If calling, please ask for Democratic Services

Finance, Risk and Assurance Committee

Tuesday 14 May 2024, 9.30am

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

Quorum: *Three Members*

Members

Independent Chair

Martin Matthews (Chair)

Councillors

David Bassett (Deputy Chair)

Ros Connelly

Chris Kirk Burnnand

Hikitia Ropata

Yadana Saw

Simon Woolf

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

Finance, Risk and Assurance Committee

1 Purpose

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

2 Specific responsibilities

2.1 Apply Council's Te Tiriti o Waitangi principles when conducting the Committee's business and making decisions.

2.2 Review and monitor performance under Council's Financial Strategy (adopted under section 101A of the Local Government Act 2002).

2.3 Review the effectiveness of Greater Wellington's financial management and performance, including proposed changes, with a particular focus on the effectiveness of Greater Wellington's:

- a Financial management policies and frameworks for, and the robustness of, the organisation's financial performance
- b Accounting policies and principles.

2.4 Review the effectiveness of Greater Wellington's risk management process, including overseeing changes to the risk management policy and approach, with a particular focus on:

- a Providing guidance to Council on the appetite for risk
- b Whether Greater Wellington is taking effective action to mitigate significant risks, including cyber security and climate change.

2.5 Review Greater Wellington's systems to manage legislative compliance (including health and safety), significant projects, and work programmes.

2.6 Review and monitor Greater Wellington's compliance with regulatory requirements.

2.7 Review Greater Wellington's health, safety and wellbeing management system to obtain assurance that the organisation is identifying and managing risks in accordance with the Health and Safety at Work Act 2015.

2.8 Approve the internal assurance programme, review the results of internal assurance work , and review the effectiveness of actions to address audit recommendations from Greater Wellington's internal auditors.

2.9 Receive, at the start of each external audit, the terms of engagement with the external auditor, including the nature and scope of the audit, timetable and fees.

2.10 Review any external audit reports and Greater Wellington's actions on significant issues and audit recommendations raised in these reports.

2.11 Review annually the appropriateness of Council's insurance.

2.12 Recommend to Council changes to improve the effectiveness of Greater Wellington's policies and frameworks for financial management, assurance, and risk management.

2.13 Review:

a The draft Annual Report to ensure it complies with statutory requirements and provides a sound basis for the public accountability of Council's and Greater Wellington's performance and position for each financial year

b Any proposed formal announcements relating to Council's financial performance.

2.14 Recommend the Annual Report for adoption by Council.

3 Delegations

The Committee has the authority to approve:

a The internal assurance programme; in particular, whether Greater Wellington's approach to maintaining an effective interna control framework is sound and effective

b Submissions to external organisations on matters pertaining directly to the Committee's purpose.

4 Members and Chair

4.1 Six Councillors.

4.2 One external member, appointed by Council, who has the necessary independence, expertise, and knowledge of local government relevant to the Committee's purpose and responsibilities.

4.3 Where Council appoints the external member under section 4.2, Council shall also appoint that member as the Chair.

5 Quorum

Three Committee members.

Finance, Risk and Assurance Committee

Tuesday 14 May 2024, 9.30am

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

Please note these minutes remain unconfirmed until the Finance, Risk and Assurance Committee meeting on 14 May 2024.

Report 24.61

Public minutes of the Finance, Risk and Assurance Committee meeting on Tuesday 13 February 2024

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

Members Present

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

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

Karakia timatanga

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

Public Business

1 Apologies

There were no apologies.

2 Declarations of conflicts of interest

There were no declarations of conflicts of interest.

3 Public participation

There was no public participation.

4 Confirmation of the Public minutes of the Finance, Risk and Assurance Committee meeting of 28 November 2023 – Report 23.588

Moved: Cr Kirk-Burnnand / Cr Bassett

That the Committee confirms the Public minutes of the Finance, Risk and Assurance Committee meeting of 28 November 2023 – Report 23.588.

The motion was **carried.**

5 Update on progress of action items from previous Finance, Risk and Assurance Committee meetings – February 2024 – Report 24.28 [For Information]

Ali Trustrum-Rainey, Group Manager, Finance and Risk, spoke to the report.

Noted: The Committee requested that the action item regarding the separation of swimmers from craft at Oriental Bay remains as an action, acknowledging that there is not currently capacity to address this risk.

Noted: The Committee:

- Noted that the audit of Greater Wellington's key statutory obligations in relation to Te Tiriti o Waitangi does not fully address the risks faced by the Council in being an effective partner with Mana Whenua and Māori.
- Requested that the Te Tiriti o Waitangi Komiti consider input from the Finance, Risk and Assurance Committee on the scope of the next Te Tiriti o Waitangi audit.
- Invited the Chair of the Finance, Risk and Assurance Committee to send a letter to the Chair of the Te Tiriti o Waitangi Komiti conveying the request.

6 Forward work programme – Report 24.10

Ali Trustrum-Rainey, Group Manager, Finance and Risk, spoke to the report.

Moved: Cr Ropata / Cr Saw

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

The motion was **carried**.

Noted: The Committee requested:

- Deep dives into pest management, contamination of landfill sites across the region and housing policies and planning in relation to climate change.
- That consideration of the Council's depreciation rates and policy be included in the Forward work programme.

7 Quarterly Finance update – Quarter two – Report 24.38

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

Moved: Cr Connelly / Cr Kirk-Burnnand

That the Committee:

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

The motion was **carried.**

Noted: The Committee requested a report to a future meeting about rates remissions on Māori land.

8 PricewaterhouseCoopers Fraud Framework Maturity Assessment Report – Report 24.18 [For Information]

Ali Trustrum-Rainey, Group Manager, Finance and Risk and Phil Riley, PricewaterhouseCoopers, spoke to the report.

9 Treasury Risk Management Policy – Draft – Report 24.41

Ali Trustrum-Rainey, Group Manager, Finance and Risk, Kyn Drake, Principal Finance Policy Advisor, and Matthias Zuschlag, Manager Treasury, spoke to the report. Treasury Risk Management Policy – Decision Making Criteria and Recommendations were tabled, and officers advised the Committee of the decision-making components.

Moved: Cr Kirk-Burnnand / Cr Bassett

That the Committee:

1 Endorses the Treasury Risk Management Policy, subject to minor changes.

2 Recommends that Council adopts the Treasury Risk Management Policy.

The motion was **carried.**

The meeting adjourned at 10.56am and resumed at 11.06am.

10 Risk and Assurance update – Report 24.37 [For Information]

Jacob Boyes, Head of Corporate Risk and Assurance, spoke to the report.

11 Health, Safety and Wellbeing update – Report 24.31 [For Information]

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

12 Harbour Management – Risk and Compliance update – February 2024 – Report 24.32 [For Information]

Grant Nalder, Manager Harbours, spoke to the report.

13 Audit New Zealand Management Report – Report 24.15 [For Information]

Ali Trustrum-Rainey, Group Manager, Finance and Risk and Clint Ramoo, Audit NZ, spoke to the report.

Noted: The Committee requested a report to a future meeting on the work being done to seek assurance on the data being provided to Greater Wellington for the 2024-34 Long Term Plan assumptions.

Resolution to exclude the public

14 Resolution to exclude the public – Report 24.49

Moved: Cr Kirk-Burnnand / Cr Bassett

That the Finance, Risk and Assurance Committee excludes the public from the following parts of the proceedings of this meeting, namely:

Cyber Security update – Report 24.44

The general subject of each matter to be considered while the public is excluded, the reasons for passing this resolution in relation to each matter, and the specific ground/s under section 48)1 of the Local Government Official Information and Meetings Act 1987 (the Act) for the passing of this resolution are as follows:

Cyber Security update – Report 24.44	
Reason/s for passing this resolution in relation to each matter	*Ground/s under section 48(1) for the passing of this resolution*
The report contains information about Greater Wellington's information security and cybersecurity status. Release of this information exposes Greater Wellington to cyber-attack threats by making it easier for the public to know Greater Wellington's cyber security status and utilize the information for improper gain or improper advantage (section 7(2)(j)). It is necessary for Greater Wellington to exclude the information contained in this report from the public domain to protect our information and assets and reduce the likelihood of cyber-attack. Greater Wellington has not been able to identify a public interest favouring disclosure of this particular information in public proceedings of the meeting that would override this risk.	The public conduct of this part of the meeting is excluded as per section 7(2)(j) of the Act in order to prevent the disclosure of official information for improper gain or improper advantage.

This resolution is made in reliance on section 48(1)(a) of the Act and the particular interest or interests protected by section 6 or section 7 of that Act or section 6 or section 7 or section 9 of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public.

The motion was **carried.**

The public part of the meeting closed at 11.42am.

M Matthews

Chair

Date:

Please note these minutes remain unconfirmed until the Finance, Risk and Assurance Committee meeting on 14 May 2024.

The matters referred to in these minutes were considered by the Finance, Risk and Assurance Committee in Public Excluded business. These minutes do not require confidentiality and may be considered in the public part of the meeting.

Report 24.62

Public Excluded minutes of the Finance, Risk and Assurance Committee meeting on Tuesday 13 February 2024

Taumata Kōrero – Council Chamber, Greater Wellington Regional Council
100 Cuba Street, Te Aro, Wellington, at 11.42am

Members Present

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

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

Public excluded Business

1 **Cyber Security update – Report 24.44** [For Information]

Ross Lynch, Chief Technology Officer, spoke to the report.

Karakia whakamutunga

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

The meeting closed at 11.46am.

M Matthews

Chair

Date:

Finance, Risk and Assurance Committee
14 May 2024
Report 24.173

For Information

HARBOUR MANAGEMENT – RISK AND COMPLIANCE UPDATE MAY 2024

Te take mō te pūrongo
Purpose

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

Te tātaritanga
Analysis

Shelly Bay wharves

2. The final demolition work has been further delayed however this should now be occurring in May 2024.

Channel Risk Assessment

3. In 2020, CentrePort and Greater Wellington commissioned South Maritime Solutions to review navigation safety in the Wellington Harbour entrance channel and approaches. The review considered the infrastructure, current practice, best practices, and possible future changes. The final report was received in October 2020.

4. Background work around changes to the channel are progressing, this is in relation to the navigation aids and lights. The consultant used may be updating some recommendations based on subsequent work they have done here and elsewhere; this would be around the management process of the channel. Other work commitments have hampered progress on this.

Sunken/Derelict vessels

5. We are working with Wellington City Council (WCC) in relation to a steel yacht in Clyde Quay marina under a Harbourmaster's direction from last year, an agreement has been reached and this vessel should be lifted for inspection this month.

6. In addition, WCC have placed a writ on a vessel, and we are using Maritime Transport Act 1994 provisions to check that there are no other safety issues involved with this vessel.

7. We were working with Seaview marina to assist them with management of an unseaworthy 18m sailing catamaran, a Harbourmaster's Direction was used, and this vessel has been removed from the water and dismantled.

Navigation aids

8. The access platform to the rear leading light (near Makaro/Ward Island) is being replaced. This is replacing a wooden piled structure, parts of which would be around 40 years old, with an above water steel platform that will reduce maintenance.

9. As part of the channel risk review work most of the channel lights are likely to be renewed and upgraded over the next two years.

Navigation issues

Emergency Ocean Response Capability

10. This was previously called "out of port support". Emergency Ocean Response Capability (EORC) initial advice has been provided to a former Transport Minister who indicated that Maritime NZ should continue working on options.

11. The consultant group reported back to Maritime NZ who in turn presented advice to the Minister. We do not know what was in that advice. The next public information may be in the budget announcement at the end of May.

Cruise ship visits

12. The cruise ship season has finished for the year, with 108 ship visits. Some visits have not happened due to weather.

13. To date around 90 cruise ship visits are booked for next summer, this is reflecting a nationwide decrease in expected visits.

14. Visible water vapour and exhaust gasses from exhaust scrubbing systems continue to attract attention and comment. Internationally there are on-going discussions about the impacts and emissions from exhaust scrubbing systems.

Bunker barge - Kokako

15. This vessel has been delivering fuel to ferries and cruise ships when the weather has permitted.

16. We are continuing to work with Maritime NZ and the terminal operator around their spill contingency planning.

17. The vessel operating company received approval for their Pilotage Exemption plan from Maritime NZ so the vessel Masters are now working towards being able to move the vessel without a Centreport Pilot. The vessel will likely still require the use of a Centreport tug, as can happened with other Pilot Exempt operators.

Port and Harbour Marine Safety Code

18. The annual self-assessment is underway as a joint review by us and Centreport. The Code forum meeting is held in Wellington this week.

Safety incidents

19. On 10 January 2024 there was a close quarters incident between two ships entering Wellington Harbour. We are seeking details from the operators concerned and Maritime NZ has been informed of the incident.

20. A subsequent similar event has highlighted some traffic management issues around the entrance. Feedback from these events will assist in shaping the changes coming from the Channel and Approaches review.

21. Further to the oral report at the last meeting the fishing vessel Result grounded at Castlepoint. There was minimal pollution from the vessel and the insurance assessor was on site with 12 hours and managed the removal and cleanup. The response was quick and effective, and the debris was removed, and beach cleaned within five days if the grounding.

22. A small yacht at Onepoto took on water and sank overnight on 20 April 2024. There was no pollution from the sinking and the owner was able to refloat the boat and lift it out of the water for repair.

23. There was a fatality when a person was found floating in the harbour, this was not believed to be a boating related incident.

Ngā hua ahumoni
Financial implications

24. The disposal of derelict or uninsured vessels will present unplanned expenditure from the operating budget.

25. Where we are assisting another organisation, like a marina or a city/district council, to dispose of vessels, the costs are generally met by that body. Our contribution is usually our time plus regulatory power. In some cases, we may engage an independent expert (e.g. a boatbuilder or surveyor) to provide advice.

26. Recommendations arising from the channel risk assessment may have a variety of financial implications for both CentrePort and Greater Wellington. Options for mitigating any financial impacts will be investigated.

Ngā kaiwaitohu
Signatories

Writer	Grant Nalder – Manager, Harbours, Harbourmaster
Approvers	Jack Mace – Delivery Director Alison Trustrum-Rainey – Group Manager, Finance and Risk Lian Butcher – Group Manager, Environment Group

He whakarāpopoto i ngā huritaonga **Summary of considerations**
Fit with Council's roles or with Committee's terms of reference This report allows the Committee to "review… Greater Wellington's identification and management of risks faced by Council and the organisation… [including]… whether Greater Wellington is taking effective action to mitigate significant risks."
Contribution to Annual Plan / Long Term Plan / Other key strategies and policies This report does not contribute directly to Council's or Greater Wellington's key strategies, plans, or policies.
Internal consultation There was no internal consultation.
Risks and impacts - legal / health and safety etc. Specific risks and related mitigations are discussed in the Analysis section of this report.

Finance, Risk and Assurance Committee
14 May 2024
Report 24.205

For Information

AUDIT NEW ZEALAND'S REPORT ON COUNCIL'S 2024-34 LONG TERM PLAN CONSULTATION DOCUMENT

Te take mō te pūrongo
Purpose

1. To provide to the Finance, Risk and Assurance Committee (the Committee) the report of the audit of Greater Wellington Regional Council's (Greater Wellington) 2024-34 Long Term Plan Consultation Document from Audit New Zealand (Audit NZ), the Council's external auditors.

Te tāhū kōrero
Background

2. Section 93 of the Local Government Act 2002 (LGA) requires Council to develop a Long Term Plan (LTP). This is a ten year plan, updated every three years. This section of the LGA also requires council to prepare, adopt and issue a consultation document and supporting documentation as part of the Long Term Plan process.

3. The Consultation Document and supporting information is independently audited by Audit NZ to ensure "the consultation document provides an effective basis for public participation in the Regional Council's decision-making processes relating to the content of its proposed LTP". An Audit Opinion is issued and included in the final published Consultation Document.

4. Following the completion of the audit process, Audit NZ prepares a management report which sets out the audit findings, draws attention to areas where Greater Wellington is performing well and recommends areas for improvement.

Te tātaritanga
Analysis

5. **Attachment 1** is Audit NZ's report on the audit of Greater Wellington's 2024-34 Long Term Plan Consultation Document.

6. The report notes that:

   a Greater Wellington received an unmodified audit option with one emphasis of matter. The Emphasis of Matter regards uncertainty of rail programme funding (from Central Government).

   b Overall, Greater Wellington teams worked well with Audit NZ.

7. A further audit will commence in late May 2024 to examine any changes resulting from the consultation process, hearings, and deliberations. And a final audit opinion will be issued to the Council regarding the final 2024-34 Long Term Plan.

8. The final audit will also follow up on the following matters that need to be resolved prior to the adoption of 2024-34 Long Term Plan, specifically:

   a Signed agreement from New Zealand Transport Agency | Waka Kotahi in respect of the funding of the Lower North Island Rail rolling stock and network improvement programme.

   b Progress on the purchase of additional shares from CentrePort.

Ngā tūāoma e whai ake nei
Next steps

9. The attached report will be provided, for information, to Council at their meeting on 30 May 2024.

10. The audit report will be noted in the 2024-34 Long Term Plan project review after the adoption of the final 2024-34 Long Term Plan.

Ngā āpitihanga
Attachment

Number	Title
1	Report to the Council on the CD audit (Final)

Ngā kaiwaitohu
Signatories

Writers	Tyler Dunkel – Kaiwhakahaere Matua | Manager Corporate Planning & Reporting Darryl Joyce – Kaiwhakahaere Matua | Manager Accounting Services
Approvers	Zofia Miliszewska – Kaiwhakahaere Matua | Head of Strategy & Performance Ashwin Pai – Kaiwhakahaere Matua | Head of Finance Luke Troy – Kaiwhakahaera Matua Rautaki | Group Manager Strategy Ali Trustrum-Rainey – Kaiwhakahaere Matua Pūtea me ngā Tūraru | Group Manager Finance and Risk

He whakarāpopoto i ngā huritaonga Summary of considerations
Fit with Committee's terms of reference The Committee's specific responsibilities include to "review the Council's responses to any reports from the external auditors."
Contribution to Annual Plan / Long Term Plan / Other key strategies and policies External audit provides assurance that the policies, controls, processes, and systems in place at the Council will enable efficient development of the 2024-34 Long Term Plan.
Internal consultation The Finance & Risk and Strategy Groups were consulted in preparing this report.
Risks and impacts - legal / health and safety etc. The Council's management of relevant risks is addressed in the report.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Report to the Council on the audit of

Greater Wellington Regional Council's long-term plan consultation document 2024 - 2034

Attachment 1 to Report 24.205

Contents

Key messages

We have completed the audit of Greater Wellington Regional Council's (the Regional Council's) consultation document for its proposed ten-year long-term plan (LTP) covering the period commencing 1 July 2024 to 30 June 2034. The Regional Council will adopt its LTP in June 2024. This report sets out our findings and recommendations from the audit of the consultation document stage of the LTP.

Unmodified audit opinion

We issued an unmodified opinion on Regional Council's consultation document on 14 March 2024. This means that in our opinion, the consultation document provides an effective basis for public participation in the Regional Council's decision-making processes relating to the content of its proposed LTP.

We included an emphasis of matter paragraph in the audit report drawing attention to:

- the uncertainty over rail programme funding contributions

Preparation of the consultation document and underlying information

The development of a consultation document together with the required underlying information is a large and complex task. The process was well managed from a project management perspective with a clear point of contact and assigned responsibility. The success of the process is however dependent upon how well the different parts of the Regional Council work together. We noted a disconnect between some of the operational plans and how this was reflected in the financial forecasts.

Overall, management worked well with the audit team to ensure that the consultation document provided an effective basis for public participation in the Regional Council's decisions about the proposed LTP.

Audit of the final LTP

Following the conclusion of the consultation period and the Regional Council's hearing of submissions, we will review the final changes made to the proposed LTP and issue a separate audit report on the LTP.

We will also follow up on the following matters as part of the audit of the final LTP:

- Status of the agreement between Waka Kotahi and the Regional Council in respect of the funding of the Lower North Island Rail rolling stock and network improvement; and

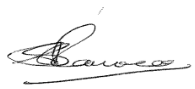
- Progress on the purchase of additional shares from CentrePort and how this is incorporated into the final LTP.

To ensure our audit of the final LTP is efficient, we request that the Regional Council prepare and provide us with a schedule of changes to the financial forecasts and other underlying information that were the basis for the consultation document.

Attachment 1 to Report 24.205

Thank you

We would like to thank Councillors, management and staff for their assistance during the audit.



Clint Ramoo
Appointed Auditor
24 April 2024

1 Our audit report

1.1 We issued an unmodified audit opinion

We issued an unmodified audit opinion on 14 March 2024.

This means we were satisfied that the consultation document meets the statutory purpose and provides an effective basis for public participation in the Regional Council's decisions about the proposed content of the 2024-34 LTP. We also found the underlying information and assumptions used to prepare the consultation document to be reasonable.

We included one emphasis of matter paragraph in our audit report. The emphasis of matter paragraph was to draw the readers' attention to the disclosure in the consultation document outlining the Regional Council's plan to deliver the Lower North Island rail rolling stock and network improvement project and the underlying assumption relating to the level of government funding. The Regional Council has assumed that the Government, through Waka Kotahi, will provide a significant level of funding. If this level of funding does not materialize, the affordability of the rail programme will be at risk, and it will need to be significantly revised.

1.2 Uncorrected misstatements

The consultation document including the underlying financial forecasts and assumptions are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those that were clearly trivial.

Attachment 1 to Report 24.205

2 Control environment

Our approach to the audit was to identify, confirm and assess the Regional Council's key processes and controls over the underlying information, and ultimate production of both the consultation document and the LTP. The purpose of this assessment was to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit opinions. Our review of the control environment focused on the following key areas:

2.1 Process to develop the consultation document and underlying information

We assessed that the process to develop the consultation document and prepare the underlying information was well-managed and executed. We saw clear direction from elected members and senior management, internal co-ordination, and quality assurance reviews for most areas. The level of quality assurance in the finance area was not at the level expected which resulted in late changes to the financial forecast as there was a breakdown in communication between the finance and operations teams around the funding relating to the Lower North Island Rail Integrated Mobility project. In general, the draft documents were provided to us in a timely manner, noting that there were delays in relation to the final drafts infrastructure strategy as well as the finance strategy. Overall, we worked well with management to meet the planned CD adoption date.

2.2 Planning and budgeting process

We obtained an understanding of the Regional Council's budgeting process from discussions with the relevant staff members and by reviewing various pieces of supporting documentation. Overall, we found that the Regional Council had a good process in place that provided an appropriate basis to prepare the underlying information and ultimately the production of the consultation document noting the comments in 2.1 above in relation to quality assurance.

2.3 Asset management practices

Overall, we are satisfied that the Regional Council's asset management practices and planning for the core infrastructure activities (including flood protection and water supply), show there is good knowledge of asset condition. We did not identify any significant weaknesses in the asset management plans for flood protection and water supply assets.

3 Key risks and issues

In the planning stage of the audit, we reviewed the Regional Council's LTP self-assessment and the content of the first draft of the Consultation Document. Through this planning process, we identified the following matters as the main risks and issues:

3.1 Content of the consultation document

We are satisfied that the consultation document presents the current significant issues facing the community in the region.

The consultation document has been written with a view of engaging with the community. It is easy to read, provides a good analysis of the financial impact of options, and is clear about elected members preferred options. It includes key parts of the draft finance and infrastructure strategies, and signals to ratepayers matters that are on the horizon but still require further work and decisions.

Climate change and the Environment was consulted on in 2021 specifically with regard to emissions reduction targets in the public transport activity with the goal of being carbon neutral by 2030 and carbon positive by 2035. Council has noted that emissions will be marginally higher as they push out the roll out of buses for affordability reasons. Planting trees in Regional Parks to offset the additional emissions is continuing and there are no significant changes envisaged. The Council has taken the view that until they have better information on water loss through the installation of property water meters, consultation on addressing water resilience will happen at a later stage. We concurred with these disclosures.

The consultation document provided adequate information and explanations for readers to understand the issues and the options that are being consulted on and is readable and easily understandable. There are adequate disclosures included in the issues for consultation including the impact on the levels of service, the required funding for the options via rates or debt, and the Regional Council's preferred option. The consultation document also includes a summary of the critical parts of the proposed financial and infrastructure strategy in compliance with the legislative requirements.

The consultation document focused on two issues:

1. Increase control of Public Transport Strategic assets
2. Ownership of CentrePort Limited

3.1.1 Consultation items

In reviewing the items being consulted on, we considered the following:

- Does the Consultation Document explain the what the different options will mean for the community?
- Is it easy to for the reader to understand?
- Is it clear what the preferred option is?

Based on our review and work performed on the early drafts of the Consultation Document we noted areas for improvement which we communicated to management. These included:

- Being more explicit as to benefits of the various options;
- Being clearer on the impact of the options on rates;
- Articulating more clearly the change, if any, in the levels of service as a result of the proposed options;
- Being clear on how the proposed purchase price for the CentrePort Limited shares was determined; and
- Highlighting the most recent Standard and Poor's credit rating and risks in the Local Government sector.

Management addressed the above matters in later versions and the final Consultation Document.

We also reviewed the calculation of the costs and implication on rates and the calculation for the provisional amounts disclosed and. were satisfied that this is reasonable and supportable.

We were therefore able to conclude that the Consultation Document meets the statutory purpose and provides an effective basis for public participation in the Regional Council's decisions about the proposed content of the 2024-34 LTP.

3.2 Central Government reform

The Regional Council is affected by the repeal of the Three waters legislation and have therefore continued to include bulk water services in its underlying documents. There is no specific item on consultation, but we noted that in the "other things you need to know" section of the Consultation Document, there is content on water management and water security in the region.

3.3 Financial strategy

Overall, we are satisfied that the financial strategy is reasonable and complies with the requirements of section 101A of the Local Government Authority Act 2002 and the purpose outlined in subsection 2.

The Financial Strategy outlines the Regional Council's overall approach to managing finances and provides guidance when spending and revenue decisions are made.

The key principles that drive the financial strategy are:

Using debt to fund assets that provide intergenerational benefits:

This ensures all ratepayers who use an asset contribute towards it. Using debt to fund assets allows the Regional Council to increase service levels whilst ensuring the funding burden is shared across generations.

Who should pay based, where possible, on the distribution of benefits:

This considers who benefits from an activity when evaluating how to fund it.

Willingness of ratepayers to pay, and affordability:

Consideration is given to balancing the need for public facilities and services with consideration of the ratepayers' ability and willingness to pay. This is done by considering economic information about the region. The rates (increase) affordability benchmark has been reviewed, resulting in an additional benchmark showing the change in the quantum to a dollar per average rating unit to reassure ratepayers of the affordability of Greater Wellington regional rates.

Prudent financial management and value for money:

This aims to practice good financial management through sound decision making and where actions are well thought through to minimise the risks and appropriately allocate costs to ratepayers now and in the future.

We however note that for non-infrastructure activities, the Regional Council is using borrowings to fund operating expenditure and question the prudence of this approach especially considering funding for Let's Get Wellington Moving which has been terminated and therefore not provide any long-term benefit to ratepayers.

The Financial Strategy has been carefully developed as part of a suite of strategies and policies (Infrastructure Strategy, Revenue and Financing Policy, Fees and Charges Policy and the Rates Remission and Postponement Policies) that contribute to successful financial management and community support, allowing for a fairer and more equitable approach for delivering the 2024-34 Long-Term Plan. In response to the economic pressures, the Regional Council is forecasting total operating expenditure of $7.5 billion and total capital expenditure of $1.8 billion.

The Regional Council is planning to fund the expected operating expenses over the LTP period mainly through rates, external revenue (grants and subsidies), and fees and charges. Regional rates are expected to increase over the LTP period resulting in rates collection increasing from $251 million in 2024/2025 to $414 million by 2033/34 and represents average region -wide annual rates increase of 64.%.

We reviewed the Regional Council's performance against metrics during the LTP period based on forecast financial and noted the following:

- Net external debt/Total revenue < 280% across the LTP periods.
- Net interest on external debt/Total revenue < 20% across LTP periods.
- Net interest on external debt/Annual rates and levies revenue < 10% across LTP periods.
- Liquidity > 110% across LTP periods.

Based on our review there are no indications that the Regional Council will not be able to satisfy these requirements over the LTP period.

We are satisfied that the objectives presented in the financial strategy is financially prudent and has been applied in the forecast financial information we reviewed. While the Regional Council is presenting significant budgeted surpluses over the LTP period, we note that operating revenue is inflated due to capital grants being recorded as revenue with the corresponding investment being recorded on the balance sheet as an investment in subsidiaries.

3.4 Infrastructure Strategy

The Infrastructure Strategy outlines how the Regional Council intends to manage its infrastructure assets, including the need to renew or replace existing assets, respond to growth or decline in demand for services, and provide for the resilience of its assets. It takes a long-term view of the Region's future infrastructure needs and is a statement of current assumptions and thinking on what will be required to address the major issues facing the region over the next 30 years.

We reviewed the Infrastructure Strategy and provided detailed feedback to the Regional Council for consideration. Our review included verifying that the:

- Infrastructure Strategy is aligned with the financial strategy;
- Information in the financial models reconciles with the infrastructure strategy;

- Infrastructure Strategy supports accountability;
- Correlation between depreciation and renewals is reasonable; and
- Content of the Infrastructure Strategy document includes everything necessary to achieve its statutory purpose.

Overall, we are satisfied that the Infrastructure Strategy is fit for purpose and the supporting underlying information is considered reasonable. It fulfils the legislative purpose and meets our expectations of such a document and is consistent with our knowledge of asset management planning at the Regional Council.

We are also satisfied that the Infrastructure Strategy is aligned to the Financial Strategy and the Regional Council's climate change assumption affecting its flood protection assets and the corresponding adaption costs in its infrastructure strategy.

Similar to the previous LTP round, the Asset Management Plans (AMP) is not updated at Consultation Document stage. Following discussions with the Regional Council, the AMP will only be updated in August after the LTP is adopted. The rationale behind this decision lies in the fact that asset planning relevant to the Consultation Document stage is already incorporated into the infrastructure strategy, including financial forecasts. Most of the AMP content remains pertinent and is not subject to significant alterations.

The information within the AMP is relatively static and does not necessitate regular updates. Additionally, alternative sources of information, such as asset valuation and condition reports, support the planning and budgeting of flood protection assets and are reflected in the Infrastructure Strategy.

3.5 Quality of asset-related forecasting information

A significant portion of the Regional Council's operations relates to the management of its public transport, bulk water and environmental (including flood protection) infrastructure. These activities typically make up about 81% of operational expenditure and 97% of capital expenditure.

Forecast Capital expenditure and debt over 30 year period

The Regional Council has modelled its infrastructure and developed a renewal programme that stretches over the next 30 years. The renewal profile and funding strategies have been developed simultaneously to ensure that planned asset renewal, and its funding, is carefully considered.

We reviewed the reasonableness of the Council's asset-related forecasting information, through performing the following:

- Assessing the Regional Council's asset management planning systems and processes;
- Gaining an understanding of changes the Regional Council proposes to its forecast levels of service;

- Gaining an understanding of the Regional Council's assessment of the reliability of the asset-related information;
- Assessing the accuracy of the financial forecasts; and
- Assessing whether relevant matters such as affordability have been incorporated into the asset-related forecasts prepared.

The following table summarises the value, condition and reliability of asset data and criticality of the assets covered by the Infrastructure Strategy. Condition, data confidence and asset management maturity levels are all based on a 1-5 rating scale.

Asset Group	Asset value* (2023)	Overall condition	Data confidence	Criticality	Maturity
Water Supply	$654.2m	2 -Minor defects only	2 -Reliable	5 -Significant – for the entire network	4 – Intermediate
Flood Resilience	$462.5m	2 -Minor defects only	3 - Sufficient information	5 –Significant – stop banks, flood gates, barrage gates, detention dams	3 – Core
Metlink Public Transport – Rail	$516.6m	3 - Maintenance required	2 - Reliable	3- Moderate	4 – Intermediate
Metlink Public Transport – Bus and Ferry	$64.4m	3 - Maintenance required	3 - Sufficient information	3- Moderate	4 – Intermediate
Regional Parks	$126.6m	2 -Minor defects only	2 -Reliable	3 -Moderate	4 – Intermediate
Environmental Knowledge and Insights	$4.0m	2- Good	2 -Reliable	4 -Major River and rainfall monitoring equipment	4 – Intermediate
Harbours	$1.9m	2- Minor defects only	3 - Sufficient information	3 -Moderate for the Signal Station at Beacon Hill	3 - Core

Based on the work completed, we are satisfied that the asset management practices and planning for the key infrastructure activities are sufficiently robust and there is good knowledge of asset condition.

As a result, we have concluded that the asset management practices provide a reasonable basis for the information and strategies to be included in the Consultation Document and LTP.

There were no significant recommendations from the prior LTP audit with regards to quality of asset-related information and asset management plans that we needed to follow up on for this LTP. Further, we have not identified any significant areas of concern but, like most local authorities, there were areas where the quality of the information can be improved.

The assessment of the assets per key activities drives the asset renewal and management of the assets during the LTP period also considering the Regional Council’s priorities. While the assets overall are in good condition, the Regional Council is expecting to have significant capital spend on renewals of the critical assets for water supply (forecast total $336 million) and Public Transport ($154 million) over the LTP period. The total asset renewal expenditure forecast is $564 million over the LTP period

The Regional Council’s knowledge of assets age, condition, performance, demand forecasting and risks, as well as overall operating environment is based on asset data received from as-builts and commissioning, lifecycle knowledge, regular formal condition assessments and valuations.

This happens as part of its asset management approach, to inform its renewals programmes and asset management plan development. On top of this, asset managers have used their knowledge and professional judgment to assess and prioritise works based on risk, budget and resources available.

Overall, the Regional Council’s asset information provides a reasonable basis for the information and strategies to be included in the Consultation Document and LTP. We are also satisfied that the reasonable assumptions and assessments regarding to the Regional Council’s assets for key activities have been appropriately applied in the forecast financial information.

3.6 Assumptions

We have considered the reasonableness of key assumptions as follows:

3.6.1 Climate change

The Regional Council has assessed the significant impacts of climate change and has assessed that the level of uncertainty has remained unchanged. Because of such significant climate change impacts, the Regional Council will also experience increasing pressure on due to the prevailing economic conditions specifically relating to interest costs on debt, insurance premiums, capital and operational assets costs and costs of degradation of assets. The impacts of climate change may require increased investment plans to maintain levels of service in flood protection assets in the long term.

We have recommended that the Regional Council improves its disclosures in the final LTP in respect of Climate Change impacts. The information provided is vague and not specific to the work we are aware of and what they have achieved over the previous 3-year period. Climate change assumption lacks specific detail on the potential impacts on the Regional Council's activities from the expected effects of climate change, as well as in relation to the impacts on communities.

Based on our review, we are satisfied that the Regional Council's assumptions around climate change and significant impacts are reasonable. We are satisfied that they have been appropriately incorporated and presented in the financial forecasts in the financial and infrastructure strategies, and the consultation document.

3.6.2 Capital expenditure(do-ability)

The overall assumption is that the programmes and projects will be delivered within budget and on time - The Regional Council has assumed that their capital expenditure programme will be achieved but with a level of uncertainty.

We reviewed the actual capital spend in comparison with the budget and noted that the Council delivered an average of 74% of their budget in the last three years. The rebuttable presumption based on this is the capital expenditure do-ability is likely to be considered unreasonable.

We note there are significant planned increases compared to 2023 actuals across all areas The Regional Council's ability to construct assets was clearly impacted by Covid19 restrictions during 2021 - 2022, with capital expenditure returning to higher levels in 2024. We note that increased spend within water in 2024 - 2025 relates to Te Marua Water Treatment Plant, which is already ongoing from 2023 - 24, with an in year overspend being forecast. Thus, although water has seen significant uplifts through 2021 - 2025, this appears to be achievable given the performance to date.

Environment spend is largely in relation to the RiverLink project, which is already behind schedule from the previous LTP. We note that in the current year this project is $24m behind budget, though this is largely expected to be made up by year end with a large proportion of the work scheduled towards the end of the year. Public transport appears to be the area subject to the greatest uncertainty, given the significant uplift required in the first year of the LTP. This is largely due to the fact the main project (Electric fleet Civil works) is not anticipated to see significant spend until 2024 - 25. Public Transport contributed the most significant underspend over the previous 3 year period, spending only 46% of capital expenditure budget. From our review of forecast FIS, this area is subject to a significant uplift across the period of the LTP, with an average spend of $9.5m over the previous 3 years.

Noting the risks associated with delivery in the Public Transport activity and the impact of Covid-19 on spending in the 2020-21 we are concluded that the planned capital programme is however doable.

3.6.3 Population and demographic changes

The Greater Wellington region's population is expected to experience slowed growth in the near term (2021-2023) due to the impacts of Covid-19, including reduced migration flows and economic activity in the region. Population growth will then recover to levels similar to those experienced in the region in recent years. The region's population is expected to reach approximately 570,000 by 2030 (9% growth since 2020) and 632,000 by 2043 (20% growth since 2020). There is an inherent level of uncertainty regarding any set of projections which increases the further from present day the projection runs. Covid-19 has also raised the level of uncertainty surrounding near-term projections. The figures should be considered as being indicative of range to guide planning, rather than a specific outcome.

The Regional Council's estimates with regards to the population growth in the region is based on '.id' and BERL projections which were overall consistent which gives us assurance that it is reasonable.

We also assessed that it is reasonable for the Regional Council to adopt the BERL's projections as it was based on more recent data and trends, and also takes into account the impacts of Covid-19 on migration and economy during the first three years of the LTP period.

We also reviewed the Regional Council's assumptions on the expected effects over the life of the LTP against its activity group and they are not out from what we would reasonably expect the impacts would be on the Council's operations.

Overall, we assess that the Regional Council has appropriate and reasonable assumptions on population growth and demographic changes in the region, and the impacts during the LTP period.

3.6.4 Other assumptions

We reviewed how the other significant assumptions are derived, including inflation rates, interest rates, debt, economic assumptions and funding of decarbonising the bus and rail network – rail rolling stock. We have referenced the inflation and interest rates to the external sources and the decarbonisation of bus rail network was agreed to the business case and inclusion in budget 2023.

With regards to funding of the decarbonizing of the bus and rail network we considered the appropriateness of the assumptions relating to funding from Central Government in respect of the Lower North Island Rail Integrated Mobility project and concluded that an emphasis of matter paragraph was appropriate given that there is no final funding agreement in place.

Based on work performed, we are satisfied that the assumptions applied by the Regional Council are appropriate, complete and have been consistently applied in the financial forecasts for LTP purposes.

4 Next steps for the Regional Council

The consultation period for ratepayers to make submissions on the Consultation Document and underlying information is set to run from 18 March to 30 April 2024. The Regional Council will consider the submissions made before adopting the final LTP on 27 June 2024.

This process means that there may be changes to the draft LTP that supported the consultation document. Changes may arise from submissions received by the Regional Council, or from updated or improved underlying supporting information, or management-initiated changes. The Regional Council may also be affected by announcements outside of its control that impact on the decisions and assumptions in the consultation document.

We will review any significant changes arising from consultation in our audit of the final LTP.

4.1 Audit of the final LTP

The last step in the LTP audit process will be the audit of the final LTP document. This audit is scheduled to be undertaken in May 2024 following the Regional Council's deliberations.

To ensure our audit of the LTP is efficient, we ask the Regional Council to prepare and provide us with a schedule of changes to the financial forecasts and other underlying information that were the basis of the consultation document. This will enable us to assess the extent of changes and tailor our audit work accordingly.

In respect of these changes, we will gain assurance that appropriate consequential changes and disclosures have been made. We also check the consistency of the updated documents in the LTP.

We will also follow up on the following matters that need to be resolved prior to the adoption of 2024-34 LTP:

- Signed agreement from Waka Kotahi in respect of the funding of the Lower North Island Rail rolling stock and network improvement.
- Progress on the purchase of additional shares from CentrePort.

Under section 94(1) of the Local Government Act 2002, our audit report on the final LTP forms part of the LTP, which the Regional Council is required to adopt by 30 June 2024 under section 93(3) of the Act. Our agreed timeframes will enable us to issue our audit report in time for the Regional Council meeting scheduled for 27 June 2024, at which time the 2024-34 LTP will be formally adopted.

We are responsible for reporting on whether the LTP meets the statutory purpose and provides a reasonable basis for integrated decision making by the Regional Council and accountability to the community. We also provide an opinion on whether the information and assumptions underlying the financial forecasts are reasonable. Finally, we will provide our opinion on whether the disclosures in the LTP meet the requirements of Part 2 of the Local Government (Financial Reporting and Prudence) Regulations 2014 and accurately reflect the information drawn from the LTP.

At the conclusion of the LTP audit, we will ask the Regional Council to provide us with a signed management representation letter on the LTP. We will provide the letter template during the LTP audit.

Appendix 1: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for issuing an independent report on the consultation document and providing the report to you. This responsibility arises from section 93C(4) of the Local Government Act 2002. The audit of the consultation document does not relieve management or the Regional Council of their responsibilities. Our audit engagement letter dated 27 February 2024 contains a detailed explanation of the respective responsibilities of the auditor and the Regional Council.
Auditing standards	We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity, or inefficiency that are immaterial to your consultation document. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.
Auditor independence	We are independent of the Regional 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: *International Code of Ethics for Assurance Practitioners,* issued by New Zealand Auditing and Assurance Standards Board. In addition to our audit of the Regional Council's consultation document and all legally required external audits, we have reported on the Regional Council's debenture trust deed assurance engagement. These engagements are compatible with those independence requirements. Other than these engagements, we have no relationship with or interests in the Regional Council or any of its subsidiaries.
Fees	The fee for auditing the consultation document and the LTP is $188,625 (excluding GST and disbursements), as detailed in our audit engagement letter dated 27 February 2024. Our fees for reporting on the external audit and assurance engagement are disclosed in the Regional Council's 2020 annual report.

Attachment 1 to Report 24.205

Area	Key messages
Other relationships	We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Regional Council that is significant to the audit. We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Regional Council during or since the audit.

Attachment 1 to Report 24.205

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

PO Box 99
Wellington 6140

www.auditnz.parliament.nz

Finance Risk and Assurance Committee
14 May 2024
Report 24.179

For Decision

FORWARD WORK PROGRAMME

Te take mō te pūrongo
Purpose

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

He tūtohu
Recommendation

That the Committee:

1 **Endorses** the Forward Work Programme (Attachment 1).

Te horopaki
Context

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

Te tātaritanga
Analysis

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

Ngā hua ahumoni
Financial implications

7. There are no known implications for Māori.

Ngā Take e hāngai ana te iwi Māori
Implications for Māori

8. There are no known implications for Māori.

Ngā tikanga whakatau
Decision-making process

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

Te hiranga
Significance

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

Te whakatūtakitaki
Engagement

11. Due to the low significance of the matters for decision, no engagement was considered necessary.

Ngā tūāoma e whai ake nei
Next steps

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

Ngā āpitihanga
Attachment

Number	Title
1	Forward Work Programme as of April 2024

Ngā kaiwaitohu
Signatory

Writer	Ali Trustrum-Rainey – Group Manager, Finance and Risk

He whakarāpopoto i ngā huritaonga **Summary of considerations**
Fit with Council's roles or with Committee's terms of reference The Forward Work Programme is designed to cover the key items in the Committee Terms of Reference.
Contribution to Annual Plan / Long Term Plan / Other key strategies and policies The Committee terms of reference includes the review and monitor performance under Council's Financial Strategy and to oversee, review, and report on Greater Wellington's discharge of its responsibilities in the areas of financial management; risk management; statutory reporting including the Annual Plan and Long Term Plan; internal and external audit and assurance; and monitoring of compliance with laws and regulations (including health and safety).
Internal consultation Regular report writers to the Committee were consulted.
***Risks and impacts - legal / health and safety etc*.** There are no known risks for this report.

Attachment 1 to Report 24.179

Finance, Risk and Assurance Committee Forward Work Programme – 14 May 2024

FRAC Work Programme 2023/24

Focus areas	May 2024	August 2024	November 2024	February 2025
Overall meeting focus				
Financial Management	Q3 report	Q4 draft report	Q1 report	Q2 report
	Fraud data analytics report		Rating software update review?	
			e-invoicing project?	
Risk Management	Health Safety and Wellbeing	Health Safety and Wellbeing	Financial Policies review	Health Safety and Wellbeing
	Harbours Management – Risk and Compliance	Harbours Management – Risk and Compliance	Health Safety and Wellbeing	Harbours Management – Risk and Compliance
	Risk workshop (see below)	Risk workshop (see below)	Harbours Management – Risk and Compliance	Risk workshop (see below)
	Risk review and update	Risk review and update	Risk workshop (see below)	Risk review and update
	Legal Risk update (RPE)	Cyber Security Update	Risk review and update including legal compliance	Legal Risk update (RPE)
		Interest Risk Management and Position	Climate Change Risk (annual)	
		Insurance Review	Risk Appetite review & endorsement	
		Rail network update – informs risk deep dive		
Business Assurance	1. Assurance update 2. Report on core financial controls	1. Assurance update 2. Report on indirect taxes	1. Assurance update 2. Report per endorsed assurance plan for 2024-27	1. Assurance update

Attachment 1 to Report 24.179

Finance, Risk and Assurance Committee Forward Work Programme – 14 May 2024

Focus areas	May 2024	August 2024	November 2024	February 2025
	3. Progress update on indirect taxes 4. Proposed assurance plan for 2024-27	3. Endorsed assurance plan for 2024-27 4. Introduce internal audit partner for 2024-27		
	Paycode review (Post Ngātahi implementation assurance of construction of payroll system)			
Reporting and Accounting	Audit Report to Council on the LTP (consultation document)	Audit Report to Council on the LTP		Audit report to Council on the Annual Report
	Current draft of the Revenue and Financing policy (out for consultation)			
	Fair Value Assessment of Property Plant and Equipment (for decision)	Depreciation Rate Accounting Policy overview		
		Audit Plans		
Workshops TBD	1. **Risk Appetite** – present and walkthrough risk appetite statements	**Risk Deep Dive -** Integrity of the network with a focus on: • Rail network investment backlog • Critical rail assets and the impact of these assets on passenger rail services • Potential service reductions that would be caused by failure of these assets	**1. Risk Deep Dive -** Accountability of technology - No single point of accountability for all technology – in particular Metlink operate a different informal model that is exclusive of ICT visibility and control at certain level	**1. Risk Deep Dive –** Te Tiriti o Waitangi which includes our Te Tiri audit process
Out of cycle items: - **Annual Report**	CentrePort Debt guarantee (public excluded)			

Finance, Risk and Assurance Committee
14 May 2024
Report 24.197

For Information

UPDATE ON THE PROGRESS OF ACTION ITEMS FROM PREVIOUS FINANCE, RISK AND ASSURANCE COMMITTEE MEETINGS

Te take mō te pūrongo
Purpose

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

Te horopaki
Context

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

Ngā hua ahumoni
Financial implications

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

Ngā tūāoma e whai ake nei
Next steps

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

Ngā āpitihanga
Attachment

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

Ngā kaiwaitohu
Signatories

Approver	Ali Trustrum-Rainey – Kaiwhakahaere Matua, Pūtea me ngā Tūraru | Group Manager Finance and Risk

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

Attachment 1 to Report 24.197

Action items from previous Finance, Risk and Assurance Committee meetings

Date	Action item	Status and comment
2 May 2023	**Finance, Risk and Assurance Committee Update – Report 23.137** **Noted:** The Committee requested that staff report back to a future Committee meeting on the separation of swimmers from craft at Oriental Bay.	**Status:** To carry over **Comment:** The reported incident highlights the potential consequences of this issue. We currently do not have capacity to consider possible changes to the rules in this area.
13 February 2024	**Update on progress of action items from previous Finance, Risk and Assurance Committee meetings – February 2024 – Report 24.28** [For Information] **Noted:** The Committee requested that the action item regarding the separation of swimmers from craft at Oriental Bay remains as an action, acknowledging that there is not currently capacity to address this risk.	**Status:** Action restored **Comment:** The action remains on the list.
13 February 2024	**Update on progress of action items from previous Finance, Risk and Assurance Committee meetings – February 2024 – Report 24.28** [For Information] **Noted:** The Committee:	
	Requested that the Te Tiriti o Waitangi Komiti consider input from the Finance, Risk and Assurance Committee on the scope of the next Te Tiriti o Waitangi audit.	**Status:** In progress **Comment:** Letter is being drafted from the Chair of FRAC to send to the Chair of Te Tiriti o Waitangi Komiti.

Attachment 1 to Report 24.197

Action items from previous Finance, Risk and Assurance Committee meetings

	Invited the Chair of the Finance, Risk and Assurance Committee to send a letter to the Chair of the Te Tiriti o Waitangi Komiti conveying the request.	**Status:** In progress **Comment:** Letter is being drafted from the Chair of FRAC to send to the Chair of Te Tiriti o Waitangi Komiti.
13 February 2024	**Forward work programme – Report 24.10** **Noted:** The Committee requested:	
	Deep dives into pest management, contamination of landfill sites across the region and housing policies and planning in relation to climate change.	**Status:** In progress **Comment:** We have included those topics on our list for potential risk deep dives. We currently have deep dives scheduled up until Feb 2025 so we will consider these topics for FRAC meetings May 2025 onwards.
	That consideration of the Council's depreciation rates and policy be included in the Forward work programme.	**Status:** In progress **Comment:** This report is in the work programme for the August 2024 meeting

Attachment 1 to Report 24.197

Action items from previous Finance, Risk and Assurance Committee meetings

13 February 2024	**Quarterly Finance update – Quarter two – Report 24.38** **Noted:** The Committee requested a report to a future meeting about rates remissions on Māori land.	**Status:** In progress **Comment:** This report is in the work programme for the August 2024 meeting
13 February 2024	**Audit New Zealand Management Report – Report 24.15** [For Information] **Noted**: The Committee requested a report to a future meeting on the work being done to seek assurance on the data being provided to Greater Wellington for the 2024-34 Long Term Plan assumptions.	**Status:** In progess **Comment:** Metlink is working with Audit NZ to provide further information regarding our approach.

