

Notice of Meeting:

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

Date: Wednesday 23 March 2016
Time: 2:30pm
Meeting Room: Council Chamber
Venue: Municipal Building, Garden Place, Hamilton

Richard Briggs
Chief Executive

Audit & Risk Committee OPEN AGENDA

Membership

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

Quorum: Three Members (including one external appointee)

Meeting Frequency: Quarterly

Mary Birch
Democracy Team Leader

16 March 2016

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Terms of Reference:

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

Special Notes:

- The Chief executive and Internal Auditor are required to attend all meetings but are not members and have no voting rights.
- Members are appointed for an initial term of no more than three years that aligns with the triennial elections, after which they may be eligible for extension or reappointment.
- Appointment of external members is by contract.
- External member contracts are to be reviewed and assessed six (6) months after each triennial election.

Power to act:

- The committee has no decision making powers.
- The committee may request expert advice through the Chief Executive when necessary.

Power to recommend:

This Committee may make recommendations:

- To Council.
- To the Chief Executive.

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1 Apologies

2 Confirmation of Agenda

The Committee to confirm the Agenda.

3 Declaration of Interest

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

4 Public Forum

Not required.

Committee: Audit & Risk Committee **Date:** 23 March 2016
Report Name: Minutes of the Audit and Risk Committee Meeting Open - held on 26 November 2015 **Author:** Mary Birch

Status	<i>Open</i>
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Recommendation

That the Committee confirm and adopt as a true and correct record the open Minutes of the Audit and Risk Committee Meeting held on 26 November 2016.

1. Attachments

- Attachment 1 - Minutes of the Audit and Risk Committee Meeting - Open - 26 November 2015

Audit & Risk Committee

OPEN MINUTES

Minutes of a meeting of the Audit & Risk Committee held in Committee Room 1, Municipal Building, Garden Place, on Thursday 26 November 2015 at 10.30am.

PRESENT

Chairperson	Mr Paul Connell
Members	Her Worship the Mayor Julie Hardaker Cr Angela O'Leary Cr Rob Pascoe
In Attendance	Richard Briggs – Chief Executive Paul Conder – Acting General Manager Corporate Lance Vervoort – General Manager Community Sean Murray – Director H3 and Events Stephen Standley – Zoo Director David Robson - Crisis Manager Barnaby Pace – Risk Manager Jeff Neems – Communication Advisor Naude Kotze – Audit New Zealand Andrew Holmes – PricewaterhouseCoopers (PwC) Yoonyoung Y Lee – PwC Sam Ketling - AON New Zealand
Democracy Advisor	Mary Birch – Democracy Team Leader

1. Apologies

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

That the apologies from Tony Steele be received and accepted.

2. Confirmation of Agenda

Resolved: (Mr Connell/Cr Pascoe)

That the Committee confirm the Agenda.

3. Declarations of Interest

No members of the Committee declared a Conflict of Interest.

4. Public Forum

Public Forum was not required.

5. Audit and Risk Committee Meeting - Open Minutes - 16 September 2015

Resolved: (Crs Pascoe/O'Leary)

That the Committee confirm and adopt as a true and correct record, the Open Minutes of the Audit and Risk Committee Meeting held on 16 September 2015.

The Committee discussed matters arising from the previous minutes. Staff responded as follows:

- **Health and Safety Sessions** – Some Elected Members and Committee Members had attended a Health and Safety Responsibilities - Governance session, facilitated by the Employers and Manufacturers Association. Whilst knowledgeable on health and safety issues, it was felt that more clarity was required on the duty of care/liability for Elected Members within the local government environment.
- **Health and Safety Webinar** – A further opportunity would be available to participate in the Health and Safety Responsibilities Training via a Local Government New Zealand Webinar; the Chief Executive ('CE') would ensure that the webinar was circulated to all Elected Members.
- **Health and Safety Briefing** – It was recognised that a further briefing for Elected Members and Committee Members was required to ensure there was certainty around the guidelines and the duty of care that needed to be satisfied in a local government setting. The CE would arrange for the briefing to take place in February 2016.
- **Movement of Funds – Roman Catholic Schools Fund** – Communication had been undertaken with the Catholic Diocesan and confirmation had been given that the funds could be moved from reserves to general funds. A written letter confirming this is expected shortly.
- **Movement of Funds – Dame Hilda Ross Funds** – Communication was yet to be undertaken.
- **Capitalisation of Fixed Assets** - Staff had been asked to report back to this meeting on the systematic process regarding completed projects being capitalised on the fixed asset register within three months of finishing the project. Acting General Manager Corporate ('General Manager') explained the process and confirmed that he had received the draft Audit New Zealand Management Letter; it had caused concern and a more formal review

was required. Capitalisation within the timeframes, to ensure that there were no breaches in the process, was the responsibility of each of the General Managers. Both the Hansen 8 and AX systems were being used to ensure alignment. The General Manager was asked to provide an update when the Management Letter from Audit NZ was presented to the Committee.

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

The Committee discussed the recommended dates and amendments to the schedule were made as follows:

- **Audit and Risk Committee Self Review** – This would now take place in March 2016 to allow for benchmarking against other territorial authorities on the Terms of Reference.
- **Risk and Opportunities Report** – This was primarily controlled through the Finance Committee on a quarterly basis. In future, a summary report, focused on the risks identified, would be provided to the Audit and Risk Committee. If there was any significant change, a more detailed report would be included.
- **Weathertight Buildings Report** – This was controlled and monitored through the Finance Committee on a six-monthly basis. Whilst it was recognised that there were concerns around commercial building liability, Hamilton remained a low risk area. It was requested that a report be brought back to the next Audit and Risk Committee Meeting, specifically on the potential commercial building risk. Thereafter, it could be removed from the standard reporting schedule.
- **Insurance Report** – This should be introduced as a standard report on an annual basis.
- **Cyber Security** - This should be introduced as a standard report on an annual basis.

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

That the report be received, with the above changes to future reporting noted.

7. Organisational Risk Report

The CE, General Manager and Crisis Manager updated the Committee in relation to, and responded to questions on, the following matters:

- **Risk Workshop** – The CE was still to arrange a workshop for the Audit and Risk Committee Members to debate the outstanding risks.
- **Senior Leadership Team ('SLT')** – The SLT were currently working through the strategic and operational risks.
- **Risk Culture** – As only 50% of the Third Tier Managers had attended the targeted risk training, further sessions would be arranged. The Risk Management training, together with Health and Safety and Anti-Bullying training were all compulsory for staff at this level.
- **Top Ten Organisational Risks Rankings** – It was noted that when making comparisons between the initial risk and residual risk scores within the Top Ten Risks, the reason for the overall ranking was not always evident. However, the Committee was advised that whilst the scoring was the view of the risk owner, it was repeatedly re-scored over a period of time.
- **Implementation** – Measurement of success for embedding risk management culture within the organisation was considered on an individual basis by the relevant unit without prompting from the Risk team. Notwithstanding this, the quality of the reported risks was improving.
- **Mitigation** – One aspect of risk management maturity was the quality of the measures in place to mitigate the identified risk; it was expected that staff take the necessary action to mitigate risks, which included, where necessary, funding requests through the Ten Year Plan.

Resolved: (Her Worship the Mayor Hardaker/Cr O'Leary)

That:

- a) the report be received; and
- b) a workshop is to be arranged for February 2016, to enable Committee Members to consider the outstanding organisational risks.

8. Organisational Improvements Work Programme Status Report

Although no actions had been completed, the Committee was assured that priority was given to ensure higher risks were cleared first.

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

That the report be received.

9. Insurance Report 2015/16

The Risk Manager, supported by Sam Ketley, AON New Zealand, updated the Committee in relation to, and responded to questions on, the following matters:

- **Review** - A review of all policies had been undertaken to ensure that Council had the appropriate level of cover.
- **SLT Review** - The General Managers had not reviewed the new level of cover; the revised cover would be taken to SLT for further scrutiny.
- **Maximum Probable Loss** - The maximum probable loss approach, rather than the reinstatement value, had been taken.
- **Risk Profiling** - AON were working with Tonkin and Taylor on risk profiling to analyse the exposure due to seismic issues. The lower seismic risk for this area was reflected in the premiums.
- **Fitch Credit Rating** - AON only worked with organisations with a credit rating of A- .
- **Underground Infrastructure** – Clarity would be sought regarding who was responsible for the cover of underground infrastructure on private property; confirmation on Council’s responsibilities and whether cover was standard under household insurance was requested.
- **Cyber Liability** - Cyber liability had been introduced.
- **Statutory Liability** - Any changes in health and safety legislation would impact on Council’s statutory liability insurance.
- **Quality** – The quality of the insurance being provided was not necessarily driven by premium costs. Cover under the Waikato Local Authority Shared Services (LASS) was provided to ten councils across the region; AON endeavoured to provide the best possible cover. Policies provided under LASS were considerably better than if councils were considered on an individual basis. More coverage could be provided for less premiums. Every year as part of AON’s own review, to ensure that the best product was provided, changes to the wording or improvements to the conditions were considered. When there were changes to legislation, AON provided guidance on what the revised limits should be for the statutory liability. There was a continual system in place for review, to ensure that the policies were as broad as they could be for the best price available.
- **Gap Analysis** – AON also undertook gap analysis to determine whether there was any insurance that Council did not currently have, which was needed. Conversely, if there were policies which were not required, AON provided professional advice to Council accordingly.
- **Premium Reductions** – Many of the premium reductions were driven by market changes.
- **Unspecified Items** – In the infrastructure policies, unspecified items had been introduced, so this would cover inherited items or infrastructure for which Council was unaware.
- **Enablement Costs** – Enablement costs were generally not captured. However, Council now had an appropriate policy which covered inline services. Interconnected services may need to be taken off-line to allow for the repairs to be undertaken; the costs of maintaining the functionality whilst an individual asset was being repaired would now be

covered.

- **Work in Progress** – Delays in completed projects that had been capitalised on the fixed asset register within three months of completion did not impact on the level of cover, as all work in progress was captured and covered.

Resolved: (Crs Pascoe/O'Leary)

That the report be received, subject to a review of the cover by SLT, the conclusion of which is to be noted back to the next Audit and Risk Committee Meeting in March 2016.

10. Audit NZ Quality Audit on the IS Programme of Work

The General Manager introduced the report and highlighted that the mobility project was a good example where the lessons learned had been applied to the rest of the organisation.

Resolved: (Mr Connell/Cr O'Leary)

That the report be received.

11. PwC Internal Audit Update

Andrew Holmes and Yoonyoung Lee introduced this report. It was confirmed that the 2015 internal Audit Programme had been completed. The 2016 Internal Audit Programme was being developed and once the strategic risks had been provided to PwC by the organisation, it could be confirmed.

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

That the report be received.

12. Resolution to Exclude the Public

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

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

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

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Audit and Risk Committee Meeting - Public Excluded Minutes - 16 September 2015) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
C2. PwC - Internal Audit Status Report)	

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

Item C1.	to enable Council to carry out negotiations	Section 7 (2) (i)
Item C2.	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h)

The Meeting moved into a Public Excluded session (11.45am to 12.50pm).

The Meeting was declared closed at 12.50pm.

Committee: Audit & Risk Committee

Date: 23 March 2016

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

Author: Jessica Ashworth

Status	<i>Open</i>
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Recommendation

That the Report be received.

1. Attachments

- Attachment 1 - Recommended Schedule of Reports to Audit and Risk Committee 2016

3. Purpose of the report

- This Report provides detail of recommended dates of Reports to the Audit and Risk Committee for 2016.

Signatory

Authoriser	David Bryant, General Manager Corporate
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Updated: 04/03/16

Audit and Risk Committee Reports - 2016

D-1358919

Audit and Risk Committee Meetings

Presenters	Notes	Audit and Risk Committee Meetings				Informal Audit and Risk Committee Meetings	Non-Audit and Risk Committee Meetings	
		23/03/16	08/06/16	13/09/16	TBC NOV	Aug/Sept	Council Workshop 10/03/16	Council Sept

Standard Reports

Organisation Improvement Report	Corporate							
Risk Management Report	Corporate/Risk							
Health and Safety Update	Corporate/Health & Safety							
Fitch Credit Rating Report	Corporate/Finance							
Insurance Renewal	Corporate							
Cyber Security Update	Corporate							
Audit and Risk Committee Self Review	Chairperson							

Annual Report Related

Risk and Opportunities Report (FC)	Corporate/Finance							
Weathertight Buildings Report (FC)	City Growth/Building							
Legal Review (Contingent Liabilities) - Public Excluded	Corporate/Democracy							
Annual Report Planning Update	Finance Group							
Review of Draft Financial Statements	Finance Group							
Annual Report (recommendation to Council)	Finance Group							

Internal Audit (PricewaterhouseCoopers)

Draft Internal Audit Plan	PWC / Corporate							
Update on Previous Audit Points (follows Org Improvement Report)	PWC							
Internal Audit Update	PWC							
Internal Audit - Reports (Public Excluded)	PWC	as required						
Risk Workshop	PWC							

External Audit (Audit New Zealand)

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

Committee: Audit & Risk Committee

Date: 23 March 2016

Report Name: Organisational Risk Report

Author: Richard Briggs

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

1. Purpose of the Report

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

3. Executive Summary

- The Audit and Risk Committee requested that senior management refresh the material risks presented to them and the risk management framework. The Audit and Risk Committee requested that they be engaged in this refresh process.
- The Senior Leadership Team reviewed the existing risks reported to the Audit and Risk Committee and considered whether there were other equally or more significant risks which should be discussed with the Audit and Risk Committee.
- A facilitated workshop was held on 10 March 2016 where the Audit and Risk Committee and Senior Leadership Team debated the material risks drafted by the Senior Leadership Team.
- At the time of writing this report, the outcomes of the discussion are still being compiled and will feature in future reporting.

Recommendation from Management

That the Report be received.

Signatory

Authoriser	Richard Briggs, Chief Executive
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Committee: Audit & Risk Committee **Date:** 23 March 2016
Report Name: Organisational Improvement Work Programme Status Report **Author:** Barnaby Pace

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i>Organisational Improvement</i>
Financial status	<i>This activity is funded through the internal audit programme.</i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is/is not considered to have a high degree of significance</i>

1. Purpose of the Report

2. This report provides an update on the status of Council’s Organisation Improvement Work Programme as at March 2016, responding to recommendations made by Audit New Zealand (external audit), PWC (internal audit), QEC (Quality Environmental Consulting Ltd) and Deloitte.

3. Executive Summary

4. Eleven historical recommendations have been signed for closure this quarter.

Recommendation from Management

That the Report be received.

5. Attachments

- 6. Attachment 1 - Organisational Improvements Work Programme March 16 Open Items
- 7. Attachment 2 - Organisational Improvements Work Programme March 16 Closing Item
- 8. Attachment 3 - Organisational Improvements Work Programme March 16 Sign off Items

9. Organisational Work Programme Update Summary

- 10. Since the November 2015 report, a summary of the open items is as follows;
- 11. The detailed report of open items is attached and separate reports are provided for ideas signed by management for closure and recommendations signaled by management as completed and closed.

12. Eleven historical recommendation have been signed for closure this quarter (items 38, 41, 42, 283, 289 - 293, 295, and 298).

13. Summary Table

14. The table below provides a summary analysis of the Organisational Improvement Work Programme:

	Q4 (2014/15)	Q1 (2015/16)	Q2	Q3	Q4	2015/16 YTD
Opening	15	15	9	0		24
New	0	0	38	0		38
Completed	19	6	0	11		17
Closing	15	9	47	0		56

Signatory

Authoriser	David Bryant, General Manager Corporate
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Hamilton City Council
Organisational Improvements Control List (Signal to Audit For Closure)

Key:	 in progress or open
	 closed since last Audit & Risk meeting
	 open or new item since last Audit & Risk meeting
	 exceeded estimate completion date

If you are hiding cells to view your recommendations together, please don't save the document. The function to unhide a group of cells doesn't work and I have to unpick them one at a time!

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

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

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	exceeded estimate completion date

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No.	Current Status	Issue	Audit Comment	Source	Reference	Agreed Management Response	Comment on Current Activity	risk rating	Owner	Date closed	Estimated completion date	Audit sign off of closure
106		Event Management	There is a lack of formal review of event planning to ensure that appropriate services are provided to clients.	PWC Internal Audit Event Management Review 10 Jun 13 12/13	Finding #3, Page 12	Management are currently in the process of developing an Event Order confirmation report within EBMS. This report will detail all services and requests that the client has made and will be required to be signed off by the client and event co-ordinator prior to the commencement of an event. This will assist in ensuring that all client requests are raised as service orders. This report is due for release in 11 June 2013. We agree with all the other recommendations detailed in the outcome of the review and will be putting together a project team to create a clear and simple process supported by a detailed checklist for our entire event staff. The timeline for this will be incorporated into the overarching programme of changes.	Management have developed an Event Order confirmation report within Ungerboeck. This report details all services and requests that the client has made and is required to be signed off by the client and the event co-ordinator prior to the commencement of an event. This will assist in ensuring that all client requests are raised as service orders. Management agrees with all of the other recommendations detailed in the outcomes of the review and has put in place a project team to create a clear and simple process supported by a detailed checklist for our entire event staff. The timeline for this will be incorporated into the overarching programme of changes	Medium	GM Events & Economic Development		Mar-16	
193		Development Contribution Processes and Controls	Development contribution applicability assessments are not captured and information on development contributions cannot be reported on nor reviewed for authority.	PWC Assessment of Development Contribution Processes and Controls, 3 Mar 2014, Trim D-1359727 13/14	Finding #2, page 8	Assessments are captured in a temporary database that can theoretically be linked to Authority for reporting purposes, however a significant amount of work is needed to do this and/or implement a more stable solution. There is a need to set-up a repeatable and well documented process for linking charges calculated by the Development Contributions Model to the charge calculation spread sheet and the online GIS viewer. This will require a significant amount of work but is on hold due to other priorities. Additional resource will be needed if this is to be completed within reasonable timeframe. As previously reported.	The current solutions remains fit for purpose whilst further investigation continues in modeling solutions .	Medium risk rating assigned by management	Chief Financial Officer		Jun-16	
196		Development Contribution Processes and Controls	Evidence of the compilation of "base charges" by catchment has not been retained.	PWC Assessment of Development Contribution Processes and Controls, 3 Mar 2014, Trim D-1359727 13/14	Finding #5, page 16	Assessments are captured in a temporary database that can theoretically be linked to Authority for reporting purposes, however a significant amount of work is needed to do this and/or implement a more stable solution. There is a need to set-up a repeatable and well documented process for linking charges calculated by the Development Contributions Model to the charge calculation spread sheet and the online GIS viewer. This will require a significant amount of work but is on hold due to other priorities. Additional resource will be needed if this is to be completed within reasonable timeframe. As previously reported.	The current solutions remains fit for purpose whilst further investigation continues in modeling solutions .	Medium risk rating assigned by management	Chief Financial Officer		Jun-16	
110		Event Management	There is no formalised and independent review performed to ensure operational event management procedures are followed.	PWC Internal Audit Event Management Review 10 Jun 13 12/13	Finding #7, Page 17	As part of the overall upgrade, programme management will initiate a project to facilitate the report recommendations. Where possible we will automate the processes within EBMS. The internal event audit process is still to be developed and expected to be complete by the end of the year.	Management will address this issue as part of the overall upgrade programme of EBMS with core HCC finance systems	Low	GM Events & Economic Development		Dec-15	

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

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No.	Current Status	Issue	Audit Comment	Source	Reference	Agreed Management Response	Comment on Current Activity	risk rating	Owner	Date closed	Estimated completion date	Audit sign off of closure
243		Property, plant and equipment	Improve the quality of information in the asset management system by implementing the identified changes in the AECOM report	Audit NZ 2014 Final Mgt Report 19 Nov 2014 (Trim D-1628444) 14/15	3.8, page 10	On-going continuous improvements are being made to asset information where there are resources available to do so. Through the 2015-25 10 year plan, funding and resource allocation has been requested to enable the significant items to be addressed.	Improvements identified by AECOM are incorporated in the Water, Wastewater, Stormwater and SolidWaste AMP's for 2015-45. In addition the draft 2-15-25 LTP has budget allocation in opex to enable further improvements in the quality of information. Improvements to Pump Station assets have been completed, and planning to commence a 2 to 4 year improvement programme for treatment plants is underway.	Low	Waters Manager		progressively over the next 10 years- this will be prioritised based on the risk to Council.	
266		Infrastructure Strategy and Asset Management Plans	As part of future strategy preparation processes, a procedure is required that provides an indication as to the quality of information regarding the age, description, condition and performance of infrastructure assets	Audit NZ Management Report, August 2015	P3	The recommended improvements for the Infrastructure Strategy will be included in specific AMPs and considered for inclusion in the next version of the Infrastructure Strategy.	In Progress	?	Programme Manager - growth and assets			
267		Infrastructure Strategy and Asset Management Plans	As part of future strategy preparation processes, a summary of historical expenditure for key asset types to provide a benchmark for future expenditure levels	Audit NZ Management Report, August 2015	P3	The recommended improvements for the Infrastructure Strategy will be included in specific AMPs and considered for inclusion in the next version of the Infrastructure Strategy.	In Progress	?	Programme Manager - growth and assets			
268		Infrastructure Strategy and Asset Management Plans	As part of future strategy preparation processes, consider proposed funding strategies for planned expenditure, e.g., stating what changes are proposed (if any) in how services are funded going forward	Audit NZ Management Report, August 2015	P3	The recommended improvements for the Infrastructure Strategy will be included in specific AMPs and considered for inclusion in the next version of the Infrastructure Strategy.	In Progress	?	Programme Manager - growth and assets			
269		Infrastructure Strategy and Asset Management Plans	As part of future strategy preparation processes, the identification of any planned deferral of expenditure, the consequences of that deferral and the City Council's planned response is noted	Audit NZ Management Report, August 2015	P4	The recommended improvements for the Infrastructure Strategy will be included in specific AMPs and considered for inclusion in the next version of the Infrastructure Strategy.	In Progress	?	Programme Manager - growth and assets			
270		Infrastructure Strategy and Asset Management Plans	As part of future strategy preparation processes, consider council's intended approach for delivery of services to maintain the assets and build new assets	Audit NZ Management Report, August 2015	P4	The recommended improvements for the Infrastructure Strategy will be included in specific AMPs and considered for inclusion in the next version of the Infrastructure Strategy.	In Progress	?	Programme Manager - growth and assets			
271		Infrastructure Strategy and Asset Management Plans	As part of future strategy preparation processes, consider any significant changes in the way assets will be managed over time compared to current arrangements	Audit NZ Management Report, August 2015	P4	The recommended improvements for the Infrastructure Strategy will be included in specific AMPs and considered for inclusion in the next version of the Infrastructure Strategy.	In Progress	?	Programme Manager - growth and assets			
272		Infrastructure Strategy and Asset Management Plans	As part of future strategy preparation processes, consider any expected changes in technical, legislative or regulatory requirements and City Council's response to those changes.	Audit NZ Management Report, August 2015	P4	The recommended improvements for the Infrastructure Strategy will be included in specific AMPs and considered for inclusion in the next version of the Infrastructure Strategy.	In Progress	?	Programme Manager - growth and assets			

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273		Infrastructure Strategy and Asset Management Plans	In the contents of the Asset Management Policy, Council should consider including performance measures for AM such as timeframes for reviews and community consultation	Audit NZ Management Report, August 2015	P4	Council is currently reviewing a number of its policies and the Asset Management Policy is being recreated as a management level policy given the new legislative requirement for an Infrastructure Strategy. An update of the policy will include the role and preparation of the Infrastructure Strategy in the Management Policy. The other respects raised above will be included in either the reviewed management policy or documented standard operating procedures.	In Progress	?	Programme Manager - growth and assets			
274		Infrastructure Strategy and Asset Management Plans	In the contents of the Asset Management Policy, Council should consider including procedures for audit and review	Audit NZ Management Report, August 2015	P4	Council is currently reviewing a number of its policies and the Asset Management Policy is being recreated as a management level policy given the new legislative requirement for an Infrastructure Strategy. An update of the policy will include the role and preparation of the Infrastructure Strategy in the Management Policy. The other respects raised above will be included in either the reviewed management policy or documented standard operating procedures.	In Progress	?	Programme Manager - growth and assets			
275		Infrastructure Strategy and Asset Management Plans	In the contents of the Asset Management Policy, Council should consider including contribution of AM to the City Council's sustainable development objectives	Audit NZ Management Report, August 2015	P4	Council is currently reviewing a number of its policies and the Asset Management Policy is being recreated as a management level policy given the new legislative requirement for an Infrastructure Strategy. An update of the policy will include the role and preparation of the Infrastructure Strategy in the Management Policy. The other respects raised above will be included in either the reviewed management policy or documented standard operating procedures.	In Progress	?	Programme Manager - growth and assets			
276		Infrastructure Strategy and Asset Management Plans	Council should amend the AM Policy to provide clearer direction for each activity as to what aspects of AM the lower level is acceptable and which parts are expected to be at the higher level.	Audit NZ Management Report, August 2015	P5	The maturity targets for asset management have been developed after assessing the risk associated with each activity and the value of assets that relate to the activity. Independent expert advice was taken in setting the activity maturity targets within the existing policy. Each AMP contains an improvement programme specific to asset management practice for that activity. These improvement programmes outline what changes are priorities and in doing so guide what is recommended in order to achieve appropriate practice. As part of the improvement programme in each AMP, more specific maturity targets for aspects of each activity will be considered and documented where appropriate	In Progress	?	Programme Manager - growth and assets			
277		Infrastructure Strategy and Asset Management Plans	Council should ensure that issues identified from the independent peer reviews are incorporated into the AM Improvement Plans. We also encourage the City Council to continue with assigning appropriate time and resource to enable the tasks identified in the 2015 AMP improvement programme to be undertaken.	Audit NZ Management Report, August 2015	P6	Improving asset management data and practices is a clear focus for council. Cross-organisational teams exist to deliver these types of improvements across the business. The recent restructuring has also led to a new corporate position being created to lead these types of changes across the organisation. An updated corporate improvement plan is being prepared during 2015 to make sure improvement actions are still appropriate and adequately prioritised and resourced.	In Progress	?	Programme Manager - growth and assets			
278		Infrastructure Strategy and Asset Management Plans	Council needs to ensure that it obtains a complete set of asset attributes, condition ratings and performance data for all asset components in the water treatment plants/reservoirs and wastewater treatment plant/pump stations. This data should be held in the Council's AM system and periodically updated so that reliable information is available to generate future operating and capital programmes and to reduce the reliance upon informal anecdotal evidence	Audit NZ Management Report, August 2015	P6	More thorough cataloguing of assets relating to the Water and Wastewater treatment plants is underway. This is being done as part of planning for future upgrades to these plants. The initial work is focussed on accurately locating and capturing assets in a 3D spatial (BIM) model. The use of BIM models is regarded as standard industry practice for understanding complex sites and underground services. Data capture of asset information will continue over 2015/16 and 2016/17	In Progress	?	Programme Manager - growth and assets			

