

## Notice of Meeting:

I hereby give notice that an ordinary meeting of Audit & Risk Committee will be held on:

**Date:** Wednesday 16 September 2015  
**Time:** 2.30pm  
**Meeting Room:** Committee Room 1  
**Venue:** Municipal Building, Garden Place, Hamilton

Richard Briggs  
Chief Executive

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## Audit & Risk Committee OPEN AGENDA

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### Membership

Chairperson Mr Paul Connell  
Members Mr Tony Steele  
Her Worship the Mayor J Hardaker  
Cr A O'Leary  
Cr R Pascoe

**Quorum:** Three Members (including one external appointee)

**Meeting Frequency:** Quarterly

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Jude Pani  
Democracy Manager

**10 September 2015**  
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### **Terms of Reference:**

The role and scope of the Audit and Risk Committee is defined in the Audit and Risk Committee Charter.

### **Special Notes:**

The Chief executive and Internal Auditor are required to attend all meetings but are not members and have no voting rights.

Members are appointed for an initial term of no more than three years that aligns with the triennial elections, after which they may be eligible for extension or reappointment.

Appointment of external members is by contract.

External member contracts are to be reviewed and assessed six (6) months after each triennial election.

### **Power to act:**

The committee has no decision making powers.

The committee may request expert advice through the Chief Executive when necessary.

### **Power to recommend:**

This Committee may make recommendations:

To Council.

To the Chief Executive.

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**1 Apologies**

**2 Confirmation of Agenda**

The Committee to confirm the agenda.

**3 Declaration of Interest**

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

**Committee:** Audit & Risk Committee

**Date:** 16 September 2015

**Report Name:** Audit and Risk Committee Meeting - Open Minutes - 17 June 2015

**Author:** Ian Loiterton

<b>Status</b>	<i>Open</i>
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## Recommendation

That the Committee confirm and adopt as a true and correct record the Open Minutes of the Audit and Risk Committee Meeting held on 17 June 2015.

### 1. Attachments

- Attachment 1 - Audit and Risk Committee Meeting - Open Minutes - 17 June 2015

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## Audit & Risk Committee

### OPEN MINUTES

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Minutes of a meeting of the Audit & Risk Committee held in Committee Room 1, Municipal Building, Garden Place, Hamilton on Wednesday 17 June 2015 at 2.30pm.

#### PRESENT

Chairperson	Mr Paul Connell
Members	Mr Tony Steele Her Worship the Mayor Julie Hardaker Cr Angela O'Leary Cr Rob Pascoe
In Attendance	Richard Briggs – Chief Executive Paul Conder – Chief Financial Officer Blair Bowcott – General Manager Performance Brian Croad – General Manager City Environments Raniel Prasad – Unit Manager – Accounting Jude Pani – Democracy Manager David Robson - Crisis Manager Cory Lang - Building Manager Barnaby Pace - Risk Manager Morva Kaye - Financial Accountant  Leon Pierterse – Audit NZ Naude Kotze – Audit NZ Emma Jones – PwC YoonYoung Y Lee – PwC James MacGillivray – Tompkins Wake
Committee Advisor	Mrs Mary Birch

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The Chair welcomed Leon Pierterse and Naude Kotze from Audit NZ, Emma Jones and YoonYoung from PwC and Hamilton City Council (HCC) management to the meeting.

#### 1. Apologies

There were no apologies.

**2. Confirmation of Agenda**

**Resolved:** (Crs O'Leary/Pascoe)

The Committee to confirm the agenda.

**3. Declarations of Interest**

In respect of Item 9 – Building Consent Authority Re-Accreditation Results, the Chair advised that he was Chairman of International Accreditation New Zealand (IANZ).

**4. Public Forum**

Not required.

**5. Minutes of the Audit and Risk Committee Meeting - Open - 18 March 2015**

**Resolved:** (Cr Pascoe/Her Worship the Mayor Hardaker)

That the Committee confirm and adopt as a true and correct record the Open Minutes of the Audit and Risk Committee Meeting held on 18 March 2015.

## 6. Recommended dates for reports to be presented to Audit and Risk Committee

The Chair noted that there was currently no audit plan for consideration. The Chief Financial Officer (CFO) confirmed that staff were working on the 2015/16 audit plan to ensure that it aligned with the procurement process. This had taken longer than anticipated and he still needed to engage with Her Worship the Mayor, the Chairs of the Finance and Strategy and Policy Committees and the Chief Executive around the understanding of risk. However, the plan would be available at the 16 September Audit and Risk Committee Meeting.

The CFO advised that the other item that remained outstanding was the Interim Audit Arrangements Letter. He explained that in the usual cycle it would have been available at this Meeting. However, he had aligned the Interim Audit with the 10 Year Plan Audit. The Arrangements Letter would be forwarded by Audit NZ on 3 July.

Mr Pierterse, Audit NZ, advised that an interim management report would not now be released unless there were significant findings. He confirmed that a final management report would be produced and a similar approach would also be taken on the 10 Year Plan.

The Audit and Risk Committee Self Review would now be considered at the 3 December 2015 meeting.

The Chair advised that he would be available to present the Annual Report to Council on 24 September 2015.

**Resolved:** (Messrs Connell/Steele)

That the Report be received, noting the above changes.

## 7. Organisational Risk Report

As a consequence of feedback from the Audit and Risk Committee that the Report was too complex, the Chair advised that he had spent time with staff and considerable progress had been made on modifying the risk reporting to make it clearer and easier to understand. The report was introduced by the General Manager (GM) Performance, supported by the Crisis and Risk Managers.

Staff responded to questions on the following;

- **Reputational Risk** - The issue of reputational risk was being addressed through a training programme for staff and management;
- **Business Continuity Management Framework** - This was being refined following the PwC audit;
- **Top Ten Organisational Risks Summary** – Although other risks had been identified, reporting to Governance needed to focus on the top ten risks; the process to identify risks was good and the Committee was comfortable that any emerging risks would be identified;
- **Scoring** – It was confirmed that the rankings were achieved using the likelihood of the risk occurring and the impact on the organisation if it did. The definitions were included in the Policy. Staff gave assurances that this was not simply a mechanical process, as it was undertaken in conjunction with the GMs; and
- **Staff Turnover** – Confirmation was given that an increase in staff turnover as a consequence of the organisation’s proposed restructure, had been identified as the top risk. It had been categorised as catastrophic due to the impact across the organisation.

The Chief Executive (CE) commented that he did not agree with the staff turnover assessment, as he believed that the number of staff that were impacted by the restructure was a small proportion, when taken as a representation of staff as a whole across the entire organisation.

Members provided positive feedback on the new style of reporting and staff were thanked for their efforts.

**Resolved:** (Crs O’Leary/Pascoe)

That the Report be received.

## 8. Organisational Improvements Work programme Status Report

The report was introduced by the CFO, who advised that the Crisis Manager had taken over this report as a result of David Leong leaving the organisation. He highlighted that in Quarter 3, 19 items had been completed and were awaiting PwC sign off, 11 new items had been received, leaving a balance of 15 outstanding.

The following matters were considered:

- **Item #89 Cash Flow Forecasting** - The CFO confirmed that this was an overdue item and had been deferred until after year end. However, it was currently being tested by the Finance Team and it would be available for the Annual Plan process at the beginning of September 2015;
- **Items #193 and #196 Development Contributions Processes and Controls and #244 Work in Progress** - The CFO provided assurances that these Items, due for completion by the end of June 2015, remained on target; and
- **Overdue Items** - The Committee requested that in future reports, estimated completion dates be included for overdue items.

Whilst it was noted that the black font on red was difficult to read, Members provided positive feedback on the Work Programme document attached to the staff Report in respect of both the increased font size and the detailed wording included in the Agreed Management Responses and Comments on Current Activity.

**Resolved:** (Mr Steele/Cr Pascoe)

That the report be received.

## 9. Building Consent Authority (BCA) Re-Accreditation Results

The GM City Infrastructure introduced this report, supported by the Building Manager. The Building Unit had recently been audited by International Audit New Zealand (IANZ), on behalf of the Ministry of Building, Innovation and Enterprise (MBIE). The audit report was good and HCC continued to maintain accreditation. HCC received two corrective actions and a number of recommendations for improvement. Whilst the GM did not necessarily agree with everything that had been noted in the audit, he confirmed that all the changes requested would be delivered.

The GM advised that smart technology would improve customer service, with hand-held devices allowing staff to update and access information in the field. Furthermore, although online consenting was technically complex, it was being progressed, as staff recognised how significantly it would enhance the service provided.

The Chair reiterated that he was the Chair of IANZ and that as an organisation, IANZ wanted to be customer orientated. He wanted to find out how these reports could provide additional value to HCC; he appreciated the comments raised by staff and welcomed their feedback. He explained that IANZ would be engaging with MBIE in respect of setting appropriate standards.

**Resolved:** (Mr Steele/Cr O'Leary)

That the report be received.

## 10. Annual Report 2015-Planning update

The CFO, supported by the Unit Manager - Accounting introduced this report. The CFO explained that the purpose of this report was to provide the Committee with an update on the 2015 Annual Report Planning. He highlighted the following:

- **Public Benefit Entity (PBE) Accounting Standards** - The Annual Report would include the introduction of the new PBE accounting standards;
- **Disclosure of Revenue** - the main impact of the introduction of the PBE Accounting Standards related to disclosure of revenue from exchange (payments for specific services) and non exchange (non specific services e.g. payments for rates or development contributions) activities.
- **Terminology** - Traditional terminology would be used in the reporting;
- **Risks and Opportunities Schedule** - The Risks and Opportunities Schedule projected an improving overall financial performance;
- **Alignment** - All changes aligned with international accounting standards;
- **Overruns** – Whilst there were concerns regarding the increased number of overruns, assurances were given that the process was transparent. As Council moved towards balancing the books in 2016, there was less flexibility to move funds from one project underrun to another project overrun. Any movement of funds between projects was cleared by the CFO and Council advised accordingly; and
- **Consultation** - There was no requirement for further consultation on the Annual Budget, unless there was a significant change from the 10 Year Plan.

Mr Pierterse – Audit NZ confirmed that he was not aware of any issues.

It was requested that a session was scheduled at the end of August/beginning of September for Committee Members to consider financial statements, key assumptions and valuation issues.

**Resolved:** (Mr Connell/Cr Pascoe)

That the Report be received.

## 11. 2015 Quarter 4 Update from PWC

This Report was introduced by Emma Jones and YoonYoung Y Lee – PwC. Ms Jones confirmed that Council was continuing to make good progress and the overall Internal Audit Programme was on schedule. She highlighted the following:

- **Project 5 - Budgetary Controls and Reporting** – This Item had been deferred until the Financial Year 2016 to align with the finalisation of the budget module fixes within the AX system;
- **Project 8 - Safety and Wellbeing Management System** - This had been deferred until the Financial Year 2016 to align with the proposed reforms to the health and safety legislation;
- **Project 1 – Governance Reporting** – The fieldwork had been completed and the observations discussed with Her Worship the Mayor Hardaker. The report needed to reflect the improvements required and be a plan for the future. This would be finalised by the next meeting, with very detailed recommendations included; and
- **Project 9 – Value for Council Model** – This had been added to the Internal Audit Programme. It aligned with the public relations exercise of demonstrating good value for money for the ratepayers’ dollar, which was linked to the local government survey. It was recognised that the figures should be accurately and independently audited to give public confidence in their findings.

**Resolved:** (Cr Pascoe/Mr Steele)

That the report be received

## 12. Resolution to Exclude the Public

**Resolved:** (Messrs Connell/Steele)

### Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda.

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 follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Minutes of the Audit and Risk Committee Meeting - Public	) Good reason to withhold information exists under	Section 48(1)(a)

- 
- Excluded - 18 March 2015 ) Section 7 Local Government
  - C2. Legal Update (Verbal) from ) Official Information and
  - Tompkins Wake ) Meetings Act 1987
  - )
  - C3. Weathertight Buildings

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

- |          |                                             |                   |
|----------|---------------------------------------------|-------------------|
| Item C1. | to protect the privacy of natural persons   | Section 7 (2) (a) |
| Item C2. | to maintain legal professional privilege    | Section 7 (2) (g) |
| Item C3. | to enable Council to carry out negotiations | Section 7 (2) (i) |

**The Meeting moved into a publically excluded session from 3.35 to 4.05pm.**

**The Meeting was closed at 4.05pm.**

**Committee:** Audit & Risk Committee

**Date:** 16 September 2015

**Report Name:** Recommended dates for reports to be presented to Audit and Risk Committee

**Author:** Kay Lindsay

<b>Status</b>	<i>Open</i>
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## Recommendation

That the report be received.

### 1. Attachments

- Attachment 1 - Recommended dates for reports to be presented to Audit and Risk Committee 2015

### 3. Purpose of the report

- This report provides detail of recommended dates of reports to the Audit and Risk Committee for 2015.

## Signatory

Authoriser	Paul Conder, Chief Financial Officer
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## Audit and Risk Committee Reports - 2015

D-1358919	Audit and Risk Committee Meetings				Informal Audit and Risk Committee	Non-Audit and Risk Committee Meetings	
	Presenters	Notes	18/03/15	17/06/15	16/09/15	26/11/15	02/09/15

### Standard Reports

Organisation Improvement Programme	Finance Group								
Risk and Opportunities Report	Finance Group								
Risk Management Report	Risk and Emergency Management Unit								
Weathertight Buildings Report	Building Unit								
Fitch Report	Finance Group								
Legal Review (Contingent Liabilities) - Public Excluded	Tompkins Wake								
Audit and Risk Committee Self Review	Chairperson								

### Annual Report Related

Annual Report Planning Update	Finance Group								
Review of Draft Financial Statements	Finance Group								
Annual Report (recommendation to Council)	Finance Group								

### Internal Audit (PricewaterhouseCoopers)

Draft Internal Audit Plan	PWC								
Internal Audit Update	PWC								
Internal Audit - Reports	PWC								
Risk Workshop	PWC								

### External Audit (Audit New Zealand)

IS Assurance Report		as required							
Audit Engagements Letter/Audit Arrangements Letter	Audit NZ								
Interim Management Report	Audit NZ								
Final Management Report	Audit NZ								
Clearance to Audit and Risk Committee	Audit NZ								
Issue of Audit Opinion	Audit NZ								

**Committee:** Audit & Risk Committee

**Date:** 16 September 2015

**Report Name:** Organisational Risk Report

**Author:** David Robson

<b>Report Status</b>	<i>Open</i>
<b>Strategy, Policy or Plan context</b>	<i>Organisational Risk</i>
<b>Financial status</b>	<i>This activity is supported by the Risk and Emergency Management Unit budget</i>
<b>Assessment of significance</b>	<i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

## 1. Purpose of the Report

- To provide an update to the Audit and Risk Committee on the risk management framework and top organisational risks to enable the Audit and Risk committee to assess effectiveness of the risk assessment/management policies and processes.

## 3. Executive Summary

- The chair of the Audit and Risk Committee has been working closely with staff to help improve risk reporting.
- This reflects an on-going improvement programme and feedback that some risks within the Organisational Risk Register may not necessarily reflect the true risk to the organisation. As such, a focus is being made on identifying strategic risks more appropriately.
- This is a work in progress and feedback from the committee would be welcomed.
- The next phase of risk maturity is to embed a risk management culture. To initiate this, a program of events has been designed and is currently being implemented.

## Recommendation from Management

That the report be received.

## 8. Attachments

- Attachment 1 - Top Ten Organisational Risks Summary Sept 15
- Attachment 2 - Results of a preliminary assessment of strategic risks
- Attachment 3 - Comparison between organisational and global

## 12. Update of Risk Management Framework

## 13. Background

14. At the Audit and Risk Committee on 18 June 2015 it was requested that the Chief Executive, in conjunction with the Chair of the Audit and Risk Committee, undertake a review of the current risk management framework. This review was to ensure that the current process in regards to risk management was 'fit for purpose'.
15. In reviewing the risk management framework the Chief Executive has assessed the following:
- The risk culture within Hamilton City Council needs to be reviewed and possibly enhanced.
  - There are two levels of risks within an organisation, the first are the strategic risks (i.e. the risks that impede the delivery of the strategic outcomes and the second are operational risks (i.e. risks to operations).
  - All risks require an action plan and should be monitored. Significant risks should be monitored by the Audit and Risk Committee.
  - The Audit and Risk Committee has a role in understanding and challenging the framework and significant risks.
  - Individually and collectively the Senior Leadership Team need to own the risks and are responsible to the Audit and Risk Committee in providing assurance that risks are mitigated.

## 16. Strategic Risk

17. Many of the risks within the organisational risk register were the result of workshops with councillors and senior management. However, HCC has matured in many respects and it is now appropriate to review risk from a strategic perspective and revisit key risks from a top down and bottom up perspective.
18. Strategic risks can be defined as the uncertainties and untapped opportunities that would impeded Council achieving its strategic outcomes. Council's primary strategic document is the Hamilton Plan.
19. The results of a preliminary assessment of strategic risks are provided as attachment 2.
20. A full assessment of these risks will be undertaken and brought back to the Audit and Risk Committee for discussion.

## 21. Risk Culture

22. The next phase of risk maturity at HCC is to integrate a risk management culture into the day delivery of core strategies and operations. Again this remains a work in progress.
23. Through the leadership and guidance of the CEO, a programme of new innovations of risk management training and awareness has been created. This programme is intended to make risk management part of everyday conversations and embedded in processes and procedures through positive enforcement.
24. Risk Culture 'Think Tank' Group - Key staff with a proven track record of implementing and sustaining culture change have been identified and approached by the risk manager to form a small group which meets regularly to brainstorm and discuss methods of the embedding of a risk culture within HCC. Initial ideas include an organisational risk awareness week and weekly podcasts which are made available to staff via the intranet.

25. Weekly Podcasts - rather than generic email bulletins, a weekly short video clip is to be added to the internal Daily Mail and the Risk Management Velocity Page. The 'Risk in a Minute' podcasts will cover topical risk themes and short, informal risk management training with the intention of provoking thought and conversation at a unit level. This will encourage staff to consider different perspectives and become more comfortable in discussing risk with a 'gut feel' as opposed to relying on the mechanical tools and resources.
26. Unit Risk Champions - In order to further integrate risk at a unit level, risk champions are to be identified. Supported by the Risk Manager, these unit representatives will be selected from each business group for their capability and passion for risk management and will be responsible for ensuring that risk is better understood, discussed at team talks and that unit risk registers are utilised.
27. Risk Training - A foundational risk management training and awareness programme to emphasise a risk and opportunity culture is currently being delivered to staff which is designed to encourage staff to think differently and consider risk in every day decision making. The workshops are facilitated by the Risk Manager through August and September. The offer of training is of course extended to governance.
28. The training programme is as follows:
- Workshop One: Introduction to Risk Management  
An overview of risk management at HCC, including how to write a risk statement and how to conduct a risk assessment. This is not only covers the tools and resources available, but also conceptual/sensory assessment.
  - Workshop Two: Changing Perception of Uncertainty  
The objective of this session is to change the perception of uncertainty around risk through the identification, understanding and separation of risks from issues and hazards.
  - Workshop Three: Change, Causality and Uncertainty  
This session will build on Workshop Two and further examine how important it is to consider change and causality when engaging in risk management. By considering the potential outcomes and repercussions of decisions through the application of a risk lens, the aim is to anticipate any reputational risk in advance and adjust the decision accordingly.
29. Surveys - To ascertain trajectory of levels of engagement and change, periodic surveys will target usage and understanding of risk management at both an operational and strategic level. The results of these surveys will form part of future reporting to governance.
- 30. Top Ten Organisational Risks**
31. Risks are collated from a variety of sources including unit risk registers, projects, emerging risks and organisational risks that are ranked outside of the top ten. Reporting to this Committee focuses on the top ten organisational risks, as currently scored by the organisation.
32. The current top ten organisational risks are summarised below. A supporting page for each risk is attached which provides further detail, risk scores, controls and mitigation. (Attachment 1).