Committee
14 May 2024
Report 24.195

For Information

REVENUE AND FINANCING POLICY UPDATE

Te take mō te pūrongo
Purpose

1. To update the Committee on the process undertaken to review the Revenue and Financing Policy (the Policy).

Te horopaki
Context

2. The Local Government Act 2002 (LGA) requires Council to have a Revenue and Financing Policy (R&FP) in order to provide certainty about the sources and levels of funding that will be required to fund its activities.

3. The Local Government (Rating) Act 2002 (LGRA) provides councils with powers to set, assess and collect 'rates' to fund local government activities. These rates are locally set property-based taxes. There are three main purposes of the LGRA:

   a To provide local authorities with flexible powers to set, assess, and collect rates.

   b To ensure rates reflect decisions made in a transparent and consultative manner.

   c To provide for processes and information to ensure ratepayers can identify and understand their liability for rates.

4. The R&FP specifies Council's policies for funding operating expenses and capital expenditure from sources that include general and targeted rates, fees and charges, grants and subsidies, and reserve funds.

5. Decisions on which rating tools are selected, and how they are applied, are a matter for each individual council to decide. This must be done in accordance with the requirements of the LGA.

6. The review of the Policy generally takes place on the same review cycle as the Long-Term Plan (LTP); however, the last review of the Policy took place in 2022 as it was not completed in conjunction with the 2021-31 LTP process.

Te tātaritanga
Analysis

7. The 2024 review of the Policy **(Attachment 1)** was an opportunity for Council to review all of the activities in the Policy, assessing if the 'distribution of benefits' and the activity 'funding mechanisms' were still current or not. Generally, in other review processes,

some activity areas get the attention as there are issues to resolve, so the rest of the Policy doesn't get the attention it may need.

8. In this process, we were also able to identify some activities that may or may not be aligned with Greater Wellington's programme of work any longer, therefore some separate investigations into the future of those activities have begun.

9. Throughout the review of this Policy, general feedback for submitters of former R&FP public consultations were considered to help generate improvements where applicable.

10. In February 2024, Council approved the draft policy for public consultation which commenced on 11 March and ran for a month. *Please Note**:** at the time of preparing this report, an analysis of the submissions has not yet been made, therefore no information regarding that has been included.*

11. The following paragraphs outline the key changes of the review.

Policy Structure

12. The Policy was modified to improve readability and understanding. All the information about an activity was collated in the same place. Previously the policy had sections that separated the funding mechanisms and the distribution of benefits information, causing the reader to have to go back and forth in the document to understand an activity.

Transparency

13. Additional activities were included in the Policy which had not previously been stated, such as the funding for Climate Change and the Transport Analytics Unit. These activities have specific funding lines and different funding mechanisms, so it was important to show that.

Changes to Activities

14. A few updates were driven by the shifts in delivery as a result of the 2023 Environment Group restructure.

15. Programmes such as the Wellington Regional Erosion Control Initiative (WRECI) underwent significant change in the Policy to better reflect the reality of how the programmes works, while giving the implementing team the ability to better use the Ministry for Primary Industries (MPI) funding, which is main funding source with a funding agreement that contains conditions for use.

16. Operations, such as the Akura Nursery were simplified to reflect the needs of the operations to better prepare or provide for the massive restoration efforts happening across the region. The Policy now allows the operations team to have an appropriate funding mechanism to allow for expansion.

General Rates and Wellington City

17. The Policy now includes a list of all the general rates funded activities and the share of general rates apportioned to them. This is included for transparency.

18. The Wellington City General Rate was also identified as no longer having applicable rationale to continue the rate with differentials applied which cause the Central Business District and the Business category to pay a higher share.

19. The current differentials within Wellington City were introduced in 2019 to take account of the significant up and downward movements in rates Wellington City was experiencing, with residential property value rising much faster than business property values, as well as the demolition and/or damage to many commercial buildings following the 2016 Kaikoura earthquake and the conversion of further office buildings to residential.

20. Council agreed to proposing the removal of these differentials, returning the General Rate back to an equal share among the rating categories in Wellington City with their share based on Capital Value. (This has no impact to other Territorial Authorities)

21. As a result, if the proposal is accepted, following the 'hearings and deliberations' process, the average increase for residential and rural ratepayers will be approximately (based off the 2023/24 rating year):

    - $34 per year for Residential ratepayers
    - $43 per year for Rural ratepayers

22. The business categories will see a reduction in their share of the general rate.

Ngā hua ahumoni
Financial implications

23. The proposed changes to the Policy this year, only impact Wellington City ratepayers. There is no differential applied to all the other Territorial Authorities and their rating categories. Their capital values are used as the basis for determining their share to pay.

24. The changes do not impact Greater Wellington's over all collection or ability to fund activities. Some changes will in fact allow Greater Wellington to better utilise the 'Grants and Subsidies' from central government.

Ngā Take e hāngai ana te iwi Māori
Implications for Māori

25. As the changes to the differentials are only within the Wellington City area, and it is applied to the general rate which every ratepayer contributes towards based on their capital values.

26. There are no known implications specifically for Māori.

Ngā tūāoma e whai ake nei
Next steps

27. Following the closing of the public consultation on 22 April 2024, submitters feedback has been collated and analysed for the 'Hearings and Deliberations' process, to be held on 22 May 2024.

28. Submitted wishing to be heard are currently being scheduled for their ability to be heard by council.

29. Following the deliberations, the draft policy will be updated to reflect any changes directed by councillors. That version of the Policy will be brought back to council for approved in late June and will be implemented from 1 July 2024.

30. All Territorial Authorities will be informed of all decisions and changes as they are responsible for collecting Greater Wellington rates. They will apply our funding mechanisms to their rate collection methods.

Ngā āpitihanga
Attachment

Number	Title
1	Draft Revenue and Financing Policy (2024)

Ngā kaiwaitohu
Signatory

Writer	Kyn Drake – Principal Finance Policy Advisor
Approver	Alison Trustrum-Rainey – Group Manager Finance and Risk

He whakarāpopoto i ngā huritaonga **Summary of considerations**
Fit with Council's roles or with Committee's terms of reference The Committee has specific responsibilities that include: *2.3 Review the effectiveness of Greater Wellington's financial management and performance, including proposed changes, with a particular focus on the effectiveness of Greater Wellington's:* a) *Financial management policies and frameworks for, and the robustness of, the organisation's financial performance*
Contribution to Annual Plan / Long Term Plan / Other key strategies and policies The Revenue and Financing Policy is a key supporting policy of the LTP as it identifies how the funds will be collected to pay for the activities outlined in the LTP and Annual Plans.
Internal consultation A range of meetings have been had with the subject matter experts to check and/or offer transparency for the funding mechanisms of the activity they support. Councillors have had multiple opportunities to discuss and question the Policy and the information that has led to changes.
***Risks and impacts - legal / health and safety etc*.** There are no known risks associated with the decisions of this report.

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Greater Wellington
Te Pane Matua Taiao

PROPOSED

2024 Ko te Kaupapa Here Moni Whiwhi me Ahumoni

2024 Revenue and Financing Policy

Contents

Introduction

The Revenue and Financing Policy describes how Greater Wellington Regional Council (Council) intends to fund its expenditure set out in the Long-Term Plan, and the sources of funding that Council intends to use, for each activity.

Purpose

The Local Government Act 2002 (the Act) requires the Council to manage its expenditure prudently and in a way that promotes the current and future interests of the community. This Policy outlines the decisions the Council has made in determining the most appropriate sources of funding for operating and capital expenditure, keeping in line with the Financial Strategy's principles for fairness and affordability.

Considerations for this policy

In developing the Policy, Council has considered the specific matters required by section 101 (3) of the Act, requiring a two-stage process for considering a new activity funding method. Section 103 of the Act requires Council to state its policies in respect of the funding of operating and funding of capital expenditure.

Greater Wellington promotes the social, economic, environmental, and cultural well-being of our communities through our community outcomes which are considered throughout the decision-making process.

Supporting information for this Policy

Equalised Capital Value (ECV)

Within the region, different territorial authorities undertake general revaluations at different times. To equalise the values, each year Council gets Quotable Value or another registered valuer to estimate the projected valuations of all the rateable land in the districts within the region. This estimation is enabled under s131 of the Local Government Rating Act.

This means that rates are assessed on a consistent valuation basis, regardless of the timing of individual Territorial Authority revaluations.

Funding Impact Statements

The Funding Impact Statement shows how the Council intends to implement the Revenue and Financing Policy each year. It also shows the amount of funding to be collected from each available source, including how various rates are to be applied.

Reviewing the Policy

Legislation requires the Policy to be reviewed at least once every five years, however Greater Wellington generally reviews it every three years in line with the Long-Term Plan process but will from time to time make amendments if required.

The next review is expected to take place in 2027.

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Connecting our plans to our strategies and funding

2024-34 Long Term Plan

Te Rautaki Ahumoni - Financial Strategy
This strategy takes a sustainable approach to service delivery and financial management, focusing on ensuring our levels of service and activities are financed and funded to generate and protect community outcomes and promote long-term community well-being, providing transparent context on our funding using rates, debt, and investments.

Te Rautaki Hanganga - Infrastructure Strategy
This Strategy sets out how Greater Wellington plans to manage infrastructure over the next 30+ years and defines the nature of the challenges, the approach and options for dealing with challenges and the implications of these actions while ensuring intergeneration equity.

Ko te Kaupapa Here Moni Whiwhi me Ahumoni - Revenue & Financing Policy
The Revenue & Financing Policy is about where the funding (money) will come from, and how Greater Wellington will share the costs of services across the region, and among different groups of ratepayers.

Fees and Charges Policy
This policy sets out Councils fees and charges to be collected from users of public resources, and to recover costs for a range of services, reducing the financial impacts to ratepayers.

Ko ngā Kaupapa Here Whakaiti me Hiki Reti - Rates Remission and Postponement Policies
These policies enable Greater Wellington to act fairly and reasonably when ratepayers are unable to pay their share of the rates.

Determining this Policy

In developing this policy, Council used a two-stage approach.

STAGE ONE

The first stage is to consider for each activity, Council considered the five matters in s101(3)(a) of the LGA 2002.

These are summarised as-

- Primary community outcomes
- Distribution of benefits
- Timeframe of benefits
- Contributors - those who create need for an activity
- Costs and benefits of funding activity distinctly

Primary community outcomes

Each group of activities contributes primarily to achieving at least one of these community outcomes as outlined in the 2024-34 Long Term Plan:

Thriving Environment

Greater Wellington looks after the region to ensure it thrives and prospers. We lead to ensure our environment is prioritised to have healthy fresh and coastal water, clean and safe drinking water, indigenous biodiversity, sustainable land use, a prosperous low carbon economy with an effective electrified public transport network.

Connected Communities

Greater Wellington works with the community to connect people with the environment they live in. People are engaged in the decisions that affect them, contributing to vibrant and liveable region in which people can move around using an accessible and efficient public transport network.

Resilient Future

Greater Wellington manages and protects the region's resources so they can be enjoyed for generations to come, adapting to the effects of climate change and natural hazards, community preparedness and quality infrastructure.

Distribution of benefits

For each activity, this consideration analyses of the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals.

Generally, the funding methods the Council has chosen to use for each activity will reflect who is benefiting from the activity, but not always as the other policy considerations identified here will also influence decisions.

The benefits are deemed by Council and may differ from the opinions of some ratepayers or community groups; however these benefits are final and applied to be able to decide on the appropriate funding tools.

Timeframe of benefits

Council considers the period in or over, which the benefits are expected to accrue and applies the principles of the Financial Strategy.

Intergenerational equity applies to capital expenditure where assets are expected to provide benefits over decades. To spread the costs over time, loan funding is used, and debts serviced each year, which ensures current ratepayers do not pay the full price for the benefits in which future ratepayers will receive.

For all activities, operating costs are directly related to providing benefits in the year of expenditure, therefore funded on an annual basis.

Contributors- those who create need for an activity

Contributors are any individuals or groups who, through their action, or inaction, contribute to the need to undertake the activity. For example, polluters create a need for Council to clean up the mess or make rules about how it is to be reduced or cleaned up.

Many of Council's activities utilise contributors funding through 'user fees and charges'. Council actively seeks to recover expenditure from these contributors, however it is not always possible, therefore, at times, these activities will be subsidised through other funding mechanisms.

Costs and benefits of funding activities distinctly

There are costs and benefits, including consequences for transparency and accountability of funding an activity separately, whether by user charges or targeted rates or a combination of these.

There are administration costs associated with different types of funding and these need to be weighed against any benefits of targeting specific beneficiaries or users.

A key benefit is 'transparency and accountability', which are most evident when an activity has one defined funding source, allowing ratepayers (or users) to see exactly how much revenue is being sought and spent on the activity.

This is not always possible; therefore, the general rate is used to encompass activities with a region-wide benefit. To support the 'transparency and accountability', Council separates the general rate into practical activity groupings which allows the ratepayer to understand where a large portion of their charges go to.

STAGE TWO

Council then considered the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural wellbeing of the community. That process led Council to decide on the funding policy indications shown for each activity. This step is required by section 101(3)(b) of the Act.

The use of capital value

Council has chosen to use Capital Value (CV) as its valuation system for general rates because it reflects the total value of a property, compared with land value.

Council has also chosen to use CV as the basis for the following targeted rates:

- The Regional Economic Development rate (CBD and Business category)
- The Public Transport Rate
- Some River Management Scheme rates (Flood Protection)
- Wairarapa Coastal and Eastern Hills Wairarapa Catchment Activities (Land Management)
- The Stadium Rate

Rates with differentials

Council applies a differential to the Public Transport rate. The purpose of this differential is to address the variance in benefits derived from the physical limitations public transport networks in accordance with s101(3)(b) of the Act. This differential is designed to ensure that different rating categories throughout the region pay a fair share of the cost for providing public transport services. This differential was determined after considering the impact of level of service, location, and the types of properties. These differentials are found in the 'Funding Impact Statements'.

Funding tools Council has chosen not to apply

Council does not use a Uniform Annual General Charge (UAGC). A UAGC is part of the General rate and is set using a fixed amount or charge per property, irrespective of value or location. Being a fixed amount, it has the effect of increasing the rates for all properties below the average capital value and reducing those above the average. The further a property value is from the average, the greater impact.

Council has decided not to use a UAGC because it is of the view the General rates recover the costs when the whole region benefits, and therefore these costs should be recovered by using taxation principles, and using solely capital values is the most appropriate method.

Other tools not used:

The Council does not use lump sum contributions, development and financial contributions, and regional fuel taxes.

Funding Operating and Capital Expenditure

Operating Expenditure Cost (OPEX)

OPEX pays for Councils day-to-day spending to keep the business going. This includes maintaining assets or other expenditure that does not procure or create a new asset.

Council funds OPEX using the following funding tools:

- General rates
- Targeted rates

- Fees and charges
- Interest and dividends from investments
- Grants and subsidies
- Other operating revenue, such as reserves

Capital Expenditure Cost (CAPEX)

CAPEX pays for buying or building new assets. This includes replacing existing assets or improving an existing one to improve a service.

The Council generally funds CAPEX from borrowing and spreads repayment over long periods as outlined in the Financial Strategy.

Borrowing for CAPEX enables the Council to ensure there is intergenerational equity in terms of who funds CAPEX. Where practicable, the repayments are spread over the expected average life of the asset. This means today's ratepayers are not asked to fully fund assets that tomorrows ratepayers will benefit from.

Other funds for CAPEX include:

- Grants and Subsidies - from agencies such as the New Zealand transport agency Waka Kotahi and the Department of Internal Affairs (DIA)
- Council reserves (incl. annual revenue collected to cover depreciation)

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Funding sources and indications

The following summarises the funding sources to be used for both operational and capital expenditure, as well as the funding indications.

Environment

This section includes:

- **Resource Management**
  - *Policy and Planning*
  - *State of Environment monitoring*
  - *Consents*
  - *Compliance and Enforcement*
  - *Pollution prevention and control*
- **Environment Restoration Activities**
  - *Environment restoration programmes*
  - *Environment restoration advice*
  - *Erosion schemes*
- **Wairarapa Coastal and Eastern Hills Wairarapa Catchment Activities**
- **Conservation Activities (Soil and Plant)**
  - *Soil conservation reserves*
  - *Akura conservation centre*
- **Biodiversity Activities**
  - *Biosecurity services for territorial authorities*
  - *Key Native Ecosystems (KNE) programme*
  - *Other biosecurity activities*
- **Pest Activities**
  - *Regional pest management plan*
  - *Regional predator control programme*
- **Harbour Activities**
  - *Navigational aids and communications service*
  - *Education - Enforce maritime safety regulations*
  - *Pollution clean-up – Oil*
  - *Pollution clean-up – other*
- **Flood Protection**
  - *Understanding Flood Risk*
  - *Maintaining Flood Protection and Control Works*
  - *Improving Flood Security*
  - *River Management*
  - *Wairarapa River Management (Lower Valley and Waiohine, excl. Upper Ruamahanga)*
  - *Te Kāuru Catchment*
  - *Waiōhine River Stopbank*
  - *Drainage Schemes*
- **Regional Parks**

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<table>
<tr><td rowspan="9">Resource Management
Council provides policy and planning, and state of the environment services to regulate use and development.</td><td rowspan="6">OPEX</td><td rowspan="2">Fees & User charges</td><td>Policy and planning</td><td>Nil</td></tr>
<tr><td>State of Environment monitoring</td><td>10- 20 percent</td></tr>
<tr><td>Subsidies</td><td>All</td><td>Nil</td></tr>
<tr><td>Targeted rate</td><td>All</td><td>Nil</td></tr>
<tr><td rowspan="2">General rate</td><td>Policy and planning</td><td>100 percent</td></tr>
<tr><td>State of Environment monitoring</td><td>80- 90 percent</td></tr>
<tr><td rowspan="3">CAPEX</td><td>Borrowings (Debt)</td><td rowspan="3">All</td><td rowspan="3">Not required</td></tr>
<tr><td>Proceeds from asset sales</td></tr>
<tr><td>Reserve funds</td></tr>
<tr><td colspan="2">Community outcome</td><td colspan="3">Thriving Environment</td></tr>
<tr><td colspan="2">Purpose / rationale for activity</td><td colspan="3">Council regulates the use and development of the environment via the Regional Plan and other planning documents, to ensure that natural and physical resources are managed sustainably.</td></tr>
<tr><td colspan="2">Who benefits? How are the benefits distributed?</td><td colspan="3">The community as a whole benefits from the policy, planning and monitoring services.
Territorial authorities and individuals, benefit from Council’s State of the Environment monitoring information.</td></tr>
<tr><td colspan="2">Timeframe of benefits</td><td colspan="3">On-going</td></tr>
<tr><td colspan="2">Does anyone cause Council to provide this service?</td><td colspan="3">Everyone uses the region’s natural resources to some extent.</td></tr>
<tr><td colspan="2">Rationale for separate funding</td><td colspan="3">The community as a whole is the main beneficiary, there is no particular benefit from distinct funding.</td></tr>
<tr><td colspan="2">Overall rationale for funding</td><td colspan="3">As all of the region benefits from this activity, then the general rate is considered the most appropriate funding source after an allowance for any fees.</td></tr>
</table>

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<table>
<tr><td rowspan="12">Resource Management
Council uses consents, compliance, and pollution services. to implement the Regional Plan.</td><td rowspan="6">OPEX</td><td rowspan="3">Fees & User charges</td><td>Consents</td><td>Up to 100 percent (consent applicants)</td></tr>
<tr><td>Compliance and enforcement</td><td>Up to 100 percent (consent holders)</td></tr>
<tr><td>Pollution prevention and control</td><td>Up to 100 percent (identified polluters)</td></tr>
<tr><td>Subsidies</td><td>All</td><td>Nil</td></tr>
<tr><td>Targeted rate</td><td>All</td><td>Nil</td></tr>
<tr><td>General rate</td><td>Compliance and enforcement
Pollution prevention and control</td><td>Up to 100 percent for investigations where a liable party cannot be identified.</td></tr>
<tr><td rowspan="6">CAPEX</td><td rowspan="2">Borrowings (Debt)</td><td>Consents / Compliance and enforcement</td><td>Not required</td></tr>
<tr><td>Pollution prevention and control</td><td>Primary source</td></tr>
<tr><td rowspan="2">Proceeds from asset sales</td><td>Consents / Compliance and enforcement</td><td>Not required</td></tr>
<tr><td>Pollution prevention and control</td><td>When available</td></tr>
<tr><td rowspan="2">Reserve funds</td><td>Consents / Compliance and enforcement</td><td>Not required</td></tr>
<tr><td>Pollution prevention and control</td><td>When available</td></tr>
<tr><td colspan="2">Community outcome</td><td colspan="3">Thriving Environment</td></tr>
<tr><td colspan="2">Purpose / rationale for activity</td><td colspan="3">Council implements the Regional Plan, with consent, compliance, and pollution services.</td></tr>
<tr><td colspan="2">Who benefits? How are the benefits distributed?</td><td colspan="3">Consent applicants benefit from information services.
Consent holders benefit from the right to use regional resources, and from monitoring services, because consents may be granted with greater confidence / certainty about the potential impacts.</td></tr>
<tr><td colspan="2">Timeframe of benefits</td><td colspan="3">On-going</td></tr>
<tr><td colspan="2">Does anyone cause Council to provide this service?</td><td colspan="3">Polluters create the need for pollution services.
People who want to use the region’s resources create the need for an allocation system.</td></tr>
<tr><td colspan="2">Rationale for separate funding</td><td colspan="3">These services are best funded jointly with other Resource Management activities to provide transparency to service users, residents and ratepayers.</td></tr>
</table>

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<table>
<tr><td>Overall rationale for funding</td><td>Council considers that those who benefit or contribute to the need for the activity should contribute to the recovery of those costs. When recovery is not possible, then the general rate is considered the most appropriate funding source after an allowance for any fees.</td></tr>
</table>

<table>
<tr><td rowspan="12">Environment Restoration Activities
Council offers restoration and good farm management practices to mitigate the environmental impacts of agricultural and horticultural uses of land.</td><td rowspan="9">OPEX</td><td rowspan="2">Fees & User charges</td><td>Environment restoration programmes*</td><td>Up to 75 percent</td></tr>
<tr><td>Environment restoration advice</td><td>Nil</td></tr>
<tr><td rowspan="2">Subsidies</td><td>Environment restoration programmes</td><td>Up to 100 percent</td></tr>
<tr><td>Environment restoration advice</td><td>Nil</td></tr>
<tr><td>Targeted rate</td><td>Environment restoration advice and programmes</td><td>Nil</td></tr>
<tr><td rowspan="2">General rate</td><td>Environment restoration programmes</td><td>Up to 75 percent</td></tr>
<tr><td>Environment restoration advice</td><td>100 percent</td></tr>
<tr><td rowspan="3">CAPEX</td><td>Borrowings (Debt)</td><td>All</td><td>Not required</td></tr>
<tr><td>Proceeds from asset sales</td><td>All</td><td>Not required</td></tr>
<tr><td>Reserve funds</td><td>Environment Restoration Programmes</td><td>When available</td></tr>
<tr><td colspan="2">Funding Split</td><td colspan="3">Environment Restoration programmes will operate under criteria that will determine property-specific grant rate. The criteria used in determining appropriate grant rate will be aimed at maximising the effectiveness of the programmes. Priorities will be identified through catchment context, community values and desired outcomes including water quality, biodiversity or climate change adaptation where a high priority activity will receive higher general rate grant support.
Contact Environment Restoration staff for details of grant rate criteria for applicable programmes.</td></tr>
<tr><td colspan="2">Community outcome</td><td colspan="3">Thriving Environment</td></tr>
<tr><td colspan="2">Purpose / rationale for activity</td><td colspan="3">Council seeks to mitigate the environmental impacts of farming. Land management practices can affect soil erosion, soil health, biodiversity and water quality (the health of streams, rivers, and the coast).</td></tr>
</table>

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Who benefits? How are the benefits distributed?	Farmers, rural communities and future generations benefit from: • stabilised soils and reduced erosion • healthy waterways (recreation, drinking water, livestock water supply) • reputation benefits from clean operations • protect local infrastructure The community as a whole benefits when farmers reduce their nutrient and sediment discharges.
Timeframe of benefits	On-going
Does anyone cause Council to provide this service?	National and regional policy and regulations.
Rationale for separate funding	The Environment Restoration Programme involves a two-way transactional relationship. The landowners pay 'Fees & Charges', but can also charge Greater Wellington for services. The distribution of costs and the subsidy applied varies from landowner to landowner depending on the environmental outcome. In certain programmes Subsidies are available from Government which can reduce either the Fees & User charges or the General rate percentage applied to the programme. The activity is predominantly focused on services to rural businesses, there are transparency benefits from separate funding.
Overall rationale for funding	Council considers that those who benefit from the activity should contribute to the recovery of those costs using fees and charges and targeted rates using a combination of service provision, land value and fixed value for erosion scheme services and coordination services to rural properties in the Wellington Region. The balance after fees and charges and any subsidies, the general rate is considered the most appropriate funding source.

** Environment restoration programmes – Work delivery leading to water quality, biodiversity or climate change adaptation outcomes*

Wairarapa Coastal and Eastern Hills Wairarapa	OPEX	Fees & User charges	All	Nil
		Subsidies	All	Nil
		Targeted rate	Scheme One	$ per hectare
			Scheme Two	Based on land value

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<table>
<tr><td rowspan="9">Catchment Activities

Council delivers work programmes, such as preparing resource consents, and plans, liaising with landowners, managing sub-contractors, organising materials and labour, quality control.</td><td rowspan="6"></td><td rowspan="2"></td><td>Scheme Three</td><td>Charge per dwelling</td></tr>
<tr><td>Scheme Four</td><td>Based on river frontage</td></tr>
<tr><td rowspan="4">General rate</td><td>Scheme One</td><td rowspan="4">Up to 50 percent</td></tr>
<tr><td>Scheme Two</td></tr>
<tr><td>Scheme Three</td></tr>
<tr><td>Scheme Four</td></tr>
<tr><td rowspan="3">CAPEX</td><td>Borrowings (Debt)</td><td rowspan="3">All</td><td rowspan="3">Not required</td></tr>
<tr><td>Proceeds from asset sales</td></tr>
<tr><td>Reserve funds</td></tr>
<tr><td colspan="2">Community outcome</td><td colspan="3">Thriving Environment</td></tr>
<tr><td colspan="2">Purpose / rationale for activity</td><td colspan="3">To protect private and community assets including houses, buildings, roads and bridges with emphasis on maintaining vehicular access from the effects of erosion and flooding.
To stabilise actively degrading gully erosion and control severely eroding catchment areas
To control land clearing operations in the upper catchments and establish water monitoring programme objectives.
Council seeks to mitigate the environmental impacts of farming. Land management practices can affect soil erosion, soil health, and water quality (the health of streams, rivers, and the coast).</td></tr>
<tr><td colspan="2">Who benefits? How are the benefits distributed?</td><td colspan="3">Catchment schemes 1- Wharema, Homewood, Maungaraki, Upper Kaiwhata, Lower Kaiwhata
Catchment schemes 2- Awhea-Opouawe, Mataikona-Whakataki
Catchment scheme 3- Awhea-Opouawe, Mataikona-Whakataki, Maungaraki
Catchment schemes 4- Maungaraki
Farmers benefit from-</td></tr>
</table>

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	• stabilised soils and reduced erosion • reputation benefits from clean operations Rural communities benefit from local catchment schemes that protect local infrastructure (roads, utilities). The community as a whole benefits when farmers reduce their nutrient and sediment discharges.
Timeframe of benefits	On-going
Does anyone cause Council to provide this service?	Farmers who allow stock to graze in or adjacent to waterways and don't mitigate the nutrients from leaching into waterways.
Rationale for separate funding	All six schemes are managed and administered by GW (Planting Operations) in conjunction with each respective catchment scheme committee. The activity is predominantly focused on services to rural businesses, there are transparency benefits from separate funding.
Overall rationale for funding	The local community share of the funding is raised through a special rating district covering the total area deemed to benefit. Individual properties are rated on a classified or differential basis that recognises the degree of benefit to each property. Council considers that those who benefit from the activity should contribute to the recovery of those costs using targeted rates. The balance after is paid by the general rate as it is considered the most appropriate funding source.

**Formerly known as "Land Management - Catchment Schemes"*

Conservation Activities *Council supports soil and plant initiatives.*	OPEX	Fees & User charges	Soil conservation reserves	100 percent
			Nursery Operations	90 percent
		Subsidies Targeted rate	Soil conservation reserves Nursery Operations	Nil
		General rate	Nursery Operations	Up to 10 percent
	CAPEX	Borrowings (Debt)	Soil conservation reserves Akura conservation centre	Primary source

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		Proceeds from asset sales	Soil conservation reserves Nursery Operations	When required
		Reserve funds		
Community outcome	Thriving Environment			
Purpose / rationale for activity	Council seeks to mitigate the environmental impacts as land management practices have created erosion, and affected the health and quality of streams, rivers, and the coast.			
Who benefits? How are the benefits distributed?	The benefits of nursery operations are mostly with the private landowners who plant poplars and willows (and other species) for erosion and flood control. The benefits largely lay with private landowners but the community as a whole benefits from stabilized soils in its reserves and cleaner waterways.			
Timeframe of benefits	On-going			
Does anyone cause Council to provide this service?	Landowners who require plants to cover on erosion prone soils and/or land restoration.			
Rationale for separate funding	The activity is predominantly focused on services to rural businesses, there are transparency benefits from separate funding.			
Overall rationale for funding	As the private landowners benefit from this activity, then the user fees and charges are considered the most appropriate funding source. The balance after is paid by the general rate as it is considered the most appropriate funding source.			

Biodiversity Activities *Council works to improve biodiversity and in turn improve life supporting services.*	OPEX	Fees & User charges	Biosecurity services for territorial authorities	100 percent
		Subsidies	All	Nil
		Targeted rate	All	Nil
		General rate	Key Native Ecosystems (KNE) programme	100 percent
			Other biosecurity activities	
	CAPEX	Borrowings (Debt)	All	Not required
		Proceeds from asset sales		

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		Reserve funds		
Community outcome	Thriving Environment			
Purpose / rationale for activity	Biodiversity contributes to the region's natural character and supports the healthy functioning of ecosystems which in turn provide essential, life supporting services, including purifying air and water.			
Who benefits? How are the benefits distributed?	The community as a whole share the benefits of a healthy environment.			
Timeframe of benefits	On-going			
Does anyone cause Council to provide this service?	Invasive and damaging species inadequately managed by landowners.			
Rationale for separate funding	This activity is one relatively small, part of the larger group of activities and separate funding would not be cost effective.			
Overall rationale for funding	As all of the regional benefits from this activity, then the General rate is considered the most appropriate funding source.			

Pest Activities *Council conducts pest management activities for economic and environmental outcomes.*	OPEX	Fees & User charges	Regional pest management plan	Up to 10 percent
		Subsidies	Regional pest management plan	Up to 10 percent
		Targeted rate	All	Nil
		General rate	Regional pest management plan	80-100 percent
			Regional predator control programme	100 percent
	CAPEX	Borrowings (Debt)	All	Not required
		Proceeds from asset sales		
		Reserve funds		
Community outcome	Thriving Environment			
Purpose / rationale for activity	Pest management supports economic activity and improves environmental outcomes.			

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Who benefits? How are the benefits distributed?	The regional community benefits from reduced spread of unwanted pest damage to high value ecosystems, and reduced pest impact on safety, amenity, and social values. They also benefit from the access to high quality foods and the economic benefits of agriculture and horticulture activity. Primary producers benefit from • reduced loss of pasture • reduced loss of crops • reduced damage to trees and shrubs • sustained and increased primary production. Cattle and deer farmers in operational areas benefit from reduced risk of disease to farmed animals.
Timeframe of benefits	On-going
Does anyone cause Council to provide this service?	Pest management, including possum control activities are undertaken in line with Biosecurity Act 1993, and the National Policy Direction for Pest Management.
Rationale for separate funding	Council provides two pest management programmes, with different funding policies, separate funding is useful to demonstrate the benefits of each activity.
Overall rationale for funding	As all of the regional benefits from this activity, then the general rate is considered the most appropriate funding source.

Harbour Activities	OPEX	Fees & User charges	Navigational aids and communications service	60 percent commercial shipping (collected by CentrePort)
			Education- Enforce maritime safety regulations	Nil
			Pollution clean-up – Oil	Nil
			Pollution clean-up – other	100 percent charge to polluters, where they can be identified and charged
		Subsidies	Pollution clean-up – Oil (only)	95 percent Maritime NZ
		Targeted rate	All	Nil
		General rate	Navigational aids and communications service	40 percent
			Education- Enforce maritime safety regulations	100 percent
			Pollution clean-up – Oil	5 percent

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			Pollution clean-up – other	Up to 100 percent
	CAPEX	Borrowings (Debt)	All *Not required for Education - Enforce maritime safety regulations*	Primary source
		Proceeds from asset sales		When available
		Reserve funds		When available
Community outcome	Resilient Future			
Purpose / rationale for activity	Council provides this service to support safe commercial shipping and recreational activities in the regional harbours.			
Who benefits? How are the benefits distributed?	Commercial shipping is the major economic beneficiary of this service. Maritime traffic in the harbours benefit from Beacon Hill Communications station, navigational aids, and the enforcement of maritime safety regulations. People using recreational boats and yachts also benefit substantially. Recreational boat users benefit from navigational aids, education programmes, and the enforcement of maritime safety regulations. Other harbour users receive a small benefit from the enforcement of maritime safety regulations. The rest of the region gets some residual benefit.			
Timeframe of benefits	Ongoing			
Does anyone cause Council to provide this service?	Maritime traffic (commercial and recreational) is the major activity that creates the need for Council to provide navigational aids and safety services. Polluters create the need for monitoring, regulations and clean up services.			
Rationale for separate funding	Separate funding via targeted rates is not sensible for this activity, because Council cannot identify and targeted landowners who would be the major beneficiaries of services for activities on and about water.			
Overall rationale for funding	Council considers that those who benefit from the activity or contribute the need for the activity should contribute to the recovery of those costs (60 to 100 percent) using fees and charges. The balance after any subsidies and after an allowance for any fees, the general rate is considered the most appropriate funding source.			

Regional Parks	OPEX	Fees & User charges*	Up to 10 percent

Attachment 1 to Report 24.195

<table>
<tr><td rowspan="6">Council manages a network of regional parks and forests for the community's use and enjoyment. Council works with mana whenua and community groups to protect the environment within regional parks</td><td rowspan="3"></td><td>Subsidies</td><td>From time to time, Parks receive additional funds, such as the Low Carbon Acceleration fund (LCAF) to fund specific projects in parks.</td></tr>
<tr><td>Targeted rate</td><td>Nil</td></tr>
<tr><td>General rate</td><td>The remainder on general rate (90 percent)</td></tr>
<tr><td rowspan="3">CAPEX</td><td>Borrowings (Debt)</td><td>Primary source</td></tr>
<tr><td>Proceeds from asset sales</td><td>When available</td></tr>
<tr><td>Reserve funds</td><td>When available</td></tr>
<tr><td colspan="2">Community outcome</td><td colspan="2">Thriving Environment, Resilient Future and Connected Communities</td></tr>
<tr><td colspan="2">Purpose / rationale for activity</td><td colspan="2">Council provides regional parks for community recreation and enjoyment, and to protect regionally significant landscapes, bush, and heritage features.</td></tr>
<tr><td colspan="2">Who benefits? How are the benefits distributed?</td><td colspan="2">Individuals and groups who use the overnight facilities (such as camping) at various regional parks.
Organisations that use parks for commercial purposes. This includes, for example-
▪ grazing (horses)
▪ film making
▪ outdoor activities
▪ education activities
The region and the whole country benefit from being able to enjoy regionally significant landscapes, bush, and heritage features. The whole country benefits from the preservation of nationally significant landscapes, forests, and heritage features.</td></tr>
<tr><td colspan="2">Timeframe of benefits</td><td colspan="2">Ongoing</td></tr>
<tr><td colspan="2">Does anyone cause Council to provide this service?</td><td colspan="2">No</td></tr>
<tr><td colspan="2">Rationale for separate funding</td><td colspan="2">There is no particular need to fund this activity separately.
Council reports on the financial and service performance for this activity in its Annual Report.</td></tr>
</table>

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Overall rationale for funding	While there are benefits to individuals, groups and commercial organisations that use parks, they contribute by way a fees & charges, and all of the regional benefits from this activity, therefore the general rate is considered the most appropriate funding source for the remainder of funding required.

**Fees and charges apply to organised events, farming and other leases, license fees and other added value services. Not for park visitors.*

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Flood Protection

Flood Protection *Council invests in and maintains flood protection and control works to protect lives and economic continuity in the region.*	OPEX	Fees & User charges	All	Nil
		Subsidies	All	Nil
		Targeted rate	Understanding Flood Risk	Nil
			Maintaining Flood Protection and Control Works	The balance of costs (i.e., 50 – 100 percent) met via targeted rates in the local authority area or via scheme rates or direct contribution from both the direct beneficiaries on the floodplain and the beneficiaries in the economic catchment area.
			Improving Flood Security	
			River Management	The balance of costs, based on capital value and where the land is situated
			Wairarapa River Management (Lower Valley and Waiohine, excl. Upper Ruamahanga)	
			Te Kāuru Catchment	
			Waiōhine River Stopbank	
		General rate	Understanding Flood Risk	100 percent
			Maintaining Flood Protection and Control Works	Up to 50 percent
			Improving Flood Security	
			River Management	
			Wairarapa River Management (Lower Valley and Waiohine, excl. Upper Ruamahanga)	
			Te Kāuru Catchment	
			Waiōhine River Stopbank	

Attachment 1 to Report 24.195

<table>
<tr><td rowspan="3"></td><td rowspan="3">CAPEX</td><td>Borrowings (Debt)</td><td rowspan="3">All (Note: None required for Understanding Flood Risk)</td><td>Primary source</td></tr>
<tr><td>Proceeds from asset sales</td><td>When available</td></tr>
<tr><td>Reserve funds</td><td>When available</td></tr>
<tr><td colspan="2">Community outcome</td><td colspan="3">Resilient Future</td></tr>
<tr><td colspan="2">Purpose / rationale for activity</td><td colspan="3">Council provides flood protection services to protect the lives and property of people within the region.</td></tr>
<tr><td colspan="2">Who benefits? How are the benefits distributed?</td><td colspan="3">Property owners (private, Crown, territorial authorities, others) and residents in flood hazard zones are the major beneficiaries of these activities. They benefit from-
information about flood hazards
flood warnings
flood protection structures that directly protect lives and property, and downstream areas.
Local communities and catchments benefit from:
Information about flood hazards to support land use planning
having their local infrastructure protected (schools, hospitals, roads and emergency lifelines, parks, and reserves).
Utilities benefit from:
information about flood hazards
flood warnings
flood protection structures that directly protects their infrastructure (electricity transmission, telecoms, etc).
The region as a whole benefits from:
advice about flood emergencies
any environmental protection that flood protection provides
protected arterial transport routes.
Property owners (including utility companies), and residents and flood hazard zones are the major beneficiaries of all these activities. Local communities, (including property owners in flood hazard zones) are also substantial beneficiaries of flood protection and control works in their communities. The community as a whole receives a relatively small share of the benefits.</td></tr>
</table>

Attachment 1 to Report 24.195

Timeframe of benefits	Ongoing
Does anyone cause Council to provide this service?	No
Rationale for separate funding	Because of the substantial private benefits from these activities, and Council's considerable commitment to this group of activities, separate funding provides transparency and accountability benefits.
Overall rationale for funding	The balance of cost (50 to 100 percent) met via targeted rates on the local authority area, scheme rates or catchment rates

Flood Protection – Drainage Schemes *Council conducts regular drainage maintenance for 14 different scheme areas due to historic agreements to help improve the agricultural and horticultural use of land.*	OPEX	Fees & User charges	All	Nil
		Subsidies	All	Nil
		Targeted rate	Gravity Drainage Schemes Pump Drainage Schemes	100 percent Based on $ per hectare and where the land is situated.
		General rate		Nil
	CAPEX	Borrowings (Debt) Proceeds from asset sales Reserve funds	All	Not required
Community outcome	Resilient Future			
Purpose / rationale for activity	Council provides drainage services to improve the agricultural and horticultural use of land in the Wairarapa.			
Who benefits? How are the benefits distributed?	Water and drainage schemes that enable greater productive use of the land			
Timeframe of benefits	On-going			
Does anyone cause Council to provide this service?	The landowners that use the land in the drainage scheme areas.			

Attachment 1 to Report 24.195

Rationale for separate funding	There are substantial private benefits from these activities, and the assets are 100 percent privately owned therefore a separate funding provides transparency and accountability benefits.
Overall rationale for funding	Only the private landowners in the scheme areas benefit from this activity, therefore 100 percent of the costs for this activity are worn by the ratepayers in these targeted areas.

Attachment 1 to Report 24.195

Metlink Public Transport

This section includes:

- Public Transport

Public Transport	OPEX	Fees & User charges	Approx. 25 percent of total operating revenue from fares and other user charges over the years of the Long-Term Plan. To maintain the fares share of funding, fares will be adjusted annually with inflation within three percent, subject to Council decisions through annual fares and budget review.
		Subsidies	Level of contribution from Crown agencies, primarily Waka Kotahi is determined by Waka Kotahi's Funding Assistance Rates (51 percent to 100 Percent depending on activity) and co-investment policy.
		Targeted rate	Balance, calculated on ECV, with targeted differentials based on land use, location and provision of service, up to the levels set by the rates (increase) affordability benchmark. *Differentials are stated in the funding impact statement.*
		General rate	Nil
	CAPEX	Borrowings (Debt)	Primary source- Waka Kotahi does not contribute to debt funding, therefore borrowing is the primary source for capital expenditure.
		Subsidies	Waka Kotahi (50- 60 percent) Other central government agencies (up to 100 percent) Third party private funding (up to 100 percent)
		Proceeds from asset sales	When available
		Reserve funds	When available
Community outcome		Connected community	
Purpose / rationale for activity		Public transport makes a significant contribution to the region's economic prosperity in a way that is environmentally and socially sustainable.	

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Who benefits? How are the benefits distributed?	The region as a whole benefits from reduced emissions, fewer vehicles on the road, safer roads, abilities for tourism and economic dispersal, and more liveable environments. Public transport benefits the people who use it directly, enabling them to get to work, school, retail, and social activities.
Timeframe of benefits	Ongoing
Does anyone cause Council to provide this service?	No
Rationale for separate funding	Public transport is the single largest activity that Council funds. A mixture of user charges (fares) and targeted rates provide transparency to service users, residents, ratepayers, and funders about the costs and relative shares paid by different groups.
Overall rationale for funding	Council applies user charges (fares) for Individuals/users benefits gained by people who use public transport or receive those a direct benefit. After receiving subsidy, the Council has concluded that the targeted differential ECV rates, taking into account the location and level of service for public transport, is the most appropriate funding source. The target differential categories are based on the following: ▪ Residential and location and level of service ▪ Business and location ▪ Rural

Regional Partnerships and Strategy

This section includes:

- Relationships with mana whenua
- Regional transport planning and programmes
- Regional Economic Development
- Emergency management
- Democratic services
- Warm Greater Wellington (Regional initiative)
- Wellington Regional Stadium
- Climate Change
- Transport Analytics Unit (Regional Transport)

Relationships with Mana Whenua *Council builds and maintain constructive partnership relationships with iwi and Māori of the region to support Māori participation in decision-making to deliver Council's outcomes.*	OPEX	Fees & User charges	Nil
		Subsidies	Te Hunga Whiriwhiri receives occasional grants and subsidies that are used to fund specific mana whenua partners initiatives.
		Targeted rate	Nil
		General rate	100 percent
	CAPEX	Borrowings (Debt)	Not required
		Proceeds from asset sales	Not required
		Reserve funds	Not required
Community outcome	Connected Communities		
Purpose / rationale for activity	This activity enables Council to build and maintain constructive partnership relationships with iwi and Māori of the region.		
Who benefits? How are the benefits distributed?	Councils are obligated to ensure that we work in a partnership approach with mana whenua that enables iwi Māori and kaitiaki to fulfil their obligations as natural managers of the world, through their kaitiaki roles and responsible.		

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	Regional communities' benefit from the quality of decision making that is enabled when mana whenua participate in decisions that affect them.
Timeframe of benefits	Ongoing
Does anyone cause Council to provide this service?	No
Rationale for separate funding	There is no particular need to fund this activity separately. Council reports on the service performance for this activity in its Annual Report.
Overall rationale for funding	As all of the regional benefits from this activity, then the General rate is considered the most appropriate funding source.

Regional Transport Planning and Programmes *Council plans for the long-term development of the region's land transport network.*	OPEX	Fees & User charges	Regional Transport Planning and Programmes	Nil
		Subsidies		Up to 60 percent (Waka Kotahi)
		Targeted rate		Nil
		General rate		Remaining balance of the funding
	CAPEX	Borrowings (Debt)		Not required
		Proceeds from asset sales		Not required
		Reserve funds		Not required
Community outcome	Connected Communities			
Purpose / rationale for activity	A plan for development of the region's land transport network is essential for integration with territorial authority plans, and to enable the efficient transport of people and goods.			
Who benefits? How are the benefits distributed?	The community as a whole benefits from transport infrastructure planning services.			
Timeframe of benefits	Ongoing			
Does anyone cause Council to provide this service?	No			

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Rationale for separate funding	There is no particular need to fund this activity separately. Council reports on the service performance for this activity in Annual Report.
Overall rationale for funding	As all of the regional benefits from this activity, then providing for any subsidies the general rate is considered the most appropriate funding source.

Regional Economic Development *Council supports growth and economic development in the region.*	OPEX	Fees & User charges	Nil
		Subsidies	Nil
		Targeted rate	100 percent. Charged on differential basis by land use, being: - Capital value for businesses - A fixed-rate on residential and rural ratepayers
		General rate	Nil
	CAPEX	Borrowings (Debt)	Not required
		Proceeds from asset sales	Not required
		Reserve funds	Not required
Community outcome		Resilient Future	
Purpose / rationale for activity		Council promotes economic growth and hosts this activity on behalf of the region.	
Who benefits? How are the benefits distributed?		Business communities are the primary beneficiaries of economic growth and increased wealth within the region. The community as a whole benefit to a lesser extent.	
Timeframe of benefits		Ongoing	
Does anyone cause Council to provide this service?		No	

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Rationale for separate funding	Separate funding enables Council to apply revenue requirements that are consistent with the levels of benefit that different ratepayer categories receive. Separate funding also supports accountability and transparency to the ratepayers who fund the activity
Overall rationale for funding	Businesses greatly benefit from the united approach to attracting visitors and commercial opportunities that actively spend money and enhancing their business. Residents benefit from the enhanced lifestyles with modern amenities, things to see and do, accessibility and a greater sense of security which is vital for health and wellbeing. Therefore, the most appropriate funding source is based on capital value rating for business and CBD category, and a fixed rate on all other properties (residential and rural).

Emergency Management *Council contributes to emergency preparedness and management services within the region.*	OPEX	Fees & User charges	Territorial authorities in the Wellington Region shall fund the operational and capital costs of WREMO on a pro rata basis using population
		Subsidies	Eligible response costs may be partially reimbursed by government described in clause 89(1) of the National CDEM Plan Order 2015.
		Targeted rate	Nil
		General rate	Contribution at a rate of up to 40 percent of the total WREMO approved budget
	CAPEX	Borrowings (Debt)	Primary source
		Proceeds from asset sales	When available
		Reserve funds	When available
Community outcome	Resilient community		
Purpose / rationale for activity	Wellington region has a wide range of natural hazards (earthquake, flooding, landslides etc.) and hazard risks (biological, chemical, terrorism etc.), and the region needs to be prepared to provide emergency services		
Who benefits? How are the benefits distributed?	The community as a whole benefit from these services		
Timeframe of benefits	Ongoing		

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Does anyone cause Council to provide this service?	No
Rationale for separate funding	There is no particular need to fund this activity separately. Council reports on the service performance for this activity in the Annual Report.
Overall rationale for funding	As all of the regional benefits from this activity, then the general rate is considered the most appropriate funding source.

Democratic Services *Council conducts democratic elections that are free from interference. Council supports elected members to engage with their communities and to make informed decisions.*	OPEX	Fees & User charges	Nil
		Subsidies	Nil
		Targeted rate	Nil
		General rate	100 percent
	CAPEX	Borrowings (Debt)	Not required
		Proceeds from asset sales	Not required
		Reserve funds	Not required
Community outcome		Connected communities	
Purpose / rationale for activity		Democratic services enable citizens and communities to engage with decision makers for the benefit of the region. These services also support Councillors in the performance of their roles	
Who benefits? How are the benefits distributed?		The community as a whole benefits from these services.	
Timeframe of benefits		Ongoing	
Does anyone cause Council to provide this service?		No	
Rationale for separate funding		There is no particular need to fund this activity separately. Council reports on the financial and service performance for this activity in its Annual Report.	

