

## Notice of Meeting:

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

**Date:** Thursday 16 May 2019  
**Time:** 12.30pm  
**Meeting Room:** Committee Room 1  
**Venue:** Municipal Building, Garden Place, Hamilton

Richard Briggs  
Chief Executive

---

## Audit & Risk Committee OPEN AGENDA

---

### Membership

**Chairperson:** External appointee - Keiran Horne

**Deputy Chairperson** External appointee - Bruce Robertson

**Membership:** Mayor Andrew King  
Chairperson of the Finance Committee – Cr Garry Mallett  
Chairperson of the Growth and Infrastructure Committee – Cr Dave Macpherson  
Chairperson of the Community and Services Committee – Cr Paula Southgate  
Deputy Chairperson of the Finance Committee - Cr Rob Pascoe

**Meeting frequency:** As required – no less than four times a year

**Quorum:** Four members (including one external appointee)

---

Lee-Ann Jordan  
Governance Manager

**9 May 2019**

Telephone: 07 838 6439  
lee-ann.jordan@hcc.govt.nz  
www.hamilton.govt.nz

**Purpose:**

The Audit and Risk Committee is responsible for:

1. Providing objective advice and recommendations to the governing body on the adequacy and functioning of the Council's risk management, control and governance frameworks and processes.
2. Monitoring Council's compliance with legislation.
3. Monitoring the Council's external and internal audit process.
4. Ensuring the independence and effectiveness of Council's Internal Audit processes.
5. Monitoring existing corporate policies and recommending new or amended policies to prevent and prohibit unethical, questionable or illegal activities.
6. Providing a communication link between management, internal auditors/external auditors and Council.
7. Supporting measures to improve management performance and internal controls.
8. Report to Council 6 monthly on key risks.
9. Such other Matters referred to it by Council.

<b>The Committee is delegated the following Terms of Reference and powers:</b>
--

**Terms of Reference:***External Audit*

1. Engage with Council's external auditors regarding the external audit work programme and agree the proposed terms and arrangements of the external audit.
2. Recommend to Council the terms and arrangements for the external audit programme.
3. Review the effectiveness of the Annual Plan audit and 10 Year Plan audit.
4. Assess management response to audit reports and the extent to which external audit recommendations concerning internal accounting controls and other matters are implemented.

*Internal Audit*

5. In conjunction with the Chief Executive, agree the scope of the annual internal audit work programme.
6. Monitor the delivery of the internal audit work programme to ensure the effectiveness of the Council's internal control framework.
7. Assess whether Internal Audit's recommendations have been properly implemented by management.
8. Review the annual Internal Audit Plans to ensure appropriate organisational structures, authority, access, independence, resourcing and reporting arrangements are in place.

*Other Matters*

9. Review the effectiveness of the risk control environment established by management to safeguard Council's financial and non-financial assets, including the adequacy and appropriateness of insurance policies in place and management's actions to mitigate risks and report 6 monthly to Council.
10. Review the effectiveness of the systems for monitoring the Council's compliance legislation, regulation, policy and guidelines (including health and safety).

11. Engage with internal and external auditors on any specific one-off audit assignments.
12. Conduct and monitor special investigations in accordance with Council policy and approved budget or in response to material matters raised by staff or committee members, including engaging expert assistance, on matters within its Terms of Reference.
13. To review the Risk Management Policy and recommend to Council revisions to the policy for adoption.
14. Review and monitor integrity of interim and annual reports and recommend to Council for adoption.
15. Review and monitor business continuity planning.

**The Committee is delegated the following recommendatory powers:**

- The Committee has no decision-making powers.
- The Committee may make recommendations to the Council and/or the Chief Executive, as appropriate.

**Special Notes:**

- In fulfilling their role on the committee, members shall be impartial and independent at all times.
- 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.
- Council appoints two external members of the committee, one of whom shall be Chairman. External members shall have a broad range of skills and experience including accounting or audit experience; the terms of the appointment to be recorded in a contract. External member contracts are to be reviewed and assessed six (6) months after each triennial election.
- The Chief Executive and Internal Auditor are required to attend all meetings but are not members and have no voting rights. Other Council officers may attend the committee meetings, as required.
- The Chairperson shall review the travel and other reimbursed expenses of the Chief Executive and confirm compliance with Council policies. This information will be provided to the Chairperson on a six-monthly basis.
- The Chief Executive and the Principal Advisor shall be responsible for drawing to the committee's immediate attention any material matter that relates to the financial condition of Council, any material breakdown in internal controls, and any material event of fraud or malpractice.
- The chairperson shall present an annual Audit and Risk Self Review to Council summarising the committee's activities during the year and any related significant results and findings.

**Oversight of Policies:**

*Risk Management Policy*

<b>ITEM</b>	<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
1	Apologies	5
2	Confirmation of Agenda	5
3	Conflict of Interest	5
4	Public Forum	5
5	Confirmation of Audit and Risk Committee Minutes - Open - 5 March 2019	6
6	Chief Executive Report - Verbal Update	12
7	Independent Audit on Development Contributions Process- 2018-28	14
8	Safety and Wellness Report	17
9	HCC Risk Management Report April 2019	31
10	Organisational Improvement Register Report	52
11	2019 Annual Report Accounting Treatment Review	55
12	2018/19 Internal Audit Update 30 April 2019 and Draft Internal Audit Plan for 2019/20 - 2021/22	57
13	Annual Report 2019 Planning Update	84
14	Audit Engagment for 2019, 2020 and 2021	109
15	Resolution to Exclude the Public	125

**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**

As per Hamilton City Council's Standing Orders, a period of up to 30 minutes has been set aside for a public forum. Each speaker during the public forum section of this meeting may speak for three minutes or longer at the discretion of the Chair.

Please note that the public forum is to be confined to those items falling within the terms of the reference of this meeting.

Speakers will be put on a Public Forum speaking list on a first come first served basis in the Committee Room prior to the start of the Meeting. A member of the Council Governance Team will be available to co-ordinate this. As many speakers as possible will be heard within the allocated time.

If you have any questions regarding Public Forum please contact Governance by telephoning 07 838 6439.

# Council Report

**Committee:** Audit & Risk Committee      **Date:** 16 May 2019  
**Author:** Rebecca Watson      **Authoriser:** Becca Brooke  
**Position:** Committee Advisor      **Position:** Governance Team Leader  
**Report Name:** Confirmation of Audit and Risk Committee Minutes - Open - 5 March 2019

<b>Report Status</b>	<i>Open</i>
----------------------	-------------

## Staff Recommendation

That the Committee confirm the Open Minutes of the Audit and Risk Committee Meeting held on 5 March 2019 as a true and correct record.

## Attachments

Attachment 1 - Audit and Risk Committee Minutes - Open - 5 March 2019 .

---

## Audit & Risk Committee

### OPEN MINUTES

---

Minutes of a meeting of the Audit & Risk Committee held in Committee Room 1, Municipal Building, Garden Place, Hamilton on Tuesday 5 March 2019 at 1.03pm.

#### PRESENT

**Chairperson:** Keiran Horne – External Appointee

**Deputy Chairperson** Bruce Robertson – External Appointee

**Membership:** Mayor Andrew King  
Cr Garry Mallett  
Cr Paula Southgate  
Cr Rob Pascoe

**In Attendance:** Richard Briggs – Chief Executive  
David Bryant – General Manager Corporate  
Eeva-Liisa Wright – General Manager Infrastructure Operations  
Sean Murray – General Manager Tourism, Venues and Major Events  
Jen Baird – General Manager City Growth  
Tracey Musty – Financial Controller  
Andre Chatfield – Risk and Insurance Manager  
Nicholas Whittaker – Risk and Insurance Advisor  
Dan Finn – People Safety and Wellness Manager  
Morva Kaye – Internal Auditor  
Nigel Ward – Communications Advisor  
Christie Harger – Corporate Business Manager  
Karin Barclay – Safety Engagement Lead  
Mark Wagstaffe – Health and Safety Assurance Lead  
Paul Gower – Programme Manager Growth and Assets  
Maire Porter – City Waters Manager  
Bridget Morgan – Water Asset Manager  
Greg Carstens - Economic Growth and Analytics Manager  
Katie Batley – Senior Strategic Policy Advisor

Sharon Cresswell - PwC  
Aaron Steele – PwC

**1. Apologies**

**Resolved:** (Cr Southgate/Cr Mallett)

That the apologies for absence from Cr Macpherson, and for early departure from Mr Robertson and Cr Mallett are accepted.

**2. Confirmation of Agenda**

**Resolved:** (Cr Southgate/Mayor King)

That the agenda is confirmed.

**3. Declarations of Interest**

No members of the Committee declared a Conflict of Interest.

**4. Public Forum**

There were no public forum speakers.

**5. CE Introduction - Strategic Risk Overview**

The Chief Executive gave an overview of some of the key strategic risks in the organisation, particularly safety and wellness and the organisational improvement register.

He responded to questions from Committee Members concerning the definition of strategic risks, internal audit reports, and use of 'deep dives' in the Audit and Risk Committee meetings.

**Resolved:** (Cr Pascoe/Mayor King)

That the Audit and Risk Committee receives the verbal report.

**6. Confirmation of Audit and Risk Committee Meeting Open Minutes - 27 November 2018**

**Resolved:** (Mr Robertson/Mayor King)

That the Committee confirm the Open Minutes of the Audit and Risk Committee Meeting held on 27 November 2018 as a true and correct record.

## 7. Audit and Risk Committee Draft Schedule of reports 2019

The Chairperson took the report as read.

**Resolved:** (Mayor King/Cr Mallett)

That the Audit and Risk Committee:

- a) receives the draft 2019 Schedule of Reports; and
- b) notes that the Schedule of Reports is intended to be a living document that will be updated as necessary and will be made available to Elected Members on Onedrive.

## 8. Safety and Wellness Report

The People Safety and Wellness Manager spoke to the report, highlighting some of the statistics and programmes being run in the organisation. The Chairperson noted the change in direction of the report to a more strategic focus.

Staff responded to questions from Committee Members concerning mental health initiatives, staff workloads, taskforces, provision of health monitoring and checks, and lead reporting.

**Resolved:** (Mayor King/Cr Mallett)

That the Audit and Risk Committee receives the report.

## 9. Risk Management Report

The Risk and Insurance Manager spoke to the report, highlighting that due to technical issues the report attached to the agenda was incorrect. The correct report had an overview of some of the actions that had been closed. The Risk and Insurance Manager gave an overview of the report and noted to Committee Members that there were no items of major risk and significance.

Staff responded to questions from Committee Members concerning residual risks, risk appetite in the organisation and any anticipated changes to material risks after the workshop sessions on 4 and 5 March 2019.

Committee Members acknowledged the workshop run over 4 and 5 March 2019 and the work undertaken to update the Risk Management Report as part of this workshop.

**Resolved:** (Mr Robertson/Mayor King)

That the Audit and Risk Committee accepts the verbal report.

## 10. Organisational Improvement Register Report

The Financial Controller spoke to the report and gave an overview of the work being undertaken as part of Project Kookiri to update the financial systems in the organisation.

Staff responded to questions from Committee Members concerning current software systems, financial staff resourcing, impact of the work in progress, and audit recommendations.

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

That the Audit and Risk Committee receives the report.

## 11. 2018/19 Internal Audit Update 28 February 2019

The Financial Controller introduced the report, along with Aaron Steele and Sharon Cresswell from PwC. Staff from PwC gave an overview of the maintenance and revenue reports and responded to questions from Committee Members concerning best practice and costs of predictive maintenance, retention of key staff and staffing levels, and use of historical trends in reporting.

It was noted that the internal audit report on payroll will be brought to the next Audit and Risk Committee meeting on 16 May 2019.

**Resolved:** (Mayor King/Mr Robertson)

That the Audit and Risk Committee:

- a) receives the report;
- b) notes the progress against the PwC Internal Audit Plan and reports completed;
- c) notes the Hamilton City Council Internal Audit work undertaken and reports completed; and
- d) notes that planning is commencing for the Internal Audit Programme for the next 3 years.

## 12. Annual Report 2019 Planning Update

The Financial Controller introduced Clarence Susan and Jared Williams from Audit NZ. They gave an overview of the process to be undertaken for the Annual Report. They also highlighted that a staff member from Audit NZ has accepted a position with the Council and there are some independence issues to work through as a result.

Committee Members asked questions concerning the independence of auditors, timeframes of audit documentation and the tie in to meeting schedules, the timeframes for annual report and provision of draft documents prior .

**Resolved:** (Mayor King/Cr Pascoe)

That the Audit and Risk Committee receives the report.

**13. Resolution to Exclude the Public**

**Resolved:** (Mr Robertson/Mayor King)

**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. Legal Issues and Risks - Verbal Report	) Good reason to withhold information exists under	Section 48(1)(a)
C2. Cyber Risks/Issues - Verbal 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 maintain legal professional privilege Section 7 (2) (g)
- Item C2. to prevent the disclosure or use of official information for improper gain or improper advantage Section 7 (2) (j)

**The meeting moved to a public excluded session at 2.51pm.**

**The meeting was declared closed at 3.23pm.**

# Council Report

<b>Committee:</b>	Audit & Risk Committee	<b>Date:</b>	16 May 2019
<b>Author:</b>	David Bryant	<b>Authoriser:</b>	Richard Briggs
<b>Position:</b>	General Manager Corporate	<b>Position:</b>	Chief Executive
<b>Report Name:</b>	Chief Executive Report - Verbal Update		

<b>Report Status</b>	<i>Open</i>
----------------------	-------------

## Purpose

- To provide the Audit and Risk Committee with a high-level overview of key topics featured in the Audit and Risk Committee agenda.

## Staff Recommendation

That the Audit and Risk Committee receives the report.

## Verbal Update Discussion Points

- Health and Safety**
  - The Safety and Wellness report describes Council's safety performance over the past quarter and details current initiatives designed to keep our people safe and promote a healthy safety culture.
- Key Risk Management**
  - The Risk Management report details progress on Council's key risk refresh programme.
  - The report also includes an update to Council's current Risk Management Policy
- Internal Audit**
  - Council's internal audit programme provides assurance to stakeholders that Council's internal controls are robust.
  - Continued progress is being made to address previous audit recommendations
  - A new three-year internal audit plan has been developed by PWC in conjunction with SLT and key staff. Key highlights of the plan are providing assurance around key inputs into Council's 10-Year Planning process, business case preparation and benefits realisation, assessing the effectiveness of Council's strategic performance programme and assessing Council's health and safety culture.
- Annual Report**
  - Work is underway to produce the 2018/19 Annual Report.

- This document is provided to the public and enables all stakeholders to continue to have confidence that Council's finances are robust. Council's financial accounts are audited by Audit NZ as part of this process.

## **Attachments**

There are no attachments for this report.

# Council Report

<b>Committee:</b>	Audit & Risk Committee	<b>Date:</b>	16 May 2019
<b>Author:</b>	Richard Briggs	<b>Authoriser:</b>	Richard Briggs
<b>Position:</b>	Chief Executive	<b>Position:</b>	Chief Executive
<b>Report Name:</b>	Independent Audit on Development Contributions Process- 2018-28		

<b>Report Status</b>	<i>Open</i>
----------------------	-------------

## Purpose

1. To inform the Audit and Risk Committee of the findings of the independent review completed by PWC on the process followed to establish Development Contributions for the 2018-28 10-Year Plan.

## Staff Recommendation

That the Audit and Risk Committee receives the report.

## Background

2. The Council resolved at its 4 April 2019 meeting to approve the proposed Development Contribution Policy 2019/20 for public consultation between 8 April 2019 and 28 April 2019.
3. In resolving to do this the Council noted the inclusion in the proposed 2019/20 Schedule of Assets, capital projects (that were identified in an Attachment to the report) that contained a component of growth, but which were not included in the 2018/19 Schedule of Assets that support the current Development Contribution Policy 2018/19.
4. The cost allocation of the full list of these projects was identified as \$77.170M with the projects having an average allocation to growth of 41%.
5. This list of capital projects was first brought to the Councils attention in the Development Contribution Policy Update report to the 26 February 2019 Council meeting.
6. The Development Contribution Policy timeframes and in particular the consultation timeframes for the Development Contribution Policy will always mean that there is a risk of projects being added or removed after the consultation process through the 10-Year Plan process and therefore excluded from the Development Contribution Policy at that time. Depending on the significance of these changes it may not be possible to alter the Development Contribution Policy if the projects were not consulted on.
7. The 2018-28 10-Year Plan was the most complex 10-Year Plan we have ever undertaken. There were seven scenarios requiring seven capital portfolios to be built and understood over what were very short timeframes.

8. In parallel to the development of the 2018-18 10-Year Plan we implemented a new system to support this process and allow for better data management. This system is P-Soda, which supported the development of the capital portfolio and scenario building and;
9. This greatly improved system has provided us with the ability to better analyse and understand our data, notwithstanding that alignment issues have occurred for the 2018-19 Development Contribution Policy.
10. The DC Model is a mature system which provides Council's growth modelling and the calculation of Development Contribution charges. The quality assurance (QA) process by which the Development Contribution charges are generated was peer reviewed by BERL in March 2018.
11. At the 26 February 2019 Council meeting I advised of my intent to undertake an independent review of the process's used to provide assurance to the Council that steps were being put in place to eliminate or minimise the risk of this occurring in subsequent Development Contribution Policy updates.

### Independent Review

12. I commissioned PWC to independently review the process followed for the 2018-28 10-Year Plan and the 2018-19 Development Contribution Policy, and to recommend improvement steps.
13. During March 2019, PWC interviewed all the key staff involved in the respective processes and have reported their findings to me.
14. PWC have indicated that here were two main themes in 2018-19 that contributed to the schedule of capital projects being presented for inclusion in the subsequent 2019-20 Development Contribution Policy Schedule of Assets update being:
  - Lack of Quality Assurance (QA) processes to reconcile capital project data included in P-Soda and that used in the Development Contribution Policy
  - Timing differences in consulting on the Development Contribution Policy and the conclusion of the 10-Year Plan which brings together the approved capital programme and the Development Contribution Policy
15. P-Soda was a new database to include all capital projects and it was being developed alongside the 10-Year Plan process. Given that the tool was new, there were no QA or authorisation processes in place to identify any errors prior to the Development Contribution team extracting data to use in progressing the Development Contribution policy consultation.
16. As an example of poor QA, one of the significant projects missing from the Schedule of Assets was the Water Treatment Plant upgrade because a Yes/No tag had not been completed to indicate to the Development Contribution team to assess a Development Contribution.
17. The overall deadline for finalising the Development Contribution Policy Statement of Proposal was 27 March 2018 yet the 10-Year Plan was changing right up to 31 May 2018 10-Year Plan deliberation report.
18. The two themes have resulted in a lack of integration, at a project level, into the 10-Year Plan timetable and poor communication and collaboration between teams throughout the process to make sure that everyone was understanding of each other's responsibilities (the teams being the team developing the capital programme and the DC Policy team).

## PWC Areas Identified for Improvement

19. PWC have identified the following areas for improvement:
  - Clear deadlines need to be communicated, agreed and documented
  - Perform a peer review and document authorisation as part of the quality assurance process
  - Maintain an archived copy of the final P-Soda database used for the Development Contribution model
  - Capture changes made to projects due to decisions made subsequent to final authorised data
  - Reconciliation of data extracted with the data inputs in the Development Contribution model
  - Resourcing to ensure there is the capacity to complete the work required
  - Better communication to stakeholders identifying and documenting the impact of any changes to the initial capital project data used and submitted as part of the Development Contribution consultation
20. PWC have also identified new processes that need to be put in place including:
  - A change in the Development Contribution field in P-soda from default “No” to default “Yes” or an empty field (meaning not yet assessed)
  - A peer review performed using HCC QA report (10-Year Plan) or the HCC Financial Changes Report (Annual Plan)
  - Workshop held, being a collaborative discussion, peer review, and authorisation of the final data to be included in the Development Contribution model.
21. In addition to the findings of PWC, it is noted that at the time of developing the 10-Year Plan the information to construct the capital programme came from a number of groups across Council which was co-ordinated by the Project Management Office which operated outside these groups.
22. I have since restructured to place accountability for the development and delivery of the full capital programme into one group, the Development Group, and I have included the PMO in this new group. I am confident that this restructure will in itself also reduce the risk of misalignment.

