

REVIEW OF RISK ASSURANCE FRAMEWORK FOR GREATER WELLINGTON REGIONAL COUNCIL

Completed by Quorum Group Ltd

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1. BACKGROUND

Greater Wellington Regional Council (GWRC) has responsibility for the promotion of Quality for Life by ensuring our environment is protected while meeting the economic, cultural and social needs of the community. Specific responsibilities include environment management, flood protection and land management, provision of regional parks, public transport planning and funding, and metropolitan water supply.

Managing the challenges arising from these responsibilities involves complex decision-making characterised by large and lumpy investments, long investment horizons, significant trade-offs and high levels of community interest and visibility.

GWRC does not have a formal internal audit function; however, it does undertake a significant number of externally contracted reviews or audits. These include:

- The annual financial audit
- Audit of the Long Term Council Community Plan (LTCCP)
- Various operational audits, involving; treasury management, Land Transport NZ and rail contract audits
- Various ISO or AS/NZ standards related accreditation audits.

In December 2007 the Finance, Evaluation and Risk Committee of GWRC (FERC) received two papers outlining:

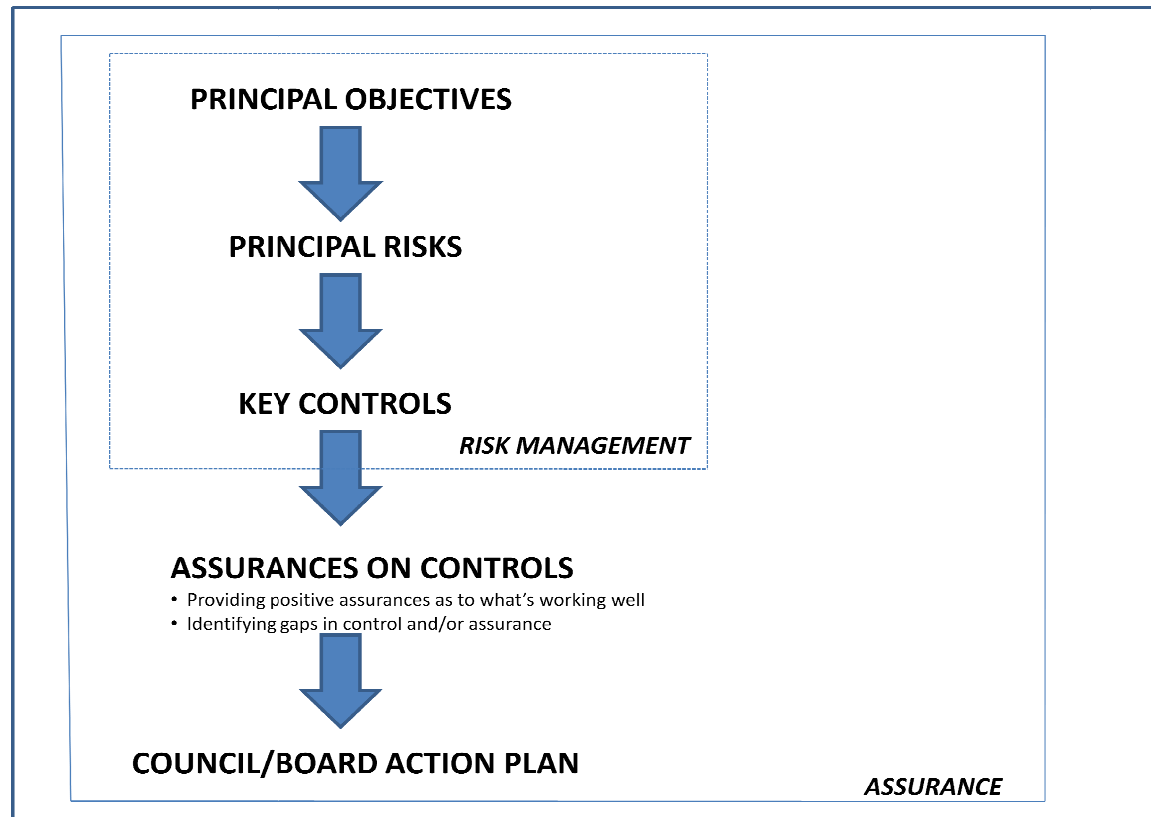
- The key principles and attributes underlying GWRC's internal controls, and
- The risk management framework in operation.

The Committee indicated it wished to consider the development of an assurance framework which would provide the Council with confidence in relation to the effective management of risk and the effective implementation of the LTCCP, Annual Plans, and *Making Greater Wellington Greater*.

Quorum Group was engaged to prepare this report recommending an Assurance Framework which if implemented effectively would provide the required assurance.

2. A GENERIC FRAMEWORK FOR ASSURANCE

For the purpose of this review we have applied an assurance framework derived from the work of COSO (the Committee of Sponsoring Organisations of the Treadway Commission)¹. This framework is widely adopted and provides organisations with a comprehensive method for the effective and focused management of the principal risks to meeting their objectives. This simplifies Board reporting and the prioritisation of action plans, which, in turn, allow for more effective performance management. The generic framework is set out in the diagram below:



¹ **Committee of Sponsoring Organizations of the Treadway Commission (COSO)** is a U.S. private-sector initiative, formed in 1985. Its major objective is to identify the factors that cause fraudulent financial reporting and to make recommendations to reduce its incidence. COSO has established a common definition of internal controls, standards, and criteria against which companies and organizations can assess all their control systems, not just financial.

Definitions

Risk Management System

The key elements of a risk management system are:

- Council and Executive Management commitment to risk management as a fundamental dimension of effectively managing a successful business. Risk Management must be seen as an integral part of the process of the business of the organisation, not something done as a matter of simple compliance.
- An appreciation that an inevitable part of the business of Council involves taking calculated risks. A robust understanding of risks and their consequences enables those decisions to be taken with greater confidence
- A common framework for the analysis of all risks. For principal risks to be brought together in any meaningful sense for the Council there needs to be a common framework of analysis. For example this might classify risks consistently with the objectives they threaten as; strategic, operational, reporting or compliance. This calls not only for a common definition of risk and risk identification but also a common means of calibrating probability and impact
- A single point of coordination for the process. Once the Council has set the framework and the strategy there needs to be an appropriate infrastructure in terms of committee and individual responsibilities to carry through the agenda.

Principal objectives

Are those objectives, or milestones the Council has to achieve in order to deliver the outcomes identified in the LTCCP. An effective cascade of these objectives to all levels of the organisation is necessary if it is to actually be focused on activities which will achieve the strategic objectives and thus the outcomes sought. For this reason, establishing an effective assurance framework requires an understanding of the translation of these principal objectives into Divisional objectives and in turn their translation into Departmental objectives.

This process can be facilitated by the categorisation of objectives in the following manner:

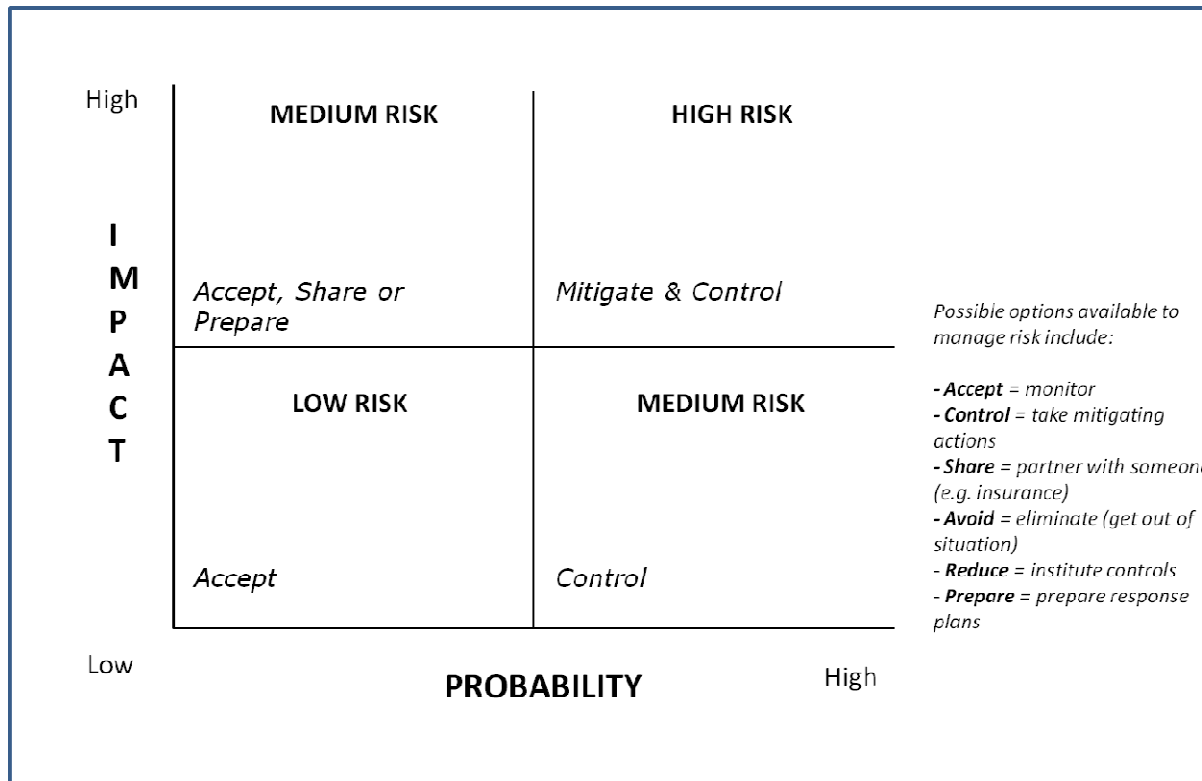
<i>Objectives</i>	<i>Description</i>
Strategic	high-level objectives, aligned with and supporting the LTCCP
Operational	dealing with the effective and efficient use of resources to meet the strategic objectives
Reporting	relating to the nature and reliability of the reporting regime
Compliance	making explicit the need for compliance with applicable laws and regulations

