



Report 10.233
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Committee Finance, Audit and Risk Committee
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External audits and reviews

1. Purpose

To update the Committee on the audits/reviews undertaken on Greater Wellington's activities over the last 12 months.

2. Significance of the decision

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

3. Introduction

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

- a) The major risks that Greater Wellington faces are not financial. While the Quantate risk system identifies some financial risks, these largely relate to the costs of providing Greater Wellington services increasing significantly beyond Greater Wellington's existing forecasts and budgets.
- b) Greater Wellington is a complex organisation involved in a large number of different activities:
 - Water supply
 - Flood protection
 - Land management
 - Biosecurity
 - Environmental consents, water and air quality
 - Pollution control
 - Harbours
 - Regional parks
 - Public transport
 - Corporate, strategy and policy.

However, while there is not a formal internal audit function there are a number of audits, reviews, etc, undertaken on Greater Wellington's activities. This report summarises the audits/reviews undertaken by the individual groups and the results, therein, over the last 12 months.

4. Finance and Support

4.1 External audit

Greater Wellington is subject to a yearly external audit undertaken by Audit New Zealand. It involves two parts, a systems review around April each year and the year end audit undertaken in August/September. Audit New Zealand audits both the financial statements and the performance management framework.

The 2008/09 audit resulted in a clean audit opinion. The audit management letter was reviewed by this Committee in November. There were no major issues reported, with our management control environment assessed as effective.

The cost of the audit was \$147,000 for Council and \$23,000 for WRC Holdings. The audits take around six weeks of Audit New Zealand's time.

4.2 Indirect tax review

Toovey Eaton and McDonald undertook a review of Greater Wellington's indirect tax, ie, GST and FBT. Overall they were impressed with Greater Wellington's compliance regarding indirect taxes, investment in staff training and a much higher than average number of staff with accounting qualifications.

The recommendations involved:

- Timing of GST input tax
- Professional membership fees to be treated as non taxable.

The cost of this review was \$26,000. This review took two weeks.

4.3 Income tax compliance and returns

Greater Wellington's income tax returns and compliance are reviewed by Deloitte on a yearly basis. This work commences in August (reviewing the tax notes in the annual report) and is completed in January/February when the tax returns are finalised. There were no issues with the tax returns, with the Inland Revenue Department not raising any issues.

The cost of this review is approximately \$35,000 for Council and \$40,000 for WRC Holdings. The returns and reviews take four weeks.

4.4 Treasury Management

Greater Wellington utilises Asia Pacific Risk Management for treasury advice and to review our treasury operations.

The work involves:

- Review the Treasury Management Policy
- Attend quarterly Treasury Management Group meeting
- Interest rate and other commodity advice
- Review our major decisions.

The cost of this service is \$26,000.

4.5 Fraud review

In October 2008 PricewaterhouseCoopers undertook a fraud review of Greater Wellington by running a number of diagnostic tests on our payroll and finance systems. The results of this review did not identify any significant issues.

The cost of this review was \$22,000.

A second fraud review is currently being undertaken. The results of this review will be reported to the Committee at its next meeting.

5. People and Capability

5.1 ACC Health and Safety Audit

In November 2009 Greater Wellington's health and safety management system was audited by an ACC approved external auditor.

The purpose of this audit is to ensure Greater Wellington's continued participation in the ACC Workplace Safety Management Practices (WSMP) levy discount scheme.

The audit was successful with ACC awarding Greater Wellington secondary WSMP achievement.

The underlying theme to the auditor's recommendations was the need to ensure consistency in the application of Greater Wellington's health and safety procedures and practices in varied activities completed by the organisation.

A Health and Safety Action Plan has been created for the organisation to ensure this is occurring where appropriate.

The audit, plus report, took in the order of three days to complete.

6. Public Transport

6.1 Real Time Information Project

Audit New Zealand undertook an independent probity and quality assurance (IPQA) assessment of the tender process for the real time project in June 2009.

The results showed that the tender process had been carried out in accordance with the relevant requirements, and with due regard to probity. It also showed that there were no probity issues outstanding.

The work took in the order of three days.