## Summary

23. A number of improvements have already been put in place since the 2018-28 10-Year Plan and there is ongoing work to ensure that all of the PWC recommendations have been implemented for all subsequent DC Policy updates.
24. I am confident that changes have or will be implemented to give the Council assurance that the risk of the same issues occurring in subsequent Development Contribution Policy updates will be removed.

## Attachments

There are no attachments for this report.

# Council Report

Item 8

**Committee:** Audit & Risk Committee

**Date:** 16 May 2019

**Author:** Dan Finn

**Authoriser:** David Bryant

**Position:** People, Safety & Wellness  
Manager

**Position:** General Manager Corporate

**Report Name:** Safety and Wellness Report

---

<b>Report Status</b>	<i>Open</i>
----------------------	-------------

## Purpose

1. To inform the Audit and Risk Committee on safety and wellness activities for the year to date ending 30 April 2019.

## Staff Recommendation

That the Audit and Risk Committee receives the report.

## Attachments

Attachment 1 - Safety and Wellness Audit and Risk Report - April 2019 .

**THINK SAFE**  
**WORK SAFE**  
HOME SAFE EVERYDAY

Safety and Wellness

# AUDIT AND RISK REPORT

MAY 2019

# CONTENTS

<b>1.0 Executive summary</b>	<b>3</b>
1.1 Overview	
<b>2.0 Safety performance</b>	<b>4</b>
2.1 Graphs	
<b>3.0 Health and safety trends</b>	<b>5</b>
3.1 Notifiable Events	
3.2 Lost Time Injuries	
3.3 Medical Treatment and First Aid Injuries	
3.4 Near Hit Reporting	
3.5 Assurance	
3.6 Site Visits – Emerging issues	
3.7 Worker Participation and Engagement	
3.8 Engagement with Regulatory Agencies	
3.9 Engagement with other Organisations	
<b>4.0 Key health and safety initiatives</b>	<b>10</b>
4.1 Safety Management System	
4.2 Contractor Prequalification	
4.3 Critical Risks	
4.4 Health and Safety Reporting System – Vault	
4.5 Wellness Programme – WorkWell	
4.6 Training and Competency	
<b>5.0 Health and wellbeing</b>	<b>12</b>
5.1 Bullying and Harassment Monitoring	
5.2 Employee Assistance Programme (EAP)	
<b>6.0 Summary</b>	<b>13</b>

Item 8

Attachment 1

# 1.0 Executive Summary

## 1.1 Overview

The People, Safety and Wellness Team are committed to engaging with our managers and workers to co-create a safe and just culture and a great place to work.

Improving and simplifying the way we do things around here through systems, processes and procedures will support and enable the effective implementation of safety improvement initiatives, including our improved and optimised Safety Management System (SMS).

How we connect and support our managers and workers is demonstrated through continued engagement with our people to connect them with the importance of why good safety management practice is needed, so that they can return safely home after each and every day and ensure that we can meet our obligations as a great employer who provides a safe place of work for all those engaged across Council activities.

We are further developing our SMS with accompanying frameworks to ensure we have an integrated approach to safety, health and wellbeing that reflects the requirements for ISO45001 as well as our social obligations to our people, our communities and our stakeholders.

# 2.0 Data

## 2.1 Graphs

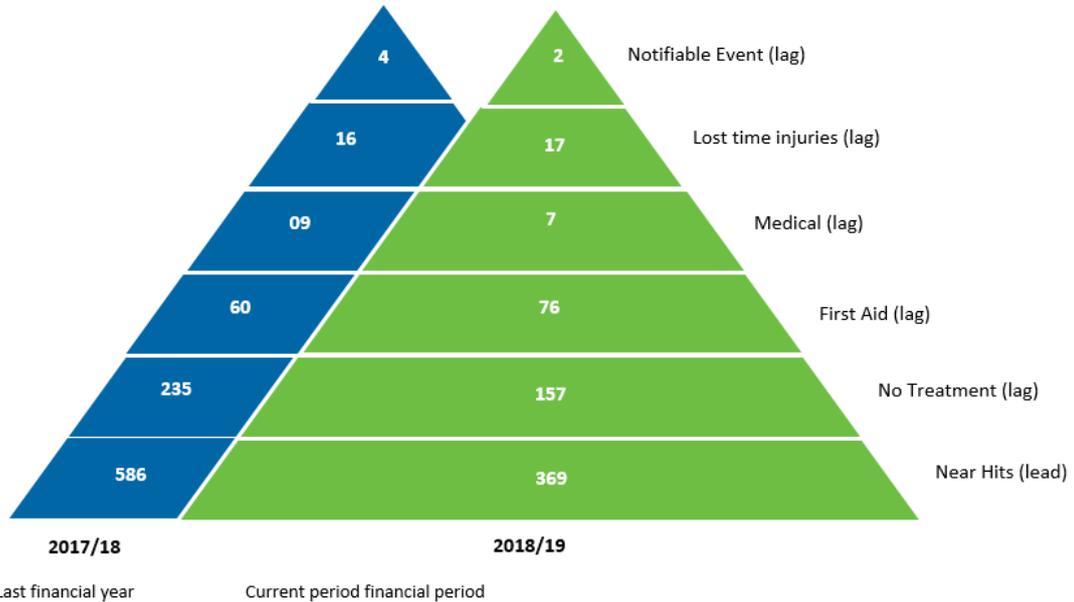


Figure 1: Performance Indicators for events reported in financial year 2018/19

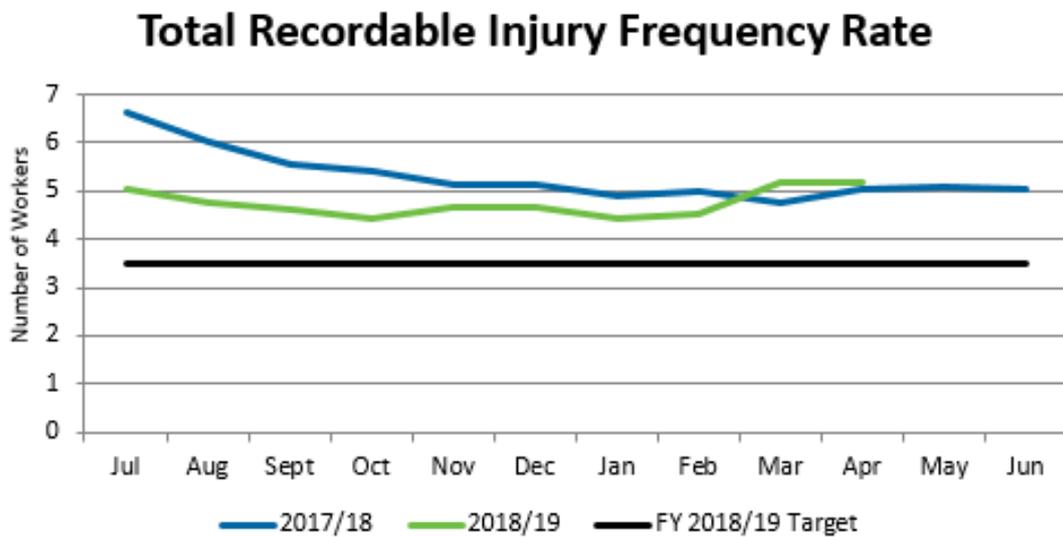


Figure 2: Total recordable injury frequency rate per 200,000 work hours for FY 2018/19



Figure 3: Lost time injuries by month for FY 2018/19

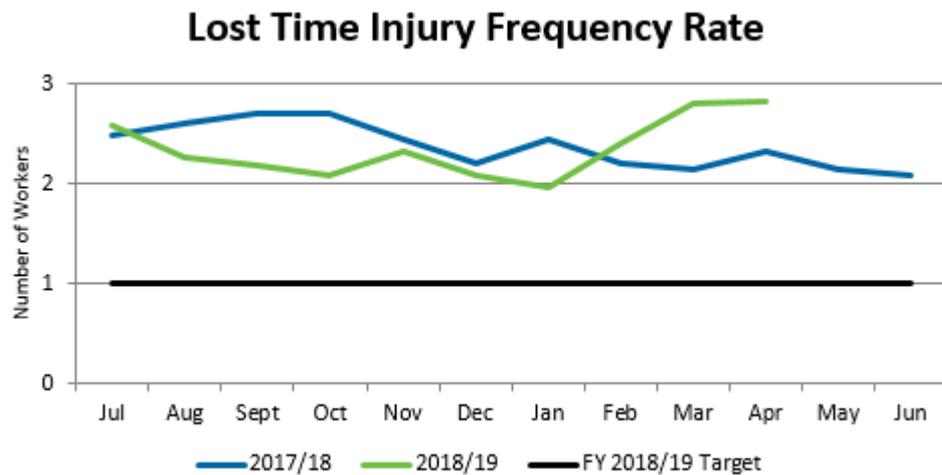


Figure 4: Lost time injury frequency rate per 200,000 work hours for FY 2018/19

## 3.0 Health and Safety Trends

During this period of reporting we have seen a slight increase in lost time injuries, however there is no discernible pattern for these events with all events less than four days duration.

Issues relating to coding, bulk loading of events and data entered/alterd after the reporting cut off dates, continues to have an impact on our data reliability and integrity. The safety event triage process for Safety Event Management as part of the SMS will address the

coding issue whilst our Health & Safety Advisors continue to work closely with teams or persons responsible for entering data to improve timeliness.

Our safety metrics show an increase in use of the Employee Assistance Programme (EAP) whilst a reduction in the number of reported safety events entered in Vault, meaning that psychosocial issues or incidents may not be as widely reported as those incidents involving physical harm.

Syncing issues between Vault and PSE remain a cause for concern in terms of reliable data and is resulting in an understatement of hours worked, thus skewing the frequency rates for LTIFR and TRIFR. Work is ongoing to identify the root cause(s).

### 3.1 Notifiable Events

There have been two events notified to WorkSafe between 1 February to 30 April 2019:

- Claudelands Event Centre – light cover was cleaned and put back into place, five minutes later the cover fell to the ground. No persons were in the immediate vicinity, all other light covers were checked. Amendments to procedures have been made and documented.
- Power cable to street light – This cable was cut, but not energised at the time. An investigation carried out by City Delivery found that while staff had access to appropriate safety documentation they did not pot hole for underground services. Appropriate remedial actions are being implemented by City Delivery including refresher training on locating underground services.

### 3.2 Lost Time Injuries

Between 1 February to 30 April 2019 we recorded six lost time injuries', compared to four for the same period last year. Our current LTIFR is 2.83 per 200,000 work hours verses our target of 1.0.

Date	Department	Description and Findings
14/02/2019	City Parks	Trailer towing arm was raised due to mulch in the trailer. Staff pulled down on it to connect to tow ball on upfront mower. Normal way of doing task and have done many times previously. Pulled down on trailer and felt sharp pain in right side of abdomen. Stopped immediately and went to get assistance from another staff member. Pain did not ease. Went to doctors approx. 2pm after leaving work. On medication for pain and off work until Monday 18/2/19 and returning on light duties. Doctors med cert given. Referred to Physio. Light duties work plan done. Staff to go back to doctors for clearance med or continuation on Monday 25th February 2019.
25/02/2019	City Parks	Was stepping out of truck onto wash pad and rolled right ankle. Went to Anglesea Clinic had x-ray. Ankle is sprained and off work for 2 days. Returning on Weds 27/2/19 for light duties until 3/3/19 as per medical cert. Zac made an appointment with his doctor and is resting today.

25/02/2019	Transportation	Staff was feeling unwell, sweaty and clammy. He does not believe it was heat related. He went to a doctor's appointment. He suffered a mild attack of angina and has been prescribed medication by his doctor.
14/03/2019	Hamilton Gardens	While walking outside workshop, left work boot clipped a metal storm water drain grate on 14/03/19 and fell forward. Bruising to face/ribs wrist and chest. Sought medical treatment and no lasting injuries, doctor advised to rest for a day and back to work on Monday 18/03/19.
21/03/19	Waterworld	Pushing 50m lane ropes up the ramp didn't quite have my footing right to push and possibly have twisted my knee (right). Went to see a doctor declared unfit for work.
09/04/2019	Transportation	Pain in right shin, on-going. First noticed pain on 30/03/19 and the pain has kept recurring since. I have filled out an early discomfort form and informed my Supervisor. I went to Anglesea clinic on 15-04-19 and have been diagnosed with shin splints and deemed unfit for work from 16/04/19 and return to work on 18/04/19. I have been prescribed anti-inflammatory's and been told to see a physiotherapist. I have an appointment with the physio on 19/04/19 at 13:20pm.

Table 1: Lost time injury 1 Feb 30 April 2019

### 3.3 Medical Treatment and First Aid Injuries

Between 1 February to 30 April 2019 we recorded zero medical treatment injuries and 18 first aid injuries. Our current TRIFR is 5.19 verses our target of <3.5.

### 3.4 Near Hit Reporting

Between 1 February to 30 April 2019 we recorded 102 near hits and year to date 369. A significant decline continues in the reporting of near hits, compared to the previous year. For the same reporting period in 2018, we had recorded 586.

We continue to encourage near hit reporting, however it remains critically important that workers reporting events are provided feedback and that key learnings are shared across Business Units. Vault is unable to provide an automatic facility for this due to the inflexibility of the current software system.

### 3.5 Assurance

Between 1 February to 30 April 2019 there were 148 health and safety audits carried out, made up of 41 manager audits and 107 worksite/ contractor audits.

Many of these assurance activities are not entered into Vault so we are unable to analyse trends, assess consistency and identify areas for improvement across Council. To address this, safety assurance activities have begun to be loaded and tested into IAuditor. This will provide a consistent view of assurance activities undertaken by the Health and Safety team and relevant staff across the organisation. This tool will also be made available to other staff with a safety focus. Initial discussions have been held with Facilities, H3 and Infrastructure Operations.

We also carried out 354 safety observations, providing workers and managers with an opportunity to have positive safety conversations as well as addressing any unsafe practices. However, in some business unit's safety observations appear to reflect a target rather than contributing to a positive safety culture. This will be addressed in the new Safety Management System.

As an area that continues to have a critical focus due to the associated risks, the PSW team alongside management, are undertaking a safety assessment of the Zoo and will consist of three major work streams.

- A review of psychosocial hazards
- An assessment of safety risk management practices
- Assurance that recommendations of previous reports have been enabled and are continued to be supported.

This assessment is being led by Mark Wagstaff – H&S Assurance Lead and assisted by Associate Professor Facility Lamm from AUT. This work is expected to be completed by the end of June with a draft report available in July. Additional input may be sought from PWC.

### 3.6 Site Visits – Emerging Issues

1. Compulsory Health monitoring has not yet been completed, Waikato Occupational Health Consultancy (WOHC) is working with those areas. All health information captured, as a result of these health checks is being appropriately stored at Council.
2. The radio telephone (R/T) issue remains as a critical safety issue. We have had three reported incidents from one business unit in April. In one instance, while Animal Control were responding to a dog attack the RT system did not work when the person called for assistance. This highlights a need for an urgent a wider lone working review that needs to be undertaken across Council.
3. A review of TMP practices across Council has been undertaken by several units to ensure we follow good practice at all times. This is in response to the recent fatalities externally, whilst working within roading corridors. A Waikato Bay of Plenty Local Government forum will be held in June, this initial forum will be led by Hamilton City Council and will focus on this topic. WorkSafe, Auckland Transport and training providers will be participating.
4. Noise level monitoring will be undertaken for pool staff by using a dosimeter this will provide assurance that noise levels are at an acceptable level for staff at the pools undertaking their duties.

### 3.7 Worker Participation and Engagement

City Parks safety day was held on the 21<sup>st</sup> March, which was successfully run. To improve greater networking, we invited two safety advisors from Auckland Transport to attend – they found the day valuable and took away some key learnings and insights. This will become part of an exchange programme with Auckland Transport where the safety team can share relevant information and examples of good practice, which we can jointly benefit from.

A meeting was held between the safety leads, New Zealand Public Service Association (PSA) delegates and the union representative where a presentation was made on the forthcoming safety management system improvements and change to a just culture model at Council.

As part of our regular engagement with the Health and Safety Representatives (HSR's) we have presented and discussed key concepts and principals of the new safety management system being introduced. The key concepts discussed were 'safe and just culture', 'triaging safety events', 'six points of engagement' and the 'Safety Management System'. Additionally, we engaged with the HSR's and used a facilitated workgroup to address a series of questions that were part of a national survey of HSR's. While people generally feel positive about the HSR's role the following two issues were observed.

- Health and safety is not consistent across the organisation
- The representatives were not confident that persons would not be harmed or made unwell because of work activities

A charter is being developed in conjunction with the health and safety representatives that reflects the new SMS and just culture and will also enforce that HSR's have a licence to act.

### 3.8 Engagement with Regulatory Agencies

The Team attended the WorkSafe Forum where Fire Emergency NZ (FENZ) presented on emergency response plan preparation. Subsequently a review of the types of emergency response plans that are documented across Council has been undertaken. This review has showed that most emergency response plans are focused on fire. Emergency scenarios developed by H3 are being shared to units to ensure response plans for a wider range of scenarios are implemented across Council.

Council and WorkSafe met to discuss the demolition of a central city building as part of the Asbestos Liaison Protocol. Subsequently concurrent notices were issued by WorkSafe and Council relating to the management of asbestos at this site.

### 3.9 Engagement with other Organisations

The Health and Safety Team Leads have visited Auckland University to discuss models for worker engagement in diverse organisations, including implementation of Wellness programmes in complex settings. Additionally, the University currently uses the same IT solution as Council and discussions were held on the systems effectiveness and ease of use for staff.

The purpose of these visits is to widen our scope outside of local government and to learn and benchmark ourselves against private sector organisations to lift our safety performance and challenge ourselves to do better.

The Health and Safety Team Leads met with Construction Health and Safety New Zealand (CHASNZ) to review the proposed framework for Pre-Qualification of Contractors. It is important that Council say ahead of any changes that may be made in this space and we will continue to engage with CHASNZ regarding contractor prequalification. CHASNZ is a new charitable trust developed to provide leadership of health and safety in the construction industry. CHASNZ will work in partnership with the government, regulators and unions to deliver a unified plan to create consistency and simplification of industry standards, systems, measurement and expectations across the construction industry.

# 4.0 Key Health and Safety Initiatives

## 4.1 Safety Management System (SMS)

The Health and Safety Team have refreshed the Safety Roadmap, focussing on a safety management system that is structured on four pillars, this draft has been presented to the Business Support Leadership Team meeting (BSLT), Senior Leadership Team (SLT), Corporate Group and most Team Lead meetings across the organisation. Engagement with these groups and a concurrent demonstration of safety leadership is a critical factor in leading an enhanced safe and just culture.

A final draft of the SMS and the following supporting frameworks will be sent out for consultation in May/June. Supporting frameworks include:

- Safety Risk Management
- Safety Assurance
- Safety Governance Framework
- Triaging of Safety Events

## 4.2 Contractor Prequalification

The assessment of SHE's Contractor Pre-Qualification service, led by HCC in conjunction with Hauraki revealed significant issues relating to the operation of the service and governance issues relating to the project. Priority tasks include reviewing the question set, engagement with SHE to increase the knowledge base for their staff and enhanced assurance activities including quarterly audits of the system.

The revision of the question set commenced on 17 April with the Waikato Local Authority Shared Services (LASS) Governance Group. The next audit of the SHE scheme will be undertaken on July 1 -3<sup>rd</sup> 2019.

## 4.3 Critical Risks

Work has commenced on a review of the number of safety critical risks across Council and it is expected that this list will be consolidated as not all business units are exposed to all the current critical risks. Critical risks will be defined by the level of residual risk (high and above), and duration and frequency of exposure and the number of persons exposed across Council.

## 4.4 Health and Safety Reporting System – Vault

After considerable consultation with other diverse organisations using Vault, it has become apparent that Vault will not meet our future requirements for a flexible and intuitive safety software system that will facilitate a strong organisational safety culture. A demonstration by EcoPortal was held at Council and was attended by key stakeholders, including risk and operational lead staff.

Further presentations will be scheduled over the forthcoming months with a view to present a business case to SLT. Any software solution must include the ability to use mobile devices and be deployable across the organisation.

