

FINANCE, AUDIT AND RISK COMMITTEE

21 OCTOBER 2020

AGENDA ITEM C3

PUBLIC EXCLUDED

WELLINGTON WATER LIMITED AUDIT UPDATE

Purpose of Report

To present the Wellington Water Limited letter to Auditor General and update Committee on non-performance of some non-financial level of service measures.

Recommendations

Officers recommend that the Committee:

1. *Receive the Wellington Water Limited update.*

1. Background

Officers present an information regarding Wellington Water Limited's 2020 Audit.

2. Discussion

On 17th September 2020 AuditNZ presented their audit opinion to Wellington Water Limited's Board. They advised they had concerns over the quality of the assurance systems Wellington Water has in place, and this would result in AuditNZ issuing a qualified audit.

Attached in appendix 1 is a copy of the letter WWL Board sent AuditNZ.

Wellington Water and AuditNZ have agreed to an independent mediator being brought in to assist the process. It is unlikely to be resolved until early November.

The impact on SWDC audit is uncertain at this stage.

3. Appendices

Appendix 1 – Letter to Auditor General

Contact Officer: Katrina Neems, Chief Financial Officer

Reviewed by: Harry Wilson, Chief Executive Officer

Appendix 1 – Letter to Auditor General

28 September 2020

John Ryan

Controller and Auditor-General

Office of the Auditor-General

100 Molesworth Street, Thorndon

PO Box 3928, Wellington 6140

john.ryan@oag.parliament.nz

Wellington Water 2019/20 Audit NZ opinion

Dear John

We write to you on behalf of the Board of Wellington Water Limited. We have concerns regarding the judgment by Audit NZ about the adequacy of the performance measurement systems within Wellington Water and the impact this may have in determining the audit opinion on our 2019/20 annual report, financial statements and disclosures.

At the conclusion of their 2018/19 audit of Wellington Water, Audit NZ gave us a strong recommendation to lift the company's performance in the way we managed non-financial performance measures (including customer service response times). We accepted this and responded by putting a team on this task who have been working full time over the 2019/20 financial year. We have been open with Audit NZ about our plans and the issues we were dealing with and kept them up to date on progress throughout the year.

Our 2019/20 year began with a new, in-house customer service delivery model. This meant that, unlike in previous years, data relating to response times were open to audit scrutiny. However, due to a delay in developing a new reporting system, we were unable to report service request response time performance measures to our shareholder councils at the end of Quarter 1.

We advised our client councils of this fact. Subsequently, using an interim reporting solution, we were able to report these measures for Quarter 2 and Quarter 4. Due to the widespread disruptions of the Covid-19 lockdown and our key priorities as an essential service provider in that environment, the Board, after discussing with our shareholding councils, made a decision not to report for Quarter 3. At the end of the year we reported all response time performance measures for all four quarters in retrospect, using the interim reporting tool. The new reporting system was commissioned from 1 July 2020.

Near the conclusion of their 2019/20 audit it became clear Audit NZ was not satisfied with the company's performance management system with respect to service request response time measurements. As we understand it, Audit NZ is critical of the lack of a complete assurance system which confirms the integrity and accuracy of the measurements, and our retrospective reporting of the company's Q1 result.

The Board accepts the company has further work to do to provide for a complete basis for the assurance of our performance. However, we consider the reporting of these measures at the end of the year is a fair reflection of our performance. We processed all customer enquiries, sent work crews to site to fix service requests, and logged work completion. All other related indicators, including customer satisfaction, complaint trends and outstanding service request numbers, corroborate the measures reported.

In addition, during the year the company began to put in place controls to assure ourselves the system has integrity and is accurate. This involved carrying out training in the field, data integrity checks, and using E-Road time and location data as a basis for checking our performance in the field. These are the bases for further development of a rigorous assurance system during 2020/21.

When Audit NZ presented to our Board on 17 September 2020 regarding these matters, they advised their opinion would result in a qualified audit. We are yet to receive their formal, written opinion on this issue.

It is our view that the materiality of this issue relates to whether or not the performance management system reflected the performance of the company in completing the work as expressed in service level measurements. We believe it does. We accept that with regard to the assurance processes we still have work to do to fully develop them, and this is underway.

Yours sincerely



Geoff Dangerfield
Chair
Wellington Water Ltd



Phil Barry
Chair, Audit and Risk Committee
Wellington Water Ltd

CC David Bassett

Chair, Wellington Water Committee