

Notice of Meeting:

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

Date: Wednesday 17 June 2015
Time: 2.30pm
Meeting Room: Committee Room 1
Venue: Municipal Building, Garden Place, Hamilton

Richard Briggs
Chief Executive

Audit & Risk Committee OPEN AGENDA

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

Mary Birch
Democracy Team Leader

10 June 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.

4 Public Forum

Not required.

Committee: Audit & Risk Committee

Date: 17 June 2015

Report Name: Minutes of the Audit and Risk
Committee Meeting - Open -
18 March 2015

Author: Mary Birch

Status	<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 18 March 2015.

1. Attachments

- Attachment 1 - Minutes of the Audit and Risk Committee Meeting - Open - 18 March 2015

Audit & Risk Committee

OPEN MINUTES

Minutes of a Meeting of the Audit & Risk Committee held in Council Chambers, Municipal Building, Garden Place, Hamilton on Wednesday 18 March 2015 at 2.30pm.

PRESENT

Chairperson	Mr Paul Connell
Members	Mr Tony Steele Her Worship the Mayor J Hardaker Cr A O’Leary Cr R Pascoe
In Attendance	Chief Executive, Chief Financial Officer, General Manager Organisational Development, General Manager Events & Economic Development, Crisis Manager, Risk Manager and Treasury Accountant. Andrew Holmes – PWC Partner Emma Jones – PWC Director Yoonyoung Lee – PWC Manager
Committee Advisor	Mrs MM Birch

The Chair welcomed Jeremy Smith and the journalism students from WINTEC to the Meeting. He introduced the Committee Members and provided context about the Committee’s role and function within Council.

1. Apologies

There were no apologies.

2. Confirmation of Agenda

Resolved: (Mr Connell/Cr Pascoe)

The Committee to confirm the agenda.

3. Declarations of Interest

No members of the Committee declared a Conflict of Interest.

4. Public Forum

Not required.

5. Minutes of the Audit and Risk Committee - Open - 5 December 2014

Resolved: (Mr Connell/Cr O'Leary)

That the Committee confirm and adopt as a true and correct record the Open Minutes of the Audit and Risk Committee Meeting held on 5 December 2014.

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

The Chief Financial Officer (CFO) explained that Council was currently waiting on the audit arrangements letter. Once this had been received, a date could be set for the informal Audit and Risk Meeting in late August 2015. This letter would be circulated to Members as soon as it was available.

Resolved: (Crs O'Leary/Pascoe)

That the Report be received.

7. Organisational Risk Report

The Crisis Manager and the Risk Manager introduced this report. The Risk Management Maturity Assessment was discussed as follows:

- **Improvement - Second Assessment** – Hamilton City Council's (HCC) Risk Management Framework had undergone its second Maturity Self Assessment. There had been an improvement from the last time this assessment had been undertaken; the scoring indicated that HCC's overall risk maturity level had improved and was now at Level 3 or "repeatable". Concerns were raised that this the report was difficult to understand and that Elected Members had not been given an opportunity to provide any input.
- **Staff Training** - It was noted that although risk management was covered in ongoing staff training, it was not included in new staff inductions.
- **Accessibility and Methodology** – Whilst it was noted that there had been considerable improvements, it was stressed that this was a governance issue and that there were several risks which Elected Members considered should be included in the register.
- **Reputational Risk** – Reputational is frequently not addressed in the register. It needed to be put through a process which included stakeholders and Elected Members. It would be helpful for Committee Members to have a workshop on this subject.
- **Emerging Risks** – It was confirmed that although there remained issues with the new accounting system, it had not reached the level to be identified as an emerging risk.
- **Budgeting Model Module** – It was never intended for the Budgeting Model module to be used for this Long Term Plan (LTP), as other processes were in place.

The Risk Register was then considered in detail. The following specific risks were discussed:

- **Risk ID # 34 – "Leaky Buildings"** – Regular reports went to both the Finance Committee and Audit and Risk Committee. It was reiterated that as a city, comparatively, Hamilton had a very low level of claims and that this was in large part due the approach of the building control team to ensure compliance.
- **Risk ID # 42 – Invoices** – The Chief Executive (CE) explained that the CFO had been specifically tasked to provide an update report to the next Finance Committee in respect of this issue.
- **Risk ID # 46 – Workforce Capacity** – GM Organisational Development explained that there had been a range of large projects, e.g. the Long Term Plan (LTP) and Cricket World Cup . This resulted in capacity being stretched which increased the risk of not delivering on time. Although all the key mega processes were not in place, there were continuous improvements and a process of review had been established. Whilst the LTP was not mentioned specifically, it had been included within this risk and it was acknowledged that this could have been considered as a separate risk. There were concerns that the reputational risk of failing to deliver the LTP on time had not been addressed or included.
- **Risk ID # 12 – Health and Safety Legislation** – The changes to the legislation were not yet finalised. The Chair had instructed management to get a legal opinion in respect of who in Council was liable for Health and Safety under the current legislation. Confirmation was provided that the Chief Executive was ultimately responsible. Notwithstanding this, training was being undertaken by the Senior Leadership Team, Vault had already been deployed and Elected Members would be briefed once the legislative changes were

confirmed.

Action points were noted as follows:

- The General Manager (GM) Organisational Development was asked to include risk management, under the HR function, as part of orientation training.
- The GM Performance was asked to meet with Members, as required, to work through this particular report.
- Reputational Risk was to be considered as part of the normal risk assessment.
- The Chair and Her Worship the Mayor were to meet with PWC to gain a better understanding of the benefits to be gained from self assessment.
- The date that each risk was established and updated needed to be included in the register.

Resolved: (Mr Steele/Her Worship the Mayor Hardaker)

That the Report be received.

8. Organisational Improvements Work Programme Status as at March 2015

The Treasury Accountant introduced the report. He advised that of the 27 items that remained open on the organisational improvements work programme at the last Audit and Risk Committee Meeting, 19 items had now been closed and 15 new ones added. This resulted in a balance of 23 items remaining outstanding on the Work Programme.

The issue of pushing out projects and delaying their completion was discussed, particularly as this potentially created risk for the organisation. The CE was aware of this issue and it was being closely monitored.

Specific items were discussed as followed:

- **Plant Equipment** – progress had been made in 2014. However, this required ongoing process improvements; the asset system, Hansen 8, would be fully upgraded by June 2016.
- **Event Management** – The GM Events and Economic Development confirmed that controls were in place to deal with the issues raised and Promapp had been implemented. The work was largely completed and now had to be embedded in with staff.
- **Project Management Framework** – Still a work in progress.

Action Point – Both the scheduled and actual completion dates were to be included in future reports.

Resolved: (Crs Pascoe/O'Leary)

That the Report be received.

9. Annual Report 2015-Planning update

Unit Manager – Accounting introduced this report. He highlighted that a key focus for this year was the introduction of the Public Benefit Entity (PBE) Accounting Standards. HCC was classified as a public sector PBE for financial reporting purposes and, therefore, the financial statements needed to be prepared in accordance with the PBE standards. Whilst working through the LTP, the PBE Standards were being taken into account. Staff were working with the Council Controlled Organisations (CCOs) to ensure compliance.

It was requested that staff worked closely with Audit NZ so that their review could be completed sufficiently early to avoid the same issues as last year. CFO confirmed this was the case and that the Audit Arrangements letter would be circulated to members as soon as it was received from Audit NZ.

Resolved: (Mssrs Connell/Steele)

That the Report be received.

10. Fitch Annual Rating Report

This report was introduced by the CFO. FitchRatings had been maintained at AA- (long term) and F1+ (short Term). He explained that the report was a very positive review that acknowledged HCC's improving financial performance and noted that the organisation was moving towards a more sustainable performance.

Staff were asked to consider how the organisation's credit ratings could be improved and advised that this should continue to be a future goal.

Resolved: (Crs O'Leary/Pascoe)

That the Report be received.

11. 2015 Quarter 3 Update from PWC

Emma Jones and Yoonyoung Lee (PWC) introduced the report, which was taken as read. Ms Jones highlighted that the Governance Reporting was on track and the Budgetary Controls and Reporting still required confirmation in respect of the timing.

Resolved: (Mr Steele/Her Worship the Mayor Hardaker)

That the Report be received.

12. Resolution to Exclude the Public

Resolved: (Mssrs 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. Confirmation of Minutes - Audit and Risk - Public Excluded - 5 December 2014) Good reason to withhold) information exists under	Section 48(1)(a)
C2. PwC - Internal Audit Status Report) Section 7 Local Government) Official Information and) Meetings Act 1987)	

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 enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h)

The Chair thanked the WINTEC staff and students for their attendance.

The Meeting moved in to a Public Excluded session from 4.00pm to 4.35pm.

The Meeting was closed at 4.35pm.

Committee: Audit & Risk Committee

Date: 17 June 2015

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

Author: Kay Lindsay

Status	<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	03/12/15	Council Workshop	Council
							?	?

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: 17 June 2015

Report Name: Organisational Risk Report

Author: David Robson

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Organisational Risk Management</i>
Financial status	<i>There is no budget allocated</i>
Assessment of significance	<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 provide an update on organisational risk management processes and culture.
3. To report on the organisational risk register.

4. Executive Summary

5. In response to feedback from the Audit and Risk Committee, risk reporting has adopted a refreshed approach with informative content pitched at a better communicating with a wider range of readers.
6. Audit and Risk Committee's focus on reputational risk is to be addressed through a training programme for staff and management.
7. The recent organizational review has prompted a new 'very highly' rated risk.
8. Refinements are continuing to be made to the Business Continuity Management framework following the PWC audit.

9. Recommendation from Management

10. That the Report be received.

11. Attachments

12. Attachment 1 - Top Ten Risks June 2015 summary

13. **Changes in Risk Reporting**

14. Following feedback from the Audit and Risk Committee, the Risk Manager and Crisis Manager have been working with the Audit and Risk Committee Chairperson to modify current risk reporting in order to create clear, understandable and informative communications to the Committee and other readers.

15. This is part of an improvement programme of change led by the Risk Manager, which will continue to provide the Audit and Risk Committee with the line of sight of risk management across the organisation, and the subsequent alignment of organisational and Committee objectives.

16. **Risk Identification, Monitoring and Management**

17. As a reminder to the Committee, the following diagram provides a broad overview of the areas that make up the risk identification process;

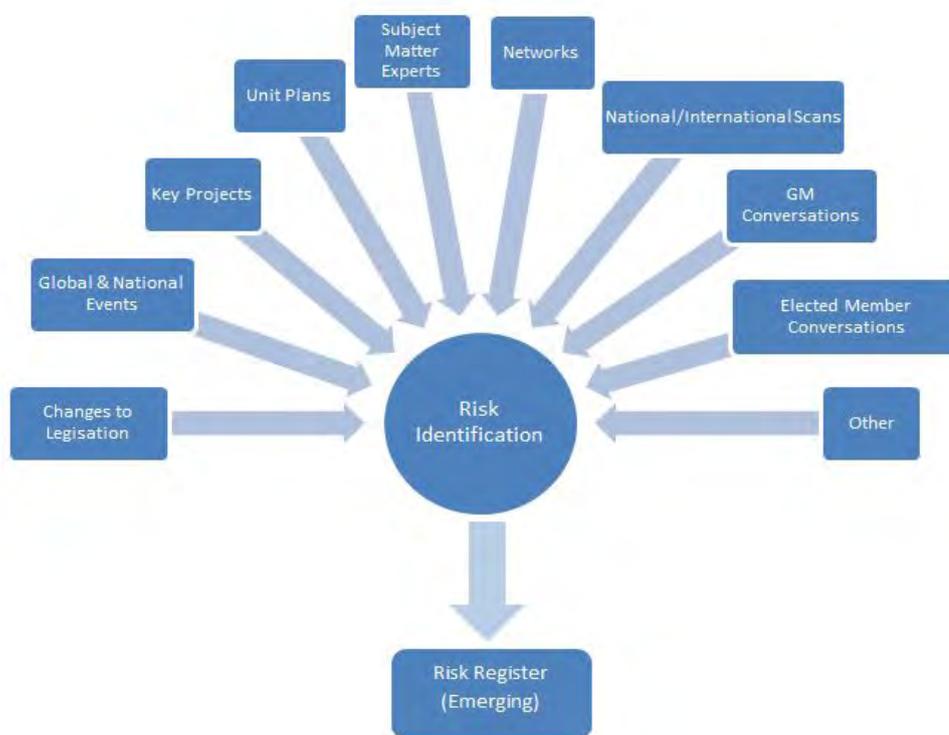


Diagram 1. Sources of risk identification.

18. The role of the Risk Manager is engage with staff and management throughout the organisation in order to facilitate the consideration, identification, understanding and dimensioning of risk and its separation from incidents/events. The difference between an incident/event from a risk is that an incident/event has actually taken place and a risk is considered as uncertain.

