
ORDINARY MEETING
OF
KĀWAI MĀHIRAHIRA - AUDIT AND RISK SUBCOMMITTEE
AGENDA

Time: **1:00pm**
Date: Wednesday, 2 February 2022
Venue: Virtual Meeting

MEMBERSHIP

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

Have your say!

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

AREA OF FOCUS

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

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

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1. Meeting Conduct

1.1 Karakia

The Chairperson will open the meeting with a karakia.

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

Unuhia, unuhia, unuhia ki te uru tapu nui Kia wātea, kia māmā, te ngākau, te tinana, te wairua I te ara takatū Koia rā e Rongo, whakairia ake ki runga Kia wātea, kia wātea Āe rā, kua wātea!	Draw on, draw on Draw on the supreme sacredness To clear, to free the heart, the body and the spirit of mankind Oh Rongo, above (symbol of peace) Let this all be done in unity
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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 12 October 2021 will be put to the Kāwai Māhirahira | Audit and Risk Subcommittee for confirmation.

1.5 Items not on the Agenda

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

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

The Chairperson shall state to the meeting:

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

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

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

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

1.6 Public Participation

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

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

2. General Business

HEALTH, SAFETY AND SECURITY REPORT

Kōrero taunaki Summary of considerations

Purpose

1. This report asks the Kāwai Māhirahira | Audit and Risk Subcommittee to review the Council's health and safety performance for the period 1 September 2021 to 31 December 2021.

Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

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

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

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

Relevant Previous decisions

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

Financial considerations

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

Risk

- Low Medium High Extreme

Author	Wendi Henderson, Health, Safety & Security Manager
Authoriser	Meredith Blackler, Chief People and Culture Officer

Taunakitanga Officers' Recommendations

Officers recommend the following motion

That the Kāwai Māhirahira | Audit and Risk Subcommittee:

1. Receive the information.
2. Recommend to the Pūroro Tahua – Finance Performance Committee to receive the information on 17 February 2022

Whakarāpopoto

Executive Summary

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

Takenga mai

Background

Kōrerorero

Discussion

Risk Profiles

6. The Council's Health, Safety and Security Team focusses on the Council's top nine priority hazard/risk controls, as presented to the Finance, Audit and Risk Subcommittee previously. The top nine risks are shown below and defined by potential consequence and likelihood.

#	Risk
1	Personal Confrontation
2	Vehicle Traffic Mobile Equipment
3	Health and Impairment
4	Asset Failure
5	Work Related Health Hazards
6	Natural Events
7	Work with or in the Vicinity of Services
8	Work at Height
9	Ignition Sources

Specific Areas of Risk

7. The following summarises key pieces of work that have occurred in the last four months as the Council continue to manage the risks associated with specific hazard categories. This work is both good health and safety practice and assists the Council to meet our legal obligations under the HSWA and Local Government Act 2002 (good employer).

Personal Confrontation

8. One of the biggest risks for our frontline Council staff is personal confrontation from members of the community. Over the last two years, the Council has recorded 956 instances of conflict. A video called Facing conflict on the Frontline was developed and released in October 2021 highlighting experiences of WCC frontline staff. [Facing conflict on the frontline \(facebook.com\)](#)
9. Raising awareness and sending a message like this is an important stake in the ground. It is important our staff know they do not need to put up with this kind of behaviour (normalising it); that there are ways to minimise exposure in our various teams; and, it is reported through Risk Manager.
10. Following the release of this video WCC received 10 media queries regarding it, a couple of stories stemmed directly from the video – and we provided content for a TVNZ documentary which unfortunately did not make the final cut.

<https://www.stuff.co.nz/dominion-post/news/126926187/customer-service-staff-being-abused-on-nearly-daily-basis-as-covid-frustrations-rise>

<https://www.stuff.co.nz/national/300458464/incredibly-traumatising-time-for-workers-going-facetoface-with-covid-protesters>

Health and Safety Management - Reporting System Update

11. Over the last four months, considerable work has been completed by the Project Steering and Working Groups on the procurement of a new health and safety reporting system. Workshops were conducted to go through the discovery phase. Process mapping has been completed and a wider stakeholder engagement group established.
- The remaining timelines are:
 - Request for tender to commence 17 January 2022
 - Tenders close 21 February 2022
 - Tenders to be evaluated by working group with a recommendation to go to the steering group 22 February 2022
 - Project implementation of the new system is by 1 October 2022

Health and Safety Risk Assessments – COVID Vaccination Mandate

12. As part of the preparation for the Vaccination Policy consultation with staff, health and safety risk assessments were undertaken of all WCC roles.
13. While a simplified tool was released by the Government mid-December, we instead used a more in-depth WorkSafe risk assessment rather than the four-question assessment released by the Government which more appropriate for small and non-complex businesses.

The approach we took was more fit-for-purpose given the complexities of the Council's 400 plus services and our associated risk profiles. This assessment looked at the following areas enabling the Council to produce a risk assessment for each role category:

- How many people the employee carrying out work comes into contact with
 - How easy it would be to identify the people who the employee comes into contact with (i.e., co-workers are low risk versus members of the public which would be high risk)
 - How close the employee carrying out the tasks is in proximity to other people (close physical contact in indoor environments is higher risk)
 - How long the work requires the employee to be in that proximity to others (brief contact versus lengthy contact)
 - What the risk of COVID-19 infection and transmission in the work environment is when compared to the risk outside of work.
 - Whether the work involves regular interaction with people considered at higher risk of severe illness from COVID-19, such as people with underlying health conditions.
14. This tool was externally reviewed by a health and safety consultant to ensure it was adequate and fit for purpose.
15. The HSS team developed the tool and then shared a draft copy for feedback to the following groups: Key WCC Managers, Unions, WCC H&S Reps, wider People and Culture Group and as part of the all-staff consultation.

Provision of Security Services

16. During October 2021, a request for proposals (RFP) for the Provision of Security Services was released as an open tender. This was due to the existing contract expiring and the requirement to test the market, as per Procurement guidelines.
17. Tenders closed on 18 November 2021 and evaluations took place prior to Christmas. Negotiations with the successful supplier have started with an expected start date of 1 March 2022. Further information will be provided in the next reporting period.

Incident Investigations

18. Two incidents reported were rated as high or extreme risk in this four-month reporting period. These incidents are detailed within the Health and Safety Performance Report in section 5.
19. No full ICAM investigations were required during this reporting period.
20. An incident entered in Risk Manager on 24 December 2021 involved a worker becoming ill following exposure to fungal spores (*Cryptococcus gattii*) in late 2019. Due to the incubation period of the spores, the worker was not diagnosed till December 2021. This was reported to Worksafenz once WCC was made aware due to it meeting the criteria of a notifiable illness.

Local Government Official Information and Meetings Act 1987 (LGOIMA)

21. The Health, Safety & Security team were required to provide information for eight (8) LGOIMA requests which were received in this reporting period. The types of information requested related to;
 - Protection Framework (Covid) / Traffic Light System
 - Wellbeing Frameworks
 - Vaccine Passports and Mandates
 - Health and Safety Risk Assessments (Covid)
 - Tip Shop
 - CCTV Cameras (surveillance of public outdoor spaces)

Relationships

22. The Council has several external relationships to support its best practice, knowledge uplift and collaboration. In this reporting period, the following interactions were undertaken.
 - New Zealand Institute of Safety Management (NZISM) is New Zealand's Leading professional association for health and safety practitioners, of which the Senior Health, Safety and Security Business Partners (HSSBP's) for the Council are members. Being a part of this body allows access to all the support and content that this body collates and shares. Through this membership, over the reporting period, the HSSBP's have been able to access case studies, peer support, and informative seminars.
 - Local Government: Connections with other local authorities, especially during various stages of the Covid response have been utilised to ensure consistency with the region's approach and enabled information sharing.

- Taituarā (previously SOLGM) have provided significant information and guidance to Councils during the Covid response, primarily in regard to the Government's Traffic Light Framework, which was announced on 22 October 2021.
- Health & Safety Specialist Consultant – providing peer review/advice as and when required.

Resources

Health, Safety and Security Structure Review - Update

23. Recruitment is underway for the additional roles to increase the Health, Safety and Security Business Unit to support the Council's health, safety and security maturity uplift and reduction of risk exposure to the organisation's business groups. A model of Health, Safety & Security Business Partnering will be implemented to better support business groups in all aspects of health, safety and security.

Annual Workplan

24. The 2021/22 Health, Safety & Security (HSS) Business Plan was signed off and will form the basis of the work for the HSS Business Unit. Key actions will continue to be monitored by the Council's Health and Safety Steering Group as it has been previously and reported at Kāwai Māhirahira - Audit and Risk Subcommittee.

Mental Health and Wellbeing

25. Building off three key areas identified through engagement sessions held in previous reporting periods, the Council has since undertaken additional work to support staff including raising awareness of mental distress, training leaders, and supporting staff to support others experiencing mental distress and developing process transparency in relation to the Council's support mechanisms.

During this reporting period, we can note the following uptake or increases from this reporting period:

- Mental Health First Aid Trained Staff – 22
 - Whare Kura - Supporting your People completions - 5
26. In December, WCC held a Webinar - 'Being Well at WCC with Jacqui McGuire', a registered clinical psychologist. Jacqui spoke about wellbeing in a COVID-19 world, living with COVID-19 in the community, and how to make sure we are looking after our general wellbeing. 182 people joined this webinar and the recording is available for 3 months.

Another webinar was also held on Wednesday 24 November with 'Being Well at WCC with Jess Stuart', an author, coach and international speaker. Jess shared ideas and insights that help us build our resilience, master our mind-set, and develop our confidence to be "our best" without burning out in the process. 143 people joined this webinar and the recording will remain available for 12 months.

27. In February 2022, the Being Well at WCC programme officially commences with planned, regular and ongoing communications and engagements with staff. Further webinars with guest speakers will feature each quarter, with the first 2022 webinar to be held in March. The speaker is yet to be confirmed at this stage.

The Being Well at WCC resource hub will continue to be updated with resources across the six areas of wellbeing. Each month, resources and activities will be

highlighted for teams and individuals in the Hub. The team activity will also be in the Managers' briefing to encourage them to lead by example.

Bimonthly, there will be a Pokapū story focused on an individual or leader in the business talking about their wellbeing/tools used etc. Wellbeing will also frequently be referenced in Tō Te Poi, the Chief Executive's email update to all staff.

A focus will also be placed on our operational teams about how Being Well at WCC will work best in their workplace/space. This programme is not a 'one-size-fits-all', there will be customisation where needed.

Elected Members' Due Diligence

28. The information below demonstrates elected members' performance against due diligence actions for the 4-month period 1 September 2021 to 31 December 2021.

Legislative Due Diligence Requirement

- Acquire and keep up to date with knowledge of work health and safety matters
- Understand nature of operations and hazards and associated risks
- Appropriate resources and processes to eliminate or minimise risks
- Appropriate resources to receive and consider information
- Verify provision and use of resources and processes
- Have processes for compliance with duty or obligation under the HSWA (2015).

Due Diligence	Actual
Attend one health and safety leadership induction workshop(s) per annum, (e.g., Business Leaders forum; 'Leading Safety' refresher; public Health & Safety Seminars)	None during this reporting period. The most recent elected member workshop was in November 2019 on due diligence obligations. Another workshop, facilitated by Emma Brookes, Health and Safety Consultant - PBS Solutions, is scheduled for 1 March 2022. The most recent executive leaders' workshop was held in December 2020, focused on monitoring what matters and taking learnings from the ongoing response to COVID-19.
Participate in site/workplace safety observations with an ELT Member	No health and safety observations occurred in this period due to COVID restrictions and response.
Oversight of Health and Safety Climate survey findings and results	The biennial Health & Safety Climate survey was last undertaken in November 2020 and reported to HSSG (<i>next scheduled for 2022</i>).
Receive and review health and safety information on Council health and safety performance through Council's health and safety reporting framework	The most recent reports presented to FARS and CSC are for the periods: 1 May 2021 - 31 August 2021 1 January 2021 – 30 April 2021 1 July 2020 – 31 December 2020 1 July 2019 to 30 June 2020 (annual report).

Have oversight of Council's Hazard and Risk Register through annual review process	Council have nine critical risk categories and 20 other risk categories.
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Attachments

Attachment 1. HSS Periodic Report - Sept 1 - 31 December 2021

Health, Safety & Security Performance

Reporting Period 1 September – 31 December 2021

Wellington City Council (WCC) has a responsibility to regularly monitor its Health and Safety (H&S) performance to ensure it is on track to meet both its related Policy expectations and H&S 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: Leading indicators

Leading indicators involve precursors that may lead to an accident, injury, or disease. They focus on improving health and safety performance and reducing the probability of serious accidents. They can be used to monitor the effectiveness of the health and safety management system before accidents, incidents and failures happen and work towards preventing or controlling their occurrence. Leading indicators are typically specific and linked to an aspect of the H&S management system.

1.1 Leading indicators

Metric	Reporting Period	Same period last year	FYTD
# of health and safety representatives (HSR)	116	102	116
# of representatives trained (HSR) during period	26	0	50
# of physical first aiders trained (SSW Coordinated)	0	0	23
# of mental health first aiders trained	9*	37	29
# of workers trained on personal confrontation (full day)	12	0**	22
# of worker trained on resilience (full day)	10	10	22
# of health and safety heroes	0	0	0
# of elected member workplace engagements	0	7	1
# of executive member workplace engagements	0	6	5
# of random drug and alcohol Test - pass	28	74	45
# of random drug and alcohol Test - fail	0	0	1
# of early intervention physiotherapy (mirimiri) sessions	0	Not used	0
# of early intervention physiotherapy (European method) sessions	8	14	16
# of employee assistance programme hours	239.50	292.95	384

Points to highlight

Course numbers have been restricted due to Covid and because they cannot be delivered online.

Mental health first aid training was initially offered to People Managers but since opening this up for staff to also attend, there have been regular courses offered and attended.

As part of the Covid response, the wellbeing programme has provided an alternative for staff over and above the historic option of EAP (Employee Assistance Programme) for support. We have experienced high uptake to the wellbeing webinars by staff during the reporting period as outlined in the substantive report.

1.2 Critical risk observations

Critical risk observations provide a key opportunity to engage with teams to understand how a specific critical risk is being managed, control measures that require strengthening and the overall level of assurance that the risk is being managed effectively.

Due to Covid restrictions, staff resourcing and prioritising the implementation of both the Traffic Light System and the Vaccination Policy, the critical risk observations were postponed during this reporting period. They will be put back into the plan of work in the new year.

1.3 Near miss incident risk break down

Severity	Extreme	High	Moderate	Low
Near miss incidents	0	5	57	237

Related definition: any incident that did not harm people or damage assets or the environment but, in different circumstances, could have done so. *These events are included within section 5 below.

Points to highlight

The number of lower risk events highlight the opportunities that exist to control risks without actual harm occurring or a higher level of consequence.

Health, Safety & Security Performance

Section 2: Lagging indicators

Lagging indicators measure loss events that have already occurred. They quantify WCC's H&S performance in terms of past incident statistics (numbers of incidents, reported accidents, incidences of disease or failures of systems). We use these indicators to measure the outcomes of WCC's management of H&S. 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 Lagging Indicators

Metric	Reporting Period 1 st September – 31 st December 2021	Same period last year (1 st September – 31 st December 20)	FYTD
# work related ACC injury claims	30	40	39
# non-work related Well NZ managed claims	3	5	4
Claim costs to date	\$5,285.37	\$75,438.08	\$17,397.13
Number of workdays lost	20	190.375	50.28
Average delay in incident reporting (days)	5.16	4.98	5.18
# Personal Confrontation (#1 Critical Risk) incidents	333	183	433
# non-negative drugs & alcohol tests	0	0	1
# health exposure tests with results over thresholds	0	0	0
# bans issued	2	6	8
# trespass notices issued	5	2	12
# incidents reported to Police	38	34	56

Points to highlight

The higher value in claims costs for the same period last year is reflective of three high risk/cost claims which combined had costs, to date, of \$63,313.71. One of these claims have been closed and two are still open.

Note, the continuation of the increase in personal confrontation incidents being reported, and as a result, the levels of incidents being reported to the Police and bans issued are increasing or remaining at higher levels than previous time periods.

2.2 Reported injury incidents risk breakdown

Severity	Extreme	High	Moderate	Low
Injury events (FA, MT, NE/LTI)	2**	5	125	537

Definitions: FA = first aid injury, MT = medical. NE/LTI = notifiable event/lost time injury.

*These events are included within section 5 below.

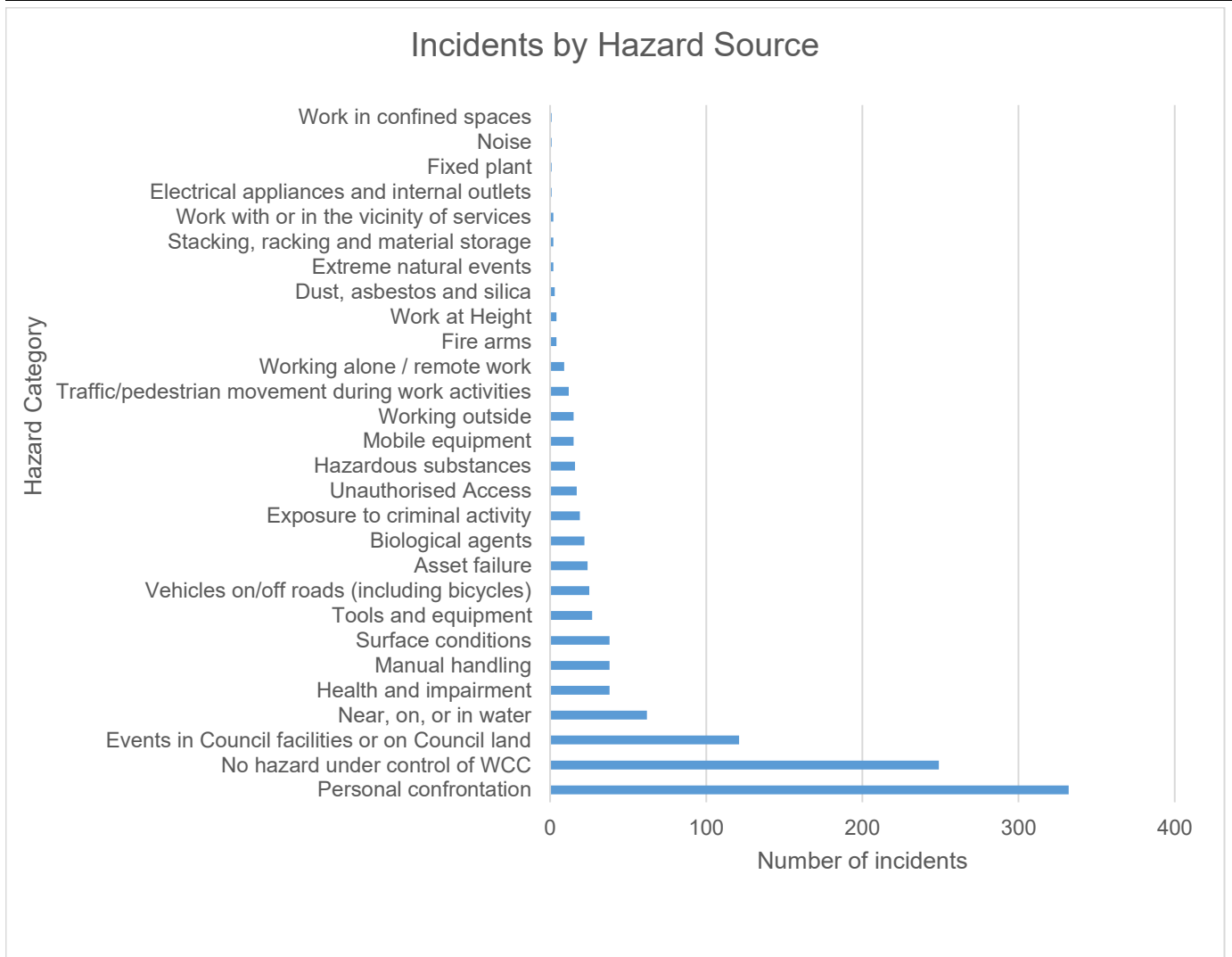
** incident relating to Vaccine mandate x 2 likely needs re-adjusting

Points to highlight

The proportion of higher risk incidents to lower risk events highlights the opportunities that exist to control risks without a higher level of consequence occurring.

Both incidents recorded as extreme severity relate to reported physiological harm due to WCC mandating Covid vaccinations (both incidents were reported by the same worker).

2.3 Report injury incidents by hazard source



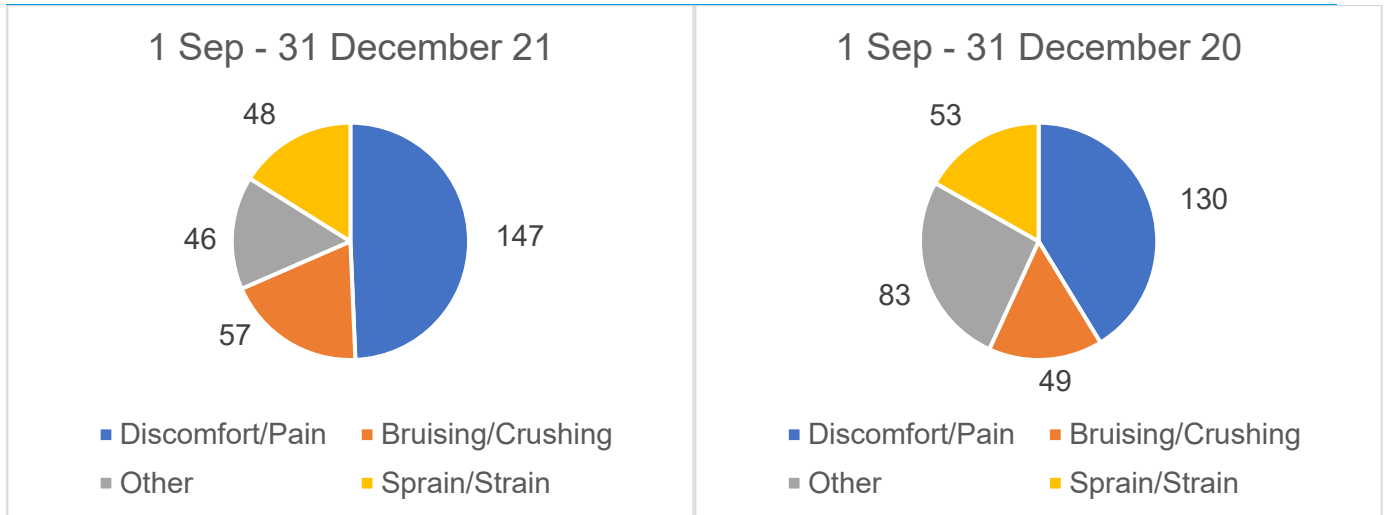
Points to highlight

Personal confrontation remains WCC's top hazard and is consistent with previous reporting periods.

2.4 Reported injury type breakdown (top 4)

(Percentage of total worker injuries reported)






Please note, the below graphs represent the top 4 injury types reported over the reporting period



Points to highlight

Discomfort and pain remain the top injury type reported on for this reporting period. Early reporting of pain and discomfort is encouraged as it presents an opportunity for staff to receive early intervention treatment before the discomfort or pain become more significant (and costly) or lead to an injury.

2.5 Role Type Incident Report Breakdown

Role type	Reporting period		Same period last year	
 Worker	NM	167	NM	91
	FA	213	FA	112
	MT	47	MT	57
	NE/LTI	1	NE/LTI	1
 Public	NM	107	NM	194
	FA	330	FA	288
	MT	27	MT	35
	NE/LTI	0	NE/LTI	3
 Tenant	NM	2	NM	2
	FA	3	FA	0
	MT	1	MT	1
	NE/LTI	0	NE/LTI	0
 Contractor	NM	22	NM	10
	FA	36	FA	16
	MT	7	MT	5
	NE/LTI	0	NE/LTI	0
 Volunteer	NM	0	NM	0
	FA	6	FA	1
	MT	0	MT	0

	NE/LTI	0	NE/LTI	0
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Related definitions: NM = near miss, FA = first aid injury, MT = medical.
NE/LTI = notifiable event/lost time injury.

Points to highlight

There is a significant increase in near miss reporting for WCC workers as well as contractors. WCC managers and contract managers have made a conscious effort to ensure staff and contractors are reporting all types of incidents which has led to the increase of reporting seen. There has been an increase in first aid incidents reported, however the trend is showing a decrease in medical treatment incidents.

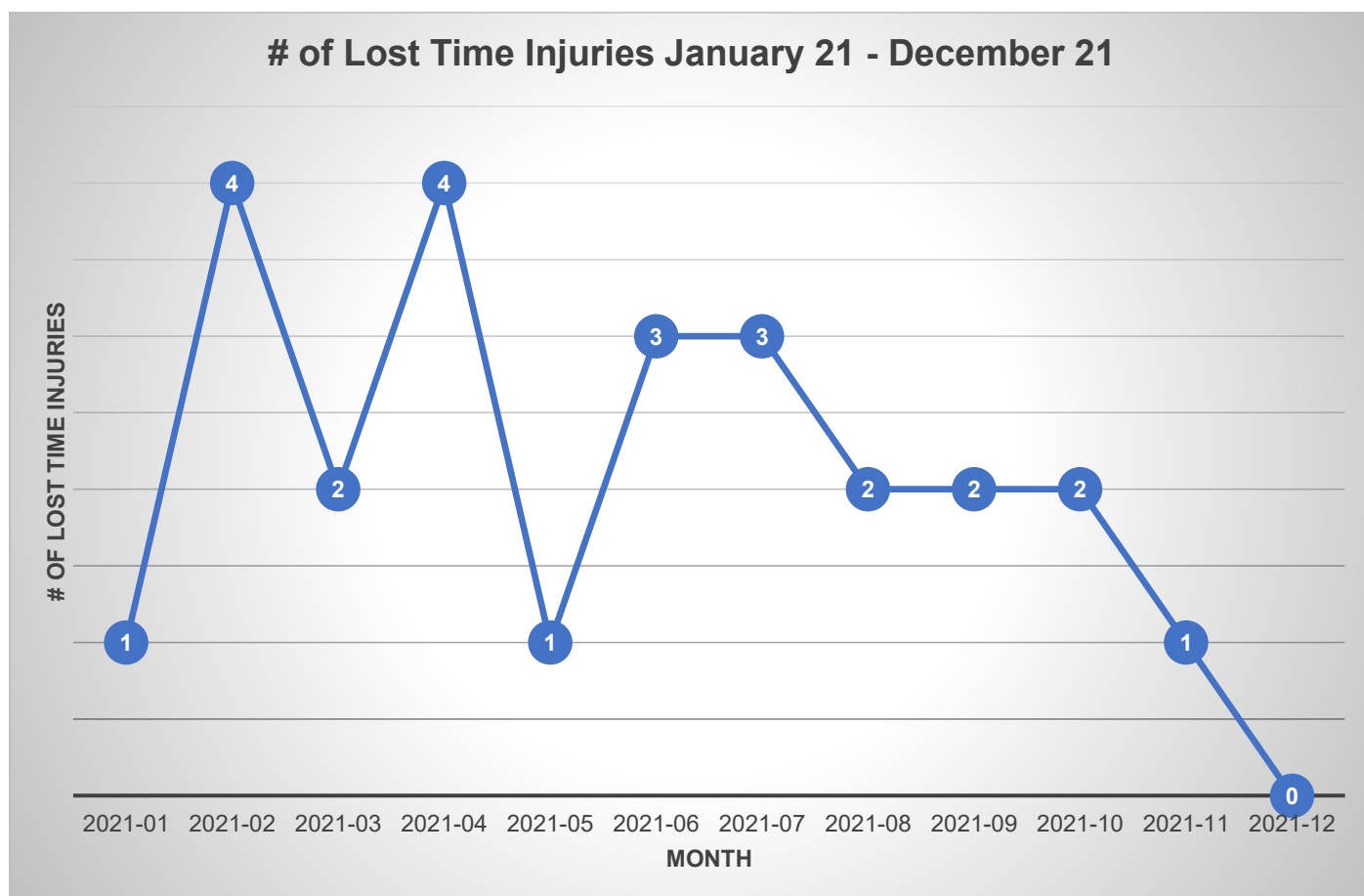
The worker incident categorised as notifiable event/illness in the above graph relates to a worker becoming ill following exposure to fungal spores. This was reported to WorksafeNZ.

Section 3: Graph indicators – lost time injuries, near miss reporting and employee assistance programme usage.

3.1 Lost Time Injuries

The following graph shows the number of lost time injuries per month by employees (excluding contractors) for the reporting period 1 January 2021 – December 2021.

A **lost time injury (LTI)** is an event that results in a fatality, permanent disability, or time lost from work. It could be as little as one day or a shift off work being lost, or months of rehabilitation. It can arise from a small incident, like a paper cut, or from a notifiable event such as a fall from height.



Points to highlight

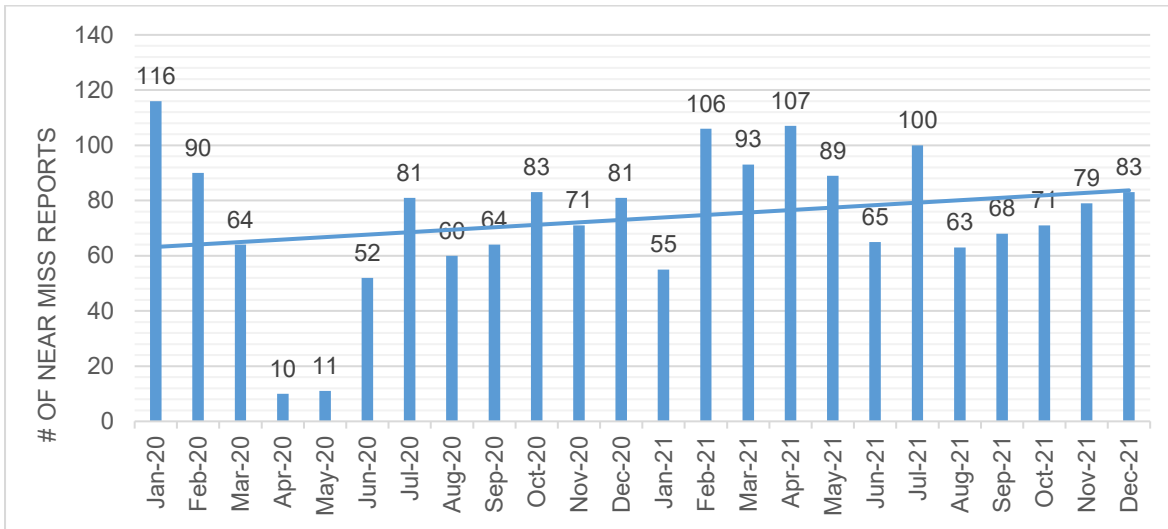
Key points to note in relation to lost time injuries include:

- The number of injuries that were reported during September and October, resulting in lost time, remained consistent and have continued to decrease since November.
- Alternative duties (lighter work tasks) in gradual return to work plans has proved valuable and has led to an increase in wellbeing for those injured staff who are away for longer periods of time.
- Rehabilitation has proved to be an integral part of the process for dealing with injury or illness. It has been recognised that rehabilitation should commence as soon as possible following injury or illness.
- Our goal is to ensure that our employees are able to return early to safe, meaningful and productive work from both work and non-work injuries.

3.2 Near Miss Reporting

The following shows near misses reported for the reporting period 1 January 2020 – 31 December 2021. A **near miss** is an unplanned event that did not result in injury, illness, or damage – but had the potential to do so.

Collecting near-miss reports helps create a culture that seeks to identify and control hazards, which will reduce risks and the potential for harm.

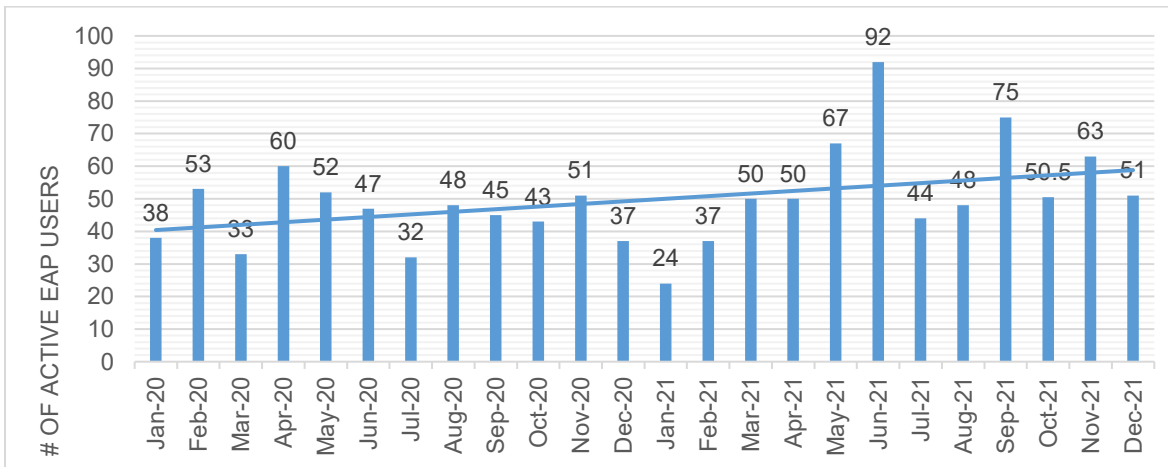


Points to highlight

There is a positive uplift in near miss reporting from workers and contractors since August 2021, although this uplift does not reach previous reporting levels. The Health, Safety & Security team will continue to provide regular encouragement around reporting through regular engagement channels internally.

3.3 Employee Assistance Programme (EAP) Usage

The following shows the total number of active EAP users for the reporting period 1 January 2020 – 31 December 2021.



Points to highlight

Since an initial jump in numbers in June 2021, EAP usage has been consistent since. The top three presenting issues were personal relationships (in personal life), depression/anxiety/emotional issues and stress in personal life.

Section 4: Information Sources:

- Data pulled from Risk Manager reporting system (internal), EAP provider reporting, WellNZ third party injury management provider.

Section 5: Serious Incidents (including high potential near misses)

A serious incident is an event that has resulted in or had the potential to result to cause serious harm via illness, injury (or both).