Principal risks

Principal risks are defined as those that threaten the achievement of the organisation's principal objectives. An effective assurance framework allows an organisation to manage these risks rather than merely reacting to their consequences.

Risks are considered at all levels of the objectives as they are 'cascaded' through the business and are often more easily identified at the operational level than the strategic. Risks may have impact across more than one objective and may be linked to other risks. Because of the complexities associated with risk identification an effective Risk Management System is central to an effective Assurance Framework.

The following chart highlights the various ways in which risks can be categorised and the mitigating actions that may be taken:



Key controls

Key Controls are those systems and processes in place or actions that are taken to either prevent a risk eventuating or to manage the impact of a potential risk.

Controls should be documented and their design subject to scrutiny by independent reviewers. This might include internal auditors, in conjunction with other subject matter experts where necessary and external audit. The key controls should be mapped to the principal risks. When assessments are made about controls, consideration must be given not only to the design but also the likelihood of them being effective in light of the governance and risk management framework within which they will operate - even the best controls can fail if staff are not adequately trained.

The relationship between a risk and control is not necessarily straightforward. One specific risk may be mitigated by a number of controls. Some of those controls may only be effective when operating in conjunction with other controls and one control may relate to more than one risk.

Assurance

Assurance derives from the establishment of an effective Risk Management System and subsequent reporting which confirms that the system is consistently operating as expected and that specific significant risks have been appropriately managed. Organisations typically seek reasonable assurance; absolute assurance being generally infeasible or simply too expensive to achieve.

It is critical to assure the controls in place in the organisation are managing the key risks effectively and appropriately. The process for gaining assurance about the effectiveness of the key controls is fundamentally about taking all of the relevant evidence together and arriving at informed conclusions. Assurances are obtained from a variety of sources:

- The most objective assurances are derived from independent reviewers which for GWRC include; Audit NZ, LTNZ, HVDHB, Maritime NZ, Ministry of Emergency Management, ISO Accreditation audit agencies and other independent experts
- Other sources of assurance include; internal management representations, performance management processes and the disciplines associated with the public nature of GWRC's role and the formal consultation processes accompanying that role.

It is essential that the Council receive regular reports which demonstrate the effective management of the principal risks the organisation faces.

Reporting to the Council (Board)

The Assurance Framework provides a simple framework for reporting key information to the Council. It identifies which of the organisation's objectives are at risk because of inadequacies in the operation of controls or where the organisation has insufficient assurance about them. At the same time it provides structured assurances about




where risks are being managed effectively and objectives are being delivered. This will allow the Council to make the most efficient use of its resources in addressing the issues identified.

Summary reports should be provided to the Council about the effectiveness of the organisation’s system of internal control, covering all of the principal risks and providing:

- Positive assurances with respect to those principal risks where controls are effective and objectives are being met
- Details of situations where the organisation’s achievement of its principal objectives is at risk as a result of:
 - significant gaps in control, or
 - significant gaps in assurance.

From these reports appropriate action plans can be developed to improve existing controls or implement the additional controls required to remedy shortcomings.

A simple Reporting Framework:

BUSINESS AREA	PRINCIPLE RISKS	KEY CONTROLS	SOURCES OF ASSURANCE	ASSESSMENT OF ASSURANCE
	<p>Outline of the Principle risks.</p> <p>Risks reported at this level would primarily be those judged by Management and Council to be High priority. That assessment would be made in consideration of Potential Impact and Probability of occurrence.</p> <p>Minor risks whilst recorded, would be kept at business unit level</p>	<p>Outline of key controls in place to manage Principle Risks</p> <p>Should also outline any gaps in controls.</p>	<p>Summary of assurances in place to demonstrate controls can be considered effective.</p> <p>Should also outline any gaps in Assurance.</p>	<p style="text-align: center;"></p> <p>Controls and/or Assurance Ineffective</p> <p style="text-align: center;"></p> <p>Controls and/or Assurance could be improved</p> <p style="text-align: center;"></p> <p>Controls and/or Assurance Effective</p>

3. OUR APPROACH

The following outlines the approach taken in completing this review.

- a. Interviewed key parties (Chairperson , Chairperson of Finance, Evaluation & Risk Committee, CEO, and CFO) to clarify:
 - Perceptions as to the key areas of exposure for the organisation
 - Expectations with respect to the nature and level of assurance sought
- b. Established and summarised our understanding of:
 - GWRC's key operational areas
 - The systems and processes which underpin these operations, and the nature of these systems and processes in so far as that might influence the risks faced by the organisation
 - The status of the risk management framework and processes in place today
 - The scope of assurance the various 'audits' currently in place actually provide.

This involved interviews with relevant tier 2 and 3 managers who are actively engaged in the systems and processes in question.

- c. Considered the current 'audit' activities in relation to key operational areas, systems and processes, and the risk management framework with a view to identifying gaps
- d. Identified any accepted common practice with respect to independent assurance
- e. Developed our recommendations on the basis of our findings from the preceding steps.

4. SUMMARY AND RECOMMENDATIONS

This review has been carried out in the context of the COSO framework for risk management. The COSO framework is considered a model for 'best practice' and establishes assurance on the basis of a comprehensive understanding of the organisation's Objectives, the Risks which threaten the achievement of the Objectives, and the Key Controls which are used to mitigate those risks. We have used these three elements to assess the way in which GWRC currently manages risk and provides assurance to the senior executive and Council.

It is important to note that this review is limited to providing our recommendations concerning the way in which GWRC should establish an Assurance framework. We do not express any opinion concerning the actual effectiveness of current initiatives which have been represented to us by management as sources of assurance. For example, where management have stated that there is a regular and comprehensive reporting process in place, we have accepted that. We have not reviewed the content of such reports in order to satisfy ourselves that they actually provide the assurance required. Such a detailed review was not within the scope of this report. Our focus has been on identifying the mechanisms that are available to provide assurance.

During the course of our review we have been impressed by the obvious commitment of the GWRC staff to the organisation's Objectives and to the public consultation processes critical to the achievement of those Objectives. The planning processes within GWRC are well developed and provide a robust mechanism for ensuring an appropriate cascade of Objectives down through the organisation (see for example Appendix 2 which highlights the relationships between the key strategic planning documents). Although there is currently no formalised Risk Management framework in place, the Managers we spoke with all had a very clear understanding of their objectives and accountabilities and of the issues and risks associated with the achievement of those objectives and the fulfilment of those accountabilities. We found they were able to readily point to the key control mechanisms by which risk was managed. In the absence of a formal risk management process, control is achieved as a by-product of the routine management activity and business processes. This is not a bad thing. Embedding risk management in the operational routine is one of the keys to successfully controlling risk.





However, GWRC needs to formalise its approach to Risk Management if it is to provide the Council with greater confidence in relation to the effective management of risk and the effective implementation of the LTCCP, Annual Plans, and *Making Greater Wellington Greater*. Formalising the approach to Risk Management will have the effect of increasing the visibility of the risks faced, ensuring an organisation-wide perspective is taken in establishing the relative priority of those risks and ensuring no gaps in the controls essential to their management. A reporting regime incorporating both internally generated information and reports from independent parties will then provide Council with the assurance sought.

