



KOMITI ITI AHUMONI I TŪRARU AUDIT AND RISK SUBCOMMITTEE

19 November 2024

Order Paper for the meeting to be held in the
Council Chambers, 2nd Floor, 30 Laings Road, Lower Hutt,
on:

Tuesday 26 November 2024 commencing at 2:00 pm

The meeting will be livestreamed on Council's You Tube page.

Membership

	Suzanne Tindal (Independent Chair)
	Mayor C Barry (Deputy Chair)
Cr S Edwards	Cr J Briggs
Cr K Morgan	Cr T Stallinger

For the dates and times of Council Meetings please visit www.huttcity.govt.nz

Have your say

You can speak under public comment to items on the agenda to the Mayor and Councillors at this meeting. Please let us know by noon the working day before the meeting. You can do this by emailing DemocraticServicesTeam@huttcity.govt.nz or calling the Democratic Services Team on 04 570 6666 | 0800 HUTT CITY

KOMITI ITI AHUMONI I TŪRARU | AUDIT AND RISK SUBCOMMITTEE

Chair:	Independent Chair Sue Tindal
Deputy Chair:	Mayor Campbell Barry
Membership: Komiti Iti Ahumoni i Tūraru Audit and Risk Subcommittee members should be appointed so that the subcommittee has a diversity of governance skills, experiences and personal qualities. Between them, the members should bring a mix of the following attributes: <ol style="list-style-type: none"> 1. Broad governance experience; 2. Familiarity with risk management disciplines; 3. Understanding of internal control and assurance frameworks; 4. An understanding of financial and non-financial performance reporting; 5. A good understanding of the roles of internal and external audit; and 6. A sound understanding of the local government sector. Use of the matrix below has assisted other councils to consider the best fit for membership of an Komiti Iti Ahumoni i Tūraru Audit and Risk Committee.	Cr Glenda Barratt Cr Josh Briggs Cr Karen Morgan Cr Tony Stallinger
Quorum:	Half of the membership
Meeting Cycle:	Meets on an eight-weekly basis or as required
Reports to:	Council

AREAS OF FOCUS:

The subcommittee's areas of focus are:

- Oversight of risk management and assurance across the Council Group with respect to risk that is significant
- Internal and external audit and assurance
- Health, safety and wellbeing
- Business continuity and resilience
- Integrity and investigations
- Monitoring of compliance with laws and regulations
- Significant projects, programmes of work and procurement, focussing on the appropriate management of risk
- The Long Term Plan, Annual Report and other external financial reports required by statute.

DELEGATIONS FOR THE SUBCOMMITTEE'S AREAS OF FOCUS:

- The subcommittee has no decision-making powers other than those in these Terms of Reference.
- The subcommittee may request expert advice through the Chief Executive where necessary.
- The subcommittee may make recommendations to Council and/or Chief Executive.

Risk Management:

- Review, approve and monitor the implementation of the risk management framework and strategy, including significant risks to the Council Group.
- Review the effectiveness of risk management and internal control systems including all material financial, operational, compliance and other material controls. This includes legislative compliance (including health and safety), significant projects and programmes of work, and significant procurement.
- Review risk management reports identifying new and/or emerging risks.

Assurance:

- Review and approve, and monitor the implementation of, the assurance strategy and detailed internal audit coverage and annual work plans.
- Review the coordination between the risk and assurance functions, including the integration of the Council's risk profile with the internal audit programme. This includes assurance over all material financial, operational, compliance and other material controls. This includes legislative compliance (including health and safety), significant projects and programmes of work, and significant procurement.
- Review the reports of the assurance functions dealing with findings, conclusions and recommendations (including assurance over risks pertaining to Council Controlled Organisations and Council Controlled Trading Organisations that are significant to the Council Group).
- Review and monitor management's responsiveness to the findings and recommendations, inquiring into the reasons that any recommendation is not acted upon.

Fraud and Integrity:

- Review, approve and monitor the implementation of the assurance strategy, including the fraud and integrity aspects.
- Review the arrangements in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters, and ensure that there is a proportionate and independent investigation of such matters and appropriate follow-up action.
- Review the procedures in relation to the prevention, detection, reporting and investigation of bribery and fraud.
- Review and monitor policy and process to manage conflicts of interest amongst elected and appointed members, management, staff, consultants and contractors.
- Review internal and external reports related to possible improprieties, ethics, bribery and fraud-related incidents.

Statutory Reporting:

- Review and monitor the integrity of the Long Term Plan and Annual Report, including statutory financial statements and any other formal announcements relating to the Council's financial performance, focusing particularly on the areas listed below.
- Compliance with and the appropriate application of relevant accounting policies, practises and accounting standards.

- Compliance with applicable legal requirements relevant to statutory reporting.
- The consistency of application of accounting policies, across reporting periods, and the Council Group.
- Changes to accounting policies and practices that may affect the way that accounts are presented.
- Any decisions involving significant judgement, estimation, or uncertainty.
- The extent to which financial statements are affected by any unusual transactions and the way they are disclosed.
- The disclosures of contingent liabilities and contingent assets.
- The clarity of disclosures generally.
- The basis for the adoption of the going concern assumption.
- Significant adjustments resulting from the audit.

External Audit:

- Discuss with the external auditor, before the audit commences, the nature, scope and fees of the external audit, areas of audit focus, and error and materiality levels.
- Review, with the external auditors, representations required by elected members and senior management, including representations as to the fraud and integrity control environment.
- Review the external auditor's management letter and management responses and inquire into reasons for any recommendations not acted upon.
- Where required, the Chair may ask a senior representative of the Office of the Auditor General to attend meetings of the subcommittee to discuss the office's plans, findings and other matters of mutual interest.

Interaction with Council Controlled Organisations (CCO) and Council Controlled Trading Organisations (CCTO):

- Other committees dealing with CCO and CCTO matters may refer matters to the Komiti Iti Ahumoni i Tūraru | Audit and Risk Subcommittee for review and advice.
- This subcommittee will inquire to ensure adequate processes at a governance level exist to identify and manage risks within a CCO. Where an identified risk may impact on Council or the Council Group, the subcommittee will also ensure that all affected entities are aware of and are appropriately managing the risk.

Matrix of Experience, Skills and Personal Qualities

Experience, Skills and Personal Qualities	Member A	Member B	Member C	Member D	Independent Chairperson
<i>The recommended combination of experience is:</i>					
• financial reporting					
• broad governance experience					
• familiarity with risk management disciplines					
• understanding of internal control and assurance frameworks					
• good understanding of the roles of internal and external audit					
• local government expertise					
<i>For an “advisory-oriented” audit committee, particular emphasis should be placed on:</i>					
• Strategy					
• Performance management					
• Risk management disciplines					
<i>In determining the composition of the audit committee, the combined experience, skills, and personal qualities of audit committee members is critical. Members should bring:</i>					
• the ability to act independently and objectively					
• the ability to ask relevant and pertinent questions, and evaluate the answers					
• the ability to work constructively with management to achieve improvements					
• an appreciation of the public entity’s culture and values, and a determination to uphold these					
• a proactive approach to advising the governing body and chief executive on matters that require further attention					
• business acumen					
• appropriate diligence, time, effort, and commitment					
• the ability to explain technical matters in their field to other members of the audit committee					

HUTT CITY COUNCIL
KOMITI ITI AHUMONI I TŪRARU | AUDIT AND RISK SUBCOMMITTEE

Meeting to be held in the Council Chambers,
2nd Floor, 30 Laings Road, Lower Hutt on
Tuesday 26 November 2024 commencing at 2:00 pm.

ORDER PAPER

PUBLIC BUSINESS

1. OPENING FORMALITIES - KARAKIA TIMATANGA

Whakataka te hau ki te uru	Cease the winds from the west
Whakataka te hau ki te tonga	Cease the winds from the south
Kia mākinakina ki uta	Let the breeze blow over the land
Kia mātaratara ki tai	Let the breeze blow over the ocean
E hī ake ana te atakura	Let the red-tipped dawn come with a sharpened air.
He tio, he huka, he hau hū	A touch of frost, a promise of a glorious day.
Tihei mauri ora	

2. APOLOGIES

No apologies have been received.

3. PUBLIC COMMENT

Generally, up to 30 minutes is set aside for public comment (three minutes per speaker on items appearing on the agenda). Speakers may be asked questions on the matters they raise.

4. CONFLICT OF INTEREST DECLARATIONS

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have

5. RECOMMENDATION TO TE KAUNIHERA O TE AWA KAIRANGI COUNCIL - 10 December 2024

Overview of Artificial Intelligence at Council

Report No. ARSC2024/5/346 by the Director Strategy and Engagement

10

CHAIR'S RECOMMENDATION:

“That the recommendations contained in the report be endorsed.”

6. **EXTERNAL AUDIT UPDATE - URBAN PLUS LIMITED (PARENT AND GROUP)**
 Report No. ARSC2024/5/347 by the Financial Accounting Manager 43
CHAIR'S RECOMMENDATION:
 "That the recommendation contained in the report be endorsed."
7. **EXTERNAL AUDIT UPDATE - SEAVIEW MARINA LIMITED**
 Report No. ARSC2024/5/348 by the Financial Accounting Manager 80
CHAIR'S RECOMMENDATION:
 "That the recommendation contained in the report be endorsed."
8. **EXTERNAL AUDIT UPDATE - HUTT CITY COUNCIL**
 Report No. ARSC2024/5/349 by the Financial Accounting Manager 95
CHAIR'S RECOMMENDATION:
 "That the recommendations contained in the report be endorsed."
9. **SENSITIVE EXPENDITURE DISCLOSURES**
 Report No. ARSC2024/5/110 by the Financial Accounting Manager 121
CHAIR'S RECOMMENDATION:
 "That the recommendations contained in the report be endorsed."
10. **RISK MANAGEMENT AND ASSURANCE UPDATE**
 Report No. ARSC2024/5/350 by the Risk and Assurance Manager - Finance 129
CHAIR'S RECOMMENDATION:
 "That the recommendations contained in the report be endorsed."
11. **HUMAN RESOURCES INFORMATION SYSTEM AND PAYROLL PROJECT**
 Report No. ARSC2024/5/351 by the Programme Manager 148
CHAIR'S RECOMMENDATION:
 "That the recommendation contained in the report be endorsed."

12. **TE WAI TAKAMORI O TE AWA KAIRANGI (RIVERLINK) UPDATE**
- Report No. ARSC2024/5/352 by the Project Manager - City Delivery 151
- CHAIR'S RECOMMENDATION:**
- "That the recommendation contained in the report be endorsed."
13. **TUPUA HORO NUKU - QUARTERLY UPDATE**
- Report No. ARSC2024/5/354 by the Project Delivery Manager 156
- CHAIR'S RECOMMENDATION:**
- "That the recommendation contained in the report be endorsed."
14. **COMPLYWITH: LEGAL COMPLIANCE REPORT 1 JANUARY 2024 TO 30 JUNE 2024**
- Report No. ARSC2024/5/111 by the Legal Co-ordinator 163
- CHAIR'S RECOMMENDATION:**
- "That the recommendations contained in the report be endorsed."
15. **INFORMATION ITEMS**
- a) **Whakatupu Ngaengae**
- Memorandum dated 7 November 2024 by the Project Manager (Naenae) 170
- CHAIR'S RECOMMENDATION:**
- "That the recommendations contained in the memorandum be endorsed."
- b) **Audit and Risk Subcommittee Forward Programme 2025**
- Memorandum dated 11 November 2024 by the Democracy Advisor 184
- CHAIR'S RECOMMENDATION:**
- "That the recommendation contained in the memorandum be endorsed."
16. **QUESTIONS**
- With reference to section 32 of Standing Orders, before putting a question a member shall endeavour to obtain the information. Questions shall be concise and in writing and handed to the Chair prior to the commencement of the meeting.

17. EXCLUSION OF THE PUBLIC

CHAIR'S RECOMMENDATION:

“That the public be excluded from the following parts of the proceedings of this meeting, namely:

**18. OVERVIEW OF ARTIFICIAL INTELLIGENCE AT COUNCIL -
CONFIDENTIAL ATTACHMENT 3 (COMMERCIAL
ARRANGEMENTS WITH PWC)**

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

(A)	(B)	(C)
General subject of the matter to be considered.	Reason for passing this resolution in relation to each matter.	Ground under section 48(1) for the passing of this resolution.
Overview of Artificial Intelligence at Council - Confidential Attachment 3.	The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information (s7(2)(b)(ii)).	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exist.

This resolution is made in reliance on section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or 7 of that Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as specified in Column (B) above.”

Jack Kilty
Democracy Advisor

Report no: ARSC2024/5/346

Overview of Artificial Intelligence at Council

Purpose of Report

1. This report provides an update on Hutt City Council's Artificial Intelligence (AI) initiatives, including the development of Council's AI Strategy and AI Policy, and the internal "AI-Volution" project.
2. The report outlines the rationale for the AI work, linkages to Council's strategic objectives, anticipated benefits, and risk management, as well as the financial implications of these AI initiatives.

Recommendations

That the Subcommittee recommends Council:

- (1) notes that Artificial Intelligence (AI) is increasingly being used by a range of public and private organisations to improve operational effectiveness and service delivery;
- (2) notes that AI encompasses a range of unique risks, which, combined with the emergence and rapid uptake of the technology, means it is appropriate for Council's Audit and Risk Subcommittee to maintain oversight of Council's AI work;
- (3) notes that the AI Strategy and AI Policy approved by Council's Corporate Leadership Team form a sound basis to guide the organisation's AI use;
- (4) notes AI has been included in Council's Strategic Risk Register, which will ensure the Corporate Leadership Team and elected members have appropriate oversight of risks associated with AI;
- (5) notes that a strategic partnership has been agreed upon between Hutt City Council and PwC to work together on AI initiatives and that this partnership has a range of benefits to Council, including access to resource and expertise, and reduced AI implementation costs; and
- (6) notes an internal improvement project is underway called "AI-Volution" which is implementing AI within Council's environment in a way that will lead to savings in the short-medium term;
- (7) notes that Council's focus on AI supports the strategic intentions set out in the Long Term Plan, particularly the focus on improving operational efficiency and achieving cost savings, and delivering this work in a way that represents value for money; and
- (8) notes that AI is a focus of the Chief Executive's Performance Objectives for this financial year, and AI related work underway is consistent with achieving those objectives.

Background

3. Council's work on AI is occurring within the context of a wider focus on AI across the public and private sector. This is largely a result of significant investment in AI technologies by the private sector, and the emergence of Generative AI technologies underpinning services like ChatGPT.
4. AI implementation and uptake have been rapid to date across the world, and this is expected to continue for some time – particularly as it is often being positioned as a nationally significant issue advanced by governments.
5. In New Zealand, the Government has commenced a range of work related to AI. This includes setting a national framework that gives direction for AI adoption across the public sector, developing an AI Strategy (due to be consulted on in 2025), piloting a public service chatbot, and the trial of Generative AI tools within some government agencies like ACC.
6. Internationally, countries are significantly more advanced with AI strategies compared with New Zealand. For example, Australia introduced its AI Action Plan in 2021 and has since adopted comprehensive AI policies and risk guidelines across its public sector. Other countries are also making substantial public investments to encourage AI adoption. In Canada, for instance, both federal and provincial governments are offering significant grant funding to promote AI uptake.
7. Broadly speaking, the growth in AI is particularly unique given its speed, global impact (both current and anticipated) across most sectors – including the public sector.
8. A recent PwC Global CEO Survey reported 39% of organisations have adopted Generative AI in the past 12 months, while 64% of CEOs believe Generative AI will significantly change the way their company creates value in the next three years.
9. While organisations are at different points in AI implementation, even those organisations that are reluctant to adopt AI are increasingly being forced to consider the impact of AI on their operations (or on their competitiveness in the case of the private sector). Leadership teams within organisations have generally been advised to upskill themselves to understand better the implications of AI, and the potential it has in their environment.
10. Avoiding AI is not a realistic option given software commonly used in offices (like Microsoft and Adobe products) are increasingly embedding AI into their tools. Even in organisations where access to this functionality is limited, research shows that the majority of office-based workers are bringing their AI to the workplace.
11. In response to this context, the Corporate Leadership Team (CLT) has been working to ensure Hutt City Council is positioning itself to take advantage of AI to advance Council's strategic objectives – while appropriately managing the risks posed by the technology.
12. This report steps through the internal AI work completed or underway to date. This work is consistent with the Chief Executive's 2024/2025 Key Performance Indicators (KPIs), which outlines a commitment to establishing Hutt City Council as a leader in AI use to improve productivity and service

delivery.

13. The KPIs include agreeing on foundational documents such as an AI strategy and policy, forming strategic partnerships to attract third-party investment, updating risk and governance frameworks, identifying AI use cases, and conducting formal trials of AI productivity tools.

Executive education to build internal capability

14. In early 2024 CLT engaged PwC to provide a series of “executive education” workshops to senior staff. Four workshops were run, and were focused on improving understanding of AI tools, their potential and associated risks.
15. The workshops run for CLT, in particular, focused more on operational leadership and governance of AI and broad advice on successfully rolling out AI within an organisation. This advice provided a structured framework for AI adoption, which Council has followed so far. Those steps are:
 - a. Executive education
 - b. Strategy and development
 - c. Risk and governance establishment
 - d. Use case exploration and pilots
 - e. Technology enablement

Development of AI Strategy

16. Following initial Executive Education workshops, CLT resolved to develop an AI Strategy at pace alongside an operational AI Policy to provide guidance to staff.
17. An AI strategy is widely recognised as an essential tool for organisations aiming to integrate AI effectively into their operations, enhancing services and performance. A successful strategy defines a clear vision for AI use, aligns with existing organisational goals, and identifies the key enablers and resources needed for successful implementation.
18. In developing the AI Strategy, officers have been clear that it is not a standalone strategy but rather supports Council’s broader purpose and strategic objectives. Instead of detailing specific actions, it outlines how officers will leverage tools to fulfil our responsibilities effectively.
19. Importantly, an AI Strategy also acts as a key framework to help navigate the complexities associated with AI – particularly from an ethical and risk perspective. For public organisations in particular, a strategy can ensure AI use is consistent with privacy, security, and ethical standards.
20. Hutt City Council’s AI Strategy (attached as Attachment 1 to the report) sets out the vision, strategy drivers, goals, foundational principles, and key delivery functions.

Image 1: Summary of AI Strategy



21. Key features of the AI Strategy are:

- Connecting AI use to Council's purpose and responding to challenges like financial pressures and rising community expectations
- Stating an ambition to be leaders in responsible AI use in the Australasian region
- Integrating the Te Ao Māori concept of Tika and Pono as the basis for AI use, ensuring use is correct, right, and true. This is a particularly unique feature of our AI Strategy which we have not seen used elsewhere.
- Setting out a commitment to ethical use, ensuring that AI is not used in a way that undermines public trust in council operations
- Establishing an expectation of continuous improvement, to recognise the pace of change and need to continuously review and update AI related policies and guidelines.

Development of AI Policy

- The internal AI Policy (attached as Attachment 2 to the report) was approved by CLT alongside the AI Strategy. This sets out guidelines for AI use and applies to staff in the same way that other operational policies do.
- Our AI Policy was initially drafted based on the Association of Local Government Information Management (ALGIM) template, then improved based on further research and analysis of good practice.
- The use of AI technology carries inherent risks, including legal, accuracy, bias, security, data sovereignty, copyright, confidentiality, ethical use, and decision-making concerns. The AI Policy identifies these risks and provides guidelines for staff on how to manage them responsibly. For example, it

emphasises the importance of reviewing AI-generated content for accuracy, ensuring ethical use, and maintaining data confidentiality.

25. The AI Policy also sets out broad practical guidelines for staff use of AI, including verifying the accuracy of AI-generated content, respecting copyright laws, guarding confidentiality, and ensuring ethical use. It also highlights the importance of transparency in AI-supported decision-making and the need to label AI-generated content clearly.
26. The identification of risks within the AI Policy and linking these to specific staff guidance helps to mitigate potential risks and ensures that AI technologies are used in a manner that aligns with the council's legal, ethical, and community standards.
27. To support the effective implementation of the AI Policy, officers have implemented an internal training module currently accessible to staff. There is work underway plans to integrate AI modules into the employee onboarding process.

Strategic Partnership with PwC

28. During the delivery of Executive Education workshops in early 2024, Council and PwC had initial discussions on what a strategic partnership could look like to support the delivery of AI initiatives.
29. A strategic partnership in this context aims to move beyond traditional consultancy arrangements by aligning incentives and adopting an outcome-based approach.
30. Initial conversations with PwC explored the potential benefits of a strategic partnership from Council's perspective. These benefits included access to expertise and reducing cost of implementing AI at scale.
31. CLT agreed to enter a strategic partnership with PwC in June 2024. The decision at this point was to complete a period of due diligence to scope a potential AI programme, establish joint governance, and complete appropriate legal and financial reviews for a potentially larger piece of work.
32. General key partnership principles were agreed in June 2024. These included sharing benefits and risks, sharing knowledge, taking an iterative stage-gate approach, being transparent, and operating in a high-challenge high-support way.
33. Broad commercial principles were also established at this stage. This was a critical consideration for Council, given budget constraints and the need to pursue an invest-to-save approach. The arrangement needed to be both economical and beneficial for Council.

34. The commercial arrangements for the AI-Volution project and engagement with PwC are detailed in Attachment 3 of the public excluded agenda. The withholding of this information is necessary to protect information where the making of the information would be likely unreasonably to prejudice the person who supplied or who is the subject of the information. Section 7(2)(b)(ii) of the Local Government Official Information and Meetings Act 1987.
35. CLT considered the principled basis of the strategic partnership to be advantageous to Council, enabling work to happen in partnership with the private sector and ultimately reducing ratepayer burden. Delivering services in partnership in this manner is consistent with Council's Long Term Plan 2024 - 2034.

Phase 1 of work with PwC (due diligence)

36. The first phase of work completed with PwC occurred between June - September. This was a due diligence phase to scope where AI could be used within Council and to prepare an investment case on potential further phases of work, for CLT consideration. At this point, the internal project was named "AI-Volution", reflecting the intention of the AI Strategy to utilise the technology to evolve council services and performance.
37. This first phase of work was delivered by a joint Council/PwC team - with shared sponsorship, shared project management, and a mix of advisors and analysts from both organisations.
38. The AI-Volution Investment Case was completed and agreed upon by CLT in September 2024. The preferred option within the investment case was recommended because of the potential to deliver immediate economic benefits and building Council's internal capability to manage AI projects independently in the future.
39. The agreed option has five components:
 - a. Rolling out a Generative AI tool (ChatGPT or Microsoft Copilot) to 150 staff members;
 - b. Development and implementation of twelve AI Assistants designed to automate specific tasks and generate internal savings;
 - c. Scoping three end-to-end processes across Council suitable for further AI use - to optimise and automate processes;
 - d. Providing advice for enhancing Council's investment planning and control practices; and
 - e. Planning to share Council's AI adoption story and intellectual property externally, promoting transparency and fostering a culture of innovation.
40. The project is estimated to have an attractive return on investment and is an invest to save proposition. This is covered in more detail in Attachment 3 of the public excluded agenda.

41. The funding model proposed for this phase was designed to be self-funding over time. It defers the payment of external consultant costs until the AI Assistants are live, allowing time for benefits to be realised and for Council to fund costs from these benefits. This approach ensures that the financial burden on Council is minimised and aligns PwC's incentives with the success of the project.
42. Importantly, the commercial analysis for the AI-Volution Investment Case was undertaken solely by Council. PwC did not prepare or review this analysis, which was a deliberate decision to maintain objectivity and ensure that the Council's interests were prioritised. This approach is consistent with good management practice and allows for the potential continuation of future work with PwC under clear and transparent terms.
43. As well as the investment case, which was the principal output of this phase of work, the project also produced several key documents for use in future phases. This includes a project benefits map, a capability model, a technology readiness assessment, and a change management approach.

Generative AI trial

44. Alongside this, Council (independently of PwC) has conducted an internal Generative AI trial involving 24 staff having access to ChatGPT and Microsoft CoPilot.
45. The trial ran for six weeks and required people participating to report usage, time savings, and other information to support Council with the implementation of a wider rollout. This information will be used, for example, to prioritise the allocation of licences based on the kinds of roles shown to benefit from AI the most.
46. Overall, the internal trial showed an average daily time savings of 38 minutes for participants – the equivalent of 20 working days over a year. This productivity improvement is consistent with other trials, where productivity enhancement is estimated to be between 30 minutes – 1 hour per day.
47. The information gleaned from the trial will be used to support AI work underway, particularly from a change management and training/capability perspective.

Current AI-Volution work

48. Work is currently underway to deliver the components of the preferred options within the business case. Similar to the first phase of work, a joint project team has been assembled between Council and PwC.
49. The project is intended to take approximately 10 weeks and run from mid-October 2024 through until early-mid January 2025 to factor in the holiday closedown period.

50. At the time of this meeting, officers estimate approximately 100 staff will have access to AI tools, that six AI assistants will have been built, deployed to staff, and the required analysis work (on potential end to end process transformation) is well underway. This is significant progress in a short period of time.
51. Effective project management practices are being applied to this phase of work. There is experienced project managers assigned to the project managing day-to-day aspects, and regular reporting is submitted to project sponsors and leadership of both Council and PwC. There are no significant issues at this point, indicating accurate scoping of work.

Complementary GoDigital work underway

52. As well as the AI-Volution project, Council's Go Digital Programme is factoring in AI functionality into the scoping, procurement, and implementation of projects. This is consistent with Council's AI Strategy, which envisions AI being widely embedded across services.
53. For example, the current Centralised Customer Experience (CCX) project has a large AI component which forms part the new Request for Service (RFS) platform being developed. Once implemented, the new RFS platform will have AI tools which will allow customer service staff to quickly summarise correspondence, draft customer replies, and potentially transcribe calls.
54. As well as this, the CCX project has also invested in key system level infrastructure which can be leveraged for wider AI work. Microsoft Azure Integration Services has been deployed for this project, which allows the seamless integration of applications, data, and processes within the organisation and third-party systems.
55. This integration layer can also be used to leverage AI at an enterprise level across the organisation – however this is a more advanced application of AI and Council is currently not resourced to develop and implement. The end-to-end process transformation work being scoped as part of the AI-Volution project may propose to leverage this technology.

Discussion

56. Risk management is a critical part of Council's approach to AI. As AI evolves and becomes more integrated into our operations, it is essential to identify, assess, and mitigate potential risks to ensure successful outcomes.
57. Effective risk management not only protects the Council from potential negative impacts but also enhances our ability to leverage AI for improved operational efficiency and service delivery.
58. AI technologies present a range of unique risks, as highlighted in the Council's strategic risk register (being considered by the Committee at this meeting). These risks include data security and privacy vulnerabilities, non-compliance with laws and regulations, ethical issues, and the potential for unfair bias and discriminatory outcomes.

59. To mitigate these risks, Council has implemented several controls, including the development of an AI Strategy and AI Policy, conducting Generative AI trials, and rolling out AI training to staff. Additionally, ongoing engagement with key stakeholders and seeking external advice are crucial steps in managing these risks effectively.
60. In addition to this, officers are developing a tiered risk framework for AI use within Council. A tiered risk framework is effectively a traffic light system which sets out an organisation's risk tolerance for AI use. Those tiers and controls are summarised below:
 - a. Green – provides guidance and examples of AI use cases which the organisation considers needs few/if any additional controls
 - b. Amber – sets out situations where proposed AI use cases would require senior sign-off and ongoing oversight and risk controls.
 - c. Red – sets out AI use cases which have unacceptable levels of risk and will not be approved.
61. Engaging in a strategic partnership with PwC introduces specific risks that need to be carefully managed. These risks include dependency on PwC for critical capabilities, potential cost overruns, data security and privacy concerns, cultural fit and communication challenges.
62. Controls are in place for these risks, and officers are closely managing the project to ensure risks are avoided. Controls in place for the strategic partnership risks include:
 - a. Avoiding consultancy dependency through partnering Council staff working on the project with PwC counterparts and creating project artefacts that are understood and able to be reused by Council.
 - b. Cost overruns for the projects have largely been managed through commercial arrangements with PwC; and
 - c. Data security and privacy concerns are being managed by aligning AI work to Council's existing privacy and security impact assessment processes. These are robust and ensure compliance with relevant legislation; and
 - d. Cultural fit and communication risks are managed through joint project governance and effective engagement between Council and PwC.
63. Despite these risks, the strategic partnership with PwC enhances the likelihood of achieving our AI objectives. The partnership provides access to PwC's expertise, resources, and innovative solutions, making AI implementation more affordable and effective for the Council.

64. By aligning incentives and adopting an outcome-based approach, the partnership ensures that both parties are equally committed to the success of Council's AI initiatives. This unique opportunity allows the Council to leverage private sector capabilities while maintaining control over AI projects and ensuring alignment with our strategic goals.
65. The Council's AI initiatives, including the AI-Volution project and the strategic partnership with PwC, are designed to enhance operational efficiency and service delivery. These initiatives align with the Council's Long Term Plan, emphasising the need for operational savings and improved service delivery.
66. The AI-Volution project, in particular, focuses on implementing AI solutions that deliver immediate economic benefits while building the Council's internal capability to manage AI projects independently.
67. Additionally, the strategic partnership with PwC is governed through a joint steering group and project team, ensuring continuous oversight and alignment of objectives.
68. The economic viability of the AI initiatives is a key consideration for Council. The AI-Volution Investment Case considered by CLT demonstrated a strong return on investment.
69. The funding model for the AI initiatives is designed to be self-funding over time, deferring the payment of external consultant costs until the AI solutions are live and delivering benefits. This approach minimises the financial burden on the Council and ensures that payments are tied to the realisation of benefits.
70. One of the key benefits of the AI work underway is the opportunity to build the Council's internal capability to manage AI projects (and broader innovation projects) independently. This capability-building approach ensures that the Council can continue to leverage AI technologies in the future, reducing reliance on external consultants and enhancing operational resilience.

Options

Option 1: Note and Endorse Internal AI Work Underway and the Approach

71. Under this option, Council would acknowledge and support the ongoing AI initiatives, including the AI-Volution project and the strategic partnership with PwC.
72. This would continue Council's commitment to leveraging AI technologies to enhance operational efficiency, reduce costs, and improve service delivery, while building internal capability and aligning outcomes with the Long Term Plan.

Option 2: Request Officers to Reduce Scope or Pause Work

73. Council can request officers to reduce the scope of the AI initiatives or pause the work altogether.
74. This option would involve reassessing the current AI projects and potentially scaling back or delaying certain activities, which could delay the realisation of benefits and impact the strategic partnership with PwC but may be necessary due to budget constraints or risk considerations.

Climate Change Impact and Considerations

75. The matters addressed in this report have been considered in accordance with the process set out in Council's [Climate Change Considerations Guide](#).
76. Council considers emissions when procuring AI products and cloud services, factoring in AI's environmental impact as its use grows.
77. As part of selecting AI service providers (local or international), we assess the proactive measures providers are taking to reduce emissions and support climate goals.
78. Hutt City Council's primary AI product providers include Microsoft (for Office and document management) and OpenAI (ChatGPT). OpenAI utilises Microsoft Azure's cloud infrastructure for training, inference, and development of its AI models. Microsoft Azure has been carbon neutral since 2012 and has commitments to become carbon-negative, water positive, and zero waste by 2030.
79. Although we are considering the possibilities of AI, its current use is limited, and therefore we have not yet fully evaluated its emissions impact. As our use of AI expands, emissions assessments will be integrated into our approach to AI deployment, ensuring responsible technology use aligned with our climate objectives.