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

Date of Incident	Business Group/Team	Location	#	Brief Details of Incident/ High Potential Incident (VERBATIM / AS REPORTED)	Corrective Action	Corrective Action Status	Near Miss	Critical Risk (Nasty Nine)	High Potential
7/09/2021	MOB	Level 7	1238193	<p>Decision for the Johnsonville Market 2 Morgan Street was issued yesterday. CP rang KP demanding that I answer questions about the decision, claiming that it was invalid due to legal procedural errors. I informed CP that this was not a matter that I could comment on, and invited CP to send any questions or comments to us via email. Otherwise I could not discuss any matters concerning the decision with him. CP became very angry, loudly informing me that under the Treaty of Waitangi he had a right to receive a verbal answer from me, and that I must comment on what he was saying. I hung up.</p> <p>A few minutes later CP rang again, aggressively demanding that I answer his questions. By now I was in a very shaken state. I do believe that, following earlier experiences that I have had surrounding dealings with CP, that I have signs of Post Traumatic Stress Disorder. As soon as I realise that I am dealing with him my blood pressure increases, I have trouble breathing, and I start to panic, reverting to a "flight" mode where I want to get away ASAP.</p> <p>With the second call I simply kept repeating that I could not answer his questions, and that he needed to send them in via email. CP kept yelling at me that he had a right to receive a verbal answer, and did not want to send any questions in via email. I may have raised my voice at one point in responding to CP, though I was never rude. I did inform him that I considered that his behaviour towards me was "bullying". CP informed me that "many people are listening to this call". That further increased my stress levels. I interpreted him as stating that he was "live streaming" or otherwise broadcasting the call to the public. I hung up the phone.</p> <p>The experience has left me distressed and shaken. Even preparing this entry in Risk Manager has proved very distressing.</p> <p>Immediate Actions Taken Contacted my Manager. Placed my phone setting on Do Not Disturb to avoid any further calls from CP.</p>	New CP caller number blocked staff informed to disconnect future calls	Simple investigation - closed	NA	personal confrontation	Yes
2/09/2021	Transport and Infrastructure	Footpaths or roads	1237723	<p>Stop/Go traffic control in place in the Ngaio Gorge. Cyclist had ridden onto the footpath to avoid the queue at the uphill set of lights, travelling downhill. He then travelled down the hill in the pedestrian walkway through the first half of the site before crossing over the live lane and proceeding down the hill through the second half of the site in the live lane. As he had not travelled through the lights at the top, the TC staff had not accounted for him in the line of traffic. The last vehicle had been received from the flow of downhill traffic and the downhill TC changed his light to green, sending the flow of traffic uphill. The cyclist travelling downhill (and now against the flow of traffic) has collided with the first car in the uphill flow on a blind corner.</p> <p>Immediate Actions Taken Traffic has been stopped and the crew have attended with first aid. Police and Ambulance have been called to attend. A diversion has been established around the incident to allow traffic to flow again. Police attended site and took statements. Ambulance attended to cyclist, who appears to have a shoulder injury. Cyclist taken to Wellington Hospital.</p>	Simple investigation	Closed	NA	Vehicles, traffic & mobile plant	Yes
8/11/2021	Parks, Sport and Recreation	WRAC	1247926	<p>KPI2 has been insisting that KPI get the vaccine saying that it is the best thing to fight against covid. KPI2 has no legal standing as an entity that should advise healthcare. KPI received multiple emails from KPI2 stating that KPI should get vaccinated and that it is the right thing to do.</p> <p>KPI2 then threatened that KPI could fall under the government mandate on 05/11/21</p> <p>KPI filled out a serious event harassment claim to which KPI has had no response as of yet. KPI2 stated again that KPI should get the vax without any regard for my personal situation. Also insisting that it was to protect other which is a</p>	None	Awaiting full investigation	NA	personal confrontation	Yes

				<p>blatant lie that KPI2 provided no evidence for. KPI was put under huge psychological harm by their employer. This has caused sleepless nights and logistical issues around family stability surrounding income. This has also put under threat KPI's routine. KPI is a duty manager and is in charge of timesheets. A very trusted position. KPI2 sent an email today 08/11/21 stating that KPI would fall under the mandate. This has caused an increase in psychological harm as KPI2 is coercing KPI to get an experimental medical treatment(check out the Nuremberg code) in order to maintain job stability. This is a serious harm event that has put KPI under a situation of shame in the workplace for being potentially let go of for nothing to do with performance and is causing a huge disruption at my family home</p> <p>Immediate Actions Taken KPI filled out this incident report and will be responding with a letter to management addressing the email KPI2 sent</p>					
2/12/2021	Parks, Sport and recreation	WRAC	12529050	<p>On 01/12/21 KPI2 confirmed that they would follow through with a vaccine mandate for all staff at WRAC. KPI2 does not have to do this by law. KPI2 is implementing this of its own volition. KPI2 is stating that it will look to redeploy staff if they don't show their vaccine certificates but terminate their contracts where not possible KPI2 has insisted that staff will be put on leave without pay for an undetermined amount of time if staff don't comply in handing over their proof of vaccination. This means that those staff are being held onto by the WCC which makes it harder for staff to seek new employment or benefits while the council decides not to pay them for an undetermined amount of time. KPI2 has offered no apologies for its conduct over such measures. KPI2 is stating that perfectly competent employees will be losing their jobs over a matter not once mentioned in KPI's contract Immediate Actions Taken The "mandate" that KPI2 is implementing directly affects KPI. KPI has been unwilling to disclose any personal information on vaccine status thus far. KPI2 has repeatedly attempted to coerce KPI into seeking medical treatment. KPI is stressed, anxious and scared that over the coming weeks, if KPI chooses not to handover private medical records, that KPI's contract will be terminated and/or be put on leave without pay for an undetermined amount of time. KPI feels stressed that he will not be able to support his household and keep up with payments as a result of potentially being put on unpaid leave. KPI is stressed and upset that this has happened during the Christmas period. This has caused a loss of sleep, and a decrease in mood. KPI2 has not responded to or clarified any information I have sought regarding this medical treatment. I send a letter to which I got no reply. Asking, what I thought were valid questions regarding the medical treatment. This combination of bad faith treatment and coercion as well as the potential loss of employment and or income has put KPI under intense pressure over financial stability and has increased stress at home. KPI feels that he will be ostracised and or ignored if he questions KPI2's policies as evidenced thus far. KPI's situation has been ongoing since the first council proposed mandate which they retracted after finding out it wasn't legal. KPI is yet to see a health and safety risk assessment going into the science of the vaccine mandate vs not implementing it.</p>	None	awaiting full investigation	NA	NA	Yes

10/10/2021	Parks, Sport, and recreation	Botanical gardens	1243738	<p>KPI was working at the education pavilion finishing off a small building/landscaping project started the week before. KPI had finished the work and was packing up the tools and tidying the area. In the area were several large boulders that were to be used as part of the installation. I had shifted them around earlier, so I had room to work and was kicking them back into place with my feet. I kicked and rolled the largest one back towards its original position (next to the bath installation and a large support beam holding up the outdoor shade cloth) KPI reach out with hand to stop its momentum, in touching it I shifted its momentum and it roll awkwardly in the other direction and pinning KPI's right finger against the large steel support holding up the shade cloth next to me.</p> <p>Instant Crushing pain and laceration when pulling hand out in automatic reaction causing it to bleed</p> <p>Immediate Actions Taken First aid applied immediately. TL contacted and advised of trip to A&E TL Locked up site</p>	<p>TL working through Injury management process with KPI</p> <p>TL review working alone procedures PSRHSALD providing support where needed</p>	Awaiting closure	NA	Manual Handling	Yes
31/10/2019	Parks, Sport and Recreation	Botanic Gardens	1256517	<p>Sequoia sempervirens branches had failed and were lying on the ground, Used a chainsaw to cut them into smaller pieces to transport offsite. The branches were green.</p> <p>Noticed while cutting that the internal temperature of the branches was extremely high. There were fungal spores noticed on the leaves of the branches, but none noted on the wood itself.</p> <p>Moved the cut sections to the RTV and transported them to the Lower Yard to be disposed of.</p> <p>Immediate Actions Taken Cryptococcus gattii can incubate for up to 18 months. Symptoms of infection appeared in 2021, 6 months prior to being diagnosed, these included extreme and frequent headaches and a persistent cough. MRI,CT scan and lumbar puncture diagnosed Cryptococcus gattii infection. Admitted to hospital for 2 weeks, infusions for 5-9 hours per day for 4 weeks. Oral medication for 6-12 months and continued monitoring by CT scan and MRI every 3 months</p>	Work safe notified 24/12/2021	Awaiting simple investigation	NA	NA	Yes
30/09/2021	City Housing	Newtown Park Apartments	1242616	<p>KP and KP1 were on level 4 Block A checking a noise complaint and we could hear thumping and screaming coming from flat A404. I approached the door, and I could hear fighting, screaming and thumping. I called the police straight away and described the incident to the call taker. As I was talking to the police, someone came out of the flat. A male bleeding. I could see he had a broken nose and was covering his face with a disposable mask. He walked past next to me and towards Kerry, then he knocked on the door of the neighbour at A405. No answer, so he waited for the lift. I was on the phone to police and Kerry was next to me. Two tenants from other apartments came out and were watching the situation. The man left but there was still noise coming from the flat. Kerry and I notified CH managers, Emerge (as they hols the tenancy) and support workers for the tenant at DCM. The support workers arrived but did not feel it was safe for them to enter the apartment without the presence of police officers. We were waiting outside of the block for the police to arrive.</p> <p>Immediate Actions Taken Police were phoned and PPC's were called in to clean the blood Support workers from DCM were also contacted to support the tenants</p>	None	Closed	NA	Personal confrontation	Yes

8/12/2021	City Housing	Hanson Court apartments	1254371	<p>Ventia Voids specialist attended vacated property to scope, the Voids specialist had not been advised the previous tenant had died in the property and biohazards (blood & Body fluids) had been found including a maggot infestation.</p> <p>Immediate Actions Taken</p> <ul style="list-style-type: none"> - Voids specialist does not carry specific biohazard PPE so left site. - Biohazard's subcontractor is required to do a clean before anyone else enters the site 	None	Closed	NA	NA	Yes
28/12/2021	Parks, Sport and Recreation	Freyberg Pool	1256663	<p>KPI who had received previous ban letter ignored letter and removed from site with police assistance loitering in car park, waiting for staff to finish shift. When staff left for the day hoping in cars to leave KPI followed staff around CBD tailgating and pulling the fingers.</p> <p>Immediate Actions Taken</p> <ul style="list-style-type: none"> -Staff Immediately phone police and OM -Police directed staff in car to central police station - 2 staff in car left police report at station 	29/12/2021 OM in comms with senior leadership during this.. Security alerted and request for security on site for next 3 days has been put through.	Awaiting closure	NA	Personal Confrontation	Yes
22/12/2021	Customer Experience	Arapaki	1256176	<p>The Library and the Service Centre were in a team meeting in the main meeting room. KP noticed that something was happening at the main door. And expressed KPI was getting attacked. KPI2 waited for police to arrive and muttered he would come back with a gun and shoot you</p> <p>Immediate Actions Taken</p> <ul style="list-style-type: none"> -pulled Duress alarm -phoned the police -KPI2 went to walk away and had left his wallet -KP approached KPI2 with wallet and asked him to come back and wait for police -Police arrived and issued trespass notice to KPI2 and checked on team 	Awaiting simple investigation	Not yet completed	NA	Personal confrontation	Yes
04/12/2021	Parks, Sport & Recreation	Keith Spry Pool	1254150	<p>Was rotawashing teaching pool when it stopped working.</p> <p>Tamati went to 'fix' it and it shocked his fingers and up his arm</p> <p>Immediate Actions Taken</p> <p>Turned rotawash off immediately</p>	13/12/2021- Rotowash has been checked by electrician and operations manager is purchasing more plug protectors as per "All Pools safe use of electrical equipment"	Closed	NA	Asset Failure	yes
25/12/2021	Parks, Sport & Recreation	Keith Spry Pool	1256588	<p>While completing plant checks, staff member discovered the tubing from the teaching pool dosing pump had come away from the injection point. This resulted in a considerable chlorine leak spill on the plant room floor.</p> <p>Immediate Actions Taken</p> <ul style="list-style-type: none"> Turned off dosing pump. Used bucket to catch excess chlorine Contacted contractor to fix injection point Cleaned up spilt chlorine with spill kit as per policy, checking no chlorine had entered drains 	None	In progress	NA	Asset Failure	Yes

20/10/2021	Parks, Sport & recreation	Otari Native Bush	1245435	<p>The whole team was working loading materials onto the tractor at the service entrance. This job was outside the garage; however, a little bit of stone had rolled into the garage. Garage entrance. We were just finishing the job and Cheyney walked under the garage door to get something, she said she noticed it was lower and went to touch the roller door when the door unroller onto her, hitting her on her forehead.</p> <p>Immediate Actions Taken</p> <p>I took KP to the mess room, cleaned up the small cut on her head and put a plaster on it. The swelling had started immediately so I found some ice for her to ice the wound. She was feeling okay and was thinking to go back to work. We sat down and gave her a sugary tea. She wasn't showing signs of concussion, but we decided it was best for her to visit the afterhours of Adelaide road and then drop her home.</p> <p>Since the incident the garage door has been left closed and the main door and side door has been closed with danger tape. staff have been informed not to enter the area. The garage is scheduled for demolition within the next couple of weeks.</p>	<p>Otari team have closed the garage door and the main door and side door and have put danger tape in place to stop people entering.</p> <p>All staff have been informed of roller door hazard.</p> <p>Garage to be demolished in coming weeks and</p> <p>The garage is currently empty</p> <p>Update SSW team on KPI recovery.</p>	In Progress	NA	Asset Failure	Yes
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KĀWAI MĀHIRAHIRA | AUDIT & RISK SUBCOMMITTEE THREE-YEAR FORWARD WORK PROGRAMME

Kōrero taunaki

Summary of considerations

Purpose

1. This report to Kāwai Māhirahira - Audit and Risk Subcommittee sets out a three-year work programme for the Subcommittee's consideration.

Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

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

Relevant Previous decisions

Not applicable

Significance

The decision is **rated low significance** in accordance with schedule 1 of the Council's Significance and Engagement Policy. The decision is able to be reversed and has low consequence for Wellington City.

Financial considerations

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

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

Risk

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

3. This paper **supports** effective risk management and governance by providing subcommittee members with transparent reporting.

Author	Richard Leverington, Manager Risk and Assurance
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**KĀWAI MĀHIRAHIRA - AUDIT AND RISK
SUBCOMMITTEE
2 FEBRUARY 2022**

Authoriser	Stephen McArthur, Chief Strategy & Governance Officer
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Taunakitanga

Officers' Recommendations

Officers recommend the following motion

That Kāwai Māhirahira - Audit and Risk Subcommittee:

- 1) Receive the information.
- 2) Approve the three-year Forward work programme.
- 3) Note that, if approved, the Subcommittee will have opportunity to review the Forward work programme at each meeting to ensure it can be adapted to changes in Council's risk profile and so that it remains relevant to the needs of the Subcommittee.

Whakarāpopoto

Executive Summary

4. The proposed three-year forward work programme balances the Subcommittee's responsibilities across all elements of its Terms of Reference and aligns with the timing of external accountability cycles.
5. The programme enables better planning and prioritisation for Subcommittee members, officers and external audit.

Takenga mai

Background

6. Since the establishment of the Kāwai Māhirahira - Audit and Risk Subcommittee in mid-2020, the forward agenda for meetings has been structured primarily around statutory reporting timeframes, specifically the completion of the 2020-21 external audit and Annual Report.
7. In order for the Subcommittee to perform its full oversight role in a planned and structured manner the Chair has asked for a Forward work programme to be presented for approval.

Kōrerorero

Discussion

8. The proposed programme at Attachment 1 covers all of the Subcommittee's responsibilities as set out in its Terms of Reference. Subheadings from the Terms of Reference have been used to structure the programme.
9. The proposed programme includes new items, discussed in more detail below, that provide a broader and deeper perspective of Council risk to the Subcommittee. The programme also provides for in an annual review of the Subcommittee's effectiveness.
10. The proposed programme allocates time for the Subcommittee to regularly meet with the Chief Executive, and with chief officers on a rotational basis. This is recognised good

practice by the Office of the Auditor-General. Chief officers will have the opportunity to present their upcoming work programmes and discuss “what keeps them awake at night”. This represents a change to the role of Chief Officers at these meetings who have previously attended primarily to answer questions about specific papers.

11. Another new feature is a regular update on actual or potential litigation matters from the General Counsel.
12. Once a year the Chair will lead an assessment of the Subcommittee’s performance and effectiveness.
13. The programme incorporates the statutory reporting requirements and deadlines. The Subcommittee can reschedule other items in the programme that are not bound by hard timeframes.

Kōwhiringa

Options

14. Not applicable.

Whai whakaaro ki ngā whakataunga

Considerations for decision-making

Alignment with Council’s strategies and policies

15. The Subcommittee’s oversight of risk management and internal audit activity provides assurance over Council’s strategies and policies and the management of risks, including oversight and reporting to other committees.

Engagement and Consultation

16. Chief Officers have been consulted on the proposed programme and a briefing was held in early December 2021 for members of the Subcommittee. The decision is rated low in significance per Council’s Significance and Engagement Policy. As such, no public communication or engagement is planned.
17. The Chair of Council’s Finance and Performance Committee has had opportunity to comment so as to ensure that the Subcommittee programme aligns with the ‘parent’ Committee.

Implications for Māori

18. The forward programme does not create specific opportunities for partnering. The impact on meeting our Te Tiriti o Waitangi obligations, and to our mana whenua partnerships, are included in all strategic risk assessments.

Financial implications

19. There are no financial implications, and no additional expenditure is proposed.

Legal considerations

20. The Forward Work Programme includes consideration of legal risk and an annual review of legislative compliance. The Forward work programme is not driven by the requirements of specific legislation.

Risks and mitigations

21. With only three scheduled meetings a year, there is a risk that the Subcommittee will not be able to cover all items on the programme. There is some flexibility in that the Subcommittee can reschedule items on the programme that are not tied to deadlines. Meetings can also be extended. The Subcommittee may request workshops and briefings to focus on specific topics outside of meetings. Additional meetings can also be scheduled to keep the Forward Programme on track.

Disability and accessibility impact

22. The Forward Work Programme has no direct impact on people with access needs. The audience for the paper is subcommittee members, not the public.

Climate Change impact and considerations

23. While this report does not contribute directly to our achievement on progress towards zero carbon goals, agenda items on the forward programme include reporting on risks to achieving these goals,

Communications Plan

24. Officers and external partners responsible for drafting Subcommittee papers will be contacted prior to each meeting by Democracy Services and/or the Manager Risk & Assurance.

Health and Safety Impact considered

25. The Forward work programme does not give rise to direct health and safety impacts. The Subcommittee will review the Health and Safety Performance report at each meeting to gain assurance over Council's management of H&S risk.

Ngā mahinga e whai ake nei

Next actions

26. Subject to the Subcommittee's approval of the Forward Work Programme, officers will prepare for the June 2022 meeting, which will include an update of the programme.

Attachments

- Attachment 1. Proposed Forward Work Programme

Kāwai Māhirahira | Audit & Risk Subcommittee: Proposed Forward Work Programme

	Feb 2022	May 2022	Sep 2022	Feb 2023	June 2023	Sep 2023	Feb 2024	June 2024	Sep 2024
Council Controlled Organisations									
○ CCO annual reports on risk that impact on Council's group risk			◆			◆			◆
Finance									
○ Insurance Strategy 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									◆
Focused agenda items									
○ Programme Management Office – P3M3 maturity		◆			◆				
○ Procurement Strategy	◆				◆				
○ Holidays Act compliance		◆							
○ Building consenting liability		◆							

STRATEGIC RISKS UPDATE FOR FEBRUARY 2022

Kōrero taunaki

Summary of considerations

Purpose

1. In line with the Kāwai Māhirahira - Audit and Risk Subcommittee responsibility to Review, approve and monitor the implementation of the risk management programme of work, the risk management policy, framework and strategy, this report provides you with an update on the status of our Strategic Risks. We are asking the Subcommittee to consider if there are critical gaps in the risk register and to agree on priorities for reporting on risks at future meetings.
2. This paper seeks the Subcommittee's formal approval to implement the revised risk management framework, with a focus on the top risks for the Council and City.

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

Relevant Previous decisions

At the June 2021 meeting of this Subcommittee, you approved the 2021-22 Risk Management Team workplan. The workplan includes a refresh and update of our Strategic risk Assessment and reporting approach.

Significance

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

Financial considerations

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

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

Risk

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

-
4. This paper and the associated risk registers have been specifically developed to support effective risk management and governance at Wellington City Council. By providing Subcommittee members with transparent reporting and links to risk reporting at other committees, we will build our risk reporting maturity.

Author	Kim Wright, Principal Advisor Risk Management
Authoriser	Richard Leverington, Manager Risk and Assurance Stephen McArthur, Chief Strategy & Governance Officer

Taunakitanga

Officers' Recommendations

Officers recommend the following

That Kāwai Māhirahira - Audit and Risk Subcommittee:

- 1) Receive the information.
- 2) Approve the implementation of the revised risk management reporting framework.
- 3) Agree on priorities for detailed reporting on specific risks, consequence types, or other risk topics for future Kāwai Māhirahira meetings, as set out in paragraph 13.

Whakarāpopoto

Executive Summary

4. The Council's Strategic Risk Register is comprised of the risk status reporting dashboard and risk profiles for thirteen external and internal threats to our organisation, as well as the framework reference table that underpins all risk assessments. These artefacts have been developed to provide you with the key information you need to be assured the Council's strategic risks are being identified, assessed, and managed.
5. Up-to-date Strategic Risk Register artefacts will be provided to the Subcommittee at each meeting to support its role in strategic risk governance. Feedback is being sought on any gaps you see in the information provided today, and in particular whether additional risk profiles or dashboard content is required by the Subcommittee.

Takenga mai

Background

6. In August 2021 officers presented an updated approach to identifying, assessing, and reporting on strategic risks and their management. The most significant changes introduced were:
 - A broadening of the range of consequences considered as the Council's risks are assessed. This change was introduced to provide more insight on what is driving risks to WCC and our city. It also provides clearer links to various Council activities and their relevance to risk management.
 - More detail on the risk reporting channels and key papers that describe activities that could mitigate or increase our strategic risks that are presented to other Council committees.
 - A detailed risk profile for each of the Council's top threats, including the maximum credible scenario risk assessment with detailed consequences analysis, a summary of current and future risk management, and commentary on gaps, opportunities, trends, and links to other risks.
7. This paper is accompanied by thirteen risk profiles and a summary strategic risk status "dashboard". Also included are the reference tables that are used for all strategic risk

assessments. These reference tables provide standardised methods for determining the likelihood and consequences of our risks.

8. These artefacts will be made available at each Subcommittee meeting. Updates will be based on the following:
 - I. Any change in current (inherent) risk levels based on expected likelihood or consequences changes due to risk management activities that have been implemented
 - II. Any change in risk due to change in environmental/external circumstances that requires us to revisit our risk assessment
 - III. Any new or emerging trends or risks that should be brought to the attention of this Subcommittee
9. A three-year workplan/agenda schedule has been developed for this Subcommittee. This includes regular updates on Strategic Risks and room for more in-depth discussions on priority risks. This schedule also includes representation from each of our Chief Officers in turn. Their attendance will provide the Subcommittee with the opportunity to discuss in more detail strategic risks and their management with the officers overseeing significant programmes, projects, and activities relevant to our risks.

Kōrerorero

Discussion

10. This meeting is the first opportunity to review the full complement of risk profiles. These have been developed to provide the Subcommittee with assurance that the Council's risks are being identified and managed, and also to support meaningful discussions about the measures that are in place to manage risks to our Council and our City. Key points to note are:
 - I. From our maximum credible (realistic worst case) scenarios, four risks have inherent ratings of extreme. These are *Inadequate planning and prioritisation, Resource and supply (including workforce) constraints, Covid-19 outbreak in Wellington, and Inadequate climate change response*. Three are rated extreme/high: *Cyberattack, Inadequate harm prevention and Malicious attack on a Council site*.
 - II. The consequences that are highest when looking across all threats (refer Summary Dashboard p2) are our *Priority Investment projects and programmes, Staff health safety and wellbeing, Our finances, Community wellbeing and Critical service delivery*
11. The information provided should be sufficient for you to exercise your governance role. Feedback is sought on any critical gaps in the information provided in the artefacts. At the Strategic Risks briefing held on 8 December 2021, some suggestions were raised for additional risk profiles, including asset management and infrastructure failure. Consequences to our critical services delivery and the condition of our physical assets are considered for all risk assessments (refer to the Enterprise risk reference tables - consequences). Infrastructure failure as an outcome is in itself a consequence more than a threat; there needs to be a driver or trigger for it to occur.
12. Officers agree there is merit in including more specific information on the risks associated with how we manage our assets. If the Subcommittee want to include this topic more explicitly, the Risk Management team could conduct a risk assessment and develop a risk profile for "Inadequate Asset Management". We would expect

infrastructure failure to be a key consequence for this threat. This profile would also provide more useful context for describing what actions we are taking as a council to protect the Council's physical assets.

13. We seek feedback on priorities for future reporting. The Subcommittee will receive the dashboard summary each meeting. We suggest the following for your consideration. Risk profiles will also be provided to the Subcommittee if:
- I. They have been significantly updated (as per Paragraph 8)
 - II. The risk is rated as extreme or high
 - III. The threat or risk(s) is particularly relevant to the Chief Officer in attendance as per the three-year meeting schedule
 - IV. This Subcommittee requests a specific update on a particular threat and its associated risks

Kōwhiringa

Options

14. Not applicable.

Whai whakaaro ki ngā whakataunga

Considerations for decision-making

Alignment with Council's strategies and policies

15. The context for development of the Strategic Risk Register is the consideration of risks to the achievement our long-term strategic goals, and to the delivery of our everyday services. The threats we consider, and the range of consequences we assess, reflects this context. The table below shows the links between our LTP strategic priorities and the consequences we include in our risk assessments.

LTP Strategic priorities	Relevant risk assessment consequence areas
Three waters infrastructure	Critical services delivery Our critical assets Partnerships and relationships Community health, safety, and wellbeing
Affordable, resilient, safe city	Our critical assets Priority investments projects and programmes Community health, safety, and wellbeing Environment
Safe, resilient, reliable transport	Critical services delivery Our critical assets
Creative, cultural city	Wellbeing services delivery Community health, safety, and wellbeing
Zero caron, waste free acceleration	Critical services delivery Our critical assets Environment

Strong mana whenua partnerships	Democracy and governance Partnerships and relationships Wellbeing services delivery
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Note, there are other consequences we consider in our assessments that are not so strongly aligned with LTP priorities but are nevertheless fundamental to us functioning and delivering every day for Wellington. These are: our essential data and digital systems, our staff health safety and wellbeing, our legislative compliance and regulatory role, our finances, our workforce capability and capacity, and our reputation and trust levels.

Engagement and Consultation

16. This paper is low significance as per our Significance and Engagement Policy. The paper and associated attachments have been developed using internal consultation with the Executive leadership Team and subject matter experts within Council. This work is for internal use in managing and reporting on our risks and not developed for or with the public.

Implications for Māori

17. These internal reports do not create any specific partnering opportunities. Consideration of risks to us meeting our Te Tiriti o Waitangi obligations and to our mana whenua partnerships, are included in all strategic risk assessments. The Mataaho Aronui team has been consulted during the development of relevant risk register artefacts.

Financial implications

18. No additional expenses will be incurred by this work. Assessment of financial consequences is built into the Strategic Risk Framework itself

Legal considerations

19. There are no legal implications arising from this work and no specific legislative or regulatory requirements. Our legislative compliance and our role as a regulator are considered in all risk assessments.

Risks and mitigations

20. This paper and the associated risk registers have been specifically developed to support effective risk management and governance at Wellington City Council. By providing Subcommittee members with transparent reporting and links to risk reporting at other committees, we will build our risk reporting maturity

Disability and accessibility impact

21. This work does not have specific implications for disabled people / those with access needs as the key audience is Kāwai Māhirahira members, not the public.

Climate Change impact and considerations

22. While this report does not contribute directly to our achievement on progress towards zero carbon goals, it includes reporting on risks to our achieving these goals and the mitigations in place to manage these risks. These relevant artefacts have been reviewed by the Climate Change Response team.

Communications Plan

23. There is no communications plan for this work as the key audience is Kāwai Māhirahira members, not the public.

Health and Safety Impact considered

24. This report does not create any health and safety considerations, it does include reporting on risks to health, safety, and wellbeing of WCC staff and contractors and also to the people of Wellington as well as our mitigations for these risks.

Ngā mahinga e whai ake nei

Next actions

25. We will continue to populate the risk profiles to reflect the Council's risk levels. We will also continue to reference key risk reporting presented at other committees and Subcommittees.
26. If the Subcommittee requests any follow-up work such as the development of any additional risk profile, this will be provided at the next Subcommittee meeting.

Attachments

- Attachment 1. Strategic Risk Assessment Reference Tables
Attachment 2. Strategic Risks Summary Dashboard January 2022
Attachment 3. Earthquake and Tsunami Strategic Risk Profile
Attachment 4. COVID-19 Strategic Risk Profile
Attachment 5. Fraud - Strategic Risk Profile
Attachment 6. Inadequate Climate Change Response - Strategic Risk Profile
Attachment 7. Inadequate Financial Planning and Practice- Strategic Risk Profile
Attachment 8. Inadequate Harm Prevention
Attachment 9. Inadequate Partnership Practice - Strategic Risk Profile
Attachment 10. Inadequate Planning and Prioritisation - Strategic Risk Profile
Attachment 11. Other Hazard Event- Strategic Risk Profile
Attachment 12. Resource and Supply Shortage - Strategic Risk Profile
Attachment 13. Inadequate Adaptation to Change - Strategic Risk Profile
Attachment 14. Cyberattack - Strategic Risk Profile - **Confidential** [↓](#)
Attachment 15. Malicious Attack - Strategic Risk Profile - **Confidential**

WCC Strategic Risk Framework Consequences Table

Elements-at-risk or requirements	Explanation	Minor	Moderate	Major	Severe
Generic scale and measures for reference	Generic guide to ensure relativity of scales for each category	Little or negligible impact on the Council's ability to deliver on priority objectives and activities this year.	Minor but noticeable impacts on objectives and activities, largely manageable within Groups. Possibility of isolated but significant impacts with no long-lasting effects	Significant impact on Council's objectives and activities, ELT intervention required and of strong interest to Elected Members. Some impacts have long-lasting repercussions.	Critical impact on delivery of objectives or activities including chance of non-delivery of Council priority objectives, services or legally required activity. Significant long-term intervention and specialised response required. Some irreparable impact or harm.
Democracy and governance	Transparency of Council processes, adherence to Te Tiriti principles, public participation and trust in council decision-making	Voting rates steady or increasing, public engagement with Council processes high. Mana whenua representation on all appropriate committees. Meetings, agendas and minutes accessible. Council able to make key decisions	Voting rates falling OR submissions and public engagement dropping, OR mana whenua not represented on all appropriate committees OR temporary interruption to public access to meetings, agendas and minutes. Council able to make key decisions with some delays	Voting rates drop significantly, public engagement insufficient to provide clear mandate OR mana whenua representation on Council committees sporadic or seen as not serving the interests of mana whenua. Meetings, agendas and minutes unavailable to the public for a prolonged period OR Council unable to make essential decisions	Voting rates drop to the degree there is no clear public mandate OR Widespread protests and dissatisfaction with council lack of public engagement and submissions OR overwhelmingly negative engagement on the majority of matters OR mana whenua withdraw or are not represented on any council committees OR Council decision-making absent, committees dysfunctional/ Commissioner appointed to replace elected members.
Partnerships, relationships and influence	Strength and quality of partnerships and our influence with mana whenua, CCOs, central government, strategic commercial partners and other territorial authorities	Partnership/relationship solid, common ground and shared outcomes, council is seen as influential	Council loses influence in relationship or partnership loses influence in the short term (less than 6 months). Non-aligned vision or goals. Repairable with dedicated effort of ELT but no lasting loss of trust or influence.	Council loses influence in relationship or partnership in the medium-term (6 months to 1 year). Competing goals and outcomes with unclear path for resolution. Relationship broken to the extent that significant, sustained effort is required to repair trust and influence.	Complete breakdown of strategic relationship and influence lost. Partner not functional or acting in opposition to Council's strategic vision and outcomes. Critical action required to repair with long-lasting impact on trust and influence.
Critical services delivery	Lifeline utilities and services essential for public health such as three waters, and waste, safe transport, social housing	Short term (hours) or isolated (several households) disruptions to one or more critical services with no significant adverse effects	Short term (hours- 1 day) suburb-wide disruption or week-long disruption over a small area (several households-one street) to one or more critical services	Outages up to two weeks to multiple suburbs or greater than one month to one suburb to one or more critical services	Outages for an indefinite time but at least one month of multiple critical services for most of Wellington City including the CBD
Our wellbeing services delivery	Services delivered to by WCC to support community wellbeing e.g., recreation, cultural and creative events, libraries, archives, sports facilities etc	LTP key performance measures ≤10% (financial and non-financial measures), No change to customer complaints	LTP key performance measures 10%-25% (financial and non-financial measures), Customer complaints increased ≤25%	LTP key performance measures 25%-50% (financial and non-financial measures), Customer complaints increased 25%-50%	LTP key performance measures ≥50% (financial and non-financial measures), Customer complaints increased ≥50% Severe impact on the quality of services provided by the Council resulting in a significant increase in complaints increase of 50% or more).
Community wellbeing	The physical and psychological health, safety and, security of the people of Wellington	Negligible or temporary impact on community, with no lasting effects	Significant impacts on small percentage of community or widespread but low-level impacts on community. Most people recover without special services	Significant impacts on many members of the community or widespread harm requiring some special services for recovery – overall community wellbeing reduced but recoverable in weeks to months	Widespread and significant harm to the wellbeing of the community, requiring specialised support services or remediation. Some parts of the community permanently affected with the majority of the city suffering a reduction of wellbeing that is recoverable in the long-term (e.g., months to years)
Priority investments and significant projects and programmes	Our priority investments. The significant projects and programmes to support LTP delivery and as identified by ELT	Short-term and negligible impact on one or more priority investments resulting in delays in or budget overrun, within acceptable margins	One priority investment impacted resulting in delays, budget overrun or benefits not realised but overall momentum of delivery for priority outcomes maintained with some additional intervention from officers	Multiple projects impacted or one highest priority investments impacted resulting in delays, budget overruns or benefits not realised. Priority outcomes deliverables affected, and substantial intervention required from officers to address the challenges	Failure to deliver one or more priority investments or significant delays, budget overruns and benefits not realised for the majority of significant projects. Critical intervention required at officer and political level to address challenges. Multiple priority outcomes not achieved
Environmental	Impact on the natural environment; land and soils, freshwater, marine, and air environments and the and the ecosystem services and biodiversity they support	Localised environmental damage that can be remediated	Localised environmental damage with a medium term-effect, Offsite release contained or immediately reportable event.	Significant, widespread environmental damage, Long term environmental damage with long-term effects, Major off-site release	Irreversible and widespread environmental damage, Irreparable damage to significant site or landmark
Reputation, perception and trust	Council's media coverage, public trust	Negligible, one-off adverse media coverage within a local/small audience OR No or negligible impact on stakeholder confidence	Ongoing adverse local media coverage (in excess of 2 weeks). Short term impact on stakeholder confidence resulting in minor changes to operations/projects Public concerns being vocalised.	Ongoing (2-6 weeks) adverse local and/or one-off national media coverage, Ongoing adverse impact on stakeholder confidence resulting in major changes to operations/projects	Sustained adverse media coverage (in excess of 8 weeks), Loss of stakeholder confidence resulting in operations/projects ceasing, Widespread negative commentary attracts Central Government attention e.g., through an inquiry and/or appointment of a Commissioner.

Elements-at-risk or requirements	Explanation	Minor	Moderate	Major	Severe
Physical and psychological health and safety	The physical and mental wellbeing of council staff, contractors	An event that requires a worker and/or contractor(s) to seek first aid and/or debrief. Staff morale and engagement high	An event that requires a worker(s) and/or contractor(s) to seek medical treatment – physical or emotional. Staff morale and engagement affected in some units.	Notifiable event(s) that cause illness, injury or distress to w worker(s) or contractor(s). Staff morale and engagement drops in multiple Units.	An event that causes death or permanent impairment to a worker(s) and/or contractor(s). Many staff disengaged.
Capability and capacity of WCC people	A sustainable and engaged workforce, with the skills and capacity to deliver our work	Staff turnover rates below local/central government median and groups and Business Units have access to the people they need. Contractors only sought for specialist expertise.	Staff turnover rates above median but creating shortages but not critical gaps in capability or capacity. Contractors used to fill capacity as well as expertise needs.	Staff turnover rates creating noticeable gaps in capability and capacity resulting in inability to deliver key projects, programmes or BAU. Contractor reliance outstrips availability.	Staff turnover rates at critical levels, key roles vacant at all levels, Groups and Units unable to deliver multiple projects, programmes and BAU work areas to expected timelines and quality. Contractor reliance outstrips availability.
Our critical assets	The condition of council owned and/or managed lands (parks, reserves) built assets (commercial and residential structures), lifeline utility networks (pipes, roads) and other critical assets	Physical harm or lowering of the condition of critical assets or council land that is short-term or negligible	Noticeable medium-term (6 months – 1 year) damage or lowering of condition of critical assets or council land impacting their inherent value and/or ability to perform their function, but without significant reduction in council services or community outcomes the assets/land supports	Significant and/or widespread, medium to long-term damage or loss of condition of critical assets and/or land, significantly reducing their inherent value and the function they perform with substantial impacts on council services and community outcomes. Repairable or able to be remediated	Total destruction, loss or irreparable damage to critical assets or land resulting in and irreparable loss of function, resulting in significant impact on community services or outcomes
Our finances	The impact on the Council balance sheet including operating and capital budgets, debt levels and insurance coverage	Financial exposure up to \$500k OR Minor Budget Overruns Group operational and capital budget overruns or underspend by more than 2% and less than 5%.	\$500k to \$5m OR Moderate Budget Overruns Group operational and capital budget overruns or underspend by more than 5%, less than 10%	\$5m to \$20m OR Major Budget Overruns Group operational and capital budget overruns or underspend by more than 10% and less than 20%	Financial exposure greater than \$20m OR Extreme Budget Overruns Departmental operational and capital budget overruns or underspend by more than 20%.
Our data, information technology and tools	The data, information technology and tools to maintain council functions and deliver significant projects and programmes and our BAU work. This includes software and tools, essential, archived and sensitive data	Short-term inaccessibility of essential/critical software, tools, systems and data with negligible impacts on ability to deliver work OR compromise of confidentiality	Short-term (days) loss or interruption to critical software, tools, systems, data access, of sufficient duration or scale to noticeably impact delivery of BAU work and/or key projects and programmes but not expected to affect overall objectives or outcomes OR no sensitive data lost or released	Short to medium (days to weeks) term outage or inaccessibility of critical software, tools, systems, data access, of sufficient duration or scale to significantly disrupt delivery of BAU work and/or key projects and programmes with including impacts on priority objectives and strategic outcomes OR a limited release of sensitive and private data	Medium to long-term (weeks to months) outage or inaccessibility of critical software, tools, systems, data access resulting in significant delays or disruptions to delivery of BAU work and/or key projects/programmes resulting in non-delivery of strategic outcomes OR a substantial release of sensitive and private data
Legal regulatory and compliance	Council's role in ensuring compliance of customers, partners and stakeholders with relevant legislative requirements Council's compliance with all relevant legislative frameworks, acts and plans	Minor breaches with no direct consequences Minor Litigation	Recommendations for improvement by accreditator. Judicial review undertaken, or proceedings issued on our decisions, Single moderate litigation or numerous minor litigations Compliance breach that leads to fine of less than 50k, Compliance inquiry by a regulator	Corrective actions issued by the accreditator, Decisions related to strategic projects quashed by court and/or compensation paid, Single major litigation or numerous moderate litigations Compliance breach that leads to fines of >\$50k, Compliance advice received from a regulator	Losing accreditation to perform regulated work Decision by court results in requirement to make changes to the Council's regulatory operations Numerous major litigations Compliance breach that leads to an investigation and/or jail of an officer External review and investigation appointed by the regulator

Likelihood scale

Likelihood	Description
Almost certain	Event will probably occur this year or has occurred in the previous year. Will occur in most circumstances, it would be surprising if this did not happen
Likely	Event could occur in the next one to three years or during the current triennial plan. It would not be surprising if this did happen
Unlikely	Event could occur in the next three to ten years or during current Long-Term Plan. There is a chance this could happen but less likely than not
Rare	Event could occur but not expected to occur in the next ten years. Could occur in exceptional circumstances

Confidence rating

Confidence	Description
Highest	Evidence base strong, uncertainty taken into account, historical events, SME judgement, modelling or data to support
Confident	Reasonable degree of supporting evidence and information, some SME judgement, uncertainty acknowledged, understanding could be improved
Not confident	Lack of evidence or understanding of uncertainty, no modelling, historical events or analogues to draw upon, non-expert perceptions

Risk ratings based on likelihood and consequences ratings

CONSEQUENCES	Severe				
	Major			High	Extreme
	Moderate		Medium		
	Minor	Low			
		Rare	Unlikely	Likely	Almost certain
	LIKELIHOOD				