As previously mentioned, we are still experiencing syncing issues between Payroll and Vault, which is causing some concern. This is currently being investigated and is causing data integrity to be lost.

#### 4.5 Wellness Programme – WorkWell

We are excited to have witnessed the signing of our WorkWell Pledge in June between the Council and the DHB. This pledge shows Hamilton City Council's and Waikato District Health Board's commitment in working toward improving the health and wellbeing of our staff.

The outcomes of this Pledge agreement are:

1. To offer a framework for developing health promotion in a way that supports and enhances existing structures and programmes/practices within the workplace.
2. To work in partnership to identify areas of need, set goals and evaluate health-related activities to further enhance wellbeing.
3. To maintain momentum towards the standards of accreditation while adhering to a good practice approach.
4. To achieve the WorkWell Standard of Accreditation.

Having Richard, our Chief Executive's commitment is vital to the ongoing success of this programme as well as the visible support and commitment from Senior Management Team.

The staff had an opportunity to complete the WorkWell Wellness Survey over two weeks (response rate of 33%). Waikato District Health board will disseminate those findings to our WorkWell Wellness group soon and will discuss any upcoming initiatives.

Voluntary Health Checks commenced in March with Flu Vaccinations booked with Waikato Occupational Health Consultancy for May.

#### 4.6 Training and Competency

As you are aware Hamilton City Council is committed to developing our Health and Safety Representatives (HSRs) as they play an important role in keeping workplaces healthy and safe and provide a voice for workers who might not otherwise speak up.

As part of our HSRs development we have identified Mental Health 101 as a course that they are expected to attend to ensure they have the right skills, knowledge experience to assist in improving the wellbeing of staff at Council.

This will assist our reps to become safety champions and provide them with additional skills on the following:

- A healthy workplace – roles and responsibilities
- Our wellbeing – what impacts this
- Common mental health disorder – explained
- Signs and symptoms –what to look out for
- How to respond – group work with case studies

- Active listening – learning the soft skills
- Where and when to get help
- Self-care strategies

Courses Provided Between Feb - April 2019	Month	Number Attended
Customer Conflict – Hamilton Zoo x 2 sessions	February	26
Disability Awareness	February	9
Vulnerable Children’s Act – Manager	February	29
Customer Conflict Duke Street	February	32
Vulnerable Children’s Act – Waterworld Washup	February	16
Basic Warrant Officer Training	March	17
Customer Conflict – Duke Street	March	9
Vulnerable Children’s Act – Staff x 4 sessions	March	88
Disability Awareness	April	9
Basic Warrant Officer Training	April	12

Table 2: Health, Safety and Wellness training completed Feb - April 2019

## 5.0 Health and Wellbeing

### 5.1 Bullying and Harassment Monitoring

Reporting of incidents relating to alleged bullying and harassment occurrences are captured and categorised by:

- Peer support contact (early intervention)
- Informal reports (investigated internally)
- Formal reports (investigated externally)

	Peer Support	Informal Reports	Formal Reports
Total for period 1 Feb – 30 <sup>th</sup> April 2019	1	2	1

Table 3: Harassment and Bullying

### 5.2 Employee Assistance Programme (EAP)

For the period 1 February – 30 April 2019 there were 58 cases handled through EAP, which is up twelve from the previous reporting period. Most of these cases continue to be through self-referrals and the primary presented issues relate to work stress, personal relationships and divorce/separation/custody.

EAP Use	1 Aug – 31 Oct 2018	1 Nov – 31 Jan 2019	1 Feb – 16 April 2019
New Cases	27	21	31
Reopened Cases	4	6	5
Pre-existing cases seen during period	23	19	22
<b>Total Cases</b>	<b>54</b>	<b>46</b>	<b>58</b>
Contact Hours for the Period	103	65	110
Average Hours per Client	2	1.7	2.1

Table 4: EAP Usage \* NOTE reporting period set by EAP

## 6.0 Summary

The safety team continue to focus their efforts on a blended approach of risk management, assurance and engagement activities, promoting safer ways of working through improved job design and safety risk assessments as a standard way of working.

Increased workloads and project demands across business units are having an impact on our people and impacting on our ability to engage across the organisation at all levels.

We continue to promote health and safety conversations with workers to facilitate a sustainable change in performance and help to promote a just safety culture.

# Council Report

Item 9

**Committee:** Audit & Risk Committee      **Date:** 16 May 2019  
**Author:** Andre Chatfield      **Authoriser:** David Bryant  
**Position:** Risk and Insurance Manager      **Position:** General Manager Corporate  
**Report Name:** HCC Risk Management Report April 2019

<b>Report Status</b>	<i>Open</i>
----------------------	-------------

## Purpose

1. To inform the Committee on the progress of refreshing the Council's strategic and key organisational risks.
2. To seek the Committee's recommendation for the Council's approval of the updated draft Council Risk Management Policy.

## Staff Recommendation *(Recommendation to Council)*

That the Audit and Risk Committee:

- a) receives the report; and
- b) recommends the updated Council Risk Management Policy to Council for approval.

## Discussion

### Strategic Risks Review

3. Two strategic risk workshops were conducted on 4<sup>th</sup> and 5<sup>th</sup> March 2019.
4. The first workshop was led by an external facilitator and focused on understanding the key differences between strategic risks and other risks an organisation may be exposed to. The workshop attendees included a mix of Elected Members, Senior Leadership Team and other key Council staff.
5. The second workshop identified nine draft strategic risks. Again, the workshop attendees included a mix of Elected Members, Senior Leadership Team and other key Council staff.
6. The Senior Leadership Team further refined the strategic risks for the Council on 17<sup>th</sup> April 2019. This review resulted in three of these risks being recategorised as key organisational risks and the identification of two new strategic risks.
7. The eight strategic risks and three key organisational risks were assigned to General Managers as risk owners and will be presented at the Audit and Risk Committee risk workshop prior to the Committee meeting.
8. The purpose of the Audit and Risk Committee risk workshop is to review, discuss and finalise Council's key risks for future monitoring. This will include providing the Audit and Risk Committee with updates on the status of each key risk and progress on mitigation initiatives.

9. The above strategic and key organisational risks are captured in the draft Key Risk Summary attached to this report.
10. The draft Key Risk Summary also includes a section on key emerging risks, as identified nationally and internationally, for the purposes of awareness and Committee discussion.

#### Risk Management Policy

11. Council's success can be impeded by risks and uncertainty within our operating environment.
12. The Risk Management Policy outlines Council's approach to managing risk and provides an outline of Council's risk management philosophy and key principles. The policy also provides a guidance on rating, reviewing and reporting risks.
13. Council staff have reviewed the current policy and there were no substantive changes however some minor updated amendments were made to align with the current ISO: 31000:2018 risk management standard.

### **Financial Considerations**

14. There are no known financial considerations associated with the decision to submit to Council for approval of this policy.

### **Legal and Policy Considerations**

15. There are no known financial considerations associated with the decision to submit to Council for approval of this policy.

### **Cultural Considerations**

16. There are no known cultural considerations associated with the decision to submit to Council for approval of this policy.

### **Sustainability Considerations**

17. There are no known sustainability considerations associated with the decision to submit to Council for approval of this policy.

### **Risks**

18. The reviewed policy has been written in plain English and simplified to eliminate the risk of confusion to provide clarity to the reader.
19. This policy is supported by the Organisational Risk Management Standards and Guidelines which provides methodologies to identify and manage the risks across Council.

### **Attachments**

Attachment 1 - Draft Key Risk Summary - April 2019

Attachment 2 - Council Policy - Risk Management - May 2019 Submission for Approval

Attachment 3 - Council Policy - Risk Management - showing tracked changes .

## Draft Key Risk Summary – May 2019

### Risk Definitions

Risk Type	Definition
Strategic	The risk of an event or impact that is <b>external</b> to Council and could impact the organisation’s strategies, including Council’s Financial Strategy, Long Term Plan and 30 Year Infrastructure Strategy.
Organisational	The risk of an event or impact that is <b>internal</b> or <b>external</b> to Council and could impact the whole organisation.
Operational	The risk of an event or impact that is <b>internal</b> or <b>external</b> to Council and could impact one or more Operational activity.
Emerging	Emerging risks are risks which may develop or which already exist and are difficult to quantify but may have a high consequence, high impact if they materialise.

Risk Number	Draft <b>Strategic</b> Risk Description <i>Italic descriptions are drafts requiring further input</i>	Risk Owner	Residual Risk Rating (TBC)
<b>1</b>	<b>A Natural Disaster</b> <i>A natural disaster event; including the increased severity of natural events associated with Climate Change.</i>	Jen Baird	TBC
<b>2</b>	<b>Major Economic or Financial Shock</b> <i>An external financial event impacts Councils financial strategy, fiscal and monetary position or mitigation tools to respond.</i>	David Bryant	TBC
<b>3</b>	<b>Increasing Compliance Standards due to Stakeholder Expectations</b> <i>This risk is to consider the risk of central government and regional council increasing compliance standards and changes in community expectations.</i>	David Bryant	TBC
<b>4</b>	<b>Cyber Attack</b> <i>Unauthorised access to Councils IT infrastructure results in loss of service continuity that may lead to safety risks to Hamiltonians and relatable consequences of reputational, legal, and financial losses.</i>	David Bryant	TBC
<b>5</b>	<b>Growth</b> <i>Significant change to/in growth demand and/or growth is misaligned to positive community outcomes.</i>	Jen Baird	TBC
<b>6</b>	<b>Unexpected political changes impact Councils strategic direction.</b> <i>Political stakeholders make unpredictable decisions or take unforeseen actions that significantly impact or contradict Council’s strategic imperatives.</i>	Blair Bowcott	TBC
<b>7</b>	<b>Significant Shortages of Key External Resources</b> <i>The market is unable to deliver necessary resources to achieve our strategy; including but not limited to people and supplies for major projects.</i>	Chris Allen	TBC
<b>8</b>	<b>High-Level security threat or major emergency</b> <i>An emerging safety, security or environmental event materialises and impacts Councils strategic direction.</i>	Richard Briggs	TBC

Item 9

Attachment 1

**Attachment 1**

Risk Number	<b>Draft Organisational Risk Description</b> <i>Italic descriptions are drafts requiring further input</i>	Risk Owner	Residual Risk Rating (TBC)
<b>1</b>	<b>H&amp;S – Workers (incl. contracted workers &amp; volunteer workers)</b> <i>Failure to create and maintain a safe environment for staff leading to death or a serious injury incident.</i>	David Bryant	TBC
<b>2</b>	<b>Safety and Wellbeing of the Community</b> <i>Failure to provide and maintain a safe environment for the community that leads to an incident resulting in serious injury or death.</i>	David Bryant	TBC
<b>3</b>	<b>Failure of critical assets</b> <i>Incorrect investment (timing and/or amounts) results in the unexpected failure of critical assets (loss of levels of service).</i>	Eeva-Liisa Wright	TBC

The following section highlights emerging risks that have the potential to impact Council.

**Item 9**

**Emerging Risks**

Below are the most common emerging risks being discussed and monitored within NZ. They are not ranked but listed to promote awareness and discussion.

- *Climate Change*
- *Water quality and quantity supply to the City*
- *Fraud activities and societal trends – financial, building consents, grant distribution*
- *Technology – artificial intelligence, IT disruptors and IT security trends*

First adopted:	22 February 2012
Revision dates/version:	Updated for Governance Structure May 2019
Next review date:	May 2022
Engagement required:	Not required
Document number:	D-1680375
Associated documents:	Risk Management Standards and Guidelines
Sponsor/Group:	General Manager - Corporate

## Risk Management Policy

### Purpose and scope

1. Hamilton City Council operates on core values to achieve its strategic objectives, goals and plans. Through the 10-Year Plan, Council aligns its focus, activities and the way Council operates across all parts of the organisation.
2. The nature of Council's core activities means that the organisation's success can be impeded by risks and uncertainty that may arise from our operating environment. This Policy has been established to address those issues. Risk management is a well recognised key governance and management tool which underpins Council's approach to achieving its objectives.
3. The Policy outlines Council's risk management philosophy, risk threshold and approach to managing risk. It also sets out the principles which guide Council's risk philosophy and the structures and processes necessary to implement, support and sustain effective risk management across Hamilton City Council.

### Definitions

Definition	Detail
Council	The Hamilton City Council elected members.
Hamilton City Council (HCC)	The Hamilton City Council as an organisation.
Level of risk	The magnitude of a risk or combination of risks, expressed in terms of the combination of consequences and their likelihood.
Project	A series of interrelated activities undertaken to accomplish a specific goal or end result with specific start and end points (not ongoing).
Public annoyance	The result of something that disturbs or aggrieves the public; something the public finds irritating or troublesome.
Risk attitude	Council's approach to assess and eventually pursue, retain, take or turn away from risk.
Risk management	Coordinated activities to direct and control Council with regard to risk.
Risk management framework	A set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout Council.
Risk threshold	The amount and type of risk that Council is willing to accept in pursuit of its objectives.
Risk tolerance	The maximum risk that Council is willing to take regarding each relevant risk.
Extreme risk	A risk which is almost certain or certain to occur which will result in major or catastrophic consequences.

## Principles

4. Risk management will be governed by a common set of principles. These principles should be considered for all risk management activities undertaken within Hamilton City Council:
  - a. Integrated – risk management is an integral part of all the Council’s activities.
  - b. Structured and comprehensive – the Council’s approach to risk management contributes to consistent and comparable results.
  - c. Customised – the Council’s risk management framework and processes are customised and proportionate to the external and internal context related to the Council’s objectives.
  - d. Inclusive – appropriate and timely involvement of the Council’s stakeholders enables their knowledge, views and perceptions to be considered. This results in improved awareness and informed risk management.
  - e. Dynamic – risk management anticipates, detects, acknowledges and responds to those changes and events in an appropriate and timely manner.
  - f. Best available information – the inputs to risk management are based on historical and current information, as well as on future expectations. Risk management explicitly considers any limitations and uncertainties associated with such information and expectations. Information should be timely, clear and available to relevant stakeholders.
  - g. Human and cultural factors – significantly influence all aspects of risk management at each level and stage.
  - h. Continual improvement – risk management is continually improved through learning and experience.

## Risk management statement

5. Risk management is the responsibility and duty of everyone at Hamilton City Council. The process of identifying and managing risks remains at the core of all processes to ensure that Council is able to meet its long-term goals and strategy.
6. Everyone at Council should be empowered to identify risks and have the tools available to be able to bring these to the attention of Management and Council. This Policy will ensure that risks that bring Hamilton City Council into disrepute, or result in significant financial consequences, are identified, reported early and managed appropriately.

## Risk management overview

7. Council will determine and oversee the risk management structure and ensure it is functioning effectively and efficiently.
8. Council’s requirements and priorities in respect of risk management will be communicated throughout Hamilton City Council.
9. Potentially significant risks identified by personnel can be communicated upwards to Council through the Chief Executive.
10. Council will determine the level of significance that they would like to review, e.g. extreme, very high, and high risk. Risks will be rated on a five-point rating scale at Hamilton City Council (extreme, very high, high, medium, and low).
11. Council should identify and address risks at a governance level which would affect its ability to meet the governance and stewardship role for Hamilton City Council.
12. Hamilton City Council’s risk management guidelines are consistent with the ISO 31000:2018 Risk Management Standard.

## Risk threshold and tolerance

13. Setting risk threshold and tolerance is the responsibility of Council.
14. At Council level, risk threshold is a driver of strategic risk decisions. At an executive level, risk threshold translates into a set of procedures to ensure that risk receives adequate attention when making tactical decisions. At an operational level, risk threshold dictates operational constraints for routine activities.
15. Setting risk threshold starts with the outcome targets Council wishes to achieve, taking into account:
  - a. Current and future potential risk exposures.
  - b. An analysis of risk/return trade-offs.
  - c. Current and future potential resources.
  - d. Council's desired risk position in the public sector, given the reputation it wants to achieve/maintain, likely sector developments and the positioning and expected strategies of other sector participants/stakeholders.
16. Council sets a risk threshold at an overarching level for all activities undertaken. All risks undertaken should be done so in line with the risk management framework. All risks identified must be assessed against key Council consequence areas to ensure the impact on Council can be clearly understood. This will include consequence areas such as financial, political, reputational, compliance, and safety and wellbeing.
17. In executing its chosen strategies Council encourages intelligent risk taking, grasping of new opportunities and the use of innovative approaches to further the interests of its business and help achieve its stated outcomes provided the resultant risk exposure is within Council's risk tolerance limits.
18. Additional care is needed in taking any action which could:
  - a. impact on the reputation of Council, and HCC
  - b. impact on service delivery to ratepayers
  - c. impact the safety and wellbeing of HCC people and the public
  - d. undermine the achievement of HCC's objectives
  - e. result in financial loss
  - f. result in the disclosure of sensitive information when dealing with Official Information requests.
19. The following reporting tolerance and threshold guidelines must be considered when considering opportunities or making decisions.

Class	Tolerance	Threshold
Projects	All projects should be adequately managed to ensure they are completed within budget and do not incur overruns. These projects should also be completed within the agreed scope and timelines while delivering on the agreed objectives.  All projects must be assessed for reputational consequence on Council.	All projects with a budget over \$10,000 should be assessed for financial and reputational risks.
Reputation	All risks identified should be considered for their reputational impact on HCC and Council.	Risks which may result in negative local and/or national media coverage; as well as a 'likely' to 'certain' likelihood, should be highlighted and reported to Council.
People	The safety and wellbeing of staff, contractors and the public are of the utmost importance.	Risks which have a serious, major or catastrophic consequence; as well as 'likely' to 'certain' likelihood, should be highlighted and reported to Council.
Financial	Operational and capital expenditure budgets should be closely monitored to ensure these are kept within reasonable limits.	Projects and operational budgets which may overrun where the likelihood of these are 'likely' to 'certain'; and for:  <b>Capex Projects:</b> Project overrun the lesser of 10%-15% (or \$10k-100k) of project budget; or  <b>Operational budget:</b> Opex increase or reduction in revenue: the lesser of 10%-15% (or \$10k-\$100k) of Opex budget;  Any risk which exceeds these thresholds should be highlighted and reported to Council.

The resultant risk ratings after the assessment of consequences and likelihood, as well as the actions required for these risks are outlined in Schedule 1.

### Reporting extreme risks.

20. In the case that a risk assessment results in an 'extreme' raw or residual risk score, the risk is to be reported to the Chief Executive and Council immediately and subsequently reviewed and reported as outlined in Schedule 1.

## Review of risk management

21. Risk management performance will be reviewed regularly to ensure that the desired outcomes or benefits are being achieved.
22. Council will receive reports from the Chief Executive of significant risks at Council on a regular basis. Council will review the risks as well as any mitigations/controls in place.
23. Feedback regarding the effectiveness of these controls will be independently provided by Internal Audit on a periodic basis as determined by Internal Audit, or as requested by Council.
24. Audit New Zealand or other external parties may be requested to provide independent assurance on the effectiveness of controls in place at Council, as well as any other risk mitigation processes as required by Council, or as mandated by New Zealand legislation.

## Implementation

### Risk management responsibilities

25. Council are responsible for:
  - a. Evaluating risks to the delivery of the Long-Term Plan (LTP).
  - b. Determining the strategic approach to risk.
  - c. Setting the risk threshold.
  - d. Setting risk tolerance levels commensurate with the risk threshold.
  - e. Establishing the structure and practices for risk management.
  - f. Understanding the most significant risks.
  - g. Setting Council risk policies.
  - h. Triennially considering the need for an independent review of the risk management framework.
  - i. Forming its own view on the strategic risks for Hamilton City Council.
  - j. Reviewing the quality of risk information, reports and effectiveness of risk assurance practices.

## Schedule 1 - Risk rating and reporting

The following tables provide the limits within Hamilton City Council's overall risk threshold which the organisation is expected to operate within and expected responses for each level of risk.

Attachment 2

		CONSEQUENCE				
		Minor	Moderate	Serious	Major	Catastrophic
LIKELIHOOD	Certain	H	H	VH	E	E
	Almost certain	M	H	VH	VH	E
	Likely	L	M	H	VH	VH
	Unlikely	L	M	M	H	VH
	Highly unlikely	L	L	L	M	H

This matrix is used to map the likelihood and consequence levels of a risk and provide a pictorial representation of the relativity of that risk to other risks within an Activity Group or Project, and can also be used for mapping key risks across Hamilton City Council.