Consultation

80. Officers consider formal consultation is not required under the Local Government Act (LGA) or Council's Significance and Engagement Policy.
81. The LGA requires Council to consult on matters that may significantly impact the community or substantially alter Council services.
82. Hutt City Council's Significance and Engagement Policy sets out how significance of proposals is determined, guiding when engagement is required. Determining significance is based on a range of factors including impact on community wellbeing, financial implications, consistently with the Long Term Plan, and service level impact.
83. The AI initiatives outlined in this report are internally focused improvements designed to enhance operational efficiency, reduce operational costs, and improve service delivery. This aligns with Council's Long-Term Plan 2024-2034, which sets out a commitment to achieving operational efficiencies and cost savings.

Legal Considerations

84. The AI work being undertaken by Council aligns with relevant New Zealand legislation, particularly in areas of privacy, data protection, and public sector accountability.
85. Council's structured approach to assessing security and privacy impacts with technology is applied to all AI projects, ensuring compliance with the Privacy Act 2020 and maintaining high standards for data security and individual privacy.
86. Officers are closely monitoring AI developments within the New Zealand Government to ensure that Council's AI initiatives are broadly aligned with emerging national standards and directions. This approach ensures Council can adapt to any updates in government policy or legislative expectations regarding AI use in public services.
87. It is expected that the introduction of AI tools may result in modest workforce reduction over time due to productivity and efficiency gains. Throughout the AI-Volution Project, officers continue to fulfil our obligations as an employer by taking a proactive and open approach to communicating and engaging with our staff and union partners.

Financial Considerations

85. Financial details of this work are set out in Attachment 3 of the public excluded agenda.
86. The AI-Volution project projects a strong return on investment. To manage financial risks, costs are phased to allow Council time to realise project benefits to fund the project. This approach ensures that the financial exposure of Council is directly linked to the successful outcomes of the AI initiatives, thereby mitigating the risk of cost overruns and ensuring that investments are sustainable and cost-effective.
87. Benefit management controls have been established to ensure that the projected benefits of the AI initiatives are realised.
88. Ongoing savings generated from the AI initiatives can be utilised to alleviate budget pressures or reinvested into further innovation. By leveraging the economic benefits of AI, Council can support financial sustainability and continue improve operational efficiency and service delivery.

Appendices

No.	Title	Page
1 ↓	Hutt City Council AI Strategy	22
2 ↓	Hutt City Council AI Policy	32

Author: Jarred Griffiths, Director Strategy and Engagement

Approved By: Jo Miller, Chief Executive



AI Strategy for Hutt City Council

Division	Strategy and Engagement
Date created	June 2024
Publication date	July 2024
Review period	July 2025
Owner	Jarred Griffiths
Approved by	Corporate Leadership Team

Version	Author	Date	Description
V 1.0	Julianne Hickey	June 2024	Initial AI Strategy



Introduction

Hutt City Council's 'AI Strategy' is our explicit commitment to a future where technology enhances our community's wellbeing and prosperity.

AI, or artificial intelligence, is the use of computer systems to perform tasks that normally require human intelligence, such as perception, reasoning, learning, decision making, and problem solving. AI has the potential to transform the way we deliver our services, enhance our staff's effectiveness, and improve our community's wellbeing. However, AI also poses significant challenges and risks, such as ethical, legal, social, and environmental implications. Therefore, we need a robust and comprehensive strategy to guide our use of AI, ensuring that it aligns with our values, policies, and obligations, and that it benefits people.

This strategy has been developed at pace and reflects our commitment to adapt swiftly to the fast-paced evolution of AI, while ensuring our foundational principles of Tika and Pono guide our journey. The execution of our strategy is also intended to be at pace.

Our strategy is built upon key elements that align with our vision of supporting Te Awa Kairangi ki Tai and its people to thrive.

Key elements of our AI Strategy include:

- Positioning Hutt City Council as a leader in ethical AI practices within the local government sector.
- Investing in AI capabilities within our teams to foster a culture of curiosity, innovation and responsible AI use.
- Partnering with others to enhance collaboration and share knowledge in our AI journey.
- Honouring the Whakapapa of our data, ensuring its traceability and responsible use.
- Ensuring our AI initiatives lead to tangible community benefits.

Our AI Strategy complements our other key strategies and our Long-Term Plan, all working together to achieve the 'Integrated Vision' for Hutt City. It's crucial that our strategies align, particularly in areas such as urban design, land-use, wellbeing, and risk management.

We will review this strategy annually, allowing us to respond proactively to the rapid advancements in AI, while maintaining a strategy that is both short-term in its adaptability and long-term in setting us up for an AI-enabled future that remains human at its core.

This strategy must be read alongside the AI Policy, and the related documents that are included in Appendix 3 of that Policy.

The Strategy on a Page

We have developed the **AI Strategy on a Page** to encapsulate the strategic intent of Hutt City Council's AI initiatives. This concise guide distils the essence of our strategy, providing a high-level overview which contains the key messages for our staff and stakeholders. While it serves as a quick reference, it is supported by further detail within the broader AI Strategic Framework.

Components				
Our Vision/Purpose	AI helps us support Te Awa Kairangi ki Tai and all its people to thrive			
Why we are creating this strategy (Our Case for Change)	<ul style="list-style-type: none">We face significant financial pressures in delivering our services. AI offers us a chance to manage our costs more effectivelyOur current systems and processes are not fully supporting our staff's effectiveness. By equipping them with suitable AI tools, we aim to enhance their growth, learning, skills, and work experienceThe pace of AI technological advancement is remarkable. We aim to lead in adapting to these changes, influencing how they affect our operations and ways of workingOur community expects responsive, quality services tailored to their individual, whānau, and community needs. We may be able to do this through AI-driven solutions			
Goals	We want to be leaders in responsible local government AI use in Aotearoa New Zealand/Australasia	We want our policies, investment and resource decisions to be better informed by evidence and data	We will identify the benefits of our AI initiatives, ensuring that our investments enhance frontline services and lead to measurable community improvement	We will make it easy for our customers/residents to work with us
Our Foundational Principles	<p>1. Tika and Pono: Our AI strategy is grounded in the principles of Tika and Pono, ensuring our use of AI is correct, right, accurate, and true.</p> <p>2. Ethical Use: We are committed to the ethical use of AI, built on trust and ensuring transparency, fairness, and accountability in all our AI applications.</p> <p>3. Mana Enhancing: Our use of AI will be mana enhancing, uplifting the dignity and autonomy of all people and the communities they belong to.</p> <p>4. Continuous Improvement: We will regularly review and update our policies, procedures, and guidelines to ensure they are relevant and effective for an AI-enabled organisation, reflecting our commitment to being Pono and Tika</p>			
Our Enabling Pillars	Governance & Risk systems	People and Culture	Data and Information management	Partnerships and collaborations
Our Key Priorities	<ul style="list-style-type: none">We will develop a robust AI governance framework that aligns with our values, policies, and legal obligations.We will review and update our policies, procedures, and guidelines to ensure they are relevant and effective for an AI-enabled organisation.We will identify and improve processes that can benefit from AI solutions and achieve efficiencies and savings.We will align our AI initiatives with our Long Term Plan commitments.We will track and measure the benefits of our AI projects and ensure they are realised and communicated.	<ul style="list-style-type: none">We will invest in training and provide our teams with the right tools and skills to use AI effectively and ethically.We will expect that staff will use AI tools responsibly and in line with the expectations outlined in the AI Policy.We will create a community of AI Navigators to ensure no one is left behind.We will experiment appropriately with new AI ideas and learn from the results to improve and innovate.We will foster a culture of transparency, innovation, curiosity, and learning, and support our staff to adapt to new ways of working with AI.	<ul style="list-style-type: none">We will know and honour the Whakapapa of our data, ensuring we can always trace its origins, context, and usage.We will begin by automating and digitising our processes, breaking down silos to enable seamless data flow. This will lay the groundwork for future AI integration.We will establish a continuous data quality management system using AI to enhance our data analysis and decision-making.We will create an AI data registry to ensure data quality, accessibility, and security, supporting our evolving AI needs.	<ul style="list-style-type: none">We will share our AI experiences and insights with the local government sector and others and learn from their best practices.We will develop partnerships with tech providers who can offer us innovative and tailored AI solutions and help us establish our use cases.We will explore the possibility of a strategic partnership with PwC, who can provide us with expert advice and guidance on our AI journey.

Our Vision

Our vision for AI is to help us support Te Awa Kairangi ki Tai and all its people to thrive.

Our vision reflects our belief in the transformative benefits of AI technology, and how this can be harnessed for public good and effective delivery of public services through making smarter decisions, and fostering innovation and learning in our teams.

This vision is not standalone; it is intricately linked to our broader purpose and organisational objectives. AI is a strategic tool that can accelerate our journey towards our goals, enabling us to achieve more, faster, and with greater impact. It reflects our commitment to innovation and our dedication to the community, ensuring that every technological advancement translates into real-world benefits for the people we serve.

Our Case for Change

We have four main drivers for creating this AI strategy. They are:

1. We face significant financial pressures

The financial challenges that Hutt City Council and other local government entities face are ongoing and significant. They result from inflation, substantial infrastructure needs, and increased service demands from central government. AI can help us cope with these challenges by making some of our processes more automated and optimal, cutting down on mistakes and inefficiencies, and boosting our output and effectiveness.

2. Our current systems and processes can better support our staff

We have invested in our digital transformation through the Go Digital Programme, where we will integrate digital technology into all areas of our business. Utilising AI will be an important step in this transformation journey. By equipping our staff with suitable AI tools, we aim to further enhance their growth, learning, skills, and work experience. We also want to foster a culture of innovation, curiosity, and learning, and support our staff to adapt to new ways of working with AI. This will increase their current satisfaction at the Council, and develop their skills and knowledge for work opportunities now and in the future.

3. We don't want to be left behind as technology advances

The pace of AI technological advancement is remarkable. We aim to lead in adapting to these changes, influencing how they affect our operations and ways of working. We also want to experiment appropriately with new AI ideas and learn from the results to improve and innovate.

4. We want to be better at meeting community expectations

We're committed to delivering responsive, quality services tailored to the individual, whānau, and community needs. AI-driven solutions may enable us to personalise, customise, and enhance our service delivery, offering

more channels and options for engagement and feedback. With AI, we're likely to achieve these service improvements at a lower cost than would otherwise be possible.

Our Goals

We have four main goals for our AI strategy. They are:

1. We want to be leaders in responsible local government AI use in Aotearoa New Zealand/Australasia. We want to set an example for other councils and organisations on how to use AI ethically, transparently, and accountably, and how to ensure that AI benefits all our stakeholders.
2. We want our policies, investment and resource decisions to be better informed by evidence and data. We want to use AI to enhance our data analysis and decision-making, ensuring that we use reliable, relevant, and accurate data, and that we can explain and justify our AI decisions.
3. We want to use AI to help us tackle financial challenges. We want to use AI to achieve efficiencies and savings, ensuring that our investments enhance frontline services and lead to measurable community improvement.
4. We want to make it easy for our customers/residents to work with us. We want to use AI to improve our customer service, providing more options, convenience, and satisfaction for our customers. We also want to use AI to increase our community engagement, providing more opportunities for feedback, participation, and collaboration.

These goals are not only aspirational, but also operational. They serve as criteria for evaluating our current and future AI initiatives, as well as indicators of our progress and success. Whenever we plan, implement, or monitor an AI project, we should ask ourselves the following questions:

- Does this help to position us as technology leaders?
- Does it enhance our data capability?
- Will this help reduce costs?

- Does it improve public engagement and enhance citizen centricity?

By answering these questions, we can ensure that our AI strategy is aligned with our vision, and that we are using AI in line with our Foundational Principles.

Our Foundational Principles

We have four foundational principles that guide our AI strategy. They are:

- **Tika and Pono:** Our AI strategy is grounded in the principles of Tika and Pono, ensuring our use of AI is correct, right, accurate, and true. To be Tika means to be correct, true, fair and accurate. To be Pono is to be true, valid, honest and genuine. We will use AI in ways that are consistent with our values, policies, and legal obligations, and that respect the rights and interests of all our stakeholders.
- **Ethical Use:** We are committed to the ethical use of AI, built on trust and ensuring transparency, fairness, and accountability in all our AI applications. We will use AI in ways that are ethical, responsible, and beneficial for all, and that avoid harm, bias, and discrimination. As a public service organisation we see AI as a force for good, but are mindful of its use and application for harm.
- **Mana Enhancing:** Our use of AI will be mana enhancing, uplifting the dignity and autonomy of all people and the communities they belong to. We will use AI in ways that are empowering, inclusive, and respectful, and that acknowledge and support the diversity and needs of all our stakeholders.
- **Continuous Improvement:** We will regularly review and update our policies, procedures, and guidelines to ensure they are relevant and effective for an AI-enabled organisation, reflecting our commitment to Tika and Pono. We will also monitor and evaluate our AI initiatives, ensuring that they are aligned with our goals and vision, and that they deliver the intended benefits and outcomes.

Our Enabling Pillars and Key Priorities

We have four enabling pillars that support us to deliver our AI vision and purpose for Te Awa Kairangi ki Tai and all its people to thrive.

These pillars are: Governance and Risk systems, People and Culture, Data and Information management, and Partnerships and collaborations. Each pillar includes a set of key priorities that will guide our activities and action plan for implementing AI tools and technology solutions in our organisation.

Our Pillars are all needed to give effect to our strategy. Each one is integral to delivering the full strategy – and investment and resources are essential across all pillars, as they are not optional but rather collectively necessary. Within each pillar, we have identified coordinated actions, identified through extensive stakeholder engagement, which are crucial for realising the full potential and benefits of AI.

1. Governance and Risk systems

The “Governance and Risk systems” pillar is a cornerstone of our AI Strategy. It emphasises the importance of embedding a robust AI governance framework into our current governance framework.

As outlined in our AI Policy, the Corporate Leadership Team (CLT) will function as the AI Governance Committee. This will provide clarity for the roles, responsibilities, and processes for overseeing, managing and monitoring our AI initiatives. It will enable us to use our risk management framework and system that identifies, assesses, and mitigates the potential risks and challenges of using AI. Aligning our AI initiatives with Long Term Plan will provide us with a focus on achieving our goals such as those related to carbon reduction, sustainability, and climate change.

The key priorities for this pillar are:

- We will develop a robust AI governance framework that aligns with our values, policies, and legal obligations.
- We will review and update our policies, procedures, and guidelines to ensure they are relevant and effective for an AI-enabled organisation.

- We will identify and improve processes that can benefit from AI solutions and achieve efficiencies and savings.
- We will align our AI initiatives with our Long Term Plan commitments.
- We will track and measure the benefits of our AI projects and ensure they are realised and communicated.

2. People and Culture

The “People and Culture” pillar is a crucial aspect of our AI Strategy. It underscores the significance of investing in our people and fostering a culture that values transparency, innovation, curiosity, and learning.

This focus is vital as it ensures the effective, ethical, and responsible use of AI, which is integral to our success. The key priorities for this pillar are:

- We will invest in training and provide our teams with the right tools and skills to use AI effectively and ethically.
- We will expect that staff will use AI tools responsibly and in line with the expectations outlined in the AI Policy.
- We will create a community of AI Navigators to ensure no one is left behind.
- We will experiment appropriately with new AI ideas and learn from the results to improve and innovate.
- We will foster a culture of transparency, innovation, curiosity, and learning, and support our staff to adapt to new ways of working with AI.

3. Data and Information management

The “Data and Information Management” pillar is a vital part of our AI Strategy. It underscores the importance of understanding and respecting the Whakapapa of our data, which involves tracing its origins, context, and usage.

This pillar also highlights the need for automating and digitising our processes to enable seamless data flow, laying the groundwork for future AI integration. Furthermore, it emphasises the establishment of a continuous data quality

management system and an AI data registry to ensure data quality, accessibility, and security.

The key priorities for this pillar are:

- We will know and honour the Whakapapa of our data, ensuring we can always trace its origins, context, and usage.
- We will begin by automating and digitising our processes, breaking down silos to enable seamless data flow. This will lay the groundwork for future AI integration.
- We will establish a continuous data quality management system, using AI to enhance our data analysis and decision-making.
- We will create an AI data registry to ensure data quality, accessibility, and security, supporting our evolving AI needs.

4. Partnerships and collaborations

This pillar focuses on sharing our AI experiences and insights with the local government sector and others and learning from their best practices.

We will develop partnerships with tech providers who can offer us innovative and tailored AI solutions and help us establish our use cases. We will explore strategic partnerships with the private sector, who can provide us with expert advice and guidance on our AI journey. The key priorities for this pillar are:

- We will share our AI experiences and insights with the local government sector and others and learn from their best practices.
- We will develop partnerships with tech providers who can offer us innovative and tailored AI solutions and help us establish our use cases.
- We will leverage a strategic partnership with PwC, who can provide us with expert advice and guidance on our AI journey.

Implementation

An Ambitious Strategy to guide us

This strategy sets out our how we plan to use AI to support Te Awa Kairangi ki Tai and all its people to thrive. We recognise the transformative potential of AI technology, and how it can help us better support our community. We have articulated our case for change, our goals, our foundational principles, and our enabling pillars, which will guide our actions and decisions as we embark on our AI journey.

This strategy is ambitious and was developed at pace, but we are not complacent about the challenges and risks ahead.

An embedded Governance Framework to keep us safe

We recognise that AI is a fast-changing and complex field, and that we need to be continuously learning, testing, and improving our capabilities and practices.

We also acknowledge that we have a duty to use AI in a responsible and ethical manner to build trust, and to monitor its impacts and outcomes on our community and environment.

Our governance framework will oversee the implementation and evaluation of this strategy and ensure ongoing alignment with our vision and values.

An Action Plan to deliver

This strategy is accompanied by an action plan for 2024-25, which outlines the specific initiatives and projects that we will deliver. The implementation of the action plan will also proceed at pace, but it will also be flexible in response to what we learn.



Artificial Intelligence (AI) Technologies Policy

Division	Information Services
Date created	June 2023
Publication date	01 July 2024
Review period	Annually
Owners	Lyndon Allott; Jarred Griffiths
Approved by	CLT

Version	Author	Date	Description
V 0.1	Laura Jamieson	June 2023	
V 1.0	Phil Baker	October 2023	Renamed and added Development and use of API and plugin tools.



VI.1	Julianne Hickey	June 2024	Renamed, broadened the scope to include other AI technologies. Updated to align with development of AI Strategy. Includes guidelines for staff and council.
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Contents

1. Purpose.....	4
2. Policy Statement.....	Error! Bookmark not defined.
3. Scope.....	5
4. Risks and Considerations.....	5
4.1. Legal	5
4.2. Accuracy.....	6
4.3. Bias.....	6
4.4. Security	6
4.5. Data Sovereignty	6
4.6. Copyright.....	7
4.7. Confidentiality	7
4.8. Ethical Use.....	7
4.9. Decision Making	7
4.10. Development and Use of API and Plugin Tools	7
4.11. Security Risk Assessment requirement	8
5. Breaches of Policy.....	8
6. Acknowledgement.....	8
Appendix 1 – Guidelines for workers	9
Appendix 2 – Governance and Monitoring of AI.....	10
Appendix 3 – Related documents.....	11

1. Policy Statement

Hutt City Council believes that AI will help support Te Awa Kairangi ki Tai and all its people to thrive. Council embraces the potential for the positive, transformational change that the integration of AI can bring to its work and welcomes its use.

Our approach to the use of AI is built on the following principles:

- It will be grounded in the principles of Tika and Pono
- We are committed to the ethical use of AI
- It will be mana enhancing
- We will regularly review and update our policies, procedures and guidelines to ensure they are relevant and effective for an AI-enabled organisation

Council is committed to ensuring that the utilisation of AI aligns with Council's legal, ethical, and community standards. Only when AI is deployed responsibly can it improve the efficiency, effectiveness and quality of services and advice delivered. This policy outlines the principles and requirements for the safe and responsible use of AI by Council Officers.

2. Purpose

The purpose of this policy is to establish guidelines, to ensure ethical, responsible and lawful use of artificial intelligence (AI) technologies within Hutt City Council and its wholly owned CCOs (HCC). This will help enhance decision-making, service delivery and operational efficiency, by employees, contractors, temporary staff, or other third parties, hereafter referred to as 'staff or workers' of Hutt City Council (HCC).

This policy identifies the risks staff need to consider when using AI. The policy provides guidelines for staff using AI, and how HCC will apply their Governance systems and frameworks to build trust and confidence.

3. Scope

This policy applies to all workers (employees, contractors, councillors, temporary staff, or third parties) with access to AI technologies, whether through council-owned or personal devices in pursuit of Council activities. It also applies to the organisation, providing guidelines for the ethical and responsible use of AI technologies within Hutt City Council (HCC) to enhance decision-making, service delivery, and operational efficiency. The policy outlines the governance and monitoring of AI operations and technologies, as well as the roles and responsibilities of the organisation and its workers in ensuring compliance with the policy.

4. Definitions

AI Technologies Definition

This policy applies to all AI technologies used within the council, including but not limited to technologies, predictive analytics, automation tools, and decision support systems. It encompasses all AI technologies such as GenAI, ChatGPT, Microsoft CoPilot, and other products with built-in AI capabilities.

5. Risks and Considerations

The use of AI technology carries inherent risks. HCC's Risk management framework includes a Risk Appetite Statement along with an established criteria for assessing risk. This framework will guide the Council in managing AI related risk.

5.1. Legal

Information entered into AI technologies may become public, potentially breaching regulatory requirements, contracts, or compromising intellectual

property. Unauthorised release of private or personal information could violate the Privacy Act 2020 principles. Unauthorised release of public information and records may breach the principles of the Information and Records Management Standard issued under s27 of the Public Records Act 2005.

5.2. Accuracy

AI technologies rely on algorithms to generate content, which may be inaccurate or unreliable. Workers should review, amend and edit (as applicable) AI-generated content for accuracy before use. If in doubt about the accuracy of AI-generated information, do not use the AI technology and seek guidance.

5.3. Bias

AI technologies can sometimes produce biased, discriminatory, or offensive content. Therefore, workers using AI technologies are ethically responsible to ensure, in compliance with Council policies and applicable laws and regulations.

5.4. Security

AI technologies may store sensitive data and information, which could be at risk of being breached and/or hacked.

5.5. Data Sovereignty

AI technology platforms may be hosted internationally, but information created or collected in New Zealand is still under the jurisdiction of New Zealand laws. If information is sourced from an overseas-hosted AI technology for use in New Zealand, the laws of the source country regarding its use and access may apply. AI technology service providers should be assessed for data sovereignty practice and give appropriate consideration to Te Tiriti o Waitangi.

5.6. Copyright

Workers must adhere to copyright laws when using AI technologies. It is prohibited to use AI technologies to generate content that infringes upon the intellectual property rights of others. If a worker is unsure whether a particular use of an AI technology constitutes copyright infringement, they should contact their manager or the Legal team for guidance.

5.7. Confidentiality

Confidential information should only be entered into approved AI tools to ensure that it does not become publicly available. Workers must follow all applicable data privacy laws and organisational policies when using AI technologies.

5.8. Ethical Use

AI technologies must be used ethically and in compliance with all applicable legislation, regulations, and organisational policies. Workers must not use AI technologies to generate content that is discriminatory, offensive, or inappropriate, exposing Council Group to risk.

5.9. Decision Making

Workers using AI for decision making must be accountable, transparent, fair, and compliant. They must be able to explain how the AI technology works and what data it uses, inform stakeholders that AI technology is involved and how it affects them, ensure that the AI does not discriminate or harm anyone's dignity, rights, or interests, and follow the laws, regulations, policies, and standards for using AI in their domain.

5.10. Development and Use of API and Plugin Tools

API and plugin tools enable extra access to, and functionality for, AI services to improve automation and productivity outputs. However, they also represent additional risks. These tools must be rigorously tested for

moderation and factual responses. OpenAI's Safety Best Practices guidelines should be followed when developing API and plugin tools for internal systems.

5.11. Security Risk Assessment requirement

A comprehensive Security Risk Assessment is required for any solution or process where AI is proposed to be used. This assessment should consider potential risks regarding legality, output accuracy, bias and discrimination, security, and data sovereignty and protection.

6. Breaches of Policy

All staff should be aware of and comply with this policy. Council's Code of Conduct sets out the expectation that staff will comply with all policies and procedures. Actions found to be in breach of the Code of Conduct may result in disciplinary action.

All actual or alleged policy breaches will be investigated and actioned in accordance with People and Capability procedures i.e. the Policy Guidelines to Managing Misconduct and disciplinary procedures.

7. Acknowledgement

By using an AI tool, workers acknowledge that they have read and understood this policy, including the risks associated with the use of AI technologies. Workers also agree to comply with this policy, operate within the guidelines and to report any violations or concerns to your Manager or HR Business Partner.

Appendix 1 – Guidelines for workers

AI can be used to efficiently generate work-related content. For instance, creating comprehensive reports or engaging presentations can be streamlined with AI assistance, enhancing productivity.

When using AI technologies all workers should be aware of the following:

1. **Verify Accuracy:** Before using AI-generated content, it's essential to ensure its accuracy. An example of this is cross-verifying AI-generated data with existing records for precision before finalising a report.
2. **Respect Copyright:** Use AI to create original content or to paraphrase existing materials while ensuring it does not infringe on intellectual property rights. For example, AI can help draft unique responses to customer inquiries that reflect Hutt City Council's voice.
3. **Guard Confidentiality:** Confidential information should not be entered into AI tools to prevent unintended disclosure. For example, when using AI to draft emails, avoid including sensitive customer data.
4. **Ethical AI Use:** AI should be used to create inclusive and respectful content. For instance, AI can help ensure language in customer communications is culturally sensitive and non-discriminatory.
5. **Transparent AI Use:** When AI supports any decision-making, its role should be clear, and decisions should be made without bias. An example is using AI to shortlist candidates for a job while ensuring the final decision is made by a human to avoid potential biases.
6. **Label AI Content:** Clearly indicate when content has been generated with AI assistance, maintaining transparency. For example, by letting your manager know how you are using AI, or putting a footnote in a report can state that certain analyses were AI-assisted.
7. **Adhere to AI Policy:** Comply with this AI policy and other related policies (Appendix 3) and promptly report any concerns to your manager. For

instance, if an AI tool is not functioning as expected, report the issue to ensure it's addressed in line with the policy.

Appendix 2 – Governance and Monitoring of AI

Hutt City Council (HCC) is committed to building and maintaining trust in our use of artificial intelligence (AI) technologies. We recognise the importance of ensuring that our AI systems are mana enhancing through being tika, and pono. To achieve this, we have established a robust governance and monitoring framework to ensure that our AI operations and technologies align with our ethical standards and strategic objectives. This section outlines the framework for the oversight and review of AI systems within HCC.

3.1 Governance Structure The Corporate Leadership Team (CLT) will function as the AI Governance Committee which will be established, and may include representatives from relevant departments, including legal, information Services, data privacy, and people & capability. The CLT will be responsible for the development, implementation, and continuous improvement of AI governance policies.

3.2 Monitoring Mechanisms Regular audits and reviews will be conducted to monitor compliance with the AI policy, evaluate the performance of AI systems, and identify any potential ethical or legal issues. These assessments will be carried out by both internal and/or external auditors to ensure objectivity.

3.3 Transparency and Reporting HCC will maintain transparency in AI operations by documenting all AI systems (through an AI Data Registry) and their decision-making processes. An annual AI Transparency Report will be published, detailing the use, performance, and impact of AI technologies within HCC.

3.4 Risk Management A comprehensive risk management plan will be developed to address the specific risks associated with AI, including bias, discrimination, and privacy concerns. This plan will include mitigation strategies and contingency plans for any identified risks.

3.5 Training and Awareness Ongoing training programmes will be provided to all staff involved in the development, deployment, and management of AI systems. These programmes will focus on ethical AI practices, transparency policy compliance, and the importance of human oversight.

3.6 Stakeholder Engagement HCC will engage with stakeholders, including citizens, employees, and external partners, to gather feedback on AI applications and address any concerns. This engagement will be facilitated through public forums, surveys, and direct communication channels.

3.7 Continuous Improvement The AI policy and its governance mechanisms will be subject to continuous review and improvement. Feedback from monitoring activities, stakeholder engagement, and emerging best practices will be incorporated to ensure the policy remains relevant and effective.

Appendix 3 – Related documents

In the implementation and application of this AI Policy, the following Strategy and Policies must be taken into account:

- Rautaki Māori – Māori Strategy
- Risk Appetite Statement and Criteria for Assessing Risk
- Privacy Policy
- Information Management Policy
- Research Ethics Policy
- Privacy Impact Assessment (PIA) Guideline
- Procurement Policy
- Internet Acceptable Use Policy

13 November 2024**Report no: ARSC2024/5/347**

External audit update - Urban Plus Limited (Parent and Group)

Purpose of Report

1. To provide an update on the Audit New Zealand management letter on the audit of the UPL Group Annual Report 2023-24.

Recommendation

That the Subcommittee notes the Audit New Zealand's management report on the audit of Urban Plus Limited Group Annual Report 2023-24, as attached as Appendices 1, 2 and 3 to the report.

Urban Plus Limited Group Annual Report 2023-24

2. The primary purpose of the external audit is to complete checks that enable Audit NZ to issue an audit opinion on Urban Plus Limited and Group (UPL Group) performance results for the year end.
3. UPL Group Annual Reports for the year ended 30 June 2024 were approved and adopted by the UPL Board on 25 September 2024 and presented to Council members on 14 October 2024. Audit NZ issued an unmodified audit opinion.
4. External specialist advice was sought where deemed necessary in preparing the financial statements for the year ended 30 June 2024. This included specialist support for asset revaluations from Aon New Zealand Ltd. The audit for this area was completed successfully.
5. This latest management report reflects no new recommendations and no previous outstanding recommendations.

Legal Considerations

6. There are no legal considerations arising from this report.

Financial Considerations

7. The financial considerations are detailed in the Appendices 1, 2, and 3 attached to the report.

Appendices

No.	Title	Page
1 ↓	UPL Group Management Letter June 2024	45
2 ↓	UPL Development Ltd Management Letter June 2024	58
3 ↓	UPL Limited Partnership Management Letter June 2024	69

Author: Darrin Newth
Financial Accounting Manager

Reviewed By: Jenny Livschitz
Group Chief Financial Officer

Approved By: Daniel Moriarty
Chief Executive, Urban Plus

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Report to the Board on the audit of

Urban Plus Limited and group

For the year ended 30 June 2024

Contents

Key messages	3
1 Recommendations	5
2 Our audit report.....	6
3 Assessment of internal control	7
4 Matters raised in the Audit Plan	8
5 Public sector audit.....	10
6 Group audit	11
Appendix 1: Disclosures	12

Key messages

We have completed the audit for the year ended 30 June 2024. This report sets out our findings from the audit and draws attention to areas where Urban Plus Limited (the Company) and group is doing well and where we have made recommendations for improvement.