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279		Infrastructure Strategy and Asset Management Plans	We recommend that the business process for inputting data into the AM system is amended so that the condition and performance ratings are incorporated into the information loaded. This will enable optimal decisions to be made about the maintenance and renewal of those assets in future budget rounds	Audit NZ Management Report, August 2015	P7	A review of these business processes and asset management practice will be included in the relevant improvement plans for infrastructure assets	In Progress	?	Programme Manager - growth and assets			
280		Infrastructure Strategy and Asset Management Plans	We recommend that Council ensures reliable information is recorded in its AM system so as to ensure that the current shortcomings in the valuation of treatment plant assets can be rectified as soon as practicable	Audit NZ Management Report, August 2015	P7	Council has a programme of three yearly revaluations for our treatment plants and above ground assets, unless indices show that costs are moving in such a way that the carrying value is no longer representative of fair value. Focus is currently being placed on improving the asset register of these sites. Once the asset register is completed, a more robust revaluation will be able to be calculated. Once assets have been identified, we can use market values for the majority of our assets that are purchased annually such as pumps, valves, motors etc. However some assets contained within the treatment plants are bespoke and their value are best determined through tender process. For these assets we will continue to use an inflation factor where it is appropriate.	In Progress	?	Programme Manager - growth and assets			
281		Zoo Revenue Process and Control Assessment	Re Visitor number and earnings reports from Centaman are inaccurate due to configuration errors, management should liaise with Information Services (IS) and the system vendor if appropriate to check that reports from Centaman are appropriately reconfigured to ensure accurate, complete and reliable data is reported	PWC Review August 2015	P5	Agreed - IS have provided verbal assurance that there are no issues and configuration of GST reporting is correct but we will require further assurance that all Centaman reports are accurate and complete.	Accuracy of reports in Centaman is part of IS Work Request Form sent on October 19. This is part of a wider HCC issue with centaman reporting and is unlikely to be completed by deadline	Medium	Zoo Director		Jan-16	
282		Zoo Revenue Process and Control Assessment	Re Visitor number and earnings reports from Centaman are inaccurate due to configuration errors, management should establish methods to independently check the accuracy and completeness of key performance metrics currently relied on from Centaman.	PWC Review August 2015	P5	Agreed - IS have provided verbal assurance that there are no issues and configuration of GST reporting is correct but we will require further assurance that all Centaman reports are accurate and complete.	Accuracy of reports in Centaman is part of IS Work Request Form sent on October 19. This is part of a wider HCC issue with centaman reporting and is unlikely to be completed by deadline	Medium	Zoo Director		Jan-16	
283		Zoo Revenue Process and Control Assessment	Re The ability to reverse sales transactions and make cash refunds is not restricted and these transactions are not reviewed Management should restrict the ability to reverse transactions within Centaman and segregated this privilege from personnel involved in processing sales. If due to the small team this is deemed impractical, especially during peak times implement daily reporting which identifies all refunds and void transactions performed	PWC Review August 2015	P6	Agreed, however it is Impractical to segregate personnel reversing transactions from personnel involved in processing sales due to small team. However, we will implement daily reporting which identifies all refunds and void transactions performed for review	Completed.	Medium	Zoo Director		Jan-16	

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284		Zoo Revenue Process and Control Assessment	Re The ability to reverse sales transactions and make cash refunds is not restricted and these transactions are not reviewed Management should liaise with IS to configure a report from Centaman on reversed/ voided transactions and cash refunds which can be reviewed and consider restricting refunds to cash only when the transaction is purchased in cash, and to the EFTPOS card used to purchase the ticket	PWC Review August 2015	P6	We have seen configured reports on reversed/ voided transactions and cash refunds being used and reviewed on other POS models, which will be considered.	Functionality to reverse transactions to card/cash is part of IS Work Request Form sent on October 19. Ticket number is 15357299	Medium	Zoo Director		Jan-16	
285		Zoo Revenue Process and Control Assessment	Re Promotional schemes and discounts are not governed by a policy or appropriately monitored Management should establish a policy for discounts / variations from published prices which covers the nature and extent of discounts that are permissible and specifies who is authorised to approve such discounts	PWC Review August 2015	P7	Work instruction on discounts, variations from published prices and tickets for family members established for the Zoo; may require HCC to establish a policy or some changes to delegated authorities of senior staff	Completed. Promotional proposals now require Zoo Director and General Manager - Community approval.	Medium	Zoo Director		Jan-16	
286		Zoo Revenue Process and Control Assessment	Re Promotional schemes and discounts are not governed by a policy or appropriately monitored Management should create a separate button within Centaman for the length of promotional schemes to account for the number of visitors for the scheme and enable the functionality to enforce a dialog box pop up to capture reasons when a no charge ticket is selected and issued	PWC Review August 2015	P7	Button for promotional schemes tested during August, will roll out in September. Pop up box to be implemented.	Completed.	Medium	Zoo Director		Jan-16	
287		Zoo Revenue Process and Control Assessment	Re Promotional schemes and discounts are not governed by a policy or appropriately monitored Management should formally monitor the uptake of promotion schemes, to determine whether they are achieving the intended benefits for the zoo and HCC, the reasons for issuing a no charge ticket to assess their appropriateness and the use of discounts	PWC Review August 2015	P7	Monitoring of promotion scheme uptake already happening as a verbal discussion but we will investigate whether a report can be produced in Centaman	Completed.	Medium	Zoo Director		Jan-16	
288		Zoo Revenue Process and Control Assessment	Re Promotional schemes and discounts are not governed by a policy or appropriately monitored Management should update current pricing policies to reflect that immediate family (partner and children) of Zoo staff members are allowed entrance for free to the zoo	PWC Review August 2015	P7		The development of the policy on staff family access to the zoo is still progressing as the General Manager is developing a consistent approach with all other facilities operated by Council. This will be concluded by end of June 2016.	Medium	Zoo Director		Jun-16	

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289		Zoo Revenue Process and Control Assessment	Re The ability to perform key activities within Centaman is not restricted and user access rights have not been reviewed, management should identify the level of access required for each Centaman user while considering restricting the ability to perform key activities such as amending prices to buttons, applying discounts and reversing transactions and appropriately segregating duties of users who perform key activities mentioned above and users who process admission invoices and collect cash	PWC Review August 2015	P9	Level of access will be reviewed for all users but it is impractical to segregate duties of users who perform key activities due to small team. A periodic review of access rights in Centaman will be performed to ensure management continue to be comfortable with provisioned levels of access.	Completed. Superuser vs User rights reviewed on 16/12/15, only Superusers have rights to amend prices. All other suggestions (applying discounts, reversing transactions, segregating duties impractical due to small team.	Medium	Zoo Director		Jan-16	
290		Zoo Revenue Process and Control Assessment	Re The ability to perform key activities within Centaman is not restricted and user access rights have not been reviewed, management should establish a process to periodically review and confirm that the access rights that has been granted continue to remain appropriate	PWC Review August 2015	P9	Level of access will be reviewed for all users but it is impractical to segregate duties of users who perform key activities due to small team. A periodic review of access rights in Centaman will be performed to ensure management continue to be comfortable with provisioned levels of access.	Completed. Superuser vs User rights reviewed on 16/12/15, only Superusers have rights to amend prices. All other suggestions (applying discounts, reversing transactions, i.e. segregating duties) impractical due to small team.	Medium	Zoo Director		Jan-16	
291		Zoo Revenue Process and Control Assessment	Re The ability to perform key activities within Centaman is not restricted and user access rights have not been reviewed, management should consider granting read only access to Centaman users who do not require edit access	PWC Review August 2015	P9	Granting read only access will be considered for new staff or if roles or systems change	Completed. No staff changes since audit.	Medium	Zoo Director		Jan-16	
292		Zoo Revenue Process and Control Assessment	Re Cash handling activities are not aligned to best practices Management should segregate the duties of the cashier and the person performing the end of day cash reconciliations	PWC Review August 2015	P10	Impractical to segregate cashier from the person performing the end of day cash reconciliations due to small team. However, will implement internal spot checks by Zoo staff in addition to those already carried out by HCC.	Completed.	Medium	Zoo Director		Jan-16	
293		Zoo Revenue Process and Control Assessment	Re Cash handling activities are not aligned to best practices Management should retain supporting documentation to evidence the results of the biweekly cash count held	PWC Review August 2015	P10	Cash change functionality exists already, but was not being used by those observed at time of audit.	Completed. Bi weekly cash count now undergoing regular supervisor spot checks	Medium	Zoo Director		Jan-16	
294		Zoo Revenue Process and Control Assessment	Re Cash handling activities are not aligned to best practices Management should consider establishing a process to have an independent person review the end of day cash reconciliation and bi weekly cash count	PWC Review August 2015	P10	Cash change functionality exists already, but was not being used by those observed at time of audit.	This audit comment is a repeat of the above two audit comments.	Medium	Zoo Director		Jan-16	
295		Zoo Revenue Process and Control Assessment	Re Cash handling activities are not aligned to best practices Management should configure the cash drawer to be opened only on cash transactions	PWC Review August 2015	P10	Cash change functionality exists already, but was not being used by those observed at time of audit.	Not possible. Centaman have confirmed that there is currently no functionality that will prevent the cash drawer opening when a transaction is being paid for by EFTPOS.	Medium	Zoo Director		Jan-16	

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296		Zoo Revenue Process and Control Assessment	Re Cash handling activities are not aligned to best practices Management should enable the cash change functionality offered in Centaman	PWC Review August 2015	P10	Cash change functionality exists already, but was not being used by those observed at time of audit.	As noted in management response.	Medium	Zoo Director		Jan-16	
297		Zoo Revenue Process and Control Assessment	Re Cash handling activities are not aligned to best practices Management should Ensure that video surveillance is in place to deter theft and operating to assist authorities to identify thieves in the event of a robbery.	PWC Review August 2015	P10	Video camera is a dummy pointing at shop area to deter shoplifters. Put project forward for consideration in 2016/17 Annual Plan	As noted in management response. HCC CCTV Strategy meeting held on October 7. Progress here: D-1960231	Medium	Zoo Director		Jan-16	
298		Zoo Revenue Process and Control Assessment	Re Centaman balances are not reconciled to the exported csv file uploaded into Authority Management should establish a process to periodically reconcile the total value of debtors in the exported csv file with the total value of debtors in Centaman. Any differences should be followed up in a timely manner.	PWC Review August 2015	P12	The total value of debtors in Centaman will be reconciled with the total value of debtors in the exported csv file on a monthly basis going forward.	Completed. Administrator copies monthly .csv file to Visitor Experience Manager who reconciles Authority invoices with Centaman.	Medium	Zoo Director		Sep-15	
299		Zoo Revenue Process and Control Assessment	Re Entrance management activities are not aligned to best practices management should consider establishing physical access controls such as turnstiles and/or issuing of entrance tickets	PWC Review August 2015	P13	Cost of physical access controls or ticketing outweighs the associated low risk.	As noted in management response.	Low	Zoo Director		Subject to implementation of Zoo Mater Plan	
300		Zoo Revenue Process and Control Assessment	Re Entrance management activities are not aligned to best practices management should introduce a mechanism to validate returning visitors before re-entry into the zoo	PWC Review August 2015	P13	Physical access controls not in place but ink stamps on hands are already used when busy, but not necessary on quiet days.	As noted in management response.	Low	Zoo Director			
301		Zoo Revenue Process and Control Assessment	Re Entrance management activities are not aligned to best practices management should consider when practical, counting the individual number of children within a group that has entered the zoo	PWC Review August 2015	P13	Group counts are applicable to very few people and currently impractical to carry out.	As noted in management response.	Low	Zoo Director			
302		Zoo Revenue Process and Control Assessment	Re Entrance management activities are not aligned to best practices management should establishing a mechanism to ensure that visitors who have not paid entrance fees do not access areas of the zoo other than the café	PWC Review August 2015	P13	Café access and entrance mechanisms are being considered as part of the master plan for Zoo.	As noted in management response.	Low	Zoo Director		Subject to implementation of Zoo Mater Plan	
303		Zoo Revenue Process and Control Assessment	Re Entrance management activities are not aligned to best practices management should consider moving the café entrance to be at the zoo entrance, to further enhance café sales by being more noticeable and also attract non-zoo visitors sales	PWC Review August 2015	P13	Café access and entrance mechanisms are being considered as part of the master plan for Zoo.	As noted in management response.	Low	Zoo Director		Subject to implementation of Zoo Mater Plan	

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Governance and Internal Audit:													
198		Project Management Framework	No project portfolio management framework is in place.	PWC Project Mgt Framework assessment 20 May 2014, Trim D-1419095	Finding #1 page 6	13/14	Management acknowledge that a portfolio management approach to HCC projects is the preferred and ideal environment in which to manage the organisation's projects. Business planning and project prioritisation are current activities that are acknowledged as under resourced - recruitment has just been successful for the appointment of a business planning specialist who will contribute significantly to this area of the business. However this may not occur for another 12-18 months. A simple prioritisation tool has been developed (Business Improvement Unit/PMO combined effort) and accepted by SLT. The business planning framework (as part of the Business Improvement Unit - Organisational Development Group) is seen as a key contributor to assisting the organisation to establish greater visibility of project activities. Agreement is in place with SLT that activities would be reviewed in 3 month time periods. The Business Planning role (appointed in May 2014) will be seeking to address this matter and will continue to work closely with PMO on this.	Portfolio Mgmt Framework - Under action - PMO will be actively working with Business Improvement (specifically Tania Hermann and Tracey Hancock) as a follow on to the Organisational business planning exercise to identify where progress can be made. Must be mindful of change "impact on the business" and ensure decisions on steps for change are pragmatic and minimise impact as possible. Portfolio Owner – Under action in relation to work being undertaken between Bi and PMO – Prioritisation component Under action - SLT have identified 21 priority pieces of work for the 2014/15 year – on going work to continue to address prioritisation is part of the business planning process and will be actively managed through the new resource (Tracey Hancock)	High	PMO Manager		Second quarter 2016	
199		Project Management Framework	Maturity of PM practices requires improvement.	PWC Project Mgt Framework assessment 20 May 2014, Trim D-1419095	Finding #2 page 7	13/14	The approach taken to date has been to provide a PMO that is "enabling" not "controlling". This has been intentional with the PMO designed to address HCC's needs in an incremental way. Management acknowledge that a more directive line is likely to have achieved a faster result, in terms of engagement with and of the PMO. However a directive approach was considered to require a greater level of staffing than the current PMO was able to provide. Inability to meet demand created by a directive approach in addition to the added burden on the organisation this approach would create were considered significant risks to the PMO's ongoing success. The PM Policy can be revisited in light of the recommendation to provide direction on engagement with the PMO and can be updated to include a single project lifecycle. This can be completed within the first quarter 2014/15. Since the commencement of this assessment process 32 staff have completed all three project management modules and a community of practice has been established. It is envisaged that this will enable a monthly forum for PMs to meet on an ongoing basis. The primary objective is to continue to develop HCC's PM capability and continue to strengthen the PMO's visibility and positive working relationship across the organisation. It is intended that the PM in house training courses will continue. HCC has engaged a provider who is also delivering equivalent PM training to Waikato Regional Council and Western BOP. Discussions between the arranging staff at these Councils has been on the basis of enabling cross over to enable training sessions to be filled, as going forward the demand will lessen with more and more people having been captured.	Monthly meetings - Actioned and ongoing- with commencement of community of practice meetings – held monthly and coordinated by PMO Org wide PM Training Courses – Actioned and ongoing Policy has been created and is to be approved by the CEO	High	PMO Manager		first quarter 2016	
205		Project Management Framework	Sub-optimal PM systems and tools.	PWC Project Mgt Framework assessment 20 May 2014, Trim D-1419095	Finding #8 page 13	13/14	Current tools and systems support the current reporting framework. Management agree that an extension beyond the existing reporting structure will require additional investment in technology and resources for the PMO to provide additional services. There are currently no plans to extend either. MS Project is available to all staff on the citrix network – it is unlikely to be changed because this is currently the most cost effective way of managing licensing costs. Agreement on the what tools will most effectively support HCC PMs is required ahead of investment in this area. This discussion will be ongoing and held in conjunction with the Business Improvement Unit as business planning changes are implemented over the next 12-18 months.	Systems and tools – No activity currently planned – activity highlighted above on reporting and in conjunction with BI will determine outcomes in this area MS Project – as indicated in management response – No change in current practice is envisaged PM and organisational reporting tool is under development and anticipated for release early 2nd quarter	High	PMO Manager		Second quarter 2016	
89		Cash flow forecasting	The automated modelling tool to manage forecasting of cash flow requirements is not reviewed following changes.	PWC Internal Audit Ring Road Project Review 20 Dec12	Finding #6, Page 23	12/13	Management agree with the recommendation. A new process has recently been established whereby the Corporate Projects Accountant will have responsibility for ensuring a standardised methodology is applied to all budget models associated with large key projects. Outputs of these budget models will be subject to a structured peer review process within the finance department. The new process will apply to the ring road project.	This item refers to HCC's ability to ensure budgets are correct over the life of a large multi year project where budgets are sometimes carried over from one financial year to another. These situations are managed through our capital deferrals that are agreed at year end by management and approved by Council. Cash flow forecasting of capital projects will be managed within the Microsoft AX budgeting module when it is anticipated that this becomes operational later this year.	Medium	Corporate Projects Accountant		Dec-15	

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106		Event Management	There is a lack of formal review of event planning to ensure that appropriate services are provided to clients.	PWC Internal Audit Event Management Review 10 Jun 13 12/13	Finding #3, Page 12	Management are currently in the process of developing an Event Order confirmation report within EBMS. This report will detail all services and requests that the client has made and will be required to be signed off by the client and event co-ordinator prior to the commencement of an event. This will assist in ensuring that all client requests are raised as service orders. This report is due for release in 11 June 2013. We agree with all the other recommendations detailed in the outcome of the review and will be putting together a project team to create a clear and simple process supported by a detailed checklist for our entire event staff. The timeline for this will be incorporated into the overarching programme of changes.	Management have developed an Event Order confirmation report within Ungerboeck. This report details all services and requests that the client has made and is required to be signed off by the client and the event co-ordinator prior to the commencement of an event. This will assist in ensuring that all client requests are raised as service orders. Management agrees with all of the other recommendations detailed in the outcomes of the review and has put in place a project team to create a clear and simple process supported by a detailed checklist for our entire event staff. The timeline for this will be incorporated into the overarching programme of changes	Medium	GM Events & Economic Development		Mar-16	
193		Development Contribution Processes and Controls	Development contribution applicability assessments are not captured and information on development contributions cannot be reported on nor reviewed for authority.	PWC Assessment of Development Contribution Processes and Controls, 3 Mar 2014, Trim D-1359727 13/14	Finding #2, page 8	Assessments are captured in a temporary database that can theoretically be linked to Authority for reporting purposes, however a significant amount of work is needed to do this and/or implement a more stable solution. There is a need to set-up a repeatable and well documented process for linking charges calculated by the Development Contributions Model to the charge calculation spread sheet and the online GIS viewer. This will require a significant amount of work but is on hold due to other priorities. Additional resource will be needed if this is to be completed within reasonable timeframe. As previously reported.	The current solutions remains fit for purpose whilst further investigation continues in modeling solutions .	Medium risk rating assigned by management	Chief Financial Officer		Jun-16	
196		Development Contribution Processes and Controls	Evidence of the compilation of "base charges" by catchment has not been retained.	PWC Assessment of Development Contribution Processes and Controls, 3 Mar 2014, Trim D-1359727 13/14	Finding #5, page 16	Assessments are captured in a temporary database that can theoretically be linked to Authority for reporting purposes, however a significant amount of work is needed to do this and/or implement a more stable solution. There is a need to set-up a repeatable and well documented process for linking charges calculated by the Development Contributions Model to the charge calculation spread sheet and the online GIS viewer. This will require a significant amount of work but is on hold due to other priorities. Additional resource will be needed if this is to be completed within reasonable timeframe. As previously reported.	The current solutions remains fit for purpose whilst further investigation continues in modeling solutions .	Medium risk rating assigned by management	Chief Financial Officer		Jun-16	
110		Event Management	There is no formalised and independent review performed to ensure operational event management procedures are followed.	PWC Internal Audit Event Management Review 10 Jun 13 12/13	Finding #7, Page 17	As part of the overall upgrade, programme management will initiate a project to facilitate the report recommendations. Where possible we will automate the processes within EBMS. The internal event audit process is still to be developed and expected to be complete by the end of the year.	Management will address this issue as part of the overall upgrade programme of EBMS with core HCC finance systems	Low	GM Events & Economic Development		Dec-15	

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243		Property, plant and equipment	Improve the quality of information in the asset management system by implementing the identified changes in the AECOM report	Audit NZ 2014 Final Mgt Report 19 Nov 2014 (Trim D-1628444) 14/15	3.8, page 10	On-going continuous improvements are being made to asset information where there are resources available to do so. Through the 2015-25 10 year plan, funding and resource allocation has been requested to enable the significant items to be addressed.	Improvements identified by AECOM are incorporated in the Water, Wastewater, Stormwater and SolidWaste AMP's for 2015-45. In addition the draft 2-15-25 LTP has budget allocation in opex to enable further improvements in the quality of information. Improvements to Pump Station assets have been completed, and planning to commence a 2 to 4 year improvement programme for treatment plants is underway.	Low	Waters Manager		progressively over the next 10 years- this will be prioritised based on the risk to Council.	
266		Infrastructure Strategy and Asset Management Plans	As part of future strategy preparation processes, a procedure is required that provides an indication as to the quality of information regarding the age, description, condition and performance of infrastructure assets	Audit NZ Management Report, August 2015	P3	The recommended improvements for the Infrastructure Strategy will be included in specific AMPs and considered for inclusion in the next version of the Infrastructure Strategy.	In Progress	?	Programme Manager - growth and assets			
267		Infrastructure Strategy and Asset Management Plans	As part of future strategy preparation processes, a summary of historical expenditure for key asset types to provide a benchmark for future expenditure levels	Audit NZ Management Report, August 2015	P3	The recommended improvements for the Infrastructure Strategy will be included in specific AMPs and considered for inclusion in the next version of the Infrastructure Strategy.	In Progress	?	Programme Manager - growth and assets			
268		Infrastructure Strategy and Asset Management Plans	As part of future strategy preparation processes, consider proposed funding strategies for planned expenditure, e.g., stating what changes are proposed (if any) in how services are funded going forward	Audit NZ Management Report, August 2015	P3	The recommended improvements for the Infrastructure Strategy will be included in specific AMPs and considered for inclusion in the next version of the Infrastructure Strategy.	In Progress	?	Programme Manager - growth and assets			
269		Infrastructure Strategy and Asset Management Plans	As part of future strategy preparation processes, the identification of any planned deferral of expenditure, the consequences of that deferral and the City Council's planned response is noted	Audit NZ Management Report, August 2015	P4	The recommended improvements for the Infrastructure Strategy will be included in specific AMPs and considered for inclusion in the next version of the Infrastructure Strategy.	In Progress	?	Programme Manager - growth and assets			
270		Infrastructure Strategy and Asset Management Plans	As part of future strategy preparation processes, consider council's intended approach for delivery of services to maintain the assets and build new assets	Audit NZ Management Report, August 2015	P4	The recommended improvements for the Infrastructure Strategy will be included in specific AMPs and considered for inclusion in the next version of the Infrastructure Strategy.	In Progress	?	Programme Manager - growth and assets			
271		Infrastructure Strategy and Asset Management Plans	As part of future strategy preparation processes, consider any significant changes in the way assets will be managed over time compared to current arrangements	Audit NZ Management Report, August 2015	P4	The recommended improvements for the Infrastructure Strategy will be included in specific AMPs and considered for inclusion in the next version of the Infrastructure Strategy.	In Progress	?	Programme Manager - growth and assets			
272		Infrastructure Strategy and Asset Management Plans	As part of future strategy preparation processes, consider any expected changes in technical, legislative or regulatory requirements and City Council's response to those changes.	Audit NZ Management Report, August 2015	P4	The recommended improvements for the Infrastructure Strategy will be included in specific AMPs and considered for inclusion in the next version of the Infrastructure Strategy.	In Progress	?	Programme Manager - growth and assets			