Key Observations

1. GWRC is accountable for a wide range of community centred outcomes which involve an equally wide range of risks and challenges. Maintaining credibility with government agencies and the community is of critical importance.
2. Public Consultation is a critical aspect of GWRC's operation. The discipline this imposes on the organisation provides a high level of assurance that decisions are fully considered and communicated.
3. The close involvement of government agencies in major decisions goes a long way to eliminating surprises.
4. GWRC has to deal with complex issues characterised by large and lumpy investments, long investment horizons, significant trade-offs and high levels of community interest. This necessitates the regular involvement of independent experts in the decision-making process. The reports and advice of those experts provide another level of assurance.
5. Regular audits resulting from the involvement of government funding agencies and testing authorities provide assurance within the limits of the scope of those audits.
6. Monitoring and Reporting of progress against Objectives to both internal and external audiences is an important part of the accountability that accompanies the public nature of the organisation
7. Divisions seem generally well organised to meet their own needs and interact with their own stakeholders
8. Senior staff generally have a very good understanding of the key risks that pose a threat to their business contributions and are taking actions to control these effectively
9. The level of assurance across the GWRC group is reasonably effective; however any common framework in which that assurance is demonstrated and managed is limited and based on ad-hoc feedback and reporting rather than being under-pinned by a structured approach.

Summary Assessment

The following table gives an indication of our overall assessment of the effectiveness of the Assurance processes currently in operation:

Summary of results		
Objectives		Overall we consider the planning processes within GWRC create an environment in which participants have a clear understanding of the organisation's key objectives. The cascade of objectives generally works well. However, there is some debate as to effectiveness of LTCCP and the issues associated with synchronising its content and priorities with plans already in place. This is particularly relevant for 10 year plans or schemes being implemented within the LTCCP cycles.
Identification of key risks		Generally well done at Divisional level but no coordinated view across the organisation. Management is currently implementing Quantate, a software package designed for use in the risk management process. This may well assist the implementation of a formal risk management framework.
Key Controls		Significant control derives from close involvement of third parties and government agencies, and the disciplines imposed by the public nature of the organisation and its processes. There is a strong culture of 'doing the right thing' which includes respect for the processes of public consultation. There was also a ready recognition of the effect of controls we suggested or prompted. However, there is not a high level of explicit focus on controls.
Assurance		<p>There are varying levels of assurance across GWRC which include the public consultation processes, independent audits, external expertise and peer review for example. There is little explicit recognition however of the need to provide Council with assurance and not much is packaged this way as a result.</p> <p>This score reflects the lack of a formal framework consistently applied. It should not be interpreted to mean that there is limited assurance available to Council.</p>

For a detailed summary of Principle Risks, Key Controls and Levels of Assurance, see Appendix 1

Recommendations

Substantial effort is already being applied within Divisions to identify key risks and implement relevant controls. A significant level of assurance appears to be provided as a result of current initiatives and existing independent audits, reviews and expert opinions. We consider limited additional effort is required to establish a formal Assurance Framework. Our specific recommendations with respect to the steps necessary to establish a robust Assurance Framework are set out below. These recommendations include opportunities we consider will improve the effectiveness of some key controls.

4.1 A formal Risk Management System should be implemented.

Although divisions are closely focused on the management of their own risks and controls, there is no formal Risk Management System in place and no clear GWRC wide accountability for the management of risk. This could result in:

- Effort being spent on the management of risks not considered significant at an overall organisation level
- duplication of effort in controlling similar risks
- Insufficient attention being given to the management of risks which are in aggregate significant at an overall organisation level.

We recommend GWRC implements a formal Risk Management System incorporating the key elements of the COSO framework used in this review. This should include:

- Documentation of roles and accountabilities for Council Committees and Executive Management. Once the Council has approved the framework and the strategy there needs to be an appropriate infrastructure in terms of committee and individual responsibilities to carry through the agenda.
- A person accountable for the implementation and maintenance of the framework – the Risk Management champion. This person most usually reports directly to the CEO. This could be achieved via the implementation of a specific role or by assigning this accountability to an existing role. The key to effective implementation of the framework lies in its establishment as part of the ‘way business is done’.
- A common framework for the analysis of all risks. This might classify risks consistently with the objectives they threaten as; strategic, operational, reporting or compliance. This calls not only for a common definition of risk and risk identification but also a common means of calibrating probability and impact. We understand that GWRC is in the process of implementing Quantate, a software package designed for use in the risk management process. This may well assist implementation of such a framework.

4.2 The business planning challenge processes within GWRC should be explicitly focused to ensure consistency between plans.

Consistency between plans is made more difficult to achieve by the fact that the LTCCP and other planning documents (e.g. Flood Plain Management Plans) are prepared on the basis of different timeframes. Management are aware of this but it adds significant complexity and overhead. Failure to effectively manage the complexity could result in:

- Consultation processes being rendered ineffective through exposure to re-litigation
- Inconsistencies between planning documents leading to confusion and inefficient use of resources and time
- Inconsistencies in the cascade of plans down through the organisation leading to:
- Goals for which the organisation is publically held to account not being met
- Inefficient use of resources

Although the plans are subject to audit by Audit NZ, the primary control which should prevent problems arising in this area is the effective challenge of plans by senior management and the Council. This could simply be by divisional managers going through a process where they describe exactly how existing plans and a revised LTCCP inter-relate.

4.3 Ensure Key Risks are defined against the relevant Objectives and documented as part of the LTCCP process.

The LTCCP is a comprehensive document supported by an extremely rigorous consultation process. The LTCCP describes all the priority outcomes GWRC intend to deliver over a 10 year period and presents that detail to all interested parties and stakeholders. It clearly outlines outcomes, objectives, targets, timeframes etc, but doesn't yet reflect anything about the risks associated with given activities or initiatives.

Explicitly disclosing the key risks associated with specific outcomes and the controls in place to manage that risk provides a complete picture regarding the delivery of those outcomes. Not only does this help to further engender the risk management culture in GWRC, it also serves to inform the reader of those risks and aid in the management of their expectations.

4.4 Review membership of the Treasury Management Group and extend the role of the independent advisors

The current membership of the Treasury Management Group (TMG) is limited to Corporate and Divisional Finance staff and Asia Pacific Risk Advisers, an Independent expert. The Treasury Management Policy is silent on the composition of this group. Providing a cross section of representation on the Treasury Management group would assure more robust decisions because:

- proposals would be subject to constructive discussion,
- the requirement to explain complex things in simple language to people who don't quite have the technical background is a good discipline and will help ensure treasury activities are well integrated with the business
- that experience will also equip the Finance people better to present in front of the FERC

Accordingly we recommend that the Treasury Management Policy with regard to membership of the TMG is reviewed in relation to the breadth of representation from within GWRCs' operations. We consider it would also be prudent for the CEO to be a member of the Group, if not at least involved periodically. In addition, we recommend that Asia Pacific Risk Advisors should report periodically to FERC. This would have a number of benefits; it would provide FERC with an independent sounding board, and it would reinforce the fact that the advisor's obligation is to the organisation as a whole and not merely to the Finance Group.

We raise this recommendation only on the basis of enhancing the assurance available in relation to the effectiveness of the Treasury Management process. We have not seen anything during our review that would raise specific concerns about the detailed operation of this function.

4.5 We recommend the role of Independent Insurance Broker be subject to periodic tender and the policy with respect to self-insurance be resolved

Decisions to insure against risk and provide self-insurance are important elements of the Risk Management System. GWRC takes expert advice from Insurance Brokers in reaching decisions on these matters. Each year a renewal report for insurances is prepared summarising the cover and main terms of cover proposed for the coming year. Given the volatility of insurance markets there can be significant benefits in regularly testing that market by tendering the broking role. There are consultancies that provide advice with respect to coverage and manage the tender process for a fee based on a percentage of savings achieved.

GWRC took a decision some years ago to self-insure certain of its infrastructure assets. We understand that the assessment of the current position with respect to those assets is that there is a significant uninsured exposure. We endorse the decision to review this position and encourage resolution of the Council's position with respect to self-insurance. *It should be noted that Sloan Risk Management Services Limited is to be engaged to complete a review of the current insurance position.*

4.6 Consider opportunities to more formally survey Key Stakeholders to provide further performance and priority insights

Public Consultation is the cornerstone process to both inform GWRC regarding where its priority focus should be applied, gain interested party feedback on specific planning initiatives and align stakeholder expectations. Consideration should be given to implementing Customer or Stakeholder Surveys on a periodic basis, not to supplant the consultation processes but to provide more targeted information. Obviously the situation where these surveys may be used must be thought through carefully to minimise "over contact", but they can be good source of relevant insight.

4.7 Level of structure around IT/IS planning, design and build and supporting policy should be reviewed.

The processes supporting the IT and IS environments of GWRC are underpinned by substantial staff experience and knowledge. We understand that this has resulted in a strong and reliable infrastructure for the organisation.

Corporate IT has responsibility for business systems and meeting their own needs while Divisions are responsible for their operational systems. This separation of accountability is fine, as long as the organisation can be assured that all parties are operating within a common framework. We understand that while corporate IT has a role in approving capital expenditure, judgements made in this context about 'fit' with corporate systems are made without the benefit of a formal IT/IS strategic plan. What needs to be considered is the extent to which the architectures and applications that provide the operational capability for GWRC are being planned with due consideration for the overall needs of the organisation. Such consideration should take account of:

- application functionality
- system capacity and
- future proofing against version upgrades and inter-operability issues.