Item 9

### 'Action required' table

The following table details the required actions for each risk:

ACTION REQUIRED FOR RISK	
<b>E</b>	<b>Extreme Risk</b> – Immediate action required: risk escalated as appropriate. Action Plans and management responsibility specified with close scrutiny required. Only the Chief Executive and/or Council can accept this level of risk.
<b>VH</b>	<b>Very High Risk</b> – Senior Leadership Team attention advised. Action Plans and management responsibility specified with periodic scrutiny required. The relevant GM, sponsor, risk manager and programme manager can accept this level of risk.
<b>H</b>	<b>High Risk</b> – Senior Leadership Team attention advised. Action Plans and management responsibility specified with periodic scrutiny required. The relevant General Manager (GM), sponsor, risk manager and programme manager can accept this level of risk.
<b>M</b>	<b>Medium Risk</b> – Management responsibility specified. Managed by specific monitoring and procedures. The relevant programme, unit manager or risk manager can accept this level of risk.
<b>L</b>	<b>Low Risk</b> – Manage by routine procedures. Unlikely to require specific application of resources. The relevant activity manager can accept this level of risk.

**`Risk review' table**

The following table details the required level to which the different risk levels must be reviewed.

RISK LEVEL	ORGANISATIONAL RISKS	REVIEW PERIOD	PROJECT RISKS	REVIEW PERIOD
<b>Extreme</b>	Council	Monthly	Council	Per Project Plan
	Senior Leadership team	Monthly	Programme Manager Project Sponsor	Per Project Plan
<b>Very High</b>	Council	Monthly	Programme Manager Project Sponsor	Per Project Plan
	Senior Leadership Team	Monthly		
<b>High</b>	Senior Leadership Team	Quarterly	Programme Manager Project Sponsor	Per Project Plan
<b>Medium</b>	Wider Leadership Group*	Six monthly	Programme Manager	Per Project Plan
<b>Low</b>	Wider Leadership Group*	Six monthly	Programme Manager	Per Project Plan

*\*Wider Leadership Group is to be interpreted as any staff member with specific business responsibilities, including but not limited to, General Managers, Unit Managers, Team Leaders and Project Managers.*

By using this matrix, a decision can be made as to the level of escalation for management acceptance that is required and the frequencies with which accepted risks are to be reviewed.

## 'Risk reporting' table

The following table details the required level to which the different risk levels must be reported

Attachment 2

Item 9

RISK LEVEL	ORGANISATIONAL RISKS	REPORTING PERIOD	PROJECT RISKS	REPORTING PERIOD
Extreme	Council	Audit and Risk quarterly	Council	Finances Committee Six weekly
	Senior Leadership Team	Monthly	Programme Manager Project Sponsor	Monthly
Very High	Council	Audit and Risk Committee quarterly	Council	Finances Committee Six weekly
	Senior Leadership Team	Monthly	Programme Manager Project Sponsor	Monthly
High	Council	Audit and Risk Committee quarterly	Council	Finances Committee Six weekly
	Senior Leadership Team	Monthly	Programme Manager Project Sponsor	Monthly
Medium	Senior Leadership Team	Monthly	Programme Manager	Monthly
	Wider Leadership Group*	As required		
Low	Senior Leadership Team	Monthly	Programme Manager	Monthly
	Wider Leadership Group*	As required		

*\*Wider Leadership Group is to be interpreted as any staff member with specific business responsibilities, including but not limited to, General Managers, Unit Managers, Team Leaders and Project Managers.*

By using this matrix a decision can be made as to the level of escalation for management acceptance that is required and the frequencies with which accepted risks are to be reported.

First adopted:	22 February 2012
Revision dates/version:	Updated for Governance Structure <del>May 2019 February 2017   24 February 2015</del>
Next review date:	<del>May 2022 February 2018</del>
Engagement required:	Not required
Document number:	D-1680375
Associated documents:	Risk Management – <del>Management Guidelines and Processes</del> <del>Risk Management (management) Policy</del> , Standards and Guidelines <del>ISO 31000-2009 Risk Management Standard</del>
Sponsor/Group:	General Manager - Corporate

## Risk Management Policy

### Purpose and scope

1. Hamilton City Council operates on core values to achieve its strategic objectives, goals and plans. Through the 10-Year Plan, Council aligns its focus, activities and the way Council operates across all parts of the organisation.
2. The nature of Council's core activities means that the organisation's success can be impeded by risks and uncertainty that may arise from our operating environment. This Policy has been established to address those issues. Risk management is a well recognised key governance and management tool which underpins Council's approach to achieving its objectives.
3. The Policy outlines Council's risk management philosophy, risk threshold and approach to managing risk. It also sets out the principles which guide Council's risk philosophy and the structures and processes necessary to implement, support and sustain effective risk management across Hamilton City Council.

### Definitions

Definition	Detail
Council	The Hamilton City Council elected members.
Hamilton City Council (HCC)	The Hamilton City Council as an organisation.
Level of risk	The magnitude of a risk or combination of risks, expressed in terms of the combination of consequences and their likelihood.
Project	A series of interrelated activities undertaken to accomplish a specific goal or end result with specific start and end points (not ongoing).
Public annoyance	The result of something that disturbs or aggrieves the public; something the public finds irritating or troublesome.
Risk attitude	Council's approach to assess and eventually pursue, retain, take or turn away from risk.
Risk management	Coordinated activities to direct and control Council with regard to risk.
Risk management framework	A set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout Council.
Risk threshold	The amount and type of risk that Council is willing to accept in pursuit of its objectives.
Risk tolerance	The maximum risk that Council is willing to take regarding each relevant risk.
Extreme risk	A risk which is almost certain or certain to occur which will result in major or catastrophic consequences.

Page 1 of 8

## Principles

4. Risk management will be governed by a common set of principles. These principles should be considered for all risk management activities undertaken within Hamilton City Council:
- a. ~~Integrated – An organisation-wide approach is adopted with a common definition of risk management that~~ is an integral part of all the Council's activities/processes.
  - b. ~~Structured Risk Management creates and comprehensive – the Council's approach to risk protects value.~~
  - c. ~~Risk Management is embedded in the decision making processes at Hamilton City Council.~~
  - d. ~~Responsibility for Risk Management is clearly assigned with support from all activity areas.~~
  - e. ~~Council has appropriate transparency and visibility of risk management practices.~~
  - f. ~~All activity areas are responsible for their performance and management contributes to of risks.~~
  - g. ~~There is a consistent and comparable results and common understanding of risks and how they are measured throughout City Council.~~
  - a. Customised – the Council's risk management framework and processes are customised and proportionate to the external and internal context related to the Council's objectives.
  - b. Inclusive – appropriate and timely involvement of the Council's stakeholders enables their knowledge, views and perceptions to be considered. This results in improved awareness and informed risk management.
  - c. Dynamic – risk management anticipates, detects, acknowledges and responds to those changes and events in an appropriate and timely manner.
  - d. Best available information – the inputs to risk management are based on historical and current information, as well as on future expectations. Risk management explicitly considers any limitations and uncertainties associated with such information and expectations. Information should be timely, clear and available to relevant stakeholders.
  - e. Human and cultural factors – significantly influence all aspects of risk management at each level and stage.
  - f. Continual improvement – risk management is continually improved through learning and experience.
  - h. ~~Risks and issues are dealt with adequately and appropriately by Council as they occur.~~
  - i. ~~Maintains the integrity of services provided by Council.~~

## Risk management statement

5. Risk management is the responsibility and duty of everyone at Hamilton City Council. The process of identifying and managing risks remains at the core of all processes to ensure that Council is able to meet its long-term goals and strategy.
6. Everyone at Council should be empowered to identify risks and have the tools available to be able to bring these to the attention of Management and Council. This Policy will ensure that risks that bring Hamilton City Council into disrepute, or result in significant financial consequences, are identified, reported early and managed appropriately.
- ~~7. Risks that are considered to require particular focus are:~~
- a. ~~risks that create public annoyance and impact on the reputation of Hamilton City Council, and~~
  - b. ~~risks that result in financial loss or budget deviation.~~

## Risk management overview

- ~~8.7.~~ Council will determine and oversee the risk management structure and ensure it is functioning effectively and efficiently.
- ~~9.8.~~ Council's requirements and priorities in respect of risk management will be communicated throughout Hamilton City Council.

[10.9.](#) Potentially significant risks identified by personnel can be communicated upwards to Council through the Chief Executive.

[11.10.](#) Council will determine the level of significance that they would like to review, e.g. extreme, very high, and high risk. Risks will be rated on a five-point rating scale at Hamilton City Council (extreme, very high, high, medium, and low).

[12.11.](#) Council should identify and address risks at a governance level which would affect its ability to meet the governance and stewardship role for Hamilton City Council.

[13.12.](#) Hamilton City Council's risk management guidelines are consistent with the ISO 31000: ~~2018~~2009 Risk Management Standard.

#### **Risk threshold and tolerance**

[14.13.](#) Setting risk threshold and tolerance is the responsibility of Council.

~~15.14.~~ At Council level, risk threshold is a driver of strategic risk decisions. At an executive level, risk threshold translates into a set of procedures to ensure that risk receives adequate attention when making tactical decisions. At an operational level, risk threshold dictates operational constraints for routine activities.

~~16.15.~~ Setting risk threshold starts with the outcome targets Council wishes to achieve, taking into account:

- a. Current and future potential risk exposures.
- b. An analysis of risk/return trade-offs.
- c. Current and future potential resources.
- d. Council's desired risk position in the public sector, given the reputation it wants to achieve/maintain, likely sector developments and the positioning and expected strategies of other sector participants/stakeholders.

~~17.16.~~ Council sets a risk threshold at an overarching level for all activities undertaken. All risks undertaken should be done so in line with the risk management framework. All risks identified must be assessed against key Council consequence areas to ensure the impact on Council can be clearly understood. This will include consequence areas such as financial, political, reputational, compliance, and safety and wellbeing.

~~18.17.~~ In executing its chosen strategies Council encourages intelligent risk taking, grasping of new opportunities and the use of innovative approaches to further the interests of its business and help achieve its stated outcomes provided the resultant risk exposure is within Council's risk tolerance limits.

~~19.18.~~ Additional care is needed in taking any action which could:

- a. impact on the reputation of Council, and HCC
- b. impact on service delivery to ratepayers
- c. impact the safety and wellbeing of HCC people and the public  
~~undermine the achievement of HCC's objectives~~
- g. undermine the achievement of HCC's objectives
- d. result in financial loss
- e. result in the disclosure of sensitive information when dealing with Official Information requests.

~~20.19.~~ The following reporting tolerance and threshold guidelines must be considered when considering opportunities or making decisions.

Class	Tolerance	Threshold
Projects	<p>All projects should be adequately managed to ensure they are completed within budget and do not incur overruns. These projects should also be completed within the agreed scope and timelines while delivering on the agreed objectives.</p> <p>All projects must be assessed for reputational consequence on Council.</p>	All projects with a budget over \$10,000 should be assessed for financial and reputational risks.

Reputation	All risks identified should be considered for their reputational impact on HCC and Council.	Risks which may result in negative local and/or national media coverage; as well as a 'likely' to 'certain' likelihood, should be highlighted and reported to Council.
People	The safety and wellbeing of staff, contractors and the public are of the utmost importance.	Risks which have a serious, major or catastrophic consequence; as well as 'likely' to 'certain' likelihood, should be highlighted and reported to Council.
Financial	Operational and capital expenditure budgets should be closely monitored to ensure these are kept within reasonable limits.	Projects and operational budgets which may overrun where the likelihood of these are 'likely' to 'certain'; and for:  <b>Capex Projects:</b> Project overrun the lesser of 10%-15% (or \$10k-100k) of project budget; or  <b>Operational budget:</b> Opex increase or reduction in revenue: the lesser of 10%-15% (or \$10k-\$100k) of opex budget;  Any risk which exceeds these thresholds should be highlighted and reported to Council.

The resultant risk ratings after the assessment of consequences and likelihood, as well as the actions required for these risks are outlined in Schedule 1.

[21.20.](#) Reporting extreme risks.

[22.21.](#) In the case that a risk assessment results in an 'extreme' raw or residual risk score, the risk is to be reported to the Chief Executive and Council immediately and subsequently reviewed and reported as outlined in Schedule 1.

#### Review of risk management

[23.22.](#) Risk management performance will be reviewed regularly to ensure that the desired outcomes or benefits are being achieved.

[24.23.](#) Council will receive reports from the Chief Executive of significant risks at Council on a regular basis. Council will review the risks as well as any mitigations/controls in place.

[25.24.](#) Feedback regarding the effectiveness of these controls will be independently provided by Internal Audit on a periodic basis as determined by Internal Audit, or as requested by Council.

[26.25.](#) Audit New Zealand or other external parties may be requested to provide independent assurance on the effectiveness of controls in place at Council, as well as any other risk mitigation processes as required by Council, or as mandated by New Zealand legislation.

## Implementation

### Risk management responsibilities

27.26. Council are responsible for:

- a. Evaluating risks to the delivery of the Long-Term Plan (LTP).
- b. Determining the strategic approach to risk.
- c. Setting the risk threshold.
- d. Setting risk tolerance levels commensurate with the risk threshold.
- e. Establishing the structure and practices for risk management.
- f. Understanding the most significant risks.
- g. Setting Council risk policies.
- h. Triennially considering the need for an independent review of the risk management framework.
- i. Forming its own view on the strategic risks for Hamilton City Council.
- j. Reviewing the quality of risk information, reports and effectiveness of risk assurance practices.

### Schedule 1 - Risk rating and reporting

The following tables provide the limits within Hamilton City Council's overall risk threshold which the organisation is expected to operate within and expected responses for each level of risk.

		CONSEQUENCE				
		Minor	Moderate	Serious	Major	Catastrophic
LIKELIHOOD	Certain	H	H	VH	E	E
	Almost certain	M	H	VH	VH	E
	Likely	L	M	H	VH	VH
	Unlikely	L	M	M	H	VH
	Highly unlikely	L	L	L	M	H

This matrix is used to map the likelihood and consequence levels of a risk and provide a pictorial representation of the relativity of that risk to other risks within an Activity Group or Project, and can also be used for mapping key risks across Hamilton City Council.

#### 'Action required' table

The following table details the required actions for each risk:

ACTION REQUIRED FOR RISK	
<b>E</b>	<b>Extreme Risk</b> – Immediate action required: risk escalated as appropriate. Action Plans and management responsibility specified with close scrutiny required. Only the Chief Executive and/or Council can accept this level of risk.
<b>VH</b>	<b>Very High Risk</b> – Senior Leadership Team attention advised. Action Plans and management responsibility specified with periodic scrutiny required. The relevant GM, sponsor, risk manager and programme manager can accept this level of risk.
<b>H</b>	<b>High Risk</b> – Senior Leadership Team attention advised. Action Plans and management responsibility specified with periodic scrutiny required. The relevant General Manager (GM), sponsor, risk manager and programme manager can accept this level of risk.
<b>M</b>	<b>Medium Risk</b> – Management responsibility specified. Managed by specific monitoring and procedures. The relevant programme, unit manager or risk manager can accept this level of risk.
<b>L</b>	<b>Low Risk</b> – Manage by routine procedures. Unlikely to require specific application of resources. The relevant activity manager can accept this level of risk.

**'Risk review' table**

The following table details the required level to which the different risk levels must be reviewed.

RISK LEVEL	ORGANISATIONAL RISKS	REVIEW PERIOD	PROJECT RISKS	REVIEW PERIOD
<b>Extreme</b>	Council	Monthly	Council	Per Project Plan
	Senior Leadership team	Monthly	Programme Manager Project Sponsor	Per Project Plan
<b>Very High</b>	Council	Monthly	Programme Manager Project Sponsor	Per Project Plan
	Senior Leadership Team	Monthly		
<b>High</b>	Senior Leadership Team	Quarterly	Programme Manager Project Sponsor	Per Project Plan
<b>Medium</b>	Wider Leadership Group*	Six monthly	Programme Manager	Per Project Plan
<b>Low</b>	Wider Leadership Group*	Six monthly	Programme Manager	Per Project Plan

*\*Wider Leadership Group is to be interpreted as any staff member with specific business responsibilities, including but not limited to, General Managers, Unit Managers, Team Leaders and Project Managers.*

By using this matrix, a decision can be made as to the level of escalation for management acceptance that is required and the frequencies with which accepted risks are to be reviewed.

### 'Risk reporting' table

The following table details the required level to which the different risk levels must be reported

RISK LEVEL	ORGANISATIONAL RISKS	REPORTING PERIOD	PROJECT RISKS	REPORTING PERIOD
Extreme	Council	Audit and Risk quarterly	Council	Finances Committee Six weekly
	Senior Leadership Team	<del>Monthly</del> <del>Six-weekly</del>	Programme Manager Project Sponsor	Monthly
Very High	Council	Audit and Risk Committee quarterly	Council	Finances Committee Six weekly
	Senior Leadership Team	<del>Monthly</del> <del>Six-weekly</del>	Programme Manager Project Sponsor	Monthly
High	Council	Audit and Risk Committee quarterly	Council	Finances Committee Six weekly
	Senior Leadership Team	<del>Monthly</del> <del>Six-weekly</del>	Programme Manager Project Sponsor	Monthly
Medium	Senior Leadership Team	<del>Monthly</del> <del>Six-weekly</del>	Programme Manager	Monthly
	Wider Leadership Group*	As required		
Low	Senior Leadership Team	<del>Monthly</del> <del>Six-weekly</del>	Programme Manager	Monthly
	Wider Leadership Group*	As required		

*\*Wider Leadership Group is to be interpreted as any staff member with specific business responsibilities, including but not limited to, General Managers, Unit Managers, Team Leaders and Project Managers.*

By using this matrix a decision can be made as to the level of escalation for management acceptance that is required and the frequencies with which accepted risks are to be reported.

# Council Report

<b>Committee:</b>	Audit & Risk Committee	<b>Date:</b>	16 May 2019
<b>Author:</b>	Tracey Musty	<b>Authoriser:</b>	David Bryant
<b>Position:</b>	Financial Controller	<b>Position:</b>	General Manager Corporate
<b>Report Name:</b>	Organisational Improvement Register Report		

<b>Report Status</b>	<i>Open</i>
----------------------	-------------

## Purpose

- To inform the Audit and Risk Committee on the status of the Council's Organisational Improvement Register as at 30 April 2019.

## Staff Recommendation

That the Audit and Risk Committee receives the report.

## Background

- Audit New Zealand identified 34 recommendations for improvement in their 2017/18 Audit Report, of which three matters, relating to fixed assets, were prioritised as needing to be addressed urgently (refer Attachment 1).

## Discussion

- The 34 recommendations relate to:

Fixed assets	16 outstanding matters. 14 of these will be completed as part of the Kookiri Project, by streamlining business processes and improved reporting through the integration of the asset subledger and the general ledger. 5 matters are on track to be completed by 30 June 2019.
Information services	7 outstanding matters have all been re-audited in April 2019. These will be closed pending sign off by Audit New Zealand.
Various e.g. update policies, internal controls	11 outstanding matters of which 9 are on track to completed by 30 June 2019.

4. More than 23 recommendations are on track to be completed by the end of the financial year and closed, pending sign off by Audit New Zealand.
5. 7 items were re-audited by Audit New Zealand at the first interim audit in April 2019 with the balance planned to be completed for re-audit at the second interim audit in May 2019 or the final audit in August 2019.

### **Financial Considerations**

6. This is a regular operating activity funded through the Annual Plan.

### **Legal and Policy Considerations**

7. Staff confirm that this project complies with the Council's legal and policy requirements.

### **Risks**

8. The three Audit New Zealand matters classified as high risk are detailed in Attachment 1.

### **Cultural Considerations**

9. No cultural considerations have been identified relevant to the matters in this report.

## **Significance & Engagement Policy**

### **Significance**

10. Having considered the Significance and Engagement Policy, staff have assessed that the matter in this report is of low significance.

### **Engagement**

11. Given the low level of significance determined, the engagement level is low. No engagement is required.

## **Attachments**

Attachment 1 - Organisational Improvement Register April 2019 A&R .

