



Report 14.5
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Committee Finance, Audit and Risk Committee
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2012/13 External audits and reviews

1. Purpose

To update the Committee on the audits/reviews undertaken on GWRC Regional Council's activities over the last 12 months.

2. Significance of the decision

The matters for decision in this report do not trigger the significance policy of the Council or otherwise trigger section 76(3)(b) of the Local Government Act 2002.

3. Introduction

GWRC does not have a formal internal audit function. The reasoning for this is two-fold:

- a) GWRC is a complex organisation involved in a large number of different activities:
 - Water supply
 - Flood protection
 - Catchment management
 - Biosecurity
 - Environmental policy, regulation & monitoring
 - Pollution control
 - Harbours
 - Regional parks
 - Public transport
 - Corporate, strategy and policy.

While there is not a formal internal audit function there are a number of audits and reviews undertaken on GWRC's activities. This report summarises the audits/reviews undertaken by the individual groups and the results of those audits & reviews, over the last 12 months.



4. Finance and Support

Audit	Purpose	What the audit covered	Recommendations	Date Next Audit
<ul style="list-style-type: none"> Annual Audit 	<ul style="list-style-type: none"> GWRC is subject to a yearly external audit undertaken by Audit New Zealand. The cost of the Council Audit was \$192,000, and for the Council Group excluding CentrePort \$316,000 	<ul style="list-style-type: none"> Involves two parts, a systems review around April each year and the year end audit undertaken in August/September. Audit New Zealand audits both the financial statements and the performance management framework to ensure compliance with legislation. All the 2012/13 audits resulted in clear audit opinions 	<ul style="list-style-type: none"> The underlying theme to the auditor's management recommendations is to continue to focus on reviewing and checking others work. 	April – Sept 2014
<ul style="list-style-type: none"> Income Tax returns 	<ul style="list-style-type: none"> GWRC's income tax returns and compliance are reviewed by Deloitte on a yearly 	<ul style="list-style-type: none"> basis to ensure we comply with tax legislation 	<ul style="list-style-type: none"> Continue having tax returns reviewed by tax expert 	Yearly
<ul style="list-style-type: none"> Treasury Management 	<ul style="list-style-type: none"> GWRC utilises PWC Risk Management for treasury advice to review our treasury operations. 	<ul style="list-style-type: none"> The review covers all areas of GWRC's treasury management 	<ul style="list-style-type: none"> Continue with best practice treasury function, will review Treasury Management Policy for 2015-25 LTP 	Quarterly reviews
<ul style="list-style-type: none"> Council's S&P rating 	<ul style="list-style-type: none"> Standard and Poors review 2013 	<ul style="list-style-type: none"> Review of GWRC's credit worthiness 	<ul style="list-style-type: none"> Positive comments about financial management. Reconfirmed AA long term rating. 	Yearly

5. People and Capability

Audit	Purpose	What the audit covered	Recommendations	Date Next Audit
ACC Health and Safety Audit	To ensure Greater Wellington's continued participation in the ACC Workplace Safety Management Practices (WSMP) levy discount scheme.	In November 2013 GWRC's health and safety management system was audited by an ACC approved external auditor.	<ul style="list-style-type: none"> ▪ The underlying theme to the auditor's recommendations focused on streamlining policies and systems across the organisation and providing staff with further training opportunities. ▪ The audit was successful with ACC awarding Greater Wellington tertiary WSMP achievement. ▪ A Health and Safety Action Plan has been created for the organisation to ensure this is occurring where appropriate. ▪ The audit, plus report, took in the order of three days to complete. 	November 2015

Public Transport

6.1 Rail Operations

Audit	Purpose	What the audit covered	Recommendations	Date Next Audit
Audit of Asbestos Contamination in Rail Buildings	The Audit was conducted to meet health and safety compliance obligations which require GWRL to maintain an asbestos register for the buildings they own. Recent damage to the EMU Depot and the Upper Hutt station highlighted that asbestos dust existed, even when asbestos based building material had been removed from the site some years ago.	The Audit identified which buildings contain asbestos based building materials plus identified where there was evidence of airborne particles and areas of dust pooling.	Access to those areas where asbestos swabs have returned a positive result have been closed off and an appropriately "certified" cleaning company has been engaged to clean and remove asbestos material considered to be fibrous or a danger to health. No airborne particles were detected.	It is planned to conduct another audit in 2 years.

