risk/issue	Our audit response
<p>The City Council is partway through phase one of the project with a completion date estimated to be early 2022. Following this, the City Council will commence phase two of the project. The outcome of this phase cannot be determined at this time given the current level of reliability of this information. The City Council was unable to quantify its liability at 30 June 2022.</p>	<p>We confirmed that the City Council is still in the process of determining the amount for the Holiday Act provision and that no quantification or cost calculations can be done at this point.</p> <p>We are therefore satisfied that Holiday Act provision cannot be quantified and is appropriately disclosed as a non-quantified contingent liability as at 30 June 2022.</p>
<p>4.12 Configuration and customisations costs for Software as a service (SaaS)</p>	
<p>Entities can sometimes incur significant costs when implementing cloud computing arrangements. Until recently, there has been no specific guidance on this subject in IFRS accounting standards.</p> <p>The IFRS Interpretations Committee recently published decisions clarifying how arrangements in respect of a specific part of cloud technology, (SaaS), should be accounted for. The City Council will need to ensure that costs relating to SaaS are correctly accounted for and appropriate disclosures are included in the financial statements – both parent and group.</p> <p>The key issues are whether such costs:</p> <ul style="list-style-type: none"> • shall be capitalised as an intangible asset and amortised; or • expensed when incurred; or • expensed over the term of the software as a service (SAAS) arrangement (including capitalising as a prepaid service if paid upfront). 	<p>The carrying value of software held by the City Council amounted to \$17.5 million at 30 June 2022. The most significant IT project undertaken in the last 10 years was Odyssey and TechOne and the SaaS costs for these projects have been expensed.</p> <p>During the audit we ensured that costs relating to SaaS arrangements were correctly accounted for and appropriate disclosures were included in the financial statements.</p> <p>In future, the City Council needs to take into consideration when accounting for the Cloud arrangements the following:</p> <ul style="list-style-type: none"> • Costs which should be treated as a prepayment and expensed over the term of the agreement: <ul style="list-style-type: none"> ○ Circumstances where the provider of the software or their contractor is also providing services relating to the implementation, configuration, and customisation. ○ The costs charged to date and future costs for the current projects should be assessed to identify those costs directly associated with the implementation and configuration services provided by the provider. • Should customisation of the software be required, the City Council will also need to assess whether those costs need to be recognised as an intangible asset.

Audit risk/issue	Our audit response
	<ul style="list-style-type: none"> • Costs which are expensed as incurred include: <ul style="list-style-type: none"> ○ Cost of cleansing or converting data (except software for such tasks). ○ Testing costs for SaaS arrangements where the software is not recognised as an intangible asset. ○ Training costs. ○ Subsequent maintenance costs.
4.13 Mixed group (for profit and public benefit entity) issues	
<p>We have assessed Wellington International Airport Limited (WIAL) as a significant component for the City Council group audit.</p> <p>WIAL is a for-profit entity, and the City Council group is a public benefit entity. Different accounting standards apply to public benefit entities and for-profit entities resulting in differences in the treatment of certain transactions and events.</p> <p>There is the potential for significant adjustments being required when for profit entities are consolidated into group financial statements prepared in accordance with the public benefit entity standards.</p>	<p>We have reviewed the City Council’s consideration as to whether there are any consolidation adjustments that will be necessary to adjust WIAL figures to comply with PBE IPSAS.</p> <p>For the year ended 30 June 2022, there were no new accounting standards that apply to WIAL and not the City Council group.</p> <p>We have not identified any issues.</p>
4.14 Accounting implications of arrangements with government, non-government organisations and private sector	
<p>To deliver on the City Council’s 2021/31 Long Term Plan and specific plans for affordable housing, social housing, and sludge, the City Council indicated that they may enter into arrangements with government, non-government organisations and private sector.</p> <p>The Government announced funding available under the Water Stimulus Funding package and the City Council received its first instalment during the previous financial year, with more funding expected for the 2022 financial year.</p>	<p>Our audit response to this risk included:</p> <ul style="list-style-type: none"> • obtaining an update on these projects and arrangements from the City Council; • gaining an understanding of these arrangements and discussing with the City Council whether, for these arrangements, it has considered the tax and accounting treatment and disclosures in the financial statements; and • reviewing the accounting entries and relevant disclosures made in the financial statements.

Audit risk/issue	Our audit response
<p>It is important that the accounting treatment for these contractual arrangements are considered early on. The City Council may have to obtain external accounting advice on the tax implications and accounting treatment in its financial statements.</p> <p>The City Council should engage with us early and provide position papers on each matter which includes sufficient support (for example, external accounting advice) for the accounting treatment chosen.</p>	<p>We have confirmed that the specific plans for affordable housing, social housing, and waste minimisation sludge from the 2021/31 Long Term Plan is a post balance date event and we have not performed any work over these in 2021/22.</p> <p>We have reviewed the accounting entries and disclosures made for the Water Stimulus Funding and have not identified any issues to be reported. We have also concluded that where applicable, appropriate disclosures have been made.</p>
4.15 Central government funding	
<p>The Government has announced a number of funding initiatives to support housing and infrastructure development and to stimulate economic recovery following the impact of Covid-19. This included the following announced in 2021:</p> <ul style="list-style-type: none"> • A \$3.8 billion Housing acceleration fund announced on 23 March 2021. \$1 billion of this has been set aside for investment in local Infrastructure. • A \$2.5 billion package to support local government transition through the three waters reforms. <p>In addition, previous funding announcements included a \$2.6 billion shovel ready funding package aimed at supporting economic recovery following Covid-19 and a \$761m funding package provided to local authorities to maintain and improve three waters infrastructure.</p> <p>The City Council should ensure that any funding agreements entered into with the Government have been fairly reflected in the financial statements.</p>	<p>Our audit response to this risk included:</p> <ul style="list-style-type: none"> • obtaining an update on these funding arrangements from the City Council; • gaining an understanding of these arrangements and discussing with the City Council whether, for these arrangements, it has considered the tax and accounting treatment and disclosures in the financial statements; • reviewing any accounting, tax, legal or other technical advice received by the City Council for these arrangements; and • determining whether the tax and accounting treatment and disclosures were appropriate and in line relevant accounting standards. <p>We are satisfied that funding agreements entered into with the Government have been fairly reflected in the financial statements and that appropriate disclosures were made.</p>
4.16 Procurement	
<p>A significant area of spend for the City Council is procuring goods and services needed to deliver their services and achieve the results sought.</p>	<p>Policy, procedures and strategy</p> <p>We followed up prior year recommendations relating to procurement management arrangements. The City</p>

Audit risk/issue	Our audit response
<p>The City Council's major projects involve significant procurement decisions and the City Council needs to ensure that lower value procurements (including contract variations) are subject to robust procurement practices.</p> <p>Procurement planning should be considered alongside the Procurement Strategy and Broader Outcomes Strategy and procurement undertaken in line with the Procurement Policy.</p> <p>Non-compliance with the City Council's policies and guidance and good practice results in poor procurement decisions and outcomes (including waste and unmanaged probity risks).</p>	<p>Council continues to strengthen its capability and is monitoring progress by reporting to the Finance and Performance Committee. We reviewed the Procurement Policy and Procedures against good practice and assessed them as good.</p> <p>Procurement in practice</p> <p>We reviewed a sample of recent procurements to assess the application and effectiveness of the City Council's policies and procedures in practice. Overall we found that record keeping could be improved.</p> <p>The City Council was unable to locate one conflict of interest (COI), was unable to provide evidence on the development of a COI management plan (including the associated review and approval for two evaluators where a conflict was declared). The conflict of interest was not considered material by the procurement lead, but this judgement was not apparent from the records.</p> <p>To ensure the City Council does not take risks outside of its risk appetite, we recommend that declared issues should be reviewed by management, and any resulting conflict management plans (where these are judged to be required) reviewed and approved by management.</p> <p>The City Council was unable to locate the planning documents for a procurement sample. We expect documentation supporting all procurement activity to be stored electronically and be easily accessible. The Council needs to be accountable for key procurement decisions.</p> <p>Management comment</p> <p>As part of our refresh of procurement resources the COI management plan forms will be revisited to ensure these are signed off by the senior/management roles within the Commercial Partnerships team.</p> <p>Sound record keeping continues to be a focus for the team, navigating a new records management system and the establishment of consistent records management process.</p>