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Overall rationale for funding	As all of the regional benefits from this activity, then the general rate is considered the most appropriate funding source.

Warm Greater Wellington- *Regional Initiative* *Council provided funding for home insulation and heating to improve living standards and air quality.*	OPEX	Fees & User charges	Nil
		Subsidies	Nil
		Targeted rate	100 percent. This targeted rate is applied to ratepayers that choose to opt-in to the scheme. They are also charged a 7 percent interest for the lending.
		General rate	Nil
	CAPEX	Borrowings (Debt)	Not required
		Proceeds from asset sales	Not required
		Reserve funds	Not required
Community outcome		Resilient community	
Purpose / rationale for activity		Good quality insulation helps keep the heat in during winter and out during summer. This makes houses easier and cheaper to heat properly, and more comfortable and healthier to live in.	
Who benefits? How are the benefits distributed?		The major beneficiaries are those ratepayers who use the scheme. Wainuiomata and Masterton will also benefit when their airsheds no longer breach air quality standards.	
Timeframe of benefits		This scheme is no longer accepting applications. Those who are still paying back their loan are due to be completed by 2032.	
Does anyone cause Council to provide this service?		No	
Rationale for separate funding		Separate funding enables Council to target those who benefit from the activity.	
Overall rationale for funding		As the major beneficiaries are those ratepayers who take up the funding and specific areas, then a target rate is considered the most appropriate funding source	

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Wellington Regional Stadium	OPEX	Fees & User charges	Nil
		Subsidies	Nil
		Targeted rate	A differential targeted rate based on location and capital value
		General rate	Nil
	CAPEX	Borrowings (Debt)	Primary source
		Proceeds from asset sales	Not required
		Reserve funds	Not required
Community outcome		Strong economy	
Purpose / rationale for activity		The Sky Stadium holds significant events, such as concerts and sports that bring significant social, cultural and economic benefits to the Region. To capitalise these benefits for the region, it is important that we support the stadium with matters such as earthquake strengthening and maintenance.	
Who benefits? How are the benefits distributed?		The benefits of the stadium extend across the region because of its ability to host a diverse range of events and attract a diverse range of visitors who may use their time to explore the region. However, the benefits of the stadium are greater for those within a closer proximity. Wellington residents and businesses receive the most benefits as they have the easiest access to the stadium and the vast numbers of visitors to the stadium use the surrounding area for accommodation, food and entertainment.	
Timeframe of benefits		Ongoing	
Does anyone cause Council to provide this service?		No	
Rationale for separate funding		Other than the benefit associated with targeted rates, no additional benefit was identified.	
Overall rationale for funding		These events are for everyone in the region to enjoy their favourite sports, music, cultural events, fairs and so much more. The positive flows from diverse events improve mental health and wellbeing for people in the region. The stadium improves the hospitality industry closest to the infrastructure, providing services to the vast number of visitors to the events. It also creates more opportunities for sponsorship, advertising and mobile businesses.	

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	For residents up the Kāpiti Coast or in the Wairarapa, access to the stadium is limited as the distance to travel is considerable, making their benefit less than the other TA areas. Therefore, a differential targeted rate based on capital value is considered the most appropriate funding source: ▪ Wellington CBD- 2 ▪ All other Wellington properties- 1.2 ▪ Porirua City, Hutt City, Upper Hutt City- 1 ▪ Kāpiti Coast District, Wairarapa territorial authority areas- 0.5

Climate Change *Council works both within our organisation and regionally to reduce emissions and prepare for the impacts of climate change.*	OPEX	Fees & User charges	Nil
		Subsidies	Nil
		Targeted rate	Nil
		General rate	100 percent
	CAPEX	Borrowings (Debt)	Not required
		Proceeds from asset sales	Not required
		Reserve funds	Not required
Community outcome		Resilient Future and Thriving Environment	
Purpose / rationale for activity		Council must consider our ability to remedy or mitigate the effects of climate change, as well as demonstrating leadership to our communities in emission reductions.	
Who benefits? How are the benefits distributed?		The community as a whole benefits from these services.	
Timeframe of benefits		Ongoing	
Does anyone cause Council to provide this service?		No	

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Rationale for separate funding	There is no particular need to fund this activity separately. Council reports on the financial and service performance for this activity in its Annual Report.
Overall rationale for funding	As all of the regional benefits from this activity, then the general rate is considered the most appropriate funding source.

<table>
<tr><td rowspan="7">Transport Analytics Unit (Regional Transport)

Council manages the delivery of transport modelling and analytics to regional stakeholders</td><td rowspan="4">OPEX</td><td>Fees & User charges</td><td>Approx. 1/3 Council contributions
- Hutt City Council
- Porirua City Council
- Kāpiti Coast District Council
- Wellington City Council
- Greater Wellington Regional Council
Approx. 1/3 Waka Kotahi</td></tr>
<tr><td>Subsidies</td><td>Approx. 1/3 Waka Kotahi FAR matching Council contributions</td></tr>
<tr><td>Targeted rate</td><td>Nil</td></tr>
<tr><td>General rate</td><td>Greater Wellingtons contribution approx. 25 percent</td></tr>
<tr><td rowspan="3">CAPEX</td><td>Borrowings (Debt)</td><td>Not required</td></tr>
<tr><td>Proceeds from asset sales</td><td>Not required</td></tr>
<tr><td>Reserve funds</td><td>Not required</td></tr>
<tr><td colspan="2">Community outcome</td><td colspan="2">Connected Communities</td></tr>
<tr><td colspan="2">Purpose / rationale for activity</td><td colspan="2">The operation of Wellington Transport Analytics Unit is to deliver transport modelling and analytics to regional stakeholders, improving the consistency of analytics across the region and delivering best value to stakeholders</td></tr>
<tr><td colspan="2">Who benefits? How are the benefits distributed?</td><td colspan="2">Greater Wellington, Waka Kotahi, Regional TLA partners and major projects being undertaken in the Wellington Region (e.g. Riverlink) will benefit from the modelling and analytics being undertaken by WTAU</td></tr>
<tr><td colspan="2">Timeframe of benefits</td><td colspan="2">On-going</td></tr>
</table>

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Does anyone cause Council to provide this service?	No
Rationale for separate funding	Funding transport analytics distinctly from other services has benefits for transparency and accountability.
Overall rationale for funding	Funding to support the GWRC contribution towards the operation of the Wellington Transport Analytics Unit.

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Water Supply

This section includes:

- Water Supply

<table>
<tr><td rowspan="7">Bulk Water Supply
Council provides bulk water to Wellington Water Limited (WWL) who manages the water network and provides drinking water to shareholding territorial authorities (Wellington city, Hutt city, Upper Hutt city, and Porirua city).</td><td rowspan="4">OPEX</td><td>Fees & User charges</td><td>Up to 100 percent volumetric levy on the participating territorial authorities. The remaining balance applied to other bulk water users.</td></tr>
<tr><td>Subsidies</td><td>Nil</td></tr>
<tr><td>Targeted rate</td><td>Nil</td></tr>
<tr><td>General rate</td><td>Nil</td></tr>
<tr><td rowspan="3">CAPEX</td><td>Borrowings (Debt)</td><td>Primary source</td></tr>
<tr><td>Proceeds from asset sales</td><td>When available</td></tr>
<tr><td>Reserve funds</td><td>When available</td></tr>
<tr><td colspan="2">Community outcome</td><td colspan="2">Strong economy, healthy environment, resilient community</td></tr>
<tr><td colspan="2">Purpose / rationale for activity</td><td colspan="2">Clean, safe drinking water is absolutely essential for life. It is also has a range of other important uses:
▪ residential purposes (gardens, swimming pools)
▪ community purposes (parks, swimming pools, schools, hospitals, turf, and other recreation services).
▪ industrial purposes (hygiene, other uses).</td></tr>
<tr><td colspan="2">Who benefits? How are the benefits distributed?</td><td colspan="2">The participating territorial authorities benefit from:
▪ being able to provide potable water for their residents
▪ the efficiency of a coordinated water collection, treatment, and distribution system</td></tr>
<tr><td colspan="2">Timeframe of benefits</td><td colspan="2">Ongoing</td></tr>
</table>

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Does anyone cause Council to provide this service?	No
Rationale for separate funding	Water is supplied in bulk to territorial authorities; a volumetric levy is a fairer and more efficient funding tool. Funding water supply services distinctly from other services has benefits for transparency and accountability.
Overall rationale for funding	Volumetric levy (95 percent- 100 percent) on the participating territorial authorities and other user charges may also be applied to other bulk water users is considered the most appropriate funding source.

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Appendices

The General Rate

The following activities are funded, fully or partial, using the General Rate. They have been deemed by council to have benefits that are region-wide and applicable to all rating categories on a Capital Value basis.

Activity	Portion of general rate
Environment	
Biodiversity and Biosecurity	
Key Native Ecosystems (KNE) programme	100 percent
'Other' Biosecurity activities	100 percent
Regional predator control programme	100 percent
Regional pest management plan	80-100 percent
Harbour Management	
Navigational aids and communications service	40 percent
Education - Enforce maritime safety regulations	100 percent
Pollution clean-up – Oil	5 percent
Pollution clean-up – other	Up to 100 percent
Resource management	
Policy and planning	100 percent
State of the environment monitoring	80- 90 percent
Compliance & enforcement and pollution prevention	Up to 100 percent for investigations where a liable party cannot be identified.
Environment Restoration Activities	
Environment restoration programme	Up to 75 percent
Environment restoration advice	100 percent
Erosion schemes	Up to 50 percent
Nursery operations	Up to 10 percent
Regional Parks	90 percent
Flood Protection	
Understanding food risk	100 percent
Maintaining flood protection and Control works	Up to 50 percent
Improving flood security	Up to 50 percent
River management	Up to 50 percent
Wairarapa river management (lower valley and Waiohine, excl. Upper Ruamahanga)	Up to 50 percent
Te Kāuru catchment	Up to 50 percent
Waiōhine river stopbank	Up to 50 percent
Regional Strategy & Partnerships	
Democratic services	100 percent
Emergency management	Up to 40 percent
Mana whenua engagement	100 percent
Regional Transport Planning and Programmes	Approx. 50 percent
Climate change	100 percent
Transport analytics unit (regional transport)	Approx. 25 percent

Finance Risk and Assurance Committee
14 May 2024
Report 24.200

For Decision

QUARTERLY FINANCE UPDATE – QUARTER THREE

Te take mō te pūrongo
Purpose

1. To advise the Finance, Risk and Assurance Committee (the Committee) of Greater Wellington Regional Council's (Greater Wellington) financial reports for the quarter ended 31 March 2024 and the year-end forecast.

He tūtohu
Recommendations

That the Committee:

1 **Accepts** the financial report for the third quarter ended 31 March 2024, including Attachment 1.

Te horopaki
Context

2. The quarterly finance reports received by the Committee enable ongoing monitoring of Greater Wellington's actual performance against budget and any emerging issues. This enhances transparency, accountability, and informed decision-making within the organisation.

Te tātaritanga
Analysis

Key results

3. In this report, we have incorporated the year-end forecast to anticipate the end of year position. Commentary has been supplied where there is a material variance to the original budget. Please refer to attachment 1 for more information.

4. The result to March 2024 is a $27.5 million operating deficit. Greater Wellington had budgeted for an operating deficit of $13.0 million, this $14.5 million unfavourable variance is explained below.

5. Total operating revenue was $14.6 million lower than budget. Materially driven by:

   a Providing half-price fares for public transportation through July and August and changes in travel choice post-Covid compared to pre-COVID assumptions set in 2020. A farebox revenue deficit of $47.0 million by year-end is forecasted. This will be partially offset by increase in grant and subsidies revenue of $24.0 million due to a lesser amount of farebox payable to Waka Kotahi. As a result, a shortfall of up to $8 million is expected from the $15 million additional funding initially approved by Council to cover the losses.

b Higher year to date investment revenues from prefundings, interests and Centreport subvention, $10.3 million (offset by additional finance costs).

c Interim compensation of $5 million for Riverlink properties budgeted has not been recognised as revenue until the ownership of the properties has been transferred. The exact date of which is still to be determined but will not be in this financial year.

6. Total Expenditure was $0.1 million lower than budget. This was driven by:

a Let's Get Wellington Moving concluded on 31 March 2024, causing $12.8 million underspend. There will be an underspend of $19.8 million by the end of the financial year.

b Changes in accounting treatment for Floodplain Management works and the National Ticketing Solution Transition projects from CAPEX to OPEX has increased the expenditure by $6.0 million and $5.5 million respectively. Both projects will remain debt funded due to the intergenerational benefits being provided by the projects.

c Finance costs exceeded the budget by $7.1 million due to higher interest rates and prefunding loans but are fully offset by favourable interest revenue from investments. However, forecast upward pressure is expected to lead to an unfavourable variance of $1.3 million by the end of June 2024.

7. Capital expenditure is currently 22% behind budget due to late commencement of Riverlink works on Mills Street stop bank improvements and the reclassification of the National Ticketing Solution Transition project from CAPEX to OPEX. The year is expected to end with a 3% underspend as Riverlink and water supply projects accelerate and are forecasting spending of $27.8 million and $31.4 million, respectively in the next three months.

Ngā hua ahumoni
Financial implications

8. The year end forecast has a deficit in Public Transport. The funding decision for this will be presented to Council on 30 May 2024.

Ngā Take e hāngai ana te iwi Māori
Implications for Māori

9. There are no known implications for Māori.

Ngā tikanga whakatau
Decision-making process

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

Te hiranga
Significance

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

Te whakatūtakitaki
Engagement

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

Ngā tūāoma e whai ake nei
Next steps

13. A decision paper to address the 2023/24 Public Transport Funding Gap will be presented to the Council on 30 May 2024.

Ngā āpitihanga
Attachment

Number	Title
1	Financial Report – 31 March 2024

Ngā kaiwaitohu
Signatories

Writer	Darryl Joyce – Manager Accounting Services
Approvers	Ashwin Pai - Kaiwhakahaere Matua |Head of Finance Alison Trustrum-Rainey – Kaiwhakahaere Matua, Pūtea me ngā Tūraru|Group Manager Finance and Risk

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

Attachment 1 to Report 24.200

FRAC Report (Q3)

This report provides year to date financials for period ending 31 March 2024 with:

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

Greater Wellington
Te Pane Matua Taiao

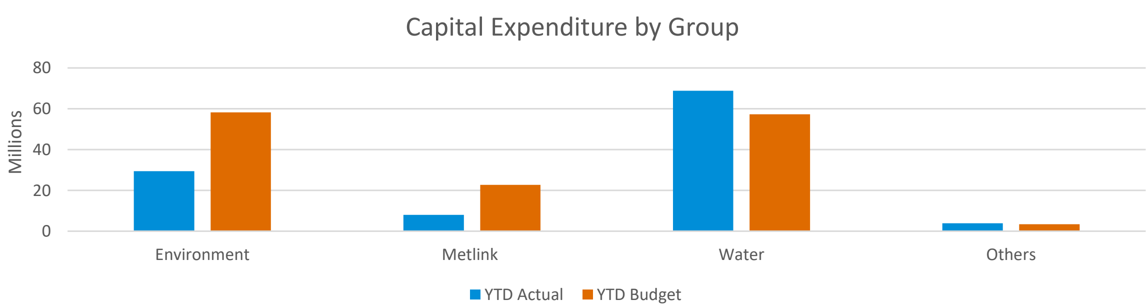
Summarised Profit and Loss as at March 2024

Attachment 1 to Report 24.200

Summarised Profit and Loss as at March 2024

	Year to date				Full Year			
	Actual	Revised Budget	Variance		Forecast	Revised Budget	Variance	
Operating Revenue	**$000s**	**$000s**	**$000s**		**$000s**	**$000s**	**$000s**	
Rates and Levies	198,191	197,716	474	0%	265,118	263,622	1,496	1%
Grants and Subsidies	135,368	118,424	16,944	14%	175,227	157,953	17,274	11%
Other Revenue	85,083	117,094	(32,011)	-27%	113,910	162,189	(48,279)	-30%
Total Operating Revenue	**418,642**	**433,234**	**(14,592)**	**-3%**	**554,255**	**583,764**	**(29,509)**	-5%
Operating Expenditure								
Personnel	64,165	63,564	601	1%	85,626	84,961	665	1%
Grants and Subsidies	193,297	188,985	4,312	2%	261,576	252,152	9,424	4%
Consultants, Contractors and Suppliers	124,756	137,971	(13,216)	-10%	174,980	183,769	(8,789)	-5%
Finance Costs	37,879	30,793	7,086	23%	53,702	42,252	11,450	27%
Depreciation	26,074	24,934	1,140	5%	33,181	33,181	-	0%
Total Operating Expenditure	**446,171**	**446,247**	**(76)**	**0%**	**609,064**	**596,314**	**12,750**	2%
Operating Surplus/(Deficit) before other items	**(27,529)**	**(13,013)**	**(14,516)**	**112%**	**(54,809)**	**(12,550)**	**(42,259)**	337%
Fair Value Movements	-	-	-	0%	-	-	-	0%
Operating Surplus/(Deficit)	**(27,529)**	**(13,013)**	**(14,516)**	**112%**	**(54,809)**	**(12,550)**	**(42,259)**	337%
Capital Expenditure	**110,330**	**141,774**	**(31,444)**	**-22%**	**182,810**	**189,257**	**(6,447)**	-3%

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



Quarter 3 FRAC Report for 2023/24 Financial Year

The result to March 2024 is a $27.5m operating deficit. GWRC had budgeted for an operating deficit of $13.0m, resulting in $14.5m unfavourable variance mainly derived by:

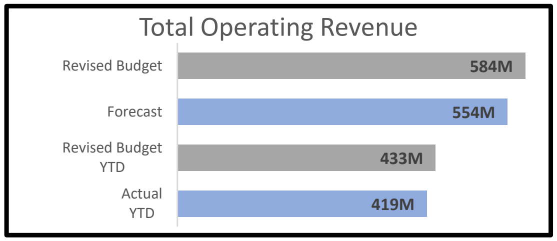
- Other revenue is $32m lower mostly due to providing half-price fares for public transportation through July and August and changes in travel choice post-Covid compared to pre-COVID assumptions set in 2020. 51% of this is claimable from Waka Kotahi. Patronage levels have been revised in the 2024-34 LTP to reflect the current travel choice forecast.
- A forecasted farebox revenue decline of $47m by year-end will increase grants and subsidies revenue by $24m(47m x 51% FAR) due to a reduced amount payable to Waka Kotahi. This may result in a shortfall of up to $8m from the additional funding of $15m initially approved by Council to cover the losses.
- Consultants, contractors, and suppliers are under budget by $13.2m significantly attributed to Let's Get Wellington Moving (LGWM). As LGWM concluded on 31 March, there will be an underspend of $19.8m by the end of the financial year. This underspend is partially offset by a change in accounting treatment for Floodplain Management works and the National Ticketing Solution from CAPEX to OPEX, $6.0m and $5.5m respectively year to date.
- Finance costs exceeded the budget by $7.1m due to higher interest rates and prefunding loan. This has been offset by $7.6m favourable interest revenue. However, forecast upward pressure is expected to lead to an unfavourable variance of $1.3m by the end of June 2024.
- Capital expenditure is currently 22% behind budget due to late commencement of Riverlink works on Mills Street stop bank improvement and the reclassification of National Ticketing Solution Transition project from CAPEX to OPEX. The year is expected to end with a 3% underspend as Riverlink and water supply projects accelerate and have forecasted spending of $27.8m and $31.4m, respectively.

Other Items of Interest:

- Council is fully compliant with the Treasury Risk Management Policy as of 31 March 2024.
- Any deficits in Metlink once the loss fare revenues recoveries have been applied may be funded by the reserve. This may send the reserve into a negative balance. A paper will be coming to council in the 30 May meeting.
- Council currently holds investments (excluding subsidiaries) of $357m up from a starting balance of $247m on 1 July 2023. This includes water contingency investments of $$50m, and pre-funding of $136m.

Attachment 1 to Report 24.200

Key Variance Commentary

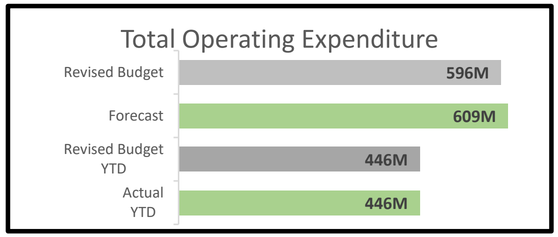


Metlink PT –
Farebox revenues are below budget by (56% Rail, 44% Bus) due to providing half price fares for public transport in Jul & Aug.**(estimated $7.1m)**

The balance of the reduced fare box **$27.8m** year to date is contributed to a change in travel choice since the patronage level assumptions were set in the 2021-31 LTP.

The reduced farebox revenue is 51% offset by higher grants and subsidies revenue from Waka Kotahi.

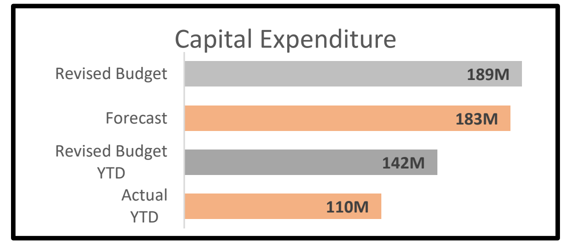
Investment management –
Favourable investment from prefunding, interest, and subvention from Centreport has increased the revenues, **$10.3m.**



Metlink PT –
Grants & subsidies expenditure is unfavourable due to indexation on the Bus and Rail contracts overbudget. This is expected to be a permanent difference and is addressed in the new LTP, **$7.0m**

Investment –
Higher interest cost of $7.1m is offset by lower stadium grant expenditure of $1.8m, and additional investment revenue.

Strategy –
Contractor & Consultants is underspent driven by Let's Get Wellington Moving, **$12.8m**



Metlink PT –
Delays in delivery across the board for the capital programme and National Ticketing Solution Transition has been reclassified as operating instead of capital expenditure, **$14.7m**. Factoring in these, **$17.9m** underspend is forecasted by end of financial year.

Environment –
RiverLink implementation is **$24.7m** behind budget due to Mills Street improvements commenced late February. Forecasting **$12.7m** underspend and is subject to Mills Street stop bank progress.

Water Supply –
Te Marua Treatment Plant and Kaitoke Flume Bridge are tracking ahead of schedule therefore, the full year forecast has increased significantly following additional budget approved to be brought forward, **$23.8m.**

Environment March 2024

Attachment 1 to Report 24.200

Favourable: Caution: Unfavourable:

Environment Group

March 2024

	Year to Date				Full Year			
	Actual $000	Budget $000	$ Variance $000	% Variance	Forecast $000	Budget $000	$ Variance $000	% Variance
Operational Revenue								
Rates	64,453	64,454	(01)	0%	85,938	85,938	-	0%
Grants & Subs	2,943	2,314	629	27%	3,982	3,160	822	26%
Fees Charges & Other	16,693	22,817	(6,125)	-27%	23,198	34,861	(11,663)	-33%
Total Operating Revenue	**84,088**	**89,585**	**(5,497)**	-6%	**113,118**	**123,959**	**(10,841)**	-9%
Operational Expenditure								
Personnel	26,320	26,848	(528)	-2%	35,475	36,048	(573)	-2%
Materials, Supplies & Services	6,442	9,037	(2,595)	-29%	9,945	12,393	(2,448)	-20%
Contractor & Consultants	21,689	21,031	658	3%	36,643	28,295	8,348	30%
Grants & Subsidies Expenditure	230	85	144	169%	186	114	72	63%
Other	4,167	3,542	625	18%	5,550	4,919	631	13%
Interest	7,079	8,015	(936)	-12%	10,123	11,123	(1,000)	-9%
Total Operating Expenditure	**65,927**	**68,558**	**(2,631)**	-4%	**97,921**	**92,892**	**5,029**	5%
Overheads	17,626	17,817	(191)	-1%	23,491	23,491	-	0%
Operational Surplus/(Deficit)	**536**	**3,211**	**(2,675)**	-83%	**(8,294)**	**7,576**	**(15,870)**	-209%
Net Capital Expenditure	29,451	58,199	(28,747)	-49%	64,815	77,507	(12,692)	-16%

Top Projects by Direct Expenditure for Environment Group

March 2024

	Year to Date			Full Year	
Project Name	**Actual**	**Budget**	**Variance %**	**Forecast**	**Budget**
RiverLink Implementation	20,171	44,824	-55.00%	46,765	59,765
RiverLink Property Purchase	5,695	5,123	11.16%	6,831	6,831
Te Kauru Catchment	92	1,543	-94.03%	3,300	2,058
Knowledge Monitoring Capex	369	1,067	-65.42%	923	1,423
Flood Risk Management Capex	621	911	-31.82%	1,265	1,214

Operating Revenue is **$5.5m unfavourable** due to:

- Fees and charges is $6.1m below budget due to reduced consent application and sustainable land use fund revenue (offsetting costs), as well as $5m of RiverLink interim property compensation received from Waka Kotahi but required to be retained on the balance sheet until final settlement.
- Grants and subsidies is $0.6m above budget due to additional revenue for 1 Billion Trees (1BT) and timing of MfE income for various Jobs for Nature (JFN) projects.
- The forecast allows for reduced consent and Hill Country Erosion income and $10m for RiverLink interim property compensation.

Operating Expenditure is **favourable $2.6m** due to:

- Personnel is $0.5m below budget – primarily due to vacancies in Environment Regulation, Predator Free Wellington and Logistics and Resources.
- Materials is $2.6m below budget – Parks recloaking expenditure (LCAF) is mainly being coded to contract labour as noted below.
- Contractor & Consultants is $0.7m above budget – Underspends in Pinehaven ($2m), sustainable land use fund ($0.8m), Hill country erosion ($0.3m) Environment Restoration expenditure ($0.6m) and numerous operational programmes ($2.2m). Offset by $2.5m overspend in LCAF and $3.6m for RiverLink Public Works Act property compensation (loan funded). The forecast includes the expensing of $6m of Floodplain Management cost from capex work in progress due to a change in accounting treatment - no funding impact.
- Other is $0.6m over budget due to Akura internal purchases for planting programmes, partly offset by savings in materials and contractors.

Capital Expenditure is **underspent by $28.7m** due to:

- RiverLink implementation is $24.7m behind budget. Mills Street improvements commenced late February. Forecasting $13m underspend due to alliance program delays and is subject to Mills Street stopbank progress.
- Kapiti FMP implementation is $0.95m behind budget - Otaki FMP review and modelling delays, property purchase delays – forecasting $1.2m underspend.
- Te Kauru FMP Implementation is $1.5m behind budget – River Road works scheduled to begin in 2nd half of the financial year. Forecasting $1.2m overspend – additional rockworks required.

Metlink March 2024

Attachment 1 to Report 24.200

Favourable: Caution: Unfavourable:

Metlink

March 2024

	Year to Date Actual $000	Year to Date Budget $000	Year to Date $ Variance $000	Year to Date % Variance	Full Year Forecast $000	Full Year Budget $000	Full Year $ Variance $000	Full Year % Variance
Operational Revenue								
Rates	84,760	84,757	03	0%	113,009	113,009	-	0%
Grants & Subs	126,943	113,727	13,216	12%	166,389	151,615	14,774	10%
Fees Charges & Other	49,016	86,370	(37,354)	-43%	68,537	115,160	(46,623)	-40%
Total Operating Revenue	**260,719**	**284,854**	**(24,135)**	-8%	**347,936**	**379,784**	**(31,849)**	-8%
Operational Expenditure								
Personnel	10,101	8,625	1,477	17%	12,877	11,499	1,378	12%
Materials, Supplies & Services	10,519	10,320	198	2%	14,016	13,359	657	5%
Contractor & Consultants	25,402	26,321	(919)	-3%	33,819	35,089	(1,271)	-4%
Grants & Subsidies Expenditure	190,647	183,649	6,998	4%	254,390	245,038	9,352	4%
Other	(00)	20	(21)	-100%	26	26	-	0%
Interest	10,355	9,992	363	4%	13,264	13,466	(202)	-2%
Total Operating Expenditure	**247,024**	**238,927**	**8,097**	3%	**328,391**	**318,478**	**9,914**	3%
Overheads	12,799	12,952	(153)	-1%	17,065	17,065	-	0%
Operational Surplus/(Deficit)	**896**	**32,974**	**(32,079)**	-97%	**2,479**	**44,241**	**(41,763)**	-94%
Net Capital Expenditure	8,073	22,787	(14,714)	-65%	12,817	30,715	(17,899)	-58%
Investment in Greater Wellington Rail	14,583	19,520	(4,937)	-25%	21,407	26,027	(4,621)	-18%

Top Projects by Direct Expenditure for Metlink & Rail

March 2024

Project Name	Year to Date Actual	Year to Date Budget	Year to Date Variance %	Full Year Forecast	Full Year Budget	Project Type
AI - Fixed Asset Maintenance CAPEX	6,628	11,098	-40.28%	9,546	14,798	Capital - New
AI - Fixed Asset Maintenance Rail CAPEX	6,754	9,242	-26.92%	11,706	12,323	Capital - New
AI - Rolling Stock Capex	2,726	6,358	-57.13%	4,173	8,477	Capital - New
GWRC - Ticketing/Transition	5,503	6,750	-18.47%	7,337	9,000	Opex & Capex

Operating Revenue **unfavourable $24.1m** due to:

- Grants and Subsidies – Made up of allowable expenditure and revenue claimable from Waka Kotahi. This is above budget due to lower fare revenue off-set by lower operational and capital expenditure.
- Fees and Charges are below budget (56% Rail, 44% Bus) due to providing half price fares for public transport in Jul & Aug ($7.1m) and ($27.8m) is due to a change in travel choice post Covid against the assumptions set pre Covid in 2020. 51% of this is claimable from Waka Kotahi.
- The full-year forecast of the Farebox Revenue has been prudently estimated to be $68m. This would result is a funding requirement of up to $23m.

Operating Expenditure is **unfavourable $8.1m** due to:

- Personnel expenditure is unfavourable due to additional FTEs that were approved by utilising the underspend in Contractors and Consultants budget below. A significant portion of this comprised of transport officers that is to be financed in the interim by the NTS project (8 new officers)
- Contractors & Consultants expenditure has reduced across multiple projects to partially offset the additional FTE.
- Grants & subsidies expenditure is unfavourable due to indexation on the Bus and Rail contracts overbudget. This is expected to be a permanent difference an is address in the new LTP.
- Full year forecast over operating expenditure is expected to be $9.9m over primarily due to grant and subsidies expenditure above.

Capital Expenditure Bus and Investment in Rail is **underspent $19.6m** due to:

- Fixed Asset Maintenance Capex and Rolling Stock Capex (Bus and Rail) is underbudget due to delays in delivery across the board for the capital programme. This has been factored into the full year re-forecast
- GWRC – Ticketing/Transition ($6m YTD budget) has been reclassified as Opex instead of Capex due to the project being ticketing as a service.

Water Supply March 2024

Attachment 1 to Report 24.200

Favourable: Caution: Unfavourable:

Water Supply

March 2024

	Year to Date				Full Year			
	Actual $000	Budget $000	$ Variance $000	% Variance	Forecast $000	Budget $000	$ Variance $000	% Variance
Operational Revenue								
Rates	39,855	39,855	00	0%	53,140	53,140	-	0%
Fees Charges & Other	2,527	2,449	78	3%	3,171	3,171	-	0%
Total Operating Revenue	**42,382**	**42,303**	**78**	0%	**56,311**	**56,311**	**-**	0%
Operational Expenditure								
Materials, Supplies & Services	7,947	7,009	938	13%	10,369	9,370	999	11%
Contractor & Consultants	19,519	19,498	22	0%	25,997	25,997	(00)	0%
Other	-	01	(01)	-100%	02	02	-	0%
Interest	8,808	8,473	335	4%	12,326	11,761	565	5%
Total Operating Expenditure	**36,274**	**34,981**	**1,293**	4%	**48,693**	**47,129**	**1,564**	3%
Overheads	1,655	1,677	(22)	-1%	2,207	2,207	-	0%
Operational Surplus/(Deficit)	**4,453**	**5,645**	**(1,192)**	-21%	**5,411**	**6,975**	**(1,564)**	-22%
Net Capital Expenditure	68,836	57,291	11,545	20%	100,230	76,388	23,842	31%

Top Capex Projects by Direct Expenditure for Water Supply

March 2024

	Year to Date			Full Year		
Project Name	**Actual**	**Budget**	**Variance %**	**Forecast**	**Budget**	**Project Type**
TM WTP Capacity Optimisation	31,934	19,423	64.41%	43,100	28,759	Capital - New
Relocate Kaitoke Main on SS Bridge	13,987	23,530	-40.56%	27,860	29,850	Capital - New
Kaitoke Flume Bridge	11,644	8,241	41.29%	14,812	10,500	Capital - New
George Creek No 2 Bridge Renewal	325	-	100.00%	773	-	Capital - New
Other Capex Projects	10,946	6,097	79.53%	13,685	7,279	Capital - New

Operating Revenue is on budget

Operating Expenditure is **unfavourable by $1.3m** due to:

- Materials, Supplies & Services - overspend due to increased insurance cost and electricity.
- Interest – due to higher opening balance on internal loans and overspend on 23/24 capital programme.

Capital Expenditure is **overspent by $11.5m due to**:

- Te Marua Treatment Plant capacity upgrade – overspend due to increased scope and fast tracking of various works. Full year forecast has increased significantly following additional budget approved to be brought forward.
- Silverstream Pipe Bridge – behind schedule due to changes in Road Controlling Authority (RCA) requirements requiring some work streams to be rescheduled.
- Kaitoke Flume Bridge – tracking ahead of schedule due to revised work methodology and finishing earlier than planned. Full year forecast has also increased.
- George Creek No 2 Bridge renewal – this project is an unplanned capital work required due to tree fall in March this year.

Investment March 2024

Attachment 1 to Report 24.200

Favourable: Caution: Unfavourable:

Investment Management

March 2024

	Year to Date				Full Year			
	Actual $000	Budget $000	$ Variance $000	% Variance	Forecast $000	Budget $000	$ Variance $000	% Variance
Operational Revenue								
Rates	(10,276)	(10,276)	(00)	0%	(13,701)	(13,701)	-	0%
Fees Charges & Other	16,637	6,371	10,266	161%	21,471	10,501	10,970	104%
Total Operating Revenue	**6,361**	**(3,905)**	**10,266**	-263%	**7,770**	**(3,200)**	**10,970**	-343%
Operational Expenditure								
Personnel	24	2	22	1486%	2	2	-	0%
Materials, Supplies & Services	(102)	54	(156)	-290%	(70)	(51)	(19)	38%
Contractor & Consultants	97	134	(37)	-28%	170	198	(28)	-14%
Grants & Subsidies Expenditure	-	1,748	(1,748)	-100%	2,330	2,330	-	0%
Other	1,697	1,697	(00)	0%	2,262	2,262	-	0%
Interest	9,460	1,807	7,653	424%	14,197	2,330	11,868	509%
Total Operating Expenditure	**11,175**	**5,440**	**5,735**	105%	**18,892**	**7,071**	**11,820**	167%
Overheads	22	22	(1)	-2%	29	29	-	0%
Operational Surplus/(Deficit)	**(4,836)**	**(9,368)**	**4,532**	-48%	**(11,150)**	**(10,300)**	**(850)**	8%
Net Capital Expenditure	-	-	-	0%	-	-	-	0%

Operating Revenue **is favourable $10.3m** due to:

– Fees Charges & Other: $7m of these are from revenue streams that are not budgeted for such as:
  - investing funds raised in advance of the contractual repayment date of LGFA maturities
  - the prefunding of Commercial paper and future CAPEX payments,
  - investing excess liquidity.

– The remaining $3.3m are contributed by higher interest rates on investments and higher subvention revenue from Centreport.

Operating Expenditure is **unfavourable by $5.7m** due to:

– External interest cost is $7.7m above budget, mainly because of prefunding which is offset by revenue above. The full year surplus from prefunding is about $0.5m.

– This is offset by $1.8m lower Grant Expenditure. The grant to the Stadium Trust is forecasted to be $2.3m and paid out in June.

People & Customer March 2024

Attachment 1 to Report 24.200

Favourable: Caution: Unfavourable:

People & Customer

March 2024

	Year to Date				Full Year			
	Actual $000	Budget $000	$ Variance $000	% Variance	Forecast $000	Budget $000	$ Variance $000	% Variance
Operational Revenue								
Fees Charges & Other	133	213	(79)	-37%	176	284	(108)	-38%
Total Operating Revenue	**133**	**213**	**(79)**	-37%	**176**	**284**	**(108)**	-38%
Operational Expenditure								
Personnel	8,003	8,145	(142)	-2%	10,711	10,861	(150)	-1%
Materials, Supplies & Services	1,271	1,552	(281)	-18%	1,746	2,054	(308)	-15%
Contractor & Consultants	412	444	(32)	-7%	592	592	-	0%
Other	940	759	181	24%	1,282	1,012	269	27%
Interest	14	40	(25)	-64%	73	73	-	0%
Total Operating Expenditure	**10,641**	**10,940**	**(299)**	-3%	**14,403**	**14,592**	**(189)**	-1%
Overheads	(10,486)	(10,736)	250	-2%	(13,981)	(13,981)	-	0%
Operational Surplus/(Deficit)	**(21)**	**08**	**(30)**	-359%	**(246)**	**(327)**	**81**	-25%
Net Capital Expenditure	2,920	1,953	967	50%	3,075	2,604	471	18%
Gain/Loss on Asset disposal	(1,207)	(254)	(953)	375%	(1,350)	(339)		298%

Operating Revenue is **slightly unfavourable** to budget with lower internal fees.

Operating Expenditure is **favourable by $0.3m** due to:

- Personnel costs are favourable by $0.1m driven by vacancies
- Materials, Supplies & Services are favourable by $0.3m driven by Customer Engagement advertising campaigns
- Other is unfavourable by $0.2m with higher vehicle running costs than budgeted.

Top Capex Projects by Direct Expenditure for People & Customer

March 2024

	Year to Date			Full Year		
Project Name	**Actual**	**Budget**	**Variance %**	**Forecast**	**Budget**	**Project Type**
Website Development	42	56	-26.04%	75	75	Capital - New
Vehicle Purchases	2,879	1,897	51.76%	3,000	2,529	Capital - New

Capital Expenditure is **overspent by $1.0m** due to:

- Vehicle purchases are higher than budgeted year to date. This variance is fully offset by higher proceeds from vehicle sales than budgeted.

Strategy March 2024

Attachment 1 to Report 24.200

Favourable: Caution: Unfavourable:

Strategy

March 2024

	Year to Date				Full Year			
	Actual $000	Budget $000	$ Variance $000	% Variance	Forecast $000	Budget $000	$ Variance $000	% Variance
Operational Revenue								
Rates	10,311	10,328	(17)	0%	13,770	13,770	-	0%
Grants & Subs	3,671	2,777	894	32%	3,671	3,482	188	5%
Fees Charges & Other	3,870	2,229	1,641	74%	3,870	2,882	988	34%
Total Operating Revenue	**17,852**	**15,334**	**2,518**	16%	**21,311**	**20,134**	**1,176**	6%
Operational Expenditure								
Personnel	5,391	5,308	83	2%	7,140	7,035	105	1%
Materials, Supplies & Services	1,284	1,461	(178)	-12%	1,992	2,099	(107)	-5%
Contractor & Consultants	9,752	22,501	(12,750)	-57%	10,250	30,041	(19,791)	-66%
Grants & Subsidies Expenditure	3,587	3,503	84	2%	4,671	4,671	-	0%
Other	1,439	1,212	227	19%	1,856	1,616	240	15%
Interest	983	1,138	(155)	-14%	1,396	1,684	(289)	-17%
Total Operating Expenditure	**22,436**	**35,123**	**(12,687)**	-36%	**27,305**	**47,146**	**(19,841)**	-42%
Overheads	886	797	89	11%	1,181	1,181	-	0%
Operational Surplus/(Deficit)	**(5,470)**	**(20,586)**	**15,116**	-73%	**(7,175)**	**(28,193)**	**21,018**	-75%
Net Capital Expenditure	133	165	(32)	-19%	135	215	(80)	-37%

Operating Revenue **is favourable $2.5m** due to:

- Grants & Subs is favourable $0.9m due to additional revenue the Wellington Transport Analytics Unit (WTAU) and Wellington Regional Leadership Committee (WRLC) in line with additional projects.
- Fees Charges & Other is $1.6m favourable due to additional revenue from LGWM from travel behaviour change, reimbursing GW for its share of the programme costs. This is fully offset in OPEX below.

Operating Expenditure is **favourable $12.7m** due to:

- Contractor & Consultants is underspent by $12.8m as a result of Let's Get Wellington Moving. The full year budget was $27.3m for LGWM, this has been reduced to $7.5m in the forecast, with the programme coming to an end on 31 March. This is debt-funded and does not produce significant funding surplus.

Top Capex Project by Direct Expenditure for Strategy
March 2024

	Year to Date			Full Year		
Project Name	**Actual**	**Budget**	**Variance %**	**Forecast**	**Budget**	**Project Type**
Transport Model	133	165	-19.16%	135	215	Capital - New

Capital Expenditure is slightly under budget

- The Transport Model is Strategy's only capital project. We don't expect to spend any more on this project for this financial year. This has been updated in the forecast.

Corporate Services March 2024

Attachment 1 to Report 24.200

Favourable: Caution: Unfavourable:

Corporate Services

March 2024

	Year to Date				Full Year			
	Actual $000	Budget $000	$ Variance $000	% Variance	Forecast $000	Budget $000	$ Variance $000	% Variance
Operational Revenue								
Rates	1,232	740	492	67%	1,642	986	656	67%
Grants & Subs	1,812	270	1,542	571%	2,010	360	1,650	458%
Fees Charges & Other	691	728	(37)	-5%	971	971	-	0%
Total Operating Revenue	**3,735**	**1,738**	**1,997**	115%	**4,623**	**2,317**	**2,306**	100%
Operational Expenditure								
Personnel	9,310	9,457	(147)	-2%	12,609	12,609	-	0%
Materials, Supplies & Services	8,374	7,571	803	11%	11,095	10,095	1,000	10%
Contractor & Consultants	6,588	6,548	39	1%	8,789	8,789	-	0%
Other	128	147	(20)	-13%	196	196	-	0%
Interest	1,054	1,129	(75)	-7%	1,468	1,526	(59)	-4%
Total Operating Expenditure	**25,453**	**24,853**	**600**	2%	**34,158**	**33,216**	**941**	3%
Overheads	(22,761)	(22,813)	52	0%	(30,348)	(30,348)	-	0%
Warm Wellington	(685)	(685)	-	0%	(917)	(917)	-	0%
Operational Surplus/(Deficit)	**1,727**	**382**	**1,345**	352%	**1,730**	**366**	**1,365**	373%
Net Capital Expenditure	917	1,379	(462)	-34%	1,738	1,828	(90)	-5%

Operating Revenue **is $2.0m favourable due to:**

- Rates $0.5m favourable, driven by rates penalties
- Grants & Subs $1.5m favourable driven by DIA revenue for BoF and 3 waters transition projects. This is offset by additional costs below. The favourable variance is also included in the forecast calculation.

Operating Expenditure **is $0.6m unfavourable due to:**

- Personnel $0.1m favourable, due to some vacant positions in the group.
- Materials, Supplies & Services $0.8m unfavourable, driven by a wash-up of rental insurance payment relating to the last financial year.
- Contractors & Consultants On budget with underspend in ICT initiatives and fully offset by expenses on better-off and 3 waters transition projects.

March 2024

	Year to Date			Full Year		
Project Name	**Actual**	**Budget**	**Variance %**	**Forecast**	**Budget**	**Project Type**
EUS Hardware	716	629	13.74%	828	828	Capital - New
Office Upgrades (CAPEX)	201	750	-73.18%	910	1,000	Capital - New

Capital Expenditure is **$0.5m underspent due to:**

- Property upgrades currently below budget. These include Security Upgrades in Ngaumatuwa Road and Akura nursery. We expect the majority of the budget to be spent by year-end.

Te Hunga Whiriwhiri March 2024

Attachment 1 to Report 24.200

Favourable: **Caution:** **Unfavourable:**

Te Hunga Whiriwhiri

March 2024

	Year to Date				Full Year			
	Actual $000	**Budget $000**	**$ Variance $000**	**% Variance**	**Forecast $000**	**Budget $000**	**$ Variance $000**	**% Variance**
Operational Revenue								
Rates	3,839	3,812	28	1%	5,082	5,082	-	0%
Fees Charges & Other	314	-	314	0%	359	-	359	0%
Total Operating Revenue	**4,154**	**3,812**	**342**	9%	**5,441**	**5,082**	**359**	7%
Operational Expenditure								
Personnel	1,636	1,743	(107)	-6%	2,285	2,325	(40)	-2%
Materials, Supplies & Services	146	11	136	1275%	182	14	168	1182%
Contractor & Consultants	1,822	1,874	(52)	-3%	2,081	2,081	(00)	0%
Other	21	09	13	149%	25	11	14	119%
Total Operating Expenditure	**3,626**	**3,637**	**(11)**	0%	**4,573**	**4,432**	**141**	3%
Overheads	717	728	(11)	-2%	955	955	-	0%
Operational Surplus/(Deficit)	**(189)**	**(553)**	**364**	-66%	**(87)**	**(305)**	**218**	-71%
Net Capital Expenditure	-	-	-	0%	-	-	-	0%

Operating Revenue is **favourable by $0.3m due to:**

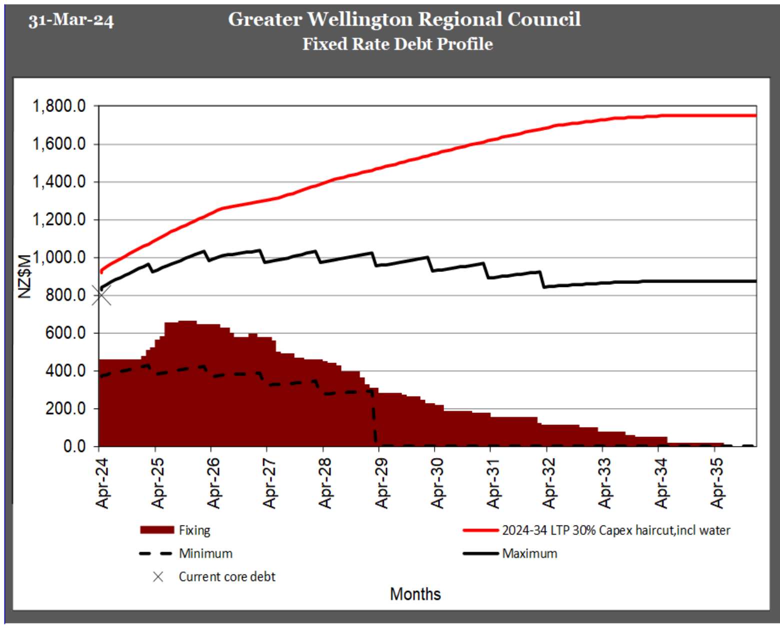
- Fees Charges & Other, with internal revenue from the Environment Group for Mauri Tūhono. This is being offset in the OPEX line.

Operating Expenditure is **on budget** with:

- Personnel costs is $0.1m favourable with several FTE vacancies in the group around the first half of the year.
- Materials, Supplies & Services are $0.1m unfavourable due to training related costs sitting in this line but with the budget sitting in the Contractor and Consultants line. The forecast has been updated to reflect the new breakdown.
- Contractor & Consultants are $0.1m favourable with budget sitting in this line but spent in other OPEX lines. .

Compliance with Treasury Risk Management Policy March 2024

Attachment 1 to Report 24.200



2. COMPLIANCE WITH TREASURY RISK MANAGEMENT POLICY

2.1 Summary Treasury Report
As at 31 March 2024

Total Council Limit Compliance Analysis As at 31 March 2024		Compliant Yes	Compliant No	actual %
Debt Interest Rate Policy Parameters - based on 2024-34 proposed LTP less 30% haircut				
Current	40% - 90%	✓		50%
year 1	40% - 90%	✓		48%
year 2	35% - 85%	✓		53%
year 3	30% - 80%	✓		45%
year 4	25% - 75%	✓		33%
year 5	20% - 70%	✓		21%
year 6	0% - 65%	✓		15%
year 7	0% - 60%	✓		11%
year 8	0% - 55%	✓		7%
year 9	0% - 50%	✓		5%
year 10	0% - 50%	✓		3%
year 11	0% - 50%	✓		1%
year 12	0% - 50%	✓		0%
year 13	0% - 50%	✓		0%
year 14	0% - 50%	✓		0%
year 15	0% - 50%	✓		0%
The maturity of total external debt to fall within the following timebands				
0 - 3 years	15% - 60%	✓		23%
3 - 7 years	25% - 85%	✓		58%
> 7 years	10% - 60%	✓		19%

		Compliant Yes	Compliant No	actual %
Counterparty credit exposure with New Zealand registered banks which have a credit rating of at least A-, long term, and A2 short term		✓		
Other counterparty exposure within policy limits		✓		
Maximum counterparty exposure with a NZ registered bank is within $157 million limit		✓		
The repricing of liquid financial investments are to occur within the following timebands				
0 -1 year	70% - 100%	✓		93%
1 - 5 years	0% - 30%	✓		7%
Core Council External Borrowing Limits - Ratios				
Net Debt / Total Revenue < 290%		✓		125.2%
Net interest / Total Revenue < 20%		✓		5.5%
Net interest / Annual rates and levies < 30%		✓		11.6%
Liquidity > 110%		✓		118.0%

Attachment 1 to Report 24.200

Appendix 1 – Relationship between Metlink farebox revenue and grant and subsidies revenue

Mechanisms of Waka Kotahi (WK) funding and farebox revenue:

WK is funding 51% of our public transport services' net costs (Farebox revenue – Operational Expenditure). Therefore, the lower the farebox revenue is, the higher is the grant and subsidies claimable from WK.