19. Risks are captured in the risk register. The Risk Manager then works closely with risk owners to identify the controls that are in place to prevent the risk from occurring and the mitigation strategies that are designed to reduce the business impact should the risk materialise.

20. As part of ensuring our risk framework is forward looking, the Risk Manager monitors national and international risk trends. The current macro themes that are currently being monitored by the Risk Manager are;
- health and safety,
 - business interruption,
 - organisational reputation and,
 - IT Security.
21. **Top Ten Organisational Risks**
22. 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 Governance will focus on the top ten organisational risks.
23. The current top ten organisational risks are summarised as follows. A supporting page for each risk is attached which provides further detail, risk scores, controls and mitigation. (Attachment 1).
- 1 Increased staff turnover due to organisational change
 - 2 LTP budget provision is insufficient to meet increased leaky buildings liability claims.
 - 3 Staff capacity to deliver on work programmes
 - 4 Organisational damage through external parties receiving commercially sensitive information
 - 5 Inadequate testing of Business Continuity Plans
 - 6 Ability to deliver statutory obligations in a civil defence/emergency event
 - 7 Failure of wastewater infrastructure leading to pollution of waterways
 - 8 Unpredicted land movement and riverbank slips
 - 9 Sustained IT systems outage
 - 10 Health and Safety legislation noncompliance
24. **Emerging Risks**
25. An emerging risk has been identified with regards to tenant failure, i.e. Hamilton City Council inheriting costs through the failure of a tenant of a leased property.
26. This risk stems from recent associated events and although the risk has not yet been fully assessed at the time of writing this report, through initial discussion, the indicative score is that of a 'medium' risk and is unlikely to reach 'top 10' status.
27. **Risk Training**
28. To address concerns expressed by the Audit and Risk Committee relating to reputational risk to the organisation, the Risk Manager is currently planning a training programme for staff designed to influence risk in every day decision making.

29. 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.
30. It would not be accurate to assume that reputational risk is necessarily negative in nature and, if considered and managed appropriately, could create opportunities and a positive image of the organization. This approach will also be considered in the training and the opportunity to attend is extended to the Audit and Risk Committee
31. **Enhancement to the Legislative Compliance Updates**
32. Thomson Reuters are engaged to provide regular email bulletins which give information for changes in legislation which may affect Local Government operations.
33. The bulletins can be reasonably lengthy updates so the Risk Manager has worked with the provider to create a filter whereby staff now have the ability to self-select the areas of legislation which relate to their individual role.
34. This service has been provided free of charge and ‘train the trainer’ sessions have been conducted so that knowledge can be disseminated across business units. Instructions have also been posted on the Risk Management Intranet page.
35. **Business Continuity Management Update**
36. To ensure business continuity, each business function is required to identify what dependencies it has in order operate efficiently. These dependencies are then risk assessed to understand their criticality.
37. The mitigations/controls for the dependency are often an internal process, for example alternative suppliers of goods or services in the failure of the business as usual arrangements. To date these processes and procedures have not been analysed to ascertain their level of robustness.
38. To address this, the Risk Manager has incorporated a ‘vulnerability analysis’ into the Business Continuity Management Framework. This additional exercise will risk assess the dependencies and underpinning processes. This will highlight high risk alternative arrangements and promote the identification of further alternatives as required in order to strengthen plans and provide assurance to governance.
39. The Risk Manager is currently working with the Business Improvement Team to identify the next tier of critical functions to the organisation through a business impact analysis. Once identified, this will form a work programme for the next phase of part of Business Continuity Planning and will be communicated to the Audit and Risk Committee in future reporting.

Signatory

Authoriser	Blair Bowcott, General Manager Performance Group
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Top Ten Organisational Risks Summary

Rank	Risk Summary	Initial Risk Rating (June 2015)	Residual Risk Rating (June 2015)	Risk Status Since Previous Report
1	Increased staff turnover due to organisational change	Very High 	Very High 	New 
2	LTP budget provision is insufficient to meet increased leaky buildings liability claims	Very High 	Very High 	No Change 
3	Staff capacity to delivery on work programmes	Very High 	Very High 	No Change 
4	Organisational damage through external parties receiving commercially sensitive information	Very High 	High 	No Change 
5	Inadequate testing of Business Continuity Plans	Very High 	High 	No Change 
6	Ability to deliver statutory obligations in a civil defence/emergency event	Very High 	High 	No Change 
7	Failure of wastewater infrastructure leading to pollution of waterways	Very High 	High 	No Change 
8	Unpredicted land movement and riverbank slips	Very High 	High 	No Change 
9	Sustained IT systems outage	Very High 	Medium 	No Change 
10	Health and Safety legislation noncompliance	Very High 	Medium 	No Change 

Risk Summary:	Rank
Increase in staff turnover due to organisational change	1

Management Risk Assessment			
Likelihood of Occurrence	Almost Certain		
Impact - Our People	Catastrophic 	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	Minor 

Initial risk score	Very High 
Residual risk score (after consideration of controls and mitigation)	Very High 

Risk Treatment Summary
Controls
<ol style="list-style-type: none"> All staff have access to HCC's Employee Assistance Programme (EAP) which provides access to face- to-face professional counselling. On-going email communication and discussion sessions by the CEO regarding the proposed restructure along with regularly updated FAQ's posted on Velocity. The opportunity for staff to talk directly with the CEO regarding proposed structural changes.
Mitigations
<ol style="list-style-type: none"> Progressing outcomes of change fast and increasing certainty of new structure.
Future Actions
<ol style="list-style-type: none"> Development of Change Management Framework Succession planning for key roles

Ref ID: 02/13

Risk Summary:	Rank
LTP budget provision is insufficient to meet increased leaky buildings liability claims.	2

Management Risk Assessment					
Likelihood of Occurrence	Certain				
Impact - Our People	Minor		Impact - Safety & Wellbeing	N/A	
Impact - Information Management & Tech	N/A		Impact - Reputation	Moderate	
Impact - Financials	Catastrophic		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)	Very High 

Risk Treatment Summary
Controls
<ol style="list-style-type: none"> 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
<ol style="list-style-type: none"> 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: 34/07

Risk Summary:	Rank
Staff capacity to delivery on work programmes.	3

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)	Very High 

Risk Treatment Summary
Controls
<ol style="list-style-type: none"> 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
<ol style="list-style-type: none"> 1. Expanding business cases to include supporting unit/stakeholders sign-off. 2. Aligning business to outcomes/goals and organisational priorities.
Future Actions
<ol style="list-style-type: none"> 1. Wellbeing project. 2. Development of Senior Leadership Team prioritisation framework. 3. Development of overarching Project Governance Group (PGG).

Ref ID: 46/02

Risk Summary:	Rank
Organisational damage through external parties receiving commercially sensitive information.	4

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 

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

Ref ID: 18/06

Risk Summary:	Rank
Inadequate testing of Business Continuity Plans.	5

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

Initial risk score	Very High 
Residual risk score(after consideration of controls and mitigation)	High 

Risk Treatment Summary
Controls
<ol style="list-style-type: none"> 1. Business Continuity Plans are in place for high risk areas, some of which are tested regularly and updated accordingly. 2. Annual review cycle of plans is in place. 3. Vulnerability analysis to risk assess the dependencies and underpinning processes within the Business Continuity Plans
Mitigations
<ol style="list-style-type: none"> 1. Business interruption insurance held by HCC with increased cover for the water reticulation system. 2. Regularly testing for any other priority BCPs to be added.
Future Actions
<ol style="list-style-type: none"> 1. Inter-unit scenario testing of plans

Ref ID: 21/08

Risk Summary:	Rank
Ability to deliver statutory obligations in a civil defence/emergency event.	6

Management Risk Assessment			
Likelihood of Occurrence	Likely		
Impact - Our People	Serious 	Impact - Safety & Wellbeing	Serious 
Impact - Information Management & Tech	Moderate 	Impact - Reputation	Catastrophic 
Impact - Financials	Catastrophic 	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 

Risk Treatment Summary
Controls
<ol style="list-style-type: none"> 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 two 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
<ol style="list-style-type: none"> 1. Key trained staff have emergency event experience, e.g. involvement in the Christchurch disaster.
Future Actions
<ol style="list-style-type: none"> 1. The inclusion of trained staff in the incident management team for local events outside of Hamilton to gain experience.

Ref ID: 22/10

Risk Summary:	Rank
Failure of wastewater infrastructure leading to pollution of waterways.	7

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

Initial risk score	Very High	
Residual risk score(after consideration of controls and mitigation)	High	

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

Ref ID: 24/07

Risk Summary:	Rank
Unpredicted land movement and riverbank slips.	8

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

Initial risk score	Very High 
Residual risk score(after consideration of controls and mitigation)	High 

Risk Treatment Summary
Controls
1. Establish regular monitoring and modelling of risk area(s) through external engineering consultants. 2. On-going engagement with asset owners of potential risk areas (property owners, local business etc).
Mitigations
1. High risk areas are closed to the public 2. Legal advice is sought as required.
Future Actions
Nil

Ref ID: 40/07

Risk Summary:	Rank
Sustained IT systems outage.	9

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	Very High 
Residual risk score (after consideration of controls and mitigation)	Medium 

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

Ref ID: 01/03

Risk Summary:	Rank
Health and Safety legislation noncompliance.	10

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

Initial risk score	Very High 
Residual risk score(after consideration of controls and mitigation)	Medium 

Risk Treatment Summary
Controls
<ol style="list-style-type: none"> 1. Organisation wide injury prevention and management programme driven by legislation. 2. Hazard management systems implemented as required. 3. On-going training, including new staff health and safety induction. 4. Both internal and external auditing cycle against appropriate legislation to ensure continued best practice.
Mitigations
<ol style="list-style-type: none"> 1. External investigation following an event in order to identify any non compliance and gaps within the current system/process 2. Legal advice sought as appropriate.
Future Actions
Nil

Ref ID: 12/10

Committee: Audit & Risk Committee **Date:** 17 June 2015
Report Name: Organisational Improvements Work programme Status Report **Author:** David Robson

Report Status	<i>Open</i>
Strategy, Policy or Plan context	Organisational Improvements
Financial status	<i>There no budget allocated</i>
Assessment of significance	<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. This report provides an update on the status of Council’s Organisational Improvements Work Programme as at June 2015, responding to recommendations made by Audit New Zealand (external audit), PWC (internal audit), QEC (Quality Environmental Consulting Ltd) and Deloitte.

3. Executive Summary

4. Reporting now includes enhancements in order to better target information for the user.
5. 11 recommendations have been added since March 2015 report, of which 9 have already been addressed by management and are currently flagged as requiring audit sign off in July 2015.

6. Recommendation from Management

7. That the Report be received.

8. Attachments

9. Attachment 1 - Organisational Improvements Work Programme Open Items May 2015
10. Attachment 2 - Organisational Improvements Work Programme Items Signaled for Closure May 2015

11. Reporting Enhancements

12. Reporting now includes the risk rating that has been assigned to each recommendation by the auditor and recommendations are now presented in order of risk (highest first).

13. Previous reporting was in date order. This is intended to provide a more meaningful view in terms of the extent the process or control gap exposes Council. A table of recommendations by aging is included for completeness.
14. The report now includes the approved management response from the audit report. This information will provide the Committee with context from an organisational perspective as well as any proposed solutions and/or action plans to address recommendation.
15. Where a recommendation has been raised without a risk rating, such as management letters and reports, management have been asked to provide an indicative risk rating as to the extent of the process or control gap. These ratings are clearly flagged as being assigned by management as opposed to audit.
16. Overdue action dates will now be highlighted and reported to governance.
17. The 24 recommendations that have been signalled by management as completed and are awaiting audit confirmation have been separated from the active recommendations and are held at the bottom of the list for information purposes to the Audit and Risk Committee.
18. A review of all items over 12 months old for currency will be completed in the first quarter of 2015/16 and agreed with the internal auditors.

19. **Organisational Work Programme Update Summary**

20. Since the March 2015 report, 2 audit reports have been received from PWC. These are;
 1. Business Continuity Framework assessment, and
 2. Municipal Building Accounts Receivable and Online Portal Process and Control assessment.
21. From the Business Continuity Framework assessment, 4 recommendations were issued (2 medium risk and 2 low). All points have been addressed by management and are flagged as requiring audit sign off.
22. From the Municipal Building Accounts Receivable and online portal process and control assessment, 7 recommendations were issued (1 high risk and 6 low). 6 (low risk) recommendations have been addressed by management and are flagged as requiring audit sign off.
23. Six historic recommendations have been addressed by management and are flagged as requiring audit sign off
 1. Item 90: 'Strengthen the current pre-employment screening procedures' – completed. A policy and underpinning procedure is in place.
 2. Item 182: 'Interim audit issues (several matters)' – Completed. Addressed by AX implementation.
 3. Item 214: 'Council can strengthen the Koha and Donation Policy and the Gift and Hospitality Policy' - Completed and approved by SLT 14 May 2015
 4. Item 237: 'Conclusions from independent investigation reports (on workplace bullying and stress) are to be trended and assessed to identify areas for improvement within Council' – completed. Investigation is trending down due to good systems and processes in place, however regular monitoring will continue into the future.
 5. Item 240: 'Discuss accounting treatment issues early with Innovation Waikato Ltd (IWL) (a CCO) to ensure Council receive manner and the group consolidation are In line with International Public Sector Accounting Standards (IPSAS)' – Completed May 2015

6. Item 247: 'Ensure independent audits of Downer Ltd include a review of the Downer's performance information management systems.' Completed May 2015
7. Item 248: 'Council to review if the functions and activities of the various CCO's fit the purpose of the Local Government as intended in section 10(1)(b) of the Local Government Act 2002' – Completed and reported to the CCO Subcommittee 22 April 2015
24. The detailed report of open items is attached (attachment 1) and a supplementary report of items signaled by management for closure is provided as attachment 2.