Audit risk/issue	Our audit response
	<p>Where documentation was available for review, we considered whether the procurement process as a whole was conducted in accordance with the City Council’s policy, planning, and published procurement documentation, applicable rules and good practice for public sector procurement, and probity principles. The documentation reviewed indicate that this was achieved. Having decided on an appropriate procurement approach, the City Council engaged the market on its requirements, selected a provider to deliver that solution, and made that selection in line with good practice for public sector procurement.</p> <p>The City Council’s continued focus on improving its procurement practices will help it achieve value for money, deliver the broader outcomes sought, and respond to evolving procurement and wider associated risks.</p>
4.17 Contract management	
<p>The City Council has many significant contracting or funding arrangements in place for the delivery of goods and services. To reduce the risk of poor outcomes for the City Council and New Zealanders, it is important that the City Council has effective contract management arrangements in place and follows good contract management practice. This should ensure that both the City Council and suppliers are able to meet their respective contractual obligations and that the contracts deliver the intended outcomes.</p>	<p>Contract management policy and information</p> <p>We reviewed the City Council’s draft Contract Management Policy and Procedures against good practice for public sector contract management and assessed it as good. Together, the contract management framework, policy, procedures, and templates will help provide clarity on to staff and aid consistent application of approach.</p> <p>Through enquiry we understand that the City Council is investing in information management to provide the intelligence to manage contracts effectively. The City Council plans to update the contract repository once ELT has approved the Contract Management policy. The new solution is an enterprise contract management tool and will provide clearer oversight and more structure for effective contract management and monitoring, including alerts, escalations, cost management, reports, alongside contract management plans.</p>

Audit risk/issue	Our audit response
	<p>Contract management practices</p> <p>We reviewed a sample of current contracts to assess the application and effectiveness of contract management practices.</p> <p>For the one contract in our sample executed after the approval of the Contract Management Framework, we were satisfied that there was a robust approach to contract management overall.</p> <p>For contracts executed prior to the Contract Management Framework, we noted an absence of a formal documented contract management plan. Good practice suggests that a planned approach should be applied to more significant, strategically important, or critical contracts. In a recent review of contract management in a segment of public sector entities, we found a theme that contract managers need better support and contract management is a role which is often allocated to staff alongside other duties, resulting in some areas of contract management not receiving the attention they require.</p> <p>Therefore, we commend the City Council's investment to improve its contract management practice and the establishment of the Commercial Partnerships team to act as the Centre of Excellence to provide advice and guidance.</p>
4.18 Project, programme, and portfolio management	
<p>The City Council has a number of significant projects and programmes underway at various stages, from strategic assessment through to completion.</p> <p>It is important that the City Council has appropriate governance and management arrangements in place to effectively manage significant projects and programmes and realise the expected benefits.</p> <p>Similarly, the City Council also needs to ensure that good practice project management practices are applied to small and medium size projects, appropriate to their risk and complexity.</p>	<p>During the 2019/20 audit we reviewed the governance arrangements in place for a sample of projects, against good practice. Recommendations were made based on our work.</p> <p>During the 2020/21 audit and 2021/22 we followed up on recommendations that were still outstanding.</p> <p>Wellington Town Hall</p> <p>Two recommendations remained outstanding relating to our review of the Wellington Town Hall Strengthening and Upgrade project. These are addressed below.</p>

Audit risk/issue	Our audit response
<p>Project and programme management practices should be considered in light of our reported findings and recommendations to date in this area.</p>	<p><i>Tolerance levels</i></p> <p>We recommended that the City Council should ensure that there is clear understanding about tolerance levels and criteria or guidance for the escalation of project risks, changes, and exceptions (to the Project Board and to the Significant Projects Governance Group).</p> <p>The City Council is on track to address this recommendation with the Project Board.</p> <p>The recommendation is now closed.</p> <p>The City Council has also implemented a new project management tool that will be used going forward to track project progress. While the tool is not mandated, all priority projects will be required to use it. The Town Hall redevelopment is a priority project.</p> <p>Council (supported by the Project Management Office) now also does monthly reporting on all 26 priority projects.</p> <p><i>Health Check</i></p> <p>The City Council commissioned PricewaterhouseCoopers (PwC) to carry out a Project Health Check on this project. The scope of the health check included a review of project management disciplines (at a high level), Project Board focus, completeness of project reporting and the degree to which the project team is forward looking.</p> <p>We recommended that the City Council implement actions to address the PwC recommendations. PwC's recommendations have either been adopted or adjusted to achieve the outcomes suggested by PwC.</p> <p>The recommendation is now closed.</p> <p>PMO – uplifting P3M practice and capability</p> <p>The City Council's Executive Leadership Team (ELT) agreed in principle that a phased PMO model be implemented, with initiatives for the short, medium and long term. The model was intended to lift the City Council's project, programme and portfolio management maturity.</p>

Audit risk/issue	Our audit response
	<p>During the audit we followed up on progress made by the City Council to implement the model.</p> <p>The City Council confirmed to us that there is a revised plan in place to lift project, programme and portfolio management practice and capability. There are actions planned for the 2022/23 business year and there is a process in place for progress to be monitored.</p> <p>We will follow up on progress made by the City Council to implement the planned actions during the next audit if this remains an area of focus for the audit.</p>
<p>4.19 Let's Get Wellington Moving (LGWM)</p>	
<p>To deliver on the City Council's 2021/31 Long Term Plan and specific plans for Let's Get Wellington Moving (LGWM), the City Council has entered into arrangements with government and non-government organisations.</p> <p>The City Council engaged external advisors to provide advice on the appropriate accounting treatment for LGWM Projects in the financial statements of project owners and contributors.</p> <p>We note that key to the appropriate accounting treatment is who controls the asset and whether the revenue received (expenditure incurred) is exchange or non-exchange revenue.</p>	<p>During the 2022 audit we followed up on prior year recommendations and updated our understanding of how the programme is progressing and how the programme is responding to recommendations that result from internal and external reviews, including quality assurance reviews.</p> <p>Work performed, included:</p> <ul style="list-style-type: none"> • Meeting with the Programme team. • Review the Continuous Improvement register. • Review the most recent Programme Management Plan, v2.2 updated in November 2022. • Receive and review the new Programme Organisational Structure. The Programme Management Plan will be updated to reflect this when it is updated in the new year. <p>Our review has found that the LGWM programme team has addressed a number of the prior year recommendations made. Some actions will be completed imminently, while others are on hold until the Programme restructure is confirmed.</p> <p>As part of the financial audit, we:</p> <ul style="list-style-type: none"> • updated our understanding of the LGWM arrangements;

Audit risk/issue	Our audit response
	<ul style="list-style-type: none"> discussed with the City Council, the accounting treatment of the costs incurred to date and the disclosures in the financial statements; reviewed the accounting advice received in relation to the above accounting treatment and disclosures; and updated our understanding of how the programme is progressing and how the programme is responding to recommendations that result from internal and external reviews, including quality assurance reviews. <p>The City Council have accounted for and capitalised \$2.4 million capital costs in line with the Deloitte technical opinion and based on the spreadsheet of costs incurred during the current financial year. A further \$3 million of vested asset income has also been recognised related to these capital projects. This is in line with the Deloitte technical opinion being the difference between the total capital project cost and the amount recharged to the City Council through the LGWM project.</p> <p>We are satisfied that the costs have been appropriately accounted for and that all relevant disclosures have been made.</p>
4.20 Three water reforms	
<p>The Three Waters Reform programme is expected to result in structural changes to how water supply, wastewater and stormwater assets are owned and managed in the local government sector. This could have a significant impact on the activities performed by the City Council.</p> <p>The City Council should ensure that there is sufficient disclosure about the impacts of the reform (to the extent that the impact is known) within the financial statements.</p>	<p>We are satisfied that the City Council has included appropriate disclosure about the impacts of the reform within the financial statements as part of the Events after the end of the reporting period disclosure.</p> <p>As the impact could be significant, but is uncertain, an emphasis of matter paragraph in the audit report remains appropriate.</p>
4.21 The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls.</p>	<p>From our testing we did not identify any issues that indicated management override.</p>

Audit risk/issue	Our audit response
<p>Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to treat this as a risk on every audit.</p>	<p>To reduce the risk of material misstatement due to fraud to an acceptable level we completed the following audit work:</p> <ul style="list-style-type: none"> • Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. • Reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. • Tested the property, plant, and equipment valuations and fair value assessments (including key assumptions and estimates) and management’s conclusions were appropriate. • Maintained awareness of any significant transactions that were outside the normal course of business, or that otherwise appear to be unusual given our understanding of the City Council and its environment, and other information obtained during the audit. <p>We did not identify any issues.</p>

5 Other audit findings



The following matters were identified during our audit of the City Council.

5.1 Rating Information Database (RID)

5.1.1 Reconciliation of RID data

The RID stores details of each rating unit as required by the Local Government (Rating) Act 2002. Information in the RID forms the basis for the City Council to levy rates on each rateable rating unit. Therefore, accuracy and completeness on the information in RID is critical for correct rates assessments. Information in two other systems, QV District Valuation Roll (external) and Council Core Property System feed into the RID. Regular reconciliation of information contained in these three systems is critical to the integrity of the rating information and rating revenue.

We found the monthly reconciliations are prepared but there is no evidence of review and sign-off.

Reconciliation is an effective detect control because it mitigates the risk of errors and omissions.