As the public transport rate remains the same, any shortfall between the total funding and the net cost will be funded by loans/reserves.

Below is an illustration of our budget with higher farebox revenue expected vs actual where lower farebox revenue is received.

Items	Budget
Farebox revenue	($20m)
Operational expenditure	$30m
Net cost	**$10m**
51% WK contributions/grant and subsidies	*$5.1m*
49% Transport rate	*$4.9m*
Shortfall (loans/reserve funded)	**-**

In budget, with higher farebox revenue expected, we will receive lower grants and subsidies revenue from Waka Kotahi due to lower net cost budgeted.

Items	Actual
Farebox revenue	($10m)
Operational expenditure	$30m
Net cost	**$20m**
51% WK contributions/grant and subsidies	*$10.2m*
49% Transport rate	*$4.9m*
Shortfall (loans/reserves funded)	**$4.9m**

In actual, where less farebox revenue has been recovered, higher grants and subsidies revenue are able to be claimed from Waka Kotahi due to higher net cost incurred.

Finance Audit and Risk Committee
14 May 2024
Report 24.206

For Information

HEALTH, SAFETY AND WELLBEING UPDATE MAY 2024

Te take mō te pūrongo
Purpose

1. To advise the Finance, Risk and Assurance Committee (the Committee) of Greater Wellington's Health, Safety and Wellbeing (HSW) performance and activity.

Te horopaki
Context

2. The HSW performance scorecard is outlined in **Attachment 1**

Te tātaritanga
Analysis

HSW improvement project update

3. The HSW improvement project commenced in September 2023. Progress is on track, including:

   a A series of bowtie fatal and severe risk (FSR) assessment workshops are nearing completion, with a broad representation of workers working with our fatal and severe risks (FSR's) from across Greater Wellington.

   b This will provide a global view of our FSR profile and identify the critical controls we need in place to manage them, including how effective those in place currently are, and any gaps.

   c A suite of updated easy to use fit for purpose supporting templates, tools and guidance has been drafted in support, including Standard Operating Procedure, Safety Plans, and Verification of Competency Framework, with a focus on the FSR's and critical controls

   d These will be launched as a package once FSR assessments are complete, with comprehensive change management so it's clear what our staff need to know and do.

   e A single source repository has been created in He Kete for operational teams to store and access common information e.g. standard operating procedures (SOPs) and safety plans for consistency.

HSW Update

4. A series of breakfast ‘safety sizzles’ were held at the Upper Hutt Depot, Masterton and Cuba Street offices and Predator Free Wilton in January and February 2024 to raise and promote the importance of HSW as we headed into the new work year.

5. This was an interactive opportunity for operational teams to hear key messages from Environment Group leaders, the HSW, Fleet and ICT teams and showcase the HSW people, tools, and technology to support them to be safe in the field.

6. This led to a direct increase in PIKO event reporting and uptake in use of the Get Home Safe intentions and welfare tracking app.

7. Feedback from staff attending was extremely positive, including the example from a longstanding staff member below:

> *It is so great to see all the work that is being done around not only health and safety but also the wellbeing of staff. I have been around for a wee while of decades now and the improvements that are being made for all staff are so important. It used to only be the environment team that had a buddy system that was born out of a tragic incident, and now it is there for all of council staff protecting our wellbeing. It is so good to see how far we have come and, in my mind, way ahead not only in H&S, wellbeing but also in our tech too.*

8. No serious injuries or significant lost time were recorded in this reporting period, and we continue to track well against this.

9. For noting: We are keeping a close watching brief on the Maritime NZ prosecution of the former Ports of Auckland CEO under the Health and Safety at Work Act 2015 for breach of due diligence obligations and alleged failure to take reasonable steps to ensure Ports of Auckland has eliminated or minimised critical risks (FSR’s).

10. As this is a landmark case as it is the first prosecution of an individual officer of a large organisation to be brought before the courts and will set the precedent.

Wellbeing Update

11. The annual round of health monitoring for operational staff is underway.

12. This allows us to monitor exposures and lifestyle factors and provide early intervention if required, to make sure our field stay fit and healthy for their jobs.

13. No issues for concern were identified in this health monitoring round.

14. The annual flu jab programme is underway with clinics arranged onsite at Cuba St, Upper Hutt, Masterton and Predator Free.

15. There was an unusual spike in EAP (Employee Assistance Programme) with 15 staff using the service in April 2024.

16. Main presenting issues being depression and anxiety, personal relationships, separation and custody, career, and family issues.

17. We also saw an increase in Mental Wellbeing First Responder supported conversations to proactively support colleagues through stressful work situations.

Ngā hua ahumoni
Financial implications

18. There are no financial implications.

Ngā Take e hāngai ana te iwi Māori
Implications for Māori

19. There are no known implications for Māori.

Te huritao ki te huringa o te āhuarangi
Consideration of climate change

20. There are no considerations for climate change.

Ngā āpitihanga

Attachments

Number	Title
1	HSW performance scorecard January - March 2024

Ngā kaiwaitohu
Signatories

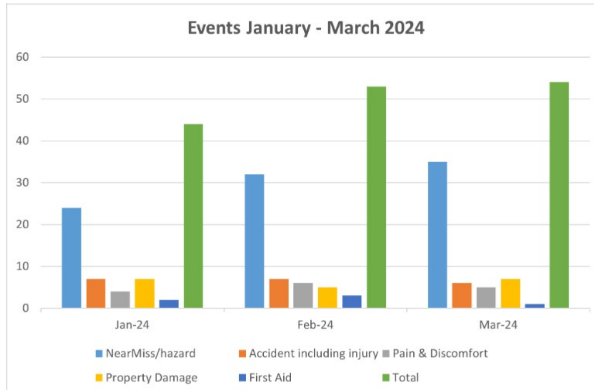
Writer	Julie Barber – Head of Health Safety and Wellbeing
Approver	Donna Hickey – Group Manager People and Customer

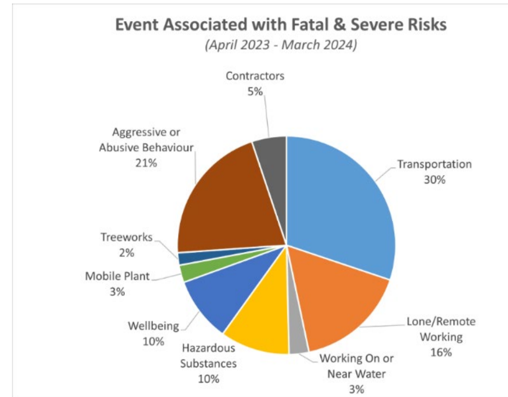
He whakarāpopoto i ngā huritaonga **Summary of considerations**
Fit with Council's roles or with Committee's terms of reference This report assures the Committee that Greater Wellington's legal obligations under the Health and Safety at Work Act 2015 are maintained and met.
Contribution to Annual Plan / Long Term Plan / Other key strategies and policies The HSW Policy and Wellbeing Strategy are included in Greater Wellington's Annual Plan 2023/24.
Internal consultation No internal consultation was required
Risks and impacts - legal / health and safety etc. The HSW risks and treatment are outlined in paragraphs 3-17 inclusive.

Health, Safety and Wellbeing Performance Scorecard January - March 2024

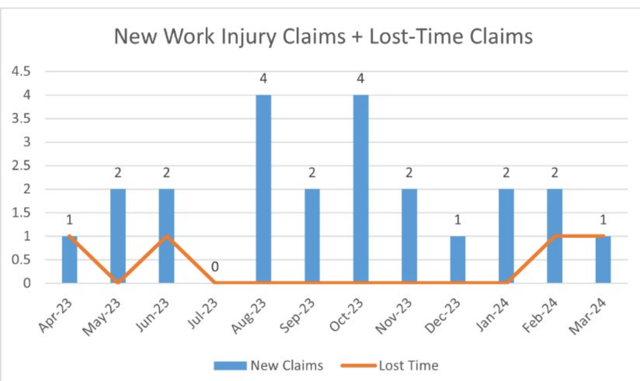
Attachment 1 to report 24.206

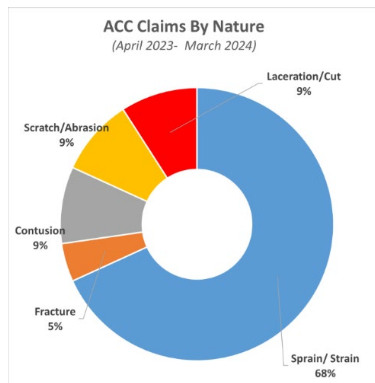
Event Reporting

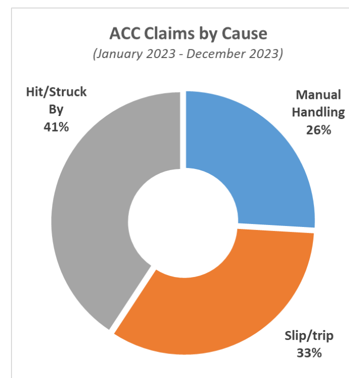




ACC work injury claims



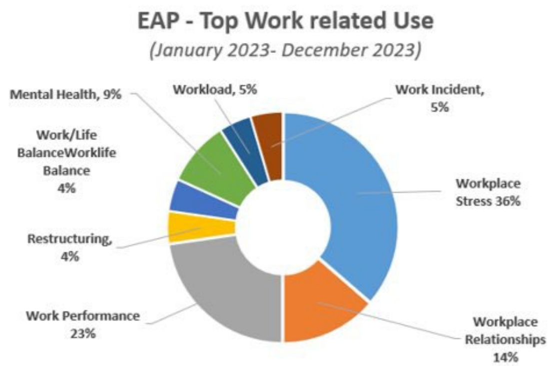




Health, Safety and Wellbeing Performance Scorecard January - March 2024

Attachment 1 to report 24.206

Wellbeing



Wellbeing insights Jan – March 2024

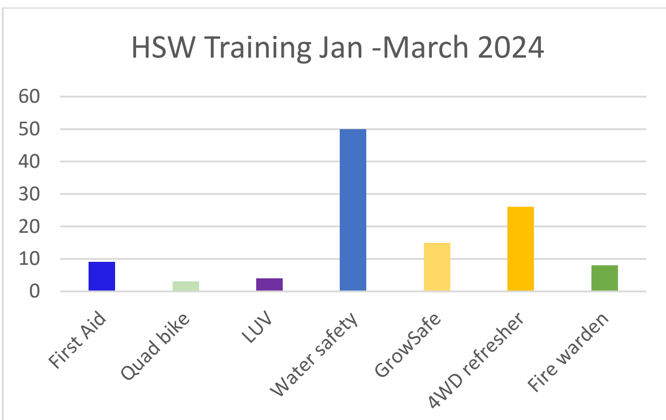
48 Mental health first responder conversations.

55 Oku Raukura Atawhai (EAP, Manawa Ora) sessions

1 Pax formal clinical support

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

HSW training activity



	New/ Emerging trends Jan – March 2024
	Uptake in Get Home Safe use
	PIKO event reporting (lead indicator)
	Proactive mental health first responder conversations (lead indicator)
	EAP use for non-work issues in March
	Seasonal wasp stings

Finance, Risk and Assurance Committee
14 May 2024
Report 24.199

For Information

DATA AND ANALYTICS

Te take mō te pūrongo
Purpose

1. To provide the Finance, Risk and Assurance Committee (Committee) with an update on the inaugural data & analytics review.

Te tāhū kōrero
Background

2. Data & analytics reviews are common across local and central government organisations and help to prevent fraud and identify potential errors in the accounts.

3. Greater Wellington undertook this review to help strengthen its control environment and to provide management with assurance that unusual user activity or transactions are being reviewed.

4. We extracted accounts payable and payroll data from Ngātahi for the period 1 July 2022 to 30 June 2023. The data was analysed using PWC's analytics tools covering key data sets relating to payables, vendor masterfile, employee masterfile and payslips.

5. We worked alongside PWC to select relevant tests and to refine the scope of these tests to ensure we are getting the right results.

6. Our work in reviewing these results will help to further refine these tests enabling future reviews to be more focused on risk areas and to provide improved reporting through to the Committee on this mahi.

Te tātaritanga
Analysis

7. Please refer to **Attachment 1** for a copy of the "accounts payable and payroll targeted data transaction analysis report".

8. We continue to work with PWC on the leave taken vs leave paid and base pay variance tests. These tests still have significant numbers of false positive results meaning they will not provide useful information through to the Committee. We hope to have further information to report on these tests at the August 2024 meeting.

9. The tests did not identify any instances of fraud but helped to identify several areas where we can improve our data and business processes, these include:

a Cleaning up our supplier Masterfile through deleting or labelling duplicate and inactive vendors.

b Ensuring employees and directors have appropriately declared conflicts of interest.

c Raising purchase orders after receiving invoices.

d Updating information within the employee Masterfile.

10. We will take onboard these findings to improve our data and process where required.

11. We expect data & analytics to form part of the 2024-27 assurance plan with Greater Wellington undertaking this review every 18 months. Future reviews could be expanded to include expense claim and payment card transactions.

Ngā hua ahumoni
Financial implications

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

Ngā Take e hāngai ana te iwi Māori
Implications for Māori

13. There are no implications for Māori arising from this report.

Ngā tūāoma e whai ake nei
Next steps

14. We will continue to work with PWC on the leave taken vs leave paid and base pay variance tests to report on findings to the Committee at its August 2024 meeting.

15. We will continue to work on findings and recommendations whose progress will be reported on to the Committee.

16. We expect data & analytics to form part of the 2024-27 assurance plan with Greater Wellington undertaking this review every 18 months.

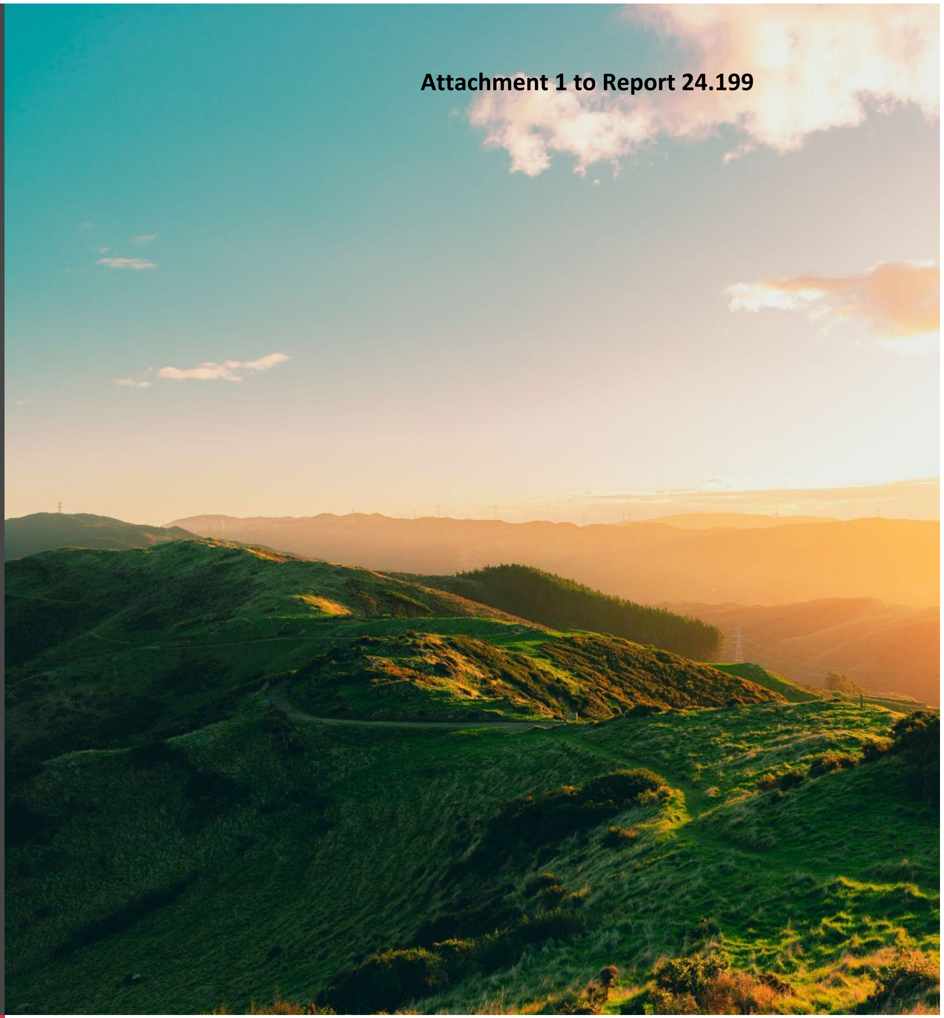
Ngā āpitihanga
Attachments

Number	Title
1	Accounts payable and payroll targeted data transaction analysis report

Ngā kaiwaitohu
Signatories

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

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



Greater Wellington Regional Council

Accounts payable and payroll targeted data transaction analysis report

May 2024

pwc

Alison Trustrum-Rainey
Chief Financial Officer
Greater Wellington Regional Council
100 Cuba Street, Te Aro
Wellington, 6011

03 May 2024

Accounts payable and payroll targeted data transaction analysis report

Dear Alison

In accordance with our Terms of Reference dated 7 July 2023, we have completed our accounts payable and payroll data analysis using PwC's Financial Processes Analyser (FPA).

Our engagement was performed per our agreed scope and approach described in the Terms of Reference, and is based on our fieldwork performed during August to November 2023.

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

Please note that there are two remaining tests whose results we are working through with management, which will be reported in FRAC meeting in August.

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

Yours sincerely

VHarrison

Vaughan Harrison
Partner
PricewaterhouseCoopers
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Private and Confidential

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Inherent Limitations

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

Attachment 1 to Report 24.199

1 Executive summary

Your data landscape on a page for the period 1 July 2022 to 30 June 2023

Scope of analysis	Volume	Value	Tests performed	Tests to investigate
Suppliers	1,780 Suppliers with Invoices	$1.436bn	17	14
Invoices	19,520	$1.436bn	15	9
Payments	8,946	$1.428bn	10	8
Employees	1,050 Employees with payslips	$52.97m Net Pay	5	4
Payslips	23,936	$52.97 Net Pay	6	4

Attachment 1 to Report 24.199

GWRC FPA statistics

11 suppliers
Make up 80% of your invoice spend

556 suppliers
Have only had one invoice paid during the analysis period, totalling $3.3m

5,720 invoices
Paid under the value of $500 (28%). 2,973 were under $100 (15%)

12 suppliers
Were set as inactive during the period in scope but were paid

288 credit notes
Were generated with a total value of $27.8m.

Jul 2022 - Jun 2023
Period analysed for P2P

June 2023
Month with highest invoice spend ($161.5m, 11% of total)

12 users
Post invoices.

298 suppliers
Located outside New Zealand

28 suppliers
Have generated more than 100 invoices during the period in scope.

42 employees
who have spent 20 or more years working at GWRC

Computershare Investor Services Ltd
Supplier with the highest invoice value ($456m, 32% of total).

279 employees
Did not take leave during the analysis period.

143 employees
Have been paid overtime during the period in scope.

Executive summary

Attachment 1 to Report 24.199

Introduction and background

As part of good governance and financial hygiene, we were engaged to perform a targeted data transaction analysis of Greater Wellington Regional Council's (GWRC) accounts payable and payroll data using PwC's Financial Processes Analyser (FPA). Our tests were undertaken to identify potential unusual transactions and improvement opportunities that warrant further investigation by management.

Our scope and approach

The objective of this engagement was to identify potential unusual master data profiles and transactions, and also improvement opportunities based on a targeted analysis of GWRC's Accounts Payable and Payroll data extracted from TechOne for the period 1 July 2022 to 30 June 2023. To achieve this, we have used PwC's FPA tool, which is a data analytics application developed by PwC using Microsoft Power BI. The analysis covered key data sets relating to both Purchase to Payables and Payroll, including creditor master data, purchase to pay transactions, employee master data and payslip data. We have prepared a set of interactive FPA dashboards for GWRC management, and have summarised in this report the tests performed and areas for further investigation by GWRC management. For full details of our scope and approach please refer to Appendix A (what is FPA?), Appendix B (test list) and Appendix C (approach).

Our approach included the following:

- Obtaining electronic extracts of GWRC data from GWRC management
- Assessing and verifying the format and quality of the data received against our data requirements
- Following initial cleansing and preparation, loading the data into our FPA tool to generate the initial results in line with agreed procedures
- Performing integrity checking of results, validation and reconciliation to raw data provided
- Facilitating a workshop with management to work through the results of the analysis
- Finalising the dashboard and report based on any feedback and any required changes.

Considerations and Limitations

We draw your attention to the fact that, as with scenario based analysis, there are likely to be false positives. As such, transactions flagged for investigation in the analysis are not necessarily indicative of fraud or errors and likely to include actual valid exceptions that have occurred within the analysis period.

Executive summary: Observations and recommendations

Attachment 1 to Report 24.199

We have identified the following key areas of focus that will support GWRC's follow up of unusual master data profiles and transactions identified through this analysis. Further detail for each finding is found in the subsequent sections of this report.

Targeted Data Transaction Analysis

Finding and priority rating	Next steps and recommendations	Owner and due date
Creditor and employee master data management **Finding one** | There is an opportunity to improve the management of creditor and employee master data. We identified potential duplicate vendors and employees, vendors and employees without contact details, and active vendors that are rarely used and paid. Within payroll, we identified active employees in master data who did not have any payslips generated during the review period. **Why this matters** | Incomplete and inaccurate master data increase the risk of erroneous and fraudulent transactions, and/or can be inefficient processes.	1. Review the creditor and employee master data observations raised (refer finding one) and take corrective action where relevant, and establish/enhance master data entry and maintenance practices and controls to improve the quality of key master data. *Some concerns	**Owner:** Kevin Joe (Manager ERP) Valerie Talbot (Team Leader Transactions) **Due Date:** 31 July 2024 *As at the tabling of this report, we note that the majority of data has been reviewed and resolved.*
Relationships within creditors, employees, and between creditors and employees. **Finding two** | We identified employees who are potential Directors of GWRC creditors who have been paid. Further examples exist where important creditor and employee master, data such as address, contact details and bank accounts are shared across multiple employees and creditors. **Why this matters** | Unknown relationships between creditors and employees can lead to unauthorised or inappropriate spend where the employee may influence spend for personal gain. Multiple records created for the same creditor or employee can also lead to potential processing of duplicate transactions.	2. Assess the creditor and employee relationships identified in finding two to determine if these are known, and if not record in a conflict of interest register so that GWRC can manage the risks these relationships may create. Similarly assess the creditor/creditor and employee/employee relationships identified to determine if these are appropriate, and consolidate to help the management of master data and mitigate the risk of processing duplicate transactions across multiple master data records. Some concerns	**Owner:** Jacob Boyes (Head of Corporate Risk & Assurance) Ashwin Pai (Head of Finance) **Due Date:** 31 July 2024 *As at the tabling of this report, we note that the majority of data has been reviewed and resolved.*

Executive summary: Observations and recommendations (continued)

Attachment 1 to Report 24.199

Targeted Data Transaction Analysis

Finding and priority rating	Next steps and recommendations	Owner and due date
Unusual transactions **Finding three** | We identified unusual transactions that require further investigation. These include: • Purchase to payables: – Invoices without a corresponding purchase order and/or goods receipt – Retrospective purchase orders created after the invoice date – Potential duplicate invoices – Potential invoice splitting, i.e. breaking down invoices so their values are less than the delegated authority required to approve the full value of the purchase – Potential segregation of duties concerns where the purchase was requested or purchase order was raised, and then approved by the same user • Payroll: – Payments made to bank accounts not in payroll master – Differences between leave requested/taken vs leave paid in the payslip data – Payments made outside of employment periods – Employees with excessive annual/sick leave – Active employees with no payslips recorded during the analysis period. **Why this matters** | These transactions may indicate a potential breakdown in controls or established processes. It is possible that due to erroneous or fraudulent transaction processing, overpayment may have occurred with regards to creditors and employees.	3. Review the FPA exceptions in finding three and the supporting data profiles within the FPA dashboard to: • Identify any potential inappropriate activity • Determine if any process and control improvements are required where inappropriate activity does not exist, but GWRC policy expectations have not been met Some concerns	**Owner:** Kevin Joe (Manager ERP) Valerie Talbot (Team Leader Transactions) Peter Hutchings (Manager Remuneration & Analysis) Vanessa Chongnee (Manager Payroll) **Due Date:** 31 July 2024 *As at the tabling of this report, we note that the majority of data has been reviewed and resolved.*

Executive summary: Observations and recommendations (continued)

Attachment 1 to Report 24.199

Targeted Data Transaction Analysis

Finding and priority rating	Next steps and recommendations	Owner and due date
High number of users entering and/or approving transactions and transactions approved outside of business hours **Finding four** | 510 unique users have requested a purchase, raised a purchase order and/or reviewed/approved a purchase order during the analysis period. We note from our payroll analysis, that there are 1,050 unique and active employees identified within payroll master data. This indicates, approximately 50% of the workforce is able to request/raise and/or approve a purchase. **Why this matters** | Minimising, where practicable, the number of personnel raising and/or approving purchase orders helps limit these important activities to GWRC personnel with the appropriate capabilities and knowledge of GWRC policy.	4. We note that GWRC operates in a number of different capacities as part of its day to day functions which may lend itself to having a higher number of users entering and approving purchases. However, given the high percentage of users able to raise and authorise purchases, we recommend GWRC review and determine if these large number of users shared in finding four aligns to expectations. *Some concerns **GW notes that the system enforces segregation of duties and financial delegations which manages this risk.**	**Owner:** Kevin Joe (Manager ERP) Valerie Talbot (Team Leader Transactions) **Due Date:** 31 July 2024 *As at the tabling of this report, we note that the majority of data has been reviewed and resolved.*
Data limitations, gaps and quality of data **Finding five**| We identified some data limitations, gaps and data quality issues within purchase to payables and payroll data. **Why this matters** | This may indicate configurations and functionality within systems are potentially not used correctly to support the complete and accurate processing of transactions, and data capture and reporting. It may also highlight a potential breakdown of expected or established processes.	5. Investigate the financial and HR data limitations, gaps and data quality issues noted in finding five to identify whether system configurations and functionality are used correctly to facilitate complete, up to date and accurate data capture and processing. This will provide higher confidence in assessing the appropriateness of transactions. Further, it will reduce errors, subsequent rework that may be required and will enhance the quality of reporting and analysis received. *Some concerns	**Owner:** Kevin Joe (Manager ERP) Valerie Talbot (Team Leader Transactions) Peter Hutchings (Manager Remuneration & Analysis) Vanessa Chongnee (Manager Payroll) **Due Date:** 31 July 2024 *As at the tabling of this report, we note that the majority of data has been reviewed and resolved.*

Attachment 1 to Report 24.199

2 Detailed findings

Detailed Findings

Attachment 1 to Report 24.199

Note: PwC acknowledges that GWRC has investigated the relevant test exceptions and has provided Management Comments since the issuance of this report in Draft.

1. There is an opportunity to improve creditor and employee master data

Purchase to payable creditor master data

- **Duplicate vendors have been identified in creditor master data**. We identified examples where the same vendor has been established more than once within creditor master data, with variations across the creditors' names. These were identified using the duplicate vendor tests where we matched vendors on their name, address, contact details and bank accounts. For example, KiwiRail Limited has been set up twice with creditor IDs of 18690 and 16960, and Robertson Valuations Limited has been set up twice with creditor IDs 30729 and 22302.

  Creditors set up with different names can present challenges for GWRC personnel and the Accounts Payable team to identify the correct vendor to process invoices, and increase the risk of entering duplicate invoices for the same purchase. Ideally creditors should be recorded once with their name aligned to the New Zealand Companies Office database
- We also identified some **creditors set up without key contact details**, including addresses (roughly 1340 with blank or the city name as the full address). Complete and accurate supplier information reduces the risk of fraud as it allows creditor validation and the recovery of unusual/erroneous transactions (where these occur)
- We identified **556 unique vendors (out of 1,780) who only presented one invoice during the analysis period**. This equates to 31% of active vendors who are rarely used for purchasing. These vendors can be reviewed and disabled, if deemed unnecessary, and their purchasing can be consolidated. The more streamlined creditor master data is, the lower the chance of error/fraud occurring within the purchasing process.

Payroll employee master data

- We identified **employees set up without key contact details,** such as address (34 employees), and contact phone number/email address (15 employees). Complete and accurate recording of employee information reduces the risk of potential fraudulent activity and adds legitimacy to the employee records
- **Duplicate employee IDs** exist in employee master data. Whilst this may occur due to **employees changing their GWRC employment status,** we recommend assessing whether this is in line with expected business practice and disabling the inactive employee IDs
- We identified **108 active employees with no payslip** generated during the analysis period. If these employees are no longer in the GWRC workforce, or have been allocated a different employee ID, disable these to prevent payroll transactions from potentially being processed.

2. Relationships existing between employees and creditors that should be reviewed to confirm their appropriateness

Our analysis identified the following relationships across employees and creditors:

- 11 **employees have also been set up as trade vendors** and have presented 76 invoices totalling $399k
- There are 16 creditors whose **Directors, based on Companies Office records, have names identical to GWRC employees**. A number of these creditors identified recorded significant spend during the analysis period
- Examples exist where creditors share details (e.g. address, contact details, and/or name), with most notably **71 creditors across 41 duplicate groups sharing a bank account**. This includes examples where the same creditor was set up more than once with variations in the creditor name, and other cases where different creditors share a bank account
- Payroll master data examples also exist where **employees share details** (e.g. bank account, name, contact details etc). We identified 39 (3%) of employees sharing a bank account, name, address and/or contact details. This includes examples where the same employee was set up more than once in the employee master data and other cases where different employees share a bank account, contact details etc. These may include examples where different family members work at GWRC and share a bank account, address or phone number.

Detailed Findings (continued)

Attachment 1 to Report 24.199

Note: PwC acknowledges that GWRC has investigated the relevant test exceptions and has provided Management Comments since the issuance of this report in Draft.

3. Some unusual transactions were identified that require further investigation

Purchase to payables

- 3,930 **purchase orders were raised and/or reviewed and then approved by the same user**. 297 unique users processed these $277m purchase orders across 1,150 vendors. We recommend reviewing these POs to ascertain whether there is a deviation from the expected segregation purchase order 'raise', 'review' and 'approve' duties
- Similarly **39 invoices were entered and approved by five unique users**. These invoices were across 27 vendors and totalled $703k. We recommend reviewing these invoices to ascertain whether any duties have not been appropriately segregated per GWRC policy requirements
- 1,620 non-treasury related **invoices exist without a corresponding purchase order or goods receipt note**. These invoices were presented by 246 vendors totalling $70.5m.
- 5,900 non-treasury **purchase orders** (34%) **were created after their associated invoice date.** Although most of these were created within 1 - 30 days from the invoice date, we identified other POs that were raised and approved 90 days or more after the invoice date. We recommend assessing whether these POs have been raised in line with expected process, and if not assess these purchases to ascertain their legitimacy
- 456 non-treasury related **duplicate invoice groups**, totalling $4.67m paid to 122 vendors, exist where the **invoices have the same creditor, invoice date, invoice amount and where only the invoice number varies**. We note that these duplicate groups also have the same invoice line descriptions. Further, other examples require investigation where the same vendor invoice number has been allowed to be entered more than once in Tech One, for example the following four invoices have been processed for Wellington Water Limited as:
  - Two invoices have been processed with the same invoice ID of ARI0118522, invoice date of 16 August 2022 and value of $864,725.25 and $137,827.50
  - Two invoices have been processed with the same invoice ID of ARI0118525, invoice date of 16 August 2022 and value of $864,725.25 and $137,827.50.
- Potential **invoice splitting** examples exist where there is a risk the vendor invoice has been split multiple times for multiple purchases, often with a suffix attached to the invoice number. These **have different but similar invoice IDs with the same creditor, same invoice date and different amounts**. These should be reviewed to determine if there are any behaviours where users are splitting invoices to circumvent approval thresholds. We identified 102 invoices forming 46 groups of potential split invoices totalling $1.44m
- 78 vendors (non-treasury type) were paid $53.14m where the **payment type was considered 'manual**'. These are likely to be vendors who may not have been set up using the expected procurement process and therefore lack the normal checks that would be performed when setting up a vendor. We noted that based on the data provided we could not identify any bank account recorded within the payments file for these payments. We recommend assessing these payments to establish whether the vendor and the payments made are reasonable.

Employee payroll

- 174 **employees have payments made to a bank account not listed in master data.** These payments were across 2,210 payslips and totalled $5.76m. Most of the employees identified had payments made to multiple bank accounts during the review period including the unexpected bank account. We recommend assessing these payments to determine that they were made to the correct bank account that was valid and set up in master data at the time of payment
- We identified **potential payments made outside of the employment period** for 23 employees. With a 90 day grace period applied, there are 11 employees with 96 payslips generated after their employment period ceased. We note that some of these payslips have been generated with no value associated with them. Similarly, we identified 10 employees with 97 payslips generated 90 days before their employment commenced with GWRC
- Some employees have taken **larger amounts of annual or sick leave** during the one year analysis period, including 294 employees who have taken in excess of 30 days annual leave, and 22 employees who have taken in excess of 30 days sick leave

Detailed Findings (continued)

Attachment 1 to Report 24.199

Note: PwC acknowledges that GWRC has investigated the relevant test exceptions and has provided Management Comments since the issuance of this report in Draft.

3. Some unusual transactions were identified that require further investigation (continued)

Employee payroll (continued)

- 108 **active employees exist in employee master data but have no payslips** during the review period. These employees appear to have commenced employment before the start of the analysis period yet there has been no subsequent payroll activity.

4. Assess the legitimacy of the high number of users entering and/or approving transactions, and the invoices with no approver recorded

Purchase to payables

510 unique users have requested to purchase, raised, reviewed and or/approved purchase orders during the analysis period compared to 12 users who entered and/or approved invoices. We also note there are 1,050 unique and active employees identified within payroll master data, which indicates approximately 50% of the workforce is able to request/raise and/or approve a purchase. We note GWRC operates in a number of different functions as part of its day-to-day operations which may necessitate the number of users able to request/approve purchases, however we recommend GWRC review and determine if these large number of users aligns to expectations.

We noted a number of invoices (2,130 invoices totalling $66.9m) were recorded with **no invoice approver**. We recommend reviewing these invoices to ascertain, whether the expected approval process for purchasing has been followed.

5. Assess the data limitations, gaps and data quality issues identified below to determine whether TechOne and other supplementary system configurations and functionality are used correctly to support complete and accurate transaction processing and reporting, or whether the following observations highlight potential breakdowns in expected or established process

Purchase to payables

The following fields were not captured within the data extracts provided and therefore certain tests that rely on these fields could not be performed:

- Purchase order entry and approval time stamp
- Purchase order line description was not available for 12,970 POs which represent 75% of the population. It is possible that either the users did not add a purchase description at the time of requesting or raising a purchase, or that the PO line description was not extracted correctly
- Invoices approval date and time
- Manual, non-EFT payments did not include an approval date/time stamp.

Payroll

- We identified 108 **active employees that exist in employee master data but have no payslips** during the review period. These employees appear to have commenced employment before the start of the analysis period yet there has been no subsequent payroll activity. These employees are a mixture of permanent, contractors, committee appointees, directors and fixed term employees.

Attachment 1 to Report 24.199

3 Detailed FPA test results

Detailed observations: Suppliers

Attachment 1 to Report 24.199

<table>
<tr><th>Analysis results</th><th>Flagged for investigation</th><th>Why this matters</th><th>Suggested next step for GWRC</th></tr>
<tr><td colspan="4">Supplier master</td></tr>
<tr><td>Duplicate suppliers
Identification of potential duplicate suppliers. Match criteria includes:
• GST number
• Bank account
• Address
• Phone number; and
• Name</td><td>168 suppliers (9%):
• Eight on name
• 71 on bank account
• Four on address
• 102 on phone number
• 49 on GST number.</td><td>• Duplicate creditors in the supplier master may result in fraudulent or duplicate transactions being processed, e.g. duplicate vendors based on name increase the risk that the same invoice will be paid more than once
• Additionally there are inherent inefficiencies in maintaining duplicate data.</td><td>• Confirm if the identified suppliers are duplicated by comparing their details and validating their purpose, as there may be a valid reason for separate duplicate vendors to be create
• Update and/or disable the duplicate suppliers that are not required
• High number of duplicates may indicate weaknesses in vendor master data management, requiring a review to determine if appropriate controls are in place to prevent future vendor duplication.</td></tr>
<tr><td colspan="4">Management comment
We have reviewed and taken action by closing duplicate accounts. Where multiple valid accounts are required, we have provided a clear method to identify the correct supplier account.</td></tr>
<tr><td>Supplier / employee shareholder relationship
Employee is a shareholder of a supplier (based on Companies Office name and address records).</td><td>• Three suppliers with invoices (0.2%)</td><td>• Employee/creditor relationships could give rise to conflicts of interest between the employee and the creditor
• Undeclared relationships between creditors and employees carry a higher risk of unauthorised or inappropriate spend where the employee may influence spend for personal gain.</td><td>• Confirm the matching details are accurate and whether a relationship exists
• If not recorded already, record the confirmed relationship in your Conflict of Interest Register
• In cases where conflicts have not been declared and approved, assess the spend to the creditor is appropriate and undertake appropriate follow up actions.</td></tr>
<tr><td colspan="4">Management comment
We have reviewed transactions and confirmed that no conflicted parties were involved in the raising or approving of purchase orders and/or invoices.
We will look to conflict where an existing conflict of interest declaration has been made and, if not, we will require staff to submit an updated declaration.</td></tr>
</table>

Detailed observations: Suppliers (continued)

Attachment 1 to Report 24.199

Analysis results	Flagged for investigation	Why this matters	Suggested next step for GWRC
Supplier master			
Supplier / employee director relationship Employee is a director of a supplier (based on Companies Office name and address records).	Test including employee middle name: • 16 suppliers with invoices (1%) • 5 suppliers without invoices (not shown on dashboard). Test excluding employee middle name: • 16 suppliers with invoices (1%) • 5 suppliers without invoices (not shown on dashboard)	• Employee/creditor relationships could give rise to conflicts of interest between employee and the creditor • Undeclared relationships between suppliers and employees carry a higher risk of unauthorised or inappropriate spend where the employee may influence spend for personal gain.	• Confirm the matching details are accurate and whether a relationship exists • If not recorded already, record the confirmed relationship in your Conflict of Interest Register • In cases where conflicts have not been declared and approved, assess the spend to the creditor is appropriate and undertake appropriate follow up actions.
Management comment We have reviewed all transactions and confirmed they are valid. We also confirmed that there was no overlap between the employee and their directorship. We note that for 7 instances director and member of staff were different people.			
Supplier / employee relationship Identification of suppliers sharing details with employees. Match criteria includes: • Same name • Same bank details.	• 12 suppliers with invoices (0.6%), 11 of which are Trade Suppliers • 14 suppliers without invoices	Undeclared relationships between suppliers and employees carry a higher risk of unauthorised or inappropriate spend where the employee may influence spend for personal gain, i.e. the employee acts in the best interests of the creditor instead of their employer.	• Confirm the matching details are accurate and that a relationship exists • If the supplier is actually an employee, update the supplier classification to employee (if available) • Otherwise if not recorded already, record the confirmed relationship in your Conflict of Interest Register • In cases where conflicts have not been declared and approved, assess the spend to the supplier is appropriate and undertake appropriate follow up actions.
Management comment We have reviewed transactions and confirmed that no conflicted parties were involved in the raising or approving of purchase orders and/or invoices. We will look to conflict where an existing conflict of interest declaration has been made and, if not, we will require staff to submit an updated declaration.			

Detailed observations: Suppliers (continued)

Attachment 1 to Report 24.199

Analysis results	Flagged for investigation	Why this matters	Suggested next step for GWRC
Supplier master			
Suppliers with no contact details Suppliers with missing or no contact details (phone, physical address).	• 1.34k suppliers (76%)	• Creditors with missing key details could potentially be fictitious and have a higher risk of being used for fraudulent activity • Lack of poor quality supplier information increases the risk of fraud by limiting creditor validation and making recovery of unusual transactions more difficult.	• Update creditor details based on original invoice information and confirm with other reliable sources (e.g. companies office / creditor websites / contacting them directly) • Assess the legitimacy of creditors without contact details.
Management comment Finance have reviewed all records and identified suppliers are valid. We note that Warm Wellington reimbursements and payments to payments to councils from the 10-suffix bank account do not requirement vendor contact details. We also note that many vendors have physical addresses in Ngatahi as the system requires this to load a vendor. We will look to review and update the remaining vendors where appropriate.			
Average days to pay compared to agreed terms Compares the difference between the calculated due date (based off invoice date and payment terms) against the actual payment date.	• Early payments: 81 suppliers (5%) • Within a week: 567 suppliers (32%) • Within a month 842 suppliers (47%) • Over a month: 160 suppliers (9%).	• Early payments do not take advantage of cash flow opportunities provided by creditor payment terms • Late payments may result in loss of prompt payment discounts.	• Review whether the supplier payment terms are accurate and optimal • Understand the root causes of delays where late payments have occurred, and recommend changes to processes to reduce late payments.
Management comment We have investigated 8 suppliers with invoices totaling more than $1M and an average days to pay exceeding 30 days. We have found the following areas of improvement: • Invoices are received from GW staff and not submitted directly to the account mailbox. • Contract invoices in Ngatahi that require manual intervention. • Late receipt of invoice from supplier. • Invoices coming in with no purchase order. We will look to provide guidance and communication to staff around requirements for the receipt of invoices. The ERP have made fixes to contract payments in Ngatahi and facilitating invoice issues as they arise.			

Detailed observations: Suppliers (continued)

Attachment 1 to Report 24.199

Analysis results	Flagged for investigation	Why this matters	Suggested next step for GWRC
Supplier master			
Suppliers without payment terms Identification of suppliers with no defined payment terms.	0 suppliers identified.	N/A	N/A
Suppliers in P2P and expenses Identify suppliers that have been used for purchases that exist under both the P2P and expenses channels (i.e. suppliers appear as a merchant). Note: This test did not include testing on Employee Expense data.	0 suppliers identified.	N/A	N/A
Suppliers in exclusion lists Identification of creditors that appear in the international exclusion list, including US and Australian lists. A match is based on organisation name and/or address.	0 suppliers identified. ***Note: Employee vendors were excluded from this test (Vendor ID between 80000 and 89999)***	N/A	N/A
Unusual email addresses Identify suppliers that have non-company emails in the master data (i.e. contains Gmail, Yahoo, Hotmail etc.)	224 suppliers identified.	Suppliers that are businesses typically have business email domains. Email addresses with end-consumer domains may suggest an increased risk of inappropriate contact details recorded, thereby increasing the risk of unauthorised and inappropriate data sharing or privacy concerns.	Review whether the supplier email addresses are accurate and reflective of the necessary business names.

Management Comment

We reviewed all transactions for vendors with unusual email usernames and/or domains. All instances were explainable.

Detailed observations: Purchase Orders

Attachment 1 to Report 24.199

Analysis results	Flagged for investigation	Why this matters	Suggested next step for GWRC
Supplier Purchase Orders			
Retrospective purchase orders Identify purchase orders which were created or approved after the invoice document date	5,900 purchase orders (34%) ***Note: 234 of these were attributed to Data Migration (Entry User ID = DATAMIGRATION)***	• Purchase orders processed after invoices carry a higher risk of fraud, also indicating workload or efficiency issues.	• Identify any recurring patterns, same users or suppliers, and target your investigation on these first • Assess if the purchase orders are valid, and further assess policies around purchase order creation.

Management Comment

We have reviewed transactions and are looking to improve business processes. Suppliers are now required to provide evidence of a purchase order reference on their invoices. We will continue to monitor the level of retrospective purchase orders.

Detailed observations: Invoices

Attachment 1 to Report 24.199

Analysis results	Flagged for investigation	Why this matters	Suggested next step for GWRC
Supplier invoices			
Out of hours processing Identify transactions processed by employees that meet any of the following criteria: • Weekends • Outside of normal business hours • Public holidays. Note: Business hours have been defined as 6:00am to 6:00pm.	515 invoices (32%): • 275 out of business hours • 150 processed in weekends • 171 processed on public holidays.	• Invoices processed outside normal business hours carry a higher risk of fraud, intentionally processed away from management oversight • Can indicate workload or efficiency issues.	• Identify any recurring patterns, same users or suppliers, and target your investigation on these first • Assess the expected working hours of the user to confirm if the activity is expected or not • Assess if the invoices are valid, that the goods or services were actually received • Update business hours on FPA if required.
Management Comment We have reviewed the list of transactions and confirmed that segregation of duties exists through two independent parties being involved in the process.			
Segregation of duties Identify invoices which were entered and approved by the same user.	• 27 suppliers • 39 invoices.	This could indicate a lack of independent oversight of invoice processing, which increases the risk of unauthorised or fraudulent invoices being processed.	• Confirm if policies and standards were adhered to during invoice processing, i.e. it is possible that smaller lower risk thresholds are allowed to be self-approved • Assess if the invoices are valid, and that the goods or services were actually received.
Management Comment We have reviewed the list of transactions and noted that all transactions with the majority being recurring invoices for which this is normal process. We will exclude from future tests. We do note that a number of the results were due to intermittent issues in ngatahi. When these issues are identified in Ngatahi they are fixed which may require the invoice to be reprocessed.			

Detailed observations: Invoices (continued)

Attachment 1 to Report 24.199

Analysis results	Flagged for investigation	Why this matters	Suggested next step for GWRC
Supplier invoices			
GST analysis Identify Invoices where the GST rate is unexpected (not 15%).	• 895 (5%) invoices have no GST • 11 (0.1%) invoices have a different rate than 15% or 0% tax rate. ***Note: This test excludes invoices less than $5 in value.***	There might be a risk of under or over claiming tax.	• Review the original invoice GST to assess if GST has been accounted accurately • Confirm with suppliers where GST rates are not as expected.
Management Comment We will review the list of invoices for those with incorrect GST calculations.			
Suppliers with single invoice Suppliers with only a single invoice raised during the period of analysis, with reversal of invoices also taken into consideration.	540 (3%) invoices from 556 (31%) suppliers with only a single invoice.	• It is inefficient to maintain suppliers which are used only once • The more creditors that are active in master data, the more chances for unusual, erroneous or fraudulent transaction processing can occur.	• Review these invoices to determine whether they should have been raised with these rarely used, one-time vendors • A high number of suppliers with only one invoice may indicate a gap in the procurement or supplier master data management processes, requiring a review to determine if controls in place are robust and will prevent recurrence • Consider using one-time or other procurement channels that are more cost efficient for these creditors (e.g. pCard).
Management Comment We have reviewed and inactivated suppliers where appropriate. We have ensured supplier information is retained.			

Detailed observations: Invoices (continued)

Attachment 1 to Report 24.199

Analysis results	Flagged for investigation	Why this matters	Suggested next step for GWRC
Supplier invoices			
Duplicate invoices processed across different suppliers Identifies invoices that appear to have been entered more than once. Match criteria includes: • Different supplier • Similar invoice number • Same invoice date • Same amount.	6 (<1%) invoices.	• There is a risk of overpayment as invoices might be entered and paid more than once • Depending on process and controls in place, duplicate invoices may also indicate weaknesses in the AP process as a result of error of fraud.	• Validate if the invoices are duplicates by comparing with original invoice documents. Seek recoveries where appropriate • Review the AP process to determine if controls that are in place are robust, and that weaknesses are addressed with mitigating controls to reduce the main risks of overpayments and fraud.
Management Comment We have reviewed al invoices and confirmed that no duplicate invoices have been paid.			
Duplicate invoices processed over same suppliers Identifies invoices that appear to have been entered more than once. Match criteria includes: • Same supplier • Different invoice number • Same invoice date • Same amount.	1,094 (6%) invoices.	• There is a risk of overpayment as invoices might be entered and paid more than once • Depending on process and controls in place, duplicate invoices may also indicate weaknesses in the AP process as a result of error or fraud.	• Validate if the invoices are duplicates by comparing with original invoice documents. Seek recoveries where appropriate • Review the AP process to determine if controls that are in place are robust, and that weaknesses are addressed with mitigating controls to reduce the main risks of overpayments and fraud.
Management Comment We have reviewed invoices and noted no duplicates. Majority of invoices where batch invoices, that are made up of multiple small invoices. We will look to exclude batch invoices from future tests.			