Carriage Condition Assessment	To provide an independent review of the condition of the carriage fleet, particularly important considering the recent introduction into service of the SE carriages which had been stored at Hutt Workshop for a number of years. The audit also provided an independent review of the improvements made to the carriage maintenance regime.	The audit covered an assessment of the roof, car body, underframe and interior of the SE and SW carriage fleets. As this was the first such audit to take place on the carriage fleet since GWRL took over ownership, it was decided to inspect 100% of the fleet in order to provide a comprehensive benchmark for future audits.	The assessment illustrated that the carriage fleet is in very good condition – good condition. However, it also identified a number of relatively minor areas which could be improved. These have been discussed with the maintainer (KiwiRail), and corrective actions taken to address all areas of concern.	A percentage of the fleet will be audited annually.
Ganz Mavag Condition Assessment	To provide an independent review of the condition of the Ganz Mavag fleet, considered particularly important as this was questioned in the public domain after the Ganz derailment at Kaiwharawhara. The audit also provided an independent review of the improvements made to the Ganz Mavag maintenance regime.	The audit covered a condition assessment of the Ganz Mavag fleet and compared today's condition against the results of the previous condition assessment, which was undertaken in 2011 at the time of asset transfer to GWRL.	The assessment illustrated a significant improvement to the asset condition since the previous audit undertaken at the time of asset transfer to GWRL. However, it also identified a number of relatively minor areas which could be improved. These have been discussed with the maintainer (KiwiRail) and corrective actions taken to address all areas of concern. This fleet is due to be retired from service over the coming two years	There will be no follow up audit as the fleet is due for retirement within 2 years.

6.2 Bus and ferry Operators

Audit	Purpose	What the audit covered	Recommendations	Date Next Audit
<ul style="list-style-type: none"> Madge Coachlines Limited 	<ul style="list-style-type: none"> Annual contractual compliance audit of the public transport operator providing bus services to GWRC. 	<ul style="list-style-type: none"> operational areas in particular health and safety, vehicle quality and reporting. 	<ul style="list-style-type: none"> Additional GWRC contact detail to be added to the Health & Safety procedures Minor improvement to complaints process. Improve levels of Metlink branding as stated within the Metlink Co-branding guidelines. Improvements required to revenue data supplied to GWRC, relates to tickets and fare data. Reporting data to be improved showing actual trips scheduled and operated. No non-compliance issues identified 	22 February 2014

<ul style="list-style-type: none"> ▪ Classic Coaches Limited 	<ul style="list-style-type: none"> ▪ Annual contractual compliance audit of the public transport operator providing bus services to GWRC. 	<ul style="list-style-type: none"> ▪ operational areas in particular health and safety, vehicle quality and reporting 	<ul style="list-style-type: none"> ▪ Minor improvements to some health and safety documentation that was available. ▪ Health and Safety procedures and processes do not identify or comply with minimum levels of a standard health and safety process. No information to support staff training or H&S meetings 	22 January 2014
<ul style="list-style-type: none"> ▪ Tranzit Group Limited 	<ul style="list-style-type: none"> ▪ Annual contractual compliance audit of the public transport operator providing bus services to GWRC. 	<ul style="list-style-type: none"> ▪ Operational areas in particular health and safety, vehicle quality and reporting. 	<ul style="list-style-type: none"> ▪ Additional GWRC contact detail to be added to the Health & Safety procedures. ▪ Discussion required on the use of the A4 poster area as described within the Metlink Guidelines. ▪ Improvement to data collection relating to 10 trip ticket data within Metlink Tickets and Fares. ▪ No non-compliance issues identified 	19 February 2014
<ul style="list-style-type: none"> ▪ Mana Coaches Limited 	<ul style="list-style-type: none"> ▪ Annual contractual compliance audit of the public transport operator providing bus services to GWRC. 	<ul style="list-style-type: none"> ▪ Operational areas in particular health and safety, vehicle quality and reporting. 	<ul style="list-style-type: none"> ▪ Health & Safety meeting frequency deemed too low, increase in number of meeting requested. ▪ Additional GWRC contact detail to be added to the Health & Safety procedures. ▪ No Metlink branding visible on any Mana vehicles, opportunity identified to increase the use of the Metlink co-branding guidelines. ▪ Ticket and fares data. Mana's data on the list of contracted / commercial services not up to data, copy of GWRC's register or registered services requested. ▪ No non-compliance issues identified 	29 January 2014
<ul style="list-style-type: none"> ▪ East by West Ferry 	<ul style="list-style-type: none"> ▪ Annual contractual compliance audit of the public transport operator providing ferry services to GWRC. 	<ul style="list-style-type: none"> ▪ Operational areas in particular health and safety, vehicle quality and reporting. 	<ul style="list-style-type: none"> ▪ Additional GWRC contact detail to be added to the Health & Safety procedures. ▪ Lack of Metlink branding visible on the vessels. ▪ Reporting data to be improved showing actual trips scheduled and operated. ▪ No non-compliance issues identified 	18 February 2014