Risk Name	Residual Risk Score
As a result of flooding, pollution, pump station overflows and increased discharges through city growth and 3rd parties, the storm water system might not meet city requirements of quality and quantity under its resource consent for discharge.	Very High
As a result of commercially sensitive information being made available to external parties, HCC could expose itself to financial, reputational and legal risk as well as damage to stakeholder relationships	High
As a result of CDEM training relying on scenarios only and the lack of exposure to real emergencies, HCC maybe unable to deliver its CD and EM statutory obligations.	High
The failure of wastewater infrastructure could lead to pollution of waterways and result in a public health impact and regulatory action	High
Due to an increase in 'leaky buildings' liability claims, the budget provision within the 10 Year Plan may be exceeded	High
Due to a lower than desirable operational risk culture, risk may not be readily identified and escalated as appropriate.	High
As a result of a shortfall in workforce capacity, the current work programme, or any new work programmes, may not be delivered.	High
As a result of insufficient storage capacity or in the event of a natural disaster, poor raw water quality or sustained systems failure, it might lead to limited availability and quality of treated water	High
As a result of the level of organisational change, this could become unmanageable for staff and may lead to an increase in staff turnover and a decrease in wellbeing.	High
Due to an unexpected sustained IT system outage, HCC may be unable to process transactions and in turn affect our service to customers	Medium

### 33. Emerging Risks

34. Two possible emerging risks are currently being considered:

- Cyber Security. Cyber security has recently been identified as the number one global risk for all entities and has received public scrutiny as a result (see section 12 of this report). HCC has outsourced much of the IT service and, as such, has transferred much of the risk. Local Government Official Information & Meetings Act 1987 (LGOIMA) give the public access to most information upon request and it is considered that local government is of relatively low risk in respect of hackers searching for sensitive information. A more likely targeted threat would be from hackers holding systems to ransom and/or intent on malicious infection of systems. HCC employs robust security measures in this space that are regularly tested. In response to a request from the chair of Audit and Risk, the Manager Information Services will provide a separate report on cyber risk to the committee.
- Seamless business delivery during transitional restructure arrangements. Despite two general manager vacancies, no evidence has been found to date of significant issues arising from the restructure. Although more of an issue than a risk, the matter will continue to be monitored, but is considered to be of relatively low level and would not likely feature in top 10 reporting to governance.

### 35. Top Ten Global Risks

36. KPMG have recently released a report listing the top 10 risks for all entities for 2015. The risk themes are as follows:

1. Cyber Security
2. Regulatory Compliance
3. Antibribery/Anticorruption
4. International Operations
5. Third-Party relationships
6. Mergers, acquisitions and divestures
7. Strategic alignment
8. Integrated and continuous risk assessment
9. Data analytics and continuous auditing
10. Talent recruitment and retention

37. Although risks with an international focus would not necessarily apply to local government, many of the themes are incorporated in existing organisational risks and/or covered by the internal audit programme. Some of the global risks have been previously examined and considered either low risk or have been mitigated. However, to provide governance assurance, these risks will be reviewed on an on-going basis as part of the organisational risk review. A summary of how existing and emerging organisational risks link to the global risks is provided as attachment 3.

### Signatory

Authoriser	Paul Conder, Chief Financial Officer
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## Top Ten Organisational Risks Summary

Rank	Risk Summary	Risk Rating		
		Initial Risk Rating (Aug 2015)	Residual Risk Rating (Aug 2015)	Risk Status Since Previous Report
1	Storm water system unable to meet city requirements during an event.	Very High 	Very High 	New 
2	Organisational damage through external parties receiving commercially sensitive information.	Very High 	High 	No Change 
3	Ability to deliver statutory obligations in a civil defence/emergency event.	Very High 	High 	No Change 
4	Failure of wastewater infrastructure leading to pollution of waterways.	Very High 	High 	No Change 
5	LTP budget provision is insufficient to meet increased leaky buildings liability claims.	Very High 	High 	Down 
6	Embedded risk management culture.	Very High 	High 	New 
7	Staff capacity to delivery on work programmes.	Very High 	High 	Down 
8	Insufficient water quality in the event of natural disaster.	Very High 	High 	New 
9	Increase in staff turnover due to organisational change	High 	High 	Down 
10	Sustained IT systems outage.	Very High 	Medium 	No Change 

Risk Summary:	Rank
<p style="text-align: center;"><b>Storm water system unable to meet city requirements during an event.</b></p> <p>As a result of flooding predominantly through heavy/seasonal rainfall this could result in pollution through pump station overflows and increased discharges. Also, through city growth and 3rd parties, the limits of the storm water system might not meet city requirements of quality and quantity under the current resource consent for discharge.</p>	<b>1</b>

Management Risk Assessment					
Likelihood of Occurrence	Certain				
Impact - Our People	Minor		Impact - Safety & Wellbeing	Minor	
Impact - Information Management & Tech	No Risk		Impact - Reputation	Major	
Impact - Financials	Moderate		Impact - Social & Cultural	Moderate	
Impact - Compliance	Extreme		Impact - Service Delivery	Moderate	

Initial risk score	Very High		Residual risk score( after consideration of controls and mitigation)	Very High	
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#### Commentary on Risk Assessment

The driver for this risk is the likelihood of 'certain'. Although the effects on the above criteria are moderate, this risk poses a major risk of reputational damage

#### Risk Treatment Summary

##### Controls

1. Integrated Catchment Management Plans (I&I Strategy)
2. Storm water Monitoring Plan
3. Flood Hazard Maps
4. Wastewater network model
5. Trade waste bylaw and consenting process
6. District Plan rules
7. Separate storm water and wastewater networks
8. Infrastructure plans available on web site
9. Wastewater Overflow Strategy
10. Storm water bylaw
11. Proposed transportation environmental plan
12. Preventative maintenance programmes:
  - Stream and screen cleaning
  - Pump station

##### Mitigations

1. Emergency Response Plan

Ref ID: 23/07

Risk Summary:	Rank
<p><b>Organisational damage through external parties receiving commercially sensitive information.</b></p> <p>Essentially a risk connected to information security in that if commercially sensitive information is intentionally made available to external parties, HCC could be exposed financial, reputational and legal risk as well as the likely damage to stakeholder relationships</p>	<b>2</b>

Management Risk Assessment					
Likelihood of Occurrence	Almost Certain				
Impact - Our People	Moderate		Impact - Safety & Wellbeing	N/A	
Impact - Information Management & Tech	Moderate		Impact - Reputation	Serious	
Impact - Financials	Serious		Impact - Social & Cultural	Serious	
Impact - Compliance	Moderate		Impact - Service Delivery	Minor	

Initial risk score	Very High		Residual risk score( after consideration of controls and mitigation)	High	
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Commentary on Risk Assessment
<p>This risk has been assessed by the owner as 'almost certain' and is based on the historical mostly media leaks. However, due to increased security measures connected to the security of information this risk is trending down and given that activity in this area is now historical, it is expected that the risk transition to a medium/low rating.</p>

Risk Treatment Summary
<p><b>Controls</b></p> <ol style="list-style-type: none"> <li>1. Password protection is implemented on all PC's as standard for all user log-in.</li> <li>2. Passwords are required to be renewed on a regular basis in line with best practice.</li> <li>3. Procedures and resources are provided for the disposal/destruction of confidential/sensitive documents.</li> <li>4. Photocopying/printing facilities have individual logins which are monitored.</li> <li>5. Elected Members Code of Conduct and the option of public excluded meetings.</li> <li>6. Legislative compliance with Local Government Act, Privacy Act etc.</li> <li>7. Privacy Officer employed to screen information requests and oversee information management.</li> </ol>
<p><b>Mitigations</b></p> <ol style="list-style-type: none"> <li>1. External legal advice is engaged on a case by case basis.</li> <li>2. Continuing briefing of confidentiality and privacy issues to staff and elected members</li> <li>3. Staff Engagement Plan</li> </ol>

Ref ID: 18/06

Risk Summary:	Rank
<p><b>Ability to deliver statutory obligations in a civil defence/emergency event.</b></p> <p>Due to its relatively low risk and stable hazardscape, CDEM training in Hamilton is generally confined to being scenario based. With this lack of exposure to real emergencies, HCC maybe unprepared and fail to deliver its CDEM statutory obligations in an actual event.</p>	<b>3</b>

Management Risk Assessment					
Likelihood of Occurrence	Likely				
Impact - Our People	Serious		Impact - Safety & Wellbeing	Serious	
Impact - Information Management & Tech	Moderate		Impact - Reputation	Extreme	
Impact - Financials	Moderate		Impact - Social & Cultural	Major	
Impact - Compliance	Major		Impact - Service Delivery	Major	

Initial risk score	Very High 	Residual risk score( after consideration of controls and mitigation)	High 
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#### Commentary on Risk Assessment

The 'high' likelihood score is a reflection of the risk of unpreparedness as opposed to the risk of a disaster event. However, due to increased capability self assessment scores HCC has trended up from 30% to 78% in just under 3 years. Improved alignment with regional and local councils of the Waikato also provides the opportunity of the inclusion of experienced personnel to assist in managing a disaster event in Hamilton. Given the added commitment to on-going training for HCC staff volunteers in events and exercises outside the city, it is anticipated that this risk will trend down.

#### Risk Treatment Summary

##### Controls

1. Monthly training exercises and scenario testing which has realised an increase in HCC Civil Defence and Emergency Management capability assessment from 30% to 78% in three years.
2. HCC Emergency Operation Centre (EOC) has received a score of 65% against National standards.
3. Multi-agency emergency exercises targeted at critical infrastructure.
4. Dedicated, experienced Civil Defence Professional staff.
5. Fully trained Local Controllers who have the capability to lead HCC's response in an event.

##### Mitigations

1. Key trained staff have emergency event experience, e.g. involvement in the Christchurch disaster.

##### Future Actions

1. The inclusion of trained staff in the incident management team for local events outside of Hamilton to gain experience.

Ref ID: 22/10

<b>Risk Summary:</b>	<b>Rank</b>
<p><b>Failure of wastewater infrastructure leading to pollution of waterways.</b></p> <p>From a compliance perspective, the failure of wastewater infrastructure for any reason could lead to pollution of waterways and result in a public health impact and regulatory action which would likely include financial penalties.</p>	<b>4</b>

Management Risk Assessment			
<b>Likelihood of Occurrence</b>	Almost Certain		
<b>Impact - Our People</b>	Serious 	<b>Impact - Safety &amp; Wellbeing</b>	Serious 
<b>Impact - Information Management &amp; Tech</b>	N/A 	<b>Impact - Reputation</b>	Moderate 
<b>Impact - Financials</b>	Serious 	<b>Impact - Social &amp; Cultural</b>	Moderate 
<b>Impact - Compliance</b>	Extreme 	<b>Impact - Service Delivery</b>	Moderate 

<b>Initial risk score</b>	Very High 	<b>Residual risk score( after consideration of controls and mitigation)</b>	High 
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<p><b>Commentary on Risk Assessment</b></p> <p>This risk rating is driven by the almost certain likelihood with extreme compliance impacts. However, a strong business as usual programme contains activities designed to prevent this risk from occurring.</p>
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Risk Treatment Summary
<b>Controls</b>
<ol style="list-style-type: none"> <li>External peer review of plant operations with is conducted on a reoccurring cycle.</li> <li>Online monitoring of system performance for the early detection of potential errors.</li> <li>Investment in proactive inspection, maintenance and renewal of assets and infrastructure.</li> </ol>
<b>Mitigations</b>
<ol style="list-style-type: none"> <li>Emergency management response plan and the dry weather overflow response manual which is routinely tested.</li> <li>Better understanding of risk which informs our capital works programme through Asset Management Plans and water network models.</li> </ol>
<b>Future Actions</b>
<ol style="list-style-type: none"> <li>LTP investment in wastewater infrastructure capacity improvement to decrease risk of spills.</li> </ol>

Ref ID: 24/07

Risk Summary:	Rank
<p><b>LTP budget provision is insufficient to meet increased leaky buildings liability claims.</b></p> <p>'Leaky buildings' liability claims remains a topical issue and given the unpredictability of when claims and their costs may arise, the risk is that the budget provision within the 10 Year Plan may be exceeded.</p>	<b>5</b>

Management Risk Assessment			
Likelihood of Occurrence	Certain		
Impact - Our People	Minor 	Impact - Safety & Wellbeing	No Risk 
Impact - Information Management & Tech	No Risk 	Impact - Reputation	Moderate 
Impact - Financials	Extreme 	Impact - Social & Cultural	Minor 
Impact - Compliance	Minor 	Impact - Service Delivery	Moderate 

Initial risk score	Very High 	Residual risk score( after consideration of controls and mitigation)	High 
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#### Commentary on Risk Assessment

Hamilton has a good track record in regards to the low number of claims in comparison to other metros and as such, this risk continues to trend down. The risk remains, but due to the reducing number of claims the likelihood has been reduced.

#### Risk Treatment Summary

##### Controls

1. An independent external Quantity Surveyor has been engaged to assess claims and overall costs on a case by case basis.
2. HCC solicitors' involvement as appropriate.
3. Independent leaky building experts are assigned to assess potential liability to HCC as required.
4. Claims are monitored and costs estimated, where possible, against the 10-year plan budget.

##### Mitigations

1. Proactive approach employed by early engagement with party's to facilitate dispute resolution. Note: dependent on claim – large and complex disputes are handled by HCC engaged solicitors.
2. External advice sought on a building's risk profile. This provides information and statistics, costs and trends across other local authorities in order to construct a forecasting tool by which HCC can report against.

##### Future Actions

Nil

Ref ID: 34/08

Risk Summary:	Rank
<p style="text-align: center;"><b>Embedded risk management culture.</b></p> <p>The HCC risk management journey to date has heavily focussed on its build and integration as a result, the organisation has a lower than desirable risk culture which could mean that risks may not be readily identified and escalated as appropriate.</p>	<b>6</b>

Management Risk Assessment					
Likelihood of Occurrence	Almost Certain				
Impact - Our People	Minor		Impact - Safety & Wellbeing	No risk	
Impact - Information Management & Tech	Moderate		Impact - Reputation	Moderate	
Impact - Financials	Moderate		Impact - Social & Cultural	Moderate	
Impact - Compliance	Moderate		Impact - Service Delivery	Moderate	

Initial risk score	Very High 	Residual risk score( after consideration of controls and mitigation)	High 
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#### Commentary on Risk Assessment

The assessment has resulted in relatively consequences, however with an 'almost certain' likelihood this risk has rated highly. However, a significant focus is currently being made in creating and maintaining a risk culture and it is expected that this risk will trend down on its next review.

#### Risk Treatment Summary

##### Controls

1. Permanent, dedicated full time resource allocated to deploy risk management framework and embed within the organisation
2. A risk section has been added to business plans to further identify risk at a unit level
3. 6 weekly meeting with SLT and quarterly reporting to A&R Committee
4. Risk now forms part of the key project report and Health and Safety Management
5. Risk management training programme

##### Mitigations

1. Establishment of a Crisis Management team with a wide brief to understand our risk parameters and profile
2. Risks identified at unit level are reported the 'risk forum' discussion group on a quarterly basis for consideration to add to organisational risk register
3. Emerging risks are identified and reported by the Risk Manager
4. PWC acknowledgement in October 2013 audit of a robust framework with recommendations of future enhancements

##### Future Actions

Nil

Risk Summary:	Rank
<p><b>Staff capacity to delivery on work programmes.</b></p> <p>This risk relates to the workforce capacity and the effect on delivery of work programmes that is the result of a lean organisation.</p>	<b>7</b>

Management Risk Assessment				
Likelihood of Occurrence	Certain			
Impact - Our People	Major		Impact - Safety & Wellbeing	Serious 
Impact - Information Management & Tech	Minor		Impact - Reputation	Moderate 
Impact - Financials	Serious		Impact - Social & Cultural	Moderate 
Impact - Compliance	Moderate		Impact - Service Delivery	Serious 

Initial risk score	Very High 	Residual risk score( after consideration of controls and mitigation)	High 
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#### Commentary on Risk Assessment

The focus of this risk is not only capacity versus delivery, but also the impact of the health and wellbeing of the staff that are completing the work. This may have links to the risk currently ranked number 9 regarding staff retention and turnover. This risk was reviewed on completion of the recent organisational review and was found to have trended down.

#### Risk Treatment Summary

##### Controls

1. Work flow guidance from Project Governance Group's (PGG's).
2. Senior Management oversight through quarterly business unit reporting which includes work programme status updates
3. Management and prioritisation of workload via a business case process.

##### Mitigations

1. Expanding business cases to include supporting unit/stakeholders sign-off.
2. Aligning business to outcomes/goals and organisational priorities.

##### Future Actions

1. Wellbeing project.
2. Development of Senior Leadership Team prioritisation framework.
3. Development of overarching Project Governance Group (PGG).

Ref ID: 46/03

<b>Risk Summary:</b>	<b>Rank</b>
<p><b>Insufficient water quality in the event of natural disaster.</b></p> <p>As a result of insufficient storage capacity or in the event of a natural disaster (which may include the now considered annual drought) , poor raw water quality or sustained systems failure, might lead to limited availability and quality of treated water.</p>	<b>8</b>

Management Risk Assessment					
<b>Likelihood of Occurrence</b>	Likely				
<b>Impact - Our People</b>	Minor		<b>Impact - Safety &amp; Wellbeing</b>	Minor	
<b>Impact - Information Management &amp; Tech</b>	No risk		<b>Impact - Reputation</b>	Major	
<b>Impact - Financials</b>	Major		<b>Impact - Social &amp; Cultural</b>	Extreme	
<b>Impact - Compliance</b>	Serious		<b>Impact - Service Delivery</b>	Major	

<b>Initial risk score</b>	Very High 	<b>Residual risk score( after consideration of controls and mitigation)</b>	High 
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<b>Commentary on Risk Assessment</b>
Due to its unpredictability and current water storage resources to mitigate it, this risk is difficult to manage.

Risk Treatment Summary
<b>Controls</b>
<ol style="list-style-type: none"> <li>1. Insufficient storage capacity:             <ol style="list-style-type: none"> <li>a. Water hydraulic model, b. Master Plan, c. AMPs, d. 30 year infrastructure strategy plan, e. 10 year plan</li> </ol> </li> <li>2. Natural disaster:             <ol style="list-style-type: none"> <li>a. Seismic assessments (tell us what risk our infrastructure is at), b. Risk assessment, c. AMPs, d. 10 year plan</li> </ol> </li> <li>3. Poor raw water quality:             <ol style="list-style-type: none"> <li>a. ESCAN, b. SOPs, c. Reservoir storage</li> </ol> </li> <li>4. Sustained systems failure:             <ol style="list-style-type: none"> <li>a. Maintenance plans, b. AMPs, c. 10 year plan, d. Water storage</li> </ol> </li> </ol>
<b>Mitigations</b>
<ol style="list-style-type: none"> <li>1. Emergency and continuity plans</li> </ol>
<b>Future Actions</b>

Risk Summary:	Rank
<p><b>Increase in staff turnover due to organisational change</b></p> <p>With a connection to the number 7 ranked risk of programme delivery , this risk is articulates that the levels of organisational change could become unmanageable for staff and may lead to an increase in staff turnover and a decrease in wellbeing</p>	<b>9</b>

Management Risk Assessment					
Likelihood of Occurrence	Likely				
Impact - Our People	Serious 	Impact - Safety & Wellbeing	Serious 		
Impact - Information Management & Tech	Moderate 	Impact - Reputation	Moderate 		
Impact - Financials	Moderate 	Impact - Social & Cultural	Minor 		
Impact - Compliance	Minor 	Impact - Service Delivery	Moderate 		

Initial risk score	High 	Residual risk score( after consideration of controls and mitigation)	High 
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#### Commentary on Risk Assessment

This was historically the number one risk to the organisation due to the recent organisational restructure. However, on review this has since trended down and it is anticipated that this risk will reduce even further as the organisation continues to transition into the 'new normal'.