We recommend the City Council put in place a process to ensure the monthly reconciliations are reviewed and signed off by an independent person. Any reconciling items should be investigated and resolved in a timely manner.

Management comment

Review and sign-off is a standard monthly process. The reports are sent to Finance monthly. We do need to capture the signed-off reports in Sharepoint and send them along with the reports.

We will be upgrading our reconciliation processes over the next 18 months to provide better visibility.

5.1.2 RID access and control over changes

Our walkthrough of the RID system found masterfile changes to the rating units, for example, direct debit changes (bank accounts, cancellations) were not monitored on a regular basis.

It is important that all masterfile changes made in the RID are valid and accurate. Incorrect amendments could result in unjustifiable credit control action taken against clients and complaints arising.

We recommend the City Council identify all the masterfile changes that can be made in the RID and develop appropriate monitoring reports for detection of anomalies. These reports should be automatically generated by the system and independently reviewed by a senior member of the team on a regular basis.

Management comment

A risk assessment of controls over the RID was performed in April 2022. As part of that process, we identified existing controls and additional controls that were needed. The existing controls in place over the RID included:

- *Local government code rec (done fortnightly).*
- *RID to DVR rec (done monthly).*
- *LIT report validation/ review (done daily).*

These were performed and reviewed frequently, based on the cadence set for each.

As a result of that assessment, audit trails for direct debit changes were set up in April 2022, previously this was not in place. This was put in place for learning and development purposes and provides the ability to trace changes to specific individuals were previously not possible.

The compensating control which was in place and performed daily is the Direct Debit Extraction process as well as the review of Dishonour payments received from financial institutions for invalid or inaccurate direct debit instructions. Any errors on direct debits or unauthorised payments are also picked up during those process.

5.2 Information systems

5.2.1 Review Pathway users and their access rights

Pathway contains all information required to determine the category of the rating unit and to calculate the amount of rates payable by the ratepayers. Who have access to the system and what they can do on the system is important to safeguard the integrity of the information on the system. Access controls limit access to information, mitigating the risk of unauthorised access to information, and the risk of revenue leakage.

We found there were 102 Pathway users, of which only 10 were Rates Team users. The system is unable to generate a report listing all the users and the level of their access and, as a result we were unable to assess the appropriateness of these users, that is, whether they all need to have access to Pathway and the appropriateness of their access level.

We recommend Pathway users and their access rights report be generated and reviewed on a regular basis to ensure users' access is aligned with their roles and responsibilities and any obsolete users be removed in a timely manner.

Management comment

At the City Council, Pathway is used by several teams, for Rates and Encroachment fees billing. There are three instances of Pathway – UX, Thick Client and Smart Client. The three versions have one user access management process. Therefore the 102 users identified are across the 3 instance and various teams. The teams that use Pathway are:

- *Rates Team (maintain RID and process rates transactions).*
- *Banking and Receipting team – To allocated customer receipts.*
- *Encroachments team – for billing of encroachment fees.*
- *Financial Accounting teams – To perform reconciliations against the GL (General Ledger).*
- *Customer Services – for responding to customer queries.*
- *Administrators (Smart Council support team).*

User access management is monitored frequently as part of IT environment controls. Generally, users are granted enquiry access (can only Read information sitting in Pathway) and additional access is only granted as required.

The system produces reports around users with access to pathway, their functions and access rights. This was given to the audit team, not sure if this was used reviewed by them or not.

5.2.2 Policies need to be reviewed, updated and re-issued

There is an ICT Policy Handbook dated 2015 and code of conduct dated 2020, however, there are no up to date IS policies or IS security management policies or standard operating procedures.

We recommend that information system and digital policies should be reviewed, updated and all users advised of changes.

Management comment

Smart Council is in the process of updating all this information, including an end user policy – which includes cyber security and working remotely etc. It is documenting our updated ICT policy with all the various components included in this umbrella policy. The update is taking longer than anticipated and we may only be finished towards end of June 2023.

5.2.3 Review of users on the network and applications

Our review of the City Council's network user accounts identified over 800 accounts that have not been used this year. Some of these accounts may not require login, however, there still remain many older possibly redundant network accounts, indicating that the process for removal and review may not be operating effectively.

There is also a high number of generic network logins that appear to require review and management procedure established.

For One-Council access - there appear to be accounts that have not been used recently indicating potential redundant accounts in this system.

Procedures for approval and management of generic (shared) user accounts should be established and reviews performed.

We understand that a review of network user accounts is underway, and that some of the other council CCOs' are reviewing One Council user access.

We recommend the City Council establish regular review processes to ensure user access remains appropriate to its network and applications.

Management comment

A new monthly report details any account that has not been used for some time – with a last log on field – and this is then used to disable accounts no longer in use. Our latest unused accounts are now significantly reduced. We review this information once a month.

5.2.4 Improve password network minimum settings

The City Council is applying Microsoft recommended minimum password settings for logging in to council systems, however this does not match NZ Information Security Manual standards, and there appears to be a mismatch between cloud login password settings and where a user logs in to the City Council's network directly.

We recommend the City Council conduct a review of standards for password controls. Settings should match its approved information system security policies and where these do not match NZISM standards, the risk should be reviewed and accepted by management.

Management comment

The City Council has been migrating users to Cloud login (AAD), and the previous (AD) password login settings are no longer being used. Further improvements to strengthen password controls are being proposed.

5.2.5 Improve privileged network user access management

Up until the May 2022, the process for approving who has privileged superuser (Domain and Enterprise Administrator) access to the City Council's network, was informal, and we noted from a preliminary look at network users that there appear to be a high number of historical elevated users whose passwords are set to not expire, and accounts that have not been logged into this year - indicating that they should no longer have access.

In May, new procedures have been adopted for approval and management of privileged users and a review and reduction of these accounts was done.

We recommend:

- Actions be taken to improve management of privileged access.
- As part of the development of information system security policies processes for the approval, management and review of privileged network accounts be formalised.

Management comment

We have reduced our privileged accounts to a minimum of six and have implemented PIM (Privileged Identity Manager) for all elevated accounts.

5.3 Purchase card expenditure

During our interim audit (in June 2022) there were 266 council purchase cards (P-cards) in use. We identified and communicated, as part of our close out meeting, the following control weaknesses:

- The P-card of a former staff member was not cancelled and returned to Finance in a timely manner. This card was used by another staff member to purchase a gift card for recognition of a volunteer's conservation work.
- There was an instance where the appropriate support for an expense claim (for taxi) could not be provided for our review. The supporting documentation provided was for another expense.
- The Chief Executive's P-card expenditure is approved by the Chief Financial Officer, this is inconsistent with the delegation policy and OAG good practice guidelines.

We recommend that the City Council:

- put in place a process for all leaving staffs' P-card to be returned to Finance for timely cancellation. This can be achieved from timely receipt of leavers' information from people and capability, payroll and IT;

- strengthen monitoring controls for P-card claims including following up on supporting documentation for expenses incurred; and
- update the sensitive expenditure policy in relation to the approval of the Chief Executive's credit card expenses to align it with the Delegations Policy and the Office of the Auditor-General's good practice guidance for sensitive expenditure.

Management comment

The Sensitive Expenditure policy has been updated in line with the Office of the Auditor-General's good practice guidance. We continue to document and strengthen procedures around P-cards.

6 Public sector audit



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

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

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

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

We did not identify any issues apart from our recommendations made in section 5.3.

7 Group audit



The group comprises:

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

** Due to the shortage of auditors, these audits for the year ended 30 June 2022 have been deferred to 2023. In addition, we note that the audit of the Basin Reserve Trust has also been deferred for the same reason.*

We have not identified any of the following during our audit for the year ended 30 June 2022:

- Instances where our review of the work of component auditors gave rise to a concern about the quality of that auditor's work.
- Limitations on the group audit.
- Fraud or suspected fraud involving group management, component management, employees with significant roles in group-wide controls, or others where the fraud resulted in a material misstatement of the group financial statements.

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Necessary		
Fair value assessment of infrastructure assets		
The City Council should take into consideration asset condition information when preparing a fair value assessment for assets.	2021	Outstanding The City Council performed a full valuation of infrastructure assets for the year ended 30 June 2022. However, as the asset condition information for non-critical assets was not available at the time of performing the valuation, this issue remains open.
•		
Timely preparation and review of reconciliations		
The City Council reconcile the general ledger with the underlying systems and these reconciliations are prepared and independently reviewed monthly.	2020	Outstanding The preparation and the review of some of the City Council's reconciliations were not performed and/ or independently reviewed in a timely manner. They were bank, payroll, fixed assets and suspense accounts.
Three waters customer complaints performance measure		
To ensure that calls logged by the City Council are being addressed by Wellington Water, the City Council should obtain assurance over the integration of CONFIRM, with Maximo the system (effective from 1 July 2019) used by Wellington Water's Alliance partner Fulton Hogan.	2019	Outstanding The City Council has not yet addressed this issue. Refer section 4.1.
Compliance with the Holidays Act 2003		
During 2019/20, the City Council completed a review of payroll processes, which identified instances of non-compliance with the Holidays Act 2003 (the Act).	2018	In progress Phase One (Rectification) is 99% complete – the project team is considering options for external support to rectify an issue with TechOne.