<ul style="list-style-type: none"> ▪ Go Wellington 	<ul style="list-style-type: none"> ▪ Annual contractual compliance audit of the public transport operator providing bus services to GWRC. 	<ul style="list-style-type: none"> ▪ Operational areas in particular health and safety, vehicle quality and reporting. 	<ul style="list-style-type: none"> ▪ No recommendations. ▪ No non-compliance issues identified 	TBC
<ul style="list-style-type: none"> ▪ Valley Flyer 	<ul style="list-style-type: none"> ▪ Annual contractual compliance audit of the public transport operator providing bus services to GWRC. 	<ul style="list-style-type: none"> ▪ Operational areas in particular health and safety, vehicle quality and reporting. 	<ul style="list-style-type: none"> ▪ No recommendations. ▪ No non-compliance issues identified 	TBC

7 Water Supply (WS)

Audit	Purpose	What the audit covered	Recommendations	Date Next Audit
82 Internal Audits via Qpulse	To determine the level of compliance with Internal Procedures. To confirm procedures accurately reflect existing processes	Compliance with our Internal Procedures, Health & Safety, Quality, Environmental, Railway safety, Safety Inspections, Procurements, Project Management etc	A number of observations and recommendations are made throughout this process. These are logged and managed within our Management System, Qpulse	December 2014
NZ Rail	To verify compliance with the requirements of the Railways Act 2005. This is required for the rail system going through the Orongorongo Tunnel	Water Supply's safety case and rail safety management system	The Auditor commented on how well WS have progressed with the Rail System since 2010. One recommendation was made which was an amendment to an existing procedure, this was closed out immediately	November 2014

ISO 9001 and 14001	To confirm that the management system conforms with all the requirements of the audit standard; To confirm that WS have effectively implemented the planned management system; To confirm that the management system is capable of achieving the organisations policy objectives.	Re-certification of ISO 9001 & 14001. The audit team conducted a process-based audit focusing on significant aspects/risks/objectives required by the Standard	Significant progress commented on by Auditor regarding Management Systems and development of. four minor non-conformities. 1 - Evaluation of compliance against the Legal Register not completed. 2 - Post contract evaluation of chemical suppliers required 3 - Review of calibration procedure 4 - Review of aspects register for TM required	October 2014
PAS 55 External Review	Pre-certification gap analysis of GW against PAS55 requirements (now ISO 55000, International Standard in Asset Management)	Numerous interviews with a wide group of WS staff. The audit programme encompassed 121 questions relating to the WS Business and Asset Management.	9 key recommended actions to achieve the appropriate maturity level. Beneath each action sits a number of metrics.	N/A
ACC WSMP Self Assessment	To complete an ACC pre-audit assessment of the OHSM system of WS, assessing against the published ACC Workplace Safety Management Practices Audit Standards	All 10 ACC WSMP Critical Elements	Various recommendations spread amongst a number of the elements. The majority of these were based on providing documented evidence.	November 2014
Water NZ National Performance Review Audit	The National Performance Review of Water Utilities provides a benchmarking tool for local authorities and other organisations providing public all or one of the 3 waters	Data requested falls in 3 categories, general comparisons; financial performance; non-financial performance measures	Draft report not yet finalised by Water NZ	Adhoc
National Infrastructure Plan Assessment Benchmarking Exercise	To assess the performance of GWRC WS using the same assessment framework used in a pilot study initiated by Water NZ and NZ Council for Infrastructure Development. (Bulk Water suppliers were excluded from the pilot study)	6 Principles with a series of metrics behind each Principle; Investment analysis, Resilience, Funding Mechanisms, Accountability and Performance, Regulation Co-ordination,	Level of achievement was first equal with Water Care. Area for focus is performance of capex programme and Integration of bulk water and other elements of water extraction.	One off