25. Summary Table

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

	Q1	Q2	Q3	Q4	YTD
Opening	33	27	23		33
New	34	15	11		60
Signaled as Completed	40	19	19		78
Closing	27	23	15		15

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

2014/15 (Q3)	1
2014/15 (Q2)	1
2014/15 (Q1)	1
2013/14	7
2012/13	3
2011/12	2
2010/11	0
Total	15

Signatory

Authoriser	Paul Conder, Chief Financial Officer
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	 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
Business Process Change - Financial:												
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 11/12	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. PWC has carried out review of internal controls of the new AX system- report as yet to be issued.	Pending final PWC internal control review	Medium	Chief Financial Officer	New Financial System Microsoft AX implemented 1 July 2014	Awaiting PWC report on internal controls April 2015	
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	Audit NZ 2011 mngt letter 9 Dec 11 11/12	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	Significant improvement of Capitalisation of WIP at June 2013 & 2014	On-going follow-up is required for WIP. Hansen 8 asset system upgrade project will continue for the next 2 years (June 2016)	
Governance and Internal Audit:												
198		Project Management Framework	No project portfolio management framework is in place.	PWC Project Mgt Framework assessment 20 May 2014, Trim D- 1419095 13/14	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		first quarter 2016	
199		Project Management Framework	Maturity of PM practices requires improvement.	PWC Project Mgt Framework assessment 20 May 2014, Trim D- 1419095 13/14	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	High	PMO Manager		first quarter 2016	

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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
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 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	High	PMO Manager		first quarter 2016	
259		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	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 receiving access currently must be authorised by the revenue manager.	On going work in progress	High	Finance Manager		Dec-15	Attachment 1
89		Cash flow forecasting	alan	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 this becomes operational later this year.	Medium	Corporate Projects Accountant		01/04/2015 – overdue item, but is work in progress	
106		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	

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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
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		first quarter 2016	
193		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-1419095	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.	On going work in progress	Medium risk rating assigned by management	Chief Financial Officer		Jun-15	
196		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-1419095	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.	On going work in progress	Medium risk rating assigned by management	Chief Financial Officer		Jun-15	
244		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)	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 deprecation 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		Jun-15	
110		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.	Low	GM Events & Economic Development		Dec-15	
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	Initial work completed for annual plan 2014/15.	Audit NZ sign-off for the year 2014/15 by Sep 2015.	

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243		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	

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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
Recommendations Signalled for Closure by Management Requiring Audit Sign Off												
90		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 for closure by management - requires audit sign off
92		Staff Awareness	We recommend: Implement a fraud and corruption awareness training programme.	PWC Internal Audit Transparency Assessment	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.	Completed	Medium	People & Capability Manager	Dec-14		Signalled for closure by management - requires audit
93		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	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	Medium	People & Capability Manager	Dec-14		Signalled for closure by management - requires audit
94		Line Manager Accountability	We recommend: Deliver training to Line Managers on their fraud responsibilities.	PWC Internal Audit Transparency Assessment	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	Medium	People & Capability Manager	Dec-14		Signalled for closure by management - requires audit
95		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	Medium	Chief Financial Officer	Dec-14		Signalled for closure by management - requires audit sign off
104		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	Medium	GM Events & Economic Development	Mar-15		Signalled for closure by management - requires audit 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
105		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	Medium	GM Events & Economic Development	Mar-15		Signalled for closure by management - requires audit sign off
109		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	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	Medium	GM Events & Economic Development	Mar-15		Signalled for closure by management - requires audit sign off
182		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	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 for closure by management - requires audit sign off
189		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	Medium	Business Improvement Manager	Feb-15		Signalled for closure by management - requires audit sign off
190		Management policy framework	Key steps/ decisions made in the creation/review of management polices 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	Medium	Business Improvement Manager	Feb-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
214		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	Procurement Manager	completed - approved by SLT 14 May 2015		Signalled for closure by management - requires audit
240		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	3..1, page 7	Council Finance has commenced discussion with IWL on the accounting disclosure requirements.	This has been completed and IWL will be sending draft accounts to HCC for review.	Medium risk rating assigned by	Finance Manager	Work on this completed - May 2015		Signalled for closure by management - requires audit
241		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

Key:	 in progress or open
	 closed since last Audit & Risk meeting
	 open or new item since last Audit & Risk meeting
	 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
242		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	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
246		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		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-1628444)	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		
248		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-1628444)	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		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	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		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	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
253		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		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	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		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
256		Business Continuity Framework	Management should develop a fit for purpose maturity assessment framework.	PWC Int Audit Business Continuity Framework	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	Medium	Crisis Manager	May-15		Signalled for closure by management - requires audit 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
257		Business Continuity Framework	Establish and periodically review key B	PWC Int Audit Business Continuity Framework Assessment	P6	BCP templates now include a section to capture BCP KPI's.	Completed	Low	Crisis Manager	May-15		Signalled for closure by management - requires audit sign off
258		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	Low	Crisis Manager	May-15		Signalled for closure by management - requires audit sign off
260		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	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	Dec-15	Signalled for closure by management - requires audit sign off
261		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	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	Completed	Low	Finance Manager	May-15		Signalled for closure by management - requires audit sign off
262		AR and online portal process and control	Duplicate debtor receipts are not prevented by Authority	PWC March '15 Municipal Building Accounts	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		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	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
264		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	Low	Finance Manager	May-15		Signalled for closure by management - requires audit sign off
265		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

Committee: Audit & Risk Committee **Date:** 17 June 2015
Report Name: Building Consent Authority **Author:** Cory Lang
 (BCA) Re-Accreditation Results

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Update on Building Consent Authority Accreditation and IANZ audit</i>
Financial status	<i>There is budget allocated</i>
Assessment of significance	<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

- Council has asked for an update with regard to the results of the Building Unit's recent audit by International Audit New Zealand (IANZ) that was carried out on behalf of the Ministry of Building, Innovation and Employment (MBIE) in accordance with the Accreditation of Building (Building Consent Authorities) Regulations 2006.(attachment 1)

3. Executive Summary

- Council as a BCA is audited against the regulations every 2 years. IANZ carry out the audits on behalf of MBIE.
- Council must be found to comply with the regulations in order to continue to carry out the work of a BCA – this includes issuing building consents, inspecting buildings under construction and issuing related certificates.
- Meeting the requirements of the regulations and maintaining accreditation is essential otherwise a BCA cannot effectively operate. In the case of Christchurch City Council the Minister commissioned a statutory manager to take over the BCA operations as the Christchurch BCA failed to gain accreditation.
- HCC has been subjected to 4 audits all by IANZ and has continued to maintain accreditation.
- HCC received 2 corrective actions (CARs) and a number of recommendations for improvement in this round of audits. These have been treated as opportunities for improvement and incorporated into our processes. The IANZ audits are very detailed and have generated debate across the sector regarding an unreasonable focus on technical compliance as opposed to the right outcome being achieved. There are particular challenges for HCC as we try to be more business friendly and customer focused in light of absolute compliance with IANZ requirements. Rejection of applications for being incomplete is a good example.

9. MBIE have just commenced a review of IANZ effectiveness across the sector and this probably reflects tensions that currently exist. The view of the Waikato building cluster (group of local councils) is to support the independent audit concept but require more flexibility in the execution of the audit. The outcome of this review is not yet known.
10. A number of HCC's processes and systems have been identified as excellent examples of best practice.
11. The Building Unit is presently working through a World Class project and implementation plan in order to be well prepared to meet future customer service demands, and ensure staff are well trained, equipped and engaged.

12. Recommendation from Management

That the Report be received.

13. Attachments

14. Attachment 1 - IANZ Audit - 2015 Assessment Report

Key Issues

15. Background
 - Council has had 4 audits completed by IANZ in terms of being accredited as a BCA.
 - Council has received a small number of corrective actions similar to other BCAs. All corrective actions have been quickly and simply addressed.
 - Council has received a number of positive comments from the IANZ lead assessor who in the most recent audit commended Council on the number of improvements from our last audit.
 - Areas for improvement are well known and understood. A risk management approach is taken relative to the resourcing available and priorities to meet customer time frame expectations. These challenges are faced by all metro councils, especially in growth areas. The challenges of attracting qualified and experienced staff remain a major issue across the sector.
 - Council is well placed with quality systems in place, technical staff have recently gained a recognized qualification and electronic devices are about to be introduced to enhance inspection services.
 - HCC retains a key membership of the metro council building managers group. This provided a valuable sharing of knowledge and information relevant to big city council operations.
16. Legislative requirements or legal issues
 - Council is required to meet the requirements of the Accreditation of Building (Building Consent Authorities) Regulations 2006.

17. Financial and Resourcing Implications

18. The cost of IANZ audits are met within budget.

19. Risk

- 20. The risk for Council would be failure to gain accreditation as a result of an audit.
- 21. Considering potential failure to gain accreditation, Council has taken every opportunity to mitigate that risk.
 - Christchurch City Council at the time of losing their accreditation was in an unusual situation where they were in the process of recovering from a huge disaster.
 - The opportunity for central government to test new ideas presented itself in Christchurch and the government took the opportunity to lead the organization through their placement of a statutory manager.
 - Christchurch has since regained their accreditation.
 - HCC is not in the same position as Christchurch and has passed all audits with few corrective actions. All corrective actions have been quickly addressed.
 - HCC has made business improvements and is completing the work and implementation on customer centric processes and will be recognized as a world class BCA.

Signatory

Authoriser	Brian Croad, General Manager City Environments Group
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16 February 2015

Mr Cory Lang
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Dear Cory

Enclosed is my report arising from the routine reassessment of your Building Consent Authority (BCA), which took place on 10 to 13 February 2015.

I would like to take this opportunity to thank you and your staff for your help and cooperation during the assessment and the hospitality extended to the assessment team.

Please contact me if you have any queries or you wish to comment on this report.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'A. Woollard', written over a light blue horizontal line.

Adrienne Woollard
Assessment Coordinator



BUILDING CONSENT AUTHORITY ACCREDITATION
ASSESSMENT REPORT

Hamilton City Council

Routine Reassessment

10 to 13 February 2015

International Accreditation New Zealand, Private Bag 28908 Remuera Auckland 1541, Ph. (09) 525 6655, Fax (09) 525 2266
IANZ, December 2013

ASSESSMENT REPORT

Organisation Details

Organisation: Hamilton City Council
 Address: Municipal Offices, Garden Place
 Hamilton 3204
 Client Number: 6696
 Accreditation Number: 19
 Authorised Representative: Cory Lang
 Programme: Building Consent Authority Accreditation

Assessment Team

Assessment Coordinator: Adrienne Woollard
 Second Assessor: Peter Wakefield
 Technical Experts: Brendan Guyton
 John Tait

Report Preparation

Prepared by: Adrienne Woollard
 Checked by: Peter Wakefield
 Date finalised: 16 February 2015

Signature: Signature: 

Introduction

This report relates to the routine reassessment of the Hamilton City Council (HCC) BCA which took place between 10 and 13 February 2015 to determine conformance with the requirements of the Building (Accreditation of Building Consent Authorities) Regulations 2006 (Regulations 4 – 18 inclusive) and applicable technical and procedural criteria.

The assessment was a sampling exercise and therefore this report is based on the observations made during the assessment.

Compliance with all legal requirements, including those relating to health and safety, is the responsibility of your organisation. Where some items relating to legal requirements such as health and safety may have been identified, this does not represent an exhaustive report on your compliance with such legal requirements. Auditing for compliance with legal requirements except those explicitly quoted elsewhere in this report is outside the scope of this assessment.

A copy of this report and information regarding progress towards clearance of Corrective Action Requests (CARs) will be provided to the Ministry of Business, Innovation and Employment in accordance with IANZ's contractual obligations.

Executive Summary

Hamilton City Council BCA was in the process of restructuring and employing more staff to enable it to perform its building control functions in a timely and appropriate manner. Considerable work had been undertaken in the last few months to improve the BCA's systems and processes. The assessment team were impressed with the number and scope of improvements made over a short time and the HCC BCA team is to be congratulated for their passion and dedication to their work.