Detailed observations: Invoices (continued)

Attachment 1 to Report 24.199

Analysis results	Flagged for investigation	Why this matters	Suggested next step for GWRC
Supplier invoices			
Invoice entry efficiency Date difference between the invoice date and entry date.	• 235 (1%) invoices entered before the invoice date • 14,958 (77%) invoices entered within a week • 3,575 (18%) invoices entered within a month • 1,135 (6%) invoices entered after a month.	• This could indicate invoice processing inefficiencies as invoices may not be processed in a timely fashion and may result in lost early payment discounts or subject to late payment penalties • Invoice entered before invoice date (future dated invoice) may indicate the procurement process has been overridden.	• Validate the invoice date on the original document to confirm it is not a coding error • Review future dated invoices to understand their causes, e.g. pre-payment / instalment fraudulent • Assess the root causes of invoices being entered late (many days after the document date).
Management Comment We will investigate around 80 invoices that are over $10K and were processed more than 90 days after invoice date.			
Unusual invoice line amounts Identifies invoices during the period containing a specific amount (e.g. round dollar value).	544 (3%) invoice lines identified to have rounded amounts.	There is an increased risk of inappropriate invoices created where the amount is rounded, as typically with the addition of tax this is uncommon.	Validate if rounded amounts on these invoices are appropriate.
Management Comment We have reviewed all invoices and identified no issues.			

Detailed observations: Invoices (continued)

Attachment 1 to Report 24.199

Analysis results	Flagged for investigation	Why this matters	Suggested next step for GWRC
Supplier invoices			
Invoice splitting Identify invoices with same supplier and date, but with slightly different invoice IDs and amounts.	102 (0.5%) invoices identified.	• Risk of overpayment as invoices may have been entered more than once • This presents an opportunity to circumvent delegated authorities by splitting invoices to lower amounts that do not require senior review and approval.	• Validate the invoice amount on the original document to determine it has not been split and that the same document is not referenced • Review the processes data entry operators follow and ensure appropriate guidance / training is provided to prevent any policy violations.
Management Comment We have reviewed all transactions and note that they relate to service contracts which provide many invoices/lines on invoices due to detailing of service claim. We will look to exclude these results from future tests.			
One-time supplier invoices Identifies invoices to suppliers flagged as single use, noting no one-time vendor flags were provided.	No invoices identified.	N/A	N/A
Non-PO invoices Identifies purchase invoices without a corresponding purchase order.	1,722 (9%) invoices identified, of which 1,602 invoices are attributed to non-treasury creditors.	There is a risk that invoices without a linked PO are for unapproved or inappropriate goods or services as a result of error or fraud, or do not following purchasing requirements to seek approval before committing to expenditure.	• Review all invoices without a linked PO to determine if the invoices are appropriate. Where the invoice is inappropriate and has already been paid, explore ways to recover invoice amount • Assess processes and controls relating to purchasing and invoice to determine if any change is required.
Management Comment We have reviewed these transactions and confirmed that they are valid. Transactions did not have purchase orders for the following reasons: • Credit notes for which it is normal process • Bank charges • Direct debits • Payroll payments i.e. superannuation • Claims invoices We will look to exclude these results from future tests.			

Detailed observations: Payments

Attachment 1 to Report 24.199

Analysis results	Flagged for investigation	Why this matters	Suggested next step for GWRC
Supplier payments			
Segregation of duties Visualise and use approval paths to identify how users are interacting with the system. Identify users who are entering and approving the same transactions within the system.	No instances of entering and approving of payments by the same user was found as no payment approver data was available.	N/A	N/A
Bank account not in supplier master data Identifies payments where the bank account does not match the supplier master bank account.	• 379 payments (4%) where the bank account was different • 378 payments (4%) where the bank account was not found in the supplier master data.	There is increased risk of inappropriate activity where bank accounts have been overridden (manually changed) when payment is made.	• Check back to original documentation to confirm bank account changes were appropriate and authorised • Improve as required bank account master file maintenance, including user access restriction for such changes • Review suppliers in the system to confirm their bank account details are up to date • Ensure that manual changes on bank accounts are made on an exception basis and subject to review.
Management Comment We have reviewed all transactions and note that they relate to direct debits and automatic payments which have followed normal process. We will look to exclude these results from future tests.			
Payments to suppliers marked as inactive or deleted Payments made to suppliers marked as 'inactive' or deleted in the entity's system at period end.	30 payments (0.3%) totalling $241k were made to 12 vendors (0.6%) that are marked as inactive or deleted.	• This could indicate a breakdown in system controls that prevent inactive suppliers from being paid • There is an increased risk of inappropriate activity where suppliers are reactivated for payment, then deactivated right after payment	• Check the activation / deactivation activity on the supplier • Confirm the payment was made before the supplier was disabled • Review all active suppliers in the system and ensure that those that are inactive for a long period are routinely disabled.
Management Comment We note that all payments were made before the supplier was inactivated. We have confirmed that all transactions are valid.			

Detailed observations: Payments (continued)

Attachment 1 to Report 24.199

Analysis results	Flagged for investigation	Why this matters	Suggested next step for GWRC
Supplier payments			
Out of hours processing Identify payments processed by employees that meet any of the following criteria: • Weekends • Outside of normal business hours • Public holidays.	22 payments (0.2%): • 22 outside of normal business hours • 0 in public holidays.	• Payments processed outside normal business hours carry a higher risk of fraud, intentionally processed away from management oversight • This may also indicate workload or efficiency issues.	• Identify any recurring patterns, same users or suppliers, and target your investigation on these first • Assess the expected working hours of the user to confirm if the activity is expected or not • Assess if the payments are valid and the goods or services were actually received • Update business hours on FPA if required.
Management Comment We have reviewed the list of payments and confirmed that segregation of duties exists through two independent parties being involved in payment approval.			
Payments to employee bank accounts Identify supplier payments to known employee bank accounts.	45 (0.5%) payments identified.	This is a risk that an employee might be receiving payments inappropriately or have an inappropriate relationship under the guise of a supplier.	• Assess the suitability of the payments made to the employee bank accounts • Update the supplier master by flagging those suppliers as employees (if available), otherwise record the confirmed relationship in your Conflict of Interest Register.
Management Comment All transactions are valid. Results relate to employees that became contractors and vice versa.			
Duplicate payments Same supplier, amount, date, different payment ID.	20 (0.2%) payments identified.	There is a risk of overpayment as payments might be entered and paid more than once.	Validate if the payments are duplicates by comparing with original payment and invoice documents. Seek recoveries where appropriate.
Management Comment We have reviewed all transactions and confirm that no duplicate payments have been made.			

Detailed observations: Payments (continued)

Attachment 1 to Report 24.199

Analysis results	Flagged for investigation	Why this matters	Suggested next step for GWRC
Supplier payments			
Payment due date analysis Difference between the invoice due date and payment date.	No payment due date data has been provided.	N/A	N/A
Payments to suppliers marked as not to be paid Payments made to suppliers flagged as 'no payment' in the entity's system at period end.	Three payments identified.	This could indicate a breakdown in system controls where payments can be made to suppliers flagged as 'no payment'.	Validate if the payments were made and determine their appropriateness.
Management Comment Transactions have been confirmed as valid. We block direct debit vendors to ensure they are not paid through the normal payrun.			
Payments to suppliers with a purchasing hold or block Payments made to suppliers with purchasing hold in the entity's system at period end.	No payments identified.	N/A	N/A
Inconsistent payment supplier Identify inconsistent suppliers used for invoice and payment transactions.	1,211 (14%) payments identified. ***Note: This test assumes that Vendor Payment IDs are not reused across different vendors.***	There is an increased risk of fraud or error where the corresponding invoice and payment transactions are for different vendors.	Validate if the payments made to inconsistent suppliers are appropriate.
Management Comment We have reviewed the list of transactions and picked those that appear unusual. No issued noted during this review and related to: • Payroll vendors which are paid fortnightly. • Same invoice number but different transactions.			

Detailed observations: Employee master

Attachment 1 to Report 24.199

Analysis results	Flagged for investigation	Why this matters	Suggested next step for GWRC
Employee master			
Duplicate employees Identify employees who share one or more of the following attributes with another employee: • Name (full name) • Address • Contact details • Bank account details.	39 employees (3%).	There is an increased risk of fictitious (ghost) or duplicate employees where similar employee details exist.	• Confirm details are shared and establish if a known relationship reason (couples / family) • Confirm the employees exist.
Management Comment The results have been reviewed and we have confirmed there are no issues. All records are valid presenting for staff who were rehired under a new employee number and a smaller group have relations to each other.			
Active employees with no payslips Employee marked as active but did not receive any payslip within the analysis period.	108 employees (8%).	There is an increased risk of fictitious employees as a result of data entry errors or unauthorised activity, which may indicate weak employee master data controls.	• Confirm the employees have not received a payslip, i.e. a payment may have occurred after our analysis period • Assess why the employee has not received a payslip.
Management Comment The results have been reviewed and we have confirmed there are no issues. Majority of the employees identified are not in the reporting period 1 July 2022 to 30 June 2023 and have been viewed to confirm they have payslips. A small group of contractors have never been paid and are added to the payroll to gain access to GW systems.			
Employees with a single payslip Identify active employees with an abnormal number of payslips (single payslip).	14 employees (1%).	• There is an increased liability risk and/or obligation to employees, particularly FTEs, who are employed but only worked enough for one payroll cycle payment • There is also an increased risk of fictitious employees as a result of error or fraud.	• Confirm the employee has not received any further payslips i.e. a payment may have occurred after our analysis period • Assess why the employees have only received a single payslip.
Management Comment The results have been reviewed and we have confirmed there are no issues. Employees either left after the first pay of the year or started on the last pay of the year. We will look to exclude these results from future tests.			

Detailed observations: Employee master (continued)

Attachment 1 to Report 24.199

Analysis results	Flagged for investigation	Why this matters	Suggested next step for GWRC
Employee master			
Missing information within employees master Identify employees with missing details: • No employee master record • Missing address • Missing contract details • Missing bank details.	46 employees (4%): • 34 missing address • 0 missing bank account • 15 missing contact details • 0 missing date of birth • 0 not in master.	• Lack of or poor quality employee information increases the risk of fraud by inhibiting employee validation and making recovery of unusual transactions more difficult • There is an increased risk of fictitious employees and unauthorised payments in payroll if transactions can not be linked to employee master data records.	• Determine if the employees are missing expected information, i.e. this information may have been subsequently added • Validate that these employees do exist • Follow up with HR/Payroll to source missing information and add to payroll master data.

Management Comment

We have moved to an integrated recruitment system which means a successful applicant for a position is directly hired and converted to an employee within the same system. This has led to a gap in personal information collection where information that isn't required for an applicant in a recruitment process but is required for an employee isn't collected. We are reviewing how best to fix this however the missing data isn't required for paying an employee.

Detailed observations: Leave

Attachment 1 to Report 24.199

Analysis results	Flagged for investigation	Why this matters	Suggested next step for GWRC
Employee leave			
Abnormal leave Identify abnormal leave records, where an employee was paid public holiday for a non-public holiday day.	50 employees (4%).	• Increased risk of unauthorised data entry for personal gain (i.e. claiming days that are not public holidays) • Possible exposure where leave balances are not being maintained and/or calculated correctly (non-compliance).	Assess the identified leave dates to confirm if appropriate (e.g. possible regional or religious holidays), and if not review what additional controls are required to manage.
Management Comment 30 of the 50 employees are back pays adjusting the pay rate of a public holiday which fall in a previous period. 16 of the 50 employees have a public holiday paid in a termination pay due to the “mapping out” of annual leave entitlement crossing over a future dated public holiday. 2 of the 50 had a correction pay paid for a public holiday in a previous period. 3 of the 50 employees have had their pays with public holidays incorrectly flagged as they were paid in the correct period. This adds to 51 not 50 due to 1 employee falling into 2 categories.			
Excessive annual leave Employees taking more than 20 days annual leave.	294 employees (23%). ***Note: This test accounts for the annual leave threshold for GWRC to be 30 days.***	Increased risk of unauthorised data entry for personal gain (artificially adjusting balances and cashing out, high negative balances).	Validate leave balances are accurate, that unexplained adjustments have not been made or balances are not excessively low/negative.
Management Comment We have reviewed the list of employees and found they primarily relate to annual leave built up over the covid period. We expect leave use to trend downwards as employees work down their balance.			
Excessive sick leave Employees taking more than 20 days sick leave.	22 employees (2%). ***Note: This test accounts for the sick leave threshold for GWRC to be 30 days.***	Increased risk of overpayment or unauthorised data entry for personal gain (registering excessive unexplained sick leave)	Validate that sick leave taken is legitimate and in line with the sick leave allowance policy applied by GWRC.
Management Comment GW provides permanent employees with “actual and reasonable” sick leave and employees who are deemed to have taken excessive sick leave are actively managed by the people leader with assistance from HR. People leaders have a dashboard in our HR system which identifies any of their employees who have taken greater than 10 days sick leave.			

Detailed observations: Leave (continued)

Attachment 1 to Report 24.199

Analysis results	Flagged for investigation	Why this matters	Suggested next step for GWRC
Employee leave			
Leave taken vs leave paid Compares leave requested vs leave paid out. A positive amount indicates more leave was paid than requested.	TBD	TBD	TBD

Management Comment

We are still working with PWC on this test which will be reported on at August's FRAC meeting.

Detailed observations: Payslips

Attachment 1 to Report 24.199

Analysis results	Flagged for investigation	Why this matters	Suggested next step for GWRC
Employee payslips			
Payroll to EFT reconciliation Reconciliation of the net payslip payment to the actual payment made.	0 employees (0%).	N/A	N/A
Duplicate EFT payments Identifies duplicated EFT payments.	0 employees (0%).	N/A	N/A
Employee / supplier bank match Identifies EFT payments made to supplier bank accounts.	13 employees identified (1%).	There is an increased risk of error or fraud when employee payroll is processed to vendor bank accounts.	Review these transactions to determine if the employee bank account is appropriate and authorised, and address any exceptions identified
Management Comment All transactions are valid. Results relate to employees that became contractors and vice versa.			
Payments outside employment period Identifies payments made after employee termination date or payments made before employee start date.	23 employees (2%). ***This test excludes any payments occurring within 14 days after Employee Termination.***	• Increased risk of unauthorised payment without business justification • Increased risk of fictitious employee, disabled in system but still receiving payments.	• Prioritise payments made far outside employment (i.e. those more unusual payments) • Validate that the payments were made outside of employment by checking back to original employee employment records • Identify the purpose of the payment, and whether there a valid one-off reason for the payment such as onboarding expenses or final pay.
Management Comment 10 employees have multiple periods of employment which has created false positives. 11 are former Committee Members or contractors who had a number of zero $ pays after their termination which has created false positives. There are 2 correction pays after employment, one to an employee and one to a contractor, which are both correct.			

Detailed observations: Payslips (continued)

Attachment 1 to Report 24.199

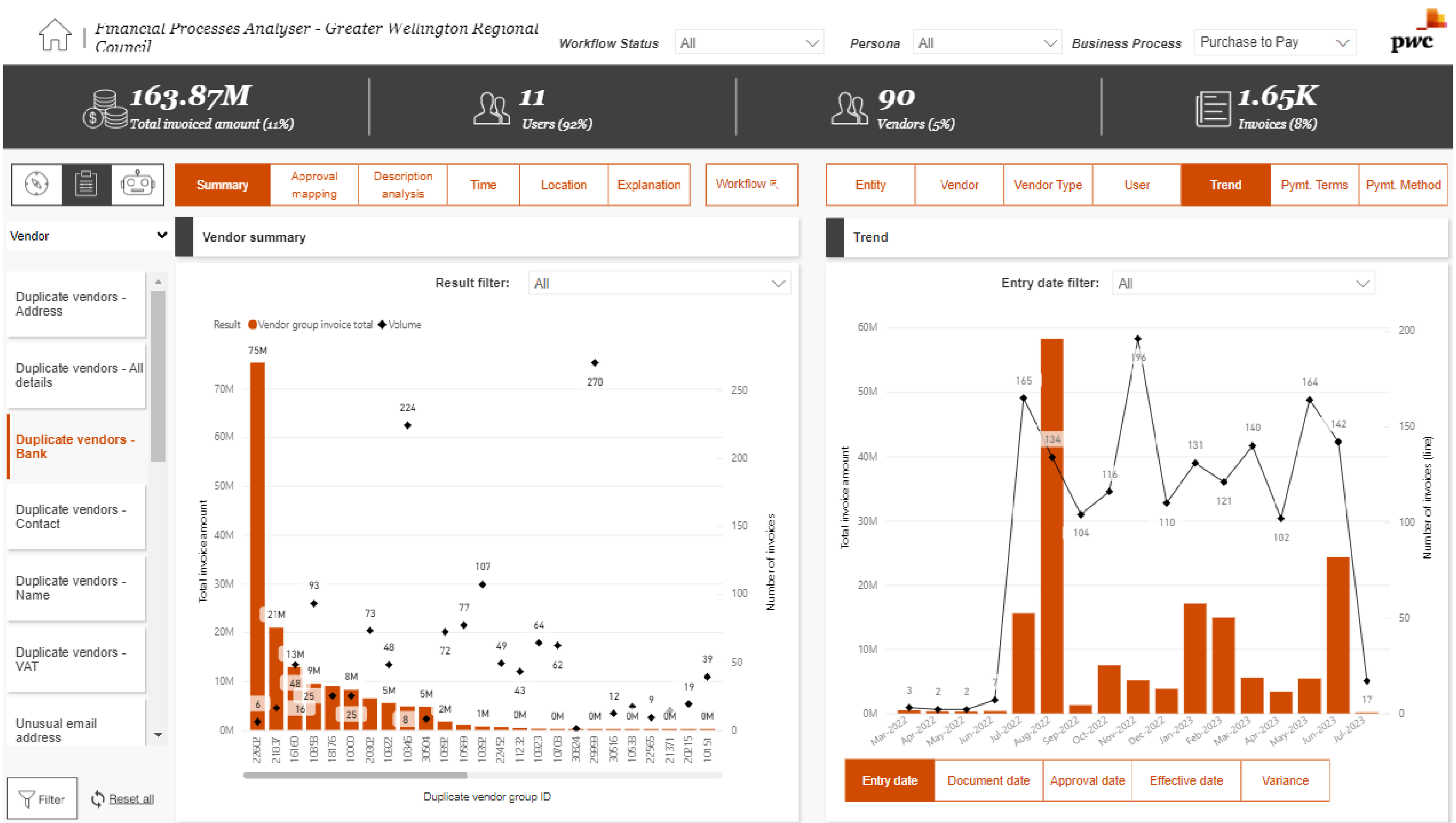
Analysis results	Flagged for investigation	Why this matters	Suggested next step for GWRC
Employee payslips			
EFT bank account compared to master data Identifies payments to bank accounts not associated with the employee.	174 employees (13%). ***Note: This test excludes some pay codes attributed to standalone bank accounts by default – provided by Peter Hutchings***	Increased risk of unauthorised payment redirection.	• Confirm the bank account is not associated with the employee, i.e. they could (possibly be a known third party such as NZ Courts, Pension Plan etc. • Assess the purpose of the bank account.
Management Comment We are currently investigating findings from this test.			
Unusual amounts Identify round dollar payroll payments.	18 employees (1%).	Increased risk of inappropriate payroll payments when the amount is perfectly rounded, as this is typically uncommon with PAYE and KiwiSaver deductions.	Assess these payslips to determine if these payment values are valid and correct, or not.
Management Comment All transactions have been reviewed and confirmed as valid.			
Base pay variance Identify employees with high variation in their base pay (against average and filtered to 25%+ variation).	TBD	TBD	TBD
Management Comment We are still working with PWC on this test which will be reported on at August's FRAC meeting.			

Attachment 1 to Report 24.199

4 Appendices

Appendix A: What us FPA? (Screenshot)

Attachment 1 to Report 24.199



Appendix A: What us FPA? (Description)

Attachment 1 to Report 24.199

PwC's Financial Processes Analyser (FPA) allows for the profiling and analysis of 100% of the accounts payable and payroll data provided by GWRC in one integrated dashboard application.

It aims to provide insight and value by presenting the analysed data and results in one central place. It is intended to be used directly by the Risk and Finance teams to monitor historical transactions, and ultimately as an ongoing financial control monitoring tool.

- FPA is interactive, and charts will change based on other chart and object selections made, enabling you to drill into areas of interest.
- Each test / procedure (on the left pane) can be further explored using the charts on the right.
- The filter view can be used exclude any field used in the analysis (e.g. exclude a vendor). A filter selection impacts all charts.
- The detail view will show a tabular view of the results of the test / procedure. This tabular view can be exported to Excel for further analysis.
- The workflow capability allows you to follow-up the issues identified within the tool and track the solution progress.

Those from GWRC who have been provided access to FPA can access the dashboard through https://datainsights.pwc.com.au/.

Appendix B: FPA test list

Attachment 1 to Report 24.199

Accounts Payable		Payroll	
Data analytics			
Exception based analytics: • Out of hours processing including employee leave • Payments to employee bank • Segregation of duties • Duplicate invoices • suppliers with a single invoice • Invoice splitting • One-time supplier invoices • supplier / employee relationship • Duplicate suppliers • Payments to bank accounts not in master • suppliers without details • Benford's Law • NZCO suppliers conflict of interest (directors or shareholders)	**Data profiling:** • VAT analysis • Invoice entry efficiency • Invoice approval efficiency • Payment processing efficiency • Payment entry efficiency • Payment approval efficiency • Payment due date analysis • Average days to pay compared to agreed terms	**Exception based analytics:** • Duplicate employees • Payroll to EFT reconciliation • Duplicate payslips and EFT • Payments outside employment period • EFT bank account compared to master data • Unusual amounts • Employees with one payslip • Abnormal leave • Active employees with no payslips • Excessive leave (annual and sick) • Base pay variance • Missing information within employees master • Employees sharing details with suppliers	**Data profiling:** • Overtime clustering (Machine learning) • Overtime analysis • Termination pay analysis • Net pay profile • leave profile • Leave taken vs Leave paid • Leave accrual • Demographic clustering (Machine learning) • Tenure profile • Age profile • Pension profile • Tax profile • Flight risk predictor (Machine learning)

Appendix C: Approach

Attachment 1 to Report 24.199

Overview

Greater Wellington Regional Council has engaged PricewaterhouseCoopers New Zealand ('PwC') to perform a suite of data analytics over the Purchase to Payable and Payroll as part of good governance, financial hygiene, risk management and internal control activities related to finance policies. The analytics will enable GWRC to identify potential gaps in data capture and master data, unusual transactions and improvement opportunities in relation to the financial processes in scope for this engagement. Once established, a recurring data analysis using the Financial Processes Analyser (FPA), will allow identification of timely insights from the dashboards, covering large numbers of transactions quickly and efficiently, identify potential unusual activity, and being able to mitigate those before significant losses can occur. The analytics can also contribute to the control environment as detective controls, identifying potential control deficiencies, enabling GWRC to amend these accordingly.

Objective and Scope

The analysis enables the GWRC to gain deeper insights and to monitor its own processes, data and inherent risks than previously available. Key enablers for the GWRC are:

1. Assessing and scoping areas of risk exposure *(i.e. where it appears expenditure and payments is unusual in nature)*
2. Identifying instances where standard policies, procedures and/or guidance have not been followed
3. Identifying where the GWRC could gain process efficiencies and monetary savings

This iteration covers the period 01 July 2022 to 30 June 2023 (12 months). The analysis uses data from the GWRC's Accounts Payable system and Payroll system TechOne.

Approach

Our approach involved the following steps:

1. Obtaining electronic extracts of Purchase to Payable and Payroll data.
2. Assessing the quality of the provided data to determine whether it is sufficient to support the analysis.
3. Generating initial results in line with the agreed scope.
4. Performing integrity checking, including reconciliation of the results back to the raw data to generate confidence in the results.
5. Facilitating a workshop with management, to collaboratively work through the analysis, including training on how to navigate through the comprehensive dashboard views.
6. Granting the GWRC's designated users access to the dashboard, and presenting final results of the analysis to management to investigate.

Appendix D: Risk rating definitions

Attachment 1 to Report 24.199

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

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

Attachment 1 to Report 24.199

Report

We have performed our engagement in accordance with our Terms of Reference dated 7 July 2023 as part of the Targeted Data Transaction Analysis on Accounts Payable and Payroll for GWRC, together with the relevant ethical requirements of the Code of Ethics issued by the New Zealand Institute of Chartered Accountants, and appropriate quality control standards. Our engagement does not constitute a review or audit in terms of standards issued by Chartered Accountants Australia and New Zealand (formerly the New Zealand Institute of Chartered Accountants).

Accordingly, this engagement is not intended to result in either the expression of an audit opinion nor the fulfilling of any statutory audit or other requirements.

Private and confidential

This report is provided solely for the GWRC for the purpose for which the services are provided. Unless required by law you shall not provide this report to any third party, publish it on a website or refer to us or the services without our prior written consent. In no event, regardless of whether consent has been provided, shall we assume any responsibility to any third party to whom our report is disclosed or otherwise made available. No copy, extract or quote from our report may be made available to any other person without our prior written consent to the form and content of the disclosure.

Inherent limitations

Due to the inherent limitations of any internal control structure, it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the GWRC's overall, internal control structure within which the control procedures that we have reviewed operate, has not been audited and no opinion is expressed as to its effectiveness.

An internal audit engagement is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis. Also, an internal audit engagement does not provide all the evidence that would be required to form an audit opinion of the design or operating effectiveness of the controls subject to review.

Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

pwc.co.nz

Finance, Risk and Assurance Committee
14 May 2024
Report 24.177

For Information

PAYCODE REVIEW

Te take mō te pūrongo
Purpose

1. To provide to the Finance, Risk and Audit Committee (the Committee) with the PWC assessment of Greater Wellington Regional Council's (Greater Wellington) Pay As You Earn (PAYE) and Witholding Tax (WHT) compliance evaluation.

Te tāhū kōrero
Background

2. Greater Wellington implemented a new payroll system in June 2021. Following the implementation, to provide confidence to management and the Committee on the integrity of the system, an independent PAYE and WHT compliance evaluation was initially planned in 2022.
3. With around twelve months of data in the system, Greater Wellington was keen to conduct the evaluation. However, due to timing and resourcing constraints, the compliance evaluation had to be delayed to 2023.
4. Further, our understanding from PWC is that Inland Revenue (IR) are running a tax governance campaign, which includes asking selected taxpayers a series of questions focussed on how tax risk is managed and the extent to which there are embedded tax controls and processes.
5. In the event of Greater Wellington receiving such a questionnaire, the independent evaluation should hold Geater Wellington in a positive light reflecting a proactive approach to tax compliance.

Te tātaritanga
Analysis

6. Attachment 1 – PWC PAYE and WHT Compliance Evaluation, sets out the scope, approach and findings of the compliance evaluation.
7. Overall, the report considers that Greater Wellington has a reasonable level of PAYE and WHT compliance. The Council's commitment to its compliance obligations and managing tax risks has been commended.
8. The report identifies some further improvements in the below areas:

   a Payroll processes

b Ranger housing

c Benefits, allowances and reimbursements

d WHT

9. Greater Wellington management comments on the key findings are included in the report at Attachment 1.

Ngā hua ahumoni
Financial implications

10. There are no known financial implications. Where there are identified risk areas, officers will focus on strengthening the associated processes and controls.

Ngā Take e hāngai ana te iwi Māori
Implications for Māori

11. There are no known impacts for Maori.

Ngā tūāoma e whai ake nei
Next steps

12. Officers will report to the Committee on progress in implementing the actions to address PWC recommendations.

Ngā āpitihanga
Attachments

Number	Title
1	PWC PAYE and WHT Compliance Evaluation

Ngā kaiwaitohu
Signatories

Writer	Ashwin Pai – Head of Finance
Approver	Alison Trustrum-Rainey – Group Manager Finance & Risk

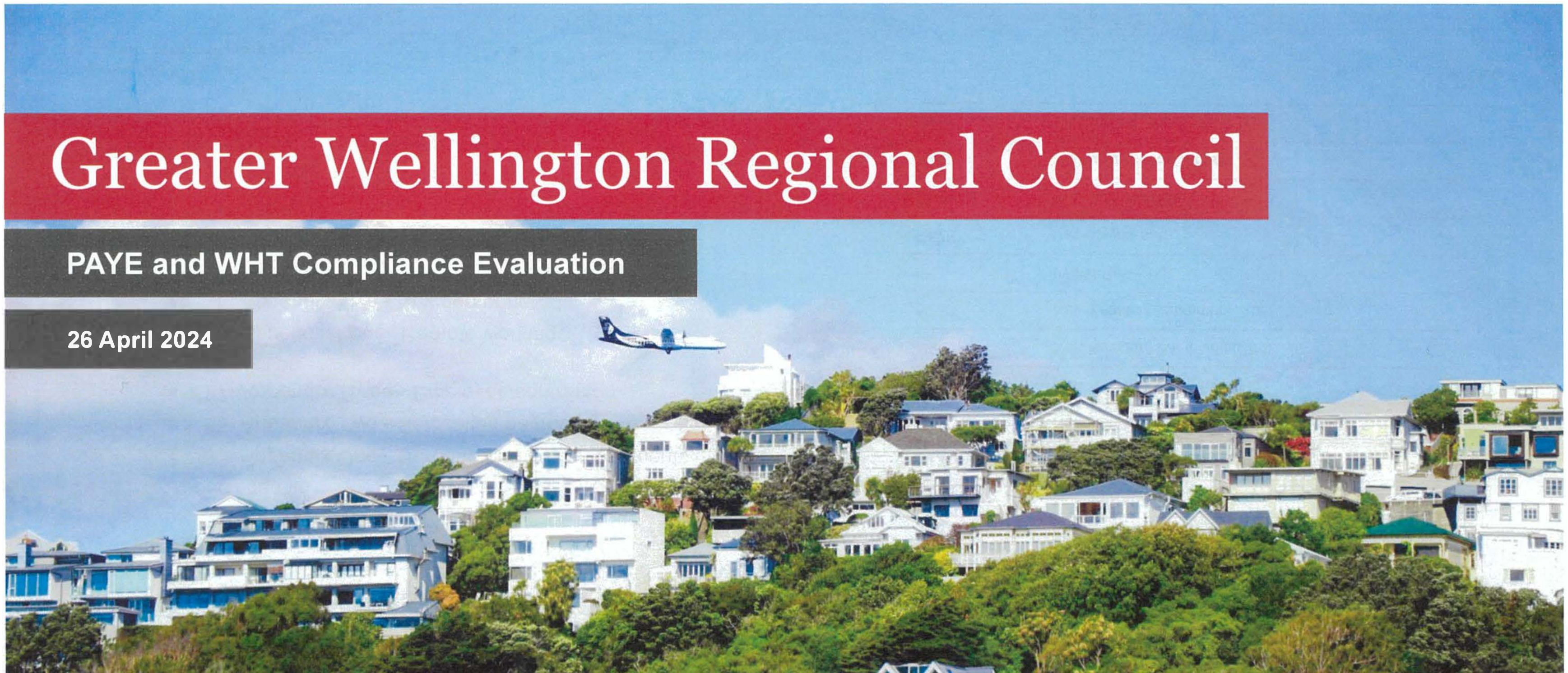
He whakarāpopoto i ngā huritaonga **Summary of considerations**
Fit with Council's roles or Committee's terms of reference The Committee's specific responsibilities include to "review the Council's responses to any reports from the internal and external auditors.".
Contribution to Annual Plan / Long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

Attachment 1 to Report 24.177

Greater Wellington Regional Council

PAYE and WHT Compliance Evaluation

26 April 2024



pwc

Strictly private and confidential

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Contents

Abbreviations

AP	Accounts Payable
EI	Employment Information
ERA	Employment Relations Act 2000
ESCT	Employer Superannuation Contribution Tax
FBT	Fringe Benefit Tax
HR	Human Resource
MUCA	Multi Union Collective Agreement
NPF	National Provident Fund
NRCT	Non-Resident Contractors Tax
NRWT	Non-Resident Withholding Tax
NZRT	New Zealand Retirement Trust
IRD	Inland Revenue
PAYE	Pay-as-you-earn
RDP	Relevant daily pay
PwC	PricewaterhouseCoopers
WHT	Withholding Tax

Attachment 1 to Report 24.177

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Ashwin Pai
Financial Controller
Greater Wellington Regional Council
P O Box 11646
6142 Wellington
New Zealand

26 April 2024

Dear Ashwin

We report on the Pay-As-You-Earn Tax (**PAYE**) and Withholding Tax (**WHT**) compliance of Greater Wellington Regional Council (**Council**).

This report should be read in conjunction with, and subject to the Terms of Engagement letter dated 4 August 2021, and our current Terms of Business as dated 3 November 2022. This report has been prepared for the purposes of providing an evaluation of PAYE and WHT compliance and should not be relied upon for any other purpose.

This is our final report, following our last discussion held on 18 April 2024 in relation to the report. This final report now recognises and incorporates verbal feedback, and the management comments provided by the Council team.

This report is strictly confidential, unless described in the contract or as expressly agreed by us in writing. We accept no liability (including for negligence) to anyone else in connection with this report and it may not be provided to anyone else.

Yours sincerely

Phil Fisher
Partner

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Scope & Approach

Scope & Approach - PAYE and WHT

The scope of our targeted indirect tax compliance evaluation was set out in our proposal document dated 15 August 2023. Briefly, the aim of the evaluation was to provide the Financial Controller with an overall evaluation of Council's PAYE and WHT compliance in respect of targeted areas of risk as set out in our proposal, and involved:

- Identifying any material instances of non-compliance and providing pragmatic recommendations for remediation, drawing on our experience in undertaking PAYE and WHT compliance evaluations across the local government sector and wider public and private sectors;
- Ascertaining areas of risk, and providing practical recommendations to mitigate those risks;
- Ensuring that Council's current policies and procedures facilitate PAYE and WHT compliance; and
- Enabling Council to demonstrate to Inland Revenue that it has taken reasonable care in managing its taxation affairs.

The initial onsite evaluation was undertaken from the 14th November 2023 to the 16th November 2023. The approach taken for the evaluation was to interview key staff (as outlined in **Appendix Five**), review and examine relevant documentation, and consider the tax treatment applied to a variety of transactions undertaken by Council. The documents reviewed and employees interviewed were selected due to their relevance to, and involvement with, the PAYE and WHT compliance process of Council. Specific consideration was given to those areas of PAYE and WHT that we are aware the Inland Revenue has been focussed on, and those areas that through our experience we know can be problematic.

As agreed, the culmination of the evaluation is the following report, providing an overview of Council's compliance with existing tax legislation, our recommendations for policy and process improvements, where appropriate, and our comments on tax opportunities/risks identified.

We would like to convey our appreciation of the assistance and open co-operation provided by Council's personnel throughout the course of the evaluation.

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Executive summary

Attachment 1 to Report 24.177

Executive summary

Overview

This report summarises the core findings of the areas covered by this tax compliance evaluation where we consider there to be scope for further improvement, and/or where we consider Council would benefit from some additional information.

The findings contained within the report were discussed with Ashwin Pai and Vanessa Chongnee at our exit meeting on 16 November 2023. Overall, we consider that Council has a reasonable level of PAYE and WHT compliance. We commend Council on its commitment to meeting its PAYE and WHT compliance obligations and ensuring it is managing its tax risks appropriately.

Notwithstanding this level of compliance by Council, there are some areas which we would still encourage Council to focus on. The points highlighted are discussed in further detail in the 'Key findings' below along with certain other matters discussed during the on-site evaluation.

Many areas of PAYE and WHT compliance were covered in this evaluation, and Council should reflect positively on having taken the proactive step of instigating this evaluation and obtaining a clear, independent view of those areas that it should address to facilitate tax compliance. We envisage that the completion of external tax compliance evaluations will culminate in a baseline assessment of the current state of your tax control framework.

Next steps

- Council management team to consider the recommendations and provide feedback to PwC on progress or planned progress, along with management comments which will be incorporated into the report before it is finalised.
- Council to implement agreed recommendations.
- Schedule for revisit in 12 to 24 months to monitor progress.

Key findings

- **Payroll processes -** There have previously been some issues with the payroll processes which resulted in late filing and late payment to Inland Revenue. We recommend Council provide further support to the payroll team, including training and oversight to mitigate the risk of further late filing and late payment. In particular, we recommend Council undertake a monthly reconciliation of payments made to Inland Revenue and the PAYE assessed, and ensure payments specify the tax type and period which the payment relates to.
- **Ranger housing -** Park rangers are provided rental accommodation in the course of their employment. Rent is charged at a significantly lower rate than market value. The difference between the appraised rent and the rent charged is considered a private benefit and therefore subject to PAYE. We recommend Council quantify this shortfall and make a voluntary disclosure to Inland Revenue.
- **Benefits, allowances and reimbursements -** Council provides non-taxable allowances for: phones, pest control workers' overnight stays and clothing. Given the nature of some of these payments detailed in the report, we would expect PAYE to be returned in respect of these allowances and reimbursements. Going forward, we recommend Council remain vigilant in assessing whether benefits provided have a personal benefit and should therefore be subject to PAYE or FBT.
- **WHT -** Council correctly deducts WHT from Councillors. However there is no process for ascertaining whether WHT should be deducted from other contractors. We recommend implementing and documenting a clear process for determining when WHT obligations arise for Council.

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Executive summary

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Findings

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Findings

Key

- ● High risk/immediate action required
- ● Low- Medium risk - action recommended
- ● Low risk/for your information only
- ✓ Opportunities

Area of focus	Our observation	Our recommendation	Management comments	Priority
General				
Payroll processes	Council completes two regular pay runs each fortnight for circa 850 staff, which includes one pay run for employees and one pay run for Committee Members and Councillors. Employees are largely on salary arrangements, with a mix of full-time, part-time, casual, and fixed term staff. As part of the payrun preparation process, a number of reports are reviewed to identify any errors which require correction. Once prepared, the relevant documents are sent to the Payroll Manager for initial review and approval, before being sent for final approval by the HR Manager. Once approved, the Payroll manager is responsible for filing the EI return with Inland Revenue, and bank files are sent to Finance for payment.	Although Council's payroll preparation process is generally sound, we comment on some specific areas for process and control improvements in the following pages.	Noted.	●
Payroll system	Council implemented the TechOne payroll system in June 2021. This is well integrated with the HR system (also TechOne), which largely reduces risk associated with manual processing and double-handling of information. However there are some known issues, for example issues with RDP calculations, and mid-cycle changes such as terminations and backpay. We understand these issues have been raised with TechOne and are currently a work in progress, however this means some parts of the payroll system are required to be manually reviewed in the interim.	Council should continue to seek resolution of these known issues with TechOne.	Management notes the recommendation supports Council's actions.	●

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Findings

Key

- High risk/immediate action required
- Low- Medium risk - action recommended
- Low risk/for your information only
- Opportunities

Area of focus	Our observation	Our recommendation	Management comments	Priority
General				
Procedural documentation	From our discussions, procedural documentation has not been drafted or updated since the 'go live' of TechOne. We understand that this is currently a work in progress with the new system now implemented. Despite this, Payroll has a checklist to ensure key steps in the pay run are completed and that approvals are given by the appropriate person.	We recommend Council develops a comprehensive payroll procedural document which details the full pay run process, including filing and payment to Inland Revenue, MyIR reconciliations, and amendments. As with any policy or procedural documentation, Council should ensure that these are reviewed and updated regularly (ideally at least annually). A common request during an Inland Revenue risk review or audit is that procedural documentation be provided. Where taxpayers can produce up-to-date, comprehensive documentation this instils Inland Revenue with a high degree of confidence in an organisation's compliance.	Some procedural documentation already exists and more of the documentation has now been sent to PwC. Further documentation continues to be developed.	●
Communication	For best practice, strong communication between HR, Finance and Payroll is fundamental to good tax compliance. Payroll sits within HR, and there appears to be open communication between these teams and Finance. However, we understand some gaps in communication can arise outside of these teams, for example, where hiring managers responsible for entering terminations do not notify payroll in a timely manner, resulting in delayed processing of final pays.	Whilst there is generally good communication between the HR, Finance, and Payroll teams, it is also important for managers outside of these teams to ensure they are communicating the necessary information to Payroll when required. We recommend Council work on raising the team's awareness of responsibilities and understanding in this regard. This may include providing training to ensure knowledge of these processes is up to date, and that managers understand the importance of information being provided in a timely manner.	We agree there is good communication between HR, Finance & Payroll. We believe our managers do understand the importance of information being provided in a timely manner. In general, we have very few instances of late information in relation to employees. We are working with the business to ensure the same applies for advisory board and contractor payments.	●

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Findings

Key
- ● High risk/immediate action required
- ● Low- Medium risk - action recommended
- ● Low risk/for your information only
- ✓ Opportunities

Area of focus	Our observation	Our recommendation	Management comments	Priority
General				
Late filing and payments	We understand there have been some previous instances of late filing and late payments with Inland Revenue, resulting in penalties and interest being applied. When discussing with the team about the late payment and filing issues, the team were unable to confidently identify the root cause of these issues.	We recommend providing further support to the payroll team to mitigate the risk of further late filing and late payment. This may include additional training, oversight and reporting, and the resources to create procedural documentation. We comment on more specific aspects throughout this report.	It has taken PWC, Finance and Payroll some time to identify the root cause of this issue. A checking process has been put in place with Finance, providing a double check. This will ensure late filing never happens again.	● (High)
MyIR reconciliations	As part of the pay run process, we understand Payroll complete a reconciliation of the pay run in TechOne against the assessment of PAYE in MyIR. In reviewing the MyIR account, we identified a number of payments which had been allocated to incorrect periods, causing a significant amount of penalties and interest to be applied.	Council has commissioned PwC to assist with the reconciliation of PAYE in MyIR, and we are currently in communication with Inland Revenue in this regard. We will provide a separate memo to Council outlining the outcome of this work. Going forward, we recommend Payroll include a monthly reconciliation of the payment made with the payment received in Council's PAYE account within MyIR. This will ensure any issues are identified and able to be rectified early. As part of making the payment, we recommend that Finance specifies the period and tax type the payment relates to ensure that the payment is allocated correctly.	The allocation of payments to incorrect periods was made by IR not GW. This was a consequence of the implementation of IR's new automated system. We have informed IR in the past of the incorrect allocation. Payroll have a monthly reconciliation process that they undertake.	● (Low-Medium)

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Findings

Key

- High risk/immediate action required
- Low- Medium risk - action recommended
- Low risk/for your information only
- Opportunities

Area of focus	Our observation	Our recommendation	Management comments	Priority
General				
Out of cycle pays	Council may occasionally be required to process an out-of-cycle payment, though we understand these do not often occur. We consider this approach to be best practice, as processing out-of-cycle pays requires an additional level of work and therefore compliance risk.	No action required.	Noted.	Low risk (green)
Overpayments	Occasionally, employees are overpaid. Overpayments are tracked in a spreadsheet which dates back to 18 May 2021. During our discussions, it became apparent that this spreadsheet was not regularly updated. On reviewing the spreadsheet it was not clear whether employees have repaid the overpayment and whether their earnings have been correctly adjusted in myIR.	We recommend Council ensure any overpayments are managed appropriately and that the overpayment spreadsheet is regularly updated. To accomplish this, we recommend completing a review of the overpayments spreadsheet each month at a minimum, or with each pay cycle. Additionally, we recommend the process for managing overpayments is incorporated into the payroll procedural document.	A process already exists in policy and is being followed. While the spreadsheet was not up to date, actions on overpayments were being managed. The overpayment spreadsheet is being kept up to date and being reviewed monthly by the Head of HR and the Payroll Manager.	Low-Medium risk (amber)

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Findings

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- ✓ Opportunities

Area of focus	Our observation	Our recommendation	Management comments	Priority
Payroll Testing				
Normal pay	Our payslip testing on a range of normal pay tax codes (e.g. M, M SL, S) did not indicate or identify any inconsistencies. As such, this provides relative confidence that Council's payroll is correctly accounting for PAYE, student loan repayments, and superannuation deductions on normal pay codes.	No action required.	Noted.	●
Lump sum ("Extra pays")	Our sample payslip testing included a range of lump sum payments, including redundancy, back pay, cash up of annual leave cash ups, bonuses, and annual leave on termination. In each of these instances PAYE have been correctly calculated in accordance with the extra pay PAYE rules.	No action required.	Noted.	●

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Findings

Key

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- ● Low- Medium risk - action recommended
- ● Low risk/for your information only
- ✓ Opportunities

Area of focus	Our observation	Our recommendation	Management comments	Priority
Superannuation				
Superannuation	In accordance with KiwiSaver legislation, Council must make a minimum compulsory employer contribution of 3% to an employee's KiwiSaver scheme or complying fund, unless the employee is a member of a defined benefit scheme. Council offers enhanced employer contribution rates of up to 6% or 12%. Employees can choose to cash-up the additional employer contribution, which is correctly treated as a taxable allowance. In addition to KiwiSaver, Council currently offers two alternative workplace savings schemes, NZRT and Civic. We understand a small number of employees are also enrolled in the historic NPF scheme, which is no longer offered to new employees. Based on our sample payslip testing, where an employee is a member of KiwiSaver and an alternative scheme, Council is contributing at least the minimum 3% employer contribution to KiwiSaver.	No action required.	Noted.	●
ESCT	Our testing of ESCT rates shows ESCT rates are correctly set for new and existing employees. As such, this provided us with confidence that ESCT is correctly being set in accordance with the ESCT rules.	No action required.	Noted.	●

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Findings

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- ● Low- Medium risk - action recommended
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- ✓ Opportunities

Area of focus	Our observation	Our recommendation	Management comments	Priority
Benefits, allowances and reimbursements				
Employment agreements	Council has a Multi Union Collective Agreement (MUCA) and individual employment agreements in broadly the same terms. We reviewed the MUCA and did not identify anything unusual. We understand that hiring managers have very limited scope to negotiate employment packages as there is a set remuneration package. The types of non-taxable payments paid by Council include tea allowance, phone allowances, and reimbursements for overnight stays. We comment on these and other benefits, allowances and reimbursements below.	No action required.	Noted.	● (Low risk)
Ranger accommodation	Park rangers are being provided housing as part of their employment. The rent they are being charged is significantly lower rate than the independent market rent assessment. Rent is correctly deducted from net pay, and a taxable allowance of 25% of the rent is paid. However, the difference between the appraised market rent and what is charged to the rangers should be subject to PAYE as it is a private benefit. Looking back over the prior four years, we estimate that the PAYE shortfall would be circa $200,000 for the six houses provided.	We recommend Council quantify the PAYE shortfall and submit a voluntary disclosure to Inland Revenue.Typically, a voluntary disclosure will only require amendments to be made for a period of up to 4 years prior. Please let us know if you require our assistance with this. There may be savings on use-of-money interest available through the use of tax pooling. We note that whilst amending the PAYE returned for these individuals, even if it has no direct financial impact on them, it will impact their gross remuneration. This may have a wider impact on Working for Families, and the Student Loan. We are also able to assist with effectively communicating the impact of grossing up for PAYE to the affected employees, if required.	Ranger accommodation is dealt within the MUCA and individual employment agreements and subject to negotiations. Ranger accommodation was identified as an area for further work as part of those negotiations and a working party is currently underway. Management will work with PwC in relation to the respective periods.	● (High risk)

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Findings

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- ● Low- Medium risk - action recommended
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- ✓ Opportunities

Area of focus	Our observation	Our recommendation	Management comments	Priority
Benefits, allowances and reimbursements				
Overnight accommodation allowance	Under the MUCA, when pest control workers are required to stay overnight they are reimbursed: • $40.79 per night for above standard accommodation, • $45.70 per night for standard accommodation, and • $62.01 for Department of Conservation huts or under canvas. For a reimbursement to be paid tax-free it must represent actual or reasonable expenditure incurred. However, based on our discussions, the payments appear to instead reflect 'inconvenience'. Where this is the case, the allowance would be viewed by Inland Revenue as a taxable allowance.	If the allowance is merely paid for the "inconvenience" of the accommodation, this is not considered a reimbursing allowance, and should be treated as a taxable payment. We recommend Council review this allowance to clarify its purpose, identify how the quantum is determined, and update the tax treatment as necessary.	Management acknowledges the comments and is considering how it is taxed in the future.	● (Low-Medium)
Non-taxable phone allowances	A small number of employees receive a non-taxable phone allowance, as well as being provided a cellphone by Council. As such, tax should be accounted for on the phone allowance.	Although we understand that this a grandparented allowance which is being phased out, we recommend Council account for and return PAYE on these phone allowances.	There is one employee with a non-taxable phone allowance. The employee has agreed for this payment to be wrapped up into their base salary and therefore this will no longer be relevant. Management will work with PwC in returning PAYE on the phone allowance.	● (Low-Medium)
Relocation Allowance	We understand that relocation payments are occasionally made by Council. Typically, this is at the discretion of hiring managers and is contained within the letter of offer. Relocation payments are paid as a reimbursement on the basis of actual expenditure incurred and does not include accommodation. Inland Revenue's Determination 09/04 (refer **Appendix Two**) provides a comprehensive list of eligible relocation expenditure that can be provided tax-free. In our sample, all expenditure fell within this list.	No action required.	Noted.	● (Low)