Organisational Improvement Register as at 30 April 2019

Audit NZ outstanding matters classified as high risk - as per Audit Report for the year ended 30 June 2018

Indicator	Risk identified	Audit recommendation/status	Risk rating	Owner	Target completion date	Action / update
<b>Plant, property and equipment - monthly reconciliations</b>	High level reconciliations are prepared between IPS (previously Hansen 8), AX Fixed Asset Registers and the GL. However, no reconciliation is performed over additions and disposals between IPS and the GL. We understand that a process for reconciling additions and disposals between IPS and the GL is being developed. The reconciliations performed to date have identified a number of reconciling items, which are in the process of being investigated and resolved.	2018 Council to ensure disposals and additions in the asset management systems are being reconciled to the finance system on a monthly basis.	High	Tracey Musty	30/06/19	Update: April 2019 We continue to complete monthly reconciliations, including additions and disposals, between IPS (sub-ledger) and the general ledger.  <i>Previous comments: October 2018 and February 2019</i> Monthly reconciliations, including additions and disposals, between IPS (sub-ledger) and general ledger are being completed and independently reviewed.
<b>Property, plant and equipment – work in progress</b>	We recommended that the City Council ensure that completed projects are capitalised in the fixed asset register and are depreciated in a timely manner. We recommended that Project and Asset Managers review the remaining WIP balances on a regular basis to ensure that projects are being capitalised when completed.	2018 Note delays in the capitalisation of work in progress, with a total of \$30.5 million of work in progress identified by management as complete and in use at balance date, but not yet capitalised in the system.  2017 Note delays in the capitalisation of work in progress.	High	Tracey Musty	30/06/19	Update: April 2019 Improvements continue to be made to processes for capitalising new assets, which has resulted in the organisation improving capitalisation rates throughout the year. The percentage of WIP balance that is outstanding has decreased over the financial year.  <i>Previous comment: February 2019</i> Improvements continue to be made to processes for capitalising new assets, which has resulted in the organisation improving capitalisation rates throughout the year. <i>Focus has also been on processing some of the oldest outstanding WIP, the balance was \$14.3m as at 31 December 2018 (down from \$30.5m in June 2018).</i>  <i>Previous comment: October 2018</i> A Capital WIP Assessment has been completed by PWC as part of the Internal Audit programme. This includes recommendations that are being reviewed and incorporated into work programmes. The Business is currently focussed on clearing the \$30m balance. Capitalisation activity over the last 12 months has cleared a significant amount of older WIP that has been complex and time consuming to process. Improvements have been made to monitoring processes and reports to better track performance of the entire capitalisation system.
<b>Property, plant and equipment – timely capitalisation of vested assets</b>	We recommended that asset managers provide information to the finance team (asset accountant) on a monthly basis to ensure vested assets are capitalised in a timely manner.	2018 We continue to note delays in the capitalisation of vested assets, with a total of \$22.9 million of assets vested during the period uncapitalised during the period. For further comments on this year's findings please refer to section 3.2 Management Report for the year ended 30 June 2018.  2017 This issue remains outstanding.	High	Tracey Musty	30/06/19	Update: April 2019 Process improvements recommended by PwC have been implemented to assist in timely processing of vested assets. Vested assets are being capitalised at a faster rate than previous years. More active monitoring of capitalisation of vested assets is occurring on a monthly basis.  <i>Previous comment: February 2019</i> The recommendation on improving the timeliness of capitalising vested assets is also being implemented and tracked. Improvements to monitoring of performance of the capitalisation system has been developed to better track progress.  <i>Previous comment: October 2018</i> A Capital WIP Assessment has been completed by PWC as part of the Internal Audit programme. This included focus on the capitalisation of vested assets. The recommendations from this assessment have already been implemented. The recommendation on improving the timeliness of capitalising vested assets is also being implemented and tracked. Improvements to monitoring of performance of the capitalisation system has been developed to better track progress.

# Council Report

Item 11

**Committee:** Audit & Risk Committee

**Date:** 16 May 2019

**Author:** Morva Kaye

**Authoriser:** David Bryant

**Position:** Internal Auditor

**Position:** General Manager Corporate

**Report Name:** 2019 Annual Report Accounting Treatment Review

<b>Report Status</b>	<i>Open</i>
----------------------	-------------

## Purpose

1. To inform the Audit and Risk Committee on the 2019 Annual Report Accounting Treatment Review.

## Staff Recommendation

That the Audit and Risk Committee receives the report.

## Discussion

2. Finance staff have created a clear and concise plan to work with business units and Audit NZ to deliver the Annual Report.
3. Each year staff review whether accounting standards have changed and what impact that may have on Council's Annual Report.
4. The following accounting standards have been identified as needing to be reviewed and adopted.

Accounting standard	Changes	New standard effective for annual periods beginning on or after	Council plans to apply the new standard
2018 Omnibus Amendments to PBE Standards			
<ul style="list-style-type: none"><li>• PBE IPSAS 5 Borrowing Costs</li></ul>	Borrowing costs eligible for capitalisation	1 January 2019	30 June 2020
<ul style="list-style-type: none"><li>• PBE IPSAS 16 Investment Property</li></ul>	Transfer a property to or from investment property	1 January 2019	30 June 2020
<ul style="list-style-type: none"><li>• PBE IPSAS 2 Cash Flow Statements</li></ul>	Changes in liabilities arising from financing activities	1 January 2021	30 June 2022

**Cultural Considerations**

- 5. No cultural considerations have been identified relevant to the matters in this report.

**Risks**

- 6. There are no known risks associated with this matter.

**Financial Considerations**

- 7. The cost of this engagement is funded through the 10-Year Plan.

**Legal and Policy Considerations**

- 8. Staff confirm that the matters in this report complies with the Council’s legal and policy requirements.

**Significance & Engagement Policy**

**Significance**

- 9. Having considered the Significance and Engagement Policy, staff have assessed that the matter in this report has low significance

**Engagement**

- 10. Given the low level of significance determined, the engagement level is low. No engagement is required.

**Attachments**

There are no attachments for this report.

# Council Report

Item 12

**Committee:** Audit & Risk Committee      **Date:** 16 May 2019  
**Author:** Tracey Musty      **Authoriser:** David Bryant  
**Position:** Financial Controller      **Position:** General Manager Corporate  
**Report Name:** 2018/19 Internal Audit Update 30 April 2019 and Draft Internal Audit Plan for 2019/20 - 2021/22

<b>Report Status</b>	<i>Open</i>
----------------------	-------------

## Purpose

1. To inform the Audit and Risk Committee on Internal Audit progress to 30 April 2019.
2. To inform the Audit and Risk Committee on the draft Internal Audit Plan for 2019/20 – 2021/22.

## Staff Recommendation

That the Audit and Risk Committee:

- a) receives the report;
- b) notes the progress against the PwC and Hamilton City Council Internal Audit Plans; and
- c) approve the draft Internal Audit Programme for 2019/20 – 2021/22.

## Discussion

3. Council’s internal audit function incorporates engagements delivered by PwC and internal Council staff. This report provides an update on progress across both.

KEY

	Completed or on track
	Currently behind, expect to get back on track
	Permanently delayed

## 4. PwC Internal Audit Plan – Progress Summary

5. The following progress has been made on the internal audit engagements included in the 2018/19 Internal Audit Plan:

Engagement	Status
<b>Capital Project Delivery</b> This engagement has been re-scoped and is with management for approval.	
<b>Asset Management and Operating Expenditure</b> Fieldwork for this engagement has been completed and the report is being drafted.	
<b>Process Optimisation – Procurement</b> No progress to date.	

6. **Hamilton City Council Internally Resourced Internal Audit – Progress Summary**

7. Progress against the work programme is as follows:

Engagement	Status
<b>Payroll Bank Changes Process and Controls</b> Assessment completed and the final report is attached.	
<b>Vehicle Fleet Process and Controls</b> Assessment completed and the final report is being reviewed.	
<b>Cash Handling and Revenue for Parking</b> The fieldwork is currently being completed. It covers the controls over cash handling and revenue for both on-street and off-street parking areas.	
<b>Contract Insurance</b> This is currently being scoped. It will cover checking a sample of contracts to ensure that the contracts have been set up correctly and appropriate insurance documentation has been received.	

8. PwC has continued to support the Council Internal Auditor with the work she has undertaken.

9. **Internal Audit Programme Planning**

10. Following the Strategic Risk workshops on 4<sup>th</sup> and 5<sup>th</sup> March 2019 the draft Internal Audit Programme for the next three years has been developed. This has been completed following further discussions with the Senior Leadership Team and other key Council staff and includes PwC led engagements as well as Council's internal auditor engagements (see attachment one and two).

**Financial Considerations**

11. The cost of the PwC annual internal audit programme is \$150,000, which is funded through the 10-Year Plan.

**Legal and Policy Considerations**

12. Staff confirm that the matters in this report complies with the Council's legal and policy requirements.

## **Attachments**

Attachment 1 - Draft - PwC Internal Audit Plan 2019

Attachment 2 - Draft - Council Internal audit plan 1 July 2019 - 30 June 2022

Attachment 3 - Payroll - Change of Bank Account Number November 2018 .

**Item 12**

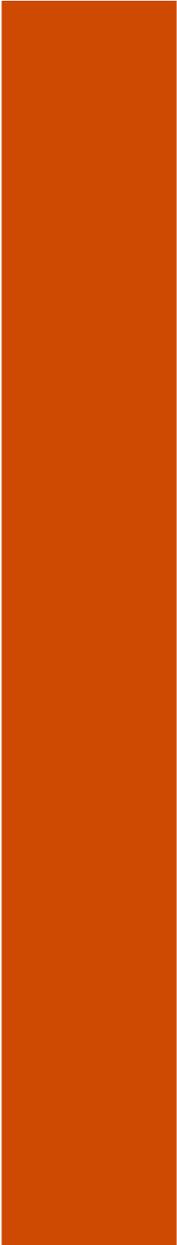
# *Hamilton City Council*

## *Internal Audit Plan FY19/20-21/22*

*Private and Confidential  
7 May 2019*



Draft for final review



# Content

1.	Internal Audit Plan Development	03
2.	Internal Audit Plan	06
3.	Past Internal Audit Engagements	14

1

Internal

Audit

Plan

Development

# Internal Audit Plan Development

Consistent with the spirit of internal audit delivery, we have worked with those governing, leading and managing Hamilton City Council (HCC or Council) to develop the internal audit plan for the next 3 years. In addition to strategic risk, our focus remains on providing value, innovative delivery and alignment with your strategic imperatives, being:

- A city that embraces growth
- A great river city
- A council that is best in business.

We have consulted individually with all members of the Senior Leadership Team (SLT) to obtain their input for the content for the internal audit plan. We have evaluated those suggested areas against the SLT's and organisational strategic outcomes. We have also considered the balance between value protection and value enhancement using PwC's Internal Audit Value Framework (illustrated over).

The outcome of this process is an internal audit plan that will deliver confidence that the strategic risks are being addressed appropriately or identify improvements that need to be made.

In collating the plan two key themes have emerged:

- Strategic planning; and
- Organisational culture.

When performing the engagements within the internal audit plan we will consider where Council is currently at with regard to good practice and provide our views as to what would need to happen to move towards a more aspirational, world class standard. This additional insight will be valuable in driving the ambition within your team to make a difference to the wellbeing of Hamilton.

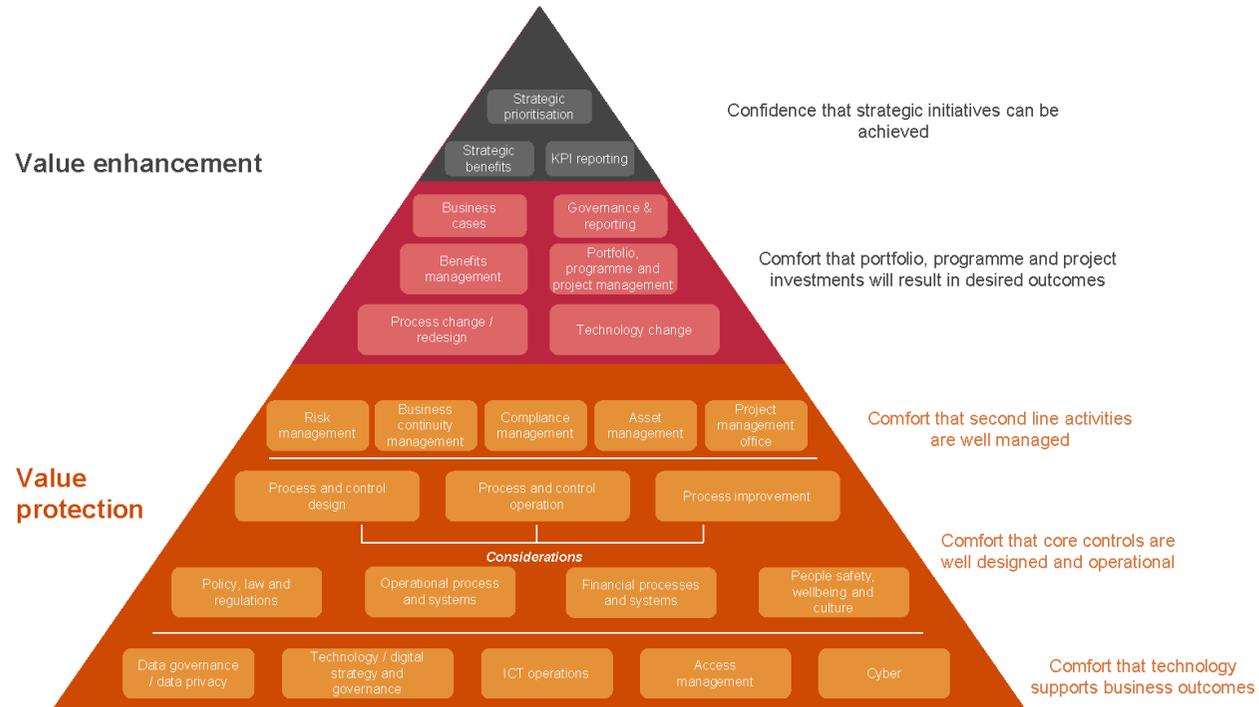
In addition to the specific engagements identified in the plan, in order to build your internal capability, we will continue coaching and providing quality assurance to HCC's internal resource in her delivery of those areas where specialist resource is not required. As a general rule of thumb, these are value protection activities and they are included in a separate plan.

PwC

4

# Internal Audit Plan Development

## PwC's Internal Audit Value Framework



## Linkage with Council's Strategic Risks

Management is developing the nine strategic risks identified in the March 2019 risk workshop in parallel to our plan. Once these are finalised we will link these to the internal audit plan. We will continue to work with management to ensure that the strategic risks are covered within Council's combined internal audit activity.

2

Internal

Audit

Plan

Item 12

Attachment 1

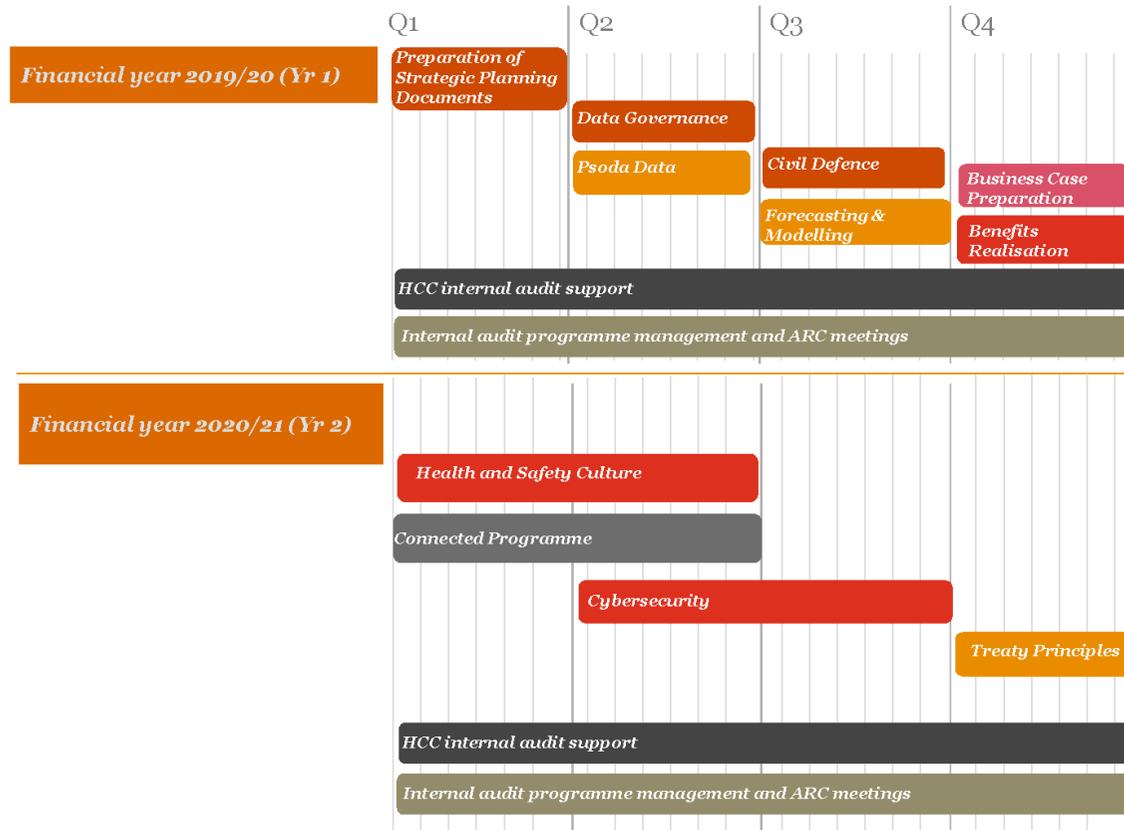
# Internal Audit Plan Overview

The internal audit plan engagements have been categorised into the following themes. Similar to our focus on the asset life cycle in the prior plan having a number of engagements focussed on the same area gives a clearer view of Council's maturity in a specific area whilst providing confidence over the mitigation of certain risks.

<b>Strategic planning</b>	<b>Year</b>	<b>Organisational Culture</b>	<b>Year</b>
<b>Preparation of Strategic Planning Documents</b>	<b>1</b>	<b>Health and Safety Culture</b>	<b>2</b>
<b>Data Governance</b>	<b>1</b>	<b>Connected Programme</b>	<b>2</b>
<b>Psoda Data</b>	<b>1</b>	<b>Treaty Principles</b>	<b>2</b>
<b>Civil Defence Preparedness</b>	<b>1</b>	<b>Organisational Risk Management Culture</b>	<b>3</b>
<b>Forecasting and Modelling</b>	<b>1</b>	<b>Procurement</b>	<b>3</b>
<b>Business Case Preparation</b>	<b>1</b>	<b>Contract Management</b>	<b>3</b>
<b>Benefits Realisation</b>	<b>1</b>		
<b>Cybersecurity</b>	<b>2, 3</b>		
<b>Facilities Strategic Asset Management Planning</b>	<b>3</b>		

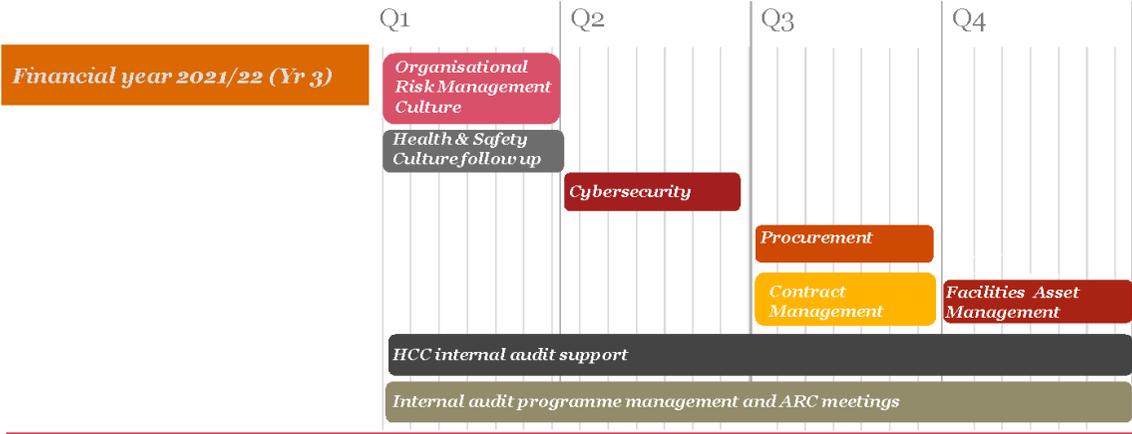
We note that this is a plan at a point in time. Given the need to confirm alignment with the strategic risk register and the accelerated change environment Council is operating in it will be subject to ongoing review with the GM Corporate Services and the Risk Manager.