Recommendation	First raised	Status
<p>The City Council established a project team to review systems configuration and business processes to better understand the areas of non-compliance with the Act. This work has continued into 2020/21. The project is split into two phases; phase one is the rectification of known system configuration and business process issues while phase two will be the remediation.</p> <p>We recommend that City Council should resolve the Holidays Act 2003 compliance issue.</p>		<p>The project team is proceeding with Phase Two (Remediation). This includes 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. Phase 2 scoping and planning has commenced.</p>

Implemented or closed recommendations

Recommendation	First raised	Status
Necessary		
Policy reviews		
<p>The City Council should review its:</p> <ul style="list-style-type: none"> review and update its delegations policy to ensure it is in line with the current structure of the Council; and sensitive expenditure policy to ensure it complies with good practice, such as the OAG’s good practice guide on sensitive expenditure. 	2021	<p>Closed</p> <p>The City Council has updated its Sensitive Expenditure policy and aligned with the OAG’s good practice guide. The Financial Delegations Policy has also been updated. Both policies were published in early 2023.</p>
Procurement, project management and contract management		
<p>The City Council should implement actions to address the recommendations made by PricewaterhouseCoopers based on their Project Health Check carried out on the Wellington Town Hall Strengthening and Upgrade project.</p>	2021	<p>Closed</p> <p>Refer sections 4.16 to 4.18.</p>
Maintenance of the reticulation network – Water supply (“water loss”) performance measure		
<p>The City Council continue discussions with Wellington Water to understand the plans in place to address these performance reporting issues and any possible impacts on the City Council’s 2021/22 annual report.</p>	2021	<p>Closed</p> <p>Water loss could be measured. An unmodified audit opinion issued this year (prior year comparatives were qualified).</p>
Let’s Get Wellington Moving Programme		
<p>The City Council should consider the implications going forward, determine at the onset who owns the assets and therefore the appropriate accounting treatment for each party.</p>	2021	<p>Closed</p> <p>Refer section 4.19.</p>
Fair value assessment of infrastructure assets		
<p>To improve the robustness of fair value assessments, we recommend the City Council:</p> <ul style="list-style-type: none"> Factor in its own cost information into the fair value assessment the 	2021	<p>Closed</p> <p>The City Council performed a full valuation of infrastructure assets for the year ended 30 June 2022.</p>

Recommendation	First raised	Status
<p>City Council has cost information available to it from ongoing construction projects; this should be factored into the analysis.</p> <ul style="list-style-type: none"> Consult with the valuers who performed the full revaluation previously, as they will have construction cost data available which will further improve the Council's assessment. <p>The City Council should also consider if it would be useful to have the assessment reviewed by an independent valuer.</p>		
General journal review process		
<p>The City Council should ensure that system processes as defined relating to journal review and approval for journals exceeding \$50,000 are adhered to.</p>	2021	<p>Closed</p> <p>The City Council believes this process is working correctly and the instance highlighted was authorised via email which meets the City Council's internal control procedure requirement for reviewing and approving the journal in question. We assess that this is reasonable and consider the issue closed.</p>
Publish CCOs' annual reports, half yearly reports and statements of intent on website		
<p>The City Council should comply with the Local Government Act 2002 and publish its CCOs' annual reports, half yearly reports and statements of intent on its website.</p>	2021	<p>Closed</p> <p>The City Council published on their website the quarterly reports for the CCOs' and a link to where the statements of intent and annual reports can be found on the respective CCOs' websites.</p>
Beneficial		
Zoo collection accounting policy		
<p>The City Council should update its accounting policy in the annual report to the Wellington Zoo Trust's - animals are not recorded.</p>	2021	<p>Closed</p> <p>The City Council has updated their accounting policy to align to Wellington Zoo's.</p>

Appendix 2: Mandatory disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council (as the governing body of the City Council) of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General’s Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the City Council in accordance with the independence requirements of the Auditor-General’s Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to our audit and the report on the disclosure requirements, we have:</p> <ul style="list-style-type: none"> • audited the City Council’s 2021-2031 Long-term plan amendment; • carried out a limited assurance engagement related to the City Council’s debenture trust deed; • provided probity assurance for the Central Library seismic strengthening and refurbishment project, and the main contractor for the Healthy Homes project; and • performed a review of the revenue and expenditure of the Clifton Terrace Car Park managed by the City Council on behalf of Waka Kotahi NZ Transport Agency. <p>These engagements are compatible with those independence requirements. Other than these engagements, we have no relationship with or interests in the City Council or its subsidiaries and controlled entities.</p>

Area	Key messages
Fees	<p>The audit fee for the year is \$380,000, as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are:</p> <ul style="list-style-type: none"> • audit of the City Council’s 2021-2031 Long-term plan amendment: \$130,000; • limited assurance engagement of Debenture Trust Deed: \$6,500; • probity assurance over Central Library seismic strengthening and refurbishment project, and the main contractor for the Healthy Homes project: \$12,400; and • review of revenue and expenditure for Clifton Terrace Carpark: \$7,800.
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the City Council or its subsidiaries that is significant to the audit.</p>

Appendix 3: Useful publications



Based on our knowledge of the City Council, we have set out below some publications that the Mayor, Councillors, members of the Audit and Risk Subcommittee and management may find useful.

Description	Where to find it
Auditor-General's strategic intentions to 2028	
<p>The Auditor-General's strategic intentions describe what the Office will focus on in the next five years to achieve our long-term outcomes, and how we will manage our resources to do that. The ultimate outcome we seek is that Parliament and New Zealanders have trust and confidence in the public sector.</p> <p>Within our new strategy are four priorities:</p> <ul style="list-style-type: none"> • Strengthening our core assurance role: We want to ensure that the public audit system is sustainable in the long term, that we can continue to deliver our high-quality mandatory audit and assurance services, and that we are able to strengthen our in-house audit service provider (Audit New Zealand) and respond to changes affecting the audit profession. • Increasing our impact with public organisations: We want to increase our impact with public organisations by influencing positive change in their performance and accountability practices – in particular, focusing on matters of performance reporting, integrity, value for money, and taking a long-term view. • Enhancing our impact in te ao Māori: We want to continue to build trust and confidence among Māori in our role, and for our work to have increased relevance to, and impact for, Māori. • Building on our reputation as a source of trusted information: We want to build on our reputation as a source of trusted information about public sector performance and accountability, which the public and Parliament can use to help hold public organisations to account. 	<p>Link: Auditor-General's strategic intentions to 2028</p>
Matters arising from audits of 2021-31 long term plans	
<p>This report sets out the main findings and observations from our audits of local authorities' 2021-31 long-term plans (LTPs)</p> <p>Areas covered:</p> <ul style="list-style-type: none"> • Preparing long-term plans. • The financial strategies adopted by councils and their impact on rates and debt. 	<p>Link: Audits of 2021-31 long term plans</p>

Description	Where to find it
<ul style="list-style-type: none"> • Infrastructure strategies. • How councils manage their assets. • How the Government's proposed three water reforms affected the long term plans. • Climate change. 	
Audit and Risk Committees	
An Audit and Risk Committee provides a council's governing body – the set of all elected councillors – and the community with confidence that a council is managing its risks. This article provides suggestions for how best to set up and run such a committee.	Link: Audit Risk Committee
Setting rates: Potential issues for councils to watch for	
This article is to make councils aware of some rate-setting issues that were found when reviewing a sample of rates for 2021/22.	Link: Setting rates
What good looks like: Lessons for public organisations	
<p>A presentation to our central government Audit and Risk Committee Chairs' Forum.</p> <p>The presentation contained important findings from our recent work, including our performance audits, inquiries, and good practice guidance. We also highlighted areas that we will be focusing on over the next six months, including our Covid-19-related work.</p>	Link: what-good-looks-like
The problems, progress, and potential of performance reporting	
<p>Performance reporting is a fundamental part of providing effective public accountability.</p> <p>This discussion paper explores five areas for improvement:</p> <ul style="list-style-type: none"> • ensuring that performance information is focused on the issues that matter to New Zealanders; • ensuring that performance information is tailored to different audiences to make it more accessible; • better integrating and aligning performance information so it is clear how the activities of public organisations contribute to outcomes; • improving monitoring and scrutiny of the performance information that is produced to encourage continuous improvement; and • building demand for good quality performance information, strengthening system leadership, and investing in the capability to do it well. 	Link: performance-reporting