Audit opinion

We issued an unmodified audit opinion on 25 September 2024. This means we are satisfied that the financial statements and performance information fairly reflect the Company and group's activities for the year and its financial position at the end of the year.

Assessment of the control environment

Based on our audit work completed, our conclusion is that the overall control environment is effective for the purposes of our audit.

Matters identified during the audit

No new issues were identified that need to be brought to your attention.

Business risks and areas of focus

In our audit plan we identified areas that we consider to be a significant risk or specific areas of audit focus for the 2023/24 audit. We conclude on these areas in section 3 of this report and as follows:

Group consideration – We considered the group accounting treatment, including tax transactions and disclosure, and concluded that this was appropriate.

Risk of management override of internal controls

We performed specific audit procedures to respond to the risk of fraud due to management override of controls. We have not identified any significant issues to bring to your attention.

Valuation of Property, Plant and Equipment

The Company revalued its land and buildings for the 2023/24 financial statements. It used an independent external valuer to perform this work in accordance with the Company's internal policies and the financial reporting framework. We reviewed the valuation methodology used by the independent external valuer and assessed the methodology and underlying assumptions as reasonable and the associated disclosures are appropriate. Overall, we are satisfied with the process followed in terms of the requirements of PBE IPSAS 17, Property, Plant and Equipment.

Property classification

We noted that there is no new acquisition of property. There are no significant matters to bring to your attention.

Thank you

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



John Whittal
Appointed Auditor
14 November 2024

1 Recommendations



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

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

1.1 New recommendations

There are no new recommendations.

1.2 Status of previous recommendations

There are no previous recommendations.

2 Our audit report

2.1 We issued an unmodified audit report



We issued an unmodified audit report on 25 September 2024. This means we were satisfied that the financial statements and statement of service performance present fairly the Company and group's activity for the year and its financial position at the end of the year.

2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. The misstatements have been corrected.

2.3 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the Company. This includes the draft annual report with supporting working papers. We provided a listing of the final information we required to management on 15 July 2024. This included the dates we required the information to be provided to us.

We received good assistance throughout the audit. The initial draft annual report and supporting information was of a good quality.

3 Assessment of internal control



The Board, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal control relevant to preparing the financial statements and the service performance information. We review internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances. Our findings related to our normal audit work, and may not include all weaknesses for internal controls relevant to the audit.

3.1 Control environment

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

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

The elements of the control environment provide an appropriate foundation for other components of internal control.

3.2 Internal controls

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

We reviewed the internal controls, in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems. We verified that the controls in each system are capable collectively of preventing or detecting and correcting material misstatements.

No issues were identified.

4 Matters raised in the Audit Plan



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

Audit risk/issue	Outcome
Risk of fraud due to management override of controls	
<p>There is an inherent risk of fraud in every organisation resulting from management override of controls. Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Due to the unpredictable way in which such override could occur, auditing standards require us to consider the risk of material misstatement due to fraud as a significant risk.</p>	<p>We performed specific audit procedures to respond to the risk of fraud due to management override of controls, this included:</p> <ul style="list-style-type: none"> • reviewing material accounting estimates for indications of bias; • testing the appropriateness of selected journal entries; and • reviewing any significant transactions that were outside the normal course of business, or that otherwise appeared to be unusual given our understanding of the entity and its environment and other information obtained during the audit, we evaluated whether the business rationale (or the lack thereof) of the transactions suggested that they had been entered into to engage in fraudulent financial or non-financial reporting or to conceal misappropriation of assets. <p>We have not identified any significant issues to bring to your attention.</p>
Valuation of land and buildings	
<p>The Company revalue its land and buildings. PBE IPSAS 17, Property, Plant and Equipment, requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.</p> <p>The Company's land and buildings were subject to a revaluation exercise as at 30 June 2023, and we are aware that a valuation exercise was again completed as at 30 June 2024.</p>	<p>The Company revalued its land and buildings for the 2023/24 financial statements. It used independent external valuers to perform this work in accordance with the Company's internal policies and the financial reporting framework.</p> <p>We have reviewed the methodology used by the Company's external valuers (including assumptions applied and relevant factors considered) and confirmed these are appropriate and reasonable.</p>

Audit risk/issue	Outcome
	<p>The valuations were completed in line with the relevant accounting standard, PBE IPSAS 17 <i>Property, Plant and Equipment</i>.</p> <p>We have reviewed how the valuation results have been reflected in the Company's financial statements and the associated disclosures in the annual report. We are satisfied that these comply with the requirements of PBE IPSAS 17 <i>Property, Plant and Equipment</i> and are fairly stated in the Company's financial statements.</p> <p>There were no significant matters arising from our work.</p>
Property classification	
<p>The company provides a portfolio of rental housing for the elderly and socially disadvantaged. The Company also provides professional property management services to Hutt City Council (HCC) and will deal with any development property sold to it by HCC.</p> <p>New, wider expectations and deliverables set by HCC entail that the Company cannot act as developer and continue to hold property long term. Cyclical project programming is fundamental to successfully delivering its' objectives. Future projects success and deliverables are reliant on a continue cycle of development and release (repeat).</p>	<p>We considered the appropriateness of the accounting treatment relating to the property portfolio and developments. We reviewed the Company's record keeping, and confirmed the appropriateness of revenue recognition and associated expenditure, including the classification of developments/sites in accordance with the requirements of generally accepted accounting practice.</p> <p>There were no significant matters arising from our work.</p>
Group considerations	
<p>The establishment of the Company's subsidiaries has significantly increased in the amount of activity being undertaken within the group. It has also increased the complexity of tax arrangements. It is important that the Company ensures it is taking appropriate advice on the tax treatment of the transactions within the group and considers the consolidation of the for-profit subsidiary into the Company's public benefit entity group financial statements.</p>	<p>There have been no changes to the group structure this year.</p> <p>We consider the accounting treatment of the group transactions, including the tax treatment and disclosure, to be appropriate.</p> <p>We have no significant issues to raise.</p>

5 Public sector audit



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

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

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

- compliance with its statutory obligations that are relevant to the annual report;
- the Company carrying out its activities effectively and efficiently;
- the Company incurring waste as a result of any act or failure to act by a public entity;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the Company or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by a public entity or by one or more of its members, office holders, or employees.

There are no matters arising that we wish to bring to your attention.

6 Group audit



The group comprises:

- Urban Plus Limited
- UPL Developments Limited
- UPL Limited Partnership

We have not identified any of the following during our audit for the year ended 30 June 2024:

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

We have issued separate Reports to the Board of the findings of each entity's audit.

Appendix 1: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Board of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Board.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Board and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>Other than the audit, we have no relationship with, or interests in, the Company.</p>
Fees	<p>The audit fee for the year is \$61,712 as detailed in our Audit Proposal Letter.</p> <p>No other fees have been charged in this period.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Company that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Company during or since the end of the financial year.</p>



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Mana Arotake Aotearoa

Report to the Board on the audit of

UPL Developments Limited

For the year ended 30 June 2024

Contents

Key messages	3
1 Recommendations.....	4
2 Our audit report.....	5
3 Assessment of internal control.....	6
4 Matters raised in the Audit Plan.....	7
5 Public sector audit	9
Appendix 1: Disclosures	10

Key messages

We have completed the audit for the year ended 30 June 2024. This report sets out our findings from the audit and draws attention to areas where the UPL Developments Limited (the Company) is doing well and where we have made recommendations for improvement.

Audit opinion

We issued an unmodified audit opinion on 25 September 2024.

Assessment of the control environment

Based on our audit work completed, our conclusion is that the overall control environment is effective for the purposes of our audit.

Matters identified during the audit

No new issues were identified that need to be brought to your attention.

Business risks and areas of focus

In our audit plan we identified areas that we consider to be a significant risk or specific areas of audit focus for the 2023/24 audit. We conclude on these areas in section 3 of this report and as follows:

Risk of management override of internal controls

We performed specific audit procedures to respond to the risk of fraud due to management override of controls. We have not identified any significant issues to bring to your attention.

Revenue recognition and accounting treatment for property developments

We considered the accounting treatment relating to the property developments and found that these transactions and the related balances were accounted for appropriately.

Thank you

We would like to thank the Board and management and staff for their assistance provided during the audit in particularly challenging circumstances.



John Whittal
Appointed Auditor
14 November 2024

1 Recommendations



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

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

1.1 New recommendations

We have not identified any new recommendations.

1.2 Status of previous recommendations

There are no previous recommendations.

2 Our audit report

2.1 We issued an unmodified audit report



We issued an unmodified audit report on 25 September 2024. This means we were satisfied that the financial statements and statement of service performance present fairly the Company's activities for the year and its financial position at the end of the year.

2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial.

All misstatements identified during the audit have been corrected.

2.3 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the Company. This includes the draft annual report with supporting working papers. We provided a final listing of information we required to management on 15 July 2024. This included the dates we required the information to be provided to us.

We received good assistance throughout the audit. The initial draft annual report and supporting information was of a good quality, with only minor amendments required.

3 Assessment of internal control



The Board, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal control relevant to preparing the financial statements and the service performance information. We review internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances. Our findings related to our normal audit work, and may not include all weaknesses for internal controls relevant to the audit.

3.1 Control environment

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

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

The elements of the control environment provide an appropriate foundation for other components of internal control.

3.2 Internal controls

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

We reviewed the internal controls, in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems. We verified that the controls in each system are capable collectively of preventing or detecting and correcting material misstatements.

No issues were identified.

4 Matters raised in the Audit Plan



In our Audit Plan for the Company, we identified the following matter as the main audit risks and issues:

Audit risk/issue	Outcome
Risk of fraud due to management override of controls	
<p>There is an inherent risk of fraud in every organisation resulting from management override of controls. Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Due to the unpredictable way in which such override could occur, auditing standards require us to consider the risk of material misstatement due to fraud as a significant risk.</p>	<p>We performed specific audit procedures to respond to the risk of fraud due to management override of controls, this included:</p> <ul style="list-style-type: none"> • reviewing material accounting estimates for indications of bias; • reviewing any significant transactions that were outside the normal course of business, or that otherwise appeared to be unusual given our understanding of the entity and its environment and other information obtained during the audit, we evaluated whether the business rationale (or the lack thereof) of the transactions suggested that they had been entered into to engage in fraudulent financial or non-financial reporting or to conceal misappropriation of assets; and • testing the appropriateness of selected journal entries. <p>We have not identified any significant issues to bring to your attention.</p>
Property classification	
<p>There is an inherent risk of fraud in every organisation resulting from management override of controls. Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Due to the unpredictable way in which such override could occur, auditing standards</p>	<p>We considered the appropriateness of the accounting treatment relating to the property developments.</p> <p>We reviewed the Company's record keeping, and confirmed the appropriateness of revenue recognition and associated expenditure, and the valuation of inventory as at 30 June 2024.</p> <p>There were no significant issues noted during the audit.</p>

Audit risk/issue	Outcome
<p>require us to consider the risk of material misstatement due to fraud as a significant risk.</p> <p>The Company continues to be involved in property development at various stages of development. The Company needs to ensure that the accounting treatment relating to these developments is appropriate.</p>	

5 Public sector audit



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

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

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

- compliance with its statutory obligations that are relevant to the annual report;
- the Company carrying out its activities effectively and efficiently;
- the Company incurring waste as a result of any act or failure to act by a public entity;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the Company or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by a public entity or by one or more of its members, office holders, or employees.

There are no matters arising that we wish to bring to your attention.

Appendix 1: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Board of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Board.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Board and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>Other than the audit, we have no relationship with, or interests in, the Company.</p>
Fees	<p>The audit fee for the year is \$9,851, as detailed in our Audit Proposal Letter.</p> <p>No other fees have been charged in this period.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Company that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Company during or since the end of the financial year.</p>



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Report to the Board on the audit of

UPL Limited Partnership

For the year ended 30 June 2024

Contents

Key messages	3
1 Recommendations.....	4
2 Our audit report.....	5
3 Assessment of internal control.....	6
4 Matters raised in the Audit Plan.....	7
5 Other matters	8
6 Public sector audit	9
Appendix 1: Disclosures	10

Key messages

We have completed the audit for the year ended 30 June 2024. This report sets out our findings from the audit and draws attention to areas where the UPL Limited Partnership (the Limited Partnership) is doing well and where we have made recommendations for improvement.

Audit opinion

We issued an unmodified audit opinion on 25 September 2024. Without modifying our audit opinion we included emphasis of matter paragraphs to draw the readers' attention to the financial statements have been appropriately prepared on a disestablishment basis as a result of the health sector reforms.

The above matter has been discussed below and in section 5 of this report.

Assessment of the control environment

Based on our audit work completed, our conclusion is that the overall control environment is effective for the purposes of our audit.

Matters identified during the audit

No new issues were identified that need to be brought to your attention.

Business risks and areas of focus

In our audit plan we identified areas that we consider to be a significant risk or specific areas of audit focus for the 2023/24 audit. We conclude on these areas in section 3 of this report and as follows:

Risk of management override of controls

We performed specific audit procedures to respond to the risk of fraud due to management override of controls. We have not identified any significant issues to bring to your attention.

Revenue recognition and accounting treatment for property developments

We considered the accounting treatment relating to the property developments and found that these transactions and the related balances were accounted for appropriately.

Thank you

We would like to thank the Board and management and staff for their assistance provided during the audit in particularly challenging circumstances.



John Whittal
Appointed Auditor
14 November 2024

1 Recommendations



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

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

1.1 New recommendations

There are no new recommendations.

1.2 Status of previous recommendations

There are no previous recommendations.

2 Our audit report

2.1 We issued an unmodified audit report



We issued an unmodified audit report on 25 September 2024. This means we were satisfied that the financial statements and statement of service performance present fairly the Limited Partnership's activities for the year and its financial position at the end of the year.

Without modifying our audit opinion we included emphasis of matter paragraphs to draw the readers' attention to the following:

Emphasis of matter - The financial statements have been prepared on a disestablishment basis

Without modifying our opinion, we draw attention to the Basis of Preparation section in Note 1 on page 17, which outlines that the financial statements have been prepared on a disestablishment basis, as the General Partner intends to cease operations of the Limited Partnership within the next 12 months, following the completion and sale of the two properties under development and once all financial and legal obligations have been met. There was no impact on the measurement or recognition of assets and liabilities as a result of the disestablishment basis of preparation.

2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. There were no significant financial misstatements identified during the audit.

2.3 Uncorrected disclosure deficiencies and performance reporting

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial.

All misstatements identified during the audit have been corrected.

2.4 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the Limited Partnership. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management on 15 July 2024. This included the dates we required the information to be provided to us.

We received good assistance throughout the audit. The initial draft annual report and supporting information was of a good quality.

3 Assessment of internal control



The Board, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal control relevant to preparing the financial statements and the service performance information. We review internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances. Our findings related to our normal audit work, and may not include all weaknesses for internal controls relevant to the audit.

3.1 Control environment

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

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

The elements of the control environment provide an appropriate foundation for other components of internal control.

3.2 Internal controls

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

We reviewed the internal controls, in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems. We verified that the controls in each system are capable collectively of preventing or detecting and correcting material misstatements.

No issues were identified.

4 Matters raised in the Audit Plan



In our Audit Plan for the Limited Partnership, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
Risk of fraud due to management override of controls	
<p>There is an inherent risk of fraud in every organisation resulting from management override of controls. Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Due to the unpredictable way in which such override could occur, auditing standards require us to consider the risk of material misstatement due to fraud as a significant risk.</p>	<p>We performed specific audit procedures to respond to the risk of fraud due to management override of controls, this included:</p> <ul style="list-style-type: none"> • reviewing material accounting estimates for indications of bias; • testing the appropriateness of selected journal entries; and • reviewing any significant transactions that were outside the normal course of business, or that otherwise appeared to be unusual given our understanding of the entity and its environment and other information obtained during the audit, we evaluated whether the business rationale (or the lack thereof) of the transactions suggested that they had been entered into to engage in fraudulent financial or non-financial reporting or to conceal misappropriation of assets. <p>We have not identified any significant issues to bring to your attention.</p>
Revenue recognition and accounting treatment for property developments	
<p>The Limited Partnership continues to be involved in a number of property developments at various stages of development.</p> <p>The Limited Partnership needs to ensure that the accounting treatment relating to these developments is appropriate.</p> <p>Property development assets are classified as inventory and accounted for under NZ IAS 2 and as such are valued at the lower of cost or net realisable value.</p> <p>The Limited Partnership needs to complete an assessment of the valuation of all held inventory as at 30 June each year.</p>	<p>We considered the appropriateness of the accounting treatment relating to the property developments.</p> <p>We reviewed the Limited Partnership's record keeping, and confirmed the appropriateness of revenue recognition and associated expenditure, and the valuation of inventory as at 30 June 2024.</p> <p>There were no significant issues noted during the audit.</p>

5 Other matters

5.1 Going concern

The Board has decided that it will cease operations (willingly) of the Limited Partnership within the next 12 months. As of June 2024, the Limited Partnership is working on two Development projects (Brook Street and Britannia Street). Both projects are expected to be completed by December 2024.

It is anticipated that the properties from these projects will be sold shortly after their completion. Following the sale of properties, the Limited Partnership plans to proceed with disestablishment. The process will take place once financial and legal obligations have been met.

The decision is therefore that the financial statements are prepared on a disestablishment basis.

We included an emphasis of matter in our audit report to draw readers attention to the basis of preparation disclosure.

6 Public sector audit



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

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

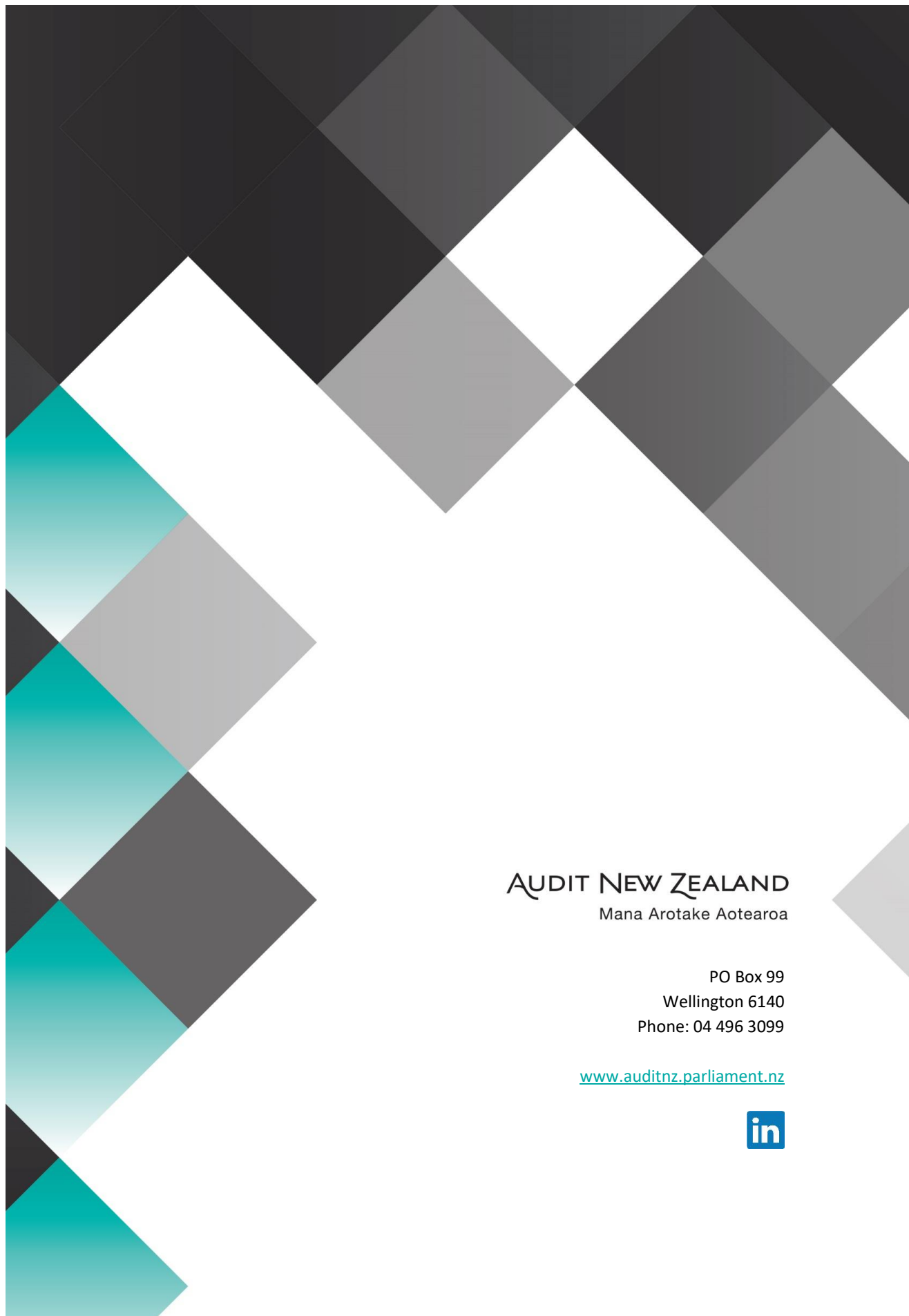
We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the Limited Partnership carrying out its activities effectively and efficiently;
- the Limited Partnership incurring waste as a result of any act or failure to act by a public entity;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the Limited Partnership or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by a public entity or by one or more of its members, office holders, or employees.

There are no matters arising that we wish to bring to your attention.

Appendix 1: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Board of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Board.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Board and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Limited Partnership in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>Other than the audit, we have no relationship with, or interests in, the Limited Partnership.</p>
Fees	<p>The audit fee for the year is \$10,936, as detailed in our Audit Proposal Letter.</p> <p>No other fees have been charged in this period.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Limited Partnership that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Limited Partnership during or since the end of the financial year.</p>



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13 November 2024**Report no: ARSC2024/5/348**

External audit update - Seaview Marina Limited

Purpose of Report

1. To provide an update on the Audit New Zealand management letter on the audit of the Seaview Marina Limited Annual Report 2023-24.

Recommendations

That the Subcommittee notes the Audit New Zealand's management report on the audit of Seaview Marina Limited Annual Report 2023-24, as attached as Appendix 1 to this report.

Background

2. The primary purpose of the external audit is to complete checks that enable Audit NZ to issue an audit opinion on Seaview Marina Limited's (SML) performance results for the year-end.
3. SML's Annual Report for the year ended 30 June 2024 was approved and adopted by the SML Board on 24 September 2024 and presented to Council on 14 October 2024. Audit NZ issued an unmodified audit opinion.

SML Annual Report 2023-24

4. External specialist advice was sought where deemed necessary in preparing the financial statements for the year ended 30 June 2024. This included specialist support for asset revaluations from Aon New Zealand Ltd. The audit for this area was completed successfully.

Audit NZ management report

5. Summary of previous management recommendations:

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	0	0	0	0
Implemented or closed	0	1	1	2
Total	0	1	1	2

6. The closed matters relate to sensitive expenditure approvals and documentation of rent renewals/agreements.

7. The table below provides an overview of the current open matter:

Recommendation by category	Number	Brief description of audit recommendation	Management commentary
Issues progressing	1	Rental agreement and rates	SML management agree with the auditors' recommendation. Longstanding paper file agreements have occasionally been damaged or misplaced. Historical procedures around digital file naming conventions have not been consistent resulting in digital files not being centralised. SML staff are working to consolidate the customer files and will then ensure all agreements have signed digital copies
Totals	1		

Climate Change Impact and Considerations

8. There is no climate change impacts or considerations arising from this report.

Legal Considerations

9. There are no legal considerations arising from this report.

Financial Considerations

10. The financial considerations are detailed in Appendix 1 attached to the report.

Appendices

No.	Title	Page
1 ↗	Seaview Marina Limited Maangement Report 2023-24	82

Author: Darrin Newth
Financial Accounting Manager

Reviewed By: Jenny Livschitz
Group Chief Financial Officer

Approved By: Tim Lidgard
Chief Executive, Seaview Marina

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Report to the Board on the audit of

Seaview Marina Limited

For the year ended 30 June 2024

Contents

Key messages	3
1 Recommendations.....	4
2 Our audit report.....	5
3 Assessment of internal control.....	6
4 Matters raised in the Audit Plan.....	7
5 Matters arising from the audit	9
6 Public sector audit	10
Appendix 1: Status of previous recommendations	11
Appendix 2: Disclosures	12

Key messages

We have completed the audit for the year ended 30 June 2024. This report sets out our findings from the audit and draws attention to areas where the Seaview Marina Limited (the Company) is doing well and where we have made recommendations for improvement.

Audit opinion

We issued an unmodified audit opinion on 24 September 2024.

Assessment of the control environment

Based on our audit work completed, our conclusion is that the overall control environment is effective for the purposes of our audit.

Matters identified during the audit

We recommend the Company reviews and ensures that all tenants have a signed rental agreement. We also recommend that the Company ensures it invoices all tenants at the correct rental rates.

Business risks and areas of focus

In our audit plan we identified areas that we consider to be a significant risk or specific areas of audit focus for the 2023/24 audit. We conclude on these areas in section 3 of this report and as follows:

Risk of management override of internal controls

We performed specific audit procedures to respond to the risk of fraud due to management override of controls. We have not identified any significant issues to bring to your attention.

Valuation of Property, Plant and Equipment

The Company revalued its land and buildings for the 2023/24 financial statements. It used an independent external valuer to perform this work in accordance with the Company's internal policies and the financial reporting framework. We reviewed the valuation methodology used by the independent external valuer and assessed the methodology and underlying assumptions as reasonable and the associated disclosures are appropriate. Overall, we are satisfied with the process followed in terms of the requirements of PBE IPSAS 17, Property, Plant and Equipment.

Thank you

We would like to thank the Board and management and staff for their assistance provided during the audit in particularly challenging circumstances.



John Whittal
Appointed Auditor
14 November 2024

1 Recommendations



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

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

1.1 New recommendations

The following table summarises our recommendations and their priority:

Recommendation	Reference	Priority
Rental agreements and rental rates We recommend the Company reviews and ensures that all tenants have a signed rental agreement and that the Company ensures it invoices all tenants at the correct rental rates.	5.1	Necessary

1.2 Status of previous recommendations

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

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	0	0	0	0
Implemented or closed	0	1	1	2
Total	0	1	1	2

2 Our audit report

2.1 We issued an unmodified audit report



We issued an unmodified audit report on 24 September 2024. This means we were satisfied that the financial statements and statement of service performance present fairly the Company's activities for the year and its financial position at the end of the year.

2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial.

All misstatements identified during the audit have been corrected.

2.3 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the Company. This includes the draft annual report with supporting working papers. We provided a final listing of information we required to management on 15 July 2024. This included the dates we required the information to be provided to us.

We received good assistance throughout the audit. The initial draft annual report and supporting information was of a good quality, with only minor amendments required.

3 Assessment of internal control



The Board, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal control relevant to preparing the financial statements and the service performance information. We review internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances. Our findings related to our normal audit work, and may not include all weaknesses for internal controls relevant to the audit.

3.1 Control environment

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

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

The elements of the control environment provide an appropriate foundation for other components of internal control.

3.2 Internal controls

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

We reviewed the internal controls, in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems. We verified that the controls in each system are capable collectively of preventing or detecting and correcting material misstatements.

Please refer to section 5 “Matters identified during the audit” for details of findings raised.

4 Matters raised in the Audit Plan



In our Audit Plan for the Company, we identified the following matter as the main audit risks and issues:

Audit risk/issue	Outcome
Risk of fraud due to management override of controls	
<p>There is an inherent risk of fraud in every organisation resulting from management override of controls. Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Due to the unpredictable way in which such override could occur, auditing standards require us to consider the risk of material misstatement due to fraud as a significant risk.</p>	<p>We performed specific audit procedures to respond to the risk of fraud due to management override of controls, this included:</p> <ul style="list-style-type: none"> • reviewing material accounting estimates for indications of bias; • reviewing any significant transactions that were outside the normal course of business, or that otherwise appeared to be unusual given our understanding of the entity and its environment and other information obtained during the audit, we evaluated whether the business rationale (or the lack thereof) of the transactions suggested that they had been entered into to engage in fraudulent financial or non-financial reporting or to conceal misappropriation of assets; and • testing the appropriateness of selected journal entries. <p>We have not identified any significant issues to bring to your attention.</p>
Revaluation of Property, Plant and Equipment	
<p>The Company periodically revalues its land and buildings. PBE IPSAS 17, Property, Plant and Equipment, requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value.</p> <p>Land and building assets were last revalued to fair value at 31 May 2022. Land and building assets are being revalued this year.</p>	<p>The Company revalued its land and buildings assets for the 2023/24 financial statements. It used independent external valuers to perform this work in accordance with the Company's internal policies and the financial reporting framework.</p> <p>We reviewed the methodology and assumptions used by the valuers to derive the valuation and found them to be reasonable.</p>

Audit risk/issue	Outcome
The fair value is based on a market value, using comparative sales and industrial property investment yields approaches for land and buildings respectively. The valuation has a moderate level of estimation uncertainty, which combined with the value of land, buildings, and improvements means that there is a risk that the value is materially misstated.	We have reviewed how the valuation results have been reflected in the Company's financial statements and the associated disclosures in the annual report. We are satisfied that these comply with the requirements of PBE IPSAS 17 Property, Plant and Equipment and are fairly stated in the Company's financial statements.

5 Matters arising from the audit

5.1 Rental agreements and rates

Signed rental agreement are legally binding agreement that set out the terms and conditions of renting the berths and trailer parks, and the responsibilities of tenants and landlord respectively. It is also important that tenants are invoiced correctly based on current rental rates.

During the audit we tested rental agreements and invoices to gain assurance that there are signed rental agreements with all tenants and tenants are being invoiced at the approved current rental rates. We identified several instances where either the rental agreements were not available for our inspection and or the Company was invoicing the tenants using old rates.

We understand most of them are long standing tenants. It is important that there are signed rental agreements with tenants to avoid legal disputes and that the Company ensures consistency in rental rates used for invoicing to avoid discrimination and complaints from tenants.

We recommend the Company reviews and ensures that all tenants have a signed rental agreement and that the Company ensures it invoices all tenants at the correct rental rates.

Management comment

Seaview Marina (SML) management agree with the auditors' recommendation.

Longstanding paper file agreements have occasionally been damaged or misplaced.

Historical procedures around digital file naming conventions have not been consistent resulting in digital files not being centralised. SML staff are working to consolidate the customer files and will then ensure all agreements have signed digital copies.

6 Public sector audit



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

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

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

- compliance with its statutory obligations that are relevant to the annual report;
- the Company carrying out its activities effectively and efficiently;
- the Company incurring waste as a result of any act or failure to act by a public entity;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the Company or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by a public entity or by one or more of its members, office holders, or employees.

There are no matters arising that we wish to bring to your attention.