# Internal Audit Plan Outline



# Internal Audit Plan Outline

Attachment 1



Item 12

# Internal Audit Plan Outline

Engagement	Risk	Strategic Link	Est. Timing	Sponsor	Internal Audit Approach
<b>Preparation of Strategic Planning Documents</b>	<p>Incomplete information leading to poor decision-making and conclusions.</p> <p>Lack of financial sustainability.</p>	<ul style="list-style-type: none"> <li>Community Infrastructure plays an integral role in the organisational planning process - <i>Community</i></li> <li>Greater influence in infrastructure planning and delivery city-wide, regionally and nationally – <i>Development</i></li> <li>Service provision and capacity demands are understood to allow fast and robust decision-making – <i>Infrastructure Operations</i></li> </ul>	Yr 1, Q1	GM Strategy and Communications	An assessment of the effectiveness and innovation in preparing asset management plans, long term plans and 30 year infrastructure plans in particular the integration and linkages between them all.
<b>Data Governance</b>	Inadequate data governance leading to poor quality data or loss in confidence and trust.	<ul style="list-style-type: none"> <li>Business Intelligence enables insight and foresight - <i>Corporate</i></li> <li>Accessible data and insight for good decision making for HCC and the wider community – <i>Growth/Development</i></li> </ul>	Yr 1, Q2	GM Corporate / GM Growth	An assessment of governance and management of key data across Council. Comparison of Council's data governance processes against good practice.
<b>Psoda Data</b>	Weaknesses in portfolio, programme or project management leading to non-achievement of objectives for the capital programme.	<ul style="list-style-type: none"> <li>Accessible data and insight for good decision making for HCC and the wider community – <i>Development</i></li> <li>Business Intelligence enables insight and foresight – <i>Corporate</i></li> </ul>	Yr 1, Q2	GM Development / GM Corporate	<p>Assessment of the design effectiveness and operation of controls in Psoda to evaluate the accuracy, completeness, validity and appropriate access of:</p> <ul style="list-style-type: none"> <li>Data imported</li> <li>Financial and non-financial information entered in Psoda.</li> </ul>
<b>Civil Defence Preparedness</b>	The organisation is not fully prepared to support a civil defence event, leading to a poor response and outcomes.	<ul style="list-style-type: none"> <li>Natural Disaster strategic risk</li> </ul>	Yr1, Q3	GM Corporate	<p>Evaluation of Council's readiness to support a civil defence emergency, including:</p> <ul style="list-style-type: none"> <li>Skills/Resources register</li> <li>Training of staff</li> <li>Partnerships in place</li> <li>Organisational knowledge of what to do</li> </ul>

# Internal Audit Plan Outline

Attachment 1

Item 12

Engagement	Risk	Strategic Link	Est. Timing	Sponsor	Internal Audit Approach
<b>Forecasting and Modelling</b>	Weaknesses in the models used for projections and planning leading to inadequate planning and service delivery.	<ul style="list-style-type: none"> <li>Robust consistent growth modelling - <i>Growth</i></li> <li>Business Intelligence enables insight and foresight – <i>Corporate</i></li> </ul>	Yr 1, Q3	GM Growth / GM Corporate	Maturity assessment of the quality and ability of growth forecasting and modelling used to enable sustainable growth and wellbeing for the community.
<b>Business Case Preparation</b>	Inadequate planning or implementation of key projects resulting in desired outcomes not being achieved.	<ul style="list-style-type: none"> <li>Develop clear customer value propositions – <i>Strategy and Communications</i></li> <li>Our work has a direct link to better quality of life for Hamiltonians – <i>Development</i></li> </ul>	Yr 1, Q4	GM Strategy and Communications / GM Development	An assessment of business case criteria and selected business cases against good practice based on the scale and impact of the subject.
<b>Benefits Realisation</b>	Inadequate implementation of key projects resulting in desired outcomes not being achieved.	<ul style="list-style-type: none"> <li>More and more Hamiltonians believe that our city is a great place to live.</li> </ul>	Yr 1, Q4	GM Strategy and Communications / GM Development	An assessment of benefits realisation over selected projects. This engagement can also be performed as a part of the business cases assessment described above.
<b>Health and Safety Culture</b>	Inadequate health and safety practices leading to serious harm or injury to staff and contractors.	<ul style="list-style-type: none"> <li>A strong people and wellness culture - <i>Corporate</i></li> <li>Everyone feels safe, valued and supported – <i>Infrastructure Operations</i></li> <li>Our people feel safe, valued and know how they make a positive difference – <i>Development</i></li> <li>A plan is developed with H&amp;S to develop a strong health &amp; safety culture and effectively manage critical risks – <i>Community</i></li> </ul>	Yr 2, Q1/Q2	GM Corporate	<p>Perform an assessment over the health and safety culture across business units, which may include:</p> <ul style="list-style-type: none"> <li>Employee/Contractor survey</li> <li>Selected interviews</li> <li>External stakeholder interviews</li> <li>Links to the Connected programme</li> <li>Review of status of recommendations from prior H&amp;S internal audits</li> </ul> <p>A follow-up of the implementation of recommendations will be conducted 6 months after issuing the report.</p>

# Internal Audit Plan Outline

Engagement	Risk	Strategic Link	Est. Timing	Sponsor	Internal Audit Approach
<b>Connected Programme*</b>	Not realising our full potential as an organisation.	<ul style="list-style-type: none"> <li>Council services are delivered in a manner that enables the community to have their say, enriches their lives and delivers the best value for money to the ratepayer.</li> </ul>	Yr 2, Q1/Q2	GM Corporate	Evaluate how successful the Connected programme has aligned staff towards achieving Council's strategic intent and its effectiveness in delivering a high performance organisation.
<b>Cybersecurity</b>	Unauthorised access to Council's IT infrastructure results in loss of service continuity that may lead to safety risks to Hamiltonians and relatable consequences of reputational, legal and financial losses.	<ul style="list-style-type: none"> <li>Cyber Attack strategic risk</li> </ul>	Yr 2, Q2/3 & Yr 3, Q2	GM Corporate	Perform in-depth work over specific areas, examples include performing an internal audit of: <ol style="list-style-type: none"> <li>Business continuity plan testing</li> <li>Access and Identity management</li> <li>Privacy Act compliance and/or Privacy Impact Assessment for technology-enabled customer services</li> <li>Implementation of prior recommendations</li> </ol>
<b>Treaty Principles</b>	Council is not committed to incorporating the Treaty principles of partnership, participation and protection.	<ul style="list-style-type: none"> <li>Relationships with Taangata Whenua are an exemplar of a treaty partnership – <i>Development / Infrastructure Operations</i></li> </ul>	Yr 2, Q4	GM Strategy and Communications	An assessment of how well the Treaty partnership principles have been embedded within Council.

\*Connected is Council's performance programme that enables staff to relate their work to achieving Council's strategic vision.

# Internal Audit Plan Outline

Attachment 1

Item 12

Engagement	Risk	Strategic Link	Est. Timing	Sponsor	Internal Audit Approach
<b>Organisational Risk Management Culture</b>	Risk management mindset is not part of business as usual within business units resulting in constrained, risk adverse outcomes.	<ul style="list-style-type: none"> <li>An organisation that's performing to its potential for the people of Hamilton</li> </ul>	Yr 3, Q1	GM Corporate	To assess how business units are managing their operational level risks and the risk culture. Is the risk culture preventing the right strategies, decisions and actions from occurring?
<b>Procurement</b>	Poor procurement understanding and practices lead to poor outcomes for the organisation and community.	<ul style="list-style-type: none"> <li>Council services are delivered in a manner that enables the community to have their say, enriches their lives and delivers the best value for money to the ratepayer.</li> </ul>	Yr 3, Q3	GM Corporate / GM Development	Assess how procurement practices deliver best value for money to the ratepayer and enable innovative delivery of services.
<b>Contract Management</b>	Poor contract management practices leading to value loss and/or non-delivery of projects or outcomes.	<ul style="list-style-type: none"> <li>Council services are delivered in a manner that enables the community to have their say, enriches their lives and delivers the best value for money to the ratepayer.</li> </ul>	Yr 3, Q3	GM Corporate / GM Development	Identify and assess how contract management practices at Council allow alignment with its partners to successfully deliver community outcomes and ensure the full benefit from contractual arrangements is obtained.
<b>Facilities Strategic Asset Management Planning</b>	Poor asset management leading to failure of critical assets or non-optimisation of operating expenditure over asset lifecycle.	<ul style="list-style-type: none"> <li>Skilled teams partnering with the organisation to deliver its strategy – <i>Corporate</i></li> <li>A structure for working collaboratively and innovatively with our internal partners is in place to ensure aligned open space and community facilities planning and delivery - <i>Community</i></li> <li>All major asset management challenges are resolved – <i>H3</i></li> </ul>	Yr 3, Q4	GM Corporate / GM Development	Assessment of the asset management processes performed by Facilities, focusing on: <ul style="list-style-type: none"> <li>Collaboration with other groups</li> <li>Robustness of data</li> <li>Strategic outcomes aligned with community expectations</li> <li>Execution of the plan</li> </ul>

3

Past

Internal

Audit

Engagements

Item 12

Attachment 1

# Past internal audits delivered

Our city scape illustrates the focus of internal audit over the previous seven years.



Attachment 1

Item 12



© 2019 PricewaterhouseCoopers New Zealand. All rights reserved. 'PwC' and 'PricewaterhouseCoopers' refer to the New Zealand member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.

**Internal audit plan  
1 July 2019 – 30 June 2022**

<b>Internal audit project</b>	<b>Risk</b>	<b>Internal audit approach</b>
Organisational Improvement Register <ul style="list-style-type: none"> <li>Any outstanding matters from Audit NZ and PwC</li> </ul>	Actions resulting from recommendations are not implemented in a timely manner.	Follow-up with business units to ensure recommendation for improvement is actioned and able to be re-audited.
Follow-up PwC audit assessment recommendations <ul style="list-style-type: none"> <li>Payroll</li> <li>Cash handling</li> <li>Procure to pay</li> <li>Revenue</li> <li>Strategic Procurement</li> </ul>	Actions resulting from recommendations are not implemented in a timely manner.	Review implementation of recommendations.
Grants	The risk is the process produces the wrong outcomes.  Grants are not used for the purpose for which the grant is given.	An assessment of the process used in approving/declining Community grants and how the accountability document is reviewed.
Contracts – Development	The Procurement Policy is not being followed.	Review the process for how contracts are set up including sighting insurance documentation from a sample of new contracts.
Sensitive expenditure	Council's reputation is damaged if criticism for extravagant and wasteful expenditure is justified.  Expense claims are not for legitimate business expenditure.	Perform an assessment of sensitive expenditure to ensure Council policies and OAG guidelines are adhered to and sensitive expenditure registry is updated.
Property leasing	Maximising revenue opportunities. Tax compliance.	An assessment of the process used when properties purchased for future roading are leased and the GST implications when the property is used for making both GST taxable supplies and exempt supplies.

Internal audit project	Risk	Internal audit approach
Payroll	<p data-bbox="721 338 1167 395">Unusual transactions are not approved appropriately.</p> <p data-bbox="721 427 1167 485">The risk of not complying with the Holidays Act.</p> <p data-bbox="721 517 1167 574">Health and safety risk if employees are not taking regular leave.</p>	<p data-bbox="1184 338 1886 395">An assessment of unusual transactions paid through the payroll system.</p> <p data-bbox="1184 427 1870 485">Review a sample of holiday pay payments to ensure the calculation is correct.</p> <p data-bbox="1184 517 1841 544">Review high annual leave balances and how are they addressed.</p>
IPS work orders	Inappropriate payments to suppliers.	Perform a process and controls assessment over the work order process.

**Hamilton City Council**

**Internal Audit Report**

---

**Payroll procedures:  
assessment of controls when an employee  
changes their bank account number**

---

**November 2018**

## EXECUTIVE SUMMARY

### Introduction

1. This report is in response to the Bank of New Zealand (HCC's bankers) alerting Payroll about an employee's pay being credited to a fraudulent bank account. Action was taken by the Bank in time to recover the funds.

### Sponsor

2. The sponsor of the assessment is Dan Finn, People, Safety and Wellness Manager.

### Terms of reference

3. The audit was undertaken in October 2018, in accordance with the Terms of Reference.

### Key risks, findings and recommendations

4. The risk in this case arose essentially out of the current process for email communication (**Key Finding #1** – as per Appendix I)
5. The proposed risk mitigation is that for all payroll communications the generic Payroll email address [hccpayroll@hcc.govt.nz](mailto:hccpayroll@hcc.govt.nz) is to be used:
  - a. by employees communicating with Payroll
  - b. by Payroll; when communicating with employees Payroll are to **compose a new email** to be sent from [hccpayroll@hcc.govt.nz](mailto:hccpayroll@hcc.govt.nz) to the employee's HCC email address together with an email signature. For HCC employees who do not have an email address, then email communication should be to their team leader's email address.
  - c. by external parties, such as BNZ and IRD, on employee matters.
6. To further mitigate the risk of Payroll entering false or fraudulent bank account details in the Peterborough Software Enterprise (PSE) payroll system:
  - a. employees are to provide Payroll with a **signed and dated bank confirmation** from their bank showing their new bank account number. This also applies to new employees when they complete the Personal Details form (**Key Finding #2**)
  - b. a **back-up person** should be nominated to sign off the weekly PSE Audit Report (of master file changes before weekly or fortnightly pay runs) when the Manager is not available for any reason (**Key Finding #3**)
  - c. the **Promapp procedure is to be updated** for *Change bank account with Payroll* (**Key Finding # 4**).
7. To protect privacy, the Payroll Procedures Manual should not use real employee data as examples for training purposes (**Key Finding #5**).

**Audit conclusions**

8. The overall risk is assessed as moderate, but the audit reveals an increasing need to combat a very real risk of on-line attacks on organisations and employees.
9. My general assessment of payroll procedures and controls is that the Payroll team operates efficiently.
10. In keeping with modern internal audit practice, this assessment was completed on a 'no surprises' basis in partnership with the Payroll team; and the findings, management responses and recommendations have already been or are in the process of being implemented [see Appendix I]
11. An audit programme outlining the audit approach and detailed observations has been provided to Payroll. As it contains confidential employee information it is not circulated.
12. For quality control purposes, at the completion of this audit, Payroll will be asked to complete a questionnaire evaluating the satisfactoriness of the audit from their perspective. The results will be held on file.

**Recommendation**

13. That the Audit and Risk Committee receives this report.

**Update April 2019**

14. All recommendations have been implemented by Payroll.

Morva Kaye  
**Internal Auditor**

## Appendix I: Detailed findings and recommendations

Finding	Assessed Risk Rating = Moderate	Agreed recommendation	Management response
<b>1. Email communication to and from Payroll staff</b>			
<p><b>Observation:</b> The email that was sent to a Payroll employee advising that a new bank account number was being used fraudulently could not be responded to as the employee was on leave.</p> <p><b>Risk / Implication:</b> To identify/pre-empt any further fraudulent requests, Payroll staff should compose a new email from Payroll's HCC email address <a href="mailto:hccpayroll@hcc.govt.nz">hccpayroll@hcc.govt.nz</a> to the employee's HCC email address when communicating on all payroll matters – including signing off with their email signature.</p> <p>That the BNZ and other external parties e.g. Inland Revenue, are asked to use the generic HCC Payroll email not an HCC staff email address as occurred in this case.</p>		<p>Management to consider:</p> <ol style="list-style-type: none"> <li>That as a matter of good practice, Payroll staff should compose a new email from Payroll's HCC email address <a href="mailto:hccpayroll@hcc.govt.nz">hccpayroll@hcc.govt.nz</a> to the employee's HCC email address when communicating on all payroll matters – including signing their email signature.</li> <li>Payroll ask employees to email <a href="mailto:hccpayroll@hcc.govt.nz">hccpayroll@hcc.govt.nz</a> when communicating on all payroll matters.</li> </ol>	<p><i>Action owner:</i> Dan Finn <i>Comment:</i> Agreed <i>Estimated completion date:</i> 30 November 2018</p>
<b>2. Bank account changes: employees required to provide a signed and dated bank confirmation</b>			
<p><b>Observation:</b> Of the 11 employees sampled who changed their bank account number in the period 2 August to 26 October 2018, only three employees provided either a screen shot or a bank confirmation of their new bank account number.</p> <p><b>Risk / Implication:</b> To mitigate the risk of fraudulent activity for bank account changes employees should be required to provide a signed and dated bank confirmation</p> <p>This also avoids the need for Payroll to send an email to an employee confirming that the bank account number has been changed in the payroll system (PSE).</p>		<p>Management to consider:</p> <ol style="list-style-type: none"> <li><b>existing</b> employees be asked to provide a <u>signed and dated bank confirmation</u> of their new bank account number</li> <li><b>new</b> employees are to provide a <u>signed and dated bank confirmation</u> of their bank account number when they complete the Personal Details Form.</li> </ol>	<p><i>Action owner:</i> Dan Finn <i>Comment:</i> Agreed <i>Estimated completion date:</i> 30 November 2018</p>

Finding	Assessed Risk Rating = Moderate	Agreed recommendation	Management response
<b>3. Review of PSE Audit Report</b>			
<p><b>Observation:</b> I observed that all the PSE Audit Reports had been signed and dated by the Manager, except for one, though it was evident that master file changes had been reviewed.</p> <p><b>Risk / Implication:</b> To ensure process consistency a back-up person should be nominated to check and sign off the PSE Audit Report in the absence of the Manager.</p>	<p>Management to consider:</p> <ol style="list-style-type: none"> <li>Nominating a back-up person to check and sign off the PSE Audit Report in the absence of the Manager.</li> </ol>	<p><i>Action owner:</i> Dan Finn <i>Comment:</i> This task will be performed by the HR Business Partner (Support) once an appointment has been made. The HR Business Partner is the back-up person for this task. <i>Estimated completion date:</i> 30 November 2018</p>	
<b>4. The Promapp procedure 'Change bank account with Payroll'</b>			
<p><b>Observation:</b> The procedure in <i>Promapp</i> advising employees how to change their bank account number in PSE is too brief and does not explain to employees why the procedure needs to be followed and the risks to the employee and HCC if they are not followed.</p> <p>The procedure in <i>Promapp</i> 1.0 and 1.1 do not agree with the <i>Promapp</i> procedure in 2.0(d).</p> <p><b>Risk / Implication:</b> The <i>Promapp</i> procedure "Payroll prefer email as this is a faster option" does not always mitigate the risk to the employee and HCC.</p>	<p>Management to consider:</p> <ol style="list-style-type: none"> <li>Updating the <i>Promapp</i> procedure for bank account changes to include the agreed recommendations: <ul style="list-style-type: none"> <li><b>existing</b> employees to provide a <u>signed and dated bank confirmation</u> of their new bank account number</li> <li><b>new</b> employees to provide a <u>signed and dated bank confirmation</u> of their bank account number when they complete the Personal Details Form</li> </ul> </li> </ol>	<p><i>Action owner:</i> Dan Finn <i>Comment:</i> Agreed <i>Estimated completion date:</i> 30 November 2018</p>	

Finding	Assessed Risk Rating = Moderate	Agreed recommendation	Management response
		<ul style="list-style-type: none"> <li>Payroll ask employees to email <a href="mailto:hccpayroll@hcc.govt.nz">hccpayroll@hcc.govt.nz</a> when communicating on all payroll matters.</li> </ul>	
<p><b>5. Payroll procedures manual not to use real employee data as examples</b></p>			
<p><b>Observation:</b> The 'pay method' and 'elements' examples for changing an employee's bank account number in the payroll procedures manual included names of current employees, their employee number, bank account numbers and for one employee their salary split into three bank accounts</p> <p><b>Risk / Implication:</b> To safeguard employee confidentiality.</p>	<p>Management to consider:</p> <ol style="list-style-type: none"> <li>removing the names of employees and their personal data in the procedures manual as and when the manual is updated to retain employee confidentiality.</li> </ol>	<p>Action owner: Dan Finn Comment: Agreed Estimated completion date: 30 November 2018</p>	

# Council Report

<b>Committee:</b>	Audit & Risk Committee	<b>Date:</b>	16 May 2019
<b>Author:</b>	Tracey Musty	<b>Authoriser:</b>	David Bryant
<b>Position:</b>	Financial Controller	<b>Position:</b>	General Manager Corporate
<b>Report Name:</b>	Annual Report 2019 Planning Update		

<b>Report Status</b>	<i>Open</i>
----------------------	-------------

## Purpose

1. To update the Audit and Risk Committee on the plan and timetable for the 2019 Annual Report.

## Staff Recommendation

That the Audit and Risk Committee receives the report.

