

Officer responsible Director of Finance	Author Bob Lineham and John de Zwart
Corporate Plan Output: Corporate Expenses and Revenues	

The purpose of this report is to inform the Committee of the arrangements in place for ensuring that the Council will not be adversely affected by the Year 2000 (Y2K) problem.

BACKGROUND

The Council and the public generally are aware that the advent of the new millennium raises challenges for all organisations depending on the use of computer systems and electronic devices. The problem stems from systems which have not been designed to cope with the change of dates which will occur at the beginning of the new millennium. It is only in recent years that computer and software designers have amended standing practice to use all four digits in the year date in calculations and recording and there is the potential for malfunction at the turn of the century as a result. Worldwide this is recognised as a potential problem and must be taken seriously.

Computer systems and electronic chips are involved in almost all Council processes in one way or another including the control systems for pumping stations, traffic lights, telephone systems as well as the office-based support systems which operate accounting and information systems and word processing functions. Because of the public services delivered by the Council it is essential therefore that the Council is thoroughly prepared and satisfied that its systems will operate without adverse impact on the community it serves.

Not only is it necessary that all systems operated directly by the Council are Y2K compliant but key supplies utilised by the Council also need to be assured.

EARLY WORK

During the first half of 1998 the Council received a reconnaissance report by Ernst Young which it had commissioned in 1997 on the extent of Y2K readiness within the Council and this report assessed all the systems and the extent of risk of failure which could result. This was reported to the Council in February 1998. Financial provision was made in June 1998 to fund the necessary work to ensure the compliance of all critical systems, with funding for the Y2K project (\$1,160,000) being made available from the sale and subsequent leasing back of the Council's computers. The beginning of May has been set as the deadline for the sale of PCs to take place.

Over the last two years various Council units have been investigating the impact the Y2K "bug" may have on their operations and the action required to resolve the identified issues. These investigations were generally conducted by outside consultants, independent of one another and not co-ordinated across the Council.

ASSURANCE PROCESS

At management level the responsibility for the Council's Y2K project has been placed with the Director of Finance and in September 1998 City Design Project Manager, John de Zwart was seconded full time to set up a dedicated Y2K office coordinating the efforts of all Council units. This will ensure that no issues "fall down the cracks".

As a first step consultants Ernst and Young were commissioned in October 98 to formulate a scope statement outlining Council's requirements for the Y2K project. Having previously reported on the Y2K readiness of Council units, and considering their involvement with other Y2K projects around New Zealand, Ernst and Young were ideally suited for the scoping project and also to provide the Council with a proven methodology.

A comprehensive Y2K Project plan has been completed (74 pages) and a copy of this project plan is laid on the table.

The methodology being used consists of four stages:

1. **Evaluation** (make an inventory of all items which may be affected and then give each item a priority dependent on the impact if that item fails)
2. **Strategy** (develop a strategy to address each item of concern, strategy dependent on priority given to problem)
3. **Implementation** (implement the strategies developed)
4. **Compliance Certification**

Ernst and Young have been retained to perform a project mentoring/quality assurance role for the project. At least monthly they are called upon to audit the project team's performance against the prescribed methodology.

Y2K PROJECT OFFICE

A project office is now established and work toward the Council's Y2K compliance well advanced.

The Y2K project office consists of:

- The Project Manager who maintains overall management of the project;
- A Project Assistant provides administrative support to the project and communicates weekly with all units on their current status and updates inventory details fortnightly;
- An independent Software Engineer who has been employed on a temporary contract to provide independent advice and sign off high-risk systems; and
- A contract solicitor providing legal advice/support, especially useful for the review of contracts and the potential for those contracts to impact on the Council's legal position.

In addition to the four staff presently working full time on the project, there are 35 Council staff (Core Team) working part-time at the individual unit level. These staff are responsible for co-ordinating Y2K activity within their business units.

REPORTING STRUCTURE

The following reporting structure is in place and periodic reports will be made to the Strategy and Resources Committee on progress with the work being undertaken and the meeting of targeted milestones.

KEY MILESTONES

It is intended to have all Council systems considered to be of high risk (ie. where failure could impact on public health and safety, water waste, etc.) certified as Y2K compliant by the end of April 1999. There are 490 items in this category. Issues with medium and low risk status are planned to be resolved by the end of June 1999.

Due to the consequences if high-risk items fail, contingencies are to be established to enable the uninterrupted supply of these services in the unlikely event of failure.

MAJOR SYSTEMS

- Traffic lights have been claimed compliant by the manufacturer. Y2K Software Engineer is presently verifying the compliance of the system; final sign-off is scheduled for mid-February. Contingency has yet to be established.
- Water Services and Waste Management are in the process of implementing strategies to ensure compliance. Independent consultants Intellex will most likely be employed to sign off the compliance of the systems for both services. Intellex are specialised in the Y2K compliance of local authority water and waste services; they have been involved with the auditing of high risk systems for BP Oil New Zealand, Marlborough, Upper Hutt and North Shore Councils and South Auckland Health, as well as other organisations. Y2K office is presently negotiating with Intellex over their involvement.
- A new Financial and Management Information system has been budgeted for the Council in 1999 and a report on this issue is being considered at the present meeting of the committee. While the prime requirement for this system is other than for Y2K issues (the core financial systems are compliant), there are some parts of the new software which will be implemented at an early stage to replace non-complying systems. One of these is the licensing and consents system.

WHAT HAS BEEN ACCOMPLISHED TO DATE?

- Project Office and Core Team established
- Inventory of all Council systems/equipment completed
- Each item on the inventory has been assigned a risk value dependent on the likely impact failure would bring. As well as risk, the item is given a current compliance status (ie item is currently Y2K compliant, is compliant with modifications, etc.)
- The combination of risk value and compliance status has allowed the team to prioritise individual items.
- Priorities established, a strategy has been assigned to each item (replace, upgrade, etc.)
- Presently strategies are being implemented in order of their priority.
- SGS New Zealand Ltd, who currently hold the contract for the inspection of Council buildings for fire/security alarms, etc, are progressing Y2K compliance issues for Council building systems; there are 140 buildings being checked.

WHAT IS YET TO BE COMPLETED?

- Implementation of some strategies yet to be completed. Implementation of the strategies signed off by Unit Managers and Project Manager.
- Certification of compliant systems/equipment.
- Contingency plans developed for all high-risk Council services, contingency plans necessary where service may impact on public health and safety and is reliant on outside provider, i.e. electricity.
- Establishment of a mechanism to handle incoming calls on the Y2K issue needs to be established. An escalating number of calls are being received and two issues have been identified:
 - (i) calls' impact on Y2K staff time; and
 - (ii) care needs to be taken (for legal liability reasons) to ensure that callers are given the correct message.

Recommendation: That the Committee note the comprehensive plan for dealing with the Y2K issue and endorse the approach.

Chairman's

Recommendation: That the above recommendation be adopted.