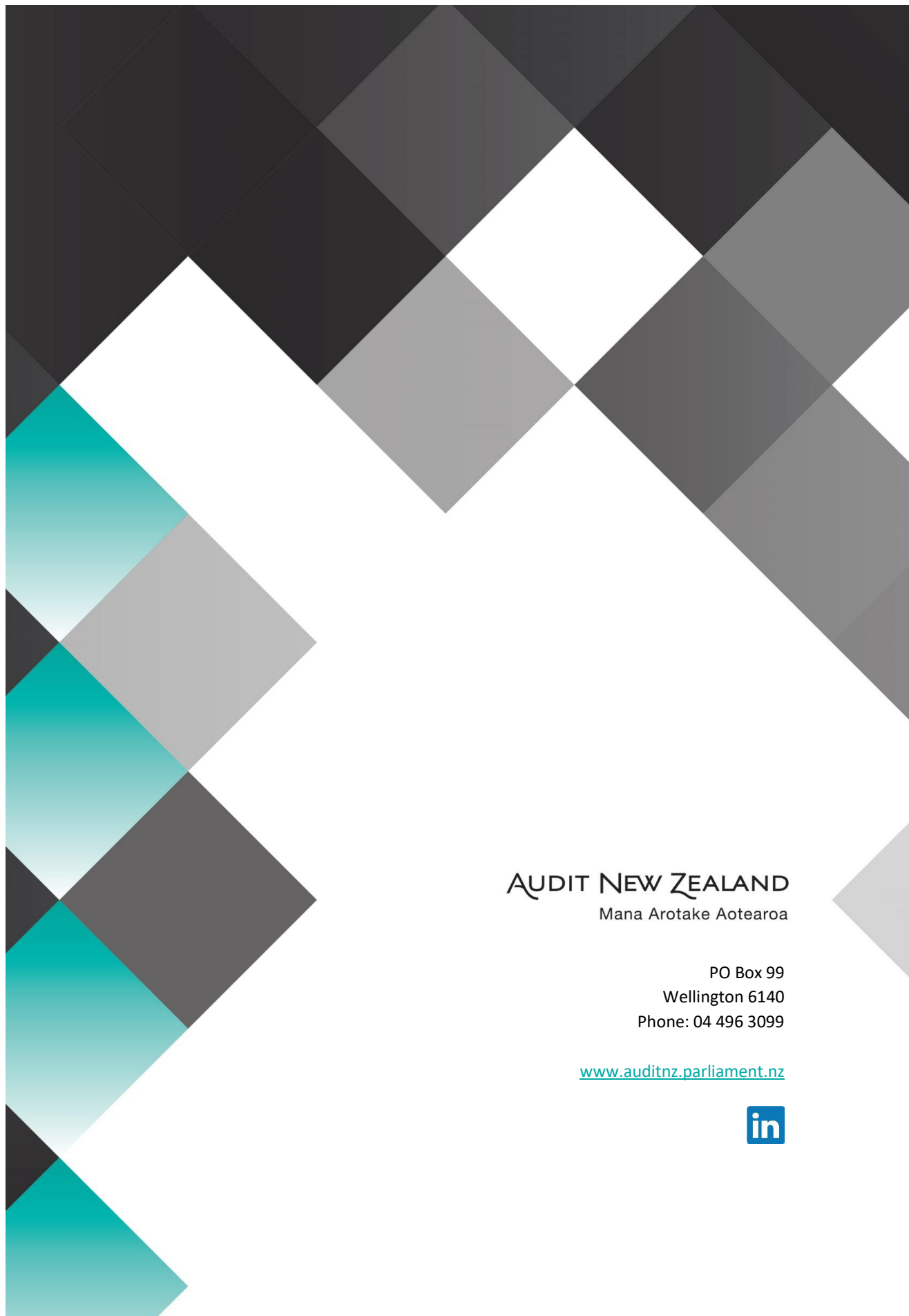
Appendix 1: Status of previous recommendations

Closed recommendations

Recommendation	First raised	Status
Necessary		
Sensitive expenditure Sensitive expenditure The Company reviews its expenses approval process and implements one up approval of all expenses. Update 2023 Reciprocal approvals are not yet addressed, and we also noted the that the travel policy requires that all travel and accommodation is booked through the approved travel agent. We noted one instance where accommodation was not booked through the agent, therefore there may have been a cheaper option available.	2022	Closed. The Company has implemented a new process whereby the CEO expenses are approved by the Chair of the Board of Directors, the Chair's expenses are approved to Group CFO.
Beneficial		
Ensure all rent review letters and rental agreements are retained. All rent review letters and rental agreements should be kept for future reference.	2023	Closed. We have raised a new recommendation please see section 5 of this report.

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Board of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Board.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Board and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>Other than the audit, we have no relationship with, or interests in, the Company.</p>
Fees	<p>The audit fee for the year is \$28,599, as detailed in our Audit Proposal Letter.</p> <p>No other fees have been charged in this period.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Company that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Company during or since the end of the financial year.</p>



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13 November 2024**Report no: ARSC2024/5/349**

External audit update - Hutt City Council

Purpose of Report

1. To provide an update on the Audit NZ management report on the audit of the Group Annual Report 2023-24.

Recommendations

That the Subcommittee:

- (1) receives and notes Audit New Zealand's management report on the audit of the Hutt City Council Group Annual Report 2023-24, attached as Appendix 1 to the report; and
- (2) notes that two Audit NZ management recommendations have been closed out and resolved in the 2023-24 report, being:
 - (a) Valuation of Property, Plant and Equipment; and
 - (b) IT Disaster Recovery Plans require testing.

Group Annual Report 2022-23

2. Hutt City Council's Group Annual Report and Summary Annual Report 2023-24 were finalised and adopted by Council on 29 October 2024. This was ahead of the statutory deadline of 31 October 2024.
3. While Audit NZ issued an unmodified audit opinion on the financial statements, a qualified opinion was issued on performance measures relating to Council's water activities. This relates to recording customer complaints, an audit issue raised in the previous management report. The other shareholding councils of Wellington Water Ltd that were impacted by this issue also received similar modified audit opinions.
4. The audit opinion also included 'emphasis of matter' paragraphs about the uncertainty over the fair value of three water assets and the inherent uncertainties in measuring greenhouse gas emissions. The three waters matter was consistent with Wellington City and Upper Hutt City Councils, who also undertook asset revaluations at the same time as us. The greenhouse gas item was consistent with other impacted organisations across New Zealand.

5. In 2023-24 officers were successful in closing out two audit recommendations:
- Valuation of Property, Plant and Equipment; and
 - IT Disaster Recovery Plans require testing.
6. A summary of the “open” audit findings is presented in table 1, together with commentary on progress in addressing these in 2023-24.

Improvement recommendations by category	Number	Brief description of audit recommendation	Management commentary on progress as at January 2023
In progress to be implemented/ resolved	4	<p>(1) Wellington Water Ltd performance reporting issues in relation to the performance measures: Total number of complaints received - Water supply, wastewater and stormwater.</p> <p>(2) Lack of periodic review of user access rights</p> <p>(3) Resource consents processing days</p> <p>(4) Water services reconciliation processes</p>	<p>(1) Work is progressing during 2024-25 to resolve these matters.</p> <p>(2) The IT team are working to implement a process for the annual review of user access rights at the appropriate level.</p> <p>(3) The results of the audit show a significant improvement in relation to the number and nature of errors found, although further improvements are to be delivered.</p> <p>(4) Good progress achieved with further follow-up in the next audit.</p>

New recommendations	2	<p>(1) Grants and subsidies - timing of revenue recognition</p> <p>(2) Water capital commitments - completeness of information</p>	<p>(1) An improved grants reconciliation process will be implemented to ensure year-end calculations of grants and subsidies received are accurate and complete. This will incorporate one-up review processes as applied to the other reconciliations.</p> <p>(2) Wellington Water Ltd (WWL) has acknowledged the discrepancies noted between the Purchase Order (PO) reports and the commitments. WWL is committed to ensuring that POs remain current and are reviewed regularly.</p>
Total	6		

Climate Change Impact and Considerations

7. The matters addressed in this report have been considered in accordance with the process set out in Council's Climate Change Considerations Guide. There is no climate change impacts or considerations arising from this report.

Legal Considerations

8. There are no legal considerations arising from the report.

Financial Considerations

9. The financial considerations are detailed in the report in the relevant areas.

Appendices

No.	Title	Page
1 ↗	Council Management Report June 2024	98

Author: Darrin Newth
Financial Accounting Manager

Reviewed By: Jenny Livschitz
Group Chief Financial Officer

Approved By: Jo Miller
Chief Executive

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Report to the Council on the audit of

Hutt City Council

For the year ended 30 June 2024

Contents

Key messages	3
1 Recommendations	5
2 Our audit report.....	7
3 Matters raised in the Audit Plan	9
4 Matters arising during the audit	15
5 Public sector audit.....	17
6 Group audit	18
Appendix 1: Status of previous recommendations	19
Appendix 2: Disclosures	22

Key messages

We have completed the audit of Hutt City Council's (the City Council) annual report for the year ended 30 June 2024. This report sets out our findings from the audit and draws attention to areas where the City Council is doing well and where we have made recommendations for improvement.

This report should be read in conjunction with:

Our 2023/24 interim report to the Council dated 8 August 2024. The interim report included our conclusion is that the overall control environment remains effective for the purposes of our audit and one new recommendation.

Audit opinion

We issued an unqualified audit opinion on the audited financial information, and a qualified audit opinion on the statement of service provision, which means we were satisfied that the financial statements present fairly, in all material respects, the City Council's activity for the year and its financial position at the year of the year.

We issued a qualified opinion on the statement of service performance provision as there continued to be issues with certain water related performance measures. This is discussed in detail in section 3 of this report.

Without further modifying our audit opinion, we included emphasis of matter paragraphs to draw the users' attention to the relevant note in the financial statements which outlines the disclosures about the uncertainty over the fair value of three waters assets and the inherent uncertainties in the measurement of greenhouse gas emissions.

Matters identified during the audit

We have raised new recommendations which are summarised in section 1.1 of this report.

Business risks and areas of focus

In our Audit Plan we identified areas that we consider to be a significant risk or specific areas of audit focus for the 2023/24 audit. We conclude on these areas in section 3 of this report and as follows:

- **Performance reporting (Total number of complaints)** – The City Council and its afterhours call centre provider are not classifying complaints in accordance with DIA guidance. Our opinion on these performance measures was qualified again as it was in previous performance years. We continue to recommend that Council makes the necessary improvements to its reporting of complaints to align to DIA guidance, our recommendation is included in section 3 and Appendix 1 of this report.

- **Valuation of Property, Plant and Equipment (Three waters)** – The City Council revalued its water services assets for the 2023/24 financial statements. It used an independent external valuer to perform this work in accordance with the City Council's internal policies and the financial reporting framework. We reviewed the valuation methodology used by the independent external valuer and assessed the methodology and underlying assumptions as reasonable and the associated disclosures are appropriate. The valuation results were a significant increase to asset values and while we concluded that the rates are reflective of recent works, there is uncertainty over the enduring nature/sustainability of these increased values. We discuss the uncertainty further in section 3 of this report. As a result of the significant uncertainty, we included a paragraph in our audit report highlighting these and the City Council's disclosure to the reader.
- **Valuation of Property, Plant and Equipment (Roading and Land and Building assets)** – The City Council revalued its roading and land and buildings for the 2023/24 financial statements. It used an independent external valuer to perform this work in accordance with the City Council's internal policies and the financial reporting framework. We reviewed the valuation methodology used by the independent external valuer and assessed the methodology and underlying assumptions as reasonable and the associated disclosures are appropriate. Overall, we are satisfied with the process followed in terms of the requirements of PBE IPSAS 17, Property, Plant and Equipment.
- **Greenhouse Gas (GHG) Emissions** – The Council includes a measure of its GHG emissions in its performance information. Quantifying GHG emissions is subject to inherent uncertainty because the scientific knowledge and methodologies to determine the emissions factors and processes to calculate or estimate quantities of GHG sources are still evolving, as are GHG reporting and assurance standards. We assessed the City Council's disclosure in the performance information about these uncertainties and concluded that it was appropriate. Given the public interest in climate change related information, we continue to include a paragraph in our audit report highlighting the situation and the City Council's disclosure to the reader.

Thank you

We would like to thank the Council, management and staff for cooperation, assistance, and engagement with us throughout the year.



John Whittal
Appointed Auditor
14 November 2024

1 Recommendations



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

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

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
Grants and subsidies revenue recognition A comprehensive review process including a detailed grant reconciliation as part of the year-end procedures should be implemented by the City Council.	4.1	Necessary
Capital commitments The City Council together with Wellington Water should implement a year end process to work through all the outstanding POs and include all relevant items.	4.2	Necessary

1.2 Status of previous recommendations

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

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	1	3	0	4
Implemented or closed	0	2	0	2
Total	1	5	0	6

2 Our audit report

2.1 Audit report



We issued a non-standard audit report on 29 October 2024. Our audit report included the following:

- An unqualified audit opinion was issued on the audited financial information, excluding the statement of service provision, which means we were satisfied that the financial statements present fairly, in all material respects, the City Council's operating performance for the year and its financial position at the end of the year.
- A qualified opinion on the statement of service performance provision as there continued to be issues with certain three waters related performance measures.
- Emphasis of matter paragraphs to draw the readers' attention to the disclosures about the uncertainty over the fair value of three waters assets and the inherent uncertainties in the measurement of greenhouse gas emissions.

2.2 Uncorrected misstatements

During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial.

Note	Statement of comprehensive income		Statement of financial position	
	Dr \$000	Cr \$000	Dr \$000	Cr \$000
1		Revenue \$1,259,473 (increase)	Debtor \$1,259,473 (increase)	

Explanation for uncorrected misstatements

1. Correction of an understatement of revenue as the City Council has incorrectly recognised the Crown Infrastructure Funding revenue in FYE 2023/24. Due to time constraints and the immaterial nature of the issue, the Council has not adjusted for this matter.

2.3 Uncorrected performance reporting misstatements

During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial.

All misstatements identified during the audit were corrected.

2.4 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the City Council. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management on 30 August 2024. This included the dates we required the information to be provided to us.

The Council staff provided us with most of the documents and information requested on a timely basis and by the due dates set. This allowed the resourced phase of the audit to proceed more efficiently and reduced the level of interruption to Council staff.

3 Matters raised in the Audit Plan



In our Audit Plan of the City Council, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
Performance reporting	
<p>The City Council makes use of a service provider, Wellington Water Limited (Wellington Water/WWL), for specific services relating to (water supply, wastewater and stormwater) and to provide the results for certain performance measures that the Council uses for reporting in the annual report.</p> <p>As a result of a number of significant issues with the performance measures in the prior year, our audit opinion for 2022/23 was modified on certain performance information.</p> <p>It is important that the City Council continues discussions with Wellington Water to ensure that there are appropriate performance results available and there is robust evidence available to support the performance results provided.</p>	<p>The City Council is required to report against the performance measures set out in the Non-Financial Performance Measure Rules 2013 (the Rules) made by the Secretary for Local Government. These mandatory performance measures include the total number of complaints (per 1,000 connections) received.</p> <p>The Department of Internal Affairs has issued guidance to assist local authorities in applying the Rules, including on how to count complaints.</p> <p>The City Council and its afterhours call centre provider have not been classifying complaints in accordance with this guidance and the method of recording was likely to have understated the actual number of complaints received.</p> <p>As a result, our work was limited and there were no practical audit procedures we could apply to obtain assurance over the number of complaints reported against these three performance measures for the year ended 30 June 2024 and our audit opinion was qualified accordingly.</p> <p>Our opinion on these performance measures was also qualified for the previous performance year.</p> <p>We continue to recommend that Council makes the necessary improvements together with WWL to its reporting of complaints to meet expectations. Please refer to Appendix 1 for further details of the recommendation.</p>

Audit risk/issue	Outcome
The risk of management override	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls.</p> <p>Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>We completed audit procedures on journal entries and based on our journals testing at year end, we confirmed that journals were appropriately prepared and there were no issues with the accuracy or level of support for journals. We utilised computer aided audit-tools for journal testing to focus on journals based on risk factors.</p> <p>We have also considered accounting estimates, for bias and maintained awareness of any significant transactions that were outside the normal course of business, or that otherwise appear to be unusual given our understanding of the City Council and its environment, and other information obtained during the audit.</p>
Valuation of three waters assets	
<p>The City Council revalues its infrastructure three waters assets on a three-year rolling cycle. The asset classes were last revalued at 30 June 2022, so are not scheduled for revaluation this year.</p> <p>However, management have advised us that three water assets will be revalued in 2023/24. The decision was made given the recent construction industry cost pressures experienced and property market movements leading to increased risk of a material variance between the fair value and carrying value of the assets.</p> <p>The City Council has planned to make use of an external service provider to perform these valuations in accordance with valuation standards and the City Council's financial reporting framework.</p>	<p>The City Council revalued its water services assets for the 2023/24 financial statements. It used independent external valuers to perform this work in accordance with the City Council's internal policies and the financial reporting framework.</p> <p>We reviewed the methodology and assumptions used by the valuers to derive the valuations and found them to be reasonable. However, the valuation shows a significant percentage increase for the carrying values, and annual depreciation. The increase is an almost \$1.4 billion increase to the water services assets carrying value and a \$30 million increase in annual depreciation.</p> <p>We are aware that infrastructure costs have in general increased significantly across the country compared to the pre-covid period, and that indices have lagged actual cost increases. However, we have not seen this degree of increase in other locations.</p> <p>There are several factors which could validly make the region market more costly than other regions, including terrain factors, higher density, complexity of</p>

Audit risk/issue	Outcome
	<p>works, and capacity pressures given the size of the ongoing work programme.</p> <p>While we concluded that the rates are reflective of recent works, there is uncertainty the current contract costs are enduring and reflecting of typical and sustainable market conditions, because:</p> <ul style="list-style-type: none"> • WWL has announced a procurement review and the possible impacts on the values of the assets including a downward movement. • The Council is reviewing together with several other councils the regional approach to the delivery of waters services and there is significant work underway in response to the governments “Local Water Done Well” policy to develop a regional approach for a joint Water Services Delivery Plan and delivery model. <p>We have therefore included an emphasis of matter paragraph in our report to draw readers attention to the disclosures about the uncertainties over the water valuation.</p> <p>We will monitor the progress of work programmes and any impacts from the procurement review and changes to the water services delivery model for the region.</p> <p>In addition, the independent valuer did raise recommended improvements for the City Council to work through for future valuations. We will also monitor the progress with implementing these improvements.</p> <p>We concluded that the water service assets as at 30 June 2024 is fairly reflected, and the associated disclosures are appropriate.</p>
Valuation of roading and land and buildings assets	
<p>The City Council revalues its roading assets and operational land and buildings (L&B) on a three-year rolling cycle.</p> <p>The asset classes were last revalued at 30 June 2022, so are not scheduled for revaluation this</p>	<p>The City Council revalued its roading assets and L&B assets for the 2023/24 financial statements. It used independent external valuers to perform this work in accordance with the City Council’s internal policies and</p>

Audit risk/issue	Outcome
<p>year. However, management have advised us that roading and L&B assets will be revalued in 2023/24. The decision was made given the recent construction industry cost pressures experienced and property market movements leading to increased risk of a material variance between the fair value and carrying value of the assets.</p> <p>The City Council has planned to make use of an external service provider to perform these valuations in accordance with valuation standards and the City Council's financial reporting framework.</p>	<p>the financial reporting framework.</p> <p>We reviewed the methodology and assumptions used by the valuers to derive the valuations and found them to be reasonable.</p> <p>We have reviewed how the valuation results have been reflected in the City Council's financial statements and the associated disclosures in the annual report. We are satisfied that these comply with the requirements of PBE IPSAS 17 Property, Plant and Equipment and are fairly stated in the City Council's financial statements.</p>
Impact of Three Waters Reform	
<p>On 12 February 2024, the Government provided an update on progress and outlined the plan for the next 12-18 months to implement Local Water Done Well.</p> <p>The Government passed a bill to repeal the previous Government's water services legislation in February 2024. Further legislation to implement Local Water Done Well will progress in a two-stage approach. The first bill, which will establish the framework and transitional arrangements for the new water services system, will be passed by the middle of 2024. A second bill to provide for the long-term replacement regime will be introduced in December 2024.</p> <p>The City Council should ensure that there is sufficient disclosure about the impacts of the water services legislation (to the extent the impact is known) within the financial statements.</p>	<p>We assessed the City Council's disclosure in the financial statements around the water services work programme and concluded that it was appropriate.</p>
Capital projects including work in progress	
<p>The City Council continues to have a significant ongoing capital programme, which is challenging to deliver against in the current market.</p> <p>Accounting for capital projects, whether completed during the year or in progress at balance date, requires assumptions and judgements to be made that can have a significant impact on the financial statements.</p>	<p>We reviewed the accounting for costs incurred on capital projects, including:</p> <ul style="list-style-type: none"> as part of our additions testing for Property, Plant and Equipment, we reviewed a sample of costs incurred on the projects and ensured the costs have been classified in accordance with generally accepted accounting practice; and

Audit risk/issue	Outcome
<p>Management and Council are responsible for managing the financial statement risks associated with capital projects. This includes ensuring:</p> <ul style="list-style-type: none"> project costs are reviewed to ensure these are appropriately classified as capital or operational in nature; work in progress (WIP) balances for projects already completed or available for use are transferred to the appropriate class of asset in a timely manner and depreciated accordingly from the date of capitalisation; WIP balances on projects that span an extended period are assessed regularly for impairment over the period of the project. Costs no longer meeting criteria for recognition as an asset should be expensed in a timely manner; asset components are identified at an appropriate level, and appropriate useful lives are assigned to these components on completion; the value and remaining useful life (RUL) of existing assets remains appropriate given replacement projects underway; and capital commitments related to contracts entered before balance date are disclosed in the notes to the financial statements. 	<ul style="list-style-type: none"> the disclosures included within the financial statements, including those relating to capital commitments. <p>We are satisfied that the accounting for capital projects is materially correct.</p> <p>Naenae Pool development</p> <p>The development of Naenae swimming pool and the community hub in which it is located is a significant infrastructure project for Hutt City Council, therefore we have included time in our audit programme to review the progress of this development. The project is underway and is scheduled for completion in December 2024. Our review found that the development is running to plan and is within budget, but there remain risks to both going into the final completion stage.</p> <p>There are no significant matters that we wish to bring to your attention.</p>
Rates	
<p>Rates are the City Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge.</p> <p>The City Council should ensure it has appropriate processes in place, including seeking legal advice where appropriate, to ensure compliance of its rates and rating processes with legislation.</p>	<p>We reviewed the process for setting rates by the City Council as part of our audit. As part of this review, we considered the City Council's processes for calculating the rates in the rates strike process, as well as the systems and controls in place for invoicing and collecting rates from rate payers.</p> <p>We are satisfied with the City Council's rates setting and collection, for the purposes of our audit, complies with the Local Government (Rating) Act 2002.</p>

Audit risk/issue	Outcome
	<p>We also performed sample testing of properties to agree the information per Quotable Value (QV) to the City Council's system.</p> <p>There are no significant matters to bring to your attention.</p>

4 Matters arising during the audit

4.1 Grants and subsidies – Revenue recognition

A significant portion of the City Council's revenue comprises grants and other subsidies received. During the year, the Council has received \$49 million revenue in the form of grants and subsidies. The revenue from some of these grants is recognized based on a funded project milestones achievement and, in some cases, on a reimbursement basis through periodic progress payments for funded projects at the agreed rate.

During our grant testing, we identified some audit adjustments related to the over and under recognition of grant revenue. This was due to the following:

- Over recognition, one instance of accruing revenue before a milestone was achieved; and
- Under recognition, one instance of not accruing for all reimbursement revenue for expenditure incurred during the year.

To address these discrepancies and enhance the accuracy of the financial reporting, we **recommend** implementing a comprehensive review process including a detailed grant reconciliation as part of the year-end procedures.

Management comment

An improved grants reconciliation process will be implemented to ensure year end calculations of grants and subsidies received are accurate and complete. This will incorporate one-up review processes as applied to the other reconciliations.

4.2 Water capital commitments

The City Council discloses capital commitments for three waters assets based on advice from Wellington Water based on the existing contracts and remaining upcoming works to be completed.

We have reviewed the schedule of contract commitments prepared by WWL of \$13.6 million, our work noted additional outstanding purchase orders (POs) of \$4.4 million which had not been included in the commitments at 30 June 2024.

The \$4.4 million consists of a larger number of low value outstanding POs, many may well be historical or no longer "valid" for other reasons. We **recommend** that Council together with WWL implements a year process to work through all the POs and include all relevant items.

Management comment

Wellington Water Ltd (WWL) acknowledges the discrepancies noted between the PO reports and the commitments.

WWL are committed to ensuring that POs remain current and are reviewed regularly.

WWL have allocated additional resource to update all purchase orders and their status, with the goal to have this completed 31 March 2025. In addition, the Accounts Payable team will engage relevant internal stakeholders to provide refresher training to manage POs effectively.

WWL will also map the process workflow, both for the management of POs and the reporting of commitments, to identify any gaps and ensure timely engagement with the Council at year-end to confirm commitment balances. WWL are dedicated to enhancing our processes and ensuring compliance with all financial commitments.

4.3 Weak payroll password parameters

While some password parameters have been enabled for payroll there are several settings that remain at the default of 0, increasing the chances of passwords being guessed.

Our recommended password parameter standard is as below:

Setting	Preferred
Password history	13
Max Password age	30 days
Min Password age	1 day or more
Min Password length	8 chars
Complexity	Enabled
Lockout duration	15 mins
Lockout threshold	3 attempts/forever
Reset counter	admin reset/15 mins
Force Logoff	enabled

Council has addressed the parameters as best it can with current system/software limitation whereby some aspects are not available. Management has advised of the following changes:

- Max Password was changed to 30 days; and
- Minimum password length increased to 12 characters.

For the remaining aspects Council has accepted the risk and we have therefore not raised a recommendation to address the risk.

5 Public sector audit



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

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

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

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

There are no significant matters to draw to your attention.

6 Group audit



The group comprises:

- Hutt City Council (significant component)
- Urban Plus Limited and group (significant component)
- Seaview Marina Limited

We have not identified any of the following during our audit for the year ended 30 June 2024:

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

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Urgent		
<p>Non-compliance with mandatory performance measure guidance – recording the number of complaints</p> <p>In addition to the issues noted with the Wellington Water systems, we identified that the City Council's recording of complaints was not in accordance with the DIA guidance. This states that "Where there is more than one complaint per event, each complaint is counted separately, not each event or occurrence". The City Council's processes did not meet this guidance requirement as not all complaints are recorded separately. It is therefore a risk that complaints recorded are understated.</p> <p>The City Council should review their procedures and ensure compliance with the DIA guidance when measuring the number of complaints.</p> <p>Update 2023</p> <p>We recommend that the City Council should implement a reconciliation process with Wellington Water on at least a quarterly basis to ensure that the number of parent and child requests for service is agreed.</p>	2019/20	<p>Issue progressing.</p> <p>The performance measures relating to this recommendation remains qualified as discussed in section 3 above.</p> <p>Management comment</p> <p><i>Work is progressing during 2024-25 to resolve these matters.</i></p>
Necessary		
<p>Lack of periodic review of user access rights</p> <p>City Council to agree on and implement a process for annual review of user access rights at the application level.</p>	2024 interim	<p>Issue progressing.</p> <p>We will follow up progress with this issue as part of the 2023/24 audit.</p> <p>Management comment</p> <p><i>City Council to agree on and implement a process for annual review of user access rights at the appropriate level.</i></p>
<p>Resource consent processing days</p> <p>The City Council identify, after its recalculation, all consents which are now processed after the statutory limit of 20 days and ensure</p>	2021/22	<p>Issue progressing.</p> <p>We continue to identify input errors during our testing, supporting documentation for date hold could not</p>

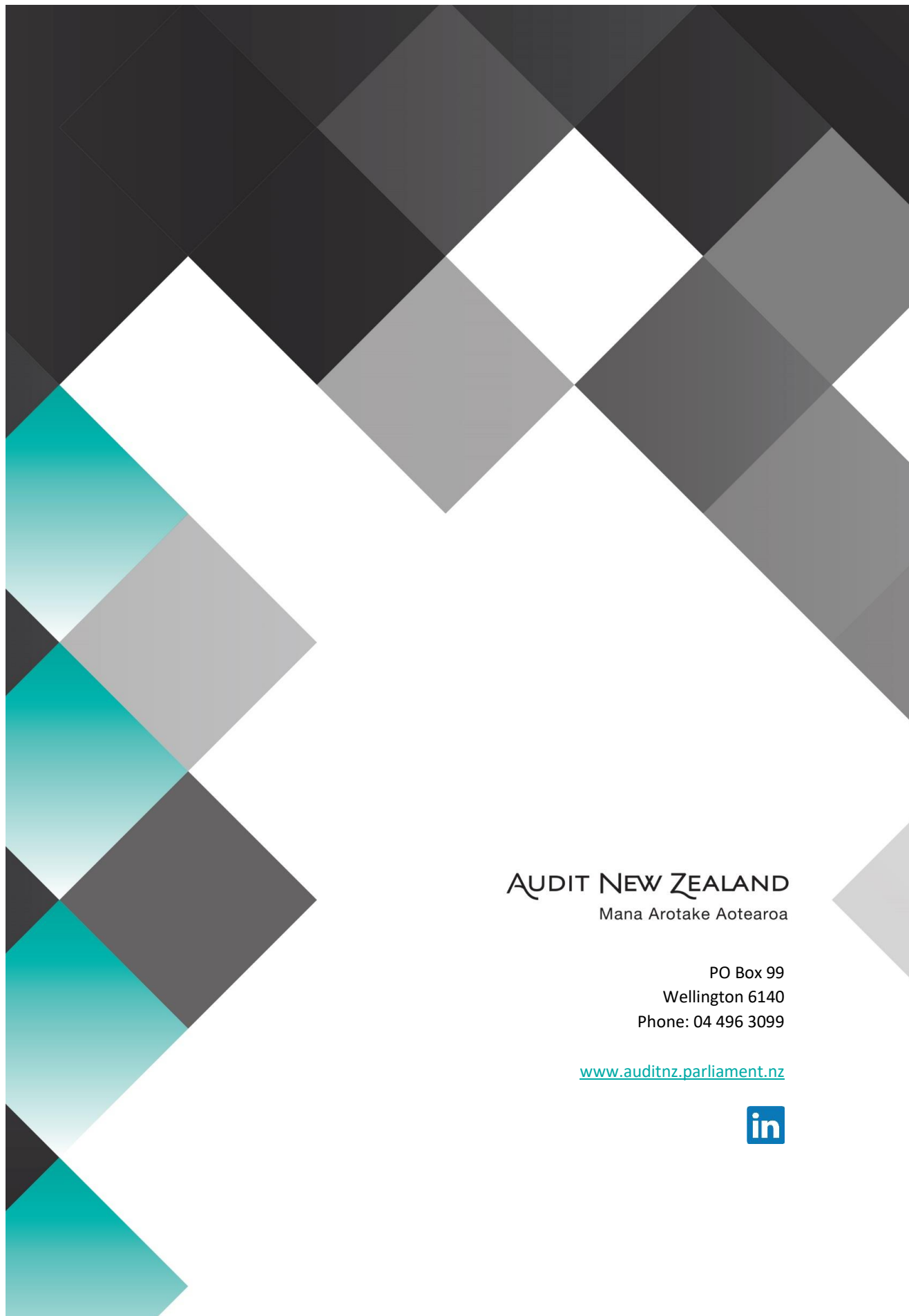
Recommendation	First raised	Status
<p>compliance with the requirements of the discount on administrative charges.</p>		<p>be provided in two instances.</p> <p>Management comment</p> <p><i>The results of the audit show a significant improvement in relation to the number and nature of errors found, particularly when compared to the initial audits of the 2021-2022 period. We will be actioning all noted input errors with respect to the discount on administrative charges, and we have put in place actions to address the small number of additional errors there were identified.</i></p> <p><i>Post the audit completed, the working days of all consents issued in 2023/24 financial year had been rechecked. This work also aligns with annual reporting for the Ministry for the Environment (MfE) National Monitoring Statistics, which was submitted to MfE at the end of September 2024.</i></p> <p><i>Key actions put in place includes:</i></p> <ul style="list-style-type: none"> • <i>Checks of any potential additional discounts payable to customers as a result of the recheck noted above;</i> • <i>Introduction of mandatory training for staff on payments processing and calculation of working days;</i> • <i>Peer review process over all consents; and</i> • <i>Wider review of working days calculations on a three monthly basis.</i> <p><i>It is considered that these measures will ensure a reduction in errors around the working day clock.</i></p>
<p>Water services provider</p> <p>The City Council should implement a reconciliation process with Wellington Water on at least a quarterly basis to ensure that the amount owing or prepaid is agreed.</p>	<p>2022/23</p>	<p>Issue progressing.</p> <p>Council has made good progress and we will follow up part of the 2024/25 audit that this process is continuing as before closing the issue.</p>

Implemented or closed recommendations

Recommendation	First raised	Status
Valuation of Property, Plant and Equipment For future asset valuations, the City Council should require the valuer to provide clear documentation to support that the unit rates adopted are reflective of recent replacement costs.	2021/22	Complete.
IT Disaster Recovery Plans (DRP) require testing The City Council should perform IT DRP Testing, ideally in a suitable environment to reproduce authentic conditions in so far as this is feasible.	2016/17	Complete.