With the exception of the two Corrective Action Requests listed below, the assessment found the BCA was in compliance with the requirements of BCA accreditation.

- CAR 1- Competence assessment and technical leadership.
- CAR 2 - Delegations

Note that when non-conformance with Regulations 7 to 18 is identified, Regulations 5 and/or 6 also apply.

Significant improvement was observed in most areas of the BCAs work. This was especially noted in the quality of the Compliance Schedules issued by the BCA and the improvement in processing records for simple projects.

Accreditation is a statement, by IANZ, that your organisation complies with the Building (Accreditation of Building Consent Authorities) Regulations 2006, The BCA Procedures and Conditions of Accreditation, The BCA Specific Criteria and other documents as relevant. When any non-compliance is identified during an assessment it is IANZ' duty to ensure that compliance is re-established if accreditation is to continue. How re-establishment of compliance is approached depends on the seriousness of the non-compliance but also on the level of proven commitment of your organisation to the principles of accreditation and the accreditation process. Whether a minor noncompliance is raised as a Corrective Action Request (CAR) or a Strong Recommendation will depend on the level of confidence IANZ has that your organisation will take effective action in a timely manner to address the issue. Organisations that establish a record of timely and effective actions on any non-compliance are likely to receive fewer CARs. This is reflected in the number of strong recommendations raised in this report that could have been identified as CARs.

Observations and recommendations contained within this report provide further detail on the BCAs conformity with general accreditation criteria and industry specifics. Strong recommendations have the potential to become non-conformances and will be followed up at the next assessment.

Unless the BCA undergoes a critical change, requiring some form of assessment before February 2017, the next assessment of the BCA is planned for February 2017.

Conditions of Accreditation

Two instances were identified where the systems or procedures were not in conformity with the stated requirements or applicable technical documents. This is detailed in Corrective Action Request (CAR) Forms number 1 and 2 documented at the end of this report. Please complete the appropriate section of the CAR explaining your corrective actions and forward a copy along with any supporting documents to International Accreditation New Zealand for review.

Concerns about the technical findings of the report, or its clearance, that cannot be resolved should be submitted in writing to the Chief Executive Officer of International Accreditation New Zealand. The Complaints and Appeals procedure is contained in the International Accreditation New Zealand document "Procedures and Conditions of Accreditation".

OBSERVATIONS

In this part of the report guidance has been provided regarding the requirements of each regulation or part regulation. This is presented in a text box at the beginning of each section. This information is intended to provide context for the observations that follow.

Regulation 5 Requirements for Policies, Procedures and Systems

5(a) Policies, procedures and systems are required to be documented.

5(b) The BCA is required to have appropriate documentation that includes sufficient detail to ensure that staff using the procedure are clear what to do, when to do it and what records are required to be kept. A BCA is also required to have an appropriate and documented procedure for document control.

HCC was a constituent member of the Waikato Building Consents Group (WBCG) which comprised seven Territorial Authority (TA) BCAs in the Waikato region. This group had agreed on a common set of systems, policies and procedures, with some local variations documented to account for local differences. An electronically based documented management system had been created along with a detailed BCA-specific Desk File manual containing the local variant information.

The cluster manual appeared to be appropriate for its purpose although one out of date form was in the process of being updated at the time of the assessment. The desk files was also accepted as appropriate although several suggestions have been made in this report to consider adding more detail to procedures to help ensure better consistency of work.

The IANZ team also had a discussion with the BCA regarding the BCA requiring a crossing to be completed before CCC could be issued. The assessment team agreed to disagree with the BCA on this aspect and to obtain further advice from MBIE to be passed on to the BCA once received.

HCC's desk files made accurate reference to the content of the relevant cluster document then added additional explanation of direction as required. Different font colours were used to identify which text was taken from the cluster manual and which was specific to that BCA.

Issued building consents (BCs) and Code Compliance Certificates (CCCs) generally met the requirements of the Forms Regulations.

Document control was generally found to be appropriate.

Regulation 6 Observance of Policies, Procedures and Systems

6(a) The BCA is required to record the means by which it ensures that it implements effectively the policies, procedures, and systems required by the regulations.

HCC had previously elected to demonstrate its effective implementation of its systems, policies and procedures using internal audits. HCC continued to use internal auditing to meet the requirements of this regulation. Further discussion regarding auditing is provided under Regulation 17(2)(h).

6(b)(c) & (d) The BCA must record the decisions it makes under its policies, procedures and systems and the reasons for, and outcomes of, those decisions.

A review of records produced over the last year identified that recording of processing decisions, reasons for decisions and outcomes of decisions was generally found to be compliant. However, recording of inspection decisions was found to be minimal. The BCA had recently identified that its recording of reasons for inspection decisions was insufficient and had improved this recording in recent weeks. While the BCA was able to now demonstrate a reasonable (although still minimal) level of recording it now had the challenge of making decisions to issue CCC where the supporting inspection records did not provide sufficient evidence to support that decision. See Regulation 7.

Recording of reasons for competency decisions were in places insufficient to support the documented outcomes. See Regulation 10.

Records of some delegation decisions were not available at the time of the assessment. See Regulation 15.

Regulation 7 Performing Building Control Functions

7(2)(a) This regulation requires the BCA to provide information to applicants wishing to apply for a building consent, on how an application is processed, how work is inspected during construction and how completed building work is certified.

The BCA's public information was to be found on the WBCG website. It supplied all relevant details for applicants.

Regulations 7(2)(b), (c) & (d)(i) refer to requirements for receipt of applications, checking that they have all the necessary content according to the Building Act and relevant Regulations, then lodging them into the organisation's consent management system.

The WBCG documentation and desk files provided an appropriate means of managing and recording receipt of applications and for checking their completeness. A review of consent files revealed that most accepted applications were substantially complete however some were accepted where the applicant had not ticked all required boxes. It is recommended (**R1**) that the BCA continues to monitor the completeness of applications before acceptance.

The organisation's process for lodging applications was effectively implemented.

Regulation 7(2)(d)(ii) requires that the BCA assesses the content of the application in preparation for allocation to a competent processor. This requires a decision about the complexity of the application using the BCA's building categorisation system.

Complexity of application content was undertaken using the building categories defined in the National Competency Framework. Application forms were stamped in red with the relevant building category. All applications reviewed appeared to have been appropriately allocated.

Regulation 7(2)(d)(iii) requires the BCA to have a procedure for the allocation of applications to appropriate building control officers (BCOs) or contractors (consultants) for processing.

Work was either self-allocated by processing officers according to their assessed competency or alternatively work was allocated to them by the building manager. Work was observed to have been appropriately allocated.

For Regulation 7(2)(d)(iv) the BCA is required to have appropriately documented and implemented procedures for processing of building consents.

Records of processing of simple applications were generally found to be of a good standard, with appropriate reasons for processing decisions recorded however many of the more complex applications contained errors or inconsistencies. Examples included not addressing all elements of the building on the processing sheet, not completing all of the boxes on the form, incorrectly completing the forms and not assessing all applicable code clauses. Some applications were not site specific (e.g. several possible alternatives were supplied) however this was not addressed during processing. There appeared to be little if any checks made by processing officers at the completion of processing to ensure that all relevant fields and information had been appropriately addressed. There was also a lack of consistency between processors. While these errors were not consistent and mostly minor in nature they did indicate that the processing system required further improvement.

While the assessment team was concerned regarding the quality of some processing and the risk this posed to the BCA, it was decided that a CAR would not be raised regarding these issues as there was not one specific issue or root cause that could be identified and therefore a CAR would provide little value to the organisation or

IANZ. It is therefore strongly recommended (**R2**) that the BCA consider how it can tighten up its processing and improve its accuracy and consistency. It is suggested that a more detailed procedure may make it clearer to processors exactly how each instance is to be handled and that on-going auditing with appropriate follow up of findings would provide assurance to the BCA that improvement had been made.

A procedure for recording of responses to Requests for Further Information had been documented however not all processors appeared to follow the documented procedure. Again, it is strongly recommended (**R3**) that the BCA work to obtain consistency between its staff.

Regulation 7(2)(d)(v) requires the BCA to grant building consents that meet the requirements of the Forms Regulations and are issued in a timeframe compliant with the Building Act. (The statutory clock for processing consent applications is within 20 working days).

Issued consent documents comprised Form 5 together with additional pages that included a list of conditions, advisory notes, a list of required inspections etc. A review of issued consents indicated that building consents generally met the requirements of the Forms Regulations although the Technical Experts raised a question in relation to the BCA requiring inspection of work outside of the property boundary (crossings) as part of the building consent.

Compliance with the statutory requirement to issue a building consent within 20 working days had not been demonstrated on a number of occasions over the last two years. The BCA had made considerable effort to meet this requirement and more recently had demonstrated a much improved performance.

The BCA was observed to record "issue" of building consent when the consent was collected by the client rather than the date that the consent was printed. This was addressed during the assessment.

Regulation (7)(2)(d)(v) also requires the BCA to effectively manage lapsed consents twelve months after they have been issued.

The BCA demonstrated that it was able to identify consents that may be due to lapse under Section 52 provisions and enter a process to manage such consents however a number of lapsed consents had not been recorded as such in the BCA's computer system. This issue could have been raised as a CAR however the BCA immediately began to address the issue by changing the status of all lapsed consents to "lapsed" in its system, with a plan to follow up with inspections to confirm the lapsed status. A strong recommendation, **R4**, is raised to ensure that all future lapsed building consents are recorded in the BCAs system in a timely fashion and that the BCA ensures that all lapsed consents are appropriately recorded as such. This issue will be raised as a CAR at the next assessment if consistent application of the procedure is not demonstrated at that time.

Regulation 7(2)(e) requires BCAs to plan, manage and perform inspections.

Planning and management of inspections was assessed and found to be appropriate.

Several inspectors were witnessed carrying out inspection work and a number of inspection records reviewed. A review of 2013 and 2014 records indicated that recording of reasons for inspection decisions was at times not adequate and exposed the BCA to risk should the BCA need to defend its decisions. Also, there were many examples where the inspection outcome was a "pass" even though one or more individual tick box items were marked as "fail". This appeared to be contrary to the documented procedure. Also, items were observed to be marked as "not applicable" where they were applicable but did not appear to have been inspected (and in some cases these were life safety issues e.g. fire walls). The way that the inspectors dealt with old "failed" items that had never been recorded as "passed", varied from inspector to inspector.

More recently the standard of recording had improved and was now of a better standard however this recording was still minimal in most cases and not consistent across the BCA's inspectors.

While a CAR could be raised regarding this issue it was considered by the assessment team that the BCA was currently working to improve the quality of its inspection decisions and that a CAR would provide minimal value to the organisation or IANZ as the issues were mostly historic.

It is strongly recommended (**R5**) that the BCA consider how it can further "tighten up" its inspection recording and improve consistency between inspectors. It is suggested that a more detailed procedure may make it clearer to inspectors exactly how each instance is to be handled.

It is also strongly recommended in **R5** that the BCA provides training and carries out audits to ensure that a consistent approach is taken by inspectors making inspection decisions, especially at final inspection, and for complex or life safety issues and where there are previous failed items but no record of these being addressed.

Regulation 7(2)(f) requires appropriate completion of Form 6 by applicants, compliance with Form 7 & Section 93(2)(b) of the Building Act by the BCA and for the BCA to be compliant with meeting the statutory clock for processing CCC applications.

The BCA's process for deciding whether to issue a Code Compliance Certificate (CCC) continued to be appropriately implemented.

During the previous assessment it was identified that the requirements of the Forms Regulations were not being fully met. During this assessment these issues were observed to have mostly been addressed although examples were identified where specified systems were referred to on the CCC although there were no specified systems identified in the work for which the building consent was issued.

It is strongly recommended (**R6**) that the BCA review their process for issue of CCCs for buildings with an existing Compliance Schedule that is not altered by the building work to ensure that they accurately reflect the requirements for specified systems.

A number of applications for CCC were reviewed. Most were complete however several did not have the date the work was complete recorded on the form. It is strongly recommended (**R7**) that staff receiving these applications ensure that they are complete.

CCCs were observed to have been issued within 20 working days as required by the Building Act.

Regulation 7(2)(f) also requires the BCA to manage consents that have not had an application for a CCC at 24 months.

The BCA had recently begun a new process to handle issue or refusal of CCCs for consents for which an application had not been received and that were approaching 24 months. This process was very new, however the BCA was able to demonstrate that it had the ability to handle these in an appropriate manner.

Some staff were not aware that the 24 month decision timeframe only applied to consents where an application had not been received and the BCA could not then require an application for CCC to be made. The BCA took immediate steps during the assessment to address the issue. The assessment team was therefore satisfied that all future CCCs would be issued or refused within an appropriate timeframe using the newly implemented system. Strong recommendation, **R8**, requests that the BCA continue to closely monitor this process.

Regulation 7(2)(f) additionally requires the BCA to issue compliance schedules that list specified systems and the inspection, maintenance and reporting requirements of those systems with the relevant CCC.