Description	Where to find it
Building a stronger public accountability system for New Zealanders	
<p>Public accountability is about public organisations demonstrating to Parliament and the public their competence, reliability, and honesty in their use of public money and other public resources.</p> <p>This discussion paper looks at how well New Zealand’s public accountability system is working in practice.</p>	<p>Link: public-accountability</p>
The Government’s preparedness to implement the sustainable development goals	
<p>In 2015, all United Nations members signed up to Transforming our world: the 2030 Agenda for Sustainable Development (the 2030 Agenda). It sets out 17 sustainable development goals to be achieved by 2030.</p> <p>We looked at what arrangements are in place and how the Government is encouraging stakeholders and the public to engage with efforts to achieve the sustainable development goals by 2030.</p>	<p>Link: sdgs</p>
Client updates	
<p>As part of our response to the Covid-19 situation, we developed online client updates to replace the in-person sessions that were cancelled.</p> <p>This year’s material is accessible via video presentations on our website.</p> <p>The themes respond to challenges that our clients now face, such as planning for unexpected events or dealing with additional reporting requirements related to Covid-19 and climate change.</p>	<p>Link: Client updates</p>
Procurement	
<p>The OAG are continuing their multi-year work programme on procurement.</p> <p>They have published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened.</p>	<p>Links:</p> <p>Strategic suppliers: Understanding and managing the risks of service disruption</p> <p>Getting the best from panels of suppliers</p> <p>Local government procurement</p>
Good practice	
<p>The OAG has made it easier to find good practice guidance, including resources on: audit committees; conflicts of interest; discouraging fraud; good governance; service performance reporting; procurement; sensitive expenditure; and severance payments.</p>	<p>Link: Good practice</p>



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WELLINGTON CITY COUNCIL AND GROUP 30 JUNE 2023 YEAR-END REPORTING AND AUDIT CONSIDERATIONS

Kōrero taunaki | Summary of considerations

Purpose

1. This report provides the Unaunahi Māhirahira | Audit and Risk Committee with an update on:
 - changes in reporting standards and potential key issues requiring disclosure for the financial statements for the year ended 30 June 2023
 - progress on the property, plant and equipment revaluations for the year ended 30 June 2023
 - progress on the Audit New Zealand arrangements for the audit of the financial statements for the year ended 30 June 2023.

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

No relevant previous decisions.

Financial considerations

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

2.

Risk

- Low Medium High Extreme

3.

Author	Karina Young, Financial Controller
Authoriser	Andrea Reeves, Chief Financial Officer

Taunakitanga | Officers' Recommendations

Officers recommend the following motion

That the Unaunahi Māhirahira | Audit and Risk Committee:

1. Receive the information in this year-end reporting and audit considerations update.

Whakarāpopoto | Executive Summary

4. The financial control team are finalising the pro-forma financial statements, which will be presented alongside the structure of the pro-forma 2022/23 Annual Report at a June workshop (to be scheduled).
5. A new accounting standard, *PBE IPSAS 41 Financial Instruments*, will be adopted for the financial statements for the year ended 30 June 2023. This standard supersedes the former *PBE IPSAS 29 Financial Instruments: Recognition and Measurement*. This paper details the work underway and main impacts of adoption on the financial statements.
6. The key programmes of work underway that require additional disclosures for this financial year are; affordable water reforms, sludge minimisation project, Wellington Community Housing Provider Trust and Let's Get Wellington Moving.
7. The financial statements for the year ended 30 June 2023 will include a full revaluation of investment properties, operational land and buildings and the library collections.
8. Progress on the Audit New Zealand arrangements for the audit of the financial statements, including statements of service performance for the year ended 30 June 2023 is on track.

Takenga mai | Background

9. Section 98 of the *Local Government Act 2002 (LGA)* requires the Council to prepare and adopt an Annual Report containing specified disclosures within four months after the end of the financial year. Section 111 of the *LGA 2002* requires Council to comply with generally accepted accounting practice (GAAP) in preparing the Annual Report. The financial statements are a key document within the Annual Report.

Kōrerorero | Discussion

Pro-forma financial statements

10. The financial control team are finalising the pro-forma financial statements, which will be presented alongside the structure of the pro-forma 2022/23 Annual Report at a June workshop (to be scheduled).
11. The pro-forma financial statements will be separately reviewed by Audit NZ. Any changes arising from the Audit NZ review and June workshop will be incorporated into the draft financial statements for the year ended 30 June 2023. The draft financial statements which will be presented at a Audit and Risk committee workshop briefing on financial results, key judgements, major provisions and issues. This will be scheduled for August/September.

Changes in reporting standards

PBE IPSAS 41 Financial Instruments

12. The financial statements for the year ended 30 June 2023 will include the adoption of the new accounting standard *PBE IPSAS 41 Financial Instruments*. This supersedes the former *PBE IPSAS 29 Financial Instruments: Recognition and Measurement*.
13. The main differences between *PBE IPSAS 29* and *PBE IPSAS 41* are:
 - the classification and measurement of financial assets and liabilities
 - a forward looking 'expected credit loss (ECL)' impairment model
 - a substantially reformed approach to hedge accounting.
14. The full impacts of adopting this standard and disclosures will be detailed in the pro-forma financial statements to be presented at the June workshop. A summary overview is provided below.
15. **Classification of financial assets and liabilities** - Under the new model, classification and measurement for all categories of financial assets is based on two key principles; the solely payments of principal and interest (SPPI) test; and the business model test. These principles determine whether the asset will be categorised and measured using 'amortised cost' or 'fair value'.
16. The Council is finalising the detailed assessment of if financial assets and financial liabilities as at 1 July 2022, the date of transition to the new standard. As most, if not all, financial instruments will result in no change in measurement, there is no material impact arising as a result of financial instruments that have been classified differently.
17. **Impairment** - *PBE IPSAS 41* prescribes an ECL model instead of the previous incurred loss model meaning that it is no longer necessary to have an impairment trigger event before recognising impairment losses. *PBE IPSAS 41* requires the entity to base the measurement of expected credit losses on forward-looking information, as well as current and historic information.
18. The Council and Group will apply a simplified approach to all receivables, which requires the recognition of lifetime expected credit losses at all times. The financial accounting team are working through the implementation of a practical ECL methodology. The cumulative impact of change is expected to be not material.
19. **Hedge accounting** – *PBE IPSAS 41* introduces a hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
20. The Council has derivative financial instruments that constitutes interest rate swaps. These interest rate swaps are used to hedge the interest rate risk on outstanding borrowings. They are designated as cash flow hedges (converting floating rate borrowing into fixed interest rates).
21. Under *PBE IPSAS 41* an entity can adopt the new less restrictive hedge accounting requirements or continue using the old hedge accounting requirements in *PBE IPSAS 29*. The Council and Group will adopt the new *PBE IPSAS 41* hedge accounting requirements which has been assessed as having no financial impact on adoption.

PBE FRS 48 Service Performance Reporting

22. *PBE FRS 48 Service Performance Reporting* replaces the service performance reporting requirements of *PBE IPSAS 1* and is effective for reporting periods beginning

on or after 1 January 2022. The planning and reporting team are working through the adoption of this standard and an update will be provided as part of the pro-forma Annual Report presented at the June workshop. There will be no financial impact from the adoption of this standard.

Key Issues

23. The financial statements for the year ended 30 June 2023 will require additional disclosures for several key programmes of work that are underway. We will continue to closely monitor progress on these programmes to ensure disclosures and judgements relating to these have been appropriately reflected. These key programmes include; affordable water reforms, Sludge Minimisation project, Wellington Community Housing Provider Trust and Let's Get Wellington Moving.
24. The Council will also continue to consider the impacts of climate related risks on the financial statements. Climate related risks can affect the assumptions and estimates (eg useful lives of assets) that underpins accounting treatment and financial statement disclosures.

Property, Plant and Equipment Revaluations

25. Full revaluations are currently underway for investment properties, operational land and buildings and the library collections. We anticipate all final revaluation reports will be issued in June 2023.
26. CBRE are undertaking the revaluation on the Council's investment properties and operational land and building.
27. The first draft of the investment properties (ground leases and waterfront properties) revaluation has been received from by CBRE. This is currently being internally reviewed by the financial control team and property.
28. The first draft of the operational land and building revaluation are due from CBRE in early May. This will be followed by an internal review by the financial control team and relevant business units.
29. The library collections revaluation is being undertaken by the Council's library staff. The first draft has been completed and is currently being reviewed by the financial control team.

Audit Update

30. The Council have received the updated draft Audit Plan from Audit New Zealand. The main change, from what was presented at the May Audit and Risk Committee meeting, is the updated delivery timetable for the now confirmed onsite interim and final audit dates. The draft audit plan is being reviewed by officers before being accepted by the Chief Financial Officer and Chair of the Unaunahi Māhirahira | Audit and Risk Committee.
31. The final engagement letter has been issued by Audit New Zealand and signed by the Council.