6.2 New Zealand Transport Agency (NZTA) Procedural Audit

NZTA auditors completed a procedural audit of Greater Wellington's compliance with NZTA's funding rules.

Auditors were onsite in the first week of March 2010.

Only verbal feedback has been received at this stage, with the draft report expected in May. A number of matters were discussed including a minor breach of NZTA rules. A number of positive comments were received on the quality of information provided to the auditor, the helpfulness of staff and on the quality of process on the real time information project.

The audit took 10 working days, with additional time for drafting the report.

6.3 Public Transport contracted services review

A major audit of Greater Wellington's register of public transport services is currently underway to ensure the register is compliant with the requirements of the new Public Transport Management Act 2008 (PTMA). This audit has included a review of 750 contract and commercial registration files. The PTMA specifies the information that must now be held in the register, which is more extensive than was previously held. By the end of March 2010 all major operators were provided with details of all contracted and commercial services registered with Greater Wellington. They are then required to confirm the information and provide additional information where required. Consequently a number of contract variations and variations to commercial registration will be needed. The project is anticipated to be completed by the end of May 2010.

The review is being carried out by Greater Wellington's Public Transport staff.

7. Environment

7.1 Greater Wellington Compliance and Enforcement Special Interest Group Dairy Shed Effluent audit

The audit was undertaken in June 2009.

Overall there were no major issues, with two recommendations:

- Provide more details in our investigation files
- Ensure files are complete.

The review took approximately one day.

7.2 Annual inspection of oil spill response equipment - conducted by Maritime NZ's National Oil Spill Co-ordinating Centre

The inspection occurred in early March 2010 and concluded that the equipment was in good working order. The only recommendation was to replace one battery.

The time taken for the inspection was approximately half a day.

7.3 Audit and survey of Greater Wellington's Sea Care

Maritime NZ's Maritime Safety Inspectors (MSI) audited the Sea Care in September 2009. The results were good, with no recommendations.

The survey took approximately half a day.

7.4 Maritime NZ's MSI audit of documentation and vessels for Ika Rere and Sea Care

The audit required completion of log book for Ika Rere, with hazard ID and training program to be documented for both vessels. This documentation had mostly been done but was kept in a different folder. All required work was compliant within one week.

The audit occurred in November 2009 and took around half a day.

7.5 Hulk-scuttling activities – audits and surveys for compliance with conditions of dumping permits

The audit/survey ensured that the hulk to be scuttled was:

- Appropriately cleaned and free of all oils
- Fit to tow
- Conditions of the dumping permit were complied with.

The review was conducted by Maritime NZ's local Maritime Safety Inspector and a surveyor from Ace Navigation in February 2010.

The hulk was allowed to be towed out and scuttled; conditions were set out in the dumping permit, eg, weather and sea state limitations.

7.6 Investigation into a health and safety incident on 4 April 2009 at Churton Park by the Department of Labour (DOL)

Completed investigation on 1 June 2009.

The DOL concluded that:

- “GWRC has an adequate system in place for managing hazards with their Volunteers Groups. However, this must be regularly reviewed. It is noticed that GWRC are constantly looking at ways of improving what they already have in place.”

8. Water Supply

8.1 Drinking Water Standards for New Zealand

The Ministry of Health undertakes a review to ensure compliance with the required standards. Greater Wellington achieved a rating of A1, for the Te Marua and Wainuiomata Water Treatment Plants (WTP) the highest available. Waterloo WTP is graded B, it would be A1 but Hutt City has declined to accept chlorinated water from this plant. The distribution system is graded A1, the highest grade available.

8.2 Orongorongo Rail Safety Assessment

Greater Wellington's rail infrastructure was externally reviewed on behalf of the Ministry of Transport.

There were no issues reported and the review took approximately 1-2 days.

8.3 ISO Water Supply compliance

Greater Wellington's water supply activities are subject to the following ISO standards:

- ISO 9001:2000 Quality Management
- ISO 14001:2004 Environmental
- External review annually.

Internal auditing procedures are carried out by trained Greater Wellington staff (approximately 34 staff).

There is also an external review carried out by ISO New Zealand to ensure compliance with the procedures.