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273		Infrastructure Strategy and Asset Management Plans	In the contents of the Asset Management Policy, Council should consider including performance measures for AM such as timeframes for reviews and community consultation	Audit NZ Management Report, August 2015	P4	Council is currently reviewing a number of its policies and the Asset Management Policy is being recreated as a management level policy given the new legislative requirement for an Infrastructure Strategy. An update of the policy will include the role and preparation of the Infrastructure Strategy in the Management Policy. The other respects raised above will be included in either the reviewed management policy or documented standard operating procedures.	In Progress	?	Programme Manager - growth and assets			
274		Infrastructure Strategy and Asset Management Plans	In the contents of the Asset Management Policy, Council should consider including procedures for audit and review	Audit NZ Management Report, August 2015	P4	Council is currently reviewing a number of its policies and the Asset Management Policy is being recreated as a management level policy given the new legislative requirement for an Infrastructure Strategy. An update of the policy will include the role and preparation of the Infrastructure Strategy in the Management Policy. The other respects raised above will be included in either the reviewed management policy or documented standard operating procedures.	In Progress	?	Programme Manager - growth and assets			
275		Infrastructure Strategy and Asset Management Plans	In the contents of the Asset Management Policy, Council should consider including contribution of AM to the City Council's sustainable development objectives	Audit NZ Management Report, August 2015	P4	Council is currently reviewing a number of its policies and the Asset Management Policy is being recreated as a management level policy given the new legislative requirement for an Infrastructure Strategy. An update of the policy will include the role and preparation of the Infrastructure Strategy in the Management Policy. The other respects raised above will be included in either the reviewed management policy or documented standard operating procedures.	In Progress	?	Programme Manager - growth and assets			
276		Infrastructure Strategy and Asset Management Plans	Council should amend the AM Policy to provide clearer direction for each activity as to what aspects of AM the lower level is acceptable and which parts are expected to be at the higher level.	Audit NZ Management Report, August 2015	P5	The maturity targets for asset management have been developed after assessing the risk associated with each activity and the value of assets that relate to the activity. Independent expert advice was taken in setting the activity maturity targets within the existing policy. Each AMP contains an improvement programme specific to asset management practice for that activity. These improvement programmes outline what changes are priorities and in doing so guide what is recommended in order to achieve appropriate practice. As part of the improvement programme in each AMP, more specific maturity targets for aspects of each activity will be considered and documented where appropriate	In Progress	?	Programme Manager - growth and assets			
277		Infrastructure Strategy and Asset Management Plans	Council should ensure that issues identified from the independent peer reviews are incorporated into the AM Improvement Plans. We also encourage the City Council to continue with assigning appropriate time and resource to enable the tasks identified in the 2015 AMP improvement programme to be undertaken.	Audit NZ Management Report, August 2015	P6	Improving asset management data and practices is a clear focus for council. Cross-organisational teams exist to deliver these types of improvements across the business. The recent restructuring has also led to a new corporate position being created to lead these types of changes across the organisation. An updated corporate improvement plan is being prepared during 2015 to make sure improvement actions are still appropriate and adequately prioritised and resourced.	In Progress	?	Programme Manager - growth and assets			
278		Infrastructure Strategy and Asset Management Plans	Council needs to ensure that it obtains a complete set of asset attributes, condition ratings and performance data for all asset components in the water treatment plants/reservoirs and wastewater treatment plant/pump stations. This data should be held in the Council's AM system and periodically updated so that reliable information is available to generate future operating and capital programmes and to reduce the reliance upon informal anecdotal evidence	Audit NZ Management Report, August 2015	P6	More thorough cataloguing of assets relating to the Water and Wastewater treatment plants is underway. This is being done as part of planning for future upgrades to these plants. The initial work is focussed on accurately locating and capturing assets in a 3D spatial (BIM) model. The use of BIM models is regarded as standard industry practice for understanding complex sites and underground services. Data capture of asset information will continue over 2015/16 and 2016/17	In Progress	?	Programme Manager - growth and assets			

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279		Infrastructure Strategy and Asset Management Plans	We recommend that the business process for inputting data into the AM system is amended so that the condition and performance ratings are incorporated into the information loaded. This will enable optimal decisions to be made about the maintenance and renewal of those assets in future budget rounds	Audit NZ Management Report, August 2015	P7	A review of these business processes and asset management practice will be included in the relevant improvement plans for infrastructure assets	In Progress	?	Programme Manager - growth and assets			
280		Infrastructure Strategy and Asset Management Plans	We recommend that Council ensures reliable information is recorded in its AM system so as to ensure that the current shortcomings in the valuation of treatment plant assets can be rectified as soon as practicable	Audit NZ Management Report, August 2015	P7	Council has a programme of three yearly revaluations for our treatment plants and above ground assets, unless indices show that costs are moving in such a way that the carrying value is no longer representative of fair value. Focus is currently being placed on improving the asset register of these sites. Once the asset register is completed, a more robust revaluation will be able to be calculated. Once assets have been identified, we can use market values for the majority of our assets that are purchased annually such as pumps, valves, motors etc. However some assets contained within the treatment plants are bespoke and their value are best determined through tender process. For these assets we will continue to use an inflation factor where it is appropriate.	In Progress	?	Programme Manager - growth and assets			
281		Zoo Revenue Process and Control Assessment	Re Visitor number and earnings reports from Centaman are inaccurate due to configuration errors, management should liaise with Information Services (IS) and the system vendor if appropriate to check that reports from Centaman are appropriately reconfigured to ensure accurate, complete and reliable data is reported	PWC Review August 2015	P5	Agreed - IS have provided verbal assurance that there are no issues and configuration of GST reporting is correct but we will require further assurance that all Centaman reports are accurate and complete.	Accuracy of reports in Centaman is part of IS Work Request Form sent on October 19. This is part of a wider HCC issue with centaman reporting and is unlikely to be completed by deadline	Medium	Zoo Director		Jan-16	
282		Zoo Revenue Process and Control Assessment	Re Visitor number and earnings reports from Centaman are inaccurate due to configuration errors, management should establish methods to independently check the accuracy and completeness of key performance metrics currently relied on from Centaman.	PWC Review August 2015	P5	Agreed - IS have provided verbal assurance that there are no issues and configuration of GST reporting is correct but we will require further assurance that all Centaman reports are accurate and complete.	Accuracy of reports in Centaman is part of IS Work Request Form sent on October 19. This is part of a wider HCC issue with centaman reporting and is unlikely to be completed by deadline	Medium	Zoo Director		Jan-16	
283		Zoo Revenue Process and Control Assessment	Re The ability to reverse sales transactions and make cash refunds is not restricted and these transactions are not reviewed Management should restrict the ability to reverse transactions within Centaman and segregated this privilege from personnel involved in processing sales. If due to the small team this is deemed impractical, especially during peak times implement daily reporting which identifies all refunds and void transactions performed	PWC Review August 2015	P6	Agreed, however it is Impractical to segregate personnel reversing transactions from personnel involved in processing sales due to small team. However, we will implement daily reporting which identifies all refunds and void transactions performed for review	Completed.	Medium	Zoo Director		Jan-16	

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284		Zoo Revenue Process and Control Assessment	Re The ability to reverse sales transactions and make cash refunds is not restricted and these transactions are not reviewed Management should liaise with IS to configure a report from Centaman on reversed/ voided transactions and cash refunds which can be reviewed and consider restricting refunds to cash only when the transaction is purchased in cash, and to the EFTPOS card used to purchase the ticket	PWC Review August 2015	P6	We have seen configured reports on reversed/ voided transactions and cash refunds being used and reviewed on other POS models, which will be considered.	Functionality to reverse transactions to card/cash is part of IS Work Request Form sent on October 19. Ticket number is 15357299	Medium	Zoo Director		Jan-16	
285		Zoo Revenue Process and Control Assessment	Re Promotional schemes and discounts are not governed by a policy or appropriately monitored Management should establish a policy for discounts / variations from published prices which covers the nature and extent of discounts that are permissible and specifies who is authorised to approve such discounts	PWC Review August 2015	P7	Work instruction on discounts, variations from published prices and tickets for family members established for the Zoo; may require HCC to establish a policy or some changes to delegated authorities of senior staff	Completed. Promotional proposals now require Zoo Director and General Manager - Community approval.	Medium	Zoo Director		Jan-16	
286		Zoo Revenue Process and Control Assessment	Re Promotional schemes and discounts are not governed by a policy or appropriately monitored Management should create a separate button within Centaman for the length of promotional schemes to account for the number of visitors for the scheme and enable the functionality to enforce a dialog box pop up to capture reasons when a no charge ticket is selected and issued	PWC Review August 2015	P7	Button for promotional schemes tested during August, will roll out in September. Pop up box to be implemented.	Completed.	Medium	Zoo Director		Jan-16	
287		Zoo Revenue Process and Control Assessment	Re Promotional schemes and discounts are not governed by a policy or appropriately monitored Management should formally monitor the uptake of promotion schemes, to determine whether they are achieving the intended benefits for the zoo and HCC, the reasons for issuing a no charge ticket to assess their appropriateness and the use of discounts	PWC Review August 2015	P7	Monitoring of promotion scheme uptake already happening as a verbal discussion but we will investigate whether a report can be produced in Centaman	Completed.	Medium	Zoo Director		Jan-16	
288		Zoo Revenue Process and Control Assessment	Re Promotional schemes and discounts are not governed by a policy or appropriately monitored Management should update current pricing policies to reflect that immediate family (partner and children) of Zoo staff members are allowed entrance for free to the zoo	PWC Review August 2015	P7		The development of the policy on staff family access to the zoo is still progressing as the General Manager is developing a consistent approach with all other facilities operated by Council. This will be concluded by end of June 2016.	Medium	Zoo Director		Jun-16	

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289		Zoo Revenue Process and Control Assessment	Re The ability to perform key activities within Centaman is not restricted and user access rights have not been reviewed, management should identify the level of access required for each Centaman user while considering restricting the ability to perform key activities such as amending prices to buttons, applying discounts and reversing transactions and appropriately segregating duties of users who perform key activities mentioned above and users who process admission invoices and collect cash	PWC Review August 2015	P9	Level of access will be reviewed for all users but it is impractical to segregate duties of users who perform key activities due to small team. A periodic review of access rights in Centaman will be performed to ensure management continue to be comfortable with provisioned levels of access.	Completed. Superuser vs User rights reviewed on 16/12/15, only Superusers have rights to amend prices. All other suggestions (applying discounts, reversing transactions, segregating duties impractical due to small team.	Medium	Zoo Director		Jan-16	
290		Zoo Revenue Process and Control Assessment	Re The ability to perform key activities within Centaman is not restricted and user access rights have not been reviewed, management should establish a process to periodically review and confirm that the access rights that has been granted continue to remain appropriate	PWC Review August 2015	P9	Level of access will be reviewed for all users but it is impractical to segregate duties of users who perform key activities due to small team. A periodic review of access rights in Centaman will be performed to ensure management continue to be comfortable with provisioned levels of access.	Completed. Superuser vs User rights reviewed on 16/12/15, only Superusers have rights to amend prices. All other suggestions (applying discounts, reversing transactions, i.e. segregating duties) impractical due to small team.	Medium	Zoo Director		Jan-16	
291		Zoo Revenue Process and Control Assessment	Re The ability to perform key activities within Centaman is not restricted and user access rights have not been reviewed, management should consider granting read only access to Centaman users who do not require edit access	PWC Review August 2015	P9	Granting read only access will be considered for new staff or if roles or systems change	Completed. No staff changes since audit.	Medium	Zoo Director		Jan-16	
292		Zoo Revenue Process and Control Assessment	Re Cash handling activities are not aligned to best practices Management should segregate the duties of the cashier and the person performing the end of day cash reconciliations	PWC Review August 2015	P10	Impractical to segregate cashier from the person performing the end of day cash reconciliations due to small team. However, will implement internal spot checks by Zoo staff in addition to those already carried out by HCC.	Completed.	Medium	Zoo Director		Jan-16	
293		Zoo Revenue Process and Control Assessment	Re Cash handling activities are not aligned to best practices Management should retain supporting documentation to evidence the results of the biweekly cash count held	PWC Review August 2015	P10	Cash change functionality exists already, but was not being used by those observed at time of audit.	Completed. Bi weekly cash count now undergoing regular supervisor spot checks	Medium	Zoo Director		Jan-16	
294		Zoo Revenue Process and Control Assessment	Re Cash handling activities are not aligned to best practices Management should consider establishing a process to have an independent person review the end of day cash reconciliation and bi weekly cash count	PWC Review August 2015	P10	Cash change functionality exists already, but was not being used by those observed at time of audit.	This audit comment is a repeat of the above two audit comments.	Medium	Zoo Director		Jan-16	
295		Zoo Revenue Process and Control Assessment	Re Cash handling activities are not aligned to best practices Management should configure the cash drawer to be opened only on cash transactions	PWC Review August 2015	P10	Cash change functionality exists already, but was not being used by those observed at time of audit.	Not possible. Centaman have confirmed that there is currently no functionality that will prevent the cash drawer opening when a transaction is being paid for by EFTPOS.	Medium	Zoo Director		Jan-16	

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296		Zoo Revenue Process and Control Assessment	Re Cash handling activities are not aligned to best practices Management should enable the cash change functionality offered in Centaman	PWC Review August 2015	P10	Cash change functionality exists already, but was not being used by those observed at time of audit.	As noted in management response.	Medium	Zoo Director		Jan-16	
297		Zoo Revenue Process and Control Assessment	Re Cash handling activities are not aligned to best practices Management should Ensure that video surveillance is in place to deter theft and operating to assist authorities to identify thieves in the event of a robbery.	PWC Review August 2015	P10	Video camera is a dummy pointing at shop area to deter shoplifters. Put project forward for consideration in 2016/17 Annual Plan	As noted in management response. HCC CCTV Strategy meeting held on October 7. Progress here: D-1960231	Medium	Zoo Director		Jan-16	
298		Zoo Revenue Process and Control Assessment	Re Centaman balances are not reconciled to the exported csv file uploaded into Authority Management should establish a process to periodically reconcile the total value of debtors in the exported csv file with the total value of debtors in Centaman. Any differences should be followed up in a timely manner.	PWC Review August 2015	P12	The total value of debtors in Centaman will be reconciled with the total value of debtors in the exported csv file on a monthly basis going forward.	Completed. Administrator copies monthly .csv file to Visitor Experience Manager who reconciles Authority invoices with Centaman.	Medium	Zoo Director		Sep-15	
299		Zoo Revenue Process and Control Assessment	Re Entrance management activities are not aligned to best practices management should consider establishing physical access controls such as turnstiles and/or issuing of entrance tickets	PWC Review August 2015	P13	Cost of physical access controls or ticketing outweighs the associated low risk.	As noted in management response.	Low	Zoo Director		Subject to implementation of Zoo Mater Plan	
300		Zoo Revenue Process and Control Assessment	Re Entrance management activities are not aligned to best practices management should introduce a mechanism to validate returning visitors before re-entry into the zoo	PWC Review August 2015	P13	Physical access controls not in place but ink stamps on hands are already used when busy, but not necessary on quiet days.	As noted in management response.	Low	Zoo Director			
301		Zoo Revenue Process and Control Assessment	Re Entrance management activities are not aligned to best practices management should consider when practical, counting the individual number of children within a group that has entered the zoo	PWC Review August 2015	P13	Group counts are applicable to very few people and currently impractical to carry out.	As noted in management response.	Low	Zoo Director			
302		Zoo Revenue Process and Control Assessment	Re Entrance management activities are not aligned to best practices management should establishing a mechanism to ensure that visitors who have not paid entrance fees do not access areas of the zoo other than the café	PWC Review August 2015	P13	Café access and entrance mechanisms are being considered as part of the master plan for Zoo.	As noted in management response.	Low	Zoo Director		Subject to implementation of Zoo Mater Plan	
303		Zoo Revenue Process and Control Assessment	Re Entrance management activities are not aligned to best practices management should consider moving the café entrance to be at the zoo entrance, to further enhance café sales by being more noticeable and also attract non-zoo visitors sales	PWC Review August 2015	P13	Café access and entrance mechanisms are being considered as part of the master plan for Zoo.	As noted in management response.	Low	Zoo Director		Subject to implementation of Zoo Mater Plan	

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Governance and Internal Audit:													
198		Project Management Framework	No project portfolio management framework is in place.	PWC Project Mgt Framework assessment 20 May 2014, Trim D-1419095	Finding #1 page 6	13/14	Management acknowledge that a portfolio management approach to HCC projects is the preferred and ideal environment in which to manage the organisation's projects. Business planning and project prioritisation are current activities that are acknowledged as under resourced - recruitment has just been successful for the appointment of a business planning specialist who will contribute significantly to this area of the business. However this may not occur for another 12-18 months. A simple prioritisation tool has been developed (Business Improvement Unit/PMO combined effort) and accepted by SLT. The business planning framework (as part of the Business Improvement Unit - Organisational Development Group) is seen as a key contributor to assisting the organisation to establish greater visibility of project activities. Agreement is in place with SLT that activities would be reviewed in 3 month time periods. The Business Planning role (appointed in May 2014) will be seeking to address this matter and will continue to work closely with PMO on this.	Portfolio Mgmt Framework - Under action - PMO will be actively working with Business Improvement (specifically Tania Hermann and Tracey Hancock) as a follow on to the Organisational business planning exercise to identify where progress can be made. Must be mindful of change "impact on the business" and ensure decisions on steps for change are pragmatic and minimise impact as possible. Portfolio Owner - Under action in relation to work being undertaken between Bi and PMO - Prioritisation component Under action - SLT have identified 21 priority pieces of work for the 2014/15 year - on going work to continue to address prioritisation is part of the business planning process and will be actively managed through the new resource (Tracey Hancock)	High	PMO Manager		Second quarter 2016	
199		Project Management Framework	Maturity of PM practices requires improvement.	PWC Project Mgt Framework assessment 20 May 2014, Trim D-1419095	Finding #2 page 7	13/14	The approach taken to date has been to provide a PMO that is "enabling" not "controlling". This has been intentional with the PMO designed to address HCC's needs in an incremental way. Management acknowledge that a more directive line is likely to have achieved a faster result, in terms of engagement with and of the PMO. However a directive approach was considered to require a greater level of staffing than the current PMO was able to provide. Inability to meet demand created by a directive approach in addition to the added burden on the organisation this approach would create were considered significant risks to the PMO's ongoing success. The PM Policy can be revisited in light of the recommendation to provide direction on engagement with the PMO and can be updated to include a single project lifecycle. This can be completed within the first quarter 2014/15. Since the commencement of this assessment process 32 staff have completed all three project management modules and a community of practice has been established. It is envisaged that this will enable a monthly forum for PMs to meet on an ongoing basis. The primary objective is to continue to develop HCC's PM capability and continue to strengthen the PMO's visibility and positive working relationship across the organisation. It is intended that the PM in house training courses will continue. HCC has engaged a provider who is also delivering equivalent PM training to Waikato Regional Council and Western BOP. Discussions between the arranging staff at these Councils has been on the basis of enabling cross over to enable training sessions to be filled, as going forward the demand will lessen with more and more people having been captured.	Monthly meetings - Actioned and ongoing- with commencement of community of practice meetings - held monthly and coordinated by PMO Org wide PM Training Courses - Actioned and ongoing Policy has been created and is to be approved by the CEO	High	PMO Manager		first quarter 2016	
205		Project Management Framework	Sub-optimal PM systems and tools.	PWC Project Mgt Framework assessment 20 May 2014, Trim D-1419095	Finding #8 page 13	13/14	Current tools and systems support the current reporting framework. Management agree that an extension beyond the existing reporting structure will require additional investment in technology and resources for the PMO to provide additional services. There are currently no plans to extend either. MS Project is available to all staff on the citrix network - it is unlikely to be changed because this is currently the most cost effective way of managing licensing costs. Agreement on the what tools will most effectively support HCC PMs is required ahead of investment in this area. This discussion will be ongoing and held in conjunction with the Business Improvement Unit as business planning changes are implemented over the next 12-18 months.	Systems and tools - No activity currently planned - activity highlighted above on reporting and in conjunction with BI will determine outcomes in this area MS Project - as indicated in management response - No change in current practice is envisaged PM and organisational reporting tool is under development and anticipated for release early 2nd quarter	High	PMO Manager		Second quarter 2016	
89		Cash flow forecasting	The automated modelling tool to manage forecasting of cash flow requirements is not reviewed following changes.	PWC Internal Audit Ring Road Project Review 20 Dec12	Finding #6, Page 23	12/13	Management agree with the recommendation. A new process has recently been established whereby the Corporate Projects Accountant will have responsibility for ensuring a standardised methodology is applied to all budget models associated with large key projects. Outputs of these budget models will be subject to a structured peer review process within the finance department. The new process will apply to the ring road project.	This item refers to HCC's ability to ensure budgets are correct over the life of a large multi year project where budgets are sometimes carried over from one financial year to another. These situations are managed through our capital deferrals that are agreed at year end by management and approved by Council. Cash flow forecasting of capital projects will be managed within the Microsoft AX budgeting module when it is anticipated that this becomes operational later this year.	Medium	Corporate Projects Accountant		Dec-15	

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No.	Current Status	Issue	Audit Comment	Source	Reference	Agreed Management Response	Comment on Current Activity	risk rating	Owner	Date closed	Estimated completion date	Audit sign off of closure
106		Event Management	There is a lack of formal review of event planning to ensure that appropriate services are provided to clients.	PWC Internal Audit Event Management Review 10 Jun 13 12/13	Finding #3, Page 12	Management are currently in the process of developing an Event Order confirmation report within EBMS. This report will detail all services and requests that the client has made and will be required to be signed off by the client and event co-ordinator prior to the commencement of an event. This will assist in ensuring that all client requests are raised as service orders. This report is due for release in 11 June 2013. We agree with all the other recommendations detailed in the outcome of the review and will be putting together a project team to create a clear and simple process supported by a detailed checklist for our entire event staff. The timeline for this will be incorporated into the overarching programme of changes.	Management have developed an Event Order confirmation report within Ungerboeck. This report details all services and requests that the client has made and is required to be signed off by the client and the event co-ordinator prior to the commencement of an event. This will assist in ensuring that all client requests are raised as service orders. Management agrees with all of the other recommendations detailed in the outcomes of the review and has put in place a project team to create a clear and simple process supported by a detailed checklist for our entire event staff. The timeline for this will be incorporated into the overarching programme of changes	Medium	GM Events & Economic Development		Mar-16	
193		Development Contribution Processes and Controls	Development contribution applicability assessments are not captured and information on development contributions cannot be reported on nor reviewed for authority.	PWC Assessment of Development Contribution Processes and Controls, 3 Mar 2014, Trim D-1359727 13/14	Finding #2, page 8	Assessments are captured in a temporary database that can theoretically be linked to Authority for reporting purposes, however a significant amount of work is needed to do this and/or implement a more stable solution. There is a need to set-up a repeatable and well documented process for linking charges calculated by the Development Contributions Model to the charge calculation spread sheet and the online GIS viewer. This will require a significant amount of work but is on hold due to other priorities. Additional resource will be needed if this is to be completed within reasonable timeframe. As previously reported.	The current solutions remains fit for purpose whilst further investigation continues in modeling solutions .	Medium risk rating assigned by management	Chief Financial Officer		Jun-16	
196		Development Contribution Processes and Controls	Evidence of the compilation of "base charges" by catchment has not been retained.	PWC Assessment of Development Contribution Processes and Controls, 3 Mar 2014, Trim D-1359727 13/14	Finding #5, page 16	Assessments are captured in a temporary database that can theoretically be linked to Authority for reporting purposes, however a significant amount of work is needed to do this and/or implement a more stable solution. There is a need to set-up a repeatable and well documented process for linking charges calculated by the Development Contributions Model to the charge calculation spread sheet and the online GIS viewer. This will require a significant amount of work but is on hold due to other priorities. Additional resource will be needed if this is to be completed within reasonable timeframe. As previously reported.	The current solutions remains fit for purpose whilst further investigation continues in modeling solutions .	Medium risk rating assigned by management	Chief Financial Officer		Jun-16	
110		Event Management	There is no formalised and independent review performed to ensure operational event management procedures are followed.	PWC Internal Audit Event Management Review 10 Jun 13 12/13	Finding #7, Page 17	As part of the overall upgrade, programme management will initiate a project to facilitate the report recommendations. Where possible we will automate the processes within EBMS. The internal event audit process is still to be developed and expected to be complete by the end of the year.	Management will address this issue as part of the overall upgrade programme of EBMS with core HCC finance systems	Low	GM Events & Economic Development		Dec-15	

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243		Property, plant and equipment	Improve the quality of information in the asset management system by implementing the identified changes in the AECOM report	Audit NZ 2014 Final Mgt Report 19 Nov 2014 (Trim D-1628444) 14/15	3.8, page 10	On-going continuous improvements are being made to asset information where there are resources available to do so. Through the 2015-25 10 year plan, funding and resource allocation has been requested to enable the significant items to be addressed.	Improvements identified by AECOM are incorporated in the Water, Wastewater, Stormwater and SolidWaste AMP's for 2015-45. In addition the draft 2-15-25 LTP has budget allocation in opex to enable further improvements in the quality of information. Improvements to Pump Station assets have been completed, and planning to commence a 2 to 4 year improvement programme for treatment plants is underway.	Low	Waters Manager		progressively over the next 10 years- this will be prioritised based on the risk to Council.	
266		Infrastructure Strategy and Asset Management Plans	As part of future strategy preparation processes, a procedure is required that provides an indication as to the quality of information regarding the age, description, condition and performance of infrastructure assets	Audit NZ Management Report, August 2015	P3	The recommended improvements for the Infrastructure Strategy will be included in specific AMPs and considered for inclusion in the next version of the Infrastructure Strategy.	In Progress	?	Programme Manager - growth and assets			
267		Infrastructure Strategy and Asset Management Plans	As part of future strategy preparation processes, a summary of historical expenditure for key asset types to provide a benchmark for future expenditure levels	Audit NZ Management Report, August 2015	P3	The recommended improvements for the Infrastructure Strategy will be included in specific AMPs and considered for inclusion in the next version of the Infrastructure Strategy.	In Progress	?	Programme Manager - growth and assets			
268		Infrastructure Strategy and Asset Management Plans	As part of future strategy preparation processes, consider proposed funding strategies for planned expenditure, e.g., stating what changes are proposed (if any) in how services are funded going forward	Audit NZ Management Report, August 2015	P3	The recommended improvements for the Infrastructure Strategy will be included in specific AMPs and considered for inclusion in the next version of the Infrastructure Strategy.	In Progress	?	Programme Manager - growth and assets			
269		Infrastructure Strategy and Asset Management Plans	As part of future strategy preparation processes, the identification of any planned deferral of expenditure, the consequences of that deferral and the City Council's planned response is noted	Audit NZ Management Report, August 2015	P4	The recommended improvements for the Infrastructure Strategy will be included in specific AMPs and considered for inclusion in the next version of the Infrastructure Strategy.	In Progress	?	Programme Manager - growth and assets			
270		Infrastructure Strategy and Asset Management Plans	As part of future strategy preparation processes, consider council's intended approach for delivery of services to maintain the assets and build new assets	Audit NZ Management Report, August 2015	P4	The recommended improvements for the Infrastructure Strategy will be included in specific AMPs and considered for inclusion in the next version of the Infrastructure Strategy.	In Progress	?	Programme Manager - growth and assets			
271		Infrastructure Strategy and Asset Management Plans	As part of future strategy preparation processes, consider any significant changes in the way assets will be managed over time compared to current arrangements	Audit NZ Management Report, August 2015	P4	The recommended improvements for the Infrastructure Strategy will be included in specific AMPs and considered for inclusion in the next version of the Infrastructure Strategy.	In Progress	?	Programme Manager - growth and assets			
272		Infrastructure Strategy and Asset Management Plans	As part of future strategy preparation processes, consider any expected changes in technical, legislative or regulatory requirements and City Council's response to those changes.	Audit NZ Management Report, August 2015	P4	The recommended improvements for the Infrastructure Strategy will be included in specific AMPs and considered for inclusion in the next version of the Infrastructure Strategy.	In Progress	?	Programme Manager - growth and assets			