#### Risk Treatment Summary

##### Controls

1. All staff have access to HCC's Employee Assistance Programme (EAP) which provides access to face- to-face professional counselling.
2. On-going email communication and discussion sessions by the CEO regarding the proposed restructure along with regularly updated FAQ's posted on Velocity.
3. The opportunity for staff to talk directly with the CEO regarding proposed structural changes.

##### Mitigations

1. Progressing outcomes of change fast and increasing certainty of new structure.

##### Future Actions

1. Development of Change Management Framework
2. Succession planning for key roles

Ref ID: 02/14

Risk Summary:	Rank
<p style="text-align: center;"><b>Sustained IT systems outage.</b></p> <p>Due to an unexpected sustained IT system outage, HCC may be unable to process transactions and in turn affect our internal functions and ultimate service to customers</p>	<b>10</b>

Management Risk Assessment					
Likelihood of Occurrence	Likely				
Impact - Our People	Moderate		Impact - Safety & Wellbeing	Serious	
Impact - Information Management & Tech	Major		Impact - Reputation	Moderate	
Impact - Financials	Serious		Impact - Social & Cultural	Serious	
Impact - Compliance	Serious		Impact - Service Delivery	Major	

Initial risk score	High		Residual risk score( after consideration of controls and mitigation)	Medium	
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Commentary on Risk Assessment
<p>Due to the outsourced arrangements of some IT provision, much of the risk has been transferred. However, robust contingency plans are in place and are tested regularly. Most affected systems have back up plans in order to continue to conduct business as usual and in turn provide a seamless experience to our customers.</p>

Risk Treatment Summary
<b>Controls</b>
<ol style="list-style-type: none"> <li>1. Outsourced IT arrangements to transfer the risk</li> <li>2. Contingency and Business Continuity plans in place.</li> <li>3. Off-site data centre for secure storage of data outside of the CBD.</li> </ol>
<b>Mitigations</b>
<ol style="list-style-type: none"> <li>1. Back up telecommunication/internet networks.</li> <li>2. Alternate power supply arrangements</li> <li>3. Audit programme focused on infrastructure security and process is currently active.</li> </ol>
<b>Future Actions</b>
Nil

Ref ID: 01/03



#	Risk	Our Books are Balanced	The Third City Economy in New Zealand	Providing Outstanding Infrastructure	Strongly Connected to the River	Best Garden in the World	An Active, Strong Commercial Central City with Distinctive Suburban Villages	An Urban Garden	Access to Affordable Housing	Waikato is the Capital of High Performance Sport	Celebrated For Our Arts and Culture
1	Failure to regularly and adequately test and forecast key assumptions results in council inadequately responding to external pressures (pressures such as Economic, Growth etc).										
2	Lack of robust Asset Management Planning leads to failure of critical assets.										
3	Council is unsuccessful in obtaining funding for key projects.			Debt and Development Contribution Funding.	Third party funding.	Third party funding.		Third party funding.			Debt funding and third party funding.
4	Lack of commitment from future council's towards the River Plan results in long term River Plan outcomes not being achieved. Political Buy-In.										
5	Failure to identify land subject to Waikato Tainui first rights results in Council not achieving its outcomes.										
6	Failure to identify and adequately manage broader environmental requirements results in Council not achieving its outcomes.										
7	Poor project management of the River Plan results in a loss of credibility of the plan.										
8	Appeals process compromise the principles of the district plan.										
9	Lack of investor buy in to changes required per the CCTP results in less than satisfactory outcomes.										
10	That demand outstrips supply, through the lack of provision of 'shovel' ready land, results in upward pressure on house pricing.										
11	Large scale land banking from landowners results in slow release of land for development.										
12	Failure manage communications effectively results in a negative impact on Councils reputation.										
13	Failure to meet the ICMP results in a slow down of growth										

Table 1. Comparison between top 10 key risks in 2015 as identified by KPMG and HCC Organisational and Emerging risks.

Rank	KPMG Top Risks 2015	HCC Risk Theme	Risk Rating	Comments
1	Cyber-security	<b>Emerging Risk:</b> Cyber-security	Emerging	Cyber risk was identified in April 2014 as part of a wider risk of information security. An internal investigation was conducted in September 2014 with a report provided to SLT in Sept 2014 and a revised report to Acting GM Corporate in August 2015.
		<b>Related Org Risk:</b> No.01: Unexpected IT systems outage.	Medium	
2	Regulatory compliance	<b>Org Risk:</b> No.37: Legislative compliance	Medium	Legislative compliance framework in place based on A/NZ standards and email bulletins of changes to legislation are provided to staff as part of a subscription service.
		<b>Related Org Risk:</b> No. 12: Non-compliance with H&S legislation	Medium	
3	Anti-bribery/Anti-corruption	<b>Org Risk:</b> No. 33: Fraud	Medium	Audit NZ/ PWC audit programme
4	International Operations			
5	Third-party Relationships	<b>Org Risk:</b> No.18 Stakeholder relationships	High	On-going operational and strategic risk
6	Mergers, Acquisitions, and Divestitures			
7	Strategic Alignment	<b>Emerging Risk:</b> Threats to the Hamilton Plan	Investigating	This risk is currently under investigation to determine how current organisational and emerging risk impact on ten strategic priorities.
8	Integrated and Continuous Risk Assessment	<b>Org Risk:</b> No. 38: Risk Management Framework	Medium	Current work being undertaken to further embedded the risk culture within the organisation.
		<b>Related Org Risk:</b> No. 21 Business Continuity Management	High	
9	Data Analytics and Continuous Auditing	<b>Emerging Risk:</b> Management input in to audit programme.	Investigating	Risks previously featured on the Organisational Risk register were considered mitigated and archived. A renewed investigation will begin in this area.
10	Talent Recruitment and Retention	<b>Org Risk:</b> No. 13: Attracting and retaining specialist staff	Medium	Not currently considered to be of high risk to the organisation at the time of writing this report.
		<b>Related Org Risk:</b> No. 02: Organisational change	High	

**Committee:** Audit & Risk Committee

**Date:** 16 September 2015

**Report Name:** Organisational Improvements  
Work Programme Status  
Report

**Author:** David Robson

<b>Report Status</b>	<i>Open</i>
<b>Strategy, Policy or Plan context</b>	<i>Organisational Improvements</i>
<b>Financial status</b>	<i>There is no budget allocated</i>
<b>Assessment of significance</b>	<i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

## 1. Purpose of the Report

- This report provides an update on the status of Council's Organisational Improvements Work Programme as at September 2015, responding to recommendations made by Audit New Zealand (external audit), PWC (internal audit), QEC (Quality Environmental Consulting Ltd) and Deloitte.

## 3. Executive Summary

- No new audits have been completed during the quarter and no new recommendations have been added since the June 2015 report.
- The next PWC review of the audit recommendations signaled for closure is expected in October 2015.
- A new approach to closure of items is being introduced and this is outlined in paragraph 14.

## Recommendation from Management

That the report be received.

## 7. Attachments

- Attachment 1 - Organisational Improvements Work Programme-Open Items Sept 2015
- Attachment 2 - Organisational Improvements Work Programme-Items signaled for closure by management requiring audit sign off
- Attachment 3 - Organisational Improvements Work Programme-signalized by management as completed and closed

**11. Organisational Work Programme Update Summary**

12. Since the June 2015 report, no further audit reports have been received from PWC or Audit NZ. A number of reports were being finalised at the time of writing.
13. The next PWC review of recommendations for closure is expected in October 2015.
14. A new approach has been adopted for the closure of internal audit recommendations. Evidential based recommendations (i.e. that a management policy is amended) that have been presented as low to medium risk rating and that have a low political and financial consequence will be reviewed by a panel of staff that have a background in quality and audit and will be led by the Crisis Manager.
15. On the satisfaction that the requirements of the recommendations have been met this will be signaled as closed and reported to this committee. This will be a cost and time saving to the organisation in terms of PWC billable hours and an increase in speed of the turnover of audit recommendations. PWC will also review the process for clearing audit recommendations.
16. Audit NZ continue to consider their previous audit recommendations as part of the on-going audit cycle. This means that when a business function is re-audited, the historical recommendations are removed and, when required, are re-issued as part of the recommendations attached to the new audit.
17. A summary of the open items is as follows.
18. Six historic recommendations have been addressed by management and are flagged as requiring audit sign off and are summarized as follows:
  1. Item 32: 'Key Financial Controls' – completed. The AX financial system, new chart of accounts and standardized reporting has now been implemented.
  2. Item 43: 'Property, plant and equipment and intangible assets' – Completed. Addressed by AX implementation.
  3. Item 177: 'Changes to public benefit entity accounting standards.' – Completed. Annual Report disclosures for 2014/15 have been completed and reviewed by Audit NZ in September 2015.
  4. Item 201: 'The PMO does not have oversight of all HCC programmes/projects.' – completed. PMO alignment and focus remains on key projects of high complexity/cost/risk and organizational impact. No value add/resources to have oversight of every low level/impact activities.
  5. Item 244: 'Capitalise completed projects in the fixed asset register on a timelier basis to ensure assets are correctly depreciated.' – Completed. Hanson system now has a process to monitor the timeline of asset data flowing from project manager to capitalisation. AX system issues have now been addressed.
  6. Item 259: 'Access to sensitive Authority functionality and the Authority SQL database is not properly restricted or segregated.' Completed. The Revenue Manager has implemented processes and procedures designed to mitigate the risk.
19. The detailed report of open items is attached (attachment 1) and separate reports are provided for items signaled by management for closure (attachment 2) and recommendations signaled by management as completed and closed (attachment 3).

## 20. Summary Table

21. The table below provides a summary analysis of the Organisational Improvements Work Programme:

	<b>Q4 (2014/15)</b>	<b>Q1 (2015/16)</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>2015/16 YTD</b>
Opening	15	15				15
New	0	0				0
Completed	19	6				6
Closing	15	9				9

22. The table below provides a summary of the age of recommendations:

2015/15 (Q1)	2014/15 (Q4)	2014/15 (Q3)	2014/15 (Q2)	2014/15 (Q1)	2013/14	2012/13	Total
0	0	0	0	1	5	3	9

### Signatory

Authoriser	Paul Conder, Chief Financial Officer
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Hamilton City Council  
Organisational Improvements Control List (Open Items)

Key:	<span style="background-color: yellow; border: 1px solid black; display: inline-block; width: 10px; height: 10px;"></span> in progress or open
	<span style="background-color: green; border: 1px solid black; display: inline-block; width: 10px; height: 10px;"></span> closed since last Audit & Risk meeting
	<span style="background-color: orange; border: 1px solid black; display: inline-block; width: 10px; height: 10px;"></span> open or new item since last Audit & Risk meeting
	<span style="background-color: red; border: 1px solid black; display: inline-block; width: 10px; height: 10px;"></span> exceeded estimate completion date

No.	Current Status	Issue	Audit Comment	Source	Reference	Agreed Management Response	Comment on Current Activity	risk rating	Owner	Date closed	Estimated completion date	Audit sign off of closure
<b>Governance and Internal Audit:</b>												
198		Project Management Framework	No project portfolio management framework is in place.	PWC Project Mgt Framework assessment 20 May 2014, Trim D-1419095	Finding #1 page 6	Management acknowledge that a portfolio management approach to HCC projects is the preferred and ideal environment in which to manage the organisation's projects. Business planning and project prioritisation are current activities that are acknowledged as under resourced - recruitment has just been successful for the appointment of a business planning specialist who will contribute significantly to this area of the business. However this may not occur for another 12-18 months. A simple prioritisation tool has been developed (Business Improvement Unit/PMO combined effort) and accepted by SLT. The business planning framework (as part of the Business Improvement Unit - Organisational Development Group) is seen as a key contributor to assisting the organisation to establish greater visibility of project activities. Agreement is in place with SLT that activities would be reviewed in 3 month time periods. The Business Planning role (appointed in May 2014) will be seeking to address this matter and will continue to work closely with PMO on this.	Portfolio Mgmt Framework - Under action - PMO will be actively working with Business Improvement (specifically Tania Hermann and Tracey Hancock) as a follow on to the Organisational business planning exercise to identify where progress can be made. Must be mindful of change "impact on the business" and ensure decisions on steps for change are pragmatic and minimise impact as possible. Portfolio Owner - Under action in relation to work being undertaken between BI and PMO - Prioritisation component Under action - SLT have identified 21 priority pieces of work for the 2014/15 year - on going work to continue to address prioritisation is part of the business planning process and will be actively managed through the new resource (Tracey Hancock)	High	PMO Manager		Second quarter 2016	
199		Project Management Framework	Maturity of PM practices requires improvement.	PWC Project Mgt Framework assessment 20 May 2014, Trim D-1419095	Finding #2 page 7	The approach taken to date has been to provide a PMO that is "enabling" not "controlling". This has been intentional with the PMO designed to address HCC's needs in an incremental way. Management acknowledge that a more directive line is likely to have achieved a faster result, in terms of engagement with and of the PMO. However a directive approach was considered to require a greater level of staffing than the current PMO was able to provide. Inability to meet demand created by a directive approach in addition to the added burden on the organisation this approach would create were considered significant risks to the PMO's ongoing success. The PM Policy can be revisited in light of the recommendation to provide direction on engagement with the PMO and can be updated to include a single project lifecycle. This can be completed within the first quarter 2014/15. Since the commencement of this assessment process 32 staff have completed all three project management modules and a community of practice has been established. It is envisaged that this will enable a monthly forum for PMs to meet on an ongoing basis. The primary objective is to continue to develop HCC's PM capability and continue to strengthen the PMO's visibility and positive working relationship across the organisation. It is intended that the PM in house training courses will continue. HCC has engaged a provider who is also delivering equivalent PM training to Waikato Regional Council and Western BOP. Discussions between the arranging staff at these Councils has been on the basis of enabling cross over to enable training sessions to be filled, as going forward the demand will lessen with more and more people having been captured.	Monthly meetings - Actioned and ongoing- with commencement of community of practice meetings - held monthly and coordinated by PMO  Org wide PM Training Courses - Actioned and ongoing  Policy has been created and is to be approved by the CEO	High	PMO Manager		first quarter 2016	
205		Project Management Framework	Sub-optimal PM systems and tools.	PWC Project Mgt Framework assessment 20 May 2014, Trim D-1419095	Finding #8 page 13	Current tools and systems support the current reporting framework. Management agree that an extension beyond the existing reporting structure will require additional investment in technology and resources for the PMO to provide additional services. There are currently no plans to extend either.  MS Project is available to all staff on the citrix network - it is unlikely to be changed because this is currently the most cost effective way of managing licensing costs. Agreement on the what tools will most effectively support HCC PMs is required ahead of investment in this area. This discussion will be ongoing and held in conjunction with the Business Improvement Unit as business planning changes are implemented over the next 12-18 months.	Systems and tools - No activity currently planned - activity highlighted above on reporting and in conjunction with BI will determine outcomes in this area  MS Project - as indicated in management response - No change in current practice is envisaged  PM and organisational reporting tool is under development and anticipated for release early 2nd quarter	High	PMO Manager		Second quarter 2016	
89		Cash flow forecasting	The automated modelling tool to manage forecasting of cash flow requirements is not reviewed following changes.	PWC Internal Audit Ring Road Project Review 20 Dec12	Finding #6, Page 23	Management agree with the recommendation. A new process has recently been established whereby the Corporate Projects Accountant will have responsibility for ensuring a standardised methodology is applied to all budget models associated with large key projects. Outputs of these budget models will be subject to a structured peer review process within the finance department. The new process will apply to the ring road project.	This item refers to HCC's ability to ensure budgets are correct over the life of a large multi year project where budgets are sometimes carried over from one financial year to another. These situations are managed through our capital deferrals that are agreed at year end by management and approved by Council. Cash flow forecasting of capital projects will be managed within the Microsoft AX budgeting module when it is anticipated that this becomes operational later this year.	Medium	Corporate Projects Accountant		Dec-15	



Hamilton City Council  
Organisational Improvements Control List (Open Items)

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No.	Current Status	Issue	Audit Comment	Source	Reference	Agreed Management Response	Comment on Current Activity	risk rating	Owner	Date closed	Estimated completion date	Audit sign off of closure
106	<span style="background-color: yellow;"></span>	Event Management	There is a lack of formal review of event planning to ensure that appropriate services are provided to clients.	PWC Internal Audit Event Management Review 10 Jun 13	Finding #3, Page 12	Management are currently in the process of developing an Event Order confirmation report within EBMS. This report will detail all services and requests that the client has made and will be required to be signed off by the client and event co-ordinator prior to the commencement of an event. This will assist in ensuring that all client requests are raised as service orders. This report is due for release in 11 June 2013. We agree with all the other recommendations detailed in the outcome of the review and will be putting together a project team to create a clear and simple process supported by a detailed checklist for our entire event staff. The timeline for this will be incorporated into the overarching programme of changes.	The Event Order Confirmation is being reviewed and redeveloped as part of a project that incorporates the invoice report and quote process. The Accountant, Commercial Analyst and Data Analyst are working on this with representatives from the business. This project will commence in July 2015. The internal event audit process is still to be developed and expected to be complete by the end of the year.	Medium	GM Events & Economic Development		Dec-15	
193	<span style="background-color: yellow;"></span>	Development Contribution Processes and Controls	Development contribution applicability assessments are not captured and information on development contributions cannot be reported on nor reviewed for authority.	PWC Assessment of Development Contribution Processes and Controls, 3 Mar 2014, Trim D-1359727	Finding #2, page 8	Assessments are captured in a temporary database that can theoretically be linked to Authority for reporting purposes, however a significant amount of work is needed to do this and/or implement a more stable solution. There is a need to set-up a repeatable and well documented process for linking charges calculated by the Development Contributions Model to the charge calculation spread sheet and the online GIS viewer. This will require a significant amount of work but is on hold due to other priorities. Additional resource will be needed if this is to be completed within reasonable timeframe. As previously reported.	The current solutions remains fit for purpose whilst further investigation continues in modeling solutions .	Medium risk rating assigned by management	Chief Financial Officer		Jun-16	
196	<span style="background-color: yellow;"></span>	Development Contribution Processes and Controls	Evidence of the compilation of "base charges" by catchment has not been retained.	PWC Assessment of Development Contribution Processes and Controls, 3 Mar 2014, Trim D-1359727	Finding #5, page 16	Assessments are captured in a temporary database that can theoretically be linked to Authority for reporting purposes, however a significant amount of work is needed to do this and/or implement a more stable solution. There is a need to set-up a repeatable and well documented process for linking charges calculated by the Development Contributions Model to the charge calculation spread sheet and the online GIS viewer. This will require a significant amount of work but is on hold due to other priorities. Additional resource will be needed if this is to be completed within reasonable timeframe. As previously reported.	The current solutions remains fit for purpose whilst further investigation continues in modeling solutions .	Medium risk rating assigned by management	Chief Financial Officer		Jun-16	
110	<span style="background-color: yellow;"></span>	Event Management	There is no formalised and independent review performed to ensure operational event management procedures are followed.	PWC Internal Audit Event Management Review 10 Jun 13	Finding #7, Page 17	As part of the overall upgrade, programme management will initiate a project to facilitate the report recommendations. Where possible we will automate the processes within EBMS. The internal event audit process is still to be developed and expected to be complete by the end of the year.	The Ungerboeck Committee and the Promapp Committee meet monthly to discuss, decide and disseminate process improvements.  The Accountant and the Commercial Analyst are attending the Ungerboeck Annual Conference in June to bring more knowledge back to H3.  There are no Promapp processes requiring review. Promapp hits were up 500% in the month of May. Users are referring to the system and following the correct process.  Ungerboeck has been upgraded to Version 20.7 and "Executive Dashboard" has been purchased and implemented. This allows for increased ease of use, greater transparency and tighter controls. The newly revamped Ungerboeck interface has meant more buy in across the business.	Low	GM Events & Economic Development		Dec-15	
243	<span style="background-color: yellow;"></span>	Property, plant and equipment	Improve the quality of information in the asset management system by implementing the identified changes in the AECOM report	Audit NZ 2014 Final Mgt Report 19 Nov 2014 (Trim D-	3.8, page 10	On-going continuous improvements are being made to asset information where there are resources available to do so. Through the 2015-25 10 year plan, funding and resource allocation has been requested to enable the significant items to be addressed.	Improvements identified by AECOM are incorporated in the Water, Wastewater, Stormwater and SolidWaste AMP's for 2015-45. In addition the draft 2-15-25 LTP has budget allocation in opex to enable further improvements in the quality of information.	Low	Waters Manager		progressively over the next 10 years- this will be prioritised based on the risk	