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the City Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to our audit and our report on the disclosure requirements, we have carried out engagements in the areas of a limited assurance engagement related to the City Council's Debenture Trust Deed, which is compatible with those independence requirements. Other than these engagements, we have no relationship with, or interests in, the City Council or its subsidiaries and controlled entities.</p>
Fees	<p>The audit fee for the year is \$274,536, as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are \$130,900 for the City Council's long-term plan audit and \$5,000, for the limited assurance engagement related to the City Council's Debenture Trust Deed.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the City Council or its subsidiaries that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the City Council or its subsidiaries during or since the end of the financial year.</p>



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Report no: ARSC2024/5/110

Sensitive Expenditure Disclosures

Purpose

1. To provide the Subcommittee with a listing of sensitive expenditure incurred by Elected Members, Chief Executive and Directors for the period 1 July 2024 to 30 September 2024.

Recommendations

That the Subcommittee:

- (1) receives and notes the information; and
- (2) notes the Sensitive Expenditure disclosure information attached as Appendix 1 to the report: Sensitive Expenditure 1 July to 30 September 2024.

Background

2. Information has been extracted from our financial system from relevant cost centres and expenditure codes where sensitive expenditure is highly likely to be coded.
3. The list of transactions for the quarter from 1 July 2024 to 30 September 2024 is attached as Appendix 1 to the report.
4. Additional disclosures have been made in relation to mileage claims covering the period 1 July 2020 to 30 June 2024 which have been previously omitted from the quarterly reports.
5. This information will also be published on Council's website.
<http://www.huttcity.govt.nz/Your-Council/sensitive-expenditure/>
6. The current information provided by the Office of the Auditor General on sensitive expenditure can be located on their website.
<https://oag.parliament.nz/good-practice/sensitive-expenditure>

Appendices

No.	Title	Page
1	Sensitive Expenditure 1 July to 30 September 2024	122

Author: Darrin Newth, Financial Accounting Manager

Reviewed By: Jenny Livschitz, Group Chief Financial Officer

Approved By: Jo Miller, Chief Executive

Summary of Sensitive Expenditure 01 July 2024 to 30 September 2024

Chief Executive and Directors

Representative	Date	Amount \$	Paid to	Description
Miller, J	15 Aug 24	40.00	LGNZ Conference	Women in Local Government Lunch - Leading and thriving on Wed 21 August 2024
Miller, J	31 Jul 24	33.60	Orbit Corporate Travel	Orbit administration charge
Miller, J	21 Jul 24	22.17	Naenae Hot Bread Shop	Morning tea for Naenae Community Hub 5 attendees
Geddes, A	10 Jul 24	1,043.48	Taituara Conference	Annual Taituara Conference 2024 registration
Geddes, A	30 Jul 24	355.54	Orbit Corporate Travel	Flights and booking fees Wellington to Auckland 10 Sep 2024 for the Annual Taituara Conference
Geddes, A	31 Aug 24	54.68	Orbit Corporate Travel	Flights change fees Wellington to Auckland 10 Sep 2024 for the Annual Taituara Conference
Geddes, A	31 Jul 24	161.57	Purchase Card	SQ Hecho En Mexico PE – Adelaide – Meals Food Organics and Green Organics Collection and Processing (FOGO) trip for 5 people
Geddes, A	31 Jul 24	60.50	Purchase Card	Oaks Horizon - Adelaide – FOGO trip accommodation
Geddes, A	1 Aug 24	64.41	Purchase Card	Bean Bar Bank Street – Adelaide – FOGO trip meals for 5 people
Geddes, A	3 Aug 24	143.17	Purchase Card	Beans and Barrels – Parramatta – Meals (breakfast) FOGO trip for 5 people
Geddes, A	2 Aug 24	14.42	Purchase Card	Mr Hydes – Sydney – Meals FOGO field trip

Geddes, A	2 Aug 24	76.31	Purchase Card	Semaphore Palais Hotel – Meals FOGO field trip for 5
Geddes, A	2 Aug 24	17.04	Purchase Card	ZLR Two Bit Villains – Adelaide – Meals FOGO field trip
Geddes, A	3 Aug 24	66.9	Purchase Card	Secure Parking FOGO field trip
Geddes, A	3 Aug 24	11.73	Purchase Card	Taxipay – Transport Mascot FOGO trip
Griffiths, J	6 Jul 24	15.65	Purchase Card	Car Parking for Hui at PwC Wellington
Griffiths, J	22 Aug 24	40.91	Purchase Card	Light refreshments for training workshop – 32 attendees
Kingsbury, J	13 Aug 24	192.01	Blue Carrot 2019 Ltd	Leadership Away Day lunch (x8 incl. m/tea)
Kingsbury, J	10 Aug 24	15.00	Hutt Valley Chamber of Commerce	Political Series Breakfast with Hon E Stanford 24 Sep 24
Kingsbury, J	13 Aug 24	627.36	Blue Carrot 2019 Ltd	Economy & Development Group Away Day – x46 staff
Kingsbury, J	25 Sep 24	9.97	Reimbursement	Economy & Development Group Away Day – fruit for vegans/GF (x4 people)
Kingsbury, J	27 Jun 24	23.13	Purchase Card	Wilson Parking - Te Wai Takamori o Te Awa Kairangi Partners Meeting in Wellington CBD
Kingsbury, J	30 Jun 24	350.07	Orbit Corporate Travel	Flights and booking fees to Auckland 11-13 Sept (Annual Taituara Conference)
Kingsbury, J	30 Jun 24	388.87	Orbit Corporate Travel	Flights and booking fees to Auckland 28-29 Aug (Building Nations Conference)
Kingsbury, J	10 Jul 24	23.13	Purchase Card	Wilson Parking - Project Partner Co-ordinated delivery programme - meeting Greater Wellington Regional Council
Kingsbury, J	19 Jul 24	6.78	Purchase Card	WCC Parking – Meeting with NZTA
Kingsbury, J	19 Jul 24	6.78	Purchase Card	WCC Parking – Meeting with NDY
Kingsbury, J	24 Jul 24	23.13	Purchase Card	WCC Parking – Meeting with PPG and Greater Wellington Regional Council
Kingsbury, J	25 Jul 24	6.78	Purchase Card	WCC Parking – Ministers meeting with MP Bishop
Kingsbury, J	10 Aug 24	8.96	Purchase Card	WCC Parking – Meeting with Greater Wellington Regional Council
Kingsbury, J	14 Aug 24	23.13	Purchase Card	Wilson Parking – Riverlink workshop in CBD
Kingsbury, J	22 Aug 24	5.48	Purchase Card	WCC Parking – Meeting with Wellington Transport Group
Kingsbury, J	22 Aug 24	6.78	Purchase Card	WCC Parking – Meeting with Beca

Kingsbury, J	22 Aug 24	4.61	Purchase Card	WCC Parking – Meeting with NDY
Kingsbury, J	22 Aug 24	23.13	Purchase Card	WCC Parking – Te Awa Kairangi Partnership Governance Group Meeting
Kingsbury, J	31 Jul 24	106.05	Orbit Corporate Travel	Auckland Co-op Taxis and booking fee – travel to the Annual Taituara Conference
Kingsbury, J	31 Aug 24	161.74	Purchase Card	Wellington Airport parking for 3 days while attending the Annual Taituara Conference
Kingsbury, J	31 Aug 24	23.13	Purchase Card	WCC Parking – Te Awa Kairangi Partnership Governance Group Meeting
Kingsbury, J	12 Sep 24	3.04	Purchase Card	Auckland Transport – Parking for KO site visit as part of the Annual Taituara Conference
Kingsbury, J	12 Sep 24	4.35	Purchase Card	Grand Millennium Auckland – Parking for the Annual Taituara Conference
Kingsbury, J	13 Sep 24	381.39	Purchase Card	Grand Millennium Auckland – accommodation for the Annual Taituara Conference 11 to 13 Sep 24
Kingsbury, J	14 Sep 24	143.48	Purchase Card	Wellington Airport Parking – while attending Building Nations Conference in Auckland
Kingsbury, J	15 Sep 24	67.41	Purchase Card	Grand Millennium Auckland – meals for the Annual Taituara Conference 11 to 13 Sep 24
Kingsbury, J	17Jul 24	35.10	Purchase Card	Woolworths – catering for team collaboration session for approx. 38 staff

Mayor and Councillors

Representative	Date	Amount \$	Paid to	Description
Council – Cr Bassett	29 Nov 20	526.14	Reimbursement	Mileage expenses for the period March 2020 to August 2020
Council – Cr Bassett	31 May 21	1,007.78	Reimbursement	Mileage expenses for the period October 2020 to May 2021
Council – Cr Shaw	5 Feb 21	1,348.21	Reimbursement	Mileage expenses for the period June 2020 to 21 December 2020
Council – Cr Shaw	30 Jun 21	866.74	Reimbursement	Mileage expenses for the period January 2020 to June 2020
Council – Cr Shaw	14 Aug 24	1,907.36	Reimbursement	Mileage expenses for the period July 2023 to June 2024

Council – Cr Hislop	7 Aug 22	199.20	Reimbursement	Mileage expenses – return trip to LGNZ Conference in Palmerston North, July 2022
Council – Cr Morgan	26 Jun 24	42.00	Hutt Valley Chamber of Commerce	Women in Business - Building Resilience 4 July 2024
Council – Cr Morgan	9 July 24	1,395.00	LGNZ Conference	LGNZ Conference 2024 registration fee
Council – Cr Morgan	12 Sep 24	15.00	Hutt Valley Chamber of Commerce	Political Series Breakfast with Hon E Stanford 24 September 24
Council – Cr Tupou	8 Jan 23	121.35	Reimbursement	Mileage and car parking expenses – to attend Duke of Edinburgh's Gold Awards, Italian Embassy Christmas Function and Inaugural Tamil Conference on behalf of the Mayor, December 2022
Council – Cr Tupou	27 Jun 24	1,395.00	LGNZ Conference	LGNZ Conference 2024 registration fee
Council – Deputy Mayor Lewis	21 Aug 22	224.10	Reimbursement	Mileage expenses – return trip to LGNZ Conference in Palmerston North, July 2022
Council – Deputy Mayor Lewis	3 Jul 24	240.00	LGNZ Conference	Community Boards Dinner and Awards Night
Council – Cr Parkin	9 Jul 24	1,395.00	LGNZ Conference	LGNZ Conference 2024 registration fee
Council – Cr Briggs	9 Jul 24	1,395.00	LGNZ Conference	LGNZ Conference 2024 registration fee
Council – Cr Dyer	7 Aug 22	219.12	Reimbursement	Mileage expenses – return trip to LGNZ Conference in Palmerston North, July 2022, with one councillor and two community board members
Council – Cr Dyer	9 Jul 24	1,395.00	LGNZ Conference	LGNZ Conference 2024 registration fee
Council – Cr Dyer	22 Aug 24	15.00	Hutt Valley Chamber of Commerce	Political Series Breakfast with Hon E Stanford 24 September 24
Council – Cr Dyer	22 Aug 24	15.00	Hutt Valley Chamber of Commerce	Political Series Breakfast with Hon L Upston 27 August 24
Council – Cr Dyer	14 Feb 24	123.50	Reimbursement	Mileage expenses – travel to Greater Wellington Regional Council and Kapiti Coast District Council for Joint Committee Subcommittee for the Future Development Strategy, December 2023
Council – Cr Dyer	11 Sep 24	134.16	Reimbursement	Mileage expenses for travel to LGNZ Conference in Wellington, over three days in August 2024 with other councillors and Community Board members
Council – Cr Mitchell	9 Jul 24	1,395.00	LGNZ Conference	LGNZ Conference 2024 registration fee
Council – Cr Barratt	9 Jul 24	1,395.00	LGNZ Conference	LGNZ Conference 2024 registration fee

Council – Cr Barratt	25 Jul 24	15.00	Hutt Valley Chamber of Commerce	Political Series Breakfast with Hon L Upston 27 August 2024
Council – Cr Brown	15 Aug 24	200.00	Purchase Card	Strategic Grants Workshop 20 August 2024
Council – Cr Stallinger	12 Jul 23	200.86	Reimbursement	Mileage expenses for the period August 2023 to April 2024
Mayoral Office	17 Jul 24	81.90	Reimbursement	Parking and Ubers for the mayor to attending meetings
Mayoral Office	3 Sep 24	211.15	Purchase Card	Avenues Event Management Wellington – Mayor Barry registration at Water NZ pre-conference symposium, Hamilton 24 Sep 24
Mayoral Office	3 Sep 24	870.35	Purchase Card	Avenues Event Management Wellington – Mayor Barry registration at Water NZ conference 23 Sep 24, Hamilton
Mayoral Office	8 Aug 24	410.43	Purchase Card	10 x Greenstone Necklaces/gifts for Mayor to gift visitors
Mayoral Office	28 Aug 24	21.77	Purchase Card	Cr Dyer ticket to Japan Business Breakfast 2024 – 13 Sep 24 (attending on behalf of Mayor Barry)
Mayoral Office	20 Sep 24	600.00	Lachlan Mead	Christmas Chaos Game from local young business person for gifts
Mayoral Office	28 Jun 24	96.68	Purchase Card	Mayor's travel from Wellington airport to Laings Road 27 Jun 24 following trip to New York for Bloomberg Harvard City Leadership Initiative
Mayoral Office	30 Jun 24	73.04	Orbit Corporate Travel	Wellington Airport parking 22 Jul 24 while attending Welcoming Communities Hui in Auckland on 23 July 2024
Mayoral Office	31 Jul 24	33.60	Orbit Corporate Travel	Advice from travel agent re Visa / Passport services for Mayor's international travel
Mayoral Office	31 Jul 24	338.55	Orbit Corporate Travel	Alliance Global Assistance travel insurance for Mayor's travel to New York for Bloomberg Harvard City Leadership programme
Mayoral Office	31 Aug 24	687.98	Orbit Corporate Travel	Flights and booking fee – Wellington to Auckland 10 Sep 24 for INZ Delegation Dinner in Auckland 10 Sep 2024
Mayoral Office	5 Sep 24	30.28	Purchase Card	US Customs Visa for Mayor's transit visa through USA for trip to Mexico City 10-22 Oct 24
Mayoral Office	3 Jul 24	137.45	Reimbursement	Mayor's transport costs from Cardiff Central to London Paddington
Mayoral Office	5 Jul 24	70.61	Purchase Card	Mayor Barry taxi from HCC to Unity Books, Wellington for Living Wage book launch 4 Jul 24

Mayoral Office	11 Jul 24	85.83	Purchase Card	Mayor Barry taxi from HCC to Wellington Airport for flights to New York 11 Jul 24
Mayoral Office	25 Jul 24	65.13	Purchase Card	Taxi for Mayor Barry to Wellington for LGNZ meeting 25 Jul 24
Mayoral Office	25 Jul 24	18.09	Purchase Card	Mayor Barry taxi from LGNZ to Beehive for meeting with Minister Bishop then Minister Brown 24 Jul 24
Mayoral Office	27 Jul 24	71.57	Purchase Card	Mayor Barry taxi from HCC to Te Papa for Generation X opening night 26 Jul 24
Mayoral Office	14 Aug 24	9.18	Reimbursement	Parking at Te Papa for the Mayor to attend Generation X Opening night at Te Papa Museum. - \$3.48 & Mayor's parking in Wellington on 8 August for a meeting with Jackson Stone - \$5.70
Mayoral Office	31 Jul 24	15.03	Orbit Corporate Travel	Breakfast and Orbit booking fee at The Grand by Sky City 23 July 24 for the Welcoming Communities Hui in Auckland
Mayoral Office	31 Jul 24	239.07	Orbit Corporate Travel	Accommodation and booking fee at The Grand by Sky City 23-24 July 24 for the Welcoming Communities Hui
Mayoral Office	31 Jul 24	89.79	Orbit Corporate Travel	Taxi and Orbit booking fee 22 July 24 from AKL airport to The Grand Hotel for the Welcoming Communities Hui
Mayoral Office	31 Jul 24	94.84	Orbit Corporate Travel	Taxi and Orbit booking fee 23 July 24 from Ellen Melville Centre to Auckland Airport after Welcoming Communities Hui in Auckland
Mayoral Office	28 Aug 24	96.35	Purchase Card	Taxi Auckland airport to Marsden Viaduct Hotel on 27 Aug 24 for Building Nations Conference welcome function
Mayoral Office	28 Aug 24	97.91	Purchase Card	Taxi – HCC to Wellington airport 27 Aug 24 for Building Nations Conference, Auckland
Mayoral Office	30 Aug 24	94.44	Purchase Card	Taxi - Marsden Viaduct Hotel to Auckland airport 29 Aug 24 following Building Nations Conference
Mayoral Office	30 Aug 24	98.52	Purchase Card	Taxi – Wellington airport to HCC 29 Aug 24 following Building Nations Conference
Mayoral Office	4 Sep 24	2.61	Reimbursement	Mayor's parking in Wellington for meeting with The Post
Mayoral Office	11 Sep 24	9.72	Reimbursement	Mayor's uber from LGNZ Dinner to accommodation
Mayoral Office	20 Sep 24	58.78	Purchase Card	Taxi – Mayor Barry from HCC to Old St Pauls church for John Bishop's funeral 19 Sep 24
Mayoral Office	20 Sep 24	58.70	Purchase Card	Taxi – Mayor Barry from Old St Pauls to HCC following John Bishop's funeral 19 Sep 24

Mayoral Office	20 Sep 24	105.22	Purchase Card	Wellington airport carparking 24-26 Sep 2024 for attendance at Water NZ conference in Hamilton 24-26 Sep 2024
Mayoral Office	24 Jul 24	15.00	Hutt Valley Chamber of Commerce	Mayor Barry attendance at Political series breakfast – Hon Louise Upston 27 Aug 24
Mayoral Office	11 Aug 24	401.63	Faultline Chorus	Mayor's table for 11 at fundraiser Bingo Night
Mayoral Office	26 Jun 24	354.60	Blue Carrot 2019 Ltd	Catering for Mayoral Donation recipients stakeholder event on 4 July 2024 for Mayoral donation recipients. Approx 40 people.
Mayoral Office	1 Jul 24	150.40	Blue Carrot 2019 Ltd	Catering for Representation Review Panel Morning Tea in Mayor's Office on 3 July. Approx 18 people.
Mayoral Office	2 Jul 24	5.21	Purchase Card	Juice for the morning tea in the Mayor's Office on 3 July 2024 for the representation review panel.
Mayoral Office	15 Jul 24	141.00	Blue Carrot 2019 Ltd	Catering (Fruit platter) for HVHS International Welcome on 24 July. Approx 90 attendees
Mayoral Office	23 Jul 24	127.52	Purchase Card	Catering (slices and juice) for welcoming Hutt Valley High School international students event 24 Jul 24 – approx. 90 attendees
Mayoral Office	13 Aug 24	6.08	Purchase Card	Catering for welcoming WelTec visit to Mayor's office/Chambers 13 Aug 24 – approx. 20 attendees

NB: The Mayor's travel expenses are pre-approved, and all other expenses are approved by the Audit and Risk Subcommittee Independent Chair.

Report no: ARSC2024/5/350

Risk Management and Assurance Update

Purpose of Report

1. To update the Audit and Risk Subcommittee on activities undertaken to maintain and improve risk management at Hutt City Council. The risk register was last considered by this Subcommittee on 28 August 2024.
2. This report also covers an update on other assurance activities.

Recommendations

That the Subcommittee:

- (1) receives and notes the information;
- (2) notes there are 10 risks (previously eight) on Council's strategic risk register;
- (3) notes, two new risks (Risk 2, Seaview Wastewater Treatment Plant and Risk 9, Artificial Intelligence) have been added to the Strategic Risk Register;
- (4) notes the update on "Other Activities" contained within the report; and
- (5) notes the Risk Register as at 31 October 2024 attached as Appendix 1 to the report.

Background

3. Risk and Assurance provides frequent updates on activities to maintain and improve Council's risk management awareness. The last update was provided on 27 August 2024.
4. The Strategic Risk Register ("the register") is a living document and is updated quarterly at a minimum through consultation with risk owners. This allows for relevant and timely information to be presented to key stakeholders the Corporate Leadership Team (CLT), the Chief Executive, officers, and elected members).
5. Providing timely information enables meaningful discussions and decision making. It also provides an opportunity to actively manage key risks and focus sufficient attention on key areas.
6. There continues to be a high-level understanding and awareness of risk profiling and management across Council. Officers also have access to a range of self-service guides.

Council's Risk Register

7. There are currently 10 risks listed on the Strategic Risk Register.
8. Two new risks, *Risk 2*, Seaview Wastewater Treatment Plant and *Risk 9* - Artificial Intelligence (AI) have been added to the risk register.

Seaview Wastewater Treatment Plant

9. The Seaview Wastewater Treatment Plant is ageing and in very poor condition, with many components approaching the end of their design life. This is impacting on both plant capacity and performance and often breaching resource consent conditions for both water and air quality. A recent breakdown in the sludge dryer resulted in a spike in offensive odours and a consequential increase in the number of complaints. Council has also been issued with infringement notices due to the increased odour impacting residents and businesses.
10. In the Long Term Plan 2024-2034, \$225M has been committed over the next 10 years to renew and upgrade existing ageing plant. This sum includes \$13M investment on improvements targeted at odour control.

Artificial Intelligence

11. Council recently explored available AI solution options, including automation, to deliver better value and improve efficiency to operations.
12. Whilst AI solutions bring a host of potential benefits across various service offerings, with the introduction of any new technology, there is a level of uncertainty which can sometimes expose Council to risks. (note a separate report on the AI work programme is in the agenda).
13. Of the 10 risks listed on the register, 90% (or nine risks) have an overall residual risk rating of medium (including both new risks) and 10% (or one risk) has an overall residual risk of low (*Risk 10*, Workforce, Capability and Engagement).
14. With exception to the new risks, the overall residual risk ratings of all other risks remain unchanged since the last update.
15. Officers continue to have confidence because of the positive outcomes through the various mitigating actions implemented and/or being implemented.
16. Risks that are not captured on the strategic risk register continue to be monitored via operational risk registers by the respective business unit leads, and escalation occurs as required in alignment with the risk assessment criteria set. Operational risk management is a daily occurrence as business units carry out business as usual activities. Risk and Assurance continue to provide advice and support to business units on the evaluation and assessment in higher risk areas and developing of operational risk registers.

17. On a monthly basis, CLT also reviews, monitors and has oversight of issues (ie uncertainties that have eventuated), ensuring treatment plans and mitigation actions put in place are working as intended. This process allows for any emerging issues to be addressed in relation to the above risks.
18. There are currently five active issues being managed. These are recorded on the issues register as follows; the Seaview Wastewater Treatment Plant, Regional Water Restrictions (currently level 1), Legal Claim, Capital Projects Cost Escalation and Wellington Water Ltd cost estimation error (reported previously).
19. All issues listed have a medium rating.

Wellington Water Limited

20. Between 1 January 2024 - 7 October 2024, 2,521, leaks in total were fixed (2,257 public leaks and 264 private leaks).
21. As part of the Long Term Plan process, Council committed to providing an additional \$2.8M funding in 2024-25 to address the leaks backlog, with ongoing funding of \$1.5M per annum thereafter.
22. As at 7 October 2024, the current backlog of leaks are 139. Whilst there will always be a backlog of leaks due to the time lapse between planning of operational requirements such as traffic, access corridors etc. and fixing the leak, the aim is to reduce the backlog number of leaks to a practical level. This target is assessed on the average number of leaks received over 10 working days. This is on track to being achieved with the sustainable backlog leaks target being 110.

Other activities

23. Annual refresher of business continuity plans will commence in January 2024.
24. The following internal audit engagements listed on the internal audit plan 2025/27 will be completed by 31 December 2024.
 - a. Accounts Payable Review (end-to-end process); and
 - b. Accounts Receivable Review (focus on building consent revenue/debtors).
25. Additionally, ad-hoc engagements on Sensitive Expenditure have been completed.

Climate Change Impact and Considerations

26. The matters addressed in this report have been considered in accordance with the process set out in Council's Climate Change Considerations Guide.

Consultation

27. Not applicable.

Legal Considerations

28. Not applicable.

Financial Considerations

29. The work programme for Risk and Assurance is funded from baseline budgets.

Appendices

No.	Title	Page
1 [↓]	Strategic Risk Register - October 2024	133

Author: Nishana Reddy
Risk and Assurance Manager - Finance

Reviewed By: Jenny Livschitz
Group Chief Financial Officer

Approved By: Jo Miller
Chief Executive

STRATEGIC RISK REGISTER (OCTOBER 2024)



Key:

Inherent risk – assessed level of risk before any control treatments/mitigations have been put in place to reduce the severity impacts should the risk eventuate.

Residual risk – assessed level of risk after control treatments/mitigations have been put in place to reduce the severity impacts should the risk eventuate.

1. Legislative and regulatory changes creating higher costs or reducing subsidies

Risk Owner: Chief Executive, **Secondary Risk Owner:** Director – Environment and Sustainability, Director Economy and Development, Director Strategy and Engagement

Risk Ratings:

INHERENT RISK		
Likelihood	Impact	Risk
Likely	Major	High

RESIDUAL RISK		
Likelihood	Impact	Risk
Possible	Moderate	Medium

Likelihood	Almost Certain					
	Likely					
	Possible					
	Unlikely					
	Rare					
		Insignif- icant	Minor	Moder- ate	Major	Extrem- e
		Consequences				

Risk Appetite: Low appetite

Risk Description: On 14 February 2024, the government passed the Water Services Act, Repeal Act 2024 under urgency, repealing the previous government various Three Waters laws, made changes to the fast-track provisions of the Resource Management Act and the delivery of building consent services and the Transport funding priorities and stopped the review of the Resource Management legislation. This creates uncertainty for Councils and impacts a number of areas such as planning processes, work programmes, resourcing requirements, funding mechanisms and cost associated with implementing and changing course. It also presents opportunities for Councils to work together and present information to the new government.

If Council is not adequately prepared and/or engaged in the changes of central government's priorities then there may be disruption/cancellation/delays to work programmes which are important to the interests of the city, resulting in loss of trust and confidence.

However, there are potential opportunities from the legislative and regulatory changes to improve the wellbeing of our communities with a memorandum of understanding in place and Hutt City now working closely with nine other councils to respond to the government's Local Water Done Well policy.

Legislative changes enacted under the Government's plan, Local Water Done Well through the Local Government (Water Services Preliminary Arrangements) Act 2024, to address long standing water challenges which includes:

STRATEGIC RISK REGISTER

<ul style="list-style-type: none"> • The requirement for councils to produce a water services delivery plan and accompanying implementation plan by 3 September 2024; • Consideration of a fit for purpose future delivery model; • Ensuring water services are financially sustainable; and • Greater central government oversight through economic and quality regulation. <p>The government intends to introduce further water services legislation in December 2024 to be enacted mid 2025 that will establish the enduring settings for the new water services system.</p> <p>There may also be opportunities and impacts on Council's financial position, financial performance, operations, impacts on staffing, service delivery and outcomes to our community.</p>
<p>Risk Drivers:</p> <p><i>Across legislative changes:</i></p> <ul style="list-style-type: none"> • Uncertainty around Council's end role and obligations; • Uncertainty around BAU operations and impacts on staff; and • Uncertainty of Council's financial position in the future post the impact of changes implemented. <p><i>Local Water done Well:</i></p> <ul style="list-style-type: none"> • Lack of alignment/ support from key holders; • Process and requirements for council decision-making is unclear or not understood resulting in rework and / or challenges to decision-making (such as judicial review); • Impacts on existing delivery models and productivity due to uncertainty of the potential change process; • Water Reform models may not be financially viable; • Pace of transition process resulting in pressures on local government and potential inability to keep up with changing needs and decision makings ahead of the local government elections in 2025. • Misalignment with legislation and/or legislation does not enable the preferred model; • Resourcing and capacity constraints; and • Funding for future phases of work.
<p>Current controls</p> <ul style="list-style-type: none"> • Officers and elected members are proactively engaging in legislative change processes, providing feedback on new legislation and policies such as the Resource Management and Building Act changes, including through LGNZ, Taituarā, the Mayoral Forum; • Working to reprioritise work programmes to align with changes to government priorities and funding available; • Hutt City Council is committed to a joined-up approach with councils in the Wellington region on working together on a water service delivery plan which is required under the Government's new Local Water Done Well policy; and • Active monitoring on the progress of actions per the implementation plan presented to the Water Committee on 25 September 2024.
<p>Planned mitigation actions:</p> <ul style="list-style-type: none"> • As more details become available, all potential opportunities and implications for Council and our communities will be assessed and will be responded to; • Continue to perform detailed analysis of any impacts; and • Quality advice prepared to support Council and other decision making.

STRATEGIC RISK REGISTER

2. Seaview Wastewater Treatment Plant

Risk Owner: Director, Environment and Sustainability

Risk Ratings:

INHERENT RISK		
Likelihood	Impact	Risk
Likely	Major	High

RESIDUAL RISK		
Likelihood	Impact	Risk
Possible	Moderate	Medium

Likelihood	Almost Certain					
	Likely					
	Possible					
	Unlikely					
	Rare					
		Insigni- cant	Minor	Moder- ate	Major	Extrem
		Consequences				

Risk Appetite (strategy): Moderate

Risk Description: The Seaview Wastewater Treatment Plant (the plant) serves a population of 160,000 within the Hutt Valley, treating about 60 million litres of wastewater daily. The main plant was commissioned in 2002. It is in very poor condition, ageing, with many components approaching the end of their design life. This is impacting on both plant capacity and performance and often breaching resource consent conditions for both water and air quality. In particular, the impact of offensive odour beyond the boundary is having a major impact on nearby businesses and communities. Additionally, the recent breakdown of the sludge dryer resulted in a spike in offensive odour and a consequential increase in the number of complaints. The breakdown also means a high quantity of wet sludge ends up in the landfill.