32. At the time of writing the Council is yet to receive the Audit Proposal letter, which includes the audit fee, from Audit New Zealand. Once received by the Council, the Chief Financial Officer and Chair of the Unaunahi Māhirahira | Audit and Risk Committee will review it and if appropriate recommend the Mayor accept it.
33. The interim audit is due to commence on 22 May 2023 with Audit New Zealand onsite at the Councils' offices for four weeks.

Ngā mahinga e whai ake nei | Next actions

34. The proforma financial statements will be presented at the June Audit and Risk Committee workshop (to be scheduled).
35. Management will continue to work with Audit New Zealand to finalise the Audit Plan.

Attachments

Nil

INSURANCE RENEWAL UPDATE

Kōrero taunaki | Summary of considerations

Purpose

1. This report to Unaunahi Māhirahira | Audit and Risk Committee provides an update on the 2023/24 insurance renewals process and Insurance Roadmap workstreams.

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

- 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

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

Relevant Previous decisions

Kāwai Māhirahira | Audit and Risk Subcommittee 14 September 2022 received the Insurance roadmap report and endorsed the workplan set out in that report, instructing officers to report back to the committee on a regular basis outlining progress against the workplan. Unaunahi Māhirahira | Audit and Risk Subcommittee of 7 February 2023 received an update on the Insurance Roadmap report along with an update on the previous calendar year insurance renewal outcomes.

2. Financial considerations

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

- Financial considerations relating to negotiation of the current (2023/24) insurance negotiation will be presented via a verbal update during the public excluded session of this Committee.
- All other financial considerations are discussed throughout the paper.

Risk

- Low Medium High Extreme

- Risk decisions have been included within this report.
- Risk appetite sessions have been held with members of Council since the last Committee meeting on 7 February 2023 and the outputs of these will be considered through the Insurance Roadmap workstreams and our response to them.

3.

Authors	Darren Cowan, Advisor Treasury & Funding Andie Thompson, Insurance and Process Office Sarah Houston-Eastergaard, Treasurer
Authoriser	Andrea Reeves, Chief Financial Officer

Taunakitanga | Officers' Recommendations

Officers recommend the following motion

That the Unaunahi Māhirahira | Audit and Risk Committee:

1. Receive the information.
2. Note workplan updates.
3. Agree to a verbal update on commercial terms to be presented to the committee during the public excluded portion of the meeting.

Whakarāpopoto | Executive Summary

4. In this paper we outline the work currently being undertaken by officers in relation to the 2023/24 insurance renewals of the three Material Damage policies.
5. We also provide a high-level update on the progress through the insurance roadmap work program, noting that the significant workload required to complete the annual insurance renewal has taken precedence over this work in the most recent quarter

Takenga mai | Background

6. Council holds 14 insurance policies which cover a wide range of risks that Council faces in its day to day operations.
7. Current renewals being worked on include the three main material damage policies covering above and below ground infrastructure and the social housing assets.
8. Our Material Damage policies are intended to cover catastrophic losses, as such, they have high deductibles. Any day to day losses are covered by the Insurance Reserve Fund allocated from operating expenditure each year.
9. Council's policies are loss limited (a maximum pay out regardless of damage is set), this limit is set based on the expected losses to the portfolio, the availability of capacity in the market, the associated premiums and the internal budgetary constraints.
10. After a significant event, any losses above the insured limits would be covered by capacity on Council's balance sheet. A level of headroom is held within debt ratio limits to maintain an appropriate level of debt capacity should it be required to cover these losses.
11. Officers work with our brokers to place these policies in both the local and international markets. These policies have over 50 different insurers covering different portions of the policies. A large number of these are London based markets, due to the lack of capacity in local markets. This diversification also provides improved outcomes from accessing deeper international markets.
12. At the September 2022 Kāwai Māhirahira | Audit and Risk Subcommittee, the insurance team presented the Insurance Roadmap to the committee. We provide a brief update in this paper relating to the "alternative risk transfer" and "risk appetite/governance" workstreams within that report.

Kōrerorero | Discussion

13. Policy renewal

14. Officers are currently working towards the renewal for the three main policies which expire on 31 May 2023.
15. These policies cover the infrastrucutre assets (below ground), social housing portfolio, and the above ground infrastructure assets (including buildings, roading infrastructure and the remaining above ground assets).
16. These policies do not cover waterfront assets or other minor policies such as forestry or the suite of liability policies. These policies will come up for renewal later in the calendar year.
17. To date, officers have completed the majority of the input to the insurance renewal and have presented to all underwriters (both to the London market and to the local market).
18. Reporting to WCC on all policies is due in by 12 May 2023. This will be too late to include in this paper but a progress report on the process can be provided to the Committee at this time. With permission of the Committee, early discussion on the financial implications of this process will be verbally presented to the Committee for consideration within the public excluded portion of the meeting.
19. A high level market update follows. This commentary has been developed based on meetings with both the New Zealand based insurance market as well as international markets, largely based in London.
20. There are several significant factors applying pressure on insurance premiums for this year's policy renewals, including the occurrence of large significant natural catastrophic events, capital availability (market pressures) and inflation.

21. Significant events

22. Natural disaster events have caused in excess of US\$275bn in economic losses globally, of which US\$125bn were covered by insurance. This is well in excess of the 10-year rolling average of US\$81bn.
 23. While natural disaster events are significant, the emerging trend is for increasing incidence and severity of secondary perils. Secondary perils are events such as hailstorms, thunderstorms, wildfires or the Auckland flooding event that occurred in February this year. It is these types of perils that have been the main drivers of losses in recent years, and due to their nature, have surprised the insurance market to a degree because their modelling (to date) has not anticipated this form of event to the scale that has occurred over this time.
 24. Of particular note, Hurricane Ian (in the USA) placed significant pressure on the global market, resulting in challenging re-insurance renewals on 1 January 2023. Some renewals faced year on year rate increases in excess of 30%.
 25. Less than two months into the year, local insurers faced both the Auckland flood event and Cyclone Gabrielle, and as a result, have required local markets to reinstate their cover already. Meaning local markets have faced at least double the premium costs, with 10 months to run for the year.
- ### **26. Capital availability**
27. Globally, the capital available to back insurance cover has decreased significantly this year.
 28. A significant amount of the capital invested in insurance markets comes from hedge funds who are currently looking to diversify their portfolios.

-
29. Post the Global Financial Crisis (GFC), insurance markets provided a good alternative to banks for investing so significant capital flowed in to the market. Between 2010 and 2017 there were relatively few natural disasters, particularly in the USA, which meant the returns remained attractive with good a return on investments.
 30. Since 2017, there have been at least two significant landfalling hurricanes every year, eroding the returns available due to the corresponding payouts to insureds.
 31. Compounding this in the current year, the US Federal Reserve (along with other central banks around the world) have moved from near 0% cash rates to between 4% – 5%, providing a significantly higher risk free return as an alternative investment option to markets which has not been widely available over the recent economic cycle.
 32. Interest rate hikes increase the cost of capital and reduce the value of financial assets. They also increase the attractiveness of less volatile, risky investments.
 33. Poor loss performance in the last few years has contributed to a reduction in available capital as the returns expected of the investment are not being met. Those placing capital will be selecting risks based on historic performance and demonstration of adequate and active risk management.
 34. **Inflation**
 35. Inflation is currently being observed across the board in all aspects of the economy and is having significant compounding impacts along with fueling the cost of living crisis.
 36. Inflation has a double impact on insurance premiums – through increased asset values as well as the cost of construction inputs. As assets are insured based on replacement value these increased inputs are being factored in to material uplifts in the assumed cost to reinstate assets – as observed by Council in last years below ground infrastructure valuations.
 37. The next revaluations Council will need to perform are to the above ground infrastructure and the housing portfolio, these will be carried out later this calendar year and look likely to provide increased upwards pressure on insurance costs (for effectively the same level of cover). This will impact the insurance cover in the form of a mid cycle adjustment to the cover we seek under the current renewal – i.e. we will need to inform insurers who will adjust the insurance mid cycle on a pro-rata basis.
 38. As sums insured increase, the size of a minor loss increases. This exhausts policy limits sooner and increases the likelihood that a layer would be affected by a loss, increasing premium rates applied.
 39. **Three waters reform update**
 40. The Insurance team has been working under the assumption that the belowground infrastructure policy would be discontinued as of 1 July 2024 based on guidance provided by central government on the three water reform.
 41. With changes to the reform announced on 13 April 2023, we now anticipate the belowground infrastructure policy to continue for a minimum of a year beyond that date and therefore the current policy will be replaced at renewal on the same terms as prior years – i.e. no adjustment to dates to reflect the transfer of asset ownership to another party during the upcoming policy period.
 42. **Roadmap update**
 43. **Risk appetite / Financial risk tolerance**

44. Parallel to our policy renewal process, we are assessing Council's risk appetite for insurance retentions and the level of risk we are willing and able to carry ourselves, vs the level of insurance we need (both through traditional insurance and alternative risk transfer) and how that guidance will direct the work we are performing to assess the levels of alternative risk transfer we should be targeting, along with how and where this can be achieved.
45. Workshops have been run in association with the Risk Assurance team and these will develop statements to guide the level of activity required in this area.
46. **Consideration of alternative risk financing models**
47. The appendix to this paper outlines the suggested workplan for the current year. There are a number of key areas to focus on, including assessing alternative risk transfer options and risk related investigations to look to determine the level of this activity officers should actively pursue.
48. A Parametric solution is one such option and is seen as an initial step to this form of alternative risk transfer. Officers are currently working with AON to estimate the time and cost to Council of such a solution, but note that the other items on the suggested workplan in the appendix all support this and other solutions to be developed up.