Hamilton City Council  
Organisational Improvements Control List (Signal to Audit For Sign Off)

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No.	Current Status	Issue	Audit Comment	Source	Reference	Agreed Management Response	Comment on Current Activity	risk rating	Owner	Date closed	Estimated completion date	Audit sign off of closure
<b>Recommendations Signalled for Closure by Management Requiring Audit Sign Off</b>												
32		Key Financial Controls	Identify, based on recommendations from reports, the key financial controls that should be implemented or improved	Deloitte Review 28 Feb 12	Process & Documentation	The Finance Group has focused on driving for continuous improvement across all areas. The new finance system project (i.e. Microsoft AX) with the objective of driving improvements to processes and reporting went live on 1 July 2014. A new chart of accounts and standardised reports have been implemented.		Medium	Chief Financial Officer	Aug-15		Signalled for closure by management - requires audit sign off
43		Property, plant and equipment and intangible assets	Procedures for capturing and processing information are not adequate. Systems not integrated. Large number of adjusting entries between FA register and GL due to late capitalisation. Many issues with auditing Property, Plant & Equipment - lack of supporting documentation for additions, disposals and movements. As the Asset Accountant is the only person that has complete knowledge of processes, other resources and back up needs to be considered.	Audit NZ 2011 mngt letter 9 Dec 11	5.2 9.1	A number of improvements are underway across fixed assets. These reviews include the asset management plan processes, the implementation of the new finance system (Microsoft AX), Hansen 8 asset system upgrade and fixed assets policy. The CFO has closely monitored the capitalisation of Work in Progress (WIP) and provided regular updates to SLT - this has had a major impact on reducing WIP levels at year end for 2013 & 2014. Microsoft AX Fixed Asset module successfully went live on 1 July 2014. Audit NZ did not raise any cortical issues it respect to the 2013/14 audit.	With the implementation of a new Microsoft AX system, some issues were identified that delayed the ability to process WIP. The issue has now been resolved and processing of WIP is now on-going. The Fixed Asset Module in Microsoft AX is fully reconciled with the General Ledger, without the need for any manual adjusting entries. Hansen 8 asset management system has been implemented for City Waters, Property, Parks and Open Spaces and Hamilton Gardens, and this system will be functioning as the Fixed Asset Register for those units from 1 July 2015.	Medium	Chief Financial Officer	Aug-15		Signalled for closure by management - requires audit sign off
177		Changes to public benefit entity accounting standards.	Plan and prepare in timely manner for transition to the new PBE accounting standards to apply for reporting periods beginning on or after 1 July 2014.	Audit NZ 2013 Mgt Letter 13 Nov 13 (Trim D-1160990)	4.2	Council has commenced reviewing the new PBE standards and will identify the changes for the 2014/15 annual plan. Annual Report disclosures for 2014/15 to be completed by Aug 2015 and reviewed by Audit NZ in Sep 2015.	Planning is underway and is part of the annual report project plan. No significant issues identified to date.	Low	Finance Manager	Aug-15		Signalled for closure by management - requires audit sign off
201		Project Management Framework	The PMO does not have oversight of all HCC programmes/projects.	PWC Project Mgt Framework assessment 20 May 2014, Trim D-1419095	Finding #4 page 11	SLT have a high degree of ownership of the organisation's key projects (currently 9) and regularly review and add/change the projects on the list to ensure all significant, high risk, high value, complex projects are monitored and given visibility with Council. It is not envisaged that the level at which this reporting occurs will change in the short or medium term. However with the changes in the business planning area opportunity for expanding this may arise. PMO will continue to work closely with the Business Improvement Manager in this regard. A purposeful, tiered approach currently exists. Key projects are reported via PMO to SLT and the Finance Committee, all approved business cases are expected to progress through the project framework and adhere to the project lifecycle. These projects are expected to be assigned PMs who report to an assigned Project Sponsor (and often a Project Governance Group). PMO follows up all projects, at the end of the project lifecycle, where an approved business case exists. This is reflected in the benefits reporting process. Since the commencement of this assessment process, alignment to strategy is being addressed through the inclusion of a specific "strategic alignment" section in the project scope template and project check sheet. Management will review PMO FTE requirements in due course. However no plans exist to expand staff in this area in the short to medium term. Quarterly Audit NZ assurance reviews are currently undertaken of IS. The overall IS programme of work is reported in detail to the Finance Committee quarterly so good oversight is already occurring at governance level.	Strategic alignment of projects - Already under action in current approach  Increasing FTEs of PMO - Status quo - as identified in following management response - no plans to change current PMO resourcing levels  Align IS with PMO - Not considered an issue. Current organisational activity is considered pragmatic and functional	Medium	PMO Manager	Aug-15		Signalled for closure by management - requires audit sign off
237		Hazards associated with perceived workplace bullying and stress.	Conclusions from independent investigation reports are to be trended and assessed to identify areas for improvement within Council.	QEC Progress Review Report 4 Sep 2014 Trim D-1558685	34.3, page 22	As these reports are made available we will trend and assess the areas of improvement.	The People and Capability Manager continues to review the investigation reports. There have been no recent investigations so trend is moving down, which is a positive indication that good systems and processes are in place. The People and Capability Manager will continue to monitor this on a regular basis. We consider this action to be now closed.	Low	People & Capability Manager	May-15		Signalled for closure by management - requires audit sign off



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214	<span style="background-color: yellow;"></span>	Management policy.	Council can strengthen the Koha and Donation policy and the Gift and Hospitality policy.	Audit NZ 2014 Interim Mgt Letter, 9 Sep 2014, D-	4.1, page 8	The review of these policies have commenced and will be completed by the end of May 2015.	Completed	Low risk rating assigned by management	Procurement Manager	completed - approved by SLT 14 May 2015		Signalled for closure by management - requires audit
241	<span style="background-color: yellow;"></span>	Procurement (purchasing and contract management).	Council to ensure all contract information is updated in the system and this system is used to generate contract registers that were regularly monitor.	Audit NZ 2014 Final Mgt Report 19 Nov 2014 (Trim D-1628444)	3.4, page9	The implementation of the AX Dynamics system has seen a significant improvement in the tools Council use to record contract payments and manage Approved Contract Sums. These are recorded within the contracts module of AX Dynamics. This enables a full history of payments made on any contract and key financial contract data to be recorded within the system. This is linked through the data warehouse to non-financial information. This is a significant improvement on previous excel based systems and will help with preparation of the annual accounts for capital commitments and work in progress in the future. Since the review undertaken by Audit NZ the 'gateway' checklist system is now live for staff to use.	Completed - Now part of AX System	Medium risk rating assigned by management	Procurement Manager	New Financial System Microsoft AX implemented 1 July 2014		Signalled for closure by management - requires audit sign off
242	<span style="background-color: yellow;"></span>	Project management	Continue to make improvements to project management. The PMO Manager is currently working through approaches aimed at strengthening the PM framework without imposing unnecessary impact on the organisation and is seeking input from other organisations. Any final approach	Audit NZ 2014 Final Mgt Report 19 Nov 2014 (Trim D-1628444)	3.6, page 10	A number of recommendations arising from the PWC review of the project management framework are considered to be addressed in the current practice of the organisation. The remainder will be addressed as resourcing of the PMO allows. The key areas of improvement are seen to be the implementation of stage gates for all projects and particularly longer term projects. The PMO manager is currently working through approaches aimed at strengthening the PM framework without imposing unnecessary impact on the organisation and is seeking input from other organisations. Any final approach will be tested with PWC before implementation	Completed	Medium risk rating assigned by management	PMO Manager	Closed 01/02/2015		Signalled for closure by management - requires audit sign off
244	<span style="background-color: yellow;"></span>	Work in progress	Capitalise completed projects in the fixed asset register on a more timely basis to ensure assets are correctly depreciated.	Audit NZ 2014 Final Mgt Report 19 Nov 2014 (Trim D-1628444) Q2/15	3.9, page 11	There is now a process in Hanson (newly implemented) to monitor the timeline of asset data flowing from project manager to capitalisation. Currently working through system issues (ability to run WIP reports) with the provider of the accounting system AX that are looking to be resolved by 15 March 2015. Once these issues have been resolved we will then be able to fully utilise the resources we have to capitalise WIP. We have accrued related depreciation throughout the year to ensure there is not a large variance.	Issues with the system have now been resolved, WIP reports are now available and capitalisation of WIP is progressing	Medium risk rating assigned by management	Finance Manager	Aug-15		Signalled for closure by management - requires audit sign off
246	<span style="background-color: yellow;"></span>	Water and wastewater performance measures	Put controls in place to ensure that information entered into Hansen 8 for water and wastewater measures are correct.	Audit NZ 2014 Final Mgt Report 19 Nov 2014 (Trim D-1628444)	3.12, page 13	Management agree with this recommendation. To identify data that is being incorrectly entered, we are now completing weekly and monthly audits. As a result, training of specific staff is implemented. Additionally, we have identified that it is impossible to correct an incorrect date in Hansen. This has been highlighted to the Hansen Project Team and we are awaiting a confirmed date to resolve.	Completed	Low risk rating assigned by management	Water Manager	Dec-14		Signalled for closure by management - requires audit sign off
247	<span style="background-color: yellow;"></span>	Transportation performance measures	Ensure independent audits of Downer Ltd include a review of the Downer's performance information management systems.	Audit NZ 2014 Final Mgt Report 19 Nov 2014 (Trim D-	3.13, page 13	An independent audit of the Infrastructure Alliance (Downer) was initiated in October 2014. A draft report has been provided and this is available on TRM D-1656275. This report will be finalised in April 2015	Improvements identified by the auditor have been actioned and completed by the Infrastructure Alliance manager.	Low	City Transportation Manager	May-15		Signalled for closure by management - requires audit sign off
248	<span style="background-color: yellow;"></span>	Council Controlled Organisations	Council to review if the functions and activities of the various CCO's fit the purpose of local government as intended in section 10(1)(b) of the Local Government Act 2002.	Audit NZ 2014 Final Mgt Report 19 Nov 2014 (Trim D-	3.14, page 13	Management will prepare a report for the CCO Subcommittee meeting that will be held on 22 April 2015.	reported to CCO Subcommittee 22 April 2015	Medium risk rating assigned by management	Chief Financial Officer	Closed April '15		Signalled for closure by management - requires audit sign off
251	<span style="background-color: yellow;"></span>	IS Programme of Work	Consider developing a standard induction for non-IT staff that participate in IT projects as sponsor or project control group member. Include information about what supporting	Audit NZ- Project Mgt Review on IS Programme of Work 24 Nov	R12	IS are currently working with the PMO to develop and provide targeted training to managers who will either act as sponsor or sit on the Project Governance Groups for projects.	Completed	Medium risk rating assigned by management	Solutions Delivery Manager	Feb-15		Signalled for closure by management - requires audit sign off
252	<span style="background-color: yellow;"></span>	IS Programme of Work	Enhance the project management focus on benefits realisation- at the business stage (benefits identification), planning stage (benefits realisation measurement framework) and post-implementation (benefits realisation measurement and reporting). Consider the expected timing of benefits realisation and schedule a post-	Audit NZ- Project Mgt Review on IS Programme of Work 24 Nov 2014 (Trim D-1630123 and D-1629357)	R13	Projects (including the Assets Project, HR/Payroll and Finance projects) have started explicitly referencing and reporting on Benefits. This is an area where some of our reporting has improved over the last 12 months as referenced by the positive feedback on the Finance project close out report that included a significant section on benefits realisation/management. Post Implementation Reviews will be scheduled with the Project Sponsors for the projects identified	Completed	Medium risk rating assigned by management	Solutions Delivery Manager	Feb-15		Signalled for closure by management - requires audit sign off



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253	<span style="background-color: yellow;"> </span>	IS Programme of Work	Consider including a formal requirement to review the lessons learned register in any new planning process, and consider documenting this in Project Initiation Document.	Audit NZ- Project Mgt Review on IS Programme of Work 24 Nov	R14	This will be included into the IS Project Methodology and included in Project Initiation Document template as a required section	Completed	Medium risk rating assigned by management	Solutions Delivery Manager	Feb-15		Signalled for closure by management - requires audit sign off
254	<span style="background-color: yellow;"> </span>	IS Programme of Work	Consider the extent of the formal project management processes to apply to currency upgrade projects. As a minimum consider developing a template for a short form business case	Audit NZ- Project Mgt Review on IS Programme of Work 24 Nov	R15	Currency upgrades will use the Small Project Specification document in lieu of the larger Project Initiation Document. This will allow scope and benefits to be well defined and provide a baseline for project success to be measured.	Completed	Medium risk rating assigned by management	Solutions Delivery Manager	Feb-15		Signalled for closure by management - requires audit sign off
255	<span style="background-color: yellow;"> </span>	Business Continuity Framework	Establish a formal process to regularly review all BCP's and identify, document and align key interdependencies across the plans	PWC Int Audit Business Continuity Framework	P4	Review of completed BCPs has been added to the Risk and Emergency management work programme. BCPs will be reviewed on an annual basis with the plan holder to assess continued relevance and appropriateness	Completed	Medium	Crisis Manager	May-15		Signalled for closure by management - requires audit sign off
259	<span style="background-color: yellow;"> </span>	AR and online portal process and control	Access to sensitive Authority functionality and the Authority SQL database is not properly restricted or segregated	PWC March '15 Municipal Building Accounts Receivable and Online Portal process and Control Assessment Q3/15	P6	Revenue staff have reviewed user access in regard to Authority debtors and NAR modules. A significant number of these were staff who had left the organisation. Although their network access was terminated through HCC Connect their permission still existed against the individual modules within Authority. In these cases there is no risk as they are locked out of Council's network. We have compiled a list of users to be either deleted or adjusted to meet the requirements, which is currently with IM for processing. We have also requested further investigation as to whether the permission levels can be adjusted to separate out ability to invoice from other financial adjustments. New users requiring NAR, debtors and receipting access currently must be authorised by the revenue manager.	Completed	High	Finance Manager	Aug-15		Signalled for closure by management - requires audit sign off
260	<span style="background-color: yellow;"> </span>	AR and online portal process and control	Not all fees configured in eservices and Authority are included in the approved pricing schedule	PWC March '15 Municipal Building Accounts Receivable and Online Portal process and Control Assessment Q3/15	P8	The \$96 new dog transaction fee is an estimated fee used for testing for the next year. This is not a selectable fee and has been removed. The LIM fees are standard fees and are correct on the Fees and Charges schedule. This would be an enhancement to the authority module and a significant cost and Council is not considering any changes. This will be checked by the business owners each year after Council approves the new fees and charges schedule.	As there is no facility to load an expiry/deactivation date in authority for the various fees and charges, these will need to be checked by the business owners after 30 June each year for any changes to existing fees or new fees to be added.	Medium	Revenue Manager	May-15		Signalled for closure by management - requires audit sign off
261	<span style="background-color: yellow;"> </span>	AR and online portal process and control	Authority does not prevent duplicate debtors being setup and no manual detective check is performed	PWC March '15 Municipal Building Accounts Receivable and Online Portal process and Control Assessment Q3/15	P10	Authority is limited and allows duplicate debtors to be created. Any change to this would require an enhancement by our vendor (Civica) at a significant cost. A contributing factor is also that Council operates a decentralised debtors system due to the fact that we are an extremely diverse organisation. There are adequate internal processes to mitigate duplicate debt accounts specifically when invoices are not generated via the applications module. With the exception of the application module, limited staff within the organisation can create new debtor accounts ( those that have received training which emphasises the importance of	Completed	Low	Finance Manager	May-15		Signalled for closure by management - requires audit sign off
262	<span style="background-color: yellow;"> </span>	AR and online portal process and control	Duplicate debtor receipts are not prevented by Authority	PWC March '15 Municipal Building Accounts Receivable and Online Portal process and Control Assessment Q3/15	P13	Until a payment is 'posted' as part of the end of day processing, manual payments can be accepted for the charge more than once. It would mean the account would be in credit and the monitoring of the credit report at the end of the month would pick this up as well as the next rates notice to the customer. This is very low risk and does not happen often.	Completed	Low	Finance Manager	May-15		Signalled for closure by management - requires audit sign off
263	<span style="background-color: yellow;"> </span>	AR and online portal process and control	Receipts are sometimes posted directly to the general ledger instead of against debtor accounts in Authority	PWC March '15 Municipal Building Accounts Receivable and Online Portal process and Control Assessment Q3/15	P14	Consent application fees may not require an invoice as these are 'fees up front'. In this case they are receipted to the appropriate ledger account at the time of application. There are occasions where payments are receipted by customer service staff to the General Ledger in error (should have gone against an invoice). These are generally discovered/addressed as part of the sundry debtors follow up. As a form of mitigating the Customer Services Team Leader is notified of each occurrence as a means of eliminating future occurrences.	Completed	Low	Finance Manager	May-15		Signalled for closure by management - requires audit sign off



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265	<span style="background-color: yellow; border: 1px solid black; display: inline-block; width: 10px; height: 10px;"></span>	AR and online portal process and control	Debtors with aged credit balances are not periodically reviewed	PWC March '15 Municipal Building Accounts Receivable and Online Portal process and Control Assessment	P16	The debtors report has been adjusted to show aging of credit balances. Although the focus is on debt recovery we acknowledge that this is also an important function. Within the current staff resource, the Debt Management Administrator does dedicate time each month to address the credit report and will now work in date order (oldest to newest)	Completed	Low	Finance Manager	May-15		Signalled for closure by management - requires audit sign off