Consideration should be given to the development of an IT/IS Strategic Plan that defines the lifecycle management of the IT infrastructure (hardware and application). This would underpin the IT/IS Asset Management Plan. It would also ensure "no surprises" when upgrades or reconfigurations are required, particularly with respect to compatibility and support. We recommend that this be a core accountability of the Corporate IT Group.

4.8 Review the IT Business Continuity Planning (BCP) framework in place to assure the right level of preparedness has been considered

At present it appears that Business Continuity is strongly focussed on loss of financial information, (e.g. Masterton backup site) with procedural actions in place for a variety of other IT/IS related failure. The extent to which formal, documented BCP's are in place seems quite limited. Whilst we do not recommend spending an excessive amount of time developing BCP's which cover an unrealistic level of possibilities, consideration should be given to the primary areas of potential failure, what actions would need to be taken and how clearly defined those instructions are.

4.9 Consider more regular independent review of Forestry commercial operations and strategies.



The Forestry investments provide some level of exposure to GWRC from a commercial sense. This is mitigated to an extent by the arrangements in place with the forestry management contractors and Forestry Management Plans are developed. However independent expert advice is not regularly obtained.


Regular review of the Forestry investments by independent experts, in the context of such matters as risk profile, and financial performance and prospects could provide GWRC with an increased level of assurance regarding this business area. *(It should be noted that the forestry management contract is tendered every 3-4 years)*



APPENDICES


APPENDICES



Appendix 1 SUMMARY OF RISKS, CONTROLS AND LEVELS OF ASSURANCE



BUSINESS AREA	PRINCIPLE RISKS	KEY CONTROLS	SOURCES OF ASSURANCE	ASSURANCE
1. All Business Units	<p><i>Risk Management framework:</i></p> <p>There is no formal Risk Management Framework in place and no clear GWRC wide accountability for the management of risk. This could result in:</p> <ul style="list-style-type: none"> • Effort being spent on the management of risks not considered significant at an overall organisation level • duplication of effort in controlling similar risks • Insufficient attention being given to the management of risks which are in aggregate significant at an overall organisation level. 	<ul style="list-style-type: none"> • Divisions are closely focused on the management of their own risks and controls. These are generally well defined as a result of: <ul style="list-style-type: none"> ○ legislation and regulations ○ involvement of outside agencies ○ the public consultation processes • Quantate is to be implemented as an application to support the Risk Management framework 	<ul style="list-style-type: none"> • Ad hoc reporting in relation to risks • Monthly Report content reflects some Risk focus and assurances in relation to those risks <p><i>Comment:</i></p> <ul style="list-style-type: none"> • <i>There is no formal Risk Management framework.</i> • <i>Reporting is ad-hoc and doesn't provide consistent assurance regarding the level of control that is in place across GWRC and its effectiveness</i> • <i>There is no single point of accountability for Risk Assurance across GWRC (other than the CEO)</i> 	
	<p><i>Natural disaster:</i></p> <p>raising issues in relation to:</p> <ul style="list-style-type: none"> • Emergency Operations Centre • Divisional operations <ol style="list-style-type: none"> Water Transport Harbour Management • Financial impacts and adequacy of insurance cover 	<ul style="list-style-type: none"> • Predictive assessments completed. Flood is regarded as the primary risk • Disaster Recovery plans (DRP's) in place and subject to periodic testing. • Alternate EOC site in Masterton- plans still to be completed. Recommendations to go to Council in August for a new building. Back up Financial system • Subject to Public Consultation processes 	<ul style="list-style-type: none"> • Results of testing of CDEM plans • Ministry of Emergency Management has audited emergency management procedures, Emergency Operations Centres, Exercises etc. • Reporting with respect to project to establish an alternative Regional Emergency Operations Centre in Masterton. While there is an exposure until this is built they can still operate in Masterton • Stakeholder feedback with regard to this issue in the context of the preparation of the LTCCP • Annual review of insurance needs by external Insurance Broker 	




BUSINESS AREA	PRINCIPLE RISKS	KEY CONTROLS	SOURCES OF ASSURANCE	ASSURANCE
<p>All Business Units (cont'd)</p>	<p><i>Loss of organisational capability:</i></p> <p>as a result of:</p> <ul style="list-style-type: none"> • Failure to secure required new personnel through effective recruitment • Failure to retain key personnel. 	<ul style="list-style-type: none"> • Performance management processes including Annual salary reviews and associated benchmarking with external independently produced survey information • Recruitment and retention strategies developed. This includes a significant recently launched management development programme. Also have an in-house recruitment capability which understands the organisation and is intended to target the recruitment processes to ensure acquisition of the right people for the right jobs. • Intranet Access to HR policies. HR policies evolving- all policies are consulted on throughout the organisation e.g. the Code of Conduct prior to being finalised. This is to achieve workable policies that reflect the needs of the organisation. Once finalised policies are posted on the HR intranet and accessible to all staff. As all policies go through the executive management team for further dissemination. 	<ul style="list-style-type: none"> • Implementation of management development programme • Staff surveys • Routine HR reporting covers most aspects of the HR processes. Includes: <ul style="list-style-type: none"> ○ Turnover, reasons for leaving, exit reports, age profile, cost of recruiting, numbers applying etc <p><u>Comment:</u></p> <ul style="list-style-type: none"> • <i>Results of annual performance reviews not able to be summarised effectively to allow cross organisational comparisons because there is no standardised measure applied consistently in the evaluation process.</i> 	



BUSINESS AREA	PRINCIPLE RISKS	KEY CONTROLS	SOURCES OF ASSURANCE	ASSURANCE
<p>2. Corporate</p>	<p><i>Treasury Management:</i></p> <p>risks include exposure to:</p> <ul style="list-style-type: none"> • Unexpected and/or unmanaged movements in interest rates • Unexpected and/or unmanaged movements in exchange rates • Third party credit risk • Funds not being available to the organisation at reasonable rates within required timeframes • Losses or unnecessary exposure to losses as a result of operational errors 	<ul style="list-style-type: none"> • Treasury policy well documented and available on-line. Provides tight guidelines within which treasury management activities occur. • Quarterly reporting clearly demonstrates compliance or non-compliance with policy • Treasury Management Group meets regularly to review status of operations. Membership includes independent external expert (Asia Pacific Risk Advisers) • reports provided to FERC: <ul style="list-style-type: none"> ○ summarised financial information 6 weekly ○ Quarterly report on policy compliance and breaches 	<ul style="list-style-type: none"> • Clearly defined policy statement which forms a key underpinning to all activities • Regular detailed reporting highlights current status and compliance with policy. • Independent advisers as part of Treasury Management Group. • Annual audit by Audit NZ <p><u>Comment:</u></p> <ul style="list-style-type: none"> • <i>Membership of Treasury Management group should extend beyond the Finance personnel</i> • <i>Independent external expert should have responsibility to report back periodically to either the CEO or FERC</i> 	
	<p><i>Insurance:</i></p> <p>Financial loss or disruption to operations and ability to provide services as a result of an event which could have been at least partially mitigated through insurance.</p>	<ul style="list-style-type: none"> • Insurance needs reviewed annually with independent brokers. This process will be made more robust by the introduction of a Risk Management Framework • Monitoring of adequacy of self-insurance policy 	<ul style="list-style-type: none"> • Annual report from independent insurance brokers • Reports dealing with adequacy of self-insurance policy • Sloan Risk Management Services Ltd is to be engaged to complete a review of the insurance position <p><u>Comment:</u></p> <p><i>Process would be made more robust by:</i></p> <ul style="list-style-type: none"> • <i>Independent broker role being made subject to periodic tender</i> • <i>Introduction of Risk Management Framework</i> • <i>Resolution of policy position with respect to self-insurance</i> 	


BUSINESS AREA	PRINCIPLE RISKS	KEY CONTROLS	SOURCES OF ASSURANCE	ASSURANCE
Corporate (cont'd)	<p><i>Misalignment of Plans:</i></p> <ul style="list-style-type: none"> • Consistency between plans is made more difficult to achieve by the fact that the LTCCP and other planning documents (eg Flood Protection schemes) are prepared on the basis of different timeframes. Management are aware of this but it adds significant complexity and overhead. Failure to effectively manage the complexity could result in: <ul style="list-style-type: none"> ○ Consultation processes being rendered ineffective through exposure to re-litigation ○ Inconsistencies between planning documents leading to confusion and inefficient use of resources and time ○ Inconsistencies in the cascade of plans down through the organisation leading to: ○ Goals for which the organisation is publically held to account not being met ○ Inefficient use of resources ○ Inconsistencies in the cascade of plans down through the organisation leading to: <ul style="list-style-type: none"> - Inefficient use of resources - Goals for which the organisation is publically held to account not being met 	<ul style="list-style-type: none"> • LTCCP Process • Public Consultation processes • Formalised challenge processes within GWRC • Formal reporting against plan targets 	<ul style="list-style-type: none"> • Underpinned by Public Consultation process • Annual Audits by Audit NZ • Council and management challenge processes <p><u>Comment:</u></p> <ul style="list-style-type: none"> • <i>Key risks not explicitly described within LTCCP</i> • <i>The lack of synchronisation between core planning documents creates exposures</i> 	