Audit NZ review of the Asset Management Plan (AMP)	Desktop audit of the WS Asset Management Plan 2012	The audit purpose was to establish the reliability of AMP and the data links to lifecycle management strategies. The basis of financial forecasts, appropriate assumptions levels of Service, integration with other plans, quality and completeness of AMP Consistency between AMP and LTP and the LTP.	Positive report, few minor recommendations to improve maturity level of AMP.	Determined by Audit NZ
Audit NZ review of Water Supply Annual Report	Accuracy of Finance and Annual Performance Target information reported on	Financial performance of WS and performance against published Performance Targets	Audit Passed	August 2014

8 Catchment Management

8.1 Catchment Management Group

Audit	Purpose	What the audit covered	Recommendations	Date of next audit
Asset Management review of systems and approach	To confirm that assets are being maintained to the required standard	Visit to Hawkes Bay Regional Council, in conjunction with staff from Horizons Regional Council to inspect a selection of river protection assets and comment on the appropriateness of the works and the maintenance regime.	Next review to be undertaken in Wellington.	Mid 2014
Hydraulic Models	To ensure accuracy of results of flood modelling	Parameters required to model the Porirua and Whakawhiriwhiri Streams and associated floodplain.	Continue to peer review all new modelling work.	As required by model completion

8.2 Wairarapa Moana

Audit	Purpose	What the audit covered	Recommendations	Next audit date
Fresh Start for Fresh Water Clean-Up Fund audit by Deloitte Touche Tohmatsu on behalf of the Mfe.	Confirmation of compliance under the Deed and validation of expenditure for the period 3 March 2012 to 31 March 2013.	Assessing the adequacy of: <ul style="list-style-type: none"> ▪ Internal controls ▪ The process for managing the project ▪ The governance of the project ▪ The achievement of milestones and outcomes ▪ Quarterly reporting by the Council 	<ul style="list-style-type: none"> ▪ The auditors recommended improvements to project expenditure tracking, quarterly reporting, details of unspent funding, and obtaining commitment letters to confirm funding sources from other parties. ▪ The audit took two days. The key recommendations have been implemented. 	TBC

8.3 Land Management

Audit	Purpose	What the audit covered		Date of next audit
Forestry Operations	Audit of Forest Harvesting practices, undertaken by MBIE in the Metro Forest, December 2013.	Compliance with the NZ Code of Practice for Health and Safety in Forest Operations. Specifically related to forest harvesting	Four minor corrective actions were required.	TBC

8.4 Biosecurity

Audit	Purpose	What the audit covered	Recommendations	Next audit date
BioWorks Office & Depot Audit	12/6/13, conducted by Tfree NZ.	The following aspects of our performance and workplace were audited. <ul style="list-style-type: none"> ▪ Staff and qualifications ▪ Health & Safety ▪ Risk Management Plans 	<ul style="list-style-type: none"> ▪ No corrective actions were required. 	TBC

		<ul style="list-style-type: none"> ▪ Management systems ▪ Record management ▪ Quality assurance plans ▪ Storage and use of toxins 		
BioWorks - Ground control field audits	<p>Tbfree NZ conducted 13 field audits on ground control activities, reviewing input and output contracts. Audits occurred on the following dates</p> <ul style="list-style-type: none"> ▪ 5/2/13 ▪ 8/2/13 ▪ 14/2/13 ▪ 4/3/13 ▪ 13/3/13 ▪ 15/3/13 ▪ 3/4/13 ▪ 22/4/13 ▪ 30/4/13 ▪ 14/5/13 ▪ 11/6/13 ▪ 12/6/13 ▪ 30/10/13 ▪ 10/11/13 ▪ 28/11/13 	<p>The following areas of our work procedures were audited.</p> <ul style="list-style-type: none"> ▪ Compliance with statutory approvals ▪ Permissions and notifications ▪ Operational & risk management plans ▪ People, plant & equipment ▪ Environmental processes ▪ Health & safety ▪ Compliance with control methods ▪ Use of PDA technology ▪ 	<p>The following issues were identified</p> <ul style="list-style-type: none"> ▪ On one occasion a staff member's 1st aid certificate had expired, however he was booked in for a refresher course and the course has since been completed. 	TBC
BioWorks - Aerial control work Western Tararua aerial control –	<p>8/11/13 audited by</p> <ul style="list-style-type: none"> ▪ TBfree NZ ▪ GWRC, audit of consent conditions and ▪ Mid Central Public Health (on behalf of the Medical Officer of Health), audit of consent conditions. 	<p>TBfree NZ audited the following areas:</p> <ul style="list-style-type: none"> ▪ Approvals & notifications ▪ Operational & risk management plans ▪ Plant & equipment ▪ Toxins & their use ▪ Staff & sub-contractors ▪ Health & safety <p>No issues were identified by TBfree NZ.</p>	<p>Mid central health verbally notified (and later by e-mail) that they located four 1080 baits on a track following post operation clearance. BioWorks undertook a second check of the track and the pellets were located and removed. No further action was required.</p>	TBC
BioWorks - Aerial control work Project Kaka aerial	<p>2/12/13 audited by</p> <ul style="list-style-type: none"> ▪ Department of 	<p>No audit reports were received from either of the auditing organisations..</p>	<p>BioWorks identified two instances where consent conditions were breached and notified both to Regional Public Health.</p>	TBC