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273		Infrastructure Strategy and Asset Management Plans	In the contents of the Asset Management Policy, Council should consider including performance measures for AM such as timeframes for reviews and community consultation	Audit NZ Management Report, August 2015	P4	Council is currently reviewing a number of its policies and the Asset Management Policy is being recreated as a management level policy given the new legislative requirement for an Infrastructure Strategy. An update of the policy will include the role and preparation of the Infrastructure Strategy in the Management Policy. The other respects raised above will be included in either the reviewed management policy or documented standard operating procedures.	In Progress	?	Programme Manager - growth and assets			
274		Infrastructure Strategy and Asset Management Plans	In the contents of the Asset Management Policy, Council should consider including procedures for audit and review	Audit NZ Management Report, August 2015	P4	Council is currently reviewing a number of its policies and the Asset Management Policy is being recreated as a management level policy given the new legislative requirement for an Infrastructure Strategy. An update of the policy will include the role and preparation of the Infrastructure Strategy in the Management Policy. The other respects raised above will be included in either the reviewed management policy or documented standard operating procedures.	In Progress	?	Programme Manager - growth and assets			
275		Infrastructure Strategy and Asset Management Plans	In the contents of the Asset Management Policy, Council should consider including contribution of AM to the City Council's sustainable development objectives	Audit NZ Management Report, August 2015	P4	Council is currently reviewing a number of its policies and the Asset Management Policy is being recreated as a management level policy given the new legislative requirement for an Infrastructure Strategy. An update of the policy will include the role and preparation of the Infrastructure Strategy in the Management Policy. The other respects raised above will be included in either the reviewed management policy or documented standard operating procedures.	In Progress	?	Programme Manager - growth and assets			
276		Infrastructure Strategy and Asset Management Plans	Council should amend the AM Policy to provide clearer direction for each activity as to what aspects of AM the lower level is acceptable and which parts are expected to be at the higher level.	Audit NZ Management Report, August 2015	P5	The maturity targets for asset management have been developed after assessing the risk associated with each activity and the value of assets that relate to the activity. Independent expert advice was taken in setting the activity maturity targets within the existing policy. Each AMP contains an improvement programme specific to asset management practice for that activity. These improvement programmes outline what changes are priorities and in doing so guide what is recommended in order to achieve appropriate practice. As part of the improvement programme in each AMP, more specific maturity targets for aspects of each activity will be considered and documented where appropriate	In Progress	?	Programme Manager - growth and assets			
277		Infrastructure Strategy and Asset Management Plans	Council should ensure that issues identified from the independent peer reviews are incorporated into the AM Improvement Plans. We also encourage the City Council to continue with assigning appropriate time and resource to enable the tasks identified in the 2015 AMP improvement programme to be undertaken.	Audit NZ Management Report, August 2015	P6	Improving asset management data and practices is a clear focus for council. Cross-organisational teams exist to deliver these types of improvements across the business. The recent restructuring has also led to a new corporate position being created to lead these types of changes across the organisation. An updated corporate improvement plan is being prepared during 2015 to make sure improvement actions are still appropriate and adequately prioritised and resourced.	In Progress	?	Programme Manager - growth and assets			
278		Infrastructure Strategy and Asset Management Plans	Council needs to ensure that it obtains a complete set of asset attributes, condition ratings and performance data for all asset components in the water treatment plants/reservoirs and wastewater treatment plant/pump stations. This data should be held in the Council's AM system and periodically updated so that reliable information is available to generate future operating and capital programmes and to reduce the reliance upon informal anecdotal evidence	Audit NZ Management Report, August 2015	P6	More thorough cataloguing of assets relating to the Water and Wastewater treatment plants is underway. This is being done as part of planning for future upgrades to these plants. The initial work is focussed on accurately locating and capturing assets in a 3D spatial (BIM) model. The use of BIM models is regarded as standard industry practice for understanding complex sites and underground services. Data capture of asset information will continue over 2015/16 and 2016/17	In Progress	?	Programme Manager - growth and assets			

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279		Infrastructure Strategy and Asset Management Plans	We recommend that the business process for inputting data into the AM system is amended so that the condition and performance ratings are incorporated into the information loaded. This will enable optimal decisions to be made about the maintenance and renewal of those assets in future budget rounds	Audit NZ Management Report, August 2015	P7	A review of these business processes and asset management practice will be included in the relevant improvement plans for infrastructure assets	In Progress	?	Programme Manager - growth and assets			
280		Infrastructure Strategy and Asset Management Plans	We recommend that Council ensures reliable information is recorded in its AM system so as to ensure that the current shortcomings in the valuation of treatment plant assets can be rectified as soon as practicable	Audit NZ Management Report, August 2015	P7	Council has a programme of three yearly revaluations for our treatment plants and above ground assets, unless indices show that costs are moving in such a way that the carrying value is no longer representative of fair value. Focus is currently being placed on improving the asset register of these sites. Once the asset register is completed, a more robust revaluation will be able to be calculated. Once assets have been identified, we can use market values for the majority of our assets that are purchased annually such as pumps, valves, motors etc. However some assets contained within the treatment plants are bespoke and their value are best determined through tender process. For these assets we will continue to use an inflation factor where it is appropriate.	In Progress	?	Programme Manager - growth and assets			
281		Zoo Revenue Process and Control Assessment	Re Visitor number and earnings reports from Centaman are inaccurate due to configuration errors, management should liaise with Information Services (IS) and the system vendor if appropriate to check that reports from Centaman are appropriately reconfigured to ensure accurate, complete and reliable data is reported	PWC Review August 2015	P5	Agreed - IS have provided verbal assurance that there are no issues and configuration of GST reporting is correct but we will require further assurance that all Centaman reports are accurate and complete.	Accuracy of reports in Centaman is part of IS Work Request Form sent on October 19. This is part of a wider HCC issue with centaman reporting and is unlikely to be completed by deadline	Medium	Zoo Director		Jan-16	
282		Zoo Revenue Process and Control Assessment	Re Visitor number and earnings reports from Centaman are inaccurate due to configuration errors, management should establish methods to independently check the accuracy and completeness of key performance metrics currently relied on from Centaman.	PWC Review August 2015	P5	Agreed - IS have provided verbal assurance that there are no issues and configuration of GST reporting is correct but we will require further assurance that all Centaman reports are accurate and complete.	Accuracy of reports in Centaman is part of IS Work Request Form sent on October 19. This is part of a wider HCC issue with centaman reporting and is unlikely to be completed by deadline	Medium	Zoo Director		Jan-16	
283		Zoo Revenue Process and Control Assessment	Re The ability to reverse sales transactions and make cash refunds is not restricted and these transactions are not reviewed Management should restrict the ability to reverse transactions within Centaman and segregated this privilege from personnel involved in processing sales. If due to the small team this is deemed impractical, especially during peak times implement daily reporting which identifies all refunds and void transactions performed	PWC Review August 2015	P6	Agreed, however it is Impractical to segregate personnel reversing transactions from personnel involved in processing sales due to small team. However, we will implement daily reporting which identifies all refunds and void transactions performed for review	Completed.	Medium	Zoo Director		Jan-16	

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284		Zoo Revenue Process and Control Assessment	Re The ability to reverse sales transactions and make cash refunds is not restricted and these transactions are not reviewed Management should liaise with IS to configure a report from Centaman on reversed/ voided transactions and cash refunds which can be reviewed and consider restricting refunds to cash only when the transaction is purchased in cash, and to the EFTPOS card used to purchase the ticket	PWC Review August 2015	P6	We have seen configured reports on reversed/ voided transactions and cash refunds being used and reviewed on other POS models, which will be considered.	Functionality to reverse transactions to card/cash is part of IS Work Request Form sent on October 19. Ticket number is 15357299	Medium	Zoo Director		Jan-16	
285		Zoo Revenue Process and Control Assessment	Re Promotional schemes and discounts are not governed by a policy or appropriately monitored Management should establish a policy for discounts / variations from published prices which covers the nature and extent of discounts that are permissible and specifies who is authorised to approve such discounts	PWC Review August 2015	P7	Work instruction on discounts, variations from published prices and tickets for family members established for the Zoo; may require HCC to establish a policy or some changes to delegated authorities of senior staff	Completed. Promotional proposals now require Zoo Director and General Manager - Community approval.	Medium	Zoo Director		Jan-16	
286		Zoo Revenue Process and Control Assessment	Re Promotional schemes and discounts are not governed by a policy or appropriately monitored Management should create a separate button within Centaman for the length of promotional schemes to account for the number of visitors for the scheme and enable the functionality to enforce a dialog box pop up to capture reasons when a no charge ticket is selected and issued	PWC Review August 2015	P7	Button for promotional schemes tested during August, will roll out in September. Pop up box to be implemented.	Completed.	Medium	Zoo Director		Jan-16	
287		Zoo Revenue Process and Control Assessment	Re Promotional schemes and discounts are not governed by a policy or appropriately monitored Management should formally monitor the uptake of promotion schemes, to determine whether they are achieving the intended benefits for the zoo and HCC, the reasons for issuing a no charge ticket to assess their appropriateness and the use of discounts	PWC Review August 2015	P7	Monitoring of promotion scheme uptake already happening as a verbal discussion but we will investigate whether a report can be produced in Centaman	Completed.	Medium	Zoo Director		Jan-16	
288		Zoo Revenue Process and Control Assessment	Re Promotional schemes and discounts are not governed by a policy or appropriately monitored Management should update current pricing policies to reflect that immediate family (partner and children) of Zoo staff members are allowed entrance for free to the zoo	PWC Review August 2015	P7		The development of the policy on staff family access to the zoo is still progressing as the General Manager is developing a consistent approach with all other facilities operated by Council. This will be concluded by end of June 2016.	Medium	Zoo Director		Jun-16	

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289		Zoo Revenue Process and Control Assessment	Re The ability to perform key activities within Centaman is not restricted and user access rights have not been reviewed, management should identify the level of access required for each Centaman user while considering restricting the ability to perform key activities such as amending prices to buttons, applying discounts and reversing transactions and appropriately segregating duties of users who perform key activities mentioned above and users who process admission invoices and collect cash	PWC Review August 2015	P9	Level of access will be reviewed for all users but it is impractical to segregate duties of users who perform key activities due to small team. A periodic review of access rights in Centaman will be performed to ensure management continue to be comfortable with provisioned levels of access.	Completed. Superuser vs User rights reviewed on 16/12/15, only Superusers have rights to amend prices. All other suggestions (applying discounts, reversing transactions, segregating duties impractical due to small team.	Medium	Zoo Director		Jan-16	
290		Zoo Revenue Process and Control Assessment	Re The ability to perform key activities within Centaman is not restricted and user access rights have not been reviewed, management should establish a process to periodically review and confirm that the access rights that has been granted continue to remain appropriate	PWC Review August 2015	P9	Level of access will be reviewed for all users but it is impractical to segregate duties of users who perform key activities due to small team. A periodic review of access rights in Centaman will be performed to ensure management continue to be comfortable with provisioned levels of access.	Completed. Superuser vs User rights reviewed on 16/12/15, only Superusers have rights to amend prices. All other suggestions (applying discounts, reversing transactions, i.e. segregating duties) impractical due to small team.	Medium	Zoo Director		Jan-16	
291		Zoo Revenue Process and Control Assessment	Re The ability to perform key activities within Centaman is not restricted and user access rights have not been reviewed, management should consider granting read only access to Centaman users who do not require edit access	PWC Review August 2015	P9	Granting read only access will be considered for new staff or if roles or systems change	Completed. No staff changes since audit.	Medium	Zoo Director		Jan-16	
292		Zoo Revenue Process and Control Assessment	Re Cash handling activities are not aligned to best practices Management should segregate the duties of the cashier and the person performing the end of day cash reconciliations	PWC Review August 2015	P10	Impractical to segregate cashier from the person performing the end of day cash reconciliations due to small team. However, will implement internal spot checks by Zoo staff in addition to those already carried out by HCC.	Completed.	Medium	Zoo Director		Jan-16	
293		Zoo Revenue Process and Control Assessment	Re Cash handling activities are not aligned to best practices Management should retain supporting documentation to evidence the results of the biweekly cash count held	PWC Review August 2015	P10	Cash change functionality exists already, but was not being used by those observed at time of audit.	Completed. Bi weekly cash count now undergoing regular supervisor spot checks	Medium	Zoo Director		Jan-16	
294		Zoo Revenue Process and Control Assessment	Re Cash handling activities are not aligned to best practices Management should consider establishing a process to have an independent person review the end of day cash reconciliation and bi weekly cash count	PWC Review August 2015	P10	Cash change functionality exists already, but was not being used by those observed at time of audit.	This audit comment is a repeat of the above two audit comments.	Medium	Zoo Director		Jan-16	
295		Zoo Revenue Process and Control Assessment	Re Cash handling activities are not aligned to best practices Management should configure the cash drawer to be opened only on cash transactions	PWC Review August 2015	P10	Cash change functionality exists already, but was not being used by those observed at time of audit.	Not possible. Centaman have confirmed that there is currently no functionality that will prevent the cash drawer opening when a transaction is being paid for by EFTPOS.	Medium	Zoo Director		Jan-16	

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296		Zoo Revenue Process and Control Assessment	Re Cash handling activities are not aligned to best practices Management should enable the cash change functionality offered in Centaman	PWC Review August 2015	P10	Cash change functionality exists already, but was not being used by those observed at time of audit.	As noted in management response.	Medium	Zoo Director		Jan-16	
297		Zoo Revenue Process and Control Assessment	Re Cash handling activities are not aligned to best practices Management should Ensure that video surveillance is in place to deter theft and operating to assist authorities to identify thieves in the event of a robbery.	PWC Review August 2015	P10	Video camera is a dummy pointing at shop area to deter shoplifters. Put project forward for consideration in 2016/17 Annual Plan	As noted in management response. HCC CCTV Strategy meeting held on October 7. Progress here: D-1960231	Medium	Zoo Director		Jan-16	
298		Zoo Revenue Process and Control Assessment	Re Centaman balances are not reconciled to the exported csv file uploaded into Authority Management should establish a process to periodically reconcile the total value of debtors in the exported csv file with the total value of debtors in Centaman. Any differences should be followed up in a timely manner.	PWC Review August 2015	P12	The total value of debtors in Centaman will be reconciled with the total value of debtors in the exported csv file on a monthly basis going forward.	Completed. Administrator copies monthly .csv file to Visitor Experience Manager who reconciles Authority invoices with Centaman.	Medium	Zoo Director		Sep-15	
299		Zoo Revenue Process and Control Assessment	Re Entrance management activities are not aligned to best practices management should consider establishing physical access controls such as turnstiles and/or issuing of entrance tickets	PWC Review August 2015	P13	Cost of physical access controls or ticketing outweighs the associated low risk.	As noted in management response.	Low	Zoo Director		Subject to implementation of Zoo Mater Plan	
300		Zoo Revenue Process and Control Assessment	Re Entrance management activities are not aligned to best practices management should introduce a mechanism to validate returning visitors before re-entry into the zoo	PWC Review August 2015	P13	Physical access controls not in place but ink stamps on hands are already used when busy, but not necessary on quiet days.	As noted in management response.	Low	Zoo Director			
301		Zoo Revenue Process and Control Assessment	Re Entrance management activities are not aligned to best practices management should consider when practical, counting the individual number of children within a group that has entered the zoo	PWC Review August 2015	P13	Group counts are applicable to very few people and currently impractical to carry out.	As noted in management response.	Low	Zoo Director			
302		Zoo Revenue Process and Control Assessment	Re Entrance management activities are not aligned to best practices management should establishing a mechanism to ensure that visitors who have not paid entrance fees do not access areas of the zoo other than the café	PWC Review August 2015	P13	Café access and entrance mechanisms are being considered as part of the master plan for Zoo.	As noted in management response.	Low	Zoo Director		Subject to implementation of Zoo Mater Plan	
303		Zoo Revenue Process and Control Assessment	Re Entrance management activities are not aligned to best practices management should consider moving the café entrance to be at the zoo entrance, to further enhance café sales by being more noticeable and also attract non-zoo visitors sales	PWC Review August 2015	P13	Café access and entrance mechanisms are being considered as part of the master plan for Zoo.	As noted in management response.	Low	Zoo Director		Subject to implementation of Zoo Mater Plan	

Committee: Audit & Risk Committee

Date: 23 March 2016

Report Name: Health and Safety Update

Author: Tracey Stevenson

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i><Enter Strategy, Policy or Plan></i>
Financial status	<i>There is/is not budget allocated Amount \$<enter amount></i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is/is not considered to have a high degree of significance</i>

1. Purpose of the Report

- This report provides the Audit and Risk Committee with an update on the health and safety legislation implementation within Hamilton City Council.

Recommendation from Management

That the report be received.

3. Attachments

- Attachment 1 - Project Charter - New legislation implementation
- Attachment 2 - Project Scope - New legislation implementation

6. Key Issues

- The Health and Safety at Work Act will be effective from 4 April 2016. Council's Health and Safety Management System is currently being reviewed and updated to reflect the new legislation and best practice, with additional tools and resources being developed to assist business units.
- Five regulations were released mid-February and will be effective from 4 April 2016. A number of additional regulations will be released over the next year.

Item 9

9. Released regulations are:
 - General Risk and Workplace Management
 - Worker Engagement, Participation and Representation
 - Asbestos
 - Adventure Activities
 - Major Hazard Facilities.
10. The Health and Safety team and business units will need to review the Regulations and update documented procedures where required.
11. In May 2015, the Waikato Local Authority Shared Services (LASS) set up a Health and Safety Working Party. This group has a project team developing a contractor pre-qualification system to be used by participating councils. The Project is scheduled to be completed by July 2016.

Signatory

Authoriser	David Bryant, General Manager Corporate
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SAFETY & WELLBEING

Project Charter

New Legislation Implementation

Project Description:	Review and align Safety and Wellbeing Management System with proposed Health and Safety at Work Act coming into effect from 15 April 2015		
Project Leader:	Tracey Stevenson		
Customer(s):	Elected Members, all HCC paid employees; contractors; sub-contractors; volunteers		
Prepared by:	Tracey Stevenson	Version: 1	Version Date: 20/10/2014
TRIM:	D-1608506		

Background

Following recommendations from the Independent Taskforce, government agreed to the review/update of NZ's Health and Safety in Employment Act.

A proposed Health and Safety at Work Act has been released with the Health and Safety Reform Bill to go before parliament in December 2014.

Council is required to prepare for the 15 April 2015 implementation by reviewing and updating the existing Safety and Wellbeing Management System to align with the proposed Health and Safety at Work Act. Following the implementation of the new Act, training will be required for all customers.

Project Objectives

The objectives of the project are to:

- ensure that the HCC Safety and Wellbeing management system is compliant with new legislation
- arrange for working groups to ensure there is adequate worker participation during the review
- identify gaps within the current SWELL management system and develop plans that address these
- re-induct all employees, contractors, sub-contractors and volunteers

This will be achieved by:

- utilising a Change Manager and Communications Advisor
- involving workers who are willing and able to participate in this project
- developing and scheduling induction sessions for all customers.

Customer Needs/Requirements

Sessions to be arranged to provide knowledge and understanding of the new Act, including changes made to the Safety and Wellbeing Management System following the implementation date.

Benefits to HCC

- positive increase in worker participation and culture
- safety and occupational health of all workers
- compliance with NZ Health and Safety at Work Act

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Risks

While the risks throughout the project will be low, if the Safety and Wellbeing Management System is non-compliant and inductions are not completed within a reasonable timeframe, council may be at risk of improvement notices and/or fines from the regulator.

Resource Estimate

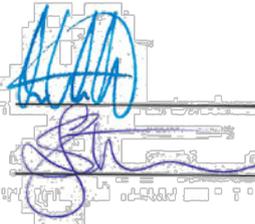
- cost of external review to provide an assurance of compliance – estimated cost \$7,000
- significant allocation of safety and wellbeing resource to the project

Indicative Timeframe

October 2014 – 31 October 2015

Authorisation

Signed:



[Project Sponsor]

[Project Leader]

Date:

17 Dec 2014

SAFETY & WELLBEING | Project Scope

New Legislation Implementation

Project Description: Review and align Council's Safety and Wellbeing Management System to comply with the proposed Health and Safety at Work Act coming into effect in 2015.

Project Manager: Tracey Stevenson

TRIM: D-1608521

Project End Date: February 2016

Version: 3

Version Date: 14/01/2015

Background

Following recommendations from the Independent Taskforce, government agreed to the review of New Zealand's Health and Safety in Employment Act.

A proposed Health and Safety at Work Act has been released with the Health and Safety Reform Bill which was initially scheduled to go before parliament in December 2014. Due to parliamentary delays, it was announced late 2014 that this has now been postponed. It is anticipated to be passed in July, with the new Act to be effective by October 2015.

Council is required to prepare for the implementation, by reviewing and updating its existing Safety and Wellbeing Management System, to align with the proposed Health and Safety at Work Act. Following the implementation of the new Act, training will be required for all stakeholders.

Project Strategic Alignment

This project aligns with Council's vision to be a smart city, in every way and in everything we do. It addresses the outcome of outstanding city leadership, and the goal that the city is led by effective, open and responsive governance.

Project Organisational Context

This project aligns with the 2014/15 Chief Executive's priorities and performance measures:

- we are innovative in how we deliver on safety and wellbeing.

It is a legislative requirement that all organisations meet the requirements of the proposed Health and Safety at Work Act and relevant Health and Safety Regulations.

Project Conflict of Interest Declaration

This project does not require a Conflict of Interest Declaration to be completed.

Project Goal

Ensure Council's Safety and Wellbeing Management System is fully compliant with the proposed Health and Safety at Work Act prior to effective date.

Project Objectives

The objectives of the project are to:

- ensure that the HCC Safety and Wellbeing Management System is compliant with the new legislation
- arrange for working groups to ensure there is adequate worker participation during the review.

THINK SAFE WORK SAFE HOME SAFE EVERYDAY

- identify gaps within the current safety and wellbeing management system and develop plans that address these
- re-induct all employees, contractors, sub-contractors and volunteers under the new Act

This will be achieved by:

- using a Communications Advisor
- involving workers who are willing and able to participate in this project
- developing and scheduling induction sessions for all relevant stakeholders

Project Deliverables

The project will deliver:

- a gap analysis between Council's current Safety and Wellbeing Management System and what is required under the proposed Health and Safety at Work Act
- an action plan detailing what is required to bridge the gaps identified through the analysis
- relevant and appropriate education for all Council employees, volunteers and contractors to provide an understanding and knowledge of their roles, responsibilities and obligations under the new Act
- an external independent assurance that Council's Safety and Wellbeing Management System is robust and compliant with the new Act
- relevant and appropriate education and updates to elected members
- a survey to verify levels of knowledge and understanding of the changes and to receive feedback on project delivery

Project Scope Includes

Reviewing and amending Council's:

- Safety and Wellbeing Policy
- Safety and Wellbeing Standard Operating Procedure
- Safety and Wellbeing Code of Practice
- Safety and Wellbeing Guidelines and Forms
- Safety and Wellbeing critical risks
- Processes associated with proposed new Health and Safety Regulations relating to council's activities
- Safety and Wellbeing Management System, including:
 - worker participation
 - volunteer practices
 - contractor management and practices
 - training – workers and contractors induction
 - emergency procedures
 - audit of hazardous substances

Project Scope Excludes

- a review of the Council's Safety and Wellbeing metrics
- a review of the Council's procurement processes and procedures
- funding requests through 10 year plan budgeting process
- upgrades to Vault
- additional resourcing needs to maintain compliance with the proposed new Act and associated Regulations
- organisational safety and wellbeing culture change

Related Projects

- Vault Upgrades
- AS/NZS 4801 accreditation

Assumptions

It is assumed that the Health and Safety at Work Act is passed by parliament in July 2015 and will be effective from October 2015. These dates have altered from the original dates published by the Ministry in 2014 and may be altered again.