BUSINESS AREA	PRINCIPLE RISKS	KEY CONTROLS	SOURCES OF ASSURANCE	ASSESSMENT
Corporate (cont'd)	<p><i>Financial Management:</i></p> <ul style="list-style-type: none"> • Mis-reporting of results through: <ul style="list-style-type: none"> ○ Breaches of financial controls ○ Errors or omissions • Actual or potential impairment or loss of value as a result of decisions taken by personnel not equipped to deal with the issues • Defalcation 	<ul style="list-style-type: none"> • Tightly structured planning, budgeting and reporting framework provides regular visibility to financial results throughout the year • Policies documented and accessible to staff • Standard controls supporting accounting systems seem to have solid track record with minimal changes required to bring monthly management accounts into line with annual financial statements • Delegations of authority in place • Accounting capability attached to Divisions ensuring issues relating to transactions receive prompt consideration from an accounting perspective • Supervision and coordination role played at Corporate level 	<ul style="list-style-type: none"> • Annual financial audit by Audit NZ • Reliability of regular monthly, quarterly reporting • Control consciousness of organisation brought about by: <ul style="list-style-type: none"> ○ public processes, ○ close involvement of external agencies, ○ deployment of finance and accounting capability so that it is close to the action • Supervisory role played by senior financial personnel at Corporate level 	
	<p><i>Managing Expectations:</i></p> <p>The risk that political and community expectations are not satisfied is an ever present one, which could be compounded by the lack of synchronisation of major plans e.g. LTCCP and other strategic plans.</p>	<ul style="list-style-type: none"> • Implementation of the Community Engagement Strategy is not yet completed. Risks and Issues strategy is still to be completed pending this Assurance review. Media management policy is a completed example. The whole strategy has not been socialised throughout the organisation - but this will happen on completion. The overall high level strategy, has been completed and was approved by Council in May 2007 • Consultation processes well established in each Division 	<ul style="list-style-type: none"> • Reports of progress in relation to the Community Engagement Plan. These are still to be completed pending finalisation of Community Engagement Strategy. <p><u>Comment:</u></p> <ul style="list-style-type: none"> • <i>Challenges in achieving synchronisation of planning processes could create unrealistic stakeholder expectations</i> • <i>Periodic Stakeholder surveys should be considered.</i> 	

BUSINESS AREA	PRINCIPLE RISKS	KEY CONTROLS	SOURCES OF ASSURANCE	ASSESSMENT
<p>Corporate (cont'd)</p>	<p><i>Iwi relations:</i></p> <p>Ineffective IWI Liaison could result in alienation of this important stakeholder group</p>	<ul style="list-style-type: none"> • Ara Tahī advise Council on important matters that are considered of potential interest to Iwi • Representation by Iwi on all Council committees • The relationship is guided by GWRC's Charter of Understanding with the region's seven Iwi. This is reviewed periodically - and is currently under review. This review process provides a feedback mechanism for all parties about the effectiveness of the relationship. 	<ul style="list-style-type: none"> • There are objectives in the Annual Plan re Iwi liaison which are reported annually. • Another formal feedback mechanism is Ara Tahī – GWRC's inter-iwi representative group. This group provides input to a wide variety of GW policies and activities. It also initiates its own work programme. GW is also a member of Ara Tahī <p><u>Comment:</u></p> <ul style="list-style-type: none"> • <i>The formality around when and how periodic Stakeholder surveys should be considered.</i> 	
	<p><i>IT and IS capability:</i></p> <p>IT and IS capability doesn't deliver to GWRC business requirements. Disparate Divisional operational systems become "orphans" and unsupported</p>	<ul style="list-style-type: none"> • IT Manager is required to sign off all IT CAPEX requests and is actively engaged in challenge processes associated with budgeting. This allows corporate oversight with respect to; leveraging of existing systems (eg maintenance application for divisions), integrity of the IT architecture, system maintenance requirements. • Business projects generally incorporate planning and funding for any specific IT requirements 	<ul style="list-style-type: none"> • CAPEX sign off requirement • Divisions carry accountability for own operational IT needs providing tight linkage between IT solutions and needs • Project management processes integrated with business owners providing strong accountability and commitment to delivery <p><u>Comment:</u></p> <ul style="list-style-type: none"> • <i>Level of structure around IT/IS planning, design and build and supporting policy should be reviewed.</i> • <i>A Roadmap that defines the lifecycle management of the IT infrastructure (hardware and application) would underpin the IT/IS Asset Management Plan. Also assures "no surprises" when upgrades etc are required, particularly in relation to compatibility and support.</i> 	

BUSINESS AREA	PRINCIPLE RISKS	KEY CONTROLS	SOURCES OF ASSURANCE	ASSESSMENT
Corporate (cont'd)	Loss of core information, for example financial information.	<ul style="list-style-type: none"> Business Continuity Plans considered to be in place, though again appear to rely quite heavily on culture of common sense. Finance system is backed up daily on server based in Masterton. All system data is also backed up daily. 	<ul style="list-style-type: none"> Limited assurance completed w.r.t the BCP's <p><u>Comment:</u></p> <ul style="list-style-type: none"> Review BCP framework in place to assure right level of preparedness has been considered. Consider increased formality around BCP structure and documentation. 	
	Inappropriate personal use of IT systems which could bring the organisation into disrepute.	<ul style="list-style-type: none"> No formal controls in place. Managed by exception as and where needed. Principle focus is on capacity management processes. 	<ul style="list-style-type: none"> Limited assurance processes in place. Not considered a major threat <p><u>Comment:</u></p> <ul style="list-style-type: none"> Consider implementing a performance monitoring approach that underpins capacity management etc with information regarding usage profiles as a by product to be used as necessary. 	
	<p><i>Investments:</i></p> <ul style="list-style-type: none"> Financial losses as a result of poor Investment performance: <ul style="list-style-type: none"> Unsuccessful operation of Stadium could cause default in respect of ANZ loan (the principal funder). This would create political dilemma for GWRC. Unprofitable operation of CentrePort resulting in loss of value in investment (\$140M) or dividend flow. Rolling stock value is currently \$30M, but with EMU project will rise to \$250M. Real risk here relates to successful procurement project for EMU which is covered in section dealing with Public Transport (Government funds 90% of the rolling stock as a grant). Loss of amenity derived from assets; Stadium and Port facilities 	<p>Stadium:</p> <ul style="list-style-type: none"> GWRC has influence over governance of the Stadium: <ul style="list-style-type: none"> Actively involved in appointment of board Hold quarterly meetings with the management team Chairman meets annually to report on results with full Council There is no legal obligation binding GWRC to contribute additional funds <p>CentrePort:</p> <ul style="list-style-type: none"> GWRC influence over governance arrangements Regular meetings with shareholder and Chair Monitors through Port Investments Ltd (the company holding the shares in CentrePort) <p>Rolling Stock:</p> <ul style="list-style-type: none"> Refer to section dealing with Public Transport and EMU project Toll contracted to operate and maintain assets Assets insured 	<ul style="list-style-type: none"> Strong influence over governance and regular engagement with the boards Audited by Audit NZ Insurance of rolling stock Toll contract audited by KPMG 	




BUSINESS AREA	PRINCIPLE RISKS	KEY CONTROLS	SOURCES OF ASSURANCE	ASSESSMENT
3. Transport Strategy	<ul style="list-style-type: none"> Creates expectations which are not able to be satisfied as a result of funding issues or political considerations Flaws in underlying planning assumptions, data or modelling GWRC being held to account for not 'walking the talk' w.r.t their environmental behaviours. e.g. the things they do as an organisation and individually to be environmentally responsible. 	<ul style="list-style-type: none"> Extensive monitoring enables validation of model assumptions Collaborative approach to preparation of RLTS creates an environment of 'joint ownership' of strategy limiting political exposure. Extensive public consultation, including involvement of government agencies, LTNZ and other interest groups means that the details on which the RLTS is based are subject to extensive challenge. RLT Committee comprises all regions mayors and independent experts and they interact closely, receiving regular reports 	<ul style="list-style-type: none"> Audit of transport model RLTS is subject to audit by an independent transport planning expert in relation to process and coverage but not contents Annual publication of trends and comparison with targets from RLTS Robustness of the public consultation process and feedback from key external participants in that process Quality of relationship with RLT Committee <p><i>Comment:</i></p> <ul style="list-style-type: none"> Consider how to ensure all the internal "environmental good news" stories get out and provide visibility of actions being undertaken by GWRC 	
4. Public Transport	<p><i>Service Delivery:</i></p> <ul style="list-style-type: none"> Service delivery risks compounded by the fact that transport services are achieved through third party service providers. <p><i>Health & Safety:</i></p> <ul style="list-style-type: none"> Health & Safety risks 	<ul style="list-style-type: none"> Key services are outsourced: <ul style="list-style-type: none"> to parties with track record and commercial incentives to perform Contracts allow for GWRC staff review and monitoring of performance Customer satisfaction surveys undertaken Bus, Rail and Harbour operators are subject to LTNZ regulations which relate to Health and Safety risks arising from passenger operations e.g. Licensing of drivers, driving hours, vehicle safety, rail safety etc 	<ul style="list-style-type: none"> Regular reporting of performance and results of satisfaction surveys Reporting of H&S performance 	