## Discussion

2. Staff are currently planning for the preparation of the 2019 Annual Report.
3. A year-end/annual report timetable has been prepared to ensure timely and quality information for the audit process.
4. Additional resources have been arranged to help with the capitalisation of WIP.
5. Staff are working with the Council Controlled Organisations (CCOs) to ensure timely information is produced.
6. Attached is the Audit plan for the year ending June 2019 from Audit New Zealand.
7. It includes the areas of audit focus, the logistics of completing the audit and the communication objectives.
8. The Audit plan also sets out expectations of the role of Audit New Zealand and the Council to ensure there is an agreed approach to completing the audit in a timely manner.
9. Attachment Two is a memo from Audit NZ dated 8 May 2019 which is an update on progress in relation to the Interim Audits and also tables 8 prior years issues that have now been closed.

## Cultural Considerations

10. No cultural considerations have been identified relevant to the matters in this report.

## Significance and Engagement Policy

### Significance

11. Having considered the Significance and Engagement Policy, staff have assessed that the matter in this report is of low significance.

**Engagement**

- 12. Given the low level of significance determined, the engagement level is low. No engagement is required.

**Financial Considerations**

- 13. The cost of this engagement is funded through the 10-Year Plan.

**Legal and Policy Considerations**

- 14. Staff confirm that the matters in this report complies with the Council's legal and policy requirements.

**Risks**

- 15. There are no known risks associated with this matter.

**Attachments**

Attachment 1 - Audit NZ - Audit Plan - Year Ending 30 June 2019.

Attachment 2 - Audit NZ - Memo to the Audit Committee.

# Audit plan

## Hamilton City Council

For the year ending 30 June 2019

## Audit plan

I am pleased to present our audit plan for the audit of Hamilton City Council for the year ending 30 June 2019. The purpose of this audit plan is to discuss:

Audit risks and issues .....	2
Group audit .....	8
Our audit process.....	9
Reporting protocols .....	13
Audit logistics.....	14
Expectations.....	16

The contents of this plan should provide a good basis for discussion when we meet with you.

We will be happy to elaborate further on the matters raised in this plan.

Our work improves the performance of, and the public’s trust in, the public sector. Our role as your auditor is to give an independent opinion on the financial statements and performance information. We also recommend improvements to the internal controls relevant to the audit.

If there are additional matters that you think we should include, or any matters requiring clarification, please discuss these with me.

Yours sincerely



Clarence Susan  
Appointed Auditor  
22 February 2019

## Audit risks and issues

### Focus areas



Based on the planning work and discussions that we have completed to date, we set out in the table below the main audit risks and issues. These will be the main focus areas during the audit.

Audit risk/issue	Our audit response
<b>The risk of management override of internal controls</b>	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls.</p> <p>Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to treat this as a risk on every audit.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> <li>• testing the appropriateness of selected journal entries;</li> <li>• reviewing accounting estimates for indications of bias; and</li> <li>• evaluating any unusual or one-off transactions, including those with related parties.</li> </ul>
<b>Timely capitalisation of work in progress and vested assets</b>	
<p>The City Council has historically experienced difficulties capitalising work in progress and vested assets in a timely manner. This creates a risk that information used for decision making may be incomplete or inaccurate.</p> <p>The City Council's capital programme is forecast to increase significantly over the coming ten year period which is likely to create additional pressures on the capitalisation process.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> <li>• updating our understanding of the City Council's capitalisation processes;</li> <li>• reviewing work in progress and vested assets at year end to identify assets that are complete and available for use;</li> <li>• reviewing the City Council's adjustments to correctly present these assets as additions during the year;</li> <li>• obtaining an understanding of progress made towards clearing the backlog of uncapitalised assets; and</li> <li>• assessing the risk of material misstatement within depreciation and any revaluations performed as a result of assets available for use that were not capitalised at year-end.</li> </ul>

Audit risk/issue	Our audit response
<b>Property, plant and equipment revaluations and fair value assessments</b>	
<p>We understand that the City Council’s land and buildings, three waters and refuse assets will be revalued during the financial year.</p> <p>Revaluations can be complex and require the use of assumptions and judgement. The asset classes being revalued are a significant portion of Council’s assets and there is a risk that errors in the process or calculation could result in a material misstatement.</p> <p>We expect that City Council staff will review the outcome of externally prepared valuations and assess these for reasonableness.</p> <p>Internally prepared valuations should be subject to appropriate levels of quality assurance and may benefit from a peer review of the process and outcome.</p>	<p>For classes of assets subject to revaluation during the year we will:</p> <ul style="list-style-type: none"> <li>• review the scope of the valuation performed and ensure it has been completed in accordance with the appropriate standards;</li> <li>• ensure the entire asset class has been revalued;</li> <li>• make enquiries of the Valuer regarding the assumptions used in the valuation and assess their suitability to undertake the valuation; and</li> <li>• review adjustments posted to the general ledger as part of the revaluation and related disclosures.</li> </ul> <p>Any revaluation adjustments should be completed as soon as possible after the revaluation date to ensure discrepancies are resolved promptly.</p>
<p>The City Council also periodically revalues the following asset classes:</p> <ul style="list-style-type: none"> <li>• parks and gardens improvements;</li> <li>• heritage assets; and</li> <li>• roads and traffic network.</li> </ul> <p>If a material movement between the carrying amount and the fair value of these classes of assets is identified they must be revalued for the City Council to comply with <i>PBE IPSAS 17 Property, Plant and Equipment</i>.</p>	<p>Fair value assessments will need to be completed for those classes of assets that are periodically revalued to confirm that there is no material difference between their carrying amount and their fair value. We will review the City Council’s assessment of whether there is any material difference.</p>

Audit risk/issue	Our audit response
<b>Financial strategy and Housing Infrastructure Fund loan accounting</b>	
<p>The City Council’s 2018-28 10-Year Plan includes a new financial strategy that will see the Council invest in growth, increase its borrowings (including borrowing interest free from the Housing Infrastructure Fund), and drive for efficiency savings across the organisation.</p> <p>The City Council’s financial strategy is subject to a degree of sensitivity, particularly in terms of any significant and unexpected negative changes in the City Council’s revenue.</p> <p>In addition, the City Council will need to ensure that interest free borrowings from the Housing Infrastructure Fund are correctly accounted for in accordance with the requirements of PBE IPSAS 29 <i>Financial instruments: Recognition and measurement</i> and that the details of the loan facility are appropriately disclosed.</p>	<p>Our response to these risks include:</p> <ul style="list-style-type: none"> <li>• reviewing disclosures relating to compliance with Financial Strategy limits for accuracy;</li> <li>• ensuring that any disclosures relating to savings realised during the period are reasonable and appropriate; and</li> <li>• reviewing accounting treatment for borrowings from the Housing Infrastructure Fund for consistency with the requirements under the accounting standards.</li> </ul>

### Additional areas of focus across the sector identified by the Auditor-General

There are a number of other risks that are common across the local government sector. This table sets out these risks and our audit response.

Areas of focus	Our audit response
<b>Rates</b>	
<p>Rates are the City Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of legal challenge.</p> <p>Due to prior year issues and concerns over rating practices in the local government sector as a whole we focused our attention on the Council's compliance with rating legislation and regulations during the 2018 audit.</p>	<p>For 2019 we will again consider the Council's compliance with aspects of the LGRA that materially impact on the financial statements. Principally this means a focus on the rates setting process – the consistency and completeness of the resolution and the Funding Impact Statement (FIS), and reviewing a sample of differentially set and/or targeted rates to assess whether the matters and factors used are consistent with the LGRA.</p> <p>We stress that our review of compliance with legislation is completed for the purposes of expressing our audit opinion. It is not, and should not be seen, as a comprehensive legal review. This is beyond the scope of our audit, and our expertise as auditors. The Council has responsibility for ensuring that it complies with applicable laws and regulations.</p>
<b>Local Government elections</b>	
<p>With the election in October 2019, the Council needs to be careful that the content of the annual report and summary annual report (as well as any other publications issued by the City Council) cannot be seen as electioneering.</p> <p>We encourage the Council to consider how it will manage the need to maintain ordinary business and continue to carry out its statutory responsibilities, while ensuring that its resources are not used, or perceived as being used, to give electoral advantage.</p>	<p>We will discuss with management how the Council plans to manage the risks associated with the election.</p> <p>We will review the annual and summary reports to ensure they are appropriate if issued prior to the election.</p>

Areas of focus	Our audit response
<b>Effective corruption prevention and detection controls</b>	
Parliament's Finance and Expenditure Committee are interested in understanding whether the public sector has effective corruption prevention and detection processes in place. As a result, the Office of the Auditor-General (OAG) is gathering initial information relating to how public entities address these risks, including what processes are used to prevent bribery and corruption. This work will be used to inform whether further investigation is undertaken by the OAG.	We will discuss with management and the Council what processes are in place to reduce the risk of bribery and corruption at the City Council. Our findings will be reported to the OAG.
<b>Elected members' remuneration and allowances</b>	
<p>The Local Government Act 2002 gives the Remuneration Authority responsibility for setting the remuneration of local government elected members. The Authority also has the role of approving a local authority's policy on allowances and expenses.</p> <p>Council's annual report must disclose the total remuneration received by or payable to each member of the local authority in the reporting period. A local authority must disclose remuneration paid or payable to each member from both the local authority and any council organisation of the local authority.</p>	<p>We will assess the City Council's compliance with the requirement to disclose the remuneration of each member of the local authority in the annual report against the relevant Local Government Elected Members Determination and any amendment to that Determination.</p> <p>We will also confirm whether the payments are within the Determination set by the Authority.</p>
<b>Local Authorities (Members' Interest) Act 1968</b>	
<p>The Local Authorities (Members' Interests) Act 1968 controls the making of contracts between councillors and the City Council and prevents councillors from participating in Council matters in which they have a pecuniary interest.</p> <p>The Auditor-General's 2010 report <i>Guidance for members of local authorities about the Local Authorities (Members' Interests) Act 1968</i> provides useful guidance for both Council and elected members on their requirements under the Act.</p>	It is primarily the City Council and elected member's responsibility to ensure the requirements of the Local Authorities (Members' Interests) Act 1968 are complied with. We will update our understanding of the City Council's policies and processes in relation to members' interests and in the course of our usual audit work we will remain alert for any potential breaches of the Act.

Please tell us about any additional matters we should consider, or any specific risks that we have not covered. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

## Fraud risk

Misstatements in the financial statements and performance information can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. In considering fraud risk, two types of intentional misstatements are relevant – misstatements resulting from fraudulent reporting, and misstatements resulting from misappropriation of assets.

The primary responsibility for the prevention and detection of fraud and error rests with the Council, with assistance from management. In this regard, we will discuss the following questions with you:

- What role does Council play in relation to fraud? How do you monitor management's exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, is the Council satisfied that it had appropriate input into this process?
- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the Council and management to keep you informed of instances of fraud, either actual, suspected, or alleged?
- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to Council? Has appropriate action been taken on any lessons learned?

## *Our responsibility*

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement resulting from fraud. Our approach to obtaining this assurance is to:

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls in mitigating the risks;
- perform substantive audit procedures; and
- remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at [oag.govt.nz/reports/fraud-reports](http://oag.govt.nz/reports/fraud-reports).

## Group audit



The group comprises:

- Hamilton City Council;
- Waikato Innovation Growth Limited (Group);
- Vibrant Hamilton Trust; and
- Waikato Regional Airport Limited.

Our auditor's report covers the group as a whole. Our audit approach is developed to ensure we have sufficient information to give an opinion on the group. In designing our group audit approach, we considered the structure of the group and identified the entities which are included in the group financial statements. Each entity is referred to as a component. We have assessed the risks of material misstatement and have identified our approach for each component. Other than the Council parent, we have not assessed any of the components of the Hamilton City Council group as significant.

For non-significant components, we will perform analytical procedures at the group level to identify unexpected movements.

We will report any significant internal control deficiencies to the Council and management of the group. This will include any deficiencies identified by the group engagement team or brought to our attention by the component auditor. We will communicate deficiencies related to:

- group-wide internal control; or
- internal controls at each component.

We will also communicate any fraud identified by the group engagement team or brought to our attention by the component auditor.

## Our audit process

### Initial planning

Initial planning activities include verifying compliance with independence requirements and building the audit team.

### Understand your business and environment

We use our extensive sector and business knowledge to make sure we have a broad and deep understanding of Hamilton City Council, your business, and the environment you operate in.

### Assess audit risk

We use our knowledge of the business, the sector and the environment to identify and assess the risks that could lead to a material misstatement in the financial statements and performance information.

### Evaluate internal controls

We update our understanding of internal controls relevant to the audit. This includes reviewing the control environment, risk assessment process, and relevant aspects of information systems controls. Most of this work is done during the initial audit visits. We evaluate internal controls relevant to the audit for the whole financial year, so we consider internal controls relevant to the audit at all visits.

### Finalise the audit approach

We use the results of the internal control evaluation to determine how much we can rely on the information produced from your systems during our final audit.

### Gather audit evidence

During the final audit we will be auditing the balances, disclosures, and other information included in the City Council's financial statements and performance information.

### Conclude and report

We will issue our audit report on the financial statements and performance information. We will also report to the Council covering any relevant matters that come to our attention.

### **Enhancing year-end processes**

The year-end financial statement close process and the preparation of the annual report requires a large number of resources to be committed to complete it effectively. This diverts the attention of your staff away from the current financial year and focuses them on past events. We want the audit process to run smoothly and we will work with management to achieve this through bringing forward the timing of audit procedures.

### **Bringing forward audit procedures**

Substantive audit procedures are traditionally performed after the year-end. Where possible, we will aim to bring audit procedures earlier in the year. This will be focused on year-to-date transactions for revenue, expenditure and property, plant and equipment. Completion of these tests earlier in the year should allow for more timely identification and resolution of errors.

This testing will be completed during the interim audits planned for May 2019. This requires us to have the right information available during this visit to enable us to complete this work.

We will work with management to facilitate getting the information required at the right time. We will communicate with management if information is not available as agreed, including any impact on the year-end audit.

### **Materiality**

In performing our audit, we apply the concept of materiality. In the public sector, materiality refers to something that if omitted, misstated, or obscured could reasonably be expected to:

- influence readers' overall understanding of the financial statements and performance information; and
- influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

Accounting standards also require the Council and management to consider materiality in preparing the financial statements. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer's perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities.

Whether information is material is a matter of judgement. We consider the nature and size of each item judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor. Materiality will be lower for some items due to their sensitivity.

### **Misstatements**

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements and performance information. During the audit, we will provide details of any such misstatements we identify to an appropriate level of management.

We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from representatives of Council that specify the reasons why the corrections will not be made.

### **Professional judgement and professional scepticism**

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term "opinion" reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

Exercising professional scepticism means that we will not accept everything we are told at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

### **How we consider compliance with laws and regulations**

As part of the Auditor-General's mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach involves first assessing the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance on our audit.

### **Wider public sector considerations**

A public sector audit also examines whether:

- Hamilton City Council carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act by Hamilton City Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by Hamilton City Council or by one or more of its members, office holders, or employees; and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by Hamilton City Council or by one of more of its members, office holders, or employees.

## Reporting protocols

### Communication with management and the Council



We will meet with management and the Council throughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are “no surprises”.

We understand that Tracey Musty is our key contact for the audit. We will regularly update Tracey on progress throughout the audit, and any issues or delays encountered. We expect this information will be shared with management and Council as appropriate. Any areas of material concern will be raised with David Bryant in the first instance.

We intend to meet on a monthly basis with David Bryant, Tracey Musty and Sarah Wilson to discuss matters relevant to the audit.

### Reports to Council



We will provide a draft of all reports to Council and management for discussion/clearance purposes. In the interests of timely reporting, we ask management to provide their comments on the draft within 10 working days. Once management comments are received the report will be finalised and provided to Council.

We will also follow up on your progress in responding to our previous recommendations.

## Audit logistics

### Our team



Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge. Each member of the audit team has received tailored training to develop their expertise.

Our senior audit team members are:

Clarence Susan	Appointed Auditor
Jo Smail	Engagement Quality Control Review Director
Jared Williams	Audit Manager
Wendy Freeman	Assistant Manager

The Engagement Quality Control Review (EQCR) Director forms an important part of our internal quality assurance process to maintain and enhance the quality of your audit. The EQCR Director is an experienced Audit Director who has sufficient and appropriate experience to objectively evaluate the judgements made by the audit team. They are independent from the day to day audit field work, and so can provide an independent challenge to the audit team on their judgements. The EQCR will work with your Appointed Auditor and the audit team, but will not have direct contact with you.

## Timetable



Our proposed timetable is:

First interim audit begins	8 April 2019
Second interim audit begins	6 May 2019
Third interim audit begins	20 May 2019
Draft interim report to Council issued	31 May 2019
Draft financial statements available for audit (including notes to the financial statements) with actual year-end figures	5 August 2019
Draft performance information available for audit	5 August 2019
Final audit begins	5 August 2019
Final financial statements and performance information available, incorporating all the amendments agreed to between us	28 August 2019
Summary annual report available	2 September 2019
Annual report available, including any Chair and Chief Executive's overview or reports	2 September 2019
Verbal audit clearance given	13 September 2019
Draft report to Council issued	13 September 2019
Audit opinion issued	26 September 2019

## Expectations



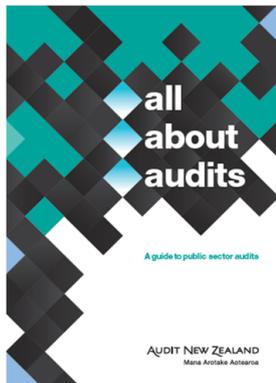
For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our audit engagement letter.

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit. We have also published information to explain what to expect from your audit:



### Health and safety



The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required. We also expect management to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

Attachment 1

Item 13

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

[www.auditnz.govt.nz](http://www.auditnz.govt.nz)

PO Box 621  
Tauranga, 3140  
Phone: 04 496 3099





## Memo

Date: 8 May 2019  
 To: Hamilton City Council – Audit & Risk Committee  
 From: Clarence Susan (Appointed Auditor)  
 Subject: 2019 Audit Update

### Audit update

Naude Kotze will be the new manager of the audit, he has taken over the role from Jared Williams.

We have completed four interim audit visits to date, and have completed our control assessment audit work as well as audit work over the revaluation of water, wastewater, stormwater networks and solid waste sites as at 1 July 2018.

Our next audit visit will be the week of the 20<sup>th</sup> May.

We will be performing substantive audit procedures on year to date transactions for revenue, expenditure and property, plant and equipment.