Hutt City Council and Wellington Water are committed to fixing the plant issues; however, these issues are complex. New analysis of the dryer identified areas that require fixing whereas analysis undertaken three years ago did not. If the plant does not operate effectively and odours continue to impact the community, this may result in increased infringement notices, dissatisfied residents, financial losses, loss of trust and confidence and reputational damage.

Risk Drivers:

Note: Council's role is to provide funding to WWL to perform water services delivery. Therefore, Council does not directly manage the risk of water services as part of its daily operations.

- Much of the working componentry at Seaview is nearing the end of its service life;
- Failures more likely to occur due to the assets nearing end of life;
- Potentially more infringements, under the Resource Management Act;
- Negative impact on neighbouring communities; and
- Negative impacts on the environment.

STRATEGIC RISK REGISTER

Current controls

- Active and regular communications and engagement with key stakeholders (including residents) on the matter including, increased levels of odour impacting residents and on the upgrade of the biofilter system progress;
- Investment commitment over the next 10 years of \$225M to renew and upgrade existing ageing plant. This sum includes \$13M investment on improvements targeted at odour control;
- Community Liaison Group meeting took place on 25 November 2024, at which an update on the treatment plant was provided;
- Plan in place which Veolia and WWL is working through to return the plant to operate effectively. However, this will take some time due to the amount of biosolids in the system. The process is improving slowly but noticeably;
- Veolia and WWL Veolia have undertaken a review of the incidents (fire and component failure) that led to the dryer being offline. Veolia will be using the findings of this report to review processes and put in place training to minimise the risk of reoccurrence in the future; and
- Ongoing advice to elected members from WWL on investment requirements with reprioritisation. Improving asset condition information.

Planned mitigation actions:

- Continue to actively engage with key stakeholders, including the community and provide regular updates on the Wastewater treatment plant;
- WWL working on a long-term plan for Seaview Wastewater Treatment Plant; and
- Continue to work through Wellington Water Limited advice and impacts to Council and its decision making.

3. Asset Planning and Management

Risk Owner: Director – Economy and Development, **Secondary Risk Owners:** Director Neighbourhoods and Communities and Head of Assets and Facilities Management

Risk Ratings:

INHERENT RISK		
Likelihood	Impact	Risk
Possible	Major	High

RESIDUAL RISK		
Likelihood	Impact	Risk
Unlikely	Major	Medium

Likelihood	Almost Certain					
	Likely					
	Possible					
	Unlikely					
	Rare					
		Insignificant	Minor	Moderate	Major	Extreme
		Consequences				

Risk Appetite (service delivery): **Low**
Risk Appetite (strategy): **Moderate**

Risk Description: If assets are not optimised / fit for purpose or adequately maintained, then this may result in health and safety risks for Council staff and communities and assets not being able to achieve the desired outcomes or service at required levels.

If assets are unsafe, then there will be public dissatisfaction as a result of closures.

STRATEGIC RISK REGISTER

There may be higher whole of life costs and financial loss due to poor planning for new construction (higher operating costs), reactive maintenance / renewal and reduced lifespans.

Trust and confidence may be lost as environmental outcomes will not be achieved or are too expensive for local communities to use.

Risk Drivers:

- Ageing assets, lack of sufficient investment / budget allocation. Renewal's investment required to address backlog as assets continue to age / deteriorate;
- Resourcing shortfall of expertise, technical advisers, contractor availability and contractor performance affecting delivery;
- Reactive and unbudgeted maintenance is very costly;
- Inflationary pressures and supply change delays and disruptions;
- Accelerated asset demand and consumption due to population growth and urban intensification, made worse by unsustainably low revenue;
- Changing needs and expectations of our population and rising expectation of public to provide a higher level of service;
- Less funding than expected leading to reduced levels of service (e.g., NZTA subsidy for maintenance, operations renewals);
- Inconsistent Long-Term Asset Management Plans across all asset types and sites;
- Economic, environment, financial constraints, impacts on assets management plans;
- Significant increases in infrastructure cost and access to materials/services that are critical to deliver our infrastructure programme;
- Water Reform impacts on resourcing / technical expertise, work programme impacts;
- Legislative requirements and changes to standards to meet requirements means further investment in renewals is required (e.g., seismic for buildings, machinery, and components at pools / water supply / sewage treatment etc. for compliance and heritage aspects: Petone Wharf, Naenae pool);
- Increasing impacts of climate change, natural hazards, liquefaction prone soils, floods, slips as a result of storm events;
- Financial security of partners, local bodies and subsidiaries put assets and community enjoyment of assets at risk;
- Uncertainty over central government pipeline of work, funding tools and role of the National Infrastructure Agency; and
- Lack of skilled resources to complete the work.

Current controls

- Effective contractor management and monitoring of performance to ensure delivery against service levels;
- Inspections and analysis of condition and useful life to understand and prioritise spending on maintenance, operations, and renewals;
- Ongoing funding for life of the asset in business cases;
- Completed assessment of asset conditions;
- Regular stakeholder communication about asset condition and level of investment required;
- Asset Management Plans approved for built and green assets, including asset divestment and savings (August 2023);
- Clear work programmes developed for all projects;
- Establishment and filling of critical roles;
- Proactively managing mould issues at Petone Library and Hardwick Smith Lounge;
- Review of the roading asset management work programme completed, and work has commenced to action the programme;
- Ongoing independent Quantity Surveyor advice on RiverLink cost estimates, with budget reviews undertaken as part of LTP 2024-34; and
- An Asbestos Management Policy and procedures documents developed and implemented.

Planned mitigation actions:

- Site safety compliance remediation work programme underway;

STRATEGIC RISK REGISTER

- Ongoing work on partnering with strategic contractors;
- Ongoing work on Alliance type models and assessing of shared risks, collectively working to mitigate risks;
- Programme of improvement initiatives to improve capability; and
- Asbestos survey to be completed in 2024.

4. Health and Safety

Risk Owner: Chief Executive, **Secondary Risk Owner:** Chief People Officer

Risk Ratings:

INHERENT RISK		
Likelihood	Impact	Risk
Likely	Major	High

RESIDUAL RISK		
Likelihood	Impact	Risk
Possible	Moderate	Medium

Likelihood	Almost Certain					
	Likely					
	Possible					
	Unlikely					
	Rare					
		Insignificant	Minor	Moderate	Major	Extreme
		Consequences				

Risk Appetite: No Appetite

Risk Description: If while undertaking operational activities on behalf of the Council there's a risk of injury, illness or death of a staff member, contractor, or member of public, or damage to plant or equipment occurs from hazards within the work environment, there's a risk of the following:

- Prosecution under the Health and Safety at Work Act 2015 resulting in fines, reputation, damage to employment brand;
- Individual prosecution or imprisonment for Officers under the Act (Chief Executive and Directors are deemed Officers under the Act);
- Staff, public and/or stakeholder loss of trust and confidence in Council;
- Financial impacts for Council to cover costs of treatment, leave and potentially service delivery disruption; and
- Continuity issues and loss of organisational or operational knowledge.

Risk Drivers:

- Resourcing issues or constraints;
- Breakdown in workplace practices and failed or absent controls;
- Complex and high-risk activities that are managed through contractors or partnerships with overlapping duties with varying levels of capability;
- Lack of understanding of health and safety responsibilities leading to a reduction in psychological safety culture and attitude to and ownership of health and safety risks;
- Varying levels of staff engagement and workload pressures, which can lead to heightened levels of stress, and low resilience; and
- External drivers including an increase in antisocial behaviour and public aggression, threats to personal and facility safety due to mental health issues and pressures in the community.

Current controls

- Existing H&S management framework and reporting system (Assura);
- An active and engaged HSW committee and representatives;

STRATEGIC RISK REGISTER

- H&S Hazard and Risk register and active controls;
- Staff operational H&S induction and training; including 'Situational Awareness', 'Good Yarn' and safeguarding children;
- Leaders HS&W training and induction programme;
- Development of the Leadership Framework and delivery of leadership training and communications;
- Debriefs/investigations of events and publishing of lessons learned to provide learning opportunities;
- Assets and Facilities work programme including Seismic Performance Register and strengthening activity, Asbestos register, facilities repairs and maintenance work including oversight of mould issues;
- Wellbeing Programme and Employee Assistance Programme; and
- HSW team focus on hazard and contractor management, site audits, enhancing organisation H&S capability as outlined and prioritised in the HSW workplan.

Planned mitigation actions:

- Identification of critical risks;
- Introduction of H&S reporting to Audit & Risk Subcommittee;
- Enhance H&S metrics and reporting to demonstrate performance of safety systems;
- Facility upgrades;
- Ongoing review of the wider HSW framework to ensure all H&S policies, procedures and other documents are fit for purpose, and adequate;
- Development of Crisis and Emergency Management Framework and appropriate plans, policies and procedures;
- Development of a Wellbeing & Belonging Strategy to provide direction for supporting psychosocial risks, mental health & wellbeing, and psychological safety; and
- Review of physical controls, training, and processes for managing antisocial behaviour.

5. Planning for Climate Change**Risk Owners:** Corporate Leadership Team**Risk Ratings:**

INHERENT RISK		
Likelihood	Impact	Risk
Likely	Major	High

RESIDUAL RISK		
Likelihood	Impact	Risk
Possible	Moderate	Medium

Likelihood	Almost Certain					
	Insignificant	Minor	Moderate	Major	Extreme	
Consequences						

Risk Appetite: **Moderate**

Risk Description: If Council's planning, adoptions, mitigations do not adequately respond or absorb the impacts of climate change, then there may be impacts to personal safety, disruption to business and transport (e.g. storms, floods, slips/ erosion, surges etc.), threats to the ongoing financial sustainability of businesses, impacts on community wellbeing, economic impacts, potential infrastructure asset impairment/reduced useful life/increased costs for assets in risk prone areas and loss of trust and confidence.

STRATEGIC RISK REGISTER

Risk Drivers:

- Topography, river and shoreline movements, speed of change such as sea level rise;
- Insufficient global and local focus, prioritisation and funding of climate initiatives;
- Climate Change Commission reports and NZ Government's responses (or lack of it) at a national or local level will have an impact on HCC's ability to drive environmental objectives;
- Challenges in adapting and aligning plans over time to address new legislation and Government's directives could be cost prohibitive for HCC in the current financially constrained environment; and
- Availability of funding for projects (funding for cycleway projects by central government has now ceased) and activities that affect the speed of adaptation and mitigation.

Current controls

- Council approved interim Carbon Reduction & Climate Resilience Plan 2021-2031, includes all the work to decarbonise Council assets, improve efficiency & electrifying of vehicle fleet, establish environmental policies and implement strategies to achieve carbon zero targets. Initiatives are monitored and progress tracked against objectives;
- Work completed to understand gaps in Climate Change reporting;
- Climate Change and Sustainability Committee established, with oversight on climate change work;
- Various projects implemented or under way to reduce emissions (e.g. Heavy Electric vehicle charging hub – Silverstream landfill, phasing out of fossil gas at aquatic facilities etc);
- Lower Hutt climate action pathway was published in March 2022. (Pathway to reduce city wide emissions);
- Low Carbon Acceleration Fund launched in Feb 2024 to assist with co-funding for projects in Lower Hutt that result in accelerated carbon reduction actions;
- Additional funding of \$20M has been included in Council plans for Eastern Hutt Road resilience works;
- Capital Investment projects underway with a focus on climate change includes:
 - RiverLink Project - flood protection;
 - Tupua Horo Nuku (Eastern Bays Shared Path) - coastal resilience;
 - District Plan – hazard mapping;
 - Integrated Transport Strategy; and
 - Working closely with GNS on geotechnical information and slips. Working closely with GNS on geotechnical information and slips.

Planned mitigation actions:

- Long-term plan 2024-34 includes a new Food and Green Organics Collection Service, for implementation in 2027, to reduce organic material going to landfill and resulting in methane emissions. A deed has been signed with the Ministry for the Environment regarding funding for the roll-out cos. However, this will not be drawn on until final decisions in the latter part of 2025; and
- Ongoing work to develop Council's first climate disclosure report in alignment the external reporting requirements (XRB)

STRATEGIC RISK REGISTER

6. Information and Technology

Risk Owner: Chief Digital Officer**Risk Ratings:**

INHERENT RISK		
Likelihood	Impact	Risk
Possible	Major	High

RESIDUAL RISK		
Likelihood	Impact	Risk
Unlikely	Major	Medium

Likelihood	Almost Certain					
	Insignificant	Minor	Modest	Major	Extreme	
Consequences						

Risk Appetite: No Appetite

Risk Description: If key systems become unavailable or unusable to process transactions, provide services and progress Council's outcomes, or an unauthorised access or use of systems occurs (Cyber-attack), then this may result in loss of data, adverse impacts on service delivery, financial loss (cost to restore backup, reduced productivity), compliance breaches if personal information or sensitive data is released (e.g., Privacy Act, Public Records Act, LGOIMA) and loss of trust and confidence in Council.

Risk Drivers:

- Increase in external malicious cyber-attacks globally and locally;
- Education levels of staff around awareness and malicious threats;
- Staff creating / downloading applications for use on Council devices without obtaining the correct authorisation and/or fully understanding the associated security risks;
- Potential IT security and policies not clearly understood;
- Management of information by staff; and
- Legacy systems are increasingly not fit for purpose and /or lack of funding.

Current controls

- Cyber security governance and strategy in place;
- Security reporting completed quarterly to Security Governance Group;
- Ongoing staff training and communication to maintain awareness;
- Change control process enforced for changes to all IT systems;
- Annual penetration testing;
- Annual security audit;
- IT security systems well managed and tested regularly;
- Network security patches maintained;
- Managed security contracts and security monitoring tools in place;
- Digital strategy, roadmap and funding for investments are in place;
- Prompt reporting of security and data breaches;
- Key core systems (finance, rates, document management, email) are SaaS (Software as a Service) solutions replicated across multiple datacentres (in the cloud);
- Secure backup solution for all systems (backing up on prem and in cloud) in place;
- Strong login password criteria and Multi Factor Authentication (MFA) implemented across Council; and
- Hybrid Cloud operational. All 'on premise' systems hosted in a secure offsite datacentre.

Planned mitigation actions:

STRATEGIC RISK REGISTER

- Ongoing work in the Te Kōhao (Go Digital) Programme outcomes to improve redundancy and security; and
- Recruitment underway for additional cyber security staff.

7. Financial Management

Risk Owner: Group Chief Financial Officer											
Risk Ratings:											
<table border="1"> <thead> <tr> <th colspan="3">INHERENT RISK</th> </tr> <tr> <th>Likelihood</th> <th>Impact</th> <th>Risk</th> </tr> </thead> <tbody> <tr> <td>Likely</td> <td>Major</td> <td>High</td> </tr> </tbody> </table>			INHERENT RISK			Likelihood	Impact	Risk	Likely	Major	High
INHERENT RISK											
Likelihood	Impact	Risk									
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RESIDUAL RISK											
Likelihood	Impact	Risk									
Possible	Moderate	Medium									
<p style="text-align: center;">Risk Appetite: Moderate</p>											
<p>Risk Description: If Council's financial capacity and revenue does not meet demand and service needs, then it may not be able to prudently manage its financial obligations.</p> <p>This may result in:</p> <ul style="list-style-type: none"> • Further Standard and Poor's Credit Rating Agency (S&P) downgrades. (In August 2024 S&P downgraded our rating from an AA with a negative outlook, to an AA- with a negative outlook. This followed from the Annual Plan 2023-24 and Long-Term Plan 2024-2034 where there were significant financial pressures from high inflation and interest costs, together with the need to increase investment in three waters and transport activities). • Increased cost of funding and/or inability to borrow, impacting on debt; • Liquidity issues; • Project delays; • Deferral of asset maintenance/renewals; • Service levels below community expectations; • Suppliers unwilling to engage with Council to provide services; • Difficulties in accessing skilled staff to deliver projects; and • Loss in trust and confidence. 											
<p>Risk Drivers:</p> <ul style="list-style-type: none"> • Reduced revenue combined with increased / unplanned / unbudgeted costs and/or requirement for higher debt levels; • Uncertainty of central government reforms, in particular water services; • Uncertainty in global market and economic conditions effect on domestic / regional / local economy; • Capacity / resourcing constraints and lack of sufficient capabilities (understanding) around managing debt collection and associated legislative rules; • A shock event such as an earthquake would impact borrowing costs (on top of increased borrowing to spend on assets/projects) and reduced disposable household and local businesses income; • Sustainability of Council debt levels and unfavourable interest rate changes; • Cost escalations due to supply chain issues, disruptions, inflationary pressures and shortages of both skills and materials; and • Economic climate conditions with increased cost of living impacting unfavourably on Council revenue 											

STRATEGIC RISK REGISTER

sources and overall financial position.

Current controls

- Future investment priorities and projects confirmed through Long Term Plan/Annual Plan processes;
- In depth budget review process as part of Long-term Plan/Annual Plan processes; including comprehensive advice on financial risks, including debt headroom capacity constraints.
- Treasury Risk Management Policy, liquidity management, forecasting, monitoring; with additional specialist advice on treasury strategy, given the economic conditions;
- Financial Strategy debt limits and monitoring mechanisms;
- Transparent reporting and financial management;
- Scrutiny during budget setting and project business cases;
- Financial performance monitoring processes which include monthly reporting to Corporate Leadership Team and quarterly reporting to Policy, Finance and Strategy Committee which enables financial issues to be raised and proactively managed;
- Increased oversight and monitoring of major projects;
- Policies, tools and options for rates relief and payment options, with proactive promotion of these;
- Use of good quality data to inform decisions and planning;
- Implemented and continue to work on improvements to project cost estimates process;
- Proactive engagement on the new government policy programme to ensure financial risks and impacts are well understood;
- Working closely with the local government sector and Local Government Funding Agency; and
- Have ongoing assurance activities in place.

Planned mitigation actions:

- Ongoing mitigations and planned actions around portfolio / programme / project management, asset management and procurement will drive better understanding of costs and help identify savings and efficiency opportunities; and
- Take up opportunities to influence central government policy and advocate for communities in financial hardship.

8. Procurement

Risk Owner: Group Chief Financial Officer

Risk Ratings:

INHERENT RISK		
Likelihood	Impact	Risk
Likely	Major	High

RESIDUAL RISK		
Likelihood	Impact	Risk
Unlikely	Moderate	Medium

Likelihood	Almost Certain					
	Likely					
	Possible					
	Unlikely					
	Rare					
		Insignificant	Minor	Moderate	Major	Extreme
		Consequences				

Risk Appetite (strategy/ financial):
Moderate

Risk Description: If sub-optimal practices around the procuring of goods, works and services materialise, then this will impact the achievement of wider outcomes for procurement and create financial losses for Council due to:

STRATEGIC RISK REGISTER

<ul style="list-style-type: none"> • Unfavourable or sub-optimal contract terms; • Difference in rules when partnering with other agencies; • Missed opportunities to leverage bargaining power; • Reduced service levels below community expectations; • Poor vendor performance; • Inappropriate KPIs that promote or incentivise the wrong vendor behaviours; • Increased risk of fraud and corruption in the appointment process; and • Loss of trust and confidence.
<p>Risk Drivers:</p> <ul style="list-style-type: none"> • Lack of sufficient skills and knowledge in procurement planning and executing “go to market” activities; • Lack of a robust framework to plan and manage vendor performance; • Lack of standardised reporting and transparency over vendor performance; • Competitive market conditions resulting in lack of available supplier resource in contractor market, particularly the civil and construction areas across NZ that will draw on the same expertise / supplier resource; and • The complexity and impact of the broader outcome's framework on suppliers and reporting.
<p>Current controls</p> <ul style="list-style-type: none"> • Procurement Strategy approved by Council on 27 March 2024; • Consistent use of Procurement practices and capabilities, and an established strategic framework to maximise commercial opportunities, performance standards, efficiencies, and effectiveness; • Procurement team has oversight across all sourcing activities to ensure early identification and mitigation of potential risk exposures; • Procurement guide is available to staff that outlines the policy, process, and practices; • On-going advice and guidance being provided across HCC business areas on procurement practices as required, leading to a shift in mindset around simplification of processes which leads to efficiencies to all stakeholders; • Regular communications with other Councils in the region, exploring opportunities for combined market approach for similar service and gaining economies of scale; • Enterprise-wide contracts register in place, enabling better analysis of spend, measurement of vendor performance and increase the overall effectiveness of contract management; • Review of procurement plans; • Annual review of procurement templates to ensure it is fit for purpose; and • Ongoing training and support on the enterprise-wide contracts register.
<p>Planned mitigation actions:</p> <ul style="list-style-type: none"> • Ongoing review of practices, ensuring sourcing efficiencies, whilst maintaining the integrity of processes; • Continuing to develop a procurement framework and training to support good procurement practices • Ongoing contract management training; and • Working on including procurement practices and Council's approach with on-boarding of new staff.

STRATEGIC RISK REGISTER

9. Artificial Intelligence (AI)

Risk Owner: Corporate Leadership Team

Risk Ratings:

INHERENT RISK		
Likelihood	Impact	Risk
Likely	Major	High

RESIDUAL RISK		
Likelihood	Impact	Risk
Possible	Moderate	Medium

Likelihood	Almost Certain	Likely	Possible	Unlikely	Rare
	Significant	Minor	Modest	Major	Extreme
	Consequences				

Risk Appetite (strategy): Moderate

Risk Description: Council recently explored available AI solutions options, including automation and Generative AI (Gen AI), to deliver value and bring efficiency to operations. *(AI implementation is underway for some solutions).*

If procurement, development, deployment and integration of AI technologies are not adequately and effectively performed, then this may lead to data security and privacy vulnerabilities and non-compliance with laws and regulation (e.g. breaches of the Privacy Act 2020), along with potential creation of ethical issues affecting people or the environment.

Such occurrences may result in financial loss, legal and compliance implications, wastage of resources and loss of trust and confidence in the Council or create other reputational issues. Additionally, if AI technologies are not adequately implemented in the organisation with appropriate training and guidelines for use, then this could lead to unfair bias and discriminatory outcomes for individuals.

However, there are also potential opportunities Council can access by using AI technologies. These opportunities include:

- Operational efficiencies;
- Improved customer experience and support (e.g. AI powered chatbots 24/7);
- Enhanced decision making;
- Cost reduction (e.g. through reduction of manual interventions); and
- Improved internal capability and ability to reduce contracted costs in some cases; and
- Improved employee productivity and work satisfaction due to up-to-date tools.

Risk Drivers:

- Staff using unapproved AI technologies for work purposes outside of Council secure environment;
- Cybersecurity considerations, as applicable to any new technology;
- Poor prompting and review processes leading to inaccurate, incomplete or misleading information along with unfair bias and discriminatory statements;
- Changes to AI applicable legislation and regulation;
- AI technology developing at a rapid pace and inability to keep up with best practice;
- The speed at which AI technologies advance can be overwhelming, leaving employees struggling to keep up with the rate of change;

STRATEGIC RISK REGISTER

- Stakeholder resistance; and
- Misalignment with Council priorities.

Current controls

- AI Strategy in place, outlining the direction and focus;
- AI Policy and risk management guidance in place, outlining Council expectation of staff when using AI;
- Generate AI trials completed with small numbers of staff to understand opportunities and risks at a manageable scale before wider adoption;
- Robust Change Management Plan and approach developed and to be implemented to increase AI maturity and ensures correct support and guidance to successfully adopt and apply the tools;
- Ongoing and regular engagement with key stakeholders;
- Seeking external advice and/or review of AI matters to supplement internal capability; and
- Introduction to AI training rolled out to the organisation to ensure understanding of AI policy.

Planned mitigation actions:

- Ongoing training and education to staff;
- Communication and Engagement Plan; and
- Other risk strategies to be actioned as set out in the Council AI Policy. This includes development of AI risk tiering which sets out risk tolerance for potential use cases.

10. Workforce capacity, capability and engagement**Risk Owner:** Chief People Officer**Risk Ratings:**

INHERENT RISK		
Likelihood	Impact	Risk
Likely	Major	High

RESIDUAL RISK		
Likelihood	Impact	Risk
Unlikely	Minor	Low

Likelihood	Almost Certain					
	Likely					
	Possible					
	Unlikely					
	Rare					
		Insignif- icant	Minor	Moder- ate	Major	Extrem
		Consequences				

Risk Appetite (strategy): Moderate

Risk Description: If workforce capacity, capability and engagement is not effectively managed, maintained and developed, this may result in disengagement and/or resignations of key staff - leaving gaps of knowledge and increasing costs to recruit, induct and train, loss of intellectual property, wellness impacts and increased pressure on remaining team members due to workloads.

We need to ensure we have people in the right place with the right skills, so we have both the capacity and capability to deliver on the plans for our city and to better serve our communities. We also need to ensure we provide a positive work environment and experience for our people. Workforce pressures impact organisational effectiveness and Council's ability to deliver its LTP.

STRATEGIC RISK REGISTER

Risk Drivers:

- Retention and recruitment, particularly of skilled staff (including in regulatory and policy areas), needs to continue to be a key area of focus;
- Remuneration expectations particularly by those currently working/having worked, in central government which impacts on our ability to attract and retain talent due to our proximity to Wellington;
- Increased employee expectations of employers and the experience, compensation, flexibility etc they provide;
- Changing nature and expectations of leadership;
- Pressure in some parts of the business which should be resolved through ongoing improvements to systems and processes;
- Ongoing realignment activities and inadequate focus and effort put into these leading to disengagement, lack of role clarity etc; and
- Not having sufficient staffing levels for workloads (including to deliver significant capital investment programme).

Current controls

- Ongoing engagement with staff including providing regular opportunities for feedback through our Waiora Surveys, follow-up discussions and action plans;
- Clear performance expectations being set, aligned with organisational priorities and the business planning process. Expectation of ongoing feedback and coaching being undertaken by leaders;
- Recent remuneration review process (July 2024), however this didn't provide the opportunity to address relativity issues and recognise performance to the usual extent due to budget constraints;
- Ongoing exit surveys with timely reporting to identify areas for improvement proactively by tracking attrition statistics and feedback trends over time;
- Wellbeing programme activities including regular communications and promotion of support services available such as Vitae for EAP Services;
- Regular All Staff Hui's and pānui/kōrero comms to share information and ensure connection across Council;
- Leadership education and learning opportunities such as webinars and the leadership forums, through the Te Ara Whakatupu programme;
- Providing internal promotions and secondment opportunities where appropriate;
- Supporting the business to ensure we're getting the best outcomes when undertaking recruitment activities;
- Delivery of initiatives outlined in the Organisation & Capability Development Plan;
- Go1 digital eLearning platform being utilised to provide access to learning activities (onboarding, compliance, core capabilities etc), and to support professional and personal growth and development;
- Performance development framework that provides resources for the various conversations our leaders need to have; and
- Monthly and quarterly reporting undertaken to enable identification of trends and support decision-making.

Planned mitigation actions:

- Focus on continuing to embed the Mana Kōrero framework to support a culture of regular feedback and enable high-performing teams;
- Focus on maintaining completion of goals entered into CultureAmp (at least 80%), to ensure staff are meeting performance expectations and working productively;
- Development of a Wellbeing and Belonging Strategy to provide an intentional approach to supporting staff wellbeing;
- Improve diversity information collected to enhance reporting and ensure our workforce represents the communities we serve;
- Ongoing promotion of opportunities internally through Te Pataka and better access/visibility of vacancies;
- Completion of a leadership framework to describe what good leadership looks like at Hutt City Council;
- Continuing to provide development opportunities through Te Ara Whakatupu;
- Implementation of new HRIS and payroll systems; and
- Delivery of initiatives outlined in the Waiora Survey 24-25 Action Plan.

Report no: ARSC2024/5/351

Human Resources Information System and Payroll Project

Purpose of Report

1. This report provides an update, as agreed at the Audit and Risk Subcommittee meeting on 27 August 2024, on Council's progress on the Human Resources Information System (HRIS) and Payroll Project.

Recommendations

That the Subcommittee receives and notes the progress on the Human Resources Information System and Payroll Project.

Background

2. The HRIS/Payroll project was established to ensure that the Council has Human Resources and Payroll systems that are fit for purpose, enhance the employee experience, enable access to workforce data, and comply with the relevant legislation.
3. In May 2024, the project brief was agreed upon by the Go Digital Programme Board, which outlined a high-level approach to complete the initiation phase of this project. The initiation phase includes:
 - a. project initiation – review work done to date to define objectives, scope and key requirements/functionality that are required to meet Council needs, identify pain points and systems/processes that need to be improved as part of this project (COMPLETED)
 - b. market research – conduct research to identify potential vendors that offer the features and capabilities Council needs. Discuss with other Councils their approach to HRIS/Payroll (COMPLETED).
 - c. procurement – develop and agree a procurement approach and engage with market (COMPLETED).
 - d. vendor evaluation and selection (IN PROGRESS).
 - e. business case development and sign off.
4. It is expected that the initiation phase will be completed in Quarter 3 2024/25.

Project update

5. A specialist HRIS/Payroll Project Manager started with Council on 22 July 2024. Since the last report project initiation, market research and agreement on the procurement approach have been completed.
6. A Procurement Plan was presented to the HRIS/Payroll Project Board, which agreed to a two-step procurement process. This has included an open tender Registration of Interest (ROI) followed by a closed short-listed Request for Proposal (RFP). This approach is to ensure that the project has thoroughly tested all available market options.
7. The ROI closed on 7 October 2024. 16 proposals were received and evaluated by a procurement panel. This panel included voting members representing the Project Board and non-voting members representing key subject matter expert areas such as payroll, human resources, Information Management, Information Technology and complex business users.
8. The panel selected four providers to move through to the closed RFP process. The project team expects proposals from these providers to be submitted on 15 November 2024, with provider presentations starting the following week. The final evaluation meeting is planned for 19 December 2024 with the aim of selected a preferred solution.
9. The project will deliver a progress update to the Audit and Risk Subcommittee at each quarterly meeting throughout its duration.

Project Risks

10. A risks workshop was held with the Project Team to identify key risks associated with the project. At a high level, these include:
 - a. budgetary constraints – if there are no systems available within the current budget, with the capability and right sized solutions that have been proven in the New Zealand market, then requirements may need to be adjusted to fit within budget. Additional funding may also be required, and other projects within Go Digital would have to be deprioritised or descoped from the programme.
 - b. process improvement change – if there is an unwillingness to adopt change processes or the business attempts to customise the new systems to meet old existing processes, the system will not be able to fix key pain points, and benefits will not be realised.
 - c. Holidays Act compliance – if there are no systems available that meet current or future Holidays Act compliance, then the project may be delayed, or requirements or processes adjusted to meet legislative requirements.
11. The RFP procurement documentation has included the identification and prioritisation of core requirements, along with a detailed pricing template to help manage these risks. Once developed, the business case will outline the project's scope, process improvement needed and a robust resourcing plan to work within the current budget to mitigate these risks further.

12. At the last Audit and Risk Subcommittee meeting, a risk around the availability of suppliers was raised. This has been mitigated by undertaking the ROI processes to test the market fully.