BUSINESS AREA	PRINCIPLE RISKS	KEY CONTROLS	SOURCES OF ASSURANCE	ASSESSMENT
Public Transport (cont'd)	<p><i>Meeting expectations:</i></p> <ul style="list-style-type: none"> • Public and political expectations (established via RLTS) are not met due to: <ul style="list-style-type: none"> ○ LTNZ funding issues or ○ Project delivery issues (e.g. EMU's) EMU's subject to fixed price (NZD) contract. Still some exposure but limited. • Affordability is a key risk for Transport with many sources of cost pressure: <ul style="list-style-type: none"> ○ oil, ○ rolling stock (e.g. project to upgrade passenger trains carries a budget of \$220M) and ○ infrastructure • Funding risks arising from pricing approaches which are not directly cost reflective: <ul style="list-style-type: none"> ○ For buses, <ul style="list-style-type: none"> - Attempts to maintain parity with cars in face of cost pressures could lead to pressure on ratepayers. - Currently consideration is being given to a pricing method which would see GWRC take the risk on patronage ○ For rail, operating contract 10 years with Toll, GWRC pay fixed fee 7.5% based on revenue (fares and GWRC subsidiary (60% LTNZ and 40% GWRC)= \$22M +22M @7.5%. Some exposure to GWRC where: <ul style="list-style-type: none"> - Operating costs blow out, or - Patronage drops 	<ul style="list-style-type: none"> • LTNZ provides a very tight regime which is strictly enforced and includes: <ul style="list-style-type: none"> ○ prescribing the approach for preparation of funding applications and review in detail ○ Require an approved Procurement procedure for funds payment. • Regular reporting of results and progress <ul style="list-style-type: none"> ○ within management team ○ to Council committees: <ul style="list-style-type: none"> - RLT Committee - Transport and Access committee • Public nature of processes ensures they are held to account • Hedging strategy with respect to Diesel price • Assets are held in separate company, Greater Wellington Regional Rail Ltd and are thereby subject to the scrutiny of a separate board (comprising Councillors and two independent directors). • Project management disciplines and project controls in place. Major projects have appropriate governance structures such as Steering Committee and project management teams. • Government underwrite of Ontrack system (track) upgrades • Expenditure and progress closely monitored and reported. 	<ul style="list-style-type: none"> • Regular reporting of results and progress which is publically available: <ul style="list-style-type: none"> ○ within management team ○ Committees including: <ul style="list-style-type: none"> - RLT Committee - Transport and Access committee Council - Each committee gets financial info relevant to their area of interest and specific papers. FERC get consolidated information for Council as a whole. - Greater Wellington Rail get reports for all projects e.g. EMU project (because they own the assets) - RLTS series of public workshops - Public consultation on big projects such as EMU's • LTNZ approval of funding processes • KPMG Audit of Rail Contract • Audit NZ review financial aspects of major contracts and procurement arrangements (cost and liability). Limited to what they need to know to express their opinion on the financials. No special audit requirement they have to satisfy. • Customer complaints and patronage monitored • Annual Public Transport Satisfaction Monitor by GWRC and Customer Satisfaction surveys by Operators <p><u>Comment:</u> <i>No visible specific PR or Comms strategy to help build confidence with respect to LTNZ funding arrangements and capacity planning. This is managed through day to day relationships.</i></p>	



BUSINESS AREA	PRINCIPLE RISKS	KEY CONTROLS	SOURCES OF ASSURANCE	ASSESSMENT
5. Water	<p><i>Water Supply Quality:</i></p> <ul style="list-style-type: none"> • Key risk to quality relates to Treatment Plant receiving water of a quality it has not been designed to treat. • Water might also become contaminated after treatment. • Plant failure or performance problem 	<ul style="list-style-type: none"> • Controls established in the context of the quality standards imposed and targets set for gradings: <ul style="list-style-type: none"> ○ ISO quality control management system ○ Catchments, sites and plant subject to close security, alarming of equipment. ○ Process controls incorporate instrumentation designed to shut down in event of contamination. ○ Interconnection of treatment plant affords opportunity to cover for an outage at a single plant. ○ Generally, plant and systems are designed to an n-1 security level ○ The Hutt Valley is not a closed catchment but back up storage in lakes provides ability to supply while any contamination in the plant is treated. • Recent legislation requires GWRC to produce public health risk managements plans • Asset Management planning policy is that there be no deferred maintenance 	<ul style="list-style-type: none"> • Annual compliance and grading audit by Health Services, taking into account: <ul style="list-style-type: none"> ○ Laboratories provider must be IANZ accredited ○ ISO accreditation for Environmental (ISO 14001)and Quality (ISO 9001) systems by BVQI ○ GWRC process and maintenance audits each year as part of the ISO accreditation process • Recent legislation requires GWRC to produce public health risk management’s plans. They need to be approved by the Public Health Service via HVDHB. • Formal policy in place that there is no deferred maintenance • Asset Management Planning focuses on the lifecycle of the asset through to its end of life. Underpins a Reliability Centred Maintenance approach. • Complaints monitored 	
	<p><i>Water Supply – Earthquake:</i></p> <p>Represents a risk to both quality and quantity</p>	<ul style="list-style-type: none"> • Diversification of supply options provides some mitigation of this risk. Key focus is on ability to restore following any event • Self insurance fund established to fund rebuild and minimise cost of control via insurance 	<ul style="list-style-type: none"> • Reporting of adequacy of self insurance fund <p><u>Comment:</u></p> <ul style="list-style-type: none"> • <i>Self insurance fund currently stands at \$12M. Assessed total credible loss from worst case scenario leaves shortfall. This is currently under review.</i> 	




BUSINESS AREA	PRINCIPLE RISKS	KEY CONTROLS	SOURCES OF ASSURANCE	ASSESSMENT
Water (cont'd)	<p><i>Water Supply Quantity:</i></p> <p>Key risks relate to inability to supply. This could arise as a result of:</p> <ul style="list-style-type: none"> • Long term planning shortcoming or • Failure of any combination of plant, systems and processes or human error. 	<ul style="list-style-type: none"> • Given the long lead times required for the provision of new supply facilities (2 to 4 years for treatment plant and in excess of 10 years for a dam) there is generally substantial reserve capacity. • Capacity planning is based on a standard of a 1 in 50 year drought with continual short and long term modelling to support current forecasts. • Interconnection of treatment plants allows single plant failure to be managed. • Checks on long term capacity planning are largely in a form of peer reviews of GWRC proposals by the infrastructure managers of the 4 City Councils. • Formal policy in place that there is no deferred maintenance. • Asset Management Planning focuses on the lifecycle of the asset through to its end of life. Underpins a Reliability Centred Maintenance approach 	<ul style="list-style-type: none"> • Annual compliance and grading audit by Health Services, taking into account: <ul style="list-style-type: none"> ○ Laboratories provider must be IANZ accredited ○ ISO accreditation for Environmental and Quality systems ○ GWRC process and maintenance audits each year as part of the ISO accreditation process • Peer review of long term capacity by the infrastructure managers of the 4 City Councils. • Division produces an annual report for stakeholders highlighting compliance factors. The financial components of this report are audited by Audit NZ. • Dealing with technically literate customers who are physically connected to the bulk water network and therefore share common interest in capacity planning. • Well developed asset management disciplines documented in Asset Management plans 	●
	<p><i>Operational support systems:</i></p> <ul style="list-style-type: none"> • Failure of IT operational support systems 	<ul style="list-style-type: none"> • BCP's in place 	<ul style="list-style-type: none"> • Reliability centred maintenance approach. • Availability of BCP's • System is designed to allow for manual intervention. Would be difficult for more than 2-3 days, resource-wise. Partial failures easier to manage. 	●