Ngā mahinga e whai ake nei | Next actions

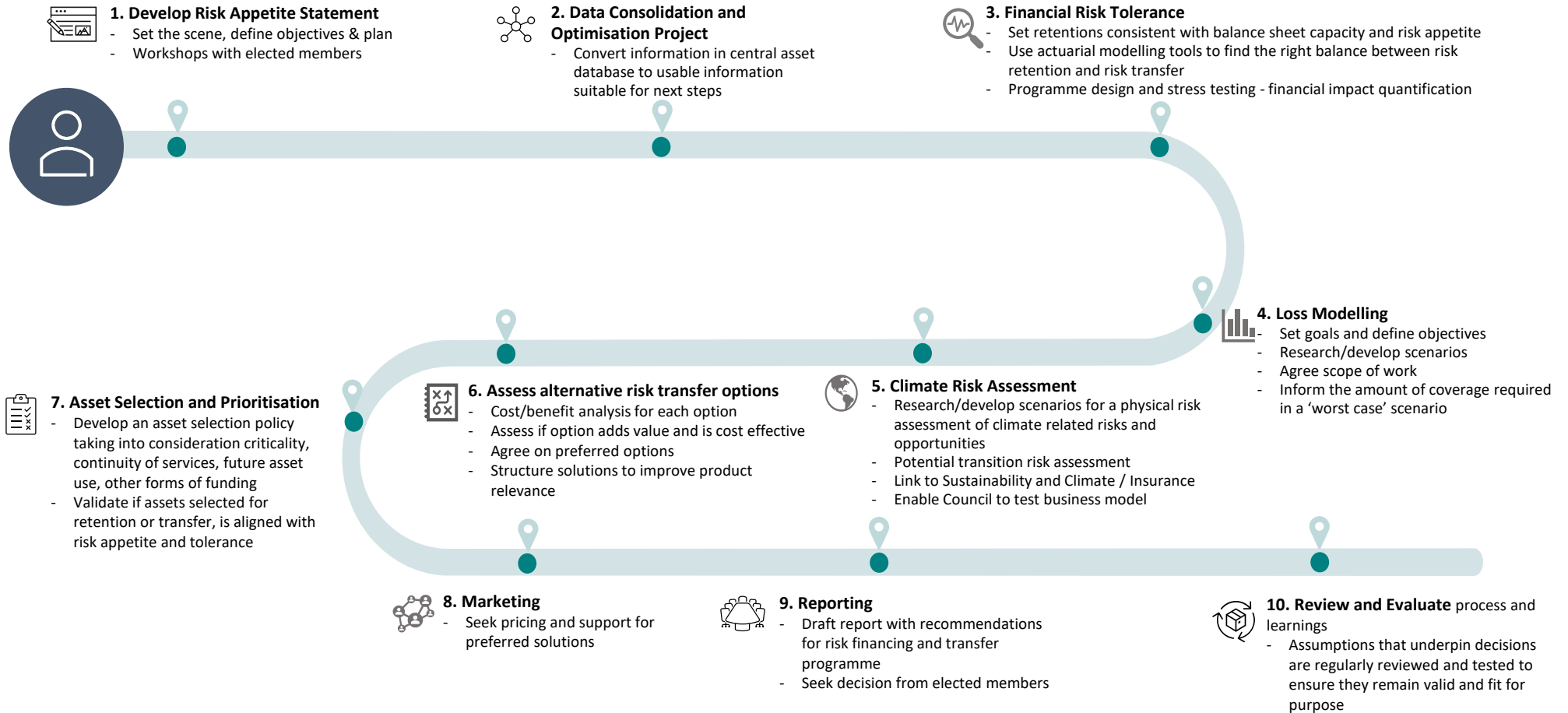
49. **Udate regarding the financial implications of the ongoing insurance renewal**
50. We would like to take the opportunity to discuss with the Committee, during the public excluded session, how the issues discussed in this paper are playing out and are impacting the 2023/24 policy renewal process. This is due to the sensitivity of the financial negotiation with our brokers and our insurance underwriters.
51. This detail will be available in the public domain in due course.

Attachments

Attachment 1. Insurance Roadmap suggested workplan 2023  

Page 122

Insurance Roadmap and suggested work plan for FY23



FORWARD PROGRAMME AND WORKPLAN UPDATE

Kōrero taunaki | Summary of considerations

Purpose

1. This report to Unaunahi Māhirahira | Audit and Risk Committee provides the Forward Programme and the Proposed work plan.

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
- 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

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

Relevant Previous decisions

Not applicable

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 Unaunahi Māhirahira | Audit and Risk Committee:

1. Receives the information.

Takenga mai | Background

2. The Forward Programme sets out the reports planned for Unaunahi Māhirahira | Audit and Risk Committee meetings in the next meeting that require Committee consideration.
3. The Forward Programme is a working document and is subject to change on a regular basis.
4. The Proposed Work plan sets out the reports coming to the Unaunahi Māhirahira | Audit & Risk Committee for the remainder of this triennium until September 2025.





Kōrerorero | Discussion

5. Next meeting agenda September 2023:
 - Assurance Programme update including Protected Disclosures, status of outstanding recommendations and Annual legislative compliance attestation report
 - Draft Annual Report and letters of representation
 - Risk management update incl. Strategic risks and risk maturity survey
 - CCO Annual reports impacting on Council group risk
 - Health and Safety performance report
 - LTP forecasting assumptions
 - Audit NZ LTP assurance plan

Public excluded

- Litigation matters update
 - Chief Officer update People and Culture
6. A workshop will be scheduled in June 2023 to present the structure of the pro-forma 2022-23 Annual report and main themes and an interim audit update. Additional workshops will be scheduled to prior to the Council adoption of the Annual Report.
 7. Audit NZ's revised timeline is attached.
 8. Committee dates may need to change to accommodate the revised timeline and annual report adoption.

Attachments

- | | | |
|---------------|--|----------|
| Attachment 1. | Committee Workplan for triennium   | Page 125 |
| Attachment 2. | Audit NZ timeline for 2022-23   | Page 129 |

Unaunahi Māhirahira | Audit & Risk Committee: Proposed Workplan

	10 May 2023	27 Sep 2023	29 Nov 2023	14 Feb 2024	8 May 2024	25 Sep 2024	20 Nov 2024	5 Feb 2025	30 Apr 2025	10 Sep 2025
Committee Governance										
o Forward programme and workplan update	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
o ARS self-assessment of performance and effectiveness			◆						◆	
o Elected member gifts & hospitality and pecuniary interests	◆				◆				◆	
Assurance and Business Integrity (Internal Audit)										
o Approval of the following year Assurance work plan	◆				◆				◆	
o Update on current year 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 legislative compliance attestation report		◆				◆				
o Committee briefing with no mgmt present (+ as req'd)	◆				◆				◆	
o Review Internal Audit Charter						◆				
External Audit and Statutory Reporting										
o Audit plan and engagement letter				◆				◆		
o Progress to address matters of emphasis in 21/22 audit opinion	◆									
o Proforma Annual Report (financial statements & accounting policies)					◆				◆	
o Draft Annual Report and letters of representation		◆				◆				◆
o Year-end management letter	◆					◆				◆
o Committee briefing with no mgmt present (+ as req'd)		◆				◆				
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										

Unaunahi Māhirahira | Audit & Risk Committee: Proposed Workplan

	10 May 2023	27 Sep 2023	29 Nov 2023	14 Feb 2024	8 May 2024	25 Sep 2024	20 Nov 2024	5 Feb 2025	30 Apr 2025	10 Sep 2025
<ul style="list-style-type: none"> • Chief Executive (as required) • Chief Planning • Chief People and Culture • Chief Customer and Community • Chief Māori • Chief Infrastructure • Chief Financial • Chief Strategy & Governance • Chief Digital 	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦
Council Controlled Organisations										
○ CCO annual reports on risk impacting Council's group risk		♦				♦				♦
Finance										
○ Insurance roadmap update				♦				♦		
Health and Safety										
○ Performance report	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦
Legal Risk										
○ Litigation matters update (Public excluded)	♦	♦	♦	♦	♦	♦	♦	♦	♦	♦
Long Term Plan										
○ 2024 LTP Development Programme – project plan										
○ LTP forecasting assumptions		♦								
○ Asset Management Planning – assurance										
○ Audit New Zealand LTP assurance plan		♦								
○ Audit NZ LTP Management letter						♦				
Focus Topics										

