

Komiti Ngā Wai Hangarua Wellington Water Committee

08 July 2021

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Wellington Water Limited - Annual General Meeting and Audit Update

That the Committee;

- (1) notes and receives the report
- (2) notes an audit improvement plan has been implemented;
- (3) notes that the draft interim audit report to the Wellington Water Limited Board for the 2020/21 year has not been received to date;
- (4) notes that the 2020/21 audit opinion will likely be non-standard; and
- (5) notes an Annual General Meeting will be held in later in 2021.

Purpose of Report

1. Wellington Water Limited will hold its Annual General Meeting (AGM) later in 2021. The AGM will provide the company with an opportunity to be transparent around its performance in 2020/21 and discuss the challenges ahead.
2. The 2020/21 Annual Report including this year's annual audit results will be presented at the meeting.

Summary

3. In preparation for the AGM this report provides an update on the status of improvements to performance reporting of five non-financial measures that were of concern to Audit NZ during the 2019/20 audit and outlines the 2020/21 annual audit plan.

4. The audit improvement plan has been completed. However as this has not been in place for the full year it is expected that some the measures will continue to receive a non-standard audit opinion.
5. A more detailed summary of the issues and planned improvement activities for these measures is attached as Appendix 1 to the report.

Annual General Meeting (AGM)

6. The AGM is an opportunity to present the Annual Report to shareholders and reflect on the performance of the company and the key challenges that it currently faces.
7. The Directors of the company will give their perspective of how the company has performed in the 2020/21 year and the key challenges that it currently faces.
8. Audit NZ will report on the how performance is reported in the Annual Report.

Audit Improvement Plan Update

9. In response to receiving a qualified audit opinion, for the 2019/20 annual audit, an Audit Improvement Plan was developed to improve our ability to report accurate and complete results of key performance measures. See Appendix 1 attached to the report for the full audit improvement plan.
10. In consultation with our Councils and being conscious of impending water reform changes, a pragmatic approach was taken that balanced the maturity of existing systems, cost and resource implications of further investment in data collection and reporting against the potential value to management, our councils and improvements to the overall customer experience.
11. The plan was peer reviewed by Deloitte NZ and shared with our client councils; and in the interests of transparency was also shared with Audit NZ.
12. The Audit Improvement Plan has been completed and has improved the data collection and reporting specifically for the measures that were of concern to Audit NZ during the 2019/20 audit.

Measures	Improvement	Issues Resolved
Controlled by Wellington Water		
1A	Fault attendance time	Final maximo solution implemented along with staff training to ensure completeness of data. Attendance time is not a key performance metric for Councils, further investment was unlikely to improve overall customer experience.
Data completeness resolved however no additional QA implemented so will not meet audit requirements	1B	Resolution times*
A manual QA checking process has been implemented for Q4 to give assurance that data collection is timely and accurate. Improvements to the Maximo system have been made to make data entry mandatory.	Yes	2
Number of dry-weather sewerage overflows for wastewater*	Methodology, processes and systems updated to ensure accurate and timely data collection by field crews	Yes
3	Customer satisfaction (SOI)*	Colmar Brunton have been running our customer satisfaction survey since early 2021
Yes		

Controlled by Councils			
4	Water loss	There are no plans to significantly increase meter coverage in the short term, therefore continuing the status quo was agreed as the best way forward	No
5	Number of complaints	Council system limitations mean that accurate numbers are not able to be recorded by water type and if the customer call is for a service request or complaint. We are participating in a DIA led review to update the guidance notes so the definitions of the measure are better understood.	No

*Implemented part way through the year so this measure is still likely to get a non-standard audit opinion

13. Measures 1 to 3 are within Wellington Water Limited's control, the remaining measures 4 and 5 are council controlled. We have worked with councils and the Department of Internal Affairs to influence the accuracy of reporting of these results, however final decisions rest with each council.