BUSINESS AREA	PRINCIPLE RISKS	KEY CONTROLS	SOURCES OF ASSURANCE	ASSESSMENT
6. Parks & Forests	<p><i>Parks Infrastructural risks:</i></p> <ul style="list-style-type: none"> mainly the risks associated with structures such as bridges failing. 	<ul style="list-style-type: none"> Parks Management and Asset Management plans prepared Regular inspections are completed of the “at risk” assets with review processes in place. Usually these are done by an internal or external engineer. Inspection records are held on the file for the assets 	<ul style="list-style-type: none"> Reporting with respect to progress against Plans; asset management, fire, forestry management, and H&S plans Reporting of outcomes of inspections of at risk assets 	●
	<p><i>Park (catchment) water:</i></p> <ul style="list-style-type: none"> Park (catchment) water may become contaminated. 	<ul style="list-style-type: none"> Regular testing regimes are in place as part of business as usual to assure the quality of catchment water 	<ul style="list-style-type: none"> Grading and annual audit of water quality and processes provides assurance with respect to contamination risk from parks and forests 	●
	<p><i>Parks Health & Safety:</i></p> <ul style="list-style-type: none"> OSH issues with staff and members of the public in the outdoors; an environment that poses a variety of natural risks. These same natural risks present issues for staff working alone and using various types of equipment. 	<ul style="list-style-type: none"> Health & Safety plans prepared for own activities and reviewed where contractors involved 	<ul style="list-style-type: none"> Reporting against plans 	●
	<p><i>Fire in Parks:</i></p> <ul style="list-style-type: none"> Damage through fire events 	<ul style="list-style-type: none"> Fire Plans prepared 	<ul style="list-style-type: none"> Reporting against plans 	●
	<p><i>Damage to the forests:</i></p> <ul style="list-style-type: none"> Damage to forest through: <ul style="list-style-type: none"> Wind Disease Intentional damage or Fire events 	<ul style="list-style-type: none"> Regular monitoring patrols of forests identify issues and fire hazards. Fire Plan published annually setting out access procedure hazards and preferred fire attack methods Limited insurance in place 	<ul style="list-style-type: none"> Reporting of outcomes of patrols Reporting with respect to Fire Plan 	●

BUSINESS AREA	PRINCIPLE RISKS	KEY CONTROLS	SOURCES OF ASSURANCE	ASSESSMENT
Parks & Forests (continued)	<p><i>Forestry commercial performance:</i></p> <ul style="list-style-type: none"> Some financial exposure arising from the commercial aspects of the investment 	<ul style="list-style-type: none"> Some element of the financial risk is mitigated through contractual arrangements with the major contractor. Forestry returns are monitored monthly and every quarter to ensure the revenue exceeds the direct expenses. A 3 or 6 month time frame is more appropriate because of the seasonal variations. There is a separate Forestry Management Plan. 	<ul style="list-style-type: none"> Reporting with respect to progress against Plans Forestry Management is tendered every 3-4 years <p><i>Comment:</i></p> <ul style="list-style-type: none"> No external financial advice is taken at present, though advice has been taken in the past - particularly about selling the cutting rights. Consider level of independent review of adequacy of management of forestry investments 	
	<p><i>Health & Safety:</i></p> <ul style="list-style-type: none"> Health and Safety issues, particularly relating to Forestry Operations. 	<ul style="list-style-type: none"> Review of contractor's Health & Safety approach, plans and performance as per H&S statutory requirements 	<ul style="list-style-type: none"> Reporting with respect to progress against H&S plans Health & Safety reporting provides evidence of track record 	
7. Environment Management	<p><i>Navigational safety:</i></p> <ul style="list-style-type: none"> Ship accident or sinking in harbour considered to be the biggest risk to navigational safety Beacon Hill is another risk because of the age and condition of the facility. Under redevelopment however. 	<ul style="list-style-type: none"> Harbour Risk Assessment completed and reviewed and approved by Maritime NZ Safety Management System reviewed by Maritime NZ and approved by Council. Existing policies and procedures (which have largely been incorporated in new system) provide control in the meantime. Response structures clearly documented, trialled and tested for all harbour risk events. Testing involves multiple parties (Maritime NZ, Police, and Fire Service) and results are reported through routine reporting systems. 	<ul style="list-style-type: none"> Requirements established as 'best practice' and are subject to review and audit by Maritime NZ. An upgrade programme of Beacon Hill facility is underway. Safety Management System is being implemented. Control in the meantime achieved through existing policies and procedures most of which have been incorporated in the new Safety Management system. 	

BUSINESS AREA	PRINCIPLE RISKS	KEY CONTROLS	SOURCES OF ASSURANCE	ASSESSMENT
Environment Management (continued)	<p><i>Pollution:</i></p> <ul style="list-style-type: none"> Pollutant spill 	<ul style="list-style-type: none"> Response structure is in place for pollutant event (oil spill). Three tiered structure which provides progressively greater levels of response depending on classification of event. Harbour Master is qualified in oil spill management and has clear accountability as Regional Commander. Response structures clearly documented, trialled and tested. Testing involves multiple parties (Maritime NZ, Police, and Fire Service) and results are reported through routine reporting systems. 	<ul style="list-style-type: none"> Response structures clearly documented and tested for pollution and stricken ship events. Testing involves multiple parties (Maritime NZ, Police, and Fire Service) and results are reported through routine reporting systems. Technical competency of Harbour Master is a requirement of the legislation. Other controls as for Navigational safety 	
	<p><i>Abandoned or stricken vessels:</i></p> <p>Abandoned or stricken vessels bring a variety of risks including pollution and safety matters.</p>	<ul style="list-style-type: none"> Stricken ships also subject to response plans. Abandoned vessels are managed through office of Harbour Master. Any unclear roles are dealt with as part of this process. 	<ul style="list-style-type: none"> Reporting against response plans 	
	<p><i>Environmental policy:</i></p> <p>Legal or political challenge to:</p> <ul style="list-style-type: none"> Environmental policies or rules The extent to which GWRC has given effect to the RPS, or specific consent situations 	<ul style="list-style-type: none"> Extensive process of consultation helps ensure buy-in to policies and RPS Corporate communications process to support policy initiatives and rules Transparency when dealing with situations in which GWRC is itself an interested party 	<ul style="list-style-type: none"> Public Consultation processes GWRC also take part in a national audit of consent timeframes that is carried out by the Ministry for the Environment. This involves the collection of very detailed data in a prescribed form. No formal surveying of stakeholder satisfaction with processes and outcomes. Informal monitoring of levels of engagement, nature of feedback. Ultimate test of policy is what sort of challenges are raised. Summaries of this information reported through routine reports. Track record in defending any challenges. 	

BUSINESS AREA	PRINCIPLE RISKS	KEY CONTROLS	SOURCES OF ASSURANCE	ASSESSMENT
Environment Management (continued)	<p><i>Environmental Regulation:</i></p> <ul style="list-style-type: none"> • Failure to enforce consent conditions with resultant environmental impact. • Challenge either politically or legally as a result of errors or mis-judgements in consenting process 	<ul style="list-style-type: none"> • Extensive documentation of procedures. • Consenting systems also ISO accredited • Culture of peer review • Consents are issued subject to ongoing requirement for self-monitoring by holder of consent, and regular programmed monitoring by GWRC • Public intolerant of abuses and report breaches • The Plan is supported by GWRC's bio-diversity policy. It is noted there is only one RPMS for the region. 	<ul style="list-style-type: none"> • GWRC participates in a voluntary regional council sector audit process for the management of consents. The audit involves consents being evaluated against a series of agreed best practice protocols. • ISO accreditation for consenting process. • Consent holders satisfaction surveys conducted every 4 years • Track record in face of challenges. Where this involves enforcement by GWRC this is understood to be impeccable. • No formal monitoring is undertaken of the Consent process. GWRC have a record of all consents (small or large) granted over the last 15 or so years, but haven't done any formal analysis on outcomes (e.g. time/cost to obtain, acceptability of conditions, level of opposition to the proposal) 	
8. Catchment Management	<p><i>Flood Protection:</i></p> <p>Failure of protection mechanisms as a result of:</p> <ul style="list-style-type: none"> • poor design • faulty construction • change in character of river • Change in land use behind protection assets (e.g. densification of land use as has happened in Hutt Valley over time). 	<ul style="list-style-type: none"> • Policy to build to Generally Accepted Best Practice • Peer review with; Horizon, and wise-heads policy (which sees many of the consulting engineers in the region providing input over time) provides access to wider perspectives on any issue. Avoids group think. • Consent processes ensure robust final challenge of planned developments • Consultation processes provide key mechanism for managing public expectations. 	<ul style="list-style-type: none"> • The Horizon peer review process commenced this year with the visit of Horizons staff to GWRC region a couple of months ago. The report is still being drafted. 	