control –	<p>Conservation, audit of consent conditions</p> <ul style="list-style-type: none"> ▪ Regional Public Health (on behalf of the Medical Officer of Health), audit of consent conditions. 		<p>On both occasions baits were laid within 50m of a public hut. Mitigation included further inspections and the removal of all baits. DoC undertook water quality monitoring of the hut water supplies and no contamination occurred.</p>	
Pest Plants – Weed Team – Field work	<p>7 August 2013 - Audited by Site safe auditor, Mike Spekreijse</p>	<p>The team scored a total of 92% for the audit, other than the improvements suggested below the auditor could not fault the team's procedures or work processes from a health and safety perspective.</p>	<p>During the course of the audit three improvement opportunities were identified:</p> <ul style="list-style-type: none"> ▪ there was no written emergency plan for the site and ▪ the team had not been audited in the past by management to review H&S practices. ▪ Hi Viz clothing was being worn by the team, however the auditor was concerned that the colour of the clothing (blazing orange) being worn blended with the background vegetation and the wearer could have been misidentified as an animal by hunters. <p>These three deficiencies have since been addressed. The emergency plans are prepared for each of the sites worked on and we introduced a regular management internal audit of the unit. Team has been issued with nato blue shirts for use during bush operations to replace blaze orange worn at the time of the audit.</p>	TBC
Pest Animals – Aerial control work Akatarawa Forest Aerial Control	<p>29/6/13 Medical Officers from Regional Public Health audited this operation on three occasions over a period of nine days:</p> <ul style="list-style-type: none"> ▪ Audit of Aerial Operation 29th July 2013, 	<p>The following areas were audited:</p> <ul style="list-style-type: none"> ▪ Approvals & notifications ▪ Operational & risk management plans ▪ Complaint process ▪ Signage ▪ Management of loading site ▪ Storage of VTA 	<p>No issues or recommendations were identified by the MOH</p>	TBC

	<ul style="list-style-type: none"> ▪ Signage Audit on the 30th July 2013 and ▪ a follow up meeting on the 6th August to obtain validation for aspects of the operation 	<ul style="list-style-type: none"> ▪ Safety Practices ▪ Clothing & Equipment ▪ Opening of 1080 bags & loading of hopper ▪ Loading of Helicopter ▪ Weights, Licences & Permits ▪ GPS track records ▪ Track clearing record 		
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9 Environment

While there were no audits undertaken specifically in relation to our environmental activities this year, it is worth noting that the Ministry for the Environment carries out a biennial audit of Councils processes under the Resource Management Act, most notably in relation to compliance with statutory timeframes both for planning and consenting. Greater Wellington consistently rates as one of the best performing Councils in the country in relation to these areas of audit with a 98-99% level of compliance in meeting statutory timeframes.

Again, while not specifically being subject to audit in the last 12 months, our Harbours functions are subject to audit by Maritime New Zealand in relation to our Port and Harbour Navigational Risk Assessment, and the related Port and Harbour Safety Management System. These two documents represent the primary operational policy documents that guide our work in the navigation and safety area, and are both prepared in conjunction with CentrePort. Our risk assessment was audited by Maritime New Zealand approximately 4 years ago, and is now in the process of being updated (which will require a further audit in the future), and the Safety Management System has been with Maritime New Zealand for the last two years ago so awaiting their Audit.



10 Summary of 2013 audit and reviews

Overall the results of the audits and reviews noted in this report were positive and helpful.

There were no major issues or shortcomings noted in our procedures or outcomes.

The level of external audits and reviews to be undertaken in 2014 is expected to be at a similar level to those undertaken during 2013. They will cover, where possible, the major risks identified in GWRC's risk register such as water supply, flood protection, environment, public transport and catchment management.

11 Communication

No communication is necessary.

12 Recommendations

That the Committee:

1. **Receives** the report.
2. **Notes** the content of the report.

Report prepared by:

Report approved by:

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