Unaunahi Māhirahira | Audit & Risk Committee: Proposed Workplan

	10 May 2023	27 Sep 2023	29 Nov 2023	14 Feb 2024	8 May 2024	25 Sep 2024	20 Nov 2024	5 Feb 2025	30 Apr 2025	10 Sep 2025
○ Asset management maturity										
○ Programme Management Office P3M3 maturity										

Timetable



Based on our discussions with the City Council, we have confirmed that our timetable is:

Matter	Date in 2023	Audit NZ	City Council
• Risk assessment and planning	Up to May	✓	✓
• Interim/pre-final audit	22 – 16 June	✓	✓
•			
• Final audit	21 August – 29 September –	✓	✓
• Wrap up and reporting	2 – 6 October	✓	
Financial statements			
• Draft financial statements available	21 August		✓
• Provide feedback on financial statements	27 September	✓	
• Final financial statements agreed between us available	6 October		✓
Performance information			
• Draft statement of service provision available	21 September		✓
• Provide feedback on statement of performance provision information	27 September (except for the three waters reported results – which is dependant on when the finalised audited results from Wellington Water are available)	✓	
• Final statement of performance provision agreed between us available	6 October		✓
Annual report			
• Full annual report available for audit (draft)	2 October		✓
• Feedback on annual report	5 October	✓	
• Final annual report (inclusive of all changes agreed between us) available	10 October		✓
• Verbal clearance on annual report	13 October	✓	

Matter	Date in 2023	Audit NZ	City Council
• Audit opinion provided in draft	19 October	✓	
• Representation letter issued to Council for signing by Mayor and Chief Executive	19 October	✓	
• Audit opinion issued	26 October	✓	
Summary annual report			
• Summary annual report available	To be agreed	✓	✓
• Feedback on Summary annual report	To be agreed	✓	
• Final Summary annual report (inclusive of all changes agreed between us) available	To be agreed		✓
• Verbal clearance on Summary annual report	To be agreed	✓	
• Audit opinion provided in draft	To be agreed	✓	
• Representation letter issued to Council for signing by Mayor and Chief Executive	To be agreed	✓	
• Audit opinion issued on Summary annual report		✓	
Reporting to the Council			
• Paper on the status of the audit and any significant issues arising from the interim/pre-final audit management report	10 July	✓	
• Final management report to the Council issued in draft for management's comments	23 October	✓	
Audit and Risk Committee meeting			
• Audit Plan 2023	31 January	✓	
• Interim/pre-final audit management report inclusive of management comments	27 September	✓	✓
• Final management report inclusive of management comments	29 November	✓	✓

ACTIONS TRACKING

Kōrero taunaki | Summary of considerations

Purpose

1. This report provides an update on the past actions agreed by the Unaunahi Māhirahira | Audit and Risk Committee.

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

Not applicable.

Financial considerations

Nil

Budgetary provision in Annual Plan / Long-term Plan

Unbudgeted \$X

Risk

Low

Medium

High

Extreme

Author	Marcella Freeman, Democracy Advisor
Authoriser	Stephen McArthur, Chief Strategy & Governance Officer

Taunakitanga | Officers' Recommendations

Officers recommend the following motion

That the Unaunahi Māhirahira | Audit and Risk Committee:

1. Receive the information.

Whakarāpopoto | Executive Summary

2. 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.
7. On 25 October 2022 through memorandum, the 2022-2025 committee structure chosen by Mayor Tory Whanau was advised. This included establishment of the Unaunahi Māhirahira | Audit and Risk Committee.
8. The Audit and Risk Subcommittee for the 2022-2025 triennium fulfils the functions of Unaunahi Māhirahira | Audit and Risk Committee of the 2019-2022 triennium.
9. The last meeting of the equivalent committees in the 2019-2022 triennium were held on 14 September 2022.
10. 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

11. Of the 15 resolutions of the Unaunahi Māhirahira | Audit and Risk Committee in February 2023:
 - 4 are in progress.
 - 11 complete.
12. 2 actions carried forward from previous actions tracking reports, both are still in progress.

Attachments

Attachment 1. Actions Tracking  

Page 133

Date	ID	Title	Clau	Clause	Status	Comment
Wednesday, 14 September 2022	1071	2.5 Insurance Maturity Roadmap report	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	In progress	The next update regarding the Insurance Roadmap will be presented to the Audit and Risk Committee on 15 February 2023.
Wednesday, 14 September 2022	1072	2.5 Insurance Maturity Roadmap report	4	Receive periodic updates against the project plan and risk assessments over the life of the roadmap project.	In progress	The next update regarding the Insurance Roadmap will be presented to the Audit and Risk Committee on 15 February 2023.
Tuesday, 28 February 2023	1322	2.1 Assurance and Business Integrity update	2	Agree the addition of two responsive reviews to the Assurance & Business Integrity Workplan.	Completed	Committee noted and agreed
Tuesday, 28 February 2023	1323	2.1 Assurance and Business Integrity update	3	Receive the update on management's progress to address recommendations from internal audit and other independent sources of assurance.	Completed	
Tuesday, 28 February 2023	1324	2.1 Assurance and Business Integrity update	4	Receive the information about integrity activities.	Completed	
Tuesday, 28 February 2023	1325	2.1 Assurance and Business Integrity update	5	Receive the statement on the completeness of the quarterly update of the Elected Member Gifts and Hospitality register.	Completed	
Tuesday, 28 February 2023	1327	2.2 2023 Audit New Zealand Audit Plan	2	Note the draft Audit Plan prepared by Audit New Zealand (attachment 1) and their approach to the audit of the Council and Group for the year ended 30 June 2023.	Completed	
Tuesday, 28 February 2023	1328	2.2 2023 Audit New Zealand Audit Plan	3	Note the draft Engagement letter prepared by Audit New Zealand (attachment 2).	Completed	
Tuesday, 28 February 2023	1329	2.2 2023 Audit New Zealand Audit Plan	4	Delegate the authority to finalise the Audit Plan to the Chief Financial Officer and Chair of the Unaunahi Māhirahira Audit and Risk Committee.	Completed	
Tuesday, 28 February 2023	1330	2.2 2023 Audit New Zealand Audit Plan	5	Delegate the authority to finalise the audit fee for the year ended 30 June 2023 to the Chief Financial Officer, Chair of the Unaunahi Māhirahira Audit and Risk Committee and Mayor.	In progress	
Tuesday, 28 February 2023	1331	2.2 2023 Audit New Zealand Audit Plan	6	Recommend that the Mayor signs the Engagement letter prepared by Audit New Zealand	Completed	
Tuesday, 28 February 2023	1334	2.4 Introduction to the WCC Strategic Risks Framework and Strategic Risk Register	2	Agree to the proposed changes to the Strategic Risk Register. Changes include the merging of some risk profiles and development of new risk profiles to reflect WCC's risk management priorities.	In progress	Work underway to develop the new risk registers
Tuesday, 28 February 2023	1335	2.4 Introduction to the WCC Strategic Risks Framework and Strategic Risk Register	3	Agree that the approach for developing a risk appetite statement is appropriate.	Completed	Think this is a double up of the item blow?
Tuesday, 28 February 2023	1336	2.4 Introduction to the WCC Strategic Risks Framework and Strategic Risk Register	3	Agree that the approach for developing a risk appetite statement is appropriate.	Completed	

Tuesday, 28 February 2023	1337	2.4 Introduction to the WCC Strategic Risks Framework and Strategic Risk Register	4	Note that a risk appetite statement workshop will be scheduled for all WCC Councillors and the Executive Leadership Team.	In progress	Preliminary workshop, survey underway (closes 27 April) and second workshop due on 1 May.
Tuesday, 28 February 2023	1340	2.5 2022 Insurance Update	3	Note officers will engage further on the risk appetite relating to insurance workstreams via the Introduction to the WCC Strategic Risks Framework and Strategic Risk Register on the agenda of this meeting of Unaunahi Māhirahira Audit and Risk Committee and bring a paper back to the Committee on a plan for implementing Aon's recommendations.	In progress	
Tuesday, 28 February 2023	1342	2.6 Long-term Plan 2024-2034 - Programme plan, and risk management approach	2	Note the risk management and assurance approach for the preparation of the Longterm Plan 2024-34	Completed	This was a matter for the committee to note. there was no further action

3. Public Excluded

Recommendation

That the Unaunahi Māhirahira | Audit and Risk Committee:

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 Legal and Risk Updates	<p>7(2)(g) The withholding of the information is necessary to maintain legal professional privilege.</p> <p>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).</p>	<p>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.</p>