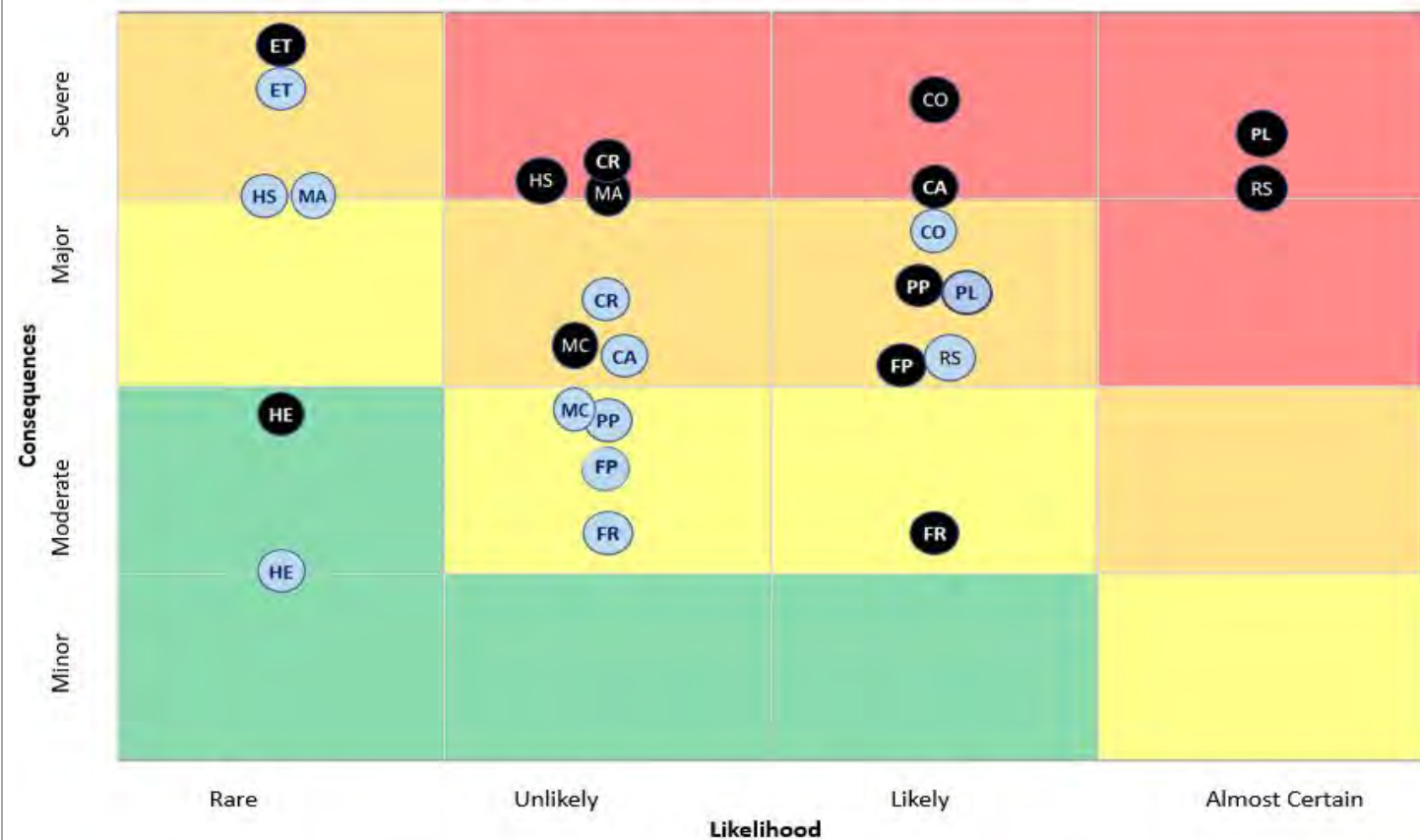
Risk management and tolerance

Risk Rating	Management and tolerance	Impact	Reporting
Low	Risk managed within business units	May result in minor impact on the Council's business objectives and outcomes	Included in risk register reporting to manager
Medium	Risk within the Council's risk appetite and managed by T3 and below	Would interfere with the quality, quantity and timeliness of the Council's business objectives and outcomes	Included in risk register reporting to manager and Chief High Risk is close to exceeding the Council's risk appetite
High	Risk is close to exceeding the Council's risk appetite. Risk managed by ELT	Would interrupt the quality and timeliness of Council's business objectives and outcomes	Escalation to ELT and/or Elected member
Extreme	Risk is at or exceeds the Council's risk appetite	Would stop a number of key objectives and outcomes being achieved	Urgent escalation to ELT and Council

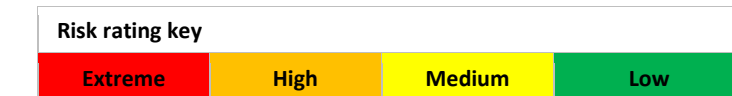
Ratings as of December 2021	EXTERNAL THREATS						INTERNAL THREATS						
	Cyber-attack (CA)	Covid-19 outbreak (CO)	Resource & supply constraints (RS)	Malicious attack (MA)	Other hazard emergency (HE)	Earthquake and tsunami (ET)	Inadequate partnering practice (PP)	Inadequate adaptation to major change (MC)	Inadequate response to climate change (CR)	Inadequate planning & prioritisation (PPL)	Fraud (FR)	Inadequate financial practice (FP)	Inadequate harm prevention (HS)
Overall Risk Rating (max credible - inherent)	Extreme/High	Extreme	Extreme	Extreme/High	Low	High	High	High	High	Extreme	Medium	High/Medium	Extreme/High
Likelihood	Likely	Likely	Almost certain	Unlikely	Rare	Rare	Likely	Unlikely	Unlikely	Almost certain	Likely	Likely	Unlikely
Overall Consequences Rating	Severe	Severe	Severe	Severe	Moderate	Severe	Major	Major	Severe	Severe	Moderate	Major	Severe/Major
Target Risk rating (max credible - residual)	High	High	High	High	Low	Rare	Medium	Medium	High	High	Medium	Medium	High/medium
Target likelihood	Unlikely	Likely	Likely	Rare	No change	Severe	Unlikely	Unlikely	Unlikely	Likely	Unlikely	Unlikely	Rare
Target consequences	Major	Major	Major	Severe/major	No change	High	moderate	Moderate	Major	Major	Moderate	Moderate	Severe/High
Change in reporting period (overall risk)	↔	↔	↔	↔	↔	↔	↔	↔	↔	↔	↔	↔	↔

Risk summary

INHERENT AND RESIDUAL RISK RATINGS



Changes to note:
No change since last reporting period



INHERENT AND TARGET RISK LEVELS

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

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 response to climate change
- PL = Inadequate planning and prioritisation
- FR = Fraud
- FP = Inadequate financial planning and practice
- HS = Health and Safety failure

This heat map will show target risk levels in future reporting alongside current risk levels, and any change in risk levels since the last reporting period. Target levels will be determined by the WCC Executive Leadership Team and will be based on what is within Council’s influence and risk appetite.

Inherent risk levels are assessed as maximum credible scenario for each of the threats in our Strategic Risk Register. Inherent risk levels take into consideration treatments already in place but not those planned for the future, or that are in progress. Target risk levels are set as the realistic upper levels of maximum credible events following all available and practical treatments and controls that are planned or in progress. The target reflects what is achievable in terms of whether it is possible to reduce the likelihood or consequences for each threat. The current (inherent) risk ratings are expected to track towards the target residual ratings over time. As these are significant threats to Council, we expect this process to be gradual with our target residual ratings as medium to long-term goals. For most risks, we would expect change to occur over one year to three years, rather than within months.

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

Ratings as of December 2021	EXTERNAL THREATS						INTERNAL THREATS						
	Cyber-attack (CA)	Covid-19 outbreak (CO)	Resource & supply constraints (RS)	Malicious attack (MA)	Other hazard emergency (HE)	Earthquake and tsunami (ET)	Inadequate partnering practice (PP)	Inadequate adaptation to major change (MC)	Inadequate response to climate change (CR)	Inadequate planning & prioritisation (PL)	Fraud (FR)	Inadequate financial practice (FP)	Inadequate harm prevention (HS)
Overall Risk Rating (max credible – inherent)	Extreme/High	Extreme	Extreme	Extreme/High	Low	High	High	High	High	Extreme	Medium	High/Medium	Extreme/High
Likelihood	Likely	Likely	Almost certain	Unlikely	Rare	Rare	Likely	Unlikely	Unlikely	Almost certain	Likely	Likely	Unlikely
Overall Consequences Rating	Severe	Severe	Severe	Severe	Moderate	Severe	Major	Major	Severe	Severe	Moderate	Major	Severe/Major
Democracy and governance	Moderate	Moderate	Minor	Moderate	Minor	Major	Moderate	Minor	Minor	Minor	Minor	Minor	Minor
Partnerships and relationships	Minor	Minor	Moderate	Minor	Minor	Moderate	Major	Moderate	Major	Moderate	Minor	Minor	Moderate
Critical service delivery	Moderate	Moderate	Moderate	Minor	Minor	Severe	Minor	Minor	Severe	Moderate	Minor	Minor	Minor
Wellbeing services delivery	Moderate	Major	Moderate	Moderate	Minor	Major	Minor	Minor	Moderate	Moderate	Minor	Minor	Minor
Community wellbeing	Moderate	Severe	Minor	Moderate	Moderate	Severe	Minor	Minor	Major	Minor	Minor	Minor	Moderate
Priority Investment projects & programmes	Moderate	Severe	Severe	Minor	Minor	Severe	Major	Moderate	Major	Severe	Minor	Major	Moderate
Environment	Minor	Moderate	Moderate	Minor	Minor	Major	Minor	Moderate	Moderate	Moderate	Minor	Minor	Minor
Reputation and trust	Major	Moderate	Moderate	Minor	Moderate	Moderate	Major	Moderate	Major	Severe	Moderate	Moderate	Major
Health & Safety	Moderate	Major	Moderate	Severe	Major	Severe	Moderate	Major	Moderate	Major	Moderate	Minor	Severe
Capability and capacity	Minor	Major	Moderate	Major	Minor	Major	Minor	Minor	Moderate	Major	Minor	Minor	Moderate
Our critical assets	Minor	Moderate	Moderate	Minor	Minor	Severe	Minor	Minor	Moderate	Moderate	Minor	Minor	Minor
Our finances	Moderate	Severe	Major	Moderate	Minor	Severe	Minor	Moderate	Moderate	Major	Minor	Moderate	Minor
Data, information and tools	Severe	Minor	Minor	Minor	Minor	Major	Minor	Moderate	Minor	Minor	Minor	Minor	Minor
Legal regulatory and compliance	Major	Minor	Minor	Moderate	Moderate	Moderate	Moderate	Minor	Major	Moderate	Minor	Minor	Major

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

Commentary

This section will highlight key changes to the supporting risk profiles or in this summary dashboard. We will highlight any reports that provide the evidence base for changing our risk ratings, or that outline significant future activities to address gaps in risk management, or that focus on key consequence areas. This section will provide transparency for non-elected members of the subcommittee that accountability and reporting for risks and their management is available to them through complementary reporting to that provided in this subcommittee.

Significant changes in risk over last reporting period (exception reporting)

Thirteen threats have been assessed using the revised enterprise-level framework. A review of all operational risks described in Unit-level business plans for across the organisation reinforces the top-down strategic risk assessment. COVID-19, resource and supply issues and inadequate planning and prioritisation are top-of-mind risks at the operational and strategic level. We have an ambitious LTP, including Priority Investment projects and programmes, to support the wellbeing and critical services outcomes for our city. One-off shocks such as a major earthquake and tsunami or malicious, violent attack on a WCC worksite are significant at the strategic level, but not top of mind at the operational level. There are not changes to any of the risk ratings for this period.

Emerging Risks or items of note for Kāwai Mahirahira

Council is commissioning work on options to manage possible future building consent liability risks. There are two primary concerns that have triggered this work. Difficulty in processing complex consents for major structures, exacerbated by difficulties recruiting or commissioning engineering expertise in a highly competitive labour market, and possible changes to insurance availability. Options and recommendations will be reported to the ELT in the third quarter of 2021-22. Wellington moved to orange in the COVID-19 protection framework at 11:59pm 2 December 2021. The likelihood of cases arising in Wellington has increased summer as inter-regional travel barriers are removed and the Omicron variant has entered New Zealand. This is mitigated to a degree by our high vaccination rates, but there is considerable uncertainty in how the COVID-19 pandemic will evolve in the next year, and likewise any additional measures that central government may put in place or require of us. Officers continue to review and refresh our Business Continuity Planning for COVID-19 disruption as planning assumptions change based on the evolving nature of COVID-19 variants.

MAGNITUDE 7.5+ EARTHQUAKE AND TSUNAMI	A major earthquake (Wellington fault or Hikurangi) and resulting tsunami affecting all Of Wellington with strong shaking, debris-laden coastal inundation, 100s of landslides, ground deformation and liquefaction of soft soils. Many aftershocks.	Reviewed: November 2021
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Reporting and accountability

- Governance
- Reporting on overall strategic risk rating status to Kawai Māhirahira (Audit and Risk Subcommittee)
 - Reporting on resilience of our City to Pūroro Rangaranga Social, Cultural and Economic Committee (social resilience); Pūroro Waihanga Infrastructure Committee (built environment resilience)
 - Reporting on operational arrangements to plan and prepare for, respond to, and recover from emergencies to the Wellington Civil Defence Emergency Management Group (Regional arrangements) and to Pūroro Rangaranga (City arrangements)
 - Reporting on the controls of land subject to natural hazards Pūroro Āmua Planning and Environment Committee Executive
 - Business continuity reporting

Risk tracking and outlook – exception reporting

- This threat is new to the WCC risk register as a standalone threat to be assessed – it has previously been grouped with COVID-19 and other large external shocks.
- In November 2021 ELT reviewed the collated risk assessment evidence for earthquake and tsunami. This is a long-known major threat to our City, its people, economy, the built environment, and to the Council’s ability to respond and maintain function.

Risk treatments in place

- Planning for the four Rs (reduction, readiness, response and recovery) with Wellington Civil Defence Emergency Management CDEM) Group partners (other councils and emergency services)
- Emergency response roles and arrangements with national and regional partners. Likely national lead, WCC staff supporting regional response and recovery capabilities
- Tsunami evacuation zones, public education and official warnings
- WCC staff trained for emergency response roles (e.g., Emergency Operations Centre, building inspections, cordons)
- Business continuity planning at Unit level to support critical council functions and restoration of essential services
- Support for affected communities through CDEM welfare arrangements
- Consenting of buildings and structures as per the Building Act
- Earthquake Prone Buildings register and notices to building owners
- Insurance – for WCC owned buildings, and Treasury underwriting of our infrastructure insurance

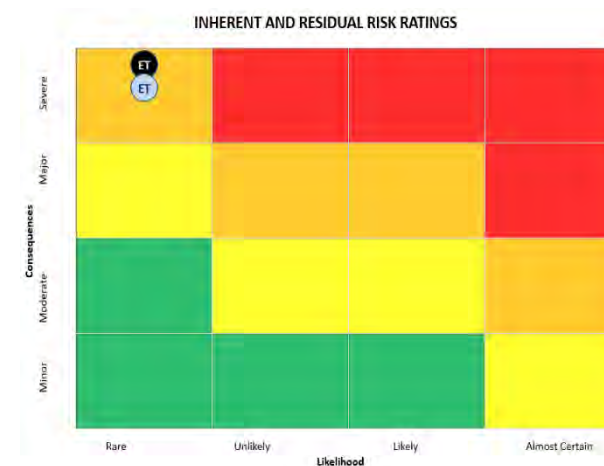
Risk treatments planned or in progress and due dates

- Council incorporating seismic resilience (e.g., base isolation, resilient materials) into our new structures and infrastructures and remediating or retiring structures less than 67% NBS
- Rules controlling land use subject to natural hazards via the District Plan – fault hazard zones, liquefaction hazard, tsunami inundation hazard – District plan under public consultation November 2021
- Council’s administration and enforcement of remediation of earthquake prone buildings in Wellington City (ongoing)
- Business continuity planning for Council sites and functions (ongoing)
- Participation in regional and national CDEM planning, exercises and arrangements for response and recovery LERP, WREP, WENIRP
- Training of WCC staff in emergency response roles (ongoing)

Gaps, issues or opportunities for improvements in treatment

- Strategic business continuity planning – to complement Unit by Unit business continuity planning – to agree all of Council priorities for resourcing and restoration in case of a major event affecting our sites and our digital systems
- Regular (annual) reporting on all Units’ business continuity planning to ensure currency is maintained

Risk Analysis



Inherent risk rating	●	High
Target (residual) risk rating	○	High
Likelihood		Rare
Consequence		Severe
Confidence in assessment		Strong Confidence

Maximum credible scenario (inherent risk): A major earthquake and tsunami impacting Wellington – Hikurangi or Wellington Fault source. Extreme shaking and land deformation triggers 100’s of landslides. Widespread damage, self-evacuation required for tsunami as insufficient time for official tsunami warnings to be issued. Hundreds of aftershocks.

Risk rating key			
Extreme	High	Medium	Low

Consequences	Current	Rationale
Democracy and governance	Major	Wellington is the seat of government; likely central government will lead all response and recovery/establish new entities as happened in CHCh with CERA and SKIRT for restoration of infrastructure and city development. Could override our long-term plans and strategies.
Partnerships and relationships	Moderate	Likely to be strengthened with many response agencies although some central government relationships could be strained if council feels it is losing autonomy.
Critical service delivery	Severe	Significant damage to roads, three waters, port, and airport - emergency restoration days to weeks -full restoration and recovery time months to years for some utilities – likely disruption to services for all of Wellington.
Wellbeing services delivery	Major	Many community facilities closed due to damage or BCP priorities. Open spaces, parks etc still available for recreation. Community civil defence emergency management welfare support required for many areas.
Community wellbeing	Severe	Fatalities (100’s) and many injuries (1000’s) expected - this will depend on efficiency of tsunami self-evacuation as well as earthquake structural damage. Widespread psychological harm exacerbated by aftershocks. Damage/loss of homes, work and school disrupted.
Priority investment projects and programmes	Severe	Construction set-backs and/or progress halted on many projects - aftershocks and possible future ground deformation will delay restart of projects. Intense competition for construction resources and contractors due to emergency and medium-term recovery requirements.
Environment	Major	Many landslides, coastal debris, sediment, and chemical contaminant in harbour (tsunami debris and runoff) broken pipes releasing sewage.
Reputation and trust	Moderate	Media likely to focus on emergency information and impact stories - they will be a key partner. People working together with council in our emergency role to support one another.
Health & Safety	Severe	WCC staff will be among affected people, including possible fatalities and injuries among staff and/or their whanau and damaged homes etc. Many will also have response roles which can be psychologically challenging.
Capability and capacity	Major	WCC staff affected by earthquake and many likely redeployed into response/different roles. Staff leave Wellington due to stress/family reasons etc.
Our critical assets	Severe	Destruction of coastal infrastructure, assets on soft soils and area of deformation/landslides damaged. Our parks and reserves experience some damage but will be recoverable with time.
Our finances	Severe	Damage will likely exceed insurance, on our assets, restart on partially complete projects means paying twice for work, cost of restoration or rebuild, debt levels increase.
Data, information and tools	Major	Digital services unavailable due to electricity and internet outages. Restoration of inground cables will take weeks to months - workarounds required to access cloud-based data and services.
Legal regulatory and compliance	Moderate	May affect some regulatory services such as consenting, but unlikely to be high demand in immediate weeks following event. Special powers available under the CDEM Act to support emergency works.

References

Relevant legislation

Civil Defence Emergency Management Act 2002
Building Act 2004
Resource Management Act 1991
Local Government Act 2002

Regional Strategies and plans

Wellington Civil Defence Emergency Management Group Plan
Draft district plan (2021)
Wellington Earthquake National Initial Response Plan (WENIRP) 2018
Wellington Region Earthquake Plan (WREP) 2018

WCC Polices and Strategies

Wellington Resilience Strategy 2017

WCC procedures

Our emergency management utilises the Coordinated Incident Management System (CIMS)

Relevant reports to other council committees

*To be updated as appropriate: Date, title, relevance, and link to public access papers to be added here

Additional commentary

Links to other threats and risks

The *COVID-19* and *Other hazard event* threats involve similar consequences on people's physical and psychological health and safety. Many of the hazard arrangements in place for managing smaller hazard events apply to these other emergency types, including the management of land via district plan rules to reduce risk and emergency readiness, response arrangements.

Underlying trends and influencers of the risk

Urban intensification increases our exposure to shaking near the Wellington Fault but provides opportunity for reducing the vulnerability of our structures through new design, and modern materials.

COVID-19 OUTBREAK

An outbreak of infectious COVID-19 pandemic disease, in Wellington and wider New Zealand

Reviewed:
September 2021

Reporting and accountability

Governance

- Reporting on overall strategic risk rating status to Kawai Māhirahira Audit and Risk Subcommittee
- Reporting on requirements for health, safety and wellbeing of staff to Kawai Māhirahira Audit and Risk Subcommittee
- Reporting on impacts of COVID-19 on Council finances and performance Pūrora Tahua Finance and Performance committee

Executive

- ELT oversee implementation of all relevant government guidance and regulations across the organisation
- COVID-19 scenario and impact planning advice provided to ELT in September 2021. Impacts of COVID-19 on Council finances, staff wellbeing, long-term and BAU workplans, provided to ELT as appropriate by relevant Managers

Risk tracking and outlook – exception reporting

- This threat is new to the WCC risk register as a standalone threat to be assessed – therefore no change
- In September 2021 a COVID-19 scenario planning team conducted risk assessments for two scenarios based on the possible paths for the current delta outbreak. The two scenarios are: a worst case based on Wellington cluster outbreaks similar to the NSW/Victoria outbreaks, and a containment scenario whereby the outbreak tail persists in Auckland, but Wellington remains in Alert level 2 with no positive cases

Risk treatments in place

- Physical distancing, mask wearing, and hygiene protocols in place to reduce chance of transmission at WCC sites
- Digital democracy systems established for Council Committees and public participation to continue remotely
- A comprehensive range of COVID-19 resources, factsheets, and guidance developed to support all staff to understand and comply with requirements
- Pandemic Response Team Established in 2020 to provide specialised advice to ELT and coordinate WCC response – able to be stood up as required
- WCC Civil Defence Emergency Management role and responsibilities in partnership with central government local government and welfare service agencies to support affected communities
- Financial support to affected Wellington businesses through rates delay and rent relief
- COVID-19 operational losses taken as debt to smooth impacts
- Community services team’s work with DHB and community groups to support vaccine rollout to communities with barriers to accessing vaccines

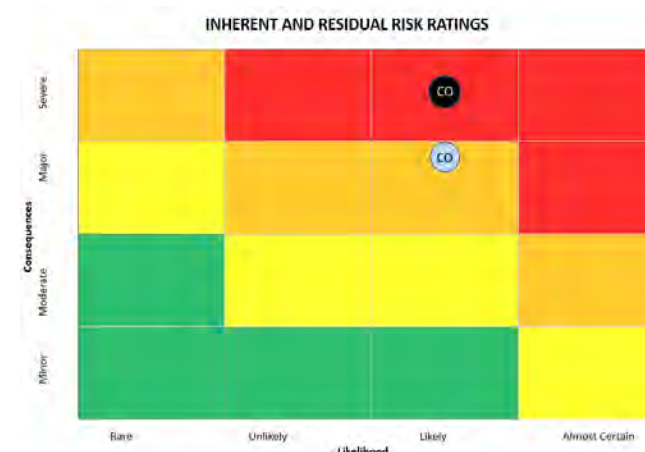
Risk treatments planned or in progress and due dates

- COVID-19 scenario planning in progress – to support ELT decision-making and forward planning
- Develop key messages for stakeholders to provide assurance that the Council is managing these risks, and to clarify Council’s role and influence in managing COVID-19 risks to Wellington
- Financial support for non-essential Wellington businesses via rent relief and rates delays as most affected by lockdown restrictions

Gaps, issues or opportunities for improvements in treatment

- Long-term recovery planning WCCC specific and with regional partners
- Incentives/greater call for staff to be vaccinated – for example, could WCC become the NZ Council with the highest vaccination rate in the country?
- Strategic review all of significant projects and programmes to identify opportunities for prioritisation/coordination

Risk Analysis



Shows Wellington outbreak scenario assessment

Inherent risk rating	●	Extreme
Target (residual) risk rating	○	High
Likelihood		Unlikely (Wgtn scenario)
Consequence		Severe
Confidence in assessment		Confident

Maximum credible scenario (inherent risk): Two scenarios were assessed in September for the period up until December 2021. Government-mandated lockdown requirements and their impacts on WCC will change as we move into the ‘traffic light’ system. We expect the likelihood of outbreaks to increase as NZ opens up and consequences to decrease as vaccination rates are now >90%.

Risk rating key			
Extreme	High	Medium	Low

Consequences	Wellington outbreak	Rationale (for Wellington Outbreak scenario) ratings	Containment scenario
Democracy and governance	Moderate	Contagion in Wellington would further restrict voting. All public participation would have to be online. Barriers to getting true representation and access to the public. Option to extend term of current members - DIA decision required. Based on Canada and Australia	Moderate
Partnerships and relationships	Minor	Increased virtual interaction. Expectation of underwriting partners. Relationships with MBIE, TPK will become more important than those in Civil Defence network. Tendency to work in silos	Minor
Critical service delivery	Moderate	As per Auckland containment scenario plus extended impact of supply chain constraints. More vulnerable to a possible disruption.	Minor
Wellbeing services delivery	Major	No big events, hospitality not being able to operate. Council has a role to play in adapting to the new normal. Helping arts, sports, culture events to deliver smaller scale Covid-safe events. Pools, libraries, and other facilities closed in AL3 and AL4. Support coming directly from govt agencies rather than via CDEM network.	Major
Community wellbeing	Severe	Difficulty delivering support if staff are unwell. Resilience stretched further. New categories at risk - newly unemployed, those who haven’t engaged with social agencies.	Severe
Priority investment projects and programmes	Severe	Extended impact of supply chain constraints. Revenue expectations from Tākina and St James need to be deferred if project delays beyond mid-2022. Management of expectations of elected members.	Major
Environment	Moderate	Recycling and PPE sent to landfill.	Minor
Reputation and trust	Moderate	No significant impact. Possibly some community and councillors’ expectations for us to take measures that we don’t have the mechanism or mandate to implement.	Minor
Health & Safety	Major	Compensation for staff WFH. Long term mental health of staff that are unable to work that are not easily re-deployable, decisions needed about discretionary leave and potential salary implications. Could affect our lowest paid and most vulnerable staff. Risk of staff catching Covid, long term illness, even death. Health Act could be implemented to Isolate entire households.	Moderate
Capability and capacity	Major	As per Auckland containment scenario. Over an extended period, the need for more space to WFH drives people out of Wellington to more affordable locations. Difficult to bring in new staff when an entire team is WFH.	Major
Our critical assets	Moderate	Potential to respond to a big event e.g., big sewerage break, slip, coastal erosion - would be a different response such as close road rather than repair	Moderate
Our finances	Severe	As per Auckland containment scenario, plus pay out for underwriting events. Rates freeze/delayed payments would impact on cashflow, move to business ratepayers expecting support.	Major
Data, information and tools	Minor	Equipment has been borrowed from EOC in Aug 21. Data attacks amplified at national level during AL3 and AL4. Data security issues where staff working remotely. Data streams are interrupted and difficult to forecast.	Minor
Legal regulatory and compliance	Minor	Likely Improvement in responses to consenting but delays in inspections. Little warning of changes to Health Orders which are complex to implement.	Minor

References

Relevant legislation

Health Act 1956
COVID-19 Public Health Response Act 2020
COVID-19 Public Health Response (Alert Level Requirements) Order (No 11) 2021
Privacy Act 2020
Health and Safety at Work Act 2015

WCC Polices and Strategies

Strategic Safety, Security and Wellbeing plan 2021

WCC procedures, resources for managers and staff

Factsheet: Tahiwi and Kai Ūpoko at Delta AL2
Factsheet: Returning to Kai Upoko
Factsheet: Worker Contact Flowchart
De-escalation and response during contact tracing procedures
Returning to Workplace Assessment – level 3
Questions and answers for people managers: COVID-19 Date updated: 07 September 2021
Questions and Answers for People Managers Alert Level 3: Novel Coronavirus or COVID-19 Date updated: 26 August 2021
Questions and Answers for People Managers Alert Level 4: Novel Coronavirus or COVID-19 Date updated: 18 August 2021
Wellbeing resources
Working at home resources

Relevant reports to other council committees

*To be updated as appropriate: Date, title, relevance, and link to public access papers to be added here

Additional commentary

Links to other threats and risks

COVID-19 impacts on border traffic and international shipping is a significant contributor to current global supply chain issues. Continued working from home arrangements during Alert Levels 3 and 4 have created more challenging conditions for planning and prioritisation across the organisation. COVID-19 is an exacerbator of the risk related to poor planning and prioritisation, as it demands rapid change, high level response and can supersede or delay more strategic long-term planning and work

Underlying trends and influencers of the risk

Government is transitioning to the COVID Protection framework (traffic light system) which centres on vaccination rates for restrictions and requirements. As regions reach target vaccination levels, the likelihood of widespread lockdowns decreases. Wellington City reached 90% fully vaccinated for eligible people in mid-November, but other parts of Capital and Coast DHB are yet to reach this target.

Urbanisation and increased used of sustainable public transport options while benefiting our climate change risk management, increase transmission risks of infectious diseases. The future of work transitions to a more digital operational model means much of the Council's work and democratic processes can continue remotely as long as our digital services are functioning.

FRAUD OR CORRUPT PRACTICE	Illegal financial practice and/or corruption resulting in financial gain to one or more involved staff members. Fraudulent practice continuing undetected over many months.	Reviewed: August 2021
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Reporting and accountability

- Governance
- Reporting on overall strategic risk rating status to Kawai Māhirahira (Audit and Risk Subcommittee)
 - Reporting on number of protected disclosures and investigations to Kawai Māhirahira (Audit and Risk Subcommittee)
- Executive
- Reporting on the outcome of specific investigations

Risk tracking and outlook – exception reporting

- This threat is new to the WCC risk register as a standalone threat to be assessed – no change
- In August 2021 ELT conducted a risk assessment for malicious attack threats to identify opportunities for reducing the risk to staff and the public. The risk treatment content has been developed to capture in-place, and planned mitigations, as well as identifying gaps and opportunities for improvement
- No change to the risk outlook is expected over the next 6 to 12 months, longer term goal is to reduce likelihood

Risk treatments in place

- Fostering a culture of integrity that is linked to our four core Values for how we work
- Protected Disclosure policy and processes, internal and external ‘Speak Up’ channels and annual reminders through Fraud Awareness Week
- One-up rule approval for all expenditure that benefit or be seen to benefit the individual concerned
- Conflict of interest declaration for significant procurement and regulatory decisions
- Gifts and hospitality received register for staff and elected members
- CCTV in place for data capture and as a disincentive to criminal behaviour
- Investigations by the Assurance & Business Integrity team when required
- Controls monitoring for P-card and completeness of gifts declaration by the Assurance & Business Integrity team

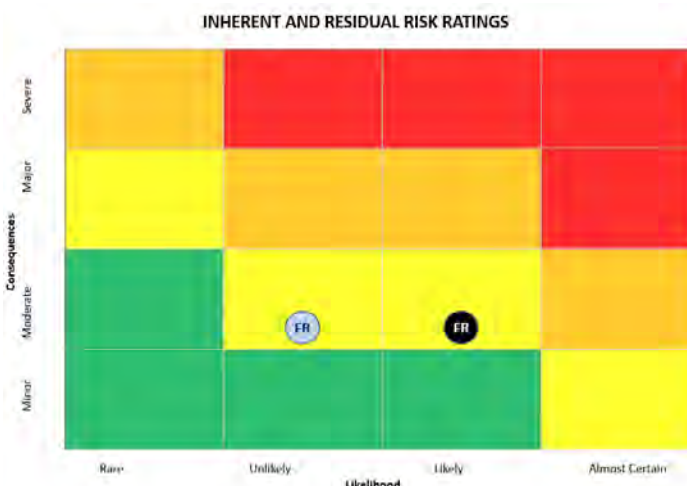
Risk treatments planned or in progress and due dates

- New Financial Control team Control team will further enhance the internal control environment to meet obligations and safeguard assets. This new structure has been confirmed and will be effective January 2022
- Finance system roadmap is in progress covering improvements to internal controls through simpler user access permission and rights, reduced manual processing and better reporting to inform decisions. Tentative timeframes:
 - Develop business case for approvals: Oct 21 to Feb 22
 - Project preparation, including developing change management approach: Mar to Jun 22
 - Phase 1 implementation: Jul to Dec 22
 - Phase 2 implementation: Jan to Jun 23
 - On-going change management: Jul 23 onwards

Gaps, issues or opportunities for improvements in treatment

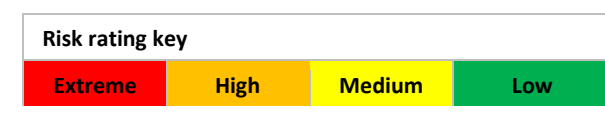
- There is different conflict of interest processes to meet the varied needs and functions of the Council e.g. significant procurement process, building consent authorities function. There is opportunity to improve visibility of whether these processes are working consistently and how they relate to each other. Findings from the Office of the Auditor General notes that multiple conflict of interest processes create greater risks. <https://oag.parliament.nz/2021/conflicts-councils/conflicts-councils.htm>

Risk Analysis



Inherent risk rating	●	Medium
Target (residual) risk rating	○	Medium
Likelihood		Likely
Consequence		Moderate
Confidence in assessment		Confident

Maximum credible scenario (inherent risk): This scenario assumes ongoing corrupt and illegal financial practice by a staff member that is undetected by those with oversight of the fraudulent activity. Such behaviour is more likely to go undetected over a long period at the lower level as large budgets and reconciliation undergo greater scrutiny, e.g., external audit.



Consequences	Current	Rationale
Democracy and governance	Minor	May lower trust but should not stop people from participating in democratic processes
Partnerships and relationships	Minor	No change to partnerships at the organisational level
Critical service delivery	Minor	No direct impact
Wellbeing services delivery	Minor	No direct impact (but depends on where the money comes from)
Community wellbeing	Minor	No direct impact
Priority investment projects and programmes	Minor	Will not stop us from delivering. If it's by the Project Manager, it could delay the project e.g., re-procurement. Still minor i.e., one project impacted for the short term
Environment	Minor	No direct impact
Reputation and trust	Moderate	Some impact depending on the amount of money involved and nature of the crime
Health & Safety	Moderate	Could impact staff if the fraudster is well known worker. Impact morale and team
Capability and capacity	Minor	No direct impact
Our critical assets	Minor	No direct impact
Our finances	Minor	Financial losses expected to be minor relative to the overall budget
Data, information and tools	Minor	No direct impact
Legal regulatory and compliance	Minor	Minimal legal / regulatory consequences

References

Relevant legislation

Crimes Act 1961
Protected Disclosures Act 2000

WCC Policies and Strategies

Code of conduct
Protected disclosures policy
Purchasing card procedures

WCC procedures

WCC security staff operational procedures and training
Protected disclosure procedures
Fraud investigation procedures
Security training and procedures for WCC officer working on sites with public access
Reporting of all malicious and security incidents in Risk Manager

Relevant reports to other council committees

*To be updated as appropriate: Date, title, relevance, and link to public access papers to be added here

Additional commentary

Links to other threats and risks

Lack of clear policy, strategies, processes, and internal controls required for robust budgeting, debt management, tracking of costs against significant projects, programmes and cost centres.

Underlying trends and influencers of the risk

Theft of cash and inventory is the most common reported types of fraud in the local government sector ([Office of the Auditor General fraud reporting](#))

INADEQUATE WCC CLIMATE CHANGE RESPONSE

The impact on our Council and Our City up until 2040, if the Council fails respond to climate change impacts through the mitigation and adaptation actions outlined in Te Atakura

Reviewed: September 2021

Reporting and accountability

Governance

- Reporting on overall strategic risk rating status to Kawai Māhirahira (Audit and Risk Subcommittee)
- Reporting on our overall climate change response and resilience to Pūroro Āmua Planning and Environment Committee
- Reporting on incorporation of climate change considerations into land use planning rules and policies in our District Plan to Pūroro Āmua Planning and Environment Committee
- Reporting on significant transport and infrastructure initiatives that will create mitigation or adaptation benefits to Pūroro Waihanga Infrastructure Committee

Risk tracking and outlook – exception reporting

- This threat is new to the WCC risk register as a standalone threat to be assessed – it was previously considered as climate change impacts. These risks focus on the role climate change response role WCC plays, and the impacts for our organisation and our city if we fail to implement our response plan.
- In November 2021 ELT conducted a risk assessment for failure to implement Te Atakura/respond to climate change. The risk treatment content has been developed to capture in-place, and planned mitigations, as well as identifying gaps and opportunities for improvement

Risk treatments in place

WCC declaration of ecological and climate emergency in 2019

Te Atakura First to Zero sets out goals for Wellington:

- Reduce city emissions by 57% by 2030, and to net zero by 2050
- Reduce the Council emissions to net zero by 2050
- Support Wellington City to adapt to the impacts of climate change

WCC will meet these goals through our own mitigation and adaptation initiatives, through partnerships such as Let's Get Wellington Moving (LGWM), and by supporting and influencing others to play their own mitigation and adaptation parts. This profile focusses on initiatives led by WCC or in which we are partners

Mitigation:

- Tracking and reporting on our City's and our Council's greenhouse gas emissions
- Forest protection (1,300 ha) and tree planting (over 1.7M) for carbon sequestration; Green star rating for Tākina Convention centre; Streetlight replacement to LED

Adaptation:

- Improvements to stormwater infrastructure; maintenance of seawalls; better access to information about future risks; community engagement

Risk treatments planned or in progress and due dates

- Landfill waste reduction by one third – made possible by Sludge minimisation project which is targeting commissioning by 2026
- Waste Minimisation initiatives to be pursued via our Waste Minimisation Plan and Strategic Waste review work
- Decrease in Council's energy consumption: transition from natural gas, energy performance ratings for buildings
- LGWM package including Mass Rapid Transit and City Streets
- Council bike network plan
- Requiring broader carbon reduction outcomes from procurement so that projects can be delivered with our Te Atakura goals in mind
- Establishment of concrete recycling facilities at Kiwi Point Quarry

Risk Analysis



Inherent risk rating	●	Extreme
Target (residual) risk rating	○	High
Likelihood		Unlikely
Consequence		Severe
Confidence in assessment		Confident

Risk assessment scenario (inherent risk): This scenario considers the contribution of WCC's climate change mitigation and adaptation to the overall risk from climate change. We consider the impacts on Council and the City up until 2040, of our failure to implement planned mitigation and adaption.