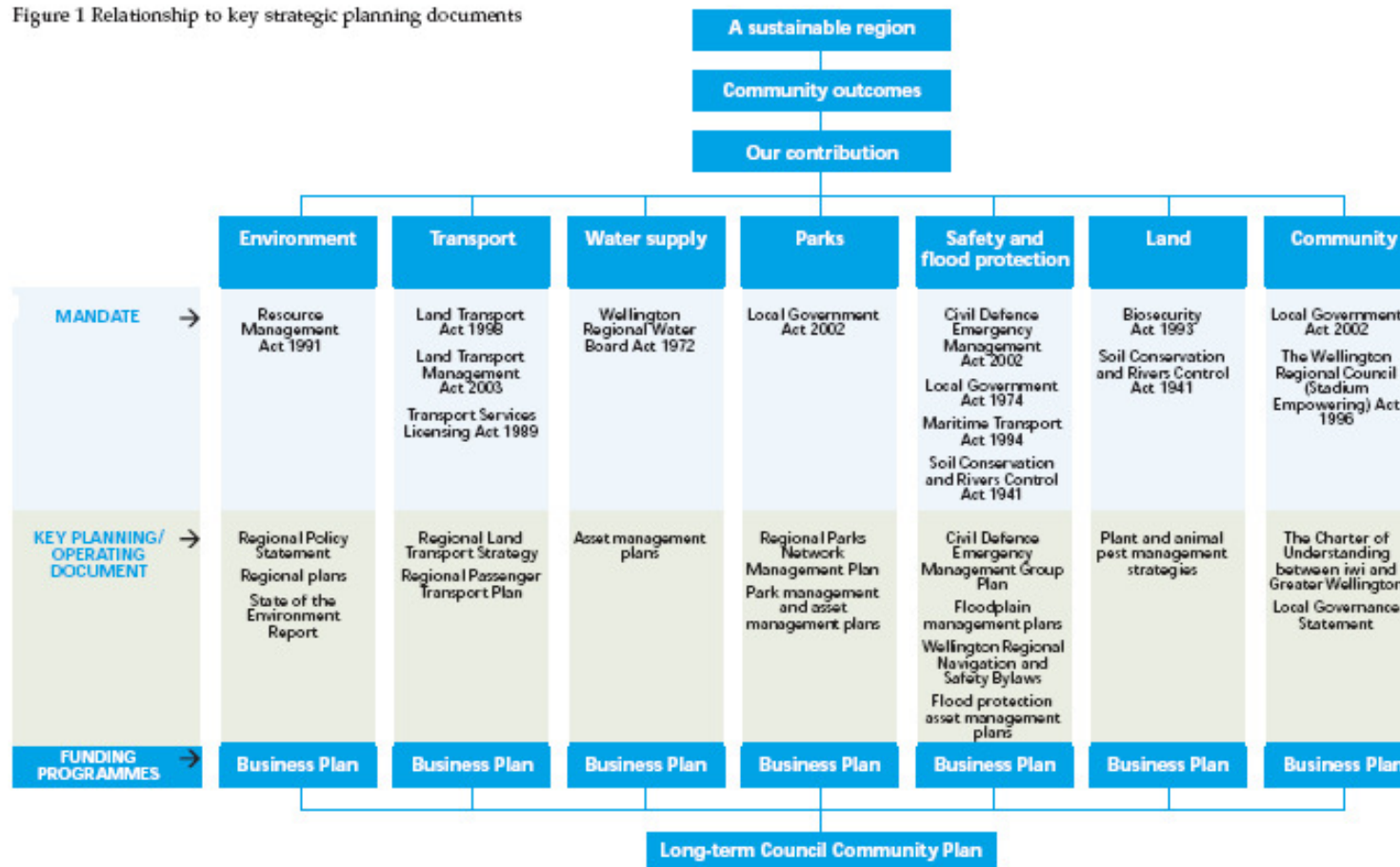
BUSINESS AREA	PRINCIPLE RISKS	KEY CONTROLS	SOURCES OF ASSURANCE	ASSESSMENT
Catchment Management (continued)	<p><i>Impact of a Flood Event:</i></p> <p>Loss of credibility with public as a result of flood event. Public perceptions of permanent protection from stop banks (i.e. lack of awareness of significance planning parameters)</p>	<ul style="list-style-type: none"> • Consultation processes provide key mechanism for managing public expectations. Each Flood Protection Scheme has its own Scheme Advisory Committee which is consulted regularly and receives regular reports of progress. 	<ul style="list-style-type: none"> • Public consultation and engagement with Scheme Advisory Committees <p><u>Comments:</u> <i>Surveying stakeholders periodically may provide good insights</i></p>	
	<p><i>Community acceptance of schemes:</i></p> <p>Stop banks may not be accepted by the community i.e. community finds it is unable to 'live' with the asset (the stop bank might only be needed in one year out of 400 to protect from flood, for the other 399 the community has to 'live' with it).</p>	<ul style="list-style-type: none"> • Willingness to be flexible in design of solutions so that assets can become an integral part of the local landscape. • Consultation processes provide key mechanism for managing public expectations. 	<ul style="list-style-type: none"> • Public consultation and engagement with Scheme Advisory Committees <p><u>Comments:</u> <i>Surveying stakeholders periodically may provide good insights</i></p>	
	<p><i>Compromises to design:</i></p> <p>Compromises to design or ability to access the asset in the future as a result of lobbying for commercial interests e.g. conduits for communication cabling</p>	<ul style="list-style-type: none"> • Consultation processes provide key mechanism for managing public expectations. 	<ul style="list-style-type: none"> • Public consultation and engagement with Scheme Advisory Committees <p><u>Comments:</u> <i>Ensuring there is policy or some formal agreement in place that outlines how Council and GWRC staff manage "lobbying activity, particularly w.r.t to implications that may arise from explicit or implied commitment.</i></p>	

BUSINESS AREA	PRINCIPLE RISKS	KEY CONTROLS	SOURCES OF ASSURANCE	ASSESSMENT
Catchment Management (continued)	<p><i>Bio security and Bio Diversity:</i></p> <ul style="list-style-type: none"> • Pest infestation not adequately controlled • Monitoring levels are light and thus pest infestations and deterioration might go undetected • Adverse public perceptions in an area in which it is not easy to demonstrate success in relation to specific initiatives 	<ul style="list-style-type: none"> • Regional Pest Management Plans which cover plant and animal pests. The Plans are underpinned by GWRC's bio-diversity policy. • Monitoring and enforcement with respect to pest issues conducted as necessary and on a prioritised basis. In some cases for example pests are considered to be the landowner's problem and so long as neighbouring land is not affected the situation can be simply monitored. • Annual report is prepared highlighting progress with plans 	<ul style="list-style-type: none"> • Regional Pest Management Plans are reviewed every five years through a public consultation process. • Progress against plans reported annually • AS/NZS ISO 9001/2000 is adopted as the framework. This framework includes a quality system of policy, procedures, processes and forms. Auditing by Bureau Veritas verifies ongoing compliance to the ISO standards and identifies areas of possible improvement. • Surveying of stakeholders occurs periodically. GWRC recently put out a survey questionnaire about the future of possum control in parts of the region as an initial guide to Council consideration of a new control programme to complement the Bovine Tb programme (the response rate for this was low as probably could be expected of a matter not of high interest at present). In addition staff are looking to get some feedback from landowners as part a review of the KNE (Key Native Ecosystem) programme. The Animal Health Board may also have conducted some farmer satisfaction surveys for the Bovine Tb programme, which GWRC currently manage on the AHB's behalf but only to 30 June 2009. 	
	<p><i>Land Management:</i></p> <ul style="list-style-type: none"> • Level of funding limits the rate at which initiatives are able to be implemented at individual farm level • It is difficult to measure benefits and therefore demonstrate success of specific programs or initiatives. 	<p>Limited controls in place</p>	<ul style="list-style-type: none"> • No clear assurance <p><u>Comments:</u> Consider ways in which programme or initiative benefits can be more explicitly demonstrated.</p>	

Appendix 2 RELATIONSHIP BETWEEN KEY STRATEGIC PLANNING DOCUMENTS



Figure 1 Relationship to key strategic planning documents



Appendix 3 LIST OF INTERVIEWS CONDUCTED:

The following GWRC personnel were interviewed as part of this review process.

- Fran Wilde (Chair, GWRC)
- Judith Aitken (Chair, FERC)
- Dave Benham (CEO)
- Barry Turfrey , Chief Financial Officer
- Steve Moate, Manager Information Technology and Support Services
- Geoff Dick, Catchment Management, Divisional Manager
 - Graeme Campbell, Flood Protection Manager
 - Stephen Hill, Support Manager
- Jane Bradbury, Corporate and Strategy, Divisional Manager
- Nigel Corry, Environment Management, Divisional Manager
- Wayne Hastie, Public Transport, Divisional Manager
 - Rhona Hewitt, Manager Transport Procurement
 - Kerry Saywell, Manager Business
- Jane Davis, Transport Policy and Strategy, Divisional Manager and Wellington Regional Strategy, Divisional Manager
 - Joe Hewitt, Manager Transport Strategy Development
 - Jill Beck, Manager Transport Strategy Implementation
- Murray Kennedy, Water Supply, Parks and Forests, Divisional Manager