SAFETY AND WELLBEING PROJECT SCOPE

D-1608521

Constraints

This project may be constrained by:

- staff availability
- additional changes arising from the consultation on the proposed Act
- further changes to the timing of the implementation of the Health and Safety at Work Act and/or associated Regulations
- implementation of key aspects of the Act and/or associated Regulations that have a significant impact that is currently unknown to workers and management

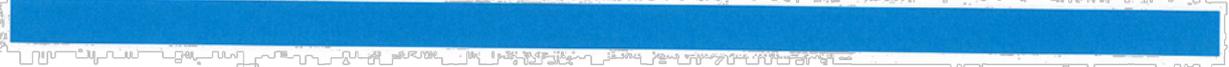
Risk Statement	Risk Owner	Control Measures in Place	Gross Risk Rating	Risk Mitigation Strategy	Residual risk rating
<p>As a result of competing work priorities implementing the new Health and Safety at Work Act and associated Regulations may not occur in the allotted timeframe, which would leave Council non-compliant with Health and Safety legislative requirements</p>	<p>Safety and Wellbeing Advisor</p>	<p>Early identification and agreement reached on which staff will participate Clear and agreed project schedule Active and accurate monitoring of project schedule General Manager, Organisational Development (project sponsor)</p>	<p>High</p>	<p><i>Prevention</i> Project Manager monitoring the Government timeline to ensure appropriate time flexibility is factored in and provided for staff engaged in this project Gap analysis and response plan focuses on those areas or change proposed under the new legislation Key staff are identified in advance and their participation is confirmed and scheduled Back up staff are identified to cover should staff become overloaded Project schedule is developed in conjunction with project team and participating staff. Other work priorities are accurately factored in setting targeted start/finish project time frames Involve units where the Act and/or Regulations will have the most change and work with them to implement changes. <i>Response</i> Engage back up staff as previously identified</p>	<p>Low</p>

SAFETY AND WELLBEING PROJECT SCOPE

Milestones

	Description	Date
Project Charter to Safety and Wellbeing Leadership Group	<ul style="list-style-type: none"> ▪ project charter developed and signed off by Organisational Development General Manager (Project Sponsor) ▪ charter is provided to the Safety and Wellbeing Leadership Committee and unions for their information 	December 2014 December 2014
Project Scope	<ul style="list-style-type: none"> ▪ project scope developed and signed off by Project Sponsor ▪ scope is provided to the Safety and Wellbeing Leadership Committee for information 	December 2014 January 2015
Project schedule developed	<ul style="list-style-type: none"> ▪ review Council's Safety and Wellbeing Management System to identify gaps with what is required under the proposed Act ▪ document gap analysis ▪ record all actions to be undertaken – including timing and who is assigned to complete them ▪ project plan progress to be reported to the Safety and Wellbeing Leadership Committee on a regular basis 	April 2015 May 2015 On-going to completion of project
Project Team established	<ul style="list-style-type: none"> ▪ key staff (and back up staff as necessary) identified and confirmed to participate in work groups to support the gap analysis process and to support/champion the roll out of the changes ▪ regular meetings with work groups to manage risk/issues and monitor progress 	Completed December 2014 On-going through review process
Communication Plan delivered	<ul style="list-style-type: none"> ▪ communication plan developed in conjunction with the Communication Advisor ▪ communication plan has key messages and milestones that need to be communicated to all stakeholders, including Senior Leadership Team and elected members 	Communication to start from 2015 for duration of project
External review conducted	<ul style="list-style-type: none"> ▪ an independent assessor to review revised Safety and Wellbeing Management System in line with proposed Act ▪ report outcomes to Senior Leadership Team 	September 2015
Roll out to organisation	<ul style="list-style-type: none"> ▪ Use an education programme, in conjunction with an induction programme, for all elected members, Senior Leadership Team, managers, workers, volunteers and contractors ▪ implement Communications Plan to roll out changes to the organisation ▪ use safety and wellbeing representatives and work group members to assist in the roll out 	On-going through out project
Survey completed	<ul style="list-style-type: none"> ▪ survey developed to verify levels of knowledge and understanding of the changes and to receive feedback on project ▪ survey distributed to workers and managers ▪ results analysed and remedial work identified and implemented ▪ provide report on results to Senior Leadership Team, union organisers and elected members 	November 2015 December 2015 January 2016 Late January 2016
Project closure debrief/evaluation	<ul style="list-style-type: none"> ▪ project closure report provided to the project sponsor for sign off ▪ project closure report provided to the Safety and Wellbeing Leadership Committee for information 	February 2016

SAFETY AND WELLBEING PROJECT SCOPE



Stakeholders

Sponsor – Organisational Development General Manager

Safety and Wellbeing Team

Procurement Manager

Risk Manager

Asset Managers

Contract Managers

Engineer Representatives

Safety and Wellbeing Representatives

Unions (PSA, First Union, AWUNZ)

People and Capability

All Council employees, contractors, volunteers and relevant visitors

Elected members

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SAFETY AND WELLBEING PROJECT SCOPE

Project Structure



Resources / Project Team

Role	Responsibilities*	Staff Member
Project Sponsor	Sponsor the project Champion the cause with Senior Leadership Team	Olly Te Ua
Project Manager	To lead the organisational project team and provide updates to project sponsor	Tracey Stevenson
Organisational Project Team	To initiate a review of the current Council's safety and wellbeing policy, code of practice, forms and guidelines in respect of any gap(s) arising as a result of changes to the proposed Health and Safety at Work Act Engaging employees across the organisation to participate in the review Implementing changes to address any gap(s) Developing and implementing an education programme for all stakeholders – to cover re-induction	Tracey Stevenson Karin Barclay Lionel Inia-Edmonds
Safety and Wellbeing Leadership Committee	To receive project information and updates	Richard Briggs Olly Te Ua Chris Allen Lance Vervoort Tracey Stevenson

Costs

- cost of external review to provide an assurance of compliance – estimated cost \$7,000
- significant allocation of safety and wellbeing resource to the project
- engagement of staff across the business to provide assistance with gap analysis
- engagement of staff across the business to implement any changes and provide re-induction to stakeholders as required

SAFETY AND WELLBEING PROJECT SCOPE

Benefits To HCC

The Project Manager will be responsible for tracking and reporting on the following benefits:

Qualitative Benefits

- a range of staff across the organisation are engaged in re-enforcing the positive and proactive health and safety approach being undertaken at HCC
- staff will be exposed to the legislative changes ahead of their implementation at HCC – it is anticipated this will provide staff with the opportunity to enable their respective business units to adapt to the changes more efficiently and effectively ensuring HCC meets its legislative obligations contributes to the organisational vision of becoming world class
- Ensuring timely compliance with the changes to the Act actively assists in achieving AS/NZS4801 accreditation

Quantitative Benefits

- Council is compliant with all Health and Safety Legislation
- all employees, contractors and volunteers feel safe while working at Council

Disbenefits

- no disbenefits identified

Quality Statement

HCC will apply the most appropriate best practice quality assurance methodologies to ensure the project processes are monitored and risks managed proactively so that project objectives and desired outcomes are achieved. Where necessary this will extend to utilising external quality assurance and in all cases the quality management system will focus on the continuous improvement of quality across this and all other HCC project work.

Project Reporting and Communication

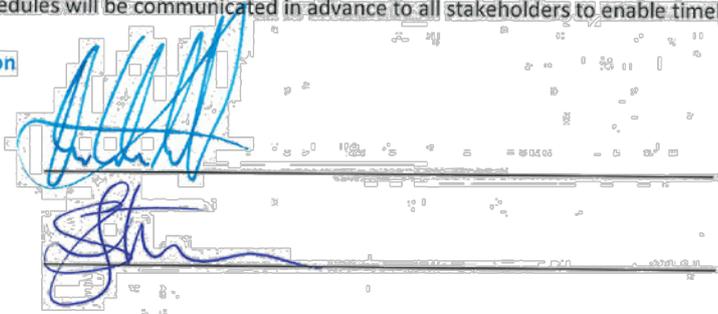
The Project Manager will meet regularly with the Project Sponsor in order to update on progress. A Communications Plan will be developed in conjunction with the Organisational Development Communications Advisor to ensure adequate and clear messages are prepared and communicated accordingly.

Meetings will be scheduled involving the appropriate stakeholders to provide updates and information as required.

Training schedules will be communicated in advance to all stakeholders to enable timely bookings to occur.

Authorisation

Signed:



General Manager
Organisational Development
(Ollie Te Ua)

Safety and Wellbeing Advisor
(Tracey Stevenson)

Date:

23 Jan 2015

Committee: Audit & Risk Committee

Date: 23 March 2016

Report Name: PWC Internal Audit Update

Author: Tracey Musty

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

1. Purpose of the Report

- The purpose of this report is to update the Audit and Risk Committee on the PWC Internal Audit programme for FY16 Quarter 3.

3. Summary

- Due to the newly appointed General Manager Corporate and the Financial Controller, the internal audit program is currently a work in progress. A meeting will be held in March to discuss and agree the internal audit strategy and model going forward.
- PWC have finalised the Theatre Operations engagement and the FY15 follow up on Prior Internal Audit Recommendations. This is included later in the agenda.
- PWC have been working with Council Management to simplify the risk management policy. Outcomes of this will be a key input into formulating the internal audit plan going forward.

Recommendation from Management

That the Report be received.

Signatory

Authoriser	David Bryant, General Manager Corporate
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Committee: Audit & Risk Committee

Date: 23 March 2016

Report Name: Fitch Annual Rating Report

Author: Brett Brinkworth

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

1. Purpose of the Report

- To receive the Annual Rating Report prepared by FitchRatings based on the 30 June 2015 financial year.

3. Executive Summary

- FitchRatings have published the Annual Rating Report for Hamilton City Council.
- Council's credit ratings have been maintained at AA- (long term) and F1+ (short term).

Recommendation from Management

That the Report be received.

6. Attachments

- Attachment 1 - Fitch Credit Rating Report June 2015

8. Annual Rating Report

- FitchRatings compile this report based on analysis of published reports and plans, national and regional socio economic data, and information provided by Council staff.
- The Rating Report is a very positive review that acknowledges our improving financial performance.
- Council has maintained a long term AA- rating that places us as a high quality investment grade organization. The short term F1+ rating indicates exceptionally strong capacity to meet our financial commitments.

12. FitchRatings have noted that future ratings are sensitive on the downside to adverse movements in Council's debt position that may result from deterioration in the economic environment and on the upside to sustained performance of operating margins relative to peers with less debt.

Signatory

Authoriser	David Bryant, General Manager Corporate
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Hamilton City Council

Full Rating Report

Ratings

Local Currency	
Long-Term IDR	AA-
Short-Term IDR	F1+

Outlook

Long-Term Local-Currency IDR	Stable
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Financial Data

Hamilton City Council

	30 Jun 15	30 Jun 14
Operating revenue (NZDm)	185.4	176.1
Debt (NZDm)	396.3	408.0
Operating balance/operating revenue (%)	29.29	34.70
Debt service/current revenue (%)	37.6	64.13
Debt/current balance (years)	11.9	10.4
Operating balance/interest paid (x)	2.30	2.70
Capital expenditure/total expenditure (%)	23.9	22.21
Surplus (deficit) before debt variation/total rev. (exc. new debt) (%)	10.56	10.09
Current balance/capital expenditure (%)	52.45	60.34

Related Research

Institutional Framework for New Zealand Subnationals (May 2014)

Analysts

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Fernando Mayorga
+34 93 323 84 00
fernando.mayorga@fitchratings.com

Key Rating Drivers

Strengthening Credit Profile: Hamilton City Council's (Hamilton) ratings reflect the strong institutional framework for local and regional councils in New Zealand, an improved fiscal performance, sound socio-economic profile, and debt levels supported by sound financial flexibility – although weak relative to highly rated international peers (*see Appendix C*).

Robust Institutional Framework: New Zealand's institutional framework for local authorities is an important positive ratings factor. This is demonstrated by its transparent reporting and financial disclosure, strong controls and supervision, a high level of own-source revenues (rates) with wide rate-setting powers, and limited responsibilities (health and education are provided by the central government).

Positive Financial Performance: Fitch Ratings calculated a (cash-flow basis) operating margin of 29.3% in the financial year ending June 2014 (FY15), down from 34.7% in FY14, but well above that of international peers. Hamilton has demonstrated strong financial management; and Fitch therefore believes financial forecasts as outlined in the long-term plan (LTP) are achievable – with operating margins above 30% over the four years to FYE19.

Sound Economic Performance: Hamilton is a diversified, services-led economy, and GDP increased by 2.9% to NZD7.3bn in FY15. The city also resides in a large agricultural (mainly dairy) region. Education, research and development play a large role in the local economy, with the city being home to around 40,000 tertiary students. The unemployment rate (FYE15: 7.2%) tends to be above the national figure (FYE15: 5.7%), as students transition in and out of the labour force.

High Debt: Hamilton's debt-to-current revenue ratio is weak relative to that of its international peers, but is supported by access to funding from the New Zealand Local Government Funding Authority (LGFA, AA+/Positive), and predictable revenues. Improving fiscal performance and ongoing surpluses, and a self-imposed net debt/revenue ratio target below 200% to 2025, should strengthen debt ratios. However, growth rates exceeding forecasts would exert pressure on debt – due to a requirement to accelerate capital spending programmes.

Visible Future Capex Requirements: The requirement to develop 30-year infrastructure plans serves to improve planning for future capex requirements, and reduces the risk of development of a capex backlog. Hamilton was proactive and adopted long-term infrastructure planning early, which meant the city was well placed for the legislative requirement to outline its 30-year infrastructure planning from 2015.

Rating Sensitivities

Weak Budgetary Performance: Hamilton's ratings could come under pressure if its budgetary performance were to deteriorate significantly and unexpectedly with operating margins dropping to below 20%. Reduced fiscal flexibility – most likely from a deteriorating economic environment – could result in an adverse development in Hamilton's debt position.

Current Balance Improvement: Positive ratings action would require Hamilton to generate a sustained high current margin in excess of 25%, and have a debt-to-current revenue ratio of below 200%. Hamilton would need to demonstrate a sustained outperformance in its margins relative to less leveraged peers, given its high debt.

Rating History

Date	Long-Term Foreign IDR	Long-Term Local IDR
30 Oct 14		AA-
13 Dec 13		AA-
1 Nov 13		AA-
14 Nov 12		AA-
18 Nov 11		AA-
15 Jun 11		AA-
9 Jun 10		AA-
31 Jul 09		AA-

Principal Rating Factors

Summary: Strengths and Weaknesses^a

	Institutional framework	Debt and liquidity	Fiscal performance	Management and admin	Economy
Status	Strength	Weakness	Strength	Strength	Neutral
Trend	Stable	Stable	Stable	Stable	Positive

^a Relative to its rating category
Source: Fitch

Overall Strengths

- Strong institutional framework
- Stronger financial performance
- Predictability of revenues
- Robust operating margins
- Sound economic environment
- Strong debt and liquidity management

Overall Weaknesses

- High debt

Institutional Framework

New Zealand's institutional framework for local and regional governments (LRGs) is extremely supportive, and has a positive impact on their ratings.

The institutional framework strengths are:

- Substantial disclosure including a full accruals-based balance sheet, income and cash-flow statements. A 10-year rolling long term plan sets out revenue, expenditure and debt projections, and incorporates a summary of the 30-year infrastructure plan from 2015. Both plans are updated every three years.
- Control and supervision by government. The minister for local government can undertake a range of actions, from initiating a review of a local authority in difficulty up to dismissing the council and appointing a commission to take control of the authority. Financial statements and plans are audited by the controller and auditor general, whose job is to check how public money is collected and spent.
- Considerable own-source revenue from rates, which represent an average of more than 59% of total operating revenue for New Zealand local authorities. Rates, although less dynamic, are less susceptible to the economic cycle.
- Manageable responsibilities. Resource-consuming mandates, such as healthcare and education, are provided by the central government.
- The local authority can charge any assets to secure borrowings, including property rates, via a debenture.

The institutional framework weaknesses are:

- Lack of fiscal equalisation system. There is no scheme where local authorities that are smaller or have weaker economic profiles can receive a benefit. However, this is largely mitigated by the low correlation between revenue and the local socio-economic profile.
- Lack of prudential regulation. There is no prudential regulation scheme that covers areas such as debt and debt-servicing levels. However, the government has strengthened the oversight and control of local governments, and has required all councils to disclose their performance against benchmarks in their annual reports from FY14.

Related Criteria

[Tax-Supported Rating Criteria \(August 2012\)](#)
[International Local and Regional Governments Rating Criteria: Outside the United States \(May 2015\)](#)

- High debt relative to peers

Debt and Other Long-Term Liabilities

Debt

Hamilton's total direct debt (see *Appendix A*) had declined by 3% year-on-year (yoy) to NZD396m by FYE15 (FY14: decline of 7%), and was NZD32m below budget as a result of deferred capital expenditure, asset sales, and the council achieving its return to surplus earlier than expected. The council has demonstrated greater fiscal constraint following a period where debt had grown at a fairly rapid pace – to NZD438m from NZD148m in the seven years to FYE13. Debt is secured through the debenture trust deed over all rates, with the exception of a small loan secured by property and NZD30m of commercial paper.

Direct debt as a percentage of current revenue was 211% at FYE15 (FYE14: 230%), and this resulted in a payback ratio (direct debt/current balance) of 11.9 years (FYE13: 10.4). These ratios are weaker than some of the council's similarly rated international peers; but Hamilton has reduced absolute debt in recent years, and the predictability of revenues supports weaker debt ratios. Hamilton is forecasting annual population growth of around 2,000 in the LTP, and expects to maintain relatively high absolute levels of debt over the 10 years to FYE25 to support the additional development required. However, Fitch calculates a steadily improving debt/current revenue ratio that would be 179% by FYE25, based on the budgeted revenue growth. If growth were to increase more rapidly than forecast, this would exert pressure on debt as the council would have to accelerate its capital spending programme.

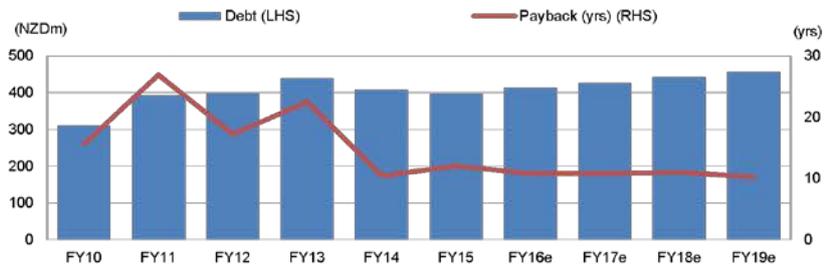
Cash-flow interest-rate risk is managed to limits set out in the council's "investment and liability management policy", and Hamilton has adopted a mid- to high-point application within these settings. The council hedges the majority of its floating-rate borrowings, and operates various fixed-rate target ranges for different borrowing maturities. At FYE15, 10% of Hamilton's debt had been issued with fixed-rates; but fixed-rate exposure had been increased after hedging to around 95% at end-August 2015 (FYE14: 88%). The council can enter into pre-hedging arrangements for future borrowing requirements to take advantage of current favourable rates, but the amount of fixed-rate cover must comply with policy limits.

Hamilton uses the New Zealand LGFA as its primary source of debt funding, and NZD225m (about 60%) of the council's total debt had been raised through the LGFA as of end-August 2015. The council has traditionally relied more heavily on the major New Zealand banks; however, the LGFA provided better pricing and a longer debt maturity. Hamilton also has a NZD60m undrawn bank facility that could support liquidity and act as an emergency funding source. The council also uses internal borrowing (FYE15: NZD4.9m) to offset its working-capital and debt-funding requirements. Hamilton has no exposure to foreign currency, and therefore no outstanding foreign-exchange risk. No local councils in New Zealand, except Auckland, can borrow in foreign currency.

Hamilton had NZD1,074,000 of current and non-current lease liabilities for plant and equipment (FYE14: NZD861,000). The interest expense associated with the leases is included under interest expense. Fitch has classified the leases as "Other Fitch classified debt" in *Appendix A*, and included in the council's direct-risk position.

The council's debt projections from FYE16 are included in Figure 1, and are based upon its 2015-2025 10-year plan. However, the absolute level of debt could be lower as the plan does not include potential asset sales; and the improvement in the payback ratio could be stronger than shown in the forecast years to FYE19. The sale of a number of properties has been approved in the 2014/2015 annual report, and the possibility of lower debt is highlighted in the LTP.

Figure 1
Debt and Payback



Source: Hamilton City Council

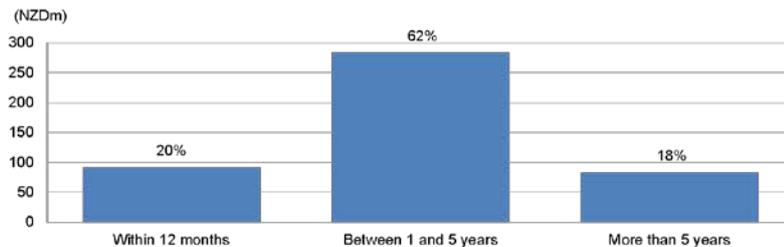
Liquidity

Hamilton's on-balance sheet liquidity has strengthened in recent years through the holding of higher levels of cash, although the council also uses its NZD60m undrawn committed facility to support its targeted liquidity ratios. Cash and cash equivalents increased to NZD57m (FYE14: NZD43m), and covered 62% of debt maturing within the following 12 months. These cash holdings are generally placed in term deposits of up to 90 days' maturity among domestic banks with minimum ratings of 'AA-'.

Hamilton targets a liquidity ratio in excess of 110%; and defines the ratio as the amount of committed borrowing facilities, borrowings (less commercial paper) and cash investments to existing external debt (less cash). Calculated this way Hamilton's liquidity ratio was 128% at FYE15. To manage liquidity risk, the council also has the ability to pre-fund up to 18 months' forecast debt requirements, including re-financings.

The LGFA has been able to provide longer debt maturities, and this has strengthened the maturity profile of Hamilton's debt. Debt maturing within 12 months was 20% of total borrowings (based on contractual cash flows) at FYE15, down from its peak of 43% in FYE11 (FYE14: 19%).

Figure 2
Hamilton: Maturity Profile of Outstanding Debt
At FYE15



Source: Hamilton City Council

Contingent Liabilities

Hamilton is one of 30 local authority shareholders and eight local authority guarantors of LGFA, and held uncalled share capital of NZD1.866m at FYE15. When aggregated with the uncalled capital of the other shareholders, this provides NZD20m of available funds in the event of an imminent default. The council is a guarantor of all LGFA borrowings (along with the other shareholders and guarantors), but its liability is limited to the prior year's rate revenue. A reliable fair value amount is not recognised, given Fitch and council's view that an LGFA default on repayments is unlikely.

Hamilton held a 50% equity stake in the Waikato Regional Airport at FYE15 (four other smaller local councils held the remaining 50%), which included NZD4.8m of uncalled capital ('Guarantees and other contingent liabilities' in *Appendix A*) which has been extinguished since the financial year-end. The council views this as a strategic investment to support the city's infrastructure, generated a small profit in FY15, and did not pay a dividend.

Hamilton also has minority stakes in various companies, which it owns along with other New Zealand councils (although these are small and require minimal funding). The council has board representatives on all companies in which it holds a majority stake, and must use the cash from any sale to reduce outstanding debt. There were no outstanding loans from the council to these companies at FYE15.

Economy

Hamilton's annual GDP increased by a solid 2.9% (New Zealand: 3.1%) to NZD7.3bn in FY15, and accounts for around 3.4% of New Zealand's GDP. The city's economy is weighted toward the services sector, and is a key service hub to a large agricultural region – mainly dairy farming. The key GDP contributors are manufacturing (12%), health care and social assistance (12%), and professional, scientific and technical services (7%). Hamilton accounted for 3.6% of New Zealand's exports in 2014.

Hamilton's population grew by 1.9% to around 153,000 in 2014, and its unemployment rate had declined to 7.2% yoy as of end-June 2015 from 8.0%. The unemployment rate was above the national figure of 5.7% as of end-June 2015, but includes a significant tertiary component. Education, and research and development are important parts of the economy.

Hamilton sets rates based on the city's capital value (currently transitioning from a land value basis), and in the LTP is targeting total rates to remain below 0.627% of the city's rateable capital value. Growth in consents for new residential and non-residential buildings creates a larger rateable base for the city, but were weaker than national growth rates during FY15. In FY15, new residential building consents increased by 5% (New Zealand 8%) and non-residential consents declined by 20% (New Zealand: up 17%). Residential consents numbered 282 in the June 2015 quarter and have averaged 200 over the last 10 years. Non-residential consents totalled NZD151m in FY15, and below the nine-year average of NZD185m.

Two of New Zealand's largest aircraft manufacturers – Pacific Aerospace Ltd. and Micro Aviation NZ Ltd., which manufactures and exports high-quality microlight aircraft – are located in Hamilton. The Gallagher Group is also based in the city. Gallagher makes electric fencing and security systems, and employs over 600 people.

Finances

Operating Revenue

Hamilton derives considerable financial flexibility from its ability to decide how to deploy most of its operating revenue. On a cash-flow basis, the largest contributor to operating revenue is from rates – 76% in FY15 (58% of total revenue) – and these are planned to increase on average by 3.8% (including inflation) per annum through the remainder of the 2015-2025 LTP. Accruals and cash revenues are not significantly different, given the nature of the taxes.

Population growth will help support higher rate revenue in the future, and the LTP has factored in an expected growth rate of around 2,000 people annually over the 10-year period (13% growth) which should lead to growth in the tax base. Rate increases and forward estimates of growth are reviewed every three years when a new LTP is produced. The other source of (Fitch-defined) operating revenue is derived from fees, rents and charges. The council again has flexibility in setting these, and has targeted higher charges (in addition to cuts to services) to achieve its desired operating surpluses.

- Fitch has used Hamilton's cash flow for the financial information presented in *Appendix A* and *B*

Operating Expenditure

Operating expenditure increased by NZD16m (14%) in FY15 from higher personnel and supplier costs, but was up by a modest 1.6% annually over the four years to FYE15. Operational efficiencies have been implemented across various expense segments, and management continues to explore cost efficiencies – and in particular in the area of shared services. The council is exploring whether combining the management of water infrastructure across three councils would be a viable option.

Capital Revenue

Capital revenue grew by NZD7m (15%) in FY15, and includes the cash received from asset sales, development and other financial contributions, and grant income. Asset sales are discussed in the LTP but are not factored into financial forecasts, and have enabled Hamilton to reduce its debt balance more than forecast. Development and other financial contributions were also higher than expected and contributed 8% of total revenue, on a higher-than-expected level of local development. Grant income has traditionally been a relatively small proportion of the council's total revenue, and contributed 4%. This was lower than expected, but was dependant on receiving approval for road funding for one large project from the New Zealand Transport Authority that is yet to take place.

Hamilton does not budget or forecast for a recurrence of this despite higher-than-expected capital revenue in FY15. Levels could surprise on the upside if asset sales were to proceed or the level of local development remains robust. The council includes capital costs related to expected growth in the LTP, but not revenue items associated with the same growth.

Capital Expense

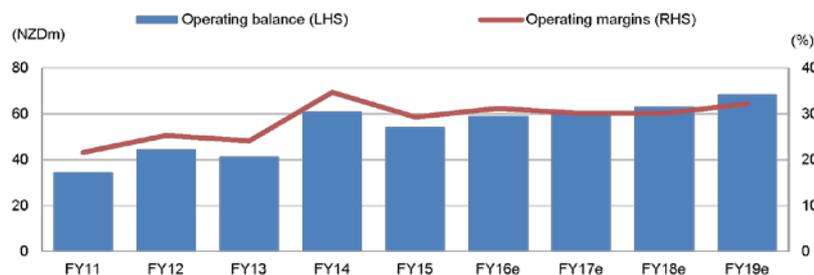
Capital expenditure declined by NZD2m to NZD63m in FY15, and was lower than the four-year average to FYE15 of NZD70m. Capex is likely to rise to NZD75m on average over the four years to FYE19. The council deferred NZD15m of spending on 15 projects in FY15, the lowest level in five years, and most of these will be completed during FY16.

The development of a 30-year infrastructure plan should mitigate the risk of a build-up in capital projects from deferring capex. Hamilton was an early adopter of this legislation, which requires councils to think past the 10-year planning process. This has created a more robust framework in which to determine the useful life and depreciation of very long-term infrastructure assets.