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Organisational Improvements Control List (Signaled by Management as completed and closed)

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No.	Current Status	Issue	Audit Comment	Source	Reference	Agreed Management Response	Comment on Current Activity	risk rating	Owner	Date closed	Estimated completion date	Audit sign off of closure
<b>Recommendations Signalled as Complete by Management</b>												
90	<span style="background-color: yellow; border: 1px solid black; display: inline-block; width: 10px; height: 10px;"></span>	Pre-employment screening	We recommend: Strengthen the current pre-employment screening procedures.	PWC Internal Audit Transparency Assessment Report 23 Nov13	Finding #1, Page 7	Management understand why it is desirable to have mandatory criminal history checks for all new employees. On balance however, we feel that increasing the scope of the existing process to encompass all new employees will adversely impact on the ability to appoint staff in a timely manner. We therefore don't intend to make criminal history checks mandatory for all new employees at this time. However we will investigate making criminal history checks mandatory for certain types of roles in the organisation. This will be carried out in conjunction with our broader fraud and corruption awareness activities. Management agree with the recommendation that credit and bankruptcy checks be required for preferred candidates for finance role, roles with significant financial delegations (up to tier 3) and roles that involve cash handling. At present line managers are encouraged to undertake background checks for these types of roles although this is not a mandatory requirement. This process will be tightened to ensure that background checks are always completed for these types of roles. Induction processes will also be reviewed and, where required, updated to ensure all new employees are made aware of Council's fraud related policies and procedures.	The Senior Leadership Team have agreed and approved a new Recruitment and Selection policy which addresses the need to have mandatory criminal and credit history checks on at risk positions. An automated process has been implemented to request criminal and credit history checks using our e-recruitment system	Medium	People & Capability Manager	Apr-15		Signalled my management as completed and closed
92	<span style="background-color: yellow; border: 1px solid black; display: inline-block; width: 10px; height: 10px;"></span>	Staff Awareness	We recommend: Implement a fraud and corruption awareness training programme.	PWC Internal Audit Transparency Assessment Report 23 Nov13	Finding #3, Page 10	Staff will be informed through the regular People and Capability newsletter of their obligations with fraud and corruption. There is also a fraud and corruption policy being signed off at the SLT 15 December 2014 Ops meeting. This aligns with the Protected Disclosure management policy.	The Senior Leadership Team have agreed and approved a new Recruitment and Selection policy which addresses the need to have mandatory criminal and credit history checks on at risk positions. An automated process has been implemented to request criminal and credit history checks using our e-recruitment system	Medium	People & Capability Manager	Dec-14		Signalled my management as completed and closed
93	<span style="background-color: yellow; border: 1px solid black; display: inline-block; width: 10px; height: 10px;"></span>	Sound Ethical Behaviour	We recommend: Management and Council to ensure that the appropriate tone is expressed and promulgated throughout HCC.	PWC Internal Audit Transparency Assessment Report 23 Nov13	Finding #4, Page 11	The fraud and corruption policy will be signed off by SLT Ops meeting 15 December 2014. This policy provides clear guidelines on the organisations response when fraudulent or corrupt activities occur or are suspected.	Completed - Policy approved December '14	Medium	People & Capability Manager	Dec-14		Signalled my management as completed and closed
94	<span style="background-color: yellow; border: 1px solid black; display: inline-block; width: 10px; height: 10px;"></span>	Line Manager Accountability	We recommend: Deliver training to Line Managers on their fraud responsibilities.	PWC Internal Audit Transparency Assessment Report 23 Nov13	Finding #5, Page 13	Staff will be informed of the new Fraud and Corruption policy once it has been formally signed off by the SLT on 15 December 2014. This will be done through the staff daily mail online newsletter and through the People and Capability monthly newsletter that is sent to all managers.	Completed -communications to staff sighted	Medium	People & Capability Manager	Dec-14		Signalled my management as completed and closed
95	<span style="background-color: yellow; border: 1px solid black; display: inline-block; width: 10px; height: 10px;"></span>	Fraud and Corruption and detection framework	We recommend: Include additional controls in the Fraud Control Framework.	PWC Internal Audit Transparency Assessment Report 23 Nov13	Finding #6, Page 14	As outlined in section three on page 10 of this report, management have initiated a six month work programme to significantly improve the effectiveness of ten key management policies (including the Fraud and Corruption Council Policy). Management expect to be recommending modifications to the Fraud Policy as a result of this work and will have specific regard for the observations made in action 1 when reviewing this policy. In addressing procedures and controls associated with the ten key management policies, we will address the observations outlined in actions 2, 3 and 4 and, where necessary, will engage with PWC to test the adequacy of the process changes identified prior to implementation. Through this work programme a review of the issue and use of ID cards will also be undertaken.	Completed - Fraud and Corruption Policy sighted. ID card review completed.	Medium	Chief Financial Officer	Dec-14		Signalled my management as completed and closed
104	<span style="background-color: yellow; border: 1px solid black; display: inline-block; width: 10px; height: 10px;"></span>	Event Management	There is limited use and integration of EBMS with core HCC finance systems.	PWC Internal Audit Event Management Review 10 Jun 13	Finding #1, Page 6	The design & development for an automated interface to provide financial summary information from EBMS to HCC Finance Systems (via the Operational Data Store) is underway. The interface design, development, testing and implementation is being undertaken with input from key IS & finance team members & is due to be completed in time for financial project go-live on 1 October 2014 (delayed due to other finance/IS operational priorities). In addition to this the information requires from HCC systems to flow back into EBMS is being addressed and the solutions will also be in place for the financial project go-live on 1 October. This is part of the Event Facilities Unit Event Processes & Systems Review project. On-track for estimated completion date. The go live of the EBMS financial system will now take a phased approach, starting 1st October with event based revenue and expenditure. Complete cutover of the processing and reporting of all financial transactions and data to be completed before the end of the 1st qtr. of 2015.	Completed - system implemented	Medium	GM Events & Economic Development	Mar-15		Signalled my management as completed and closed



Hamilton City Council  
Organisational Improvements Control List (Signaled by Management as completed and closed)

Key:	<span style="background-color: yellow; border: 1px solid black; display: inline-block; width: 10px; height: 10px;"></span> in progress or open
	<span style="background-color: lightgreen; border: 1px solid black; display: inline-block; width: 10px; height: 10px;"></span> closed since last Audit & Risk meeting
	<span style="background-color: yellow; border: 1px solid black; display: inline-block; width: 10px; height: 10px;"></span> open or new item since last Audit & Risk meeting
	<span style="background-color: red; border: 1px solid black; display: inline-block; width: 10px; height: 10px;"></span> exceeded estimate completion date

No.	Current Status	Issue	Audit Comment	Source	Reference	Agreed Management Response	Comment on Current Activity	risk rating	Owner	Date closed	Estimated completion date	Audit sign off of closure
105	<span style="background-color: yellow;"></span>	Event Management	There are a lack of controls in place to protect the integrity of event reports and manual outputs prepared.	PWC Internal Audit Event Management Review 10 Jun 13	Finding #2, Page 10	Full Solution: As part of the Event Facilities Unit Event Processes & Systems Review project, financial processes and internal audit processes are being developed which will adhere to the HCC financial control environment policies and will mitigate this risk. On-track for estimated completion date.	Completed - system implemented	Medium	GM Events & Economic Development	Mar-15		Signalled my management as completed and closed
109	<span style="background-color: lightgreen;"></span>	Event Management	Delegations of authority to enter in to event contracts do not accommodate EFU business requirements and there are limited controls to ensure that contractual terms agreed are appropriate.	PWC Internal Audit Event Management Review 10 Jun 13	Finding #6, Page 16	Business processes are under review as a part of the wider Event Facilities Unit Event Processes & Systems Review project. We have revised the delegation process to base contract approval for venue hire and event management services on standard/rack price (per price book). We also implemented Director level approval for all variations or additions to general contractual terms.	Completed - system implemented	Medium	GM Events & Economic Development	Mar-15		Signalled my management as completed and closed
182	<span style="background-color: lightgreen;"></span>	Interim audit issues (several matters)	Strengthen controls over PeopleSoft user access, password security for network and application logons. Review GST on Property purchases to ensure correct GST is claimed, ensure General Ledger reconciliations are appropriate.	Audit NZ 2013 Mgt Letter 13 Nov 13 (Trim D-1160990)	Appendix 2	Audit to confirm the action taken by management as apart of the next year's interim audit follow-up. PWC has reviewed the controls of the new AX system and will provide a report to Council in April 2015.	Complete - addressed by Ax Implementation	Medium	Chief Financial Officer	New Financial System Microsoft AX implemented 1 July 2014		Signalled my management as completed and closed
189	<span style="background-color: lightgreen;"></span>	Management policy framework	A formal and compressive Management Policy Framework should be established to capture guidance on key processes, decisions and roles.	PWC Internal Audit Assessment of Management Policy Framework, 23 Apr 2014, Trim D-1359725	Finding #1, page 6	The management policy framework is to be presented to SLT 15 December 2014 Ops meeting for sign-off which addresses this action.	Completed - framework approved by SLT and applied (memo D-1727302)	Medium	Business Improvement Manager	Feb-15		Signalled my management as completed and closed
190	<span style="background-color: lightgreen;"></span>	Management policy framework	Key steps/ decisions made in the creation/review of management policies are not sufficiently documented.	PWC Internal Audit Assessment of Management Policy Framework, 23 Apr 2014, Trim D-1359725	Finding #2, page 8	Significant work has been undertaken in this area with all policies now receiving SLT sign off and minuted through the SLT meetings. The management policy framework which is to be presented for approval to the SLT on 15th December outlines this new process.	Completed - framework approved by SLT and applied (memo D-1727302)	Medium	Business Improvement Manager	Feb-15		Signalled my management as completed and closed
240	<span style="background-color: yellow;"></span>	Group consolidation	Discuss accounting treatment issues early with IWL to ensure Council receive manner and the group consolidation are in line with IPSAS	Audit NZ 2014 Final Mgt Report 19 Nov 2014 (Trim D-1628444)	3..1, page 7	Council Finance has commenced discussion with IWL on the accounting disclosure requirements.	This has been completed and reviewed by Audit NZ.	Medium risk rating assigned by management	Finance Manager	Work on this completed - May 2015		Signalled my management as completed and closed
256	<span style="background-color: yellow;"></span>	Business Continuity Framework	Management should develop a fit for purpose maturity assessment framework.	PWC Int Audit Business Continuity Framework Assessment March 2015	P5	The adoption of the PWC BCM maturity model will facilitate an annual maturity self-assessment. This has been added to the risk and emergency management unit work programme with the first assessment due in 2016	Completed and sighted	Medium	Crisis Manager	May-15		Signalled my management as completed and closed
257	<span style="background-color: lightgreen;"></span>	Business Continuity Framework	Establish and periodically review key BC	PWC Int Audit Business Continuity Framework Assessment	P6	BCP templates now include a section to capture BCP KPI's.	Completed and sighted	Low	Crisis Manager	May-15		Signalled my management as completed and closed
258	<span style="background-color: lightgreen;"></span>	Business Continuity Framework	Consider developing a formalised training programme supported by detailed guidance documentation to enable organisational units to develop and maintain their	PWC Int Audit Business Continuity Framework	P7	A strong focus will continue on individual training/discussion with training documents provided as supporting information. The training documents will consist of a user friendly version of the pre-existing material and integrated into the workshops already provided as part of the plan creation process.	Completed and sighted	Low	Crisis Manager	May-15		Signalled my management as completed and closed



Hamilton City Council  
Organisational Improvements Control List (Signaled by Management as completed and closed)

Key:	<span style="background-color: yellow; border: 1px solid black; display: inline-block; width: 10px; height: 10px;"></span> in progress or open
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No.	Current Status	Issue	Audit Comment	Source	Reference	Agreed Management Response	Comment on Current Activity	risk rating	Owner	Date closed	Estimated completion date	Audit sign off of closure
264	<span style="background-color: yellow; border: 1px solid black; display: inline-block; width: 10px; height: 10px;"></span>	AR and online portal process and control	Cash handling and receipting controls at the main counter are not secure	PWC March '15 Municipal Building Accounts Receivable and Online Portal process and Control Assessment	P15	The following process changes have been made to the cash handling and receipting processes - - it is correct the Authority receipting is not connected to the Eftpos machines. This would require an enhancement to Authority at a significant cost. The only risk is the amount keyed into Authority and the Eftpos machine could be different. This would be picked up at the end of day reconciliation and corrected then. - The cash up process for all tills is conducted away from public view in the customer service back office. - The till keys have been separated from staff access cards. Customer service staff are instructed not to share till keys	Completed - approved policy and procedures sighted.	Low	Finance Manager	May-15		Signalled my management as completed and closed

**Committee:** Audit & Risk Committee

**Date:** 16 September 2015

**Report Name:** Cyber Security Risk Update

**Author:** David Gunn

<b>Report Status</b>	<i>Open</i>
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## 1. Purpose of the Report

- This report provides an update the committee on the management of cyber security risks.

## 3. Executive Summary

- There has been a significant increase of public reporting of cyber attacks in the media and has triggered conversation in numerous board rooms and executive level meetings. Hamilton City Council (HCC) is not immune to these threats.
- HCC uses a layered approach to detection and prevention of cyber attacks including a number of hardware, software and process based approaches for monitoring and reacting to attacks.
- HCC's security practices are audited by both AuditNZ and AMP (Formerly known as Kaon Technologies) on an annual basis.
- IS Executive Governance receives reports on the annual external security audit, penetration testing as performed by an external security consultant and any cyber attacks should they occur.
- Information Services takes what it believes to be a prudent approach given the operational budgets and the perceived risk.

## Recommendation from Management

That the report be received.

## 9. Attachments

- There are no attachments for this report.

## 11. Background

- The growing number of serious attacks on essential cyber networks has potential economic and reputational threat to HCC. The report provides an overview of the approach Information Services (IS) takes to protect HCC from cyber security attacks and outlines how IS responds to incidents of attack.
- HCC like all other organisations is at risk of a cyber-attack. The impact of a successful attack could range from loss of reputation to the organisation and its leaders, loss of productivity or the ability to deliver services to the community, to the loss of commercially sensitive or private individual's information.

## 14. Discussion

15. Cyber Security and security of technology systems are one of the key tasks assigned to the Information Services unit. Information Services follows an approach of prevention, detection response and verification and reports on the matter to the Information Services Executive Governance Board.
16. The threat to council will primarily be from staff with ill intent, organisations that have a difference in opinion to the decision makers of council, or random attacks that target Council without specific intent. These attacks could come in multiple forms with malware, social engineering, ransomware, denial-of-service and distributed denial-of-service attacks, malicious destruction of information being a few examples. This makes the threat identity and form quite broad and hard to specifically protect against.
17. The challenge for HCC is summarized in the quote from a Deloitte report on cyber security (<http://www2.deloitte.com/nz/en/pages/forensic-focus/articles/cyber-security-is-your-organisation-under-threat-of-a-cyber-attack.html#>): “Many organisations invest in advanced software and hardware solutions as a means of prevention and detection. However, the cyber-attackers are often one step ahead, meaning that cyber-attacks are still likely to occur”.

## 18. Cybersecurity Approach

19. In order to execute a successful cyber attack, an attacker needs two things, identity (e.g. username/password) and/or physical access.
20. HCC subscribes to and has implemented industry best practices around identity and access management to the information systems and the security of these systems. This controls access to systems that reduces the likelihood of a successful attack and can be revoked if necessary to minimize impacts of an attack.
21. HCC uses a layered approach to detection and prevention of cyber attacks including a number of hardware, software and process based approaches for monitoring and reacting to attacks. These begin at the network perimeter and continue through to a user inserting a USB drive into a PC.
22. These technologies and best practices only provide the level of protection if it is matched with an equivalent level of expertise to manage and configure it. HCC achieves this by employing suitably skilled and experienced staff and by partnering with experienced Vendors. HCC’s Managed Services partner, Fujitsu, provides Identity and Access Management services to Hamilton City Council backed up with a security specialist resource for our account.
23. Hamilton City Council subscribe to a set of architectural best practices and principles that caters for security at the design and implementation of solutions that minimizes the exposure of business data and information.
24. The Government Chief Information Officer (GCIO) also provides specific threat updates from the National Cyber Security Centre (NCSC) as they become aware of them. HCC reviews these threat notices and responds as appropriate.

## 25. Assurance and Reporting

26. HCC’s security practices are audited by both AuditNZ and MPA (formerly known as Kaon Technologies) on an annual basis. Any significant issues are highlighted to HCC through the subsequent audit report, and recommendations are actively managed by IS through to resolution. The subsequent audit confirms the action/s have been closed the during the next audit cycle.
27. IS Executive Governance receives reports on the annual external security audit, penetration testing as performed by an external security consultant and any cyber attacks should they

occur including information on the source, how they have been managed and any measures needed to prevent another attack. The reports are presented to the Information Services Executive Governance Board as publishing the report to a public forum would expose the council to risk as the reports are detailed on vulnerabilities and practices reviewed and audited.

28. This approach provides Hamilton City Council with an appropriate level of cyber security given the constraints of budget and resources available to the Information Services unit.

29. Further resources are available through:

- Institute of Directors

<https://www.iod.org.nz/Governance-Resources/Publications/Practice-guides/Cyber-Risk-Practice-Guide>

- Chartered Accountants Australia and New Zealand

<http://www.charteredaccountants.com.au/futureinc/>

**Signatory**

Authoriser	Paul Conder, Chief Financial Officer
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**Committee:** Audit & Risk Committee      **Date:** 16 September 2015  
**Report Name:** 2014/15 Safety and Wellbeing Concept Plan      **Author:** Paul Conder

<b>Report Status</b>	<i>Open</i>
<b>Strategy, Policy or Plan context</b>	<i>Safety and Wellbeing Concept Plan</i>
<b>Financial status</b>	<i>Budget allocated from operational budgets.</i>
<b>Assessment of significance</b>	<i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is/is not considered to have a high degree of significance</i>

## 1. Purpose of the Report

- This report provides the Audit and Risk Committee with an update against the 2014/15 Safety and Wellbeing concept plan key performance indicators and activity.

## Recommendation from Management

That the report be received.

## 3. Attachments

- Attachment 1 - Annual Report - Safety and Wellbeing - 2014/15
- Attachment 2 - Concept Plan - Safety and Wellbeing - 2014/15

## 6. Key Issues

- Following is a summary of the 2014/15 Safety and Wellbeing key performance indicators:
  - Serious harm injuries: 2 in 2014/15, up from 1 in 2013/14.
  - Medical treatment injuries: 89 in 2014/15, up from 84 in 2013/14.
  - Near hit reporting: 803 in 2014/15, down from 833 in 2013/14.
  - Lost time injuries: 21 in 2014/15, up from 20 in 2013/14.
- In May 2015, the Waikato Local Authority Shared Services (LASS) set up a Health and Safety Working Party. This group will identify appropriate initiatives to be developed and implemented by participating councils.

9. Legislative requirements or legal issues

- The Health and Safety Reform Bill was passed in on Friday 28 August 2015. This represents a major change to New Zealand’s health and safety legislation. The new Health and Safety at Work Act 2015 has replaced the Health and Safety in Employment Act 1992. The new legislation will become effective from 4 April 2016.