Risk rating key			
Extreme	High	Medium	Low

Consequences	Current	Rationale
Democracy and governance	Minor	Democracy will continue to function - Failing to deliver on Te Atakura might increase public participation.
Partnerships and relationships	Major	Would lead to disappointment - Mana whenua in particular.
Critical service delivery	Severe	Long term impact on lifeline utilities - storm water below sea level. We have direct responsibility over critical services - although changes to three waters may reduce influence.
Wellbeing services delivery	Moderate	Many of our recreational and cultural assets are low lying or coastal. Drought impact on parks and gardens. Funds might be diverted to e.g., fixing pipes rather than wellbeing
Community wellbeing	Major	Uninsurable properties. Coastal retreat could impact by 2030. Third prong to reforms may require councils to implement regulatory frameworks on retreat. Trigger events in Australia have led to property titles being withdrawn. Psychological concern despite long-standing planning restrictions.
Priority Investment projects and programmes	Major	Discounting storm events or accepting the risk will lead to bad decisions. Long-term costs need to be baked in now. If Te Atakura is factored into MOB and CAB development, then the Te Ngākau car park and the City to Sea bridge would also need to be removed and sea wall strengthened. This would slow delivery and increase cost in short term. A development strategy for the whole precinct might allow cohesive solutions. However, it might not be financially viable.
Environment	Moderate	In next 20 years. Mitigation is the key here. Difficult to attributable percentage of impact to Council activities 10% +20% by central govt + 30% by individuals and businesses. We also have an influencing role. Actions we take in next 8 years will impact on 100-year timeframe.
Reputation and trust	Major	Competing media stories – e.g. bucket fountain, Mittens get more publicity than slower burning Te Atakura.
Health & Safety	Moderate	More frequent extreme climate events may increase health and safety risk to residents and staff – e.g. Owhiro Bay Storm surges.
Capability and capacity	Moderate	Commitment to Te Atakura does affect Council's ability to recruit and retain but it's not the only factor.
Our critical assets	Moderate	We need to plan with adaptation in mind.
Our finances	Moderate	Cost of not adapting is higher than doing it later - higher maintenance and replacement interruption when you have lost roads. Retrofitting costs more. Insurance costs will increase. National ETS costs are going up but these are centrally. We won't be using natural gas - more likely to increase cost.
Data, information and tools	Minor	No impact expected.
Legal regulatory and compliance	Major	Depends on new law to replace RMA new climate change act in development. If we don't implement Te Atakura, likely to be in legal breach of some parts of the Act.

WCC STRATEGIC RISKS: THREAT PROFILE

- Development of an Environmentally Sustainable Design (ESD) policy for new council buildings and transport infrastructure, with the primary objective on reducing carbon by end 2022
- Minimum green building standard in place for all new Council buildings from July 2021
- Stormwater effect mitigation being considered in District Plan review

Gaps, issues or opportunities for improvements in treatment

- Trend analysis of incident and near miss data would assist in identifying some aggressors, although the chance for a previously known individual to attack a WCC site cannot be ruled out

References

Relevant legislation

Resource Management Act 1991
Local Government Act 2002
Civil Defence Emergency Management Act 2002
National Adaptation plan (in development – due 2022)
Proposed Climate Adaptation Act (in development)

WCC Polices and Strategies

Te Atakura first to Zero

WCC internal initiatives

WCC Climate Action Champions community

Relevant reports to other council committees

Sludge minimisation next steps report to Pūroro Waihanga on [23 June 2021](#)
Strategic Waste review Update to Pūroro Waihanga [14 October 2021](#)
Fossil Free Central City report to Pūroro Āmua Planning and Environment Committee [10 November 2021](#)

Additional commentary

Links to other threats and risks

Climate change is an exacerbator of meteorological and climatological threats that could give rise to natural hazard emergencies. If we fail to implement Te Atakura actions, such the adaptation plan, we will increase our risk and exposure to natural hazards. Success in delivering Te Atakura relies on good planning, strong partnerships, and advocacy, therefore this threat is also linked to the Inadequate Partnership Practice threat.

Underlying trends and influencers of the risk

Climate change is in itself a global trend, disrupting and influencing societal and geopolitical dynamics. Technologies, including clean energy, will offer new opportunities for responding to climate change. As the impact has already occurred and the effects we are experiencing now and until 2040 are largely irreversible based on past emissions. These opportunities will not have any meaningful impact for some time.

INADEQUATE FINANCIAL PLANNING AND PRACTICE	Lack of clear policy, strategies, processes, and internal controls required for robust budgeting, debt management, tracking of costs against significant projects, programmes and cost centres. Failure to forecast and mitigate significant financial shocks.	Reviewed: November 2021
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Reporting and accountability

- Governance**
- Reporting on overall strategic risk rating status to Kawai Māhirahira (Audit and Risk Subcommittee)
 - Reporting on our financial performance and risks to Pūroa Tahua finance and Performance committee
 - Reporting on Annual Plan and Long-Term Plan budgets to Pūroro Maherehere Annual Plan/Long Term Plan Committee
- Executive**
- Financial performance is presented to ELT every week by the Finance and Business Group

Risk tracking and outlook – exception reporting

- This threat is adapted from the 2020-21 WCC risk register where it was described as Funding and financial sustainability – the risk has been downgraded from extreme to high
- In November 2021 ELT conducted a risk assessment for inadequate financial planning and practice to identify opportunities for reducing the risk to our Council’s ability to deliver. The risk treatment content has been developed to capture in-place, and planned mitigations, as well as identifying gaps and opportunities for improvement

Risk treatments in place

- Financial management policies and procedures for WCC staff
- Financial modelling and budgeting expertise within the Finance and Business Group
- Business Unit budgets
- Financial Accounting Transactional Services team follow up with staff to rectify incomplete or unclear expense reports
- Assurance and Business Integrity team audits of control systems and financial processes for managing cash and invoicing

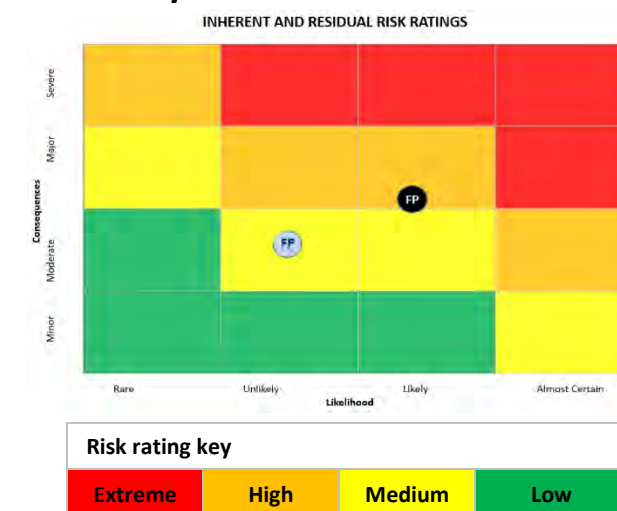
Risk treatments planned or in progress and due dates

- New and/or expanded teams, capability and functions being established in the Finance and Business Group to enhance controls and financial risk management and strategic thinking.
- Capital and Project Accounting Team is being created. It will be responsible for the Revaluation process, fixed asset accounting, and improving our project accounting
- New financial operations team to support more effective and efficient transactional services
- New risk-based procurement approach under development

Gaps, issues or opportunities for improvements in treatment

- Standard end-to-end cost sizing tools for programmes and projects are not available to all Units. This includes tools for workforce resource cost estimation among other costs.
- Current coding of expenses is by Business Unit. This means expenses cannot be easily attributed to cross-Unit projects or programmes.

Risk Analysis



Inherent risk rating	●	High/Medium
Target (residual) risk rating	○	Medium
Likelihood		Likely
Consequence:		Major/Moderate
Confidence in assessment		Confident

Maximum credible event (inherent risk): This scenario focuses on Council wide operating and capital expenditure that falls below the material threshold for external audit. Failure to adequately model and forecast realistic costs and budget changes across multiple units, inadequate financial expertise and practice among budget holders and inability to track costs to specific programmes and projects. This is a cumulative stress that if unmanaged will continue to increase.

Consequences	Current	Rationale
Democracy and governance	Minor	Decisions could be based on inadequate data. Poorly informed decisions will reflect badly on Council. This could attract potential councillors' decisions to stand for Council – will not affect major spending decisions as those are fully audited
Partnerships and relationships	Minor	If Council is not paying its bills on time, suppliers may choose not to do business with us. Potential for scope creep going undetected. Verging on moderate
Critical service delivery	Minor	Minor disruptions – examples such as funding for heat pumps, balconies for City Housing. People generally already receive a good standard of service
Wellbeing services delivery	Minor	May cost us more. Monthly and quarterly financial reviews mean that we are on top of managing performance and forecasting.
Community wellbeing	Minor	Asset management driven. If Council hadn't taken into account the Infrastructure Funding and Finance Act for funding sludge and other big investment decisions, it would have impacted affordability of sludge and other activities
Priority investment projects and programmes	Major	With inadequate financial management capability across Council, we could overlook components such as downstream whole of life cost when making big decisions. However, this would not result in a failure to deliver
Environment	Minor	No impact expected as a result of inadequate planning
Reputation and trust	Moderate	Decisions made based on inadequate financial data will impact trust and confidence of elected members and the public and the public may disengage.
Health & Safety	Minor	No significant impact
Capability and capacity	Minor	No significant impact
Our critical assets	Minor	Deferred maintenance - partly a result of inadequate financial management. Water leaks are not a direct result of financial management, but finance is closely entwined with asset management
Our finances	Moderate	We are within +/- 4% of operating expenditure each year. Capital expenditure underspend is generally a consequence of delivery planning and prioritisation - not financial planning
Data, information and tools	Minor	No impact as a result of inadequate planning
Legal regulatory and compliance	Minor	Not paying someone on time or award of contract could lead to judicial review and challenge on process.

References

Relevant legislation

Local Government Act 2002

WCC Polices and Strategies

Asset management plans

Revenue and Financing Policy and

Tax policy

Capital and Operating Expenditure Policy

Purchasing card Policy

WCC procedures

Revenue and Financing Process for 2015-25 LTP

WCC Fees database

Relevant reports to other council committees

18 November 2021 - paper to Pūroro Tahua Finance and Performance Committee [Recommended response to construction market pressures](#) - recommendations for the risks to major projects; reprioritisation, defer lower priority projects, more agile procurement approach, increase project management capability. Will assist with financial management.

Additional commentary

Links to other threats and risks

This threat is strongly aligned with the inadequate planning and prioritisation threat, with similar but reduce consequences. It is also relevant to the Fraud threat, as inadequate financial practice and oversight reduces the chance of detecting illegal financial practice.

Underlying trends and influencers of the risk

INADEQUATE HARM PREVENTION	Inadequate measures to provide a safe and healthy workplace, and/or to take available and practicable measures available to WCC to support the health and safety of the people of Wellington	Reviewed: September 2021
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Reporting and accountability

- Governance**
- Reporting on overall strategic risk rating status to Kawai Māhirahira (Audit and Risk Subcommittee)
 - Reporting on Officer due diligence responsibilities under the Health and Safety at Work Act 2015 to Pūroro Tahua Finance and Performance committee
 - Reporting on physical security improvements to council owned/operated buildings to appropriate committees primarily Pūroro Rangaranga Social, Cultural and Economic Committee which covers social housing, libraries and other culture and community sites, and recreational sites
 - Reporting on progress to implement our Pōneke Promise commitments to Pūroro Rangaranga Social, Cultural and Economic Committee
- Executive**
- Reporting on progress to improve operational processes to Chief People and Culture Officer
 - Monthly reporting on status of Priority Investments projects and programmes includes update on Pōneke Promise

Risk tracking and outlook – exception reporting

- This threat is carried over from the 2020-21 WCC risk register – risk rating remains as *extreme* (unlikely severe)
- In August 2021 ELT conducted a risk assessment for malicious attack threats to identify opportunities for reducing the risk to staff and the public. The risk treatment content has been developed to capture in-place, and planned mitigations, as well as identifying gaps and opportunities for improvement

Risk treatments in place

- Workforce Health and Safety**
- Comprehensive suite of training modules for staff working with machinery, vehicles and in hazardous locations
 - Comprehensive suite of training modules for resilience, wellbeing and supporting mental health
 - Risk Manager software for reporting health and safety incidents and near misses
 - Comprehensive communications, guidance and resources for COVID-19, including encouragement for vaccination, and risk-based assessments to determine which roles are covered by vaccination mandates
 - Kōrero Mai staff survey and resulting changes
 - Unions represented/consulted in key decisions affecting staff health and wellbeing
- Public Health and Safety**
- Pōneke Promise improving public spaces and increasing community spaces e.g., Te Wāhi Āwhina
 - Downtown CCTV network for data collection and real time monitoring for rapid response by emergency services

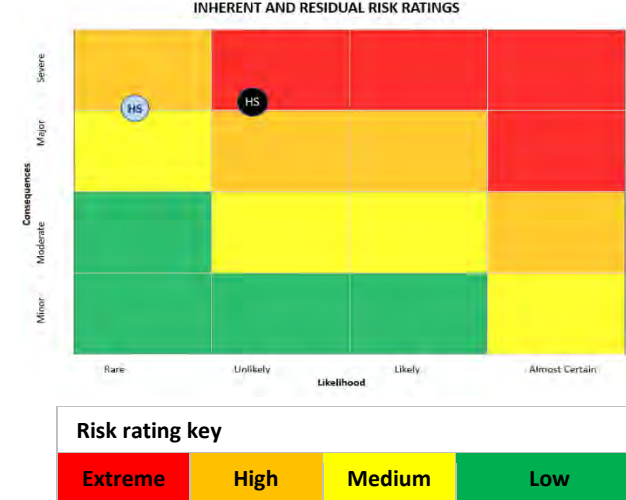
Risk treatments planned or in progress and due dates

- COVID-19 Protection Framework guidance for staff and operational site requirements ongoing and in-development to protect staff and public under new “traffic light” system
- Replacement for Risk Manager system to improve functionality, report generation and trend analysis in progress
- Pōneke Promise improving public spaces e.g.: improved lighting, toilet relocation

Gaps, issues or opportunities for improvements in treatment

- Our replacement for Risk Manager should support more detailed near miss and harm incident trend analysis, so we can use the data for identifying greater opportunities

Risk Analysis



Inherent Risk rating	●	Extreme/High
Target (residual) risk rating	○	High/Medium
Likelihood		Unlikely
Consequence:		Severe
Confidence in assessment		Confident

Maximum credible event (inherent): This scenario WCC fails to implement available and practicable health and safety initiatives to protect staff, contractors and the public from harm. The risk assessment recognises that while WCC plays a role in public health and safety, we are not solely responsible for reducing public harm; there are limits on our influence. We have greater influence and responsibility to the health and safety of our staff and contractors.

Consequences	Current	Rationale
Democracy and governance	Minor	No impacts expected
Partnerships and relationships	Moderate	If inadequate action is linked to us not delivering parts of strategic partnership work such as the Pōneke Promise, could temporarily impact relationships with key partners
Critical service delivery	Minor	No impacts expected
Wellbeing services delivery	Minor	No significant impact on overall service delivery
Community wellbeing	Moderate	No significant impact on overall service delivery. If key projects we are part of are not fully implemented (e.g. Pōneke Promise), it would reduce our contribution to community harm prevention
Priority Investment projects and programmes	Moderate	No significant impact on priority investment projects (mostly capital works)
Environment	Minor	No impacts expected
Reputation and trust	Major	Harm could be to our own staff/contractor or to a member of the public. If it appears we have not taken all necessary actions to keep people safe that are within our power, we are likely to receive considerable negative media attention while any investigations are ongoing
Health & Safety	Severe	Some staff work in roles and locations that are hazardous, likewise some of our initiatives are important for assisting with harm prevention in public places where violent incidents can occur. Serious or fatal injuries are possible in these situations.
Capability and capacity	Moderate	If we are not seen to be a good employer that prioritises staff wellbeing, we may have trouble retaining and recruiting staff
Our critical assets	Minor	No significant impacts expected
Our finances	Minor	No significant impacts expected
Data, information and tools	Minor	No significant impacts expected
Legal regulatory and compliance	Major	We must comply with the Health and Safety at Work Act. We could be investigated and/or prosecuted by Worksafe if it appears we have not fulfilled our legal H&S obligations

References

Relevant legislation

Health and Safety at Work Act 2015
Crimes Act 1961
Trespass Act 1980

Joint Strategies and Initiatives

Poneke Promise 2021 in partnership with Greater Wellington, Hospitality sector, Retail sector, NZ Police, Chamber of Commerce, Wellington City Mission

WCC Policies and Strategies

Strategic Safety, Security and Wellbeing plan 2021
Draft Physical Security Protocol (under development)
Wellbeing strategy
Being well at WCC – part of inclusion strategy covers inclusion diversity and wellbeing – support for all staff to build resilience

WCC procedures

Reporting of all health and safety and near miss incidents in Risk Manager

Relevant reports to other council committees

- Reporting on Poneke Promise safety initiatives to Pūroro Rangaranga Social, Cultural and Economic Committee [2 September 2021](#)
- Reporting on Officer due diligence responsibilities under the Health and Safety at Work Act 2015 to Pūroro Tahua Finance and Performance committee [18 November 2021](#)

Additional commentary

Links to other threats and risks

The COVID-19 threat and the impact on staff wellbeing has intensified the WCC leadership's focus on staff wellbeing and resilience. Reduction of potential for physical and or mental harm to staff and contractors aligns with general risk management improvements and procedures to security and safety of WCC worksites to protect staff and contractors from a range of malicious and non-malicious threats through measures such as confrontation training, evacuation procedures and building design improvements.

Underlying trends and influencers of the risk

The ongoing COVID-19 global pandemic is a source of societal stress, including to the people of Wellington, our staff and contractors.

INADEQUATE PARTNERSHIP PRACTICE	Lack of clear policy, communications, records, points of contact and internal alignment when dealing with key central government, mana whenua and CCO partners	Reviewed: November 2021
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Reporting and accountability

- Governance**
- Reporting on overall strategic risk rating status to Kawai Māhirahira (Audit and Risk Subcommittee)
 - Reporting on Māori strategic development, and on City economic development to Pūrora Rangaranga Social, Cultural and Economic Committee
 - Reporting on risks associated with major infrastructure projects and strategies delivered in partnership (e.g., Wellington Water and LGWM) to processes and systems to keep staff safe at our sites also provided to Pūrora Waihanga Infrastructure committee
 - Reporting on planning and environmental risks relevant to areas where we work closely with central government e.g., social housing, RMA planning, climate change
 - Reporting on the performance and risks associated with our CCOs to Pūrora Tahua finance and Performance committee
- Executive**
- Chief Māori Officer – direct peer-to-peer reporting at ELT on mana whenua partnerships

Risk tracking and outlook – exception reporting

- This threat was on the 2020-21 Strategic risk register and rated as high, the risk rating remains at high using the new consequences framework adopted in August 2021
- In November 2021 ELT conducted a risk assessment for the inadequate partnering practice threat to identify opportunities for reducing the risk to achieving our objectives. The risk treatment content has been developed to capture in-place, and planned mitigations, as well as identifying gaps and opportunities for improvement

Risk treatments in place

- Te Rūnanga o Toa Rangatira (Ngāti Toa Rangatira) representation on Council committees and subcommittees
- WCC is represented on Governance committees of LGWM and Wellington Water
- New structure for Mataaho Aronui agreed in September 2021 with new teams to be established: Māori Partnerships, Māori Success and Māori Strategy to strengthen our partnering practice with mana whenua
- Joint initiative partnerships for key social, environmental, economic or cultural wellbeing: e.g., Poneke Promise, Lets' Get Wellington Moving

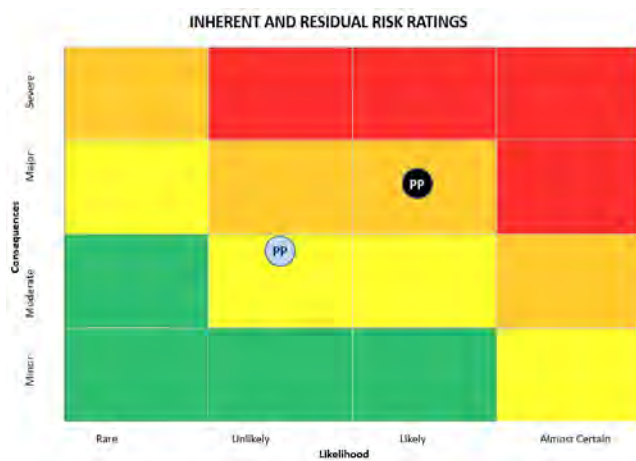
Risk treatments planned or in progress and due dates

- Mataaho Aronui Unit enhanced capability and capacity including new Māori Partnerships team (4FTE)– new manager starting at WCC on 6 December
- New procurement approach based on partnerships with key suppliers
- Stakeholder Engagement Plan under development by CE's Chief Advisor
- Mataaho Aronui development of a 10-year Māori Strategy 2021-22

Gaps, issues or opportunities for improvements in treatment

- A database of all commercial and non-commercial MOUs
- A definition of partnership, identification of key partners and a shared portfolio of information on each key partner agency or group. This would include key points of contact within WCC with the partner, strength and nature of the relationship, correspondence and shared priorities etc – note this is currently in development in the early stages.
- Taranaki Whānui ki Te Upoko o Te Ika not yet represented on Council committees and subcommittees

Risk Analysis



Inherent risk rating	●	High
Target (residual) risk rating	○	Medium
Likelihood		Likely
Consequence		Major
Confidence in assessment		Confident

Risk assessment scenario (inherent risk): This scenario involves a building stress rather than a discrete event. It describes continued and escalated inadequate partnering practice with our key partners, whereby we operate in a disjointed, misaligned and inconsistent way. We have no clear partnership approach or understanding, i.e., no central “key partners” database



Consequences	Current	Rationale
Democracy and governance	Moderate	Historically low turnout at last election of 32%, variable participation in consultation. More extreme issues and media attention may drive higher participation
Partnerships and relationships	Major	Two separate streams: Perception of the organisation vs perception of WCC as a decision-making body. We can only influence organisational relationship and influence. Residents Monitoring Survey indicates drop in confidence in governance. We can be seen to have competing goals with mana whenua
Critical service delivery	Minor	Speed with which issues get resolved is based in part on the strength of relationships
Wellbeing services delivery	Minor	WCC provides most wellbeing services with some reliance on third parties, including WoW and WellingtonNZ. Openings and translations rely on mana whenua and it's harder if we don't have good relationships.
Community wellbeing	Minor	Rapid community services response after the recent fire in City Housing is symptomatic of strong partnerships in this area. Iwi continue to deliver services independent of relationship with Council
Priority Investment projects and programmes	Major	Inadequate partnerships compound the problem of some suppliers being reluctant to bid for work. Some relationships with suppliers are strong, others have fluctuated
Environment	Minor	Minor in terms of what Council partnerships can influence. CE has established key positions to mitigate this risk. Any impact would be localised
Reputation and trust	Major	Appointment of commissioners was mooted in early 2021 prior to the Winder review. We operate in a high turnover “clickbait” media environment
Health & Safety	Moderate	Partnership issues related to difficult projects impact staff wellbeing. For example, our relationship with iwi isn't strong on all issues (e.g. Shelly Bay) but we are sending staff and contractors out to the site.
Capability and capacity	Minor	Some challenges recruiting Māori to council positions
Our critical assets	Minor	Addressing water issues may lead to a loss of control if ownership of assets is transferred. Insufficient budget is the underlying cause - which is not due to inadequate partnering.
Our finances	Minor	Not related to partnerships
Data, information and tools	Minor	We collect and share with both central and local government partners
Legal regulatory and compliance	Moderate	RMA or Treaty partners, threat of judicial review more likely where partnerships are not strong e.g., Shelly Bay

References

Relevant legislation

Local Government Act 2002
Resource Management Act 1991

Guiding documents

Treaty of Waitangi 1840
Memoranda of understanding (MOUs) with Taranaki Whānui ki te Upoko o te Ika (Taranaki Whānui); and Te Rūnanga o Toa Rangatira Incorporated for Ngāti Toa Rangaitira (Te Rūnanga)
MOUs with central government agencies and departments
MOUs with community groups

WCC Policies and Strategies

Tō mātau aronga kiritaki: ka pēhea tā mātau whakahoahoa, whakarato, whakapaipai ratonga. Our customer approach: How we design, deliver, and improve services updated August 2021

WCC procedures

Tikanga incorporated into WCC BAU and events to build internal capability

Relevant reports to other council committees

*To be updated as appropriate: Date, title, relevance, and link to public access papers to be added here

Additional commentary

Links to other threats and risks

Response to large external shock events such as earthquakes, COVID-19 and other hazard events rely heavily on strong partnerships for us to continue delivery of services to Wellington. Major changes such as legislative change are likely to require new ways of operating with existing partners or the development of new partnerships (e.g., proposed Climate Change Adaptation Act)

Underlying trends and influencers of the risk

Recognition that nationwide challenges (e.g., fit for the future three waters infrastructure) and global issues (climate change) require cross-jurisdictional structures and partnerships.

WCC STRATEGIC RISKS: THREAT PROFILE

INADEQUATE PLANNING AND PRIORITISATION

Inadequate planning, scoping and prioritisation resulting in an inability to plan for the resources, workforce and dependencies required to deliver our quantum of strategic projects and programmes and our business-as-usual work.

Reviewed:
December 2021

Reporting and accountability

Governance

- Reporting on overall strategic risk rating status to Kawai Māhirahira (Audit and Risk Subcommittee)
- Reporting on planning and delivery efficiency (status, budgets etc) for key work to the Pūroro Maherehere Annual Plan/Long Term Plan Committee (LTP strategic initiatives), Pūroro Rangaranga Social, Cultural and Economic Committee (social, cultural and economic initiatives) Pūroro Āmua Planning and Environment Committee (spatial and environment initiatives), and Pūroro Waihanga Infrastructure Committee (transport and infrastructure initiatives)
- Reporting on tracking against specific KPIs and budgets relevant to delivery of our long-term priorities and BAU services to Pūroro Tahua Finance and Performance Committee
- Regular reporting on status of Priority Investments against set criteria to Pūroro Waihanga Infrastructure Committee facilitated by the Project Management Office – due to start in December 2021

Executive

- Regular reporting on status of Priority Investments against set criteria to ELT facilitated by the Project Management Office (commenced November 2021 for progress up to October 2021)

Risk tracking and outlook – exception reporting

- This threat incorporates the *Planning and investment*, and *Project and programme* delivery risks from the 2020-21 strategic risk register
- In August 2021 ELT conducted a risk assessment for inadequate planning and prioritisation to identify opportunities for reducing the risk to the work we undertake to achieve our long-term outcomes and our day-to-day functioning and service delivery. The risk treatment content has been developed to capture in-place, and planned mitigations, as well as identifying gaps and opportunities for improvement.

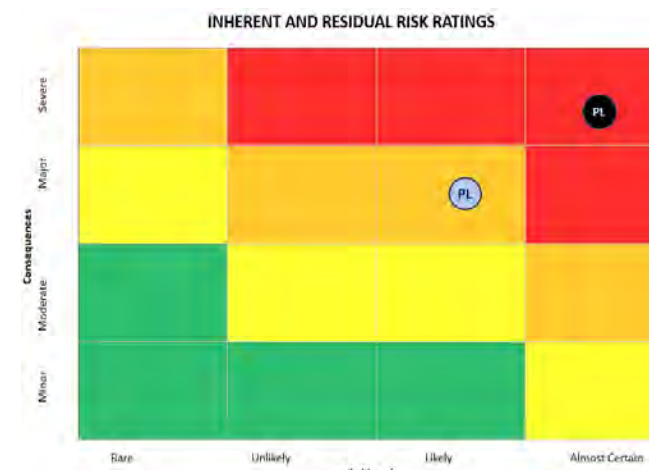
Risk treatments in place

- Established Project Management Office to lift organisational capability in project planning and delivery
- Investment Delivery Framework (IDF) provides standardised approach to managing projects (including risks), promotes planning from the outset
- Programme and project governance and steering arrangements to provide oversight for key initiatives that include multiple projects and areas of council e.g., Cycleways, Housing
- Mandated reporting on Priority Investments (PIs) to ELT supports standardised data capture of all PIs

Risk treatments planned or in progress and due dates

- Business Unit Plans formalised into a standard template to provide centrally all-of-Council data for analysis on alignment of work with long-term priorities, risks to Units' delivery, dependencies and constraints – not fully populated, this information will grow in maturity over the years
- IDF to be mandated for all WCC projects by end FY21/22. Will promote better interdependency mapping and cost estimation
- Project Management tool will be piloted in first half of 2022 with a view to establishing across the organisation soon after – this will support investment approval gating, reporting and resource planning
- Specific project financing function has been created in the Finance team improvement financial management of projects
- Investigating different delivery models for significant programmes of work such as the bike network plan
- Guidance and tools for managing project resources to be in place by end FY21/22. Will support workforce planning

Risk Analysis



Risk rating key

Extreme	High	Medium	Low
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Inherent risk rating	●	Extreme
Target (residual) risk rating	●	High
Likelihood		Almost certain
Consequence		Severe
Confidence in assessment		Confident

Maximum credible scenario (inherent risk): unable to identify which work takes priority, the degree of criticality of programmes and projects, unable to fully scope all requirements and dependencies. New work added without accounting for existing work. This is an issue now; the MCE risk is continued inadequate planning and prioritisation, more work accumulated, coupled with failure to mitigate the existing risk.

Consequences	Current	Rationale
Democracy and governance	Minor	Elected member agendas are busy/heavy workload for governance as we drive key decisions through. Currently we can still make key decisions
Partnerships and relationships	Moderate	If we lose control or oversight, then the impact could be more than minor
Critical service delivery	Moderate	Bigger impact with three waters where we are still accountable
Wellbeing services delivery	Moderate	We will struggle to keep up. We might not deliver but partners play a key role
Community wellbeing	Minor	Wellbeing of community is not expected to be impacted
Priority investment projects and programmes	Severe	Could be severe if specific projects are affected. Some delays for projects have been outside our control and not a result of inadequate planning. E.g., pandemic, supply chain restraints. Significant programme of work planned
Environment	Moderate	Potential environmental consequences. Dependent on which projects are affected. Sludge project inadequate delivery could result in localised damage
Reputation and trust	Severe	Sustained media coverage, loss of confidence, central government attention
Health & Safety	Major	Major drop in staff morale and wellbeing. Psychological health of staff. Would impact multiple business units, not just a few. Would contribute to staff turnover
Capability and capacity	Major	Noticeable gaps in capability/capacity. Might be hard to get contractors as well
Our critical assets	Moderate	Three waters assets already impacted. In general, other assets could take a dip in condition /value and function
Our finances	Major	Value for money might be impacted. What might be perceived as a budget overrun may be better certainty/understanding of the costs. Carry forward of capital works budget (up to 40%) may impact the next year's planning as well, we need to explain variance
Data, information and tools	Minor	No direct impact. Unless specific and critical IT projects are impacted
Legal regulatory and compliance	Moderate	Corrective actions could result in some areas. Possible judicial reviews. 'Matter of emphasis' from external auditors

WCC STRATEGIC RISKS: THREAT PROFILE

- Business Cases will be required for all new priority projects. Use of the IDF framework to manage all new projects starting with the Priority Investment level of projects
- Centralised project master list to be in place by end FY21/22. Will support cross-council prioritisation, critical path evaluation and dependency mapping
- ELT-level Portfolio Management Group to be in place by end FY21/22. Includes mechanism for business case approvals.

Gaps, issues or opportunities for improvements in treatment

- Currently not all projects are mandated to provide standardised status reports for centralised reporting – the status of some remains unclear
- Portfolio planning (looking across all work in progress and not yet in progress) to determine future constraints e.g., workforce, resources, dependencies to meet expectations for delivery – no all of council view currently available or required
- Options for future initiative and priorities (e.g., LTP options) modelling planning focuses primarily on financial deliverability, limited focus on other constraints such as workforce or supply chain

References

Relevant legislation

Local Government Act 2002

Local Government (Financial Reporting and Prudence) Regulations 2014

WCC Polices, Strategies and Plans

This risk profile is concerned with the policies and strategies to enable better internal planning, prioritisation and delivery for all of our work, including that which contributed to our City-wide strategic outcomes and also our day-to-day services and functioning. The policies and strategies that focus on improved performance and internal planning are:

- Working better together
- Procurement Strategy and Policy 2021
- Business Units plans

WCC procedures and frameworks

Investment Delivery Framework (comprehensive project management tools and guidance)

Relevant reports to other council committees

- 18 November 2021 - paper to Pūroro Tahua Finance and Performance Committee [Recommended response to construction market pressures](#) - recommendations for the risks to major projects; reprioritisation, defer lower priority projects, more agile procurement approach, increase project management capability

Additional commentary

Links to other threats and risks

Risks from this threat are exacerbated by supply and resource constraints and lockdowns and risks due to COVID-19, as well as inadequate financial planning and practice. Many of the controls or treatments will be interrelated.

Underlying trends and influencers of the risk

WCC has an ambitious delivery programme to meet our future priorities coupled with a growing population, major legislative reforms ahead that will likely change our role and responsibilities.

OTHER HAZARD EVENT	A natural hazard, biosecurity or hazardous substance event that does not requires a coordinated response by WCC but does not trigger activation of the Wellington Regional Emergency Management response function	Reviewed: August 2021
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Reporting and accountability

- Governance
- Reporting on overall strategic risk rating status to Kawai Māhirahira (Audit and Risk Subcommittee)
 - Reporting on resilience of our City to Pūrora Rangaranga Social, Cultural and Economic Committee (social resilience); Pūrora Waihanga Infrastructure Committee (built environment resilience)
 - Reporting on operational arrangements to plan and prepare for, respond to, and recover from emergencies to the Wellington Civil Defence Emergency Management Group (Regional arrangements) and to Pūrora Rangaranga (City arrangements)
 - Reporting on the controls of land subject to natural hazards Pūrora Āmua Planning and Environment Committee
- Executive
- Exception reporting as appropriate when events occur

Risk tracking and outlook – exception reporting

- This threat is new to the WCC risk register as a standalone threat to be assessed – no change
- In August 2021 ELT conducted a risk assessment for malicious attack threats to identify opportunities for reducing the risk to staff and the public. The risk treatment content has been developed to capture in-place, and planned mitigations, as well as identifying gaps and opportunities for improvement

Risk treatments in place

- Public direct notification to WCC of hazard incidents via helpline/fixit
- Crisis management team with ELT and subject matter experts able to be stood up as required
- Operational response to ‘make safe’ the hazardous area – contractors and WCC staff
- Civil Defence Emergency Management (CDEM) arrangements to escalate response and coordination as required
- Staff training for emergency response roles
- Community resilience initiatives undertaken with our CDEM partners and local neighbourhoods

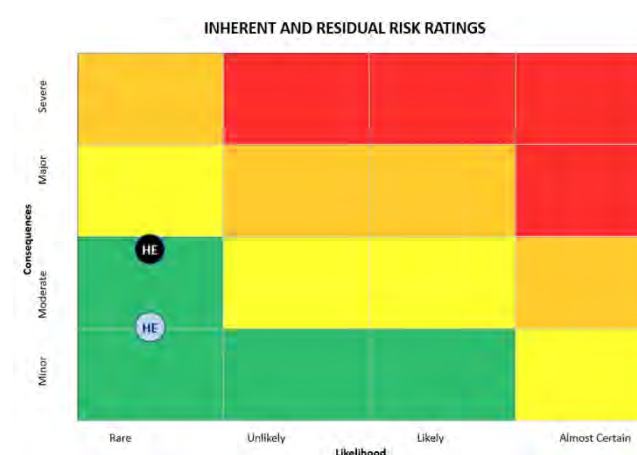
Risk treatments planned or in progress and due dates

- Draft District Plan polices and rules for development areas subject to natural hazards, particularly for flood and coastal hazards. Draft District Plan policies for managing the residual risk to people and the environment from hazardous substances. Consultation on the draft District Plan closes on 14 December 2021

Gaps, issues or opportunities for improvements in treatment

- Wellington City is highly urbanised, a major commercial and a governmental hub. Hazard events that occur in the CBD could easily escalate and requiring a multi-agency coordinated response, that is a civil defence emergency management (CDEM) response.
- We do not currently have a clear process for escalating from a WCC-led crisis management response, to a coordinated WCC Civil Defence Emergency Management response with a local controller and functional roles using trained WCC volunteers. For larger events there is clarity that regional or national CDEM will lead.

Risk Analysis



Risk rating key

Extreme	High	Medium	Low
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Inherent risk rating	●	Low
Target (residual) risk rating	○	No change
Likelihood		Rare
Consequence:		Moderate
Confidence in assessment		Confident

Maximum credible event (inherent): The scenario applied covered a hazardous substance leak at a WCC location with staff and public affected. Other scenarios of relevance include localised flooding (coastal or overland), destructive urban landslide or other hazard event that does not initiate a regional response. The scenario assumes WCC is lead through crisis and emergency response procedures without full civil defence emergency management activation.

Consequences	Current	Rationale
Democracy and governance	Minor	Minor impact on governance
Partnerships and relationships	Minor	No significant impact expected
Critical service delivery	Minor	No direct impact
Wellbeing services delivery	Minor	Site specific. One community impacted for a short space of time. Other services across the City will be open
Community wellbeing	Moderate	Significant impacts on small percentage of community. People injured and/or witness others getting injured. Welfare support might be required.
Priority Investment projects and programmes	Minor	No direct impact
Environment	Minor	No direct impact
Reputation and trust	Moderate	Depending on how Council responds to event to support affected people, or if hazardous substance event
Health & Safety	Major	Not likely to harm people from multiple Business Units. Depending on nature of hazard could be a notifiable event
Capability and capacity	Minor	No direct impact
Our critical assets	Minor	No direct impact
Our finances	Minor	No direct impact
Data, information and tools	Minor	No direct impact
Legal regulatory and compliance	Moderate	Possible investigation, could involve a compliance inquiry (e.g., from Worksafe)

References

Relevant legislation

Civil Defence Emergency Management Act 2002
Building Act 2004
Resource Management Act 1991
Local Government Act 2002

Regional Strategies and plans

Wellington Civil Defence Emergency Management Group Plan
Draft district plan (2021)

WCC Policies and Strategies

Wellington Resilience Strategy 2017

WCC procedures

We follow the Coordinated Incident Management System (CIMS)

Relevant reports to other council committees

*To be updated as appropriate: Date, title, relevance, and link to public access papers to be added here

Additional commentary

Links to other threats and risks

The *COVID-19* and *Earthquake and tsunami* threats are on a larger scale but involve similar consequences on people's physical and psychological health and safety. Many of the hazard arrangements in place for managing earthquake risk in particular apply to other natural hazard events, including the management of land via district plan rules to reduce risk and emergency readiness, response arrangements.