Budgetary Performance

Hamilton's operating margin (operating balance/operating revenue) decreased to 29.3% in FY15 from 34.7% in FY14 as a result of faster-than-expected operating expenditure growth. The longer term trend remains positive, despite an actual result lower than the council's budgeted 33.7%. Financial flexibility is supported by a highly predictable revenue stream and firm cost control. Strong financial flexibility and a proven ability to meet financial targets support the achievability of forecasts. Fitch believes Hamilton is capable of strengthening its cash flow operating margin to 32% by FYE19.

Figure 3
Budgetary Performance



Source: Hamilton City Council

Management and Administration

Hamilton is located on New Zealand's North Island, about 130km south of Auckland. Auckland is the largest urban area in the country, with around 1.4 million inhabitants (33% of New Zealand's total population), and Hamilton is New Zealand's fourth-largest city with a population of around 153,000 (3.5% of the total population).

Elected officials include a mayor and 12 city councillors. Local government elections were held in October 2013 (they are held every three years). The mayor (Julie Hardaker) was re-elected for a second consecutive term. Six new councillors, with solid financial industry experience, have helped strengthen Hamilton's governance and risk management.

Hamilton, like all councils in New Zealand, is required to produce a 10-year LTP (and from 2015 included in the LTP a summary of the 30-year infrastructure plan) which is audited by the New Zealand Auditor General. The council also publishes an annual plan that outlines the budget for the coming financial year. Actual financial performance has recently tracked well to the budget.

Hamilton has a chief executive officer appointed by the mayor, but whose tenure at five years is longer than the political cycle. Richard Briggs, who was previously CFO, was appointed CEO in October 2014. Under the current CEO, changes have been made to the management structure to support a well-articulated strategic vision focused on driving greater efficiencies throughout the council's operations. A key component of the strategy is gaining efficiencies through greater use of shared services, and this will complement work undertaken through Local Authority Shared Services Ltd (LASS). LASS was created in 2005 by 12 local councils to improve the level and quality of services, and reduce the cost of providing those services. It has so far focused on operations such as data collection, transport and the acquisition of insurance.

Appendix A

Figure 4
Hamilton City Council
(NZDm)

	FY11	FY12	FY13	FY14	FY15
Taxes	112.8	123.6	129.4	134.0	140.5
Transfers received	5.0	4.3	0.0	0.0	0.0
Fees, fines and other operating revenue	41.8	47.9	41.7	42.1	44.9
Operating revenue	159.6	175.8	171.1	176.1	185.4
Operating expenditure	-125.2	-131.3	-129.8	-115.0	-131.1
Operating balance	34.4	44.5	41.3	61.1	54.3
Financial revenue	0.0	1.5	1.0	1.2	2.1
Interest paid	-19.8	-22.9	-22.8	-22.9	-23.2
Current balance	14.6	23.1	19.5	39.4	33.2
Capital revenue	37.2	46.1	36.4	48.7	55.8
Capital expenditure	-111.3	-80.6	-72.2	-65.3	-63.3
Capital balance	-74.1	-34.5	-35.8	-16.6	-7.5
Surplus (deficit) before debt variation	-59.5	-11.4	-16.3	22.8	25.7
New borrowing	99.9	31.3	64.0	60.8	35.8
Debt repayment	-18.1	-24.9	-24.0	-90.8	-47.3
Net debt movement	81.8	6.4	40.0	-30.0	-11.5
Overall results	22.3	-5.0	23.7	-7.2	14.2
Debt					
Short-term	168.4	84.5	110.2	76.0	56.0
Long-term	223.8	313.4	328.0	332.0	340.3
Direct debt	392.2	397.9	438.2	408.0	396.3
+ Other Fitch classified debt - pre-financing	9.6	1.2	0.7	0.9	1.1
Direct risk	401.8	399.1	438.9	408.9	397.4
- Cash, liquid deposits, sinking fund	32.0	26.2	49.8	43.0	57.3
Net direct risk	369.8	372.9	389.1	365.9	340.1
Guarantees and other contingent liabilities	5.3	5.4	7.1	7.5	7.8
Net Indirect debt (public sector entities exc. gteed amount)	-	-	-	-	-
Net overall risk	375.1	378.3	396.2	373.4	347.9
Memo for direct debt (%)					
In foreign currency	0.0	0.0	0.0	0.0	0.0
Issued debt	-	-	-	-	-
Fixed interest rate debt	10.4	13.4	11.5	9.8	10.1

Source: Issuer and Fitch calculations

Appendix B

Figure 5

Hamilton City Council

	FY11	FY12	FY13	FY14	FY15
Fiscal performance ratios					
Operating balance/operating revenue (%)	21.55	25.31	24.14	34.7	29.29
Current balance/current revenue ^a (%)	9.15	13.03	11.33	22.22	17.71
Surplus (deficit) before debt variation/total revenue ^b (%)	-30.23	-5.1	-7.82	10.09	10.56
Overall results/total revenue (%)	11.33	-2.24	11.37	-3.19	5.84
Operating revenue growth (annual % change)	n.a.	10.15	-2.67	2.92	5.28
Operating expenditure growth (annual % change)	n.a.	4.87	-1.14	-11.4	14
Current balance growth (annual % change)	n.a.	58.22	-15.58	102.05	-15.74
Debt ratios					
Direct debt growth (annual % change)	n.a.	1.45	10.13	-6.89	-2.87
Interest paid/operating revenue (%)	12.41	13.03	13.33	13	12.51
Operating balance/interest paid (x)	1.7	1.9	1.8	2.7	2.3
Direct debt servicing/current revenue (%)	23.75	26.96	27.19	64.13	37.6
Direct debt servicing/operating balance (%)	110.17	107.42	113.32	186.09	129.83
Direct debt/current revenue (%)	245.74	224.42	254.62	230.12	211.36
Direct risk/current revenue (%)	251.75	225.1	255.03	230.63	211.95
Direct debt/current balance (yrs)	26.9	17.2	22.5	10.4	11.9
Net overall risk/current revenue (%)	235.03	213.37	230.21	210.6	185.55
Direct risk/current balance (yrs)	27.5	17.3	22.5	10.4	12
Direct debt/GDP (%)	6.16	5.86	6.42	5.82	5.54
Direct debt per capita (local currency)	2,686	2,688	2,921	2,667	2,540
Revenue ratios					
Operating revenue/budget operating revenue (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Tax revenue/operating revenue (%)	70.68	70.31	75.63	76.09	75.78
Modifiable tax revenue/total tax revenue (%)	100	100	100	100	100
Current transfers received/operating revenue (%)	3.13	2.45	0	0	0
Operating revenue/total revenue ^b (%)	81.1	78.69	82.06	77.92	76.2
Total revenue ^b per capita (local currency)	1,348	1,510	1,390	1,477	1,560
Expenditure ratios					
Operating expenditure/budget operating expenditure (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Staff expenditure/operating expenditure (%)	43.05	41.89	42.6	49.48	46.91
Current transfer made/operating expenditure (%)	-	-	-	-	-
Capital expenditure/budget capital expenditure (%)	n.a.	n.a.	n.a.	n.a.	n.a.
Capital expenditure/total expenditure (%)	40.56	31.04	29.02	22.21	23.9
Capital expenditure/local GDP (%)	1.75	1.19	1.06	0.93	0.88
Total expenditure per capita (local currency)	1,880	1,755	1,659	1,922	1,698
Capital expenditure financing					
Current balance/capital expenditure (%)	13.12	28.66	27.01	60.34	52.45
Capital revenue/capital expenditure (%)	33.42	57.2	50.42	74.58	88.15
Net debt movement/capital expenditure (%)	73.5	7.94	55.4	-45.94	-18.17

n.a.: Not available

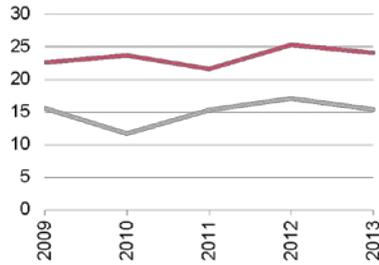
^a Includes financial revenue^b Excluding new borrowing

Source: Issuer and Fitch calculations

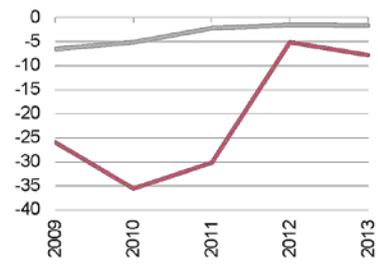
Appendix C
Hamilton City Council

Peer Comparison

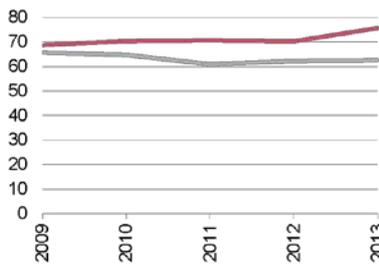
Operating Balance
% Operating Revenue



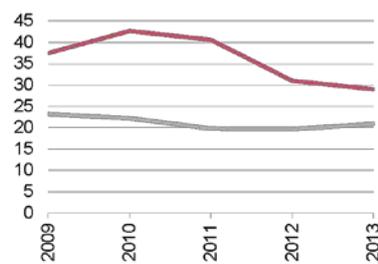
Surplus (Deficit)
% Total Revenue



Taxes
% Operating Revenue



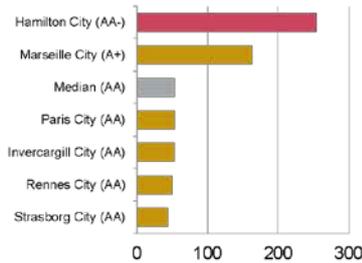
Capital Expenditure
% Total Expenditure



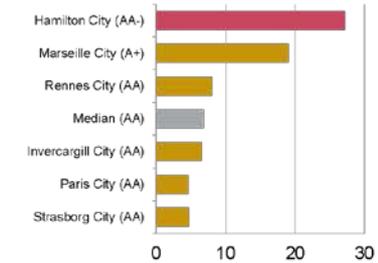
Hamilton City Council

AA Peer Group Median

Debt
To Current Revenue (%) 2013



Debt Servicing
To Current Revenue (%) 2013



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Committee: Audit & Risk Committee **Date:** 23 March 2016
Report Name: Audit and Risk Committee Self Review **Author:** Mary Birch

Status	<i>Open</i>
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The Chair will use the attached report as the basis for a self assessment discussion.

1. Attachments

- Attachment 1 - Audit and Risk Committee Chairperson Report

Committee: Audit and Risk Committee

Date: 23 March 2016

Report name: Committee Self-Review

Author: Paul Connell

Purpose of the Report

This report is intended as the basis for a self assessment discussion.

Recommendation

That the Committee:

- a) receive this report;
- b) discuss its contents; and
- c) form a view on the performance of the Committee and opportunities for improvement.

Meetings

The Audit and Risk Committee met on the following dates:

- 18 March 2015
- 17 June 2015
- 16 September 2015
- 26 November 2015

The Committee also held informal workshops on the following dates:

- 17 June 2015: Risk Management Processes
- 2 September 2015: Financial Statement Review
- 10 March 2016: Risk Management

The Chair held additional meetings with the internal auditors PWC, Audit New Zealand and executives. The Chair reviewed the risk management framework in detail with executives.

The also Chair attended a Council meeting on 24 September to present the Annual Report and report on the Audit and Risk Committee's work for the previous 12 months.

Annual Reporting Process

The Committee managed the appointment of External Auditors and the completion of the annual financial statements and made recommendations to Council where required.

The Committee reviewed accounting policies, material estimates and asset impairment where appropriate.

Risk Management

The Committee monitored the top organisational risks and recommended action where required. In addition, the Committee reviewed the framework and set into place a stream of work to ensure that the framework best met the needs of the organisation and governance. The work stream has continued into 2016.

Organisational Improvement

The Committee received reports from external parties which included recommendations for improvement including:

- Audit New Zealand
 - Annual audit and controls
 - IT governance reviews
- PWC: Internal Audit
- Fitch credit report
- IANZ : Building Consents Accreditation

The Committee tracked progress with all recommendations.

Other work

The Committee received internal reports including:

- Health and Safety
- Cyber Security

Paul Connell,

Chairperson of the Audit and Risk Committee, Hamilton City Council.

Committee: Audit & Risk Committee

Date: 23 March 2016

Report Name: Annual Report 2016 Planning Update

Author: Tracey Musty

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

1. Purpose of the Report

- The purpose of this report is to provide an update to the Audit and Risk Committee on the 2016 Annual Report Planning and an update on the Risks and Opportunities schedule with updates since the last Finance Committee meeting.

3. Executive Summary

- Council is in the process of preparing the 2016 Annual Report.
- The Risks and Opportunities Schedule projects an improving overall financial performance against both the result from the Statement of Comprehensive Income (the Accounting result) and the "balance the books" measure (a sub-set of the Accounting Result).

Recommendation from Management

That the Report be received.

6. Attachments

- Attachment 1 - Annual Report Timetable
- Attachment 2 - Risk & Opportunities Report

9. Council Controlled Organisations

10. We are liaising with the Council Controlled Organisations (CCOs) to ensure timely information is produced and financial reporting is based on the new PBE (Public Benefit Entity) standards. For those CCO's that are using NZIFRS (NZ International Financial Reporting Standards) for their annual report, we will work with them to complete additional disclosures for Councils Group accounts.
11. An annual reporting timetable has been prepared (Attachment 1) to ensure timely and quality information for the Audit process. Content and area of focus outlined in the Audit Arrangements letter will continue to be worked through.
12. **Risks and Opportunities Schedule**
13. The Risks and Opportunities Schedule projects a positive financial performance against both the result from the Statement of Comprehensive Income (the accounting result) and the "balance the books" measure (a sub-set of the accounting result).
14. The forecast is based on actual results as at 29 February.
15. A summary of Attachment 2 detailing the Financial estimates for Operating Risks and Opportunities at 29 February 2016:

Risks and opportunities estimated impact on year end result (\$000s)	Accounting Result	Balancing the Books
Surplus / (Deficit) from Annual Plan	9,232	751
Operating activities	(1,742)	(1,742)
DC revenue, interest and depreciation	5,176	5,176
Gains/(losses) on assets sales	(7,300)	
Vested Assets	13,352	
Total Movement Positive/(Negative)	9,486	3,434
Projected Surplus / (Deficit) for 30 June 2015	18,718	4,185

16. The capital expenditure activities' report an unfavourable variance of \$5.5m. \$3m of this is for the Western Rail Trail, which will be offset by capital contributions that will be reported as Revenue.
17. Management are working to ensure that by the end of the financial year the R&O Schedule maintains a net improved result.

Signatory

Authoriser	David Bryant, General Manager Corporate
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2016 Annual Report Timetable

April 2016						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4 Interim audit	5	6	7	8	9
10	11 Agree audit timetable and deliverables with CCOs	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

May 2016						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31 Revaluation 3 Waters assets completed				

June 2016						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20 Interim audit	21	22	23	24	25
26	27 Day -4 Last day to send internal journals	28 Day -3	29 Day -2	30 Day -1 5pm Receipt Purchase orders; Raise invoices in Authority Revaluation investment properties		

2016 Annual Report Timetable

July 2016						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4 Depreciation journals posted	5	6	7 5pm PSP and Contract payments to be processed in AX	8 12pm PSP and Revenue accruals 5pm Accounts Payable closes	9
10	11 12pm Draft financials to Financial Controller and organisation 5pm Balance Sheet reconciliations	12 12pm HCC & H3 agree balance sheet and revenue figures	13 12pm Feedback from organisation	14 3pm NZTA claim and Overheads 5pm LEDGER LOCKED	15 10am Final reports to Financial Controller and organisation	16
17	18 Supplementary NZTA claim lodged/locked	19	20	21	22	23
24	25	26	27	28	29	30
31						

August 2016						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
	1 Draft Annual Report to Financial Controller for review	2 Draft Vibrant Hamilton Trust Annual Report available for audit	3	4	5	6
7	8 Final audit	9	10	11	12	13
14	15 Draft Statement of service performance available for audit	16	17	18 Finance Committee meeting June 2016 results	19	20
21	22 Final Annual Report to Audit NZ (including CCO results)	23	24	25	26	27
28	29	30 Informal Audit & Risk Committee meeting (date and time TBC)	31			

2016 Annual Report Timetable						
September 2016						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2	3
4	5	6	7	8	9	10
11	12	13 Audit & Risk Committee Verbal audit clearance given. A&R sign off Annual Report and make recommendation	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28 Letters of Representation	29 Council meeting Audit opinion issued	30	

Risks and Opportunities Schedule - Finance Committee
for the year ended 30 June 2016
Summary

	Operating Impact		Balance Sheet Impact	
	Accounting Surplus	Balancing the Books	Capital Programme	Borrowing impact
CORPORATE				
Pensioner Housing Renewals - reduced renewal programme reflecting essential health and safety works following the decision to sell Pensioner Housing portfolios. All costs are reserve funded and any savings remain in a cash			180	
Pensioner Housing Sale - corporate overhead charges will have to be redistributed across other activities. 15/16 impact from 7th of March 2016 is \$75k with later years as shown.	(75)	(75)		
Energy Efficiency - is an initiative undertaken to provide energy savings. The budget is included in operating and reclassification is required as work is of a capital nature. The impact in later years reduces as the work is part funded by savings in energy budgets.	100	100	(100)	
Caro Wing relocation and subletting - costs associated with the relocation of staff from the Caro Street Wing. Relocation costs are estimated as \$260k with a potential revenue offset estimated to be \$62k 15/16 and \$142k thereafter noting there is a risk the premises may take longer to let with a consequential impact on income.	62	62	(260)	(260)
CORPORATE TOTAL	87	87	(180)	(260)
ED SPECIAL PROJECTS				
Shared Water Business Case - contribution to Water CCO business case project (50% share). Invoices related to 2014/15 were missed in the accruals process despite purchase orders being raised.	(150)	(150)		
Shared Water Business Case - contribution to Stage 2 of the Water CCO business case project (50% share), along with Waikato and Waipa Councils. Council approved this contribution at the meeting of 29 October 2015. The total cost is estimated to be \$350k.	(175)	(175)		
River Plan - Budget for the River while approved during the Long term plan was to be funded by savings identified from the Support Service Review	(250)	(250)		
ED SPECIAL PROJECTS TOTAL	(575)	(575)	0	0
COMMUNITY				
Amenity Parks - contributions received to be applied towards construction of the Dominion Park Destination Playground.	170	170	(170)	(170)
Rototuna Town Centre - required to complete additional design work to integrate Stage 1 plans and respond to increased complexity – roading and parking detail, additional specific traffic design and a rationale for cost sharing between parties involved. The revised scope includes additional project management fees due to extended time required to manage the various complexities.	(90)	(90)		
Community Facilities - grant funding approval to Age Concern.	(30)	(30)		
Pensioner Housing Sale - reduced ground maintenance charge impact of sale of Pensioner Housing Stock. 15/16 impact from 7th of March 2016 is that City Park income will decrease by \$44k with later years as shown.	(44)	(44)		
One Victoria Trust Grant - was unable to be paid due to a condition in the agreement that states that payment can only be made upon completion of Earth-quake proofing work at the Meteor Theatre. Work will be undertaken in 15/16 at which time payment will be made and disclosed on the 15/16 risk and opportunities list.	(75)	(75)		
Museum Acquisitions - Gifting of Collection to Museum valued at \$1.9m with the condition that Council invests \$50k per annum in new Art. \$1.9m will need to be included in Vested Asset income.	(50)	(50)		
Zoo Tiger Service Area - construction of Tiger service area fencing.			(120)	(120)
Library - maintenance of Central Library concrete flooring and relocation of library stock. Epoxy and building work is expected to cost \$165k with a further \$20k requirement for offsite storage and document retrieval.	(185)	(185)		
Indoor recreation centre - Council approval 24th February 2016 for funding to be brought forward from 2021/22 to the 2015/16 financial year and increased by up to \$500k as a grant towards the construction of two of the four	(4,500)	(4,500)		
COMMUNITY TOTAL	(4,804)	(4,804)	(290)	(290)
STRATEGY & COMMUNICATION				
STRATEGY AND COMMUNICATION TOTAL	0	0	0	0
CITY INFRASTRUCTURE				
VOTR carpark revenue - reduced capacity due to ground conditions.	(135)	(135)		
Hamilton Organic Recycling Centre Wall - unbudgeted works required to ensure drop off wall structure is safe for public use (offset by \$120k opportunity in City Growth)			(120)	(120)
Water treatment plant renewals and minor capex - \$572k funding reprioritised from water treatment plant renewals and minor capex to wastewater treatment plant renewals and minor capex.			572	572
Wastewater treatment plant renewals and minor capex - \$572k funding reprioritised from water treatment plant renewals and minor capex to wastewater treatment plant renewals and minor capex.			(572)	(572)
Western Rail Trail - \$3.0m external funding from Urban Cycleways Fund (capital expenditure will be over budget by \$3.0m but will be offset by capital contributions of \$3.0m)	3,000	3,000	(3,000)	
CITY INFRASTRUCTURE TOTAL	2,865	2,865	(3,120)	(120)
CITY GROWTH				
Victoria On The River (VOTR) - Phase 1 planning.	(140)	(140)		
VOTR Site - Year 1 costs approved 15 December 2015 for design and consents.			(350)	(350)
VOTR Site - Year 1 costs approved 15 December 2015 for earthworks			(1,150)	(1,150)
LIM's and Building Consents -	495	495		
Online Building Consenting Roadmap - Phase 2 - implement an online consenting solution for the Building Unit.	(495)	(495)		
Hamilton Organic Recycling Centre - Funding for drop off wall works to ensure structure is safe for public use.			120	120

**Risks and Opportunities Schedule - Finance Committee
for the year ended 30 June 2016
Summary**

	Operating Impact		Balance Sheet Impact	
	Accounting Surplus	Balancing the Books	Capital Programme	Borrowing impact
Economic Growth - Budget required to scope and purchase a DC modelling tool.			(350)	(350)
CITY GROWTH TOTAL	(140)	(140)	(1,730)	(1,730)
H3 & EVENTS				
Legal Costs - Recovery of legal costs associated with defending the Waikato Show Trust. Could be up to 75% of total incurred by Council.	100	100		
Clarence St Theatre - Council resolved in July 2015 to gift the Theatre to a Trust. This removes the net direct cost budget.	120	120		
Clarence St Theatre - As part of the resolution to gift the Theatre to a trust Council approved a one-off \$75k grant.	(75)	(75)		
H3 & EVENTS TOTAL	145	145	0	0
COUNCIL WIDE				
ACC Levies - based on the budget and the actual from previous year there will be a favourable position.	180	180		
Rates - Additional rates revenue. This has occurred due to the timing of the Council resolution and the actual striking of the rates.	100	100		
Rates Penalties - based on the previous years actuals.	200	200		
Rates Remissions - Remissions relating Council properties and other qualifying properties (this excludes the hardship remissions) have been processed for the year. Final cost was favourable to budget.	200	200		
COUNCIL WIDE TOTAL	680	680	0	0
Net Business Impact before Debt Servicing, Development Contributions, Unrealised Gains/Losses and Non Cash	(1,742)	(1,742)	(5,320)	(2,400)
DEBT SERVICING AND DEVELOPMENT CONTRIBUTIONS, UNREALISED GAINS/LOSSES, NON CASH ITEMS				
Net interest cost - Year end forecast using the actual opening debt position for 15-16 and current interest rates.	1,000	1,000		
Development Levies and Financial Contributions - based on the year to date results. These are not forecast amounts.	6,976	6,976		
Vested Assets - based on the year to date results. These are not forecast amounts.	13,352			
Depreciation - Based on the preliminary results from the 3 waters revaluation.	(2,800)	(2,800)		
Pensioner Housing Sale - Loss on sale associated with sale of Pensioner Housing Stock.	(7,300)			
DEBT SERVICING AND DEVELOPMENT CONTRIBUTIONS, UNREALISED GAINS/LOSSES, NON CASH ITEMS	11,228	5,176	0	0
Net Business Impact after Debt Servicing, Development Contributions, Unrealised Gains/Losses and Non Cash It	9,486	3,434	(5,320)	(2,400)
IMPACT ON ANNUAL TARGET				
2015/16 Approved Target	9,232	751		
Net Impact of Risks and Opportunities	9,486	3,434		
2016/16 Revised Target	18,718	4,185		

Committee: Audit & Risk Committee

Date: 23 March 2016

Report Name: Audit Planning for 2016

Author: Tracey Musty

Report Status	<i>Open</i>
Strategy, Policy or Plan context	<i><Enter Strategy, Policy or Plan></i>
Financial status	<i>There is/is not budget allocated Amount \$<enter amount></i>
Assessment of significance	<i>Having regard to the decision making provisions in the LGA 2002 and Councils Significance Policy, a decision in accordance with the recommendations is/is not considered to have a high degree of significance</i>

1. Purpose of the Report

- The purpose of this report is to present to the Audit and Risk Committee the Audit Plan for the 2016 Year End audit from Audit New Zealand.

3. Executive Summary

- Attached is the Audit plan for the year ending June 2016 from Audit New Zealand.
- It includes the areas of audit focus, the logistics of completing the audit and the communication objectives.
- It also sets out expectations on the Role of Audit New Zealand and the Council to ensure there is an agreed approach to completing the audit in a timely manner.

Recommendation from Management

That the Report be received.

7. Attachments

- Attachment 1 - Audit NZ Plan 2016

Signatory

Authoriser	David Bryant, General Manager Corporate
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Hamilton City Council (HCC)

Audit planning for the year ending 30 June 2016

Areas of audit focus

We have some thoughts about what areas we need to be focusing on as part of our audit. Do these align with the Audit & Risk Committee's views?

Significant areas of audit focus:

- Property, plant and equipment:
 - revaluations;
 - work in progress; and
 - asset management.
- Non-financial performance information.
- Sale of the pensioner housing.
- Group consolidations.

Other areas of focus:

- organisational restructure;
- procurement and contract management;
- project management;
- conflicts of Interest; and
- development contributions.

Next steps

- Input from others into our risk identification and assessment process:
 - Audit & Risk Committee (A&RC); and
 - Chief Executive and senior management.
- Audit Arrangements Letter (AAL) has been drafted and provided for review and comment to GM Corporate and the Financial Controller in the first instance.
- Final AAL to be presented to A&RC for the next meeting for consideration.
- Audit Proposal Letter (fees) and Audit Engagements Letter (contract) are still valid.

Hamilton City Council (HCC)

Audit planning for the year ending 30 June 2016

Audit logistics

Audit team:

- Leon Pieterse (Director), Naude Kotze (Manager), Nikita Veaney (Supervisor).