### Areas of audit emphasis

Consistent with our Audit Plan dated 22 February 2019 our main areas of audit emphasis are:

Audit risk/issue	Our audit response
Timely capitalisation of work in progress and vested assets	<p>We have updated our understanding of the capitalisation processes and noted that there have been no changes to the process since the prior year.</p> <p>We are aware that Council is working on the current WIP balance.</p> <p>We will perform audit work around this risk at the next interim audit (scheduled for 20 May) and at the final audit.</p>
Property, plant and equipment revaluations and fair value assessments	<p>For the three waters and refuse asset revaluations, we have performed the following:</p> <ul style="list-style-type: none"> <li>- Reviewed the scope of the valuation performed and ensured it has been completed in accordance with the appropriate standards</li> <li>- Ensured that the entire asset class has been revalued</li> <li>- Made enquiries of the valuer regarding the assumptions used in the valuation and assessed their suitability to undertake the valuation.</li> </ul>

Audit risk/issue	Our audit response
	<p>We will perform the same procedures over the land and buildings revaluation at the final audit.</p> <p>Once the final revaluation movements have been posted and reflected in the financial statements, we will ensure that these are consistent and that appropriate disclosures have been made.</p> <p>We will also review the fair value assessment at the final audit.</p>
Financial strategy and Housing Infrastructure Fund loan accounting	Our focus on this risk is on the disclosures in the annual report, which will be reviewed at the final audit.
Management override.	We will continue to evaluate any potential management override throughout the audit. We have not identified anything of concern through the interim audits.

### Audit progress

- We have completed our assessment of the control environment, and have not identified any areas to report on. Based on our assessment, we can rely on the control environment for the purpose of planning the most efficient audit approach.
- We have completed our assessment of the control environment for the non-financial performance measures and targets, and have not identified any areas to report on. Based on our assessment, we can rely on the control environment for the purpose of planning the most efficient audit approach.
- We have not identified any breakdown of controls around payroll or expenditure.
- We completed audit work around the revaluation of water, wastewater, stormwater networks and solid waste sites as at 1 July 2018. From our review of the revaluation performed by BECA for the SCADA equipment for the wastewater treatment plant and water treatment stations, we have noted that assets are not currently being depreciated. We were advised that it is because the SCADA equipment was added as a provisional item and previously not separately classed. We recommend that the SCADA equipment assets be depreciated in line with the Council's accounting policy.
- Overall, the information provided during the interim audits were timely and of good quality.

### Management Report

Our draft Interim Management Report is due by 31 May 2019, this will be completed once we have completed our remaining interim audit work in May.

### Status of previous recommendations

- We have closed the below listed prior year issues:

Recommendation	HCC ID Number	First raised
Independent review of journals – H3	E2168	2018
High number of privileged user accounts on the networks	E2147	2017
Adding and removing users from network and applications	E2140	2015
IT risk framework	E2148	2017
Review and update IT policies and develop policy awareness programme	E2149	2017
Reviews of users and their system access levels	E2150	2017
Adoption of legislative compliance policy	E2143	2016
Review of legislative compliance responsibility	E2144	2016

- We confirm that the below listed prior year issues are still outstanding or in progress:

Recommendation	HCC ID Number	First raised
Treatment of found assets	E2169	2018
No organisational business continuity plan or IT disaster recovery plan	E2141	2015
Management of Generic (shared) network login accounts	E2151	2017
Property, plant and equipment – quality of information (Three Waters)	E2154	2014

- We will continue to follow up on the remaining 22 previous recommendations at our next audit visits.

### Independence

We confirm that we have complied with the independence requirements of the Auditor General which include the requirements of the International Standards of Auditing and, where necessary, have ensured restrictions on audit staff from areas to avoid potential conflicts.

### General discussion (based on our Engagement Letter)

Please consider the items below and update us on anything that we should be aware of in relation to, Fraud and Legislative Compliance.

### Fraud

ISA (NZ) 240 requires us to make enquiries of governance (Audit Committee/Council) on:

- a. How you exercise oversight of:
  - i. management's processes for identifying and responding to the risks of fraud in the company and group (for both fraudulent financial reporting and misappropriation of assets);
  - ii. the internal control that management has established to mitigate these risks.

The auditor shall make enquiries of management and others within the Council, to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity. A fraud questionnaire has been sent to key individuals.

**Legislative compliance**

It is the responsibility of the Board to ensure compliance with legislation.

We only look at, and report against, legislative compliance that could impact on our opinion.

**Thanks**

We want to acknowledge the assistance given to us by the finance team during this year's audit.

Clarence Susan

**Appointed Auditor**

# Council Report

Item 14

**Committee:** Audit & Risk Committee

**Date:** 16 May 2019

**Author:** Tracey Musty

**Authoriser:** David Bryant

**Position:** Financial Controller

**Position:** General Manager Corporate

**Report Name:** Audit Engagement for 2019, 2020 and 2021

<b>Report Status</b>	<i>Open</i>
----------------------	-------------

## Purpose

1. To inform the Audit and Risk Committee that the Audit Engagement letter signed by the Chief Executive on 29 April 2019 covers the annual audits for the years ending 30 June 2019, 2020 and 2021.

## Staff Recommendation

That the Audit and Risk Committee receives the report.

## Discussion

2. The Audit Engagement letter covers the financial years ending 30 June 2019, 2020 and 2021.
3. The letter outlines the terms and nature of the audit engagement and the responsibilities of the Council and Audit New Zealand with regards to the financial statements and performance information.

## Significance and Engagement Policy

### Significance

4. Having considered the Significance and Engagement Policy, staff have assessed that the matter in this report is of low significance.

### Engagement

5. Given the low level of significance determined, the engagement level is low. No engagement is required.

## Financial Considerations

6. The cost of this engagement is funded through the 10-Year Plan.

**Legal and Policy Considerations**

- 7. Staff confirm that the matters in this report complies with the Council’s legal and policy requirements.

**Risks**

- 8. There are no known risks associated with this matter.

**Cultural Considerations**

- 9. No cultural considerations have been identified relevant to the matters in this report.

**Attachments**

Attachment 1 - Audit New Zealand - Audit Engagement - 2019-04-29 .



AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

18 April 2019

745 Cameron Road  
PO Box 621, Tauranga 3144  
Ph 04 496 3099

Andrew King  
Mayor  
Hamilton City Council  
Private Bag 3010  
Waikato Mail Centre  
Hamilton 3240

Dear Andrew

### **Audit Engagement Letter**

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all “public entities”, including Hamilton City Council, under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audits of the Hamilton City Council’s financial statements and performance information. We will be carrying out these annual audits on the Auditor-General’s behalf, for the years ending 30 June 2019, 2020, and 2021.

This letter outlines:

- the terms of the audit engagement and the nature, and limitations, of the annual audit; and
- the respective responsibilities of the Council and me, as the Appointed Auditor, for the financial statements and performance information.

The objectives of the annual audit are:

- to provide an independent opinion on the Hamilton City Council’s financial statements and performance information; and
- to report on other matters that come to our attention as part of the annual audit (typically those matters will relate to issues of financial management and accountability).

We will carry out the audit in accordance with the Auditor-General’s Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board (collectively the Auditing Standards). The Auditing Standards require that we comply with ethical requirements, and plan and perform the annual audit to obtain reasonable assurance about whether the Hamilton City Council’s financial statements and performance information are free from material misstatement.

A business unit of the Controller and Auditor-General | [www.auditnz.govt.nz](http://www.auditnz.govt.nz)

The Auditing Standards also require that we remain alert to issues of concern to the Auditor-General. Such issues tend to relate to matters of financial management and accountability.

#### Your responsibilities

Our audit will be carried out on the basis that the Council acknowledges that it has responsibility for:

- preparing the financial statements and performance information in accordance with any applicable legal requirements and financial reporting standards;
- having such internal control as determined necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error; and
- providing us with:
  - access to all information relevant to preparing the financial statements and performance information such as records, documentation, and other information;
  - all other information, in addition to the financial statements and performance information, to be included in the annual report;
  - additional information that we may request from the Hamilton City Council for the purpose of the audit;
  - unrestricted access to Council members and employees that we consider necessary; and
  - written confirmation concerning representations made to us in connection with the audit.

In addition, the Council is responsible:

- for the preparation of the summary financial statements and summary performance information;
- for making the audited summary financial statements and summary performance information readily available to the intended users of that information; and
- for including our audit report on the summary financial statements and summary performance information in any document that contains that information and that indicates that we have reported on that information.

The Council's responsibilities extend to all resources, activities, and entities under its control. We expect that the Council will ensure:

- the resources, activities, and entities under its control have been operating effectively and efficiently;

- it has complied with its statutory obligations including laws, regulations, and contractual requirements;
- it has carried out its decisions and actions with due regard to minimising waste;
- it has met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector in that it has carried out its decisions and actions with due regard to probity; and
- its decisions and actions have been taken with due regard to financial prudence.

We expect the Council and/or the individuals within the Hamilton City Council with delegated authority, to immediately inform us of any suspected fraud, where there is a reasonable basis that suspected fraud has occurred – regardless of the amount involved. Suspected fraud also includes instances of bribery and/or corruption.

The Council has certain responsibilities relating to the preparation of the financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Appendix 1. Appendix 2 contains some additional responsibilities relating to the health and safety of audit staff. We expect members of the Council to be familiar with those responsibilities and, where necessary, have obtained advice about them.

The Council should have documented policies and procedures to support its responsibilities. It should also regularly monitor performance against its objectives.

### **Our responsibilities**

#### ***Carrying out the audit***

We are responsible for forming an independent opinion on whether the financial statements of the Hamilton City Council:

- present fairly, in all material respects:
  - its financial position; and
  - its financial performance and cash flows for the financial year;
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.

We are also responsible for forming an independent opinion on whether the performance information of Hamilton City Council:

- presents fairly, in all material respects, the performance for the financial year, including:
  - its performance achievements as compared with forecasts included in the Long term plan for the financial year; and

- its actual revenue and expenses as compared with the forecasts included in the Long term plan or annual plan for the financial year;
- complies with generally accepted accounting practice in New Zealand.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements and performance information. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the financial statements and performance information, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements and performance information.

We do not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the Auditing Standards.

During the audit, we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hamilton City Council's internal controls. However, we will communicate to you in writing about any significant deficiencies in internal control relevant to the audit of the financial statements and performance information that we identify during the audit.

During the audit, the audit team will:

- be alert for issues of effectiveness and efficiency – in particular, how the Council and the Hamilton City Council have carried out their activities;
- consider laws and regulations relevant to the audit;
- be alert for issues of waste – in particular, whether the Council obtained and applied the resources of the Hamilton City Council in an economical manner, and whether any resources are being wasted;
- be alert for issues of a lack of probity – in particular, whether the Council and the Hamilton City Council have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector; and
- be alert for issues of a lack of financial prudence.

***Our independence***

It is essential that the audit team and Audit New Zealand remain both economically and attitudinally independent of Hamilton City Council; including being independent of management personnel and members of the Council). This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with the objectivity of the audit team and the Audit New Zealand.

To protect our independence, specific limitations are placed on us in accepting engagements with the Council other than the annual audit. We may accept certain types of other engagements, subject to the requirements of the Auditing Standards. Any other engagements must be the subject of a separate written arrangement between the Council and me or Audit New Zealand.

***Reporting***

We will issue an independent audit report that will be attached to the financial statements and performance information. This report contains our opinion on the fair presentation of the financial statements and performance information and whether they comply with the applicable reporting requirements. The audit report may also include comment on other financial management and accountability matters that we consider may be of interest to the addressee of the audit report.

In addition, we will issue an audit report that will be attached to the summary financial statements and summary performance information. This audit report will contain an opinion that provides the same level of assurance as the audit report on the full financial statements and full performance information.

We will also issue a report to governors that will be sent to the Council. This report communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the Council. Typically those matters will relate to issues of financial management and accountability. We may also provide other management letters to the Hamilton City Council from time to time. We will inform the Council of any other management letters we have issued.

Please note that the Auditor-General may publicly report matters that are identified in the annual audit, in keeping with section 21 of the Public Audit Act 2001.

**Next steps**

Please acknowledge receipt of this letter and the terms of the audit engagement by signing the letter in the space provided and returning a copy to me. The terms will remain effective until a new Audit Engagement Letter is issued.

If you have any questions about the audit generally, or have any concerns about the quality of the audit, you should contact me as soon as possible. If after contacting me you still have concerns, you should contact the Director of Auditor Appointments at the Office of the Auditor-General on (04) 917 1500.

If you require any further information, or wish to discuss the terms of the audit engagement further before replying, please do not hesitate to contact me.

Yours faithfully



Clarence Susan  
Appointed Auditor  
On behalf of the Auditor-General

I acknowledge the terms of this engagement and that I have the required authority on behalf of the Council.

Signature:

Name:  RICHARD BRIGGS

Title: CHIEF EXECUTIVE Date: 29.4.2019

## Appendix 1: Respective specific responsibilities of the Council and the Appointed Auditor

Responsibilities of the Council	Responsibility of the Appointed Auditor
<b>Responsibilities for the financial statements and performance information</b>	
<p>You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards.</p> <p>You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.</p> <p>You are required by legislation to prepare the financial statements and performance information and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, we are dependent on receiving the financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.</p>	<p>We are responsible for carrying out an annual audit, on behalf of the Auditor-General. We are responsible for forming an independent opinion on whether the financial statements:</p> <ul style="list-style-type: none"> <li>• present fairly, in all material respects:               <ul style="list-style-type: none"> <li>○ the financial position; and</li> <li>○ the financial performance and cash flows for the financial year;</li> </ul> </li> <li>• comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Reporting Standards.</li> </ul> <p>We are also responsible for forming an independent opinion on whether the performance information:</p> <ul style="list-style-type: none"> <li>• presents fairly, in all material respects, the performance for the financial year, including:               <ul style="list-style-type: none"> <li>○ the performance achievements as compared with forecasts included in the Long term plan for the financial year; and</li> <li>○ the actual revenue and expenses as compared with the forecasts included in the Long term plan or annual plan for the financial year.</li> </ul> </li> <li>• complies with generally accepted accounting practice in New Zealand.</li> </ul> <p>We will also read the other information accompanying the financial statements and performance information and consider whether there are material inconsistencies with the audited financial statements and performance information.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error.</p> <p>Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence the audit report addressee's overall understanding of the financial statements and performance information.</p> <p>If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion.</p> <p>An audit also involves evaluating:</p> <ul style="list-style-type: none"> <li>• the appropriateness of accounting policies used and whether they have been consistently applied;</li> <li>• the reasonableness of the significant accounting estimates and judgements made by those charged with governance;</li> <li>• the appropriateness of the content and measures in any performance information;</li> <li>• the adequacy of the disclosures in the financial statements and performance information; and</li> <li>• the overall presentation of the financial statements and performance information.</li> </ul> <p>We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> <li>• the adoption of the going concern basis of accounting is appropriate;</li> <li>• all material transactions have been recorded and are reflected in the financial statements and performance information;</li> </ul>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<ul style="list-style-type: none"> <li>• all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to us; and</li> <li>• uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information.</li> </ul> <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p> <p>We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non-receipt or condition of the financial statements and performance information, or for some other reason beyond our control, as soon as possible after that.</p> <p>The work papers that we produce in carrying out the audit are the property of the Auditor-General. Work papers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.</p>
Responsibilities for the accounting records	
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> <li>• correctly record and explain the transactions of Hamilton City Council;</li> <li>• enable you to monitor the resources, activities, and entities under your control;</li> <li>• enable the Hamilton City Council's financial position to be determined with reasonable accuracy at any time;</li> <li>• enable you to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and</li> <li>• are in keeping with the requirements of the Commissioner of Inland Revenue.</li> </ul>	<p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
<b>Responsibilities for accounting and internal control systems</b>	
<p>You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of Hamilton City Council), supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of financial and performance information reporting.</p>	<p>The annual audit is not designed to identify all significant weaknesses in your accounting and internal control systems. We will review the accounting and internal control systems only to the extent required to express an opinion on the financial statements and performance information.</p> <p>We will report to you separately, on any significant weaknesses in the accounting and internal control systems that come to our notice and that we consider may be relevant to you. Any such report will provide constructive recommendations to assist you to address those weaknesses.</p>
<b>Responsibilities for preventing and detecting fraud and error</b>	
<p>The responsibility for the prevention and detection of fraud and error rests with you, through the implementation and continued operation of adequate internal control systems (appropriate to the size of Hamilton City Council) supported by written policies and procedures.</p> <p>We expect you to formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with. Fraud also includes bribery and corruption.</p> <p>We expect you to consider reporting all instances of actual, suspected, or alleged fraud to the appropriate law enforcement agency, which will decide whether proceedings for a criminal offence should be instituted. We expect you to immediately inform us of any suspected fraud where you, and/or any individuals within the Hamilton City Council with delegated authority have a reasonable basis that suspected fraud has occurred - regardless of the amount involved.</p>	<p>We design our audit to obtain reasonable, but not absolute, assurance of detecting fraud or error that would have a material effect on the financial statements and performance information. We will review the accounting and internal control systems only to the extent required for them to express an opinion on the financial statements and performance information, but we will:</p> <ul style="list-style-type: none"> <li>• obtain an understanding of internal control and assess its ability for preventing and detecting material fraud and error; and</li> <li>• report to you any significant weaknesses in internal control that come to our notice.</li> </ul> <p>We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected, or alleged fraud.</p> <p>As part of the audit, you will be asked for written confirmation that you have disclosed all known instances of actual, suspected, or alleged fraud to us.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>If we become aware of the possible existence of fraud, whether through applying audit procedures, advice from you, or management, or by any other means, we will communicate this to you with the expectation that you will consider whether it is appropriate to report the fraud to the appropriate law enforcement agency. In the event that you do not report the fraud to the appropriate law enforcement agency, the Auditor-General will consider doing so, if it is appropriate for the purposes of protecting the interests of the public.</p>
<p><b>Responsibilities for compliance with laws and regulations</b></p>	
<p>You are responsible for ensuring that Hamilton City Council has systems, policies, and procedures (appropriate to the size of Hamilton City Council) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of Hamilton City Council are complied with. Such systems, policies, and procedures should be documented.</p>	<p>We will obtain an understanding of the systems, policies, and procedures put in place for the purpose of ensuring compliance with those legislative and regulatory requirements that are relevant to the audit. Our consideration of specific laws and regulations will depend on a number of factors, including:</p> <ul style="list-style-type: none"> <li>• the relevance of the law or regulation to the audit;</li> <li>• our assessment of the risk of non-compliance;</li> <li>• the impact of non-compliance for the addressee of the audit report</li> </ul> <p>The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance.</p> <p>We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws and regulations.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
<b>Responsibilities to establish and maintain appropriate standards of conduct and personal integrity</b>	
<p>You should at all times take all practicable steps to ensure that your members and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a "Code of Conduct" and, where applicable, support the "Code of Conduct" with policies and procedures.</p> <p>The expected standards of conduct and personal integrity should be determined by reference to accepted "Codes of Conduct" that apply to the public sector.</p>	<p>We will have regard to whether you maintain high standards of conduct and personal integrity – particularly in matters relating to financial management and accountability. Specifically, we will be alert for significant instances where members and employees of Hamilton City Council may not have acted in accordance with the standards of conduct and personal integrity expected of them.</p> <p>The way in which we will report instances that come to our attention will depend on significance. We will report to you and to the Auditor-General all significant departures from expected standards of conduct and personal integrity that come to our attention during the audit.</p> <p>The Auditor-General, on receiving a report from us, may, at his discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.</p>
<b>Responsibilities for conflicts of interest and related parties</b>	
<p>You should have policies and procedures to ensure that your members and employees carry out their duties free from bias.</p> <p>You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.</p>	<p>To help determine whether your members and employees have carried out their duties free from bias, we will review information provided by you that identifies related parties, and will be alert for other material related-party transactions. Depending on the circumstances, we may enquire whether you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
<b>Responsibilities for publishing the audited financial statements on a website</b>	
<p>You are responsible for the electronic presentation of the financial statements and performance information on the public entity's website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented.</p> <p>If the audit report is reproduced in any medium, you should present the complete financial statements, including notes, accounting policies, and any other accountability statements.</p>	<p>Examining the controls over the electronic presentation of audited financial statements and performance information, and the associated audit report, on your website is beyond the scope of the annual audit.</p>

## Appendix 2: Health and safety of audit staff

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015 we need to make arrangements with you to keep our audit staff safe while they are working at your premises. We expect you to provide a safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

## 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. Confirmation of Audit and Risk Committee Minutes - Public Excluded - 5 March 2019	) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
C2. Verbal Update on any Legal Issues and/or Risks	)	
C3. Cyber Risks/Issues - Verbal Report		

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

Item C1.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)
Item C2.	to maintain legal professional privilege	Section 7 (2) (g)
Item C3.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)