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Findings

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- ✓ Opportunities

Area of focus	Our observation	Our recommendation	Management comments	Priority
Benefits, allowances and reimbursements				
Workride	We understand Council is looking to enter into a contract with Workride, a company offering a scheme for employers to purchase an e-bike with deductions made from the employee's gross salary. Whilst Inland Revenue has issued a product ruling on Workride's scheme, we note that if Council were to enter into the Workride scheme that it is likely that Council would incur compliance costs relating to the administration of the scheme.	Council should consider the compliance costs of entering into the Workride scheme from both a payroll and finance perspective.	Noted.	●
Professional membership fees	Council provides an allowance for professional membership fees as part of certain employees' fortnightly pay run. This is a historical set up and is being phased out. In addition, professional membership fees are processed through expense claims as a reimbursement for actual costs. These allowances are correctly being treated as taxable as they are not paid to cover any specific reimbursing cost.	No action required.	Noted.	●

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Findings

Key

- ● High risk/immediate action required
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Area of focus	Our observation	Our recommendation	Management comments	Priority
Benefits, allowances and reimbursements				
Clothing	We understand that Council provides some employees with a tax-free reimbursement in relation to clothing. Typically, an employee working in an outdoor role will purchase an item of clothing and Council will affix a logo. We note that the MUCA includes clothing items such as thermal undergarments, socks and sunglasses. Reimbursements of this nature may be paid tax-free where an employee is required to purchase their own clothing for work, providing there is no private benefit (i.e. plain clothes could be classified as a private benefit). Alternatively, where the clothing is provided directly by Council, the FBT exemption for distinctive work clothing (section CX 30 of the Income Tax Act) may apply.	We recommend Council ensures that any clothing provided in the course of employment complies with Inland Revenue's requirements in order to be tax-free.	Management note the recommendation and will consider should there be changes to the clothing provided to the relevant staff.	●
Mileage	Where an employee uses their own vehicle for work-related travel, they will submit a mileage reimbursement claim. Council uses the Tier 1 kilometre rates for employee reimbursements, which are set by Inland Revenue each year. Pursuant to Inland Revenue's Operational Statement (OS) 19/04, the tier 1 mileage rate may be paid tax-free for the first 14,000km only where full logbooks are maintained. Where full logbooks are not maintained, only the first 3,500km at the Tier 1 rate can be paid tax-free. While Council does not require employees to maintain logbooks, we understand Council is confident that no employee would exceeds the threshold of 3,500km.	No action required.	Noted.	●

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Findings

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- ● High risk/immediate action required
- ● Low- Medium risk - action recommended
- ● Low risk/for your information only
- ✓ Opportunities

Area of focus	Our observation	Our recommendation	Management comments	Priority
Benefits, allowances and reimbursements				
P-Cards and reimbursements	From our discussions, around 280 employees are provided with Council P-cards. These are typically provided to employees who travel often or are responsible for managing other purchases for Council. We understand that most staff reimbursements are for business-related expenditure and are paid in line with Council's Finance Policy. Any reimbursements are processed through AP and are subject to manager approval. We understand that AP typically reviews expense claims from a policy perspective, rather than a tax perspective.	We recommend a sample of P-card claims are reviewed periodically to ensure only business-related expenses are being processed. Where payments are identified as being potentially private in nature, they should be flagged for further tax review. Importantly, the 'business' and 'private' distinction for tax may differ from what Council considers to be acceptable 'business' expenditure.	A sample of P card claims are reviewed by the Transactions team, However these are not documented and going forward a register is expected to be maintained with the actions taken.	●
Insurance	As part of the employment package, Council provides employees with both medical and group trauma insurance. Where employees have received an insurance payout under the trauma insurance policy, we understand they no longer qualify for continued coverage. These employees are instead provided with a taxable allowance for contribution towards trauma insurance. Our payslip testing confirmed the correct tax treatment is being applied.	No action required.	Noted.	●

Attachment 1 to Report 24.177

Findings

Key

- ● High risk/immediate action required
- ● Low- Medium risk - action recommended
- ● Low risk/for your information only
- ✓ Opportunities

Area of focus	Our observation	Our recommendation	Management comments	Priority
Hurt and humiliation payments				
Section 123 (Hurt and humiliation) payments	Inland Revenue investigations continue to include a detailed examination of tax-free payments made under section 123 of the ERA ('hurt and humiliation' payments). We understand it is Council's typical practice not to make these payments. This is evidenced by there only being two non-taxable hurt and humiliation payments made in the last four years; which from our experience, is a very low number for an employer of Council's size. In reviewing these two payments, evidence of there being a personal grievance formally raised was not seen; that is not to say the grievances were not raised.	Although Council's practice is not to make Hurt and Humiliation payments, we have provided (refer **Appendix One)** details of the four the criteria that Inland Revenue would apply when assessing whether they consider if such a payment should have been treated as tax-free. Noting that Council will rarely make such payments, we recommend that the key personnel in HR and Finance hold this criteria, as opposed to being made widely available in a policy. Further, we recommend there is an agreement that the head of HR and the CFO sign off on any severance packages, including any hurt and humiliation payments, so the tax position of these is appropriately agreed.	The two paid were in 2020 and 2021, so some time ago. Council will not normally pay tax free payments under section 123 of the ERA, and will continue this approach recognising that there could be a rare occasion when the facts of the particular situation result in a tax-free payment. A formal policy on this could have perverse outcomes but also given our practice, we believe it is unnecessary.	●
Career counselling	In reviewing Council's s123 payments, we identified one instance where a payment for career counselling has been provided to a departing employee. We were unable to confirm whether this payment was treated as taxable.	We recommend that Council ensure that any other payments made as part of a s123 payment are considered from a tax lens.	Noted.	●

Attachment 1 to Report 24.177

Findings

Key

- ● High risk/immediate action required
- ● Low- Medium risk - action recommended
- ● Low risk/for your information only
- ✓ Opportunities

Area of focus	Our observation	Our recommendation	Management comments	Priority
Other				
Remote working	From our discussions, there is only one member of staff who works remotely within New Zealand. No transport or accommodation is provided to this employee or any temporarily remote employees. They have no 'special' arrangements so the tax position is 'vanilla'. We understand that Council has had a small number of employees who have worked remotely from overseas. The international employees salaries are paid into a New Zealand bank account and PAYE is deducted as normal. Since giving approval to these employees, Council has implemented a strict international remote working policy, which includes a time limit of three months.	We recommend Council review any overseas remote working arrangements to ensure that the 3 month time limit has not been breached, and if required, the international tax obligations for Council can be considered. Further, for your reference, Inland Revenue has provided an updated Determination on benefits and allowances for domestic employees working from home. We have included **Appendix Four** which outlines these changes.	Council's overseas arrangements within the policy were legally reviewed prior to instigating There is only one person overseas that we believe we might need to review following the insights provided on the tax implications of overseas employees. We will liaise further with PwC to agree how we address any tax issues identified.	● (Low-Medium)
Koha	Council has a very detailed Koha policy in place to govern when such payments are acceptable. This policy correctly restricts koha payments to reflect a specific occasion, rather than any expected payment for service.	No action required.		● (Low)

Attachment 1 to Report 24.177

Findings

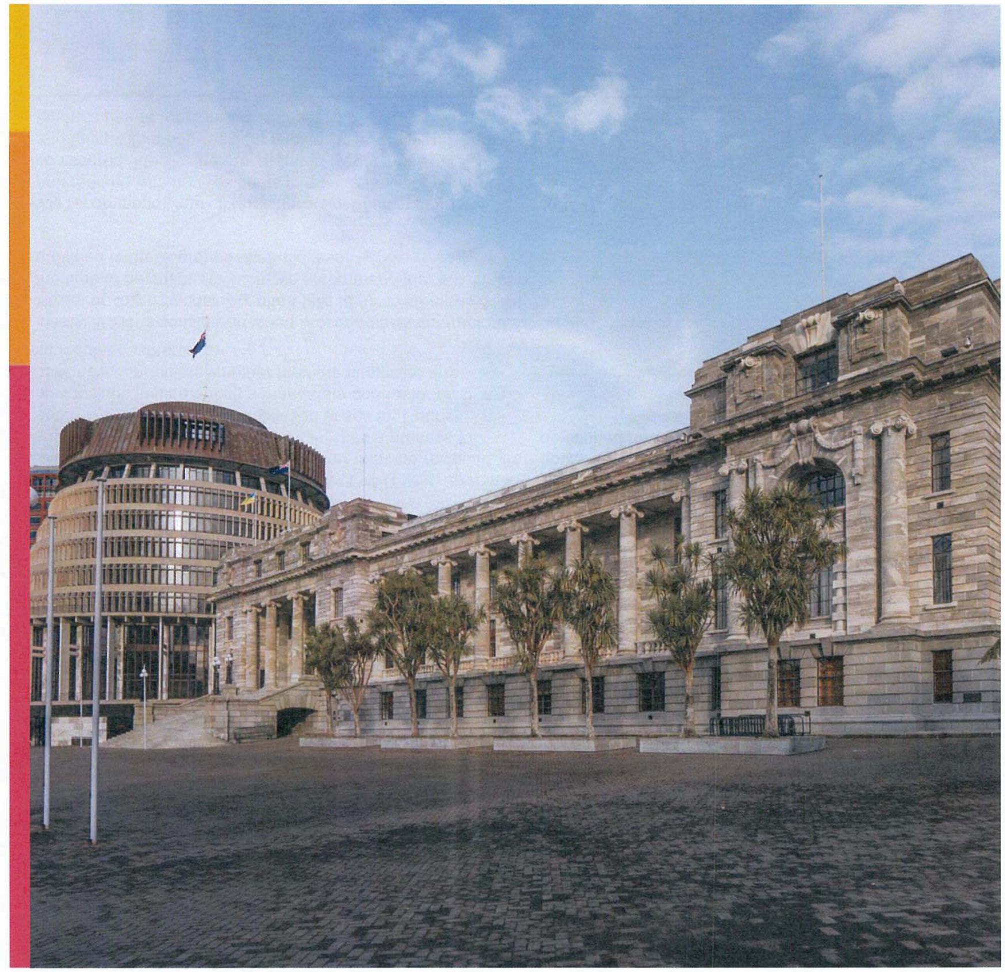
Key

- High risk/immediate action required
- Low- Medium risk - action recommended
- Low risk/for your information only
- ✓ Opportunities

Area of focus	Our observation	Our recommendation	Management comments	Priority
Withholding tax				
Employee/ contractor distinction	Whilst HR and Procurement have a good knowledge and understanding of the employee/ contractor tests, both have expressed concerns that some existing contractors would likely be considered employees under these tests. This may be a risk area where hiring managers or budget holders engage contractors without the assistance of HR or Procurement, as it is unlikely the employee/ contractor tests are considered. Additionally, there is limited oversight of the number of contractors Council engages.	We recommend Council ensures that the employee/ contractor distinction is formally integrated into the procurement process when entering new engagements. This is important to ensure Council is mitigating both employment law and tax risks. This should include considering the 'tests' provided at **Appendix Three**. Where the distinction is not appropriately considered, this can lead to unfavourable situations in the event that an individual disputes their employment status.	A policy has been drafted and will be implemented shortly.	Low-Medium
WHT	While Council correctly deducts WHT from payments to Councillors, we understand WHT is not deducted from any other payments to individual contractors. Our sample testing did not identify any instances where WHT should have been deducted, likely as a result of Council largely only engaging contractors operated through a Company. As such, we are of the view that this is relatively low risk area. We understand it is currently the responsibility of the relevant manager who engages the contractor to determine whether WHT applies, however there is no formal process. Where HR or procurement are involved, they will recommend that the contractor seek independent tax advice as to their tax status.	We note that the responsibility to deduct WHT and report it to Inland Revenue falls to the payer rather than the recipient. As such, it is prudent that Council establishes a process for determining when a WHT obligation arises for Council. This may include implementing a mandatory contractor form, which asks new contractors whether they are subject to any schedular payments. Ideally, WHT is considered when procuring new contractors. However, this responsibility often falls to AP to identify WHT at the time of payment. As such, we recommend that training is provided to these groups of employees.	This will be dealt with as part of the policy and processes being developed as above.	Low-Medium
NRCT and NRWT	We understand it is unlikely that Council would engage non-resident contractors to perform services in New Zealand or enter into contracts with offshore entities. We did not identify any potential non-resident contracts in our review of the AP listing.	We recommend Council remain vigilant of any contracts entered into with non-residents to ensure tax is appropriately considered. Ideally, the procurement / legal process for engaging with a non-resident should include 'sign off' from Finance before the contract is finalised.	Noted.	Low

Attachment 1 to Report 24.177

Appendices



Appendix One - Hurt and Humiliation payments

Inland Revenue has expressed its view that the following four factors must be present for a tax-free payment made under section 123(1)(c)(i) of the ERA to be considered genuine. Please note that hurt and humiliation payments that do not meet these criteria can still be paid, however they are subject to PAYE.

The existence of a personal grievance

To be genuine compensation for hurt or humiliation suffered, there must first be evidence of a personal grievance being raised by the employee. What constitutes 'evidence' is not prescribed, but we would ordinarily expect an employer to have a written grievance from the employee or records of the conversation where an employee claimed they had a grievance.

Fair and reasonable

The employee must have a genuine personal grievance that justifies a compensatory payment. The question that must be answered is whether the actions of the employer were fair and reasonable. If the employer acted in a fair and reasonable way (in terms of section 103A of the ERA); for example, in respect of performance management of an employee, there would have been no "unjustified dismissal" or "unjustified actions" on the part of the employer, and there would be no genuine personal grievance (in terms of sections 103 of the ERA).

Quantum

Inland Revenue will look at whether the quantum of the payment is appropriate to the personal grievance and 'suffering' of the individual. Inland Revenue will consider this in light of court awarded amounts and will want to be satisfied that the hurt and humiliation payment is in addition to, and not a substitute for, other statutory (or contractual) entitlements due to the employee. In this regard, we recommend ensuring that records are retained in relation to the humiliation, loss of dignity and injury to feelings claimed by the employee as a result of the grievance (such as copies of correspondence and medical certificates).

Documentation

Inland Revenue will consider whether sufficient evidence of hurt or humiliation exists to substantiate a genuine payment under section 123(1)(c)(i) of the ERA. This is typically where we see the hurt and humiliation payments challenged by Inland Revenue (i.e. there is not enough evidence on file to prove that a payment is genuine).

The reason Inland Revenue thinks the treatment of these payments is important, is due to the impact on KiwiSaver, social assistance etc., if the payment is supposed to be taxable. We note that Inland Revenue is now insisting that a payment incorrectly treated as tax free must not only be grossed up for tax, but also employee and employer KiwiSaver contributions and reassessed on the individual employee's employment income record. This in turn has the potential for further, likely negative, interactions with the employee/former employee.

Attachment 1 to Report 24.177

Appendix Two - Relocation Payments

Inland Revenue's Determination DET 09/04: Eligible Relocation Expenses, sets out a list of relocation expenses that can be paid or provided to the employee tax free. Work-related relocation is defined in section CW 17B of the Income Tax Act 2007, to be where the relocation of where the employee lives is required as a result of the employee's workplace not being within a reasonable daily travelling distance of their residence and the employee is:

- taking up new employment with a new employer; or
- taking up new duties at a new location with the employee's existing employer; or
- continuing in the employee's current position, but at a new location.

The employee's existing residence must not be within reasonable travelling distance of the new workplace. The term "reasonable daily travelling distance" has not been defined in the legislation, but Inland Revenue has released a guideline on interpreting the phrase. Inland Revenue accepts that what is considered reasonable may vary depending on several factors. If the total of both legs of travel exceeds two hours in total, then Inland Revenue has confirmed that the distance is outside what is considered a reasonable daily travelling distance. In practice, this generally equates to a total journey distance of between 100 and 160 kms a day.

The relocation costs can be incurred by the employer or the employee and subsequently reimbursed by the employer, however in order to support the tax free treatment, the employer must hold invoices or receipts for the expenditure. The expenditure must be incurred by the balance date following the year in which the relocation occurred[1]. The list of eligible expenditure includes (but is not limited to) such things as (the full list of relocation expenses that can be made tax free can be found on: https://www.taxtechnical.ird.govt.nz/determinations/miscellaneous/det-0904-eligible relocation-expenses):x

Preparatory	Transportation	Property	Individuals, dependants and miscellaneous
• Immigration assistance; • Health checks, tests and immunisations necessary.	• Removal and transport of household effects (including insurance, insurances excesses and taxes); • Moving "tools of trade" and other personal items such as cars, boats etc; • Transport to get to the new location	• Exiting or breaking existing accommodation leases and similar contracts; • Selling an existing home and acquiring a dwelling; • Accommodation or value of employer provided accommodation once the employee has arrived in the new location, for up to three months; • Storage of household or personal effects.	• Travel/health insurance while relocating; • Redirecting mail.

[1] *An 'upfront' allowance can be made provided a reconciliation of the expenditure against the allowance occurs by 31 March of the year following the year or relocation.*

Appendix Three - Employee/Contractor Distinction

Incorrectly treating an individual as a contractor can have significant employment law and tax risks.

Case law distinguishes between contracts **of** service and contracts **for** services. A contract of service means there is an employer–employee relationship; a contract for services means there is a contractor relationship. It is important to note that naming an agreement a contract for services or calling the relationship contractor is insufficient to determine the nature of the relationship, although it does provide a useful indication. The true underlying nature is determined by the relationship in practice and can adapt over time without the reissue of a contract.

Case law has identified five main tests to determine the nature of the relationship. All tests do not need to be met to indicate the true nature of the engagement, and similarly, no single one of these tests can indicate the true nature. The true nature can only be determined through the specific facts of each case.

1. Intention test

The intention test looks at the intentions of each party in the agreement. Intention can be determined through examining the underlying contract and through the agreeing statements of what each party expects from the engagement. The description given to a relationship by the parties to the contract is a strong indication of the type of relationship, but not conclusive.

The taxation arrangement can be an indicator of what is intended e.g. paid at a set rate at regular intervals with PAYE deducted supports the view of an intended contract of service. Additionally, the entitlement to sick and holiday pay indicates the relationship may be employer-employee in nature.

In some circumstances industry practice may be relevant when determining the intention of the parties.

2. Control Test

The degree of control over the worker and their daily tasks is key to the underlying nature of the engagement. Indicators the engagement is with an employee rather than a contractor include, but are not limited to, lack of ability to choose hours of work, days off, how the job is performed, and the location of the work performed.

3. Independence Test

The independence test is viewed as the inverse of the control test. A person generally has a high level of independence if they:

- work for multiple people or clients;
- work from their own premises;
- supply their own (specialised) tools or equipment;
- have direct responsibility for the profits and risks of the business;
- hire or fire whomever they wish to help them do the job;
- tender and invoice for the work;
- supply the equipment, premises and materials used;
- pay or account for taxes and government and professional levies correctly.

We note, agreeing not to work for a competitor or give away trade secrets can sometimes indicate a contractor relationship as it can emphasis that the worker is usually entitled to work for others.

4. Fundamental test

The fundamental test addresses whether the type of business or the nature of the job justifies or requires using an independent contractor. Key areas include whether;

- they're in business for themselves, are responsible for the success or failure of their business and can make a loss or a profit;
- they're responsible for fixing any unsatisfactory work in their own time;
- their employer agrees a fixed price for their work - it doesn't depend on how long the job takes to finish;
- they use their own money to buy business assets, cover running costs, and provide tools and equipment for their work;
- they can work for more than one client;
- there is a time limit for completing a specific project;
- the worker can be dismissed;
- the worker is legally liable if the job goes wrong.
- Usually, an independent contractor operates under these terms.

5. Integration test

The integration test assesses whether the person is considered part of the organisation and whether the work is necessary for the running of the business. Generally, a worker is considered an employee if:

- they are integral to the business organisation; indications include business cards/uniform/ building access card/role title/Christmas party invite/vehicle logo;
- duties commonly done by "employees" and are not specialised in nature;
- continuous work (not a "one-off" or accessory operation);
- work for the benefit of the business rather than for the benefit of the worker.

Appendix Four - Remote Working

There has been a notable increase in queries from public sector organisations regarding flexible working arrangements, particularly where, in order to attract appropriate talent to roles, organisations are engaging employees and contractors from distant locations.

Inland Revenue has recently released an updated *Determination EE004* in relation to payments to employees for working from home and for using their own telecommunications devices and/or usage plans, effective for payments made by employers from 1 April 2023. There is no substantive change from the previous *Determination EE003* which it replaces, though we note there is no longer an end date for the period to which this Determination applies.

The 'safe harbour' thresholds have been updated as follows:

- A **one-off** tax-free payment of up to $400 (no change from EE003) for furniture or equipment purchases
- An additional **one-off** tax-free payment of up to $400 for telecommunications equipment purchases
- A tax-free payment of up to $7/week (increased from $5/week in EE003) for telecommunication devices/usage plans
- A tax-free payment of $20/week (increased from $15/week in EE003) for other working from home costs (e.g. electricity)

We note that despite being a safe harbour option and therefore no evidence is required to be kept, the working from home allowance requires the employee to work from home on a more than minor basis. Inland Revenue gives the example of alternating days. This requirement is reinforced by the fact that the exemption will no longer apply when the employee stops working from home.

Further, Inland Revenue released the

- Operational Statement 19/05: Employer provided travel from home to a distant workplace income tax (PAYE) and fringe benefit tax
- Operational Statement 21/01 Operational Statement on the Income tax treatment of accommodation provided to employees. While no substantial changes emerged, it does consolidate a number of the various tax rules that apply to accommodation payments.
- Determination 09/04: Eligible relocation expenses which sets out the tax treatment of payments or reimbursements for certain costs incurred in a work-related relocation (**Appendix Two**).

It is evident that where an employer has remote workers, either domestically or internationally, or introduces flexible working arrangements which result in changes to benefits and entitlements, there can be a number of tax issues to be worked through.

Attachment 1 to Report 24.177

Appendix Five - Key Personnel

Key Personnel	
Person	**Title**
Ashwin Pai	Financial Controller
Vanessa Chongnee	Payroll Manager
Sarah Ross	Manager of HR Advisory and Recruitment
Peter Hutchings	Manager Remuneration and Analysis
Valerie Talbot	Team leader for Transactions
Loimata Asiata (Mata)	Senior Payroll analyst
Phillipa Haddon	Payroll Specialist
Cath Mitchell	Procurement

Attachment 1 to Report 24.177

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Finance, Risk and Assurance Committee
14 May 2024
Report 24.175

For Decision

FAIR VALUE ASSESSMENT OF PROPERTY PLANT AND EQUIPMENT

Te take mō te pūrongo
Purpose

1. To outline Greater Wellington's approach to determining materiality to be used in the fair value assessment of property, plant and equipment to the Finance, Risk and Audit Committee (the Committee).

He tūtohu
Recommendations

That the Committee

1 **Endorses** the process for setting materiality for the fair value assessment of property, plant and equipment outlined in this report, including a materiality threshold of ten percent (10%).

Te tāhū kōrero
Background

2. In accordance with accounting standards, Greater Wellington revalues its classes of property, plant and equipment on a rolling three to five years cycle to ensure that their carrying values do not materially differ from their fair values. Revaluations are staggered over the period to spread the cost and workload involved. The current asset revaluation cycle is summarised below:

Asset class	Previous Valuation	Next Valuation
Flood Protection	June 2020	June 24 in progress
Parks and Forests	June 2022	June 2025 – June 27
Public Transport	June 2023	June 26 – June 28
Regional Water Supply	June 2022	June 2025 – June 27
Navigation Aids	June 2019	June 24 in progress

3. For those assets that are not due to be revalued, accounting standards require Greater Wellington to perform a comprehensive analysis at each reporting date to determine whether there is a significant difference between the fair value and the carrying value that would trigger the need for a revaluation.

4. Audit NZ recommend management must consider assessing fair value of property, plant and equipment against most recent actual or quoted costs as opposed to solely relying on Statistics New Zealand index data.

5. Audit NZ also recommend management table internally set materiality thresholds for approval by the Committee which will determine the timing of the next full valuation of the asset classes stated above on an annual basis.

6. Management has conducted similar assessment in previous years which has been well received and validated by Audit NZ.

Te tātaritanga
Analysis

7. The methodology for setting materiality applied by Greater Wellington is derived from PBE IPSAS Standards and industry practice. The main consideration in the assessment are materiality of estimated movements and the presence of objective evidence.

8. IPSAS standards require the accounting treatment and disclosures of events and transactions to be guided by the principle of materiality as set out in IPSAS 1: Presentation of Financial Statements. Elements of the financial statements and transactions are deemed to be material when their omission or misstatement “could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements or service performance information” (Par. 7). Materiality can be viewed as a quantitative and or qualitative concept and should be assessed individually and collectively. In assessing whether the fair value movements are material to the financial statements, Greater Wellington management will conduct both qualitative and quantitative analysis.

9. Accounting standards do not specify thresholds for determining materiality, rather this area remains subject to management’s judgement based on the knowledge of the environment in which the entity operates. The judgments applied in this assessment have been developed from a combination of management’s knowledge of the assets, its operating environment and external factors.

10. Management has considered a quantitative threshold of 10%, which is an industry standard, for the overall movement on the respective asset classes subject to a fair value assessment for the year ending 30 June 2024.

11. Consequently, our assessment assumes that where the movement in the selected market indicators is more than 10%, this will be taken to be an indicator that the carrying value of that asset class may be materially different from the fair value. This result will trigger a full revaluation assessment in the subsequent financial year. Inversely where the indicative movement is less than 10%, no further work will be performed.

12. Further, management will take all factors into account in determining any updates to the carrying value of the asset classes for the current financial year.

13. PBE IPSAS 17 Property, Plant & Equipment (Par. IG3) states that in assessing whether there is any indication that a revalued asset’s carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date, an entity considers, as a minimum, the following external indications:

    a Significant changes affecting the entity have taken place during the period, or will take place in the near future, in the technological, market, economic, or legal environment in which the entity operates or in the market to which the asset is dedicated.

b Where a market exists for the assets of the entity, market values are different from the carrying amounts.

c During the period, a price index relevant to the asset has undergone a material change.

14. Internal indications that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date, an entity considers, as a minimum:

a Evidence is available of obsolescence or physical damage of an asset.

b Significant changes affecting the entity have taken place during the period, or are expected to take place in the near future, that might impact the extent to which, or way, an asset is used or is expected to be used. Adverse changes include the asset becoming idle or plans to dispose of an asset before the previously expected date and reassessing the useful life of an asset as finite rather than indefinite. Favourable changes include capital expenditure incurred during the period to improve or enhance an asset more than its standard of performance assessed immediately before the expenditure is made; and

c Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse or better than expected.

15. Management will further consider actual costs or unit rates to ascertain the asset values. However, since very few assets are constructed over the course of a year the use of actual costs is expected to be limited.

16. In the instances of limited actual costs information being available internally, Management will also consider getting the appropriate information from external asset valuers for performing the fair value assessment.

Ngā hua ahumoni
Financial implications

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

18. Using this methodology there is risk that unbudgeted professional valuations may be required. This will be brought to Council for approval either as part of the Long Term Plan/Annual Plan process or as an out of cycle request.

19. For noting, Greater Wellington funds all capital projects with debt. The valuation increase and subsequent impact on depreciation has no impact on rates.

Ngā Take e hāngai ana te iwi Māori
Implications for Māori

20. There are no known impacts for Māori.

Ngā tikanga whakatau
Decision-making process

21. The matters requiring decision in this report have been considered by officers against the requirements of Part 6 of the Local Government Act 2002 (the Act).

Te hiranga
Significance

22. Officers have considered the significance of the matters, considering the Council's *Significance And Engagement Policy* and Greater Wellington's *Decision-Making Guidelines.* Officers consider that the matters to be considered have low significance, due to their administrative nature.

Te whakatūtakitaki
Engagement

23. Due to the low significance of the matters for decision, no engagement was considered necessary.

Ngā tūāoma e whai ake nei
Next steps

24. Officers will share the fair value assessment with Audit NZ and keep the Committee updated on the progress.

Ngā kaiwaitohu
Signatories

Writer	Ashwin Pai – Head of Finance
Approver	Alison Trustrum-Rainey – Group Manager Finance & Risk

He whakarāpopoto i ngā huritaonga Summary of considerations
Fit with Council's roles or Committee's terms of reference The Committee's specific responsibilities include reviewing the effectiveness of Greater Wellington's accounting policies and principles and complying with audit recommendations (section 2.3 of the Committee's Terms of Reference).
Contribution to Annual Plan / Long term Plan / Other key strategies and policies The fair value assessment will enable efficient delivery of the Annual Report.
Internal consultation Finance and relevant people involved with the asset management across the Council were consulted.
Risks and impacts: legal / health and safety etc. The Council's management of relevant risks is addressed in the report.

Finance, Risk and Assurance Committee
14 May 2024
Report 24.198

For Decision

RISK AND ASSURANCE UPDATE MAY 2024

Te take mō te pūrongo
Purpose

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

He tūtohu
Recommendation

That the Committee:

1 **Endorses** the priorities and hot topics (points 25 and 26) for consideration during the 2024-27 assurance plan.

Te horopaki
Context

Risk Management

2. Please refer to **Attachment 1** for the updated ELT Risk Dashboard with management comments and the completed "Being effective partners in giving effect to Te Tiriti o Waitangi" uncertainty statement.

3. We note that the uncertainty was updated from "Extent to which Te Tiriti obligations are met" for the following reasons:
   a To be more positive and to recognise we are partners with Mana Whenua and Māori.
   b To change language from Te Tiriti being an obligation to us working with Māori to enable Te Tiriti.
   c To recognise we want to do more than what legislation requires.

4. When developing the uncertainty statement, we took a Te Ao Māori perspective through incorporating appropriate language, and the poutama model, where possible.

5. We are working with Te Hunga Whiriwhiri to ensure the one pager remains aligned to Te Whāriki, the Te Tiriti audit, and delivery through Ngā Whenu.

6. Since the previous update, we will be having a fourth risk appetite workshop with the Committee in May 2024. This workshop will allow the Committee to explore the continuity of service risk appetite statement.

Business Assurance action points

7. Updates against the current assurance plan have been included in **Attachment 2**.

8. Since the previous update to the Committee (Report 24.37) the core financial controls review has been completed with the audit report attached. We have also commenced the indirect taxes internal audit in which we expect to have the finalised audit report available at the August 2024 Committee meeting.

Te tātaritanga
Analysis

Risk Management

9. The attached paper (**Attachment 1**) provides the Committee with the current ELT risk dashboard, heat-mapped to reflect the perspective of the ELT.

Updated risk appetite statement

10. In February 2024, the Committee reviewed the health and safety risk appetite statement and provided positive feedback on its form and content.

11. We are presenting the continuity of service risk appetite statement at a Committee workshop in May 2024. The Business Resilience team will be attending this workshop, where we will walkthrough examples of how the risk appetite statement can be applied.

12. In a workshop in August 2024, we will look to obtain further feedback on the remaining risk appetite statements, before seeking formal endorsement of the completed risk appetite statements from the Committee.

13. Please refer to **Attachment 3** for the example continuity of service risk appetite statement for your perusal.

Business Assurance arrangements

14. Planning has commenced for the “indirect taxes” internal audit which is scheduled for completion in June 2024.

15. We are in the process of negotiating with a preferred supplier to support the delivery of the 2024-27 assurance plan.

16. We have also closed 13 recommendations since the last Committee meeting. Further details on open recommendations can be found in **Attachment 2**.

Review of the 2021-24 assurance plan

17. As part of closing out the 2021-24 assurance plan, we have reviewed the assurance activities undertaken against the original priorities identified for the plan.

18. The Committee and management priorities for the 2021-24 assurance plan were:

    a Health and Safety – review completed 2022-23.

b	Ngātahi accounting system – review completed in 2023-24 (core financial controls).

c	Business Continuity – no review completed during 2021-24 assurance plan with a maturity assessment last being completed in 2019.

d	Privacy – maturity assessment completed in 2022-23.

e	Fraud and Corruption – maturity assessment completed in 2023-24.

f	Procurement – review completed 2022-23.

g	Contracts management – review completed 2022-23.

h	Waka Kotahi funding application process – excluded from the audit plan in 2023-24 as it was deemed that the relationship between Waka Kotahi and Greater Wellington had improved through working with them to better understand funding requirements.

19. Alongside these activities we also completed the following assurance activities:

a	Project management office internal audit - review completed 2021-22.

b	Change management - review completed 2022-23.

c	Asset management maturity - review completed 2022-23.

d	Project delivery internal audit - review completed 2022-23.

e	Fleet management - review completed 2023-24.

f	Indirect taxes - review to be completed in 2023-24.

g	Revenue collection and controls assessment – annual review.

h	Te Tiriti o Waitangi – triennial review completed in 2023-24.

20. We note that other than business continuity and the Waka Kotahi funding application process, the original priorities of the 2021-24 assurance plan have been achieved.

Assurance plan 2024-27

21. We continue to develop our 2024-27 assurance plan. We are looking to take a risk-based approach to form a view on the activities to be included within the plan.

22. During April 2024 we undertook a survey of ELT and Committee members to understand the priorities that should underpin the upcoming assurance plan.

23. For your information, ELT has identified the following six priorities for the 2024-27 assurance plan:

a	Our responsiveness to change.

b	Maintaining our reputation and public profile.

c	Our ability to be an effective regulator.

d	Reliance on actions of third parties.

e	Our critical stakeholder relationships and partnerships.

f	Health, safety and wellbeing.

24. The priorities identified by the Committee from this survey were:

    a Do we have the right capabilities to deliver on public needs and expectations.

    b Our ability to be an effective regulator.

    c Are our assets fit for purpose in the wake of climate change and do we have appropriate insurance.

    d Our responsiveness to change and reforms.

25. The Committee also suggested the following hot topics for consideration within the assurance plan:

    a How we manage the legal action we take.

    b Regulatory management processes.

26. We ask that the Committee endorses the priorities and hot topics (points 25 and 26) for consideration during the 2024-27 assurance plan.

Core financial controls

27. The core financial controls internal audit has been completed. Please refer to **Attachment 4** for a copy of the report.

28. The report was positive, noting that of the 39 identified controls, 36 (92%) of these controls were designed effectively. While (8%) 3 controls were assessed as partially effective, the overall control environment is still effectively designed.

29. The report highlighted two areas of focus:

    a Processes surrounding Work in Progress (WIP) assets.

    b Review of expense claims by line managers remains inconsistent.

30. We note that we will be looking to provide a copy of this report to Wellington Water to help progress conversations with them around WIP processes. We also note that our Principal Policy Analyst is currently developing financial training which will target areas of sensitive expenditure.

31. When undertaking the audit, we also meet with Audit NZ to understand their requirements for controls testing, and to ensure their areas of focus were included within the audit.

32. We will be providing a copy of the report to Audit NZ, with PWC also providing copies of their working papers. This should enable them to undertake a more efficient external audit for the 2024 financial year.

Insurance renewal

33. Information and documents for the 1 May 2024 insurance renewal have been provided to AON.

34. We note that aggregate insurance values for above ground assets have decreased slightly to $1,052 million ($1,054 million – 2023) primarily from:

    a Removing assets that are uneconomical to insure, which included:

i Bus shelters – we have retained hubs, high value sites or those in areas of high asset concentration (i.e. Lambton Quay).

ii Concrete block lighthouses – these are large concrete blocks with a small amount of electronics (unlikely to sustain any damage).

iii Small value unconcentrated parks assets (i.e. toilet blocks).

b Bus shelters being significantly overstated in previous insurance schedule due to not factoring disposals.

c Demolition of commercial Riverlink properties.

d Using asset data from Ngātahi to identify previously insured assets that were owned by third parties.

e Insurance schedules containing asset buckets which included assets insured by other policies (i.e. the pump schemes) or assets that no longer existed.

35. Our underground assets (pipes & lakes) increased in value to $933 million ($897 million - 2023). This was primarily driven by cost escalation and new assets coming online.

36. We expect to be able to update you on finalised policies and the outcome of price negotiations at our August 2024 insurance update.

Earthquake loss analysis for above-ground assets

37. Please refer to **Attachment 5** for the – Wellington Collective Insurance Group (WCIG) earthquake loss analysis for above-ground assets report.

38. We undertook loss modelling to provide some degree of certainty that when considering the inflationary impacts of the construction sector that we had sufficient insurance for the WCIG.

39. The group has a sum insured of $2.47 billion, with a loss limit of $600 million, across five councils. Greater Wellington has the largest portion of assets in this pool at $1.1 billion.

40. The modelling estimated a loss of $478 million in a 1 in 1,000 year event which is within our loss limit of $600 million.

41. We would not look to change our $600 million loss limit at this stage, as we do expect the estimated loss to change when stage 2 modelling is undertaken.

42. Stage 2 will incorporate the latest GNS earthquake data tailored to New Zealand, which may predict higher losses than those presented in the attached report. However, the report does give us confidence that we will be appropriately insured for 2024/25.

43. We are currently expecting stage 2 modelling to be completed early in financial year 2024-25.

New building (dam safety) regulations 2022

44. The Building (Dam Safety) Regulations 2022 (Regulations), which come into effect on 13 May 2024, impose clear responsibilities on dam owners.

45. These regulations mandate that dam owners undertake Potential Impact Classification (PIC) assessments for each dam that is 'classifiable' under the Regulations and submit

these to the Regional Authority. The deadline for submitting these PIC assessments is set for 13 August 2024.

46. Dam owners are also required to develop and submit Dam Safety Assurance Programmes (DSAPs) for each classifiable dam assigned a High PIC dam (by 13 August 2025) and a Medium PIC (by 13 August 2026).

47. There will be ongoing annual compliance thereafter. These Regulations consist of a framework to ensure that dams are managed and operated safely to minimise risk of failure, and minimise risks to people, property, and the environment.

48. Greater Wellington own and/or manage at least four classifiable dams. All but one have had their PIC assessment reviewed and approved by a Recognised Engineer and will be submitted to the Regional Authority ahead of the 13 August 2024 deadline.

49. The remaining PIC is planned for completion by 30 June 2024. Currently there are only two classifiable dams assigned a High or Medium PIC (Seton Nossiter and Stebbings). Greater Wellington will continue developing these two DSAPs in line with the Regulations, ahead of the 13 August 2025 deadline.

Classifiable Dam	**River or stream**	**Dam height**	**Reservoir volume**	**PIC**
Seton Nossiter	Belmont Stream	32.8 metres	1,800,000 m^3	High
Stebbings	Porirua Stream	19.8 metres	530,000 m^3	High
Barrage Gates	Lake Wairarapa	5-6 metres	27,000,000 m^3	TBD
Birchville	Clarkes Stream	15 metres	22,000 m^3	Low

50. We also note that a press release from the Ministry of Business, Innovation, and Employment (MBIE), dated 28 March 2024, indicated changes in the definition of a 'classifiable dam' as per the regulations.

51. According to the release, the regulations will no longer apply to dams that are less than 4 metres in height. Given that Donald’s Creek Detention Dam (Featherston) falls below this height threshold, it suggests that the dam would no longer be classified under the Regulations. Greater Wellington are currently working with the regulator to resolve some ambiguity around the timing and status of this change.

Ngā hua ahumoni
Financial implications

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

Ngā Take e hāngai ana te iwi Māori
Implications for Māori

53. This report includes an update on the “Being effective partners in giving effect to Te Tiriti o Waitangi” uncertainty statement. The Committee has an oversight role in areas of risk for Greater Wellington.

Ngā tikanga whakatau
Decision-making process

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

Te hiranga
Significance

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

Te whakatūtakitaki
Engagement

56. Due to the low significance of the decision, community engagement was not considered necessary.

Ngā āpitihanga
Attachments

Number	Title
1	Risk management update
2	Assurance update
3	Continuity of service risk appetite statement
4	Core financial controls
5	Wellington Collective Insurance Group (WCIG) earthquake loss analysis for above-ground assets report

Ngā kaiwaitohu
Signatories

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

He whakarāpopoto i ngā huritaonga
Summary of considerations

Fit with Council's roles or with Committee's terms of reference

The Committee has a specific responsibilities to:

- review the effectiveness of Greater Wellington's identification and management of risks faced by Council and the organisation; and to
- approve an internal audit plan.

Contribution to Annual Plan / Long Term Plan / Other key strategies and policies

Greater Wellington makes decisions every day on order to deliver what it has committed to through the Long Term Plan.

Risk management is essentially enabling good decisions to be made that reflects a good understanding of uncertainty within the environment and tradeoffs between competing choices.

Internal audit / assurance reviews the effectiveness of Greater Wellington's internal controls framework and processes such that Council can deliver effectively on its objectives, including safeguarding assets as set out in its Long-Term Plan and Annual Plans.

Internal audit also supports the risk management framework.

Internal consultation

Consultation and input were provided by

- The GM Finance and Risk
- The Executive Leadership Team

Risks and impacts - legal / health and safety etc.

Several areas of risk have emerged from this work. These are described in the body of this paper.

Internal audit acts to reduce risk by ensuring controls are operating as Greater Wellington has developed through its policies and procedures.

Attachment 1 to Report 14.198

Attachment 1

Risk Update

Finance, Risk and Assurance Committee

14 May 2024

Greater Wellington
Te Pane Matua Taiao

Attachment 1 to Report 14.198

ELT Dashboard

Last updated: 22 April 2024

Understanding & meeting community needs

- DH/VR — Ability to implement change
- LT/GR — Impact of reform
- MO'D/DD — Reputation and public profile
- MO'D/JG — Quality of stakeholder relationships & partnerships
- LT/AF — Demographic change & clarity of community needs
- MF/BC — Being effective partners in giving effect to Te Tiriti o Waitangi
- LT/MB — Impact of climate change

Aligning with Government direction

Adapting and responding to the impacts of Covid-19

Responding to the climate emergency

Improving outcomes for mana whenua and Māori

Public trust and confidence in Greater Wellington and license to operate

Connected communities

Thriving environment

Resilient future

Through delivering on o
and achieving the
extraordinary regi
environment, connecte
resilient fut

Delivering core services

Providing a clean and safe water supply

Leveraging regional partnerships to enable spatial planning and economic development

Protecting and restoring our environment and flood protection

Delivering an efficient, accessible

- ATR/LB — Ability to deliver the capital programme
- LB/JM — Impact on the environment
- LT/KE — Continuity of service
- SG/MC — Reliance on actions of third parties
- JK/BK — Fitness for purpose of assets
- NC/DH — Appropriateness of services & delivery design

KEY

- RO/RL — Uncertainty
- What success looks like

SL Confidence rating: G Y A R

ELT Confidence rating: G Y A R

Risk Lead Confidence rating: G Y A R

Sentiment Alignment: High H M L M Minimal

Change in the uncertainty confidence / concern rating

Foundation to Success

Transforming technology

Building stronger partnerships and engagement

Striving for organizational excellence

Developing people and leaders

- LT/ZM — Effectiveness of planning
- ATR/MZ — Ability to fund delivery
- SM/DKH — Capability and capacity of external suppliers and partners
- SM/RL — Effectiveness of technology
- DH/JB — Health, safety and wellbeing of people
- DH/VR — Capability and capacity of people
- ATR/AP — Integrity of people, fraud, bribery or corruption
- SM/CD — Adequacy, integrity and privacy of information
- SM/DKH — Compliance with legislative & regulatory requirements

Management Comment

Our risk leads have noted the following:

- Ability to deliver the capital programme – While we currently have sufficient internal resources to deliver our capital projects, there is uncertainty surrounding whether this will continue as GW gears up to deliver a several large projects (Riverlink flood protection moved in house, bus depots, LNIRIM, etc.) at once.
- Ability to implement change – With the endorsement of the change Framework by ELT, the framework is now being socialised, with leader led change workshops being developed, and clarification of roles and responsibilities for change.
- Capability and capacity of people – has been identified as one of the highest areas of uncertainty across GW. We will work with People & Customer to feed into their capability development planning. This includes areas of focus like change management, internal capacity to deliver capital projects and data and information governance.
- Capability and capacity of suppliers - Procurement are in the process of releasing guidance, updating policy, and working with BPI to right size procurement. We expect uncertainty around capability, SRM and process to reduce over the forthcoming months.
- Data & information governance – significant progress in improving process and controls which includes the completion of the combined data strategy, drafting of the retention and disposal strategy, and working towards establishing a data governance group which will be used to nominate data stewards and agree their roles & responsibilities.
- Impact of climate change - there is increasing uncertainty in our ability to meet our climate emergency targets which could have significant reputational impact. GW is having to manage significant government shifts, like reduced public transport funding and carbon price reduction, alongside affordability issues, impacting electric bus targets, and the offsetting of water emissions.
- Integrity of people, fraud, bribery or corruption – We have completed a fraud maturity assessment which rated GW as medium maturity. The assessment highlighted areas of focus which we will look to incorporate into an improvement plan.
- Population, demographic change & clarity of community need – The change in government, and the recent redundancies, have created uncertainty around associated statistics for the Wellington region. StatsNZ stated that a change in Government usually has negligible impacts on Wellington's economy but have suggested with the scale of these cutbacks they will need to be monitored.
- Quality of stakeholder relationships & partnerships - significant progress made in improving processes and controls with a relationship framework being agreed, He Hapori moving into its discovery phase, and a net promotor score paper being developed.
- Reliance on third parties - we are working with EBW ferries on a funding arrangement for the continuation of these services. This includes undertaking a comprehensive review of these services. We also note that the majority of our public service providers are also seeking additional compensation which are currently being negotiated.

Attachment 1 to Report 24.198

Workshop One Pager

UNCERTAINTY
Being effective partners in giving effect to Te Tiriti o Waitangi

Last updated: 22 April 2024

Sub Uncertainties

Mana whenua perception of GW
The extent to which GW delivers on its obligations as a treaty partner

Effective communication with Māori
How we communicate and connect with the needs and aspirations of Māori and enabling them to use our services

Active protection
Evidence of effective decision making in protecting mana whenua rights & interest through mutually beneficial plans and systems

Policies, processes and frameworks
The extent to which we have policy, processes, and frameworks enables us give effect to te tiriti o Waitangi.

Governance and decision making
The extent to which Mana Whenua are a true partner and have a co-governance role in decision making

Compliance
The extent to which we are complying with statutory obligations

Mātauranga Māori
The extent to which we recognise and value Mātauranga Māori in creating new knowledge and ways of working.

Staff capability and knowledge
The extent to which staff are aware of our te Tiriti obligations and have the confidence to engage with these conversations.

Actions & Controls

How are we managing this?

1. Te Tiriti Audit Framework
2. LTP, annual plans & annual report – co-management plans with mana whenua and strategic Māori outcomes monitoring
3. Strategic Framework
4. Te Iti Kahurangi - Māori Capability Framework
5. Te Whāriki Implementation Plan
6. Significance and Engagement Policy
7. Policies - Significance and Engagement, Te Reo and Tikanga, official geographic names, and learning and development
8. Accidental discovery protocol
9. Consent feedback process
10. Mana Whenua representation - committees and reference groups
11. Mana Whenua agreements
12. Staff training - te reo Māori, pronunciation, marae tikanga

Foundations for success

Uncertainty

MF | BC

Being *effective partners in giving effect to Te Tiriti o Waitangi

To recognise, respect, resource and respond to rangatiratanga which will build our partnership with mana whenua and will help deliver mutually beneficial outcomes for Māori

Management Comment

Greater Wellington will give effect to Te Tiriti through the implementation of Te Whāriki (Māori outcomes framework) this is an organisational approach and is supported by Ngā Whenu which is a cohort of leaders working together to implement Te Whāriki (including Te Tiriti Audit)

Consequence

Opportunities	Threats
1. Provide equitable outcomes for Māori to help build Strong, prosperous and resilient Māori communities 2. Obtain support from our six Mana Whenua partners 3. Go beyond just legislation and deliver a true partnership model between GW and Māori 4. Be a leader in Local Government, and a role model for how councils can improve Mana Whenua relations and being a good treaty partner 5. A capable workforce that adopts the principles of Te ao Māori 6. We behave in a way that reflects rangitiratanga and enable Kaitiakitanga of Mana Whenua.	1. We are not meeting our statutory or policy obligations under te tiriti o Waitangi 2. Staff are not aware of their responsibilities in relation to Te Tiriti o Waitangi 3. Staff do not deliver on their leadership or contribution responsibilities in relation to Te Tiriti o Waitangi 4. Business groups do not engage with the Te Hunga WhiriWhiri quality systems 5. We are not addressing historical injustices through shared decision making and governance to protect Māori interests. 6. We are slow to change which means that our relevance could be challenge.

Assurance

How do we know that this is managed effectively?

1. Te tiriti audit and framework which is undertaken every three years
2. Reflect Te Whāriki framework…

*By effective we mean:
- Working in partnership with mana whenua to:
  - Identify how they want to partner with us
  - Implement an effect partnership model
  - Understand what they want us do
- Te Whāriki
- Legislative requirements (minimum)

By giving effect to Te Tiriti o Waitangi, we are focusing on what this means for us as Greater Wellington.