Progress

14. All planned additional controls, and methodological and data collection improvements have been implemented.
15. Changes to practices and processes were incrementally implemented across the 2021 financial year. An internal audit programme has been implemented to test the effectiveness of these improvements. PWC also completed an independent assurance review to ensure the internal controls are working as designed. Some further staff training is being completed as a result, of the recommendations from this review.
16. We are continually refining and improving the way we work to meet reporting requirements by taking a continuous improvement approach.
17. It is expected that on-going audit issues will occur as the current level of investment in the company performance reporting systems will not resolve all issues, and the required improvements for some measures are outside the control of the company eg the number of water meters, council call centre complaints recording systems.
18. Increasingly the work required to get ready for reform will influence priorities and investment decisions in relation to improving existing systems.

2020/21 Audit

19. The Audit for 2020/21 started in June 2021 with an interim audit of non-financial measures. The final audit is expected to be completed by mid to late September 2021 so that the Annual Report and Audit Opinion can be presented at the AGM. Audit NZ have indicated that audit resource is constrained but this should not impact the timing of the Wellington Water audit.
20. Communication protocols have been agreed with Audit NZ. These outline the approach to communication during the audit. All key issues will be communicated to all stakeholders in a timely and structured manner. This is to ensure any issues and the implications of these are clearly understood and communicated appropriately to all key stakeholders.
21. Audit NZ will meet with management, the Chief Executive, the Audit and Risk Committee and the Board throughout the audit on a regular basis. All significant issues will be reported to the Audit and Risk Committee, the Board and the Wellington Water Committee. There will be ongoing, proactive discussion of issues as and when they arise to ensure there are “no surprises”.

Potential issues with reporting other measures

22. The focus of the Audit Improvement Plan was specific to four DIA and one statement of intent measure.
23. We also report against nine other mandatory DIA measures and 34 council specific measures on behalf of our councils: and 26 measures in the current statement of intent.
24. We have reviewed all measures and it is likely that further issues with data collection and data reliability could result in a small number not meeting the standard of reporting required by Audit NZ.

Ongoing Challenges

25. **Developing scalable improvement options:** We are committed to accurate and complete reporting against existing measures, while being mindful of impending changes to reporting as a result of reform. Further investment in existing systems will increasingly be of limited value.
26. **Introduction of manual rather than automated system controls:** The manual controls introduced to increase assurance around accurate and complete data collection are likely to continue to fall short of the standard of reporting required by Audit NZ. This is likely to result in future qualified audit opinions.
27. **Time needed to fully realise the benefits of recent improvements:** It will take time for the improved reporting systems, methodologies and increased functionality of tools to be fully embedded. Over time and as behaviours change, we expect a further lift in performance.

28. **The improvements have been incrementally implemented:** The improvements have been designed, tested and implemented since December 2020 when the final audit report for 2019/20 was received. Training has been completed and will be ongoing where required. This means a full year's results under the improved conditions are not yet available. Audit NZ has signalled their intention to again issue a qualified opinion where 12 months results are not available for any given measure.
29. The results of a recent internal audit review completed by PWC provide us the opportunity to further strengthen how the benefits of the improvements can be fully realised. The changes will be strengthened so that for next financial year the controls will be operating effectively for a full year.
30. An internal audit programme will be implemented to check and recommend ways to increase the effectiveness of these and future improvements.