A review of records indicated that the BCA's issued compliance schedules were generally of a good standard, however, on occasions the compliance schedules inappropriately quoted more than one version of a standard. It is strongly recommended in **R9** that the BCA checks to ensure that only the standard(s) quoted in the building consent application documents are applied to the relevant compliance schedule.

Regulation 7(2)(f) requires that where a BCA issues a Notice to Fix it is required to comply with the template provided in Form 13 of the Forms Regulations and be issued according to the BCA's documented procedures.

All recent Notices to Fix (NTF) had been issued by the Territorial Authority (TA) so there were no appropriate records to review however, on reviewing the TA issued NTF it was noted that some did not include a full

description of the work in question or the date when the breach came to the council's attention. It is recommended **(R10)** that should the BCA issue a NTF that they ensure that all appropriate details are recorded including a description of the work in question, what Act/Code clause the BCA considers has been breached, how the breach was identified, the date the breach came to the BCA's attention, who is being notified, and what action the BCA requires.

Regulation 7(2)(g) requires a BCA to have a documented and implemented system for management of inquiries other than those addressed by the information detailed under Regulation 7(2)(a).

The BCA reported that it recorded inquiries relating to a building consent on the applications file.

Regulation 7(2)(h) requires a BCA to have a documented and implemented system for management of complaints.

The BCA recorded all complaints and compliments in a register. This included details of the issue, who it referred to, action taken and date resolved. The BCA's processes with respect to management of enquiries and complaints were found to be appropriate and effective.

Regulation 8 Ensuring enough Employees and Contractors

Regulation 8 (1) requires the BCA to have a system for ensuring that it has enough employees and contractors to perform its building control functions.

Regulation 8 (2) requires the BCA to have implemented a system for assessing the need to employ contractors if it does not have enough available employees assessed as competent to perform the tasks. This process usually includes a review of the range of skills available in-house along with how much work the BCA is processing and inspecting.

The BCA had defined its process for ensuring sufficiency of personnel. Records of meetings at which resourcing matters were discussed were sighted. The BCA had informally discussed its resourcing needs but was yet to formally record its requirements (e.g. how many people with which skills it required). The BCA developed a form to record this information during the assessment. It is recommended **(R11)** that the BCA use this tool to help ensure that it maintains an appropriate skill level.

A review of statutory time frame compliance revealed that the BCA had achieved 100% compliance for CCC issue over the last year but had struggled to meet 20 working days for BC issue. The BCA had put in place a number of actions to address the shortfall. These included employing contractors, advertising for and employing more staff and commencing a project to review the efficiency of BCA processes. IANZ considered that HCC had put in considerable effort to address these issues and, while not quite achieving 100% compliance at the time of the assessment, had made excellent progress. Therefore, while this issue could have been raised as a CAR, IANZ has chosen to record a strong recommendation **(R12)** that HCC continues with its efforts to improve its compliance with the statutory BC timeframe.

The time frame between booking and completing an inspection was generally two or three days and considered to be appropriate.

It was also noted that other functions (e.g. meetings, audits, competence assessments, etc.) had occurred as planned.

While BCs had not been lapsed in the BCA's system as soon as required and CCC decision had not always occurred at 24 months the BCA was now fully resourced in the administration area and therefore there was no longer a resourcing issue for these functions.

Regulation 9 Allocating Work to Competent Employees and Contractors

This Regulation requires the BCA to have a system for ensuring the allocation of processing and inspections to competent persons (employees or contractors).

The organisation used the National Competency Framework category system for its assessment of complexity of building projects and for competence assessment. Work was either self-allocated or allocated by a manager to processors and allocated to inspectors according to location and inspectors' skills.

All work reviewed during this assessment appeared to be appropriately allocated.

Regulation 10 Establishing and Assessing Competence of Employees

In regulation 10(1) a BCA is required to have a system for establishing the competence of a person who applies for employment to perform building control functions.

Records of the assessment of the most recent employee were reviewed and found to be appropriate.

In Regulations 10(2) and (3) the BCA is required to have a system for regularly assessing the competence of employees performing building control functions.

This system is to include:

- 10(3)(a) philosophy and principles of building design and construction;
- 10(3)(b) understanding and knowledge of building products and methods
- 10(3)(c) knowledge and skill in applying the Act, the building code, and any other applicable regulations under the Act.
- 10(3)(d) ability to process applications, inspect and certify work
- 10(3)(e) ability to communicate with internal and external persons
- 10(3)(f) ability to comply with the building consent authority's policies, procedures, and systems.

A review of competence of each staff member had been undertaken annually. A number of audits had been undertaken and activities witnessed, with good records maintained, and these had been summarised in a competence assessment for each staff member. All aspects of regulation 10 (3) (a) to (f) had been considered in these reviews however the evidence recorded did not always fully support the competence outcomes (and therefore the Skills Matrix) e.g. where a staff member was assessed to be competent for a Residential 3 building but only work on a Residential 1 building was recorded as being reviewed. This shortfall especially applied to technical leaders where technical leadership outcomes were reported to rely on competence assessment, yet those assessments did not provide sufficient supporting evidence.

BCA staff members also completed questionnaires to support competence assessments. While a few of the questions provided support for competence outcomes the majority of questions were of a basis nature. These could be improved by asking specific Code/Act/Regulation based questions and by not only asking what had changed over the last year but also how the person had kept up with those changes (e.g. what specific training they had received etc.)

CAR 1 requests the BCA to review the competence assessments of the processing and inspection technical leaders and provide extra evidence where required to support the skills matrix outcomes. It is especially important that the work reviewed provides evidence of competence for all parts of the highest building categories for which the person is found to be competent. Where actual examples are not available the assessor can choose to use mock up plans or discussions to support the outcomes as long as these discussions and their outcomes are appropriately recorded.

Regulation 11 Training Employees

Regulation 11(1) requires the BCA to have a system for training its employees and 11(2) details training system requirements including making needs assessments, preparing training plans, providing training, monitoring effectiveness of training, supervising employees, recording qualifications, etc. and recording professional development

To meet the requirements of Regulation 11(1) the BCA is required to have a training system for employees who perform building control functions.

The BCA had a documented system for training that it appeared to be following appropriately. Records included assessment of needs, annual training plans, training delivered and on-going evaluation of training received.

Regulation 11(2)(a) requires regular (annual) training needs assessment for performing building control functions for the BCA. These are usually defined as the training needs for the organisation as a whole and for individuals within that organisation.

Performance and Development Reviews together with competency assessments had been carried out for all BCA Technical Staff within the past 12 months. Records of these reviews and assessments were held on file. Training needs identified during competency assessments were submitted as recommendations by the assessor, and subsequently reviewed by management for consideration for inclusion in future training plans.

Regulation 11(2)(b) requires the BCA to have Training Plans for all their staff performing technical roles.

Training plans were recorded within the Learning and Development section of the Performance and Development Review for each staff member.

Regulation 11(2)(c) ensuring that employees receive the training agreed for them;

The training calendar was used to record training received by each staff member. It was noted that the training calendar had not recorded any training received in 2015.

Training was provided as training courses became available or was provided in-house where necessary.

Regulation 11(2)(d) requires the BCA to monitor and review employees' application of the training they have received, including by observing relevant activities;

The effectiveness of training was monitored by BCA management as part of two-monthly One on One meetings. Records of effectiveness monitoring were maintained in the meeting records held for each staff member. This process appeared to be working appropriately.

Regulation 11(2)(e) requires the BCA to have a procedure in place to supervise an employee whilst under training or at any other time supervision is needed.

The BCA had documented a procedure for supervision which it was able to demonstrate with its latest trainee. It was found to be effective.

Regulation 11(2)(f) & (g) requests the compilation of records including qualifications and certificates from training received and on-going professional development.

The BCA Qualifications Chart recorded the qualifications held by each of its staff members performing building control functions. Staff recorded their professional development and training events in their personal training logs. The level of recording was generally found to be appropriate.

Regulation 12 Choosing and using Contractors

Regulation 12 (1) requires a BCA to have a system for choosing and using contractors and Regulation 12 (2) defines what that system must cover. This includes establishing contractors' competence, engaging contractors, making agreements with contractors, recording contractors' qualifications, monitoring and reviewing their performance and regularly assessing their competence.

The BCA reported that it used three contractors to support its BCA functions, along with holding a MoU with other BCAs in the cluster that could be called on if further resources were required.

Regulation 12(2)(a) requires a BCA to establish the competence of a person or organisation that they wish to engage as a contractor.

The BCA obtained CV's, competence assessments or other evidence of competence before engaging contractors.

Regulation 12(2)(b) requires the BCA to have a system for engaging contractors if required

The BCA engaged contractors where it did not have sufficient in-house resources or where it did not have the necessary skills or experience to complete particular work.

Regulation 12(2)(c) requires the BCA to have a system for making agreements with contractors if required.

The BCA used contracts and MoUs to appoint contractors. Where a contractor was appointed under a MoU, Short Form Contracts were used to define the requirements of each specific job as it arose. The BCA is encouraged to ensure that MoUs include performance requirements for the suppliers so these don't have to be individually detailed in each Short Form Contract. This should include details as to whether the contractor will be working under the BCA's quality system or the contractors own quality system. It is strongly recommended (R13) that future MoUs include more detail regarding performance requirements, including quality requirements for contractors.

Regulation 12(2)(d) requires the BCA to establish and record contractors' qualifications.

Contractor qualifications were recorded in CVs, received as part of the consideration of the suitability of contractors.

Regulation 12(2)(e) requires the BCA to monitor and review contractor performance

Where contractors were engaged as part of the Local Authority Shared Services MoU, their performance was planned to be monitored on an annual basis. As this MoU was only newly signed in August 2014, their performance was yet to be formally reviewed. R14 recommends that these reviews, when they occur, are recorded and cover all of the relevant requirements of this Regulation.

Where a contractor was engaged under a direct contract or MoU, audits had been undertaken of their performance, a meeting undertaken to discuss the results of the audit and follow up provided by the contractor.

This system was considered to be appropriate.

Regulation 12(2)(f) requires a BCA to regularly (at least annually) assess the competence of its contractors.

The BCA's systems did not specify a requirement for annual assessment of competence of its contractors (it only requires the BCA to "regularly assess contractor competence"). However, a review of contractor competence was considered to occur as part of the annual contract review process.

The BCA had information provided regarding the on-going competence of its one direct contractor. As the MoU was a new process there was no evidence of assessment of other contractors to review and this aspect will be reviewed again during the next assessment.

Regulation 17(4)(b) requires contractor compliance with QA Systems (either the BCAs or their own).

Cove Kinloch staff worked within the BCA's quality system and were included in the BCA's skills matrix, with competence records being available and training events being offered to their staff along with BCA staff.

Other contractors worked within their own quality systems however the BCA was yet to define the specific quality requirements that the contractors were to meet and the evidence required to be provided. See R13.

Regulation 13 Ensuring Technical Leadership

Regulation 13(a) relates to identifying employees or contractors, who are competent to provide Technical Leadership and 13(b) relates to giving those technical leaders powers and authorities to enable them to provide leadership.

Technical Leaders were identified on the skills matrix. The outcomes on the skills matrix were not fully supported by appropriate evidence in the competence assessments and therefore the link between competence and technical leadership had not been fully established. The competence assessment evidence provided as part of CAR 1 is required to also support the technical leadership decisions recorded on the skills matrix.

Regulation 14 Ensuring Necessary Resources

Appropriate technical information is required to be made available to those staff needing to make use of it.

The BCA provided electronic access to relevant standards through Standards On-line. Other relevant information was also available electronically with the exception of one copy of the Building Act held in hard copy. While this did mean that the BCA did not have access to superseded documents should they be needed for future reference it was argued that all information relevant to a consent was stored on application files.

Appropriate technical facilities are required to be made available to BCA staff.

The BCA was working towards providing electronic on-site recording of inspection observations and outcomes. This system had been under development for a number of months, with the hope that the final result would be a good, robust system compatible with the BCA's existing computer system. The BCA is requested to notify IANZ when this critical change occurs although it is likely that its implementation will be reviewed during the next assessment.

Other technical facilities appeared to be appropriate.

Appropriate, calibrated equipment is required to be made available to staff.

Calibration of measurement devices was reviewed and all devices reviewed were found to have an appropriate calibration, consistent with the requirements in the BCA's procedures.

The BCA is required to document the records it will maintain and where and for how long they will be stored.

The cluster manual recorded what records would be maintained, where, in what form and for how long. All records requested during the assessment, with the exception of delegation records, were available when required.

Regulation 15 Keeping Organisational Records

A BCA is required by Regulation 15(1) to record its organisational structure and record in the structure reporting lines & accountabilities and relationships with external organisations.

The BCA's organisation chart appropriately detailed its internal relationships. External relationships were documented in the cluster manual.

Regulation 15(2) requires that roles, responsibilities, powers, authorities & limitations are recorded. Job descriptions are required for all staff in the BCA (or alternate means to document roles and responsibilities).