Underlying trends and influencers of the risk

Climate change is an exacerbating factor in many natural hazard risks relevant to this threat. Coastal erosion/inundation and storm surge, landslides and overland flow flooding are all influenced by our changing climate.

RESOURCE AND SUPPLY SHORTAGE	Inability to secure critical people with essential skills, resources or materials. Current risk drivers include global supply chain disruption and a highly competitive labour market	Reviewed: August 2021
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Reporting and accountability

Governance

- Reporting on overall strategic risk rating status to Kawai Māhirahira (Audit and Risk Subcommittee)
- Reporting on managing the challenges of this risk to the Pūroro Tahua Finance and Performance Committee and Pūroro Waihanga Infrastructure Committee
- Reporting on tracking against specific KPIs and budgets relevant to delivery of our long-term priorities and BAU services to Pūroro Tahua Finance and Performance Committee
- Regular reporting on status of Priority Investments against set criteria to Pūroro Waihanga Infrastructure Committee facilitated by the Project Management Office – due to start in December 2021

Executive

Regular reporting on status of Priority Investments against set criteria to ELT facilitated by the Project Management Office (commenced October 2021 for progress up to Aug 2021)

Risk tracking and outlook – exception reporting

- This threat is new to the WCC risk register as a standalone threat to be assessed – no change
- In August 2021 ELT conducted a risk assessment to identify opportunities for reducing the risks arising from our inability to access critical staff and contractors, resources or materials. The risk treatment content has been developed to capture in-place, and planned mitigations, as well as identifying gaps and opportunities for improvement

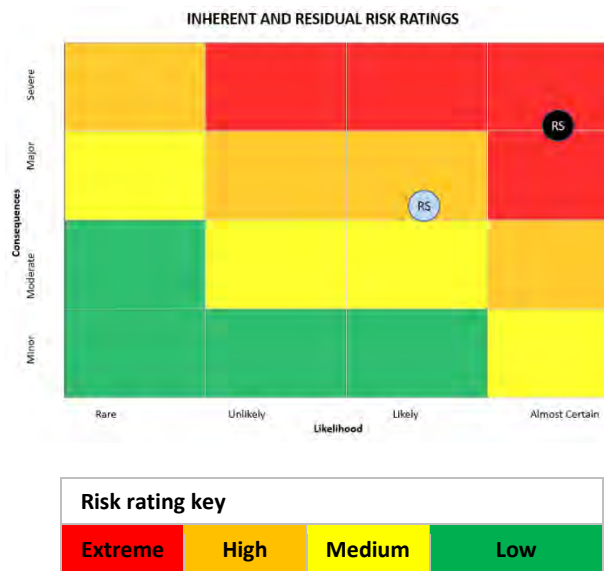
Risk treatments in place

- Investment Delivery Framework (IDF) provides standardised approach to managing projects (including risks), promotes planning from the outset
- Business Unit planning assist in forecasting resource levels required at individual BU level.
- Some projects have procured materials well in advance of when they are required to avoid supply chain disruption.
- Supplier procurement transfers risk and mitigates this to some extent, especially in the maintenance space where we have long term supplier contracts.
- Investment Delivery Framework (IDF) provides standardised approach to managing projects (including risks), promotes planning from the outset

Risk treatments planned or in progress and due dates

- Review and adjust procurement approach proposed including seeking to partner with key suppliers
- Build internal resource and capability to plan and deliver our work including projects
- Talent attraction plan to recruit staff for critical roles and innovative methods to contract professional services under development
- Guidance and tools for managing project resources to be in place by end FY21/22. Will support workforce planning
- Business Cases will be required for all new priority projects. Use of the IDF framework to manage all new projects starting with the Priority Investment level of projects
- Centralised project master list to be in place by end FY21/22end of 2022. Will support cross-council prioritisation, critical path evaluation and dependency mapping
- Establish project pipeline to provide confidence to suppliers
- Establish prioritisation framework to ensure we know where to apply limited resources if we cannot secure more as well as ensuring when new work comes in, we know what to de-prioritise from the plan
- Early procurement and storage of materials
- Project management improvements as well as a Project management tool will assist with better resource forecasting

Risk Analysis



Inherent Risk rating	●	Extreme
Target (residual) risk rating	○	Extreme/High
Likelihood		Almost certain
Consequence		Severe
Confidence in assessment		Confident

Maximum credible scenario (inherent risk): This is already an issue and has the potential to reach critical levels if the pressures continue to escalate. This scenario includes inability to recruit essential specialised staff and contractors and inability to access critical materials and resources to undertake our work.

Consequences	Current	Rationale
Democracy and governance	Minor	Will not stop decision making
Partnerships and relationships	Moderate	We might be comparatively more difficult to work with
Critical service delivery	Moderate	If maintenance activities are deferred this could impact water and transport services and lead to higher costs
Wellbeing services delivery	Moderate	Some impacts e.g., delays in equipment such as heat pumps for housing upgrades
Community wellbeing	Minor	No significant impacts expected
Priority investment projects and programmes	Severe	Construction materials, professional services and contractors are essential for our capital projects
Environment	Moderate	Labour and contractor shortages may make it challenging to include stronger environmental considerations in procurement
Reputation and trust	Moderate	We may not be able to deliver what we said we would, and this may erode public trust
Health & Safety	Moderate	There is pressure to deliver, and this may result in a high toll for internal and external resource
Capability and capacity	Moderate	Domestic labour market is highly competitive, and the workforces is relatively mobile
Our critical assets	Moderate	Planned maintenance may be deferred – leads to higher costs in the long run
Our finances	Major	We may have to pay more in order to deliver to schedule
Data, information and tools	Minor	Contractor resources may be prioritised to maintenance and construction, so there may be less resource available for essential data collection
Legal regulatory and compliance	Minor	No significant issues expected

WCC STRATEGIC RISKS: THREAT PROFILE

Gaps, issues or opportunities for improvements in treatment

- Portfolio planning (looking across all work in progress and not yet in progress) to determine future constraints e.g., workforce, resources, dependencies to meet expectations for delivery – there is no all of council view currently available
- Many of the drivers of this risk are global and/or national and WCC has fewer treatments available to reduce the risk compared to risks from the inadequate planning and prioritisation threat. We can try to reduce the likelihood of shortages through stockpiling materials and innovative recruitment and procurement or reduce consequences by reducing demand through prioritisation and deferment of work.

References

Relevant legislation

Local Government Act 2002

Local Government (Financial Reporting and Prudence) Regulations 2014

WCC Polices, Strategies and Plans

This risk profile is concerned with the policies and strategies to enable better internal planning, prioritisation and delivery for all of our work, including that which contributed to our City-wide strategic outcomes and also our day-to-day services and functioning. The policies and strategies that focus on improved performance and internal planning are:

- Working better together
- Procurement Strategy and Policy 2021
- Business Units plans

WCC procedures and frameworks

Investment Delivery Framework (comprehensive project management tools and guidance)

Relevant reports to other council committees

18 November 2021 - paper to Pūroro Tahua Finance and Performance Committee [Recommended response to construction market pressures](#) - recommendations for the risks to major projects; reprioritisation, defer lower priority projects, increase capability

Additional commentary

Links to other threats and risks

Risks from this threat are exacerbated by inadequate planning and prioritisation as well and exacerbated by COVID-19 impact on global shipping, as well as inadequate financial planning and practice. Many of the controls or treatments will be interrelated.

Underlying trends and influencers of the risk

Major national initiatives (e.g., Three waters reform) further increase competition for resources and materials

INADEQUATE ADAPTATION TO MAJOR CHANGE	Council resists or does not understand and adapt to major change. Examples of major changes on our horizon include three waters reform, local government reform and changes to the RMA	Reviewed: November 2021
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Reporting and accountability

- Governance**
- Reporting on overall strategic risk rating status to Kawai Māhirahira (Audit and Risk Subcommittee)
 - Reporting on changes to our roles and responsibilities as part of three waters reform to Pūroro Waihanga Infrastructure Committee and Te Kaunihera o Pōneke Council
 - Reporting on changes to our role in planning and regulation (RMA reform) for RMA, built environment and natural environment matters to Pūroro Āmua Planning and Environment Committee
- Executive**
- Regular reporting and discussion of changes in our responsibilities relating to central government decisions on COVID-19 response arrangements from ELT leads on COVID-19 planning

Risk tracking and outlook – exception reporting

- This threat is new to the WCC risk register as a standalone threat to be assessed – no change
- In November 2021 ELT conducted a risk assessment failure to adapt to major change to identify opportunities for reducing the risk associated with this threat. The risk treatment content has been developed to capture in-place, and planned mitigations, as well as identifying gaps and opportunities for improvement

Risk treatments in place

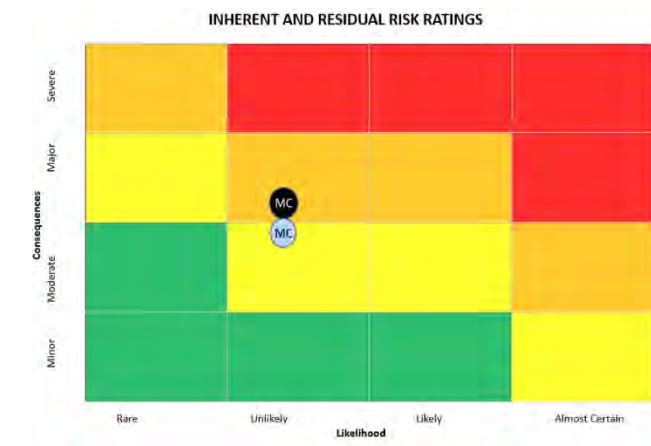
- Adoption of relevant policies and rules into our planning documents (Annual Plans and Long-Term Plans) to reflect legislative and non-statutory changes put in place by central government
- Research and planning to understand the implications of major changes by the Strategy, Policy and Research Unit
- WCC submissions on major reforms to central government or other local authorities
- through the Pūroro Āmua planning and Environment Committee
- Development of policies, bylaws, action plans and strategies to implement major changes into council systems
- Council representation on key governance groups that will be engaged or affected by major changes (e.g. Wellington Water)
- During adoption of the Spatial Plan, WCC considered to the recent announcement of a new government Bill - the proposed resource Management Enabling Housing Supply and Other Matters Amendment Bill

Risk treatments planned or in progress and due dates

- The Council has statutory requirements to meet the National policy Statement on Urban Development (NPS-UD), which require updates to our District Plan. We must meet implement the NPS-UD by August 2022
- Following reform of the RMA into proposed *Climate Adaptation Act, Natural and Built Environment Act* and *Spatial Planning Act* we will need to review and update the District Plan accordingly. We have a transition period of 5 to 10 years to implement any new Resource Management Act reform requirements

Gaps, issues or opportunities for improvements in treatment

Risk Analysis



Inherent risk rating	●	High
Target (residual) risk rating	○	Medium
Likelihood		Unlikely
Consequence:		Major
Confidence in assessment		Confident

Maximum credible scenario (inherent risk): Major changes to our roles and responsibilities are generally signalled well ahead. The risk is that we fail to scope and implement the full suite of changes required, or that we resist required change.

Risk rating key

Extreme	High	Medium	Low
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Consequences	Current	Rationale
Democracy and governance	Minor	RMA and water reform would be national political decisions - no impact on public participation or democracy
Partnerships and relationships	Moderate	Relationships may be impacted due to differing political positions and response of affected partners. We need to make key decisions/ or work together for common interests. Skills in resolving issues where there are diverse views, are needed
Critical service delivery	Minor	Service delivery on the ground is less likely to be directly affected by significant change driven by Central Government
Wellbeing services delivery	Minor	Focus might shift to WCC being a 'broker' in delivery rather than a provider e.g., Pōneke Promise
Community wellbeing	Minor	WCC is not directly accountable for impacts on Wellingtonians' wellbeing linked to legislation changes. Funding, facilitation, and our regulation responsibilities are more likely to impact on our reputation rather than community wellbeing
Priority Investment projects and programmes	Moderate	Momentum impacted. RMA changes may divert resources from local to regional planning. It's possible that there may not be an appetite for committing financial resource to significant investment in water immediately prior to three water reform thus leading to deferring decisions.
Environment	Moderate	If we aren't able to participate in regional planning processes it may affect environmental health. Sub-optimal solutions if we don't have a voice at the table
Reputation and trust	Moderate	Ultimately if Govt. loses confidence in Council, our ability to influence change would be diminished. Our track record demonstrates that we are effective in challenging times
Health & Safety	Major	Cumulative impact of big changes and uncertainty. Covid, big events, ambitious LTP will affect staff wellbeing. If we aren't responding well or being led through change, staff will be impacted
Capability and capacity	Minor	Resources may get diverted away from key projects and programmes to work on big change. RMA planning may move from local to regional diverting resource. Recruitment and retention challenges could increase
Our critical assets	Minor	Change is happening in part due to central government perception of how the local government sector has managed their assets. We have already committed to 40% increase in three waters investment
Our finances	Moderate	Govt could withhold financial incentives or access to funds if we don't respond well to change.
Data, information and tools	Moderate	One programme for the future of local government is to enable greater sharing, less duplication. If we don't respond well, we won't enable data to be transferred into new systems
Legal regulatory and compliance	Minor	Could lead to judicial reviews if new processes or requirements aren't implemented

References

Relevant legislation

Local government Act 2002
Resource Management Act 1991

WCC Plans, Policies and Strategies

Annual Plan 2020-21
Long-Term Plan 2021-31

Relevant reports to other council committees

Approval of Submission to Select Committee Inquiry on the Exposure Draft of the Natural and Built Environments Bill to Pūroro Āmua Planning and Environment Committee [4 August 2021](#)
Government Reform: Three Waters Council [30 September 2021](#)
Mayoral Taskforce on Three Waters Reform update to Pūroro Waihanga [11 November 2021](#)

Additional commentary

Links to other threats and risks

Successful adaptation to major external changes requires effective planning and prioritisation, to ensure we meet our regulatory obligations.

Underlying trends and influencers of the risk

Central government is driving a significant reform programme that for key legislation and/or our roles and responsibilities. This includes a review of Local Government, Three Waters reform and the development of three new Acts to replace the RMA: the Natural and Built environments Act, the Strategic Planning Act and the Climate Adaptation Act.

Public Excluded Attachments

Recommendation

That the Kawai Māhirahira | Audit and Risk Subcommittee:

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

General subject of the matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Attachment to 2.3 - Strategic Risks update for February 2022 - Attachment 14 Cyberattack - Strategic Risk Profile	<p>Section 7(2)(c)(ii) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to damage the public interest.</p> <p>Section 7(2)(j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage.</p>	<p>s48(1)(a)</p> <p>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>
Attachment to 2.3 - Strategic Risks update for February 2022 - Attachment 14 Cyberattack - Strategic Risk Profile	<p>Section 6(b) - The making available of the information would be likely to endanger the safety of a person.</p> <p>Section 7(2)(d) - The withholding of the information is necessary to avoid prejudice to measures protecting the health and safety of members of the public.</p> <p>Section 7(2)(j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage.</p>	<p>s48(1)(a)</p> <p>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>

ASSURANCE & BUSINESS INTEGRITY UPDATE

Kōrero taunaki Summary of considerations

Purpose

1. This report provides the Kāwai Māhirahira | Audit and Risk Subcommittee with:
 - an update on progress against the Assurance & Business Integrity Workplan 2021-22
 - an update on progress to address recommendations from internal audit and other independent assurance sources
 - an update on integrity activities including protected disclosures received, and elected member gifts declaration procedures
2. The information in this report supports the Subcommittee to discharge its responsibility under its Terms of Reference to have oversight of:
 - the internal audit function
 - management's implementation of internal audit recommendations
 - the effectiveness of internal control systems in place, 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

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

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

Relevant Previous decisions

This Subcommittee approved the Assurance & Business Integrity Workplan 2021-22 during its meeting on 9 June 2021. This paper provides a progress update on that Workplan.

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

Significance

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

Financial considerations

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

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

Risk

Low Medium High Extreme

4. Risks were identified as part of audit and assurance work completed and these have been communicated to relevant officers. Risks are managed in line with the Council's Enterprise Risk Management Framework.
5. This paper supports effective governance of assurance activities and to assure that risks identified from assurance activities are appropriately addressed. This gives confidence to our stakeholders that the Council is meeting its responsibilities and the public's expectations of accountability.

Author	Phyllis Lee, Team Leader Assurance and Business Integrity
Authoriser	Stephen McArthur, Chief Strategy & Governance Officer

Taunakitanga

Officers' Recommendations

6. Officers recommend the following motion

That Kāwai Māhirahira - Audit and Risk Subcommittee:

- 1) Receive the update on the Assurance & Business Integrity Workplan for 2021-22.
- 2) Agree the addition of two responsive reviews to the Assurance & Business Integrity Workplan.
- 3) Receive the update on management management's progress to address recommendations from internal audit and other independent sources of assurance.
- 4) Receive the information about integrity activities including the number of protected disclosures received and investigations in progress.
- 5) Receive the statement on the completeness of the quarterly update of the Elected Member Gifts and Hospitality register.

Whakarāpopoto

Executive Summary

7. Delivery of the Assurance & Business Integrity Work Plan for 2021-22 is on track.
8. Management is making progress to address recommendations from internal audit and other independent assurance sources. There are no matters of concern to bring to the attention of the Subcommittee relating to the progress by management to address open assurance recommendations.
9. No new investigations or protected disclosures received during the period 1 October to 31 December 2021.
10. Elected members were reminded to disclosure any gifts or hospitality that have been offered, in line with the Council's guidance for Gifts and Hospitality. The completion rate for the quarter July to September 2021 and for the quarter October to December 2021 was 87% and 43% respectively.

Kōrerorero

Discussion

A. Progress on Assurance and Business Integrity Workplan 2021-22

11. The Assurance & Business Integrity Workplan 2021-22 was approved by this Subcommittee during its meeting on 9 June 2021.
12. Delivery of the approved Workplan is overall on track. We have a vacancy that we are currently recruiting for. To ensure that we can continue to delivery, we are considering short term solutions such as outsourcing planned assurance reviews. We are also reviewing current activities and prioritising the work we do.
13. Two responsive reviews were added to the assurance workplan:
 - **World of WearableArt funding request – Completed.** The Council had agreed to make funding available to World of WearableArt Limited (WOW) if the Awards Show 2021 was disrupted by the COVID-19 pandemic. Management had requested assurance over the costs submitted in the funding request made by WOW.
 - **Evans Bay Parade Cycleway – Scoping in progress.** Management has requested a process review to assure that issues are appropriately identified and escalated. The indicative scope of work is to assess the effectiveness of contract management and issues management processes.
14. Two assurance reports have been issued since our last report to the Subcommittee:

Membership and booking payments system	<p>The objective of this review was to assess the design and operating effectiveness of the Envibe membership and booking payment processes used by the Council's pools, recreation centres and sport fields.</p> <p>The overall audit assessment rating was 'Good'. The controls are effective and key risks are managed. We recommended three actions to improve efficiency or effectiveness of internal controls:</p> <ul style="list-style-type: none"> • Ensure effective use of the supervisor code and provide guidance for discretionary decisions • Explore options for integration and automation of financial processes • Create consistency of the debt collection process across sites <p>We risk rated all three findings as 'Medium'.</p>
World Wearableart funding request	<p>of</p> <p>Based on the work completed, we concluded that the funding request was reasonable and in line with the funding agreement.</p>

15. Further details of our progress to deliver the Assurance & Business Integrity Workplan 2021-22 is tabled in Attachment One

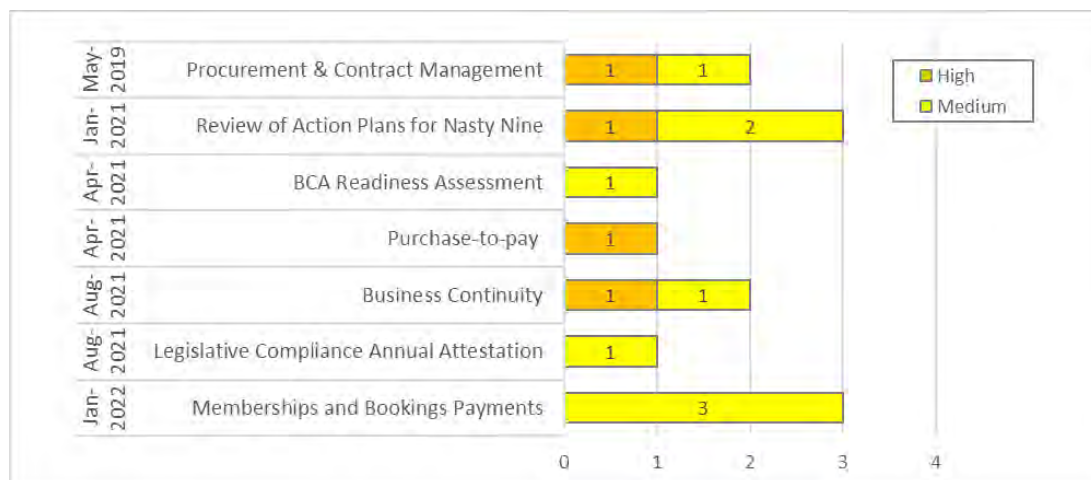
B. Progress on open assurance recommendations

16. Assurance & Business Integrity monitors and reports on management’s progress to address assurance recommendations from completed internal audit reviews, as well as from other independent sources of assurance.

Internal audit recommendations

17. There is a total of 14 high and medium open internal audit recommendations. Three new medium risk items were added to our follow up regime. No internal audit recommendations were closed since our last update to this Subcommittee in October 2021.
18. We note that some actions had their implementation timeframes extended. We have assessed these as reasonable given the nature of management action required. There are no matters of concern to bring to the attention of the Subcommittee relating to the progress by management to address internal audit recommendations.
19. The following figure shows the number of open high and medium risk findings currently in progress.

	High	Medium	Total
Open Internal Audit recommendations	4	9	13



Other independent assurance recommendations

20. Three reviews have been added to our follow up of independent sources of assurance:
- Audit New Zealand Management Report for the year ended 30 June 2021
 - P3M3 Maturity Assessment
 - Telarc Management System and Assessment Report – Cemeteries and Crematorium.
21. Further details of management’s progress to address open assurance recommendations from internal audit and other independent assurance are tabled in Attachment Two.

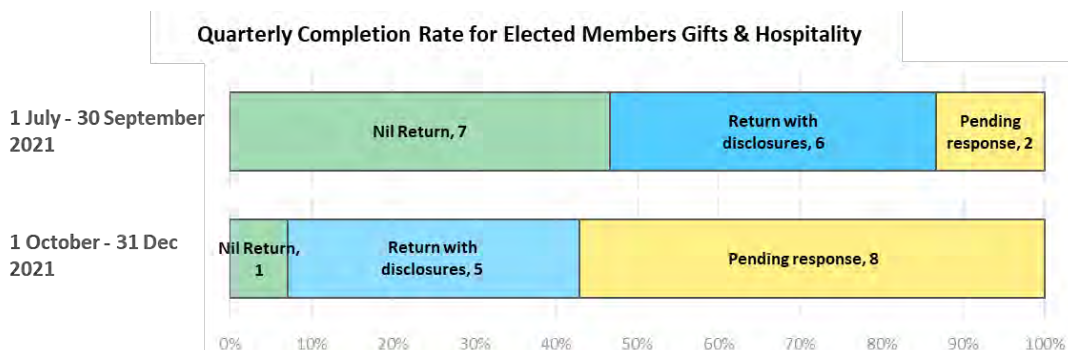
C. Protected disclosures and investigations

- 22. Assurance & Business Integrity has responsibility to receive protected disclosures and to have oversight of any investigations under the Protected Disclosures Act 2000. We will bring to the attention of the Subcommittee any allegations of internal fraud or other suspected financial misappropriation, and any protected disclosures or investigations instigated.
- 23. Since our last report to the Subcommittee on 12 October 2021, no protected disclosures have been made to the Assurance & Business Integrity team.
- 24. There is one ongoing investigation into an allegation of internal fraud or suspected financial misappropriation. This was followed an internal investigation in April 2021 to establish relevant facts following concerns that internal control procedures were not being completed consistently. This matter was appropriately disclosed to relevant persons and further updates will be provided to this committee when the investigation concludes.

D. Elected members’ gifts declaration

- 25. 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.
- 26. The following table shows the quarterly completion rate for elected members gifts and hospitality disclosures:

Period	% Completion rate	Return with no disclosures (Nil return)	Return with disclosures	Pending response
1 July to 30 September 2021	87%	7	6	2
1 October to 31 December 2021	43%	1	5	8



- 27. Officers will follow up with elected members who have yet to respond and provide an update at the next Subcommittee meeting.

Whai whakaaro ki ngā whakataunga

Considerations for decision-making

Alignment with Council's strategies and policies

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

Engagement and Consultation

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

Implications for Māori

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

Financial implications

31. This paper does give rise to any financial implications.

Legal considerations

32. There are no new legislative implications raised in this paper. The risks from non and partial compliances identified through the legislative compliance attestation process is rated minor to moderate. This was reported to the Kāwai Māhirahira - Audit and Risk Subcommittee on 15 September 2021.

Risks and mitigations

33. Risks were identified as part of audit and assurance work completed and these have been communicated to relevant officers. Risks are managed in line with the Council's Enterprise Risk Management Framework. There are no additional risk implication arising from this paper.
34. The governance of actions to address assurance recommendations forms part of the Council's risk mitigation to assure that identified risks are appropriately managed. This gives confidence to our stakeholders that the Council is meeting its responsibilities and the public's expectations of accountability.

Disability and accessibility impact

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

Climate Change impact and considerations

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

Communications Plan

37. No communication plan is required for this paper.

Health and Safety Impact considered

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

Attachments

- Attachment 1. Progress on Assurance & Business Integrity Workplan 2021-22
- Attachment 2. Follow up on open assurance recommendations

Progress on Assurance and Business Integrity Workplan 2021-22

The following report provides a progress update on the four areas of the Assurance & Business Integrity Workplan:

- Internal audit engagements
- Assurance advisory activities
- Integrity activities
- Planning, reporting & improvement activities

Assurance activity	Planned quarter	Progress update
Internal audit engagements		
Annual Internal controls assessment	Q1	Completed. The council's internal control system was assessed as 'Core' which is defined as a basic approach and with elements of good practices in place but operating in isolation.
Alcohol licensing	Q1	Audit work completed. Draft report issued to management for comments. The objective of this review was to assess the effectiveness of processes and controls for alcohol licensing, including the administration support provided to District Licensing Committees and compliance monitoring activities.
Membership and booking payments system	Q2	Completed. The objective of this review was to assess the design and operating effectiveness of the Envibe membership and booking payment processes used by the Council's pools, recreation centres and sports fields. The overall audit assessment rating was 'Good'. The controls are effective and key risks are managed. We recommended three actions to improve efficiency or effectiveness of internal controls: <ul style="list-style-type: none"> • Ensure effective use of the supervisor code and provide guidance for discretionary decisions • Explore options for integration and automation of financial processes • Create consistency of the debt collection process across Council sites
Privacy	Q2	Audit work completed. Draft report is in progress. The objective for this review is to assess the Council's privacy maturity level and the effectiveness of systems in place to manage personal information.
Tenancy services	Q3-Q4	Audit work in progress – working alongside the project team to provide feedback for their consideration. A report of findings will be provided to the Steering Group to support go-live switch decision in May 2022. The objective of this review is to provide assurance that the new tenancy management system business processes are effectively designed and fit for purpose.
Cash handling and reconciliations	Q3	Planning in progress – scope of work being developed. The objective of this review is to assess the effectiveness of controls and processes for cash handling and bank reconciliation at selected Council sites.

Assurance activity	Planned quarter	Progress update
Cyber and information security	Q3	Planning in progress – scope of work being developed. The objective of this review is to assess the effectiveness of systems in place to consider and effectively address enterprise information security requirements.
Enterprise Project Management Office	Q4	Not started. The objective of this review is to assess the progress in establishing the Project Management Office and to provide assurance over the design of project governance, assurance and delivery
Responsive review: World of Wearablearts funding request	Q2	Completed. We provided assurance that the funding request was reasonable and in line with the funding agreement.
Responsive review: Evans Bay Parade cycleway	Q3	Planning in progress – scope of work being developed. The indicative scope of work is to assess the effectiveness of contract management and issues management processes.
Assurance advisory activities		
Advisory engagements	Q1-Q4	<p>Key activities planned or in progress:</p> <ul style="list-style-type: none"> • Grant management system implementation • Watching brief on the Finance system upgrade • Protective Security Requirement security reference group • Participation in the risk champion network <p>Assurance advisory activities completed:</p> <ul style="list-style-type: none"> • Feedback on the strategic risk reporting including input into the fraud risk profile • Feedback on City Housing debt procedures and complaints procedure • Pandemic response • Participation in the Payroll and HRIS Strategy • OneCouncil security user and role working group
Follow up on independent recommendations	Q1-Q4	<p>In progress for the following reviews:</p> <ul style="list-style-type: none"> • Waka Kotahi NZ Transport Agency Investment Audit Report • P3M3 Assessment (Portfolio, Programme, and Project Management Maturity Model) • Audit New Zealand Report to management for the year ended 30 June 2021 • Internal audit recommendations <p>Completed follow up actions for the following:</p> <ul style="list-style-type: none"> • Independent assessment of levels of engagement between WCC and WWL • International Accreditation New Zealand's – Building Consent Authorities accreditation assessment • Telarc Management System and Assessment Report – Cemeteries and Crematorium.

Assurance activity	Planned quarter	Progress update
Internal policy governance	Q1-Q4	In progress. <ul style="list-style-type: none"> Deliver Internal Policy Governance Framework as part of an initiative under the Working Better Together programme Ongoing support to the Internal Policy Working Group
Legislative compliance	Q1-Q4	Completed for the period 30 June 2021. Follow up on actions is in progress. Planning for management attestation for the period ending 30 June 2022 will commence in late May 2022
Integrity activities		
Protected disclosures	On-going	On-going monitoring of the SpeakUp channel. During the period 1 July to 31 December 2021, we received one protected disclosure and one other report of a possible financial impropriety. Both matters are closed with no further investigation required. There is one open investigation currently still in progress.
Gifts received	Q1	Completed. We developed the elected member guidance on Gifts and Hospitality and the procedures for quarterly monitoring.
Conflict of interest declarations	Q2	Completed. We developed the declaration of interest statements for management. As part of the management letter of representation co-ordinated by the Finance team, all Tier-3 managers were asked to confirm that they: <ul style="list-style-type: none"> – have declared any conflict of interest where their duties or responsibilities to the Council could be affected by other interest or duty – have not used their position at the Council for personal gain or to provide an advantage to family or friends – are not aware of any personal interests, obligations or relationships that had or may influence the decisions that are made on behalf of the Council
Fraud risk awareness	Q2	Completed. We organised a Fraud Awareness Week from 15-21 November 2021. It included internal communications on fraud awareness, quiz, and a webinar by the Director of New Zealand Police's National Organised Crime Group on the changing landscape of fraud, corruption and organised crime in NZ and globally.
Continuous monitoring activities	On-going	In Progress. Periodic checks of credit card expenditure and completeness of gifts declaration.
Planning, reporting & improvement activities		
Annual assurance planning	Q4	Not started. We will be engaging with management and this Subcommittee on the assurance activities for the organisation.
Governance reporting	On-going	Completed the following governance reports: <ul style="list-style-type: none"> Annual Assurance Workplan 2021-22

Assurance activity	Planned quarter	Progress update
		<ul style="list-style-type: none"> • Internal Audit Charter review • Report for the year ended 30 June 2021 • Update on legislative compliance for the year ended 30 June 2021 <p>Planned governance reports:</p> <ul style="list-style-type: none"> • Annual Assurance Workplan 2022-23
Professional development	On-going	Ongoing professional education activities by the team including learning from leaders' forum/workshop by the Institute of Internal Auditors Education Day and Privacy Act – One year on webinar.
Process improvement	On-going	Completed self-assessment of conformance against the International Standards for the Professional Practice of Internal Auditing. Improvement actions were identified and are being implemented.

Status of Open Assurance Recommendations February 2022

The following report includes information on management's progress to address open assurance recommendations from internal audit and other independent assurance sources.

Assurance Sources	Description	Summary Status of Recommendations
Internal audit reviews	The Assurance & Business Integrity team completes internal audit reviews as part of its annual workplan approved by the Audit and Risk Subcommittee.	There are thirteen open internal audit recommendations, four high and nine medium rated items. Three of the medium recommendations were added to our follow up regime this period. Refer to Section 1 for details of high-risk items.
Annual Legislative Compliance Attestation for the period ending 30 June 2021	The Assurance & Business Integrity team had facilitated the annual legislative compliance attestation for the period ending 30 June 2021. The attestation process took place during July 2021 and the final report was issued in August 2021.	There were 18 non-compliance or partial non-compliance reported across 14 Acts for the period ending 30 June 2021. There are two Acts that were prioritised for follow up and reporting back to the Audit & Risk Subcommittee. Refer to Section 2 of this report.
Waka Kotahi NZ Transport Agency Investment Audit Report	The objective of this audit is to provide assurance that the Waka Kotahi NZ Transport Agency's investment in the Council's land transport programme is being well managed and delivering value for money. The audit assessment took place in July 2020 and the final audit report was issued in February 2021.	Nine recommendations were issued to the Council. Seven items have been resolved and the actions to close the items were provided to this Subcommittee in previous reports. Update on the two remaining items is included in this report. Refer to Section 3 of this report.
Audit New Zealand report to management	Audit New Zealand completed the audit for the year ended 30 June 2021. Their report sets out recommendations for improvements.	Refer to separate paper to the Subcommittee.
Telarc Management System and Assessment Report – Cemeteries and Crematorium.	The purpose of this assessment was to determine the capability and effectiveness of the cemeteries and crematorium management system.	Four non-conformances were raised – three minor and one major; the major non-conformance has since been resolved and reduced to minor. The Council's cemeteries and crematorium operations received ongoing certification that it operates a quality management system that conforms to ISO 9001:2015.
P3M3* Assessment *Portfolio, Programme, and Project Management Maturity Model	Management engaged a formal assessment of the Council's portfolio, programme and project capability, as part of the establishment of the Project Management Office.	The report recommended 19 priority tasks for management to consider. Management is developing its plan to lift organisational capability in project planning and delivery and the P3M3 report helps to identify where best to focus attention. Actions in progress includes improved reporting of priority investments, implementing a project management tool, and developing project management guidance.

1. Internal Audit Reviews

There are four high rated internal audit recommendations in progress.

Review Name & Date Issued	Findings and Recommendations	Progress as at February 2022
<p>Procurement & Contract Management</p> <p>May-2019</p>	<p>Oversight of significant service contracts</p> <p>We need better oversight of our significant services contracts so that we can plan more effectively for the future and engage successfully with markets.</p> <p>If management does not have better oversight of its significant services contracts, then the non-performance or significant failure of a supplier may not be identified or escalated in a timely matter.</p>	<p>New procurement approach based on partnerships with key suppliers is in progress.</p> <p>Wider organisational work to identify and develop a stakeholder engagement plan is underway.</p> <p>A Contract Management Framework is being established. Work is also underway by the commercial partnership team to identify significant services contracts.</p> <p>Timeframe for completion: June 2022 (updated completion date)</p>
<p>Review of Action Plans for Nasty Nine</p> <p>Jan-2021</p>	<p>Better planning and oversight</p> <p>There is incomplete oversight and validation to confirm the effectiveness of controls and completion of actions to reduce risks.</p> <p>We recommended that management complete strategic planning to ensure it is setting and doing the right work to reduce the likelihood and consequence of threats and prevent harm and injury to people.</p>	<p>The HSW Work Plan is finalised and approved.</p> <p>Development of a Health, Safety and Security Strategy including the plans and actions to assess and improve how we manage critical risks for business units, is planned to commence in March 2022.</p> <p>The reorganisation of the Health, Safety & Security resources is underway with some recruitment completed prior to Christmas. New employees are starting throughout January and February 2022 with the remaining roles being filled between now and June.</p> <p>Timeframe for completion: June 2022 (updated completion date)</p>
<p>Purchase-to-pay</p> <p>Apr-2021</p>	<p>Purchase-to-pay processes</p> <p>Purchase-to-pay processes should be easy to avoid and hard to enforce. Payment options needs to be simplified and staff need a better understanding of why controls are in place.</p> <p>We recommend an initiative to explore improvements to the purchase-receipt-payment processes.</p>	<p>Improvement plans are in progress.</p> <p>Finance review was recently completed to identify key challenges. Several improvement initiatives have been included in the Finance Business Unit Plan for 2021-22. These include Finance systems short term improvement plan and process automation for accounts receivable and accounts payable.</p> <p>Timeframe for completion: June 2022 (updated completion date)</p>
<p>Business Continuity</p> <p>Aug-2021</p>	<p>Limited organisational-wide view and oversight of business continuity planning, risk and priorities</p> <p>The Criticality Framework and risk-based approach to continuity planning needs review.</p>	<p>The organisation is reviewing and updating its continuity plans, particularly considering the COVID-19 Omicron variant.</p> <p>ELT is reviewing the organisational wide approach to continuity planning in January 2022, ensuring that continuity plans and priorities have the right emphasis.</p> <p>Other actions in progress include reviewing the Criticality Framework and aligning that with the Council's Enterprise Risk Framework, managing the storage of BCP documents and developing medium- and longer-term strategies to lift organisational BCP capability.</p> <p>Timeframe for completion: June 2022</p>

2. Legislative Compliance Attestation for the period ending 30 June 2021

The following is a progress report on the Acts that were identified as a priority for follow up and reporting to the Subcommittee

#	Acts	Description non or partial non-compliance	Status as at February 2022
1.	Vulnerable Children Act 2014	Partial compliance – the three yearly safety re-check requirements for children’s workers were not completed. This was fundamentally due to a lack of system generated notification process.	<p>In progress.</p> <p>Council officers have completed a review of the existing policy and procedures for three yearly safety re-checks. Engagement on the draft policy is in progress.</p> <p>Security re-checks are being done and work is underway to confirm that these are kept up to date in line with requirements.</p> <p>Further process improvements are being considered to make the safety re-checks process more efficient and to improve recording systems. This includes exploring whether WhareKura (Council’s learning and development system) can be used to conduct the three yearly checks, including this process within the new H&S Management Solution system and working with our Talent Acquisition Manager regarding the recruitment of employees in this space and capturing this requirement.</p>
2.	Holidays Act 2003	Non-compliance issues with complex rules, configurations and payments types for leave codes existing in the Payroll system.	<p>In progress.</p> <p>Management is currently working through Phase 1 to rectify the system before we move into a remediation phase. We are working with our payroll vendor (TechOne) to deploy configuration fixes for issues identified.</p> <p>System rectification is targeted to be completed by March 2022.</p> <p>Phase 2 (Holidays Act remediation) will commence when we complete Phase 1 due to the dependency. Planning for Phase 2 has commenced with a draft plan and approach and to consider resourcing required.</p>

- We continue to engage with management on their actions to strengthen legislative compliance, including for Acts where roles and responsibilities may need further clarification and for ongoing actions to improve processes and maintain compliance levels. We are satisfied that appropriate actions are being considered.
- We have rated the impacts of reported non-compliances and partial non-compliances as **minor to moderate**.
- There are no significant matters to bring to the attention of this Subcommittee relating to the actions to improve legislative compliance.
- The next legislative compliance attestation is scheduled for July 2022 for the period ending 30 June 2022. This will be reported to the Subcommittee in September 2022.