Appendices

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MEASURE AND LIMITATION	AUDIT IMPROVEMENT PLAN	CURRENT STATUS
<p>1. Reporting the % of real water loss</p> <p>Audit NZ found that WWL is unable to report reliable water loss for each council due to limited number of meters across the reticulation network.</p> <p>Water loss is calculated using the Bench loss method which is compliant with the DIA guidelines. However, with councils' agreement (in 2019) the results are reported as a regional average with a wide confidence interval. The regional average is not considered sufficiently accurate due to shortage of meters to provide data and the resulting wide confidence interval.</p>	<p>There are no plans to significantly increase meter coverage in the short term, therefore continuing the status quo was agreed as the best way forward.</p> <p>This means:</p> <ul style="list-style-type: none"> WCC, UHCC, PCC & HCC will report the regional average via Bench loss method and will likely receive a qualification again this year. SWDC and GWRC will continue to apply the night-flow method. Results for these councils were not qualified last year. 	<p>The existing method continued for the remainder of the 2021 year.</p> <p>Future developments:</p> <p>WWL have been developing a more accurate way of reporting water loss based on small area monitors (SAMs). These are high resolution water meters installed on mains feeds to small discrete groupings of dwellings (<100) that, when managed to contain leakage within the area, can provide accurate accounting of water used by residents. Fifteen SAMs have been installed across the WCC (5), HCC (4), PCC (3) and UHCC (3) Councils, which combined are anticipated to provide a more robust estimate of residential demand for use in water loss calculations. WWL has begun analysing the data being produced by the SAMs but will not have a reliable figure for residential consumption until at least a full year of data has been collected (March 2022). WWL is also establishing workflows to ensure effective leakage control within SAMs.</p>
<p>2. Reporting the number of dry-weather overflows from the sewerage system.</p> <p>Audit NZ found that WWL is unable to accurately report the number of dry-weather sewerage overflows because the system used for recording events included blockages in the wastewater system that did not necessarily result in an overflow.</p>	<ul style="list-style-type: none"> Revise methodology to address Audit NZ concerns Increase Maximo functionality to prompt field crews to trigger and complete an overflow report 	<p>The required functionality has been delivered and field crew trained.</p> <p>The methodology and process are traceable, repeatable and documented.</p> <p>The methodology, system and processes are fully functional from 1 July 21.</p>

<p>3. Reporting fault response times for attendance and resolution for water supply, sewerage and stormwater faults.</p> <p>Audit NZ found that the fault response times are not reliable because attendance and resolution times for service requests were not always recorded at the point in time they occurred.</p>	<p>Attendance times - status quo was agreed with councils. Attendance is not a key performance metric for councils; further investment was unlikely to improve the customer experience and would not achieve a positive cost benefit outcome.</p> <p>Resolution times is a key metric for everyone.</p> <p>Additional manual control checks at the work-flow level will provide the ability to check completeness and accuracy of results.</p> <p>Additional Maximo functionality and training will prompt field crews to complete job records at the time of completion. Ongoing QA will help provide assurance that this happens.</p>	<p>Attendance times – Final maximo solution implemented along with staff training to ensure completeness of data.</p> <p>No additional assurance checks implemented.</p> <p>Resolution – a 10% sample of all service requests was trialled against a prescribed checklist in Q3. Issues were identified and resolved and training carried out. Results are being gathered in Q4 with a 28% sample being checked to date.</p> <p>PWC has been engaged to review the new controls and help develop a wider internal audit programme.</p>
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<p>4. Reporting the number of complaints about performance of the water supply, sewerage and stormwater systems.</p> <p>Audit NZ found that WWL is unable to accurately report the number of complaints for each of the three water services because complete records were not available, and the after-hours systems did not classify complaints between the three waters.</p>	<p>DIA, the measure owners, established a working group to address the issues with reporting complaints. It was decided early on to review the range of issues that impact councils' ability to effectively report against all DIA measures.</p>	<p>Council systems limitations mean that accurate numbers are not able to be recorded by type and water.</p> <p>The working group has attempted to address identified issues by amending the guidance notes that control the reporting of each measure.</p> <p>WWL is actively participating in the core working group.</p> <p>The issues WWL have to effectively report the DIA measure are common to other councils.</p> <p>Where possible the issues impacting effective reporting have been addressed by amending the guidance notes, improving definitions of key terms and adding worked examples.</p>
<p>5. Reporting client satisfaction on data gathered by an internal WWL survey.</p> <p>Audit NZ found that WWL were not able to report reliable customer satisfaction results because the methodology and processes supporting the results were not sufficiently robust.</p>	<p>An external professional survey design firm will be engaged to measure customer satisfaction.</p>	<p>The survey was outsourced to Colmar Brunton, a professional survey company. Sample data is provided by WWL to Colmar Brunton on a regular basis, results are reported monthly.</p>