Position descriptions defined the roles and responsibilities of personnel. Qualification, experience, skills and knowledge requirements were defined in each position description. It is recommended (R15) that position descriptions could also contain a requirement for incumbents to undertake regular continuous professional development training.

The Council's delegated authority to BCA personnel was not available at the time of the assessment. See **CAR 2**.

Regulation 16 Filing Applications for Building Consent

Regulation 16(1) requires unique identification of Application files.

Uniqueness of identity of applications for consents and amendments was assured by allocating each a unique number. Building consent amendments were identified by suffix (Where the building consent held the suffix .001, subsequent amendments were identified .002, .003 etc.)

The purpose of Regulation 16(2)(a) is to provide a means for the BCA to verify an application files' are complete. This especially important prior to handing it over to the Territorial Authority for storage. Section 216 of the Building Act requires the TA to keep all information issued and/or received about buildings. This must be passed on by the BCA.

The BCA was observed to be ensuring that all relevant documents relating to buildings were retained and passed to the TA as appropriate. Records of information contained within the file were documented on a "Code Compliance Certificate Decision Checklist". All required information was in most cases provided before issue of CCC. It is recommended (R16) that the BCA continue with training and auditing to ensure that all required documentation is provided before CCC issue. It is especially important to ensure that all supporting documentation and certificates are appropriate and contain all the required information.

Regulation 16(2)(b) requires that the files are accessible and retrievable and 16(2)(c) requires that they are stored securely.

Files were stored in hard copy until the CCC was issued and then sent for scanning before storage by the TA. Records were found to be appropriately accessible. Hard copy files were stored in a secure area of the building and electronic information was password protected.

Regulation 17 Quality System

Regulation 17(1) requires a BCA to have an integrated Quality System and 17(2) defines the requirements for that system.

Regulation 17(2)(a) requires that the system for assuring quality covers the policies, procedures and systems described in regulations 5 to 16 (arguably this should read 6 to 18 for clarity)

As previously mentioned HCC was part of the WBCG and that organisation's quality system provided the integrated system required by Regulation 17(1). The cluster manual included references to HCC's Desk Files and also included a description of the various software packages needed to enable the organisation to function.

Regulation 17(2)(b) states that a Quality Policy is required and the MBIE guidance requires measurable objectives. The intent of these objectives is to provide a framework for establishing the effectiveness of the quality assurance system.

The WBCG had adopted a common Quality Policy. This appeared to provide appropriate and (mostly) measurable objectives.

Regulation 17(2)(d) requires BCAs to undertake regular operational reviews (meetings) to communicate progress against objectives.

Regular operational reviews were conducted at various levels (team level, management level etc.). Minutes of these meetings were reviewed which demonstrated that actions were assigned as required, these actions were tracked to completion, and audit results were reviewed, together with performance against statutory timeframes. Customer feedback in the form of both compliments and complaints was also part of these reviews. The organisation was found to be actively reviewing its operational activities.

A documented system is required Regulation 17(2)(e) for management of continuous improvement of the performance of the BCA's functions.

The BCA had a process for continuous improvement that comprised of two parts, a cluster CI system (maintained on the intranet) and a local CI system for in-house issues. Both systems appeared to be operating appropriately. CI issues had been recorded and action taken in a timely manner. Target and close out dates were recorded in each case. The effectiveness of actions taken was also being evaluated.

Regulation 17(2)(h) requires a procedure for ensuring that internal audit of every building control and related function is undertaken at least annually.

The organisation had undertaken a number of audits of its systems according to a documented plan. These complied with the requirements of this Regulation. Identified actions were recorded in the continuous improvements systems discussed above. Internal audit was considered to be appropriate.

A documented and implemented procedure for the identification and management of Conflicts of Interest is required by Regulation 17(2)(i)

The BCA had implemented an appropriate system for management of conflicts of interest (Col). A number of potential Col's had been recorded. These include construction or alteration of council staff owned buildings and construction of buildings associated with spouses of BCA staff. No issues were identified.

Regulation 17(2)(j) requires a procedure for communication with internal and external persons. This must document what, how, and how frequently communications take place and who is responsible.

The BCA's processes for managing communications were documented in the cluster manual, with reference to desk files as required. Communications were found to be appropriately managed.

An annual strategic review meeting is required by Regulation 17(2)(n) to be carried out according to the BCAs documented agenda.

Records of the organisation's latest management reviews, performed in June and December 2014, were reviewed. These included actions from previous reviews, actions from internal and external audits, performance against statutory timeframes, customer feedback, resources, continuous improvement and changes to the organisations structure. These reviews were found to be appropriate.

Regulation 17(3) requires a Quality Assurance manager to be named.

The Cluster had appointed a named cluster quality manager and the person responsible for management of the quality systems within HCC was also appropriately named in the HCC Desk Files.

Regulation 17(3)(A) requires a documented system for management of complaints about professionals.

The cluster manual contained an appropriate procedure for management of complaints against professionals. During the assessment it was reported that the BCA had not made any complaints against building professionals so no further review of this topic was undertaken.

Regulation 18 Requiring technical qualifications

Regulation 18(2) requires the BCA to have a system to ensure that every employee or contractor that performs building control functions by doing a technical job has appropriate technical qualifications

The BCA had defined what qualifications it considered to be appropriate for the work its staff undertook and had recorded the qualifications of its employees performing building control functions.

Regulation 18(3)(a) requires the BCA to have a system for establishing the circumstances that would make it unreasonable for employees or contractors to hold the defined qualifications and Regulation 18(3)(b) requires those staff to be identified and recorded.

The BCA recorded any exemptions to the required qualifications in its Qualification Chart but was yet to define a policy for exemption of staff from its Qualification requirements. It is strongly recommended (R17) that the BCA define the type of staff that could be exempt from holding one of the defined qualifications.

CORRECTIVE ACTION REQUEST

Building (Accreditation of Building Consent Authorities) Regulations 2006

CAR No: 1

Regulation 10 – Establishing and Assessing Competence of Employees

In Regulations 10(2) and (3) the BCA is required to have a system for regularly assessing the competence of employees performing building control functions.

This system is to include:

- 10(3)(a) philosophy and principles of building design and construction;
- 10(3)(b) understanding and knowledge of building products and methods
- 10(3)(c) knowledge and skill in applying the Act, the building code, and any other applicable regulations under the Act.
- 10(3)(d) ability to process applications, inspect and certify work
- 10(3)(e) ability to communicate with internal and external persons
- 10(3)(f) ability to comply with the building consent authority's policies, procedures, and systems.

Regulation 13 Ensuring Technical Leadership

Regulation 13(a) relates to identifying employees or contractors, who are competent to provide Technical Leadership and 13(b) relates to giving those technical leaders powers and authorities to enable them to provide leadership.

The BCA may choose to carry out full competence assessments on an annual basis or may choose to carry out annual competence reviews based on an initial full competence assessment and a review of what has changed since the full assessment (e.g. changes of Standards, the Building Act, the Building Code, the type of work that the BCA receives, and any other relevant changes). If only changes are being reviewed it is important for the BCA to clearly record what has changed and the reasons why the person is found to be competent for all aspects that they are considered to be competent.

Finding

The competence assessments reviewed did not contain sufficient evidence to fully support the competence outcomes (and therefore the Skills Matrix). This shortfall especially applied to technical leaders where technical leadership outcomes were reported to rely on competence assessment, yet those assessments did not provide sufficient supporting evidence.

Action Required

Please review the competence assessments of the processing and inspection technical leaders and provide extra evidence, where required, to support the skills matrix outcomes. Please ensure that the work reviewed provides evidence of competence for all parts of the highest building categories for which the person is found to be competent. Where actual examples are not available the assessor can choose to use mock up plans or discussions to support the outcomes as long as these discussions and their outcomes are appropriately recorded.

Please provide copies of the three competence assessments plus their supporting information to IANZ.

Note: Where the supporting evidence is bulky it is acceptable to supply to IANZ a summary of what that evidence includes.

Agreed clearance date: **16 April 2015**

For Building Consent Authority use:

Action taken: (please refer to any attachments)

Signed:

Date:

Attachments: Yes / No

Clearance by IANZ:

Signature:

Date:

Assessment Coordinator: Adrienne Woollard

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CORRECTIVE ACTION REQUEST

Building (Accreditation of Building Consent Authorities) Regulations 2006:

CAR No: 2

Regulation 15 Keeping Organisational Records

Regulation 15(2) requires that roles, responsibilities, powers, authorities & limitations are recorded. Job descriptions are required for all staff in the BCA (or alternate means to document roles and responsibilities).

Finding

The Council's delegated authority to BCA personnel was not available at the time of the assessment.

Action Required

Please provide to IANZ copies of the delegation of authority to BCA staff to carry out its building control functions.

Agreed clearance date: 16 April 2015

For Building Consent Authority use:

Action taken: (please refer to any attachments)

Signed:

Date:

Attachments: Yes / No

Clearance by IANZ:

Signature:

Date:

RECOMMENDATIONS

Recommendations are intended to assist your organisation in its efforts to maintain an effective quality management system. They are **not** conditions for accreditation.

- R1. It is recommended that the BCA continues to work to ensure the completeness of applications before acceptance.
- R2. It is **strongly recommended** that the BCA consider how it can tighten up its processing and improve its accuracy and consistency. It is suggested that a more detailed procedure may make it clearer to processors exactly how each instance is to be handled and that on-going auditing with appropriate follow up of findings would provide assurance to the BCA that improvement had been made.
- R3. It is **strongly recommended** that the BCA work to obtain consistency between its staff in the way that requests for further information are handled and recorded.
- R4. It is **strongly recommended** that the BCA works to ensure that all future lapsed building consents are recorded in the BCAs system in a timely fashion and that the BCA ensures that all lapsed consents are appropriately recorded as such.
- R5. It is **strongly recommended** that the BCA consider how it can further "tighten up" its inspection recording and improve consistency between inspectors. It is suggested that a more detailed procedure may make it clearer to inspectors exactly how each instance is to be handled.
- It is also **strongly recommended** that the BCA provides training and carries out audits to ensure that a consistent approach is taken by inspectors making inspection decisions, especially at final inspection, and for complex or life safety issues and where there are previous failed items but no record of these being addressed.
- R6. It is **strongly recommended** that the BCA reviews their process for issue of CCCs for buildings with an existing Compliance Schedule that is not altered by the building work, to ensure that all CCCs accurately reflect the requirements (if any) for specified systems.
- R7. It is **strongly recommended** that staff receiving applications for CCC work to ensure that these applications are complete before accepting them.
- R8. It is **strongly recommended** that the BCA closely monitor the process for the BCA deciding at 24 months whether CCCs without applications are issued or refused within an appropriate timeframe.
- R9. It is **strongly recommended** that the BCA checks to ensure that only the standard(s) quoted in the building consent application documents are applied to the relevant compliance schedule.
- R10. It is recommended that should the BCA issue a NTF that they ensure that all appropriate details are recorded including a description of the work in question, what Act/Code clause the BCA considers has been breached, how the breach was identified, the date the breach came to the BCA's attention, who is being notified, and what action the BCA requires.

- R11. It is recommended that the BCA use its new form, developed to record resourcing needs, to help ensure that it maintains an appropriate skill level on an on-going basis.
- R12. It is **strongly recommended** that HCC BCA continues with its efforts to improve its compliance with the statutory BC timeframe.
- R13. As the BCA was yet to define the specific quality requirements that the contractors were to meet and the evidence required to be provided it is **strongly recommended** that all future agreements with contractors include more detail regarding performance requirements, including quality requirements.
- R14. It is recommended that the review of the performance of contractors that are part of the Local Authority Shared Services MoU is carried out on an annual basis as planned. It is also recommended that these reviews, when they occur, are recorded and cover all of the relevant requirements of Regulation 12.
- R15. It is recommended that position descriptions could include a requirement for incumbents to undertake regular continuous professional development training.
- R16. It is recommended that the BCA continue with training and auditing to ensure that all required documentation is provided before CCC issue. It is especially important to ensure that all supporting documentation and certificates are appropriate and contain all the required information.
- R17. It is strongly recommended that the BCA define the type of staff that could be exempt from holding one of its defined qualifications.

Committee: Audit & Risk Committee **Date:** 17 June 2015
Report Name: Annual Report 2015-Planning update **Author:** Raniel Prasad

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Annual Report Plan</i>
Financial status	<i>Not applicable.</i>
Assessment of significance	<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 provide an update to the Audit and Risk Committee on the 2015 Annual Report Planning and a forecast of Councils financial position at the end of the financial year 30 June 2015.