**Signatory**

Authoriser	Paul Conder, Chief Financial Officer
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# Safety and Wellbeing

Creating a culture where our people are safe and well at work and at home

## 2014/15 ANNUAL REPORT

Item 10

Attachment 1

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2.0	Key Performance Indicators
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	- Analysis and Commentary
3.0	Activities
	- Audits and Reviews
	- Harassment and Bullying Monitoring
	- Shared Services
4.0	Monitoring
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5.0	Committees
	- Worker Participation Agreement
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	- Wellbeing Programme
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7.0	Strategic Direction – Leadership
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	- Safety and Wellbeing Concept Plan 2014/15

## 1.0 Executive Summary

The safety and wellbeing team has continued to work towards its purpose to “create a safety and wellbeing culture where our people are safe and well at work and at home”. Research reveals that what our people do when “no one is watching” is indicative of the safety and wellbeing culture. Ongoing work is required to develop the culture and maintain it.

This year has seen Lean principles being embedded into the way we work, which has provided opportunities to share tools and learnings with other parts of the organisation. This has created improved visibility through the use of visual management boards, time efficiencies through the use of 5S and a standardised approach to managing health and safety projects.

The safety and wellbeing framework put in place, particularly the Safety and Wellbeing Group Committees, have contributed to an improved safety and wellbeing culture. Senior leaders are developing relationships with health and safety representatives and have improved visibility of the issues and improvement opportunities within their business.

Significant work has been completed by the safety and wellbeing team during 2014/15 in preparing for legislative changes scheduled to be effective early 2016. This will be on-going for the next 12 – 18 months.

The Vault web tool has become a significant component of the Safety and Wellbeing Management System, providing visibility to captured data and improved reporting capabilities. On-going work is required to input existing information and maintain.

Successful recruitment to the Safety and Wellbeing Coordinator position was made in August. The Safety and Wellbeing Compliance Officer was deployed into two high risk operational areas during this year. The purpose is to provide on the ground support, guidance and assistance to raise levels of compliance and improve safety culture. This has been successful, with positive feedback received from management and WorkSafe New Zealand.

### Key Performance Indicators (KPIs)

This is the first year that we have been able to record all health and safety information into one system (Vault). Due to other significant organisational projects running, managers and staff struggled to attend trainings initially. This has contributed to some of the KPIs not being achieved. Monthly trainings have been arranged to enable managers to schedule time. However, these remain low in attendance.

Initiatives will be developed as appropriate, to continue the focus on reducing harm, with an increased focus being made on preventing more serious injuries. Data analysis will be conducted on the 2014/15 high number of hand/wrist injuries to identify trends and mitigations opportunities. There will be increased monitoring of workplace safety compliance and following up the implementation of corrective actions.

## 2.0 Key Performance Indicators

### 2.1 Definitions

**Lost Time Injury** – work related injury/illness resulting in a whole shift off work

**Lost Time Injury Frequency Rate** – frequency rate of lost time injuries/illnesses that occur for every 200,000 hours worked

**Near Hit** – event, under different circumstances, could have caused an injury or damage

**Corrective actions** – actions identified to prevent harm/damage and comply with legislation

**Observations/Audits** – inspections and observations carried out by Council employees in the workplace, whether scheduled or sighted as part of a walk through

### 2.2 Key Performance Indicators

#### Lead Indicators

Leading performance indicators are used to monitor the effectiveness of control systems and give advance warning of any developing weaknesses before problems occur. They can show the condition of our systems before harm, damage or failure occurs and will help us to respond to changing circumstances to avoid unwanted outcomes. Conducting observations and inspections, reviews of near hits and monitoring the implementation of hazard controls will provide management with assurances that the Safety and Wellbeing Management System is being effectively implemented.

#### Lag Indicators

Lagging performance indicators show us what the final outcomes are from our business activities, however, may not provide enough information to guide our actions and ensure success. There is usually delay between information being received and us responding.

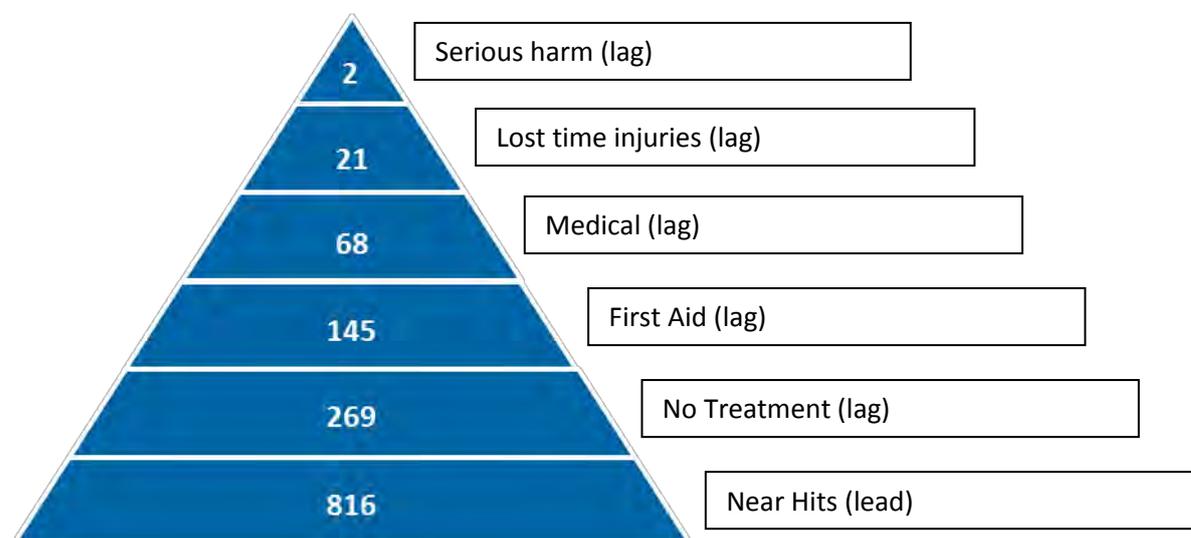


Figure 1: Performance Indicators for Incidents year end 30 June 2015.

### 2.3 Analysis and commentary

#### Serious Harms

In 2014/15 there were two serious harms reported to WorkSafe New Zealand relating to employees.

1. Laceration to shin due to being hit by slab of tarseal, resulting in 19 stitches. This injury became infected and resulted in nine weeks off work, with a graduated return to work plan developed

- Respiratory condition due to exposure to hazardous substance, resulting in persistent cough and requiring specialist opinion. This illness resulted in three weeks off work.

All serious harms are investigated to identify the root cause of the incident. The root causes of the above has been categorised as:

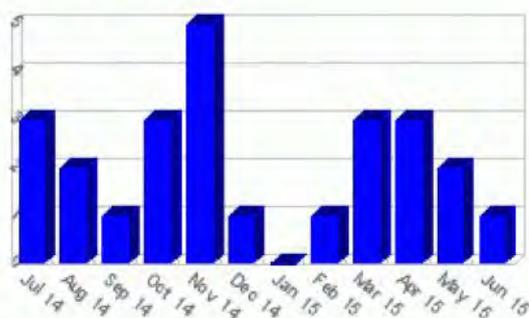
- Work practices not reviewed following change in standard
- Procedures not followed

### Lost Time Injuries

The total number of lost time injuries (21) is consistent with the previous two years. Four of these have resulted in seven days or more off work.

With the introduction of Vault, Council now has the ability to report on Lost Time Injury Frequency Rate (LTIFR). This is a common lag benchmark within industry. Council commenced entering data in July 2014 and will be measured quarterly to provide more accurate rates. Reporting on LTIFR will commence in 2015/16.

**Lost Time Injuries/Illnesses**



**Lost Time Frequency Rate**

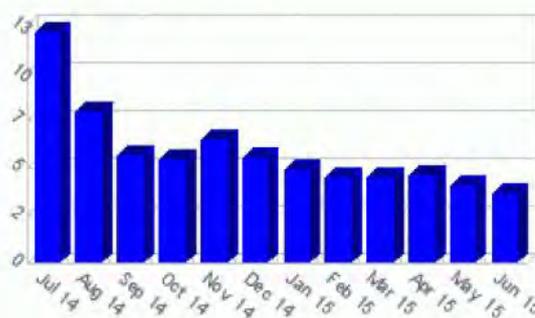


Figure 2: Lost time injuries are injuries/illnesses that have resulted in a whole shift off work. Lost time frequency rates (LTIFR) are a rolling average based on 200,000 hours worked to enable benchmarking against the Business Leaders' Health and Safety Forum

### Medical Treatment Injuries

2014/15 has continued to be in line with previous years, with 89 injuries receiving medical treatment, compared to 84 in 2013/14 and 92 in 2012/13. A significant number of these have been precautionary visits eg bee stings, rose thorn puncture wounds.

### ACC - Experience Rating

Experience rating takes into account a business's ACC claims history when calculating its levies. Under the experience rating framework, employers who have lower-than-average injury rates, with better-than-average rehabilitation or return to work rates, may receive a discount on their ACC work levy. Those with worse-than-average claims experience may receive a loading on their levy.

The above lost time injuries may affect our Experience Rating levy over the next three years. While, the frequency rate for lost time injuries is continuing on a downward trend, we cannot forecast these costs as the loadings/discounts are also based on the performance of industry peers.

### ACC Experience Rating

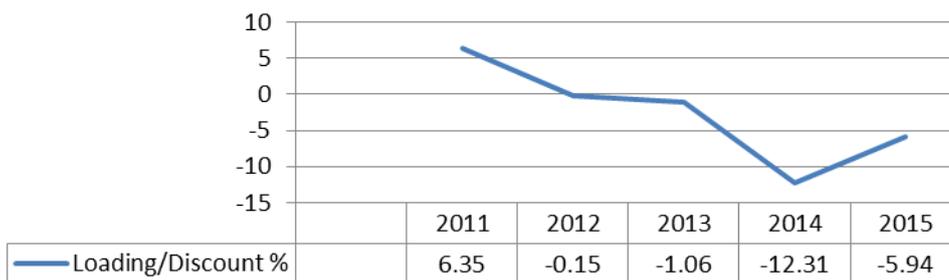


Figure 3: loading and discount percentages received from ACC for experience rating

The impact of the 2011 loading equated to \$23,549.79 additional costs to ACC levies. The 2014 discount equates to a significant \$32,262.76 reduction to the ACC levies invoice. However, 2015 sees Council dropping to a 5.94% discount on the 2015/16 levies invoice. The figures are impacted by the number of claims lodged by Council employees that have resulted in medical treatment exceeding \$500 per claim or the claimant has received compensation due to being off work for seven days or more (with a cut-off at 365 days). The maximum possible loading/discount will be up to +75%/-50% of Council’s standard industry levy rate.

### HCC Claims qualifying for Experience Rating

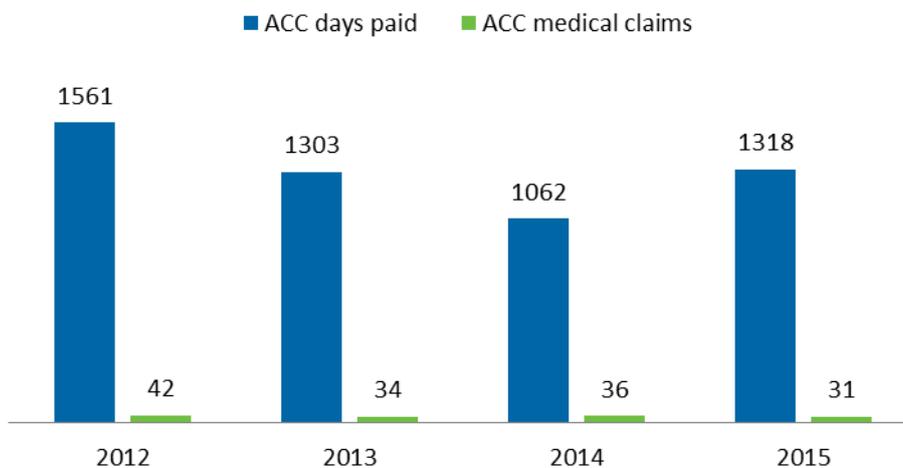


Figure 4: graph shows a significant number of days compensation paid by ACC which is having a significant effect on the levy costs

#### Benchmarking

Benchmarking against the Business Leaders’ Health and Safety Forum now sees us in a much more favourable position. From January 2012 to December 2014, the Forum reported a LTIFR decrease from 2.0 to 1.6

The introduction of ACC’s Experience Rating system in 2011, has given us the ability to compare with our industry peers. Council’s performance against our industry peers will result in a discount or loading dependent on the national averages. Council has been trending downward, which indicates that the seriousness of employee injuries have been less severe compared with other businesses within the relative industries and has resulted in increased levy discounts.

### Near Hit Reporting

We continue to encourage near hit recording and reporting. The benefits of management knowing of near hits include:

1. enabling pro-active control of hazards before a tragic or costly incident occurs
2. opportunities for engagement (of all workers at all levels) in solving problems
3. increasing health and safety ownership and reinforces workers' self-esteem
4. exposure of valuable information that otherwise might not be discussed
5. contributing to a positive health and safety culture

Employees have continued to record in excess of 800 near hits/new hazards. These have resulted in investigations being carried out, with preventative actions identified and implemented. Ensuring that employees receive feedback on what actions were taken provides them with 'closure' and confirms the benefits of them reporting their near hits.

The Safety and Wellbeing team will be investigating the implementation of an App to provide employees with mobility options for recording near hits and injuries. Benefits of a mobile option will make it easier for field staff to record events and for those to be received by the Safety and Wellbeing team in real time.

## 3.0 Activities

### 3.1 Audits and Reviews

An internal audit was scheduled to occur in April by Price Waterhouse Cooper, focussing on Vault. However, this has been postponed due to delays in legislative changes and Council bedding in the implementation of all Vault modules and data entry.

An internal quality audit is scheduled for September 2015.

Workplace inspections are scheduled to occur throughout the year. Safety and Wellbeing Representatives carry out one inspection per year. They involve a walk-around of each facility/workplace across council, working through a checklist to identify any uncontrolled hazards, expired certifications and the level of health and safety knowledge held by staff. Representatives completed 34 inspections across Council this year, with 43 non-compliances identified. The majority of these related to low-medium risks, such as hazard registers being out of date and electrical tests and tags expired. All inspections are recorded in Vault, with non-compliances assigned to managers to rectify and close out.

Workplace Safe Management Practice (WSMP) self-assessments were completed by all units. An external audit will be carried out in the 2015/16 year.

### 3.2 Harassment and Bullying monitoring

Council has a zero tolerance approach to bullying and harassment in the workplace. All allegations are taken seriously. Reporting of alleged bullying and harassment occurrences are captured and categorised by:

1. Peer support contact (early intervention)
2. Informal reports (investigated internally)
3. Formal reports (investigated externally)

The peer support network is a group of trained employees that can advise on options to those who feel that they may have been bullied or harassed. The peer support network was used 11 times during the 2014/15 year. This provided opportunity for early intervention methods to be applied. It has been pleasing to see that this group is also being approached by staff about other unacceptable behaviours that have been received outside the workplace. While this can fall outside the group's skillset, they can provide personal support and guidance to relevant national support services as required. This highlights the level of trust that the peer support have developed. A number of reports have included personal conflict and general bad behaviour. This is a fully confidential programme and we are unable to identify who had used this service. After receiving education and support from a peer support member, the employee may address the respondent, resolving the matter or decide that there is not an issue of bullying or may choose to raise an informal or formal complaint and therefore may be counted more than once in our statistics.

Informal reports are from employees who have raised an issue with their manager or Human Resources Advisor. These people have asked that the behaviour stops and do not wish for a formal investigation to take place. Six people have raised an informal complaint. Actions for an informal complaint are most likely to include a facilitated meeting between the parties, where desired outcomes are usually achieved for both parties.

Formal reports include employees who write that they wish to formally report a bullying or harassment issue. There were three formal complaints during the year all of which were investigated. In all these cases the complaints were unsubstantiated. Some required corrective actions around their general behaviour towards others which was addressed by one-on-one coaching. Research shows that bullying has a high threshold. Many complaints are about bad behaviour that needs to be addressed and stopped before it becomes bullying.

### Peer Support reports - Nature of Complaint

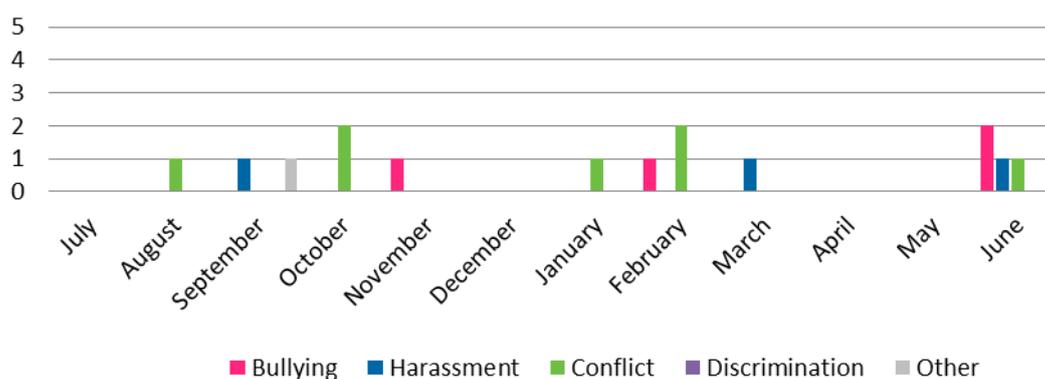


Figure 5: Graph showing types of complaints received of alleged bad behaviour

### 3.3 Local Authority Shared Services (LASS)

In May, a new Health and Safety Working Party was formed under the Waikato Local Authority Shared Services Working Party. A health and safety practitioner from each of the participating Councils forms this working party. The intent of this working party is to identify projects and initiatives that can be developed and introduced into all participating Council's health and safety management systems to align standards being used. It is understood that Waikato LASS are the second region to introduce a Health and Safety Working Party, which will assist in aligning the participating Councils while contributing to system compliance against the new legislation.

The first project is to continue the development for a contractor health and safety pre-qualification scheme. This project was initiated by a group of volunteers from the Waikato/BOP Local Government Health and Safety Forum. This forum has been successfully in place for the last seven years and has representation from all Councils throughout the central North Island region, including Gisborne and Hawkes Bay.

## 4.0 Monitoring

### 4.1 Observations and audits

There has been a focus and drive on workplace/worksite audits, inspections and safety observations throughout 2014/15. These have highlighted improvement opportunities and non-compliance which have enabled Council to take action before harm occurred.

An audit team was set up early 2015, to carry out full audits of four critical risk activities. These include working at heights, entering confined space, working with energy, handling and storage of hazardous substances. No new significant issues were identified during these audits. The audits did highlight the lack of existing or up to date documented procedures, with reliability on employees' operational knowledge specific to a site. This poses an increased risk when staff leave, taking their knowledge with them and leaves a gap when it comes to training new employees. This requires managers to ensure documented procedures are developed in consultation with employees on all operational tasks, ensuring high risk tasks are prioritised. Follow up audits will occur in the next few months to gain an assurance that non-compliance has been addressed.

### 4.2 Drugs and alcohol

A number of drug and alcohol tests have been carried out, following the occurrence of incidents, reasonable cause and drug searches on council property. All employees that returned a positive result signed onto the voluntary rehabilitation programme.

The Drug and Alcohol Policy is currently under review. A legal review is occurring before it will be approved by the Senior Leadership Team.

## 5.0 Committees

### 5.1 Worker participation agreement

Council currently have a signed agreement with PSA, First Union and AWUNZ. This agreement was due to be reviewed in June 2015. However, the unions and Council have agreed to delay the review until the new health and safety legislation is passed.