There were no issues of any note reviewed by the auditors.

8.4 Water Supply financial statements

Audit New Zealand undertakes a yearly audit on the annual report for Water Supply. There were no significant issues raised by the auditors in the last Audit.

The cost of this audit was \$2,800 and took a few days.

8.5 Parks and forests health monitoring

Landcare Research reviews and audits the methodology utilised and results of the forest monitoring work undertaken by Greater Wellington staff.

8.6 Stuart Macaskill Lakes Seismic Enhancement Work

The work is being designed by Tonkin and Taylor, engineering consultants, Dam Watch has been appointed as the peer review engineers.

9. Catchment Management

9.1 Land Management

Ministry of Agriculture and Forestry (MAF) reviewed the Regional Council's pool of the Afforestation Grant Scheme (AGS). Greater Wellington is a signatory to a Memorandum of Understanding and Funding Agreement with MAF and acts as an administrative agent for the AGS.

The review occurred in November 2009.

Overall a good audit report was given. A list of recommendations was received; the three key recommendations were that:

- The allocation panel members should develop and use a standard assessment and eligibility report to assess each application
- The allocation panel needs to further assess the standardised criteria for allocating grants as a matter of urgency
- Contract agreements should be signed by all applicants on a timely basis and, as a minimum, prior to payment of any grants from the pool to the grantees.

The review and writing of the report took around three days.

9.2 Biosecurity

9.2.1 Pest Animals

Audit by Regional Public Health (on behalf of the Medical Officer of Health) of the aerial application of 1080 pellets for the Hutt WCA, Kaitoke West and Akatarawa areas.

A Health Protection Officer reviewed procedures and compliance including site activities associated with signage, cartage, handling and loading into helicopter spreaders of 1080 baits. This also involved visiting the Te Marua Water Treatment Plant to ensure that the water 'take' had ceased at the Kaitoke Weir prior to the toxic bait application.

The audit occurred in August 2009 and Greater Wellington has not been advised of any results or recommendations. We only expect to be contacted if any non-compliance or unsatisfactory risk management was observed.

The audit took approximately one and half days.

9.2.2 Bovine Tb unit

2008/09 Animal Health Board (AHB) contract review

Documents and contracts were sent to the AHB in May 2009. The AHB reviewed and no matters or comments were made by the AHB.

2009/10 AHB contract review

The review measured Greater Wellington against various activity requirements of the AHB contract. Staff were assessed as performing satisfactory in all areas of the review, namely:

- Programme preparation
- Procurement
- Programme implementation
- Contract management
- Communications and liaison
- Reporting.

10. Summary of 2009/10 reviews

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

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

The work involved around 200 days of work by the external entities with a total cost charged to Greater Wellington in the order of \$297,000. This amount excludes internal staff time and the costs of some of the agencies involved who do not charge for their compliance audits.

11. Audit/Review programme for 2010/11

The following is the planned programme for 2010/11:

- External audit
- Tax review
- Treasury advice, Asia Pacific Risk Management
- Fraud review, PricewaterhouseCoopers
- Peer review by Horizons Regional Council of Greater Wellington flood protection projects
- Audit of Water Supply annual report
- Audit of water drinking standards
- Various reviews and audits undertaken on Greater Wellington's activities by a number of government agencies
- ISO audits
- Ministry for the Environment biennial survey
- Consent managers' internal audit, peer review

- Compliance and Enforcement Special Interest Group
- Farm Dairy Effluent national compliance audit
- Audit of harbour's risk assessment by Maritime NZ
- Annual inspection of oil spill response equipment, Maritime NZ
- Annual surveys of boats by Maritime NZ.

The level of external audits and reviews to be undertaken in 2010/11 is expected to be at a similar level to those undertaken during 2009/10. They will cover, where possible, the major risks identified in Greater Wellington's risk register such as water quality, flood protection, etc. The external audits and reviews Greater Wellington undertakes will not cover those circumstances where the costs of providing services or activities may increase significantly beyond Greater Wellington's existing forecasts and budgets.

12. Communication

No communication is necessary.

13. Recommendations

That the Committee:

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

Report prepared by:

Report approved by:

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