3. Executive Summary

- Council is in the process of preparing the 2015 Annual Report including the introduction of Public Benefit Entity (PBE) Accounting Standards.
- Under the New Zealand Accounting Standards Framework, local government sector are public benefit entities (PBEs) and have to transition to PBE Accounting Standards for periods beginning on or after 1 July 2014. Hamilton City Council is classified as a tier 1 PBE for financial reporting purposes. The Finance Team has undertaken a gap analysis between the existing New Zealand equivalents of International Financial Reporting Standards (NZIFRS) standards and the PBE standards. There are three areas of likely impact (see paragraphs 10, 12, 14).
- In preparing the financial information for the Long Term Plan Council has taken into account the new standards and has been working through the SOLGM Checklist for Long-Term Plan Quality Assurance/Compliance noting the key differences between PBE and NZIFRS and what standard applies. The key areas identified so far that are impacted are: *exchange/non-exchange revenue (PBE IPSAS 23); service concessions (PBE IPSAS 32); related parties transactions (PBE IPSAS 20)*. From our review so far the only material changes relate to the disclosure of revenue from exchange non exchange activities. The changes will have no effect on the measurement basis of revenue and is simply a new disclosure requirement.
- The Risks and Opportunities Schedule projects an improving overall financial performance against both the result from the Statement of Comprehensive Income (the Accounting result) and the “balance the books” measure (a sub-set of the Accounting Result).

8. Recommendation from Management

9. That the Report be received.

10. Attachments

11. Attachment 1 - Risk and Opportunity Schedule

12. Exchange/non exchange revenue.

13. One of the key changes in the new standards is the disclosure of revenue. The PBE Accounting Standards require revenue to be classified as revenue from exchange or non-exchange transactions. Exchange transactions are transactions in which one entity receives assets or services and directly gives the equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange. For example: Fees and user charges, rental income, subsidies and grants, targeted water supply. Non-exchange transactions are transactions that are not exchange transactions. For example: Development contributions, infringement and fines, rates, vested assets.

14. Service Concessions Arrangements Grantor.

15. We are also reviewing our contracts in relation to the new standards PBE IPAS 32 Service Concession Arrangements Grantor, concession arrangements are more commonly known as Public Private Partnership (PPP) arrangements. Broadly, service concession arrangements are arrangements between the public and private sectors whereby public services are provided by the private sector using public infrastructure (service concession asset). PBE IPSAS 32 requires the grantor (Hamilton City Council) to recognise the service concession asset and a corresponding liability on its balance sheet.

16. Related Parties Disclosure's.

17. The disclosure requirements of PBE IPAS 20 (Related parties disclosures) are more specific than those in the previous accounting standards on the definition of key management (including elected members) personnel remuneration and we are working through this with the Democracy and Human resources team to ensure disclosure requirements are meet and updated where required.

18. Audit.

19. Audit New Zealand have also reviewed the draft 10 year plan documents under the new Accounting standards and have not identified any issues to date. Audit New Zealand are back on the 15 June to audit the updated 10 year plan documents and will also be doing the interim audit for the year end. During this time we will be clarifying and seeking feedback on the new PBE standards.
20. Audit New Zealand has provided a draft of their model financial statements and a final version should be available shortly. Disclosures will then be reviewed to ensure all necessary matters are covered.

- 21. Council Controlled Organisations.**
- 22.** We are liaising with the Council Controlled Organisations (CCOs) to ensure timely information is produced and financial reporting is based on the new PBE standards. This is important as CCO's may be using NZIFRS for their annual report but may need to complete additional disclosures for Councils Group accounts.
- 23.** An Annual reporting timetable has been prepared and followed to ensure timely and quality information for the Audit process. Content and area of focus outlined in the Audit Arrangements letter is currently being worked through at the moment.
- 24. Year End Forecast.**
- 25.** The Risks and Opportunities Schedule projects an improving overall financial performance against both the result from the Statement of Comprehensive Income (the Accounting result) and the "balance the books" measure (a sub-set of the Accounting Result).
- 26.** The forecast is based on actual results as at 31 May 2015.
- 27.** A summary of Attachment detailing the Financial estimates for Operating Risks and Opportunities at 30 May 2015 is:

Risks and opportunities estimated impact on year end result (\$000s)	Balancing the Books	Accounting Result
Surplus / (Deficit) from Annual Plan	(3,266)	11,508
Operating activities - Controllable	322	322
Operating activities - Uncontrollable	(530)	(4,930)
DC revenue, interest and depreciation	6,279	6,279
Unrealised gains/(losses) on interest rate swaps		(13,136)
Gains/(losses) on assets sales		750
Vested Assets		10,000
Total Movement Positive/(Negative)	6,071	(715)
Projected Surplus / (Deficit) for 30 June 2015	2,805	10,793

- 28.** The capital expenditure activities' report a favourable variance of \$12.9m
- 29.** Management are working to ensure that by the end of the financial year the R&O Schedule maintains a net improved result.

Signatory

Authoriser	Paul Conder, Chief Financial Officer
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Risks and Opportunities Schedule
for the year ended 30 June 2015
Summary

	Operating Impact		Balance Sheet Impact		
	Balancing the books	Accounting Surplus	Capital Programme impact	Borrowing impact	Following Year
CITY ENVIRONMENTS					
Southern Links - Recovery of expenditure	192,000	192,000			
Proposed District Plan (PDP) Review Programme - operating savings as costs now estimated to be less than expected	100,000	100,000			
CITY ENVIRONMENTS TOTAL	292,000	292,000	0	0	0
COMMUNITY					
Gym revenue - is now estimated to be \$280,000 less than expected. This has improved from the \$371,000 originally advised to the finance committee.	(280,000)	(280,000)			
Pools expenditure - Additional staffing requirements over summer due to high visitor numbers and increased health and safety requirements and a high number of security incidents at Waterworld. Other variances include an increase in chemical costs (with the conversion from gas to liquid), and electricity.	(150,000)	(150,000)			
Hamilton Gardens - Personnel and cleaning budget understated, increased security costs over summer, purchase of new shop merchandise, development project feasibility study, and unfavourable venue hire. Increased maintenance costs due to paint and smaller works associated with \$60k underspent in renewals. The construction of the Fantasy Gardens was \$87k over budget and funded by contributions received from external parties. Net borrowing impact is the net of the \$87k Fantasy Garden overspend and the \$60k underspend on renewals)	(273,000)	(273,000)	(27,000)	(27,000)	
Amenity Parks - contributions received and applied towards construction of WW1 Gardens and Minogue Park net ball courts.	195,000	195,000	(195,000)	(195,000)	
Museum - Operating savings from controlling costs.	75,000	75,000			
Nursery - unfavourable revenue due to less external funding being sourced as was originally forecast	(200,000)	(200,000)			
Rototuna Town Centre - the Rototuna Comprehensive Development Plan (including Area A Town Centre and Area P Sports Park) was originally to be completed 2013/14. Due to the complex nature of this work, it has taken significantly longer than anticipated and \$168K has fallen into 2014/15. No budget was allocated for this project in 2014/15.	(168,000)	(168,000)			
Bryce Street River Slip Remediation - Overall project cost is \$1.357m with \$301k carried forward from 13/14. The capital overspend of \$1.057m is offset by \$670k budgeted in operating and \$709k external funding. \$168K of the expected saving is available to offset work on the Rototuna Town Centre Comprehensive Development Plan.	1,379,000	1,379,000	(1,057,000)	(1,057,000)	

Risks and Opportunities Schedule
for the year ended 30 June 2015
Summary

	Operating Impact		Balance Sheet Impact		Following Year
	Balancing the books	Accounting Surplus	Capital Programme impact	Borrowing impact	
Land Purchase Rototuna West Sports Park - a settlement has been achieved on the purchase of the Rototuna West Sports Park land. The settlement will mean an additional payment by Council \$1.602 million (over and above what has been paid to date for the land). \$462k of funding is available from an approved deferred capital budget. The shortfall of \$1.140million is to be funded from debt as reported to Council as part of the 2014 Financial result.			(1,140,000)	(1,140,000)	
Sports Parks - \$96k capital contribution from Athletic Waikato for Porritt stadium track upgrade.	96,000	96,000			
Toilets - Savings in contract price.	40,000	40,000			
City Landscapes - reduced car park and fountain renewal budgets due to reprioritised work.			85,000	85,000	
Street and Parks - reduced tree replacement budgets due to reprioritised work.	40,000	40,000			
Natural Areas - Council has secured River Authority funding for several parks projects. The nature of these projects and their associated reporting requirements did not neatly align with Council's financial years; the projects straddled two financial years. Revenue could only be recouped once the projects were completed and the necessary reporting requirements satisfied. Revenue should have been accrued against these projects last financial year. This was not done and the full revenue associated with the projects has been received this financial year.	110,000	110,000			
One Victoria Trust Grant - is unable to be paid due to a condition in the agreement that states that payment can only be made upon completion of Earth-quake proofing work at the Meteor Theatre. Work will be undertaken in 15/16 at which time payment will be made and disclosed on the 15/16 risk and opportunities list.	75,000	75,000			(75,000)
COMMUNITY TOTAL	939,000	939,000	(2,334,000)	(2,334,000)	(75,000)

Risks and Opportunities Schedule
for the year ended 30 June 2015
Summary

	Operating Impact		Balance Sheet Impact		
	Balancing the books	Accounting Surplus	Capital Programme impact	Borrowing impact	Following Year
CITY INFRASTRUCTURE					
Water revenue is expected to be \$450,000 less than budget due in part to a large customer not requiring water in the quantities expected after refurbishing their own independent water plant and two other high water users who have ceased operation.	(450,000)	(450,000)			
Wastewater revenue is expected to be \$654,000 less than budget. Trade waste revenue is expected to be \$540,000 less than budget due in part to a major customer who is no longer in operation (\$300,000) and another major customer not discharging as much as expected (\$240,000). Tankered waste is expected to be \$114,000 less than budget due to restrictions at the wastewater treatment plant to facilitate its recovery.	(500,000)	(500,000)			
Plants efficiencies - electricity, gas and chemicals are expected to be \$650,000 under budget due to a drier than expected winter, reduced tankered waste processing costs, and one-off reduced processing costs due to unexpected stability at the plant. This is subject to a change in operation resulting from increased conveyance charges.	650,000	650,000			
Water supply expenditure is expected to be \$200,000 favourable by year end due to efficiencies in managing the water alert levels.	200,000	200,000			
Catchment management plans have been reclassified as capital expenditure. The total costs of the catchment management plan work is expected to be \$500,000 by the end of the year, which will be met within existing stormwater capital budgets.	500,000	500,000			
River outfall improvements are capital in nature and have been completed within the existing capital expenditure budget, which means the operating budget of \$90,000 is surplus to requirements for this work.	90,000	90,000			
Closed landfill maintenance savings due to optimising the capital programme (instead of maintaining we have renewed).	220,000	220,000			
Plants recovery - operating costs associated with water and wastewater treatment plants recovery plan funded from PIF 12029 Installation of dewatering facility at the water treatment plant.	(605,000)	(605,000)			
Water and Wastewater Treatment Plants - PIF 12029 Installation of dewatering facility at the water treatment plant has been reprioritised and the funding reallocated in order to fund higher priority projects that have emerged in 2014/15. The first priority is to fund the treatment plant recovery costs of \$1,235,000 (\$605k operating costs and \$630k capital costs). The Finance Committee agreed to allocate the remaining funding of PIF 12029 to off-set additional Health and Safety measures at the water treatment plant. This is expected to cost \$1,492,000 (down from an original estimate of \$1.7m)			2,807,000	2,807,000	
			(630,000)	(630,000)	
			(1,492,000)	(1,492,000)	

Risks and Opportunities Schedule
for the year ended 30 June 2015
Summary

	Operating Impact		Balance Sheet Impact		Following Year
	Balancing the books	Accounting Surplus	Capital Programme impact	Borrowing impact	
Water Supply funding for Carpark - PIF 9027 Replacement of water works during intersection upgrades has been reprioritized to fund the replacement of Garden Place Car Park access control system. Total cost of \$216,000 is no longer required and external funding of \$108,000 will not be received either and therefore the funds available to fund parking equipment is \$108,000.	(108,000)	(108,000)	216,000	216,000	
Parking Equipment - new parking Equipment and access control system for the Underground Car park as approved by the Finance Committee on 2 October 2014. This is funded by PIF 9027 and discretionary transport fund.			(350,000)	(350,000)	
Discretionary Transportation Capital Fund - release of funds for the new Parking equipment for the Garden Place Underground Carpark.			242,000	242,000	
Paid connections revenue for wastewater connections and stormwater connections will be approximately \$240,000 less than budget. However, as this is a user pays services, this is offset by a corresponding decrease in capital expenditure of \$240,000 with a net cost to Council of zero.	(240,000)	(240,000)	240,000	240,000	
Sale of Knox Street Carpark - due to the sale of the Knox Street carpark, revenue is expected to be \$380,000 less than budget, direct expenditure is expected to be \$178,000 less than budget (net direct cost will be \$202,000 unfavourable), depreciation is expected to be \$86,000 less than budget, and interest from sale proceeds is expected to be \$150,000 favourable. This leaves a total net favourable variance of \$34,000.	34,000	34,000			
Claudelands Bridge abutment - protection works have been completed and the final cost of the works is \$194,000 (\$365,000 capital spend less a subsidy of \$171,000 from NZTA).	171,000	171,000	(365,000)	(365,000)	
Transportation renewals programmes - the programme approved by NZTA was less than the Council approved budget. As such, transportation renewals will be \$426,000 less than budget and NZTA subsidy will be \$426,000 less than budget. The spend in subsidised renewals will be \$950k less than budget and the spend in non-subsidised renewals will be \$500k more than budget but the net cost to Council will not change.	(426,000)	(426,000)	426,000	426,000	
New structure to extract water from the Waikato River (PIF 12031) - the total approved cost for this project will be \$900,000 less than the budget per the annual plan.			900,000	900,000	
Replacement of Refuse Transfer Station assets (PIF 9012) - final market is \$400,000 less than expected.			400,000	400,000	
Replacement of channel lining on the Waitawhiriwhiri Stream (PIF 9014) - this project is no longer required and funding is being released.			270,000	270,000	