Climate Change Impact and Considerations

13. The matters addressed in this report have been considered in accordance with the process set out in Council's Climate Change Considerations Guide.

Consultation

14. Not applicable.

Legal Considerations

15. Not applicable.

Financial Considerations

16. A budget of \$1M has been allocated to this project from within the Go Digital Programme budget.

Appendices

There are no appendices for this report.

Author: Megan Connew-Simmons
Programme Manager

Approved By: Lyndon Allott
Chief Digital Officer

Report no: ARSC2024/5/352

Te Wai Takamori o Te Awa Kairangi (RiverLink) Update

Purpose of Report

1. The purpose of this report is to update the Audit and Risk Subcommittee on Te Wai Takamori o Te Awa Kairangi RiverLink Project (the Project) since the last report on 27 August 2024.

Recommendations

That the Subcommittee receives and notes the information.

Delivery Update

2. Te Wai Takamori o Te Awa Kairangi (the Project) is a partnership between Hutt City Council (Council), Greater Wellington Regional Council (GWRC), New Zealand Transport Agency Waka Kotahi (NZTA) and iwi mana whenua Taranaki Whānui ki Te Upoko o Te Ika and Ngāti Toa Rangatira.
3. On 27 March 2024, Council resolved to split the delivery of Te Wai Takamori o Te Awa Kairangi between Council and the Alliance to allow for better value for money.
4. On 28 March 2024, GWRC resolved to remove any delivery of GWRC from Alliance scope because of affordability challenges.
5. The split delivery model would see Council delivering streetscape improvements, Woburn Road/Queens Drive intersection upgrade, the Riverbank Park and carpark works. The scope of the Alliance includes the delivery of the City Link Bridge, associated streetscape tie-ins and the Queens Drive/High Street intersection improvements.
6. To ensure programme co-ordination and integration, project partners agreed to develop Coordinated Delivery Plan (CDP) and construction sequencing options to ensure alignment against the primary outcomes sought by the partners.
7. On 27 June 2024, a preferred CDP and construction sequence was selected, that best aligns with outcomes sought by Partners.

8. The preferred CDP has been developed in sufficient detail underpinned by the following principles:
 - a. **Cost minimisation:** All partners face significant cost pressures that could potentially jeopardise programme delivery. The partners will work together to minimise costs, minimise cost impacts on each other, manage and mitigate risks, support effective and efficient delivery, and aim to keep HCC, GW and NZTA costs to within agreed affordability envelopes.
 - b. **Flood Risk Management:** Noting the cost constraints and associated collaboration required to manage cost effective programme delivery, the partners continue to support and will continue to consider the delivery of an appropriate level of service to the community, as defined in the Hutt River Floodplain Management Plan.
 - c. **Partnership:** The partners are committed to working in partnership to deliver the best collective outcome/s for the programme. The principle of partnership involves working collaboratively with openness, transparency, in good faith, being fair and reasonable, sharing information proactively and early, and operating in the interest of achieving best outcomes for programme and partners. The partners are committed to setting appropriate delegations and providing appropriate expertise and resourcing for working with partners.
 - d. **Alignment and consistency:** Messaging, inside and outside of the teams within the programme, needs to be aligned and consistent to support effective communication and engagement activities, a strong programme narrative and partnership culture that supports effective programme delivery.
9. The proposed target date for the completion of the Interim Project Alliance Agreement (IPAA) is 20 December 2024, when NZTA expect to sign the Project Alliance Agreement (PAA).
10. Significant challenges have arisen over the past six months because of additional interface work required with the splitting of delivery, and wholesale cost increases still affecting the affordability of the Project. These are detailed in the risk update below.
11. For scope currently outside of the Alliance, Council has progressed planning around what mitigations are required at the Queens Drive/Woburn Road intersection to support traffic changes during and post-construction and have released a Registration of Interest (ROI) and Request for Tenders (RFT) for the professional services and design work relating to Hutt City Streetscaping in the CBD.

Risk Update

12. A high-level summary of currently understood risks in relation to the project is below, with key risks expanded on further below.

Risk	Description	Consequence	Rating
If Alliance costs are unaffordable	If the final estimates received from the Alliance exceed the available funding for the Project outlined in the 2024-2034 LTP.	Increased costs, project delays, additional debt and/or rates funding required.	Severe
NZTA NLTP funding 51%	We have assumed 51% NLTP funding for the bridge and intersections. There is a risk that funding is not granted for the City Link Bridge.	Increased costs, this risk is being realised currently.	High
Escalation	Escalation has been allowed at 6%, but there is a risk that this could actually be as much as 10-15%.	Increased costs	High
Consenting risks / strategies	Affordability of the project impacts on the ability to deliver on the consented outcomes.	Additional work may be required to satisfy key stakeholders and minimise the risk of non-compliance of the consent.	Medium
Resourcing	There is a risk that the delivery model is not adequately resourced internally – either due to lack of suitable candidates or internal resourcing pressures.	Project delays, increased costs, lack of project ownership, team morale, wellbeing.	Medium
Sequencing /schedule	There is a risk that we do not integrate with the Alliance construction schedule or that in aligning with their schedule our works are significantly delayed. This is being minimised through the Coordinated Delivery Plan.	Increased disruption for community, project delays, increased costs, Alliance delays.	Medium
Interdependencies with other Project elements	There is a risk that a new delivery model does not adequately manage the interdependencies and interfaces across Project and partner scope elements.	Increased costs, project delay.	Medium

13. The above NZTA NLTP risk has been updated since the last report:

- a. **NZTA NLTP Subsidy:** Funding for the City Link Bridge and intersections are uncertain from NZTA's National Land Transport Programme (NLTP). These have been listed as 'possible' and 'probable' respectively in the NLTP, but funding is not guaranteed. The City Link Bridge is proposed to be funded out of the walking and cycling infrastructure class, of which the allocation for the 2024-2027 NLTP funding cycle is already nearly exhausted.

Financial Considerations

14. Table 1 below shows the budget in the final Long Term Plan (LTP) 2024-34.

Table 1*: Actual, Forecast and 2024-34 LTP Budget

	2019-24 Actual '000M	2024/25 LTP Budget '000M	2026-29 LTP Budget '000M	Total 2019-29 '000M
Capex	25.19	7.25	161.39	212.86
Revenue	(1.51)	(1.53)	(53.29)	(56.33)
Opex	1.64	0.00	0.01	1.65
NET	25.32	5.72	118.82	158.19

*all excludes property acquisition

Table 2: Capex and Revenue by Component

	Capex '000M	Revenue '000M	Net Cost '000M
City Link Bridge	75.23	(38.39)	36.8
Streetscape Improvements	59.36	-	59.36
Riverbank Park	39.82	-	39.82
Intersections	35.18	(17.94)	17.24
Riverbank Car Park	3.27	-	3.27
Total	212.86	(56.33)	156.53

15. A report to rephase expenditure of some components in the LTP will be considered by the Long Term Plan/ Annual Plan Subcommittee on 16 December 2024. This is to align with the known sequencing in the drafted Coordinated Delivery Plan. Table 1 includes the proposed rephasing.
16. In line with Council's Revenue and Financing Policy, Council's share of the capital expenditure will be funded from borrowing and rates.

Climate Change Impact and Considerations

17. The matters addressed in this report have been considered in accordance with the process set out in Council's [Climate Change Considerations Guide](#).
18. The design of Te Wai Takamori o Te Awa Kairangi considers climate change projections and will help increase Te Awa Kairangi ki Tai Lower Hutt's resilience to the effects of climate change.

Consultation

19. A business outreach plan is being developed in conjunction with the Communicates and Engagement and Business and Economy teams to strengthen the relations with local businesses and establish pathways for engagement on the work programme.

Legal Considerations

20. Work is progressing on separate commercial agreements with GWRC and NZTA, which are dependent on how delivery of the Project is progressed.
21. For any scope remaining with the Alliance for delivery, then commercial agreements with NZTA would be required to be executed ahead of the Project Alliance Agreement execution on 20 December 2024.

Next Update

22. The next update will be considered by the Subcommittee on 22 April 2025.

Appendices

There are no appendices for this report.

Author: Billy Tong
Project Manager - City Delivery

Reviewed By: Orla Harkin
Programme Manager

Reviewed By: Jon Kingsbury
Director Economy & Development

Reviewed By: Jenny Livschitz
Group Chief Financial Officer

Approved By: Jo Miller
Chief Executive

Report no: ARSC2024/5/354

Tupua Horo Nuku - Quarterly Update

Purpose of Report

1. To update the Audit and Risk Subcommittee on the Tupua Horo Nuku (Eastern Bays Shared Path) Project.

Recommendations

That the Subcommittee receives and notes the information.

Background

2. Tupua Horo Nuku (the Project) is a 4.4 kilometre walking and cycling path that will run along Marine Drive in two sections, between Ngau Matau Point Howard and the northern end of Oruamatoro | Days Bay and the southern end of Days Bay to Eastbourne.
3. Tupua Horo Nuku will also link to other paths and regional routes, such as the Remutaka Cycle Trail, and a future network of walking and cycle paths around Te Whanganui-a-Tara | Wellington Harbour.
4. The shared path project includes new seawalls for improved protection from storms and waves. Construction of the path will enhance the environment where possible and will provide a base for future resilience work on the road and underground services.
5. The benefits will be measured by reducing carbon emissions, and cars on the roads and greater numbers of walkers and cyclists using the path.

Discussion

6. Construction remains active in three bays. Work is nearing completion in Sunshine Bay, noting that due to nesting kororā, a small section of the wastewater mains work is being deferred in the programme, with a site safety walkover being conducted by December 2024. York Bay is also nearing completion. An update of programme completion dates for each bay is included in Table 1.

Milestone	Original Completion	Revised Completion	Status
Nga Matau/Point Howard	Mar 2025	Jul 2025	Not started
Whiorau/Lowry Bay	Jan 2026	Mar 2026	Started
York Bay	Sep 2025	Jan 2025	Started
Mahina Bay	May 2026	Jun 2026	Not started
Sunshine Bay	Apr 2024	Jan 2025	Started
Ma-koromiko/Windy Point	Oct 2023	Oct 2023	Complete
	Forecast Project Completion		June 2026

7. Traffic management extension trials have been successful, and continual programme gains are being identified through tides, weather, ground conditions and mitigation of existing road conditions and management of ecology for example, kororā.

Options

8. There are no options as the report is a noting report.

Risk Update

9. There are several current risks of note for the project that are identified below:
- a. Eastern Bays Sewer Main – The southern most section of the works is being deferred through Summer due to the presence of kororā. Completion remains within the project programme.
 - b. Mahina Bay – Though the design is progressing resolution of the overhead services (power poles) is not yet finalised. The Project continues to work with Wellington Electricity, who are currently working through the final option and costs, for officer consideration before the end of November 2024.
 - c. Ngau Matua/Point Howard – Challenges, impacts and recommendations to ensure full delivery of the shared path in the bay, post Centreport oil pipeline upgrade works, have been put forward by the Alliance and are currently under review by officers.
 - d. Programme dependency – The Project is scheduled for completion at a similar time to the Ngā Uranga ki Piti One Project to avoid incurring additional costs. Both projects are forecast to be completed in mid-2026.

- e. Reputational Risk – Council is delivering the Bishop Park Bird Protection Area (BPA) as required through resource consent conditions has seen local residents concerned about fence heights and requirements of the consent. Council remains actively engaged with the community and have committed to timely and transparent communication, including on site meetings when required or presentations at the Eastbourne Community Board.
- f. Further challenges – Previous challenges of deep rock foundations and tides have been mitigated with the introduction of constructing coffer dams. Road conditions remain an issue with the project team consulting with Council officers on potential solutions.

Finance Update

- 10. Table 2 shows the actual and forecast budget in the final LTP 2024-34. Spending as of October 2024 on the Project is \$43.22M against 52.8% progress.

Table 2: Actual and Forecast LTP Budget

	2022-24 Actual '000M	2024-25 LTP Budget '000M	20225-26 LTP Budget '000M	Total 2022-26 '000M
Capex	35.77	23.87	22.23	81.87
Revenue	(22.92)	(16.28)	(16.28)	(55.48)
NET	12.85	7.58	5.95	26.38

- 11. Updated costs will be considered by the Long Term Plan/ Annual Plan Subcommittee in December 2024.

Climate Change Impact and Considerations

- 12. The matters addressed in this report have been considered in accordance with the process set out in Council's Climate Change Considerations Guide.
- 13. The increased resilience outcome of Tupua Horo Nuku will help to enhance Lower Hutt City's resilience to climate change.
- 14. The construction of the shared path is intended to promote a modal shift to cycling and walking, leading to an expected long term reduction in vehicle emissions.

Consultation

- 15. The Tupua Horo Nuku project was included in Council's Long Term Plan 2024-34 consultation.
- 16. Ongoing and relevant consultation is conducted as usual practice before the opening of any of the six separate bays.

Legal Considerations

17. Covered by PAA with specific advice sought via Council legal, where and if necessary.

Financial Considerations

18. Escalations to be highlighted through the monthly Major Projects Steering Group Committee.

Appendices

No.	Title	Page
1 ↓	THN Risk November 2024	160

Author: Rona Lemalu
Project Delivery Manager

Author: Clyde Ashfaq
Senior Management Accountant

Reviewed By: Paul Hewitt
Head of Transport

Approved By: Jon Kingsbury
Director Economy & Development

Risk	Description/background	Treatment action/next steps	RAG status
Programme dependency	<p>The Tupua Horo Nuku (THN) Project must finish before Te Ara Tupua (TAT) Project, to avoid monthly Preliminary and General (P&G) costs of approximately \$400–500k. Currently THN P&G costs are covered by TAT. If TAT finish before THN, THN will be liable for the \$400–500k monthly costs.</p> <p>There is very limited float between both projects.</p>	<p>Faster turnaround approval times by Council as proposed by the Alliance, under review by Council.</p> <p>Opportunity to make programme gains via extending reach and times of traffic management, under review by Council.</p>	
<u>Eastern Bays Sewer Main</u>	Inclusion of the Eastern Bays wastewater main on the project programme	The impact of the inclusion of the Eastern Bays wastewater main on the project programme is being assessed to ensure works are sequenced to remain inside forecast programmes.	
Mahina Bay	<p>Temporary relocation of power poles.</p> <p>Risk to programme and construction.</p>	Though the design is progressing resolution of the overhead services (power poles) is not yet finalised. The Project continues to work with Wellington Electricity who are currently working through the final option and costs, for Officer consideration before the end of November 2024.	Risk being managed by Alliance.

Ngau Matau/Sorrento Bay	<p>Centerport has undertaken shared path temporary works at Ngau Matau/Sorrento Bay in line with the Wharf Resilience Project.</p> <p>There is a risk that the CentrePort works are not aligned with the Te Ara Tupua Alliance TOC design.</p>	Challenges, impacts and recommendations have been put forward by the Alliance and are currently under review by Officers.	
<u>Reputational Risk</u>	Delivery of CL Bishop Park Bird Protection Area.	Hutt City Council is delivering the Bishop Park Bird Protection Area (BPA) as required through resource consent conditions has seen local residents concerned about fence heights and requirements of the consent. Council remain actively engaged with the community and have committed to timely and transparent communication, including on site meetings when required or presentations at the Eastbourne Community Board.	
<u>Further challenges</u>	Existing asset conditions	Previous challenges of deep rock foundations and tides have been mitigated with the introduction of constructing coffer dams. Road conditions remain an issue with the project team consulting with Council officers on potential solutions.	

RAG Status indicator	Green	Amber	Red
Scope	Scope of the initiative is clearly defined. Project is proceeding according to approved scope.	Scope change has been identified, the impact of which is likely to be minor.	Scope change has been identified, the impact of which is likely to be significant.
Schedule	Project plan has been accepted: The key milestones: Business Case(s) approval, Go Live, and Project Close are tracking to the approved baseline schedule.	One or more of the key milestones: Business Case(s) approval, Go Live, or Project Close are forecasting to be behind the approved baseline schedule by <21 days (3 weeks).	One or more of the key milestones: Business Case(s) approval, Go Live, or Project Close are forecasting to be behind the approved baseline schedule by >21 days (3 weeks).
Budget	The project is tracking to budget with NO forecasted variance against the current approved budget.	The project is forecasting a variance against the current approved budget of up to 5% or up to \$150k.	The project is forecasting a variance against the current approved budget of over 5% or over \$150k.
Risk	Risks have been identified and mitigation strategies are in place for all risks. Regular meetings with key stakeholders are in place to review risks and mitigation strategies in a proactive manner.	Risks have been identified but not all risks have mitigation strategies in place. OR No regular risk meetings are in place and risks are managed in a reactive manner. OR High and very high rated risks have been identified, mitigation strategies are in place, but the project is not confident that they will be effective.	Risks have not been clearly identified. OR Emerging risks have been identified but impacts not yet rated. High and very high rated risks have been identified; however, mitigations are not in place.
Health and safety Issues	No Health and Safety incidents this reporting period. All identified project issues have management plans in place.	3-5 new Health and Safety incidents this reporting period. Low or moderate issues have occurred, and work is being done to resolve or identify workarounds.	Over 5 Health and Safety incidents this reporting period. High or very high issues have occurred, and work is being done to resolve or identify workarounds.
Benefits	Benefits identified and agreed by Business/Benefit Owner. Benefits on track to be realised to the expected level and timescale predicted. Benefits documented in Business Case (or other mandatory document).	Benefits have not been clearly identified or have not yet been agreed by Business /Benefit Owner. At least one approved benefit is behind schedule but expected to reach projected target.	Benefits will not meet target value either within project timeframes or in total and will therefore impact overall project value.
Overall	Project on track Up to 2x amber	Some project challenges which may require assistance. 3 or 4 amber and no red	Significant project issues requiring governance intervention to re-align. 5 or more amber or any red

Report no: ARSC2024/5/111

ComplyWith: Legal Compliance report 1 January 2024 to 30 June 2024

Purpose of Report

1. The purpose of this report is to present the key findings from the ComplyWith survey on legal compliance.

Recommendations

That the Subcommittee:

- (1) notes the ComplyWith legal compliance report for the period 1 January 2024 to 30 June 2024;
- (2) notes that out of the 40 non-compliances recorded during the survey, 29 are already resolved; and
- (3) notes that once the duplicate from the remaining 11 non-compliances have been removed, 10 Corrective Actions remain attached as Attachment 1 to the report.

Background

2. Council uses 'ComplyWith', a legal compliance management tool, to identify and monitor legal compliance risks. During the implementation stage in September 2021, legal obligations were mapped to the responsible roles within Council. These staff, and any new staff appointed to these roles, complete an online compliance survey twice a year which enables them to proactively identify legal risks and issues. The 'Corrective Actions' function on ComplyWith allows staff to monitor risks and set Action Plans that require them to lay out the steps needed to resolve non-compliances. The function also helps track unresolved risks by sending staff regular reminders.

Discussion

3. The ComplyWith survey was sent out to 134 staff on 01 July 2024. The survey covered the period between 01 January 2024 to 30 June 2024 and captured 3,816 obligations under 110 Acts and Regulations. Everyone who the survey was assigned to, completed it.

4. The survey recorded 40 non-compliances, each with an Action Plan attached to it. Out of the 40 non-compliances, 29 are already resolved. The remaining 11 non-compliances are reviewed every three months by staff and the Corporate Leadership Team (CLT). There is some duplicate reporting of the same non-compliance. Once the duplicate is removed, 10 Corrective Actions remain. The list of remaining unresolved Corrective Actions and the mitigations that are or will be put in place to address these can be viewed in the attachment titled "List of remaining unresolved Corrective Actions."
5. The next survey will be out on 27 January 2025 and will cover the period between 1 July 2024 to 31 December 2024.

Overview of key results from the survey

Governance

6. The non-compliance involved recording an instance where signoffs/ refunds were carried out without proper financial delegation. This is now resolved.

Holidays Act

7. Council has set up a Holidays Act Remediation process since March 2022 and there have been payments made to both current and former employees. This is ongoing until a new payroll system is implemented. Regular reporting on Holidays Act compliance is provided to the Audit and Risk Subcommittee.

Health and Safety

8. During the survey period, health and safety matters were raised through our usual channels (Health and Safety Committee/Event and Hazard reporting) and escalated to the appropriate Director where required. There were no areas of non-compliance. The following partial compliances were reported.
9. Dust in the workshop at the Dowse – This work had been ongoing due to the challenges in finding an appropriate resolution. A local ventilation system has now been installed to minimise residual dust and staff continue to use appropriate Personal Protective Equipment (PPE), which is best practice in this environment to minimise risk. A final audit is to be undertaken to ensure full compliance and effectiveness of the controls.
10. Installation of an IT programme to support body-worn cameras for our Animal Control officers. Following the survey software and storage for footage have been installed.
11. Previously recorded toxic mold and continuing leaks at the Petone Neighbourhood Hub. This is a known issue that has been managed over a period, and with the elevated levels in the foyer area, it has now been closed to staff and the public. The facilities team undertakes monthly testing, with the most recent tests confirming levels in the breakout area are within safe limits. There is a plan to fix the leaks as a priority, as part of the building refurbishment work scheduled for this financial year.

12. Where partial compliances were noted related to the supply of PPE, appropriate action has been taken.

Buildings

13. Nine non-compliances were recorded against obligations under the Building Act 2004. Two staff members recorded non-compliance for the same obligation during the survey, which occurred again for a different obligation. All non-compliances are now resolved.
- (a) building owners must attach the notice or exemption notice to the earthquake-prone building if required by the territorial authority. Action has been taken to attach notices to the multiple entrances of buildings that are earthquake-prone and owned by Council.
 - (b) if a building has a compliance schedule, an annual building warrant of fitness (BWOFF) must be supplied to the territorial authority and publicly displayed. The BWOFF for the Eastbourne Neighbourhood Hub has now been accepted.
 - (c) the new energy efficiency standards for homes resulted in a peak in applications before their implementation, affecting staff capacity and causing delays in meeting the required timeline of 20 working days when deciding on building consent applications. The peak in applications has now been processed, and statutory timeframes have improved to over 80%. Further improved statutory performance will occur after the BCA has completed a project to clean applications on long term hold in its system.
 - (d) decisions on whether to issue a Code Compliance Certificate (CCC) must be made within 20 working days using the correct process. A code compliance certificate must also be issued in the required form on payment of the required fees and charges under the Building Act. Changes to how we process CCC applications have resulted in improved statutory timeframes. For FY 2024/25, officers are averaging approximately 95% of CCC processed within statutory timeframes.
 - (e) work has been undertaken to evaluate the status of all earthquake-prone buildings. Reporting to Ministry of Business, Innovation and Employment (MBIE) will be implemented in the next six months.
 - (f) a quality manual is being produced to cover all Territorial Authority functions and the policy on dangerous and insanitary buildings will form part of that.

Environment

14. Three zero-compliances and four partial compliances were recorded against obligations under the Dog Control Act 1996, Impounding Act 1995 and Impounding Regulations 1981 and Resource Management Act 1991 and Regulations.
 - (a) the records required by section 30(1) of the Dog Control Act 1996 must be maintained for the applicable period (or entered into the National Dog Database) and destroyed when that period expires. The Animal Services team will undertake a review to quantify historical records older than 30 months and continue to seek advice from the Information Management team about appropriate storage for the records ie digitising the records.
 - (b) the Impounding Act requires that a pound keeper must be appointed for each public pound under council's control. A shelter officer is now employed.
 - (c) Moa Point Animal Services Team are contracted to supply Animal enforcement services to Wellington City Council (WCC). This service does not include disqualifying owners or classifying a dog owner as probationary. WCC's legal team would undertake this process with Moa Point Animal Services Team only supplying evidence as requested by WCC.
 - (d) under the Resource Management Act 1991 and Regulations, the required steps must be followed to decide within 20 working days whether to give public or limited notification of a resource consent application. The team has now cleared the backlog of old consent application.
 - (e) under the Resource Management Act 1991 and Regulations, Council must approve or decline a survey plan for a subdivision within 10 working days, if conditions are met. The team is working with the Subdivision Engineering team to meet statutory timeframes.
 - (f) under the Resource Management Act 1991 and Regulations, hearings on resource consent applications should be started and completed within the required time. One publicly notified hearing during the reporting period was delayed due to expert and commissioner availability and multiple minutes between the hearing commencing and closing which was not typical. Once a decision has been given by the external commissioners, Council will action any refund as required under the Resource Management Act.

Managing information

15. The ComplyWith survey results for this period reflect our overall increase in privacy maturity. Key features are an overall increase in compliance and awareness across the organisation. One incident notified to the Office of the Privacy Commissioner during this period. All incidents reported to the Privacy Officer during this period have been resolved and recommendations have been made to relevant teams for improvements to their processes.

Appendices

No.	Title	Page
1 ↓	The list of remaining unresolved Corrective Actions	168

Author: Lakna Siriwardena
Legal Co-ordinator

Approved By: Bradley Cato
Chief Legal Officer

Attachment 1:

The list of remaining unresolved Corrective Actions

	Corrective Action	Action Plans in place
1.	The records required by section 30(1) of the Dog Control Act 1996 must be maintained for the applicable period (or entered into the National Dog Database) and destroyed when that period expires.	Undergo a review to quantify historical records older than 30 months and continue to seek advice from the Information Management team about appropriate storage for the records i.e. digitising the records.
2.	Disqualify dog owners for up to 5 years when required and give notice	Moa point Animal Services Team are contracted to supply Animal enforcement services to WCC. This service does not include disqualifying owners or classifying a dog owner as probationary. WCC's legal team would undertake this process with Moa Point Animal Services Team only supplying evidence as requested by WCC.
3.	Only classify a dog owner as a probationary owner if permitted and give notice.	Moa point Animal Services Team are contracted to supply Animal enforcement services to WCC. This service does not include disqualifying owners or classifying a dog owner as probationary. WCC's legal team would undertake this process with Moa Point Animal Services Team only supplying evidence as requested by WCC.
4.	Council must approve or decline a survey plan for a subdivision within 10 working days, if conditions are met.	The team is working with the Subdivision Engineering team to meet statutory timeframes.
5.	Start and complete hearings on resource consent applications within the required time.	One publicly notified hearing during the reporting period was delayed due to expert and commissioner availability and multiple minutes between the hearing commencing and closing which was not typical. Once a decision has been given by the external commissioners, Council will action any refund required under the Resource Management Act.

6.	Personal information must not be disclosed unless the disclosure is authorised by privacy principles 11 and 12 or another law.	An instance where an overdue notice for a minor got sent to a postal address when the family had moved was reported to the Privacy Commissioner. Processes and training are being reviewed.
7.	You must keep yourself and your team members safe, and comply with the health and safety laws, instructions, policies, and procedures relevant to you and your team.	Exposure to toxic mould levels and continuing leaks at Petone Neighbourhood Hub. There is a plan to fix the leaks issue as part of the building refurbishment work scheduled for this Financial Year. Workshop dust exposure event is an ongoing issue. A dust extractor fan has now been installed. A final audit is to be undertaken to ensure full compliance and the effectiveness of this as a control.
8.	Employees must be paid at the correct rate when they are on holiday or leave, or there is a public holiday.	Council has set up a Holidays Act Remediation process since March 2022 and there have been payments made to both current and former employees. This is ongoing until such time as a new payroll system is implemented. Regular reporting on Holidays Act compliance is provided to the Audit and Risk Subcommittee.
9.	Personal information must not be kept for longer than is required for the purposes for which the information can lawfully be used.	The team is working with Information Management team for appropriate disposal of information that no longer needs to be retained.
10.	A local authority record that is no longer in current use or is 25 years old (a local authority archive) must be classified as open access or restricted access.	Historical issue. Mitigations are in place to avoid release of restricted information. Work is ongoing to reduce overall size of archives collection to enable improved metadata and classification.

TO: Chair and Members
Audit and Risk Subcommittee

FROM: Andrew Quinn

DATE: 07 November 2024

SUBJECT: WHAKATUPU NGAENGAE



Purpose of Memorandum

1. To provide an update to the Subcommittee on the progress and management of the Whakatupu Ngaengae project (pool and town centre development) since the update to this subcommittee on 27 August 2024.

Recommendation

That the Subcommittee:

- (1) receives and notes the information; and
- (2) notes the following progress that has been made on the Whakatupu Ngaengae project in the reporting period September through October 2024:
 - (a) practical completion of Te Ngaengae Pool +Fitness is scheduled for 15 November 2024 and plans for a blessing and public opening of the building on Wednesday 4 December 2024 are now well advanced;
 - (b) tenders for the Walter Mildenhall Park close early November 2024 and we expect to confirm a preferred contractor mid-December 2024. Works are planned to commence siteworks by the end of January 2025; and
 - (c) confidence is high that Walter Mildenhall Park can be delivered on-time and on-budget.

Te Ngaengae Pool + Fitness

2. Work on the pool worksite is near to the end. To date the main pool tank has been installed, connected to pool water services, filled with water and the building HVAC system is now operating. The main bleacher seating has been installed, together with poolside seating at the ends and edges of both pool halls.
3. In the Leisure Pool, the pool tank has been filled and the pool water filtration is under test. The pool toys have been fitted and water is flowing through cleanly through to the shallow and deep leisure pool (see pictures in the Appendices).
4. Both hydrosides or zoom tubes have been installed, together with a stair tower modelled on the former diving tower in the old Olympic Pool.
5. At the time of writing, work is continuing in the reception/entrance area and to the external features of the pool complex, including hard and soft landscaping, dedicated pool car park, street scape and BBQ compound.

6. Weather has impacted on the progress of external works, although it is still hoped to finish all work to a practical completion status by 15 November 2024, which will enable Council staff to be trained on the operation of the pool and for the remainder of the fit-out to be completed. See project timeline to opening in the Appendices.
7. This includes installation of fitness equipment, furniture delivery and all the aquatic equipment necessary to stage competitions or special events to be delivered. HCC IT staff are busy installing Wi-Fi, eftpos machines and large screen TVs throughout the complex.
8. As advised in the previous report, officers have worked pro-actively with the site team from Apollo to complete a thorough review of the timeline to completion, resulting in sufficient confidence to announce an opening date to the public.
9. The project will deliver close to its social procurement target of 80% and to date 77% of the work by value has gone to suppliers working in the Wellington Region. In addition, up to 80% of the construction materials that would normally go to waste is being re-cycled.
10. The pool + fitness project is also on track to deliver the planned benefits:
 - (a) improved health and well-being of the people of Hutt City;
 - (b) increased connection for the Naenae community;
 - (c) local economic development opportunities through local procurement and employment; and
 - (d) an environmentally efficient facility that will be more sustainable.

Te Mako – Naenae Community Centre

11. This part of the project to rejuvenate the Naenae Town Centre has been open to the public since June 2024 and is currently operated by Team Naenae Trust. Bookings for the spaces have grown steadily, and the Centre has hosted many community events.

Walter Mildenhall Park

12. Within the budget of \$9.0M for the Naenae Spatial Plan, \$2.33M remains for developing a park in the NE corner of Walter Mildenhall Park.
13. Following extensive community engagement led by Council's Urban Design team and Local Landscape Collective with Third Studio, design plans have been finalized and prepared for tender. Images of the Park can be found in the appendices to this report.