Provisional dates (being confirmed with management):

- Interim Audit: April and June 2016.
- Interim Management Report:
 - draft to management on 8 July 2016; and
 - finalised by 22 July 2016.
- Final Audit: 8 August 2016 to 26 August 2016.
- Verbal Audit Clearance: 13 September 2016 (A&RC meeting).
- Audit Opinion: 29 September 2016 (Council Meeting).
- Management Report:
 - draft to management 16 September 2016; and
 - finalised 3 October 2016.

Communication

Our communication objectives are designed to achieve an effective and efficient audit process and is based on a “no surprises” policy. Meetings:

- Mayor and Councillors (audit director and/or manager) – as required.
- Audit and Risk Committee (audit director and/or manager) - every meeting.
- Chief Executive (audit director and/or manager) - twice a year or as required.
- General Managers. Audit director, manager or supervisor. Annually or as required for the audit.
- CFO. Audit director, manager or supervisor. Regularly as required.

Hamilton City Council (HCC)

Audit planning for the year ending 30 June 2016

Role of the Council

From an audit perspective (per our Engagement Letter) regarding the Annual Audit process:

- Prepare the Annual Report to comply with legislation and accounting standards.
- Internal controls to prevent material misstatement through error or fraud.
- Provide us with "ready to audit" information and access to complete our audit.

Role of Audit New Zealand

- We are responsible for expressing an independent opinion on the financial statements and non-financial performance information prepared by HCC.
- We assess whether the financial statements and non-financial performance information comply with generally accepted accounting practice and fairly reflect HCC's performance and position.

Scope of our annual audit

- The scope of our annual audit includes:
 - the financial statements and non-financial performance information; and
 - HCC's compliance with legislation that we consider to be relevant and material to our audit role.
- We are also required to maintain awareness for issues of efficiency and effectiveness, waste and a lack of probity or financial prudence.

Hamilton City Council (HCC)

Audit planning for the year ending 30 June 2016

Audit risk

- Our audit approach is risk based.
- In the context of a public sector audit, audit risk is wider than simply expressing an incorrect opinion on the financial statements and/or performance reporting.
- Risks include:
 - risks/issues that could impact on the financial statements and/or performance reporting;
 - legislative compliance issues; and
 - issues of efficiency and effectiveness, waste and a lack of probity or financial prudence.

Fraud considerations

We will formally request Council's:

- assessment of fraud risk processes;
- monitoring of management's fraud prevention responsibilities;
- view of the culture of honesty and ethical behaviour by management; and
- assessment of the potential for management override of controls for preventing and detecting fraud.

Please remember to inform us if you become aware of any actual or suspected frauds.

OAG multi-year programme

For your information, the OAG's multi-year focus areas:

- Service delivery (2013/14).
- Governance and Accountability (2014/15).
- Investment and Asset Management (2015/16).
- Information (2016/17).
- Water (2017/18).

Committee: Audit & Risk Committee **Date:** 23 March 2016
Report Name: 2015 Final Audit New Zealand Management Report **Author:** Tracey Musty

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

1. Purpose of the Report

- The purpose of this report is to receive the 2015 Final Audit New Zealand Management Report.

3. Executive Summary

- Audit New Zealand has completed the annual audit of Hamilton City Council for the year ended 30 June 2015.
- The report incorporates the audit findings from the interim audit in April and June 2015 and the final audit in August 2015.

6. Recommendation from Management

- That the Report be received.

8. Attachments

- Attachment 1 - Audit New Zealand - 2015 Final Management Report

10. Audit New Zealand Management Report

- This report contains the main findings following the audit. This report was addressed to her Worship the Mayor.

12. Key findings included:**13. New Financial System**

14. Audit New Zealand commented that the overall implementation process of the AX Dynamics financial management system was managed well with a minimal impact on the business.

15. There was however developments still occurring over year end that caused some delays in the annual report process.

16. Public benefit Entities Accounts Standards

17. Audit New Zealand acknowledged this was the first year the Council had applied the new Public Benefit Entity Accounting Standards.

18. The main challenge with the new standards involved the group consolidation, as one of the CCO's was still reporting under NZ IFRS. However, Audit New Zealand was satisfied that all adjustments made in the group consolidation were materially correct.

19. H3

20. Audit New Zealand has recommended that an internal review of revenue and expenditure needs to occur across the H3 systems.

21. A review also needs to occur over the year end processes to ensure that the cutoffs are performed correctly.

22. IT Controls

23. Audit New Zealand noted that the process for adding, amending and removing user's network access needs to be more refined.

24. They also recommended that stronger controls for remote access to the network and applications needs to occur.

25. Property Plant and Equipment

26. Audit New Zealand identified improvements are needed in the reconciliation of asset disposal and additions, between the financial system and the asset systems.

27. Work in Progress and Vested Assets

28. Audit New Zealand recommended that a more regular and systematic approach to capitalising Work in Progress throughout the year was needed.

29. Payroll System

30. Audit New Zealand recommended a change to the Payroll Masterfile update controls to ensure the change reports are generated and independently reviewed.

- 31. Council Controlled Organisations (CCO's)
- 32. Audit New Zealand has recommended that to ensure the group consolidation process is improved, Hamilton City Council needs to align the revaluation cycles and monitor any changes to standard with each of the CCO's.

Signatory

Authoriser	David Bryant, General Manager Corporate
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AUDIT NEW ZEALAND

Mana Arotake Aotearoa

Report to the Council on the audit of
Hamilton City Council
for the year ended 30 June 2015

Management report

Key messages

We have completed the audit for the year ended 30 June 2015. This report sets out our findings from the audit and draws attention to areas where Hamilton City Council (the City Council) is doing well or where we have made recommendations for improvement.

We issued an unmodified audit opinion on 24 September 2015. This means that we were satisfied that the financial statements and statement of service performance fairly reflected the City Council's activities for the year and its financial position at the end of the financial year.

- We did not issue an interim management report due to our focus on the long term plan audit during early 2015. This report incorporates our audit findings from both our interim audit in April and June 2015 and final audit in August 2015.

The key risks and issues were highlighted in our arrangements letter and are outlined in section 2 of this report.

This year the City Council implemented their new financial management system (AX Dynamics). Overall the implementation process was managed well with a minimal impact on the daily business of the City Council. There were still some new developments happening over the year end that caused some delays in the annual report process.

□ The City Council have also implemented the Ungerboeck system at H3 and are continuing to implement Hansen 8 for asset management and non-financial performance information.

This was the first year the City Council applied the new Public Benefit Entity Accounting Standards (PBE). The only changes for the City Council were classification changes within the financial statements and additional disclosures around exchange and non-exchange revenue. For the group consolidation, a challenge is that the City Council prepares its accounts under Public Benefit Entity (PBE) International Public Sector Accounting Standards (IPSAS) while the Innovation Waikato Limited Group still reports under NZ IFRS standards as for profit entities. We are satisfied that necessary adjustments have been made in the group consolidations to ensure account balances, such as the deferred tax liability, are materially correct.

Regarding Property, Plant and Equipment (PPE), our key finding and recommendation for the City Council to consider is that assets need to be recognised in the fixed asset register on a more regular and systematic manner.

To ensure accurate reporting against performance measures, the controls around the water and wastewater interruptions can also be improved.

We have reported other less significant matters in section 3 and IT controls issues in section 4 of this report.

We also followed up on matters raised during previous audits. We are satisfied that sixteen of the matters previously raised have been cleared with eight matters still in progress (see Appendix 2 for detail).

Issues identified during this audit

The following table summarises all our new recommendations and their priority:

Section	Recommendation	Urgent	Necessary	Beneficial
2.2	Group consolidations			
2.2	For consolidation process, ensure good communication with the subsidiaries to align revaluation cycles and monitor any changes differences between the accounting standards applicable to the City Council and subsidiaries.		✓	
2.3	Property, Plant and Equipment			
2.3.1	Capitalise completed projects timely in the fixed asset register.	✓		
2.3.2	Asset Managers provide timely information to finance staff to ensure vested assets are capitalised in a timely manner.	✓		
2.3.3	Ensure disposal and additions in the asset management systems are reconciled to the financial system on a monthly basis and also formalise the process around disposals and capitalisations.	✓		
2.3.4	Ensure all the parks, gardens and building assets are added to the Hansen 8 system so information is all contained within one asset management system.			✓
2.4	Statement of Service Performance			
2.4.1	Adopt appropriate processes to ensure that the data within the Hansen 8 system is accurate and can be relied upon for reporting purposes.	✓		
2.4.2	Establish controls to ensure that information entered into Hansen 8 for reporting against water and wastewater measures are correct.	✓		
3	Other less significant matters			
3.1	Creditor masterfile change reports to be generated and independently reviewed.		✓	
3.2	Ensure the payroll masterfile change reports are generated and independently reviewed.		✓	
3.3	Procedures put in place to ensure all the fields are updated and checked in the Authority system when tariffs to be charged changes.		✓	

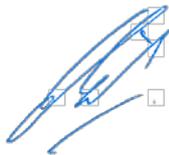


Section	Recommendation	Urgent	Necessary	Beneficial
3.4	Consider incorporating legislation compliance as part of the internal audit programme to identify weaknesses in the system where changes to the legislation were not incorporated into the system controls.		✓	
3.5	An internal review performed over H3's revenue and expenditure systems to ensure adequate controls are in place.		✓	
3.6	Review of H3's year-end processes to ensure that cut-off is performed correctly and revenue is recognised in the appropriate period.		✓	
3.7	Address internet connections issues at Waterworld to reduce the number of interruptions that cause processing variances in the daily cash takings.		✓	
4	IT controls			
4.1	Refine the process for adding, amending and removing user's network access.		✓	
4.2	Implement stronger controls for remote access to its network and applications.		✓	
Status of previous recommendations				
App 2	Address all issues raised during prior year audits.		✓	

There is an explanation of the priority rating system in Appendix 1.

Thank you

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



Leon Pieterse
 Audit Director
 17 December 2015

Contents

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	Appendix 2: Status of previous recommendations	19
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1 Our audit opinion

1.1 We issued an unmodified audit opinion

We issued an unmodified audit opinion on 24 September 2015. This means that we were satisfied that the financial statements and statement of service performance fairly reflected the City Council's activities for the year and its financial position at the end of the year.

1.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which are clearly trivial.

There were no significant misstatements identified during the audit that have not been corrected.

2 Risks and issues

As part of our planning for this audit, we identified what we considered to be the main risks and issues facing the City Council. These were described in our Audit Arrangements Letter (AAL) along with our intended audit response. Any particular findings and recommendations in relation to these areas, as well as significant matters found during the audit, are discussed in this section of the report.

2.1 New financial management system

The City Council introduced a new financial information management system (AX Dynamics) from 1 July 2014.

We gained an understanding of the data migration phases and reviewed a sample of reconciliations performed between the old and new system. We are satisfied that there were reasonable reviews performed by the staff to ensure the information entered into the AX Dynamics was correct.

We have gained an understanding of any changes in the system controls through the work we have completed on the control environment. Overall the fundamental controls in the organisation have stayed the same. The functionality and system reports the AX Dynamics produced are slightly different from the old PeopleSoft system.

We noted that due to the changes in the system there were some delays in the year end annual report process. There was also delays preparing and reviewing general ledger reconciliations due to the system change.

2.2 Group consolidations

We reviewed the group consolidations and group accounting policies to ensure they are fairly stated in the financial statements and are consistent across the entities.

We noted that the Innovation Waikato Limited (IWL) group's revaluation schedule does not align to the City Council schedule of revaluations.

We recommend that the subsidiary's revaluation lifecycle aligns with that of the City Council. If not, this could result in material misstatements, or significant extra work, in future years.

This financial year the City Council have transitioned to PBE IPSAS standards while the IWL group still report under NZ IFRS standards. We are satisfied with adjustments made in the group consolidation to ensure that the correct deferred tax liability was recognised and any deferred income was eliminated in the consolidation process.

We noted some issues with the deferred tax calculations that were rectified during the audit. This could be avoided with good communication between the City Council and the subsidiary and obtaining all supporting tax workings from the subsidiary.

Going forward, we recommend that the City Council ensure good communication with its subsidiaries to ensure that all the required adjustments are being processed on a timely basis in the consolidated financial statements.

We encourage the City Council to monitor changes between NZ IFRS and PBE IPSAS standards on a continuous basis as some changes could affect the consolidation process going forward.

Management comment

Staff agree the group consolidation processes could be improved. To achieve this we will prepare and distribute a Group Consolidation Reporting Pack to each entity to requesting the necessary information and supporting documentation to enable an accurate and efficient consolidation process.

2.3 Plant, property and equipment

2.3.1 Work in progress

During the 2015 financial year, we noted that some issues raised in the prior year around work in progress are still outstanding.

Our key issue is that work in progress (WIP) per the WIP schedule maintained does not reconcile with the fixed asset register. This is due to timing differences in recognising assets when put into use. As at 30 June 2015, there is a total of \$78.3 million of projects included in the work in progress schedule of which \$12.3 million of the projects have been included in additions for the year as the projects have been completed. Based on our audit work performed, we are satisfied that the financial statement (based on the WIP schedule figures) is materially correct. However, the \$12.3 million of projects mentioned have not been capitalised in the fixed asset register. The remaining \$66 million (\$62.7 million plant, property and equipment and \$3.3 million intangible assets) are projects that are still work in progress.

The key risks for the City Council of having an incorrect work in progress balance is that assets may not be correctly depreciated or the remaining lives could be incorrect due to the delays in capitalisation. We assessed the potential misstatement in depreciation for the 2014/15 year and are satisfied that it would not lead to a material misstatement.

We recommend that the City Council ensure that completed projects are capitalised in the fixed asset register and are depreciated in a timely manner. We also recommend that Project and Asset Managers review the remaining WIP balances on a regular basis to ensure that projects are being capitalised when completed.

Management comment

Staff agree, the amount of WIP which should have been capitalised is high. We also note that the misalignment does not result in a material misstatement.

Businesses processes are being improved in 2015/16. This includes the establishment of a Capital Monitoring Group lead by the Corporate Services Manager to ensure delivery of the asset programme and its capitalisation.

Council has also initiated a centre of excellence approach to asset management and one of the initial tasks is to review and consider information gaps in WIP or business processes to improve organisational performance around capitalisation of assets and capitalisation. This review due to be completed in 2015/16 will include recommendations for improvement.

2.3.2 Timely capitalisation of vested assets

During our review of vested assets, we noted there are a number of vested assets on the WIP schedule not yet capitalised, where the work has been completed and the assets are in use. This is in addition to the capital projects discussed above in section 2.3.1.

At 30 June 2015, the City Council had a total of \$12.8 million of vested assets included in WIP which should have been capitalised.

The risk for the City Council of not capitalising the assets in a timely manner is they are not being depreciated to correctly fund future replacement. This will mean that depreciation be understated in the financial records. We evaluated this and find the impact not to be material for 2014/15 as most of these vested assets are land which is not depreciated. We recommend 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.

Management comment

Staff agree, the amount of non capitalised vested assets on the WIP schedule is high. We also note that the misalignment does not result in a material misstatement as these non-capitalised vested assets were land which is not depreciated.

Businesses processes are being developed in 2015/16. Part of this process development and implementation is to ensure vested asset information is obtained from asset managers to enable capitalisation in a timely manner.

Council has also initiated a centre of excellence approach to asset management and one of the initial tasks is to review and consider information gaps in capitalisation of vested assets. This review is due to be completed in 2015/16 and recommendations will be made from the outcome of this review.

2.3.3 Plant, property and equipment - additions and disposals

Monthly reconciliations

Due to a change in the City Council's systems this year, asset managers can now dispose of and capitalise assets directly in Hansen 8. We noted that monthly reconciliations of disposals and additions are not completed. This increases the risk that in the information in the asset management system (Hansen 8) does not reconcile to the finance system (AX Dynamics).

We recommend the City Council ensures disposals and additions in the asset management systems are being reconciled to the finance system on a monthly basis.

Management comment

Staff agree. Hansen 8 was only partially operational for parks assets in 2014/15. From 1 July 2015 Hansen 8 is being used by Parks and Open Spaces and Hamilton Gardens. Three waters reticulation assets will be operational in H8 by the end of December. Reconciliations between H8 and AX financial are being prepared monthly from July 2015.

Addition and disposal approval process

Improvements could be made to the asset disposal and additions process. A formal form could be maintained and approved by a staff member with the appropriate delegation to ensure that the disposal or addition is valid. The person approving the disposal or capitalisation should check that the disposal adjustment is correct or the additions to the fixed asset register are capital in nature and do not need to be expensed.

We recommend that the process around disposals and capitalisations is formalised.

Management comment

Staff agree. As we are developing new systems policy and procedures need to be documented. We have identified that with the changes in responsibilities for the management of asset information there is a need for more training and development of formal policies.

2.3.4 Completeness of information in Hansen 8

From our review of the park and gardens and buildings revaluations, we noted not all of the City Council's parks and gardens, and building assets are currently maintained in the Hansen 8 database. We understand that the Council is still in progress in implementing Hansen 8. The City Council keeps additional spreadsheets outside this system to record some of the assets.

There is risk to the City Council that, by not recording all assets in one system, assets could be mistakenly excluded when a revaluation is performed. The use of a manually maintained spreadsheet also increases the risk that information may not be updated or accurate.

We recommend the City Council ensures all the parks, gardens and building assets are added to the Hansen 8 system so information is all maintained and processed within one database.

Management comment

Staff agree. Council is in the development stage of implementing new systems and plan to have all our parks, gardens and building assets data held Hansen 8.

Council has initiated a centre of excellence approach to asset management and one of the initial tasks is to review and consider information gaps in appropriate systems. This review will be completed in 2015/16 and include any Parks and Gardens and Building assets and recommendations will be made from the outcome of this review.

2.4 Statement of Service Performance

2.4.1 Interruptions to service measure

For unplanned interruptions, we selected a sample of reported interruptions data from the Hansen system.

We noted that work orders are not completed in all instances.

We also understand that implementation of Hansen 8 (in July 2013) allows for all data to be entered directly against the service request rather than being kept on separate reports. It is important for staff to ensure they are comfortable with the accuracy of the data being entered, and that there are processes and controls in place to ensure this. An audit trail and evidence of the internal controls used should also be available for review purposes.

We recommend the City Council implement appropriate processes to ensure that the data within the Hansen 8 system is accurate and evidence made available to place reliance on the system.

Management comment

Staff agree. To achieve this we will implement a business process in 2015/16 to review and audit service performance data within Hansen to provide evidence of data reliance.

2.4.2 Wastewater and Water Performance Measures - data entry into Hansen 8

During our prior year review of unplanned interruptions to water and wastewater service we noted a number of instances where data had been incorrectly entered into Hansen 8 or no data had been entered into Hansen 8 which resulted in interruptions defaulting to the same start and end time. As a result, the time taken to respond to these incidents is incorrectly stated.

We note that this incorrect data entry has contributed to the increased number of service requests that were not responded to within the targeted eight hour timeframe. Our review in the current year identified that the same issues still remains. We evaluated the likelihood that the overall outcome of the measure may be misrepresented (not-achieved vs. achieved) and concluded that the number of incorrect entries would not have changed the overall outcome.

We continue to recommend that controls are put in place to ensure that information entered into Hansen 8 is correct. This could include an independent review of all data entered into Hansen 8 or a system control preventing a completion date that precedes or the same as the start date being entered. A review over all response times that show the same start and end time should also be completed back to supporting documentation to ensure the details in the system have been entered correctly.

We note a new system is being implemented in late 2015. We recommend that the City Council ensure the system have adequate controls to ensure all data is complete, accurate, classified correctly, occurred and is recorded in the correct period. We will gain an understanding on the new systems in place as part of our 2015/16 audit.

Management comment

Staff agree. An improved system to capture service performance data and asset information commenced during 2015/16. This improved system captures service request data in Hansen 8 using an infield mobile solution resulting in a reduction in manual paper administration and data entry. As part of the new system implementation, business processes will be updated and created to reflect new data capture processes. This will also include a review and audit of service performance data within Hansen to provide evidence of data reliance.

3 Other less significant matters

Our findings and recommendations in relation to less significant matters found during the audit, are discussed in this section of the report.

3.1 Monthly creditor masterfile change report

During our review of the expenditure system, we found that no creditor masterfile report was being prepared or independently reviewed.

All new creditors or changes to a creditors bank account details are reviewed by the procurement team prior to being input into the system. However, there is a risk that an invalid or incorrect creditor masterfile change could be made without the procurement team being aware of the change. As a result, we had



to take a substantive audit approach to test creditor masterfile changes to cover off the fraud risk. From our substantive audit work performed, we have no issues to report.

We recommend the City Council considers running the creditor masterfile change report on a monthly basis. An independent reviewer should then match changes to supporting documentation. This report should be signed and dated to evidence the review.

Management comment

Staff agree some system improvements are required. Since the commencement of the 2015/16 financial year a report of all creditors' bank account changes is run monthly and reviewed by the Accounts Payable Supervisor (who does not have access to make Masterfile changes). The list is reviewed for anomalies and a sample of 10 bank account changes is checked against supporting documentation.

A list of duplicate bank accounts is also run and reviewed by the Accounts Payable Supervisor.

Both reports are signed and dated by the Accounts Payable Supervisor.

In addition to the above, bank accounts on invoices have always been checked against the masterfile by Accounts Payable staff at the time of invoice entry.

3.2 Payroll masterfile changes

From our payroll controls testing, we identified that the payroll masterfile audit report was signed off as prepared by one payroll staff member, but was not always independently reviewed by the other staff member. There is also a risk of self-review as the payroll staff member could make a bank account change and also be responsible for reviewing the monthly payroll masterfile change.

This creates a risk that the one staff member could have made an invalid change and it would not have been picked up by the second reviewer.

We recommend the City Council ensure the monthly payroll masterfile audit report is being independently reviewed each month. The person reviewing the monthly payroll audit report should be independent from those payroll staff members who have access to make the payroll changes.

Management comment

Staff agree some system improvements are required. The payroll master file is being independently reviewed and staff have been reminded to sign-off that they have completed this review. Any bank account changes are separately reported and reviewed.

3.3 Tradewaste revenue calculation

From our walkthrough of tradewaste revenue, it was identified that the City Council had been incorrectly charging wastewater customers. The error identified in the first quarter was \$17k. The issue has now been addressed by

the trade waste team leader and all the relevant fields updated in the authority system. A process is now completed to ensure the authority system is calculating the trade waste charges correctly.

We recommend all the fields are updated in the Authority system with any change to Bylaws. A sample of invoices should be manually calculated to check if they are being correctly calculated.

Management comment

Staff agree with the comments regarding updating Authority fields following any bylaw changes. To achieve this we will implement a business process in 2015/16 to periodically audit a sample of invoices for accuracy from Authority to provide evidence of invoice calculations, this audit will also be completed following any changes to bylaws.

3.4 Legislative compliance

We do not perform a detailed review of the City Council's compliance with in legislation, including bylaws and employment laws. Our review is focussed on significant legislation that may result in a material misstatement that may have an impact on our audit opinion. It is the Council's responsibility to ensure that any changes to legislation are updated in the systems.

This year we noted two instances where the City Council have not updated their systems where there has been a change to legislation and bylaws. This has resulted in immaterial errors being noted in the tradewaste invoicing as well as employee entitlement accruals.

In order to address the risk of non-compliance with laws and regulations, we recommend that the City Council consider incorporating legislation compliance as part of the internal audit programme.

Management comment

The recommendation is partially accepted.

While two minor changes were not addressed it is important for all legislative changes to be reflected in updated processes and procedures.

We do not agree that the internal audit programme can be expected to ensure all changes to legislation are incorporated and all legislation is complied with. The internal audit can only give assurance that processes exist to ensure legislative compliance requirements are met. An internal audit on legislative compliance will be considered as part of the development of the programme for 2015/16 or 2016/17.

Legislative compliance is a culture that is being fostered within Council. A number of other processes exist to ensure legislative compliance requirements are met. These include:

- Clear expectation on managers and staff to ensure that they have current knowledge of legislation and comply.

- *Maintaining an appropriate level of professional staff and subject matter experts.*
- *Monitoring proposed and new legislation, developing implementation plans for changes.*
- *Access to professional and sector advice or training.*
- *Regular reporting at a governance level on significant legislation changes.*

3.5 H3 events internal controls

During the financial year the City Council systems have been changed and all the debtor invoicing, receipting and payments of operating expenditure invoices for Claudelands Events Centre, Waikato Stadium, Hamilton Theatres, Seddon Park and the Grandstand are now being completed by H3 staff rather than by the City Council's finance team. H3 have introduced a new system called Ungerboeck.

Information is sent to the City Council's finance team to upload into the general ledger. The H3 group have their own separate bank accounts and its transactions do not flow through the City Council's main bank account. We found during our interim audit visit, the information from H3 was not reviewed by the finance team for accuracy. Also, due to small number of staff involved at H3, there are limited controls and segregations of duties in place at the unit.

With specific focus on the revenue system, we identified revenue invoices were not being independently reviewed, refunds were not authorised prior to payment and new debtors were not checked by an independent person.

Focussing on the expenditure system, we noted all new creditors are supposed to be set up and approved by the City Council staff. We found H3 staff has the ability to set up new creditors in the system. A creditor masterfile changes reports is not being run and independently reviewed and bank reconciliations were being prepared but not being independently reviewed. As a result of the above issues we took a substantive approach to auditing the revenue and expenditure for the H3 group. We found no significant issues during our substantive testing.

We recommend that the City Council perform an internal review over revenue and expenditure systems to identify areas where the internal controls can be improved.

Management comment

Staff agree and the newly appointed H3 Finance Manager will be address the matters raised as follows:

An Integrity Control register will be established within H3 Group to manage the recording of key integrity checks. This will be reported to management as a part of the regular internal reporting. Included in the register will be:

- confirmation of approval of Credit notes by appropriate DA holder;
- reporting to HCC of Vendor accounts; and
- bank reconciliation approvals.

This Register and reporting will be in place by 28 February 2016.

Revenue system

The review of invoicing is already embedded in the event and invoicing process. The event teams are responsible for recording and reviewing the activities against service orders, which are linked to an event. Once the event has been held, the team then confirms the activities, prepares the proforma invoice and flags to the finance staff that this is ready. The finance team then provide the final check of charges and then create the invoice. We believe appropriate controls are in place.