Measure

Measure	Trend
This will be developed through the monitoring and reporting section of the audit response plan	

Response Poutama

me whai	ka taea	i taea
Step 1	**Step 2**	**Step 3**
Refocus and resource (cross organizational) Te Whāriki programme Promote and develop Ngā Whenu reporting process and action planning	Develop the audit implementation plan The audit response is actioned through Ngā Whenu by having aligned whole of Council responsibility	Improve comms channels • Review the connection with Mātāwaka including through their marae • Consult with Mātāwaka marae on areas of mutual concern • Engagement with wider Māori groups like student associations (i.e., uni transport), unions and Māori landowners (regulation) on relevant issues Mana whenua perception • Mana Whenua survey

Attachment 2 to Report 24.198

Attachment 2
Assurance Update

Finance, Risk and Assurance Committee
14 May 2024

Attachment 2 to Report 24.198

Progress on the 2021-24 Assurance Plan

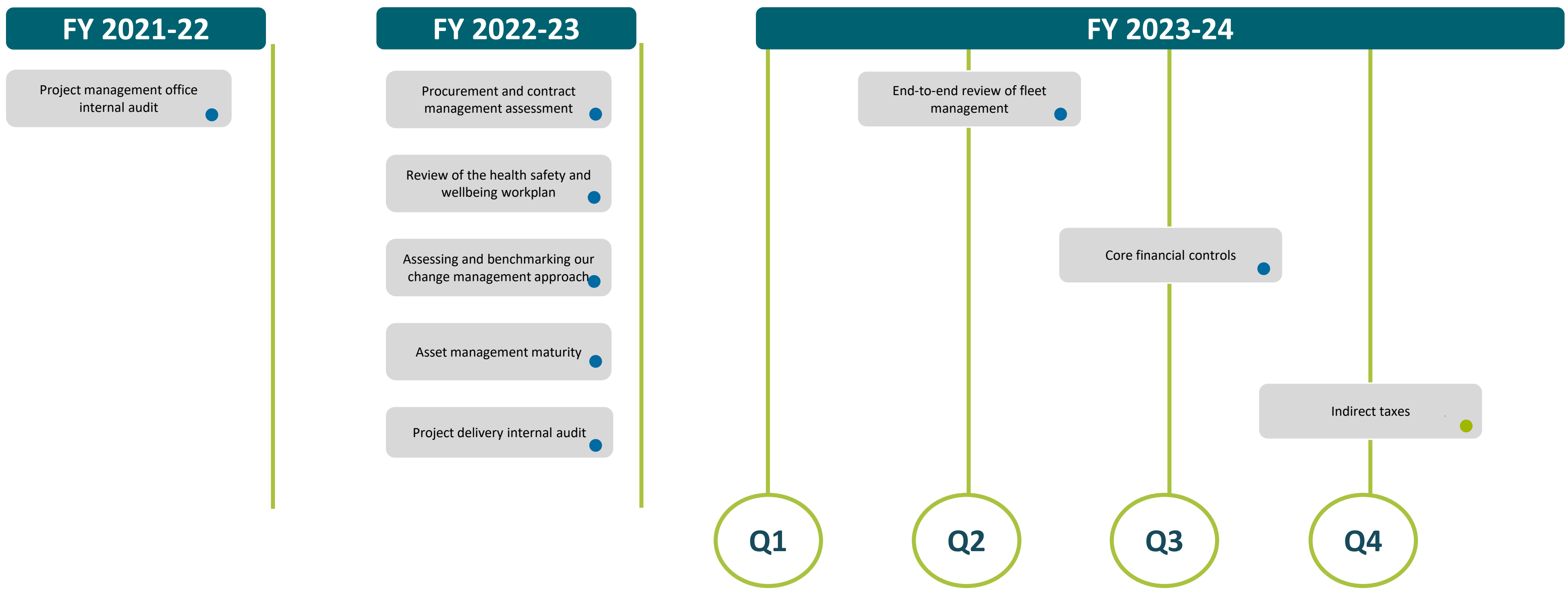
Greater Wellington
Te Pane Matua Taiao

Attachment 2 to Report 24.198

Progress on the 2021- 2024 Assurance Plan

In summary:
Since the previous update to the Committee the core financial controls review has been completed with the audit report attached. We have also commenced the indirect taxes internal audit in which we expect to have the finalised audit report available at August's Committee meeting.

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



Status of in progress reviews

Attachment 2 to Report 24.198

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

Review	Objective	Scoping	Terms of Reference	Fieldwork	Draft	Management Comments	Final Deliverable	Comments
Core financial controls Sponsor: Alison Trustrum-Rainey	Assess the design, operation and alignment of core financial controls to policy requirements across GW's financial processes and ERP and identify any areas of inefficiency or pain points faced by teams.	Actual end date: March 2024						Report has been finalized and included in the May FRAC update.
Indirect taxes Sponsor: Alison Trustrum-Rainey	Assess the approach and Enterprise Resource Planning (ERP) functionality used to enable GW to fulfil its indirect tax obligations.	Actual end date: June/July 2024						Initial scoping meeting held.

Attachment 2 to Report 24.198

Update on outstanding recommendations

Greater Wellington
Te Pane Matua Taiao

Attachment 2 to Report 24.198

Follow up of Open Actions

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

Business Assurance review	Closed Actions #	Open Actions #	Management commentary
Health, Safety & Wellbeing	9	10 (8 in progress)	Remaining HSW recommendations have been reviewed and incorporated into the H&S improvement project. These recommendations will be implemented over the next 12-18 months.
Procurement and Contract Management	4	3 (3 in progress)	2 recommendations closed. Additional staff member hired but running at capacity. New member of staff is focused on data analytics across procurement activities which includes expired contracts and advice to business.
Change Management	2	All actions closed	1 recommendation closed. The Change Framework has been developed and approved by the ELT.
Asset management maturity	2	1 (1 in progress)	2 recommendations closed. The Strategic Asset Management Plan has been finalized and asset management plans have been updated incorporating the updated Risk Management approach.
Capital works programme internal audit	3	12 (6 in progress)	3 recommendations closed. Captured information around additional finance support within business case guidance. The PMO have established a terms of reference for steering groups which has been socialised with programme and project teams. A repository for capital works planning information has been implemented. The repository is actively managed with regular reviews.
Revenue collection controls assessment internal audit report	8	11 (10 in progress)	4 recommendations closed. Tmoney manage an alternate site to perform BCP testing. Snapper have committed to documenting firmware testing which is supported by a "Release Process". A knowledge base has been established to track incident managementAudit will be given access to this process during its annual audit.
Fleet management	2	18 (1 in progress)	1 recommendations closed. Wellington Water vehicles in work in progress have been reviewed and capitalized. Work in progress was included within the scope of the recent Core Financial Controls audit.

Attachment 3 to Report 24.198

Continuity of Service Risk Appetite Statement

<table>
<tr><td colspan="2">Risk category
Continuity of service</td></tr>
<tr><td colspan="2">Risk category description.
We endeavour to deliver the services we promise. This includes ensuring that both us and our suppliers can meet target levels of services and deliver critical services, such as harbour safety, public transport, and flood protection, to our communities.
We also have a role in coordinating Wellington’s regional response to an unplanned civil defence emergency.</td></tr>
<tr><td colspan="2">Risk appetite statement.
Critical services are identified and have a business continuity plan in place. Where we rely on a supplier to deliver a critical service, we will ensure both us and our suppliers can meet target levels of services and deliver critical services.
We will need to work alongside our suppliers to ensure we have processes and controls in place to re-establish services in response to an unplanned event.
The level of service for critical services should not be reduced, and if a reduction is required, these services should be given priority against any potential reduction of non-critical services.</td></tr>
<tr><td colspan="2">Risk stance.
We will ensure that we are able to function to the fullest possible extent, even though this may be at a reduced level, during and after a disruption.</td></tr>
<tr><td>Risk tolerance.</td><td>Medium tolerance provided controls are in place effective and monitored</td></tr>
<tr><td>Council will tolerate:
• If there is a disruption to critical services they should be operated to the fullest extent possible.
• The prioritisation of service restoration based on criticality.
• Reduced levels of service to non-critical services, understanding that these may be temporary and are managed by the Crisis Management Team.
• Limited disruption of services due to the activation of the Emergency Coordination Centre in response to a civil defence emergency or in support of another responding region.
• What about if a reduction in critical services occurs?
• The prioritisation of service restoration based on criticality.</td><td>Council will not tolerate:
• A reduction in services that are life threatening, have a high financial risk, that contravene a legislative requirement or a high reputational risk.
• Suppliers that do not meet the fundamental requirements of business continuity for the continuation of services provided to Greater Wellington.</td></tr>
</table>

Attachment 3 to Report 24.198

Continuity of Service Risk Appetite Statement

Associated Uncertainties (ELT Dashboard)

- Ability to deliver the capital programme.
- Reliance of actions of third parties
- Fitness for purpose of assets
- Reputation and public profile
- Continuity of service
- Effectiveness of technology

Attachment 4 to Report 24.198

Greater Wellington Regional Council

Core financial controls internal audit report

April 2024

pwc

Attachment 4 to Report 24.198

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

19 April 2024

Core financial controls internal audit report

Dear Jacob,

In accordance with our Terms of Reference dated 8 February 2024, we have completed our core financial controls internal audit.

Our internal audit was performed per our agreed scope and described in Appendix A, and is based on our fieldwork performed during February and April 2024.

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

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

Yours sincerely

VHarrison

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

Inherent Limitations

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

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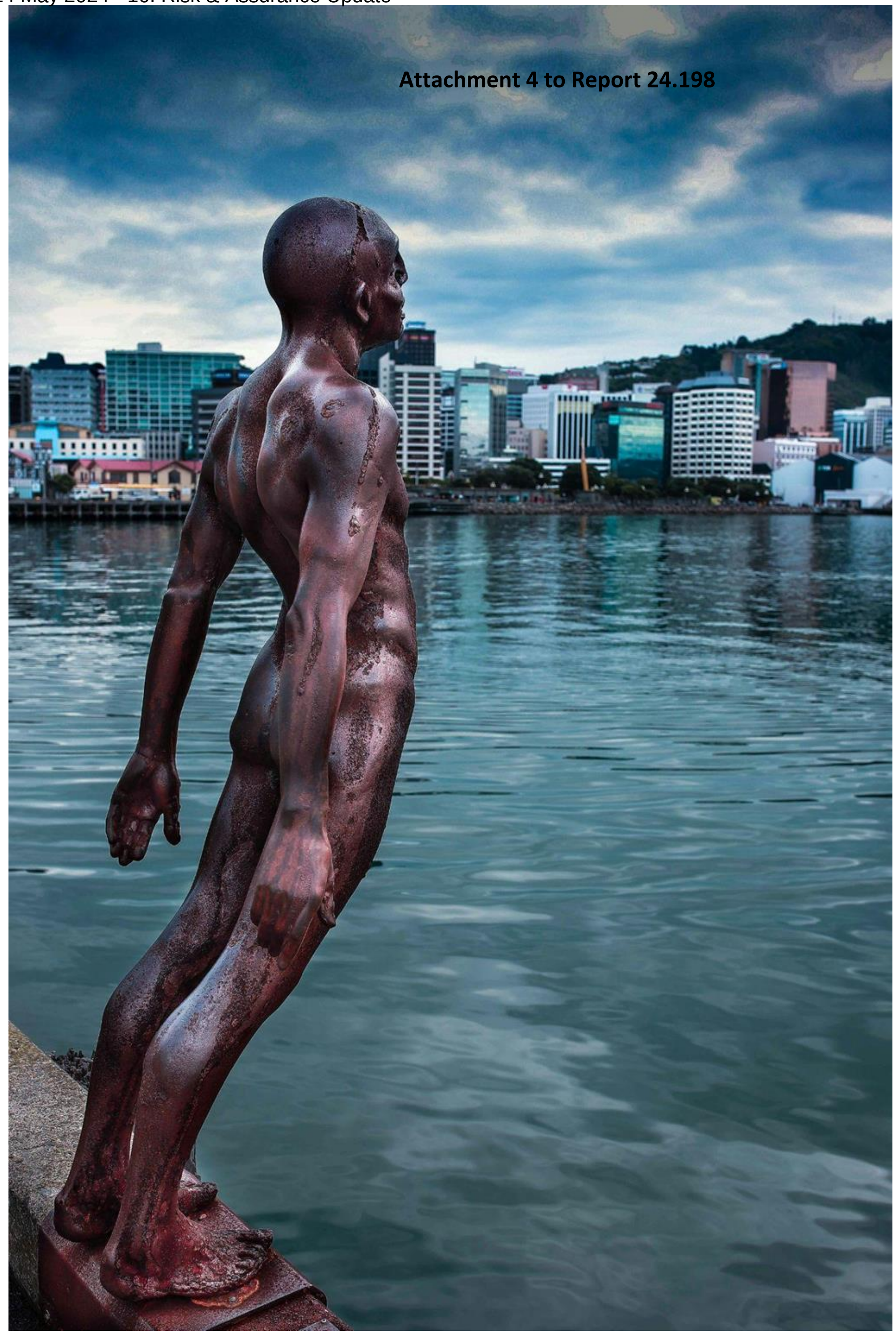
Attachment 4 to Report 24.198

1

Executive summary



Executive summary

Attachment 4 to Report 24.198

Overall GW has established a broad range of financial controls to help mitigate the broad set of financial risks inherent to GW's Accounts Payable, Accounts Receivable, and month end reporting processes

Background

GW's financial controls are important to providing trust and confidence in the performance of a number of important business processes. These processes and enabling controls must be well-designed and operate effectively to help mitigate the risks inherent to these important financial processes.

As part of the 2024 Business Assurance plan, we assessed the design and operating effectiveness of GW's core financial processes and controls, with a specific focus on:

- Revenue and receivables processes which are responsible for collecting over $600m annually
- Purchases and payables processes which are responsible for paying over $400m annually
- Month-end reporting processes.

By examining the design of these processes and controls, this report aims to provide insights into the effectiveness and efficiency of GW's financial operations.

Key messages and insights

We summarise our key messages below and over page using the key questions that formed the objectives of our internal audit.

Do GW's core financial controls address the risks inherent to each process, and the financial management system as a whole?

In summary: Yes, noting some improvements were noted for a very small number of controls.

We identified 39 key controls across GW's revenue and receivables, purchases and payables, and month-end reporting processes. 36 (92%) of these controls were designed effectively, i.e. the controls were designed to mitigate the associated risks and we were able to sight evidence of these controls at the time of our fieldwork. Despite 3 (8%) controls being assessed as partially effective, the overall control environment is still effectively designed.

We did however, note the following opportunities to further strengthen the design and operation of GW's core financial controls:

- **Reviews of expense claims by line managers remain inconsistent, despite training on the updated Sensitive Expenditure Policy.** We were informed that line managers are not adequately reviewing expense claims for appropriateness before providing their approval. This adds additional pressure onto Finance who have to perform detailed reviews of all expense claims that have been submitted and approved by Line Managers
- **Processes to ensure appropriate scrutiny of Work in Progress (WIP) assets relating to Wellington Water projects require strengthening.** GW's Work in Progress (WIP) balance at January 2024 is $279m, with $166m of this associated with Wellington Water projects. Over recent months GW has made progress in managing this WIP by regularly meetings Wellington Water, however processes that support appropriate scrutiny of WIP require strengthening to ensure that all assets that can be capitalised are capitalised in a timely manner.

(continued)

Attachment 4 to Report 24.198

Are there are any opportunities for process and system enhancements and efficiencies, given the size and shape of GW?

In summary: Several opportunities exist for GW to further enhance the control environment by reducing complexity and improving efficiency. Key opportunities exist to:

- **Ensure that evidence of control documentation is maintained for nine of GW's core financial controls:** Formal documentation and records of control performance provide confidence in the correct and on-going operation of key financial controls. We found documentation was not available to reflect the control activities undertaken for nine of the controls observed, e.g. the monthly review of access to GW's credit master file
- **Enhance existing process and control documentation:** Some GW process maps and guidance documents were outdated and did not reflect current practice, or were still in a 'draft' state. This could result in errors, inefficiencies and potential control weaknesses as employees may not have clear guidance on how to perform their tasks or adhere to established controls
- **Explore opportunities to further automate manual processes and controls:** Our scope did not include assessing GW's support technology, however we observed several opportunities to further automate manual processes and controls. Of the 39 controls we identified during our assessment, 31 (79%) are manually operated. For example, consent charges are reviewed in a spreadsheet offline by the Consents Team who then provide this to the Systems Team for uploading into Ngātahi for approval. Minimising GW's reliance on manual processes and controls will not only improve efficiency but help reduce the risk of human error.

Summary of findings

Our report has five findings, **one rated "Very Concerned"**, **three rated "Some Concerns" and one rated "No Concerns"**. Our detailed findings and recommendations are provided in Section 2.

#	Finding	Rating
1	Processes to ensure appropriate scrutiny of Work in Progress (WIP) assets related to Wellington Water assets require strengthening	Very concerned
2	Review of expense claims by line managers remain inconsistent, despite training on the updated Sensitive Expenditure Policy	Some concerns
3	Evidence of control performance is not always maintained	Some concerns
4	Opportunities exist to enhance process and control documentation	Some concerns
5	Opportunities exist to further automate processes and controls	No concerns

Key (refer Appendix 2 for definitions)

Very concerned   Some concerns   No concerns

(continued)

Attachment 4 to Report 24.198

Recommended next steps

To address the opportunities noted above and our detailed observations in Section 2 of this report we encourage GW to create an implementation plan aligned with GW's existing programmes of work and technology roadmaps.

Recognising that many of the findings noted above will take some time to address we suggest that this plan give priority to the following:

- Strengthening WIP processes (Finding 1)
- Continuing to reinforce roles and responsibilities with respect to reviewing and approving expense claims (Finding 2).

Overall management comment

We thank PwC for their work and agreed with their stated message around the effectiveness of the overarching control environment.

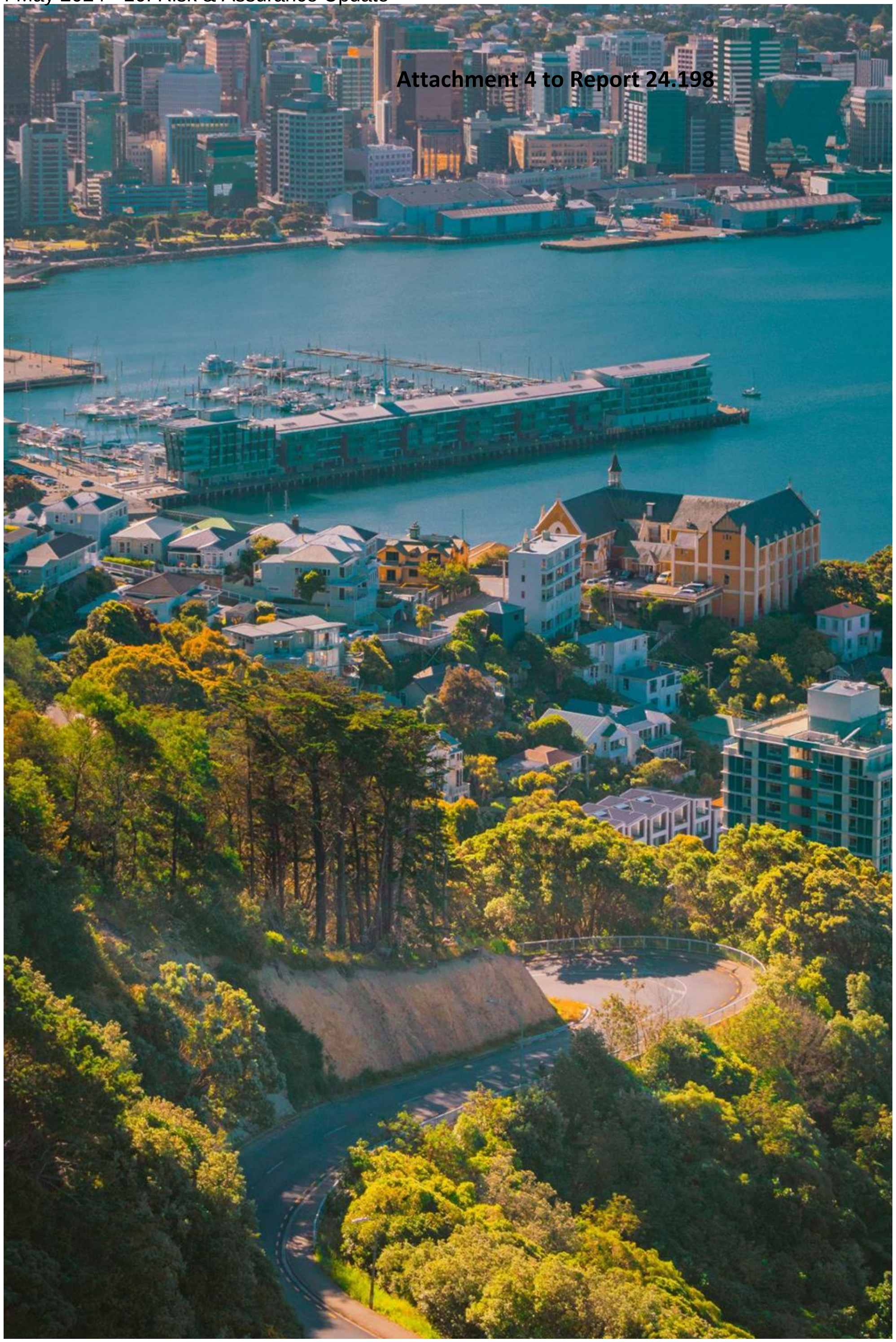
We agreed we all of PwC's findings and will work to implement these recommendations.

We do note that for "Finding 3: Evidence of control performance is not always maintained" we have already made improvements to controls through implementing a monthly grants and subsidies reconciliation for revenue received from Waka Kotahi.

Attachment 4 to Report 24.198

2

Detailed findings & recommendations



Finding 1: Processes to ensure appropriate scrutiny of Work in Progress (WIP) assets related to Wellington Water assets require strengthening

What did we observe?

GW's Work in Progress (WIP) balance at January 2024 is $279m, with $166m of this associated with Wellington Water projects. We found:

- GW is reliant on Wellington Water to provide accurate and timely information regarding the capitalisation of assets in WIP. GW is unable to capitalise assets until it has received this information from Wellington Water
- Wellington Water has been challenged with capturing and providing timely information to capitalise assets. Often there are delays in sourcing timely information of asset details to input into the fixed asset register, and management noted in some instances capitalisation can be delayed by months from when an asset has been commissioned for use
- There are three significant projects in progress with expected completion dates in 2025, however Wellington Water and GW's main focus has been towards these significant projects with limited attention to the WIP management of smaller projects
- GW has made progress by having regular meetings with Wellington Water to manage WIP, however this can be improved by having greater oversight and monitoring controls in place to ensure WIP is actively being managed for timely capitalisation.

Risks/impacts

- Inaccurate financial reporting: WIP assets represent the value of an unfinished asset, and capitalising them allows GW to accurately reflect their value on the balance sheet and calculate depreciation. Delaying the capitalisation can distort profitability analysis, making it difficult to assess the financial performance of different projects or products
- Inefficient resource allocation: Delaying the capitalisation of WIP assets can lead to inefficient allocation of resources. Without accurate information on the value of WIP assets, Wellington Water may struggle to allocate resources effectively, resulting in delays, and cost overruns
- Compliance issues: Delaying the capitalisation of WIP assets can lead to non-compliance with New Zealand Tier 1 Public Benefit Entity accounting standards.

Risk Rating: Very concerned

Recommendation(s)

We recommend GW:

- With Wellington Water apply attention to smaller projects with WIP carried for significant periods of time to ensure they are appropriately capitalised
- Embed processes to provide appropriate oversight and monitoring of WIP along with service level agreements that are contractually in place. GW would benefit from:
  - Formally defining the actions and expectations required to manage and report on WIP management
  - Setting Wellington Water clear accountability of the management of water project WIP balances
- Review current processes to manage WIP and capitalise assets to ensure they are effective and efficient, including whether purchased assets need to processed as WIP prior to being capitalised.

Finding 1: Processes to ensure appropriate scrutiny of Work in Progress (WIP) assets related to Wellington Water assets require strengthening

Management comment

We would like to highlight that regular meetings between GW and Wellington Water do occur, but we are finding that obtaining timely ongoing information on the capitalisation of WIP is difficult. We accept these recommendations and will have a workshop with the Environment Group Strategic Finance Business Partner, Financial Accounting Team Leader and Head of PMO (Wellington Water relationship owner) around how to best progress the implementation of these recommendations.

Finding 2: Reviews of staff expense claims by line managers remain inconsistent, despite training on the updated sensitive expenditure policy

What did we observe?

Employee expenses claims are entered in Ngātahi and via workflow sent to the staff's Line Manager for review and approval, before the Team Leader Transactions completes and finalises the expense claim. As per the expense claims process, staff members are required to attach appropriate receipts and provide a description of the claim. Once the claim has been completed, reviewed and finalised it will paid in the next staff expenses pay run.

For the period July 2023 to March 2024 there have been approximately 351 staff expense claims, totalling $72,304.

Through discussions with management on the effectiveness of these processes post training on the updated sensitive expenditure policy (which was implemented in July 2023), we noted instances where Line Managers are still approving staff expenses without adequately reviewing the appropriateness of the claim. Additionally, the documented reason for expenses and receipts in some instances is not clear and does not align to Sensitive Expenditure Policy documentation requirements.

While we were unable to substantiate how often this occurs it is evident that concerns are still present (but declining in numbers) as the Finance Team are continuing to reviews all staff expense claims for appropriateness.

Risks/impacts

- Additional pressure is placed on the Finance Team to review staff expenses in detail, which also results in the duplication of review effort
- Due to the sensitive nature and susceptible to public scrutiny, GW's reputation could be at risk if expenditure is inappropriate and/or expenditure documentation not fit for purpose.

Risk Rating: **Some Concerns**

Recommendation(s)

We recommend GW:

- Develop financial training for line managers which includes training for approving expense claims in line with our policy. Note: It may also be beneficial to provide additional guidance to help Line Managers better understand cost centre expenses and make informed decisions regarding the appropriateness of expense claims
- Emphasise the importance of proper approval processes, documentation, and review of sensitive expenditure through the mandating of financial training and communication of this by ELT.
- Review and update cost centre codes/descriptions for expenses to enable line managers to make more informed decisions regarding the appropriateness of expense claims.

Management comment

We accept these recommendations and acknowledge the need for training. We are in the process of developing financial training of which expense claims is part of, alongside this is the application of the principles of sensitive expenditure, fraud awareness, indirect taxes, etc.
We will also continue our policy roadshows which occur at the start of the new financial year showcasing changes to policy and process. The roadshows for 2024/25 will include our new financial training. We are also looking to create a register of policy breaches so that we have data which can be used to target training and development.

Finding 3: Evidence of control performance is not always maintained

Attachment 4 to Report 24.198

What did we observe?

GW has established a robust set of financial controls to help mitigate the broad set of financial risks, and the GW personnel interviewed were able to clearly describe the importance of the control and how the control operates. We note however documentation was not consistently prepared for the following controls:

Revenue and receivables

- Control 8 Review and approval of raised NZTA grant invoices
- Control 9 Review and approval of NZTA grant upload Files
- Control 10 Annual monitoring and review of cash collected through NZTA claim
- Control 11 Review of application fee invoices
- Control 13 Sample review of ongoing consent invoices
- Control 16 Review of significant variances in rental revenue

Purchase payables

- Control 12 Access to create/amend/approve changes to creditor masterfile data is restricted
- Control 13 Quarterly review of creditor masterfile data

Month-end processes

- Control 6 Month-end procedures are monitored

Notwithstanding the above, it was clear from our walkthroughs that these controls are in place within GW.

Risks/impacts

The absence of formal evidence of control performance poses several risks:

- The lack of documented evidence makes it difficult to obtain assurance that controls are consistently performed as intended, increasing the risk of control failures and potential financial and operational impacts.
- Without formal evidence, it becomes challenging for GW to identify control gaps or improvement opportunities that may exist within the processes. This can hinder GW's ability to proactively address control deficiencies and mitigate associated risks.

Risk Rating: Some concerns

Recommendation(s)

Control documentation does not need to be prepared solely for evidential purposes, however it does help promote control consistency and diligence. We therefore recommend the Council consider for each of these controls whether there would be value in preparing and retaining control documentation whilst balancing this with the effort and cost to do so within the Council's risk appetite.

Finding 3: Evidence of control performance is not always maintained

Attachment 4 to Report 24.198

Management comment

We accept and will look to implement these recommendations.
We do note that we have already made improvements to controls through implementing a monthly grants and subsidies reconciliation for revenue received from Waka Kotahi.

Finding 4: Opportunities exist to enhance process and control documentation to assist staff with the performance of their roles

What did we observe?

Whilst GW have various process maps and guidance documents across the in-scope areas, we found some process maps were:

- Outdated and did not reflect the current state, or
- Still in draft, for example the Payment Processing Template Work Instructions.

We also found that there is no consolidated view on controls a controls catalogue.

Risk/impact

The absence of well documented procedures and control expectations can have several implications such as:

- A standardised set of control expectations promotes consistency, reduces ambiguity, and facilitates knowledge sharing and seamless transitions during employee onboarding, role changes or unforeseen absences.
- Key person risks, whereby GW is reliant on key person/s to ensure key processes and controls operate correctly
- Well-documented control expectations allows GW to demonstrate its commitment to risk management
- Errors, inefficiencies, and potential control weaknesses, as employees may not have clear guidance on how to perform their tasks or adhere to established controls.

Risk Rating: Some concerns

Recommendation(s)

We recommend GW:

- Implement a standardised process documentation approach, ensuring all financial management processes (including process related risk and controls) are appropriately documented, noting this process documentation does not need to be extensive but should focus on key GWRC process and control requirements
- Review and update existing process maps and documentation to ensure they are up to date and provide sufficient detail
- Establish guidelines that adhere to good practice documentation standards, including clear objectives, comprehensive descriptions, and appropriate cross-referencing between related documents.

Management comment

We accept these recommendations. However, we do note that additional resourcing may be required to develop and maintain the process documentation.

Finding 5: Opportunities existing to further automate manual processes and controls

What did we observe?

While the implementation of Ngātahi has created a strong platform for GW's core financial processes, several opportunities (which are known to management) exist for GW to further enhance Ngātahi by reducing complexity and improving efficiency. This can be achieved by better integrating existing systems, addressing known limitations, and in doing so further automating manual activities and controls. For example, of the 39 key controls we identified 31 (79%) are manually managed and operated, for example:

- **Revenue receivables:** A number of tasks are completed manually outside of Ngātahi, for example, consent charges are reviewed in a spreadsheet offline by the Consents Team, and uploaded into Ngātahi by the Systems Team for approval within Ngātahi by the Consents Team
- **Purchase and payables:**
  - Transfer of payments files into GW's banking system is manual.
  - Creditor masterfile changes are reviewed daily and prior to payruns.

These system and capacity limitations has increased GW's reliance on detective and monitoring controls rather than automated and preventative controls.

Risk/impact

- The lack of automated activities can lead to increased time required to operate manual controls
- Heightened risk of human error.

Risk Rating: No concerns

Recommendation(s)

We recommend GW:

- Assess and consider the extent of opportunities that exist from automation of processes. Automation will help GW reduce the need for manual reviews outside of relevant systems, aiding with the capacity of the Finance Team
- Ensure the known system limitations and opportunities to automate manual processes are factored into existing programmes of work.

Management comment

We agree that there is benefit from increased automation. We are in the process of investigating options for automation in the areas such as:

- Claims reporting on key words (e.g. Alcohol, vouchers, dinners) to reduce the burden on those reviewing transactions. This could also be used for regular reporting
- Secure File Transfer Protocol to move bank files to ANZ
- Automated reporting on creditor masterfile changes.

3

Appendices

Appendix 1: Scope and approach

Attachment 4 to Report 24.198

Background

GW's financial controls play an important role in creating trust and confidence in the performance of a number of important business processes. It is therefore important that these processes are designed and operate effectively to minimise inherent risk.

Objective and scope

The objectives of this engagement were to assess the design and operation of GW's core financial controls, and provide recommendations to address any identified weaknesses.

Specifically we assessed whether:

- GW's core financial controls address key risks within the GW's financial processes
- There are any control gaps that management should consider remediating
- There are any opportunities for process and system enhancements and efficiencies, given the size and shape of GW
- There are mechanisms in place for management to understand and confirm if controls are operating as intended.

Our engagement focused on Accounts Payable, Accounts Receivable, and Month End Reporting processes.

Approach

For each process and related sub processes we:

- Met with key stakeholders and process owners to:
  - Perform walkthroughs to observe and understand your processes, key controls, systems used, roles and responsibilities of people inputting to, operating, and reviewing the outputs of these processes
  - Understand further the known (and unresolved) process, system and control deficiencies (such as those identified by management and through your external financial audit, and other assessments)
- Read related documentation, such as policies and procedural documentation
- Through our walkthroughs we identified, at a point in time, key controls, and assessed their alignment to GW policy and process requirements and their ability to mitigate risks inherent to each process and sub process
- Completed sample testing for the period 1 July 2023 to February 2023 to assess whether the key controls identified operated correctly and consistently
- Contrasted our observations of GW process and control with PwC's knowledge of good practice to identify both instances of good practice, efficiencies and any control weaknesses.

Appendix 2: Risk rating definitions

Attachment 4 to Report 24.198

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

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

Attachment 4 to Report 24.198

Appendix 3: Purchase and payables controls assessment and testing summary

Overall no significant control deficiencies were observed across GW's purchases and payables processes. Of the 17 controls identified we determined 15 were designed effectively and two were partially effective. No exceptions were noted from our sample testing the operation of these controls.

#	Control title and control activity	Design assessment	Control operation testing summary
1	**Purchase Order (PO) requisitions require independent approval** As required, a purchase requisition form is raised then submitted for approval to the authorised DFA holder for that cost centre or project. The DFA is inbuilt in Ngātahi and electronically enforced. The system also restricts the requestor and authoriser to be the same person.	Effective	No exceptions noted based on sample testing of 13 PO requisitions across the period July 2023 to February 2024.
2	**Access to load invoices into Ngātahi is restricted** Access is restricted to the AP Officers, Senior Transaction Officer, and Team Leader Transactions to upload invoices into Ngātahi.	Effective	Agreed with GW that no further testing will be required as part of this internal audit.
3	**The designated owner of the PO is required to approve and the post the invoice** As required, the designated owner of the PO approves and posts the invoice in Ngātahi to ensure accuracy and alignment between the invoice and the purchase requisition. Any exceptions identified by the designated owner of the PO will be raised with the creditor or relevant transactions team.	Effective	Agreed with GW that no further testing will be required as part of this internal audit.
4	**Editing key invoice information is appropriately restricted** Certain fields (for example Invoice Amount) are restricted within Ngātahi when entering invoice data by the AP Officers. This is to ensure only invoice details can be entered and not creditor master file data. Access to change invoice bank account details is completely restricted as part of the creditor masterfile process.	Effective	Agreed with GW that no further testing will be required as part of this internal audit.

(continued)

Attachment 4 to Report 24.198

#	Control title and control activity	Design assessment	Control operation testing summary
5	**Ngātahi has an inbuilt tolerance level for invoice variation** The Ngātahi tolerance level for invoice/po variation is 5% or $50, whichever is the lower, except for freight costs, which are actual. If the tolerance level is above the threshold, then the owner of the PO will need to create an amend request in Ngātahi which is reviewed by the authorised DFA holder for that cost centre or project.	Effective	Agreed with GW that no further testing will be required as part of this internal audit.
6	**Review of pay run files** Before every pay run, the Team Leader Transactions will generate and review a series of reports: ● **AP bank account changes report** - review creditors' banks account in Ngātahi to ensure bank account details match those in the bank account changes report and evidence of new bank account numbers has been provided. ● **Ngātahi Transactions spreadsheet** - line items over $99,000 or 10% and all payroll vendors (Superannuation & Social Club) payments are reviewed to ensure all payment details match invoices and all due invoices for the creditor have been included as well as the appropriateness of the PO requester and team member who loaded the invoice. The transaction Team Leader then reviews the spreadsheet total to ensure it equals the total creditor payrun amount and approves it in Ngātahi. ● **GWRC Payment Summary Report** - Review to ensure the total value matches the Ngātahi Transactions spreadsheet and the pay run amount approved in the system.	Effective	In testing a sample of three pay runs across the period July 2023 to February 2024, we noted that the level of testing completed (with respect to the Ngātahi transactions spreadsheet) by the Team Leader Transactions is typically based on judgement and can vary from pay run to pay run.

(continued)

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#	Control title and control activity	Design assessment	Control operation testing summary
7	**Dual authorisation is required for ANZ banking payment by relevant signatories** ANZ banking payments require dual approval from ANZ signatories to ensure that the pay run is valid and appropriate. Bank signatories review includes: ● Checking the ANZ transactions report to ensure the Transaction Team Leader has approved the pay run. ● Check the pay run is being made out of the appropriate GWRC account. ● Check the Transaction Team Leader has signed-off on the Ngātahi Transactions spreadsheet. ● Check all relevant reports totals reconcile. Any exceptions will be raised to the Transaction Team Leader.	Effective	No exceptions noted from sample testing three dual authorisations of banking payments across the period July 2023 to February 2024.
8	**Hash totals are required to match between payrun report and ANZ banking reports** As payruns are made, hash totals are required to match between Ngātahi and the ANZ banking system to ensure that no adjustments to pay run files are made in between transfers to the ANZ banking system. Any exceptions will result in hash totals not matching.	Effective	No exceptions noted from sample testing three hash totals matched between the pay run and ANZ reports across the period July 2023 to February 2024.
9	**All new requests for new creditors must be independently reviewed by a Line Manager** All new requests for creditors are independently reviewed by the requestor's line manager to ensure the creditor is appropriate and meets the requirements of the Cost Centre and GWRC. Any exceptions identified will be raised with the requestor.	Effective	No exception noted from sample testing six new creditor requests across the period July 2023 to February 2024.

(continued)

Attachment 4 to Report 24.198

#	Control title and control activity	Design assessment	Control operation testing summary
10	**All changes to creditor master file data must be independently reviewed** As changes are made to creditor masterfile data, all changes are required to be independently reviewed by the Team Leader Transactions to ensure the change is valid, appropriate and accurate. Any exceptions identified will be rejected and followed up with the preparer.	Effective	No exceptions noted from sample testing 13 creditor master file data changes across the period July 2023 to February 2024.
11	**All changes to creditor bank accounts must be independently reviewed prior to payruns** As changes are made to creditor bank accounts, all changes are required to be independently reviewed by the Team Leader Transactions to ensure the change is valid, appropriate and accurate. Any exceptions identified will be rejected and followed up with the preparer.	Effective	Agreed with GW that no further testing will be required as part of this internal audit.
12	**Access to created/amend/approve changes to creditor masterfile data is restricted** As required access to create/amend/approve any changes to creditor masterfile data is restricted to appropriate person. The Financial Systems Accountant reviews access on a monthly basis as part of month end procedures.	Effective, noting evidence of control performance is not always maintained (refer to Finding 3 for further details).	Agreed with GW that no further testing will be required as part of this internal audit.
13	**Quarterly review of creditor masterfile data** On a quarterly basis, the Team Leader Transactions reviews the creditor masterfile data for any duplicates to ensure creditor masterfile data is accurate and clean.	Effective, noting evidence of control performance is not always maintained (refer to Finding 3 for further details).	Agreed with GW that no further testing will be required as part of this internal audit.

(continued)

Attachment 4 to Report 24.198

#	Control title and control activity	Design assessment	Control operation testing summary
14	**Creditors are unable to be paid until they are approved in Ngātahi.** Payments to creditors cannot be made until masterfile data has been independently approved in Ngātahi.	Effective	Agreed with GW that no further testing will be required as part of this internal audit.
15	**DFA delegations are predefined in Ngātahi** Employees adopt a pre defined profile with embedded DFA delegations in Ngātahi which align to role responsibilities.	Effective	No exceptions noted from our walkthrough of the predefined profiles and alignment to role responsibilities in Ngātahi.
16	**All employee expense claims must be independently reviewed.** Expense claims are sent to the employees line manager for approval prior to reimbursement to ensure the appropriateness of expenditure.	Partially effective (refer to Finding 2 for further details)	No exceptions noted from our walkthrough of a line manager approving an expense claim.
17	**All expense claims are reviewed by the Team Leader Transactions** The Team Leader Transactions reviews all expense claims to ensure the correct supporting evidence has been submitted.	Partially effective (refer to Finding 2 for further details)	No exceptions noted based from our walkthrough of the Transaction Team Lead approving an expense claim.

Appendix 4: Revenue and receivables controls assessment and testing summary

Overall no significant control deficiencies were observed across GW's revenue processes. All of the 16 controls identified all are designed effectively. Furthermore, and no exceptions were noted from our sample testing of the operation of a subset of these controls.

#	Control title and control activity	Design assessment	Control operation testing summary
1	**Review of monthly reconciliation spreadsheet** Each month the Team Leader Financial Accountant reviews the monthly reconciliations spreadsheet of the cash collected and invoices issued by the Territorial Authorities. Any exceptions identified will be followed up with the relevant Territorial Authority.	Effective	Agreed with GW that no further testing will be required as part of this internal audit.
2	**Review of rates invoices** Each month the Team Leader Transactions reviews invoices to ensure the invoice is assigned to the correct Territorial Authority, matches the approved reconciliation spreadsheet and GST has accurately captured. Any exceptions identified will be followed up with the relevant Territorial Authority.	Effective	Agreed with GW that no further testing will be required as part of this internal audit.
3	**Review of raised credit notes** Each month the Team Leader Financial Accountant and Financial Controller reviews raised credit notes to ensure credit notes agree with the GWRC Rates Remission Policy and match the approved reconciliation spreadsheet. Any exceptions identified will be followed up with the relevant Territorial Authority.	Effective	Agreed with GW that no further testing will be required as part of this internal audit.
4	**Sample review of rates assessments** Once a year the Financial Accounting Team take a sample of 10-15 rates assessments per TA and review the rates assessment notice to ensure the rates per factor has been charged correctly and agrees with the rates resolution.	Effective noting this control is being implemented in July 2024.	Agreed with GW that no further testing will be required as part of this internal audit.

(continued)

Attachment 4 to Report 24.198

#	Control title and control activity	Design assessment	Control operation testing summary
5	**Review of revenue calculations for NZTA claims** Once a month the Assistant Accountant prepares the Revenue Calculations spreadsheet for NZTA claims which is reviewed by the Senior Accountant and Strategic Finance Business Partner to confirm: ● All manual adjustments are correctly calculated ● All appropriate projects have been captured ● All calculations reconcile with Ngātahi ● Opex/Capex expense levels align with funding assistance rates ● Any variances from prior months claim trends are appropriate	Effective	Observed that control is unable to be substantiated (refer finding 3 for further details)
6	**Review of claim amounts entered into NZTA system** Claim amounts are entered into the NZTA system by the Assistant Accountant, and the Senior Accountant and Strategic Finance Business Partner review claim amounts on screen prior to being submitted to ensure they match the NZTA claims spreadsheet calculation.	Effective	Observed that control is unable to be substantiated (refer finding 3 for further details)
7	**Peer review of NZTA grant invoice information** The Assistant Accountant prepares invoice information based on claims submitted to NZTA. The Senior Business Accountant peer reviews invoice information to ensure it matches claims submitted and sends it the accounts group inbox.	Effective	Observed that control is unable to be substantiated (refer finding 3 for further details)

(continued)

Attachment 4 to Report 24.198

#	Control title and control activity	Design assessment	Control operation testing summary
8	**Review and approval of raised NZTA grant invoices** As required, the Team Leader Transactions reviews and approves raised invoices in Ngātahi to ensure the invoice is assigned to the correct debtor number, GST has correctly been picked up, and the invoice description matches supporting claim documentation provided by the Public Transport Accounting Team.	Effective, noting evidence of control performance is not always maintained (refer to Finding 3 for further details).	Agreed with GW that no further testing will be required as part of this internal audit.
9	**Review and approval of NZTA grant upload Files** As required, the Team Leader Transactions reviews and approves upload files in Ngātahi, ensuring cash received matches the Upload File, the correct debtor number has been applied, GST has correctly been picked up, and an appropriate file description has been provided	Effective, noting evidence of control performance is not always maintained (refer to Finding 3 for further details).	Agreed with GW that no further testing will be required as part of this internal audit.
10	**Annual monitoring and review of cash collected through NZTA claims** On an annual basis, the Senior Business Accountant and Strategic Finance Business Partner review cash collected against the NZTA claims spreadsheet and invoices/upload files generated, ensuring the appropriateness of cash received and all cash received has the relevant invoice/upload file.	Effective, noting evidence of control performance is not always maintained (refer to Finding 3 for further details).	Control is only effective at year end. Unable to complete a walkthrough of control.
11	**Review of application fee invoices** The Team Leader Transactions reviews all application fee invoices, to ensure the debtor number and consent number are correct, and invoice amount matches the invoice request email from the Consents Team.	Effective, noting evidence of control performance is not always maintained (refer to Finding 3 for further details).	No exceptions noted from our walkthrough of the Team Leader Transactions reviewing an application fee invoice.

(continued)

Attachment 4 to Report 24.198

#	Control title and control activity	Design assessment	Control operation testing summary
12	**Consents Team Leaders review and approve consent charges** The Consents Team Leaders review and approve all consent charges in Ngātahi ensuring the appropriateness of all charges loaded against work orders.	Effective	Agreed with GW that no further testing will be required as part of this internal audit.
13	**Sample review of ongoing consent invoices** The Team Leader Transactions reviews the top 5% or every invoice over $5,000 (whichever is the greater number) for ongoing consent costs to ensure debtor number, consent numbers are all correct, and the amount aligns with the invoice request email from the consents team.	Effective, noting evidence of control performance is not always maintained (refer to Finding 3 for further details).	We were unable to complete a walkthrough of this control as evidence is not documented and retained.
14	**Review of aged debtor report** At the end of each month, the Credit Controller reviews all outstanding debtors and sends a listing to the Team Leader Transactions and Head of Finance to review. Once they confirm the listings accuracy, it is condensed into a report for the Head of Finance to review and to be presented at monthly ELT meetings.	Effective	We tested a sample of 2 aged debtor reports for the period July 2023 to February 2024. No exceptions noted, control operated as described.

(continued)

Attachment 4 to Report 24.198

#	Control title and control activity	Design assessment	Control operation testing summary
15	**Review of unapplied credits report** Only a monthly basis, the Accounts Receivable Officer reviews the unapplied credits report to ensure all cash received is receipted against the appropriate rental invoice. Any exceptions identified will be followed up with Jigsaw Property.	Effective	Agreed with GW that no further testing will be required as part of this internal audit.
16	**Review of significant variances in rental revenue** On an ad hoc basis, the Management Accountant reviews any significant variances of rental revenue received against debtor invoices to ensure the accuracy of rental revenue. Any exceptions identified will be followed up with Oxygen Property.	Effective, noting evidence of control performance is not always maintained (refer to Finding 3 for further details).	Agreed with GW that no further testing will be required as part of this internal audit.

Appendix 5: Month-end controls assessment and testing summary

Overall no significant control deficiencies were observed across GW's month-end processes. Of the six key controls identified we determined five are designed effectively one whose design is partially effective. No exceptions were noted from our sample testing the operation of a subset of these controls.

#	Control title and control activity	Design assessment	Control operation testing summary
1	**Independent review of manual journals** As manual journals are prepared, an independent one-up review is completed of the journal to ensure that the journal is complete, appropriate and accurate with any exceptions being submitted to the preparer for adjustment.	Partially effective (refer Finding 4 for further details)	Agreed with GW that no further testing will be required as part of this internal audit.
2	**Validation and rules for journals are embedded within Ngātahi** As manual journals are prepared, Ngātahi runs validation procedures and rules to ensure the journal to be posted is valid, with any exceptions required to be addressed prior to being submitted.	Effective	Agreed with GW that no further testing will be required as part of this internal audit.
3	**Access to prepare and post journals** Access to prepare and post journals within Ngātahi is limited to the relevant person within the Finance Team. Edit and write access rights are also is limited based on the preparer and reviewer of the journal	Effective	Agreed with GW that no further testing will be required as part of this internal audit.
4	**Balance sheet reconciliations are independently reviewed** Only a monthly basis, balance sheet reconciliations are independently reviewed by the Team Leader, Financial Accounting and Financial Controller to ensure the reconciliation is accurate and complete. Any exceptions will be raised with the preparer for adjustment.	Effective	No exceptions noted based on our testing of balance sheet reconciliations completed for the month of October 2023.

(continued)

Attachment 4 to Report 24.198

#	Control title and control activity	Design assessment	Control operation testing summary
5	**Month-end ELT Reports are independently reviewed** On a monthly basis, the month-end ELT report is reviewed by the Group Manager, Finance and Risk to ensure the report is accurate. Any exceptions will be raised to the Manager of Accounting Services, or relevant Team Members.	Effective.	Agreed with GW that no further testing will be required as part of this internal audit.
6	**Month-end procedures are monitored** On a monthly basis, the month-end processes are monitored and overseen by the Manager of Accounting Services to ensure that all month-end procedures have been completed. Any exceptions will be raised to the relevant Team Members.	Effective, noting evidence of control performance is not always maintained (refer to Finding 3 for further details).	Agreed with GW that no further testing will be required as part of this internal audit.

Attachment 4 to Report 24.198

Ngā Mihi
Thank you

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Attachment 5 to Report 24.198

Wellington Collective Insurance Group (WCIG)

DRAFT Report

Earthquake Loss Analysis for Above-Ground Assets

Verisk Touchstone

February 2024

Attachment 5 to Report 24.198

Executive Summary

Wellington Collective Insurance Group (WCIG) engaged Aon Global Risk Consulting (Aon) to undertake a high-level estimate of losses in consequence of an earthquake event, from their combined above-ground asset (property) portfolio as declared by the group in the 2023-24 insurance renewal. Assets insured under the WCIG group policy are owned by the following member councils:

- Greater Wellington Regional Council
- Kapiti Coast District Council
- Hutt City Council
- Porirua City Council
- Upper Hutt City Council

In order to better inform WCIG to make prudent risk financing and insurance decisions in anticipation of the upcoming renewal, preliminary loss estimates have been calculated using the Verisk-developed global vendor model *Touchstone*.