3. Waka Kotahi Investment Audit

Nine recommendations raised. Seven items completed and closed with details provided to this Subcommittee in previous reports.

Two open items are in progress:

	Recommendation	Implementation timeframe	Progress	Status as at February 2022
R4.1	Ensures that reinstatement of all road openings complies with Council's engineering standards	End 2020/21	We have engaged WSP to undertake a best practice review of how to manage road openings, along with a training guide for our Compliance Officers so that we can do this work ourselves. All our existing road openings are due to be evaluated by end of the 20/21 FY.	<p>In progress</p> <p>WSP final report has been produced. Recommendations have been reviewed by Council officers and shared with local Road Controlling Authorities. Restructure within the Customer & Compliance team has created a Senior Customer & Compliance Officer role who will be responsible for the training of Council officers to complete inspections & collect data. Downers have also been approached to trial inspecting 3rd party trenches on behalf of Council in the northern area & this proposal is currently being assessed.</p>
R5.2	Investigates and trials new engineering solutions to reduce the whole of life costs to maintain the network while meeting current levels of service targets	End 2023	This is underway and is likely to be a longer-term project. It requires working with Waka Kotahi and other councils to review new engineering solutions. New completion date is 2023.	<p>In progress</p> <p>We trialed two new sealing types with Fulton Hogan and one new product with Downer.</p> <p>The trial were successful and the results promising. Work will continue to progress in this space.</p>

LONG-TERM PLAN THREE-YEAR WORK PROGRAMME

Kōrero taunaki

Summary of considerations

Purpose

1. This report to Kāwai Māhirahira - Audit and Risk Subcommittee summarises the approach to the development of the 2024 Long-Term Plan through a three-year programme of work. It provides some detail on the management structure to the programme of work in order to provide assurance to the subcommittee that the programme will be well managed and set up to succeed.

Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

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

Relevant Previous decisions

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

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 direct financial considerations of this paper.

Risk

- | | | | |
|------------------------------|--|-------------------------------|----------------------------------|
| <input type="checkbox"/> Low | <input checked="" type="checkbox"/> Medium | <input type="checkbox"/> High | <input type="checkbox"/> Extreme |
|------------------------------|--|-------------------------------|----------------------------------|
3. The programme of work required for developing a high-quality long-term plan in 2024 is complex and ambitious. As a result there is a risk of delay in many aspects of the programme which is why dedicated steering group and resource, as outlined in this report, is focused on managing the programme of work and the interdependencies between workstreams.

Authors	Geoffrey Coe, Principal Advisor Corporate Planning
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**KĀWAI MĀHIRAHIRA - AUDIT AND RISK
SUBCOMMITTEE
2 FEBRUARY 2022**

	Matthew Deng, Senior Advisor Lloyd Jowsey, Team Leader, Planning and Reporting
Authoriser	Baz Kaufman, Manager Strategy and Research Stephen McArthur, Chief Strategy & Governance Officer

Taunakitanga Officers' Recommendations

Officers recommend the following motion

That the Kāwai Māhirahira | Audit and Risk Subcommittee:

1. Receive the information.

Whakarāpopoto

Executive Summary

4. There is a range of complex and interdependent work required over the coming three years to enable Council and the community to navigate significant investment choices across growth, transport, and city housing; and the impact of Three Waters reform.
5. These choices will need to come together through the preparation of the 2024 Long-term Plan (LTP) or through earlier LTP amendments. This is to ensure that the full impacts of choices are properly considered and consulted on, including the financial and funding choices that sit alongside investment needs.
6. Officers have established a 3-year programme of work with a dedicated steering group to oversee this work to manage risks and dependencies.

Takenga mai

Background

7. With the recent conclusion of the 2021-31 LTP, officers have identified key improvement areas for long-term planning leading into 2024. These improvement areas cover issues around: process and governance; filling of gaps in Council's planning framework; and progressing work on key decisions.
8. The improvements were presented to the AP/LTP committee workshop on 29 September 2021. This presentation is available as Attachment 1.
9. This report provides an overview of the programme of work for the sub-committee as well as including additional detail on the structures put in place to manage the three-year programme of work for the 2024 LTP.

Kōrerorero

Discussion

A large volume of planning and considerations for 2024

10. The 2021-2031 LTP notes several gaps and issues with Council's long-term planning. These include the need to include of the full growth costs associated with the Spatial Plan, the full costs of transport investment through LGWM and an agreed way forward for City Housing. The current Long-Term Plan has also been qualified by our auditors in relation to the quality of asset planning for three waters infrastructure.
11. In addition to these improvement challenges, three waters reform will progress within the coming three years and will have significant impacts on Council's planning. The

amendments to our LTP required by three waters reform will need to be coordinated with these wider growth, housing and transport pressures.

12. The range of work required is included in full in Attachment 2.
13. Confronting these issues is essential to produce a comprehensive long-term plan for the city and Councillors to be informed on the full investment costs facing the city and any related choices. Failure to include the infrastructure investment requirements for a growing city may ultimately constrain city growth.
14. In order for the Council and the community to make choices about these investments, they could require further options around new funding and financing mechanisms, changes to levels of services across other Council activities, and/or alternative service delivery models.
15. To enable this decision making a large amount of the planning is required to address these challenges which is now underway. Regardless, in order for the community and Council to make informed choices across investment pressures each piece of work will need to be aligned and well-coordinated.

Good practice long-term planning requires starting early

16. Councils with good practice approaches to their LTP do not treat the LTP as a stand-alone project. A good practice LTP process should enable Elected Members to connect their first conversations on outcomes, priorities and challenges through to investment and budget choices. This starts from the pre-election briefing and induction of a new Council through to the adoption of an LTP 18 months later.
17. A three-year programme supports this approach. Shifting the LTP from being a process driven exercise focused on the delivery of a compliant document to a strategic decision-making exercise for the Council and community about the choices the city faces.

Three-year programme structure

18. Transparency and central coordination of work programmes will be critical for coherent choices to be provided to the community and Council over the coming three years. The Executive team has agreed to a centralised and early approach to management of long-term planning and as a result, has established a formal steering group to manage these dependencies.
19. The Terms of Reference for this steering group is included as Attachment 2. It focuses the role of this steering group on coordination of the programme of work and not direct governance of individual pieces of work. This is to minimise duplication with existing steering groups, such as that governing the Planning for Growth programme.

Resourcing

20. In order to support this three-year programme of long-term planning, roles within the organisation have been re-organised or added. This includes changes within the Finance Group to support the delivery of strategic financial advice; the development of a dedicated Strategic Asset Management function within the Infrastructure Group; creation of a dedicated Growth and Infrastructure Planning role within the Planning and Environment Group; and additional resource in Corporate Strategy and Planning to oversee the programme and support improved Strategic Activity Planning.

Reporting

-
21. The steering group will report progress on the long-term planning programme as required to the Pūroro Maherehere - Annual Plan/Long-Term Plan Committee.

Ngā mahinga e whai ake nei

Next actions

22. The Pūroro Maherehere - Annual Plan/Long-Term Plan Committee will receive regular updates on the progress of the LTP programme of work. The Audit and Risk subcommittee will receive updates on the programme in June 2023 as per the subcommittee's forward work programme as well as reviewing key inputs to the Long-Term Plan in relation to asset management planning practices and forecasting assumptions in the more immediate lead in to the 2024 Long-Term Plan.

Attachments

- Attachment 1. AP/LTP Workshop presentation - Improving the Long Term Plan
- Attachment 2. 2024 LTP Steering Group Terms of Reference and Scope of work

Improving on long-term planning

Lessons from the 2021-31
Long-Term Plan

Tō mātou mahere ngahuru tau Our 10-Year Plan

Volume one | Long-term Plan 2021-2031



Agenda

1

LTP components and process

- What is purpose of an LTP and what did we set out to deliver for 2021?

2

Reflecting on the process

- Improving the design and execution of the LTP process
- Improve underlying long-term activity planning

3

A 3 year LTP work programme

- The key pieces of work to progress over the next three years to better position the 2024 LTP

4

2022/23 Annual Plan

- Heads up on the upcoming work for 2022/23 Annual Plan

1

LTP components and process

What was the plan when we began the LTP process?



Key components of an LTP

Statements of service (LoS)

The setting of service levels is a key driver of Council activities and costs. Councilors have options to increase, maintain or reduce levels of service through the LTP. Agreeing higher levels of service needs to be balanced with management of funding impacts through Financial Strategy.

Financial Strategy

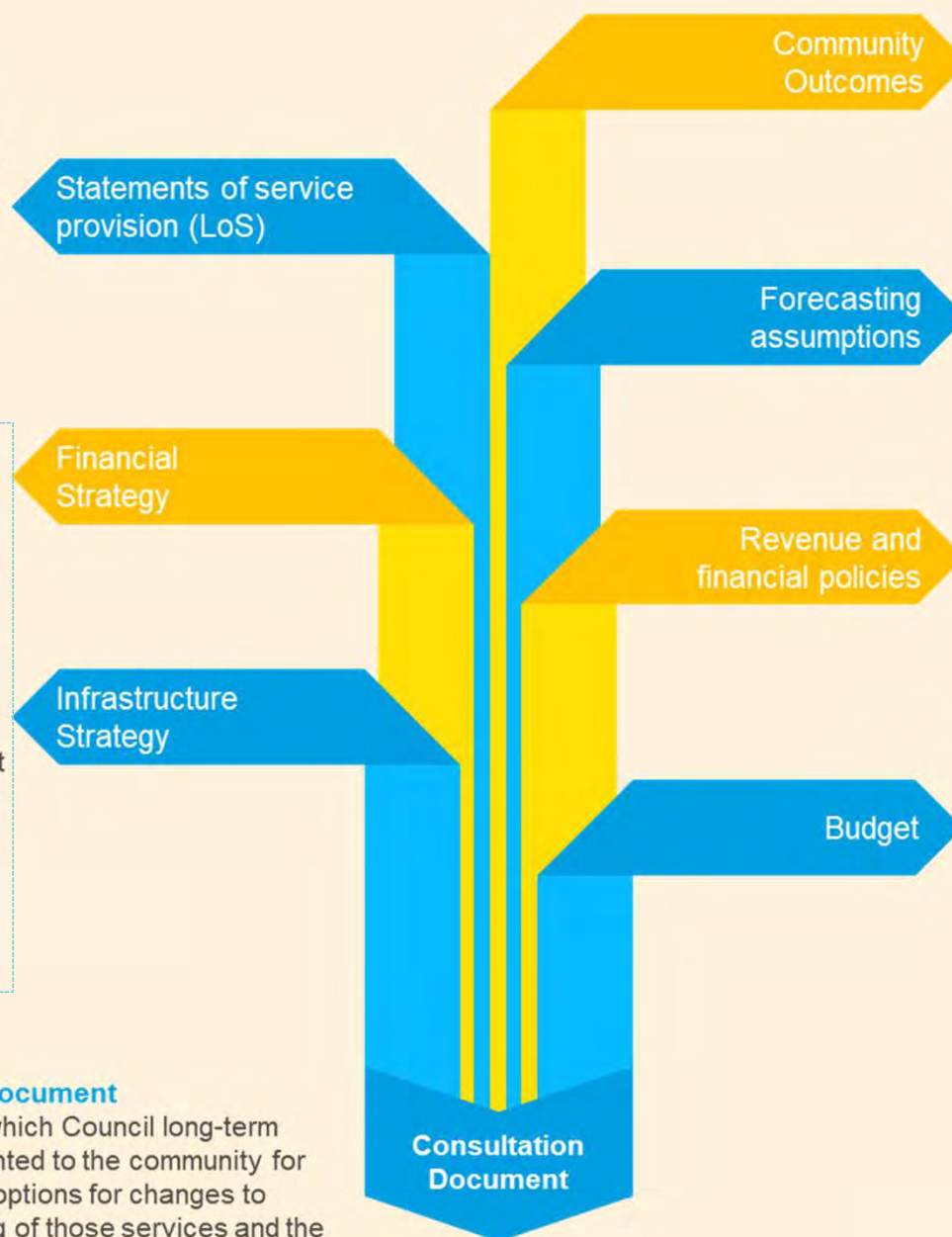
Agrees the overall financial settings for the Council, balancing between affordability, fairness, sustainability, resilience etc. Lays out the limits on rates and borrowing.

Infrastructure Strategy

Agrees our approach to management of infrastructure. Shows the financial impacts of infrastructure ownership across renewal and upgrade of infrastructure and investment to support growth.

Consultation Document

Key means by which Council long-term plans are presented to the community for input. Presents options for changes to services, funding of those services and the risks and impacts of those options.



Community Outcomes

Drive the services we provide and the level of those services. Outcomes are broad and long-term with changes not expected over the short-term.

Forecasting assumptions

The strength and risks of long-term plans are tied to the assumptions we make about the future. Managing risks to the plan is about being clear and deliberate about what assumptions we make.

Revenue and financial policies

Agrees the settings for how we fund operating and capital expenditure. Settings defined to an activity level. Changes to financial settings flow through to impacting operating costs.

LTP budget

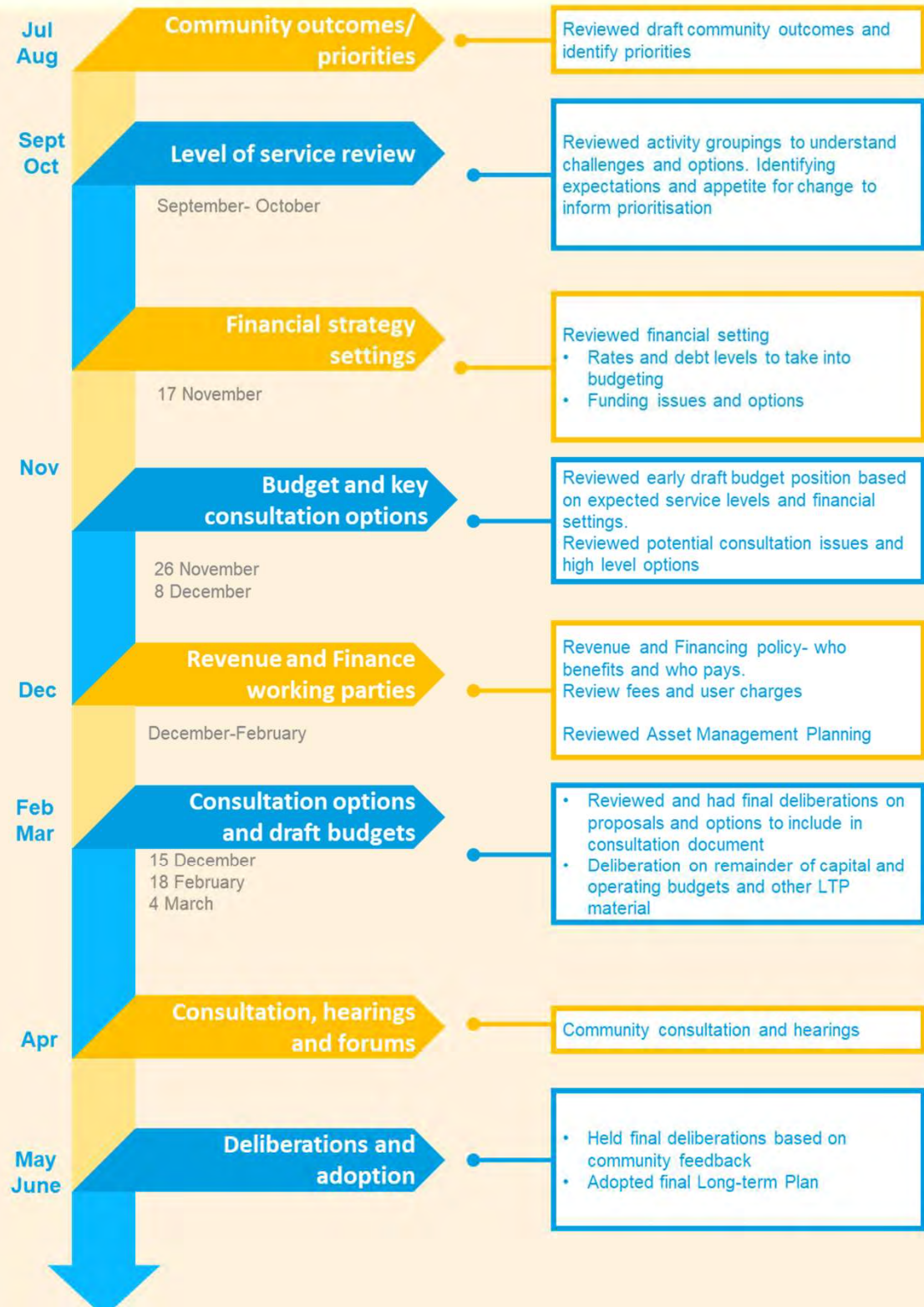
Outlines the full impacts of Council decisions across all components of the LTP i.e. delivery of services and financial settings.

Timeline

The timeline we ran through for the LTP worked through all the components of the LTP.

Pre Christmas 2020 focused on reviewing settings – financial and potential options

Decision making from February-March 2021 on final decisions about consultation options and budget settings



2

Reflecting on the process

Continuous improvement of the long-term plan process



Opportunities to improve

The Long-Term Plan process has improved over time. The 2020/21 process was able to support Council to successfully make some complex and difficult decisions.

However there is plenty of room to improve.

- Early sessions on outcomes, levels of service and financial settings were not ‘sticky’ enough. LTP was still driven by budget and project level choices late in the process
- Our process continues to focus decision making on options to upgrade services, and does not handle identifying options about existing services.
- There are a number of gaps in our LTP
 - The impacts of growth on infrastructure budgets is not yet integrated into our LTP
 - We have made assumptions about some significant strategic issues rather than being able to plan a way forward (for example housing)

1 Bottom up vs. top down

- Currently the LTP process is a bottom up planning exercise with a top down decision making structure. This mismatch of top down governance and bottom up process has led to a complex experience for business units and decision makers.
- Need a smoother process that connects strategy to budgeting

2 Starting early

- We need to start planning early enough so that the right conversations can happen in the right order, rather than everything coming together at the same time
- Need a three-year programme with good disciplined governance of the work focused on managing dependencies

3 Supporting elected members

- We need a process that supports elected members to have meaningful influence early through strategic choices rather than a process that concentrates focus late in the process on individual projects and budgets

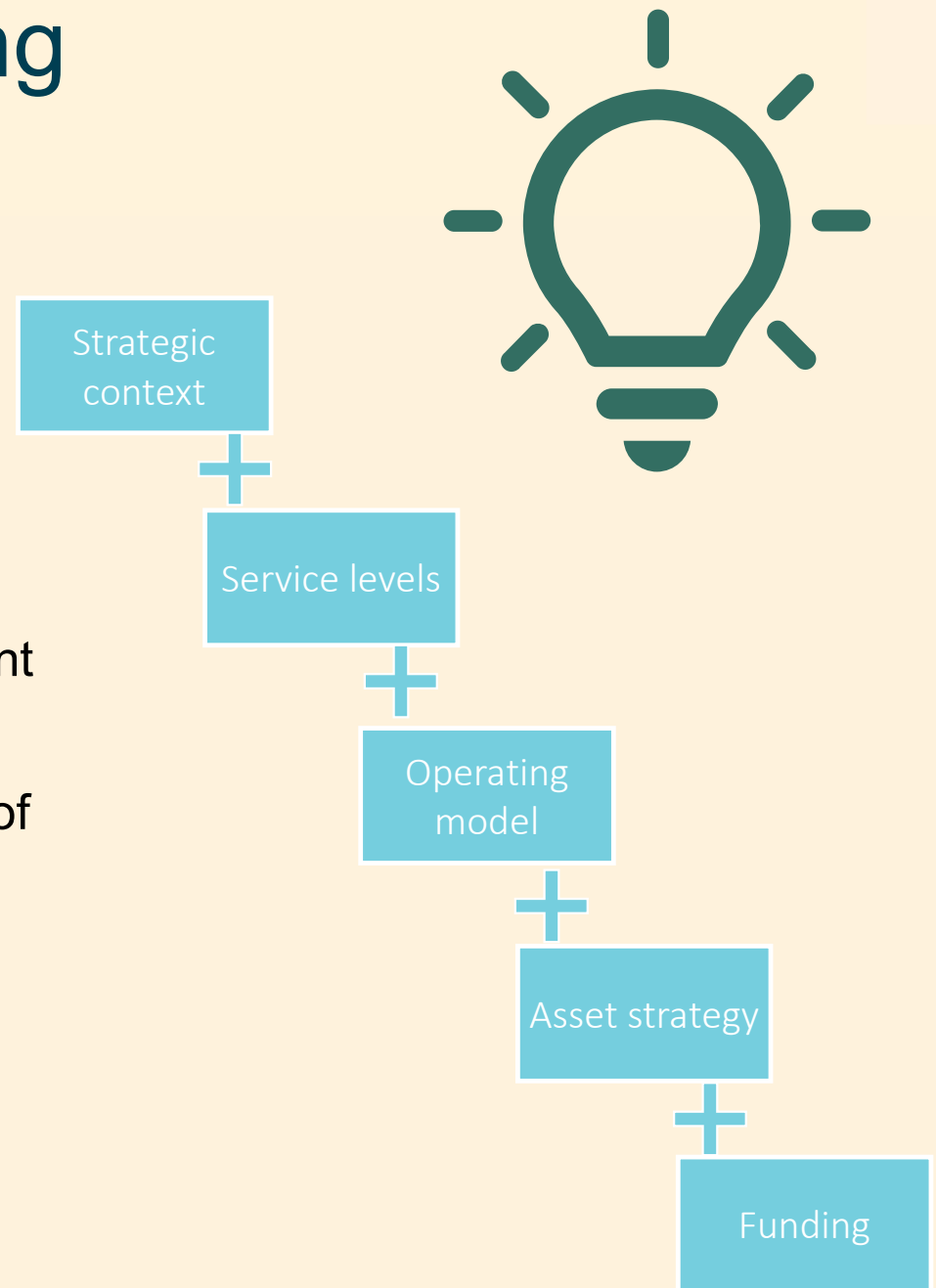
Strategic Activity planning

Commonly used tool by other councils

We think that putting in place some structured long-term planning across our activities to complement existing Asset Planning could be a key underlying improvement to the LTP

What we will get

- Create connections between policy/strategy development and the design and management of services and funding choices.
- Allow more transparent choices on service levels to be presented to Council with clarity of risks and impacts.
- Consolidation of existing strategies
- Enable greater benchmarking of service performance and costs over time with other Councils
- Provide better structure to support budget prioritisation
- Connect different long-term planning decisions: Revenue & Financing, KPIs, asset investments, significant projects, operating budgets etc.



3

A 3 year LTP work programme

Progressing work on the key
decisions that will influence
the next long-term plan



LTP work programme

There are specific pieces of work that will need to be executed on in order to successfully help the Council and the Community make key strategic choices in 2024.

We need to set and monitor a 3 year programme of work to ensure this background work is completed on time and dependencies are managed.

Many of these improvements relate to improving Asset Management Planning

Strengthening the involvement of mana whenua partners in long-term planning

Growth

- Spatial Plan impacts on asset and service growth investment requirements modelled into F&I Strategy and AMPs
- Complete community infrastructure network review
- Funding options for growth (reviewing DC policy)

Environment issues

- Integrate climate impacts into asset planning (adaptation)
- Develop investment pathway options on the reduction of waste- a plan for the Southern Landfill and waste reduction building off the back of sludge minimisation

Fill other key gaps in Asset Planning

- Build greater confidence of the total long-term renewal and upgrade costs of Council buildings, including venues
- Eliminate audit qualification in relation to WWL renewals planning
- Improve understanding/advice of the deliverability of capital programmes

Housing

- Develop options for the future of City Housing*
- Clarify role options for the Council in the supply/facilitation/advocacy of affordable housing

*may be through amendment prior to 2024

LGWM

- Develop options for levels of investment in LGWM packages (progressed through LGWM programme)*

*may be through amendment prior to 2024

Funding

- If planning will result in significant additional rate or debt impacts, we may need to develop service level options for other Council activities to mitigate the increases
- This could require examining Council roles through strategic activity planning, potentially using the Social Framework currently being finalised.

Three waters reform

In addition, three waters reform impacts will need to be developed for an LTP amendment prior to the 2024 LTP

Local government and RMA reform

To be confirmed impacts of reforms on Council and planning

LTP work programme timeline leading into 2024

Year 1 2021/22

Lay the groundwork

First year required to fill the known gaps in understanding the future city investment needs

- Spatial plan priorities translated into phased WWL **growth costings**.
- **Full LGWM costs** identified and any external funding sources developed
- Completion of initial **community facility infrastructure** review with costings
- Spatial plan impacts on public space development identified
- Develop options on **city housing** financial sustainability and consult

Establish the foundations for improved planning framework and planning/budgeting cycle

- Establish Business Planning cycle – linking into Annual Planning and budget
- Establish basic Strategic Activity Plans across activity areas (document current service levels and service delivery approaches)
- Strengthen confidence in asset renewal costings and adaptation costs through improved AMP condition data and processes
- Strengthen maturity of our understanding of capital programme deliverability through PMO

End the year with updated high-level long-term forecast financial position (inc. forecast debt and rates positions). Identify and agree the options to go away and develop advice on in Year 2.

Year 1 will also need to coordinate three-waters reform consultation and impacts.

Year 2 2022/23

Examine choices

Assuming that significant additional costs will be identified, then options for managing the impacts on Council debt and rates will be required. They could include:

- Prioritisation framework for service level options and cost savings
- Key activities have level of service options built through further strategic activity planning
- Develop advice on Council funding options
- DC policy work (funding options for growth)
- Advice on Council asset ownership options and alternative revenue lines
- Advice on market capacity/capital programme do-ability

The year will include work to support a re-elected Council to understand Council's planning challenges- including pre-election reports and Councillor briefings

End the year with agreement of the upcoming LTP process for options to come together for Community consultation and then Council decision making.

Year 3 2023/24

Present the options and make choices

Bringing together the discrete options into city level options. Undertake coordinated consultation.

- Community consultation
- Completion of other LTP process requirements

Year ends with updated Long-Term Plan aligned with the Spatial Plan and investment programmes to match achievement of community outcomes.

NOTE- The timelines of three waters, LGWM or city housing will force some aspects of this work to be accelerated.

4

2022/23 Annual plan approach

Wellington City Council

Mahere ā-Tau Annual Plan 2020/21

Absolutely Positively
Wellington City Council
Me Heke Ki Pōneke



Approach

- 2022/23 faces tight financial constraints
- Approach internally is to run a tight budgeting approach.
- Consideration only of significant cost pressures affecting the achievement of LTP priorities.

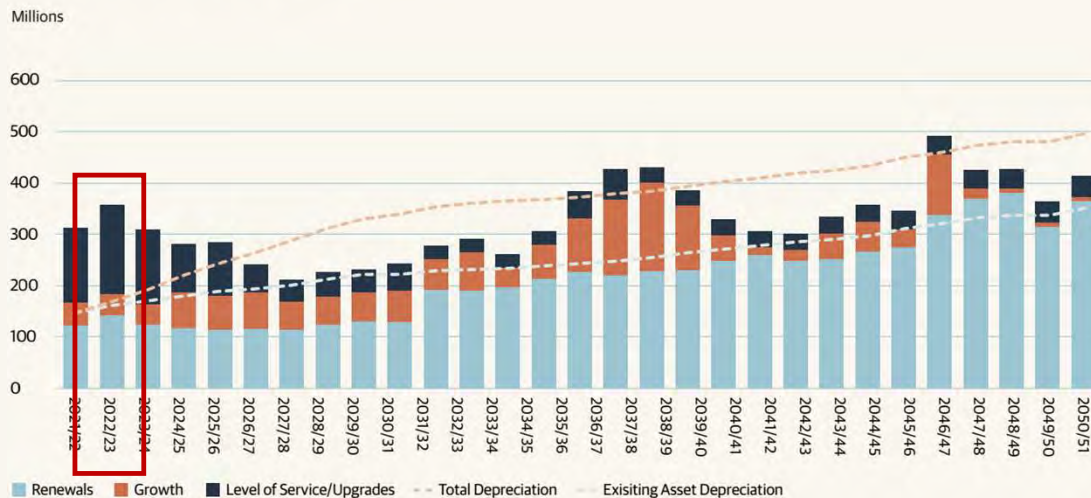
Year-on-year rates increase



Debt to Income ratio 2021-31

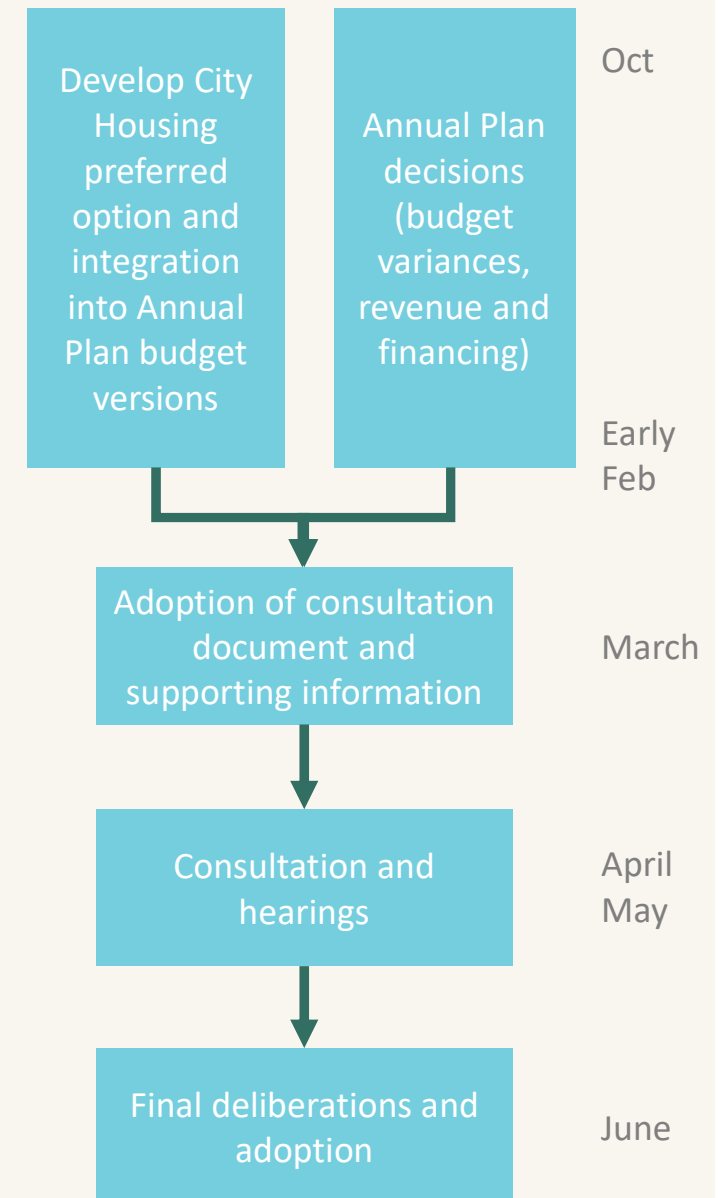


Whole of Council LTP 2021-51 (\$m)



City Housing LTP amendment

- A proposal to establish a City Housing CHP Trust would require public consultation through an LTP amendment.
- We would need to progress the LTP amendment consultation as part of the 2022/23 Annual Plan process
- The amendment would drive the Annual Plan timeline
 - Requires formal consultation, audit opinions, and amendments to all affected components of the LTP.
- Expect Committee meetings in December and early in February to meet the requirements for both an amendment and the Annual Plan.



Draft Terms of Reference for a Long-Term Planning Steering Group

Purpose

To ensure coordinated dependency management of the key pieces of work that will lead to amendment of the 2021-31 Long-Term Plan, including coordination of the consultation and decision-making processes for those amendments.

This will involve:

- Agreeing, in consultation with relevant decision bodies, an overarching schedule for the work in scope to feed into development of the 2024 Long-Term Plan or earlier amendments as necessary;
- Approving project plans for individual pieces of work where other governance structures are not available; and
- Monitoring and approval of variations of that schedule and approved project plans.

Note that this group does not exercise decision making rights over these individual pieces of work and has no budget. It provides oversight and an escalation path for risks and issues to be raised with the relevant decision bodies.

Scope

Oversight of the following pieces of work.

Work item	Scope relevant to steering group	Lead
LTP programme	Governance group for specific LTP deliverables e.g. development of Finance and Infrastructure Strategy	Baz Kaufman
Establishing planning for growth investment requirements for three-waters and other infrastructure	Monitoring that growth investment requirements are being identified for infrastructure	Vida Christeller
LGWM option development	Monitoring of consultation and approval process in context of other LTP amendments	Moana Mackey
Community Infrastructure review	Governance group for project	Kristine Ford
Three waters reform and local government reform	Watching brief	Siobhan Procter
Social Housing funding options	Consultation timing – coordination with LTP amendment	Katherine Meerman
Strategic Activity Planning	Governance group for project	Baz Kaufman
Asset Management Planning	Timeline for improvements to asset planning, particularly activity to address current LTP qualification	Siobhan Procter
Development Contribution policy review	Governance group for project	Sara Hay

Membership

Name	Role	Nature of attendance
Stephen McArthur	Chief Strategy and Governance Officer	Chair
Sara Hay	Chief Financial Officer	Member
Liam Hodgetts	Chief Planning Officer	Member
Siobhan Procter	Chief Infrastructure Officer	Member
Beth Keightley	General Counsel	Member
Baz Kaufman	Manager, Strategy, Policy and Research	Member
Richard Marshall	Manager, Financial Planning and Policy	Member
Lloyd Jowsey/Geoffrey Coe	Planning and Reporting	Support/secretariate

Quorum

Three members of the group need to be in attendance, substitutions only by agreement of the Chair.

Meetings

The group will meet at least monthly but may meet more frequently as required

Meeting format

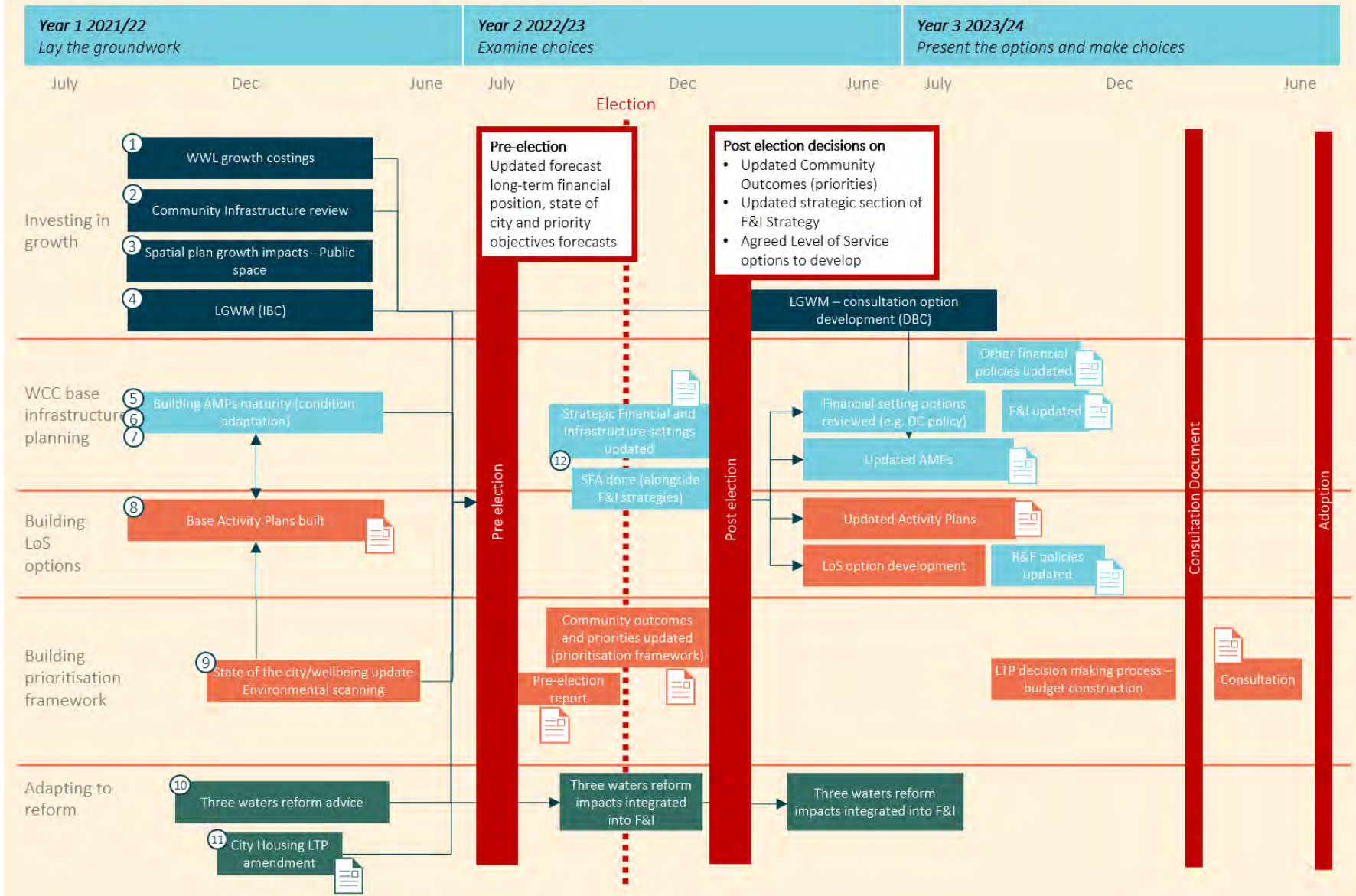
The Planning and Reporting team will coordinate the agenda for the steering group, the basis of the meeting being a status report compiled by Planning and Reporting in coordination with the leads for each piece of work. Leads for pieces of work will attend where requested by the steering group and/or when their work is flagged as at risk through reporting.