Risks and Opportunities Schedule
for the year ended 30 June 2015
Summary

	Operating Impact		Balance Sheet Impact		
	Balancing the books	Accounting Surplus	Capital Programme impact	Borrowing impact	Following Year
Compassionate Property Purchases - purchase of two properties affected by roading designation on compassionate grounds. Council were advised in approving these purchases that the funding was unbudgeted and the costs would be managed from debt capacity through the Risks and Opportunities schedule. Costs are being charged to PIF 12001 New roading in Peacocke.			(980,000)	(980,000)	
Transportation - Budget surplus in PIF 12053 Roading Upgrades in Rotokauri \$140,000.			140,000	140,000	
Stormwater - budget surplus in PIF 9015 and 12094 total \$274,000.			274,000	274,000	
Wastewater - Budget surplus in PIF 9024, 12067, 12068 total \$269,000 less budget overspend in PIF 12009 Treatment Plant Upgrade \$117,000 as per Pukete 2 report.			152,000	152,000	
Water supply - budget surpluses in PIF 12027, 12030, 12077, 12079, 12080 total \$407,000.			407,000	407,000	
Ring Road subsidy - due to delays in the project, a deferral of \$11.1m is required. This also results in a reduced subsidy of \$4.4m. Both items will occur in later years. As final timing is dependent on third party agreement this is uncontrollable.		(4,400,000)	11,100,000	11,100,000	(6,700,000)
CITY INFRASTRUCTURE TOTAL	(464,000)	(4,864,000)	13,757,000	13,757,000	(6,700,000)
CUSTOMER RELATIONSHIPS					
Unfavourable operating costs - personnel costs of \$222k due to permanent replacements in the call centre, and extra casual staff to cover peak periods. There was also additional costs for contract staff and consultants to cover vacancies with other areas of the group and to complete project work. This is offset by favourable variances at group level.	(150,000)	(150,000)			
CUSTOMER RELATIONSHIPS TOTAL	(150,000)	(150,000)	0	0	0

Risks and Opportunities Schedule
for the year ended 30 June 2015
Summary

	Operating Impact		Balance Sheet Impact		
	Balancing the books	Accounting Surplus	Capital Programme impact	Borrowing impact	Following Year
EVENTS AND ECONOMIC DEVELOPMENT					
Lost rental revenue - Due to sale of the BNZ and the ANZ. This is \$734,000 less the partial offset by interest savings of \$300,000. This was approved by Council.	(434,000)	(434,000)			
Lost rental revenue - From the Beggs Wiseman building not achievable due to non tenancy.	(130,000)	(130,000)			
Operating Savings - Savings in Strategic Property and Economic Development from controlling costs.	255,000	255,000			
Revenue shortfall - driven by falling Theatres revenue.	(153,000)	(153,000)			
Structural assessment - Additional costs associated with Founders and Clarence St Theatre gifting.	(34,000)	(34,000)			
Legal costs - Associated with Waikato Shows Trust arbitration (Claudelands).	(120,000)	(120,000)			
Reduced revenue for the Zoo Strategic Plan - Expectation that the cost of the Zoo plan would be recovered.	(80,000)	(80,000)			
Lease Expense - Cost of (1) removal of abandoned tyres and (2) extension to term of lease from Kiwi Rail to allow sufficient time to remove the tyres. The tyres have been abandoned by a failed tenant and Council has a legal obligation to remove them prior to returning the site to Kiwi Rail	(290,000)	(290,000)			
Hamilton Organic Recycling Centre Wall - unbudgeted works required to ensure drop off wall structure is safe for public use			(120,000)	(120,000)	
EVENTS AND ECONOMIC DEVELOPMENT TOTAL	(986,000)	(986,000)	(120,000)	(120,000)	0
FINANCE					
Unfavourable operating costs - additional role required for the Development Contributions team (segregation of duties as required by Internal Audit). Legal and consulting costs related to Development contributions have also been higher than expected. Additional staff resources were also required for the ten year plan and back filling of roles for the financial system implementation.	(130,000)	(130,000)			
FINANCE TOTAL	(130,000)	(130,000)	0	0	0
ORGANISATIONAL DEVELOPMENT					
Upgrades to Core Software Applications - includes Recoveries from another local authority (\$304k) and project and programme contingency not used			750,000	750,000	
Finance Lease for Infrastructure Equipment - As a result of extending the PC lease time from three to four years savings have been achieved.			190,000	190,000	
ORGANISATION DEVELOPMENT TOTAL	0	0	940,000	940,000	0

Risks and Opportunities Schedule
for the year ended 30 June 2015
Summary

	Operating Impact		Balance Sheet Impact		
	Balancing the books	Accounting Surplus	Capital Programme Impact	Borrowing Impact	Following Year
PERFORMANCE					
Insurance - the insurance programme has been placed through a LASS collective programme and has resulted in a reduction of insurance premiums.	50,000	50,000			
Shared Water Business Case - contribution to Water CCO business case project (50% share), along with Waikato and Waipa Councils. Estimated cost is \$325,000 less \$75,000 offset available funding in Performance Admin. This joint project was approved by Council.	(250,000)	(250,000)			
Fuel - savings resulting from lower fuel prices due to the drop in global price of oil.	100,000	100,000			
Major Painting - activity management plan work has identified major painting works have been incorrectly classified as capital expenditure. There will be a nil impact on overall cash flow.	(300,000)	(300,000)	300,000	300,000	
Pensioner Housing - revenue is ahead of budget and operating expenditure is lower than anticipated.	100,000	100,000			
Art Gallery - contributions received towards the Art Gallery upgrade.	87,000	87,000	(87,000)	(87,000)	
Strategy - professional service are tracking lower than anticipated as various works have been completed in-house. Savings of \$177k have been achieved which is offset by an unfavourable personnel cost variance of (\$93k).	84,000	84,000			
Partnership with Maori - professional services lower than expected due to a delay in contract work with the service provider.	70,000	70,000			
Pensioner Housing Renewals - reduced renewal programme reflecting essential health and safety works following the decision to sell Pensioner Housing portfolios. All costs are reserve funded and any savings remain in a cash backed reserve.			450,000		
PERFORMANCE TOTAL	(59,000)	(59,000)	663,000	213,000	0
COUNCIL WIDE					
ACC Levies - budget is higher than expected outcome by \$350k.	350,000	350,000			
COUNCIL WIDE TOTAL	350,000	350,000	0	0	0
Net Business Impact before Debt Servicing, Development Contributions, Unrealised Gains/Losses and Non Cash	(208,000)	(4,608,000)	12,906,000	12,456,000	(6,175,000)

Risks and Opportunities Schedule
for the year ended 30 June 2015
Summary

	Operating Impact		Balance Sheet Impact		
	Balancing the books	Accounting Surplus	Capital Programme Impact	Borrowing Impact	Following Year
DEBT SERVICING AND DEVELOPMENT CONTRIBUTIONS, UNREALISED GAINS/LOSSES, NON CASH ITEMS					
Development Levies and Financial Contributions - As at 31 May they are \$6.074 million ahead of budget and expected to total \$14.0 million by 30/6/15 exceeding the annual budget by \$6.429 million.	6,429,000	6,429,000			
Net interest cost has a favourable variance year to date for the following reasons:	1,350,000	1,350,000			
<ul style="list-style-type: none"> ▪ Asset sales – these are generally not included in budgets, so when they occur the lower debt balance means lower interest costs ▪ Interest rates – the interest rate that Council is paying is lower than the rate assumed when the budget was prepared ▪ Timing – delayed spending on capital expenditure 					
Vested assets - As at 31 May are \$8.979 million ahead of target.			10,000,000		
Depreciation - As at 31 May is \$935k unfavourable against budget. This includes work in progress from previous year's that has been charged to operating as it was unable to be capitalised.	(700,000)	(700,000)			
WIP Reclassifications - WIP that did not meet the definition of Capital Expenditure and has been expensed.	(800,000)	(800,000)			
Unrealised loss on the revaluation of financial instruments - As at 31 May is \$13.136 million and we estimate the year end position to be similar. The unrealised gain last year was \$9.2 million.			(13,136,000)		
Gain on Sale - of various parcels of land and vehicles.			750,000		
DEBT SERVICING AND DEVELOPMENT CONTRIBUTIONS, UNREALISED GAINS/LOSSES, NON CASH ITEMS	6,279,000	3,893,000	0	0	0
Net Business Impact after Debt Servicing, Development Contributions, Unrealised Gains/Losses and Non Cash	6,071,000	(715,000)	12,906,000	12,456,000	(6,775,000)
SUMMARY					
Future Years	0	(4,400,000)	11,100,000	11,100,000	(6,700,000)
Permanent Impact	(208,000)	542,000	1,806,000	1,356,000	(75,000)
Debt Servicing and Development Levies	0	0	0	0	0
Development Contributions	6,429,000	6,429,000	0	0	0
Debt Servicing	1,350,000	1,350,000	0	0	0
Non Cash items	0	0	0	0	0
Vested Assets	0	10,000,000	0	0	0
Depreciation	(700,000)	(700,000)	0	0	0
WIP Reclassifications	(800,000)	(800,000)	0	0	0
Unrealised Gains/Losses	0	(13,136,000)	0	0	0
Surplus (Deficit)	6,071,000	(715,000)	12,906,000	12,456,000	(6,775,000)

Committee: Audit & Risk Committee **Date:** 17 June 2015
Report Name: 2015 Quarter 4 Update from PWC **Author:** Paul Conder

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Internal Audit Plan</i>
Financial status	<i>There is budget allocated. Amount \$150,000 per annum (4 year contract)</i>
Assessment of significance	<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 4 of 2015.

3. Summary

- The PWC Internal Audit update for Quarter 4 of 2015 outlines the status of the Internal Audit Programme. Two items have been deferred to ensure the best timing for those items. The overall Internal Audit Programme is on schedule.
- PWC have finalised no assessments this quarter.
- Planning and scoping of audits for 2015/16 is underway.

7. Recommendation from Management

- That the Report be received.

9. Attachments

- Attachment 1 - Audit and Risk Committee Internal Audit Update - FY 2015 Quarter 4

Signatory

Authoriser	Paul Conder, Chief Financial Officer
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Hamilton City Council

Audit and Risk Committee Internal Audit Update – FY15 Quarter 4

5 June 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.

Project	Timing	Internal Audit Scope	Progress	Project status
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"> • agenda identification • report preparation • report review and approval • report submission • agenda and report accessibility for Councillors and the public. 		Fieldwork completed and draft reporting has commenced.
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 being 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 until FY16 to align with the finalisation of the budget module fixes within the AX system.
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.		Fieldwork completed and draft reporting has commenced.

PwC

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* A combined report for Q2 and Q4 will be completed as agreed with management.

<i>Project</i>	<i>Timing</i>	<i>Internal Audit Scope</i>	<i>Progress</i>	<i>Project status</i>
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.		Terms of reference being finalised. Fieldwork due to commence 8 June 2015.
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"> access to sensitive administrative functions/privileges such as maintenance of hazards, incidents and risk ratings incident and hazard recording and management to ensure it is compliant with the HCC Health & Safety Policy periodic incident and hazard reporting to the senior leadership team including trend analysis Vault's functionality and readiness to support the proposed reforms to the health & safety legislation. 		Deferred until FY16 to align with the proposed reforms to the health & safety legislation.
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.		Fieldwork completed and draft memo writing has commenced.



On schedule / Good progress



Slightly behind schedule / Average progress



Behind schedule / Poor progress



Not started



Deferred

2. Completed Engagements

While three projects are in progress, no engagements have been finalised since the last Audit Committee meeting on 18 March 2015.

PwC

3

** Engagement was requested by management and performed as an extension to the 2014 – 2015 Internal Audit Plan, recognising the deferral of other items.

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. Minutes of the Audit and Risk Committee Meeting - Public Excluded - 18 March 2015) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
C2. Legal Update (Verbal) from Tompkins Wake)	
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)