### 5.2 Safety and Wellbeing Leadership Committee

This committee is made up of the Chief Executive, City Infrastructure General Manager, Community General Manager, Organisational Development General Manager and the Safety and Wellbeing Advisor, with the Organisational Development General Manager chairing the meetings. The purpose of this group is to provide health and safety leadership. The committee approve key projects that align with the health and safety organisational strategy and track the implementation. Meetings are held bi-monthly.

### 5.3 Safety and Wellbeing Leadership Committee and Unions

The Safety and Wellbeing Leadership Committee meets formally with the three Unions (as per 5.1) represented in Council twice a year. This has been beneficial in keeping unions up to date with health and safety projects and enabling them to support what Council is doing in this area.

#### 5.4 Safety and Wellbeing Group Committees

Five Safety and Wellbeing Committees have been set up, with the general managers of each group chairing the meetings. The purpose of these committees are for members to lead safety and wellbeing at a group level by participating in, developing and encouraging a positive culture of safety and wellbeing across the organisation. Meetings occur bi-monthly, with union and worker representative involvement. A number of larger and/or high risk units also have a Safety Team who meet regularly to discuss relevant operational safety and wellbeing issues ie City Waters, City Parks, Zoo.

The benefits from these committees has been:

- the topics/issues/initiatives discussed/identified at meetings are relevant to the group and their business activities/risks
- general managers have visibility and understanding of operational risks/issues in their group
- improved communications between staff and management around safety and wellbeing matters
- improved compliance around committees and worker participation legislative requirements

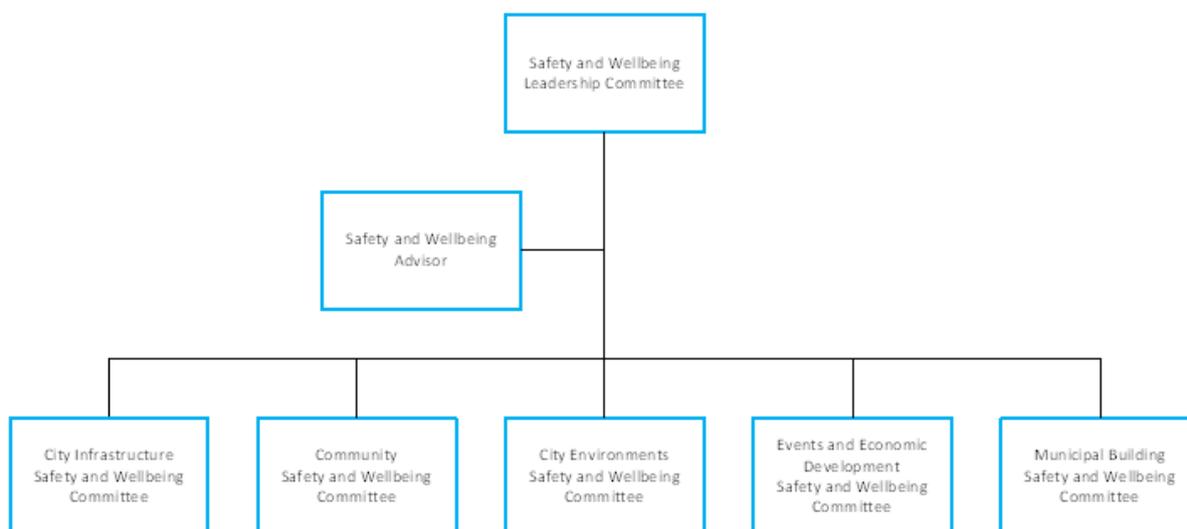


Figure 6 – Safety and Wellbeing Committees structure

## 6.0 Wellbeing

### 6.1 Wellbeing Programme

Council offers a range of benefits and initiatives that contribute to the wellbeing programme. These include flu vaccinations, peer support programme, Employees Assistance Programme and participation in national/regional campaigns eg Mental Health Awareness Week, Bike Wise month.

### 6.2 Staff benefits

Council was unable to provide the annual health checks this year due to budget prioritisation. Over two hundred employees received flu vaccinations.

## 7.0 Strategic Direction - Leadership

### 7.1 Legislative changes

Working groups were selected based on expertise, to carry out a review of the proposed new legislation against the current Safety and Wellbeing Management System. Gaps have been identified and summarised in a gap analysis report being submitted to the Safety and Wellbeing Leadership Committee. The amendments to the Safety and Wellbeing Management System and other Council documents will require a significant amount of time to be committed by relevant areas, to ensure changes are implemented by the effective date (early 2016).

### 7.2 Senior Leadership Team

The senior leadership team have participated in a follow up training session from Mike Cosman of Cosman Parkes Limited on senior management health and safety responsibilities and accountabilities. Following this, Tompkins Wake has provided information on the current understanding of legalities of the upcoming legislation to the senior leadership team. The team will obtain further legal updates from Tompkins Wake as legislative changes are confirmed.

Council is a financial member of the National Business Leaders Health and Safety Forum. This forum is a coalition of business and government leaders committed to improving the performance of workplace health and safety in New Zealand. The focus is to make workplaces safer by growing world-class Chief Executive safety leadership in New Zealand, and by leveraging the combined skill, influence and resources of its members. The Organisational Development General Manager completed a two day health and safety leadership course available to forum members, with the Chief Executive attending regular meetings.

### 7.3 Health and Safety Organisational Strategy

The 2015/16 health and safety organisational strategy has five work streams and projects identified (attached separately). The primary focus will be the legislative changes, while aligning the management system with BS OSHAS 18001 in parallel.

### 7.3 Safety and Wellbeing team

Following the organisational restructure, the safety and wellbeing team now reports to the Corporate General Manager, with a name change to health and safety. There have been title changes to two positions within the team. The Safety and Wellbeing Advisor title will change to Health and Safety Manager, with the Safety and Wellbeing Compliance Officer changing to Health and Safety Advisor. These title changes reflect the current activities and functions being carried out due to organisational and legislative demands. Wellbeing will now be a shared function across People and Culture and Health and Safety.

### 7.4 Looking forward

The 2015/16 will be a high pressure year, with a significant amount of work scheduled including:

- updating the Health and Safety Management System for the implementation of the Health and Safety at Work Act and new Regulations
- updating the Health and Safety Management System to align with new organisational structure and new branding
- participation in the Waikato Local Authority Shared Services Health and Safety Working Party
- participation in the Waikato Local Authority Shared Services contractor pre-qualification project
- continuing to make incremental improvements to the health and safety culture
- recruitment of a Project Safety Advisor to support health and safety requirements for City Waters' programme of works

## 7.5 2014/15 Safety and Wellbeing KPI's

Safety and Wellbeing KPIs						
Purpose – to create a culture where our people are safe and well at work and at home						
Objectives	KPI	Measure	Timeframe	14/15	Update	Notes
<b>Targeting Zero Harm</b> - reducing MTI's - reducing LTIs	Decreased medical treatment injuries	<77	June 2015	86	Not achieved	On going work required to identify injury prevention initiatives.
	Increased near hits recorded	>780	June 2015	803	Achieved	803 near hits recorded compared with 833 in 13/14
<b>Obtain and Retain</b> - new legislation preparedness - ACC Exp Rating lower than industry peers	Increased safety observations/audits	>312	June 2015	641	Achieved	Year end figure includes 363 safe behaviour observations and site inspections conducted by Alliance staff. 278 were recorded in Vault by other areas of HCC.
	No overdue corrective actions	0	June 2015	135	Not achieved	Managers to be vigilant on closing out actions once implemented.
	Climate Survey Health and Safety category score increased by >1% (Up 1% on 2014 - 79.2%)					Climate Survey not conducted in 2014/15
	Climate Survey Wellbeing category score increased by >1% (Up 1% on 2014 – 63.5%)					





# PURPOSE

Develop and embed a safety and wellbeing culture where our people are safe and well at work and at home

	Quarter 1			Quarter 2		Quarter 3			Quarter 4			
	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15
Leadership							L1					
World Class Safety and Wellbeing systems and processes					S1	S2			S3			
Assessments and Accreditation										A1	A2	
Culture							C2					C1
Training									T1	T2		

Work Streams and Projects

HARM

## Objectives

**Target Zero Harm**  
 -reducing MTI's  
 -reducing LTIs

**Obtain and Retain**  
 -New legislation preparedness  
 -ACC Exp Rating lower than industry peers

# VISION

EVERYONE HOME SAFE AND WELL EVERYDAY



### Leadership

L1 Road Show – develop and roll out (8 Step Change Programme)

Postponed due to delay in legislation changes

### Culture

C1 Wellbeing Programme – developed and rolled out postponed due to incapacity

C2 SWellcome Back Week – developed and rolled out

### World Class Safety and Wellbeing Systems and Processes

S1 Safety and Wellbeing Compliance Officer deployed to high risk locations

S2 Contractor Management Systems Review postponed due to legislation changes

S3 Vault modules rolled out

(a) Training replaced with PSe training module

(b) Personal Protective Equipment

(c) Hazardous Substances

### Assessments and Accreditation

A1 AS/NZ 4801 self assessment conducted replacing with BS 18001

A2 External assurance of Safety and Wellbeing Management System postponed to provide more benefits from review

### Training

T1 Contractors' Health and Safety seminars – developed and rolled out

T2 Health and Safety legislative change information to staff – rolled out

T1/T2 postponed due to delay in legislation changes

**Committee:** Audit & Risk Committee

**Date:** 16 September 2015

**Report Name:** Audit NZ Update

**Author:** Paul Conder

<b>Report Status</b>	<i>Open</i>
<b>Strategy, Policy or Plan context</b>	<i>Not applicable</i>
<b>Financial status</b>	<i>Not applicable</i>
<b>Assessment of significance</b>	<i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

## 1. Purpose of the Report

2. To update the Committee on external audit activities.

## 3. Executive Summary

4. Audit NZ have completed their field work for the 2014/15 Annual report.
5. At the time of writing no significant issues were outstanding.
6. Audit NZ are expected to be able to provide verbal clearance of the financial statements in their update at the meeting.
7. Audit NZ have also issued two reports in relation to the recent Long Term Plan audits.

## Recommendations from Management

That

- a) The report be received; and
- b) The verbal report by Audit NZ be received.

## 8. Attachments

9. Attachment 1 - Audit NZ: Report to Council on the Audit of the Long Term Plan (including Consultation Document) for the period 1 July 2015 to 30 June 2025
10. Attachment 2 - Audit NZ: Report to Management on the Infrastructure Strategy 2015-2045 and Asset Management Plans, August 2015

## 11. Annual Report

12. Audit NZ carry out the statutory audit functions on behalf of the Office of the Auditor General, including audits of the Annual Report and Long Terms Plan.
13. Audit NZ have completed their fieldwork and will provide a verbal update at the meeting on the status of the 2014/15 Annual Report audit.
14. As there are no significant outstanding issues or variances, they are also expected to provide verbal audit clearance at the meeting.

## 15. Long Term Plan

16. Audit NZ have issued two reports following their audit of the 10-Year Plan 2015-25.
17. The audit of the 10-Year Plan Consultation Document raised no audit recommendations. (Attachment 1)
18. The audit of the Infrastructure Strategy and Asset Management Plans raised six recommendations. Management comments are also recorded against these. (Attachment 2)
19. No recommendations were considered critical, but do provide suggested improvements as the Asset Management Plans and Infrastructure Strategy are updated.
20. An ongoing improvement process will include these recommendations for action, and these will be reported to the committee via the Organisational Improvement Report.

## Signatory

Authoriser	Paul Conder, Chief Financial Officer
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Report to Council on the audit of  
**Hamilton City Council's**  
Long Term Plan (including Consultation Document)  
for the period 1 July 2015 to 30 June 2025

# Management report

## Key messages

We have completed the audit of Hamilton City Council's (the City Council) Long Term Plan Consultation Document (LTP CD) and the final audit of the Long Term Plan (LTP) for the period 2015-25. We issued unmodified opinions on the LTP CD on 9 April 2015 and on the LTP on 30 June 2015.

Overall, we were satisfied the LTP CD presented the City Council's issues clearly, concisely and with adequate detail to facilitate consultation with the community. We were also satisfied that the City Council has prepared and adopted the underlying information necessary to support the LTP CD.

We are satisfied that the City Council's LTP provides a reasonable basis for integrated decision making and coordination of Council's resources and provides accountability of the City Council to the community. We also found that the underlying information and assumptions used to prepare the LTP are reasonable and appropriate.

A new requirement in the LTP document was to produce a 30 year infrastructure strategy. The City Council has produced a good document which demonstrates how it plans to manage its asset prudently and sustainably with the growth challenges that are presented to the City Council.

As part of our audit, we have assessed asset management plans and have raised some areas of opportunities for improvement for the City Council to consider.

### Future focus

The Council needs to ensure that there are systems in place to monitor its actual performance against budgets, levels of service and performance measures included in the LTP from 1 July 2015. These systems will assist with annual reporting, and also internal monitoring and reporting to Council.

### Thank you

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



Leon Pieterse  
Audit Director  
11 August 2015

## Report to the Council

We have completed the audit of the Hamilton City Council's (the City Council) Long Term Plan Consultation Document (LTP CD) and Long Term Plan (LTP) for the period 1 July 2015 to 30 June 2025. This report sets out our findings from the audit and, where appropriate, makes recommendations for improvement.

## Contents

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## **1 Our audit opinions**

### **1.1 We issued unmodified audit opinions**

We issued an unmodified audit opinion on the City Council's Long Term Plan Consultation Document (LTP CD) on 9 April 2015.

This means that we were satisfied the City Council's LTP CD meets the statutory purpose and provides an effective basis for public participation in Council's decisions about the proposed content of the 2015-25 LTP. We found the underlying information and assumptions used to prepare the LTP CD provided a reasonable and supportable basis for the preparation of the CD.

We issued an unmodified audit opinion on the City Council's and Long Term Plan (LTP) on 30 June 2015.

This meant that we were satisfied the City Council's LTP provides a reasonable basis for integrated decision making and coordination of the City Council's resources and provides accountability of the Council to the community. We also found that underlying information and assumptions used to prepare the LTP are reasonable and appropriate.

### **1.2 Unadjusted misstatements**

The LTP CD and final LTP are free from material misstatements, including omissions. During the course of the audit we found certain misstatements that are individually and collectively not material to the LTP CD or LTP. We have discussed any misstatements that we found with management and we are satisfied that, where these misstatements were not changed, they are individually and collectively immaterial.

## **2 Audit scope and objective**

The scope of our audit engagement and our respective responsibilities are contained in our audit proposal and arrangements letter dated 20 November 2014.

## **3 Control environment**

Our approach to the audit was to identify, confirm and assess the City Council's key processes and controls over the underlying information and ultimate production of both the LTP CD and the LTP. The purpose of this assessment was to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit opinions.

Overall we assessed the control environment for the LTP CD and LTP as effective for the purposes of our audit.

## **4 Areas of audit emphasis**

During the planning stage of the audit, and our review of the content of the LTP CD, we identified the following key risks and issues which were areas of emphasis during our audit. In this section of the report, we comment on our findings on those matters:

#### 4.1 Growth

Managing the demands for growth, balancing the opportunities for future ratepayers against affordable rates and debt levels for current ratepayers is a big challenge for the City Council. Investment decisions need to be made now around spending in future infrastructure to avoid any back log in future.

Growth was a significant assumption underlying this LTP CD and LTP. It provides the rationale for progressing with the new growth capital projects and forecasting revenue (both rates and development contributions).

The LTP has been prepared on the assumption that the population of Hamilton City is projected to increase from 153,000 today to around 174,000 by 2025 and rate payers growth is expected to be 0.8% per year. The City Council's growth assumption is based off the medium projection for growth performed by National Institute of Demographic and Economic Analysis. We gained an understanding of how this assumption was derived at and tested how it is applied across rates, development contributions and the significant asset management plans.

We also compared the growth rates to NZ statistics estimates. The growth assumptions are materially consistent with the Statistics NZ projections.

We are satisfied that the City Council's growth assumption used in preparation of the LTP is reasonable.

#### 4.2 Financial strategy, fiscal envelope and constraints

In the 2012/2022 LTP the City Council's focus was to get debt balances within debt limits and return to surpluses within five years. The 2015/2025 strategy builds on this by keeping rates increases at 3.8%, reducing debt to 200% of revenue by 2020 and balancing the books by 2016.

The focus of capital expenditure for the next 10 years is to firstly look after current City Council assets, followed by core infrastructure assets (water, sewerage, stormwater and transportation) and the final priority will be to continue to invest in community assets.

We reviewed the current financial strategy including rates increases, debt levels and balancing the book forecasts and are satisfied that these are appropriately reflected in the LTP CD and underlying information. We also reviewed the infrastructure strategy and the links between the infrastructure and financial strategies.

We consider that the City Council's financial strategy is prudent.

#### 4.3 Water and sewerage operations

##### *Water Supply*

The City Council is currently reliant on a single water source, which creates risk to the community. The City Council plans to spend a total of \$157 million to upgrade the wastewater treatment plant capacity, upgrade water storage reservoirs, upgrade water mains and replace existing assets.

We reviewed the water asset management plans and are satisfied that the proposed capital expenditure programme currently addresses the issues raised with the City Council's water assets.

The City Council's planned upgrade of a second water treatment plant is not required for another 30 plus years. The City Council has included the second water treatment plant upgrade as a significant project in the infrastructure strategy.

#### Sewerage

The City Council's current sewerage networks are also nearing capacity and additional spend is required to address consent conditions. The City Council has budgeted to spend \$191 million to increase the capacity of sewerage networks, extension of new sewerage networks, upgrade the sewerage treatment plant and replacing existing assets including compliance upgrades.

We reviewed the wastewater asset management plans and are satisfied that the proposed capital expenditure programme currently addresses the issues raised with the City Council's sewerage network. The City Council plans to maintain current level of service and invest in future growth projects.

We are also satisfied that the City Council has adequately communicated the key waters issues, as well as the significant projects to be undertaken to address these issues, in the LTP CD.

#### 4.4 Ageing assets and impact on levels of service consideration

The City Council has a number of aging assets. Strategic reviews are currently being performed over a number of the City Council assets such as theatres, river development, aquatic and sport parks. The strategic reviews will not be completed until after the LTP is adopted and the City Council plans to consult in more detail on these issues once the feasibility studies have been performed.

The current LTP has included budgets to upgrade Founder's Theatre, the River Plan Development, providing a new indoor recreation centre grant to Rototuna High School, construction of a new pool at Waterworld, developing a new sport park in Rototuna and permanent closure of the Municipal Pool.

The City Council is not proposing any changes in rate increases and level of service. The only impact is on debt levels.

We reviewed all the underlying information supporting the different options proposed and are satisfied this was reasonable and that the information and options disclosed provided a reasonable basis for the right debate with the community.

#### 4.5 Content of the documents

We were satisfied that the LTP CD and LTP included appropriate information to enable consultation with the public on key issues.

## 5 Other matters arising from our audit

We completed our planned work detailed in our audit proposal and arrangements letter and we identified the following other matters:

### 5.1 Asset Management Plans

We performed work around significant activities. Water, wastewater and stormwater were assessed as significant activities due to their importance to the city and asset value.

The asset management plans were considered against the Infrastructure Strategy (IS) and Financial Strategy (FS) with reference to other plans and underlying information.

We found that the City Council has currently progressed well on its 2012 asset management improvement plan. There are still areas for improvement in the City Council current asset management planning and processes. We provided management with a separate report highlighting these improvements.