Reporting

The steering group will report progress on the long-term planning programme as required to the Pūroro Maherehere - Annual Plan/Long-Term Plan Committee.

Appendix A: Scope of work for long-term planning steering group

LTP programme high-level timeline



Item	Comment – information requirements to inform a LTP decision
1 Spatial plan priorities to translate into phased WWL growth costings	<p>The three waters growth costs relating to our spatial plan need to be identified and added to the LTP capital programme. These costings need to be robust enough to stand up to audit and have enough detail to be funded through the Development Contribution policy. This may require specific projects by catchments being costed and phased.</p> <p>Significant additional cost pressures will require examination of funding options.</p>
2 Review of community facility infrastructure needs (including growth)	<p>The investment needs of community infrastructure, considering renewal, upgrades and growth need to be identified.</p> <p>These costings need to be robust enough to stand up to audit and, for growth, have enough detail to be funded through Development Contribution policy. This may require specific projects by catchments being costed and phased.</p> <p>Upgrades will also need options developed with information on the impacts of each option on costs, risk, level of service and wellbeings.</p> <p>It is possible there will be an expectation for alternative operating models to be pursued to deliver community infrastructure change. For example, greater use of housing or commercial spaces alongside community infrastructure as a funding source. These may be complex policy or funding changes that would need advice to enable cost and revenue figures to be included within long-term budgets.</p>
3 Spatial Plan public space growth impacts	<p>There may be public space investment needs relating to growth (for example to implement a green infrastructure plan). If so these will need to be identified with costings robust enough to stand up to audit and, for growth based investment, have enough detail to be funded through Development Contribution policy. This may require specific projects by catchments to be costed and phased.</p>
<p>4 LGWM costs and external funding sources</p> <p><i>Note that consultation on LGWM options may not be until 2024 LTP, with some earlier engagement activity</i></p>	<p>Full costs of LGWM need to be identified and added to our capital budgets.</p> <p>These costings need to be robust enough to stand up to audit and have enough detail, if deemed to be partly growth related, to be funded through the Development Contribution policy. This may require specific projects being costed, phased and attributed to catchments.</p> <p>Detail will be required to make auditable assumptions on funding splits and funding sources to enable decision making.</p> <p>Work is required to align planned LGWM programme consultation/decision making with any required WCC consultation through an LTP amendment or through the 2024 LTP process.</p>
5 Strengthen confidence in asset renewal costings through improved Asset Management practices	<p>The 2021-31 LTP qualification needs to be addressed through strengthened condition information on WWL investment.</p> <p>Further asset planning improvements may be required for some specific Council asset classes where current asset management maturity is relatively low.</p>
6 Adaptation planning	<p>While the 2021 LTP addressed aspects of climate change mitigation through funding Te Atakura, progress on integrating adaptation planning into asset planning is also required for the 2024 LTP to properly respond to climate change. This requires some central coordination of WCC adaptation climate planning to inform distributed asset planning.</p>
7 Advice on market capacity/capital programme do-ability	<p>Capital programme do-ability is a current matter of emphasis in our LTP audit and we will need improved advice to guide 2024 decision making. Will need sufficient confidence in information to influence choices about timing and levels of investment. Will also need specific plans in place to build capacity in order to avoid a matter of emphasis or qualification.</p>

Item	Comment – information requirements to inform a LTP decision
8 Activity/service planning to develop LoS options	<p>Funding pressures may require the need to develop options for the community and Council around level of services.</p> <p>In order to be prepared to present realistic options with an understanding of cost and impacts, strategic activity planning with LoS options will be required.</p>
9 State of city – outcome and priorities update	<p>We plan on early adoption of community outcomes and priority objectives in the lead in to 2024. This will require an update on progress against community outcomes and strategic/environmental scanning to inform updated priority objectives.</p>
10 Three waters reform <i>Note that the consultation requirements of three waters reform are not yet known</i>	<p>An LTP amendment may be required to lay out the financial and other implications for Council of a transfer of assets, revenue and debt.</p> <p>If a transfer created second order impacts around the Council’s financial position (such as a deteriorated debt to income ratio) then options may need to be developed to address these impacts. These options may need to be detailed enough to be audited and presented to the community through a SCP consultation.</p>
11 City Housing ownership options <i>Note that consultation on city housing options likely through LTP amendment alongside 22/23 AP</i>	<p>City Housing options are required with urgency given deteriorating financial position. Options will all need to be costed and audited through an LTP amendment process.</p>
12 Financial and Infrastructure Strategies	<p>Need for the collective impacts of other work items to be worked through in a coordinated update to Council Finance and Infrastructure strategies.</p> <p>This will likely include some focus on the funding of growth. - Increasing growth costs being represented in the LTP will create greater emphasis on the Development Contribution policy as the funding mechanism for those costs. A review of the effectiveness and adequacy of the policy will be required as growth costs increase.</p>

The priorities for the first 12 months for the steering group include:

1. Establishing core strategic activity management planning
2. Progressing improvements to asset planning, delivering improved confidence in AMP renewal costings
3. Identifying the potential financial impacts of growth:
 - a. The three waters investment requirements of the spatial plan
 - b. Community infrastructure review, including the impacts of growth
4. Establishing LGWM options
5. Agreeing City Housing funding options and consultation

AUDIT NZ GOVERNING BODY REPORT

Kōrero taunaki

Summary of considerations

Purpose

1. This report asks Kāwai Māhirahira - Audit and Risk Subcommittee to receive the Audit New Zealand Report to Council on the 2020/21 Annual Report audit.

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 material being considered in this paper.

Financial considerations

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

Risk

3. Low Medium High Extreme

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

Taunakitanga Officers' Recommendations

Officers recommend the following motion

That the Kāwai Māhirahira | Audit and Risk Subcommittee:

1. Receive the information.
2. Note the content of the Report to Council on the audit of 2020/21 Annual Report from Audit New Zealand.

Takenga mai

Background

1. 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, and within the report provide recommendations on matters that they believe will strengthen the Council's control environment or enable greater efficiencies or effectiveness.
2. The report outlines their recommendations and officers response to those recommendations. The progress of implementing these recommendations will be monitored and reported on by Internal Audit.

Discussion

3. The key findings from Audit NZ audit of the 2020/21 Annual Report are:
 - A non-standard audit report was issued on the Council parent and group's annual report on 28th October 2021. It comprised an unmodified opinion and a qualified opinion.
 - The unmodified audit opinion was issued on the financial statements, which means Audit NZ were satisfied that the financial statements present fairly the City Council's activity for the year and its financial position at the end of the year.
 - The Council's control environment continues to operate effectively.
 - The qualified opinion relates to certain performance information required as part of the Department of Internal Affairs (DIA) mandatory performance measures for water activities in relation to water supply, wastewater and stormwater.
 - The performance measures Audit qualified our opinion on are:
 - Maintenance of the reticulation network – Water supply
 - Total number of complaints received – Water supply, Wastewater and Stormwater
4. There are nine new recommendations on which officers have provided comments, that cover the following areas: performance reporting (which impacted on the Audit opinion), valuation of assets, procurement, project management and contract management, Lets Get Wellington Moving expenditure type recognition, Holiday Pay remediation, CCO reporting, internal controls for general journals and DFA policy application as well as a minor change to the depreciation and amortisation policy.

-
5. The report also has an update on the status of nine previous outstanding recommendations, five of which were implemented or closed.
 6. Officers have also provided an update on a number of the previous recommendations.

Ngā mahinga e whai ake nei

Next actions

7. Council continue to work on the agreed recommendations as set out in the attached report, progress of which will be monitored by Internal Audit and Audit NZ during their audits.

Attachments

- Attachment 1. Audit NZ Governance Report

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

Wellington City Council

For the year ended 30 June 2021

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Key messages

We have completed the audit for the year ended 30 June 2021. 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 28 October 2021.

Our audit report included:

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

The performance measures we qualified our opinion on are:

- Maintenance of the reticulation network – Water supply.
- Total number of complaints received – Water supply, Wastewater and Stormwater.
- Reliability of other performance measures in the prior year – Water supply, wastewater, and stormwater fault response times, and the number of dry weather wastewater overflows. This issue has been resolved for the 30 June 2021 year.
- Without further modifying our opinion, an emphasis of matter paragraph drawing the readers' attention to the disclosure in the annual report which outlines that subsequent to year-end the Government announced it will introduce legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities from 1 July 2024.

Areas of focus

We comment on the following key matters in the report:

- **Performance reporting – DIA three waters mandatory measures** (results provided by Wellington Water) – we identified issues with two performance measures in relation to water supply, wastewater and stormwater (as above). These two measures were also qualified last year.

- **Valuation of operational land and buildings and investment property** – we did not identify any issues with the valuation of the assets. We are satisfied that the valuation of these assets and related disclosures in the financial statements are appropriate.
- **Fair value assessment of infrastructure assets** – 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 2021. The fair value of assets is impacted by any impairments. The information on the condition of critical assets for the three water assets was taken into consideration in determining whether the assets are impaired. Based on the condition assessment of critical pipe assets, we agree with management’s assessment that these assets are not required to be impaired. A condition assessment of the remaining pipe assets is taking place. We have recommended the City Council take into consideration the results when assessing the fair value of its three water assets.
- **Impairment of property, plant and equipment held at cost** – We reviewed the Council’s impairment assessments, with specific focus on significant assets in the Civic Square complex and other assets held at cost such as the St James Theatre. We consider that Council’s methodology and key assumptions applied to this assessment are appropriate.
- **Valuation of weathertightness liabilities** – We did not identify any issues with the valuation of the liability. The liability and related disclosures in the financial statements are appropriate.
- **Accounting for items from major litigation activity - Legal claim by BNZ** – We obtained an understanding the Council’s approach to monitoring the litigation activity and how it makes decisions as to whether a contingent liability (and/or asset) should be disclosed, including the Council’s involvement in this. We are satisfied that the disclosures for the claim in the financial statements are appropriate.
- **Mixed group (for profit and public benefit entity) issues** – We have reviewed the Council’s consideration as to whether there are any consolidation adjustments that will be necessary to adjust WIAL 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 gained an understanding of these arrangements and discussed with the City Council whether, for these arrangements, it has considered the tax and accounting treatment and disclosures in the financial statements.

We specifically considered the following during the current year:

- Let’s get Wellington Moving (LGWM) project and the accounting treatment of the expenditure incurred to date. We confirmed that expenditure incurred relates to the design phase and were appropriately expensed. The LGWM Programme obtained an accounting opinion on the accounting treatment for the LGWM Projects. We will review the accounting opinion as part of our 2021/22 audit.
- Water stimulus funding – we reviewed the accounting treatment and were satisfied that it is appropriate. We did not identify any issues.

- **Information technology general controls review and new information operating model** - The City Council continues to mature its processes as part of the transition to the new information systems operating model. Overall, we are satisfied activity controls have remained design and operationally effective. Therefore, we placed reliance on these for the purposes of our audit.
- **Procurement, project management and contract management** – we have followed up on prior year recommendations relating to procurement management arrangements. We have reviewed the Procurement Strategy (adopted in February 2021) against good practice and identified a number of enhancements that the City Council should consider making when the strategy is next reviewed (in line with the City Council’s triennial strategy review cycle).

We are satisfied that a number of prior year recommendations have been addressed, however some aspects remain outstanding.

- **Covid-19 implications for public sector reporting** – 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 and that the Level 4 lockdown from August 2021 is a non-adjustable event.
- **Wellington City Council Mayoral Taskforce review of Wellington Water** – the City Council has adopted the Mayoral Taskforce’s recommendations. The work on the recommendations is ongoing and we note that the City Council will keep abreast of updates as the Government’s three water reforms are implemented.
- **Holidays Act 2003 compliance** – Council acknowledges that the potential liability could be significant as the issue affects current and past employees and covers a period going back six years plus one from October 2020.

We are satisfied that it is an unquantified contingent liability and that it has been appropriately disclosed. We recommend that the City Council resolve the Holidays Act compliance issue.

- **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
25 January 2021

1 Recommendations



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

Priority	Explanation
Urgent	<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>
Necessary	<p>Address at the earliest reasonable opportunity, <i>generally within six months</i></p> <p>These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.</p>
Beneficial	<p>Address, <i>generally within six to 12 months</i></p> <p>These recommendations relate to areas where the 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>

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
<p>Performance reporting - DIA three waters mandatory performance measures</p> <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>	4.1	Necessary
<p>Fair value assessment of infrastructure assets</p> <p>The City Council should take into consideration asset condition information when preparing a fair value assessment for assets.</p>	4.3	Necessary

Recommendation	Reference	Priority
<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 City Council has cost information available to it from ongoing construction projects; this should be factored into the analysis. Consult with the valuers who performed the full revaluation previously, as they will have construction cost data available which will further improve the Council's assessment. The City Council should also consider if it would be useful to have the assessment reviewed by an independent valuer. 		Necessary
<p>Procurement, project management and contract management</p> <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>	5.4	Necessary
<p>Holidays Act 2003 Compliance</p> <p>The City Council should resolve the Holidays Act compliance issue.</p>	6.1	Necessary
<p>Let's Get Wellington Moving Programme</p> <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>	6.2	Necessary
<p>Breach of Delegations Policy</p> <p>The City Council should review its sensitive expenditure policy to ensure it complies with good practice, such as the OAG's good practice guide on sensitive expenditure, and review the delegations policy to ensure it is in line with the current structure of the Council.</p>	6.3	Necessary
<p>General journal review process</p> <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>	6.4	Necessary

Recommendation	Reference	Priority
<p>Publish CCOs' annual reports, half yearly reports and statements of intent on website</p> <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>	6.5	Necessary
<p>Zoo collection accounting policy</p> <p>The City Council should update its accounting policy in the annual report to be like that disclosed by Wellington Zoo in that animals are not recorded.</p>	6.6	Beneficial

1.2 Status of previous recommendations

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

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	-	3	1	4
Implemented or closed	-	5	-	5
Total	-	8	1	9

2 Our audit report

2.1 We issued a non-standard audit report



We issued a modified audit report on 28 October 2021.

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

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

The performance measures we qualified our opinion on are:

- Maintenance of the reticulation network – Water supply.
- Total number of complaints received – Water supply, Wastewater and Stormwater.
- Reliability of other performance measures in the prior year – Water supply, wastewater, and stormwater fault response times, and the number of dry weather wastewater overflows. This issue has been resolved for the 30 June 2021 year.

Without further modifying our opinion, an emphasis of matter paragraph drawing the readers' attention to the disclosures which outlines that subsequent to year-end, the Government announced it will introduce legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities from 1 July 2024. The inclusion of this paragraph is in line with Auditor-General expectations across all 30 June 2021 audits.

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.

2.4 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the 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 Council were good in their delivery of support during the final audit and utilised the AuditDashboard to ensure documentation is provided within a reasonable timeframe.

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 2021 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.

ICT services transition

The City Council's previous IT key strategies include outsourcing IT infrastructure services to a third party (Dimension Data (DD)) via a custom-built managed-services solution and set up of a shared services capability with other agencies to use and govern the outsourced services. The Shared Services Office (SSO) was aimed to deliver modern services to council communities, which are easily accessible and reliable.

We are advised that the participating agencies and SSO had to deal with ongoing and increased unexpected challenges around vendor performance. The quality and reliability of services also decreased over time, resulting in an increase in the number of major incidents and total service outages. These have had impacts on the agencies' ability to provide excellent services to the public.

We understand the SSO and agencies agreed not to extend or renew the agreement with DD. It is noted that the contract between the SSO and DD was simply allowed to run out, scheduled for the end of October 2020. All agencies also agreed to terminate the underlying SSO arrangement at the same time. Each agency had to implement transition plans with the support of the SSO, to exit and transition from the agreement with DD by no later than 31 October 2020.

We found ICT has considered challenges around vendor performance as one of the drivers to refresh the IT enterprise architecture and the team's capabilities to continuously improve their business and their customers experience. The refreshed IT Strategy and Architecture has identified key risks and actions that can mitigate them. These include the option to continue using an outsourcer or to bring back IT Services in-house. The strategy also proposes a new IT system that will gradually shift towards a cloud and internet-centric architecture.

We found the new operation model includes moving infrastructure and applications into public cloud platforms, such as Amazon Web Services (AWS), and vendor Software-as-a-Service offerings in accordance with the All-of-government (AoG) framework.

The City Council continues to mature processes as part of the transition to the new IT Operation Model.

The City Council has addressed audit recommendations on management of local administrator rights, and we acknowledge the progress made to rectify patch management process improvement, as detailed in Appendix 1 that have yet to be fully resolved.

Whilst we noted no new audit issues, we will maintain a watching brief on the following areas due to the complexity of large organisations such as the City Council. These are areas of opportunity and we noted that work is progressing to continue to improve capability.

- Continued focus on Cyber Security Maturity including high level information security policy framework redevelopment and IS operational standards and guides revision following its endorsement by the ELT.

- Work is in progress to complete a series of full server backup restores to ensure backup validity on a regular basis.
- The finalisation of Cyber Business Continuity Plan and the implementation of a wider overall DR test. It is noted that ICT aim to have this done before the end of this year.

4 Matters raised in the Audit Plan



In our Audit Plan for 2020/21, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Our audit response
4.1 Performance reporting - DIA three waters mandatory performance measures	
<p>The City Council makes use of a service provider, 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 2019/20 was modified on certain performance information.</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 includes relying on the work of the Wellington Water auditor to provide assurance for certain performance results which are reported by Wellington Water on behalf of the City Council.</p> <p>We understand that Wellington Water has made significant improvements over the last 12 months to the recording and reporting of performance information.</p> <p>As a result of the improvements, we were able to gain sufficient appropriate assurance over DIA mandatory measures on fault response times and dry weather overflows that were qualified last year.</p> <p>However there continued to be significant issues with some other performance measures, which were identified last year. As a result of these issues, our work was limited and there were no practicable audit procedures we could apply to obtain assurance over the reported results for these performance measures. Our opinion on these performance measures was also qualified last year:</p> <ul style="list-style-type: none"> • Maintenance of the reticulation network – Water supply <p>Wellington Water was unable to report a reliable water loss percentage for each shareholding council. This is because the water loss percentage is estimated using information obtained from water meters across the reticulation network. The limited number of water meters across the City Council’s reticulation network significantly impacts the reliability of the results.</p> <ul style="list-style-type: none"> • Total number of complaints received – Water supply, Wastewater, and Stormwater

Audit risk/issue	Our audit response
	<p>Wellington Water was unable to accurately report the number of complaints for each of the three waters services. Complete records of all complaints were not available, and the complaints system used also did not classify complaints between water supply, wastewater, and stormwater.</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 2021/22 annual report.</p> <p>Management comment</p> <p><i>The Council will continue to do this and will apply a cost/benefit analysis to any proposed solutions to ensure there is value to the ratepayer with any proposed solution. For example, in order to calculate water loss for the city, Council will seek other alternatives to implementing city-wide water metering as a solution to complying with this measure.</i></p>
4.2 Valuation of operational land and building assets	
<p>The City Council revalues its operational land and buildings assets and infrastructure assets on a three-year rolling cycle. This year, the City Council will be revaluing its operational land and buildings as at 30 June 2021.</p> <p>Both operational assets and infrastructure assets need to be revalued with sufficient regularity to ensure that their carrying amount does not differ materially from their fair value.</p> <p>The relevant accounting standard is PBE IPSAS 17 <i>Property, Plant and Equipment</i>.</p>	<p>We are satisfied that operational land and buildings have been accounted for, and appropriately disclosed in the financial statements.</p> <p>The City Council performed a full revaluation of its operational land and building assets which resulted in the following revaluation increases:</p> <ul style="list-style-type: none"> • Land: \$11.03 million (27%) • Buildings: \$231.92 million (41%) <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 IPAS 17 have been met;

Audit risk/issue	Our audit response
	<ul style="list-style-type: none"> • ensured changes to useful lives have been appropriately taken up; • 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.
4.3 Fair value assessment of infrastructural assets	
<p>Infrastructure assets were last revalued as at 30 June 2020 and are not scheduled for revaluation this year per the accounting policy.</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 2021 by applying relevant cost indices taking into account the cost pressures that exist within New Zealand and Wellington’s construction industry and the limited availability of resources in the sector (including various trades and project managers).</p>	<p>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 2021.</p> <p>The fair value of assets is impacted by any impairments. The information on the condition of critical assets for the three water assets was taken into consideration in determining whether the assets are impaired. Based on the condition assessment of critical pipe assets, we agree with management’s assessment that these assets are not required to be impaired. A condition assessment of the remaining pipe assets is taking place. Any fair value assessment or revaluation should take these results into consideration.</p> <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 City Council has cost information available to it from ongoing construction projects; this should be factored into the analysis. • Consult with the valuers who performed the full revaluation previously, as they will have construction cost data available which will further improve the Council’s assessment. • The City Council should also consider if it would be useful to have the assessment reviewed by an independent valuer.

Audit risk/issue	Our audit response
	<p>With the current environment having a significant impact on costs – for example, supplies and labour cost escalations, thus increasing the fair value of assets, we are aware the City Council is considering bringing forward the full revaluation of its infrastructure assets by one year from 2022/23 to 2021/22.</p> <p>Management comment</p> <p><i>The City Council’s existing revaluation policy will be reviewed to assess whether the current three-year cycle is still appropriate given the current environment. Currently, where there are indications there maybe potential material changes, discussions are had with Audit New Zealand and our valuers on the need to change the cycle of the next revaluation. Such a review has been undertaken and Council has decided to bring forward its next infrastructure asset revaluation to 2022. Because we used the updated unit cost data and various current industry indices, we believe that for that assessment year unless there are significant differences or changes, it would not be necessary to get the assessment reviewed by an independent valuer.</i></p>
<p>4.4 Impairment of Property, Plant and Equipment held at cost – including the Civic Square complex</p>	
<p>The Civic Square complex had a carrying value of \$51 million as at 30 June 2020. This asset class is measured at historical cost less accumulated depreciation.</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>PBE IPSAS 21 requires the City Council at 30 June 2021 to consider if there is any indication that an asset may be impaired. If any such indication exists, the City Council is required to estimate the recoverable service amount of the asset. If this is less than the asset’s carrying amount, an impairment loss must be recognised.</p>	<p>The City Council has performed an impairment assessment of the Civic Square complex.</p> <p>We have reviewed the City Council’s impairment review. As part of our review, we discussed with management its rationale for not impairing the Municipal Office Building even though the Council’s preferred option for the Municipal Office Building in the 2021/31 Long Term Plan is for the building to be demolished. We have accepted that the Council has not impaired the \$2.8 million of work in progress related to the 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 are satisfied that the impairment assessment complies with the requirements of PBE IPSAS 21 – <i>Impairment of non-cash generating assets</i>.</p> <p>We are satisfied that impairments have been appropriately accounted for within the financial statements and that appropriate disclosures about</p>

Audit risk/issue	Our audit response
	the nature of the impairments – these disclosures comply with the requirements of the relevant accounting standards.
4.5 Valuation of the City Council’s weathertightness liabilities	
<p>The City Council’s liability for weathertightness claims remains significant, totalling \$39.4 million at 30 June 2020. There is a high degree of judgement and estimation in the calculation of the liability.</p>	<p>We reviewed the valuation of the weathertightness homes provision as at 30 June 2021.</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>
4.6 Accounting for items from major litigation activity - Legal claim by BNZ	
<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 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>We are satisfied that the disclosures for the claim in the financial statements are appropriate.</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 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; • 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 advisers. <p>We have not identified any issues to be reported.</p>

Audit risk/issue	Our audit response
4.7 Mixed group (for-profit and public benefit entity) issues – refer also to the section on Group audits in this audit plan	
<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. For example, WIAL applied NZ <i>IFRS 16 Leases</i>, effective from 30 June 2020, which requires all leases to be recognised on the balance sheet. The equivalent accounting standard for public benefit entities only requires finance leases to be recognised on the balance sheet.</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 – for example, capitalised interest at the WIAL level should be expensed at the City Council group level.</p> <p>We have not identified any issues.</p>
4.8 Accounting implications of arrangements with government, non-government organisations and private sector	
<p>To deliver on the Council’s 2021/31 long-term plan and specific plans for affordable housing, social housing, sludge and waste minimisation and Let’s Get Wellington Moving, the City Council may enter into arrangements with government, non-government organisations and private sector.</p> <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 gained an understanding of these arrangements and discussed with the City Council whether, for these arrangements, it has considered the tax and accounting treatment and disclosures in the financial statements.</p> <p>We specifically considered the following during the current year:</p> <ul style="list-style-type: none"> Let’s get Wellington Moving (LGWM) project and the accounting treatment of the expenditure incurred to date. We confirmed that expenditure incurred relates to the design phase and were appropriately expensed. The LGWM Programme obtained an accounting opinion on the accounting treatment for the LGWM programme. We will review the accounting opinion as part of our 2021/22 audit. We have not identified any issues to be reported.

Audit risk/issue	Our audit response
	<ul style="list-style-type: none"> Water stimulus funding – we reviewed the accounting treatment and confirmed the accounting treatment is appropriate. We did not identify any issues.
4.9 Information technology general controls review and new information operating model	
<p>The City Council is dependent on its information technology systems.</p> <p>The City Council has recently reviewed its information technology environment and delivery model to ensure that it is able to support its organisational goals.</p> <p>The City Council previously outsourced IT operations to Shared Service Office (SSO); it returned to a mix of in house and cloud-based IT infrastructure model in October 2020.</p> <p>There may have been significant challenges during the service transition process. These include building the right relationships with the various stakeholders involved in the service transition and coordinating their activities.</p> <p>Another challenge lies in coordinating and prioritising the services which have been newly introduced or modified and giving special attention if there are delays or failures of tests, as these can cause projects to fail.</p>	<p>As part of our 2021 audit, we performed an IT General Controls review (ITGC). This review consisted of two parts. The first is a high-level assessment on IT Governance effectiveness. We considered the overall attitude, awareness, and actions of Chief Digital Officer and Smart Council Management in establishing and maintaining effective management procedures and internal controls.</p> <p>We have not identified any significant deficiencies in internal control with regard to the City Council’s IT governance process.</p> <p>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.</p> <p>ICT services transition</p> <p>The City Council’s previous IT key strategies include outsourcing IT infrastructure services to a third party (Dimension Data) via a custom-built managed-services solution and set up of a shared services capability with other agencies to use and govern the outsourced services. The Shared Services Office (SSO) was aimed to deliver modern services to council communities, which are easily accessible and reliable.</p> <p>We found ICT has considered challenges around vendor performance as one of the drivers to refresh the IT enterprise architecture and the team’s capabilities to continuously improve their business and their customers experience. The refreshed IT Strategy and Architecture has identified key risks and actions that can mitigate them. These include the option to continue using an outsourcer or to bring back IT Services in-house. The strategy also proposes a new IT system that gradually shift towards a cloud and internet-centric architecture.</p>

Audit risk/issue	Our audit response
	<p>We found the new operation model includes moving infrastructure and applications into public cloud platforms, such as Amazon Web Services (AWS), and vendor Software-as-a-Service offerings in accordance with the All-of-government (AoG) framework.</p> <p>We noted the City Council continues to mature processes as part of the transition to the new IT Operation Model.</p>
<p>4.10 Procurement, project management and contract management</p>	
<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>Last year we made recommendations to improve project, programme and portfolio management and procurement practices.</p>	<p>We have followed up on prior year recommendations relating to procurement management arrangements. During the 2020/21 audit, we reviewed the Procurement Strategy (the strategy) which was adopted in February 2021 against good practice and identified a number of enhancements that the City Council should consider making when the strategy is next reviewed.</p> <ul style="list-style-type: none"> • Include information that confirms when the strategy is adopted by the City Council (with reference to the relevant Council Minute). • Ensure that all the essential principles that underpin procurement (accountability; openness; value for money over whole of life; integrity; fairness; and lawfulness) are referred to. While a number of these were implied through the strategy’s description of the procurement activity principles, fairness and lawfulness were less obvious as key principles. • Clarify the governance framework that oversees procurement activities. While this is discussed, performance management, risk management and reporting lines were less clear. • Include analysis about current procurement activity that informs the strategy. Examples could include procurement spend analysis, supplier analysis, supplier engagement analysis and/or category analysis. • Include forecast benefits based on planned procurement initiatives in a way that will enable benefits or elements of success to be monitored and reported.

Audit risk/issue	Our audit response
	<ul style="list-style-type: none"> • The strategy refers to risks being assessed and managed in line with the City Council’s risk management framework. In the absence of high-level information about procurement related risks at a City Council level (i.e. City Council risk, category risks, supplier related risks and/or market related risks), the strategy could include reference to or links to where this information is available. • Include performance measures (that are measurable and define what the performance expectations are for the procurement function) that can be monitored. <p>Matters that are not included in the strategy but could be considered for inclusion in the procurement policy include: contract management, the need for/or a strategy as to when to appoint an independent probity auditor for major, complex or high risk procurements.</p> <p>Refer to Section 5 for our detailed findings on:</p> <ul style="list-style-type: none"> • Project, programme and portfolio management (5.1) • Omāroro Reservoir (5.2) • St James Theatre (5.3) • Wellington Town Hall (5.4) <p>Our work on the Let’s Get Wellington Moving programme is in progress, and we will report separately to Council on this.</p>

Audit risk/issue	Our audit response
	<p>Management update</p> <p><i>Many of the gaps identified above will be covered in the Procurement Policy i.e. the operational document that supports the way procurement is undertaken at Wellington City Council, rather than the Procurement Strategy which focusses on the principles and outcomes we wish to deliver.</i></p> <p><i>The Procurement policy is currently being revised, looking at alternative models of procurement, while maintaining governance, transparency and visibility, to obtain the best responses from the market and meet our procurement objectives. We anticipate this policy being available for review along with the new Contract Management Policy and Procedures which are also currently in draft.</i></p> <p><i>In December 2021, ELT approved the Council wide Contract Management Framework. This will ensure that what is contracted for is delivered, with clear ownership, accountabilities, and responsibilities in relation to the contract from execution to termination / expiry. It will provide visibility of contracts to understand potential duplication / fragmentation and opportunities for consolidation / rationalisation and cost savings, noting that the focus is on the commercial rather than legal aspects of contracts. In practice this will mean:</i></p> <ol style="list-style-type: none"> <i>a. All contracts must have a single, identified contract owner.</i> <i>b. ELT members are accountable for contracts in their Groups.</i> <i>c. Risk assessments are undertaken where appropriate.</i> <i>d. Commercial Partnerships will recruit three Contract Managers to provide support to contract owners, with a higher level of involvement in Critical Contracts.</i> <i>e. Commercial Partnerships will recruit three Contract Managers to provide support to contract owners, with a higher level of involvement in Critical Contracts.</i>

Audit risk/issue	Our audit response
	<p>f. Central visibility of and reporting on all contracts at Council.</p> <p>g. Cost saving opportunities are identified, achieved and reported on.</p> <p>h. Contracts will be reviewed at least annually, and learnings captured at the end of contracts.</p> <p><i>The Broader Outcomes Framework has been developed as the means to operationalise the Procurement Strategy and is awaiting formal approval. It contains a toolkit and reporting structure to champion broader outcomes and ensure they are embedded in our commercial decision making.</i></p> <p><i>Probity Auditors have been appointed on our major Projects such as Te Matapihi Seismic Strengthening and Sludge Minimisation. Both the revised Procurement Policy and Contract Management Policy will contain the appropriate guidance as to when a Probity Auditor is to be considered.</i></p> <p><i>A report is going to the Finance and Performance Committee on 17 February 2022 to provide an update on the implementation of the Procurement Strategy.</i></p>
4.11 Covid-19: Impact on public sector reporting	
<p>The long-term impact of Covid-19 in New Zealand, and how it might affect public entities, is unknown. However, aspects of the City Council's operations continue to be impacted by Covid-19.</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 Council during the year.</p> <p>We are satisfied that the City Council has included appropriate disclosure about the impact of Covid-19 and the Level 4 lockdown from August 2021 as a non-adjustable event.</p>

Audit risk/issue	Our audit response
4.12 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>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>From our testing we did not identify any issues that indicated management override.</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 bias, if any, represent a risk of material misstatement due to fraud. • Tested the property, plant and equipment fair value assessments (including key assumptions and estimates) and management’s conclusions were appropriate. • 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.

5 Project, programme and portfolio management – detailed findings

5.1 Project, programme and portfolio management

During the 2019/20 audit we reviewed project management practices in place at the City Council, including the investment delivery framework (IDF) at a high level, project management governance in place for a sample of projects and the monitoring and oversight arrangements in place for the programme of projects managed by Wellington Water Limited. We reported observations and recommendations based on our review.

This year we followed up on our prior year recommendations.

Recommendation in 2020	Follow up in 2021
<p>We recommended that the City Council:</p> <ul style="list-style-type: none"> develop and implement a roadmap of work to improve the procurement capability within the City Council; and assess its level of project management maturity and consider its future needs and next steps. <p>Management comment</p> <p><i>With regards to procurement, the improvement journey that the City Council has commenced continues and is making good progress.</i></p> <p><i>Since October 2020:</i></p> <ul style="list-style-type: none"> <i>the procurement function has been transitioned to a Commercial partnerships function based on a revised number and scope of the roles and an updated business unit focused on end-to-end commercial partnership services, including on strategic procurement, commercial and supplier management services;</i> 	<p>Closed - however monitoring against the Project Management Office's (PMO) proposed phased PMO model may be a future consideration for the audit</p> <p>The City Council's Executive Leadership Team (ELT) has agreed in principle that a phased PMO model be implemented, with initiatives planned for the short, medium and long term. Timing for each phase is less clear, however some initiatives are likely to run concurrently. Progress will be monitored through regular reporting to the ELT (approximately monthly).</p> <p>The approach includes a maturity pathway for the City Council.</p> <p>The approach also includes the establishment of two new bodies – a governance group and an assurance forum.</p> <p>A Project Advisory Group will be established to review escalations and decisions required for significant projects from project boards; and to review progress across significant projects or programmes of work for anomalies or risks.</p> <p>The Project Advisory Group's composition and Terms of Reference are still to be agreed.</p>

Recommendation in 2020	Follow up in 2021
<ul style="list-style-type: none"> • <i>acknowledging global challenges with resourcing, recruitment of the new team is progressing with around 405 of the permanent team now recruited, and contractors providing additional capacity and capability;</i> • <i>an enterprise-wide procurement strategy was adopted by the Council in February 2021, with a focus on achieving good public value and wider strategic outcomes (social, economic, cultural, environmental and public wellbeing) in line with the Broader outcomes framework; and</i> • <i>a range of activities are underway as part of the strategy implementation plan, including the extension of the organisation’s contract register to ensure consistent use across the Council, establishment of a work in progress pipeline for the Commercial Partnerships function and developing a roadmap of the enterprise-wise initiatives.</i> 	<p>A Project Assurance Forum will be established to lift project management maturity through improved understanding of “what good looks like” through collaboration and peer review and support. The PMO will be acting as a “critical friend” to project teams.</p> <p>An independent Council Governance Review was carried out and produced 13 recommendations with an emphasis on supporting effective governance. In response to these recommendations, a new committee structure, effective from 1 June 2021, was agreed that sits under the governing body of the full Council. One of these changes saw the Strategy and Policy Committee being disestablished and a new Infrastructure Committee established. The Terms of Reference for this Committee have been published on the Council website. Committee responsibilities include reviewing and approving business cases and approving next steps for significant projects within the capital works programme; and monitoring and providing oversight for significant projects within its area of focus. This Committee fulfils the role of portfolio governance.</p> <p>The City Council commissioned an external P3M3 (project, programme and portfolio) maturity assessment. The findings of this review were reported to ELT in August 2021. The City Council’s project management scores across the 7 areas or perspectives ranged between 1.0 and 1.2 (from a possible 5) and for programme and portfolio management, scores were 1.0 across all 7 perspectives for each model. The New Zealand average for P3M3 maturity is currently 1.5.</p> <p>The reviewer made 50 recommendations and discussed 19 of these with ELT in August 2021.</p> <p>ELT are still considering their response to each of the recommendations. We note that a number of the recommendations are currently being addressed by the PMO.</p>

Recommendation in 2020	Follow up in 2021
	<p>ELT have agreed a list of 20 significant projects and programmes (high value and/or high risk) that require enhanced governance and oversight. ELT are yet to agree what this may look like. ELT are requesting that the PMO initiate action to ensure there is enhanced visibility (including visibility of the financial position against budget, progress, risks and issues). This is likely to be in the form of regular status reporting to ELT.</p>

5.2 Omāroro Reservoir

During the 2019/20 audit we reviewed the governance arrangements in place for the Omāroro Reservoir project. Refer below for a follow up on prior year recommendations.