14. The procurement strategy was for a two-stage, open and closed public tender process. In the first stage, registrations of interest were received from 12 interested landscape contractors, from which four were invited to participate in the pricing stage, thus ensuring that all tenderers have the relevant experience, track record and requisite approach to health and safety.
15. Tenders will close on 8 November 2024, and it is expected that a preferred landscape contractor will be identified in December 2024. This part of the Whakatupu Ngaengae project is tracking well to time and budget expectations, and the park is expected to be open to the public in late 2025.

Risk

16. The cost of the Naenae Pool and Fitness Centre build continues to be reviewed at regular intervals and remains within the \$68M budget cap. There is high confidence that the pool project can be completed within budget.
17. The latest risk register in the appendices of this report demonstrates that all risk mitigations are being carefully monitored for effectiveness.
18. Weather conditions continue to affect productivity although this is now restricted to the external works/streetscape. It is still hope that the bulk of this work can be completed by practical completion but certainly by public opening on 4 December 2024.

Financial Considerations

19. To date 55% (\$14.85M) of the \$27.0M funding contribution from Crown Infrastructure has been drawn down and now that work has completed to the building envelope, a further claim of \$5.4M can be made. The remainder of the stage payments totaling \$6.75M will be made on opening of the building in December 2024.
20. The final cost of the conversion of the Naenae Post Office to Te Mako Community Centre was \$6.67M, inclusive of purchase of the old Post Office. This leaves \$2.33M for the further development of Walter Mildenhall Park, which is the chosen priority for the Community Advisory Group. The scope of the park project has been scaled to fit within remaining budget.

Legal Considerations

22. There are no legal considerations to report.

Appendices

No.	Title	Page
1 ↓	Progress pictures Te Ngaengae Pool + Fitness	174
2 ↓	Timeline to opening Te Ngaengae Pool + Fitness	176
3 ↓	Walter Mildenhall Park design	177
4 ↓	Risk register	178

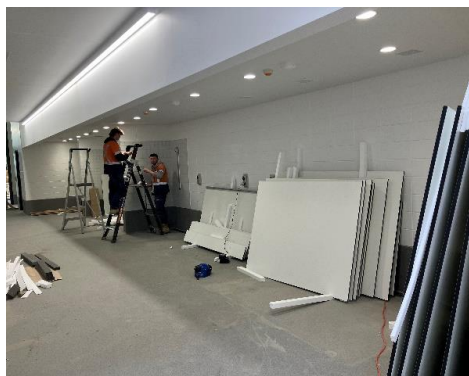
Author: Andrew Quinn
Project Manager (Naenae)

Approved By: Andrea Blackshaw
Director Neighbourhoods and Communities

Naenae pool and Fitness Centre – September 2024



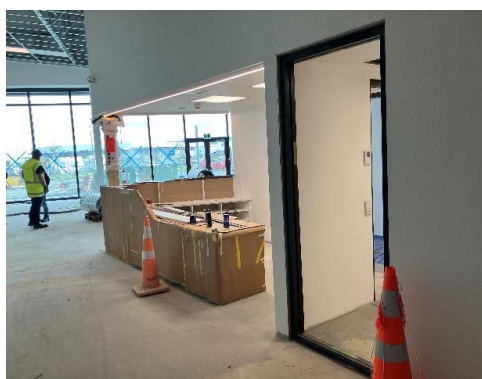
Concrete civil works progressing outside the Community Room.



ai Partitions have commenced installation within the Change Room areas.

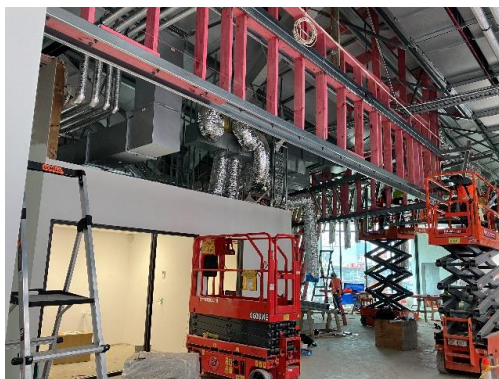


Deep leisure pool has been filled.



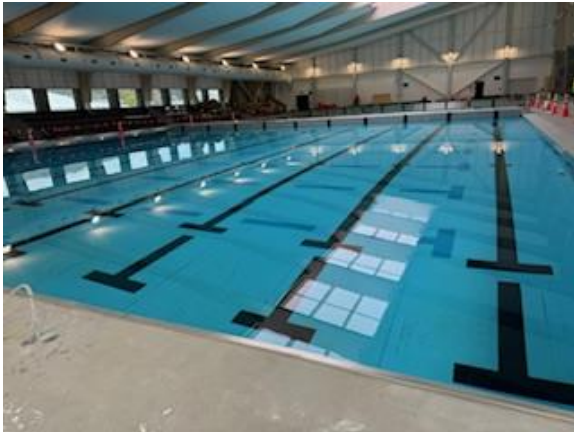
P

The Fitness Suite reception counter has now been installed. Temporary protection is currently in place to avoid any damage during construction.



Carpentry and steel framing being installed to create the bulkhead over the Reception area.

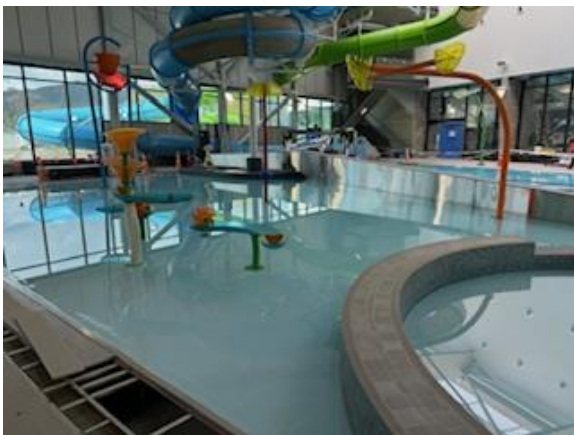
Naenae pool and Fitness Centre – October 2024



Main pool complete, water being filtered and heated



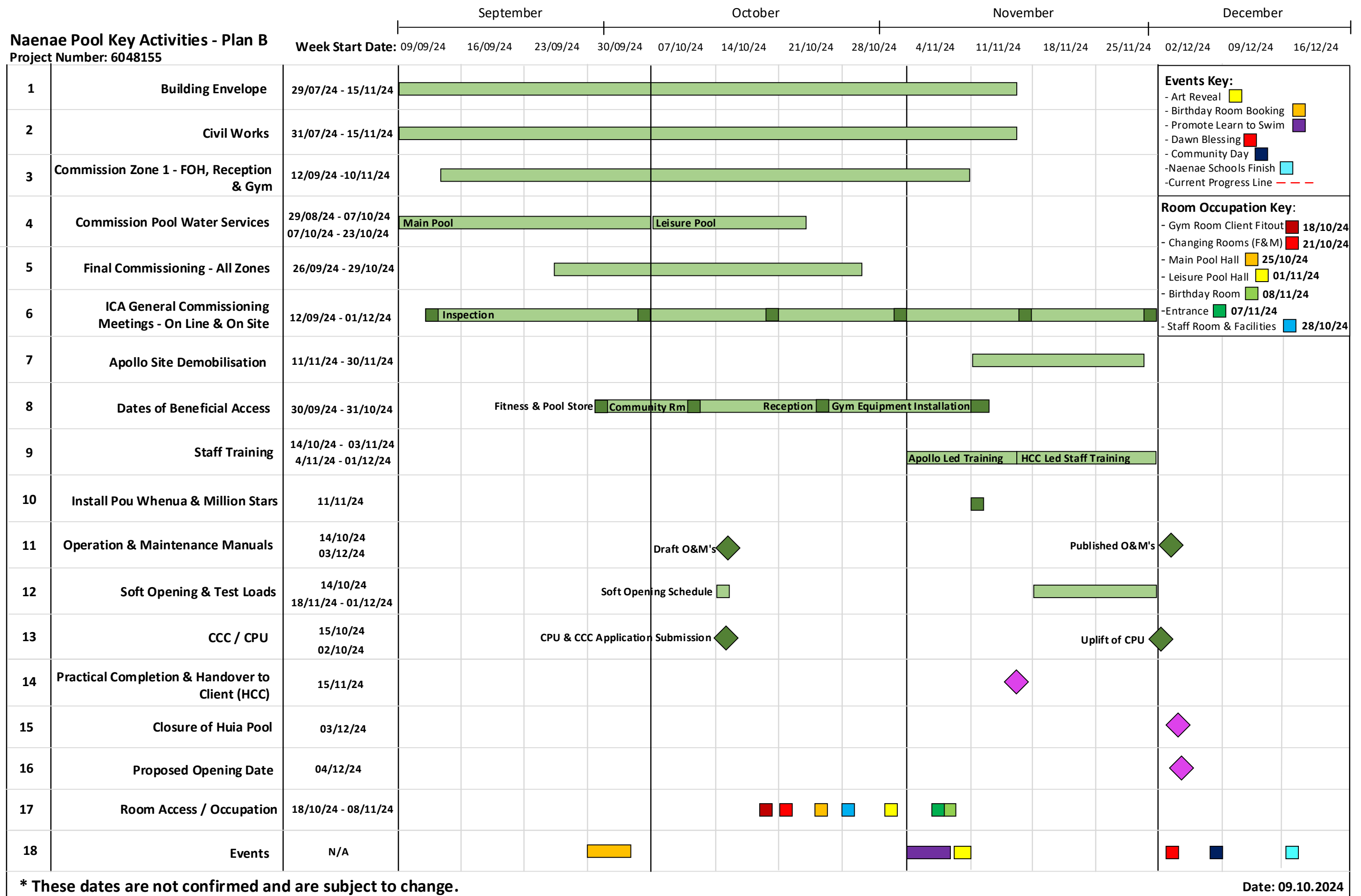
Water in deep leisure (warm up pool)



Water in shallow Leisure Pool



Tiling pattern in male changing room (female similar)





Naenae Pool and Fitness Centre: Risk Register
Prepared by AECOM

Print Date: 4/10/2024

Naenae Pool & Fitness Centre Risk Register

Revision 7 - 19/09/2024

	THE RISK IF [event or condition i.e. what can happen] THEN [consequence. Why is it a concern / impact if we don't get it right]	RISK DRIVERS existing and potential causes/triggers	Risk owner	INHERENT RISK			CONTROLS / RISK RESPONSES	RESIDUAL RISK		
				Likelihood	Impact	Risk		Likelihood	Impact	Risk
94	<u>Programme Prolongation</u> If Apollo is unable to complete the work according to the programme and is delayed by more than six weeks Then there will be delays to the opening of the facility and increased costs for HCC through ongoing consultant fees.	- Materials delayed in arrival to site due to availability - Materials delayed in arrival to site due to shipping delays - Subcontractors unable to deliver to timeframes due to other commitments or provide sufficient resource to complete works on programme - Subcontractors pull out at short notice due to other commitments - Subcontractors stop trading due to financial constraints - Inclement weather causing delays to exterior works	HCC	Likely	Moderate	High	Current controls/risk treatments: - Regular discussions with Apollo on subcontractor performance and concerns - Monitoring of programme, monitoring of works on site and review of mitigations where programme deviates from agreed baseline - Increased site resources / hours including weekend work - Regular discussions with Apollo on sequencing options - HCC early access for fit-out and transition to operations Planned mitigation actions: - Regular discussions with Apollo on material availability and shipping - Apollo engaging subcontractors early and using local market where possible - Management and monitoring of long lead time items - Consideration of weather protection options to facilitate progress - Regular CIP site inspections	Likely	Moderate	High
37	<u>Delay due to code compliance certificate</u> If the code compliance is not filed or granted on time, Then there will be delays to pool opening	- Contractor planning/performance	Apollo Projects	Possible	Major	High	Current controls/risk treatments: - Early engagement with HCC regulatory team and contractor planning - Contingency in programme - Identification of all requirements and tracking of completion Planned mitigation actions: - Certificate of Public Use (CPU)	Possible	Moderate	Medium
24	<u>Site security breaches</u> If the site is breached during construction, Then there will be a higher safety risk or injury and potential death	- Ineffective perimeter fencing and signage - Higher risk areas associated with criminal activities	Apollo Projects	Possible	Extreme	High	Current controls/risk treatments: - Site left in safe condition - Active management of site by Contractor - Contractor has installed a high-tech site security system. Security Patrol is called out upon system activation. - Identifying attractive items and removing from line of sight - As items are being installed within the building, less are stored out in public view/harder to steal Planned mitigation actions: - Review ongoing security requirements for the site as construction progresses and adjust as necessary - Review of Contractor's SSSP	Possible	Moderate	Medium
22	<u>Inadequate soft handover and training of staff for operation prior to full operation</u> If sufficient operational training is not provided for staff during handover and staff cannot properly operate the facility, THEN there will be poor performance, poor safety, poor operation and financial impact and well as a loss of confidence from the community.	- Lack of time - Poor management - Pressure to open - Failure to identify appropriate staff / recruit - Availability to participate	HCC	Possible	Major	High	Current controls/risk treatments: - Involvement in commissioning - Early identification of team and need to recruit - Training of operations staff - Capabilities of employed ICA - Transitions to Operations (T2O) planning underway with relevant HCC departments Planned mitigation actions: - Regular engagement with operational team regarding the design - Staff involved during design stage - HCC to agree on operation model	Possible	Moderate	Medium

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48	<u>CIP management</u> If construction progress does not meet the agreed CIP milestone completion dates, and CIP is not informed of delays to milestone dates, and if an extension of time is not notified by HCC, Then the milestone funding release to HCC will be delayed, and the CIP contract may be at jeopardy.	- Construction delays impacting programme - Site resourcing issues - Inclement weather implications - Force majeure events	HCC	Likely	Minor	Medium	Current controls/risk treatments: - All project team members informed of CIP dates - Construction contractor to provide accurate reporting of programme, identifying critical path items, and impacts on CIP milestones. CIP milestones included in programme. - Construction programme is monitored weekly and monthly - Construction progress discussed and monitored during fortnightly site meetings and monthly PCG meetings Planned mitigation actions: - Staged consenting - Construction strategy to enable early procurement of long lead time items and to enable early works packages to proceed ahead of design completion	Likely	Minor	Medium
96	<u>Bond</u> If Apollo enters financial difficulty and the performance bond is called in, Then there would be delays to the opening of the facility and increased costs for HCC through obtaining a new main contractor or adopting the construction management directly. Additionally, HCC could face reputational damage.	- Apollo encounter financial issues on other projects - Subcontractor costs above budget allowances - Material costs above budget allowances - Subcontractors pull out at short notice due to other commitments - Subcontractors stop trading due to financial constraints	HCC	Possible	Moderate	Medium	Current controls/risk treatments: - Regular discussions with Apollo on procurement progress and concerns - Apollo engaging subcontractors early and using local market where possible - Monitoring of local subcontractor market for financial liquidity - Apollo monitoring subcontractor performance Planned mitigation actions:	Unlikely	Moderate	Medium
95	<u>Contingency Risk</u> If Apollo is unable to procure contractors within their anticipated trade budget due to market conditions in Wellington, Then Apollo would use up their available contingency and could seek to recover increased costs from HCC through variations.	- Wellington market pricing higher than anticipated - Tight subcontractor market with high demand - Requirements of local/social procurement targets - Design development process	Apollo	Unlikely	Moderate	Medium	Current controls/risk treatments: - Regular discussions with Apollo on procurement progress and concerns - Monitoring of variations and cost recovery with a focus on delivery within budget - Discussions on financial risk / position at PCG - Limiting change to project scope Planned mitigation actions:	Unlikely	Moderate	Medium
68	<u>Earthquakes</u> If there was a damage causing earthquake, Then severe damage could be caused to the building structure, infrastructure or the surrounding area. There could also be damage to the contract works, on-site materials, area infrastructure, introduced collapse risks and/or reduced availability of materials and/or labour. This would result in programme delays and progress stoppage.	- Large damage causing earthquake	HCC	Likely	Moderate	High	Current controls/risk treatments: - Seismic design considerations and restraints incorporated - Apollo Projects have contract works insurance in place Planned mitigation actions: - Project Team equipped to operate remotely - Safety plans are in place and consider earthquake risk - Review of structural stability post earthquake if during construction - Temporary support structures designed to code	Unlikely	Moderate	Medium
55	<u>Site safety</u> If a serious incident occurs on site, Then there could be an serious injury or fatality. Work would be stopped and/or resulting in programme implications and impacts to staff morale and/or mental wellbeing. This can result in an internal investigation into incidents, and there is a potential for a WorkSafe investigation.	- Health, Safety and Environment Procedures not implemented or followed - Multiple work faces on site - Multiple hazards	Apollo Projects	Possible	Extreme	High	Current controls/risk treatments: - Monthly reporting, Apollo HSE audits - Review of SSSP and contractor management plans and regular safety audits - Tool box talks, safety inductions etc Planned mitigation actions: - Setting safety responsibility within contracts - WorkSafe notifications for high risk activities - Engagement with HCC/Contractor Safety Managers - Engagement with HCC safety manager - Development of work method statements as applicable	Unlikely	Moderate	Medium

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91	<u>Bowls club</u> If there is noisy or dusty construction work during bowls tournaments that causes disruption, Then this will upset bowls community, cause reputational damage, and/or attract potential negative media (some events are broadcast live to a global audience).	- Lack of communication with bowls club - Failure to review and put in place mitigation tactics to minimise disruption - Delays in programme - Remaining exterior civil works	HCC / Apollo Projects	Unlikely	Minor	Low	Current controls/risk treatments: - Regular communication with the Bowling Club Planned mitigation actions: - Dust mitigation plans - Minimising noise during bowls tournaments - Moving noisy works to adjacent end of the site - Rescheduling noisy works around Tournament days - Meetings held with bowls club to confirm dates and information about events - Review of construction activities one month prior to events and review of mitigation including additional fencing, acoustic and minimising work adjacent to the boundary	Unlikely	Minor	Low
14	<u>COVID impacts to project</u> If the global issue of the pandemic, such as further variants of Covid-19, impacts on global supply chain, staff contracting Covid-19, material supply constraints, and further lockdowns are required, Then there would be impact on delivery of project, including escalating costs, schedule and resourcing.	- Escalation costs due to Covid-19 - Availability of personnel - Government mandated restrictions - Influx of infection within staff working on site - Impact on works for site staff	HCC	Unlikely	Moderate	Medium	Current controls/risk treatments: - Consideration of use of products/staff resources that are available locally - Follow construction sector guidance for on site practices / requirements - Enforcing personnel staying at home when sick Planned mitigation actions: - Lessons learnt - Project Team equipped to operate remotely - Apollo Projects to procure materials and sub-trades early - Early identification of long lead time items for timely procurement - Greater personal hygiene on site	Rare	Minor	Low
25	<u>Availability of materials</u> If there is not enough of the required materials available during any stage of the construction phase due to supply constraints, Then there would impacts to programme and cost implications due to procurement of alternative products that may be higher in cost, or are at less than the desired standard of quality.	- Local shortage of supply due to high demand - Internationally sourced products and delays in delivery to New Zealand	Apollo Projects	Possible	Minor	Medium	Current controls/risk treatments: - Source alternative products of greater or equal quality - Early sourcing by contractor and storage off-site - Review of Apollo's construction programme and scheduled timelines of off-site fabrication and materials Planned mitigation actions: - Apollo have identified long lead time items and regular monitoring of delivery status - Early procurement of key items - Early identification of lead in time for procurement - Consideration of available materials during design - Consideration of locally available materials during design	Unlikely	Minor	Low
29	<u>Cost impact of Greenstar and other sustainability initiatives</u> If the contractor is unable to meet HCC sustainability ambitions and certification, Then there will be damage to the Clients reputation and contribution to carbon zero commitments for Council cannot be met.	- Sustainability initiatives may result in higher capex	BBD	Possible	Insignificant	Low	Current controls/risk treatments: - Monthly reporting - Project team aware of requirements - Independent Commissioning Agent (ICA) initiatives Planned mitigation actions: - Identification from project team to budget from Day 1 - Design to be able to meet green star certification requirements	Unlikely	Insignificant	Low
83	<u>Construction works adjacent to the residential houses and businesses</u> If construction noise or traffic cause disruption to neighbouring residential houses and businesses, Then there is a potential for reputational damage or an increase in complaints from the public.	- Increased noise levels, dust and nuisance emitted from site - Disruption to the surrounding road network and community - Remaining civil works	HCC / Apollo Projects	Possible	Minor	Medium	Current controls/risk treatments: - Keeping the community informed with site works through the HCC communication channels - Letter box drops every 2 months - Clear lines of communication, being open and honest - Review of contractor methodology and mitigations Planned mitigation actions: - Keeping the community informed with site works through the HCC communication channels, including letter box drops. - Contractor communications - Attendance at CAG meetings - Keeping HCC councillors informed	Unlikely	Insignificant	Low

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2	<u>Aquatic Community Expectations</u> If the completed project fails to meet the requirements and expectations of the aquatic community,	- Insufficient engagement with aquatic users throughout the design process - Competing interests between aquatic sports and local community users - Cost pressures result in reduced scope	HCC	Unlikely	Minor	Low	<p>Current controls/risk treatments:</p> <p>Planned mitigation actions:</p> <ul style="list-style-type: none"> - Future involvement with community and sports groups - Update community and sports groups at each design phase - Development of communication and stakeholder management plans at project commencement - Engaging with the aquatic community in a structured and planned way - Decision from Board where there is a competing interest between local users, sports groups and community groups - Formation of the Aquatic Users Group to represent various aquatic stakeholders - Regular engagement with the Aquatic Users Group throughout design development - Aquatic Users Group to have a representative on the Community Advisory Group 	Unlikely	Minor	Low
34	<u>Insufficient QA practices to deliver fit for purpose facility</u> If the quality review processes and quality inspections during construction are insufficient, Then there will be poor deliverables and/or an impact on programme delays and increased costs.	- Poor planning/time - Insufficient tasks completed during QA inspections	Apollo Projects	Unlikely	Moderate	Medium	<p>Current controls/risk treatments:</p> <ul style="list-style-type: none"> - ICA controls and control measures within principal's requirements - Request for Contractor and design team QA inspection records <p>Planned mitigation actions:</p> <ul style="list-style-type: none"> - Engineer to Contract to manage contractor performance using the contract terms. - QA updates / inspection reports provided monthly by Apollo - Quality Management Plan (QMP) - Review Contractor QMP 	Unlikely	Minor	Low
3	<u>Stakeholders - Communication and reporting is not clear and results in misinformation</u> If there are not enough communication and accurate reporting with the stakeholders, Then there will be misinformation within the project team and being issued to the public through engagement or media. As well as community pressure in elected officials and/or loss of community confidence	- Clear lines of communication not identified - Reporting timeframes not followed - Expectations around reporting and communication contents not aligned	AECOM / HCC	Unlikely	Minor	Low	<p>Current controls/risk treatments:</p> <ul style="list-style-type: none"> - Review of communication protocols <p>Planned mitigation actions:</p> <ul style="list-style-type: none"> - CAG engagement during project execution - Communication protocols will be set out and defined in the Project Management Plan, Communication Plan and Stakeholder Management Plan will be prepared at project initiation to provide clarity 	Unlikely	Minor	Low
4	<u>Project Team - Communication and reporting is not clear and results in misinformation</u> If there is unclear and insufficient communication within members of the project team, Then there will be misinformation within the project team and misinformation may be issued to the public through engagement or media. As well as community pressure in elected officials and a loss of community confidence.	- Clear lines of communication not identified - Reporting timeframes not followed - Expectations around reporting and communication contents not executed	AECOM / HCC	Unlikely	Minor	Low	<p>Current controls/risk treatments:</p> <ul style="list-style-type: none"> - Review of communication protocols - Updated org charts to establish lines of communication - Regular reporting through weekly, monthly and quarterly reports <p>Planned mitigation actions:</p> <ul style="list-style-type: none"> - Communication protocols are be set out and defined in the Project Management Plan, Communication Plan and Stakeholder Management Plan will be prepared at project initiation to provide clarity 	Unlikely	Minor	Low

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5	<u>Not being able to achieve expectations within budget</u> If the budget is unachievable within expectations, or the budget is not sufficient for the desired facility, Then there will be damage to the clients, consultants, and/or contractors reputation. This may cause a delay in the completion of the project and additional funding may have to be sourced and a need for VM or scope reduction and the benefits of the project will not be achieved.	- Changes in design that are not aligned with original brief (including Scope creep) - Unexpected additional costs due to insufficient information from third parties - Omissions in the designs - Unavailability of specified products with alternatives being more costly - Variable founding conditions (foundations) - Costs not within their provisional sums	HCC	Unlikely	Minor	Low	Current controls/risk treatments: - Procurement of subcontractors and acceptance of fixed pricing - Cost estimates and QRA at each stage for early cost overruns detection - Direction from board to keep to budget (decisions) Planned mitigation actions: - Early identification of at risk items/materials for pricing fluctuations - Early identification of long-lead items	Unlikely	Minor	Low
97	<u>Not being able to achieve artist expectations within allocated budget</u> If the budget is unachievable within expectations (client and community), or the budget is not sufficient for the desired outcome, Then there could be damage to the Clients reputation.	- Changes in design that are not aligned with original brief (including Scope creep) - Unexpected additional costs due to insufficient information from third parties - Omissions in design, non-compliant designs, insufficient / incorrect information on equipment space requirements - Unavailability of specified products with alternatives being more costly - International price fluctuations - Incorrect cost estimation - Delays in cost estimation - Costs not within their provisional sums - Insufficient management of artist inputs to programme and budget	HCC	Possible	Minor	Medium	Current controls/risk treatments: - Staged design process - D&B fixed price contract in place with Apollo - Monitoring monthly financial reports Planned mitigation actions: - Cost estimates and QRA at each stage for early cost overruns detection - Direction from board to keep to budget (decisions) - Early identification of at risk materials for pricing fluctuations	Unlikely	Minor	Low
20	<u>Safety-in-Design not adequate</u> If safety is not considered enough in design with the final design not meeting safety requirements, Then the facility will not operate as intended, potentially resulting in H&S incidents during occupation. This will require cost and time to rectify problems.	- Safety-in-design process not implemented - Lack of consultation with HCC, contractors, facility operator	Apollo Projects / HCC	Unlikely	Moderate	Medium	Current controls/risk treatments: - Thoroughly planned handover at completion of construction to HCC - Monthly review of the LIVE document, to be closed out towards end of project Planned mitigation actions: - Adequate SiD planned and undertaken at each design stage (includes whole of life risks and residual risk) - Inclusion of wide representation including HCC operators as design progresses	Unlikely	Minor	Low
35	<u>Change in project team personnel</u> If the project team take personnel leave or change roles, Then there could be a loss of historical knowledge, time loss in handover, a change in team dynamic and/or a gap in project team (if no new resource identified).	- Resignation - Health - Leave - Retirement - Workload	HCC	Possible	Minor	Medium	Current controls/risk treatments: - Balanced view of resourcing across project team - D&B fixed price contract in place Planned mitigation actions: - Contingency resources identified and utilised as necessary - Request early identification of changes - Knowledge sharing on project background through project team	Unlikely	Minor	Low
44	<u>Weather impacts to programme</u> If adverse weather results in on-site construction delays to occur, Then there will be delays in progress or increased project costs (if substantial delay).	- Adverse weather	Apollo Projects	Possible	Moderate	Medium	Current controls/risk treatments: - Schedule weather sensitive activities to occur when weather is typically preferable for the activity - Continuous review of programme and progress Planned mitigation actions: - Continued focus of achieving weathertightness of building envelope	Possible	Moderate	Medium

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1	<p><u>Failure of the completed project to meet the requirements and expectations of the Local Community</u></p> <p>IF the community needs and expectations are not incorporated into the design,</p> <p>Then there will be a reduction in use of facilities by local users as there is a reduced desire to utilise.</p>	<p>- Insufficient engagement with local community</p> <p>- Competing interests of aquatic sports and local community</p> <p>- Cost pressures result in reduced scope</p>	HCC	Possible	Major	High	<p>Current controls/risk treatments:</p> <p>- Ongoing coordination with local community through CAG</p> <p>Planned mitigation actions:</p> <p>- Development of stakeholder management plan at project commencement</p> <p>- Engaging with the project stakeholders in a structured and planned way</p> <p>- Availability of support including stakeholder management, iwi specialist, programme review, risk management, global best practice, value management, to get stakeholder and community buy in</p> <p>- Consideration and integration of community context through the involvement of the town planning specialist</p> <p>- Formal stakeholder process for design approval gates are defined agreed with HCC with final approval confirmation to be sent to AECOM via a single point of contact</p> <p>- Decision from Board where there is a competing interest between local users, sports groups and community groups</p>	Possible	Moderate	Medium



TO: Chair and Members
Audit and Risk Subcommittee

FROM: Jack Kilty, Democracy Advisor

DATE: 11 November 2024

SUBJECT: AUDIT AND RISK SUBCOMMITTEE FORWARD
PROGRAMME 2025

Purpose of Memorandum

1. To provide the Audit and Risk Subcommittee (the subcommittee) with a Forward Programme of work planned for the subcommittee for 2025.

Recommendation

That the Subcommittee receives and notes the Forward Programme for 2025 attached as Appendix 1 to the memorandum.

Background

2. The Terms of Reference for the subcommittee require the subcommittee to have a monitoring and advisory role in reviewing the effectiveness of the way Council discharges its responsibilities with respect to governance, risk management and internal control.
3. The Forward Programme for 2025 provides a planning tool for both members and officers to co-ordinate programmes of work for the year. The forward programme is attached as Appendix 1 to the memorandum.

Forward Programme

4. The Forward Programme is a working document and is subject to change on a regular basis.

Appendices

No.	Title	Page
1	Audit and Risk Subcommittee Forward Programme 2025	185

Author: Jack Kilty
Democracy Advisor

Approved By: Kathryn Stannard
Head of Democratic Services

AUDIT AND RISK SUBCOMMITTEE 2025 Forward Programme

Description	Business Unit	Cycle 1 Tues 18 Feb	Cycle 2 Tues 22 Apr	Cycle 3 Tues 24 Jun	Cycle 4 Tues 26 Aug	Annual Report Tues 23 Sep	Pending
Forward Programme	Democratic Services	✓	✓	✓	✓		
Sensitive Expenditure Disclosures	Finance	✓	✓		✓		✓
Risk Management and Assurance Update	Finance		✓		✓		
Tax Risk Governance Framework (annual update)	Finance						✓
Insurance Renewal Update	Finance						✓
Holidays Act Remediation Project (report back every second Cycle meeting)	Finance		✓		✓		
PIR upon completion of Naenae Pool	Finance?						✓
Hutt City Council Group Annual Report	Strategy & Policy, Finance					✓	
Tupua Horo Nuku / Eastern Bays Shared Pathway Project Update (quarterly report)	Transport		✓			✓	
Slips and Wider City Works Programme	Transport						✓
Overview of AI at Council	Strategy & Engagement			✓			
ComplyWith: Legal Compliance	Legal Services		✓				
HR and Payroll System	Information Services	✓			✓		
Water Service Reform Update	Strategic Projects						✓
RiverLink Project Update	RiverLink Project		✓		✓		
Naenae Projects Update	Naenae Projects		✓		✓		✓
Wellington Water Limited HCC Risk Dashboard	Wellington Water Limited						✓