Customer refunds are authorised by the relevant DA level holder by way of obtaining a physical signature. H3 Group will include this review as part of the Integrity Control Register reporting.

Creditors system

H3 Group use Promapp as a documentation repository for all policies and procedures for all activities. The process documented for adding a new H3 Supplier to Ungerboeck, which is accessible to all staff, includes a check that they are an approved HCC supplier. The form required as part of the starter pack, is the standard HCC form. In addition the AX vendor code is required to be included in the master data vendor information, when Finance set up the approved new vendor in Ungerboeck.

H3 Group will establish a regular report to HCC of vendors, which includes the AX vendor code, for validation against the AX Vendor system. Should there not be an AX code H3 will facilitate to ensure this is received.

Bank reconciliations are prepared by the Finance Assistant regularly each month. When each are completed, the Accountant/Finance Manager approves the bank reconciliations, within Ungerboeck. As part of the integrity control checks, this will be included in the internal reporting of these.

3.6 H3 - revenue accruals

During our debtors' cut-off testing, we reviewed payments received by H3 after balance date. In the audit sample tested, we found one instance where an amount was received for an event that occurred predominantly in the 2015/16 year, but the revenue had not been accrued for the part that is relevant for the 2014/15 financial year. The error is not significant for audit purposes.

Upon further investigation, we found that H3's system does not recognise revenue accruals. Most events hosted by H3 require the debtors to pay in advance. All amounts are recognised as revenue in advance when they are billed and released as revenue when the event takes place. In cases where an

invoice is not created until after the event has occurred, no accrual is created to recognise that the revenue has already been received.

We recommend the City Council undertake a review of H3's year-end processes to ensure that cut-off is performed correctly and revenue is recognised in the appropriate period.

Management comment

The recording of revenue is configured in the invoicing and payment plans which are linked to contracts, through the Ungerboeck system. H3 Group will review at each major period Event bookings and, where material, will accrue the appropriate revenue (and any associated costs), in the appropriate period. This will form part of the half year and year end processes.

3.7 System issues at Waterworld

From our review of the cash receipting process at waterworld, we identified that there has been internet connection issues which have resulted in the cash receipting systems interrupted on a regular basis. The risk is that staff responsible to receipting cash did not always know if a transaction had been entered or not. This has resulted in variances between what is in the system and daily cash takings. We understand that IT is working at Waterworld to get the issues resolved.

We recommend that the internet connections issues are addressed. This will reduce the number of variances being noted between the system and daily cash takings.

Management comment

Staff agree the connectivity used to be a problem but the IT team have worked on the issue for the last two years. Issues around connectivity only happen intermittently and only when we have a power surge or something similar.

Waterworld cash handling systems and processes are robust and regular internal audits are conducted by senior Waterworld staff.

4 IT controls

4.1 Adding and removing users from network and applications

During our testing of the process for adding and removing users' network access, we noted that a staff member who left and then returned as a contractor was not removed and added as per the approved process. As a result, when the contract ceased, the person's access was not removed.

We recommend the process for adding, amending and removing users' network access should always be followed - including for staff returning as contractors as well as for staff changing roles within the organisation.

Management comment

The on-boarding and off-boarding process generally works well. This particular example falls outside the norm. An audit has been completed to ensure no other anomalies. Council is investing in further automation to reduce the possibility of this happening again.

4.2 Management of users' remote access

Staff and contractors are provided with remote access to the City Council's IT systems from their own devices.

This access includes staff of external contracting organisations sharing a generic login. The City Council may not be advised when these people have left the contracting company and should no longer have access.

We understand the City Council is looking at improving remote access management using two factors authentication.

We recommend the City Council implement stronger controls for remote access to its network and applications.

Management comment

Staff will review the remote access policy as part of implementing the new remote access technology. This is scheduled for completion July 2016.

5 Status of previous recommendations

Summary of action taken against previous years' recommendations:

Number of recommendations from previous years' audits	Current status
16	Matters that have been resolved
6	Progress is being made, but not yet fully resolved
2	No progress has been made

This summary needs to be read in conjunction with the status of recommendations raised in previous years' management reports as detailed in Appendix 2.

Appendix 1: Explanation of priority rating system

Our recommendations for improvement and their priority are based on our assessment of how far short City Council is from a standard that is appropriate for the size, nature, and complexity of its business. We have developed the following priority ratings for our recommended improvements:

<p>Urgent Major improvements required</p>	<p>Needs to be addressed urgently These recommendations relate to a significant deficiency that exposes the City Council to significant risk. Risks could include a material error in the financial statements and the non-financial information; a breach of significant legislation; or the risk of reputational harm.</p>
<p>Necessary Improvements are necessary</p>	<p>Address at the earliest reasonable opportunity, generally within 6 months These recommendations relate to deficiencies that need to be addressed to meet expected standards of good practice. These include any control weakness that could undermine the system of internal control or create operational inefficiency.</p>
<p>Beneficial Some improvement required</p>	<p>Address, generally within 6 to 12 months These recommendations relate to deficiencies that result in the City Council falling short of best practice. These include weaknesses that do not result in internal controls being undermined or create a risk to operational effectiveness. However, in our view it is beneficial for management to address these.</p>

Appendix 2: Status of previous recommendations

Outstanding matters or in progress

Recommendation	Current status	Priority	Management's proposed action
<p>5.1 General ledger reconciliations (2013/2014)</p> <p>In 2013, our review of monthly reconciliations identified the following exceptions:</p> <ul style="list-style-type: none"> The April 2013 property, plant and equipment reconciliation had not been reviewed. The December 2012 bank reconciliation had not been reviewed in a timely manner. The reconciliation was prepared in January 2013 and reviewed in February 2013. <p>We recommended reviews of general ledger reconciliations be carried out in a timely manner.</p> <p>In 2014, for PPE reconciliation, we noted the reconciliations were not dated by either the preparer or reviewer.</p>	<p>From our review of monthly reconciliations, we identified the following:</p> <ul style="list-style-type: none"> The suspense accounts were not always prepared or when they were prepared they were not always dated so we could evidence the timeliness of the review. These reconciliations were not always independently reviewed in a timely manner. The fixed assets reconciliations were not prepared until March 2015. The October 2014 Bank Reconciliation could not be found. <p>We understand that the significant delays in preparing or independently reviewing the reconciliations are mainly due to the system upgrade.</p> <p>In progress</p>	Necessary	New processes have been put in place to improve monitoring of reconciliation processes from November 2015.

Recommendation	Current status	Priority	Management's proposed action
<p>5.2 Liability management policy (2014)</p> <p>We recommended that City Council introduce processes to ensure such breaches do not occur in future.</p>	<p>During our review of the City Council compliance with the Treasury Policy, we identified three breaches of the policy during the year. The breaches have been reported to the finance and audit committees. The City Council was in full compliance by 30 June 2015.</p> <p>In progress</p>	<p>Necessary</p>	<p>During 2015 there were two breaches of policy for exceeding counterparty exposure limits and one for exceeding fixed interest maturity within the one to three year time band.</p> <p>Action has been taken with Council approving the revised Investment and Liability Management Policy. This has increased counterparty exposure limits from \$50 million to \$75 million per AA rated bank. Fixed interest maturity limits were also updated in the new policy to enable more appropriate management in single year time bands rather than multi-year bands.</p> <p>We cannot ensure that there will be no further policy breaches, but can ensure that we react quickly to remedy them if they occur.</p>
<p>5.3 Sensitive expenditure (2014)</p> <p>We recommended the Gifts and hospitality policy could be strengthened by requiring the receipt of gifts, except for inexpensive gifts are openly distributed by suppliers and clients, to be disclosed, to be recorded in a gifts register, and to remain the property of the entity. The policy should also define "infrequent" and "inexpensive" in relation to receiving gifts.</p>	<p>We have noted that the Gifts and Hospitality Policy has not yet been updated. We also note the City Council has not yet set up a gift register to record these gifts.</p> <p>Outstanding</p>	<p>Necessary</p>	<p>The Gifts and Hospitality will be reviewed and updated in the first quarter of 2016.</p>

Recommendation	Current status	Priority	Management's proposed action
<p>5.4 Sensitive expenditure policies (2013)</p> <p>We recommended sensitive expenditure policies are regularly reviewed to ensure they continue to be appropriate.</p>	<p>From our review, of sensitive expenditure policies this year we note many of the policies we looked at are now overdue for review. These include but are not limited to:</p> <ul style="list-style-type: none"> • hospitality and entertainment (approved in August 2015); • gifts and hospitality; • travel; • vehicle mileage reimbursement allowance; • recognition and rewards; • leaving and retirement functions; and • fleet vehicle use policies. <p>In progress</p>	<p>Necessary</p>	<p>We note a number of policies are now overdue. The risk presented by not reviewing these policies is minimal; management will incorporate their review into the work programme going forward.</p>
<p>5.5 Procurement (purchasing and contract management) (2014)</p> <p>We recommended that the City Council ensures all the contract information is updated in the system and this system is used to generate contract registers that are regularly monitored. This will help with preparation of the annual accounts for capital commitments and work in progress in the future.</p>	<p>The City Council's procurement and contract management system is not yet fully integrated. We expect that this will be completed during the 2016 financial year.</p> <p>In progress</p>	<p>Necessary</p>	<p>The contract register process was upgraded as part of the AX implementation project with financial information (payments, retentions etc.) and contract documentation being held in the AX system. This links with non-financial information held in the data warehouse. The system and integration is working as designed.</p>

Recommendation	Current status	Priority	Management's proposed action
<p>5.6 Property, plant and equipment (2014)</p> <p>We recommend that City Council focuses on improving the quality of information in the asset management system by implementing the identified changes in the AECOM report.</p>	<p>This is still work in progress in 2015. In progress</p>	<p>Necessary</p>	<p>The 2013 asset revaluation carried out by AECOM had seven identified improvements regarding asset information. Three of these improvements would materially impact on a revaluation. These improvements are:</p> <ol style="list-style-type: none"> 1. Pump station data not complete. City Waters has updated the Hansen database with all known information. A programme of works to obtain condition assessment information is being developed and planned to commence in 2015/16. 2. Water and Wastewater Treatment Plant is based on an incomplete data register. A programme to capture and manage all asset data is being developed. It is expected that this programme will take three to five years before it is completed and the asset data can be classified as "B" grade. 3. Refuse data is incomplete. Programme of works to improve the Hansen information is underway and is scheduled for completion in 2015/16.

Recommendation	Current status	Priority	Management's proposed action
<p>5.7 Transportation performance measures (2014)</p> <p>An independent audit is being completed over the Downer progress payments and claims process.</p> <p>We recommended the City Council ensures the independent audit includes a review of the Downer's performance information management systems as these systems are relied on for the statement of service performance reporting. This will give the City Council assurance that the information in Downer's system is complete and accurately recording the information.</p>	<p>An audit was conducted on Downers in the fourth quarter. This did not specifically include an audit of Downer's performance information management systems.</p> <p>Outstanding</p>	<p>Necessary</p>	<p>The remaining improvements relate to aerial pipe supports, water bulkmain chambers and incidental stormwater assets. Whilst all these assets are important to the operation of our networks, the value of the assets does not materially affect the activities revaluation. As and when resources allow, the asset information for these assets will be improved.</p> <p>An internal audit of 2014/15 performance information was completed in July/August 2015.</p> <p>We will implement an independent process in 2015/16 to audit performance information management systems within the Downer system to give Council assurance the information recorded is complete and accurate.</p>

Recommendation	Current status	Priority	Management's proposed action
<p>5.8 Payroll system (2014)</p> <p>We recommended that payroll staff should ensure that the variable data report, validation check report and payroll reconciliation form are independently reviewed on a regular basis, as intended. A payroll audit (masterfile change) report should also be prepared and independently reviewed against supporting documentation to ensure all changes within the payroll system are valid.</p>	<p>We noted from our review of payroll this year, the variable data report was not always independently reviewed when staff were on leave.</p> <p>The payroll audit report was also not always being signed off by the two payroll staff members.</p> <p>The full payroll reconciliation reports were independently reviewed and also checked by the Revenue Manager before the pay run was processed.</p> <p>In progress</p>	<p>Necessary</p>	<p>Staff agree that supervision to ensure the control operates is required. Managers have been reminded to ensure key controls are in place at all times (including when staff are on leave).</p> <p>Also refer to section 3.2 management comment.</p>

Matters that have been resolved

Recommendation	Outcome
<p>Waterworld - cash receipting processes (2014)</p> <p>We recommended the reason for the review of the daily cash-up processes is communicated again to ensure that any discrepancies identified are followed up in a timely manner.</p>	<p>Through our walkthrough completed this year, we did not identify any significant issues in relation to reviews performed over the daily cash receipt processes. Please refer to section 3.1.9 for an additional system issue noted.</p> <p>Matter cleared</p>
<p>Consultation procedures for newly established Council-controlled organisations excluded New Zealand Food Innovation (Waikato) Network Limited (2014)</p>	<p>The above issue has been reviewed by the City Council's legal advisors. Whilst the City Council did not specifically reference NZFINL in its consultation process NZFINL is considered a CCO per the LGA; no remedial action is recommended.</p> <p>Matter cleared</p>
<p>IT controls - removal of users' access to PeopleSoft is not occurring (2014)</p> <p>We recommended the termination process be reviewed and improved so that users' access to all applications is removed when they leave.</p>	<p>PeopleSoft access is now being removed.</p> <p>Matter cleared</p>
<p>IT controls - report on virus management status (2014)</p> <p>We recommended the Dimension Data monthly report include the status of virus definition updates on all of the City Council's computers and servers.</p>	<p>Dimension Data reports now include Anti-Virus and Patch management status.</p> <p>Matter cleared</p>

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Recommendation	Outcome
<p>IT controls - software updates (patching) of computers and servers (2014)</p> <p>We recommended Dimension Data carry out patching every month as is required in their contract.</p> <p>A report showing the latest patch status should also be included in the monthly report so the City Council's management can be assured patching is up to date.</p>	<p>Patching is occurring every month.</p> <p>Matter cleared</p>
<p>IT controls - review PeopleSoft users' access levels (2014)</p> <p>We noted in prior years reviews of PeopleSoft users' levels of access are not being done on a regular basis.</p> <p>We are also unaware of any review of Authority users' access.</p> <p>We recommended reviews of users and their access levels within the City Council's systems be performed on a cyclical basis to ensure they are still relevant to the position.</p>	<p>Reviews of Authority users are being done, and a review of finance system users was done as part of the MS Dynamics project.</p> <p>Matter cleared</p>
<p>IT controls - management of generic logins (2014)</p> <p>In prior year audits, we noted there was no process for managing generic network logins. We scrolled through the network login list and noted a number of generic logins which could not be explained.</p> <p>We recommended a review of all existing network logins should be done and any generic logins which are no longer required by the business should be removed, and the remaining logins should be documented as to their business need. Password change should be enforced on these logins to ensure no inappropriate user has access.</p> <p>A process should be established for formal approval for creation and documentation of generic logins. End dates should be entered for all generic logins so they are regularly reviewed as to their business need.</p>	<p>Only generic accounts required by the business are now being used.</p> <p>Matter cleared</p>

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Recommendation	Outcome
<p>Sensitive expenditure – Koha and Donations Policy (2014)</p> <p>We recommended the Koha and donations policy could be strengthened by including the means of determining the size of any Koha.</p>	<p>The City Council has now updated their Koha and donations policy in April 2015. We are satisfied that the policy has been strengthened by including the means of determining the size of any Koha.</p> <p>Matter cleared</p>
<p>Payroll system (2014)</p>	
<p>We recommended the City Council ensure that the masterfile change reports records all payroll changes including bank account changes.</p>	<p>We are satisfied that bank account and salary changes are now included on the payroll audit report.</p> <p>Matter cleared</p>
<p>Consideration of the purposes of Council Controlled Organisations (2014)</p>	
<p>We recommended that the City Council review if the functions and activities of the various CCOs fit the purpose of local government as intended in the LGA. The City Council may also consider the potential legal risk if CCO functions and activities do not meet the purpose of local government.</p>	<p>Management carried out a review of the City Council's CCOs to confirm if the various CCOs fit the purpose of local government as intended in the Local Government Act 2002. The City Council exited its shareholding stake in ISODA Inc.</p> <p>Matter cleared</p>



Recommendation	Outcome
<p>Project management (2013)</p> <p>Opportunities for improving the City Council's project management framework continue to be addressed. The City Council has increased staff capability through specific project management training. The focus of the training is to also ensure compliance with the City Council's project management policy. There are four of PWC recommendations outstanding.</p>	<p>Management have incorporated all of PWC recommendations as part of the continuous improvement programme.</p> <p>Management comment</p> <p>All recommendations have been progressed in various forms in keeping with the organisation's requirements, priorities and ability to incorporate the necessary change. A key element to address the implementation of two recommendations is the progression to implementation of a reporting tool – due mid-late Q2.</p> <p>Another is the implementation of the stage gate process which is pending – documentation has been developed and internally reviewed and implementation is pending Q2.</p> <p>Noting that the role, resourcing and ongoing function of PMO will be reconsidered following staff changes and restructuring in the PMO.</p> <p>Matter cleared</p>
<p>Work in progress (2014)</p> <p>We recommend the City Council ensures the \$17.3 million of completed projects are capitalised in the fixed asset register and are depreciated from 1 July 2014. The remaining work in progress balances should be regularly reviewed to ensure projects are being capitalised in a timely manner and relevant depreciation costs recorded on a timely basis. We will follow up on this during the 2014/15 audit.</p>	<p>During 2015 financial year, we confirmed the total of \$17.3 million of assets included in the prior year additions has now been capitalised in the fixed asset register. Please refer to section 2.3.1 for an additional issues noted.</p> <p>Matter cleared</p>

Recommendation	Outcome
<p>Risk management (2013)</p> <p>Strengthen current Risk Management procedures to also incorporate the requirements of and references to risk management templates, Risk Management Plans and Risk Registers. This will also ensure a common and consistent approach across the City Council.</p>	<p>We have noted that an organizational risk policy had been adopted during the period. Standardised risk templates have been created. These templates are being used across all departments. The City Council also developed an organisational-wide risk register.</p> <p>Management comment</p> <p>An organisation risk register is in existence and has been reported to the Audit and Risk Committee since 2012.</p> <p>Unit risk register templates have been made available through the unit business planning template, however in some instances areas have decided to hold a group version. Senior Leadership Team (SLT) and Chief Executive Officer (CEO) have a strong focus on risk at present and it is felt that the risks that were a result of a workshop with SLT and Councilors, no longer represent the true risks to the organisation.</p> <p>Work is in progress to identify the key operational and strategic risks to the organisation and will feature in the November 2015 Audit and Risk report for endorsement.</p> <p>The next phase of risk management is to identify the current state of a risk management culture in order to build and improve through maturity. This process has already begun with training targeting tier three managers.</p> <p>Matter cleared</p>

Recommendation	Outcome
<p>Fraud and corruption policy (2013)</p> <p>We recommended the City Council update its policy to include the requirement that regular reviews of transactions, activities or locations that may be susceptible to fraud are expected to be undertaken (or include this requirement in the Fraud Standard Operating Procedures).</p>	<p>The fraud and corruption policy was reviewed during the period. The policy was not updated to incorporate a system for undertaking regular reviews of transactions, activities, or locations that may be susceptible to fraud. Management are willing to accept the risk around not including the additional wording in the policy as there are additional controls in place at the City Council to address the risk.</p> <p>Management comment</p> <p>Amending the policy wording to include a requirement to review was seen as unnecessary as other controls and processes existed.</p> <p>A number of reviews of transactions, activities and locations susceptible to fraud are carried out on a regular and annual basis. The requirements are included in the appropriate policies and procedures such as purchasing cards, sensitive expenditure, procurement, cash handling etc.</p> <p>In addition, the internal audit programme is developed on a number of criteria and this includes a risk assessment incorporating fraud. As a result a number of internal audit reviews have included areas where fraud is more likely.</p> <p><input type="checkbox"/> The need for a change of wording will be reconsidered at the next policy review.</p> <p>Matter cleared</p>



Recommendation	Outcome
<p>Business Impact Analysis (2012)</p> <p>Undertake a "Business Impact Analysis" (BIA).</p>	<p>□</p> <p>The "BIA" has been performed. Business Continuity Plans have been developed.</p> <p>Management comment</p> <p>The BIA has been conducted and subsequent Business Continuity Plans have been created for the critical functions associated with along with the underpinning reliant IT functions; City Waters, Transportation, City Safe (CCTV and environmental health), Zoo, Finance, Events, Building Control, Central Customer Delivery, Economic Growth (development contributions) and sampling and analysis (city waters shared service).</p> <p>The Business Continuity Management framework has since been audited and endorsed by PWC.</p> <p>Matter cleared</p>
<p>Conflicts of interest (2014)</p> <p>During our review of the City Council's interests register for elected members and management, we also noted that the interests register could be expanded to include the nature of the relationship declared, whether there is a pecuniary interest or not, whether it is an actual, potential or perceived conflict of interest, and how the conflicts of interest will be managed. This will ensure the interest register is in line with best practice. The City Council should also ensure that this register is being updated annually.</p>	<p>The City Council now has a full interest register that incorporates the best practice guidelines.</p> <p>Matter cleared</p>

Report to the Council on the audit of Hamilton City Council for the year ended 30 June 2015

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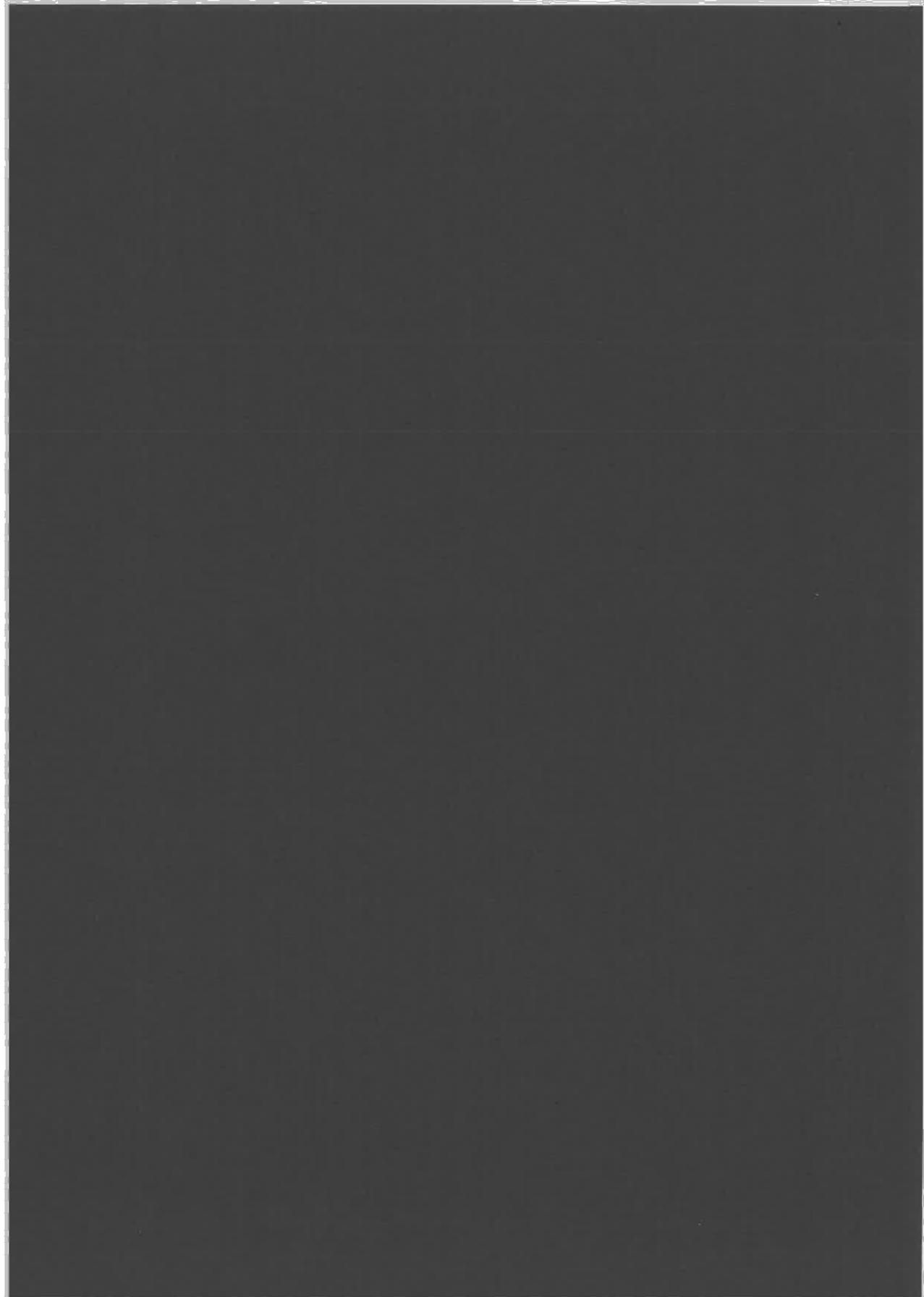
Appendix 3: Mandatory disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with generally accepted audit standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We confirm that, for the audit of the City Council's financial statements for the year ended 30 June 2015, we have maintained our independence in accordance with the requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.</p> <p>In addition to this audit, which includes our report on the Other Requirements, we have carried out assignments in the areas of audit of the debenture trust, summary annual report, long term plan amendment, consultation document, long term plan and other assurance services, which are compatible with those independence requirements. Other than these assignments we have no relationship with or interests in the City Council or any of its subsidiaries.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the City Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the City Council during or since the end of the financial year.</p>
Unresolved disagreements	<p>We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the financial statements. Management has not sought to influence our views on matters relevant to our audit opinion.</p>

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AUDIT NEW ZEALAND
 Mana Arotake Aotearoa





Resolution to Exclude the Public

Section 48, Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

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

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

General subject of each matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
C1. Minutes of the Audit and Risk Committee Meeting - Public Excluded - 26 November 2016) Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
C2. Hamilton Zoo Investigation Update)	
C3. PwC - Internal Audit Status Report		
C4. Cyber Security Risk Update		

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 enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h) Section 7 (2) (i)
Item C2.	to enable Council to carry out negotiations	
Item C3.	to maintain legal professional privilege	Section 7 (2) (g)
Item C4.	to enable Council to carry out commercial activities without disadvantage	Section 7 (2) (h)
Item C4.	to prevent the disclosure or use of official information for improper gain or improper advantage	Section 7 (2) (j)