Recommendation in 2020	Follow up in 2021
<p>Omāroro Reservoir</p> <p>The City Council should consider the findings and recommendations from the three reviews currently underway and consider what changes may be required to its current structures and processes in order to respond to the recommendations to strengthen its oversight of the Wellington Water-managed programme of projects.</p> <p>Management comment</p> <p><i>We note the recommendations to consider the findings and recommendations currently underway related to the management of the three water networks. The findings and recommendation from these reviews will be considered and will be helpful in ensuring long lasting and sustainable decisions can be made about the City's drinking water, wastewater and stormwater networks.</i></p> <p><i>We note that the Board of Directors of Wellington Water rather than the Council has governance responsibility for Wellington Water Limited's activities; and that the project governance complexities with the Omāroro project mirrors some of the wider governance challenges faced.</i></p>	<p>Closed – though we note that recommendations are at various stages of implementation</p> <p>All three reviews have been concluded and recommendations made as a result.</p> <p>In the case of the Wellington Water Limited internal review (with a focus on governance), this is a matter for the Wellington Water Limited's Board to consider.</p> <p>With regards to the Three Waters Review, decisions are yet to be made by the Government; however these could have a significant impact on the City Council and Wellington Water Limited and how they respond to changes announced.</p> <p>The Mayoral Water Taskforce: Three Water Review was completed. There were 48 recommendations made. The Strategy and Policy Committee agreed in principle with the overall direction and tenor of the review report. The Committee also:</p> <ul style="list-style-type: none"> • accepted 29 recommendations outright; • accepted 10 recommendations in principle (which required further analysis and are subject to future budgeting decisions); • noted two recommendations; • noted that the Long-term plan addressed or partially addressed many of the recommendations;

Recommendation in 2020	Follow up in 2021
	<ul style="list-style-type: none"> • noted that the Government reform package would subsume most of the recommendations in time; • noted that the review of the District Plan would pick up several of the recommendations (mainly stormwater); and • noted that officers would report back to the committee on progress in October 2021. <p>Management comment</p> <p><i>We note that on 1st October two letters were sent from the Council to the Department of Internal Affairs outlining the Council's position with respect to reform, including suggestions to improve Government proposals.</i></p> <p><i>A report highlighting progress with the findings of the Mayoral Taskforce is on the agenda for the meeting of Te Waihanga Pūroro Infrastructure Committee set down for 11 November 2021.</i></p>

5.3 St James Theatre

During the 2019/20 audit we reviewed the governance arrangements in place for the St James Theatre project. Refer below for a follow up on prior year recommendations.

Recommendation in 2020	Follow up in 2021
<p>We recommend:</p> <ul style="list-style-type: none"> • Terms of Reference (ToR) for the Project Governance Group (PGG) should be agreed as soon as possible. This is important for accountability. Roles and responsibilities should be clear, appropriate members should be assigned governance roles (the right people with the right experience) and these should be in place as early as possible. These can be revised as required throughout the project. We also recommend that the Council consider developing ToR for PGG that comply with good practice. These Terms of Reference can be tailored for each project, but would at least ensure a level of consistency in responsibilities and expectations. • Internal reporting systems should be reviewed to improve efficiency. Project reporting should include an appropriate level of review before being presented to the Project Board. • There should be clear understanding about tolerance levels and criteria or guidance for the escalation of project risks, changes and exceptions to the PGG and Significant Projects Governance Group (SPGG). <p>Management comment</p> <p><i>We note the recommendations to support better project oversight and systems for reporting and decision making. Several improvements have been implemented and incorporated into the</i></p>	<p>Closed – though we may review project management (and potentially this project) should project management remain an area of audit focus</p> <ul style="list-style-type: none"> • The Project Governance Board has replaced the previous Project Governance Group, which has been enhanced by the introduction of an external consultant. The consultant is not a voting member of the Board, but provides independent services including technical expertise, market awareness etc. The City Council confirmed to us that the consultant has significant construction and governance experience. The project is now classified as a “significant project” for reporting and risk assessment purposes. The Board is operating under the standard City Council Governance Board protocols for major projects, but an updated Terms of Reference is still required. An updated Terms of Reference will be developed in accordance with the new templates and processes being developed by City Council’s Project Management Office (PMO). • The project has implemented the City Council’s standard monthly reporting templates (which continue to be developed and improved through the work being done by the PMO). These reports are supplemented by external consultants’ reports. The City Council has confirmed that to us that all reports are reviewed by the project’s Technical Consultant and Business Owner before being presented to the Board. Several improvements have been implemented and incorporated into the project reporting. This includes a Red, Orange, Green (RAG) status for each critical delivery element and includes an improved risk register for monitoring.

Recommendation in 2020	Follow up in 2021
<p><i>current delivery framework. This includes the project accountability matrix, guidance on escalation and defined risk impact tolerances for project budget, resources, schedule, scope and benefits.</i></p> <p><i>As part of the establishment of the Project Management Office (PMO), further work is being planned to consider the Council's project management maturity, future needs and next steps.</i></p>	<p>As part of the establishment of the PMO, further work is being planned to consider the Council's project management maturity, future needs and next steps.</p> <p>Management comment</p> <p><i>As indicated in the 2021 Follow Up, the project reporting and governance has continued to mature with the assistance of the PMO.</i></p>

5.4 Wellington Town Hall

During the 2019/20 audit we reviewed the governance arrangements in place for the Wellington Town Hall Strengthening and Upgrade project. Refer below for a follow up on prior year recommendations.

Recommendation in 2020	Follow up in 2021
<p>We recommended that:</p> <ul style="list-style-type: none"> The Project Board should continue seeking opportunities to improve the project reporting to support effective decision-making and successful delivery of the project objectives. Internal reporting systems should be reviewed to improve efficiency. Project reporting should include an appropriate level of review before being presented to the Project Board. The 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 SPGG). An internal supporting team, appropriate to the size, complexity and risk associated with the project should be in place as part of planning for the project, when considering resources required. <p>Management comment</p> <p><i>We note the recommendations to support better project oversight and systems for reporting and decision making. Several improvements have been implemented and incorporated into the</i></p>	<p>All recommendations are closed except for clarification on tolerances to support reporting and decision-making. One new recommendation has been made relating to this project.</p> <p>Setting tolerances, the degree of difference from an established position beyond which an issue needs to be escalated for a decision, are a good practice expectation for effective project management. In the context of project risk, tolerances can set the level of residual risk requiring the risk to be managed at various levels in the project hierarchy. Similarly, tolerances can establish the level of discretion the project manager has to spend the risk budget without escalation to governance group and up through the council’s decision-making hierarchy.</p> <p>Tolerances are set to provide authority and autonomy to project managers to get the job done, while making clear the limits of this authority.</p> <p>We were advised by the City Council that one recommendation remains in progress and has not been addressed at this time. This relates to clarification of the risk impact tolerances to support reporting and decision-making.</p> <p>In July 2021, the City Council commissioned PricewaterhouseCoopers (PwC) to carry out a Project Health Check on the Wellington Town Hall Strengthening and Upgrade 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. The scope of the review therefore included aspects addressed by our recommendations relating to governance and project management.</p>

Recommendation in 2020	Follow up in 2021
<p><i>current delivery framework. This includes the project accountability matrix, guidance on escalation and defined risk impact tolerances for project budget, resources, schedule, scope and benefits.</i></p> <p><i>As part of the establishment of the Project Management Office (PMO), further work is being planned to consider the Council's project management maturity, future needs and next steps.</i></p>	<p>In September 2021, the draft PwC report was provided to the Council for review and comment. At the time of our review, the report was still in draft and was still to be circulated to the project team to review for factual accuracy and to respond to the findings.</p> <p>The Health Check summary includes a number of recommendations relating to:</p> <ul style="list-style-type: none"> • Resourcing • Prioritising planning • Reducing uncertainty • Setting measurable targets • Seeking simplicity <p>We recommend that the City Council implement actions to address the recommendations made by PwC based on their Project Health Check carried out on the Wellington Town Hall Strengthening and Upgrade project. This review was completed in September 2021.</p> <p>Management comment</p> <p><i>Tolerance to support reporting and decision-making.</i></p> <p><i>Tolerance levels will be reviewed with levels to be proposed to the Project Board by the March 2022 meeting. We noted that these are to assist with the right level of hierarchy to make decisions.</i></p> <p><i>The PwC report has been issued as a final version and is being analysed with a Board directive for the project team to respond to the recommendations by the March 2022 meeting.</i></p> <p><i>Our objective is to respond to both prior to the March meeting.</i></p>

6 Other audit findings



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

6.1 Holidays Act 2003 compliance

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).

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.

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 is unable to quantify its liability at 30 June 2021. Council acknowledges that the potential liability could be significant as the issue affects current and past employees and covers a period going back six years plus one year from October 2020.

We are satisfied that the Holidays Act compliance issue is an unquantified contingent liability and that it has been appropriately disclosed in the financial statements.

We recommend that the City Council resolve the Holidays Act 2003 compliance issue.

Management comment

Council is actively working to resolve the Holidays Act 2002 compliance issue and has a dedicated project team working on this outcome.

6.2 Let's Get Wellington Moving (LGWM)

We gained an understanding of the LGWM arrangements and discussed with the City Council, the accounting treatment of the costs incurred to date and the disclosures in the financial statements.

We found that the costs incurred to date relates to the design phase of LGWM projects, and they were correctly expensed in the financial year.

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. an accounting opinion for LGWM Projects on the accounting treatment of costs. We will review the accounting advice as part of our 2021/22 audit.

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. **We recommend**, that these matters are determined from the outset of the project(s).

Management comment

This is the standard process that Council follows and will continue to do so going forward. As each project is commenced it is determined who the asset owner is, and this forms the basis for the accounting treatment.

6.3 Breach of Delegations Policy

The Chief Executive Office's Office is no longer part of the Strategy and Governance Unit. As such, all CEO approvals have been work flowed up to the CFO for approval.

This is in direct breach of the current Delegations Policy. The Delegations Policy has not been updated since December 2017, so it does not reflect the current structure of the City Council.

We **recommend** the City Council review its Delegations Policy to ensure it is in line with the current structure of the City Council and good practice for the approval of sensitive expenditure whereby sensitive expenditure is reviewed by a person "one-up" from the person incurring the expenditure.

Management comment

Council is in the process of reviewing and updating its DFA policy.

6.4 General journal review process

We identified an instance (from a sample of 30) where no approval had taken place on TechOne for the journal raised – the journal was in excess of \$50,000. There was however approval over the workings for this journal via email.

We consider that that the above process sits outside the City Council's adopted (ideal) process. We have been advised that in exceptional circumstances only is this process used.

We **recommend** that the City Council ensure that the policy and process for the review and approval for journals exceeding \$50,000 are adhered to.

Management comment

Council believes this process is working correctly and the instance highlighted was authorised via email which meets the Council's internal control procedure requirement for reviewing and approving the journal in question.

6.5 Publish CCOs annual report, half-yearly report and statement of intent on website

From January 2020, under section 67(4) of the Local Government Act 2002, each local authority that receives an annual report from a CCO under section 67 must publish the annual report on an Internet site maintained by or on behalf of the local authority within 1 month of receiving it and must maintain the report on that site for a period of no less than 7 years. Section 66(5) has a similar requirement for the CCO half-yearly report and section 64(9) has a similar requirement for the CCO statement of intent.

We understand in previous years the City Council has not published its CCOs' annual reports, half-yearly reports and statements of intent on its website.

We **recommend** that the City Council comply with the Local Government Act 2002 and publish its CCOs' annual reports, half-yearly reports and statements of intent on its website.

Management comment

To comply with the requirements of the LGA 2002 for reporting on CCOs Council has had the practice of including the annual report, half yearly reports and statements of intent in the Committee papers and also ensuring they are published on the CCO website and appropriate links to the reports are available. When there was a specific Committee specifically responsible for the monitoring of the CCO's this was an efficient way of maintaining publicly available information on the CCO's and meeting the requirements of the LGA 2002. In light of the changes to the Committee structures which resulted in the CCO monitoring being absorbed into another Committee, Council will review how it meets the reporting requirements for CCOs going forward.

6.6 Zoo collection accounting policy

The accounting policy for Zoo animals states that Zoo animals are measured at replacement cost. This is inconsistent with actual practice and the Wellington Zoo Trust's accounting policy for the same animals.

We **recommend** that City Council update its accounting policy to reflect Zoo animals are not recorded on the balance sheet.

Management comment

Council will update its accounting policy to reflect this accounting treatment.

7 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 Council carrying out its activities effectively and efficiently;
- waste occurring as a result of any act or failure to act by the Council;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the 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 Council or by the Mayor or one or more of the Councillors or employees.

We did not identify any issues.

8 Group audit



The group comprises:

- Kaori 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 2021 have been deferred to 2022. 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 2021:

- 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		
Timely preparation and review of reconciliations		
<p>On a monthly basis the City Council reconcile the general ledger with the underlying systems and that these reconciliations are independently reviewed.</p> <p>Timely preparation and review of reconciliations is a key control. It is good practice that reconciliations are prepared and reviewed in the month following that to which the reconciliation relates. This assists in identifying unexplained differences between accounts and addressing the risk of possible misappropriation.</p>	2020	<p>In progress</p> <p>The preparation and the review of the some of the City Council's reconciliations were not performed and/ or independently reviewed in a timely manner.</p> <p>Management comment</p> <p><i>Council endeavours to prepare the reconciliations and review them each month, though, during peak pressure times over year end and during staff holidays, this can take longer.</i></p>
Performance measures: Controls over customer complaints to be implemented		
<p>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.</p>	2019	<p>In progress</p> <p>The City Council is in the process of addressing this issue. This issue will need to be resolved on Wellington Water's side as well.</p> <p>Management comment</p> <p><i>Council is continuing to work with Wellington Water in resolving this issue.</i></p>
Compliance with the Holidays Act 2003		
<p>The City Council ensure that cash-out payments are added to the average weekly earnings calculation. Before doing so, the City Council may wish to take some legal advice in this area.</p> <p>To ensure that the Council and the City Council's management team and sighted on the City Council's compliance with the Act, we recommend that management report a</p>	2018	<p>In progress</p> <p>Refer section 6.1.</p>

Recommendation	First raised	Status
summary of the approach that it has taken, the positive assurance it has gained, the source of the assurance, and any resultant risks and how it plans to address them.		

Implemented or closed recommendations

Recommendation	First raised	Status
<p>Retention of supporting documentation for payroll</p> <p>The City Council retains all relevant HR records on employee files.</p>	2020	<p>Closed.</p> <p>We did not identify any instances where Council have been unable to provide us with the supporting documentation required.</p>
<p>Depreciation and amortisation policy</p> <p>The depreciation and amortisation policy is reviewed to ensure it meets sector norms and is sufficiently detailed.</p>	2020	<p>Closed.</p> <p>The City Council has amended the useful lives disclosed in its annual report and this aligns with sector norms and the useful lives assigned by other Councils across New Zealand.</p>
<p>Patch management process can be improved</p> <p>The City Council actively monitor the finalisation of the improved patch management policy and processes and strongly request SSO and Dimension Data to implement good patching processes as soon as possible.</p>	2018	<p>Closed.</p> <p>The Shared Services Office (SSO) is now providing the City Council and other participating agencies with a Patching Compliance Report detailing the patching status and remedial work (if any). This compliance status report is presented within SSO monthly report.</p>
<p>New performance framework and performance measures</p> <p>To ensure the integrity and efficiency of reporting, the City Council should:</p> <ul style="list-style-type: none"> develop a data dictionary; define each measure, to ensure there is a common understanding of what the measure is intended to measure; ensure that it has the appropriate 	2018	<p>Closed.</p> <p>As part of the 2021-31 LTP audit, we confirmed that Council has addressed the recommendation for the performance measures.</p>

Recommendation	First raised	Status
<p>systems, processes and controls in place to accurately report and collate the data; and</p> <ul style="list-style-type: none"> consider what level of verification or independent review/quality assurance is appropriate. 		
<p>Procurement strategy</p> <p>A roadmap of work be developed and implemented to improve the procurement capability within the City Council. This roadmap should include short, medium and long-term key deliverables with timeframes and responsible owner/s assigned for each deliverable.</p>	<p>2014</p>	<p>Closed.</p> <p>A strategy and implementation plan is now in place and will be monitored (monitoring against the implementation plan may be a future consideration for the audit and/or in combination with internal audit).</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; • carried out a limited assurance engagement related to the City Council’s debenture trust deed; • provided probity assurance over the Central Library 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.</p> <p>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 \$360,000, as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are:</p> <ul style="list-style-type: none"> • 2021-2031 Long-term plan: \$154,100 • Debenture Trust Deed: \$6,000 • Central Library Project: \$12,400 • Clifton Terrace Carpark: \$7,000
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> <p>A staff member of Audit New Zealand accepted a position of employment with the City Council during the year. The staff member was not involved in the audit of the City Council.</p>

Appendix 3: Useful publications



Based on our knowledge of the 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
Consulting matters: Observations on the 2021-31 consultation documents	
<p>This report provides our observations on the 2021-31 long-term plan consultation documents. Councils, as a whole, have realistically confronted the challenges they face and, for the most part, produced clear consultation documents. This is no small achievement at the best of times. In the middle of a pandemic and in a sector focused on significant reforms, this is even more significant.</p> <p>Areas covered:</p> <ul style="list-style-type: none"> • Preparing long-term plans in a challenging environment • The audit reports we issued on the consultation documents • Engaging effectively with communities • The types of issues councils consulted on in the 2021-31 consultation documents 	<p>On OAG's website under 2021 publications</p> <p>Link: Summary of Consulting matters: Our observations on the 2021-31 (oag.parliament.nz)</p>
Local government risk management practices	
<p>The Covid-19 pandemic is a stark reminder for all organisations about the need for appropriate risk management practices. In our audit work, we often see instances where councils do not have effective risk management. This report discusses the current state of local government risk management practices and what councils should be doing to improve their risk management.</p>	<p>On OAG's website under 2021 publications</p> <p>Link: risk management practices</p>
Managing conflicts of interest involving council employees	
<p>This article discusses findings across four councils on how conflicts of interest of council employees, including the Chief Executive and staff, are managed.</p>	<p>On OAG's website under 2021 publications.</p> <p>Link: council employees</p>
The Auditor-General's report on the results of recent audits of local government	
<p>The OAG publishes a report on the results of each cycle of annual audits for the sector.</p>	<p>On the OAG's website under publications.</p> <p>Link: 2019/20 audits</p>

Description	Where to find it
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>	<p>On OAG's website under 2021 publications</p> <p>Link: what-good-looks-like</p>
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. 	<p>On OAG's website under 2021 publications</p> <p>Link: performance-reporting</p>
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>On OAG's website under 2021 publications</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>On OAG's website under 2021 publications</p> <p>Link: sdgs</p>

Description	Where to find it
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>On our website under publications and resources.</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>On the OAG’s website under publications.</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:</p> <ul style="list-style-type: none"> • audit committees; • conflicts of interest; • discouraging fraud; • good governance; • service performance reporting; • procurement; • sensitive expenditure; and • severance payments. 	<p>On the OAG’s website under good practice.</p> <p>Link: Good practice</p>

AUDIT NEW ZEALAND

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WATER ACTIVITY RATES SETTINGS

Kōrero taunaki

Summary of considerations

Purpose

1. This report to Kāwai Māhirahira - Audit and Risk Subcommittee is to notify the committee of an error in the rates settings for 2021/22 in relation to the targeted rates for the Water Activities, specifically the rates charged on water use per cubic meter of water, and the fixed charge for those connections.

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

Relevant Previous decisions

Significance

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

Financial considerations

- | | | |
|------------------------------|--|---|
| <input type="checkbox"/> Nil | <input type="checkbox"/> Budgetary provision in Annual Plan / Long-term Plan | <input checked="" type="checkbox"/> Unbudgeted \$3m |
|------------------------------|--|---|

2. An error has been identified in the Rates Setting process for Water Activities that were adopted at Council on 30th June 2021 for the 2021/22 financial year.
3. The material error relates to the rates set for metered water volumetric charges (both commercial and Base). The rates were set erroneously as the same charge as the 2019/20 Annual Plan rather than the increased, updated charges required to fund the 2021/22 Water Activities.
4. The material error relates to the volumetric charges so the total annual impact will depend on water consumption for metered accounts. The revenue loss will be \$3 million if water consumption for metered accounts at year end is as budgeted.
5. This error creates a risk that Council will not collect enough revenue to cover operational costs in the current year. However, the resulting revenue loss may be offset through operational underspend or if water volumes are higher than budgeted.

Risk

| Low | Medium | High | Extreme

6. The overall risk to council is a reduction in revenue intended to be collected in the 2021/22 Rating year of \$3 million, should the water usage be at budgeted volumes.

Author	Elizabeth Steel, Funding Manager
Authoriser	Sara Hay, Chief Financial Officer

Taunakitanga

Officers' Recommendations

Officers recommend the following motion

That Kāwai Māhirahira - Audit and Risk Subcommittee:

- 1) Receive the information
- 2) Recommend to Council to approve debt funding the revenue loss, if necessary, resulting from the errors in rates settings. This rate setting errors were for both volumetric usage and water meter fixed charges.
- 3) Note in paragraphs 8 and 12 the actions taken to date and future processes to ensure this error does not happen again.

Whakarāpopoto

Executive Summary

7. This report is to notify the committee of an error in the 2021/22 Rates settings relating to the rate charged per cubic metre and the fixed charge for rating units on water meters. The published rate used for consumption was \$2.435/m³, however the intended rate to generate the required revenue was \$2.88/m³. The rate for the fixed charge per water meter connection was \$135.96 while the intended fixed charge was \$160.68.
8. This error in the rates setting could result in \$3million revenue loss for Council in the current financial year depending on actual water usage for metred accounts versus budgeted volumes.
9. This error occurred in the last step of the process when links to the water calculation Excel model were not updated correctly and remained linked to the 2019/20 Excel model.
10. Options have been considered regarding Council's ability to reset or replace the rates or to accept the error. Debt funding any shortfall is recommended given the administrative efficiencies available, over the costs and uncertainties of initiating a statutory process to replace the rates settings. Not explicitly debt funding any shortfall lacks sufficient transparency.
11. Process and systems improvements have been made to prevent this or similar errors from occurring in the future. An independent third party is being engaged to provide quality assurance that the improved processes and systems will work as intended. In addition to these measures, a Senior New Zealand Local Government and Rates expert has been seconded from Auckland Council to work alongside staff to improve overall capabilities and systems.

Takenga mai

Background

12. Under the Local Government (Rating) Act 2002 (the Act) rates are required to be set for each year commencing 1 July ending 30 June that year. This is to collect the required rates to fund Council's operating budget for that year, in line with what the Council's Revenue and Financing Policy outlines will be funded through rates.
13. The calculation of the rating dollar for the 2021/22 rates settings was, as previous years, completed in six Excel models and then the Rates Funding Statement is used to set the rates in the pathway system. The Rates Funding statement shows the rating dollar excluding GST for every type of rate which is presented to Council for rates setting approval and printed in the Long Term Plan document.
14. All calculations in the rates models are correct and have been reconciled through a number of built in cross-checks. However the formula pulling through the correctly calculated water meter rates/m³ and water meter fixed charges in to the final Rate Funding Statement tab were not relinked to the correct years calculation, rather the link remained to the 2019/20 years calculated worksheets.
15. Existing reconciliation and peer review processes failed to identify this error. These have now been reviewed and updated with the support of a Senior New Zealand Local Government and Rates expert seconded from Auckland Council. A new rates modelling system (IBIS Pro) has also been implemented with the intention of replacing the existing Excel models. This year, both the new system and Excel will be used in parallel for the 2022/23 Annual Plan. Following external, quality assurance, the Excel Model will be retired.

Kōrerorero

Discussion

16. Using the budgeted volumes at the published rate of \$2.435 Council would receive \$16.4m revenue via Water Targeted rates. This is \$3million lower than required to fund the operation of activity 2.3 Water.
17. Using the budgeted number of water meters the calculated fixed charge was \$160.68 to generate the required revenue. The fixed charge in the rates setting of \$135.96 generates a loss \$94,000 against budget.
18. The calculated and budgeted water volume usage for 2021/22 used to calculate the water rate was 6.735 million cubic meters of water. This is a 2% reduction on the 2020/21 usage of 6.873 million cubic meters.
19. The below table shows the difference in impact on the rate payer. Demonstrating that under the published Water Targeted rate settings there was a regression in the rates charge when the correct rate should have reflected a 4% increase.

Impact on Rate Payers	20/21 strike	21/22 strike	% change	Correct 21/22 charge	% change
Fixed Charge \$/connection	\$153.93	\$135.96	-12%	\$160.68	4%
\$/m ³ volume usage	\$2.77	\$2.23	-19%	\$2.88	4%

20. The above table shows the impacts for this current year. It is important to note that those ratepayers that are being undercharged this financial year, will experience a greater increase next year when comparing 2021/22 with 2022/23 Water Targeted rate. The

exact increase will be known once the 2022/23 Annual Plan is adopted by Council in June.

Kōwhiringa

Options

19. Officers recommend debt funding any resulting unmet revenue for 2021/22 and to repay this over 10 years through the Water Activity. This would increase the cost of the Water Activity each year of the 10-year repayment period by up to \$300,000 plus any interest costs.
20. Debt funding the lost revenue is not significant enough to cause any change to the debt to revenue ratio or materially affect interest requirements when modelled across the current LTP.
21. There are three other possible options, which are either not available, or not recommended.
 - Resetting rates under section 119 of the Act is unavailable, given that addressing the error will increase the amount of rates assessed to any rating unit, which is prohibited under that section.
 - Replacing rates under sections 120 to 130 of the Act enables Councils to replace rates. There is some doubt as to whether this option is available from a legal perspective, however (if applicable) it involves a Special Consultative Process, involving all ratepayers. Once the rates are replaced, the Secretary for Local Government must be notified, and all ratepayers receive notice of the change.
 - Doing nothing is an option, however this lacks transparency, and would ultimately see debt funding being used in any event.
22. Given that the sums involved represent less than 1% of total rates collected, and the administrative cost and time for undertaking a Special Consultative Procedure along with other operational requirements, it is recommended that any unmet revenue is debt funded. Any interest costs would similarly be funded.
23. Operational impacts of replacing the rates would be unable to be met within current resourcing levels. Potential stresses on resourcing from COVID-19 risks further support the recommendation that conducting a rates replacement is not feasible.

Whai whakaaro ki ngā whakataunga

Considerations for decision-making

Alignment with Council's strategies and policies

24. All rates are calculated to meet the approved strategies and policies' funding requirements of council. The rates strike resolution presented to Council to be used in the rates strike for that year also reflects the Revenue and Financing Policy determining where the burden of funding each activity should fall on each rating category.

Engagement and Consultation

25. To date there has been no engagement with the public or ratepayers directly affected.

Implications for Māori

26. There are no known implications for Māori other than those who are currently being charged water meter fixed and volumetric charges. This error is a finance issue does not contravene any Te Tiriti o Waitangi principals.

Financial implications

27. The expected water meter revenue deficit is expected to be approximately \$3million depending on volume usage. If the resulting deficit is debt funded then there will be immaterial impacts on both the debt to revenue ratio and interest costs.

Legal considerations

28. There are limited statutory processes available. The 30 June 2021 setting of the rates is lawful, given that the error arises out of what was intended, rather than an error in calculation, or representation.

Risks and mitigations

29. There is a reputational risk with ratepayers who may receive an increase above the average rates increase on their metered water charges due to the fact the percentage increase will be comparing the new rate with that of 2019/20. This increase will be proactively communicated with relevant ratepayers.
30. Any process with human input presents future risk. There are controls now in place and in the process of implementation to mitigate these risks through new system use and improved processes.
31. There is a risk that the expected revenue deficit could be both more or less depending on actual water volume usage recorded by the 30th June 2022. There are limited risk mitigation options other than future volume be budgeted on a seasonalised basis. Officers are in the process of undertaking work to understand these trends.

Disability and accessibility impact

32. There are no specific disability or accessibility impacts.

Climate Change impact and considerations

33. All rates are set in accordance with all Council policies and strategy's and include the funding of climate change outcomes. While the rates strike error itself does not impact on climate change goals for Council, the use of water meters encourages low use of water by those rate payers as they are paying a rate per cubic meter for water use.

Communications Plan

34. The Annual Plan process will be leveraged to communicate the extra increase in next year's water rate which will show a compound of three years increases.

Health and Safety Impact considered

35. While there are no specific health and safety issues to be considered. It does include risks to health, safety, and wellbeing of WCC staff and also to the people of Wellington as well as our mitigations for these risks.

Ngā mahinga e whai ake nei

Next actions

36. Committee recommends to council that the expected revenue deficit be funded through debt and repaid through subsequent rating years.
37. Officers prepare Annual plans in accordance with this decision.

Attachments

Nil

ACTIONS TRACKING

Kōrero taunaki Summary of considerations

Purpose

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

Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

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

- 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	Hedi Mueller, Senior Democracy Advisor
Authoriser	Stephen McArthur, Chief Strategy & Governance Officer

Taunakitanga Officers' Recommendations

Officers recommend the following motion

That the Kāwai Māhirahira | Audit and Risk Subcommittee:

1. Receive the information.

Whakarāpopoto

Executive 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.

Kōrerorero Discussion

7. Following feedback, the status system has been changed so that resolutions either show as 'in progress' or 'complete'.
8. Of the 19 resolutions of Kāwai Māhirahira | Audit and Risk Subcommittee in October 2021:
 - 19 are complete.
9. 1 in progress actions were carried forward from the September action tracking report. This has been completed.
10. Further detail is provided in Attachment One.

Attachments

- Attachment 1. Actions Tracking

Date	Meeting	Item	Clause	Status
Wednesday, 15 September 2021	Kāwai Māhirahira Audit and Risk Subcommittee	2.3 Legislative Compliance	2. Request the management prioritise recommendations and request that they develop a reporting timeline for the Subcommittee's approval.	Complete
Tuesday, 12 October 2021	Kāwai Māhirahira Audit and Risk Subcommittee	2.1 Draft 2020/21 Annual Report and Audit Process	1. Receive the information	Complete
Tuesday, 12 October 2021	Kāwai Māhirahira Audit and Risk Subcommittee	2.1 Draft 2020/21 Annual Report and Audit Process	2. Receive the draft 2020/21 Annual Report for Wellington City Council and Group for the year ended 30 June 2021, noting the audit is not complete until on or after 14 October 2021.	Complete
Tuesday, 12 October 2021	Kāwai Māhirahira Audit and Risk Subcommittee	2.1 Draft 2020/21 Annual Report and Audit Process	3. Agree that the financial statements for the year ended 30 June 2021 fairly reflect the financial position, results of operations and service performance achievements of the Wellington City Council and Group.	Complete
Tuesday, 12 October 2021	Kāwai Māhirahira Audit and Risk Subcommittee	2.1 Draft 2020/21 Annual Report and Audit Process	4. Recommend that the Finance and Performance Committee: a. Recommend that the Council confirm the Accounting Policies contained in the draft financial statements (Attachment 2, Public Excluded) for adoption for the financial statements for the year ended 30 June 2021. b. Recommend that the Council adopt the draft Financial Statements and Statements of Service Provision for Wellington City Council and Group within the draft Annual Report for the year ended 30 June 2021, subject to the resolution of any matters identified during the meeting and receiving final audit clearance from Audit New Zealand. c. Recommend that the Council adopt the Annual Report for Wellington City Council and Group for the year ended 30 June 2021 (Attachment 1 and 2, Public Excluded).	Complete
Tuesday, 12 October 2021	Kāwai Māhirahira Audit and Risk Subcommittee	2.1 Draft 2020/21 Annual Report and Audit Process	5. Adopt the draft response to Audit New Zealand fraud questions to governing body (Attachment 4, Public Excluded) on behalf of the Council.	Complete
Tuesday, 12 October 2021	Kāwai Māhirahira Audit and Risk Subcommittee	2.1 Draft 2020/21 Annual Report and Audit Process	6. Delegate the Chair and Deputy Chair of the Audit and Risk Subcommittee the authority to deal with any significant issues arising after this meeting that are under the delegations of the Subcommittee, ensuring they are appropriately addressed through discussions with Officers and liaison with other Subcommittee members if necessary.	Complete
Tuesday, 12 October 2021	Kāwai Māhirahira Audit and Risk Subcommittee	2.1 Draft 2020/21 Annual Report and Audit Process	7. Delegate to the Chief Executive Officer the authority to make minor editorial changes that may arise as part of the finalising of the draft 2020/21 Annual Report before presentation to the Finance and Performance Committee.	Complete
Tuesday, 12 October 2021	Kāwai Māhirahira Audit and Risk Subcommittee	2.1 Draft 2020/21 Annual Report and Audit Process	8. Note that although the Subcommittee is made aware of any issues with the Group entities' audits it does not review the financial statements of the Group entities in detail. Due to the size and structure of the Group, the individual results of operations from each Group entity are unlikely to be material, either individually or taken as a whole, in relation to the consolidated financial statements.	Complete
Tuesday, 12 October 2021	Kāwai Māhirahira Audit and Risk Subcommittee	2.2 Enterprise Risk Maturity Survey Results	1. Receive the information	Complete
Tuesday, 12 October 2021	Kāwai Māhirahira Audit and Risk Subcommittee	2.2 Enterprise Risk Maturity Survey Results	2. Agree to receive further updates on our progress to increase enterprise risk maturity at each Kāwai Māhirahira Audit and Risk Subcommittee meeting.	Complete

Tuesday, 12 October 2021	Kāwai Māhirahira Audit and Risk 2.3 Assurance & Business Integrity Update Subcommittee	1. Receive the information	Complete
Tuesday, 12 October 2021	Kāwai Māhirahira Audit and Risk 2.3 Assurance & Business Integrity Update Subcommittee	2. Note management's progress to address recommendations from internal audit and other independent sources of assurance.	Complete
Tuesday, 12 October 2021	Kāwai Māhirahira Audit and Risk 2.3 Assurance & Business Integrity Update Subcommittee	3. Approve the priorities and reporting timeline identified to address legislative non-compliances and partial non-compliances.	Complete
Tuesday, 12 October 2021	Kāwai Māhirahira Audit and Risk 2.3 Assurance & Business Integrity Update Subcommittee	4. Note that the impact of the reported non-compliances and partial non-compliances is rated minor to moderate.	Complete
Tuesday, 12 October 2021	Kāwai Māhirahira Audit and Risk 2.3 Assurance & Business Integrity Update Subcommittee	5. Note the update on integrity activities including the number of protected disclosures received and investigations in progress.	Complete
Tuesday, 12 October 2021	Kāwai Māhirahira Audit and Risk 2.3 Assurance & Business Integrity Update Subcommittee	6. Note the update on elected member gifts and hospitality received procedures.	Complete
Tuesday, 12 October 2021	Kāwai Māhirahira Audit and Risk 2.3 Assurance & Business Integrity Update Subcommittee	7. Agree to receive a statement on the completeness of the quarterly update of the Elected Member Gifts and Hospitality register.	Complete
Tuesday, 12 October 2021	Kāwai Māhirahira Audit and Risk 2.4 Forward Programme Subcommittee	1. Receive the information	Complete
Tuesday, 12 October 2021	Kāwai Māhirahira Audit and Risk 2.5 Actions Tracking Subcommittee	1. Receive the information	Complete

FORWARD PROGRAMME

Kōrero taunaki

Summary of considerations

Purpose

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

Strategic alignment with community wellbeing outcomes and priority areas

Aligns with the following strategies and priority areas:

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

Relevant Previous decisions

Not applicable.

Financial considerations

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

Risk

- Low Medium High Extreme

Author	Hedi Mueller, Senior Democracy Advisor
Authoriser	Stephen McArthur, Chief Strategy & Governance Officer

Taunakitanga

Officers' Recommendations

Officers recommend the following motion

That the Kāwai Māhirahira | Audit and Risk Subcommittee:

1. Receive the information.

Whakarāpopoto

Executive Summary

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

Kōrerorero

Discussion

4. Tuesday 3 May 2022
 - 2021-22 Audit Plan (Audit New Zealand)
 - Annual Assurance Workplan 2022-23 (Chief Strategy and Governance Officer)
 - Audit and Risk Subcommittee Work Programme Update (Chief Strategy and Governance Officer)
 - Audit and Risk Subcommittee self assessment of performance and effectiveness (Chief Strategy and Governance Officer)
 - Elected member disclosure of gifts and hospitality (Chief Strategy and Governance Officer)
 - Progress to address matters of emphasis in 20/21 audit (Chief Strategy and Governance Officer)
 - Annual refresh of strategic risks (Chief Strategy and Governance Officer)
 - Approval of annual risk workplan (Chief Strategy and Governance Officer)
 - Risk maturity update (Chief Strategy and Governance Officer)
 - Litigation matters update (Chief Strategy and Governance Officer)
 - Programme Management Office P3M3 Maturity (Chief Infrastructure Officer)
 - Holidays Act Compliance (Chief People and Culture Officer)
 - Health and Safety Performance Report (Chief People and Culture Officer)
 - Building Consents and Weathertight Risks (Chief Planning Officer)
5. Wednesday 7 September 2022:
 - Internal Audit Report for the period ending 30 June 2022 (Chief Strategy and Governance Officer)
 - Legislative Compliance (Chief Strategy and Governance Officer)

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- Audit and Risk work programme update (Chief Strategy and Governance Officer)
 - Status of internal and third-party audit recommendations (Chief Strategy and Governance Officer)
 - Annual Internal Control report (Chief Strategy and Governance Officer)
 - Annual legislative compliance attestation report (Chief Strategy and Governance Officer)
 - Draft Annual Report and letters of representation (Chief Strategy and Governance Officer)
 - Year-end Management letter (Audit New Zealand)
 - Strategic Risk Management Framework – profile update (Chief Strategy and Governance Officer)
 - Litigation Matters Update (Chief Strategy and Governance Officer)
 - CCO Annual reports of risk that impact on Council's group risk (Chief Strategy and Governance Officer)
 - Health and Safety Performance Report (Chief People and Culture Officer)
 - Procurement Strategy Update (Chief Financial Officer)

Attachments

Nil