This is the **first of two phases** of loss modelling, which will assist WCIG in understanding their potential losses and inform discussions regarding a suitable potential group insurance policy loss limit for natural catastrophe. Detail on the next phase of work can be found on Page 16.

WCIG declared the portfolio total sum insured (TSI) to be $2.47b, comprised of primarily property and contents, above-ground infrastructure, and land and transport assets.

This work presents a curve of probabilistic post-event losses due to the effects of earthquake shaking, as well as the secondary impacts of liquefaction and shaking-induced landslide. Losses for key return periods of interest are presented in the panel to the right. These are typically considered suitable return periods for informing insurance decision-making.

It should be noted that the Touchstone platform adopts a global view of seismic hazard. Given the significant increase in reported hazard levels for Wellington in the recent release of the New Zealand National Seismic Hazard Model (NSHM22), we believe the potential losses could be higher than those reported. The next phase of work explicitly uses NSHM22, and so these results should be considered in conjunction with the Phase 2 results (when available) when discussing suitable levels of cover.

Further breakdown of the loss estimates, including a full loss exceedance curve, can be found in the body of this report. Losses are presented for the cumulative portfolio only, with individual council sublimit analysis beyond the scope of this engagement.

2023-24 Total Sum Insured

$2.47b

Earthquake Losses

Average Annualised Loss (AAL)

$4.48m

1-in-500 years

$396.94m

1-in-1,000 years

$473.93m

AON

Table of Contents

Version	Document Title	Produced By	Reviewed By	Date
Draft	WCIG – TouchStone EQ – Rev 0.1	E. Jude	Dr M. Nayyerloo	13th Feb 2024
Final				

Aon New Zealand

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1 Introduction

Wellington Collective Insurance Group (WCIG) engaged Aon Global Risk Consulting (Aon) to assess the potential damage and loss from a large earthquake event affecting the group portfolio. This work will provide a high-level assessment of potential **material damage losses** to assets declared by WCIG on their group Material Damage and Business Interruption (MDBI) insurance policy.

WCIG have identified the need to undertake an earthquake loss modelling exercise to evaluate a suitable shared natural catastrophe limit across the group, prior to the 2023/24 renewal, in anticipation of reduced capacity for natural catastrophe insurance coverage in the region.

This is the **first of two phases** of loss modelling, which will assist WCIG in understanding their potential losses and inform discussions regarding a suitable potential group insurance policy natural catastrophe loss limit.

The present work delivers preliminary loss estimates, which have been calculated using the Verisk-developed global vendor model *Touchstone*, to support in discussions regarding upcoming renewal preparations.

Loss estimates can inform decisions on how much risk to transfer through insurance, and how much to retain, as well as validate that a policy is sufficiently tailored to transfer risk where intended. The analysis results could also be used to set the foundation for future resilience work, such as prioritising assets by criticality to target resilience improvements that will have the most benefit for WCIG.

The remainder of the report is structured as follows:

- **Summary of Assets** – Summary of WCIG assets included in this assessment, including top assets by value, and value distribution and geographic extents of manually geolocated assets.
- **High-Level Seismic Risk Analysis** – Details on Touchstone methodology for high-level risk quantification of potential seismic losses for the portfolio.
- **Loss Estimates** – Presentation and discussion of loss estimates.
- **Determining an Insurance Limit** – Discussion of the factors affecting loss limit decision-making based on the results presented in this report.
- **Future Improvements** – Recommendation following the loss modelling work.
- **References**
- **Limitations and Disclaimers**

Data Sources

The document titled '*WCIG Master MDBI Data for Phase 1 EQ Modelling.xlsx*', provided by the group was the primary source of valuation information for this analysis. No geospatial data was provided to support the work. In classifying WCIG assets, the following sources of information were utilised:

- WCIG group MDBI insurance schedule
- Local and Regional Council hazard information
- Google Street View
- Publicly available information

AON

2 Summary of Assets

This assessment covers the assets declared on the WCIG group MDBI insurance schedule, with supporting replacement value information as declared for the 2023-2024 renewal period provided by the group. No geospatial information was provided, requiring assets to be manually geolocated. Council declared values for the 2023-24 insurance period are summarised in Table 1, and in the figures on the following pages.

Figure 1: Heat Map Showing Overall Distribution of WCIG Declared Value

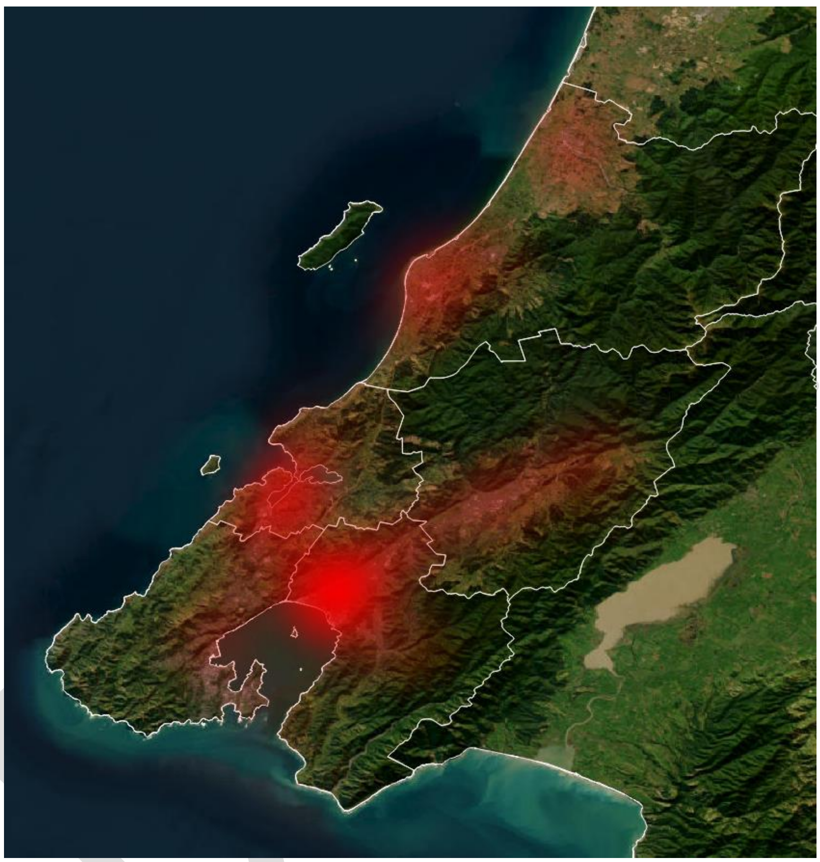
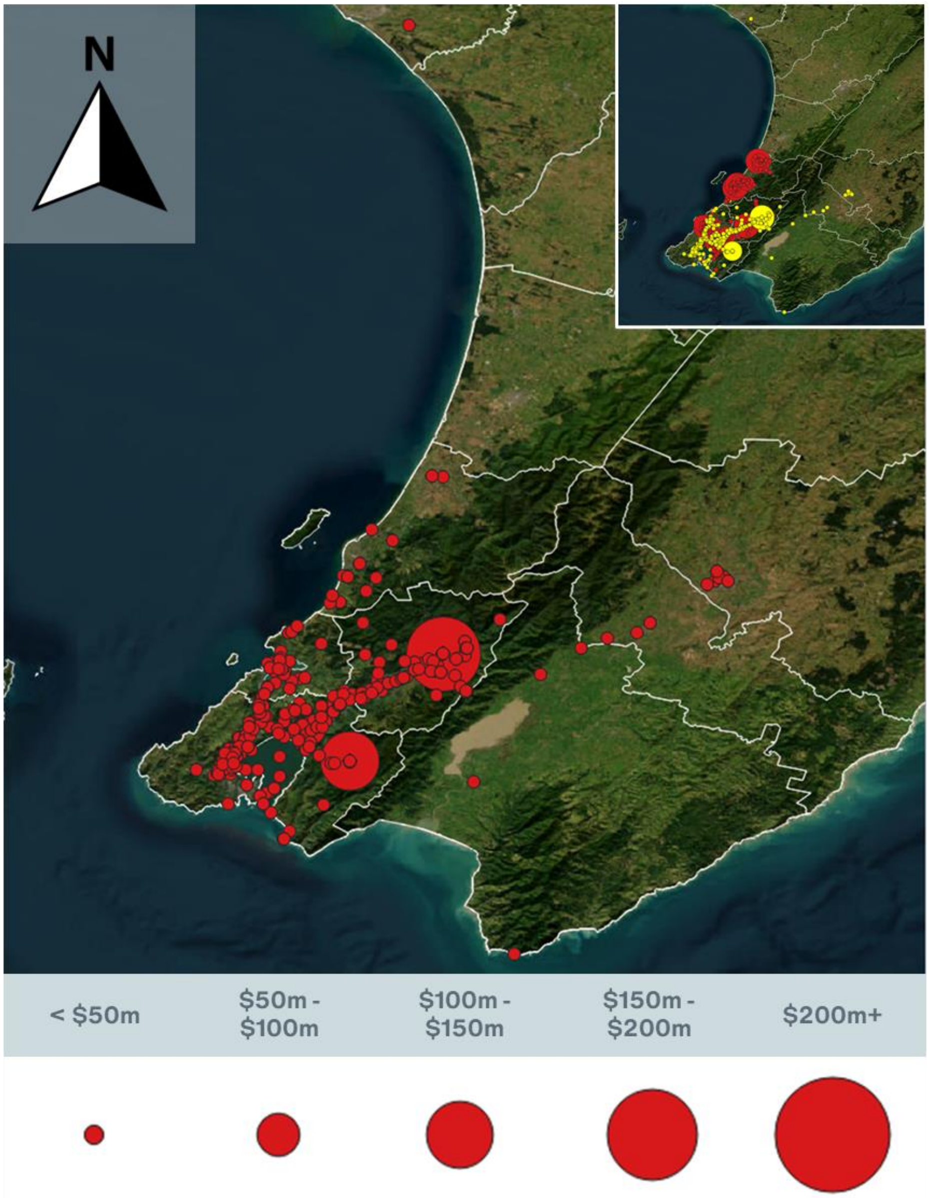


Table 1: Summary of WCIG Member Council Values (Ranked by Total Sum Insured)

Member Council	2023-2024 Schedule Sum Insured	
	Asset TSI ($m)	TSI (%)
Greater Wellington Regional Council	1,054.93	42.7%
Kapiti Coast District Council	455.98	18.4%
Hutt City Council	438.25	17.7%
Porirua City Council	286.01	11.6%
Upper Hutt City Council	236.67	9.6%
WCIG Total	**2,471.84**	**100.0%**

2.1 Greater Wellington Regional Council



Top 5 Line Items by Value	Sum Insured ($m)
Water Treatment Plant & Pump Station - Plant & Equipment, Chattels, ICT	201.07
Water Treatment Plant - Plant & Equipment, Chattels, ICT	158.00
Water Treatment Plant & Pump Station - Plant & Equipment, Chattels, ICT	49.53
Bus equipment assets (bus shelters, pylons, and real time indicator equipment)	45.71
Geoffrey Blundell Barrage Gates	35.50

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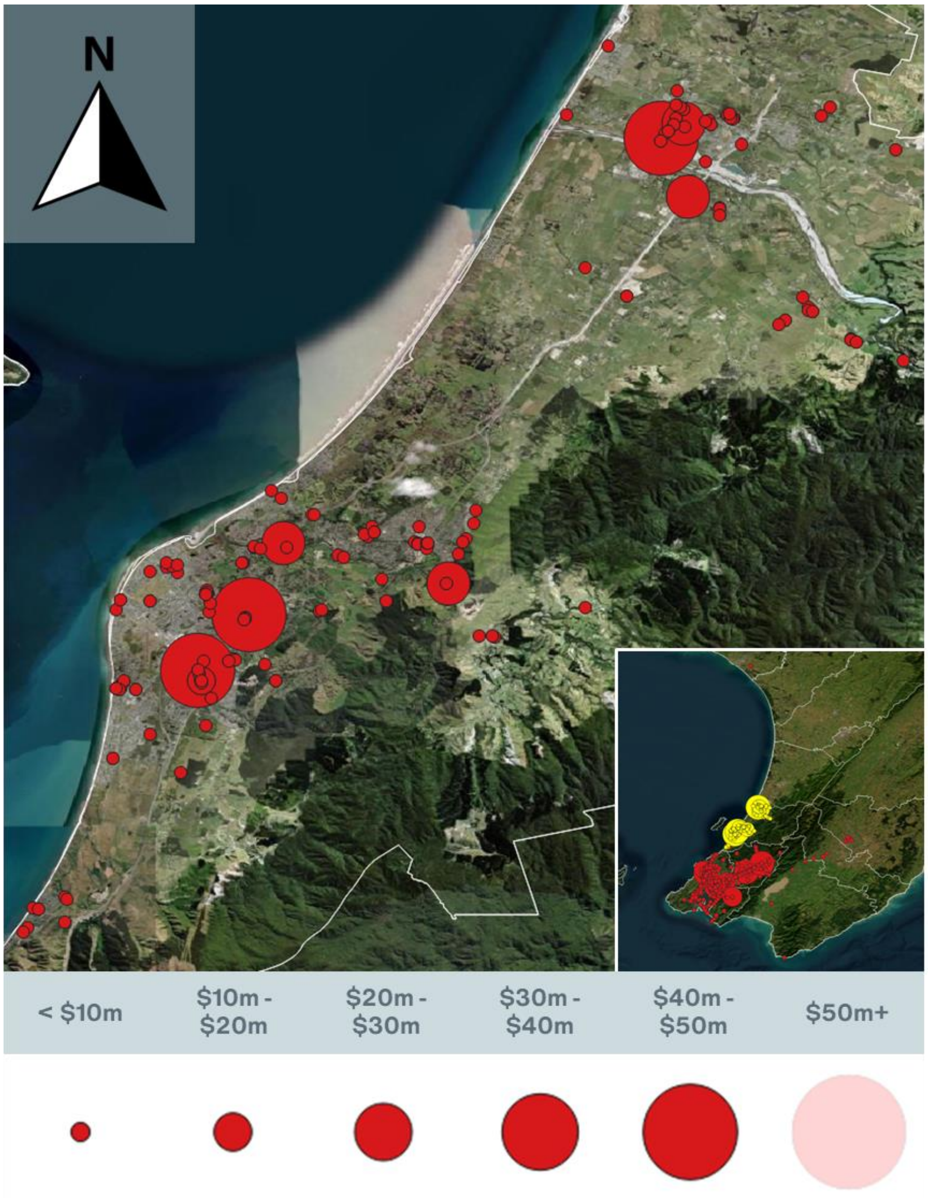
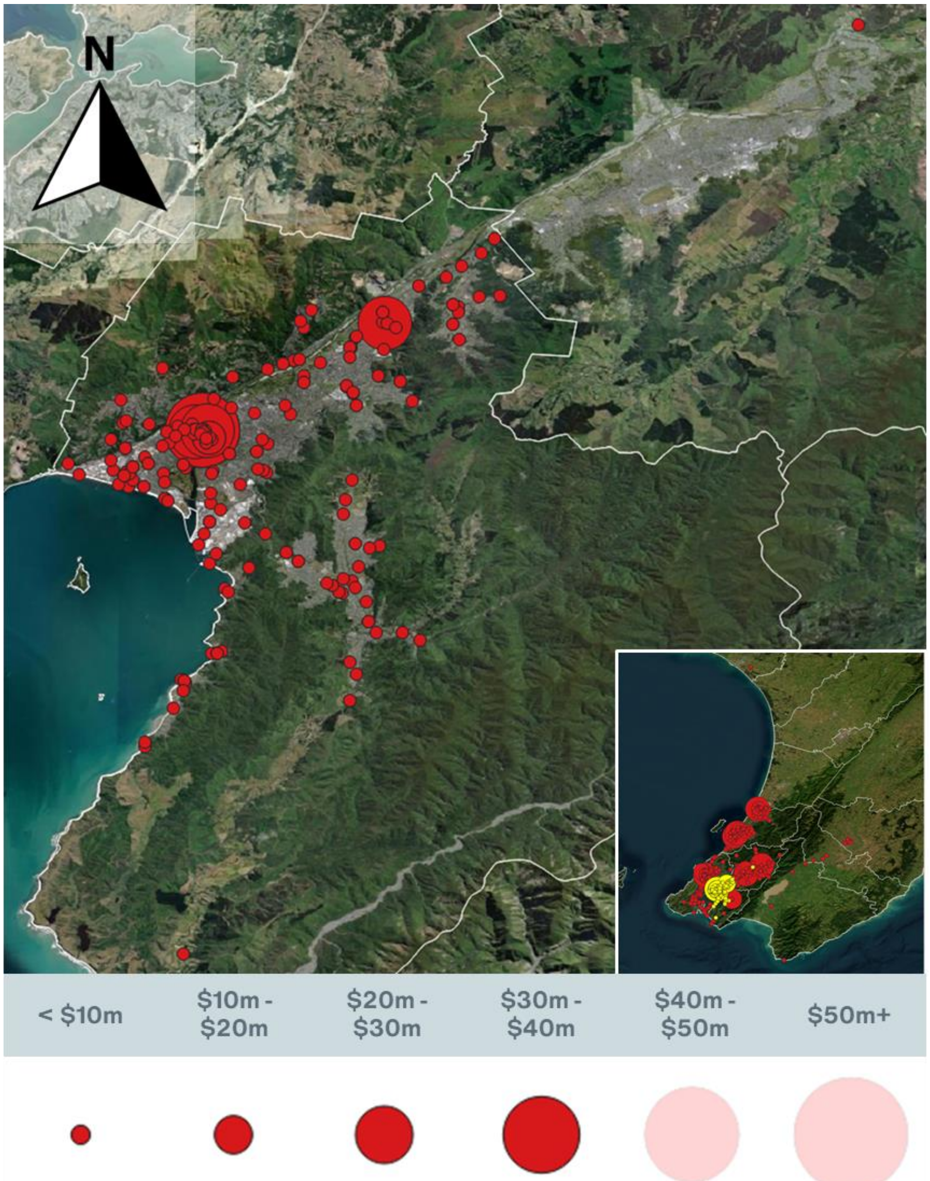
2.2 Kapiti Coast District Council



Top 5 Line Items by Value	Sum Insured ($m)
Treatment Plants Water (Waikanae, Otaki and Hautere)	84.25
Treatment Plants Wastewater (Paraparaumu and Otaki)	82.81
Coastlands Aquatic Centre - Main Building	41.77
River recharge Water	23.14
Council Office Rimu Rd	17.16

AON

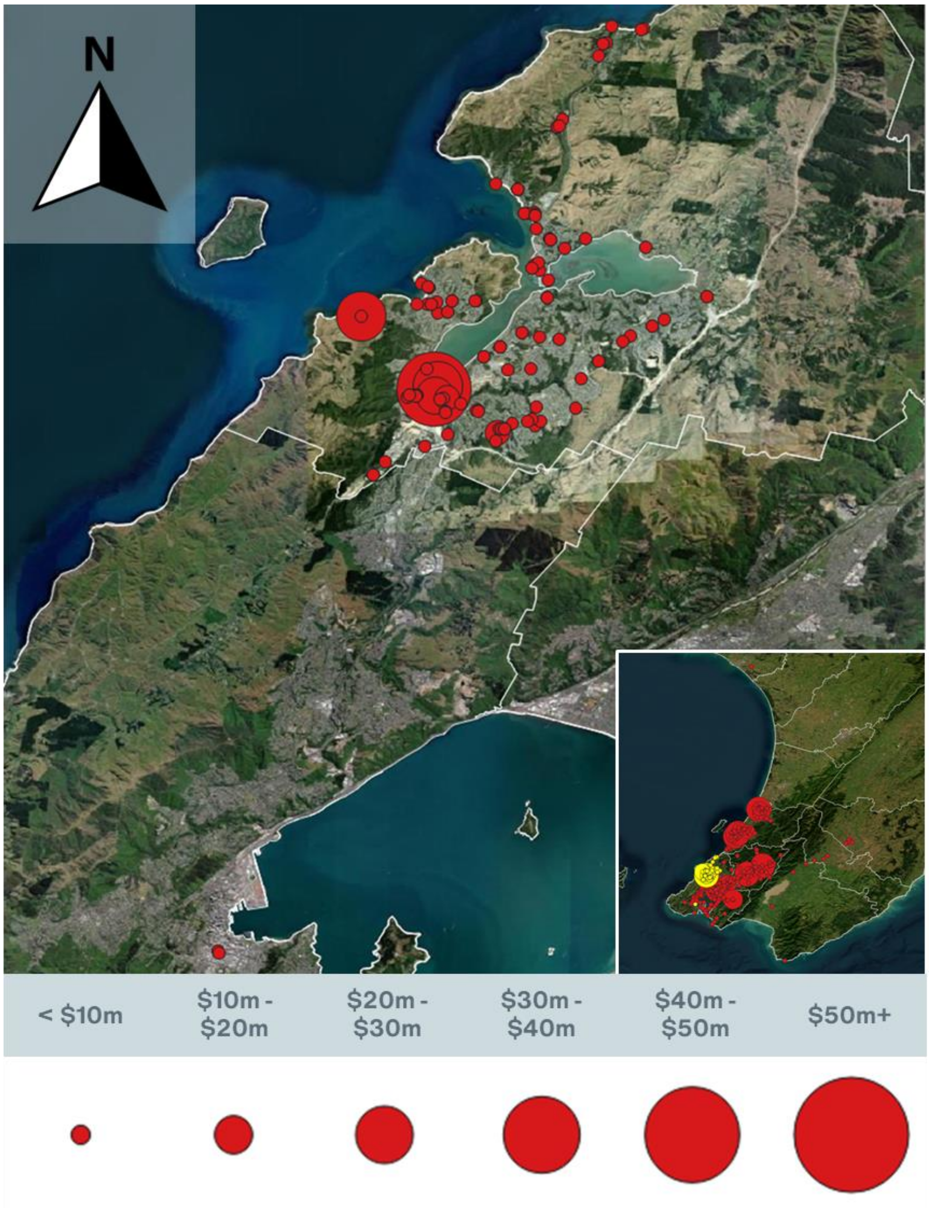
2.3 Hutt City Council



Top 5 Line Items by Value	Sum Insured ($m)
Events Centre	37.59
Administration Building	36.18
Town Hall	30.38
Taita Sport & Community Centre (New)	29.74
War Memorial Library & The Little Theatre - library / arts venue	22.92

AON

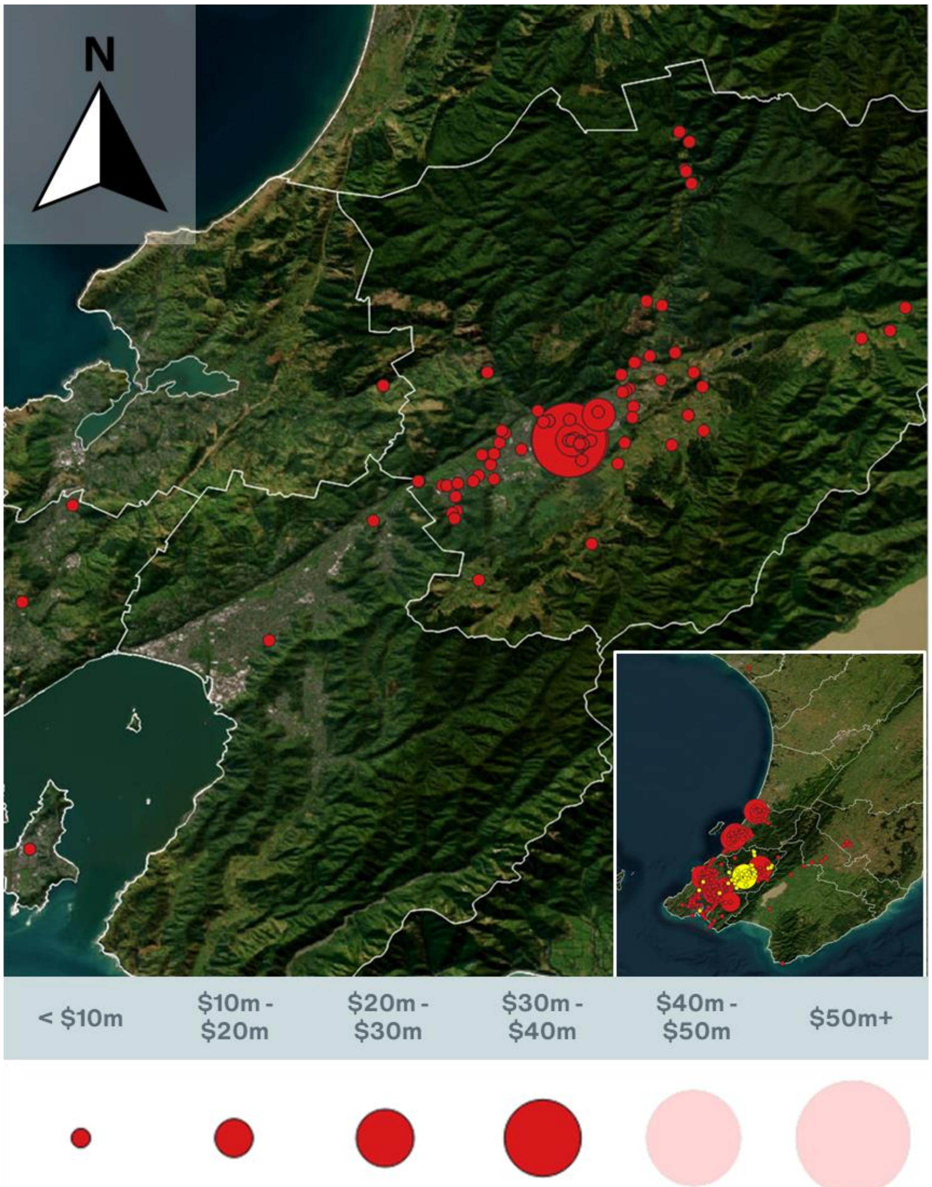
2.4 Porirua City Council



Top 5 Line Items by Value	Sum Insured ($m)
Te Rauparaha Arena including Recreation Centre	53,.56
Library & Arts Centre PLUS Pataka Museum Cultural Centre	39.95
Wastewater Treatment Plant	33.81
Municipal Chambers Building	25.70
4 Lydney Place	15.88

AON

2.5 Upper Hutt City Council



Top 5 Line Items by Value	Sum Insured ($m)
Administration Building	32.67
H20 Xtream Aquatic Centre	32.15
Expressions Art Gallery	27.36
Library	14.52
Bridge B9/1	9.72

3 High Level Earthquake Risk Analysis

Data

A high-level review of available data from WCIG and other sources formed the basis of the loss assessment. The review included a check on the availability of necessary information regarding the characteristics of the assets, and the earthquake hazard and vulnerability data to enable the modelling. Data for the portfolio was collected from the 2023-24 Insurance Schedule. Assets were then further classified according to their asset type, construction, age, and exposure to secondary hazards (such as liquefaction and landslides) and assigned lat-longs based on address information or site description, as recorded in the schedule.

Hazard Exposure

Touchstone models the earthquake hazard using innovative methodologies and the latest geotechnical data, leveraging off newly gained insights into seismic hazard source (note the platform is calibrated in alignment with NSHM22 but does not explicitly use the NSHM source model). Liquefaction and landslide risk are also accounted for.

Vulnerability

Shaking damage was modelled by classifying assets into appropriate fragility classes and using the corresponding fragility models. The platform contains a suite of 125 construction categories, and 115 occupancy classes for classification of assets, differentiated by cresta (Catastrophe Risk Evaluation and Standardizing Target Accumulations) and verified on past experience with events at Kaikoura and Christchurch.

A range of vulnerability models are used based on a combination of several key asset attributes, e.g., for buildings, the choice of vulnerability model also depends on supported secondary risk characteristics such as soft storey, foundation types, wall types etc.

Loss

The platform is utilised to subject the assets to each event in the stochastic catalogue, and the losses estimated for each major asset and summed to arrive at a total loss for the event. This is repeated over thousands of events in the event catalogue to generate a loss exceedance curve.

Attachment 5 to Report 24.198

AON

3.1.1 Uncertainty in Seismic Loss Modelling

Earthquakes by the nature of the event and the frequency in which they occur create situations where there is large uncertainty in the damage and losses being estimated. This uncertainty increases as the average recurrence interval (ARI) increases. This is due to the unfamiliarity with such sized events.

Every loss estimate produced is influenced by uncertainty. Two different loss estimates produced for the same ARI will indicate different loss levels due to uncertainty but will still be within the overall range of possible damage for a set event. There are two high-level categories of uncertainty:

- **Natural variability** represents variables that are random and unpredictable by nature, these differ from event to event or place to place.
- **Knowledge uncertainty** represents variables that are more or less constant, but we do not know their values.

Specific uncertainties in the modelling include (but are not limited to):

- Earthquake magnitudes, return periods, depths, and locations.
- Ground motion resulting from earthquakes.
- Ground response in terms of liquefaction and lateral spread.
- Damage to assets considering installation quality, condition etc.
- Cost to repair assets considering traffic management, availability of resources and key staff, price of replacement parts, access to assets, repair vs replacement, damage inspection costs, temporary repairs, or equipment etc.

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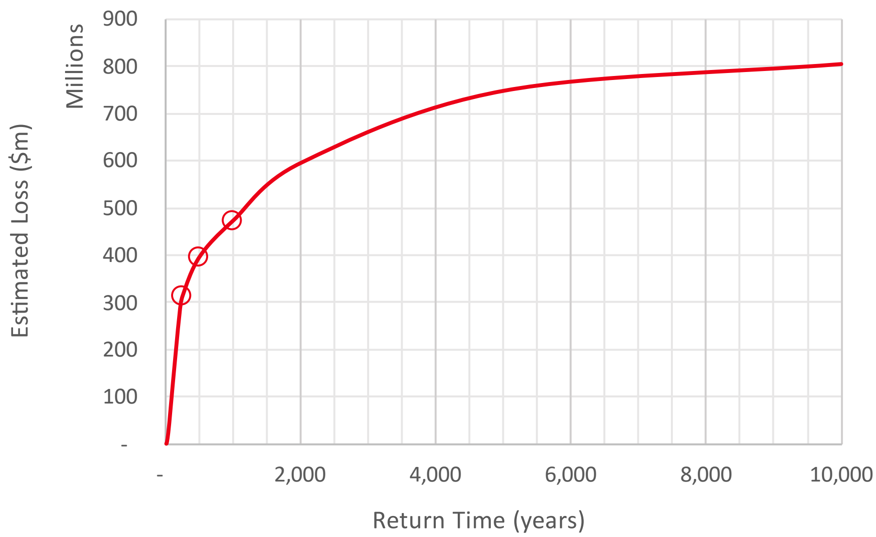
4 Loss Estimate

The **average annualised loss** estimated by Touchstone for the group portfolio is $4.48m.

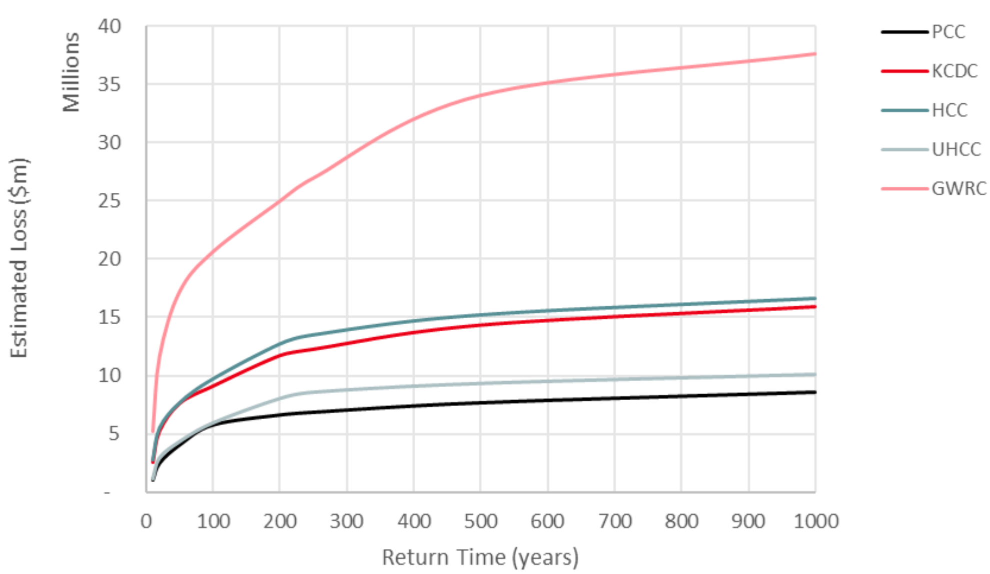
The distribution of modelled losses for the combined WCIG portfolio is shown below for the combined portfolio, and by member council. Estimated losses for a few key return periods of interest are highlighted adjacent.

Figure 2: Touchstone Estimated Losses for WCIG Portfolio



1-in-X years	Estimated Loss ($m)
250	314.87
500	396.94
1,000	473.93

Figure 3: Touchstone Estimated Losses, by Member Council



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4.1 Post-Event Surging in Reinstatement Cost

Immediately after a large natural disaster, there is an observed economic phenomenon where the cost to repair damage to buildings and other infrastructure assets is temporarily significantly greater than the cost to repair the same damage in a smaller disaster (or during typical asset renewals).

When a large event occurs, causing damage to a large number of assets with a large number of owners, there is an increased demand for urgent repair of assets, and reinstatement of services – causing a surge in pricing. The key factors that contribute to demand surge are (but are not limited to):

- Magnitude of damage and size of the affected area; a significant event could impact the majority of NZ.
- Growth stage of the local and natural economy – variation over time and across the region.
- The size of the construction sector - variation over time and across the region.
- Industry wage levels.
- Resource availability – labour and resources.
- Global considerations, such as supply chain disruption and increased costs caused by the pandemic and war/conflict.

This means that the cost to repair damage post-disaster, is notably higher than the cost to repair the same amount of damage, day-to-day, or during typical asset renewals.

Attachment 5 to Report 24.198

5 Determining an Insurance Loss Limit

Loss modelling provides loss estimates that are a representation of what is the likely consequence (loss or damage) from a given event. The variability of the outcomes, and inherent uncertainty, is considered as part of the statistical analysis. However, there are always unknown factors and complexities that can impact actual loss outcomes compared to a theoretical representation.

It is therefore important that loss estimates are not converted immediately into a loss limit, but instead are used as part of the process to determine policy loss limits (a policy limit is the maximum amount that is payable under the insurance contract).

The following are additional considerations that should be included in the process for defining loss limits:

- Generally, the cost of capital reduces as the likelihood of loss decreases. However, the availability of capacity and the underwriters' view of risk means that this can only be ascertained by asking the insurance markets for either a formal quote, or indicative costs for additional capacity.
- A policy limit, particularly for a group of insured entities, is the maximum amount that is payable under the insurance contract. The limit therefore has to be sufficient for events that impact multiple member councils at the same time.
- There are additional sublimits available within the policy. These are for individual council members and also specific coverages (e.g., enablement costs). The overall loss limit should be sufficient to cater for the damage and additional coverages in the total aggregate. This current work will assist WCIG in determining the adequacy of their policy group loss limit – suitability of the individual member councils' sublimits' should be assessed separately.
- Asset values, for asset reinstatement, generally trend upward over time. Loss limits should be set to allow for some value increase over the period of time between loss modelling re-evaluations.

Aon brokers can advise on the practicalities of implementing demand surge into the insurance placement.

6 Next Steps

Given the significant increase in reported hazard levels for Wellington in the recent release of the New Zealand National Seismic Hazard Model (NSHM22), we believe the potential losses could be higher than those reported. The next phase of work explicitly uses this model to validate these preliminary results and further inform discussions around the exposure of the WCIG above-ground portfolio.

6.1 Modelling Phase 2 – RiskScape

The next stage of work will leverage off the NSHM22, released by GNS Science in late 2022, to calculate loss estimates at a higher granularity based on a more local view of the seismic risk. The modelling will utilise the *RiskScape* platform, which was jointly developed by GNS Science and NIWA, allowing us to view damage and consequent loss through a New Zealand specific lens.

The benefits of engaging this additional phase of work are:

- Explicitly uses the most up-to-date view of New Zealand seismic risk exposure.
- Incorporate secondary hazards such as liquefaction at a much more granular level.
- Allows more nuanced tweaks to vulnerability models assigned at an asset-by-asset level i.e., incorporating specific building %NBS etc.

6.2 Recommendations

- Asset valuations, at an asset-by-asset level, are reviewed on a regular basis and are estimated using an insurance-based reinstatement cost, not financial (or depreciation) based valuations (which may not consider costs associated with demolition or inflation costs when reinstating an asset).
- Member councils that do not have geospatial data available for their portfolios should consider collection of this data. This would allow for better modelling of the spatial variability in secondary hazards.
- Some of the key asset characteristics, such as *occupancy type, construction type, number of storeys and year built*, were missing in the asset information provided. These attributes are called 'Primary Modifiers' and are necessary for catastrophe modelling. Closure of these information gaps is expected to enable a more accurate assessment of natural catastrophe losses to the WCIG portfolio, particularly when considering more detailed modelling on specific high-value asset accumulations:
- Investigate the impact of more frequent events (i.e., floods), and how that would impact the retention levels (deductibles) that WCIG would be comfortable holding.
- Undertake individual council loss assessments for premium allocation to ensure an equitable allocation of premiums to member councils.

Aon (and its partner consultants) can assist Wellington Collective Insurance Group (WCIG) with the implementation of the above recommendations and any follow-up extension of the present loss assessment. This would be an additional stage of work, beyond that currently undertaken and would require further engagement with WCIG. Such work, if undertaken, will also bring cost benefits, i.e., risk mitigation by asset hardening may reduce the loss estimate from a natural hazard – reducing the cost or requirement for risk transfer.

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7 Limitations and Disclaimer

7.1.1 Limitations

This report has been produced by Aon (We, we, Our, our) to assist in the understanding and quantification of potential earthquake material damage losses for property assets owned by Wellington Collective Insurance Group (WCIG) (the Client). The loss estimates are considered pragmatic and at an appropriate level and in line with good practice for loss estimations associated with high impact low probability events.

The content of this report is only intended to be used for risk transfer and as such has been modelled to the detail required for this purpose. When used for other purposes, such as post-disaster response, land use planning and so forth, it may not be sufficiently robust or detailed. When used for other purposes, it could be useful as a starting point for further work provided the limitations are understood and acknowledged. Limitations are listed below:

- The loss estimates consider the potential first-party property damage and loss from earthquake damage. Other losses, including third-party property and liability are excluded.
- The loss estimates assume that both the Client and third-party assets meet their declared seismic designs. Any losses attributable to deficiencies of design and construction, which might be realised during a seismic event, are excluded.
- The estimates do not provide for additional damage that could be sustained during large aftershocks, nor does it factor in cascading events (such as fire following earthquake or shaking-induced tsunami) or another major event in the same insurance period.
- The estimates are for potential material damage losses only, and do not include associated costs such as claims preparation, expediting expenses and additional increased cost of working, however these should be considered when determining policy limits.
- Demand surge has been included in the loss estimates, within the Touchstone platform. Demand surge is an economic phenomenon where the cost to repair damage to buildings and other infrastructure assets in large natural disasters is greater than the cost to repair the same damage in a smaller disaster (or during typical asset renewals). The key factors that contribute to demand surge are (but are not limited too) magnitude of damage and size of area affected, growth stage of the local and natural economy, the size of the construction sector, industry wage levels, and finally resource availability. The longer return period earthquakes considered in this assessment create quite significant damage, both in terms of severity and spread. This coupled with potential labour and resource limitations, due to transportation and availability, is expected to create demand surge. However, demand surge cannot be accurately pre-determined and what has been included is just an estimate.
- No allowance has been made for enablement costs in the assessment. This should form part of an additional assessment.
- Catastrophe models assume high correlation between characteristics of insured assets and those of the model features (such as vulnerabilities) designed to represent them. Specific individual risks however may have different attributes to those assumed by the catastrophe models. This means that real-life losses from a single risk or small group of risks concentrated at one or more locations could potentially exceed modelled losses calculated using the catastrophe models.
- Without in-depth structural and geotechnical investigations, the actual loss potential cannot be accurately pre-determined. When determining loss limits for insurance purposes, the potential for additional damage to high-value assets within the portfolio of assets considered can be improved by undertaking more specific and detailed assessment for those assets.
- No site-specific assessment, e.g., landslide or liquefaction potential assessment, has been undertaken as part of the present assessment to evaluate potential implications associated with earthquake actions.
- As natural hazard events are intrinsically highly unpredictable, there is a margin of uncertainty attaching to the results. The results and findings in this report have been reached through a series of qualitative and quantitative assessments in combination with various assumptions and limitations.

- Damage estimates are based on replacement costs estimates provided by the client (or broker). Aon reserves the right but not the obligation to recalculate damage estimates if the information is found to be in error or not suitable to fully replacement the assets in the event of a loss.
- Further detailed assessment is recommended to establish more accurate loss levels.
- Aon recommends that the results presented in this report should not be relied upon in isolation when making decisions regarding policy limits.
- The loss estimates are desktop-based, and their accuracy relies on the information supplied by the Client and/or selected third party sources. We accept no responsibility for the accuracy or completeness of the underlying information provided.

7.1.2 Disclaimer

The Client acknowledges the assumptions and limitations noted above and agrees to the following:

- Where this report includes a recommendation or an assessment of risk, this is an expression of our opinion only and not a statement of fact. Any decision to rely upon any such recommendation or assessment will be solely at the risk of the Client, for which we accept no liability, and the Client acknowledges that the analysis provided does not replace the need for the Client to make its own assessment.
- We will not be liable, in any event, for any special, indirect, or consequential loss or damage of any kind (including but not limited to, loss of profit and business interruption, loss of use, loss of revenue, loss of contracts, increased costs and expenses, wasted expenditure, and all special, indirect, and consequential loss or damage suffered by the other party) arising from any use of the information contained in this report.
- We reserve all rights to the content of this report. No part of this document may be reproduced or transmitted in any form or by any means, whether electronic or mechanical, including photocopying, recording or otherwise, without our prior written consent. This document is provided exclusively for the use of the Client.
- No part of this document may be made available to any third party without both (i) Aon's prior written consent and (ii) that third party having first signed a "recipient of report" letter in a form acceptable to us. No responsibility is accepted to any third party for the whole or any part of the content of this document and all liability howsoever arising to any third party is hereby expressly excluded.

The primary aim of the analysis contained in this report, prepared by Aon (we, our) has been to ascertain and determine material damage loss estimates for earthquake events for the Client. The loss estimates provided are considered pragmatic and at an appropriate level and in line with good practice for loss estimations associated with severe earthquake events.

7.1.3 Limitations Regarding Use of Catastrophe Models

This report includes information that is output from catastrophe models of AIR Worldwide Corporation (AIR), CoreLogic, Impact Forecasting, LLC (IF), and/or Risk Management Solutions, Inc. (RMS) . The information from the models is provided by Aon Inc. Aon) under the terms of its license agreements with AIR, CoreLogic, IF, and RMS.

The results in this report from AIR, CoreLogic, IF and RMS are the products of the exposures modelled, the financial assumptions made concerning insurance terms such as deductibles and limits, and the risk models that project the dollars of damage that may be caused by defined catastrophe perils. Aon recommends that the results from these models in this report not be relied upon in isolation when making decisions that may affect the underwriting appetite, rate adequacy or solvency of the company.

The AIR, CoreLogic, IF, and RMS models are based on scientific data, mathematical and empirical models, and the experience of engineering, geological, meteorological and terrorism experts. Calibration of the models using actual loss experience is based on very sparse data, and material inaccuracies in these models are possible. The loss probabilities generated by the models are not predictive of future hurricanes, other windstorms, or earthquakes or other natural or manmade catastrophes, but provide estimates of the magnitude of losses that may occur in the event of such catastrophes.

Aon makes no warranty about the accuracy of the AIR, CoreLogic, IF, and RMS models and has made no attempt to independently verify them. Aon will not be liable for any loss or damage arising from or related to any use of, or decisions based upon, data developed using the models of AIR, CoreLogic, IF, and RMS, including without limitation special, indirect, or consequential damages.

7.1.4 Additional Limitations of AIR - Touchstone

The attached Touchstone reports and any other Touchstone reports provided to you during the calendar year are provided to you in confidence, and you may not cause or permit disclosure, copying, display, loan, publication, transfer of possession (whether by sale, exchange, gift, operation of law or otherwise) or other dissemination of the Touchstone reports (or details of the methodology and analysis employed to develop the Touchstone reports) in whole or in part, to any third party without the prior written consent of Aon and AIR Worldwide Corporation (AIR).

Notwithstanding the foregoing, you may disclose the Touchstone reports associated with your reinsurance or risk transfer programs to insurance regulators and disclose, in confidence, to your rating agencies, reinsurers, actuarial consultants, managing general agencies, risk managers, investment bankers (but not in connection with the placement of any insurance-linked securities) and auditors (but in no event to any entity in the business of developing loss estimation models), provided that, in the event of any such disclosure, you clearly acknowledge in writing that AIR owns the exclusive right and title to the Touchstone reports and the methods employed to develop them.

You may not alter or remove any copyrights, trade secret, patent, proprietary and/or other legal notices contained on or in copies of the Touchstone reports. The existence of any such copyright notice on the Touchstone reports shall not be construed as an admission, or be deemed to create a presumption, that publication of such materials has occurred.

The Touchstone reports are intended to function as one of several tools which you will use in analysing your estimated and potential losses from certain natural hazards. The estimation of hazards and potential losses involves uncertainties and depends on environmental, demographic, and regulatory factors beyond the control of Aon and AIR. The Touchstone reports depend on data and inputs which you have supplied. The assumptions and methodologies used by AIR in creating Touchstone may not constitute the exclusive set of reasonable assumptions and methodologies, and the use of alternative assumptions and methodologies could yield materially different results. The loss probabilities indicated by the Touchstone reports are estimates of the magnitude of losses that may occur in the event of such natural hazards; they are not factual and do not predict future events. Actual loss experience can differ materially.

No responsibility is or shall be assumed or implied by Aon or AIR for loss or damage to you resulting from inaccuracies contained therein nor shall Aon or AIR be liable to you or others for any adverse results experienced in utilizing the Touchstone reports.

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Finance, Risk and Assurance Committee
14 May 2024
Report 24.202

For Decision

RESOLUTION TO EXCLUDE THE PUBLIC

That the Committee excludes the public from the following parts of the proceedings of this meeting, namely:—

CentrePort Debt Guarantee – Report RPE24.176

Legal Update – Report RPE24.203

The general subject of each matter to be considered while the public is excluded, the reasons for passing this resolution in relation to each matter and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 (the Act) for the passing of this resolution are as follows:

CentrePort Debt Guarantee – Report RPE24.176	
Reason for passing this resolution in relation to each matter	*Ground(s) under section 48(1) for the passing of this resolution*
The information in this report relates to Greater Wellington's financial support of CentrePort Limited. Release of the information contained in this report would be likely to prejudice Greater Wellington and CPL's commercial position as the report identifies interest rate margins (section 7(2)(b)(ii) of the Act). Greater Wellington has not been able to identify a public interest favouring disclosure of this particular information in public proceedings of the meeting that would override this prejudice.	The public conduct of this part of the meeting is excluded as per section 7(2)(b)(ii) of the Act in order to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.
Legal Update – Report RPE24.203	
Reason for passing this resolution in relation to each matter	*Ground(s) under section 48(1) for the passing of this resolution*
The report and attachments contain information: a On the commercial status and alleged loss of a plaintiff that was received by Greater	The public conduct of this part of the meeting is excluded under the following sections: a Section 7(2)(c)(i) of the Act in order to protect information which is subject to an

Wellington under an obligation of confidence in that it was provided in relation to confidential settlement negotiations (section 7(2)(c)(i) of LGOIMA). In addition, that information is very commercially sensitive, and its release would unreasonably prejudice the commercial position of the person that supplied or who is the subject of that information (section 7(2)(b)(ii) of LGOIMA). b On potential internal investigations as to alleged wrongdoing and the release of such information would likely prevent the maintenance of law and in particular the investigation of such matters and or would be likely to prejudice the supply of information into those investigations (section 6(c) of LGOIMA) c That is being gathered in relation to enable in-house counsel to appropriately advise Greater Wellington and/or where litigation is in reasonable contemplation and as such, the release of the same would prejudice the maintenance of legal professional privilege (section 7(2)(g) of LGOIMA). d That Greater Wellington is holding to enable it to carry on without prejudice settlement negotiations (section 7(2)(i) of LGOIMA). Officers have considered whether the public interest outweighs the restriction on release of the information to the public. Officers consider that the public interest does not so outweigh the restrictions.	obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied; and section 7(2)(b)(ii) of the Act in order to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information b Section 6(c) of the Act where making available the information would be likely to prejudice the maintenance of the law, including the prevention, investigation, and detection of offence, and the right to a fair trial c Section 7(2)(g) in order to maintain legal professional privilege d Section 7(2)(i) in order to enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations.

This resolution is made in reliance on section 48(1)(a) of the Act and the particular interest or interests protected by section 6 or section 7 of that Act or section 6 or section 7 or section 9 of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public.