A risk highlighted in the asset management plans is the City Council currently has very uncertain asset condition information around the City Council's water plants, wastewater treatment plants and stormwater treatment and detection advices.

We identified that the value of those assets in the City Council's asset management plans only made up a small proportion of the Council total asset base. The City Council have an asset improvement plan in place to improve the quality of information around water, wastewater and stormwater assets.

Overall we found that the asset management plans provide a reasonable basis for the forecasted budgets of the plans.

## Appendix 1: Mandatory 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 2015-25 Long Term Plan Consultation Document (LTP CD) and reporting that opinion to you. This responsibility arises from section 93C(4) of the Local Government Act 2002.</p> <p>The audit of the LTP CD does not relieve management or the Council of their responsibilities.</p> <p>Our audit proposal and audit arrangements letter dated 20 November 2014 contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (revised): <i>Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</i>, the International Standard on Assurance Engagements 3400: <i>The Examination of Prospective Financial Information</i>, and the Auditor-General's auditing standards.</p>
Auditor independence	<p>We confirm that, for the audit of the Hamilton City Council's LTP CD and LTP for the period 1 July 2015 to 30 June 2025, we have maintained our independence in accordance with the requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.</p> <p>Other than our work in carrying out all legally required external audits, we have no relationship with or interests in the Council or any of its subsidiaries.</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 Hamilton City Council LTP 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 Hamilton City Council LTP during or since the end of the financial year.</p>
Unresolved disagreements	<p>We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the LTP CD and LTP. Management has not sought to influence our views on matters relevant to our audit opinion.</p>

**Hamilton City Council**

Report to Management on the Infrastructure Strategy and  
Asset Management Plans, August 2015

# Management report

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2	Infrastructure strategy ..... 3
3	Asset Management Policy ..... 4
4	Improvement planning ..... 5
5	Asset information ..... 6

This report has been completed as part of our audit of the Hamilton City Council's (the City Council) Long Term Plan Consultation Document (LTP CD) and Long Term Plan (LTP) for the period 1 July 2015 to 30 June 2025. This report sets out our detailed findings in relation to the Infrastructure Strategy and Asset Management Plans.

We wish to thank the management and staff for their assistance during the audit.



Leon Pieterse  
Audit Director  
11 August 2015

## 1 Summary of work performed and key findings

We have completed our review of the City Council's Infrastructure Strategy and asset management processes as part of the Long Term Plan audit. We also reviewed the activity management plans for two significant activities; these being water and wastewater. These activities were assessed as being significant due to their importance to the city and asset value. We also considered these asset management plans against the Infrastructure Strategy (IS) and Financial Strategy (FS) with reference to other plans and underlying information.

The City Council produced a good Infrastructure Strategy that demonstrates how it plans to manage its asset prudently and sustainably with the growth challenges that are presented to the City Council.

Our review has found that the City Council has addressed many of the issues included in its 2012 asset management (AM) improvement plan. Our review has identified there are still some areas for improvement; these are detailed below in this report.

Overall we found that the AM plans provide a reasonable basis for the forecasted budgets that have been incorporated into the 2015-25 LTP.

## 2 Infrastructure strategy

### 2.1 Content of infrastructure strategy

Overall the strategy is of a good standard in that it materially meets legislative requirements and also incorporates much of the additional information that we expect to see in a good infrastructure strategy.

In addition to providing information for each activity as required by legislation, there is a section in the LTP focussing on the five designated growth cells within the city. Whilst not required by legislation, this information reflects Council's major strategic focus on growth and enables readers to gain an appreciation of the infrastructure requirements for each of these areas.

We have identified some aspects of the infrastructure strategy that could be improved; all of these relate to recommended good practice rather than legislative requirements.

In order to improve the Infrastructure Strategy further, we recommend that the following areas are considered for future strategy preparation processes:

- an indication of the quality of information held by the City Council about the age, descriptions, condition, and performance of infrastructural assets;
- summary of historical expenditure for key asset types to provide a benchmark for future expenditure levels;
- proposed funding strategies for planned expenditure, for example, stating what changes are proposed (if any) in how services are funded going forward;

- identification of any planned deferral of expenditure, the consequences of that deferral and the City Council's planned response;
- Council's intended approach for delivery of services to maintain the assets and build new assets;
- any significant changes in the way assets will be managed over time compared to the current arrangements; and
- any expected changes in technical, legislative or regulatory requirements and City Council's response to those changes.

In those instances where there are no matters of relevance to be raised in the strategy in response to the recommended disclosures, we recommend that a statement is included in the strategy to this effect for the avoidance of any doubt by the reader.

**Management comment**

*The recommended improvements for the infrastructure Strategy will be included in specific AMPs and considered for inclusion in the next version of the Infrastructure Strategy.*

### **3 Asset Management Policy**

#### **3.1 Contents of Asset Management Policy**

City Council adopted an AM policy in June 2013. We compared the policy against recommended good practice and found that it adequately addresses many of the areas expected. There are however other aspects of the policy where additional direction could be provided as to City Council's expectations regarding AM processes.

Council should consider updating its AM policy to incorporate guidance on:

- performance measures for AM such as timeframes for reviews, community consultation;
- procedures for audit and review; and
- contribution of AM to the City Council's sustainable development objectives.

**Management comment**

*Council is currently reviewing a number of its policies and the Asset Management Policy is being recreated as a management level policy given the new legislative requirement for an Infrastructure Strategy. An update of the policy will include the role and preparation of the Infrastructure Strategy in the management policy. The other aspects raised above will be included in either the reviewed management policy or documented standard operating procedures.*

### 3.2 Process for deciding on required level of asset management practice

Council's AM Policy shows what level of AM practice (that is, basic/core/intermediate/advanced) is deemed to be appropriate for each AMP. However the policy does not state the basis as to why that particular level is chosen for each activity.

For all but one activity the policy shows a combined level, for example, "core/intermediate" or "intermediate/advanced". Users of the policy are therefore unable to tell what aspects of their activity are required to be core or intermediate and which should be at a higher level.

Council should amend the AM Policy to provide clearer direction for each activity as to which aspects of AM the lower level is acceptable and which parts are expected to be at the higher level.

#### Management comment

*The maturity targets for asset management have been developed after assessing the risk associated with each activity and the value of assets that relate to the activity. Independent expert advice was taken in setting the activity maturity targets within the existing policy.*

*Each AMP contains an improvement programme specific to asset management practice for that activity. These improvement programmes outline what changes are priorities and in doing so guide what is recommended in order to achieve appropriate practice. As part of the improvement programme in each AMP, more specific maturity targets for aspects of each activity will be considered and documented where appropriate.*

## 4 Improvement planning

Our review of improvement planning found that the City Council has adopted a structured approach towards improvement planning since an initial AM maturity assessment was carried out in early 2013. A second AM maturity assessment was carried out October 2014.

An Improvement Plan was prepared in association with the most recent AM maturity assessment. We understand that this plan will form the basis of actions to be taken over the next three years (Stage 2) and focuses on embedding AM into the organisation so that it moves from a project approach to business as usual activity.

The City Council has also carried out a series of independent peer reviews of all AM plans prior to the development of the CD/LTP.

Council should ensure that issues identified from the independent peer reviews are incorporated into the AM Improvement Plans. We also encourage the City Council to continue with assigning appropriate time and resource to enable the tasks identified in the 2015 AMP improvement programme to be undertaken.

### Management comment

*Improving asset management data and practices is a clear focus for Council. Cross-organisational teams exist to deliver these types of improvements across the business. The recent restructuring has also led to a new corporate position being created to lead these types of changes across the organisation.*

*An updated corporate improvement plan is being prepared during 2015 to make sure improvement actions are still appropriate and adequately prioritised and resourced.*

## 5 Asset information

We reviewed the activity plans for water and wastewater and identified several issues of respect of the asset information used to inform Council decision making.

### 5.1 Reliability of asset data

Council's assessment of data reliability for water treatment plants/reservoirs and wastewater treatment plant/pump stations is "very uncertain".

We understand that consultants were engaged nearly two years ago to look at the above ground assets for the water and wastewater schemes. Information was collated by the consultants about the condition of these assets by way of physical inspection and brainstorming of staff for anecdotal evidence. This exercise was used to inform a baseline 10-year capex programme but did not provide formal data that could be input into City Council's AM system.

Since then, the City Council has started to collect data about water/wastewater mechanical and civil assets so that the AM system can be fully populated with accurate and up to date information about the attributes of those assets.

Council needs to ensure that it obtains a complete set of asset attributes, condition ratings and performance data for all asset components in the water treatment plants/reservoirs and wastewater treatment plant/pump stations. This data should be held in the City Council's AM system and periodically updated so that reliable information is available to generate future operating and capital programmes and to reduce the reliance upon informal anecdotal evidence.

### Management comment

*More thorough cataloguing of assets relating the Water and Wastewater treatment plants is underway. This is being done as part of planning for future upgrades to these plants. The initial work is focussed on accurately locating and capturing the assets in a 3D spatial (BIM) model. The use of BIM models is regarded as standard industry practice for understanding complex sites and underground services.*

*Data capture of asset information will continue over 2015/16 and 2016/17.*

## 5.2 Asset condition and performance

Condition ratings for existing reticulation assets are recorded in the City Council's AM system. However when new assets are loaded into the system, a condition rating is not assigned, nor is base performance information.

This means that the data set for condition and performance aspects of reticulation assets is incomplete and does not record the initial starting point for these aspects of data information.

We recommend that the business process for inputting data into the AM system is amended so that the original condition and performance ratings are incorporated into the information loaded. This will enable optimal decisions to be made about the maintenance and renewal of those assets in future budget rounds.

### Management comment

*A review of these business processes and asset management practice will be included in the relevant improvement plans for infrastructure assets.*

## 5.3 Valuation of water and wastewater treatment plants and other above ground assets

The annual revaluation of water and wastewater treatment plants at replacement cost has in the past been calculated by applying an inflation factor (Capital Good Price Index) to the previous year's valuation.

This approach has been necessary due to the absence of detailed asset information upon which an informed assessment could be made of what it would actually cost to replace the existing assets so as to achieve the service potential provided by the asset when new.

We recommend that the City Council ensures reliable information is recorded in its AM system so as to ensure that the current shortcomings in the valuation of treatment plant assets can be rectified as soon as practicable.

### Management comment

*Council has a programme of three yearly revaluations for our treatment plants and above ground assets, unless indices show that costs are moving in such a way that the carrying value is no longer representative of fair value.*

*Focus is currently being placed on improving the asset register for these sites. Once the asset register is completed, a more robust revaluation will be able to be calculated (section 5.1 in this report covers this requirement).*

*Once assets have been identified, we can use market values for the majority of our assets that are purchased annually such as pumps, valves, motors etc. However some assets contained within the treatment plants are bespoke, and their value are best determined through tender process. For these assets we will continue to use an inflation factor where it is appropriate.*

**Committee:** Audit & Risk Committee

**Date:** 16 September 2015

**Report Name:** Annual Report 2014/15

**Author:** Stephen Halliwell

<b>Report Status</b>	<i>Open</i>
<b>Strategy, Policy or Plan context</b>	<i>Annual Report 2014/15</i>
<b>Financial status</b>	<i>There is no budget allocated.</i>
<b>Assessment of significance</b>	<i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

## 1. Purpose of the Report

2. The purpose of this report is to obtain the Audit and Risk Committees recommendation that the Annual Report 2014/15 be adopted by Council.

## 3. Executive Summary

4. Presentation of the Annual Report 2014/15, including the financial statements and accompanying notes and the Statements of Service Performance for review and recommendation to Council. They have been prepared and are compliant with legislation and all applicable accounting standards.

## Recommendations from Management

That:

- a) The report be received
- b) The Audit and Risk Committee recommends to Council the adoption of the Annual Report 2014/15.

## 5. Attachments

6. Attachment 1 - Annual Report 2014/15 (*Under Separate Cover*)

## 7. Key Issues

8. The Annual Report is a requirement under the Local Government Act 2002. The report has been prepared compliant with all applicable accounting standards. An Annual Report must be adopted by Council.

9. Audit New Zealand, as Council's appointed auditors, have undertaken an audit of the Annual Report including the financial statements, notes to the statements and the Statements of Service Performance.
10. Subject to the satisfactory resolution of some outstanding issues identified below Audit New Zealand are expected to provide the committee with a verbal clearance that they will provide an unmodified (unqualified) audit opinion for the year ended 30 June 2014.
11. Outstanding issues - the following matters have been finalized but are still being audited
  - Note 40 Insurance
  - Review of introductory sections to Annual Report
  - Final check of complete Annual Report
12. Any matters requiring correction following audit consideration will be tabled at the meeting.

### **13. Annual Report Summary**

14. Council is required to prepare an annual report summary within 1 month of the adoption of the annual report. The summary must be audited and is attached with the Annual Report.

### **15. Risk**

16. Council must adopt an Annual Report by 30 October 2015. Failure to do so could have a negative impact on Council's Fitch credit rating and is likely to be drawn to Parliament's attention in the Auditor General's on the audit of local government annual reports.

### **Signatory**

Authoriser	Paul Conder, Chief Financial Officer
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**Committee:** Audit & Risk Committee

**Date:** 16 September 2015

**Report Name:** 2016 Quarter 1 Update from PWC

**Author:** Paul Conder

<b>Report Status</b>	<i>Open</i>
<b>Strategy, Policy or Plan context</b>	<i>Internal Audit Plan</i>
<b>Financial status</b>	<i>There is budget allocated. Amount \$150,000 per annum (4 year contract)</i>
<b>Assessment of significance</b>	<i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is not considered to have a high degree of significance</i>

## 1. Purpose of the Report

- The purpose of this report is to update the Audit and Risk Committee on the PWC Internal Audit programme for Quarter 1 of 2016.

## 3. Summary

- The PWC Internal Audit update for Quarter 1 of 2016 outlines the status of the Internal Audit Programme.
- Planning for the first audit of 2016 is currently underway. The remainder of the 2016 internal audit plan remains a work-in-progress. The outcomes of the current risk review (see separate agenda item) will provide direction and priority for the 2016 internal audit plan. Two items were deferred from 2015 to ensure the best value for those items, these will be reconsidered as part of the overall plan.
- PWC have finalised three assessments this quarter:
  - Governance Reporting Final Report
  - Hamilton Zoo Revenue Process Control Assessment Report
  - Value for Council Model Assessment

## Recommendations from Management

That the report be received.

## 7. Attachments

- Attachment 1 - Audit and Risk Committee Internal Audit Update - FY 2016 Quarter 1

## Signatory

Authoriser	Paul Conder, Chief Financial Officer
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*Hamilton City*  
*Council*  
Audit and Risk  
Committee Internal  
Audit Update – FY16  
Quarter 1

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16 September 2015



## 1. Status of the 2014–2015 Internal Audit Plan

We set out below a status update report which summarises our progress in performing the internal audit reviews as per the Internal Audit Plan for the year ending 30 June 2015.

<i>Project</i>	<i>Tim ing</i>	<i>Internal Audit Scope</i>	<i>Progress</i>	<i>Project status</i>
Project 1 Governance reporting	Q3 2014/15	An assessment of the design and operating effectiveness of key controls across the following governance reporting sub-processes, against good practices (for both the private sector and local government organisations): <ul style="list-style-type: none"> <li>• agenda identification</li> <li>• report preparation</li> <li>• report review and approval</li> <li>• report submission</li> <li>• agenda and report accessibility for Councillors and the public.</li> </ul>		Complete. Final report issued.
Project 2 Municipal building accounts receivable and online portal process and control assessment	Q2 2014/15	An assessment of the design and operating effectiveness of key accounts receivable and online portal controls implemented at Municipal Building. The scope of the engagement includes: Part 1 – Accounts Receivable Assessment. Part 2 – Online Portal Assessment.		Complete. Final report issued.
Project 3 Follow up on prior internal audit recommendations	Q2 and Q4 2014/15	An assessment of progress made on agreed actions by performing a follow up of moderate and high risk rated issues identified in previous internal audits.		Q2 follow up complete. Terms of reference finalised for Q4*.
Project 4 Business continuity and disaster recovery planning	Q3 2014/15	An assessment of the business continuity management framework against good practice standards and HCC policies and procedures.		Complete. Final report issued.
Project 5 Budgetary controls and reporting	Q3 2014/15	An assessment of the design and operating effectiveness of processes and controls relating to the compilation of budgets and budgetary reporting by management to ensure that information is accurate and complete. The scope of this assessment will include automated and manual review controls over the coding of revenue and expenses, correcting misallocations, and system access to this functionality.		Deferred. To be considered as part of the FY16 Internal Audit annual planning.
Project 6 Hamilton zoo	Q4 2014/15	An assessment of the design and operating effectiveness, against good practices and according to HCC policies and procedures, the key controls within revenue processes at Hamilton Zoo.		Complete. Final report issued.
Project 7 Theatre operations	Q4 2014/15	An assessment of the design and operating effectiveness, against good practices and according to HCC policies and procedures, the key controls within revenue processes at Theatre Operations.		Fieldwork completed and draft report issued.

<i>Project</i>	<i>Timing</i>	<i>Internal Audit Scope</i>	<i>Progress</i>	<i>Project status</i>
Project 8 Safety & wellbeing management system	Q4 2014/15	An assessment of the design and operating effectiveness of key Vault processes and controls, specifically: <ul style="list-style-type: none"> <li>access to sensitive administrative functions/privileges such as maintenance of hazards, incidents and risk ratings</li> <li>incident and hazard recording and management to ensure it is compliant with the HCC Health &amp; Safety Policy</li> <li>periodic incident and hazard reporting to the senior leadership team including trend analysis</li> <li>Vault's functionality and readiness to support the proposed reforms to the health &amp; safety legislation.</li> </ul>		Deferred. To be considered as part of the FY16 Internal Audit annual planning.
Project 9 Value for council model	Q4 2014/15	An assessment of the Value for Council model's build quality and compliance with modelling good practice.		Complete. Final memorandum issued.

\*The scope of the Q4 follow up engagement has been revised. PwC will validate progress for high risk rated internal audit findings only. Closure of medium and low rated internal audit findings will be validated by Crisis Manager. A combined report for Q2 and Q4 will be issued as agreed with management on completion of the Q4 follow up.

#### Key

-  On schedule / Good progress
-  Slightly behind schedule / Average progress
-  Behind schedule / Poor progress
-  Not started
-  Deferred

## 2. Completed Engagements

Three engagements (Governance Reporting, Hamilton Zoo and Value for Council Model) have been finalised since the last Audit and Risk Committee meeting on 17 June 2015.

## 3. Status of the 2015–2018 Internal Audit Plan

The internal audit planning for 2015-2018 is in progress. As agreed with the Audit and Risk Committee Chairman and the Chief Executive, management will complete the strategic risk refresh, currently underway. We will use the strategic risk register, along with already received General Manager input, to draft the three-year internal audit plan for review by the Chief Executive. Once complete the draft internal audit plan will be submitted to the members of the Audit and Risk Committee for approval.

In the interim, the Chief Executive has requested we commence an internal audit engagement across Strategic Lease Property. This engagement is currently in the planning stage.

## Resolution to Exclude the Public

### Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda.

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 follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Audit & Risk Committee Meeting - Public Excluded Minutes - 17 June 2015	) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
C2. PwC - Internal Audit Status Report	)	

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item C1.	to protect the privacy of natural persons	Section 7 (2) (a)
	to maintain legal professional privilege	Section 7 (2) (g)
	to enable Council to carry out negotiations	Section 7 (2) (i)
Item C2.	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h)